

BBC



BBC ANNUAL REPORT AND ACCOUNTS
2011/12



BBC MISSION

The BBC's mission is to inform, educate and entertain. Under the terms of the Charter and Agreement, through its programmes and services, the BBC should promote six public purposes:

1. Sustaining citizenship and civil society
2. Promoting education and learning
3. Stimulating creativity and cultural excellence
4. Representing the UK, its nations, regions and communities
5. Bringing the UK to the world and the world to the UK
6. Helping to deliver the benefits of emerging communications technologies and services

www.bbc.co.uk/annualreport

Cover picture shows Jessica Raine and Helen George in BBC One's highly popular drama series *Call the Midwife*.

BBC ANNUAL REPORT AND ACCOUNTS 2011/12

**Presented to Parliament by the Secretary of State
for Culture, Olympics, Media and Sport
By Command of Her Majesty
July 2012**

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PART I

THE BBC TRUST'S REVIEW AND ASSESSMENT

Dominique Moore plays Mary Seacole, a Jamaican nurse best known for her involvement in the Crimean War; in CBBC's *Horrible Histories* (Series 4, Episode 5). This successful TV series is helping to educate children about British history.

CONTENTS AND SUBJECT INDEX

Part I BBC Trust contents

Overview

- 1-1 Chairman's foreword
- 1-2 Year in brief
- 1-4 A BBC for the future

BBC performance

- 1-6 Delivering value for money
- 1-10 Public purposes
- 1-11 Service performance
- 1-16 Serving all audiences
- 1-18 Securing editorial standards
- 1-20 Trading fairly

Accountability to audiences

- 1-22 Transparency
- 1-23 Understanding audiences
- 1-24 Audience Councils

Inside the Trust

- 1-26 BBC Trustees
- 1-28 Governance
- 1-33 Trust finances
- 1-35 Contact the Trust

Subject Index

	Part 1	Part 2
Board remuneration	1-9/1-32	2-48
Commercial strategy	1-8	2-36
Complaints	1-3/1-19	2-55
Delivering Quality First	1-4/1-6	2-14
Digital switchover	–	2-25
Distribution	1-17	2-25
Editorial priorities	–	2-14
Editorial standards	1-3/1-18	2-38
Efficiency	1-6	2-59/2-61
Equality and diversity	1-16	2-31
Executive Board directors	–	2-40
Fair trading	1-20	2-55
Impartiality	1-18	2-15
Licence fee	1-7	2-3/2-62
Public purposes	1-10	2-14
Reach by service	–	2-4
Senior manager remuneration	1-7/1-33	2-30
Service performance	1-11 to 1-15	2-4 to 2-7
Spend by service	–	2-64
Strategic objectives	1-4	2-14
– Do more to serve all audiences	1-17	2-23 to 2-25
– Improve value for money	1-2/1-6 to 1-9	2-22
– Increase distinctiveness and quality	1-2/1-13	2-14 to 2-21
– Set new standards in openness and transparency	1-22	2-26
Syndication of BBC content	1-3/1-17	2-11
Talent costs	1-7	2-33
Trust expenditure	1-33	2-65
Trust in the BBC	–	2-15
Trustees	1-26	2-49

CHAIRMAN'S FOREWORD



When I became Chairman last year I said that at its best the BBC is a broadcasting organisation whose quality and integrity are unique. After a year in the job I'm even more convinced of this.

This is fundamentally about content. Flick through the television and radio listings in pretty much any week of the past year and you will have seen numerous examples of exactly the distinctive, high quality programmes that the BBC should be making. Of course this is a perpetual challenge and, while the BBC doesn't always hit the target, programmes like the Scottish drama *Field of Blood* at one end of the spectrum and *Deadly 60* at the other show what can be done. And that's not to mention online.

In a year that seemed to produce a never-ending stream of massive news stories – the Eurozone crisis, phone hacking and the so-called Arab Spring to name a few – the BBC's coverage consistently got the balance right between immediacy and analysis. And in current affairs the *Panorama* programme on abuse at a Bristol care home reminded us that investigative journalism can be a potent force for exposing wrongdoing and protecting the most vulnerable in our society.

One of the main challenges over the past year has been working out how the BBC can continue to produce great programmes with less money. The plan we have devised won't be without some pain, but we have limited the impact on the screen and on the airwaves by focusing efforts on greater back-office efficiency wherever possible.

Of course the BBC isn't perfect and senior pay has been one of a number of areas where change has been necessary. During the past year the BBC exceeded its target to cut the number of senior managers by a fifth and the senior manager pay bill by a quarter. We will now go further, including publishing information about the salaries of the most senior executives in relation to the average pay of BBC staff, and using this multiple as a cap on wages.

The Trust has also made some changes to how the BBC is governed, including simplifying the complaints system, giving Ofcom a greater role when we consider proposals for new services, and further clarifying the roles of the Trust and the Executive Board.

Our research over the course of the year has revealed that most households consider that they get good value for their 40 pence a day, but we can't take this for granted. This year we published two reports by the National Audit Office that will help us improve value for money for audiences.

So it's been a pretty good year for the BBC, with much to celebrate, some ongoing issues to be tackled, and a challenging period ahead as, like the rest of the public sector, the BBC pulls in its belt. But I am convinced the BBC is up to the task of delivering for all audiences in more constrained times.

A final point. The successes of this year and indeed every year since 2004 have happened under the leadership of Mark Thompson, who will soon stand down. Mark has been an outstanding Director-General who has led the BBC with integrity, clarity of purpose and a commitment to the values of public service. He will be sorely missed and I wish him the best of luck for the future.

Lord Patten of Barnes CH
Chairman

In a year of massive news stories, the BBC's coverage consistently got the balance right between immediacy and analysis

The BBC exceeded its target to cut the number of senior managers by a fifth and the senior manager pay bill by a quarter

YEAR IN BRIEF

The BBC Trust exists to get the best out of the BBC for licence fee payers. This means setting a clear strategy and vision so that everyone – both within and outside the BBC – understands what it needs to deliver. Here, Trustees explain how we have worked in licence fee payers' interests over the past year.



Delivering value for money

Rotha Johnston, Chair of the Trust Finance Committee until December 2011

The public quite rightly expects the licence fee to be spent efficiently and effectively. As Trustees, it is our responsibility to ensure this happens. We challenge costs in a number of ways, including setting efficiency targets for the BBC as a whole, and limits for senior executive pay, and carrying out a programme of in-depth value-for-money reviews.

This year the BBC's efficiency programme delivered some £500million of savings with no negative impact either on overall audience numbers or on appreciation of programmes. We believe the BBC can make further savings and have set a new target of 11% in efficiency savings by 2016/17 as part of the BBC's wider Delivering Quality First strategy. Our focus next year will be to make sure these savings are made without jeopardising the distinctive, high-quality programmes that audiences love.

'We have set a new target for efficiency savings'



Making distinctive programmes

David Liddiment, Chair of the Audiences and Performance Committee

This year marked a milestone for the Trust: we have now completed reviews of all the BBC's domestic services. These reviews have shown us the great value that these services, ranging from BBC One to BBC 6Music to BBC Online, bring to licence fee payers.

They have also allowed us to identify areas where the services can still do better – such as being more distinctive both within the BBC's portfolio and within their markets, and meeting those needs of all audiences, including those in the north of England, Scotland and Northern Ireland who have traditionally appreciated the BBC less.

I believe firmly that the BBC can do even more to address these long-standing issues and we will continue to focus on them as we begin our second round of service reviews later in 2012.

'The BBC's services bring great value but could still be even more distinctive'



Securing editorial standards

Alison Hastings, Chair of the Editorial Standards Committee

At a time of unparalleled scrutiny of the press and media, the BBC must continue to strive to keep up the highest editorial standards. This is fundamental to audiences' trust – not just in the content itself but in the BBC as an organisation.

That's why the Trust has focused strongly on impartiality this year. We carried out a review of the impartiality and accuracy of coverage of the 'Arab Spring' – a subject of interest to audiences both at home and abroad. We also announced a series of seminars to look at impartiality in the coverage of topical issues.

I am confident that our work in this area will help ensure the BBC gives appropriate air time to a range of opinions and voices; an important obligation for us as a trusted broadcaster.

'The highest editorial standards are fundamental to audiences' trust in the BBC'



Connecting more audiences through new technology

Diane Coyle, Chair of the Strategy and Approvals Committee

People now expect to access the BBC programmes they love in many ways – TV set-top boxes, PCs, mobile phones, tablets, games consoles, internet-connected TVs. So we decided we had to review how the BBC reaches audiences through all these new technologies, and this year we published our new policy.

Our starting point was that BBC content should be available free to as many people in as many ways as possible, but that this must be done cost-effectively; and that the BBC seeks to minimise any adverse effects that its actions may have on the commercial market. Licence fee payers also rightly expect that any BBC content should be consistently high quality, and should include features such as parental controls and accessibility.

I believe our new syndication policy achieves all this, while leaving enough flexibility for the BBC to adapt to future technological change.

'Bringing the BBC to as many people as possible in as many ways as possible'



Reforming the BBC's complaints system

Richard Ayre, Chair of the Complaints and Appeals Board

When it comes to handling complaints, the BBC hasn't always kept pace with communications technology like emails and social networks. Moreover, while most complainants have been satisfied by the BBC's initial response, too often those who appeal find the system cumbersome and slow. So the Trust asked for a fundamental review to find a simpler, more responsive and cost-effective way of handling around a quarter of a million complaints a year.

We have agreed improvements to the complaints system to speed it up, simplify it, and focus resources where they are genuinely needed. If the BBC gets something wrong, these changes should ensure that complaints get more quickly to the people best placed to deal with them. And, if the BBC sometimes gets things badly wrong, it should deliver a remedy that's timely and unambiguous.

'A simpler, more responsive and cost-effective way of handling complaints'

A BBC FOR THE FUTURE

BBC Trust Chairman Lord Patten reflects on the BBC's purpose and describes the role it plays in the nation's creative and public life, as well as how it can best live up to its reputation and public service values.

The security of the licence fee and the broad base of public support and affection for the BBC give it the freedom and responsibility to live dangerously at times

What is the BBC for? What should it be trying to do? And is it as good as it can be? These are three questions I have explored in my first year as Chairman. Not as part of some navel-gazing exercise, but because the answers will help the Trust define the future direction for the BBC.

I've concluded that the BBC should not be afraid of the tag 'intellectual', but nor should it ever be too self-consciously highbrow. Instead, it should seek to occupy a broad cultural territory inhabited by the great majority of the audience who want to be not only entertained by the BBC, but also informed, educated and inspired by it.

This is important because if the BBC can encourage millions of people to pursue new ideas and ambitions, then it has already gone a long way towards justifying its funding and its elevated position in the nation's cultural life.

In doing this the BBC shouldn't try to choose between being popular or intelligent. It should try to be both. You need look no further than programmes such as *Stargazing Live*, *Sherlock* and *Today* for evidence of its ability to achieve this.

One thing I am convinced of is that the BBC will never prosper by playing safe. The security of the licence fee and the broad base of public support and affection for the BBC give it the freedom and responsibility to live dangerously at times. It should take that opportunity, not by lowering cultural standards or accepting the shoddy or vulgar, but by setting the bar high for itself and then continuing to raise it.

This means producing programmes that are not only high quality, but are genuinely distinctive, genuinely different from what is offered elsewhere – genuinely 'BBC'. This is particularly

important during peak time on the main television channels and radio stations, BBC One and BBC Two and BBC Radio 1 and BBC Radio 2, where the BBC attracts its largest audiences. In doing so the BBC shouldn't simply cater for minority interests; it must remain universally relevant and should seek to serve everyone who pays a licence fee.

I understand that this is difficult for channel controllers and commissioners when the overnight ratings provide such a public, daily scorecard. So part of the job of the Trust and the Executive has been to find ways to help those who make and commission programmes define what it means for the BBC to do well in other ways beyond ratings.

While programmes are the core of what the BBC does, there are other challenges. We have to make sure the BBC stays ahead of the technological curve and continues to reach licence fee payers in new ways, while not leaving behind its core audience.

The BBC must also continue to provide better value for money, while setting new standards of openness and transparency, particularly by telling people how it spends their licence fee.

And how the BBC goes about meeting these objectives is also important. This means always acting in ways that are consistent with the BBC's values.

If the BBC succeeds in meeting all these aims, it will continue both to justify the affection and trust that the public place in it and to enhance what I believe is a well-deserved reputation as the world's greatest broadcaster.

The BBC must continue to provide better value for money, while setting new standards of openness and transparency

Putting Quality First strategic objectives

In December 2010 the Trust set four strategic objectives for the BBC which underpin the Delivering Quality First strategy. We report on performance against these in the following pages.

Improve value for money for licence fee payers

Increase the distinctiveness and quality of output

Do more to serve all audiences

Set new standards in openness and transparency



BBC PERFORMANCE

Monitoring the BBC's performance is a key role of the Trust. We work to ensure it delivers value for money; we monitor performance of the BBC's services and other activities with audiences and we monitor how it is delivering the BBC's six public purposes. We assess compliance with editorial standards and fair trading frameworks. We have set four strategic objectives to guide the BBC in the future.

Presenters Mel Giedroyc and Sue Perkins front Series 2 of the *Great British Bake Off* on BBC Two, bringing together people from across the UK to celebrate fantastic home cooking.



DELIVERING VALUE FOR MONEY



The public expects the BBC to use the licence fee efficiently and effectively. Our challenge is to ensure that the BBC is highly efficient without jeopardising the distinctive, high quality services that audiences value. This year, the BBC delivered significant efficiency savings with no detrimental impact on overall audience numbers or appreciation scores.

Presenter Huw Edwards introduces the Ten O'Clock News. Audiences continue to rely on BBC News for trusted news and current affairs.

Value for money at the BBC

Value for money is essentially about the relationship between cost and performance: what you get for the money you spend. For the BBC, this means delivering distinctive, high quality services against the demands of a challenging licence fee settlement. Audiences want to see their money being spent on good quality output so the BBC focuses on making savings that affect neither the quality nor the scope of its services and reinvests these savings into its key priority areas.

Pressing for efficiencies and monitoring the BBC's performance in this respect is one of our key activities. We focus on the following areas:

- the BBC's long-term financial strategy
- licence fee collection activities
- significant financial proposals
- in-depth reviews of the BBC's activities and services
- BBC Worldwide's commercial strategy
- the strategy for Executive pay

This year, the BBC delivered significant efficiency savings with no detrimental impact on overall audience numbers or appreciation scores. This is a positive message in terms of the BBC's value for money. The results of the Trust's Purpose Remit Survey for 2011/12 showed that 56% of UK adults agreed that their household received good value from the licence fee. This level of appreciation has remained stable over the past four years but suggests that there is a need to better explain how the money is being spent.

Financial strategy

The Trust sets the BBC's high level strategy and budget and holds the BBC to account for its financial and service performance.

Efficiency savings

We set the BBC a target to deliver 3% year-on-year efficiency savings over the period 2008/09 – 2012/13. This year was the penultimate year of that efficiency programme, which in 2011/12 delivered £499million of savings against the 2008/09 baseline. We believe the BBC can make further savings and this year we set a new target to deliver efficiencies of an additional 11% by 2016/17. These efficiency savings will contribute to the BBC's wider Delivering Quality First (DQF) strategy.

In July 2011 we commissioned an independent review by Ernst & Young to assess whether the Executive had approached the DQF efficiency programme in a rigorous and thorough way. In September 2011 Ernst & Young concluded from their findings at the time that the Executive was running an effective programme from which robust and challenging efficiency proposals have emerged. Their report also noted that further work was inevitably required to develop detailed cost saving plans, particularly for the latter years of the programme, and made recommendations as to how the BBC can deliver these plans in a challenging economic environment.

Our focus next year will be to monitor DQF implementation, in particular to ensure efficiency savings are not made at the expense of the quality or scope of BBC services.

Performance against service licence budgets

We issue each of the BBC's 28 services with a service licence, setting out what we expect it to achieve and its budget. If the service over or underspends by more than 10%, we consider whether the character of the service has changed significantly. All services performed within the budget limits set by the Trust except for BBC HD, BBC Radio 1 Xtra, BBC Radio 5 Live, BBC Radio 4 Extra and BBC Red Button which underspent by more than 10%. We are satisfied that these underspends have not compromised the quality or scope of the services.

Talent pay

We recognise the importance of talent to audiences and the contribution it makes to the distinctiveness of programmes. However, it is vital that the BBC reaches the right deals that represent value for money for licence fee payers. In 2009, we asked the BBC to reduce the amount it spends on talent, in particular top talent, without compromising the quality of programmes. The BBC is continuing to meet this commitment and this year spent some £203million on talent, £9.5million less than last year.

Ensuring the licence fee supports the wider economy

The BBC, through the way it spends the licence fee, plays an important role in supporting the UK's wider creative economy. In a challenging economic climate, the security of the licence fee can be an important source of funding for smaller businesses and independent producers, and key to their success. The BBC spent £1,095million in the UK's creative economy during 2011/12. The BBC commissioned 37% and 19% of eligible television and radio content respectively from external producers.

Licence fee collection

The Trust is responsible for the BBC's licence fee collection arrangements and we aim to ensure they are efficient and appropriate. The public expects as much of the licence fee as possible to go towards funding high quality programmes and content. When compared with the previous year, the amount of the licence fee spent on collection has remained stable at 3.4%. The combined cost of collection and evasion has also remained stable at 8.6% of licence fee income.

Significant financial proposals

The Trust scrutinises key BBC financial proposals where these have a significant impact on the BBC's finances. This year, the Trust approved the re-tendering of the BBC's TV Licensing collection

and administration contract. The new contract is expected to deliver significant savings over the next eight years.

In-depth reviews

We commission in-depth reviews of the BBC's activities, such as Ernst & Young's DQF efficiency programme review. In addition, we undertake our own reviews of BBC services. The National Audit Office (NAO) also carries out value-for-money reviews and reports its findings to the Trust.

The Trust works with the Executive to ensure the BBC acts on the recommendations made in these reviews, and the Executive reports back to us on its progress against the agreed actions.

Service reviews

We review each BBC service to assess its performance against its service licence at least once every five years. This rolling programme of reviews helps us to assess the BBC's value for money at a service level.

This year we reviewed: BBC Radio 5 Live; BBC 5 Live Sports Extra; the BBC News Channel; BBC Parliament; BBC Asian Network; BBC Local Radio; and the BBC's national radio stations

The BBC delivered
£499million of efficiency
savings in 2011/12

Strategic objective

IMPROVE VALUE FOR MONEY FOR LICENCE FEE PAYERS

This year the BBC continued to improve its efficiency and value for money. Next year the BBC will work towards securing further savings.

£499m

Efficiency savings in 2011/12

Annual efficiency savings exceeded the 3% target set by the Trust.



-24.4%

The Executive exceeded the target of a 20% reduction in the number of senior managers.¹

¹ A 'senior manager' is defined as a public service employee in a senior manager grade.



-26.9%

The Executive exceeded the target of a 25% reduction in the senior manager pay bill.



56%

56% of UK adults believe that the BBC offers good value for money.²

² Purpose remit study 2011/12.

DELIVERING VALUE FOR MONEY CONTINUED



Matt Smith as the Doctor and Karen Gillan as Amy Pond in *Doctor Who*, one of the BBC's most valuable exports through BBC Worldwide.

in Northern Ireland, Scotland and Wales. In general, we found that each service operated within its agreed service licence budget while either broadly maintaining or improving its overall performance in terms of reach and quality. Looking ahead, all services will need to meet the challenge of delivering the savings proposed under the BBC's new strategy, while maintaining or improving quality.

NAO reviews

The NAO reported on the following two reviews in 2011.

The BBC's efficiency programme

This NAO review considered the BBC's progress up to March 2011 in delivering its efficiency programme. It concluded that the BBC was on track to exceed its efficiency target while broadly maintaining its overall performance in terms of audience measures. The programme was therefore delivering value for money given its objectives. The BBC is now implementing a series of measures to address the NAO's conclusion that the BBC could not demonstrate whether all the savings represented genuine efficiencies. The report recommended that the BBC should build on the successful elements of its efficiency programme and strengthen its approach to targeting savings by creating a culture in which cost is challenged on a continuing basis.

The commercial strategy aims to ensure BBC Worldwide delivers growing and sustainable dividends that support the BBC's overall funding model

Cost of support functions

In this review, the NAO found that the BBC had reduced the costs of most of its support functions over the last five years and concluded that the BBC's current approach to challenging the cost of its support functions was broadly effective in improving value for money. The NAO recommended that the BBC should fund its support services based on a consistent and rigorous understanding of what those services should deliver to the BBC, a recommendation that the BBC is now implementing.

BBC Worldwide commercial strategy

BBC Worldwide exploits the value in the BBC's intellectual property on the licence fee payer's behalf. Through dividends and direct investment in programmes, it makes a significant contribution to the funding of the public services. In approving the commercial strategy, the Trust gives BBC Worldwide clear parameters within which to operate to ensure its activities are aligned with the BBC's public service remit. In particular, we seek to ensure that its commercial activity does not damage the BBC's brand or reputation, at home or abroad. The strategy aims to ensure BBC Worldwide delivers growing and sustainable dividends that support the BBC's overall funding model.

BBC Worldwide's contribution to the BBC's finances increased again in 2011/12 – up 18.7% compared to the previous year, to £216million.

Executive pay

We recognise that our approach to pay at the BBC – particularly to the amount paid to senior executives – plays a part in delivering value for money. Our approach to executive pay is to balance the need to attract high calibre people to manage the BBC with the need to ensure value for money for the licence fee payer.

This year the Executive met the target we agreed with them in 2009 to reduce the BBC's senior management pay bill by 25%, and to reduce the number of senior managers working in the public service divisions of the organisation.

In July 2011 we updated our senior management pay strategy to ensure that the BBC's remuneration practices would not undermine the trust and confidence of the public we serve.

The new initiatives announced this year include:

- reducing the number of senior managers to around 1% of the total staff population
- withdrawing bonuses from all executive directors (where these had previously been frozen)
- improving the fairness of the BBC's remuneration policy, by removing the entitlement to private health insurance for new senior managers
- publishing more information about the pay of senior managers

We also agreed that every year in the Annual Report we would publish a 'pay multiple' so the public can see exactly how the pay of those at the top of the BBC compares to the rest of the organisation. We will do this by comparing the median pay of Executive Board members to median pay within the BBC. This will allow licence fee payers to have a greater understanding of the amount paid to the BBC's most senior executives, and it will allow the public to compare the BBC with other organisations who choose to publish this information. We are using this pay multiple to cap the amount paid to executive directors.

The pay multiple for executive directors is published in Part Two of this Annual Report, and we have published the multiple for the Director-General in our report in the next column.

Executive Board Remuneration Report 2011/12

The amount paid to members of the Executive Board for 2011/12 is detailed in the Executive Board's Remuneration Committee report in Part Two of this Annual Report.

The Director-General

The Director-General of the BBC, Mark Thompson, is the organisation's chief executive officer and editor-in-chief; he chairs the BBC's Executive Board.

The Director-General's remuneration consists of a base salary and a pension, on standard BBC terms. With the indefinite suspension of the bonus scheme for all executive directors there is now no performance-related element to the Director-General's remuneration.

The Director-General is provided with a car and driver which he uses for business journeys principally in London; he is not entitled to a personal car or fuel allowance.

In 2011/12 the Director-General's salary has been reduced for the second year in a row. This reduction is the result of his decision to forego a cash pension supplement that was previously paid, alongside his decision to take a voluntary reduction in his base pay.

In 2011 we agreed to publish the multiple of the BBC median earnings and Director-General's earnings. For the BBC in the year 2011/12, this multiple was 16.5 (16.8 in 2010/11). This figure is calculated using the Director-General's substantive salary, not taking into account the voluntary pay surrender for 2011/12.

In March 2012, Mark Thompson indicated that he would stand down from the post of Director-General; he will leave the BBC with a significant legacy of achievements and our very best wishes for the future. We are recruiting a successor to fill this role.

Non-executive directors

The non-executive directors receive a fee determined by the Trust. Fee levels were set with reference to rates paid by other UK corporations, but at a level such that the non-executive directors are not financially dependent on the BBC.

Each non-executive director receives a base fee; the chair of each committee receives an additional fee for undertaking that task; and the senior non-executive director also receives an additional fee. Non-executive directors are reimbursed for expenses and any tax arising on those expenses is settled directly by the BBC.

We last reviewed the fees for non-executive directors in December 2010, and decided to maintain the fees at the existing level; we will next review these fees in December 2013.

In 2011/12 the non-executive directors took a voluntary reduction in their fees equivalent to one month's pay.

Executive directors

The Executive Board's Remuneration Committee sets the remuneration package for individual executive directors, within a strategy agreed by the Trust. Each year the Trust considers a formal report assuring us that our strategy is being followed. We have considered the report for 2011/12 and are content with the approach being taken. Further information on the remuneration packages for executive directors can be found in Part Two.

PUBLIC PURPOSES

The six public purposes, built on the BBC's mission to inform, educate and entertain, and set out in the Charter, should underpin everything the BBC does. This year the BBC continued to deliver most of its purposes well in line with the public's expectations.

The Trust measures how well the Executive is delivering the purposes, set out on this page, using a number of sources, including our annual Purpose Remit Survey. This asks audiences for views on how important each issue is and on the BBC's performance.

Survey results this year showed that impressions of the BBC remained generally positive, with more than eight in ten adults being 'high' or 'medium' approvers. As in previous years, a very high percentage of adults agreed that they would miss the BBC if it wasn't there. People continued to have very high expectations of the BBC across all public purposes and the BBC continued to deliver most of its public purposes well in line with these

expectations. The emerging communications purpose has increased in importance and the BBC's performance has kept pace with expectations. However, distinctiveness and portrayal remain areas for improvement within the creativity and representation purposes.

In the coming year the Trust will review the purpose remits, which define priorities within each purpose for the Executive and how they are measured to ensure they remain relevant.

Sustaining citizenship and civil society

This purpose continued to be very important to audiences and, overall, their expectations are being met. Audiences continued to believe that the BBC provides independent, accurate and impartial news and analysis as well as allowing people direct access to the institutions that represent them. However, there is still a gap in terms of 'understanding politics in my nation/region'.

Representing the UK, its nations, regions and communities

This remains an area of concern. This year the gap between audience expectations and the BBC's performance widened, particularly the portrayal of nations and regions, even while quality scores remained high. Audiences in Northern Ireland, Wales, Scotland and some English regions felt the BBC could do better. The BBC must continue to focus on delivery of this purpose and it is making a number of changes to the way it commissions and produces content in order to do this more effectively.

Promoting education and learning

Audiences continued to see the BBC's contribution to education as a key strength of the BBC, and expectations in this area remained high. Parents with children under 18 continued to feel that the BBC could do more to help children and teens with what they learn in school and college.

Bringing the UK to the world and the world to the UK

The BBC continued to perform strongly on this purpose. The performance score for helping people understand international news and events increased across all audience groups this year. The context for this increase was a major international news agenda, including the Arab Spring and the Japan earthquake.

Stimulating creativity and cultural excellence

Providing high quality, entertaining content is seen as a strength of the BBC. Audiences strongly appreciated the programmes and services and expected the BBC to set a benchmark for quality. However, audiences remained concerned about the provision of fresh and new programmes and felt that the BBC could take more creative risks. We know from the qualitative research we did this year that this is particularly an issue in television, so increasing distinctiveness continues to be a key objective for the BBC.

Helping to deliver the benefits of emerging communications technologies and services

By the end of 2011, digital switchover in TV had successfully covered nearly two-thirds of households in the UK. Listening to digital radio also continued to grow. The digital purpose scored higher in terms of both importance and performance in this year's survey and scores were highest among teenagers and young adults. Continuing innovations, such as YouView, launching in 2012, will continue to enhance accessibility for all audiences.

SERVICE PERFORMANCE



This year we completed the first cycle of our reviews of all the BBC's domestic services. The BBC continues to reach a wide audience who value its high quality content. We believe the BBC can improve further the distinctiveness of its programmes.

BBC Radio Cornwall presenters David White and Debbie McCrory at the Torch Relay in Falmouth. A Trust review found that BBC Local Radio is highly valued by its listeners.

Television

BBC Television performed very strongly again this year with levels of viewing and viewers' perceptions of quality remaining very high indeed. We carried out audience research which helped explain how, while most television viewing is still live, the use of catch-up and on-demand means people are enjoying the television they watch even more.

In the 18 months since we completed our reviews of BBC One, BBC Two and BBC Four, we followed up on the actions we set the Executive. While we have no doubt that the quality of output is very high across the board, we are still challenging the Executive to take more creative risks and to offer more distinctive programmes, particularly in peak time when viewing is highest. Our challenge is rooted in our duty to monitor the BBC's performance in promoting its culture and creativity public purpose and, specifically, in the fact that the public has high expectations for 'fresh and new' content, which the BBC could do more to meet. We are clear also that the BBC should use the security of its licence fee funding to take creative risks that a commercial broadcaster might never consider.

BBC One

BBC One remains the nation's most watched channel and audience perceptions of the quality of its programmes remain very high.

We continued to assess progress against the points we raised in the service review. These focused on the range of programming and the degree of creative ambition in peak time. High points included *Sherlock*, which was loved by both audiences and critics. We are continuing to challenge BBC One to offer its viewers more in terms of fresh and new ideas and we support the controller's ambitions for BBC One to be more topical and to ensure that serious current affairs has a peak-time home.

BBC Two

We are confident that BBC Two is succeeding in becoming more distinctive as our review urged. Its programme ratings for 'high quality' and 'fresh and new' are evidence that viewers appreciate this.

The return of original drama to BBC Two has helped broaden the BBC's drama portfolio while the range of factual programming, from history to science and the arts, together with some noteworthy current affairs programmes, were also real strengths this year.

Daytime on BBC One and BBC Two

In our service reviews of BBC One and Two we agreed with the Executive that daytime programming needed to be refreshed. We were pleased to see that quality scores for daytime rose this year. The range and diversity of programming increased, with

SERVICE PERFORMANCE CONTINUED



Ayesha Dharker and Sanjeev Bhaskar in BBC One's daytime drama, *The Indian Doctor*.

notable successes in original drama, consumer journalism and current affairs programmes.

BBC Three and BBC Four

BBC Three had a strong year with higher reach among its target audience and higher perceptions of quality.

Following our review of BBC Four, we asked the Executive to increase the channel's impact, particularly for arts and culture. So we were pleased to see this year that viewers are much more familiar with the channel and its role. BBC Four performed very well both with its original programmes and with dramas acquired from overseas.

BBC ALBA

Last year we published our findings on the BBC's Gaelic-language television channel BBC ALBA which concluded that it is performing well and is appreciated by both fluent Gaelic speakers and Gaelic learners. The service launched on Freeview and cable in 2011, leading to a large increase in its audience.

CBBC and CBeebies

CBeebies continued to perform exceptionally well. It remains the most watched children's channel among children aged six and under, with around 49% watching each week, and is highly valued by their parents.

CBBC also had another very strong year. Reach among children aged 6–12 increased slightly to 39%, while parents' perceptions of the quality of the channel remained high. In cable and satellite homes, where CBBC competes with channels not available on Freeview, reach also increased to 31%.

We agreed with the Executive that, once the digital switchover is complete, and every home has access to CBBC and CBeebies, the BBC will no longer broadcast children's programmes on BBC One and BBC Two. We will review the BBC's children's output again in the coming year as we start our second five-year round of service reviews.

Radio

Nine out of ten adults listen to the radio every week and hours of listening remained fairly stable, following some years of decline.

BBC radio had another very strong year with quality scores higher across the board. The BBC's digital stations all increased listening this year. 29% of all listening to BBC radio is now via digital platforms.

BBC Radio 1

BBC Radio 1 has a remit to serve a young audience and plays an important role for the BBC in this respect, bringing news and other public service output to those who might not otherwise hear it. However, this remit is challenging as radio listening remains lower among teens and young adults.

Audiences' perceptions of quality increased from an already high level

BBC Radio 1's reach remains very high among its target audience of 15–29 year olds, with some 42% of them listening each week. However, due to the number of its listeners who are outside that age group, the median age of BBC Radio 1 listeners is 30. This has been broadly stable since our service review in 2009, taking into account a change of measurement.

We continued to press the Executive for evidence that the station is focused on serving a young audience and we were pleased to see schedule changes and online developments designed to increase relevance and appeal to the young. We still expect to see a shift in the balance towards its younger listeners and we will continue to monitor performance.

BBC Radio 2

BBC Radio 2 continues to be the nation's most popular radio station. In our service review published in 2010, we made a number of recommendations to make the station more distinctive, particularly during the day, and we asked the Executive to ensure that the station remains focused on an older audience. We are satisfied with progress this year but will continue to assess this.

BBC Radio 3

Our service review found that BBC Radio 3 makes a significant contribution to the BBC's fulfilment of its public purposes but faces a challenge in appearing accessible to new listeners. The Executive made some small changes to morning programmes designed to improve the station's accessibility. Listening figures remained broadly stable while quality scores increased, with appreciation the highest for any BBC network radio station, although there was some external criticism of the changes. BBC Radio 3 must maintain its distinctive range of music, but we support it making changes from time to time in how it delivers that music to audiences.

BBC Radio 4

BBC Radio 4 had an excellent year, with a range of programming that stood out for listeners. It reaches 10 million people each week and perceptions of quality and distinctiveness were extremely high. In our service review, we endorsed a strategy intended to broaden the station's appeal to more diverse audiences without compromising the quality of its programmes. We were pleased to see some initial signs that the long-term decline in listening amongst 35–54 year olds is being reversed, since this audience is very important to the long-term health of the station. The Executive also undertook initiatives to increase appeal to people from different parts of the UK, and from black and minority ethnic groups. There was some progress in these areas, but we will continue to urge the Executive to address this challenge.

BBC digital radio: BBC 1Xtra, BBC 6Music and BBC Radio 4 Extra

The digital-only stations all had a successful year with increases in reach in each case, together with strong appreciation. BBC Radio 4 Extra became the most listened-to BBC digital station.

BBC Radio 5 Live and BBC 5 Live Sports Extra

We concluded a review of these services this year. Both performed well and their audiences value their mix of accessible news and sports programmes. We concluded that BBC Radio 5 Live must increase its focus on news and we asked the Executive to ensure that a range of sports, including those of minority interest, gets coverage alongside football.

BBC Asian Network

This year we also completed our review of the BBC Asian Network. The station is valued for both its music output and its original news and speech programming by the British Asian community it serves and is recognised for its distinctive offer compared to other Asian radio stations. The challenge for the station over the next few years will be to preserve

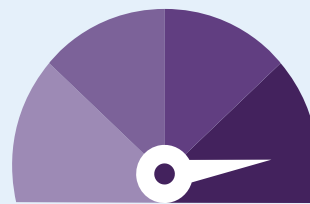
BBC Radio 4 had an excellent year, with a range of programming that stood out for listeners

Strategic objective

INCREASE THE DISTINCTIVENESS AND QUALITY OF BBC OUTPUT

This year the BBC made progress against this objective but the Trust will seek further evidence of distinctiveness in the coming year.

Audience appreciation



Audience appreciation (AI) rose for most BBC output in 2011/12. The television AI score rose to 83 from 82 in 2010/11. The radio AI score rose to 81 from 80 in 2010/11 (BBC Pulse Survey). The online score fell to 77 from 80 in 2010/11 (BBC Online Quality Survey).

Perceptions of 'fresh and new'



The proportion of the audience agreeing that BBC television programmes are 'fresh and new' rose to 70% from 68% in 2010/11 (BBC Pulse Survey).

SERVICE PERFORMANCE CONTINUED



Mobile is the fastest growing platform for BBC News with a massive take-up on smartphones and tablets.

its distinctiveness and continue to improve quality while reaching some new listeners and reducing its costs.

Nations radio

This year we completed our reviews of the BBC's national radio stations (BBC Radio Scotland, BBC Radio Wales, BBC Radio Ulster/ Foyle, the Welsh language station BBC Radio Cymru, and the Gaelic language station BBC Radio nan Gàidheal). We found that the stations operate in a very different cultural, social and political environment and that listener numbers and audience perceptions of quality vary too. However, each service offers licence fee payers distinctive content. We challenged the Executive to develop its strategy for each station in response to feedback from our public consultation and research, and we agreed a number of actions including safeguards to preserve the most distinctive aspects of each station.

BBC Local Radio

We reviewed BBC Local Radio this year. Its listeners value highly the distinctive content, including local news, community-based discussion and sports coverage. Alongside our scrutiny of the BBC's wider strategy, we consulted publicly on the Executive's proposals for BBC Local Radio. We found strong opposition to the plans and concern that cuts would damage local journalism. The Executive responded with a revised set of

proposals which we have now approved. Our review highlighted the aspects of BBC Local Radio that are valued by listeners and we will monitor the impact of the forthcoming changes to ensure that these aspects are safeguarded.

BBC Online

Around 20 million people use BBC Online each week, making it one of the BBC's most used services. While the number using the service has grown a little, people are accessing BBC Online on more devices – over a quarter of use is now via mobile phones and tablets.

The service is a year into a strategy which aims, on a lower budget, to simplify navigation and increase focus. As sites were relaunched, user perceptions of quality of some of them were affected. We believe it is important that users find BBC Online a high quality offer and we will look at what they expect from the service when we review it in 2012.

BBC Red Button

The service performed well this year, with quality scores improving slightly and weekly reach remaining stable at around 31%. In line with the conclusion of our 2010 review and wider BBC strategy, there will be some reductions to the service in the coming years.

Each Nations Radio service offers listeners something they cannot get elsewhere

News and current affairs

BBC News is a vital service to licence fee payers and remains by far the most trusted source for news in the UK. It has maintained its very high weekly reach of over 80%. The strong news agenda this year meant that reach to BBC news on television remained strong, with 69% watching each week, despite the many other sources of news available to people. Reach to news and current affairs on BBC radio was also strong.

This year we published our review of the BBC News and BBC Parliament channels. We found that both have record, and growing audiences. Audiences consider the BBC News Channel to be high quality and distinctive. BBC Parliament's audiences praise its live, unmediated coverage of political institutions and also value its commitment to covering the devolved nations.

In recent years, there has been a gradual decline in the number of people watching current affairs programmes on television. Nevertheless a full range of high impact current affairs is a vital part of the BBC's offer on television and radio, even with budgets under pressure. Specifically, reviewing BBC costs and scope this year, we concluded that the BBC should maintain the volume of current affairs programmes on BBC One and BBC Two.

Sport

BBC Sport performed strongly across television, radio and online. Reach was lower this year because there were fewer big sporting events, but audiences still rated BBC Sport highly and the BBC's share of sports viewing far outweighs its share of output.

BBC World Service

The BBC World Service reached 180 million adults around the world this year, an increase of 14 million from last year. While numbers listening to short-wave radio services continued to fall, there was strong growth in TV reach and 27 million people watched the BBC World Service's non-English television services each week (an increase of 9 million from last year). Total usage of the World Service website was relatively stable, while access online via mobile phones continued to show strong growth. In general, the service continued to be highly rated by its audiences for objectivity, relevance and value.

BBC World Service Radio in the UK is available on DAB radio, digital TV and online. It is also broadcast overnight on BBC Radio 4. This year some 1.5 million people in the UK listened each week.

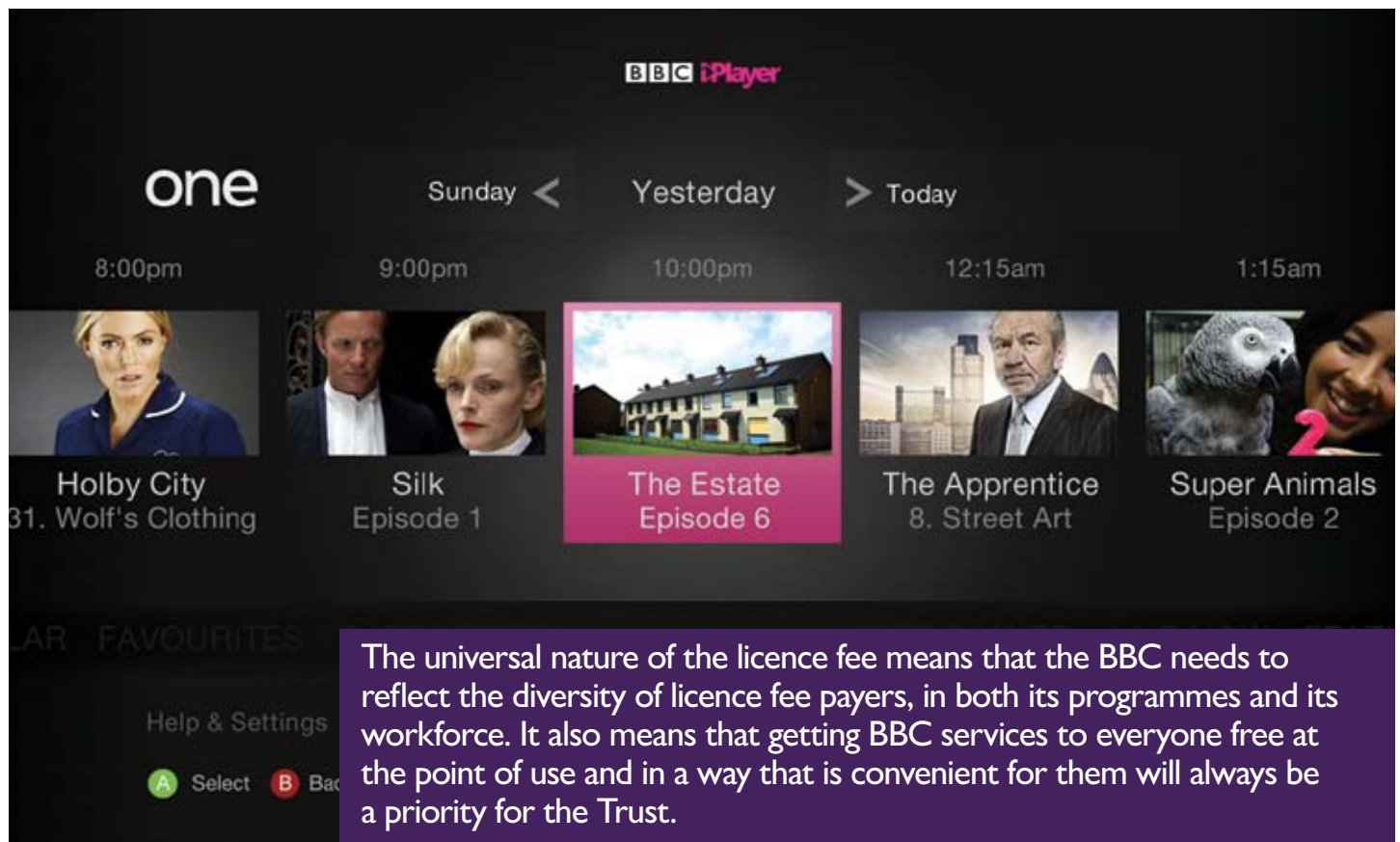
Under the licence fee settlement agreed in 2010, from 2014/15 onwards, the BBC World Service will be funded by the licence fee. We will continue to monitor performance of the service as an important part of the BBC's remit to serve global audiences.



Felicity Evans presents the Radio Wales breakfast show, *Good Morning Wales*. BBC Radio Wales, along with other national radio stations, offers a distinctive service to listeners.

BBC News remains the most trusted source for news in the UK

SERVING ALL AUDIENCES



The Xbox iPlayer home screen. Our revised syndication policy allows BBC content to be accessed through a wide range of platforms and devices.

Getting the BBC's services to the whole population; ensuring there is something for everyone; representing the whole of the UK in its output – these are the principles we have set out for serving all the BBC's audiences.

Portraying our audiences

We monitor through our Purpose Remit Survey how different communities and parts of the UK are portrayed in the BBC's programmes. We know that while the BBC is generally highly rated by audiences across the UK, these ratings are lower further away from London. The Executive is working hard to address this challenge, and this year the BBC published commitments for England, Scotland, Wales and Northern Ireland, setting out in more detail how it will serve audiences in each nation. The Trust agreed to BBC targets for network television spend out of London, and we are pleased that the BBC has made good progress with 41% of spend out of London against a target of 50% by 2016, and 16.3% in Scotland, Wales and Northern Ireland against a target of 12% by 2012 (17% by 2016).

A BBC representative of all licence fee payers

To represent licence fee payers effectively, the BBC itself should reflect the diversity of the UK. This year the Executive published *Telling our Story: Equality and diversity at the BBC*. It explains how the BBC is meeting its equality and

diversity objectives, and provides information about the profile of employees in six categories (age, ethnicity, disability, gender, religion/belief and sexual orientation). In January the Executive also published specific equality objectives to underpin the BBC's diversity strategy. The Trust will report on its progress next year.

As noted in our report, *Observations on the BBC Executive's arrangements for promoting equal opportunities in employment*, the Trust welcomes the work that has been done on improving the BBC's monitoring of its workforce and increasing staff engagement. In the coming year, the Trust has asked the Executive to focus on several areas including the number of disabled staff and representation of women in higher grades.

Getting services to all licence fee payers

The BBC has a responsibility to make its content available on a range of platforms that are convenient and cost effective. In an increasingly interconnected world, with a multiplicity of platforms and devices, getting the BBC's content from where it is made to where audiences expect to find it is an ever more complex undertaking.

This growing complexity is challenging at a time when everyone, including the BBC, has to find ways of doing more with less. When we set out the BBC's strategy in December 2010 we asked the Executive to serve all audiences in ways that will safeguard easy, accessible routes

The BBC has made good progress on out-of-London production targets

to BBC content, sustaining high quality free-to-air platforms while investing in new technologies where there is public value in doing so.

The BBC gets content to audiences in two ways: through traditional linear broadcast and online infrastructure ('distribution') and by making on-demand content available to other platform owners and device manufacturers ('syndication'). The latter is increasingly important as people switch to new kinds of devices, and want to access BBC content through them.

Distribution

As the BBC completes digital switchover – the conversion of the UK's terrestrial analogue television system to digital – some consolidation of the BBC's digital services to make more efficient use of resources has been agreed in principle by the Trust. We will see a phased reduction of Red Button after the Olympics, while the BBC HD channel will be replaced with a single BBC Two in high definition. During the year we considered the BBC's participation in the YouView joint venture and concluded that it met the conditions we set out in our final 'Canvas' approvals in 2010.

In radio, the Trust approved plans in 2010 for the BBC to extend national DAB coverage to 97% of UK households by the end of the current Charter period. In June 2011 the Trust approved the launch of a temporary DAB radio service – BBC 5 Live Olympics Extra – to offer additional coverage of the London Olympics. During the last year the Trust continued to support the Executive in planning a strong future for local DAB with partners in commercial radio, Government and industry.

As the BBC continues to adapt to the new digital media and broadcasting landscape, it faces new challenges. For example, making programmes accessible over broadband (such as through the iPlayer) offers great benefits to audiences but also adds new costs. We recognise the strategic importance of the BBC keeping up with technological developments to ensure audiences are able to access BBC content wherever and however they choose, but we will continue to monitor developments in this area and encourage the BBC to research even more efficient ways of distributing content to audiences.

Syndication

The Trust's syndication policy explains how content should be made available on other platforms and devices. It was originally set in 2007 when the iPlayer was launched. Since then, the media landscape has changed. Although traditional live broadcasting through television and radio is still the norm, audience expectations of access to BBC content when and where they want it have grown enormously – the iPlayer

is now available on a range of platforms, and on hundreds of devices.

The Trust led the work to update the policy, which included liaising with the Executive and holding a public consultation to ensure the views of industry and licence fee payers were considered. The revised policy was launched in February 2012. At its heart are audience-facing principles – for instance, that content should be high quality and accessible free of charge. While the Trust does not seek to impose a single technical solution for syndication, we believe these principles will best be served by offering would-be partners direct access to the full range of BBC content, via their platform or device, within a BBC environment. This currently means a standard BBC product, such as the iPlayer, delivered over the internet, although the policy will also enable the BBC to adapt to meet licence fee payers' future needs in delivering on-demand content to a broad range of platforms and devices.

Our syndication principles will best be served by offering would-be partners direct access to the full range of BBC content, via their platform or device, within a BBC environment

Strategic objective

DO MORE TO SERVE ALL AUDIENCES

This year the BBC made good progress in some areas as it continues to work towards this challenging objective.

Reach of BBC services



96%

Reach of BBC services remains almost universal with 96% of the audience using BBC TV, Radio or Online each week.¹

¹BBC Cross Media Insight Survey.

Access to BBC services



93%

Over 93% of the UK now has access to DAB radio. This year there were improvements to BBC Radio Wales' FM coverage, and BBC ALBA launched on Freeview and Virgin Media cable in Scotland.

Out of London



41%

This year 41% of network TV spend was produced out of London, against a target of 50% by 2016.

Representing the nations and regions



47%

Audiences still feel the BBC could do more to represent their nation or region. 47% of UK adults believe that the BBC performs well in representing their nation or region.²

²Purpose remit study 2011/12.

SECURING EDITORIAL STANDARDS



Maintaining the highest editorial standards is fundamental to people's trust in the BBC, and ensuring the BBC lives up to these standards is therefore one of the Trust's most important roles.

Jeremy Bowen and Rob Magee reporting near Misrata, Libya. This year we reviewed the impartiality of the BBC's coverage of the 'Arab Spring'.

The BBC's Editorial Guidelines are the key foundation for the maintenance of high editorial standards in everything broadcast or produced by the BBC. These Guidelines cover a range of standards including those relating to impartiality, harm and offence, accuracy, fairness, privacy and children and young people. The Trust has various ways of ensuring that the BBC lives up to these standards, such as acting as final arbiter on complaints and holding impartiality reviews on specific topics.

Impartiality

In October 2011 the Trust launched the latest in our series of reviews on the impartiality of the BBC's output, namely of the events known as the 'Arab Spring'. The review was led by Edward Mortimer, former Senior Vice President of the Salzburg Global Seminar, former UN Director of Communications and an expert in Middle East affairs. It looked at the BBC's network and world news coverage beginning with events in Tunisia in December 2010 and, following on from that, most notably in Egypt, Libya, Bahrain, Syria and Yemen.

The review included a report by Edward Mortimer; content analysis and audience research. The Trust considers the coverage of this series of events was generally impartial. However, coverage could have been fuller in various geographical areas at different times;

some countries had little coverage, others could have been followed up more fully and there could have been fuller examination of the different voices which make up the opposition to incumbent governments. The Executive has agreed to create a stand-back item at the News Board on such major stories and to look at the strategic guidance the Middle East Editor can offer. The Director of News will report back to the Trust in 2012 on her further conclusions on strategic decision-making in relation to this report.

We also announced a new initiative for a series of impartiality seminars to look at topical issues, complementing the existing impartiality reviews. The first seminar will look at economic reporting

Dealing with complaints

An effective complaints process is essential if the BBC is to be accountable to licence fee payers. In July 2011, a review of the BBC's governance concluded that the complaints process should be 'faster, simpler and easier to understand'. This year, therefore, we reviewed the complaints process, for which the Trust has overall responsibility. This included consulting the public on the main changes being proposed, and audience research to make sure we understood what licence fee payers wanted. As a result, the BBC now has a new complaints procedure, starting in summer 2012, which should deliver clear, fair, efficient and timely complaints handling for licence fee payers.

Findings by the ESC this year

For editorial complaints, the complaints system has three stages. The first stage of responding to a complaint is usually handled by BBC Audience Services. If complainants are not satisfied with the response at stage one, they may escalate it. Complaints on editorial issues are then handled by the Editorial Complaints Unit, and others by relevant senior managers within the BBC.

The final stage covers those appeals which complainants wish to escalate to stage three. These are managed by the Trust through the Editorial Standards Committee (ESC), which is the final arbiter in the BBC's complaints process. This year the ESC received 240 requests for appeal; 77 of these were put before the ESC as full appeals. The Trust Unit decided that the others should not proceed to the ESC as it was felt they did not have a reasonable prospect of success. Some of these decisions were subsequently challenged and these challenges were also put before the ESC. Therefore in total the ESC dealt with 194 cases. Of these, 86% were handled within the target timeframe for editorial appeals (16 weeks from acceptance of the appeal), slightly up from 84% last year. Of the 77 full appeals, three were upheld, 23 were partially upheld and 51 were not upheld. The ESC also considered breaches reported by the Executive.

Among the significant findings in this period were:

- **BBC World News:** the ESC concluded that a small number of programmes broadcast on BBC World News between February 2009 and July 2011 broke rules regarding sponsorship and conflicts of interest that aim to protect the BBC's editorial integrity. The ESC agreed that these breaches were serious and the BBC broadcast an apology. BBC World News has since confirmed it will no longer commission or acquire programmes sponsored by non-commercial organisations (such as charitable foundations) and has taken other steps to safeguard the BBC's impartiality and protect against conflicts of interest.
- **BBC News at Ten, 12 August 2011:** the ESC concluded that this report broadcast output which might lead to the identification of a young person (under the age of 18) concerned in youth court proceedings, which is prohibited by the law. The Executive was required to ensure that staff fully understand and abide by the BBC's obligations to protect children in youth court proceedings from identification.
- **Top Gear proposal for a branded TomTom:** the ESC found that a commercial deal which had been agreed with TomTom for the production of a *Top Gear*-branded satellite navigation device breached the BBC's guidelines on conflicts of interest. This was because the presenter of *Top Gear* could not be seen to endorse an individual car-related product in which the BBC had a commercial interest. It would also place editorial constraints on the *Top Gear* programme. The ESC noted that the deal had been halted in its proposed form by the Director-General and agreed that the breach of Guidelines had not been deliberate. The Executive has since taken steps to increase staff's understanding of what constitutes a conflict of interest, and to tighten up existing protocols.

An effective complaints process is essential if the BBC is to be accountable to licence fee payers

TRADING FAIRLY

We have a duty to ensure that when the BBC spends licence fee payers' money, it considers its competitive impact on the wider market and conducts its business openly and transparently. The Trust is satisfied that this year the BBC continued to operate fairly within the fair trading framework.

The Trust's fair trading policies and framework are designed to ensure that the BBC operates within the law and in accordance with its Charter and Agreement and the requirements of the Trust. At the heart of our fair trading policies is the expectation that in all its activities, the BBC will have regard to its impact on the market. This is essential if the public and industry are to trust the BBC, and is even more important today as the media and our industry change rapidly.

The Executive is responsible for day-to-day compliance with fair trading requirements. This year, it took on the responsibility for commissioning the BBC's annual independent audit of its fair trading framework and processes for the preceding year. As in previous years the auditors have issued an unqualified audit opinion which can be read in full in Part Two of this Annual Report.

Whereas the Executive considers fair trading complaints about the BBC in the first instance, the Trust, through the Complaints and Appeals Board, is the final appeal body. In 2011/12, no fair trading appeals to the Trust were made by complainants.

Given the changing media landscape, it is important that we ensure our fair trading arrangements remain up to date, and continue to reflect our principles as the industry develops. During 2010/11 we carried out the first triennial review of the Trust's fair trading policies and in November 2011, we published an updated and simplified set of fair trading policies which set out how the BBC should behave when interacting with the wider market. Prior to this in July, we also published our review of governance which set out more clearly the roles and responsibilities of the Trust and the Executive in delivering public services in a way that both furthers the public interest and respects the markets in which we operate.

Revised fair trading policies and framework

In updating our fair trading policies and framework we brought together a number of separate documents into one, and sought to provide a clearer explanation of the different processes the Trust uses to fulfil its duty in considering the BBC's competitive impact. These clarifications include how the BBC should carry out proportionate assessments of its competitive impact on others, and how it should ensure that where the BBC's editorial and fair trading guidelines make reference to each other, that these references are regularly reviewed and updated. We also updated our competitive impact code on cross-promotion to ensure that online cross-promotions make appropriate references to the wider number of digital platforms on which the BBC's services are now delivered.

Improving corporate governance

In keeping with the Trust's strategic role in setting the overall policy framework for fair trading, we asked the Executive to take greater responsibility for day-to-day fair trading matters, including commissioning the annual fair trading audit. The non-executive directors who work on fair trading within the BBC will now have a more direct relationship with the Trust to help strengthen the independence of the Executive's fair trading function in ensuring fair trading compliance.

Over the next year, the Trust will work with the Executive to embed these new processes which will help strengthen the BBC's ability to trade fairly and retain the confidence of the public and the rest of the media industry.

The Trust is satisfied that the BBC is operating in compliance with its fair trading policies and framework

It is important that we ensure our fair trading arrangements remain up to date, and this year we published updated and simplified policies



ACCOUNTABILITY TO AUDIENCES

The Trust's duty is to represent all licence fee payers. To do so we must engage with audiences across the UK, through our Audience Councils, research and consultations, so that we may understand their views and take them into account in making our decisions. We must also be open and transparent about how we work and the decisions we make.

The 'Proms', broadcast live on BBC Radio 3 and in high-definition sound at bbc.co.uk/proms, brings classical and new music to a broader audience.



TRANSPARENCY

As a public body the BBC has a responsibility to operate as transparently as possible. The Trust takes this duty seriously and has tasked the BBC with setting new standards in openness and transparency. We also aim to be open about how we work and the decisions we make.

We consult licence fee payers and industry on important decisions

The BBC now provides more information on its current and planned activities and how it spends the licence fee.

Since 2009 the BBC has published the exact salaries and total remuneration for its most senior managers because the public expects the BBC to be transparent about executive pay. The expenses, hospitality received, register of gifts and any declarations of personal interests of this group are also published on a quarterly basis. The BBC now also discloses on its website the pay of all other senior managers in £5,000 bands and by generic job title and by division.

This year, at our request, the Executive began publishing updates showing how it is performing against some of its key objectives. More detailed information about the BBC's current and planned activities is in the 2012/13 summary work plan which describes the BBC's strategy, objectives and outline budget for the year ahead. Next year we will continue to find new ways of operating transparently while still delivering value for money and meeting our objectives.

An open BBC Trust

The BBC Trust is directly accountable to licence fee payers; this is essential to maintaining the BBC's independence. With direct accountability comes a responsibility to operate transparently.

We consult licence fee payers and industry on important decisions, we conduct audience research and we use our network of Audience Councils to help keep us informed on the views of licence fee payers across the UK.

When we make a decision, we publish evidence and explain our conclusions. We publish the findings of editorial appeal decisions, the outcomes of value-for-money and service licence reviews and the minutes of our monthly Trust meetings. All of this information is available on our website.

Trust work plan 2012/13

We also aim to be open about our future plans. Each year on our website we publish an overview of the work we know we can plan for in the coming year.





Our priority in 2012/13 is to keep the BBC focused on delivering its four strategic objectives. We will help it do so with the following planned work: reviewing BBC Online in autumn 2012 and the BBC's output for children (CBBC and CBeebies) in early 2013; undertaking our third biannual review of the Window of Creative Competition in autumn 2012; overseeing the delivery of annual efficiency savings of 11% by 2016/17; and receiving NAO reports on the effectiveness of the BBC's financial management systems and on the BBC's move of a number of departments to Media City in Salford.

The Trust is the guardian of licence fee revenue and the public interest in the BBC. This year we will therefore oversee implementation of the new financial settlement and ensure that the governance and funding arrangements for the BBC's new obligations are in the best interests of licence fee payers.

Strategic objective

SET NEW STANDARDS IN OPENNESS AND TRANSPARENCY

This year the BBC published more information than before on its current and planned activities and how it spends the licence fee.

<p>A summary work plan and budget.</p> 	<p>Senior manager pay and talent costs.</p> 
<p>Quarterly audience figures for BBC services.</p> 	<p>Quarterly information on senior manager expenses, gift registers, hospitality and declarations of personal interest.</p> 
<p>The Executive ran a series of industry briefings about BBC Online.</p> 	<p>The Trust organised a series of media industry roundtable discussions.</p> 

UNDERSTANDING AUDIENCES

The Trust makes decisions about the BBC that affect audiences and other stakeholders, including the wider communications industry. It is important, therefore, that we know what they think so we can take this into consideration – and then communicate with them about these decisions. This year the key areas we sought input into were our service reviews, and the BBC's proposed future strategy.

To understand audiences' and professional stakeholders' views, we carry out a programme of consultations, research and engagement and take advice from our Audience Councils in England, Scotland, Wales and Northern Ireland.

Public consultations

In the past 12 months the Trust has undertaken eight public consultations as part of our programme of service reviews, strategic reviews and changes to policy guidelines. We also publicly consulted on the Executive's proposals to implement the BBC's new strategy, in response to the 2010 funding settlement – as we promised we would. We received over 30,000 responses from the public to our consultations this year, alongside many responses from organisations (including industry bodies, charities, interest groups and others).

This year, we promoted the consultations on the BBC's airwaves strongly than ever before. We ran campaigns across the television channels and radio stations, both nationally and locally, and on BBC Online. The public consultation on the strategy was publicised on all the BBC television networks, the majority of the radio networks and on bbc.co.uk. The television campaign alone is estimated to have been seen by 24.2 million adults (42% of the UK population). Our consultation on the BBC's Asian Network allowed for people to respond in Hindi, Urdu, Bengali, Punjabi and Gujarati.

The responses we received helped to shape our findings and recommendations. In particular, the strong response we had to the proposals for BBC Local Radio was instrumental in our decision to require the Executive to scale back the proposed changes.

Audience research

To ensure that we represent and reflect the views of all audiences, not just those who take part in consultations, we commission research amongst a wider range of licence fee payers. This includes nationally representative surveys to enable us to understand the strength of views across the UK and to appreciate any differences between diverse groups of people. It also includes bespoke research – both quantitative and qualitative.

This year we again tracked perceptions of the BBC's delivery of its public purposes through a survey of over 2,000 adults. For our service reviews, we commission a mix of quantitative and qualitative research to understand the views of audiences of those services. This year we commissioned research among audiences of BBC Local Radio, BBC Radio 5 Live and the BBC's News and Parliament channels to supplement the findings from our public consultations on these services.

For our review of the BBC Asian Network we carried out qualitative and quantitative research using a specialist agency with niche audiences from a range of ethnic backgrounds, focusing on the UK's main South Asian population groups (British Indian, British Pakistani and British Bangladeshi). Qualitative research was also an important part of our impartiality review of the BBC's coverage of the events known as the 'Arab Spring'.

Engaging stakeholders across the UK

We continue to engage industry and other stakeholders to ensure we understand the interests of the wider media industry and the potential impact of our decisions. As part of the deliberations around implementing the BBC's strategy, we held a series of roundtables with a wide range of stakeholders from across the UK, exploring particular aspects of the proposals from the impact on production in the devolved nations to that of local journalism in England.

The strong response to proposals about BBC Local Radio was instrumental in our decision to require the Executive to scale back the proposed changes

Members of the public filling in a BBC Trust public consultation questionnaire.



AUDIENCE COUNCILS

Chaired by their National Trustees, Audience Councils in England, Scotland, Wales and Northern Ireland advise the Trust on the perspectives of licence fee payers, and comment on how well different parts of the UK feel the BBC is performing. This year work focused on the changes proposed by the BBC following the new licence fee settlement.

Councils welcomed Executive research on how different age groups are served, and an increase in network broadcasts of programmes made in English regions

Councils are recruited to reflect the diversity of the UK, and members are volunteers. They listen to audiences' views, and identify issues of importance which the Trust can address. They meet regularly to prepare their advice and we consult them on proposed major changes to the BBC's services and strategy. The four Councils meet together annually to discuss issues relevant to audiences across the UK.

Listening to audiences

This year, Councils held meetings with licence fee payers specifically to consult them on the performance of the BBC's radio stations for Scotland, Wales and Northern Ireland, on BBC Local Radio and on the BBC Asian Network. Members from each Council met to discuss the reviews of BBC Radio 5 Live and the BBC's News and Parliament channels with service controllers before finalising their advice to the Trust.

Performance against 2011/12 audience priorities

Councils said licence fee payers wanted improved access to BBC services. During the year, there

was a significant improvement in access to BBC Radio Wales on FM, BBC ALBA was made available on Freeview, and Councils have asked for a strategy for the roll-out of services for nations and regions on HD. The Trust's reviews of the nations' radio services focused, as Councils had suggested, on how they supported citizenship and civil society. Councils also wanted the BBC to improve how it portrays the contemporary UK, and so welcomed Executive research on how different age groups are served, and an increase in network broadcasts of programmes made in English regions.

Advising the Trust

Key audience issues included the importance of maintaining regional sports coverage in England; accountability arrangements for the Welsh language channel S4C (to be funded largely from the licence fee from 2013/14); the sustainability of network production in Northern Ireland; and the loss of some radio networks from Freeview in Scotland. Councils presented responses on the BBC's proposals for implementing its strategy, raising concerns on proposed programme sharing between local radio stations in England and the future of opt-out programming on BBC Two in the nations.

Delivering the public purposes

Audience Council England noted concerns about the potential loss of regional current affairs programming, and the impact on local democracy. Councils in Scotland and Northern Ireland highlighted concerns with the way that the BBC portrayed their nations and communities to a UK-wide audience. Audience Council Wales considered that core services for Wales in both Welsh and English should be strengthened.

Priorities for 2012/13

Councils want the BBC to set out a strategy for nations and English opt-out TV programmes on HD across the UK which will safeguard the range and quality of content. They would like BBC News to do more to compare public policy differences between the nations. Councils welcome the BBC's proposal to broadcast more nations' programmes on the networks, while ensuring that their cultural distinctiveness is preserved. Further details of the Councils' advice to the Trust can be found in their own annual reviews.



Audience Council members discuss their views with the Trust.



INSIDE THE TRUST

The BBC Trust, as the governing body of the BBC, is separate from the Executive which manages the BBC's day-to-day operations. Here you can find details of the Trustees and their remuneration and an explanation of how we run the Trust in the interests of all licence fee payers.

Chairman Lord Patten with Vice
Chairman Diane Coyle at the BBC's
New Broadcasting House in London.

BBC TRUSTEES

Trustees are part time and come from a variety of backgrounds, bringing a wide range of experience to the BBC. Trustees are appointed by the Queen on advice from ministers, following an open appointments procedure. Among the Trustees we have a Chairman, a Vice Chairman, and a National Trustee for each of England, Scotland, Wales and Northern Ireland.

Lord Patten of Barnes CH, Chairman

Chairman as of 1 May 2011.

Other roles: Chancellor, University of Oxford; Co-Chair, UK India Round Table; Non-executive director, Russell Reynolds Associates; International Advisory Board member, BP; Stakeholder Advisory Panel member, EDF.

Diane Coyle OBE, Vice Chairman

Chairs Strategy and Approvals Committee. Lead Trustee on commercial issues and Annual Report and Accounts.

Other roles: Director, Enlightenment Economics; Member, Migration Advisory Committee; Stakeholder Advisory Panel member, EDF.

Richard Ayre

Chairs Complaints and Appeals Board. Lead Trustee on transparency issues and complaints framework.

Other roles: Freedom of Information Adjudicator, The Law Society.

Anthony Fry

Chairs Trust Finance Committee. Lead Trustee for fair trading and value-for-money reviews.

Other roles: Chairman, Espírito Santo UK, Dairy Crest, and CALA; Non-executive director, Control Risks, Twig Rights Ltd.

Alison Hastings

Trustee for England (chairs Audience Council England); chairs Editorial Standards Committee. Led Trust's review of BBC Radio 5 Live and BBC 5 Live Sports Extra.

Other roles: Vice President, British Board of Film Classification; Retained consultant and trainer, Press Complaints Commission; Retained consultant, Camelot.

Rotha Johnston CBE

Trustee for Northern Ireland (chairs Audience Council Northern Ireland); lead Trustee on property issues.

Other roles: Partner, Johnston Partnership; Non-executive director, AIB (UK) plc; Pro-Chancellor, Queen's University, Belfast.

David Liddiment

Chairs Audiences and Performance Committee. Led Trust's review of the BBC News Channel and BBC Parliament.

Other roles: Non-executive director, All3Media; Associate, Old Vic Theatre Company; Chair, Hepworth Wakefield Gallery.

Bill Matthews

Trustee for Scotland (chairs Audience Council Scotland).

Other roles: Director, M2M2 Limited; Chairman, NHS National Services Scotland; Non-executive director, Security Industry Authority; Chairman, Crimestoppers Scotland.

Mehmuda Mian

Chaired the General Appeals Panel. Lead Trustee for equality and diversity issues. Led Trust's review of BBC Local Radio and the BBC Asian Network. Other roles: Non-executive director, Independent Safeguarding Authority; Associate director, Lokahi Foundation.

Elan Closs Stephens CBE

Trustee for Wales (chairs Audience Council Wales).

Other roles: Professor, Aberystwyth University; Non-executive director and chair, Corporate Governance, Welsh Assembly Government; Non-executive director, IMAX Waterloo for BFI.

Suzanna Taverne

Trustee as of 1 January 2012.

Other roles: Non-executive director, Nationwide, Ford Credit Europe; Trustee, Consumer Credit Counselling Service, Shakespeare Schools Festival; Advisory board member, Manchester Business School.

Lord Williams of Baglan

Trustee as of 1 December 2011.

Chairs International Services Committee.

Other roles: Distinguished Visiting Fellow, Chatham House; Member of the international advisory board, Toledo CITPAX, Toledo International Centre for Peace.

This reflects the membership of the Trust at 21 June 2012. There were no vacancies at this time.



Lord Patten of Barnes CH
Chairman



Diane Coyle OBE
Vice Chairman



Richard Ayre



Anthony Fry



Alison Hastings
England



Rotha Johnston CBE
Northern Ireland



David Liddiment



Bill Matthews
Scotland



Mehmuda Mian



Elan Closs Stephens CBE
Wales



Suzanna Taverne



Lord Williams of Baglan

Trustee changes during the year

Sir Michael Lyons' term as Chairman ended on 30 April 2011. Dame Patricia Hodgson stood down as a Trustee on 6 June 2011. Lord Patten's term as Chairman began on 1 May 2011. Diane Coyle's term as Vice Chairman began on 1 May 2011. Lord Williams' term as Trustee began on 1 December 2011. Suzanna Taverne's term as Trustee began on 1 January 2012.

GOVERNANCE

How we work is just as important as what we do. Our processes are therefore as open and transparent as possible. As well as this Annual Report, we publish reports and findings in full on our website. We are supported by the Trust Unit, members of staff giving us independent advice on our duties and responsibilities.

The duties and responsibilities of the Trust are outlined in the BBC's Royal Charter and accompanying Framework Agreement. We have a series of protocols supplementing these documents. They provide more detail on how we carry out our duties and responsibilities and, where necessary, explain the duties and responsibilities of the Executive Board. You can find all of these documents on our website.

Our regular business is undertaken in monthly meetings of the full Trust and some sub-committees. At these meetings we make decisions relating to our duties and responsibilities and consider proposals from the Executive Board. We publish the minutes of our monthly Trust meetings on our website.

Review of BBC governance

This year, following his appointment, the Chairman undertook a review of the BBC's governance arrangements to establish whether they could be improved within the framework of the current Royal Charter.

The review concluded that governance of the BBC is workable, generally effective and provides benefits to licence fee payers and the industry but made some recommendations intended to strengthen the current arrangements. We took action in the following areas:

- a clearer division of responsibilities between the Trust and the Executive Board
- a wider market impact role for Ofcom
- an improved editorial complaints and compliance system, and more regular impartiality reviews
- simplifying the governance of BBC services

We believe that the BBC's governance systems are now more clearly understood outside and inside the organisation. In implementing the conclusions of the review, this year the Trust has:

- worked closely with the Executive Board to be clearer about the strategic responsibilities of the Trust while leaving more operational matters to the Executive Board
- amended the Memorandum of Understanding with Ofcom to enable the Trust to take Ofcom's views on market impact into account in a wider range of circumstances

- reformed the BBC's complaints system to make it faster, simpler and easier to understand
- commenced a programme of impartiality seminars to complement the Trust's regular reviews of impartiality of the BBC's output
- established a new International Services Committee to oversee the governance and funding arrangements for the BBC World Service
- decided not to re-commission 'purpose plans', and agreed a simpler approach to service reviews

S4C Partnership

In October 2011 agreement was reached between the S4C Authority, BBC Trust and the UK Government on the future funding, governance and accountability of S4C until 2017, following the announcement that S4C would be funded from the licence fee from 2013. These arrangements protect the editorial and managerial independence of S4C and safeguard appropriate accountability to the BBC Trust for the licence fee funding.

The Trust Unit

We are supported in our work by the Trust Unit, which provides independent and objective advice, calling on outside experts when necessary. The Unit is made up of BBC staff who are independent of the Executive and report directly to us. It includes professional staff with expertise across a range of disciplines, including corporate governance, policy development, audience research, financial and performance analysis, economics and law. The Unit advises us on our duties, manages the Trust's supervisory and regulatory functions, and provides the Trust with independent assessments of proposals from the Executive Board. Most Unit staff are based in London; others are based in offices in Belfast, Birmingham, Cardiff and Glasgow.

Trust committees

We do much of our work through committees, which can make certain decisions on behalf of the Trust as a whole. During the year, we made a number of changes to the committee structure to take account of the final conclusions of the Trust's governance review. We amended the remits of some committees and established the International Services Committee to help the Trust to develop the strategy for, and assess the performance of, the BBC's international public services. The members of each committee and their attendance during 2011/12 are shown in the table on page 1-31. You can find the terms of reference for each of the Trust's committees on our website.

Audiences and Performance Committee

Chair: David Liddiment

The Audiences and Performance Committee (APC) is responsible for developing the strategy for, and assessing the performance of, the BBC's UK public services on behalf of the Trust. It monitors how the BBC is delivering its public purposes.

The APC assesses the performance of the BBC's services against their service licences, including oversight of the Trust's programme of service reviews. The Trust undertakes a service review of each of the BBC's UK public services at least once every five years.

The APC is also responsible for the Trust's programme of audience research and public consultation.

Audience Councils Committee

Chair: Diane Coyle

The Audience Councils Committee (ACC) brings together the Vice Chairman and the four National Trustees to oversee and co-ordinate the contributions of the BBC's Audience Councils as advisory bodies to the Trust. Its role is to ensure that issues identified by the Audience Councils are dealt with appropriately by the Trust and that the Councils work within their remits. The ACC also approves membership of the Audience Councils.

Editorial Standards Committee

Chair: Alison Hastings

The Editorial Standards Committee (ESC) is responsible, on behalf of the Trust, for establishing the BBC's editorial standards and assessing all the BBC's services for compliance with these standards.

Editorial standards are enshrined in the BBC's Editorial Guidelines. The Trust asks the Executive Board to prepare draft Guidelines and, if content, the Trust then formally approves them. The ESC is the final appeal body within the BBC in determining whether the Editorial Guidelines have been followed.

The ESC also manages the Trust's programme of impartiality reviews.

Finance and Compliance Committee (until November 2011)

Trust Finance Committee (from December 2011)

Chair (until December 2011): Rotha Johnston
Chair (from January 2012): Anthony Fry

The Finance and Compliance Committee (FCC) was renamed the Trust Finance Committee (TFC) in December 2011 in line with the conclusions of the governance review. The committee is responsible for matters of finance and value for money.

The TFC examines the BBC's annual budget from the Executive Board before it goes to the Trust and scrutinises major BBC financial decisions which meet particular Trust monetary thresholds. It also manages the Trust's programme of value-for-money studies and is responsible for ensuring that recommendations from the studies are implemented by the Executive Board. The TFC also oversees the Executive's internal control and risk management functions.

International Services Committee (from February 2012)

Chair: Lord Williams

The International Services Committee was formed in February 2012 and is responsible for helping the Trust to develop the strategy for, and assess the performance of, the BBC's international public services. The BBC's international public services consist of the BBC World Service, BBC World News and BBC Monitoring.

GOVERNANCE CONTINUED

Remuneration and Appointments Committee

Chair (until April 2011): Sir Michael Lyons
Chair (from May 2011): Lord Patten

The Remuneration and Appointments Committee (RAC) manages the Trust's responsibilities concerning Executive Board remuneration and appointments. The RAC oversees executive remuneration strategy and makes recommendations to the Trust on the pay and benefits of the Director-General and the non-executive directors of the Executive Board. However, pay and benefits of the executive directors are determined by the Executive Board's Remuneration Committee, which consists entirely of non-executive directors.

Strategic Approvals Committee (until November 2011) Strategy and Approvals Committee (from December 2011) Chair: Diane Coyle

The Strategic Approvals Committee was renamed the Strategy and Approvals Committee (SAC) in December 2011, reflecting a remit more focused on strategy and commercial issues. The SAC considers proposals from the Executive Board, including for new services or changes to existing services, except those proposed as part of a service review (which are considered by the APC). It considers whether a public value test (PVT) is required and advises the Trust accordingly. The SAC manages any PVT or other consideration of a proposal from the Executive and makes recommendations to the Trust on possible outcomes. The SAC also oversees the BBC's commercial strategy and individual proposals where these are of strategic significance or of high value.

General Appeals Panel (until November 2011) Complaints and Appeals Board (from December 2011)

Chair (until November 2011): Mehmuda Mian
Chair (from December 2011): Richard Ayre

The Complaints and Appeals Board (CAB) was formed in December 2011 and replaced the General Appeals Panel (GAP). The CAB has a broader remit than the GAP had and hears complaints relating to non-editorial issues, including fair trading, TV Licensing complaints, and other matters. The CAB also notes decisions on appeals about the Digital Switchover Help Scheme (DSHS) made by the DSHS appeals

adjudicator, who is a senior member of Trust Unit staff. In 2011/12 the Trust Unit received 71 TV Licensing, fair trading and general appeals, of which six were heard by the CAB as full appeals (four being partially upheld and two being not upheld). None of the full appeals were handled within the target timeframe since they were complex.

The work of the CAB is carried out by its Chair or Vice Chair sitting with two or more other Trustees, selected case by case.

The Trust set up one ad hoc appeals panel between 1 April 2011 and 31 March 2012 to hear an appeal regarding the BBC's election coverage. For this meeting, panel members were: Alison Hastings (Chair); Richard Ayre; David Liddiment; Mehmuda Mian and Bill Matthews.

Assessing our own performance

We have a commitment to review annually our own performance, including that of each committee, and to summarise our findings in the Annual Report.

We spent the last year focusing on setting the future strategy for the BBC and ensuring that its plans could be delivered within the available resources, and during this process we worked well with the Executive Board. We will continue to oversee implementation of the BBC's strategy, ensuring it is done in the interests of licence fee payers.

We also concluded the first round of our programme of service reviews. Through this work we held the Executive to account and based our decisions on what audiences told us while taking into account the views of industry representatives and BBC staff. We believe that we carried out decision-making effectively and, although there is always room for operational improvements, we dealt with the flow of business efficiently. Our work plan for 2012/13 is published on our website and identifies what we will focus on in the coming year.

Register of interests

Our Code of Practice requires us to maintain and publish a register of all external interests that might be seen to affect our ability to perform the duties of a BBC Trustee. This register includes declarations of all positions of employment, directorships and voluntary positions as well as interests of close family members, if relevant. The Trust's register of interests is published on our website.

Trustees' attendance at meetings (1 April 2011 – 31 March 2012)

	Trust	Audiences and Performance Committee	Editorial Standards Committee	Finance and Compliance Committee/ Trust Finance Committee	International Services Committee	Strategic Approvals Committee/ Strategy and Approvals Committee	Remuneration and Appointments Committee	Audience Councils Committee	General Appeals Panel ¹	Complaints and Appeals Board ²
Chairman										
Lord Patten	19/19	†	†	†	†	†	3/3*	†	†	†
Sir Michael Lyons	1/1	†	†	†	†	†	†	†	†	†
Vice Chairman										
Diane Coyle	20/20	11/11	†	†	1/1	12/12*	3/3	4/5*	2/2	1/1
National Trustees										
Alison Hastings (England)	20/20	11/11	17/18*	†	†	†	†	5/5	2/2	†
Rotha Johnston (Northern Ireland)	19/20	†	†	14/14*	†	7/7	3/3	5/5	†	3/3
Bill Matthews (Scotland)	20/20	†	†	7/9	†	12/12	†	5/5	†	1/1
Elan Closs Stephens (Wales)	20/20	†	6/9	14/14	1/1	†	†	5/5	1/1	†
Trustees										
Richard Ayre	20/20	†	17/17**	†	1/1	12/12	†	†	3/3	5/5
Anthony Fry	17/20	†	4/9	12/14*	†	2/5	3/3	†	1/1	1/1
Dame Patricia Hodgson	3/3	2/2	†	2/2	†	2/2	†	†	†	†
David Liddiment	19/20	9/11*	13/18	†	1/1	†	†	†	3/3	†
Mehmuda Mian	19/20	10/11	15/18	†	†	†	†	†	6/6	3/3
Suzanna Taverne	5/7	3/3	†	3/3	†	3/3	†	†	†	1/1
Lord Williams	8/8	†	6/7	3/4	1/1*	†	†	†	†	†

Notes:

¹ The General Appeals Panel did not have a constant membership.² Membership of the Complaints and Appeals Board consists of two Trustees, plus additional Trustees as required.

* Denotes committee Chairman during 2011/12.

** Does not include an ad hoc meeting of the Committee which was convened with the available Trustees on the day of the meeting.

† Denotes Trustee is not a member of the Committee listed.

Committee membership changes during 2011/12

Audiences and Performance Committee: Dame Patricia Hodgson (until May 2011); Suzanna Taverne (from February 2012).

Complaints and Appeals Board: Richard Ayre (Chair from December 2011); Mehmuda Mian (from December 2011).

Editorial Standards Committee: Elan Closs Stephens (until November 2011); Anthony Fry (until November 2011); Lord Williams (from January 2012).

Finance and Compliance Committee / Trust Finance Committee: Rotha Johnston (Chair until December 2011); Anthony Fry (Chair from January 2012); Dame Patricia Hodgson (until May 2011);

Bill Matthews (until November 2011); Lord Williams (from January 2012); Suzanna Taverne (from February 2012).

International Services Committee: Lord Williams (Chair); Diane Coyle; Richard Ayre; David Liddiment; Elan Closs Stephens (all from February 2012).

Strategic Approvals Committee / Strategy and Approvals Committee: Dame Patricia Hodgson (until May 2011); Rotha Johnston (until November 2011); Anthony Fry (from December 2011);

Suzanna Taverne (from February 2012).

Remuneration and Appointments Committee: Sir Michael Lyons (Chair until April 2011); Lord Patten (Chair from May 2011); Diane Coyle (from May 2011).

Trustees' attendance at Audience Council meetings (1 April 2011 – 31 March 2012)

Trustee	Attendance
Alison Hastings	7/7
Rotha Johnston	8/8
Bill Matthews	8/8
Elan Closs Stephens	7/7

GOVERNANCE CONTINUED

Trustees' remuneration

Fees

Our fees as Trustees are determined by the Secretary of State for Culture, Olympics, Media and Sport. In September 2010, Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the Director-General and other Executive Board members. The reduced fees for Trustees will remain in effect until 31 August 2013 and are reflected in the table below. The one exception to this is the Chairman, where the level of fees was reduced by 23% when the post was last advertised and, therefore, a further discount has not been applied. Trustees do not receive severance pay or other compensation for loss of office.

Expenses

We are reimbursed for expenses incurred on BBC business, which include travel, accommodation, work-related meals and hospitality. The expenses we are entitled to claim are governed by the Trust's Code of Practice, which is published on our website. Every six months we publish a full list of all expenses incurred by each Trustee, as well as the services booked centrally for Trustees by the Trust Unit. Some of our expenses and support services are classed as taxable benefits by HM Revenue & Customs, and this figure is published in the remuneration table; any tax arising on expenses incurred is settled by the BBC.

Chairman's benefits

Lord Patten is not eligible to receive any benefits other than his fee, and has elected not to make use of a BBC driver.

Trustees' remuneration

	Fees' £000	Taxable benefits £000	Total 2011/12 £000	Total 2010/11 £000	Appointment term	
					Start date	End date
Chairman and Vice Chairman						
Lord Patten ^{2*}	101	–	101	–	1 May 11	30 Apr 15
Sir Michael Lyons ³	11	4	15	184	1 May 07	30 Apr 11
Diane Coyle ^{4*}	67	–	67	34	1 Nov 06	30 Apr 15
Chitra Bharucha ⁵	–	–	–	44	1 Nov 06	31 Oct 10
National Trustees						
Alison Hastings [*]	38	–	38	39	1 Nov 06	31 Oct 14
Rotha Johnston	38	–	38	39	1 Nov 06	31 Oct 12
Janet Lewis-Jones ⁵	–	–	–	23	1 Nov 06	31 Oct 10
Bill Matthews ^{*†}	38	–	38	9	1 Jan 11	31 Dec 14
Jeremy Peat ⁵	–	–	–	30	1 Jan 06	31 Dec 10
Elan Closs Stephens [*]	38	–	38	16	1 Nov 10	31 Oct 14
Trustees						
Richard Ayre	33	–	33	22	1 Aug 10	31 Jul 14
Anthony Fry	33	–	33	34	1 Nov 08	31 Oct 12
Dame Patricia Hodgson ^{3*}	6	–	6	34	1 Nov 06	6 Jun 11
David Liddiment	33	–	33	34	1 Nov 06	31 Oct 14
Mehmuda Mian	33	–	33	34	1 Nov 06	31 Oct 12
Richard Tait ⁵	–	–	–	12	1 Aug 04	31 Jul 10
Suzanna Taverne ²	8	–	8	–	1 Jan 12	31 Dec 15
Lord Williams ^{2*}	11	–	11	–	1 Dec 11	30 Nov 15
Total	488	4	492	588		

Notes:

¹ As noted above, Trustees took a voluntary 8.3% pay cut, in parallel with the Director-General and Executive Board, in September 2010. The reduced fees for Trustees will remain in effect until 31 August 2013.

² Lord Patten, Suzanna Taverne and Lord Williams began their appointments part way through the financial year; accordingly, their fees only relate to their time in office and do not cover the full year.

³ Sir Michael Lyons and Dame Patricia Hodgson ended their appointments part-way through the financial year; accordingly their fees only relate to their time in office and do not cover the full year.

⁴ Diane Coyle was appointed as Vice Chairman on 1 May 2011 and her term will run until 30 April 2015.

⁵ Chitra Bharucha, Janet Lewis-Jones, Jeremy Peat and Richard Tait all ended their appointments during the financial year 2010/11; accordingly, their fees only relate to their time in office and do not cover the full year.

^{*} These Trustees all had taxable benefits less than £500 and consequently these benefits have been rounded to nil. The total amount claimed by these Trustees was £679.87.

[†] Bill Matthews is the Chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.

TRUST FINANCES

The BBC Trust is committed to getting the best out of the BBC for licence fee payers. We are always, therefore, looking for ways to run our operations more efficiently, by challenging how and why we do things.

We have reduced our total expenditure when compared with the previous year. Primarily, this reduction is due to our efforts to control audience research and regulatory costs.

We have committed to keep our direct expenditure below 0.31% of the BBC's total licence fee income. We have met this commitment in 2011/12 with Trust direct expenditure representing 0.25% of total licence fee income (0.31% in 2010/11).

Director and senior manager remuneration

Nicholas Kröll, Director, BBC Trust, is the Chief Officer of the Trust as specified by the Charter. He is the principal adviser to the Trust and Chief Executive of the Trust Unit. His base pay for 2011/12 was £238,680 (£238,680 in 2010/11) and the aggregate of his emoluments to 31 March 2012 was £246,480 (£281,004 in 2010/11). He is a member of the BBC Pension Scheme.

The Trust Unit has eight senior managers in addition to the Director. The Trust's website provides an analysis of the Trust Unit senior manager headcount, split into £5,000 salary bands.

You can find information on the Trust's Remuneration and Appointments Committee on page 1-30 and our strategy for Executive Board remuneration on page 1-9. The section on Trustees' remuneration on page 1-32 is audited.

Reporting regulations

The Royal Charter requires the Annual Report and Accounts to be prepared in two parts and for both parts to be externally audited. We therefore ask KPMG LLP to confirm that we have accurately presented the Trust's expenditure, including Trustees' remuneration, in Part One. KPMG LLP's report is included next to the statement of Trust responsibilities on page 1-34. The BBC is exempt from the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Services Authority, but where relevant, we have prepared this Report as if those requirements apply.

Trust expenditure statement

	Note	2011/12 £000	2010/11 £000
Trustee remuneration	1	546	651
Staff costs	2	4,473	4,586
Other operating costs	3	3,855	5,097
Trust expenditure before restructuring costs		8,874	10,334
Restructuring costs		–	461
Direct Trust expenditure	4 & 5	8,874	10,795
Ofcom regulatory fees	6	2,976	3,187
Ofcom Market Impact Assessment fees	7	21	4
Ofcom Significance Test fees	8	26	–
Total Ofcom fees payable by Trust		3,023	3,191
Total Trust expenditure		11,897	13,986

Notes:

- ¹ The remuneration received by each Trustee is shown in the table on page 1-32. The figure in the table above also includes social security costs.
- ² Staff costs include wages and salaries, social security costs and employer's pension contributions.
- ³ Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's consultation activities and stakeholder events.
- ⁴ This represents direct external spend by the Trust. The Trust also made use of shared services, which included property provision, finance, HR and information services, that were provided by the BBC public services.
- ⁵ Of direct Trust expenditure, £999,691 relates to spend on Trust activities in the four nations (£1,192,000 in 2010/11). This primarily covers support for the four national Audience Councils and the 12 regional Audience Councils.
- ⁶ Ofcom allocates its costs of television and radio regulation to the BBC and the other UK broadcasting channels. The Trust pays the BBC's share of that allocation.
- ⁷ Ofcom Market Impact Assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking the MIA for public value tests. No MIAs were undertaken in 2010/11 or 2011/12; costs related to Ofcom's programme management of MIAs.
- ⁸ Ofcom Significance Test fees cover Ofcom's direct and indirect costs in undertaking work to input to the Trust's Significance Tests.

Trust people

	Note	Average for year 2011/12	Average for year 2010/11
Trustees (number)		10.8	11.6
Trust Unit staff (EFT)	1 & 2	67.3	68.6

- ¹ Trust Unit staff are those employed directly by the Trust Unit.
- ² Of the 67.3 average equivalent full time (EFT) Trust Unit staff for 2011/12, 19.4 EFTs were based outside London and supported the work the Trust undertakes in the four nations – Wales, Scotland, Northern Ireland and England (18.3 in 2010/11). 13% come from a black or minority ethnic background (13% in 2010/11), 3.1% are disabled (7% in 2010/11) and 68% are women (67% in 2010/11).

TRUST FINANCES CONTINUED


Report of KPMG LLP to the BBC Trust

In accordance with the terms of our engagement letter dated 3 June 2008, we have examined the expenditure statement on page 1-33 (the 'Trust expenditure statement') for the year ended 31 March 2012 which has been prepared, further to the requirements of the BBC Royal Charter dated October 2006, by the Trustees and is their sole responsibility.

Our responsibility, in accordance with the terms of our engagement letter, is to form an independent opinion, on the basis of the work performed, and to report our opinion to the Trust. Our examination was substantially less in scope than an audit or a review.

Our report has been prepared for the Trust solely in connection with its obligations under the Royal Charter. Our report was designed to meet the agreed requirements of the Trust and particular features of our engagement determined by the Trust's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Trust for any purpose or in any context. Any party other than the Trust who obtains access to our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

In our opinion, the expenditure as shown in the Trust expenditure statement has been accurately extracted from the books and records of the Trust on the basis of Notes to the Trust expenditure statement.



Scott Cormack
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
21 June 2012

Statement of responsibilities in respect of the Annual Report and Accounts

The BBC's Charter requires that an Annual Report and statement of accounts is prepared in two parts, Part One by the Trust and Part Two by the Executive Board. The Executive Board's responsibilities are detailed in the Governance section of Part Two of this Annual Report. In summary, the Executive Board is responsible for preparing the financial statements and statements of compliance with applicable corporate governance codes and remuneration regulations, and delivering these to the Trust within Part Two of this Annual Report. The Executive Board has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (EU IFRS), reflecting the fact that EU IFRS are widely used in the UK, are being adopted in the public sector, and that their use would be permitted under the Companies Act 2006. These financial statements are audited by external auditors.

In preparing its associated corporate governance disclosures, the Executive Board has elected to comply with the Financial Reporting Council's 2010 Combined Code, and, where applicable, the Financial Services Authority Listing Rules which apply to a company quoted on an EU-regulated market.

In order to comply with these requirements, the Annual Report must include disclosures on the governance arrangements of the Trust as well as those of the Executive Board. These disclosures, which are audited, are the responsibility of the Trust, and are included in Part One of this report. The Charter also requires the Trust to prepare a statement of its expenditure and include it within Part One of the Annual Report.

Statement of disclosure of information to auditors

The Trustees who held office at the date of approval of this Annual Report and Accounts confirm that, so far as each is aware, there is no relevant audit information of which the BBC's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the BBC's auditors are aware of that information.

This statement was approved by the Trust on 21 June 2012.



Lord Patten of Barnes
Chairman
21 June 2012

CONTACT THE TRUST

The Trust is keen to hear your views during consultations and service reviews. You may also contact the Trust to comment on matters of Trust business, to appeal against a complaint finding by the Executive, or to complain about the Trust or the Trust Unit. You can contact the Trust by post, email or telephone.

BBC Trust

1st Floor
180 Great Portland Street
London W1W 5QZ
Email: trust.enquiries@bbc.co.uk
www.bbc.co.uk/bbctrust

Telephone: BBC Audience Services on 03700 103 100 or text phone on 03700 100 212*

Many issues are best dealt with by contacting the relevant part of the BBC directly, rather than the Trust. These include programme complaints, queries about paying your TV licence, questions about how to get tickets for BBC shows or how to work for the BBC, and suggestions for programme ideas. For further information on how to contact the BBC about these questions see www.bbc.co.uk/aboutthebbc

* Calls may be recorded for training purposes. 0370 numbers are 'UK wide' and cost no more than calls to 01 or 02 geographic numbers.

Complaints

The Trust ensures that the BBC has in place a clear, fair, efficient and timely framework to respond to complaints. You can find full details about the complaints process on the BBC website at www.bbc.co.uk/complaints

BBC Audience Councils

The Audience Councils advise the Trust on how well the BBC is serving licence fee payers across the UK. The Councils also have formal rights to be consulted on issues such as service licence reviews. To contact the Audience Councils:

Audience Council England

Email: audiencecouncil.England@bbc.co.uk

Or write to:
BBC Audience Council England
The Mailbox
Birmingham B1 1RF

Audience Council Scotland

Email: acs@bbc.co.uk

Or write to:
BBC Audience Council Scotland
Zone G.11
40 Pacific Quay
Glasgow G51 1DA

Audience Council Wales

Email: acw@bbc.co.uk

Or write to:
BBC Audience Council Wales
Broadcasting House
Llandaff
Cardiff CF5 2YQ

Audience Council Northern Ireland

Email: audiencecouncil.ni@bbc.co.uk

Or write to:
BBC Audience Council Northern Ireland
BBC Broadcasting House
Room G08
Ormeau Avenue
Belfast BT2 8HQ

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British Broadcasting Corporation

Broadcasting House

London W1A 1AA

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