



BBC Annual Report
and Accounts 2016/17

Inform



Educate



Entertain



BBC Annual Report and Accounts 2016/17

Presented to Parliament by the Secretary of State
for Culture, Media and Sport by command of Her Majesty

This Annual Report and Accounts is also available online at bbc.co.uk/annualreport

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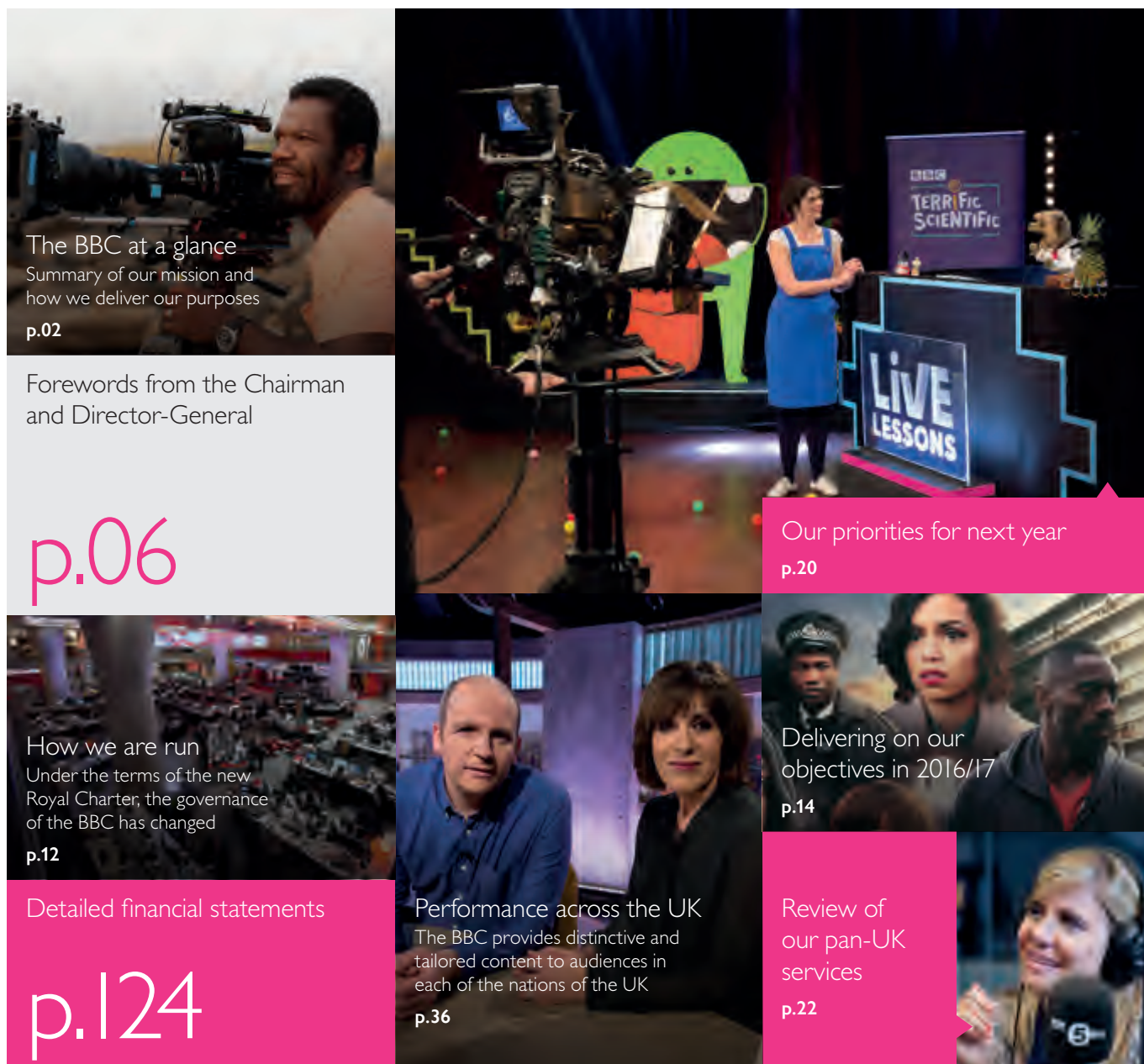
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Contents



The BBC at a glance
Summary of our mission and how we deliver our purposes
p.02

Forewords from the Chairman and Director-General

p.06

Our priorities for next year
p.20

How we are run
Under the terms of the new Royal Charter, the governance of the BBC has changed
p.12

Delivering on our objectives in 2016/17
p.14

Detailed financial statements

p.124

Performance across the UK
The BBC provides distinctive and tailored content to audiences in each of the nations of the UK
p.36

Review of our pan-UK services
p.22

Overview

02 The year at a glance

Strategic report

06 A message from the Chairman
08 Director-General's statement
12 New governance
14 Delivering our purposes
15 – *Impartial news*
16 – *Learning for people of all ages*
17 – *Creative, distinctive, quality content*
18 – *Reflect diverse communities*
19 – *Reflecting the UK to the world*
20 Our priorities for next year
22 Overview of network service performance
24 – *Television*
26 – *Radio*

28 – *Online*
30 – *News in the UK*
32 – *News across the globe*
34 – *by reach*
35 – *by genre*
36 Overview of performance across the UK
38 – *The BBC in Wales*
40 – *The BBC in Scotland*
42 – *The BBC in Northern Ireland*
44 – *The BBC in England*
47 Deputy Director-Generals' review
49 Financial overview
54 Our people
60 Diversity and inclusion
61 Charitable work
63 Environmental sustainability

Governance

64 BBC Board
66 Governance report
67 Remuneration report
74 Audit Committee report
78 Risks and opportunities
82 Viability statement
83 Fair trading report
85 Statement of Board responsibilities
86 The BBC Trust's final review
93 Performance data by nation
105 Performance against public commitments

Financial statements

115 Independent auditor's report
125 Consolidated income statement
126 Consolidated statement of comprehensive loss
127 Consolidated balance sheet
128 Consolidated statement of changes in equity
129 Consolidated cash flow statement
130 Key themes for the BBC
131 Notes to the accounts
183 Glossary

Additional information

186 Index
IBC Contact information and feedback
IBC Photo credits

The year at a glance

In a busy year that saw the start of a new Royal Charter, we met our efficiency targets, committed new funding to services in the nations and secured approval for the launch of BBC Studios. We continued to bring audiences, across the UK and around the globe, award-winning content on television, on radio and online.

BBC World Service

The BBC World Service announced its biggest expansion since the 1940s, in a move designed to bring its independent journalism to millions more people around the world, including in places where media freedom is under threat.



We've announced major increases in funding for Scotland, Wales and Northern Ireland to reflect the importance we place on serving and representing the whole of the UK.



26m

26 million people tuned in to BBC One and the News Channel for our coverage of the EU Referendum result. A record-breaking audience came to BBC Online with traffic peaking at 53 million unique browsers globally, and 24.7 million unique browsers in the UK.

Planet Earth II

Planet Earth II reached 30.3 million viewers and had 20 million requests on BBC iPlayer, making it the best performing natural history programme in at least 15 years.



BAFTAs

The BBC won 19 out of 25 BAFTA Television Awards with winners recognised in nine out of ten genres, including for Reality and Constructed Factual for *Muslims Like Us*.



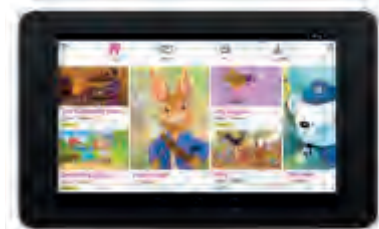
BBC Three celebrated its first anniversary as an online-only channel and was awarded RTS Channel of the Year 2017. Comedy *Fleabag* has proved a resounding success and earned its star Phoebe Waller-Bridge a raft of awards, including two accolades from the Royal Television Society and a BAFTA.

+17%

Radio 4's *The Archers* team spent over two years researching its domestic abuse storyline, and according to Refuge and Women's Aid, which run in partnership the National Domestic Violence Helpline, in the month the storyline intensified, there was a 17% increase in calls to the helpline.

iPlayer Kids

The new iPlayer Kids app launched in March. With over 10,000 episodes being made available this year alone, it has all of BBC Children's world-class content in one place.



The BBC is a key partner for Hull's year as UK City of Culture. Projects that the BBC will host include a major new national spoken word festival, a ballet for young children made in Hull, and the recruitment of a hundred local community reporters.



246m



2016 has been the biggest year yet for BBC iPlayer, which received 246 million monthly requests on average.



Inform. Educate. Entertain.

Distinctive, world-class content that is engaging, risk-taking, educational and award-winning.

We create cutting edge content...

[Read more on content performance on pages 22 to 35](#)



...broadcast across multiple channels...



...working with talent across the UK creative industries.

[Read more on BBC staff and talent on pages 54 to 60](#)

Award-winning drama

BBC One drama *The Night Manager* was the biggest winner in the television section at America's prestigious Golden Globes awards.

BAFTAS

The BBC won 19 out of 25 BAFTA Television Awards, with winners recognised in nine out of ten genres.

Channel of the Year

BBC Three named the Royal Television Society's 'Channel of the Year' award, cementing a great first anniversary as an online-only channel.

News Channel of the Year

BBC News won 'News Channel of the Year' at the RTS Television Journalism Awards.

Television

Nine pan-UK television services, including online-only youth service BBC Three. National and regional television services across England, Scotland, Wales and Northern Ireland.

Radio

Ten UK-wide radio networks and two national radio services each in Scotland, Wales and Northern Ireland, 40 local radio stations in England and the Channel Islands.

Online

Services including BBC News, Sport, Weather, CBBC, iPlayer and iPlayer Radio and BBC Red Button via a variety of internet-connected devices including tablets, smartphones and connected televisions – as well as computers.

BBC World Service

Television, radio and online services in 28 languages, with 11 more announced in 2016.

BBC staff

Our people are talented, diverse, dedicated and passionate. They make us what we are.

Partnerships

We work with organisations that share our passion for creativity, quality and distinctiveness.

Investment

The BBC is a major investor in the UK creative industries, contributing hundreds of millions of pounds to the wider sector.

Knowledge-sharing

BBC engineers have always been at the forefront of technological development. We provide a 'centre of excellence', sharing advances and best practice across the industry.

Training

We are committed to offering opportunities to everyone. Since 2014, 1% of our workforce has been made up of apprentices and in February 2017, we announced a £1 million scheme to recruit, train and develop journalists with disabilities.

BBC One drama *Poldark*

We deliver our public purposes...

+ Read more on delivering our purposes on pages 14 to 19

To provide impartial news and information to help people understand and engage with the world around them

To support learning for people of all ages

To show the most creative, highest quality and distinctive output and services

To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK

To reflect the UK, its culture and values to the world



...through our aims and ambitions...

+ Read more on our plans for next year on pages 20 and 21

Our aim is to reinvent the BBC for a new generation. We will do this by delivering against our ambitions.

- Making sure everyone gets value from the BBC
- World-class creativity
- Global reach

- Financial stability
- Making the BBC an even greater place to work



...ensuring value for money for our audiences.

+ Read more about our finances on pages 46 to 53

Investing as much money as possible in delivering great content and services.

Reduction in overheads
95% of the BBC's controllable spend this year was focused on content and delivery, just 5% was spent on running the organisation.

Talent spend reduction
Our total spend on on-screen and on-air talent has been reduced to 11.5% of our internal spend on content.

Senior manager pay bill
The ratio of senior managers to total public service employees is now 1.6% and the paybill for senior managers has reduced by over £36 million since 2009.

Total cost savings
£172 million of annual savings were delivered during the year.

A message from the Chairman




“We believe that the new Charter reaffirms the core mission of the BBC, making plain that our aim ‘to inform, educate and entertain’ is as relevant now as it has been throughout the history of the Corporation.”

 Sir David Clementi,
Chairman

The beginning of April 2017 marked a moment of transition for the BBC: a new unitary Board replaced the previous arrangements under which governance responsibility was split between the BBC Trust Board and the BBC Executive Board. The new Board, which has a majority of non-executive directors and includes the Director-General and three other executive directors, now has responsibility for all the activities of the BBC.

This Annual Report and Accounts covers the year to March 2017; and relates to a period where the old arrangements and responsibilities were in force. Much of the preparatory work for the Report was done prior to the year end, but it falls to the new Board to complete its preparation, organise its publication and take final responsibility for it.

Since I arrived in post, my focus has been on establishing the new BBC Board and putting in place the new system of governance which is required by the new Charter.

 *Full details of these new arrangements can be found on pages 12 and 13*

These arrangements provide for the first time in the BBC's history a clear distinction between governance of the BBC, which falls unambiguously to the new Board, and external regulation of the BBC, which now lies with the independent industry regulator Ofcom. Both at executive and non-executive level we have started to build what will be an important relationship with our regulator.

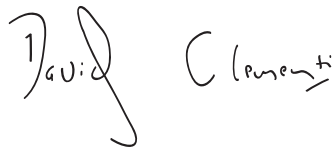
The primary task of the Board is to ensure we meet the obligations placed on the BBC under the new Charter, which runs to the end of 2027. The period leading up to its issue involved a significant contribution from a wide variety of parties, not least the general public who responded to the Government's consultation paper on the future of the BBC in unprecedented numbers.

We believe that the new Charter reaffirms the core mission of the BBC, making plain that our aim ‘to inform, educate and entertain’ is as relevant now as it has been throughout the history of the Corporation. The five core public purposes, set out in the Charter and detailed on pages 14-19 of this Report, provide a clear framework for delivering value to the public and against which we will be held accountable.

It is worth highlighting the paramount importance we attach to the first public purpose, to ensure the strict impartiality of the BBC. For nearly a century the BBC has had an essential function as the place to which the country comes to make sure it can distinguish fact and fiction. With a plethora of news sources now available, this role has become more important than ever. The British public put a premium on trusted and authoritative news coverage. That is why impartiality, accuracy and independence will be fundamental principles driving the work of the new Board.

Whilst much of the year was spent by the Director-General and the senior management team on issues concerned with the new Charter, it is clear to me that it has once again been a great year on-air and on-screen. Management did not allow itself to be distracted from delivering what matters most to audiences: ambitious, high-quality and distinctive programmes and services. The introduction from the Director-General provides an overview of some of the highlights.

I would like to thank Rona Fairhead, as departing chairman of the BBC Trust, and all the trustees and directors who were part of the previous governance arrangements, for their work and commitment in the year that we are reporting on. I would also like to welcome my fellow members of the new Board. All of us understand the scale of the responsibility in our hands. At the same time, we are excited about the important challenges that lie in the 12 months ahead and beyond.



Sir David Clementi
Chairman

“For nearly a century the BBC has had an essential function as the place to which the country comes to make sure it can distinguish fact and fiction. With a plethora of news sources now available, this role has become more important than ever.”



Radio 4 *Today* programme presenters Sarah Montague and Justin Webb.

Director-General's statement

It's been another busy year for the BBC, with distinctive, inspiring and award-winning content on-screen and on-air, as well as the completion of a successful Charter review process.

The start of a new Charter is a critical moment. It is the chance to set our sights high for the next 11 years, and mobilise the whole of the BBC behind a really clear and ambitious goal.

That is why, as the new Charter period began, I set the Corporation a challenge: over the next few years, I want us to reinvent public service broadcasting for a new generation.

Of course, this does not somehow mean forsaking our existing audiences. As I have said many times before, we have to ride two horses in the years ahead: doing brilliant things on our existing channels and services, but also innovating in the digital space.

Our task is to reinvent public service broadcasting for a new generation and also to ensure it works for all audiences so that everyone in the country gets value from the BBC.

Why is this so important? During the debates about the Charter, we learned something vital: the public continue to believe strongly in the BBC's mission. When we look at how society is changing, I see the BBC's mission as more important to the UK than ever.

Reaching younger audiences

More encouraging still is the fact that, as Ofcom's research shows, young people continue to value public service broadcasting greatly, as does the general population overall. However, while young people value what we do, successfully reaching them is a

whole different matter. In fact, it is one of the single biggest strategic issues we now face. Firstly, because there is so much competition for their time. Adults spend 8% of their media time on social media and messaging. For 16 to 24s, it is 25%. Across the whole of the television market, time spent with young audiences has fallen by 20% to 30%. It is the same story with radio.

Increasingly, younger audiences and older audiences are consuming media in different ways. This is why we have to respond.

The second big issue is that the media landscape around us has changed beyond recognition. It has become hugely more global and competitive.

We are now in an environment where others are willing to invest huge amounts of money in an attempt to capture market share, and where technology companies are increasingly moving into areas that broadcasters have

traditionally thought of as their own. Despite these challenges and more, I believe we can be very confident about our future. We may be financially small compared with some, but our impact can be huge.

We are still, by far, the media provider with whom young audiences spend the most time. We are a powerful provider of programming and services to children: CBeebies is the top channel for the under-sixes, CBBC for the over-sixes, while Bitesize is a necessity when it comes to revision at GCSE time. For the 16 to 34 age group, BBC One is still their top television channel – the one most watch. Overall, they spend 11 hours with the BBC each week.

It is also a major advantage that we have the stability of an 11-year funding settlement, and are sure of our budget for the five years ahead. Of course, we have some hard choices ahead of us to make sure that we can live within our means, but we have certainty in an



more than
50m

people of all ages came to us for our sports coverage last summer.





“I want the BBC during this Charter to be defined by boldness, originality, and risk taking.”



Tony Hall,
BBC Director-General

uncertain world. We need to make it count. Perhaps the biggest cause for confidence, however, is this: over the past year, we have proved yet again that when you provide real quality, audiences – young and old – respond.

Distinctive, world-class content

That is why more than 50 million people of all ages came to us for our sports coverage last summer; and why – though we only have around 2% of the total hours of television sport broadcast – we have more than 40% of the audience. And it is not simply that they come to us for the big events. Our programmes have become big events in themselves – whether that is *The Night Manager*, Ed Balls on *Strictly*, or *Sherlock* at New Year. *Planet Earth II* was seen by more than 30 million viewers in the UK and ended up regularly topping the Sunday night ratings.

We have also learnt over the last year that, when we innovate online, we can have a strong impact. Our children’s apps have now been downloaded 12 million times. On YouTube, Radio 1 is the biggest radio station in the world, and BBC Three is being truly innovative with short-form content.

We know that, when we do things of the highest quality, audiences come to the BBC. They rely on us for the best of UK content, delivered in both traditional and innovative ways.

Our plan for reinventing public service broadcasting for a new generation rests on five key ambitions, supported by 12 pan-BBC

objectives. These are set out on pages 20 and 21. I have already highlighted the vital importance of ensuring our long-term financial stability, and of making sure that everyone gets value from the BBC. As well as these, I believe that success will depend on us concentrating on three essential priorities.

First, our creativity. In other words, our programmes and services.

I want the BBC during this Charter to be defined by boldness, originality and risk-taking. I want us to have the courage of our convictions, to dare to do the things that others won’t, and to hear, again and again: “only the BBC would do that”. That does not just mean doing what no-one else does, but breaking new ground and leading the way.

This is something we must get right over the coming years, because it will be the true test of our creativity and the true measure of our distinctiveness.

Of course, we are already on great creative form, but we know that we can never stand still. We always need to generate new ideas, innovate further and take greater risks. This is what has to motivate us constantly in all our traditionally-delivered services, but we now also need to look again to the online space – where competition is high, new audiences are most present, and where we can serve them in brilliant new ways.

That means reinventing iPlayer. It was the biggest revolution of the last Charter, and

it has been the number one video-on-demand service in the UK, reaching more people than any other. Now we need it to make the leap from a catch-up service to a must-visit destination in its own right.

Our goal, even in the face of rapid growth by our competitors, is for iPlayer to be the number one online television service in the UK. That will mean doubling our reach, and quadrupling the time each person spends on it every week, and we want to do it by 2020. It is a tough challenge, but I am confident we will do it.

Innovating in a changing media landscape

We need to do the same for audio. Today we have some of the best speech and music radio in the world, but I think we can do so much more with our world-class content and, at the same time, win new global audiences.

There is a challenge for our news teams too. Increasingly, we have been looking at the distinction between ‘fast’ and ‘slow’ news services. We are up there with the best in the world at telling people what is happening right now, and being where they come to find out what is going on in real time. Now I want us to do much more with our ‘slow’ news services.

This is coverage that sets out to explain what is happening in the world, helping the public truly to understand the events of a tumultuous time. That means more of a focus on expertise drawn from both inside and outside the BBC, more in-depth analysis, more important investigations and more data-journalism.

“We are still, by far, the media provider with whom young audiences spend the most time.”

These are major challenges, and the thing that brings all of them together is personalisation. This will be a real priority for the BBC in the months and years ahead.

Data is creating a flight to quality. It means audiences can find the best of public service broadcasting, but only if they sign in. We are continuing to see growth in the signed-in audience and had close to 4 million active signed-in users in May. I want to make that at least 20 million, and I want us to get there as quickly as possible. I believe that, perhaps more than anything else, this is what our future success will depend on.

By finding out more about our audiences and what they like, we can make better content, make it more relevant, and bring it to them more effectively. The closer and more personal our relationship with our audiences, the more they will choose the BBC.

My second major priority is our culture – making the BBC a great place to work.

As I go around the country, I see plenty of examples of where things are going very well. We have made real progress on simplifying the Corporation: cutting overheads to just 5%, better than most in the private sector; reducing layers in many areas; reducing divisions, boards and the numbers of senior managers. Of course, this is a journey not a destination, and we can never afford to be complacent. Different parts of the organisation are moving at different speeds, and we still have plenty more to do.

A major priority for me has to be that we are better able to work together across teams, and work fast. That is because the old way of doing things – working in silos – simply cannot succeed in the modern media environment. Nor can the traditional ways of delivering services, through big project plans with budgets allocated years in advance.

Today we have to be much more entrepreneurial in our make-up. What we did digitally last summer for the Rio Olympics

is an excellent example. For me, perhaps the biggest triumph was how our technical and editorial teams came together to solve problems and innovate – with the full trust and support of management, without letting internal barriers get in their way, making sure they could change, respond and rapidly adapt.

My third priority is being much more ambitious for the BBC globally.

Today, we punch well above our weight worldwide. As one of the country's most valuable exports, we help the UK punch above its weight too. I believe that, now, in the post-Brexit world, Britain needs us more than ever – and that we need to do more than ever for Britain.

That is why, last autumn, I was so proud to be able to announce the historic expansion of our World Service – the biggest since the 1940s. But beyond the World Service, I believe there are two major factors that will be critical to our future global success.

The first is BBC Studios. This represents a true revolution in the way we source and make our programmes. Of course, it means a degree of risk, with the contesting of current programmes, but it is also an important opportunity.

In both radio and television, we need to own intellectual property rights for



12m



Number of times the BBC's Children's apps have been downloaded.

OUR AIM IS...

...to reinvent the BBC
for a new generation

WE'LL DO THIS THROUGH...

...our five ambitions

Making sure
everyone gets
value from
the BBC

- keep the BBC at the heart of everyday life in the UK
- deepen our relationship with all audiences
- be more inclusive
- represent all nations and regions

World-class
creativity

- create a content plan to support our creative mission
- be a focal point for originality
- be confident
- be more creative with the best quality services

Global reach

- maximise our global reach
- make world-class programmes
- broaden our delivery
- grow the World Service

Financial stability

- manage increased competition
- continue our efficiency agenda
- invest in content and services
- live within our means

Making the BBC
an even greater
place to work

- make ways of working simpler
- act as one BBC
- value each other and celebrate success
- be visible and involved

audiences. I do not want us ever to become a publisher-broadcaster. I am convinced that BBC Studios is the only way we will secure our future as one of the very best programme-makers in the world.

At the same time, I do not want us just to be brilliant at making high-quality, distinctive British programmes. I want us also to be truly brilliant at exporting them across the globe. That is why we need BBC Worldwide to thrive as a strategic partner for BBC Studios, making the very most of our global reach.

That is why I have challenged BBC Worldwide to look again at how we best grow our business to deliver more returns back to public service – to reinvest in yet more great British programmes and services.

By the time we reach our centenary year in 2022, we want a BBC that is irresistible to all our audiences. In a world of near-limitless choice, we want people to carry on choosing the BBC. Above all, we want to have shown that public service broadcasting – underpinned by strong public service values and a clear public service mission – has even more to offer Britain and the world in the next century. More, even, than it has done in its first hundred years.



Tony Hall
Director-General



BBC Studios produces audience favourite *Countryfile*.

New governance

Following a review led by the Government, the BBC was granted a new Royal Charter in late 2016, which runs for 11 years from 1 January 2017.



The way the BBC is governed has changed under the new Royal Charter

Above: Chairman, Sir David Clementi and Director-General, Tony Hall

The way the BBC is governed and funded is established by Royal Charter.

In late 2016 – following a wide-ranging review led by the UK Government – the Corporation was granted a new Charter, which now runs from 1 January 2017 to 31 December 2027. The Charter, and the accompanying Framework Agreement, sets out the constitution of the BBC.

One of the significant changes in the new Charter is the implementation of new governance and regulatory arrangements for the BBC. These arrangements formally came into place on 3 April 2017.

In the area of governance, the former structure of an Executive Board and the BBC Trust was replaced with the establishment of a single BBC Board.

The regulatory arrangements for the Corporation, which were previously split between the BBC Trust and Ofcom, now fall entirely to Ofcom, as they do for other UK broadcasters.

The Board

The new, unitary, BBC Board is led by a non-executive Chairman, Sir David Clementi, and consists of a majority of non-executive members alongside executive members including the BBC's Director-General and Editor-in-Chief, Tony Hall. Of the ten non-executive members, four are specifically appointed as members for each of the four nations of the UK.

+ [Read more about the Board members on pages 64 and 65](#)

“This new Board represents a new era in BBC governance. For the first time the BBC has a single governing body with clear responsibility for all of the BBC.”

Sir David Clementi
Chairman

The Board is responsible for ensuring the BBC fulfils its mission and public purposes as set out in the Charter, and it does this by: setting the strategic direction for the BBC; establishing the creative remit; setting the BBC's budget; and determining the framework for assessing performance. The Board is accountable for all of the BBC's activities – including the publicly funded services in the UK and around the world, as well as the Corporation's commercial activities.

Executive Committee

The Director-General, Tony Hall, chairs an Executive Committee, which is responsible for the day-to-day running of the BBC. Nine directors, who manage large operational areas of the Corporation, sit on this committee.

The Executive Committee is responsible for delivering the BBC's services in accordance with the strategy and delegation framework agreed by the Board, and for all aspects of operational management.

External regulation

The Office of Communications ('Ofcom') is the BBC's regulator. Ofcom is the regulatory and competition authority for the UK's broadcasting, telecommunications and postal industries.

Ofcom's central responsibility is to regulate the BBC. It does this by establishing an Operating Framework and by setting a licence for the BBC that contains the regulatory conditions it has set for the BBC. Ofcom also assesses performance, ensures fair and effective competition and regulates the interaction between the BBC's public service and commercial activities. Ofcom also regulates the BBC content and output against its Broadcasting Code.

More detail about Ofcom and their responsibilities can be found on their website.

Audit arrangements

The Comptroller and Auditor General, Sir Amyas Morse CBE, has been appointed as the BBC's external auditor; he is supported in this role by the National Audit Office (NAO). Sir Amyas and the NAO are independent of government. As part of the new governance arrangements, the Comptroller and Auditor General examines, certifies and reports on the BBC's group accounts and is appointed as auditor of the BBC's relevant subsidiaries unless he and the BBC agree otherwise. More detail about the Comptroller and Auditor General and the National Audit Office and their responsibilities can be found on the National Audit Office's website.

New Broadcasting House, London



Delivering our purposes

The BBC's public purposes describe the public value the BBC aims to achieve when delivering its mission to inform, educate and entertain.

[To read the public purposes in full, please visit: \[bbc.co.uk/corporate2/insidethebbc/whoweare/bbc_royal_charter\]\(http://bbc.co.uk/corporate2/insidethebbc/whoweare/bbc_royal_charter\)](http://bbc.co.uk/corporate2/insidethebbc/whoweare/bbc_royal_charter)



Double BAFTA award-winning *Damilola, Our Loved Boy*

1

To provide impartial news and information to help people understand and engage with the world around them

[Read more on pages 15 and 30](#)

2

To support learning for people of all ages

[Read more on pages 16 and 59](#)

3

To show the most creative, highest quality and distinctive output and services

[Read more on pages 17 and 22](#)

4

To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK

[Read more on pages 18 and 60](#)

5

To reflect the UK, its culture and values to the world

[Read more on pages 19 and 32](#)

To provide impartial news and information to help people understand and engage with the world around them

It has been an extraordinary 12 months in both domestic and global politics, and the role that BBC News plays – to inform audiences with trusted, independent and impartial news, adding context, analysis and insight, holding the powerful to account, and giving people a sense of place in their community – has been of vital importance both in the UK and globally.

For our audiences

BBC News continues to be the biggest provider of news in the UK. We reached three-quarters of adults in the UK each week in 2016/17; more than any other news provider. On television, the average BBC television news viewer watched over two and a half hours of BBC News each week, whilst on radio, the average listener to BBC News and current affairs content tunes in for close to five and a half hours per week, with BBC Radio 4's *Today* programme recording its highest ever audience figures. BBC News online attracted an average of just under 30 million weekly unique UK browsers.



76%

of UK adults used BBC News each week in 2016/17.



In comparison with other news organisations the BBC remains by far the most trusted source of news in the UK. 57% of people said that the BBC is the one news source they would most likely turn to for news they trust and for accurate news coverage, with the next nearest provider at around 10%. And the BBC is the news source people say that they turn to for impartial news coverage, with 50% of the UK public saying the BBC is the one source they would turn to for impartial news, far ahead of all other news providers.

For society

Time and again audiences come to the BBC for coverage of major news events when the value of BBC News to UK society is most visible. During the referendum on the UK's membership of the European Union, the BBC was the most used and most trusted news provider throughout the campaign. 87% of people in the UK closely followed news about the result of the vote, making the story the most followed since tracking began eight years ago. A record 53 million global unique browsers visited BBC News online on the day the result was announced, with 26 million people watching coverage on television on 23 and 24 June. A third of all UK adults also consumed BBC News coverage of the results on social media.

Globally, the BBC's coverage of the US Presidential election helped close to two-thirds of UK audiences understand what the result meant for the US, the UK and the world – far ahead of other providers – while the BBC's network of correspondents brought coverage and analysis from around the world; including the terrorist attacks in Nice and across Europe, and the ongoing conflict in Syria.

BBC News continues to refresh its output to attract new audiences. New formats such as BBC Stories are helping to reach a broader audience. A film showcasing a revolutionary new invention that allowed a young woman with Parkinson's disease to begin drawing again has been viewed over 60 million times on Facebook alone.

BBC current affairs output continues to set the news agenda and influence national debate with its emphasis on world-class original journalism. *Panorama's* investigation into the Panama Papers in *Tax Havens of the Rich and Powerful Exposed* reached 4.8 million television viewers.

For the UK

The BBC's mission to bring impartial and accurate news to audiences strengthens the UK and we work to maximise the impact.

As part of the BBC School Report project, BBC News worked with 900 schools and around 30,000 students. Through mentoring and digital training, the programme works with these young people to explore the themes of accuracy and impartiality in news coverage, as well as helping to promote media literacy. BBC School Report additionally provides support for those considering a career in the media.

The BBC has also announced plans to invest around £8 million a year in local news partnerships to improve the provision of local journalism in the UK. The proposals include the recruitment of 150 local democracy reporters; the syndication of BBC local audio and video content for use by local and regional news organisations across the UK; and the creation of a shared local data journalism centre in Birmingham.

The BBC has launched a number of measures in response to new concerns about the reliability and accuracy of news in general. We are working with social media platforms and other news organisations to address the challenges.

2 To support learning for people of all ages

Learning in its broadest sense is vital to the wellbeing of any nation, and this has been reflected in the importance the UK public attaches to the BBC's education purpose and its new focus in the BBC's strategic priorities.

For our audiences

Across television, radio and online, the BBC continues to help our audience learn about an incredible range of subjects through world-class factual content. *The Big Painting Challenge*, *The Great British Sewing Bee* and *The Great Pottery Throw Down* have all sparked viewers' passions to take up new hobbies and acquire new skills. Overall, more than seven in ten (72%) agree that they have 'learned new things from programmes or online content on the BBC'.

From *Alphablocks* and *Numberblocks*, *Nina and the Neurons* and *Do You Know?* on CBeebies, to *Newsround*, *Blue Peter*, *Absolute Genius* and *Horrible Histories* on CBBC, our children's channels provide our youngest audience with fun and engaging ways to learn; with a wealth of online resources and activities helping parents to support the development of children's numeracy, language and social skills through their early years.

For society

BBC Bitesize continues to be a much-valued resource for millions of children and young people, supporting them through their formal education with curriculum-linked online resources. Average weekly reach is up 10% year-on-year to 2.1 million unique UK browsers, peaking at 3.3 million during the 2016 summer exam period. In 2016 we launched a new Bitesize revision app which has already been downloaded more than 500,000 times. Bitesize makes a real difference to young learners with 81% of users saying it has helped them to understand their schoolwork or homework more, 57% of secondary school users saying it has helped them to achieve better grades at school, and 30% of those who used it to revise for their GCSEs or Nationals saying that there was a subject they wouldn't have passed without it.

The BBC has also stepped up its support for schools and teachers in the past year, reinventing schools television through *BBC Live Lessons* and launching a new YouTube channel BBC Teach, which assists teachers to find curriculum-linked video for use in lessons. More than three in five adults (62%) agree that 'the BBC helps children/teenagers with what they learn at school/college', rising to 66% for parents with children in their household.

Young people were also encouraged to be good citizens through Radio 1 and iXtra's #1MillionHours campaign, with more than 1.1 million volunteering hours being pledged in total.

This year the BBC has supported reading and literacy by leading a national conversation about books and celebrating the positive effects of reading and writing for pleasure. *BBC Comedy Classroom*, delivered in partnership with the National Literacy Trust, provided a unique way for teachers to use laughter in lessons to promote literacy in a fun and engaging way. Social media campaign #LovetoRead, designed to engage young people and prompt conversation around books, received 900,000 engagements with the content such as likes, shares and comments.



BBC Terrific Scientific aims to inspire primary school children to get excited about science.

Radio 2's *500 Words*, now in its eighth year, inspired over 120,000 children to write short and creative stories. CBBC's *Awesome Authors Live*, delivered with the Royal Shakespeare Company and BookTrust, enabled children to meet some of their favourite authors at events in Birmingham and at libraries across the UK. 92% of 6 to 12 year-old attendees surveyed said they planned to do something new and 88% said they wanted to read more.

For the UK

The BBC has this year worked in partnership with a wide range of organisations to deliver transformational educational campaigns that benefit the wider UK. The BBC micro:bit is our most ambitious educational initiative since the original BBC Micro in the 1980s. Working with over thirty partners, one million small programmable coding devices were manufactured and distributed to all children in Year 7 (or the equivalent) across the UK, inspiring the next generation of digital pioneers. Nine in ten Year 7 pupils surveyed who used the micro:bit said that it helped show them that anyone can code, and 39% of Year 7 girls who used it said they would definitely choose ICT/computing compared to 23% before the campaign started. Amongst teachers, 93% agreed that their students learnt something new.

Our new schools campaign is BBC Terrific Scientific, a bold and ambitious initiative to inspire primary school children to get excited about science. Delivered in partnership with Wellcome and other academic and science institutions, the initiative supports the UK's urgent need for more young people to secure Science, Technology, Engineering and Mathematics ('STEM') qualifications.

The future of the UK's creative industries was again the focus of the Radio 1 Academy, which this year took place in Exeter in the run up to Radio 1's Big Weekend. Workshops and Q&A sessions helped over 8,000 young attendees. 98% of participants surveyed saying that they increased their knowledge by attending and 75% stating they felt inspired to do something different.

3 To show the most creative, highest quality and distinctive output and services

2016/17 has been a rich year for creativity at the BBC, from *Planet Earth II* which attracted record television audiences, to innovative 360 degree Olympics coverage, to the hugely impactful domestic abuse storyline on *The Archers*, the compelling exploration of grief with *Rio Ferdinand: Being Mum and Dad*, the special programming that celebrated seven decades of pioneering music and culture on Radio 3, coverage of the Invictus Games and to challenging, critically-acclaimed comedy and drama like *Fleabag* and *Taboo*.

Digitally, BBC Three became one of the first broadcast channels in the world to go online only; experimenting in form, content and tone, to inspire and engage younger audiences across multiple platforms.

[See more about BBC Three online on page 28](#)

For our audiences

We continue to face intense competition and changing audience behaviours, particularly amongst younger audiences. That has put pressure on the audience reach and time spent with both television and radio. However, the BBC has maintained its share of the television broadcasting market.

In terms of quality, appreciation index ('AI') scores have held steady for television at 80.3 and for radio at 81. BBC content has been widely recognised in industry awards, both domestically and around the world – *The Night Manager* won ten awards including three Golden Globes, while *Exodus: Our Journey to Europe* won six awards including Best Documentary Series at the RTS Programme Awards. In all, the BBC won 19 BAFTA television awards and 13 RTS awards, with BBC Three collecting a remarkable six awards including Channel of the Year. BBC Radio was also recognised, with 13 golds at the Radio Academy Arias (formerly known as the Sony Awards) with Radio 2 being named best national radio station.

For society

We have maintained the unique range and breadth of our services across both radio and television; exceeding our regulatory quotas for hours in genres such as arts, music and religion. BBC Trust research showed three in five (59%) people agreed that the BBC has lots of fresh and new ideas, with around half (49%) agreeing that the BBC provides distinctive programmes and online content that no other broadcaster would make.

It has also been a strong year for innovation both in form and technology, with pioneering immersive soundscapes showcased in a virtual reality drama, the award-winning *Turning Forest*. BBC Taster brought new formats to audiences, like RemArc, or Reminiscence Archive, designed to help trigger memories in people with dementia using BBC Archive material as stimulation.

BBC Three experimented in new short-form content, including investigative journalism in 15-minute *Unsolved* episodes and the *Amazing Humans* strand that went viral on social media with one video alone viewed over 95 million times globally on Facebook.

In the digital sphere, music playlists and the BBC Music app are starting to reinvent the way BBC Radio engages with audiences. BBC Radio has also created new opportunities for listeners to engage through initiatives such as Radio 5 live's real time audience interaction in the run up to the European Union referendum, and pop-up radio stations such as BBC Music Jazz and Radio 2 Country.

For the UK

In the last year, we have worked with 54 independent UK television production companies that we hadn't worked with before, and met or exceeded the quotas for hours of output from independent production across all channels. Of the £1 billion spent externally by the BBC in the creative economy, £433 million was spent with the independent production sector, and hundreds of millions more with rights holders, performers, talent, directors, production resources and musicians.

The BBC has opened up its platforms to collaborate and host partners' content, to bring the best possible experience to audiences. *Shakespeare Day Live* brought partners like Shakespeare's Globe and the British Film Institute, the RSC, the Hay Festival, the Royal Opera House and the British Council together. BBC Radio partnered with Spotify, Deezer, YouTube and Apple on the BBC Music app, and BBC Introducing continues to team up with the National Skills Academies and BBC Local Radio to help build production skills among young, emerging musical talent.

The BBC also remains committed to developing the best in new UK talent through programmes such as Radio 1 and IExtra's Where It Begins internship scheme, which offers eight-week, paid placements designed to attract a diverse range of people to the BBC. Another example is the Make It Digital trainee scheme for 16 to 24 year olds, with BBC Three surfacing new talent such as Maxim Bady and Kayode Ewumi, who in turn helped the BBC to win five BAFTA Breakthrough Brits – more than any other broadcaster.



Critically-acclaimed drama *Taboo*.

4 To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK

As the nature of national identity and population diversity becomes ever more complex, the importance of the BBC's mission to represent, and be representative of, the whole of the UK will become ever more significant. Delivering on this key public purpose will be a running theme throughout the next Charter period.

We have recently announced ambitious new plans to strengthen our programmes and services in Scotland, Wales and Northern Ireland.

For our audiences

BBC content remains hugely popular with audiences across the nations and regions. Average reach of BBC television viewing is 79% in England, 78% in Northern Ireland, 80% in Scotland and 82% in Wales. Nearly half of all adults in England (over 19 million) watch at least three minutes of a BBC regional television news bulletin each week and BBC regional television evening bulletins account for a third of all television viewing at that time. The early evening edition of *Reporting Scotland* remains Scotland's most-watched television news programme, and in Wales and Northern Ireland, *Wales Today* and *Newsline* continue to perform strongly.

Local radio in England draws in 6.4 million people each week. Of those, almost 1 million people listen to no other radio stations, and a quarter listened to over ten hours per week.

We are doing more to reflect the whole of the UK to itself. Network dramas such as *The Replacement*, *The Fall* and *Hinterland* were set in the nations.

In Wales and across the UK, the 50th anniversary of the Aberfan disaster in September 1966 proved particularly poignant. *The Green Hollow*, a film poem by Owen Sheers which included contributions from the local community, received the highest audience appreciation rating of any BBC One programme in five years.

Our programming tackled challenging themes whilst reflecting the UK's diverse communities. *Transgender Love* on BBC Scotland followed six transgender individuals in Scotland as they

struggled to find love and maintain existing relationships. A highlight of collaborative working was the #towerlives project in April, which gave voice to the stories of people from the culturally diverse Butetown estate in Cardiff. Asian Network Live featured a range of British Asian and global South Asian artists, connecting with a live event audience of over 3,300, more than 90% of whom were black, Asian and minority-ethnic ('BAME'), and was also available on Red Button, iPlayer and radio.

The BBC's Black and British season, delivered in partnership with the Heritage Lottery Fund, Historic England, The National Archives, Black Cultural Archives and the BFI, celebrated the role and achievements of black people in the UK and explored the rich culture and history of black Britain with bold, vibrant and provocative programming across the BBC. Almost half (46%) of black audiences said they learned something new from the season.

For society

The national radio stations were indispensable in reporting the devolved elections of May 2016 and again during March 2017 in Northern Ireland. BBC Northern Ireland's television coverage of the election results reached more than half the local adult population. All platforms played a key role in helping audiences make sense of the European Union referendum and what it meant for their nation.

The BBC continued its unique support for the UK's indigenous languages across television, radio and online, and BBC Alba and S4C continued to be key partners in the delivery of our commitment.

For the UK

The BBC continued to make a significant contribution to the creative economy across the UK, both within the BBC and across the independent sector. The BBC's investment in Scotland increased significantly, with network spend rising from the previous year's £73 million to over £93 million. In Wales, this investment stood at £63 million whilst in Northern Ireland, network content spend was valued at £30 million.

Significant progress was made in the delivery of the BBC's staff diversity targets. BAME staff now represent 14.5% of the overall



The Black and British season celebrated the role and achievements of black people in the UK and explored the rich culture and history of black Britain.

workforce and 10.3% of our leadership teams. This means we have met our 2017 targets and are on track to meet our target of 15% by 2020. The proportion of staff with a disability or long-term health condition is 10.2%, with 9.6% in leadership roles. Women now represent 48.2% of the workforce with 42.1% in leadership roles against our 2020 target of 50%. Representation of lesbian, gay, bisexual and transgender ('LGBT') staff is 10.5% across the workforce and 11.5% across our leadership teams, compared to our 2020 target of 8%. And the target of having the number of apprentices making up more than 1% of the BBC's workforce was reached in 2014; two years ahead of schedule. That figure has now risen from the 2014 total of 177 to over 230, and there is a new ambition of offering more than 400 apprenticeships by 2018.

[Read more about diversity at the BBC on page 60](#)

All of these targets are part of the BBC's public purpose to find and train the most creative talent, whoever and wherever they are. By doing so, the aspiration is that the BBC will create a truly diversified workforce that both reflects and mirrors the changing dynamics of the UK's population.

5 To reflect the UK, its culture and values to the world

The BBC is one of the UK's greatest cultural exports. Following additional investment from the Government this year, we announced the biggest single expansion of the World Service since the 1940s. This investment will deliver services in 12 new languages, enhance output in the Middle East, Africa and Russia, and support the digital transformation of the BBC's global news output.

For our audiences

The BBC reached a total weekly global audience of 372 million in 2016/17 (348 million in 2015/16). The weekly reach of the World Service Group grew to 346 million (from 320 million in 2015/16), of which the World Service accounted for 269 million (up from 246 million in 2015/16).

[Read more about World Service performance on pages 32 and 33](#)

BBC Worldwide reached a weekly audience of 36 million within the year, by exporting high-quality content to broadcasters around the world, and hosting on its own BBC branded services such as BBC First and BBC AMERICA, a joint partnership with AMC Networks.

For society

Globally, the need for trusted and reliable news is greater than ever. Societies are increasingly fragmented and press freedom in many countries continues to be under threat. It is in this context that the BBC is consistently rated one of the most trusted international news providers and the World Service continues to be an invaluable source of news and information for audiences across the globe.

BBC News has an unparalleled record in covering major global events. We have reported on-the-ground from the Mosul frontline, whilst the award-winning *Islamic State's Most Wanted* in April helped demonstrate to the world what life for teenagers is like living under the control of so-called Islamic State in Raqqa, Syria. In July, BBC Turkish was at the forefront of reporting the attempted coup against President Erdogan, with audiences turning

to the BBC for the full picture, as well as for analysis of the clampdown over the following months. The World Service also continues to engage younger, female audiences through 100 Women; a multi-format series that examines the role of women in the 21st century. This initiative is now in its third year.

As well as being a distributor of scale, BBC Worldwide champions British creativity by investing in, commercialising and showcasing world-class UK content. Sir David Attenborough's *Planet Earth II* has now been sold to 168 territories. The US premiere was the most watched unscripted telecast ever on BBC AMERICA and the most watched nature programme on US television in the last five years. A collection of *Planet Earth II* content on Tencent generated over 200 million views in China.

BBC Media Action, the BBC's international development charity, works with media to inform, connect and empower people and to help bring about lasting change in individuals' lives. Last year the charity reached more than 200 million people in 28 of the poorest and most politically fragile countries in the world, and supported more than 100 training partnerships to strengthen and showcase the merits of both a free and independent media.

For the UK

The BBC remains a source of pride and influence for the UK, and licence fee payers benefit from the BBC's global strength. BBC Worldwide continues to deliver strong, sustainable financial returns to the BBC, allowing additional investment in content. In 2016/17 68% of headline revenues were generated outside the UK, with £210 million, being returned to the BBC in 2016/17.

BBC Monitoring continues to provide a valuable service to the BBC, the UK Government and a range of other customers and commercial clients by translating and analysing news and information from freely available media sources around the world covering over 100 different languages from 150 different countries.

We've continued to bring the expertise of our bilingual World Service journalists to our

UK audiences, as well as internationally. BBC World Service journalists have provided some of the most memorable broadcasting moments this year, from Feras Kilani facing a bomb attack in Mosul to Selin Girit at the scene of the New Year terror attack in Istanbul.



BBC Media Action works with media to inform, connect and empower people in the poorest and most politically fragile countries.

Our priorities for next year

Over the course of the next Charter, we have set ourselves an overarching aim to reinvent the BBC for a new generation. This summary of the BBC's Annual Workplan, published earlier this year, outlines our strategy for the next year. The full report is available online: bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/annual_plan_2017

Five strategic objectives will help us focus our efforts over the next year

Making sure everyone gets value from the BBC

Although the BBC's reach is very high, there is a significant and growing disparity between audiences who consume us the most and those who consume us the least. Over the next three years, we aim to redress this imbalance and stem the trend. In the main, this means appealing more effectively to the young, ethnic minorities and audiences across the nations and regions of the UK.

The BBC's distribution strategy is key to meeting this objective, drawing audiences to lesser-known programmes and public service gems, which is critical to our public service mission and one of the underpinnings of distinctiveness. The distribution policy we publish later this year will explain these objectives in more detail, and the framework and principles the BBC will use to deliver them.

[Read more on pages 22 to 45](#)

Providing world-class programmes and services

The BBC operates in a global media market. UK audiences compare what we do to the best that the world can provide. The BBC brand stands for British content. That is our overwhelming focus, at a time when there are multiple risks to the traditional strength of the British creative economy.

BBC Studios provides a vital pipeline of talent, expertise and dedication to all forms of television programming, right across the UK, for the whole industry.

[Read more at: BBCStudios.com](#)

Extending the global reach of the BBC

With the new funding for the World Service agreed with the Government, the BBC aims to extend its reach to 500 million users by 2022, providing 12 new languages to add to its existing portfolio of services.

BBC Worldwide has also built a successful global channels portfolio, generating profits to invest in UK programmes and extending the BBC brand globally in a complementary way to the World Service.

[Read more on pages 32 and 50](#)

Making the BBC a great place to work

A creative organisation like the BBC relies on the talents, skills and motivation of its people. Through an extensive staff engagement programme, we have listened to what our staff have to say about working here. We are making our ways of working simpler; removing complexity and making it easier to understand what's going on. We believe that it's crucial to ensure that the BBC has a workforce that reflects the UK today and have set new workforce targets for 2020 to ensure that our employees are as diverse as the UK population.

[Read more on pages 54 to 60](#)

Managing the BBC in a way that provides financial stability

The five-year funding settlement, agreed in 2015, provides the BBC with a clear set of financial parameters within which it will operate through to 2021/22. From 2017/18, we will have to absorb inflation at 2% a year, the equivalent of £400 million a year by 2021/22. We will continue to drive the efficiency agenda hard, and we will aim to increase our commercial income as well.

We know where we want to get to, with every major item of BBC spend subjected to the 'Compete or Compare' approach, and we know the main routes to get there – productive efficiency, schedule mix savings, reprioritisation and commercial income.

[Read more on pages 46 to 53](#)

The BBC's 12 strategic priorities

To achieve these objectives, the BBC Board has agreed 12 pan-BBC priorities which we believe are essential to our reinvention as we approach the 2020s.

Grow iPlayer and Live: BBC iPlayer is one of the BBC's biggest success stories. It has been a market leader for years and transformed the way audiences watch television. It reaches six million adults each week. Our long-term goal is to be the number one online television service in the face of fierce competition. We aim over the next few years to double iPlayer's reach and quadruple the time each person spends on the service.

Providing world-class programmes and services.

Bafta award-winning *Happy Valley*



Reach 20 million members and review our brands:

One of our major strategic focuses for 2017/18 is personalisation. We believe we can provide our audiences with a better service if we know who they are and what they might be interested in. We want simple, frictionless discovery of BBC content across all BBC services, powered by sophisticated, intelligent search. We will use data to make people's experiences online and offline more relevant to them and encourage active participation, and to improve our online products and signed-in experiences.

Prioritise younger audiences: We need to focus on our younger audiences (0 to 34) and provide content that they want to watch, listen to and interact with and ensure that they can find it and consume it in ways that suit their lives. We need to do this across all our genres, services and platforms, not just via the services specifically for the young.

Reinvent and grow audio: Today we have some of the best speech and music radio in the world, alongside an extraordinary wealth of audio riches at our disposal. With our world-class audio content, we will move it from being predominantly a catch-up and broadcast-focused experience to a fully personalised experience with the user at its heart. We will offer greater flexibility of format, more short-form and podcasts to sit alongside the long-form live and on-demand offer.

Mobile news and 'slow news': Today, BBC News Online is the UK's number one online news provider. Over 14 million adults use the BBC News app or website each week. We will build on the success of BBC Stories, offering more mobile and social-focused

content aimed at different audience groups and improve our live news experience, allowing users to follow live updates from journalists anywhere in the world. We will make sure that our focus on 'slow news' helps people understand the 'why' as well as the 'what'.

Revitalise our education mission: We believe that the education part of our mission and purposes has been less visible and effective than other parts. There is a strong social and strategic case for increasing our impact in this area. A core part of that mission is our offer to children. This year, we will invest more in children's output and services. 2017 will see us begin to roll out this refreshed strategy for children's content and services, with an increase in spending on our children's digital interactive budget. Alongside this, Terrific Scientific is a major 18-month campaign to inspire primary school age children to get excited about science.

Better reflect the diversity of the UK: In an increasingly devolving UK, it is our commitment to reflect the diversity of the country across all its constituent nations and regions. The BBC already has one of the most diverse workforces in the UK, and our targets are more stretching than most FTSE 100 organisations.

A crucial part of our strategy is our commitment to non-graduate apprentices and graduate-level trainees and we have set a target for them to make up 2.3% of the BBC's workforce. In addition to apprenticeship opportunities for new entrants, we plan to broaden our delivery by offering higher-level apprenticeships to existing staff, right up to Masters-level. Our renewed commitment to the nations of the UK will see a strong

focus this year. We are expecting to exceed our individual television production targets for Scotland, Wales and Northern Ireland, spending proportionately more than each nation's percentage of the population.

Grow the World Service: We are seeing significant investment in the World Service to parts of the world where there is a democratic deficit in impartial news. This will enhance Britain's place in the world and the promotion of British values.

Become Britain's creative partner: We want to put our technology and digital capabilities at the service of our partners, bringing us closer together for the good of the country to deliver the very best to audiences. Our Tomorrow's World partnership and our work with Hull as UK City of Culture 2017 show the positive impact that the BBC can have.

Grow BBC Studios and BBC Worldwide: We have launched BBC Studios as a commercial subsidiary; a landmark moment in the way we produce and supply content for the BBC. It represents an opportunity to bring in revenue for the BBC Group whilst supporting the BBC's public service mission by sharing our creative ideas with new audiences around the world. BBC Worldwide's vitality and health will be a critical ingredient in the BBC's success over the course of the Charter period. BBC Worldwide's challenge is to provide £1.2 billion of returns over the first five years of the next Charter: a more than 15% uplift on the previous five years.

Overview of network service performance



Serving everybody with a range of great content delivered in new ways.

Reaching new audiences

Adult reach

Percentage of UK adults who use BBC television, radio or online each week.

95%

2015/16: 96%



Total time spent

Length of time UK adult audiences spend with the BBC each week.

18.0hrs

2015/16: 18.3hrs



General impression

(mean average)

Audiences' general impression of the BBC.

7/10

2015/16: 7/10



BBC Three drama *Thirteen*

Our services

Nine pan-UK television services, including online-only youth service BBC Three.

National and regional television services across England, Northern Ireland, Scotland and Wales.

Ten pan-UK radio networks and two national radio services each in Scotland, Wales and Northern Ireland.

40 local radio stations across England and the Channel Islands.

The BBC World Service television, radio and online in 28 languages, with 11 more announced in 2016.

Online services including BBC News, Sport, Weather, CBBC and CBeebies, iPlayer and iPlayer Radio, BBC Red Button and our vast archive via a variety of internet-connected devices including tablets, smartphones and connected televisions – as well as computers.

Award-winning content

19

British Academy Television Awards
May 2017



2

British Academy Film Awards
February 2017



8

Emmy's
September 2016



13

RTS Programme Awards
March 2017



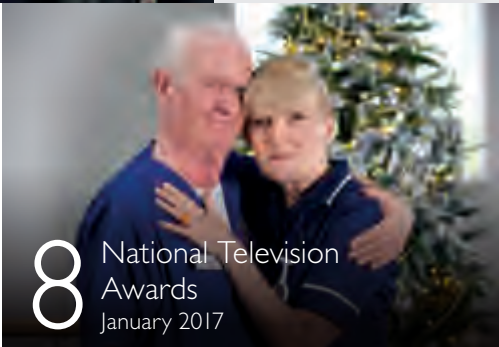
5

Golden Globes
January 2017



8

National Television Awards
January 2017



7

Broadcast Digital Awards
July 2016



5

RTS Television Journalism Awards
March 2017



13

Audio and Radio Industry Awards
October 2016



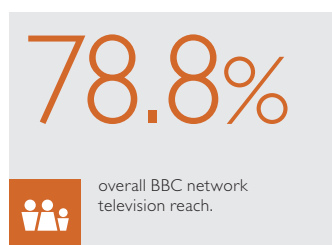
13

British Academy Children's Awards
November 2016



Television

The BBC's portfolio of television channels remain the most watched in the UK in what is an increasingly competitive environment for public service broadcasters. BBC One's share of viewing is the highest in a decade and television distinctiveness measures hit an all-time high in 2016/17.



BBC television remains the most watched broadcasting portfolio in the UK, reaching nearly 79% of individuals each week and attracting 32% of all television set viewing. In a highly competitive environment, there have been some notable successes: BBC One's share of viewing was the highest in ten years; BBC Three has had a full year of innovating online, winning RTS's Channel of the Year; the BBC has had its most successful new drama launch for 15 years, *The Moorside*, and BBC television distinctiveness measures hit an all-time high, driven by factual programming.

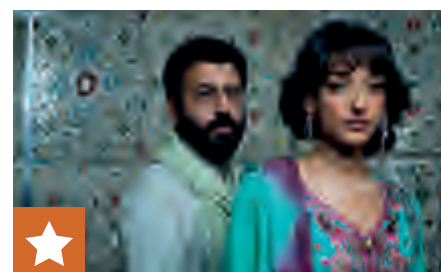
Ever-growing competition for audiences is impacting on all broadcasters, particularly for younger viewers for whom online destinations occupy a greater proportion of their media time. The BBC's decision to move BBC Three online has impacted on broadcast ('BARB') measures of BBC reach and time-spent amongst 16 to 34 year olds, but this needs to be considered in the context of online growth for our video content offer. BBC iPlayer weekly reach (unique browsers) grew by 12% year-on-year, with dramas like *Taboo* and *Apple Tree Yard* helping to drive a peak performance in January to March 2017. BBC iPlayer plays an important role in our portfolio, introducing younger audiences to a wide range of BBC content (45% of users are 16 to 34 years old).

The ways in which our audiences discover and watch content are evolving. For example,

simulcast viewing via BBC iPlayer is growing (especially for sport) with 18% of BBC iPlayer requests simulcast – rising to 48% during the weeks of the Olympics. BBC Three has been successful both on BBC platforms – with hits like *Thirteen*, *Fleabag*, *Clique* and *Murdered by My Father* – and in social spaces with viral content such as *Amazing Humans* and *Things Not to Say*.

Our overall audience share for the BBC held steady year-on-year at 32%, with a strong performance from BBC One, Two and Four collectively overcoming the lost BBC Three linear share. *The Great British Bake Off* had a hugely successful final year with the BBC ending on a high with 13.6 million viewers, including 3.4 million 16 to 34 year olds and one million black and minority ethnic viewers. *Strictly Come Dancing* was bigger than ever and *Planet Earth II* as a whole reached 30.3 million viewers and had 20 million requests on BBC iPlayer, making it the best performing natural history programme in at least 15 years. Drama continued to attract large and engaged audiences in 2016/17, with three dramas on BBC One exceeding 10 million viewers: *Sherlock*, *Call the Midwife* and *The Moorside*. On BBC Two, *Line of Duty*, series three, continued to grow its audience and achieved the highest appreciation score of the year of all of the major television channels.

However, it was our coverage of the Rio Olympics that drove the most audience viewing, with 45.4 million people coming to the BBC's television coverage for at least 15 minutes. That's 76% of the television-owning population. Altogether, 51.2 million people watched the summer of sport including Wales' epic run to the Euro semi-finals and Andy Murray's second Wimbledon win. There were daily, weekly and monthly highs for the BBC Sport app and website as more than 100 million global browsers accessed the website and one million visited BBC













BAFTA-winning *Murdered by My Father*.

Get Inspired to find out how to get active. New programmes cut through with audiences on all our channels. On BBC One, new entertainment commission *Michael McIntyre's Big Show* launched on Saturday nights and grew strongly amongst younger viewers. *Upstart Crow* was the biggest launch for a new comedy series in 2016 on BBC Two. *Fleabag* was an audience and critical hit for BBC Three, resonating with both younger and older audiences.

2016 marked the 400th anniversary of Shakespeare's death and the BBC dedicated a season of programming to the Bard which was seen by around 40% of the population. Comedy *Upstart Crow* along with *The Hollow Crown: The War of the Roses* – a series of adaptations of Richard III, Henry IV parts one and two – were thoroughly enjoyed, earning above average audience appreciation index scores for their genres.

Ground-breaking documentary and BAFTA award-winning *Exodus*, which captures the European refugee crisis with unparalleled access to one of the most pressing issues of our time, was particularly popular with BAME audiences. *The Real Marigold On Tour* was a big hit, making it the biggest factual programme of the year on BBC Two, and the return of *Robot Wars* was our youngest

Television performance by service

					
Network television	Content We spent a total of £1,667.4 million on these services in 2016/17	Reach UK population who use the service each week	Time spent watching a channel each week Length of time the average viewer spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour How much it costs to deliver each service to individual users
	£M	%	H:M		P
 BBC One BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres that includes news and current affairs, drama, comedy, entertainment and factual.	£1,115.4m 2015/16: £1,045.8m†	71.5% 2015/16: 71.8%	07:33 2015/16: 07:34	79.7 2015/16: 80.0	6.7p 2015/16: 6.3p
 BBC TWO BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	£403.3m 2015/16: £396.5m†	46.2% 2015/16: 46.1%	03:08 2015/16: 03:06	82.0 2015/16: 81.9	9.0p 2015/16: 9.0p
 BBC FOUR BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	£50.5m 2015/16: £44.2m	13.5% 2015/16: 12.8%	01:46 2015/16: 01:43	82.6 2015/16: 83.4	6.9p 2015/16: 6.5p
 CBBC The CBBC channel offers a distinctive mixed schedule for 6 to 12 year olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	£69.5m 2015/16: £70.6m	4.3%* 2015/16: 4.6%	02:30 2015/16: 02:31	n/a 2015/16: n/a	20.9p 2015/16: 19.8p
 CBeebies CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	£28.7m 2015/16: £29.1m	7.5%** 2015/16: 7.9%	04:10 2015/16: 04:21	n/a 2015/16: n/a	3.0p 2015/16: 2.7p

Reach definition: 15+ minutes consecutive for all channels and services and audiences in TV-owning households aged 4+ (TV). Sources: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable); Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK. n/a Data does not currently exist for this measure. Since the publication of the 2015/16 Annual Report, BARB has changed its reach methodology which makes a marginal difference to the 2015/16 reach figures when run now. Here we are stating the 2015/16 figures as they appeared in the 2015/16 Annual Report

N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing on other devices is not included in any of the above figures. iPlayer viewing is growing, especially for young-skewed services such as CBBC

* CBBC: among its target audience of 6 to 12 year olds reach was 19.8% and time spent per viewer was 02:52 (based on 15+ min reach). Based on 3+ minute reach, reach was 24.3% of 6 to 12 year-olds and time spent per viewer was 02:20

** CBeebies: among its target audience of 0 to 6 year olds (measured as children aged 4-6 and housewives with children aged 0-3) reach was 39.6% and time spent was 04:47 (based on 15+ min reach) Based on 3+ minute reach, reach was 45.5% of 0 to 6 year olds and time spent per viewer was 04:10

† Full details of the above restatement can be found within note B3



Multi-award-winning *Exodus: Our Journey To Europe*.

skewing programme overall with 33% of the audience being in the 16-34 age range. CBeebies and CBBC continue to be the most popular children's television channels amongst their target audience. Despite growing competition for children's media time and declining time spent watching all linear channels, CBeebies is holding reach and share among its target audience, while CBBC delivered a successful on-screen rebrand. Highlights from a year of creative success includes CBeebies bringing Shakespeare to pre-school children with *A Midsummer Night's Dream* and the phenomenon of *Go Jetters* as it introduces our youngest audience to all corners of the globe. On CBBC, new drama *The Worst Witch* wowed young audiences and children continued to be informed through *Newsround* and, often hard-hitting, documentary strand *My Life*. The successful launch of the iPlayer Kids app, with over 1.3 million downloads, is ensuring our children's content reaches the audience whenever and wherever they

want it. This year of creativity was recognised with 10 Children's BAFTA awards for our television channels, including Channel of the Year for CBeebies, while CBBC beat non-Children's channels to win Best Specialist Channel at the Broadcast Digital Awards.

2016/17 was also the year in which BBC Studios was separated from the BBC's Content division and secured BBC Trust approval to launch as a commercial subsidiary in April 2017. The BBC also put out the first network television commissions for competitive tendering under the BBC's 'Compete or Compare' strategy. The BBC has committed to competitively tender 100% of relevant television programmes (in drama, entertainment, comedy and factual) by the end of the current Charter period. The BBC will also remove the in-house guarantee for children's, sport and non-news related current affairs programmes by 31 December 2019.

Radio

Despite global competition in audio, BBC Radio remains an integral part of British daily life – informing, educating and entertaining 34.7 million people every week with an unrivalled range of speech and music content.

Across BBC Radio, the stations, with their tailored audience offer, enrich the lives of millions with world-class content, memorable moments, expert presenters and enhanced digital presence.

BBC Radio 1 continued to champion UK music to a young audience, with 61% of all additions to its playlist coming from UK artists in 2016. Radio 1 and 1Xtra's listeners volunteered over #IMillionHours to UK charities. Radio 1's videos have received 1.4 billion views on YouTube and the station's four inspirational Teen Heroes were welcomed to Kensington Palace by the Duke and Duchess of Cambridge. 1Xtra Live outreach sessions enabled young people in Liverpool to learn about the music industry from the stations' DJs, and BBC Asian Network Live represented the best in Asian music championed by the station.

BBC Radio 2 received a record-breaking 123,436 entries for its 500 Words short story competition for children and two million people watched *Sounds of the 80s* on the Red Button in 2016. Its dedication to showcasing a wide range of specialist music continued, with regular shows featuring jazz, blues, country and folk, and the station celebrated Black History Month with the story of Caribbean soldiers in World War I and remembered Sir Terry Wogan in a live memorial service from Westminster Abbey.

For its 70th anniversary, BBC Radio 3 marked seven decades of pioneering music and culture with special commissions, including an embedded composer with *Sound and Music*, a premiere of an undiscovered Joe Orton play, a new Matthew Herbert commission, and 'Pass the baton' dedicated to performances by BBC's orchestras and choirs across the UK. The BBC Proms presented eight weeks of world-class music including a celebration of the cello and an inaugural 'Proms at...' series taking the festival to a carpark in Peckham amongst four new London venues.

BBC Radio 4 and *Today* reached record on-air audiences. *The Archers'* domestic violence storyline created headlines and Kwame Anthony Appiah explored mistaken identities in his BBC Reith Lectures. Janet Suzman introduced a dramatisation of *Primo Levi's Periodic Table* and Melvyn Bragg celebrated the history of the North of England. Jeremy Irons read the complete collection of T.S. Eliot's English poems and a series of documentaries analysed *The New World* as 2017 began. Inspired by Twelfth Night, comedian John Finnemore took over Radio 4 as the Lord of Misrule.

BBC Radio 4 Extra brought a season of classic musicals from the radio archives, and Angela Barnes took over as the host of satirical sketch show *Newsjack*.

Radio 5 live engaged its audiences around the biggest news stories, with 4,000 listeners contacting the station the day before the Brexit vote. It launched a competition to find the country's best *Young Commentator of the Year* and Emma Barnett and Nihal Arthanayake joined as daytime presenters, while Colin Murray returned to present sport panel show *Fighting Talk*.

Radio 5 live and 5 live sports extra offered live coverage of the Rio 2016 Olympics and the Paralympics, plus coverage of Euro 2016 and regular highlights such as Wimbledon.

BBC Radio 6 Music remained the most listened to digital station. The 6 Music Festival broadcast live from Glasgow and the 'Art is Everywhere' season encouraged listeners to make art inspired by what they heard on air. The station supported BBC Learning's #LovetoRead campaign with live broadcasts from libraries in Rochdale and Orkney.

BBC iPlayer Radio launched improved station homepages, and BBC Radio and BBC Music achieved record online audiences for Radio 4 and big music events, including Glastonbury and the BBC Proms.
















BBC Radio finalised its new Commissioning Framework, opening up 60% of eligible hours for competition from the independent sector and restructured the division to separate commissioning from programme production. The first programme slots to be commissioned under the new framework were confirmed.

BBC Music's year has seen a rich variety of partnerships, initiatives and programming across television, radio and online. The BBC's extensive Glastonbury coverage reached 18.9 million people on television. BBC Music My Generation was a season of programmes celebrating decades of pop music, and the prestigious Mercury Prize, won by grime artist Skepta, was broadcast live on BBC Four and BBC Radio 6 Music. BBC Music Day saw people around the UK making a music contribution to their community, and BBC Music television highlights included BBC Music Awards, *Robbie Rocks Big Ben*, *Michael Bublé at the BBC* and *David Bowie: the Last Five Years*.



The BBC Proms broadcast live on BBC Radio 3.

Radio performance by service

Network radio		 Content We spent a total of £288.2 million on these services in 2016/17	 Reach UK population who use the service each week	 Time spent listening to a service each week Length of time the average listener spent each week with the service	 Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	 Cost per user hour How much it costs to deliver each service to individual users
		£M	%	H:M		P
	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15 to 29 year olds, as well as providing tailored news, documentaries and advice campaigns for young adults.	£35.9m 2015/16: £36.2m	17.5%* 2015/16: 19.3%	06:16 2015/16: 06:11	78.8 2015/16: 78.9	1.2p 2015/16: 1.1p
	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	£6.6m 2015/16: £4.6m	1.8%** 2015/16: 1.9%	04:45 2015/16: 04:56	82.5 2015/16: 82.4	2.8p 2015/16: 1.7p
	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	£51.2m 2015/16: £44.6m	28.0%† 2015/16: 28.5%	11:54 2015/16: 11:53	82.0 2015/16: 82.2	0.5p 2015/16: 0.5p
	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£37.4m 2015/16: £37.7m	3.7% 2015/16: 3.8%	06:15 2015/16: 06:21	82.7 2015/16: 82.0	5.7p 2015/16: 5.5p
	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£87.9m 2015/16: £88.6m	20.9% 2015/16: 20.0%	11:12 2015/16: 11:30	80.8 2015/16: 80.6	1.3p 2015/16: 1.4p
	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 Extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	£3.0m 2015/16: £3.1m	3.8% 2015/16: 3.7%	05:56 2015/16: 05:48	78.6 2015/16: 77.4	0.5p 2015/16: 0.5p
	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	£45.5m 2015/16: £45.5m	10.4% 2015/16: 10.3%	06:41 2015/16: 06:35	79.9 2015/16: 78.8	2.3p 2015/16: 2.4p
	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	£2.7m 2015/16: £2.5m	2.3% 2015/16: 2.7%	02:52 2015/16: 03:19	85.3 2015/16: 85.4	1.5p 2015/16: 1.0p
	BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.	£10.9m 2015/16: £7.9m	4.3% 2015/16: 4.0%	09:39 2015/16: 09:09	81.1 2015/16: 82.4	0.9p 2015/16: 0.7p
	BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.	£7.1m 2015/16: £6.6m	1.2%‡ 2015/16: 1.1%	06:11 2015/16: 05:52	80.3 2015/16: 80.1	3.4p 2015/16: 3.5p

Reach definition: 15+ minutes for all stations and audiences aged 15+

Sources: RAJAR (Radio reach and time spent). Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK
Excludes programme *Coming up on 5 live sports extra*

* Radio 1: among its target group of 15 to 29 year olds reach was 34.1% and time spent was 06:10

** 1Xtra: among 15 to 24 year olds reach was 5.6% and time spent was 04:25


† Radio 2: among its target group of 35+ year olds reach was 34.3% and time spent was 12:50

‡ Asian Network: among its target group of Asians under 35 reach was 14.9% and time spent was 04:24. Ethnicity definitions in RAJAR from FY 2014/15: Asian = White and Asian, Indian, Pakistani, Bangladeshi, Any Other Asian Background

Online

2016/17 saw BBC Online used by 51.5% of UK adults, level with 51.4% in 2015/16. BBC Online is still consistently in the top five highest reaching sites in the UK and the only British service to rank in that top five – all the others are based in the US. Mobile usage has continued to dominate. It's the biggest screen in terms of traffic to BBC Online – averaging 43% throughout the year and peaking at 47% during the week of the EU Referendum.

2.3m



unique browsers made the England vs Wales, Euro 2016 clash the biggest live video streaming event on BBC Online ever

BBC News continued to be the trusted guide to the biggest stories online. The day after the EU Referendum saw a record 24.7 million browsers to BBC News online in the UK. And globally, the day after the US Presidential Election resulted in the second biggest day for BBC News with 51.2 million browsers.

BBC Sport remained the home of sport online in 2016 – with our coverage of Euro 2016, the Rio 2016 Olympic Games, Wimbledon and the Premier League, ensuring fans could catch the action wherever they were.

With 2.3 million unique browsers, the England vs Wales Euro 2016 clash was the biggest live video streaming event on BBC Online ever. Last year, we worked closely with British sporting partners to make other UK sports available via the BBC Sport website to many passionate fans.

Over the last year, we continued to deliver more personal services for viewers and listeners – with close to four million active signed-in users a month now.

In February, we started rolling out 'Pin and Pair', enabling viewers to sign-in to connected televisions to start benefiting from personalised features such as the ability to resume watching an episode or series started on another device.

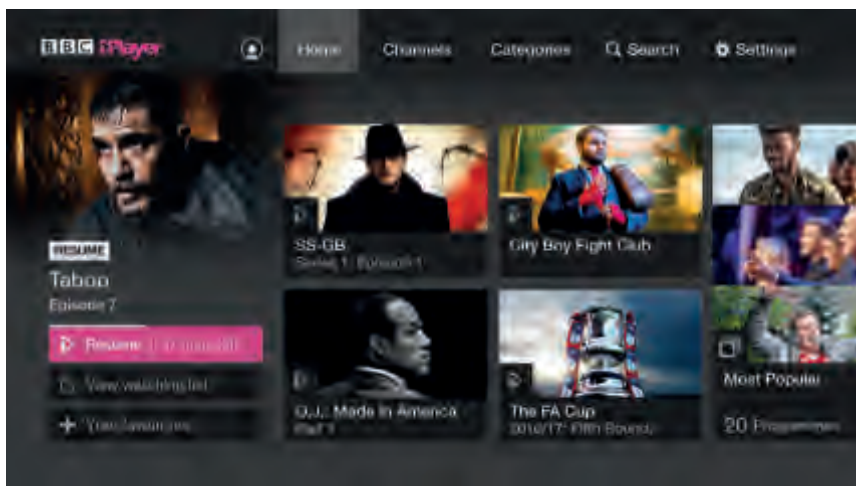
Later this year we will ensure no-one misses out from these personalised experiences as we will be asking all viewers and listeners to sign in to BBC iPlayer, BBC iPlayer Radio and some of our mobile apps to enjoy a more tailored BBC experience. In an increasingly challenging market and

in the face of fierce competition from US competitors, BBC iPlayer is still one of the UK's most-used video-on-demand services. In a market this competitive, we know we need to invest and grow BBC iPlayer to maintain its position as a market leader.

BBC iPlayer programme requests grew 9% year-on-year. 2017 started with record-breaking BBC iPlayer audiences – as *Sherlock* returned, and critically acclaimed dramas *Apple Tree Yard* and *Taboo* hit the screens. And, connected television consumption continued to dominate, with 45% of iPlayer programme requests coming from connected televisions.








BBC Three has had a successful first year since moving online with the number of young people consuming content each week in its new form increasing over the year. For shorter content, BBC Three has been particularly successful on Facebook. This is due to a number of viral successes, including our weekly series *Amazing Humans* and *Things Not To Say*, both of which are snackable, sharable content with real public purpose.

The number of users globally engaging with BBC content on Facebook was 6.9 million per week in March 2017, up from 266,000 in its launch month in February 2016.




BBC iPlayer programme requests grew 9% year-on-year.

Online performance by service

	 Content We spent a total of £185.5 million on these services in 2016/17	 Reach UK population who use the service each week	 Time spent watching a service each week Length of time the average viewer spent each week with the service	 Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	 Cost per user reach How much it costs to deliver each service to individual users												
	£M	%	H:M		P												
 <p>BBC Online comprises the BBC's portfolio of online products on desktop, connected TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.</p>	<p>£185.5m</p> <p>2015/16: £152.3m*</p>	<p>63.3%</p> <p>2015/16: 63.1%</p>	<p>n/a</p> <p>2015/16: n/a</p>	<p>n/a</p> <p>2015/16: n/a</p>	<p>11.2p</p> <p>2015/16: 9.4p</p>												
 <p>BBC Three is constantly innovating to provoke thought and to entertain audiences from 16 year olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.</p>	<p>Reach % of 16 to 34 year olds who use the service each week</p> <table border="1"> <thead> <tr> <th>Apr-Jun 2016</th> <th>Jul-Sep 2016</th> <th>Oct-Dec 2016</th> <th>Jan-Mar 2017</th> </tr> <tr> <th>%</th> <th>%</th> <th>%</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>3.5%</td> <td>4.7%</td> <td>5.3%</td> <td>8.1%</td> </tr> </tbody> </table>					Apr-Jun 2016	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017	%	%	%	%	3.5%	4.7%	5.3%	8.1%
Apr-Jun 2016	Jul-Sep 2016	Oct-Dec 2016	Jan-Mar 2017														
%	%	%	%														
3.5%	4.7%	5.3%	8.1%														

Reach definition: 3+ mins for BBC Online/Red Button, and adults aged 16+. Source: Cross-Media Insight Survey by GfK, 16+. n/a Data does not currently exist for this measure
 BBC Three: BBC modelled data using inputs from: Facebook, comScore, BARB, Cross-Media Insight Survey by GfK. UK 16-34 year olds
 BBC Three is now included in the content cost, but the reach of BBC Three on BBC television and third-party platforms is not yet fully captured in cost per user reach
 * Full details of the above restatement can be found within note B3


On YouTube, there were 10.7 million views of BBC Three content in March 2017 (2.4 million in the UK) compared with 1.3 million at launch (857,000 in the UK).

Since November, BBC Three has seen an average one million unique browsers per week to its own website and produced a number of hits on BBC iPlayer including *Thirteen* – with the first episode receiving over three million requests. Comedy *Fleabag* also proved a resounding success with critics and audiences and won a range of awards.

The BBC continues to pioneer with the latest technology and experiment with new ideas and content. We launched the BBC News 'skill' on the Amazon Alexa voice platform, and explored the potential of virtual reality storytelling with a number of pilots, including *The Turning Forest*, which premiered at the Tribeca film festival. We also trialled streaming Ultra HD content on the service – with four stunning minutes of *Planet Earth II* footage available in Ultra HD and Hybrid Log-Gamma ('HLG') on compatible connected televisions – the highest quality the BBC has ever broadcast.

Make it Digital continued to work with partners to inspire all our audiences to be creative in the digital world. Over 1.3 million weather reports were received



 An episode of BBC Three's *Amazing Humans* about the ballet dancer, Gabi Shull, went viral on Facebook with over 95 million views globally.

from *Weather Watchers*, and we worked with libraries across the UK to develop digital confidence in older audiences. Young people engaged enthusiastically with the BBC micro:bit. Thousands of school children took part in Build it Scotland, with one activity involving the digital creation of their local landmark in 3D. And the Careers Quiz helped point young people towards the right digital careers for them.

News in the UK

BBC News continues to be the biggest provider of news in the UK and remains by far the most trusted source of news in the country, with audiences coming to the BBC time and again for coverage of major news events.

During the EU Referendum, the BBC's job was to navigate the competing claims of Leave and Remain, without fear or favour, while explaining as fully as possible the issues and implications for Britain. Research shows we provided the most consumed and best regarded coverage. During results week, 93% of UK adults consumed BBC News coverage.

Even before the term 'Fake News' had become common currency, BBC News was armed to deal with falsehood, exaggeration and deception. Our principal fact checking service Reality Check runs across television, online and social media. Through the Referendum campaign and across the US Presidential Election, it challenged claims from public figures and weighed them against the evidence. BBC News cannot edit the internet, but we do not have to stand aside – where we see deliberately misleading stories masquerading as news, Reality Check will say so.

BBC News has sought to listen to and understand the UK. Our award-winning prisons coverage and the special series of reports on the NHS led the public debate. Meanwhile, 5 live news brought the full range

of public opinion within communities to our story-telling in often fascinating, sometimes poignant and ever thought-provoking radio. All 38 local radio stations staged special EU Referendum debate programmes, while the 11 *Inside Out* current affairs programmes on BBC One have broken stories close to home.

It has been an exceptional year for long-form, in-depth, agenda-setting current affairs. Laura Kuenssberg's trio of documentaries disentangled Brexit. *Panorama* broke the Panama Papers story, exposed abuse in West Country care homes and revealed the plotter behind the Tunisia beach terror attack. Perhaps the most important change, though, in the BBC's current affairs programming came on BBC Three with the gripping *Unsolved* series, the ground-breaking *Obesity: The Post Mortem* and Stacey Dooley's unflinching investigation of child sexualisation in Japan.







It's easy to take radio current affairs for granted, because it sets the standard for intelligent story-telling and investigative journalism. A couple of must-listens: *50 Things That Made the Modern Economy* and *Intrigue: Murder at the Lucky Holiday Hotel*.

The BBC News UK app had 7.5 million monthly unique browsers. BBC Stories offers personal story-telling of real lives. And we launched Slow News: a drive to get beyond the headlines and the breaking news to understand the 'why' as well as the 'what' of the news. This has meant improving data journalism, establishing a World Service intelligence unit, building an expert network and commissioning considered, in-depth analysis of the forces driving events at home and abroad.

And, of course, what continues to distinguish BBC News is international news coverage. Our reputation for courageous, accurate and impartial news coverage of some of the most contested issues from the most dangerous corners of the earth is hard-won. We are proud of our reporters that cover such places and take every step to keep them safe.

In consequential times, when the news itself is contested, the BBC aims to offer news you can trust – news that is reliable, independent and for all of us.

News performance by service

	 Content We spent a total of £49.6 million on these services in 2016/17	 Reach UK population who use the service each week	 Time spent watching a channel each week Length of time the average viewer spent each week with the service	 Cost per user hour How much it costs to deliver each service to individual users
	£M	%	H:M	P
 The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.	£47.8m 2015/16: £46.6m	9.9% 2015/16: 10.3%	02:46 2015/16: 02:41	5.7p 2015/16: 5.5p
 BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg, as well as political programmes from across the UK.	£1.8m 2015/16: £1.9m	0.6% 2015/16: 0.6%	01:52 2015/16: 02:12	4.9p 2015/16: 7.0p

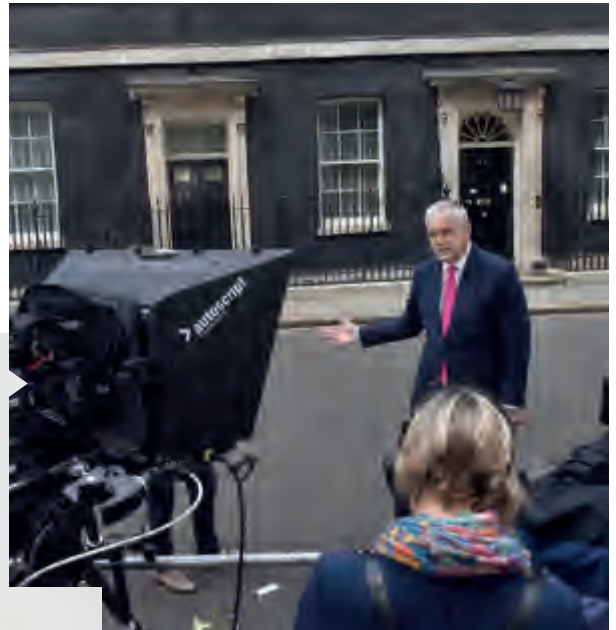
Reach definition: 15+ minutes for all channels and services and on audiences in TV-owning households aged 4+ (TV). Sources: reach and time spent BARB (TV). Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 14.2% and 1.4% respectively (15.8% and 1.6% among 16+ population)

The BBC News Channel was named the winner of the Royal Television Society's News Channel of the Year award.



93%

93% of adults consumed coverage on BBC News during the EU Referendum results week.



The BBC News UK app had 7.5 million monthly unique browsers.



The *Victoria Derbyshire* show received a BAFTA Television Award for its coverage of the footballers' abuse story.



Panorama's Teenage Prison Abuse Exposed won the BAFTA Television Award for best current affairs programme – from a shortlist in which all of the nominations were for BBC programmes.

News across the globe

In a tumultuous news year, the task of explaining the world to Britain and Britain to the world was both more challenging and more necessary than ever.

In November we announced the full details of our biggest expansion since the 1940s, thanks to the £289 million funding boost from the UK Government, equivalent to £85 million per year to 2020.

We will launch services in Afaan Oromo, Amharic, Gujarati, Igbo, Korean, Marathi, Pidgin, Punjabi, Serbian, Telugu, Tigrinya, and Yoruba – as well as enhancing our existing services in Russia, Africa and around the Arab world.

We began this expansion with the launch of our full Thai language website, upgraded from the Facebook only ‘pop-up’ service we set up after the military coup in that country.




The BBC’s international news services continued to attract record audiences across the world, with the latest figures – the Global Audience Measure – showing a weekly audience of 345.5 million, an increase of 7.9% since last year.

The increase has been driven across platforms as people continue to come to BBC News. For instance, in Iran the BBC World Service has a weekly audience of 1.4 million on encrypted messaging app Telegram. The number of people accessing World Service English by internet audio has shot up by 152%.

The BBC’s total weekly global audience, including all international content, now stands at 372.4 million, taking us ever closer to the Director-General’s target of a 500 million global audience by the BBC’s centenary.

We’ve continued to bring the expertise of our bilingual World Service journalists to our UK audiences, as well as internationally. BBC World Service journalists have provided some of the most memorable broadcasting moments

Weekly audience by service

	 2016/17	 2015/16	 Year-on-year change
	M	M	%
Global BBC (BBC World Service Group and BBC Worldwide)	372.4	347.7	7.1
BBC World Service Group (Total Global News audience) [^]	345.5	320.3	7.9
BBC World Service	268.7	246.3	9.1
BBC World Service television	110.2	90.6	21.6
BBC World Service radio	154.5	144.6	6.9
BBC World Service online [*]	38.5	41.6	-7.5
BBC World News channel	99.2	83.5	18.8
bbc.com and social media [*]	33.6	39.2	-14.3

[^] This figure does not include content from BBC Worldwide

^{*} The method for calculating the total online audience has changed from 2016. New research has led to improved understanding of those coming to both BBC websites and social media
BBC World News channel and bbc.com are commercially funded







The Global Audience Measure is an annual update of how many people are consuming the BBC weekly for all services in all countries across all platforms (Television, Radio, website and social media). Key to this is de-duplication i.e. ensuring that a person who consumes multiple BBC services or platforms or on multiple devices, is not counted many times in the top level totals. For example BBC World Service Television, radio and online audience is less than the sum of its parts to ensure we do not count people more than once when looking at the total World Service audience

this year, from Feras Kilani facing a bomb attack in Mosul to Selin Girit at the scene of the New Year terror attack in Istanbul. We’ve launched new programmes on World Service English, as well as celebrating the 50th anniversary of the much-loved *Outlook*. Our new monthly radio debate programme, *World Questions*, has travelled around the globe, giving people the chance to hold their leaders to account. New arts and science programmes and World Service podcasts have enriched the airwaves.

Our now annual #100Women season, putting women’s voices and stories at the heart of our output, hosted its first ever live festival in Mexico City.

We are transforming ourselves for the 21st century, but our mission remains unchanged; bringing trusted news and information to millions around the world.

BBC World Service reach across all platforms by language service

	 2016/17	 2015/16	 Year-on-year change		 2016/17	 2015/16	 Year-on-year change
	M	M	%		M	M	%
World Service English	75.2	65.8	14.4	Nepali	5.2	5.3	-1.3
Afrique	10.5	14.8	-29.1	Pashto	6.7	6.6	1.0
Arabic	42.9	36.7	16.9	Persian	18.0	17.9	0.5
Azeri	0.1	0.1	10.8**	Russian	3.9	4.4	-11.6
Bengali	16.5	6.2	168.7	Sinhala	0.9	0.9	0.6**
Brasil	6.3	7.4	-13.9	Somali	3.6	3.6	-0.3**
Burmese	6.0	6.0	0.8**	Swahili	16.1	17.2	-6.8
Chinese	0.8	0.8	-2.2	Tamil	9.5	9.6	-0.2
Great Lakes	1.4	3.2	-57.8	Thai	1.6	1.2	31.6
Hausa	23.6	23.3	1.5	Turkish	1.5	1.7	-15.4
Hindi	12.5	6.3	99.3	UK China	0.1	0.0	121.6
Indonesian	3.9	4.7	-17.1	Ukrainian	3.6	2.9	21.8
Kyrgyz	3.0	3.0	0.0	Urdu	11.6	11.9	-2.5
Learning English	1.9	2.1	-8.2	Uzbek	0.7	0.6	10.6
Mundo	6.8	6.9	-0.8	Vietnamese	0.9	1.5	-38.4

The Global Audience Measure is an annual update of how many people are consuming the BBC weekly for all services in all countries across all platforms (Television, Radio, website and social media). Key to this is de-duplication i.e. ensuring that a person who consumes multiple BBC services or platforms or on multiple devices, is not counted many times in the top level totals. For example BBC World Service television, radio and online audience is less than the sum of its parts to ensure we do not count people more than once when looking at the total World Service audience.

The method for calculating the total online audience has changed from 2016. New research has led to improved understanding of those coming to both BBC websites and social media.

** All figures are rounded to one decimal place and percentage increases/decreases in the reach of smaller services, therefore, may not be reflected in the actual numbers.



Peter Okwoche reports for *Focus on Africa* from Uganda.

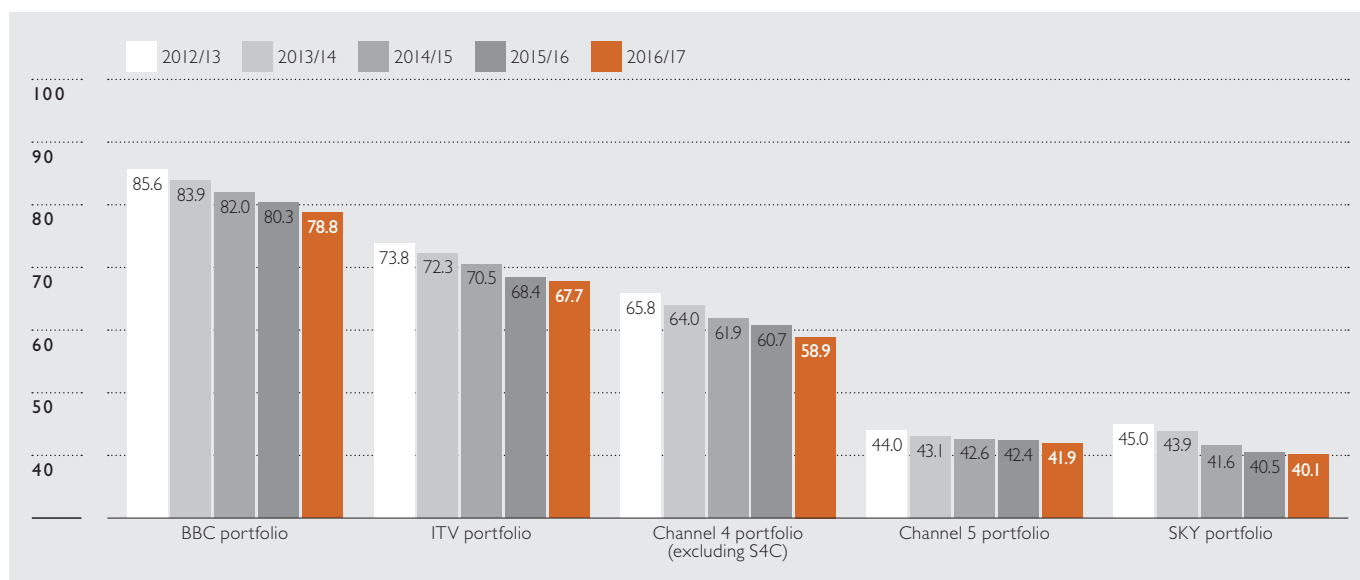
Performance by reach

Television

Weekly reach	All BBC Television BBC %	All ITV television itv %	All Channel 4 television 4 %	All Channel 5 television 5 %	All Sky television sky %
BBC network television versus main commercial groups	78.8% 2015/16: 80.3%	67.7% 2015/16: 68.4%	58.9%* 2015/16: 60.7%	41.9% 2015/16: 42.4%	40.1% 2015/16: 40.5%

Source: BARB 4+ in TV-owning households, 15+ minutes consecutive reach
* Excludes S4C

Weekly television reach %



Source: BARB, 4+ in TV owning-households, 15+ minutes consecutive reach
ITV and Channel 4 portfolio figures do not match 2012/13 figures in the Annual Report owing to a TechEdge reach methodology change that was implemented at the end of 2013

Television set share

Portfolio	BBC Portfolio BBC %	ITV Portfolio itv %	Channel 4 Portfolio 4 %	Channel 5 Portfolio 5 %	Sky Portfolio sky %
Share	32.2% 2015/16: 32.3%	21.5% 2015/16: 21.3%	10.3% 2015/16: 10.7%	6.3% 2015/16: 6.1%	8.3% 2015/16: 8.4%

Source: BARB. Based on individuals 4+, Channel 4 portfolio excludes S4C





Radio

Weekly reach	All BBC radio %	All commercial radio %	All BBC network radio %	All pan-UK commercial radio %	All BBC local radio %	All local commercial radio %
BBC Radio compared to commercial stations	64.3% 2015/16: 65.2%	64.7% 2015/16: 64.7%	59.1% 2015/16: 59.7%	35.3% 2015/16: 33.9%	15.7% 2015/16: 16.2%	50.0% 2015/16: 50.8%

Source: RAJAR, 15+, 15-minute reach

Performance by genre

Network hours of output by genre

	 H	 H	 H	 H
News and weather	3,313 hrs 2015/16: 3,385 hrs	886 hrs 2015/16: 819 hrs	6 hrs 2015/16: 6 hrs	11,517 hrs 2015/16: 11,543 hrs
Current affairs	209 hrs 2015/16: 184 hrs	423 hrs 2015/16: 343 hrs	112 hrs 2015/16: 113 hrs	1,640 hrs 2015/16: 1,645 hrs
Factual	2,188 hrs 2015/16: 2,264 hrs	3,374 hrs 2015/16: 3,382 hrs	1,220 hrs 2015/16: 1,311 hrs	3,458 hrs 2015/16: 3,476 hrs
Music and arts	61 hrs 2015/16: 51 hrs	285 hrs 2015/16: 282 hrs	1,435 hrs 2015/16: 1,425 hrs	42,793 hrs 2015/16: 42,236 hrs
Religion	88 hrs 2015/16: 92 hrs	73 hrs 2015/16: 50 hrs	20 hrs 2015/16: 24 hrs	574 hrs 2015/16: 573 hrs
Drama	541 hrs 2015/16: 576 hrs	217 hrs 2015/16: 278 hrs	97 hrs 2015/16: 106 hrs	4,550 hrs 2015/16: 4,632 hrs
Film	290 hrs 2015/16: 359 hrs	694 hrs 2015/16: 788 hrs	73 hrs 2015/16: 101 hrs	n/a 2015/16: n/a
Entertainment	548 hrs 2015/16: 575 hrs	409 hrs 2015/16: 317 hrs	44 hrs 2015/16: 27 hrs	6,815 hrs 2015/16: 7,385 hrs
Comedy	177 hrs 2015/16: 177 hrs	249 hrs 2015/16: 294 hrs	11 hrs 2015/16: 28 hrs	n/a* 2015/16: n/a
Schools/formal education	n/a 2015/16: n/a	n/a 2015/16: 95 hrs	4 hrs 2015/16: n/a	112 hrs 2015/16: 104 hrs
Sport	824 hrs 2015/16: 604 hrs	950 hrs 2015/16: 1,034 hrs	208 hrs 2015/16: 2 hrs	5,117 hrs 2015/16: 5,483 hrs

BBC Three became an online-only channel on 16 February 2016. Therefore, hours of output on network linear television are only shown until 15 February 2016 and do not include online programming. The comparison with 2014/15 is not like-for-like. All long-form content from BBC Three is broadcast on either BBC One or BBC Two and is included in the figures for those channels

* The radio comedy hours are disclosed within the Entertainment genre

Network hours of output by genre

	 H	 H	 H	 H
Children's	2 hrs 2015/16: 2 hrs	7 hrs 2015/16: 8 hrs	4,751 hrs 2015/16: 4,090 hrs	4,386 hrs 2015/16: 4,393 hrs

Education (formal) includes education for children, Open University and BBC Learning Zone

CBBC and CBeebies programming moved from BBC One and BBC Two, to transmit only on its digital channels from December 2012

Performance of the BBC across the UK overview

Wales vs Belgium, Euro 2016 Championship quarter-finals

The BBC is committed to serving its audiences across the UK, providing high-quality, distinctive and relevant content for licence fee payers, helping to maintain reach and providing an effective vehicle to reflect the range of cultures and communities.

Dedicated services

The BBC also provides a range of dedicated, cross-genre output for Scotland, Wales and Northern Ireland and the English regions across television, radio and online. Each area makes television and radio programmes for their local audience and for the network.

We have major production centres in Glasgow, Cardiff, Belfast, Salford, Bristol, Birmingham and London.

Network supply

Over half of network television production is in the nations and regions, with 50.6% from outside London and more than 19% from Scotland, Wales and Northern Ireland.

Network television programming spend by region as a percentage of eligible spend

	2016	2015
London	49.4%	51.9%
Scotland	10.3%	7.7%
Wales	5.8%	7.1%
Northern Ireland	3.1%	1.8%
Total nations	19.2%	16.6%
Midlands	1.5%	1.8%
North of England	19.7%	17.4%
South of England	7.6%	9.3%
Multi-region*	2.6%	3%
Total regions excl. London	31.4%	31.6%
Total nations and regions	50.6%	48.1%
Grand total	100%	100%

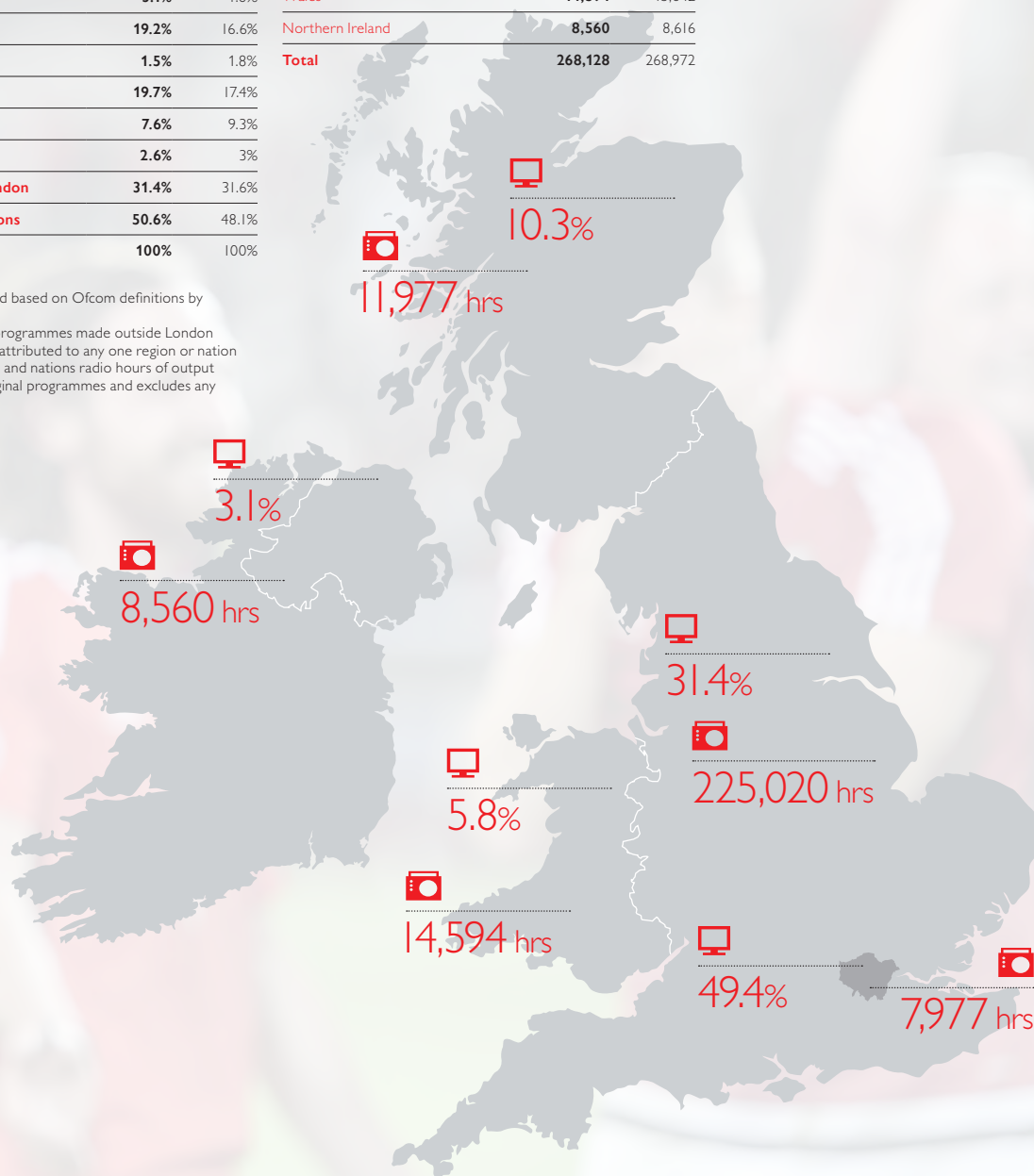
BBC Local Radio and nations radio hours of output**

	2016	2015
England (excl. London)	225,020	226,367
London	7,977	8,014
Scotland	11,977	12,133
Wales	14,594	13,842
Northern Ireland	8,560	8,616
Total	268,128	268,972

Network television spend based on Ofcom definitions by calendar year

* Multi-region covers programmes made outside London but which cannot be attributed to any one region or nation

** The BBC Local Radio and nations radio hours of output only include BBC original programmes and excludes any repeat programmes



The BBC in Wales

In a year marked by the EU Referendum, the National Assembly Elections and Wales' unprecedented success at the Euro 2016 Championship, the BBC performed strongly in Wales, with 97% of Welsh adults using the BBC each week.

The Green Hollow – broadcast on BBC One Wales and BBC Four to mark the 50th anniversary of the Aberfan disaster – achieved the highest audience appreciation score of any television programme shown on BBC One over the last five years.

The audience performance of both BBC television and radio in Wales continued to be the highest of all four UK nations, driven by the strong performance of BBC One Wales, Radio 1 and Radio 2.

Local television programming produced for BBC One Wales and BBC Two Wales continued to contribute to this success, attracting 840,000 viewers each week (around 30% of audiences in Wales).

The BBC announced a major investment in English language television output for Wales, with an additional £8.5 million every year by 2019. It will deliver more than 130 hours of additional programming each year across BBC One Wales, BBC Two Wales and BBC iPlayer in areas like comedy, drama and entertainment, and will enable BBC Wales to reach out to younger audiences and develop its online and mobile news services.

News and sport dominated local programming in English and Welsh – reflecting a momentous political year and the historic success of the national team at Euro 2016. Coverage of the National Assembly elections included comprehensive overnight results programmes on BBC One Wales and S4C, and a special *Ask The Leader* audience programme stripped across a single week on BBC One Wales in the run-up to the election.

The excitement of Euro 2016 was reflected across both BBC Wales and network services, with five Wales matches broadcast live on both the BBC and S4C. The quarter-final victory over Belgium produced the largest television audience ever recorded for a Welsh sporting fixture, with a peak audience of 1.27 million in Wales. It was also the



The Green Hollow marked the 50th anniversary of the Aberfan disaster.

third-highest television audience in Wales this century, only exceeded by the 2012 Olympics opening and closing ceremonies.

In the arts, BBC Wales and Arts Council Wales joined forces in April 2016 to launch a Get Creative weekend, to encourage people of all ages to discover and explore their creative talents through a wide range of free events and 'taster' sessions. The pilot initiative saw more than 120 events held across Wales, involving more than 80 organisations.

The year also saw significant growth in mobile and social media usage in Wales. *Elis in Euroland* and the *Tower* project set in the Butetown area of Cardiff also explored the opportunities provided by social platforms to reach younger audiences.

Across drama, factual and music, network television production spend in Wales represented 5.8% of total BBC investment in 2016, including the 30th anniversary year of *Casualty*, Russell T Davies' joyous reimagining of *A Midsummer Night's Dream*, the return of *Sherlock* and Danny Brocklehurst's *Ordinary Lies* to BBC One. The new *Doctor Who* spin-off *Class*, also produced in Wales, premiered on BBC Three. BBC Radio Wales and Radio Cymru








provided extensive coverage of the National Assembly Election, the EU Referendum and Wales' adventures at Euro 2016. In its 40th anniversary year, BBC Radio Cymru also launched a pilot 'pop up' station – Radio Cymru Mwy – to assess the audience appetite for an alternative breakfast programme.

The 50th anniversary of the Aberfan disaster was marked with a range of special programming on television and radio, including Huw Edwards' revealing account of the injustices faced by the community in the aftermath of the tragedy.

BBC programming for S4C continued to play an important role at the heart of the channel's schedule, with the popular drama *Pobol y Cwm* and *Newyddion 9* forming the bedrock of the channel's nightly schedule. In addition, S4C programming continued to perform strongly on BBC iPlayer with 88,000 requests to view content each week on average.

Alongside this success, BBC Cymru Fyw – the Welsh language online and mobile service – continued to grow its user base, attracting 53,000 unique browsers each week.

Performance by service

					
Dedicated services	Content We spent a total of £27.8 million on these services in 2016/17	Reach Wales population who use the service each week	Time spent watching or listening to a service each week Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour How much it costs to deliver each service to individual users
	£M	%	H:M		P
 BBC Radio Wales BBC Radio Wales is a speech-led service for adults, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.	£14.2m 2015/16: £15.1m	13.9% 2015/16: 14.8%	08:19 2015/16: 08:15	82.7 2015/16: 82.5	9.1p 2015/16: 9.0p
 BBC Radio Cymru BBC Radio Cymru is a speech and music radio service for Welsh speakers, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.	£13.6m 2015/16: £14.2m	4.2%* 2015/16: 4.3%	10:42 2015/16: 10:47	78.8 2015/16: 77.0	22.6p 2015/16: 22.3p

Reach definition: 15+ minutes for all services and on audiences aged 15+

Sources: reach and time spent RAJAR; Appreciation Index: Pulse panel of 20,000 UK adults, 16+ by GfK. Data based on Total Survey Area (TSA)

* BBC Radio Cymru reaches 16.7% of the 15+ Welsh-speaking population in a week who use the service for 12:23 a week on average. Welsh-speaking listeners give it an average Appreciation Index score of 78.8. RAJAR data (reach and time per listener) based on 'Understand Welsh'; Appreciation Index data based on 'Speak Welsh Fluently & Speak Welsh but not Fluently'

Reaching our audiences

Adult reach: percentage of adults who use BBC television, radio or online each week

97%

2015: 97%

General impression of the BBC

7/10

2015/16: 7/10

21%

lolo's Great Welsh Parks – this four-part returning series continues to deliver a strong audience for BBC Wales with an average audience of over a quarter of a million and a strong share of 21%.

Performance by platform

Weekly reach of dedicated Welsh news services on television

47%

2015/16: 48%

Weekly reach of BBC Radio

71%

2015/16: 72%

Weekly reach of BBC Television

82%

2015/16: 83%

Weekly reach of BBC Online and Red Button

64%

2015: 63%

4m

Looking at all our online content (English and Welsh language), the average weekly usage of BBC Wales online content for 2016/17 increased to 4 million unique browsers – the highest level yet.

Sources: Cross-media Insight Survey by GfK. Kantar Media, BARB, RAJAR

 Read more about performance by service in Wales on page 93

The BBC in Scotland

In a year which included a Scottish Parliamentary Election, a UK Referendum vote on membership of the European Union and an American Presidential Election, BBC Scotland News offered comprehensive coverage of all, across television, radio and online.

Reporting Scotland bulletins continued to reach half of all adults (16+) each week in Scotland, with the early evening edition maintaining its average audience of nearly half a million viewers each night. BBC Scotland's current affairs offer was refreshed with the introduction of the weekly *Timeline*, on BBC Two Scotland, hosted by Glenn Campbell and Shereen Nanyani. And the BBC Scotland investigation, *The Great Military Charity Scandal*, drew an audience of 461,000 and prompted a Charity Commission enquiry.

In February 2017, the BBC announced the biggest single investment in broadcast content in Scotland in over 20 years, with £19 million to be invested, annually, in a new television channel and in digital developments, and around £20 million extra, per year, to March 2019, to be invested in network television production from Scotland.

In a particularly productive year for drama, the dark, four-part thriller *One of Us*, described by the London Evening Standard as 'Tarantino-meets-Shakespeare', attracted a UK average audience in excess of five million and a share of 22%. The three-part *The Replacement*, set in Glasgow, attracted 7.3 million UK viewers and a 28% audience share. Edinburgh formed the backdrop for BBC One's three-part *Rillington Place*, based on the life of serial killer John Christie, and *Clique*, BBC Three's intense six-part teen drama about friendship tested to extremes. *River City* remained the most appreciated of all television soaps viewed in Scotland.

Factual documentaries were also to the fore across the year. *The Mart*, set in Thainstone



Still Game drew a UK average audience of 3.8 million and a 16% share on network television.

cattle market near Inverurie, returned for a second series and attracted an average audience of 439,000 in Scotland and a 22% share. The focus turned to the south of Scotland for *The River*, which charted life along the River Tweed. And *Landward* celebrated its 40 years on air with a special programme, *Muck, Sweat and Steers*.

There were also standout documentary series on the social history of Scottish football (*Scotland's Game*); our national drink (*Scotch! The Story of Whisky*) and childhood (*Growing up in Scotland: A Century of Childhood*).

Filed in Renfrew, *Robot Wars* made its return to the BBC after more than 12 years, on BBC Two, and *Still Game*, back after a nine-year hiatus, drew a UK average audience of 3.8 million and a 16% share on network television (1.7 million, 58% share in Scotland). *Mrs Brown's Boys* remained the most-watched BBC network programme in Scotland on Christmas Day for the fourth year in a row. By the end of March, a clip from *Burnistoun*, posted on social media in December, had been viewed 85 million times and shared 1.54 million times.

Live music coverage was rich and varied, with T in the Park, Travis and the BBC Scottish Symphony Orchestra at the Barrowlands and Celtic Connections just some of the highlights.

The drama series *Teacup Travels* further established itself as a firm CBeebies' favourite and CBBC's *Lifefab* returned to offer more advice on the difficult issues that impact on young lives.

BBC ALBA continued to appeal to both Gaelic-speaking and English language audiences, with a rich variety of mixed-genre programmes. The landmark BBC Scotland documentary series *Highlands – Scotland's Wild Heart* was re-voiced into Gaelic and broadcast as *A'Ghaidhealtachd*.

To coincide with the Dementia Awareness Week in May 2016, Radio Scotland launched *Memories and Conversations*, a major five-week season exploring new approaches to the condition. And for eight days, up to St Andrew's Day, a new digital pop-up service, BBC Radio Scotland Music Extra, combined archive and original music content, showcasing the best of home-grown and international talent.

BBC Scotland Online's reach continued to rise, driven largely by traffic to BBC News Scotland Online and BBC Sport Scotland Online.









+ Read more about performance by service in Scotland on page 97

85m



The number of times the 'Voice Recognition Elevator' comedy clip from *Burnistoun*, posted on social media, has been viewed.

Performance by service

					
Dedicated services	Content We spent a total of £30.8 million these services in 2016/17	Reach Scotland population who use the service each week	Time spent watching or listening to a service each week Length of time the average viewer or listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour How much it costs to deliver each service to individual users
	£M	%	H:M		P
 BBC ALBA offers, to Gaelic speakers and learners, a distinctive range of originated programming that reflects and supports Gaelic culture, identity and heritage.	£6.0m 2015/16: £5.5m	13.2% 2015/16: 15.0%	01:55 2015/16: 01:59	n/a 2015/16: n/a	9.6p 2015/16: 7.8p
 BBC Radio Scotland is a speech-led service for adults. Mixed-genre programming reflects the diversity of Scottish culture and covers national and international issues and events relevant to listeners across the country.	£21.1m 2015/16: £22.9m	20.3% 2015/16: 21.0%	07:18 2015/16: 06:55	75.8 2015/16: 76.0	6.0p 2015/16: 6.6p
 BBC Radio nan Gàidheal offers a comprehensive speech and music radio service for Gaelic speakers. Mixed-genre programming reflects the diversity of Scottish culture and, from a Gaelic perspective and through the medium of the Gaelic language, covers national and international issues and events relevant to listeners across the country.	£3.7m 2015/16: £3.9m	68.4% 2015/16: 69.0%	08:40 2015/16: 08:27	n/a 2015/16: n/a	15.6p 2015/16: 16.3p

BBC Alba: TNS Scottish Opinion Survey. Base: all aged 16+ in Scotland. BBC Alba reaches 67.2% of the Gaelic-speaking population in Scotland who use the service for 05:23 a week on average. TRP Panel BBC Radio Scotland: Reach definition: 15+ minutes and on audiences aged 15+. Sources: reach and time spent RAJAR; Appreciation Index: Pulse panel of 20,000 UK adults, 16+ by GfK. Data based on their Total Survey Area ('TSA')
 BBC Radio nan Gàidheal: TRP Panel: Gaelic-speaking 16+ population in Scotland
 n/a Data does not currently exist for this measure

Reaching our audiences

Adult reach: percentage of adults who use BBC television, radio or online each week

94%

2015: 95%



General impression of the BBC

6/10

2015/16: 6/10



2nd

A triumphant return for Scotland's popular comedy series *Still Game*, in which the highest performing episode became the 2nd most-watched programme of the past decade in Scotland (after the 2012 Olympic Games closing ceremony).



Performance by platform

Weekly reach of dedicated Scottish news services on television

50%

2015/16: 51%

Weekly reach of BBC Television

80%

2015/16: 83%



Weekly reach of BBC Radio

56%

2015/16: 59%

Weekly reach of BBC Online and Red Button

59%

2015: 61%

1m

Highlands: Scotland's Wild Heart, the four-part landmark documentary series, narrated by Ewan McGregor, reached over 1 million viewers in Scotland.



Sources: Cross-media Insight Survey by GfK. Kantar Media, BARB, RAJAR

The BBC in Northern Ireland

We had another eventful year of broadcasting in 2016/17. Our output reflected political developments at Stormont and elsewhere, cultural and sporting achievements and historical commemorations.

We deepened our creative links and partnerships and increased our presence on the BBC's UK-wide networks. Local services maintained their popularity, and we connected with audiences across the region through a series of BBC events. We also announced an £11 million package of additional investment for BBC Northern Ireland over the next three years. It will underpin the reach, diversity and ambition of our services and help to secure their future in a fast-changing world.

Our news and current affairs output included coverage of two Assembly elections and the EU Referendum. We reported on issues affecting the devolved institutions and their future operation, providing audiences with information, analysis and an important forum for debate. And we made effective use of our specialist and regional correspondents in covering stories about different sectors and places. *BBC Newsline* reflected the dynamic, and sometimes fast-changing, nature of the local news agenda and *Spotlight* continued to attract big audiences and much critical acclaim for its investigations. We also reflected local interest in the Olympics and Euros 2016 and The Queen's visit to Northern Ireland as part of her 90th birthday celebrations.

BBC Radio Ulster/Foyle remained the most listened to radio station in Northern Ireland. Its success is built on the enduring appeal of different programme strands, including



My Mother and Other Strangers – BBC network television drama from Northern Ireland.

Talkback, *On Your Behalf* and *Your Place and Mine* – all of which reached birthday milestones during the year. Stephen Nolan's weekday programme continued to energise debate about politics and much else besides, and we celebrated matters cultural and community with coverage of Hallowe'en celebrations in Derry-Londonderry, the Ulster Orchestra's 50th birthday and events linked to BBC Music Day. We also highlighted the benefits of reading in an ambitious series of programmes and events as part of Book Week with Libraries NI; showcased new talent and voices; and secured industry-wide recognition with awards for a range of programmes, presenters and the team at BBC Radio Foyle.

We delivered several drama series for BBC network television, including *Line of Duty* and *My Mother and Other Strangers*. Our achievements in this area owe much to an established and highly effective partnership with NI Screen. Consolidating these gains and ensuring even better cultural representation and portrayal across different programme genres will remain key priorities over the next period. BBC Northern Ireland television reflects

community life in its different aspects and diversity. Its schedule included specially commissioned programmes about the 1916 centenaries, the spectacle of *BBC Proms in the Park* and the *Belfast Tattoo* and other output about our linguistic heritage and traditions. *True North* returned with revealing documentaries about people, their lives and experiences and we gave audiences plenty of laugh out loud entertainment with *The Blame Game* and a much-awaited reprise of *Give My Head Peace*.

We have also been innovative in the development and application of new technologies, acquiring expertise with benefits for the BBC as a whole. BBC Rewind has begun to unlock the potential of our television and radio archives and we have enhanced the range and impact of local BBC content on digital platforms. We have also extended BBC learning provision linked to the curriculum in Northern Ireland, including several initiatives focused on the attainment gap.








[+ Read more about performance by service in Northern Ireland on page 101](#)

55%



of the adult population in Northern Ireland watched BBC television coverage of the Assembly election results in March 2017.

Performance by service

					
Dedicated services	Content We spent a total of £17.5 million on these services in 2016/17	Reach Northern Ireland population who use the service each week	Time spent watching or listening to a service each week Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour How much it costs to deliver each service to individual users
	£M	%	H:M		P
 BBC Radio Ulster is a speech-led service, providing a mix of programmes that reflect news, events and community life in all its different aspects and diversity.	£17.5m	34.3%	11:19	74.9	5.9p
 BBC Radio Foyle is a speech-led service for audiences in the North-West of Northern Ireland. It provides a mix of news and other programming which complements, and contributes to, BBC Radio Ulster's region-wide service.	2015/16: £17.7m	2015/16: 36.2%	2015/16: 10:47	2015/16: 74.2	2015/16: 5.7p

Reach definition: 15+ minutes for audiences aged 15+
Sources: reach and time spent RAJAR; Appreciation Index: Pulse panel of 20,000 UK adults, 16+ by GfK
Data based on Total Survey Area ('TSA')

Reaching our audiences

Adult reach: percentage of adults who use BBC television, radio or online each week

94%

2015: 96%



General impression of the BBC

6/10

2015/16: 6/10



1.6m

Wild Ireland: The Edge of the World on BBC Two was watched by an audience of 1.6 million across the UK and received high appreciation scores.



Performance by platform

Weekly reach of dedicated Northern Irish news services on television

52%

2015/16: 53%

Weekly reach of BBC Radio

59%

2015/16: 60%

Weekly reach of BBC Television

78%

2015/16: 80%

Weekly reach of BBC Online and Red Button

55%

2015: 56%



25%

In 2016, BBC Northern Ireland television's history content, commemorating the centenaries of the Battle of the Somme and the Easter Rising reached 25% of Northern Irish viewers.



Sources: Cross-media Insight Survey by GfK, Kantar Media, BARB, RAJAR

The BBC in England

The BBC's base in MediaCityUK in Salford is now five years old and goes from strength to strength as the exciting home of innovation and output.

At the start of 2017, the Salford studios were used to film the audition rounds of BBC One talent search show *Let It Shine*. Other programmes produced out of Salford include *A Question of Sport*, *Match of the Day*, *Blue Peter*, *Football Focus*, *BBC Breakfast* and *You and Yours*. The Salford base is also home to BBC Sport and BBC Children's including the BBC's two children's channels. More than 750 staff working on digital output are now based in Salford, delivering iPlayer, the BBC homepage and the BBC Sport website, as well as designing and developing the BBC's new digital services.

Elsewhere in England, drama was a big draw. The highlights included Sally Wainwright's *To Walk Invisible*, which looked at the lives of the Brontë sisters, and the second series of global smash *Poldark*, which has given such a boost to the Cornish tourism industry.

Yorkshire-set *The Moorside*, recounting the abduction of Shannon Matthews, reached 12.7 million people in the UK over two episodes. The programme performed especially well in the North of England and, perhaps to be expected, exceptionally well in Yorkshire where it reached close to 30% of people.

Another drama success was the third series of *Peaky Blinders*. The programme performed particularly strongly in the West Midlands, where it is set and where some of the filming takes place. The BBC in the Midlands had an excellent year with the Birmingham-based Drama Village producing popular daytime soap *Doctors* and worldwide hit *Father Brown*.

The BBC's central Birmingham base, the Mailbox, has been transformed in recent years following a deliberate decision to invest in the site. There are now more than 700 BBC staff based in the Mailbox, with functions such as HR and the BBC Academy moving



Radio 5 live presenter
Nihal Arthanayake.

in during the last two years. Later this year, BBC Three will relocate to the Mailbox. The channel's commissioning, publishing and some production of short-form content, along with the social media team that supports it, will start to move to Birmingham in the autumn.

The Mailbox is also home to Radio 4's *The Archers*, regional and local services for the West Midlands, some Asian Network programming, BBC Digital England and BBC English Regions HQ.







BBC Radio 5 live is the only pan-UK radio station based outside London, now firmly settled in Salford. Across England, the BBC's 37 local radio stations continue to serve, reflect and champion their areas, while holding power to account and providing an outlet for original local journalism. Our regional television news programmes at 18:30 on BBC One collectively are the most watched news output in England. Our regional teams have made a raft of great content this year. In the North East, the documentary *The Gift of Hearing* followed Jo Milne, who is deaf, as she worked on a project to give implants to deaf children in Bangladesh. *Inside Out*, the only television current affairs

programme exclusively for England, returned with more original journalism, including an investigation into supermarket pricing.

The BBC in Bristol continues to be an important production hub. Teams making popular network television programmes such as *Countryfile*, *Gardeners' World*, *Antiques Roadshow*, *Flog It* and *DIY SOS* are based at the BBC's Bristol site. The BBC's world-famous Natural History Unit is also based in Bristol. *Planet Earth II* was given a special screening in the city attended by Sir David Attenborough and members of the public. Bristol also continues to be a centre of excellence for network radio production.

Finally, the BBC has promised to be "unashamedly Hull-centric" in 2017 to mark the East Yorkshire city's turn as the UK's City of Culture. A host of our programmes have been to Hull to broadcast from the city and to make programmes there, including Radio Two's *Jeremy Vine show* and *Songs of Praise*. On New Year's Eve, Hull became the first city ever to guest edit the *Today* programme. Our regional and local services have been providing extensive coverage of the events and there's more to come throughout 2017.

Performance by service

					
Dedicated services	Content We spent a total of £112.9 million on these services in 2016/17	Reach England population who use the service each week	Time spent watching or listening to a service each week Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour How much it costs to deliver each service to individual users
	£M	%	H:M		P
 BBC LOCAL RADIO BBC Local Radio is a primarily speech-based service of news, information and debate, with a strong emphasis on interactivity.	£112.9m 2015/16: £119.8m	14.6% 2015/16: 15.0%	08:36 2015/16: 08:51	82.7 2015/16: 82.4	4.0p 2015/16: 3.9p

Reach definition: 15+ minutes for audiences aged 15+
Sources: reach and time spent RAJAR; Appreciation Index: Pulse panel of 20,000 UK adults, 16+ by GfK
Data based on Total Survey Area ('TSA')

Reaching our audiences

Adult reach: percentage of adults who use BBC television, radio or online each week



94%

2015: 96%

General impression of the BBC



7/10

2015/16: 7/10

Performance by platform

Weekly reach of dedicated English news services on television

43%

2015/16: 45%

Weekly reach of BBC Television

79%

2015/16: 80%

Weekly reach of BBC Radio

65%

2015/16: 65%

Weekly reach of BBC Online and Red Button

64%

2015: 63%



Reach by region

North of England

94%

2015: 96%

Midlands

95%

2015: 96%

South of England

97%

2015: 97%

London

93%

2015: 94%



General impression by region

North of England

7/10

2015/16: 7/10

Midlands

7/10

2015/16: 7/10

South of England

7/10

2015/16: 7/10

London

7/10

2015/16: 7/10



Sources: Cross-media Insight Survey by GfK. Kantar Media, BARB, RAJAR

Finance and operations

The BBC has met tough efficiency targets in the final year of the Delivering Quality First savings programme but we face new challenges in implementing the requirements of the new Royal Charter whilst maintaining great British content. Our priority is to invest as much money as possible in content and services for licence fee payers by minimising our running costs and making the BBC simpler and leaner.

p.47

Deputy Director-General's review

The BBC is transforming to meet the challenges of the next Charter period, adapting to new governance and regulation frameworks

[+ Read more on pages 47 and 48](#)

BBC One drama SS-GB

p.50

Commercial trading

The BBC's wholly-owned subsidiaries are maximising the money that they deliver back to the BBC for investment into content

[+ Read more on pages 50 and 51](#)

p.52

Delivering efficiencies

Our strong record of delivering ambitious savings has continued through the Delivering Quality First efficiency programme

[+ Read more on page 52](#)

Finance Review by the Deputy Director-General



“This year has been one of transformation and change.”



Anne Bulford,
Deputy Director-General

95%

of the BBC's controllable spend this year was spent on content and delivery, with just 5% spent on running the organisation.

During the year I was honoured to be appointed as the Deputy Director-General, a role created as part of a new senior leadership team structure. In addition to continuing to lead finance, operations, HR, legal, and design and engineering, I have taken on additional responsibilities for our marketing and audiences teams and a new centralised commercial rights and business affairs group.

were delivered during the year, bringing the total DQF savings to £722 million by 31 March 2017 (of which £712 million are sustainable savings). Despite this achievement, we cannot stand still. In order to address our future financial challenges, we need to find further savings of £800 million a year by 2021/22. We have already begun to deliver against this target, delivering £91 million of annual savings during 2016/17 (in addition to the £81 million DQF savings).

£722m

against a target of £700 million, has been saved through the Delivering Quality First efficiency programme.

The professional support teams across the BBC work together to ensure we deliver content and reach out to audiences in the most effective way, drawing on a wide range of skills and experience.

We have reshaped business structures and now have a BBC with fewer layers and divisions. We are providing the technology to enable a modern and efficient workforce, including reprocurring some of our technology services. This has led to a BBC that is financially well managed and less bureaucratic – a BBC that is more streamlined, with more visible and accessible leaders. In their most recent report on our workforce planning, the NAO made some important recommendations for future improvement, but they recognised the steps we have taken to simplify the BBC; to increase the diversity of our workforce; and to reduce payroll costs by 6% in real terms (including almost halving the number of senior managers), as well as improving management and reporting.

Our focus this year has been on modernising and simplifying activities to improve services and ensure we spend as much of the licence fee as possible on the content and services that matter most to audiences. From transforming HR provision and switching provider of outsourced finance and accounting services, to co-sourcing internal audit, developing a new property strategy for London, successfully delivering complex procurements and insourcing Creative Services; we have been transforming the BBC's capabilities.

Delivering efficiencies

Our strong track record of delivering efficiencies continues. 2016/17 was the final year of the DQF programme and I am pleased to report that we have exceeded the £700 million target. £81 million of annual savings

Cutting property costs is a key strand of the BBC's efficiency plan. A new financial deal was agreed during the year which significantly lowers the ongoing cash costs of Broadcasting House, in London. This deal also secures the BBC's long term ownership and occupation

of Broadcasting House beyond the current leasing arrangement, facilitating the BBC's outright ownership in 2045. The cash cost of occupation has been reduced by £10 million a year against the baseline cash cost. These savings are expected to increase each year to £34 million per annum by 2033 (against our cash cost baseline). This profile of annual cash payments have been extended from 2033 through to 2045, to re-profile the existing commitments and to purchase the reversionary interest in the freehold over this final period.

The technology reprourement programme was completed during the year, delivering future annual savings in excess of £30 million, which is on top of the £45 million of annual DQF savings already delivered by the technology reprourement programme. We have transformed the way we provide and manage technology, providing greater flexibility and access to new technology as it emerges.

In 2016/17 we achieved over £60 million of savings across our external spend on goods and services, covering areas such as production services, travel and broadcast equipment. This was £8 million above an already challenging target, achieved in maximising opportunities to drive further competition. We also surveyed our top 100 suppliers (representing circa 84% of our external spend), and received consistently favourable feedback on our buying processes and on how we manage our key contracts.

'Compete or Compare' continues to be an integral strand of our approach to driving ongoing efficiencies. The framework ensures that everything we do is challenged in the market or benchmarked against it, ensuring value for money while maintaining quality. During 2016/17 an internal review concluded that 90% of BBC controllable spend now satisfied the 'Compete or Compare' criteria.

We also continue to focus on reducing our running costs to ensure we are investing as much money as possible into content for licence fee payers. 95% of the BBC's controllable spend this year was focused on content and delivery, with 5% spent on running the organisation. This is well below both the public sector average of 11%, and the regulated industry average of 9%.

Since year end, the actuarial valuation of the Pension Scheme as at 1 April 2016 has been finalised. The valuation showed a funding shortfall of £1,775 million (previously £2,054 million at 1 April 2013). A new

repayment plan has been agreed between the BBC and the Pension Scheme Trustees, with repayments due until 31 December 2028. The repayment plan is considered to represent an affordable plan to address the deficit, without compromising services to audiences or pension scheme members.

Change in governance and regulation

This financial year has been one of transformation and change in governance and regulation as explained elsewhere in this report. The National Audit Office ('NAO') will become our financial auditor for the 2017/18 financial year.

The licence fee has been secured for the Charter period and will increase in line with inflation until 2021/22, the first time in nearly a decade. From 1 September 2016, television licensing legislation was updated to include the watching or downloading of BBC television programmes on-demand through the iPlayer. This has contributed to the year-on-year increase in licence fee income in 2016/17.

Additional funding has also been secured from the Foreign & Commonwealth Office to invest in the BBC World Service. We have been awarded nearly £290 million in new funding over the next four years, which is the biggest increase in the World Service since the 1940s. As a result, millions more people around the world will have access to trusted, independent BBC journalism.

Looking forward

On 1 April 2017, the BBC launched BBC Studios as a wholly-owned commercial subsidiary. This represents an opportunity to bring creative ideas to new audiences around the world, as – for the first time – BBC Studios will be able to make British, bold, creative programmes for other broadcasters, as well as playing a vital role in the BBC's future by delivering quality programmes and creating valuable intellectual property.

The UK is changing and changing fast. The media habits of our audiences are vastly different compared with five years ago. Younger audiences consume less of the BBC owing to increased competition for their time from other media providers especially online, and other forms of entertainment. We need to focus on reinventing the BBC for a new generation along with delivering a more personal, more digital experience – to be more relevant to, and more convenient in, the lives of our audiences.

We also need to draw on the creative strengths of the whole of the UK to represent the diversity of our nations and regions. The appointment of a new Director for the Nations & Regions during the year has provided an increased level of insight into the nature of the challenges facing the BBC in serving our audiences even better in these parts of the UK. Greater devolved powers, a growing sense of national identity, and raised expectations of public service broadcasting have resulted in greater levels of investment in the nations:

- in Scotland, we are investing £19 million in launching a new, dedicated television channel – BBC Scotland. We are also increasing the amount of Scottish network television production which means we will spend £20 million a year more, over the next three years, compared to 2015.
- in Wales, by 2019 we've committed to spending an additional £8.5 million on television output every year. By the time BBC Wales moves into its new home in Cardiff city centre, we'll have effectively increased our investment in English language programming by 50%. It will double our investment in genres such as drama, comedy and entertainment. In news and current affairs, it will help us move faster online and reach out to younger audiences, as well as provide more specialist reporting.
- in Northern Ireland, £11 million of additional funding will be invested over the next three years. This will transform our digital output – for news and sport and more. It means more drama, factual and comedy content.
- investment plans for England are currently under consideration.

We need to be more seamless in how we work together across technical and editorial teams, more nimble in how we allocate budgets, and more responsive in how we react to rapid changes across our industry. If we are to truly reinvent the BBC for a new generation, we have to be much more entrepreneurial in our make-up, and this will be a particular focus for me in the year ahead.

The Charter reaffirms our core mission, endorses our scale and scope, and provides us with the firm foundations we need to invest in a strong, world-class BBC. The BBC's financial settlement provides us with greater clarity about our future income and allows us to plan for the tough choices we know we will have to make.

Anne Bulford

Anne Bulford
Deputy Director-General
22 June 2017

Financial overview

How we use the licence fee

The way in which the BBC is funded places significant responsibilities on it as an organisation:

- to provide value for money by focusing expenditure on the programmes and services the public most want from the BBC
- to ensure that the output is then delivered as cost efficiently as possible
- to ensure effective and efficient collection of the licence fee
- to maximise funding from other sources, most significantly BBC Worldwide, the BBC's commercial trading operation for exploitation of BBC content, in a manner consistent with the terms of its Charter and other obligations

Results for the year

Year-on-year spend can vary significantly from year to year due to the timing of major sporting events and investment in change programmes including restructuring. Overall, the BBC's financial objective is to manage to a breakeven income and expenditure result over time, whilst ensuring adequate cash reserves and borrowing facilities to manage timing differences and provide financial contingency. Our results for this year show an accounting

deficit, at group level, of £129 million (2016: surplus of £74 million). The year-on-year change is partly attributable to the cyclical impact of major one-off sporting events this year, such as the Olympic Games and UEFA Euro 2016, and to investment in change. In addition there are a number of accounting charges to income and expenditure, with no impact on cash. These include a change to an accounting estimate relating to amortisation of distribution rights and fair value movements on financing arrangements for some of the BBC's buildings. As planned, the BBC drew down on cash reserves previously built up to allow us to manage this period of change and the timing of pension deficit contributions. The BBC's cash balance reduced at the end of the year to £256 million from £335 million held at 1 April 2016.

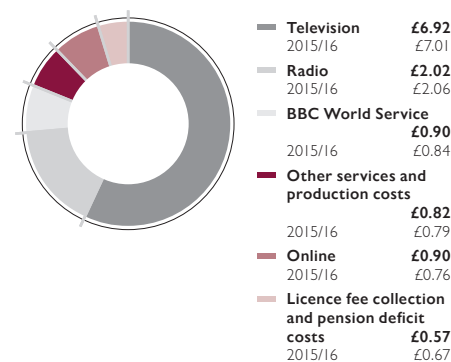
Overall we have maintained sound financial management with good cash reserves and continued delivery against financial targets. We have continued to successfully manage the financial challenges facing us, giving a sound base to meet our future commitments and deliver our strategic ambitions.

Income

Total licence fee income increased by 1.2% or £44 million from £3,743 million to

How your monthly licence fee is spent 2016/17

£12.13 per household



£3,787 million. This increase was due to a combination of factors, including closure of the iPlayer loophole (which was supported by a targeted marketing campaign), household growth and improvements in collection.

Licence fee collection

Effective financial management is a key part of the BBC's unique relationship with its audiences. This includes spending the licence fee efficiently and collecting a television licence fee from everyone who is required to buy one.

Summary consolidated income statement For the year ended 31 March 2017

Income statement classification	What is it?	2017 £m	2016 £m	What has happened?
Licence fee income	The total of licence fees collected	3,787	3,743	The licence fee remained flat at £145.50 in 2016/17. 1.2% increase due to household growth, closure of the iPlayer loophole, a targeted marketing campaign and improvements in collection.
Other income and revenue	Commercial (mainly BBC Worldwide) income	1,167	1,084	Increase due to World Service grant income, growth in royalties and rental income, along with favourable exchange gains.
Total income		4,954	4,827	
Operating costs	The cost of producing all content and of running the BBC, including sums provided to fund future efficiency initiatives	(4,943)	(4,790)	Increase due to major sporting events such as the Olympic Games and UEFA Euro 2016, and an accounting estimate change relating to amortisation of distribution rights.
Restructuring costs	Sums provided to fund future efficiency initiatives	(50)	(21)	Further development of savings plans.
Share of results of associates and joint ventures	Our share of the profit of businesses where we control 50% or less	46	40	Increase due to improved results for investments held by BBC Worldwide.
Gain on sale of operations and disposal of fixed assets	Profit on disposal of operations and fixed assets	8	97	In 2015/16, a gain was recorded on the sale of freehold land from the West London Media Village site.
Net financing costs	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	(134)	(79)	Increase due to exchange rate losses on borrowings and fair value movements on financial instruments, which are non-cash items.
Taxation charge	The net tax liability of the BBC on its taxable profits	(10)	–	Tax charge arises on commercial activities. An overprovision in previous years was used to reduce the tax charge in 2015/16.
Group (deficit)/surplus for the year		(129)	74	

This is the fourth year of the new licence fee contract and total cost savings of £220 million are expected to be delivered over the ten years of the contract, releasing more funding to be spent on our programmes and services.

Licence fee statement

As in previous years, the BBC prepares a licence fee revenue statement audited by the NAO. This account sets out the amounts we collected in the year and paid over to HM Government. Alongside their audit work, the NAO examines our collection arrangements and reports on them to Parliament. More on the licence fee revenue statement can be found on our website: bbc.co.uk/aboutthebbc.

Commercial trading and other income

The licence fee is supplemented by income from the commercial exploitation of licence fee funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC Global News and BBC Studioworks.

BBC Worldwide

BBC Worldwide exists to support the BBC public service mission and to maximise income to the Group on its behalf. It returned £210 million to the BBC this year, above £200 million for the third year running (2015/16: £222 million).

2016/17 was another strong year for BBC Worldwide. It delivered headline sales of £1,060 million which is a 3% increase from prior year (2015/16: £1,029 million). The principal business activity of BBC Worldwide is the export of premium content (purchased in sterling), which lead to the business benefiting from currency fluctuations this year, along with growth in branded services (including UKTV) and sales to subscription video-on-demand ("SVOD") services. Headline profit

of £157 million was £23 million higher than prior year (2015/16: £134 million), reflecting both gains from exchange rate benefits and growth in trading profits, despite the continuing increase in the cost of content. All four geographic regions of the company showed growth in profits in the year.

Operating profits were impacted by a number of non-cash items, including amortisation adjustments for content assets.

BBC Worldwide is witnessing acceleration in the shifts underway in its markets and takes strength from the breadth of its operations both geographically and by business line as a global premium content business. The company actively manages its activities towards the areas of highest growth and keeps transformation as its central theme. Progress remained strong across the three pillars of the company strategy: premium content; global brands; and gradual transformation to digital products and services.

The company continued to focus content investment into premium titles. Investing £174 million in content in the year (2015/16: £162 million), with investment in BBC-commissioned content increasing to £99 million (2015/16: £93 million), supporting on-screen programmes across the BBC's channels. Relationships continued to be built across the independent sector, working with over 250 independent UK producers and investing £146 million (2015/16: £116 million). BBC Worldwide took equity stakes in five world-class talent-led British independent producers, supporting British entrepreneurship and intellectual property ("IP") generation while enhancing the future of its own content supply.

New channel brands included the launch of BBC Earth in India during March 2017, along with Sony. The company continues to monitor the best approach to each individual market and this has led to the decision to close its Latin America channels in April 2017.

In addition to the outstanding performance of *Planet Earth II* around the world and the continued success of *Dancing with the Stars*, the company saw a return to strength of *Top Gear* and a *Doctor Who Christmas Special*, which was the top-performing title for BBC AMERICA over the period.

This year saw the BBC Player channel companion TV Everywhere application ('app') launch on new platforms in Asia. The company also launched BritBox, a video streaming service centred on British television, in the US in partnership with ITV plc and with AMC Networks as a minority shareholder.

Subsequent to the end of the year, we announced the closure of the BBC Store video download service. We continue to look to innovate in digital services.

BBC Worldwide concentrates hard on its culture, and its people continue to impress with their originality, generosity and dedication. The company's staff engagement score reflected this, rising to 73% (2016: 70%) against a global norm of 58%. The drive for efficiency continued throughout the year with an overall 3% reduction in workforce, despite the impact of acquisitions during the year.

Focus has also been on capital efficiency – a new partnership established with Access Entertainment and Lookout Point to form Benchmark Television which will offer producers financing ahead of securing a commission; and a new slate deal was agreed with Europe-based television and film company Anton (for up to £150 million over three years). Both of these invest in premium drama.

BBC Worldwide will accelerate its strategy to deliver at a world-class level throughout its content and operations, in order to remain successful.

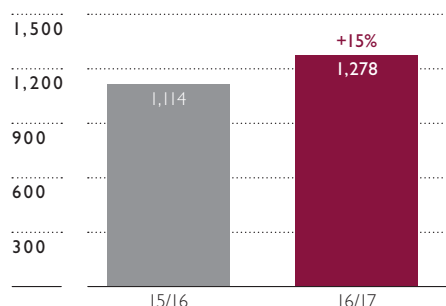
BBC Global News

BBC Global News operates the BBC's two commercially-funded international news services: BBC World News, the 24-hour global news television channel, and the digital platform bbc.com (including the bbc.com website, a News app, and a Sport app). BBC Global News' mission is to be the best and most trusted international news provider in the world, while growing the BBC's international news audiences and operating as a commercially efficient business.

Commercial trading:

	Headline sales		Headline result	
	2016/17 £m	2015/16 £m	2016/17 £m	2015/16 £m
BBC Worldwide	1,060	1,029	157	134
BBC Global News	110	101	2	0
BBC Studioworks	24	24	3	(2)

Global news page views – all platforms monthly average million



In 2016/17 BBC World News' global footprint continued to expand, growing by 2% over the year and now available to a record 450 million households (up from 441 million in 2015/16). The growth was driven by gains in Africa, Asia Pacific, and Out of Home.

Audiences on *bbc.com* continued to grow, with strong increases in markets such as India and the US. *bbc.com* attracted an average of 97 million monthly unique browsers, up 9% from 2015/16. Total page views across all platforms (website, apps, and connected televisions) reached a record monthly average of nearly 1.3 billion, up 15% from the previous year. This strong performance was driven by the BBC's coverage of two major news events – the UK's EU Referendum and the US Presidential Election. More than 21 million browsers visited *bbc.com* on the day of the EU Referendum result, setting a new record for daily traffic on *bbc.com*, while 60 million browsers consumed US election content over the course of 2016, making it the biggest ongoing news story on *bbc.com* to date. The BBC News app continued to perform well with page views growth exceeding expectations – up 30% year-on-year.

BBC Global News continued to enhance the BBC's digital proposition for international audiences. Innovation launches included 'Videos of the Day', a ground-breaking new vertical video experience in the News app; and a new edition of *bbc.com*, which offers Canadian audiences targeted and more relevant content from the BBC's global coverage.

Off-platform consumption of BBC content plays a key role in BBC Global News' content distribution strategy. BBC Global News continued its successful partnerships with MSN, Yahoo!, AOL, ON, YouTube, LinkedIn, Flipboard, Line, Facebook, Apple and SmartNews, and entered into

a new agreement with News Republic. The BBC launched on Facebook's video streaming service, Facebook Live, winning a NewsWhip Whippy award for best Facebook Live producer. On social media, BBC News has over 42 million Facebook likes globally and BBC World News has over 20 million followers on Twitter.

In 2016/17, BBC Global News was recognised for the excellence of its journalism with a number of awards, including an Emmy for coverage of the European Migrant Crisis, and a David Bloom Award for reporting from Colombia. *bbc.com*'s Capital feature site won a Shorty award for its *Leading without limbs* video online and the BBC won several Webby awards, including awards for the BBC Earth and BBC Culture feature sites and the 'Videos of the Day' vertical video app experience.

Global News recorded an operating profit of £2 million in 2016/17, an improvement of nearly £2 million from 2015/16.

BBC Studioworks (formerly BBC Studios and Post Production)

BBC Studioworks is a wholly-owned commercial subsidiary of the BBC, serving both the BBC and external clients. In May 2016, the company was renamed as BBC Studioworks as part of a rebranding exercise designed to support the company's corporate growth strategy. The company delivered a strong financial performance for the year.

In the year ended 31 March 2017, turnover, operating and net profit all improved. The operating profits of £3.4 million show a turnaround from the £2.3 million loss recorded last year, resulting in a net profit of £2.8 million (2016: loss of £2.1 million). This profit growth was a result of the company's strategy to move away from non-core operations; as well as successful business development initiatives; a stronger sales mix; and effective cost control.

During the year, BBC Studioworks welcomed a number of existing and new clients to its studios and post production facilities. Over 30 show titles were successfully delivered from Elstree including the continuing drama, *EastEnders*, the 14th series of BBC Studios' *Strictly Come Dancing*, BBC Studios' *Let it Shine*, Sky's award-winning *A League of their Own*, Channel 5's *Lip Sync Battle UK*; as well as numerous quiz shows such as E4's *Virtually Famous*, ITV's *Celebrity Juice* and *The Chase*. The BBC One quiz show *Pointless* reached a significant milestone in 2017 producing its 1,000th episode with BBC Studioworks.

BBC Studioworks continued to provide services to *EastEnders* while the post production team worked on a number of projects including BBC's *Strictly Come Dancing*, *It Takes Two* and *Children in Need Appeal Show 2016*.

BBC Studioworks has also been finalising the refurbishment of its studios and post production facilities on the Television Centre site in West London, with Studios 1, 2 and 3 and other facilities at Television Centre reopening to clients in September 2017. This is a substantial expansion for the company and will supplement the company's existing facilities in Elstree.

BBC Studios

After year end, BBC Studios – the television production arm of the BBC – became a wholly-owned commercial subsidiary of the BBC. This represents an opportunity to share creative ideas with new audiences around the world, as – for the first time – BBC Studios will be able to make programmes for other broadcasters. This will also present an opportunity to increase revenue for the BBC Group.

BBC World Service

BBC World Service operates under a licence which sets out the remit and scope of its services, its annual budget and its main commitments. The performance of the service is regularly reviewed against its licence, in the same way as the other BBC services. The current operating licence sets out a target for total cash spend of at least £245 million p.a. This year, the total BBC World Service spend of £246 million was higher than target and represented a 2.4% increase in spend from prior year.

During the year, the Foreign & Commonwealth Office ('FCO') agreed to invest £289 million of grant funding into BBC World Service over a four-year period to March 2020. £34 million of this funding was received during 2016/17. This investment is the single biggest increase in the World Service budget ever committed by a government. This funding will help complete the transformation of the World Service from a predominantly short wave radio service to a fully digital-first operation, as well as providing additional television content, launching of news content in 11 new languages, and a material expansion in Russian, Arabic and World Service English output. Once fully operational, World Service will have recruited approximately 1,400 new roles in 51 different locations around the world, with three new major production centres being established in Delhi, Nairobi and Lagos.

Delivering efficiencies

2016/17 was the final year of the BBC's DQF programme. £81 million of annual savings were delivered during the year, bringing the total DQF savings to £722 million (of which £712 million are sustainable savings). This exceeds the £700 million target and has been reviewed by our auditors, Ernst & Young LLP.

During the latest licence fee settlement, the link between inflation and the licence fee was restored from 1 April 2017, however the BBC was given the responsibility for funding the licences for over-75's households. This settlement is the main driver of a very tough set of financial challenges, meaning the BBC has to find a total of £800 million a year of savings by 2021/22. This equates to an average savings target of 4% a year for five years. We have already begun to deliver against this challenge – a further £91 million of annual savings were achieved during 2016/17 (in addition to the £81 million annual savings delivered by DQF), by creating a simpler, leaner BBC. Actions to achieve this included merging divisions, continuing to reduce senior manager numbers, and restructuring back office and support services.

Given the BBC's successful past record, achieving a further £800 million a year savings target, on top of the £712 million recurring DQF savings already delivered, will be extremely challenging. The BBC's property bill has already reduced by circa £90 million in six years, enterprise technology spend has fallen by 23% in three years, and the number of senior managers has nearly halved in eight years. A recent PwC study concluded that the BBC was already amongst the most efficient organisations in the public sector and regulated industries in terms of managing overheads. In 2016/17, 95% of the BBC's controllable spend was focused on content and delivery, with 5% spent on running the organisation. This is well below both the public sector average of 11%, and the regulated industry average of 9%.

'Compete or Compare', the BBC's approach to identifying efficiencies in the cost base through competition or benchmarking, is an integral strand of the BBC's approach to driving ongoing efficiencies. The framework ensures that everything the BBC does is challenged in the market or benchmarked against it. This drives up quality and reduces costs. An independent study undertaken by PwC during 2015/16 concluded that 87% of BBC controllable spend satisfied the 'Compete or Compare' criteria, either through direct competition or rigorous comparison and benchmarking. During 2016/17, an internal review concluded that over 90% of BBC controllable spend now satisfied the criteria used by PwC.

Since September 2016, three returning series commissioned by Television Content have been subject to a competitive tendering process, with pitches being invited from BBC Studios (from 1 April 2017) and independent producers. Whilst the BBC will retain intellectual property rights for the programmes put to tender, and they will continue to be shown on BBC television, the tendering process will decide which supplier makes those series. So far *Holby City*; *A Question of Sport*; and *Songs of Praise* have been opened up to competition. The first two tenders were won by BBC Studios and the latter was awarded to two independent producers.

Property costs

Cutting property costs is a key strand of the BBC's efficiency plan. A new financial deal was agreed during the year which significantly lowers the ongoing cash costs of Broadcasting House, in London. This deal also secures the BBC's long term ownership and occupation of Broadcasting House beyond the current leasing arrangement, facilitating the BBC's outright ownership in 2045. The cash cost of occupation has been reduced by £10 million a year against the baseline cash cost. These savings are expected to increase each year to £34 million per annum by 2033 (against our cash cost baseline). This profile of annual cash payments have been extended from 2033 through to 2045, to re-profile the existing commitments and to purchase the reversionary interest in the freehold over this final period.

The BBC has reduced its property footprint by approximately 40% since 1998 and total property savings since 2011 are now at approximately £90 million a year. The BBC plans to vacate four other London properties in the near future, giving rise to a further £7 million a year of savings.

Technology

We have recently re-procured the core technology services contract, which provides critical IT and technology services to programme makers and staff. The new contract will transform how the BBC will provide and manage its technology in the future, to make the organisation ready for the digital age. Since 2004 most of the BBC's outsourced technology services have been delivered by one external provider, but the new contract is non-exclusive, allowing services to be delivered by a combination of third parties and our in-house teams. This approach will give the BBC greater flexibility and access to new technology as it emerges. These technology procurements will lead to long-term savings that will amount to hundreds of millions of pounds over the course of the contracts, including savings in the region of £75 million per annum.

Our people

The National Audit Office ('NAO') recently published its latest value for money review of the BBC, looking at how it manages and plans its workforce. The NAO acknowledged that the BBC has reduced the cost and size of its payroll workforce between 2010/11 and 2015/16 by 6% and 4% respectively. It has also achieved a 40% reduction in the number of its senior managers from 540 in 2010/11 to 319 by December 2016. The NAO report also recognised that the structure of the BBC had been simplified through fewer layers of management and streamlined professional support services. As the NAO concluded, these changes have helped the BBC to improve value for money and, taken together, they represent a significant achievement. The NAO made some recommendations for the future which the BBC is committed to implementing.

Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content and its delivery to audiences and users, and the essential infrastructure to support this. Year-on-year spend can vary significantly because of the cycle of major sports events. Total content spend increased by 3% to £2,734 million (2015/16: £2,664 million) this year, which was largely due to additional investment in our coverage of the Olympic Games and European Football Championships. All 26 service licences operated within their operating parameters during the year.

Restatement

During the year, the assumptions used in the calculation of finance lease assets and liabilities were updated to meet IFRS. The impact of this change in calculation on the result for the year ended 31 March 2016 is to increase the surplus for the year by £14.4 million.

Pension costs

At 31 March 2017, the accounting pension deficit (as defined by IAS 19) had increased by 14% to £1,149 million, compared to £1,011 million a year ago. The increase during the current year was due to a net loss from changes in the valuation assumptions of £248 million, an annual operating charge of £193 million and net finance costs of £32 million, offset by contributions paid of £335 million.

This accounting valuation is only a 'snapshot' at a particular date, and is therefore sensitive to short-term market fluctuations. It has no impact on the actual cash cost of paying down the pension scheme deficit, which is reviewed at triennial actuarial valuations.

The most recent triennial actuarial valuation was completed in June 2017 and showed a funding shortfall of £1,769 million as at 1 April 2016 (previously £2,054 million at 1 April 2013). A new repayment plan has been agreed between the BBC and the Pension Scheme Trustees. The agreed repayment plan runs until 31 December 2028 and is considered to represent an affordable plan to address the deficit, without compromising services to audiences or pension scheme members. The BBC continues to work actively with the Pension Scheme's Trustees to ensure the Scheme delivers security for members and value for the licence fee payers.

Cash

The BBC's cash balance at the end of the year is £256 million, which is a £79 million reduction from prior year (2016: £335 million). Cash generated from operations has been offset by a £220 million pension deficit payment made in March 2017. The current strong financial position of the BBC, along with the successful delivery of recent saving plans, leaves the Corporation in a good position to meet its future obligations (which include pension deficit repayments) and to continue delivering world-class content to its audiences.

Tax

The BBC is a committed and prudent tax payer in all the countries in which it operates. Its commercial operations undertake appropriate and legitimate tax planning measures in accordance with the spirit and intention of all laws and regulations.



The Hollow Crown – The War of the Roses

Our people



p.55

Our people

We are making the BBC an even greater place to work, valuing and respecting diverse contributions and celebrating successes

[Read more on pages 55 to 59](#)

Radio 1 DJ Clara Amfo presenting the Radio 1 Teen Awards

p.60

Diversity and inclusion

The more diverse our workforce, the better able we are to respond to and reflect our audiences in all their diversity

[Read more: bbc.co.uk/diversity](http://bbc.co.uk/diversity)

p.61

Charitable work

We have been broadcasting and supporting charity appeals since 1923 and our appeals have become a vital part of our remit

[Read more: bbc.co.uk/charityappeals](http://bbc.co.uk/charityappeals)

Our culture and our people are fundamental to the continued delivery of outstanding programmes and services to our audiences. 93% of our people say they are proud to work for the BBC and 91% are prepared to put in extra effort to help deliver great content. Over the year we have been working together to ‘make the BBC an even greater place to work’ where our people can be at their creative best.

At the same time we have achieved substantial organisation change and efficiency. The structure of our divisions has been reorganised and a new Executive Committee was formed in September 2016, in preparation for the changed governance and regulatory structure linked to the new 11-year Charter period. The final role closures linked to the Delivering Quality First (‘DQF’) programme have been completed and our 2017 diversity and inclusion targets have been achieved. The formal response to the Dame Janet Smith review into our culture and practices was published in November 2016, setting out the measures already in place and controls to ensure they are maintained; the year also saw the completion of the HR Transformation Programme which will deliver 30% of ongoing savings to the cost of HR services.

Efficient and effective organisation design

Throughout the year as restructuring has taken place, organisation design principles have been applied. These have included minimising management numbers and layers and limiting the numbers and spend on professional support roles so that as much as possible can be directed to creating content and services. Currently 95% of our controllable spend is directed to content and services.

We remain committed to locating at least 50% of employees outside of London and 53%

are currently based outside of the M25. New roles continued to be created in Birmingham and planning is underway to move BBC Three there from London in 2017. This will bring our Birmingham base to full capacity.

We have also been implementing a career path framework aligning job titles and descriptions to job families and communities enabling employees to better understand career progression paths.

The major organisation redesign activities during the year have focused on realigning our divisions:

- Television was split into two separate divisions, Content and Studios. The latter becoming a commercial entity on 1 April 2017. Both divisions saw a significant number of people changes in senior roles
- a new division of Nations and Regions was formed, bringing Scotland, Northern Ireland and Wales together with the main England hubs of the North, the Midlands and the South West
- Radio and Education activities were brought together in a new division
- professional support areas have combined with Marketing and Audiences and our technology operations to create a new division headed by the Deputy Director-General. This included bringing together

three separate parts of the organisation which were combined to create the Design and Engineering division
– a new Executive Committee of ten members was established in September 2016, bringing together the new division leads

The HR team also completed their transformation programme, reducing the cost of HR services by 30%, and insourcing resourcing and HR administration activities, creating a new HR Service Centre in Birmingham.

Our workforce numbers and mix

Over the course of a year, the scale and profile of the BBC’s overall workforce is affected by a number of factors. These include the mix between in-house and independent programme and content supply; changes to our insourcing/outsourcing service model; the launch of new audience-facing initiatives; and headcount reductions arising from savings programmes. Workforce plans are in place to optimise the mix of permanent and flexible resource and we continuously review and control headcount to ensure value for money is achieved.

Average annual salaried headcount for 2016/17 increased slightly. At March 2017, this increase included 179 new roles recruited as part of the additional investment in World Service 2020.

UK PSB staff by nation (equivalent full time) %

	31 March 2017	31 March 2016	31 March 2015
England (excl. London)	34	36	34
London	47	45	46
Scotland	7	7	7
Wales	8	8	8
Northern Ireland	4	4	4

Percentages have been rounded to the nearest decimal

Total average headcount (equivalent full time)

	2016/7	2015/6	2014/5
UK public service broadcasting	19,357	19,269*	19,333*
BBC Worldwide	1,706	1,759	1,824
Other commercial business	208	237	247
Group total	21,271	21,265	21,404

* Restated with programme contracted staff (orchestras and singers), increasing in 2015/16 by 349 and 2014/15 by 359

Throughout the year, roles were closed through:

- the conclusion of the five-year DQF Programme ('Delivering Quality First'). A total of £722 million savings and a reduction of over 1,800 roles were delivered for public service staff throughout this programme

– the simplification programme announced in 2015, which committed to delivering £50 million savings and an expected reduction of 1,000 roles across the group. 859 posts have so far been closed that will lead to a saving of £44.2 million. The final reductions and savings will over-achieve the targets and complete in Autumn 2017

A new savings initiative announced during the year requires all divisions to identify and deliver further savings for the next five years. Plans to achieve this are being developed.

Whilst reductions in headcount have been made, there is a continued requirement to invest and recruit in different skill types to build the BBC of the future. Key investments have been made this year in:

- Design and Engineering, including key digital skills
- World Service: following the Government funding announcement in November 2016 specifically ring-fencing £289 million, World Service News is expanding in 12 new language services across 50 countries. To date, 179 of the new staff have been recruited both in the UK and internationally and significant recruitment will continue until April 2019
- additional apprentices and trainees
- production-related increase
- insourcing activities previously carried out elsewhere including Finance, HR, Technology and Marketing and Audiences creative roles

On screen talent

We want the BBC to be the place where the best artists want to work and deliver great programmes. Across radio, television and our digital services, our audiences expect us to offer the best range of most-loved, creative, engaging, authoritative and diverse talent in British broadcasting.

The BBC remains committed to keeping spend on on-screen and on-air talent to no more than 15% of overall internal spend on content (with a 1% tolerance). This approach has been endorsed by independent consultants Oliver and Ohlbaum as an appropriate response to changing market conditions.

In 2016/17, total talent spend of £194 million represents 11.5% of the BBC's internal spend on content. This includes the World Service.

Spend on Talent:

	2016/2017		2015/16***		Variance £000s
	Spend £000s	Volumes	Spend £000s	Volumes	
Less than £40k	69,922	40,328	73,599	46,223	(3,677)
£40k – £100k	72,346	1,278	69,418	1,236	2,928
£100k – £150k	16,717	136	18,088	150	(1,515)
£150k – £500k	21,256	89	25,006	101	(3,597)
£500k – £1m	3,348	5	2,845	7*	503
£1m – £5m	3,959	2	3,794		165
Organisations**	6,019	1,582	5,562	1,838	457
Total	193,567	43,420	198,312	49,555	(4,736)

* The number of individuals in the £500,000+ category was aggregated in previous years in order to protect the personal information of those individuals, in line with data protection best practice

** Organisations are groups of individuals contracted as one – for example external orchestras – so it is not possible to list numbers of individuals against this spend

*** The 2015/16 numbers have been restated for consistency with information disclosed under article 37(2) of the Royal Charter 2016. These tables, above and below, are based on monies paid in the financial year 2016/17. For four individuals, the timing of cash payments made in the financial year materially distorts their banding. We have therefore fairly reflected the substance of these payments in the table. In the case of two of these individuals, material payments that took place between the end of the financial year and the date of this report which relate to work done in 2016/17 have been included. In the case of the other two individuals, payments in relation to long-term agreements have been apportioned evenly over the contract term

Senior manager and talent pay disclosure:

Band	Senior managers	Talent	Other staff and contractors	Total
£150,000 – £199,999	71	39	21	131
£200,000 – £249,999	13	23	2	38
£250,000 – £299,999	2	10	–	12
£300,000 – £349,999	6	4	–	10
£350,000 – £399,999	1	6	–	7
£400,000 – £449,999	1	5	–	6
£450,000 – £499,999	1	2	–	3
£500,000 – £549,999	–	1	–	1
£550,000 – £599,999	–	1	–	1
£600,000 – £649,999	–	1	–	1
£700,000 – £749,999	–	1	–	1
£850,000 – £899,999	–	1	–	1
£1,750,000 – £1,799,999	–	1	–	1
£2,200,000 – £2,249,999	–	1	–	1
Total	95	96	23	214

Talent pay disclosure

Under the terms of our Royal Charter, we are required to publish an annual report for each financial year from the BBC Remuneration Committee with the names of people working for the BBC who are paid more than £150,000 from licence fee revenue in a financial year set out in pay bands of £50,000. We have for some time disclosed earnings of any employee who is classified as a senior manager and this information is publicly available on the BBC's website.

This is the first time we are publishing this type of information in the format agreed, with full names and pay bands.

 [The full talent pay disclosure annex can be found at: \[bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/bbc_talent_pay\]\(http://bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/bbc_talent_pay\)](http://bbc.co.uk/aboutthebbc/insidethebbc/howwework/accountability/bbc_talent_pay)

The adjacent table summarises the distribution of categories by band for 2016/17.

Severance

Driving efficiencies across the BBC has an inevitable impact on jobs. We continue to be fully committed to managing job losses through redeployment and retraining wherever possible and our current severance policy is:

- one month's pay for each year of service up to a maximum of 12 months' pay. For those employees who joined before January 2013, the maximum is higher at 24 months' pay
- a cap on redundancy payments of £150,000
- a maximum length of notice period of six months

We are currently awaiting further clarification on the Government's proposed cap on redundancy, which received Royal Assent on 4 May 2016.

Where redundancy severance is paid:

- notice will be served and worked in full
- if an individual wishes to leave earlier than the end of their notice period they must waive the remaining notice period and will receive no payment for it
- in exceptional cases, for example when there is a need to protect the confidentiality of sensitive information, individuals may be asked to work from home or be prepared to undertake other duties during their notice

All severance payments over £75,000 are signed off by the Senior Management Remuneration Committee. During the year there were ten instances where employees received payment in lieu of notice in addition to a severance payment. Eight of these related to a TUPE into the BBC in Northern Ireland where there were no ongoing roles. One was overseas and in line with local legal requirements and one related to a contract that was revoked before the individual began work. During the year, there was one case involving total payments in excess of £150,000. In this case

Severance:

Severance payments: all staff (including senior management)

Payment band	1 April 2016–31 March 2017		1 April 2015–31 March 2016	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £10k	348	59	286	45
£10k–£50k	6,622	220	5,675	189
£50k–£75k	5,672	92	5,104	81
£75k–£100k	3,880	44	5,036	58
£100k–£150k	16,567	124	9,809	75
Over £150k	0	0	0	0
Total	33,089	539	25,910	448

the individual received less than £150,000 but there were additional material legal fees. There has been one employee who returned in a freelance capacity outside of policy.

Remuneration

It remains our policy to provide remuneration that attracts, motivates and retains the key talent required to lead and deliver outstanding public service broadcasting, whilst recognising the BBC's status as a publicly-funded corporation, which must deliver value to the licence fee payer.

In August 2016, we implemented a pay deal for all staff in grades 2 to 11 of 1% with a £400 minimum underpin. There was no automatic pay increase for senior managers, and increases were awarded on a case-by-case basis, capped at the lower of 1% or £1,000.

Senior managers

Throughout the year we continued to focus on reducing the number of senior managers wherever possible, in line with our commitments in the 2009 and 2011 reward strategies. The senior manager paybill (including Executive Board members) is now £42.2 million compared to £78.5 million in 2009, and the total number of senior managers, including Board members, is 312. This compares to 640 in 2009 and represents a reduction of 51%. Over the last year, senior manager numbers have decreased by 47 and our percentage of senior managers to total public service employees is now 1.6%. During the next year we will complete a grading review of this population.

The Senior Manager Remuneration Committee, originally established in September 2012 by the Executive Board Remuneration Committee, continues to meet regularly and signs off all salary adjustments for senior managers and any others in excess of £75,000. Our current senior manager numbers by salary band are:

UK senior manager headcount by salary band:

Band	2016/17	2015/16
£50,000–£99,999	92	122
£100,000–£149,999	124	140
£150,000–£199,999	67	65
£200,000–£249,999	17	22
£250,000–£299,999	3	4
£300,000–£349,999	3	1
Total*	306	354**

* Total excludes Executive Board Members

** Restated to remove two Pension Fund senior managers

During 2016 we commenced a review looking to modernise many of our terms and conditions of employment, looking for opportunities to make them simpler, fairer and more consistent. This review is being undertaken together with our joint union representatives and outcomes will be concluded during 2017.

Supporting and getting the best from our people

In February 2016, Dame Janet Smith published her report reviewing the cultures and practices of the BBC during the years of Jimmy Savile and Stuart Hall. Our full response was published in November 2016 and set out the actions taken to address recommendations made in a range of external reports and reviews. These included the Respect at Work review of 2013, the Good Corporation review of Whistle Blowing and Child Protection Policies/Processes of 2015 and Dame Janet Smith's review of 2016.

At the same time, a further external review and audit of the BBC's policies and processes, undertaken by Good Corporation, and reporting on the progress made since 2015, was published.

Our response outlined the work we have undertaken across three areas to ensure that the abuse could not happen again:

- our policies to ensure the protection of our staff, children and young people
- the systems and routes we have in place for people to be able to raise a complaint, a concern or to blow the whistle
- the functions and capabilities we have within the organisation to effectively investigate such complaints, whether internal or external

We continue to regularly review and develop our practices to ensure we maintain best practice in these areas.

Throughout 2016/17 interviews and focus groups were conducted with teams of employees around the organisation to listen to feedback and suggestions to ensure we are providing appropriate support and focused on 'making the BBC an even greater place to work'. We have aligned our activities around four key pillars:

- making ways of working simpler – looking to simplify or remove complex practices and finding ways to enable staff to do their best work
- acting as One BBC – working collaboratively and recognising that we are stronger when we work together
- valuing each other and celebrating success – respecting our diverse contributions and taking time to recognise the quality of work produced by all staff
- being visible and involved – ensuring all staff know what is expected of them and get fully involved, and that managers and leaders are visible not only to their own teams and departments, but across the organisation, listening, sharing and inspiring

We have introduced a 'Simpler, Smarter, Greener' campaign across the organisation, collecting suggestions and implementing improvements. In February 2017 we refreshed our BBC values and introduced a BBC Code of Conduct – a document that brings together our policies, standards and expectations of behaviour into a single place, making it clear to our employees and freelancers what they must be aware of and what they can expect from the BBC.

Support for our team managers across the BBC has been strengthened throughout the year with the introduction of new communication tools, roadshows and development activities.

Our annual engagement survey was conducted early in 2017. 67% of staff participated (compared to 54% last time) and our overall engagement score increased by 2% to 69%. This is 9% higher than the median UK engagement (Source: Ipsos Mori – 2017).

A separate survey was also conducted across our freelancer and agency contractors, which attracted a 53% response rate – an increase of 19% from last time.

Of particular note were 93% of employees agreeing with the statement "I am proud to work for the BBC". Most areas showed improving scores and action plans are being put in place to address specific areas requiring improvement.

We continue to work closely with our unions and are committed to building positive and constructive relationships with all our people and their representatives. During 2016/17 there were two separate instances of strike action. One lasting 24 hours involving 12 employees and a second lasting 36 hours involving 86 employees.

Human rights

The BBC takes human rights seriously; at home in the UK and across the globe.

Every member of staff has the right to return home in the same state of health in which they left for work, and to form trade unions. Some staff are required to work in high risk environments, such as those in hostile surroundings, covert filming or covering events such as terrorist incidents. Our High Risk Team advises and oversees training and provision of equipment for staff to ensure they are appropriately prepared to undertake their role.

Our Terms of Trade require any suppliers we work with, and any sub-contractors they use, to adhere to the codes of practice published by the Equality and Human Rights Commission and the Equality Commission Northern Ireland.

BBC Group modern slavery statement

The BBC Group is committed to running its business responsibly and to maintaining a high standard of ethical and environmental trade practices.

The BBC is supportive of the aims of the Modern Slavery Act 2015 and, in publishing an annual statement, the BBC recognises the importance of the role it can play in preventing human trafficking and slavery within its spheres of influence, to create a culture of awareness and transparency and actively engage in the eradication of modern day slavery.

This statement is published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by the BBC and its other relevant group companies during the previous financial year to prevent modern slavery and human trafficking in its business and supply chains.

 [The full statement is available at:
downloads.bbc.co.uk/aboutthebbc/reports/
pdf/bbcmsa2016.pdf](https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/bbcmsa2016.pdf)

Developing our people

Through our BBC Academy, training and professional development is provided for all BBC staff. A significant amount of training is delivered online or remotely, to offer staff flexibility and also to increase efficiency and reduce travel. Over 65,000 unique training sessions were completed in 2016/17, of which 60% were online.

Support has been provided to BBC Studios and Radio as they move into a more competitive programme supply environment. Creative radio workshops have been delivered to several hundred people and in BBC Studios, the focus has been on developing business and commercial skills in addition to craft skills.

Globally, the Academy has played a central role in the expansion of World Service over the next four years (World Service 2020) and has created online training content in five additional languages (Bangla, Kyrgyz, Somali, Spanish and Ukrainian). These have provided journalists with support to ensure standards such as impartiality and accuracy are maintained when existing material is translated or original content created.

School Report

11 to 16 year old students from nearly 900 schools across the UK took part in BBC News School Report.



Comprehensive training programmes have also been developed and delivered for over 1,000 new journalists in Nairobi, Lagos, Moscow, Delhi and Cairo, as well as the UK. These programmes provide essential technical, editorial and production skills, giving people the confidence and capability to contribute to the BBC's goal of reaching a global audience of half a million.

Other support to News and our journalists has been through face-to-face and online training courses to support the launch of the BBC's new News computer system, Open Media. Over the next four years, this project will see more than 10,000 users migrate across in 100+ sites in the UK and overseas. Almost 5,000 hours of training on delivery of video content on digital platforms has also been delivered to News employees.

Across the whole of the BBC, UK and overseas, over 30,000 health and safety courses have been completed this year through a combination of online and face-to-face delivery.

New talent: apprenticeships and training schemes

We are committed to continuing to invest in apprenticeships (aimed at non-graduates) and trainees (who are mainly graduates) and have set an ambition of 2.3% of our employees being apprentices or trainees by the end of 2018.

In September 2016, there were 237 apprentices spread across the BBC, in production, journalism, engineering, digital, business and legal departments. Combined with our 100 graduate trainees, this means we are providing 337 high-quality, paid opportunities for young people to begin their career in the broadcasting sector.

Our opportunities are across the UK – in London, Birmingham, Bristol, Cardiff, Salford, Glasgow and Belfast and across the BBC's regional television and local radio network. Working with partner organisations enables us to find high-quality talent in communities historically not well connected to the broadcasting industry. Our degree-level Business Apprentices and Production Apprentices are 29% and 24% Black, Asian and minority ethnic ('BAME') respectively, and in production, trainees with a declared disability make up 23%, while for our apprentices this number increases to 32%.

All our programmes continue to be very popular. Over 6,000 applied for our Production Trainee Scheme, 3,500 for our Journalism Trainee Scheme and 3,000 for our Production Apprenticeship.

The Broadcast Engineering Degree Apprenticeship, which is now in its fourth year has resulted in us hiring and training 74 broadcast engineers to date, some of whom have gone on to undertake a BBC Masters qualification in Broadcast Engineering. In addition to our paid opportunities, we also provided 1,176 BBC work experience placements during 2016. Our BBC Make It Digital (pre-employment) traineeship, developed in partnership with Job Centres nationwide, the Skills Funding Agency and nations' devolved governments has, so far, seen around 1,700 young people take up the programme across the UK and we have now launched a virtual BBC Make It Digital traineeship which offers employability advice to young people.

Outreach and bringing new skills to the industry

In line with our Charter commitments we work in partnership with others to deliver events and learning opportunities for the wider media sector.

BBC News School Report was held on 16 March 2017 across a number of BBC sites, and gave 11 to 16 year old students from nearly 900 schools across the UK the chance to make their own reports for a real audience, using lesson plans, BBC learning resources and the help of BBC volunteer mentors. It teaches young people how news is made: how to put together a news story and how to check facts and sources, which is increasingly important as they come across 'fake news' in all its forms.

Digital Cities event weeks were organised in Birmingham, Bristol, Manchester, Belfast, Cardiff and Glasgow. They feature a wide range of activities provided by the BBC, Creative Skillset and many other partners at venues across a city and provide an opportunity to promote cross-sector collaboration and learning, highlighting opportunities to develop skills and explore the next set of digital opportunities.

In partnership with Creative Skillset we launched the Production Co-ordination Training Programme to tackle an industry-wide skills gap. The first 28 delegates, many from non-media backgrounds, have been through a comprehensive 'bootcamp', learning everything from health and safety to negotiation skills. Another 34 will be recruited by the summer. Our partnership with the National Film and Television School has continued, delivering a number of co-branded short courses around skills gaps in continuing drama. Talented students have been successfully placed in craft drama roles in a range of BBC productions such as *EastEnders*, *Holby City* and *Doctors*.

A series of co-branded training and skills days were also run in partnership with BAFTA, the Royal Television Society and Women in Film & Television, including the award-winning diversity initiative – Expert Women's Day, which trained a number of female experts to contribute in their subject areas for future BBC news and current affairs output across television, radio and online.

Diversity and inclusion

The BBC is already one of the most diverse and inclusive workforces in the UK. Having such diversity across our people enables us to reflect the diverse communities of the whole of the UK in the content of our output and services.



BBC Young Dancer 2017

We have met the targets previously set for 2017 and are on track to meet the more stretching 2020 targets.

During 2016, we updated our diversity and inclusion strategy with commitments that by 2020:

- our workforce will be at least as diverse as any other in the industry
- we will have met portrayal targets that cover a much wider range of diversity than any other broadcaster
- we will have hardwired diversity and inclusion into everything that we do

Substantial progress towards these goals has already been made and following a recent census, our diversity and inclusion statistics show that we have met the targets previously set for 2017 and are on track to meet the more stretching 2020 targets.

Full details are provided in the Equality Information Report: bbc.co.uk/corporate2/diversity/newsandevents/equality-information-report-2017

As a result of our more diverse workforce, portrayal across our content and services is noticeably improving. We are seeing and

hearing a wider range of stories and voices than ever before. From fresh new television content to our favourite heritage brands. On television, iPlayer and radio, through our sports coverage, Children’s content and BBC Learning initiatives and on stage with our performing groups and in accessible product design.

We continue to sponsor a number of initiatives across the BBC. These include developing Diversity and Inclusion Commissioning Guidelines, a Clore Leadership programme, Creative Access Internships, Assistant

Commissioners Development Programme and a £2.1 million Diversity Development Fund. Externally we collaborate with a number of partners and are an active member of the Creative Diversity Network, where we have played a key role in the cross industry initiative creating Diamond, a diversity monitoring system. The first results from this are due to be published by the end of 2017 and will measure the progress we are making in our on-screen portrayal targets of 5% for on-screen disability and 15% for on-screen Black, Asian and minority ethnic.

Workforce	31 March 2017	2017 target	2020 target
Women (all staff)	48.2%	n/a	50%
Women (leadership)	42.1%	n/a	50%
Disability (all staff)	10.2%	5.3%	8%
Disability (leadership)	9.6%	5%	8%
BAME (all staff)	14.5%	14.2%	15%
BAME (leadership)	10.3%	10%	15%
LGBT (all staff)	10.5%	n/a	8%
LGBT (leadership)	11.5%	n/a	8%

Charitable work

The BBC has been broadcasting appeals for charities since 1923 and they are an important part of our remit as a public service broadcaster.



DIY SOS for Children In Need

Over £123 million was raised by the BBC in the financial year 2016/17.

Alongside support for our two corporate charities – BBC Children in Need and BBC Media Action, and partnerships with Comic Relief and St Martin-in-the-Fields, there are weekly and monthly appeals for a broad range of charities. Over £123 million was raised by the BBC in the financial year 2016/17.

BBC Children in Need

In 2016, people from every corner of the UK came together to help positively change the lives of disadvantaged children and young people in local communities.

Once again, the BBC gave its support for the charity through a host of inspiring programming. From BBC Children in Need

Rocks for Terry; a star-studded night of entertainment celebrating the life of legendary broadcaster Sir Terry Wogan, to the return of *The One Show*'s Rickshaw Challenge, which saw young people supported by BBC Children in Need funded projects peddle 470 miles alongside Matt Baker. Charity specials from *DIY SOS*, *Countryfile* and *Songs of Praise* warmed the hearts of viewers whilst an exceptional film, *Prison, My Parents & Me*, documented difficulties faced by children and young people who have lost a parent in the criminal justice system. Meanwhile, BBC radio stations, inspired by the 'Do Your Thing' fundraising campaign, channelled passions, hobbies and fears to fundraise. In addition, the charity's focus on year-round fundraising saw events such as Gung-Ho!, an inflatable obstacle course challenge, and CarFest North and South hosted by Chris Evans engage fundraisers throughout 2016.

The appeal culminated in the announcement of a record-breaking fundraising total of £46.6 million during November's spectacular appeal show, this sum has continued to grow and a final total will be announced this summer.

The challenges children and young people face are diverse and complex – the loss of a parent, disability, mental ill health, child sexual exploitation. Nearly a third of children in the UK are living in poverty. Around 1.6 million children are living in severe poverty, surviving without at least one basic necessity such as regular meals, adequate winter clothing or a safe, warm home to live in. BBC Children in Need, with the support of the BBC, works tirelessly to fund over 2,400 projects which tackle these challenges, with fresh thinking and ideas that support the most vulnerable, build their confidence and resilience and make a lasting, positive change in their young lives.

For more information, please visit: bbcchildreninneed.co.uk

BBC Media Action

The BBC's international development charity uses media and communication to transform lives, working with partners to reach more than 200 million people a year in some of the world's most challenging places.

BBC Media Action helps people improve their health, take part in civic life, realise their rights, improve their economic security and opportunities and survive disasters.

Its 'lifeline' training programmes help broadcasters and relief agencies give people life-saving information in the wake of humanitarian crises. It mentors and trains journalists and broadcasters and produces television, radio and multimedia programmes.

Last year the charity delivered 100 projects in more than 16 countries. This included Afghanistan, where less than half of all children aged between one and two are fully immunised against preventable childhood diseases such as polio. Last year, BBC Media Action launched a radio magazine programme to encourage parents to discuss family health. After only a few months on air, audience analysis showed the programme had motivated people to take their children for vaccinations. In Kenya, where past elections have been marked by organised violence, the charity developed a new discussion show to get young people more involved in political life. In South Sudan, where conflict

has displaced large sections of the population, BBC Media Action trained and mentored radio producers to make programmes about peace-building, maternal health and education. As a result, several stations reported their staff had learned new skills in sourcing and fact-checking, interviewing and production. In Syria, it launched a drama aimed at bridging social, political and religious divides between people affected by the long-running civil war.

In 2016/2017, BBC Media Action was supported by a range of funders including the Bill and Melinda Gates Foundation, EU Humanitarian aid and Civil Protection ('ECHO'), Swedish International Development Cooperation Agency ('SIDA'), the UK's Department for International Development ('DFID'), UN agencies and USAID. Total income in 2016/17 was £43 million.

[Find out more about BBC Media Action's projects: bbc.co.uk/mediaction](http://bbc.co.uk/mediaction)

Broadcast appeals

The idea to grant, often smaller charities, airtime on the BBC, goes back to Lord Reith. A thorough selection process for the weekly and monthly appeals is led by the BBC's Appeals Advisory Committee. BBC production teams work hard with each and every charity, enabling them to make the most of this opportunity. Presenters give their time freely. The benefit of the appeal goes well beyond the money raised; it also lies in the opportunity for charities to share their work and raise awareness with a much wider audience. This year, the Radio 4 and BBC One Lifeline appeals have raised over £1.1 million for 60 charities, with a wide range of causes both in the UK and overseas.

[You can see the results here: bbc.co.uk/charityappeals/about/amounts-raised](http://bbc.co.uk/charityappeals/about/amounts-raised)

Charities that meet the criteria can apply for a BBC appeal here: bbc.co.uk/charityappeals/appeals/apply-now.

There is a separate selection process for broadcast appeals on BBC television and radio in Northern Ireland, which last year broadcast 13 appeals and a special Christmas-time appeal.

The BBC Radio 4 Christmas appeal marked the 90th year of a long partnership with St Martin-in-the-Fields, for their work with homeless people and those at risk of homelessness across the UK. The appeal raised a new record: £2,846,596. Many Radio 4 presenters could be found taking telephone donations on the day of the appeal.



Comic Relief
WIA trail for Red Nose Day 2017.

The BBC also broadcast two appeals for the Disaster Emergency Committee, these helped towards totals of £22 million for Yemen and £55 million for East Africa.

Comic Relief

With a shared belief in the power of entertainment to motivate the nation to change lives here and overseas, the BBC partnership remains absolutely central and vital to all Comic Relief does during its Red Nose Day and Sport Relief campaigns.

Red Nose Day 2017 was an exceptional demonstration of how the whole BBC gets behind this national charitable event.

BBC television dedicated a whole Friday evening and also customised many of its existing programmes to Comic Relief specials. Radio 1 and Radio 2 also ran fundraising events with Radio 2 DJ Sara Cox valiantly dancing to 80s music for 24 hours and raising over £1.2 million in doing so.

The One Show, Countryfile, Saturday Kitchen, Loose Ends, Let's Sing and Dance for Comic Relief and other shows all took part. As did *Blue Peter* with its comedy classroom. There was also a well-received factual one hour documentary, *The Red Nose Convoy*, in which six popular stars drove to see projects in Kenya and Uganda, delivering vital equipment including medical supplies, mosquito nets and bikes.

Comic Relief worked closely with the BBC to encourage the British public to get involved and 'make your laugh matter'. Comic Relief's high level of public participation and engagement meant people across the whole of the UK took part in the campaign, be it by watching the television, listening to the radio, seeing digital original sketches, fundraising, buying a nose or donating.

On 24 March, the campaign culminated in the usual appointment-to-view night of unpredictable comedic live moments intercut with sketches and hard-hitting appeal films. The night was produced by BBC Studios with Richard Curtis, as well as other contributing writers, directors and artists. The ambition this year was to put comedians back at the centre of the stage and provide a selection of talent and material that appealed to a wide range of audiences – young and old – so the evening was hosted by a refreshed and diverse comedy line-up including Sir Lenny Henry, Warwick Davis, Sally Phillips, Jonathan Ross, Romesh Ranganathan, Greg Davis, Miranda Hart and featuring newcomers such as Joe Lycett and Luisa Omeilan.

Highlights included a *La La Land*-inspired opening sequence, James Corden's *Carpool Karaoke* with Take That, a special short film of *Red Nose Day Actually* and WIA trails. Ed Sheeran and Kurupt FM and Rag 'n' Bone Man were also very popular.

The overnight audience for the evening was 6.2 million viewers and it peaked at over eight million.

At the end of the Red Nose Day weekend, the total raised was over £73 million, which will be spent helping people living in the world's poorest communities and right here in the UK.

[Read more about Comic Relief's work: comicrelief.com](http://comicrelief.com)

Environmental sustainability

Our environmental sustainability strategy focuses on reducing the environmental impacts of our operations, embedding sustainable practices in programme-making and inspiring our staff to take action.

We have been reporting performance to environment targets since 2009 and have made good progress, including reducing carbon emissions from our buildings by 40%, cutting 60,000 tonnes of CO₂e from our footprint. Recycling rates increased to 67%, and transport emissions have reduced in absolute terms by 11% – over 4,000 tonnes of CO₂e since 2008, a per-BBC traveller reduction of 4%. We are currently setting new goals for this new Charter period.






From 1 April 2017 we are purchasing renewable electricity to cover our usage at the majority of our sites, which will make a significant impact, reducing the size of our carbon footprint. This is a positive step and we continue our efforts to reduce our energy demand through efficient operation of our properties and technology.

Our programme teams continue to embrace greener ways of working, with a further 81 programmes achieving sustainable production certification under the BAFTA albert scheme, which was originally created at the BBC. Shows carrying the badge during the year include *EastEnders*, *Still Open All Hours*, and the *Doctor Who* Christmas Special.




We promote sustainable ways of working across the industry and now require independent production companies who make television programmes for the BBC to use the albert carbon calculator to footprint their television production, as well as our in-house teams.

Inside the BBC, staff knowledge and awareness are supported in-house through 'Carbon Literacy' training, with over 320 BBC staff taking the course. Deputy Director-General, Anne Bulford launched a staff campaign promoting 'simpler, smarter and greener' ways of working, asking staff for their ideas and support.

You can find more information at:
bbc.co.uk/responsibility/environment

BBC environment targets		Target 2016/17	2016/17 Performance against baseline
		%	%
	Absolute reduction in energy consumption	-20%	-39%
	Absolute reduction in CO ₂ emissions from buildings	-20%	-40%
	Reduction in water use (per person)	-25%	-43%
	Reduction in waste (tonnes) to landfill (per person)	-25%	-90%
	Amount of waste recycled	70%	67%
	Reduction in transport CO ₂ emissions (per BBC user)	-20%	-4%
Greenhouse gas emissions			
Greenhouse gas emissions (tonnes CO ₂ emissions, scopes 1 and 2)			91,426
Carbon intensity (tonnes CO ₂ emissions/total group Income £m):			18.5

Greenhouse gas data is for UK-based and representative World Service bureaux; detailed information and explanatory notes can be found online at: bbc.co.uk/responsibility/environment
Baseline year: 2008

Sustainable production		Target 2016/17	Performance 2016/17
	In-house Children's and television to use albert to carbon footprint production	100% on track	88% on track
	BBC average carbon footprint for television production per production hour	N/A	15.8 tonnes CO ₂
	BBC Children's and television productions to complete albert sustainable production certification process	25 productions	81 productions

Albert is a carbon calculator which helps production teams across the broadcasting industry calculate the carbon emissions associated with television production
Albert certification helps productions take steps to reduce environmental impacts. Successful productions are awarded a one, two or three star rating and may display a badge of programme credits. Productions which have completed the process have progressed to the audit stage

BBC Board

The Board is responsible for ensuring the BBC fulfils its mission and public purposes as set out in the Charter. It replaced the two-tier structure of the BBC Trust and the BBC Executive Board as the Corporation's governing body from 3 April 2017.

The Board is chaired by Sir David Clementi and consists of ten non-executive directors, including the Chairman, and four executive directors, including the Director-General.



Sir David Clementi
Chairman



Tony Hall
Lord Hall of Birkenhead CBE
Director-General and Editor-in-Chief



Anne Bulford OBE
Deputy Director-General



Simon Burke
Non-executive director
Chair, Audit and Risk Committee



Tim Davie
Chief Executive Officer,
BBC Worldwide



Tanni Grey-Thompson,
Baroness Grey-Thompson DBE
Non-executive director



Ian Hargreaves CBE
Non-executive director
Chair, Editorial Guidelines and
Standards Committee



Tom Ilube
Non-executive director
Chair, Fair Trading Committee

The Chairman and the four nations' non-executive directors are appointed by HM The Queen on the recommendation of Ministers and the remainder of the Board are appointed by the BBC through the Board's Nominations Committee. The Board members for Wales and Northern Ireland are yet to be appointed.

Full biographies of all Board members, including their other roles, can be found on the BBC's website.

This is the membership of the Board as at June 2017. Throughout the reporting year membership has changed. Please refer to pages 67 and 71 for further details.

The Board delegates some of its responsibilities to sub-committees and information on the committees can be found at: bbc.co.uk/aboutthebbc/insidethebbc/

Executive Committee

The Director-General chairs an Executive Committee, which is responsible for the day-to-day running of the BBC. Nine directors, who manage large operational areas of the Corporation, also sit on this Committee. They are:

- Tony Hall, Director-General
- Anne Bulford, Deputy Director-General
- Tim Davie, CEO BBC Worldwide
- James Harding, Director, News and Current Affairs
- Valerie Hughes D'Aeth, Group HR Director
- Mark Linsey, Director, BBC Studios
- Ken MacQuarrie, Director, Nations and Regions
- Charlotte Moore, Director of Content
- Matthew Postgate, Chief Technology and Product Officer
- James Purnell, Director of Radio and Education

The Executive Committee is responsible for delivering the BBC's services in accordance with the strategy agreed by the Board, and for all aspects of operational management.

Find out more: bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement



Ken MacQuarrie
Director, Nations and Regions



Steve Morrison
Non-executive director
Member for Scotland
Chair, Remuneration Committee



Sir Nicholas Serota CH
Non-executive director



Ashley Steel
Non-executive director
Member for England

Governance report

We comply with corporate governance best practice

BBC Corporate Governance Framework

The BBC's corporate governance framework is defined in its Royal Charter and the accompanying Framework Agreement. You can find the Charter and Agreement on the BBC's website at: bbc.co.uk/corporate2/insidethebbc/whoware/bbc_royal_charter

The Charter requires the BBC to have regard to generally accepted principles of good corporate governance. Although the BBC is not a listed company, it has opted to adopt best practice and follow the provisions of the Financial Conduct Authority's Listing Rules and the Financial Reporting Council's 2014 UK Corporate Governance Code, where appropriate, in order to deliver the same governance standards as companies quoted on an EU regulated stock market.

The BBC has complied with the corporate governance requirements of the Charter and Agreement and has also substantially complied with the UK Corporate Governance Code. There are a number of components of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where compliance with the BBC's Charter or Agreement overrides compliance with the UK Corporate Governance Code, and these are set out below.

The main areas where the BBC's Charter overrode the UK Corporate Governance Code during 2016/17 were related to the governance structure and the operation of the BBC's former governing bodies. During this period the BBC had a two-tier governance structure, consisting of the BBC Trust and the Executive Board. On 3 April 2017, following the granting of a new Charter, this arrangement was replaced by a single Board. The BBC complied with the requirements of its Charter, and therefore was not able to meet the following principles of the Corporate Governance Code:

- division of responsibilities between Chairman and Chief Executive (UK Corporate Governance Code principle A.2.1 and A.3.1)
- evaluation of the Chairman (UK Corporate Governance Code principle B6.3)
- make-up of Board (UK Corporate Governance Code principle B.1.2)

Due to the impending change in the governance arrangements, the BBC also did not comply with the following principle:

- external evaluation of the Board (UK Corporate Governance Code principle B.6.2)

In addition, there are two areas where the UK Corporate Governance Code is not relevant to the BBC, these are:

Make-up of remuneration (UK Corporate Governance Code principle D.1.1): The BBC sets levels for executive remuneration that should be sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, in line with this principle. However, this principle also requires aligning executive remuneration to the notion of enhancing shareholder value by making performance-related elements of remuneration a significant proportion of total remuneration. By virtue of the BBC's licence fee funding and its status as a public corporation, the BBC has determined that the amount of variable (or performance-related) remuneration that may be earned by staff within the public service should be limited. There is no variable pay for any BBC Public Service executive director and bonuses have been stopped. Tim Davie receives an element of performance-related pay in his role as Chief Executive Officer of BBC Worldwide, the BBC's wholly-owned commercial subsidiary.

Interaction with shareholders (UK Corporate Governance Code principles B.7.1, B.7.2, D.2.4 and section E): The BBC is not a profit-oriented company with shareholders and so provisions relating to interaction with shareholders do not apply.

Cost of compliance

In 2016/17, the BBC incurred costs estimated at £15.6 million (2015/16: £14.2 million) to ensure that we complied with all relevant legislation. This includes the BBC's annual £1.4 million regulatory fee to Ofcom.

Remuneration report

Summary

This is the last remuneration report made under the framework of the previous Charter and Agreement. During this period, there has been significant focus on senior pay at the BBC allied to an increased rigour and consistency in the management of the whole workforce.

Since 2011, senior manager headcount has been reduced by a total of 172 heads saving a total of £15.2 million, achieving 169% of the target. In the last year, the senior manager headcount has reduced by 47 heads, at a cost saving of £4.4 million.

Achieving these reductions was vital to help drive as much money as possible to content and creativity, and give the best possible value for money for the licence fee payer. Now it is vital that the BBC can look forward and in a climate of intense competition for the best people, provide an offer to staff that is attractive, while being right for the distinctive environment of public service broadcasting.

Given the changes taking place to the BBC's governance, it was agreed with the Trust that last year was not the time to put in place a formal new reward strategy. However, preparatory work has been undertaken which will enable the new BBC Board to develop a clear strategy for the coming period. This has included work on the themes of One BBC, recruitment and retention, performance management and organisational culture.

The BBC operates within a fast-changing market with intense competition for talent, with dramatic growth among some new media companies offering highly attractive packages. The BBC's new structure, including BBC Studios, and a new strategy following Charter review, will ensure the organisation is able to appeal to all those who are excited about the opportunities of working in public service broadcasting.

Introduction

This report sets out the BBC's remuneration policy and details the annual remuneration received by the staff members of the Executive Board (the executive directors) for the 2016/17 financial year. It has been prepared on the basis that the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 and Listing Rules apply to the BBC wherever these disclosure provisions are relevant. The sections on pensions and remuneration received by the Executive Board members have been audited by Ernst & Young LLP, the BBC's statutory auditors.

The 2016/17 remuneration reporting was produced by the Executive Board's Remuneration Committee that existed under the BBC's governance arrangements for the previous Charter. The BBC Board has now established a new Remuneration Committee, which will approve such reporting in the future.

During the financial year, the BBC, with the agreement of the BBC Trust, continued to operate under the principles set out in the 2011 Executive and Senior Management Pay Strategy. That previous strategy continues to deliver value to the organisation and we have significantly over-achieved against key headcount and payroll targets. Senior manager headcount is now at 312 against a target of 414. The payroll has now been reduced by £15.2 million, which is 169% of target.

During the year, work has continued on the reorganisation and simplification of the BBC, as we work toward the definition of a new senior leadership group that will account for less than 1% of the total workforce. This new structure will be defined and confirmed in the next financial year. Our current ratio of senior managers to total population is 1.6% at year end, down from 1.7% at 31 March 2016.

There have been no substantive changes in our approach to management of senior pay in the year, and it is worth stressing that we continue to operate a significant discount of our senior salaries to the market, despite the fact that we are operating in increasingly competitive commercial markets for the best and brightest talent.

As part of the reorganisation of the Corporation, there were a number of changes to the Executive Board in the last year, both in terms of structure and membership. Mark Linsey joined the Board in April 2016 as Director, BBC Studios. Then, in July 2016, Anne Bulford changed role, being appointed Deputy Director-General, and Charlotte Moore was appointed to the Board as Director of Content. In August, Sir Nicholas Serota joined the Board as non-executive director and, in October 2016, it was announced that a new division, Radio and Education, was to be created. As a result of James Purnell being appointed to the role of Director, Radio and Education on 31 October, he remained on the Board and Helen Boaden stood down from the Board, having resigned her role as Director, Radio.

The remuneration policy for executive directors

Remuneration Committees: constitution and operation

The BBC Trust, up to 31 March 2017, has been responsible for setting the remuneration strategy for the Executive Board and for all aspects of the remuneration of the Director-General and the non-executive directors.

The Executive Board's Remuneration Committee ('ERC') was responsible for implementing the agreed strategy for all executive members of the Executive Board, with the exception of the Director-General. Its members were non-executive directors: Dame Fiona Reynolds (Chairman), Alice Perkins and Dharmash Mistry.

Complying with the UK Corporate Governance Code 2012, the Committee has taken specialist advice from external professional advisers on some matters, particularly those relating to market practice. During the year, independent advice was received from Willis Towers Watson on matters related to market comparability of executive remuneration.

The Committee established the Senior Manager Remuneration Committee ('SMRC') in September 2012, giving it responsibility for aligning the operational needs of the BBC within the strategic framework set by the Trust and implemented by the Committee.

Executive Board membership and structure

As at 31 March 2017, within the Executive Board, there were six executive directors employed in the public service; the CEO BBC Worldwide, employed by BBC Worldwide; and six non-executive directors. Details of the Executive Board membership and full remuneration are provided on page 71.

Executive director pay components

The BBC is committed to setting appropriate levels of pay for executive directors that attract, motivate and retain the best people to lead the BBC and provide value for the licence fee payer. The BBC's executive pay strategy is to be fair, transparent and broadly consistent with the approach to pay for all employees at the BBC. Progress continues to be made towards these goals, including the phased diminution of historic differences in approaches to pay and benefits between senior and other staff.

GOVERNANCE

The BBC receives regular feedback regarding senior pay from employees during annual pay negotiations through the trade unions and via the annual staff engagement survey. This feedback is considered when setting the pay strategy for the executive directors. When reviewing the pay for the executive directors, the Committee considers each component of the total remuneration package broken down as follows:

Component	Purpose and link to strategy	Operation	Maximum opportunity
Base pay	<p>Base pay is aligned to the market median for total direct remuneration (salary, annual bonus and annualised long-term incentive).</p> <p>A discount of 50-80% against total direct remuneration in the commercial sector is applied to executive director roles.</p>	<p>Three factors are used to determine the level of base pay set for an executive director:</p> <ul style="list-style-type: none"> – would the rate be consistent with the discounted market rate for the job? – does the personal performance of the Executive justify the level of base pay? – is the level affordable to the BBC and not deemed excessive? 	<p>There is no prescribed maximum salary or maximum increase.</p>
Variable pay	<p>Executive directors employed in the BBC's commercial businesses are contractually entitled to a performance-related annual bonus funded by the commercial business and not the licence fee. It is reward for the achievement of short-term strategic goals and profit growth.</p>	<p>Executive directors in Public Service are no longer entitled to receive a performance bonus.</p> <p>Payment of contractual bonus in the BBC's commercial businesses is subject to the achievement of an overall headline profit and cash target for the business.</p>	<p>No executive director in the public service has received a bonus since 2008.</p> <p>The maximum bonus payable to an executive director employed in a BBC commercial business is 70% of salary where target bonus is 50% of salary.</p>
Benefits	<p>Pensions are offered in accordance with the all employee pension arrangements.</p> <p>In addition to pensions, the other main contractual benefit is life assurance.</p>	<p>Directors can elect to join the defined contribution scheme LifePlan.</p> <p>The BBC's defined benefit scheme is closed for new joiners.</p>	<p>Current policy provides a defined contribution scheme with no salary cap and a maximum employer contribution of 10% of salary.</p> <p>Existing members of a defined benefit pension scheme are capped at the maximum salary for their pension scheme or are subject to a cap in pensionable salary growth.</p> <p>Executive directors are provided with death in service life assurance cover of two times their basic salary. Where they are members of either the BBC Pension Scheme or LifePlan (the BBC's defined contribution plan), they are provided with death-in-service life assurance cover of four times their basic salary.</p>
	<p>In April 2012, the BBC removed the car allowance benefit for all new executive directors to ensure that future policy aligns with arrangements for all BBC employees.</p>	<p>Executive directors who were already in receipt of a car allowance have retained it.</p> <p>Helen Boaden was the only executive director who received a car allowance payment in 2016/17, the car allowance was frozen on promotion to the Executive Board</p> <p>The Director-General is entitled to a car and driver under earlier arrangements but has no entitlement to a personal car allowance or fuel allowance.</p> <p>During 2016/17 all other executive directors have had shared access to a car and driver.</p>	<p>The maximum car allowance benefit received by any executive director is £12,900 p.a. This is a historical benefit for Public Service directors.</p>
	<p>In April 2011, the BBC removed private health care benefit for all new executive directors to ensure that future policy aligns with arrangements for all BBC employees.</p>	<p>Executive directors who were already entitled to funded private medical insurance have retained it.</p> <p>Executive directors who elected to take up funded private medical insurance in 2016/17 were: Helen Boaden, Charlotte Moore, Mark Linsey and Tim Davie.</p>	<p>The maximum level of cover offered is family cover. This is a historical benefit.</p>

Component	Purpose and link to strategy	Operation	Maximum opportunity
Employment contracts and severance	Employment contracts of executive directors have a maximum notice period of six months, but are subject to earlier termination for cause.	There is no contractual entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.	In the event of redundancy, all executive directors are entitled to payments equal to one month per year served up to maximum payment of £150,000.
Other remuneration	There is no entitlement to any other remuneration, so no such payments in year.	However, if other payments were to be proposed they would be by exception and consideration would be given to the reputational risks to the BBC, and the level of payment would be agreed by the Executive Remuneration Committee on a case-by-case basis.	There is no prescribed maximum.

Pension

Executive directors who joined the BBC before 1 December 2010 are eligible to participate in the BBC Pension Scheme ('the Scheme'), which provides for pension benefits on a defined benefit basis. Executive directors who joined the BBC on or after 1 December 2010 are eligible to join LifePlan, which is the BBC's defined contribution arrangement. The BBC pays matching contributions to LifePlan for employee contributions between 4% and 5%. Employee contributions between 6% and 7% are matched plus an additional 1%. Employee contributions of 8% or more receive the maximum employer contribution of 10%. There is no maximum pensionable salary for contributions to LifePlan.

Executive directors who decide not to join LifePlan or are not already an existing member of the Scheme are, subject to meeting the relevant criteria, automatically enrolled into the National Employment Savings Trust ('NEST'). The BBC and employees currently pay 1% of qualifying earnings to NEST. Individuals can choose to opt out of this.

Scheme	'Old' benefits defined benefit	'New' benefits defined benefit	CAB 2006 defined benefit	CAB 2011 defined benefit	LifePlan defined contribution	National Employment Savings Trust ('NEST') defined contribution (auto enrolment arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60ths accrual	60ths accrual	1.67% accrual adjusted in line with inflation	1.67% accrual adjusted in line with CPI	BBC will contribute a maximum of 10% of salary if employee contributes 8% with lower sliding scale	BBC will contribute 1% of qualifying earnings
Salary	Final pensionable	Final pensionable	Career average revalued earnings	Career average revalued earning		
Normal pensionable age	60	60	65	65	N/A	N/A
Earnings cap	DOJ before 1 June 1989 uncapped, capped otherwise £150,600	Capped at £150,600	Capped at £150,600	Capped at £144,000	Uncapped	Minimum earnings £5,824 p.a. Maximum earnings £43,000 p.a.
Pensionable salary growth before the earnings cap is applied	Limited at 1% p.a.	Limited at 1% p.a.	Limited at 1% p.a.	No restriction	N/A	N/A
Employee contribution (% of pensionable salary)	7.5%	7.5%	4%	6%	Minimum employee contribution is 4%	1% of qualifying earnings

Executive directors' pension arrangements may be reviewed and amended in response to changes in legislation or similar developments.

Details of the BBC Pension Scheme are available at: bbc.co.uk/my pension/

How does the executive pay policy in the Public Service differ from that for all other BBC employees?

Bonuses have not been paid to executive directors in the Public Service since 2008, and the BBC is moving away from the previous two-tier benefit structure by phasing out private medical insurance and car allowances. No new executive director has received these benefits since August 2011. These changes have simplified and equalised pay arrangements across our employee population. A full range of benefits can be purchased by all staff at all levels of the organisation under our flexible benefits arrangements.

Executive directors and senior managers are not entitled to the annual pay review agreed with the National Joint Council of Trade Unions and are not automatically entitled to any form of annual increment or progression payment. Senior management pay was reviewed in August 2016 and awarded on a case-by-case basis, capped at £1,000.

Nominations Committee

Board appointments

Under the 2006 Charter governance arrangements, a Nominations Committee was required to oversee the process of proposing members of the Board. Appointments were made by the Executive Board, with non-executive appointments requiring the approval of the BBC Trust. Membership of the Nominations Committee was dependent on whether it was dealing with executive or non-executive appointments.

Charlotte Moore, Director of Content, was appointed to the former Executive Board, effective 13 July 2016. Mark Linsey became Director, Studios on 26 April 2016 and became a member of the former Executive Board on the same date. Following approval from the BBC Trust, the Nominations Committee also appointed Nicholas Serota as a new non-executive director of the Executive Board from 1 August 2016.

Under the 2016 Charter, the Nominations Committee of the Board is responsible for executive appointments and non-executive appointments to the Board, with the exception of the Chairman and the nations' members. The current Board was appointed under the transitional arrangements for appointments set out in the Charter.

Executive Board and Committee attendance

	Executive Board	Audit Committee		Fair Trading Committee		Nominations Committee	Remuneration Committee	
	Ordinary	Member	Attendee	Member	Attendee	Member	Member	Attendee
Number of meetings for the period	12	6		4		4	8	
Executives								
Tony Hall	12		6			4		8
Helen Boaden	6/7							
Anne Bulford	12		6		4	4		7/7*
Tim Davie	10							
James Harding	12							
Mark Linsey	11							
Charlotte Moore	8/9							
James Purnell	10							
Non-executives								
Simon Burke	11	6						
Dame Fiona Reynolds	12	6		4		4	8	
Howard Stringer	9			4		4		
Alice Perkins	11			4			7	
Nicholas Serota	7/8							
Dharmash Mistry	11	6					8	

* Anne Bulford was not invited to one Remuneration Committee meeting as it related to her own position

This table does not include business conducted offline and update meetings where no formal business was considered

Board remuneration

Annual remuneration of the BBC Executive Board

The table below provides full details of the remuneration received by all Executive Board members and the total remuneration for Trustees for 2016/17, compared to previous year.

Executive directors and Trustee remuneration

Details of remuneration received (values in £000s)

	Date appointed to Board		Base pay	Benefits	Pension-related single figure	Performance-related	Total
Executive directors							
Tony Hall	02/04/2013	2016/17	£450	£17	£0	£0	£467
		2015/16	£450	£15	£0	£0	£465
Anne Bulford	21/06/2013	2016/17	£424	£0	£0	£0	£424
		2015/16	£395	£0	£0	£0	£395
Tim Davie	01/11/2012	2016/17	£400	£2	£40	£223	£665
		2015/16	£400	£2	£38	£224	£664
James Harding	12/08/2013	2016/17	£340	£0	£34	£0	£374
		2015/16	£340	£0	£34	£0	£374
Mark Linsey	26/04/2016	2016/17	£316	£2	£41	£0	£359
		2015/16	n/a	£0	£0	£0	£0
Charlotte Moore	06/07/2016	2016/17	£233	£2	£31	£0	£266
		2015/16	n/a	£0	£0	£0	£0
James Purnell	19/03/2013	2016/17	£295	£0	£30	£0	£325
		2015/16	£295	£0	£30	£0	£325
Total executive directors		2016/17	£2,458	£23	£176	£223	£2,880
		2015/16	£1,880	£17	£102	£224	£2,223
Former executive directors serving on the Board							
Helen Boaden	15/04/2013	2016/17	£198	£9	£0	£0	£207
		2015/16	£340	£15	£40	£0	£395
Total former executive directors		2016/17	£198	£9	£0	£0	£207
		2015/16*	£658	£25	£77	£0	£760
Total Executive Board		2016/17	£2,656	£32	£176	£223	£3,087
		2015/16	£2,538	£42	£179	£224	£2,983
Non-executive directors (2016/7)							
Simon Burke	01/01/2011		£37	£0	£0	£0	£37
Dharmash Mistry	01/09/2014		£33	£0	£0	£0	£33
Alice Perkins	01/04/2014		£33	£0	£0	£0	£33
Dame Fiona Reynolds	01/01/2012		£47	£0	£0	£0	£47
Nicholas Serota	01/08/2016		£22	£0	£0	£0	£22
Sir Howard Stringer	01/01/2014		£33	£0	£0	£0	£33
Total non-executive directors			£205	£0	£0	£0	£205

* Totals for former executive directors 2015/16 include in-year leavers not present in this report

Employee pension contributions are ordinarily made via salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like for like comparison with prior years before salary sacrifice was introduced

Taxable benefits: car allowance, private medical insurance and other taxable expenses

The pension related single figure is generally calculated at 20 times the increase in the accrued pension over the year net of inflation, less the directors' defined benefit contributions, plus the employer's defined contributions. This is also shown in detail in the defined benefits pension prospective entitlements table on page 72

Tim Davie's role as the CEO of BBC Worldwide is funded entirely by the BBC's commercial operations and is not paid for or subsidised by the license fee. Tim Davie is contractually entitled to a bonus, it is funded entirely by the BBC's commercial operations. Payment of the bonus is subject to the achievement of an overall headline profit and cash for that business. The performance-related remuneration for Tim Davie related to amounts earned in the year ending 31 March 2017

Charlotte Moore and Mark Linsey were appointed to the Executive Board during 2016/17, as a result of this their earnings are pro-rated for the year in which they were a Board member and earnings for 2015/16 are not included in the Board remuneration table

GOVERNANCE

Total remuneration	2016/17	2015/16
Executive directors	£3,087	£2,983
Non-executive directors	£205	£208
Total Executive Board	£3,292	£3,191
Total Trustees	£535	£534
Total annual remuneration	£3,827	£3,725

Chairman-designate

Sir David Clementi was appointed as Chairman-designate of the BBC on 16 February 2017, to undertake the transition to the new governance arrangements set out in the BBC's Charter. The fees for the Chairman and the new Board members are set by the Secretary of State for Culture, Media and Sport; the Chairman's fees are £100,000 p.a. During 2016/17 Sir David Clementi was paid £12,202. The new governance arrangements came into effect from April 2017 and as such his earnings will be reflected in subsequent years' directors' emoluments tables.

Defined benefit pension prospective entitlements

	Age at 31 March 2017	Section	Accrued pension 31 March 2017 (or retirement/ leaving the Board if earlier)	Accrued pensions 31 March 2016 (or joining the Board if after)	Director DB (via salary sacrifice) 2016/17	Pension-related single figure
Mark Linsey	56	CAB 2006	£24	£22	£5	£41
Charlotte Moore	48	New benefits	£25	£24	£8	£31
Tim Davie	49	CAB 2011	£12	£10	£9	£40

1 Mark Linsey joined the BBC on 1 May 2007. The pension figures shown include the period before he was appointed a director

2 Charlotte Moore joined the BBC on 1 May 2006. The pension shown includes figures before she was a director

3 Tim Davie is an active member of the CAB 2011 section from January 2012 and retains a deferred benefit in the new benefits section for service up to that date. The accrued pension shown relates to CAB 2011 only

Comparative pay across the BBC: how does executive director pay compare to that of other BBC employees?

In 2011 the BBC voluntarily agreed to report the top-to-median earnings multiple as proposed in the Hutton report 'Fair Pay in the Public Sector'. Since 2011, the BBC has published these figures on an annual basis.

The table below provides a summary of the Director-General to BBC staff median earnings and executive directors' to median earnings figures since 2011. The Director-General multiple has decreased slightly to 10.2 (subject to audit).

	2017	2016	2015	2014	2013	2012	2011
DG earnings	10.2	10.4	10.7	10.9	11.0	16.5	16.8
Executive directors' median earnings	7.7	8.2	8.2	8.2	8.1	8.7	8.9

Earnings calculation includes: basic pay, bonus, continuing allowances, overtime and other non-continuing allowances. Median earnings figures are calculated using Director-General and all Executive Board annual salaries

These figures exclude the CEO, BBC Worldwide, whose role is funded entirely by the BBC's commercial operations

The table below provides a summary of the changes to the Director-General's cash earnings for 2016/17 versus the change in pan-BBC median earnings over the same period. This demonstrates a positive increase in median earnings across the BBC while there has been no change in the earnings of the Director-General.

	2016/17	Change from 2015/16
Director-General earnings	450	0%
Pan-BBC median earnings	44	2%

* As the data is representative of Public Service Broadcasting, Tim Davie, CEO, BBC Worldwide, has been excluded

Severance

No severance was paid to executive directors during the year ended 31 March 2017.

Outside interests

With the prior agreement of the Director-General, executive members of the Executive Board may hold remunerated external directorships. The prime purpose of the external directorship should be to support personal and career development and thereby give back to the BBC. Remuneration which arises from external directorships may be retained by the individual. Executive directors may also hold non-remunerated posts outside the BBC. No more than one to two days per month are permitted to fulfil all external duties.

During the year, one executive director held another remunerated external directorship, where fees were waived. The Executive Board's register of interests is available online: bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/biographies/.

The BBC's commercial businesses

During 2016/17, the BBC had staff employed within three commercial subsidiaries:

- BBC Worldwide
- BBC Studioworks
- BBC Global News Ltd

The remuneration policy for the subsidiaries includes the contractual provision of an annual bonus available to eligible staff, including directors, and it varies between commercial entities. The full cost of base pay and annual bonus are self-funded by the commercial revenues of each subsidiary company and are not subsidised by the licence fee.

Audit Committee report

In the final year of the previous BBC Charter and Agreement, the Executive Audit Committee continued to provide oversight to the BBC's systems of financial reporting, internal control and risk management.

At the same time, it sought, as far as possible, to support the BBC's transition to new governance arrangements, whilst also considering the ways in which the BBC's most prominent risks were changing and developing, given the emergence of new technologies.

The Committee continued to benefit from an established and experienced group of non-executives, supported by an effective secretariat. This ensured that agendas, papers and discussion were of a high quality and focused on the matters most relevant to the needs of the BBC and the purposes of the Committee.

The Committee met six times in the year, with the relevant members of BBC senior management in attendance. It met privately each time with the external auditors and reviewed their effectiveness.

During the year, the Committee: reviewed the findings and actions arising from internal and external audit activity; oversaw the management and status of key BBC risks; and reviewed and approved the Annual

Report and Accounts. Summaries of the Committee's activities were provided to the main Executive Board and matters were escalated for resolution where appropriate.

In addition, the Committee formally reviewed and challenged management on some specific areas of risk or significance, including:

- the risks and opportunities for the BBC in the changing technology landscape, including mitigations around data protection and cyber security
- the development and implementation of the BBC's tax management strategy
- the progress and benefits of major projects and change activity
- BBC Worldwide's trading and operational risks

The Committee also reviewed the arrangements to transition the BBC's external audit from EY to the National Audit Office for the upcoming financial year, as well as providing input and oversight to a number of key financial transactions relating to the BBC's property portfolio.

During all of its activities the Committee continued to pay attention to audience priorities and value for money.

No issues were reported as part of the Committee's annual performance review and the Committee demonstrated a clear and developed understanding of the key risks and challenges facing the BBC. Overall, this report will show that the Committee discharged its responsibilities effectively during the year.

Now, as we move into the new Charter period and the BBC's new governance arrangements, I look forward to chairing the Audit and Risk Committee and working with the new members, Ashley Steel and Tom Ilube, to continue to support, interrogate and challenge the BBC as it addresses the key risks and challenges of the coming years.

Simon Burke
22 June 2017

Executive Audit Committee report

The audit report for 2016/17 was prepared by the Executive Audit Committee that existed under the BBC's previous governance arrangements. The report has been discussed by the new Audit and Risk Committee and approved on behalf of the BBC by the new BBC Board.

Role

The main purpose of the Executive Audit Committee ('EAC'), as established under the 2006 Charter and Agreement, was to review and maintain oversight of the BBC's corporate governance, particularly with respect to financial reporting, internal control and risk management. In order to gain this assurance, the EAC had responsibility for:

- monitoring and reviewing the integrity of the financial statements of the BBC and the significant reporting judgments contained within them
- reviewing the effectiveness of the BBC's system of internal control
- reviewing the process for the identification, management and reporting of key BBC strategic and operational risks
- reviewing the assurance processes in place to test and monitor the operation of controls designed to manage key risks
- monitoring and reviewing the effectiveness and resourcing of the internal audit function
- reviewing the performance of the external auditor, including auditor independence and objectivity, scope of work, the provision of non-audit services and fees
- reviewing the BBC's systems for the detection and prevention of fraud, bribery and money laundering

– reviewing arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting, illegality or other matters

The EAC's Standing Orders set out in more detail the Committee's responsibilities. These were reviewed regularly and were last updated in September 2016.

Membership

The EAC comprised three non-executive directors, of whom at least one was required to have recent and relevant financial experience. The members who served during 2016/17 were:

- Simon Burke (Chair)
- Dame Fiona Reynolds
- Dharmash Mistry

Simon Burke, the Chairman, has significant, recent and relevant financial experience. In addition, all of the members of the Committee were individuals who hold or have held senior positions in similar sized organisations and have the experience and skills to properly fulfil their responsibilities. When appropriate, the skills and experiences of members were augmented with advice from internal and external professionals – for example on matters such as developments in financial reporting.

Committee meetings were also attended by the Director-General, the Deputy Director-General, the BBC's General Legal Counsel, the Director of Quality, Risk and Assurance and senior representatives from internal audit, risk management, finance and the external auditors.

The Committee also met privately, without any member of management present, with both internal audit and the external auditors on a regular basis.

Meetings

The Committee met six times during 2016/17, at key times in the reporting and audit calendar.

Minutes from the meetings were made available to the Executive Board and to the BBC Trust. Additionally, the Chairman of the Committee reported back to the Board after each meeting on any issues where action or improvement was required.

Committee time was spent on the following areas.

Integrity of financial reporting

The Committee reviewed the integrity of the financial statements of the BBC. In doing so, it:

- identified through discussion with both management and the external auditor the key risks of misstatement within the BBC's financial statements, including those areas where significant financial judgements were required and which have influenced the financial statements
- discussed these risks with the auditor whilst reviewing and agreeing the external auditors' audit plan
- reviewed and challenged detailed papers received from management on those areas requiring significant financial judgement, taking account of the views of the auditor

Set out below are the key areas of judgement and how the Executive Audit Committee and, where necessary in reviewing the full financial statements, the new Audit and Risk Committee addressed them.

Area of judgement	The Committee's response
<p>Pension scheme – assumptions impacting the accounting pension deficit</p> <p>The financial statements include a significant deficit on the balance sheet of £1,141 million for the BBC's defined benefit pension scheme.</p> <p>Judgements are required regarding the underlying assumptions used by the actuaries in calculating the pension deficit. Changes in these assumptions can result in large swings in the final numbers disclosed.</p>	<p>The Committee took advice from independent actuaries on the appropriateness of the assumptions used, including how these compare with those used by other organisations. Scrutiny focused in particular on the assumptions used regarding discount rates, inflation rates and mortality/life expectancy and how changes in these assumptions would affect the financial statements, including any movements in these from prior years.</p> <p>The Committee was satisfied that the assumptions used in the financial statements were reasonable, appropriate to the BBC and supported by independent actuarial specialists.</p>

Area of judgement	The Committee's response
<p>Property – accounting treatment of BBC buildings and New Broadcasting House refinancing</p> <p>The BBC holds a significant property portfolio, which continues to be rationalised in order to reduce costs. The estate includes properties held under freehold and those held under finance and operating leases. Buildings which have been sub-let or available for sub-let may be classified as investment properties. Judgements relate to the future intentions for any vacant buildings and the related timescales. This can change the appropriate accounting treatment and affect the carrying value on the balance sheet. During the year, the assumptions used in the calculation of finance lease assets and liabilities were updated to meet IFRS.</p> <p>During the year a refinancing took place of the underlying New Broadcasting House (NBH) lease structure, including securing re-acquisition of the underlying freehold by the BBC. Through the transaction, the BBC eliminated inflation volatility and achieved a cash flow benefit through to 2033. The transaction required a series of new accounting entries (including accounting for the derivative assets and liabilities arising from the transactions). The transaction was implemented in a manner that limited any increase in the BBC's credit exposure to the derivative counter-parties involved.</p>	<p>The Committee reviewed detailed reports from management, which explained the treatment for the most significant buildings, including the projected timescales for future activity and rationale for treatment.</p> <p>It also considered the auditors' views on the accounting treatment for these buildings.</p> <p>In relation to the NBH refinancing transaction, the Committee requested a specific briefing on the arrangements and were provided with detailed paperwork on the structure, rationale and accounting treatment for the deal. The detailed treatment of the transaction continued to be monitored throughout the year with the Chair of the Audit Committee acting as a member of the Sub Committee that had delegated authority to review the terms of the transaction and approve it. The BBC Trust also considered and approved the transaction.</p> <p>The Committee was satisfied that the treatment of these properties within the financial statements was consistent with management intention and in line with accepted accounting standards.</p>
<p>Projects – capitalisation/impairment of capital projects</p> <p>The BBC undertakes multiple capital projects at any one time. If a material capital project cannot be completed on time, or will not derive future benefit to the BBC, this could trigger an impairment charge.</p> <p>Decisions on whether it is appropriate to capitalise project costs need to be taken in line with current accounting standards.</p>	<p>Reports from management were reviewed, which explained the status of major capital projects and the approach taken to assess whether or not any impairment charge was required.</p> <p>The Committee was satisfied that the assessments of impairment undertaken by management were appropriate and in line with accepted accounting standards.</p>
<p>Revenue recognition</p> <p>There is an inherent financial risk around revenue recognition relating to timing of recognition of income. The nature of the risk varies between the licence fee income in the public services and the commercial income, however in both cases the underlying risk is around year end cut-off.</p>	<p>The Committee considers that the BBC's existing financial control systems should ensure that income is properly treated in the financial statements. There is confidence that management understand the risks in this area and has suitable controls in place.</p>
<p>Provisions</p> <p>The financial statements include provisions of £37.8 million as part of the BBC's programme of restructuring. Judgements in this area are largely related to the timing of recognition of these provisions, the amount to be recognised and the amount which has been utilised in previous years.</p> <p>Other less significant provisions totalling £33.3 million require judgements regarding the assumptions used in quantifying the BBC's exposure to claims from various parties, and the likelihood of success of those claims.</p>	<p>The Committee reviewed and discussed the level of provisions with management. This included consideration of new provisions and any release and utilisation of existing provisions. Management confirmed that they have applied a consistent approach to the recognition and release of provisions across the BBC group. The Committee concluded it was satisfied with the level of provisions carried and the disclosure in respect of those provisions.</p>
<p>Service licences – cost cut-off and allocation between service licences</p> <p>Service licences were used by the BBC Trust to regulate the licence fee funded services. They included an agreed and authorised budget with a 10% tolerance threshold. Service budgets included costs taken from a number of different divisions and consequently judgements were required in the allocation of direct costs and overheads across the various services.</p>	<p>The Committee reviewed the outturn against the service licence budgets. Management confirmed to us that the basis of cost allocation was the same as in previous years.</p> <p>The Committee concluded that it was satisfied that the costs were appropriately classified during the year and in a way which was consistent with the prior year.</p>

Management confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported any misstatements that they had found in the course of their work and that no material amounts remain unadjusted. The auditors reported any misstatements that they had found in the course of

their work and we consider amounts which remain unadjusted immaterial.

After year end, having reviewed the presentations and reports from management and consulted where necessary with the external auditors, the newly established Audit and Risk Committee was satisfied that the financial statements appropriately address the critical judgements and key estimates

(both in respect to the amounts reported and the disclosures). The Committee was also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Audit and Risk Committee reviewed the group financial statements and how these are positioned within the wider Annual Report.

To assist this review, reports from management and from the internal and external auditors were considered, which covered:

- the quality and acceptability of accounting policies, including their compliance with accounting standards
- compliance with legal and regulatory requirements
- the clarity of disclosures and their compliance with relevant reporting requirements
- whether the Annual Report as a whole was fair, balanced and understandable and provides the information necessary to assess the BBC's performance and strategy

Effectiveness of internal controls and risk management framework

Internal controls assurance

The Executive Audit Committee reviewed the effectiveness of the system of internal controls during 2016/17, taking account of the findings from internal and external audit reports and other assurance activity, considering a number of specific areas during the year:

- the trends and themes from internal audit activity, questioning representatives of internal audit on the outcomes of their work. A summary of every internal audit, including key findings and assurance rating was reviewed by the Committee
- actions arising from independent assurance activity, including internal and external audit, National Audit Office and BBC Trust reviews, were monitored by the Committee for completion. This was an area followed up at every meeting to ensure that agreed actions in respect of any weaknesses found were being properly addressed
- for areas which were considered high profile or have received critical assurance findings, the Committee ensured there was suitable follow-up and scrutiny over the completion of any improvement plans or agreed actions
- the Committee reviewed the assurance plans and findings for major project and change activity in the BBC, including assurance provided by the BBC Project Management Office, internal audit and external specialists
- The Committee approved the BBC's Modern Slavery statement and reviewed the approach for ensuring compliance
- fraud and theft reports, including arrangements in place to prevent, minimise and detect fraud and bribery, were also reviewed. The Committee noted that there had been no significant frauds detected in the past year

- the findings and progress of actions from the audits of BBC commercial subsidiaries were also considered. The Chief Financial Officer of BBC Worldwide attended to provide an update on the BBC Worldwide control environment and management of risk

Risk management

The Committee considered the processes for managing significant risks within the BBC. This work was influenced by the assessment of the BBC's principal risks (as set out on page 78). Changes to the risk profile were reviewed regularly and the effectiveness of the risk management process assessed.

Effectiveness of internal audit

The work of internal audit in 2016/17 was overseen by the Committee. This was a regular item at each meeting, which the Head of Internal Audit also attends. During the year the Committee:

- approved the plan of work for the coming year, ensuring that it was risk-based and struck a balance between providing assurance over core business processes and areas of emerging strategic risk
- considered the findings from audit activity, focusing on audits with unsatisfactory outcomes and management's plans to address these
- considered the resource requirements for internal audit and its capability

During the 2015/16 year, the Committee reviewed and approved a plan to restructure the internal audit function from a largely in-house resourced team to one primarily resourced from an approved external provider. This transition was monitored by the Committee through 2016/17 to ensure satisfactory progress.

The Committee Chairman also met with the Director of Quality, Risk and Assurance before each Audit Committee meeting, without management present, to provide the opportunity for open discussions.

Independence and effectiveness of the external auditors

The EAC had a duty to periodically consider the reappointment of the external auditor and the rotation of the Group Audit Partner in order to ensure that the external audit remained effective and independent.

In 2014, the BBC appointed Ernst & Young LLP ('EY') as the BBC's external auditors after a formal tender process. Their appointment ceased at the end of 2016/17, with the appointment of the National Audit Office to the position of the BBC's statutory auditors, as mandated under the new Royal Charter.

Relationship with external auditors

The Committee oversaw the relationship with EY, including the scope and approach to their work, their fees, their performance and independence (including the approval and compliance with policy on non-audit work). Specific areas of focus this year have included:

- audit risk identification and alignment of this with management risk assessment
- challenge to the auditors on how they addressed these audit risks
- private discussions with the auditors without management present

Change in external auditors

For financial years 2017/18 onwards, the National Audit Office will be the external auditors for the BBC. The Committee recognised the importance of this change and reviewed with management the plans for this transition.

Non-audit services

As one of the safeguards over the independence of the external auditors, the Committee developed and oversaw the BBC's policy on the commissioning of the auditors to provide non-audit services.

This policy defines the types of services which the external auditors can and cannot provide. Additionally it includes thresholds above which any proposed non-audit work to be carried out by the external auditors must be approved in advance by the Committee. It also defines when work must be submitted for competitive tender.




EY was not considered for work which might compromise its ability to give independent opinion on the BBC's financial statements. Recruitment from EY into any senior management position in the BBC required the prior approval of the EAC: there was none during the year.

The Committee confirmed that it was satisfied that the external auditors fulfilled their responsibilities with diligence and professional scepticism.

Risks and opportunities

Risks and opportunities affect the ability of the BBC to fulfil its Charter obligations and public purposes. Our approach to risk needs to reflect the unique nature of the BBC.

Key to risk movement: Anticipated movement in risk over next 12 months

-  Risk increasing
-  No risk movement
-  Risk decreasing

Public purposes:




- | | |
|---|---|
| <p>1 To provide impartial news and information to help people understand and engage with the world around them</p> | <p>4 To reflect, represent and serve the diverse communities of all of the UK's nations and regions and, in doing so, support the creative economy across the UK</p> |
| <p>2 To support learning for people of all ages</p> | <p>5 To reflect the UK, its culture and values to the world</p> |
| <p>3 To show the most creative, highest quality and distinctive output and services</p> | |

To deliver our objectives we must continue to take creative risks. We must also take seriously our regulatory and statutory responsibilities. Just as taking risk is core to fulfilling our purposes, rigorous risk assessment and mitigation is the foundation of delivering what we do.

Our new Charter and Agreement has been published. The BBC acknowledges the challenges of evolving audience needs and the opportunities this offers for the Corporation for the next 11 years. Throughout the Corporation, careful consideration of risks and opportunities contributes

to the quality of our programmes, the excellence of the service we provide and so our ability to serve our audiences. Our principal strategic and operational risks and opportunities are set out below.

Strategic risks and opportunities

Principal risks and opportunities	Key mitigations
<p>1. Meeting audience needs The media landscape is changing significantly, as are the habits and tastes of our audiences. Our aim is to reinvent the BBC for a new generation, otherwise we face the risk of failing to meet the needs of our audience, particularly the young and underserved groups.</p> <p>1 2 3 4 5 </p>	<ul style="list-style-type: none"> – regular re-evaluation of our audience strategy, informed by a constant monitoring of audience performance and market and competitor trends – annual plan and continuous reassessment of audience-facing priorities
<p>2. Securing programme supply Retaining a diverse range of suppliers is important for the BBC. This ensures the BBC can continue to deliver the best range of British content for the UK audience at affordable prices. The changing media market could put this at risk.</p> <p>2 3 4 5 </p>	<ul style="list-style-type: none"> – the launch of BBC Studios is designed to secure the long-term supply of the best quality content for UK audiences – ongoing dialogue with the independent production community and stakeholders to inform our supply strategy – ongoing assessment of resource allocation informed by audience insight and performance
<p>3. Attracting and retaining talent The ability to attract, develop and retain the best creative talent across all disciplines and crafts impacts on the quality of our output and our contribution to creative and digital economies.</p> <p>3 </p>	<ul style="list-style-type: none"> – regular re-evaluation of employment, staff engagement and on-air talent strategies – nurturing entry-level talent via outreach activity

Strategic risks and opportunities

Principal risks and opportunities	Key mitigations
<p>4. Charter implementation A new Charter and Agreement is now in force, stipulating new governance and regulatory arrangements that are required to be implemented.</p> <p>1 2 3 4 5 ▼</p>	<ul style="list-style-type: none"> – new Charter provides the BBC with long-term stability and a strong foundation to continue to inform, educate and entertain the British public – new BBC Board has been established and inducted – Operating Framework put in place by Ofcom, covering regulation of the BBC's performance, impact on competition and compliance with content standards; the BBC is required to ensure compliance with that framework
<p>5. Change at the BBC The BBC is in the midst of a significant period of operational, organisational and cultural change. The consequent strain on the organisation could affect our ability to respond quickly to new challenges, or impact on our delivery of creative and strategic priorities.</p> <p>3 ></p>	<ul style="list-style-type: none"> – continuing work on reducing complexity and cost through organisational simplicity, ensuring key activity and timings are aligned – corporate Project Management Office overseeing delivery of major projects, providing delivery confidence assessment – continuing leadership team emphasis on building an open culture where everyone feels confident to raise issues – reviewing alignment of workforce strategy to objectives and delivery of value for money
<p>6. Maintaining the BBC's reputation The BBC brand could be damaged as a result of perceived management failures, or through an inability to respond swiftly, reasonably and proportionately to significant events.</p> <p>1 4 5 ></p>	<ul style="list-style-type: none"> – monitoring perceptions of the BBC's reputation amongst all audiences on a continuous basis, responding as needed – Editorial Guidelines to be updated in 2017
<p>7. Maintaining the BBC's market position The BBC is operating in a fiercely competitive and global market. This creates a number of linked risks:</p> <ul style="list-style-type: none"> – funding constraints may affect our ability to compete for talent and resources affecting our ability to remain relevant to our audiences – our production business could fail to secure commissions, leading to a reduction in IP owned and reduced secondary revenue streams for the BBC – our commercial subsidiaries could fail to respond to market challenges <p>3 4 5 ></p>	<ul style="list-style-type: none"> – the BBC Studios proposal is designed to support a long-term pipeline of fully-owned content for the BBC, alongside strategic development of the independent producer pipeline – ongoing assessment of our resource allocation informed by audience insight and performance – proven delivery by commercial subsidiary of sustainable financial returns, successfully promoting the BBC globally, showcasing UK creativity and innovation, and achieving strong business, editorial and creative relationships – open to industry developments and consequent impact on strategy

Operational risks and opportunities

Principal risks and opportunities	Key mitigations
<p>1. Business continuity Technical failure, infrastructure interdependencies, the actions of third parties (e.g. disruption to or denial of services by cyber-attack, supplier action or failure) could lead to interruption of broadcast services, with consequent impact on audiences leading to reputation damage.</p> <p>></p>	<ul style="list-style-type: none"> – strong business continuity policies and practices aligned to the international standard – monitoring of cyber-risks, ensuring fast response – active involvement in UK and global industry security forums – regular in-depth risk reviews of potential system vulnerabilities and process weaknesses
<p>2. Editorial compliance Failure to uphold our editorial values and standards in all our content could affect our ability to maintain high levels of audience trust, damage our brand or lead to legal exposure.</p> <p>></p>	<ul style="list-style-type: none"> – long-established and effective editorial compliance processes supported by appropriate training – strong referral procedures and monitoring of high-risk programmes – widely distributed Editorial Guidelines, with update due in 2017 – complaints handling process
<p>3. Child protection Failure to protect children on BBC premises or when participating in BBC activities would have a consequent impact on the individuals, and could lead to reputational damage and legal challenge for the BBC.</p> <p>▼</p>	<ul style="list-style-type: none"> – positive outcome from independent audit of BBC policies and processes – final response to Dame Janet Smith report published – safe recruitment practices followed; DBS/PVG check requirement linked with mandatory Child Protection and Working with Children training – formal, accredited or recognised training for chaperones continues in partnership with PACT and other industry partners; cross industry lobbying for improvements in training by local authorities – process for escalation and resolution of potential issues – developing a three-year strategy with NSPCC
<p>4. Data security Compromises to BBC data and services, through hacking, other internal or external attack, or error could lead to disruption to services or disclosure of confidential data, including sensitive editorial material or sensitive personal data, with consequent reputational damage and possible financial penalties.</p> <p>▲</p>	<ul style="list-style-type: none"> – data protection policies and practices – investment in technical capability including range of monitoring and defence walls against hacking, malware and other attacks – global staff awareness and education campaigns carrying key security messages – vigilance regarding potential impacts of broadcasting into new territories

Operational risks and opportunities

Principal risks and opportunities	Key mitigations
<p>5. Health, safety and security Failure to meet corporate responsibility for the health, safety, wellbeing and security of staff, freelancers, contributors and audiences could result in impact on the individuals and their families, legal and financial exposure, reputational damage and loss of trust.</p> <p>▲</p>	<ul style="list-style-type: none"> – robust health and safety training in the UK and overseas; specialist equipment and bespoke high-risk processes and procedures for activities in designated hostile environments – proactive response to changing threats, with tailored advice and guidance from specialist safety teams – close liaison with UK security authorities over UK security threat level, with vigilance regarding recognised vulnerabilities and roll-out of targeted training and communications – working with media safety and security forums and other broadcasters to raise standards in the industry as a whole
<p>6. Liquidity and savings As we transition to the new licence fee settlement, including new commitments, a failure to achieve new and very stretching savings targets could impact services and damage our reputation and our relationship with audiences and stakeholders.</p> <p>➤</p>	<ul style="list-style-type: none"> – strong governance and frameworks around implementation of our change programmes to enable the delivery of our strategic vision within available funding – Charter and licence fee settlement allow more certainty around financial planning and content strategies
<p>7. Regulatory compliance Failure to comply with the broad range of legal and other regulatory requirements, or to keep pace with changes, may result in legal or regulatory challenge, a threat to services or financial penalties.</p> <p>➤</p>	<ul style="list-style-type: none"> – regular monitoring of compliance requirements – training and communication plans regularly refreshed to ensure good awareness of need for compliance with newly introduced legislation – continuing to review and plan for impacts of new legislation, including working with the industry to monitor and develop best practice solutions for achieving effective compliance

The BBC's accountability and internal control processes

During 2016/17, The Executive Board was responsible for the strategic and operational management of the BBC (excluding the BBC Trust Unit). This included safeguarding its assets and achieving value for money by ensuring a process for managing significant risk issues to the BBC.

The BBC has complied with the UK Corporate Governance Code, subject to requirements of the Charter, which requires the Board to maintain a sound risk management and internal control systems and to review their effectiveness at least annually. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The BBC's system of control has been designed to manage (rather than eliminate) the risk of failure to achieve business objectives and to provide reasonable assurance that assets are safeguarded, transactions have been appropriately authorised and material errors or irregularities have been either prevented or detected on a timely basis.

Risk management and internal control framework

The BBC process for identifying, evaluating and managing significant risks to the BBC aligns with the best practice noted in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Risk management mechanisms have been concentrated within divisions, with central co-ordinating activity in place to manage and escalate pan-BBC issues, such as editorial standards and safety. The Executive Board received regular briefings and held discussions on the principal strategic and operational BBC risks facing the BBC.

The Executive Board oversaw a business plan to deliver the Trust-approved BBC strategy. To support this, an appropriate organisational structure was in place, with a policy framework for all material control activities and clear delegated authorities. Monthly, quarterly and annual reporting processes, both within divisions and up to the Executive Board, have been in place.

Assessing the effectiveness of risk management and internal control

The Executive Board used a number of mechanisms to help it assess the effectiveness of the system of risk management and internal control in the business. These include:

Risk oversight: The Board delegated responsibility for the specific review of risk and control processes to the Executive Audit Committee. The EAC met regularly to provide scrutiny and oversight that controls were effective and that risks were being effectively managed (further information is provided on page 74).

Internal audit: The internal audit function maintained its independent reporting line into the Chair of the EAC and conducted a programme of audits, aligned to the principal risks facing the BBC. The findings of the audits have been reported to senior management and the Audit Committee, with remediating actions tracked for completion.

External audits: The external auditors have performed their statutory year end audit with findings reviewed by the Audit Committee. Any recommended actions are tracked for completion. In addition, the National Audit Office has audited the Licence Fee Trust Statement and has continued its programme of Value for Money audits.

Whistle-blowing: A protected disclosure policy is in place, supported by a 'whistle-blowing' hotline, administered by an independent external company to ensure anonymity. The Senior Independent Director was named on the policy as a contact for the raising of the most serious level of concerns.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Board has assessed the prospect of the Corporation over a longer period than the 12 months required by the 'Going Concern' provision. On an annual basis, the Board considers a rolling three-year plan for the BBC.

The latest three-year plan covering the period to 31 March 2020 was approved by the former Executive Board in March 2017 and ratified by the Board in May 2017. A three-year horizon is considered appropriate as this is in line with the BBC's budgeting and planning process. The three-year plan considers cash flows as well as the financial covenants and credit facilities.

Key assumptions underpinning the three-year plan, and the associated cash flow forecast, are the licence fee settlement that set the financial parameters for the BBC from 2017/18 to 2021/22 and our 2015 document *British Bold Creative* that set out the BBC's vision, strategic aims and its offer to the public.

A robust assessment of the principal risks facing the Corporation, as described in the Annual Report and Accounts on pages 78 to 80 has been undertaken, including those that would threaten its business model, future performance, solvency or liquidity. Sensitivity analysis is applied to the cash flow to model the potential effects should principal risks actually occur, individually or in unison. Three stress points were identified when a combination of severe but plausible risks were modelled, however the cash flows remained within the borrowing limit throughout the period modelled.

Taking account of the Group's current position, principal risks and the aforementioned sensitivity analysis, the Board has a reasonable expectation that the Corporation will be able to continue in operation and meet its liabilities as they fall due over the three-year period of the assessment.

Fair trading report

Report of the Executive Fair Trading Committee

The statement below has been made by the Executive Fair Trading Committee that existed under the BBC's governance arrangements for the previous Charter. The fair trading reporting for 2016/17 was prepared by that Committee and has been assured and approved on behalf of the BBC by the new BBC Board.

This is the last report from the Executive Fair Trading Committee of the BBC's Executive Board. During the course of the last Charter, the Committee focused on ensuring that the BBC discharged its responsibilities, as a publicly funded broadcaster, to trade fairly and pay regard to the impact of its services on the wider market. To achieve this, the Committee oversaw a thorough and well-established fair trading regime which was subject to both internal and external scrutiny. During this time, of course, the market conditions in which the BBC operates have also changed markedly, with a number of rapidly growing new entrants and competitors.

A core part of the fair trading system is that the BBC's Fair Trading and Competition Law team works closely with staff throughout the organisation to ensure that new internal processes, projects and initiatives comply with fair trading requirements. The team also manages a targeted training programme for staff likely to encounter fair trading issues. The Fair Trading Committee monitored compliance with these processes throughout the year and was satisfied that effective arrangements were in place.

The Committee's work, and the work of the Fair Trading team, was particularly important this year at a time of change for the BBC. Over the past 12 months, the team provided advice on a wide range of issues, of which the most significant was the proposal for BBC Studios to become a commercial subsidiary. This was approved by the BBC Trust in December 2016. Close attention was also paid to the Trust's review of transfer pricing between the BBC and its commercial subsidiaries. The Committee was pleased that the Trust's review found that transactions between the BBC's commercial services and licence fee-funded services are being conducted fairly, in line with rules preventing market distortion, and with fair prices paid. The Committee also considered and advised on a number of fair trading issues for key BBC projects, including supporting the provision of local news and the development of personalisation technology to support BBC services.

Another important component of the fair trading regime is the process for handling fair trading complaints. This year there was one outstanding complaint (received in the previous reporting year), which was handled in line with our published procedures. The BBC Trust ultimately upheld the BBC's findings on all elements of the complaint. There were no new complaints received this year.

Once again, the Committee was pleased to see that the Fair Trading Framework received an unqualified audit opinion from our external auditors.

Taken together, the Committee believes this report is evidence of a comprehensive system, working well, with a low level of external complaints and a consistent and positive performance against both internal and external oversight. This provides a strong foundation for the transition to the new regulatory regime for the next Charter period, which will be overseen by Ofcom.

The BBC's market impact and that of its commercial subsidiaries will remain high on the BBC's agenda. All stakeholders, including licence fee payers and those who might be affected by the BBC's activities, can be confident that the BBC remains committed to complying with its regulatory obligations, designed to protect fair and effective competition in the markets in which it operates.

Membership and remit of the Executive Fair Trading Committee

The key function of the Executive Fair Trading Committee ('EFTC') was to oversee the BBC Executive's compliance with the fair trading obligations. The EFTC comprised three non-executive directors: Dame Fiona Reynolds (Chair), Alice Perkins and Sir Howard Stringer. The EFTC meetings were also attended by the Deputy Director General, Group General Counsel, Assistant General Counsel, Head of Fair Trading & Competition Law and the Director of Risk and Assurance. The Fair Trading Committee meeting attendance table is on page 70.

Responsibilities of the EFTC included:

- keeping under review the BBC's Fair Trading Guidelines
- dealing with fair trading complaints against the BBC through the appointment of a Fair Trading Complaints Panel, chaired by and including a majority of non-executive directors
- reviewing ongoing compliance with the BBC's four commercial criteria
- commissioning the annual fair trading audit by independent auditors

The BBC has operated under a detailed operational Fair Trading Framework which applies to all our activities. This has now been replaced by the requirements of Ofcom's Operating Framework which regulate the BBC's interaction with the market both through its Public Service activities and those of its commercial arm. Oversight of the BBC's compliance with the new Framework will be the responsibility of the new Fair Trading Committee, established by the BBC Board.

Under the Fair Trading Framework, the BBC was subject to annual audit by independent auditors. The Independent Auditor's report is set out on page 115.

The BBC Agreement covering the Charter period that ended on 31 December 2016 and the transitional arrangements contained in the new Charter which cover the period from 1 January 2017 to 2 April 2017 required the BBC Executive to ensure that all our commercial services met the following criteria. Commercial services must:

- fit with public purposes
- show commercial efficiency
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines, and in particular avoid distorting the market

Having received reports from relevant senior management, the BBC is satisfied that all commercial services have met the above criteria for the period 1 April 2016 to 31 March 2017.

Under the Fair Trading Framework, the BBC had a published fair trading complaints and appeals process. The BBC received no fair trading complaints during the year. Details of previous fair trading complaints and those that went to appeal to the BBC Trust can be found in our Fair Trading Bulletin at: bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints_bulletins.html.

Independent fair trading auditors' report to the BBC for the year ended 31 March 2017

We have audited, in our role as the BBC's fair trading auditors, the system of internal controls established within the BBC to provide the BBC with reasonable assurance that the BBC Executive ('the Executive') has complied with the requirement of the BBC Trust's Fair Trading Policies and Framework and the BBC Executive's Fair Trading Guidelines which were in force for the year ended 31 March 2017 ('the Fair Trading Arrangements').

Our instructions for this engagement, including the scope of work to be undertaken, were agreed with the BBC's Executive Fair Trading Committee (the 'EFTC') prior to its dissolution. These instructions include agreement that our audit should be conducted in accordance with International Standard on Assurance Engagements ('ISAE') 3000, agreement on the limit of our liability in respect of this work and agreement that our duty of care in respect of this work is solely to the BBC. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

Respective responsibilities of BBC Trust, BBC Executive and fair trading auditors

For the reporting year covered by this report, the Trust was responsible for ensuring that the Executive operated in line with the BBC's Fair Trading Arrangements.

The Executive was charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2017, including identifying and assessing risks that could threaten fair trading and designing and implementing responses to such risks.

As the BBC's fair trading auditors, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, a system of internal controls which provide reasonable assurance that it has complied with the requirements of its Fair Trading Arrangements for the year ended 31 March 2017. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as is necessary to form an opinion on the application of the system of internal controls.

Our opinion has been prepared for and only for the BBC in accordance with our instructions which were agreed with the EFTC on behalf of the BBC. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person other than those within the BBC to whom this report is shown or in to whose hands it may come, and no other person shall be entitled to rely on our opinion, save where expressly agreed by our prior consent in writing.

Our approach

We have performed a reasonable assurance engagement as defined in ISAE 3000.

The objective of a reasonable assurance engagement is to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion on the BBC's compliance with its Fair Trading Arrangements for the year ended 31 March 2017.

Our work consisted of enquiry and testing to enable us to form a view as to whether an appropriate system of internal controls was in place. We conducted a risk-based analysis to identify those aspects of the BBC's fair trading control regime that represents the most significant fair trading risk, and focused our detailed testing on those areas. Individual cases were selected from the BBC's fair trading log for review. In each case we examined written records and interviewed relevant parties to provide us with reasonable assurance that the system of internal control had been applied, and the appropriateness of the outcome. Cases examined, and the areas of significant risk around which the work was focused, covered all three of the BBC's commercial service subsidiaries and included examination of transfer pricing and separation arrangements, use of and payment for the BBC brand, and the application of the Trust's requirement that, subject to fulfilling the public purposes, the BBC should minimise any negative market impact.

Inherent limitations

As with any system of control, it is not practicable to ensure that no errors or irregularities have occurred without being detected. Our audit work was designed to give the Executive reasonable assurance as to the adequacy of the system of internal controls which was in place and being applied to deliver compliance with the requirements of its Fair Trading Arrangements for the year ended 31 March 2017. Further, because fair trading issues require judgements which ultimately might be tested in a court of law, competition authority or elsewhere, there is always a risk of challenge even where the system of internal controls has been followed and decisions have been taken with the greatest care.

Opinion

Based on the results of our procedures, in our opinion the BBC has established and has applied a system of internal controls that provide reasonable assurance that it has complied with the requirements of the Fair Trading Arrangements for the year ended 31 March 2017.

Deloitte LLP

London
22 June 2017

Statement of Board responsibilities in respect of the ARA

The Charter requires the BBC to prepare an audited annual report and statement of accounts.

The Board has accepted its responsibility for the preparation of a strategic report, statements of compliance with applicable codes and regulations (including the Board remuneration report) and the statement of accounts which are intended by them to give a true and fair view of the state of affairs of the BBC and its subsidiaries (the 'Group') and of the income and expenditure for that period. The Board has prepared the accounts in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. The Board must not approve the statement of accounts (or 'financial statements') unless it is satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of the surplus or deficit for that period.

In preparing the financial statements the Board has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent
- stated whether they have been prepared in accordance with IFRS as adopted by the EU
- prepared the financial statements on the going concern basis as they believe that the BBC will continue in business

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the BBC's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Board remuneration report comply with the Charter. It also has a general responsibility for taking such steps

as are reasonably open to it to safeguard the assets of the BBC and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the BBC's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board members who held office at the date of approval of the Annual Report and Accounts, whose names and functions are listed in the Governance section of the Annual Report and Accounts, confirm that, to the best of each of their knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and deficit of the Group
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

Statement of disclosure of information to auditors

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

Going concern

The directors have prepared cash flow forecasts for a period in excess of a year from the date of approval of these financial statements, and have reviewed these forecasts, together with the sensitivities and mitigating factors in the context of available funds. The directors are satisfied that the BBC is well placed to manage the risks and has adequate resources to continue in operation for the foreseeable future. As a result the going concern basis has been adopted in the preparation of the financial statements.

This statement was approved by the Board.



Sir David Clementi

Chairman
22 June 2017

The BBC Trust's final review

p.87

End of Charter Report

Former Chair of the BBC Trust, Rona Fairhead, provides the Trust's summary of the BBC's performance in 2016/17

Old Broadcasting House

p.88

Meeting attendance

Trustees met throughout 2016/17 prior to the closure of the BBC Trust on 2 April 2017

p.90

Remuneration and Trust expenditure

Trustees' fees and the cost of running the BBC Trust in 2016/17

The BBC Trust was the governing body of the BBC from January 2007 until 2 April 2017. It set the strategic objectives for the BBC and issued a service licence to every BBC service stating what it was expected to deliver and how much it could spend. The Trust upheld the BBC's editorial standards and protected the BBC's independence. The Trust was separate from the BBC Executive, which is led by the Director-General, providing the editorial and creative leadership of the BBC and managing the operational delivery of its services.

Regular business was undertaken in monthly meetings of the full Trust and its sub-committees. At these meetings, decisions were made relating to the Trust's duties and responsibilities, as well as consideration of proposals from the Executive Board. Minutes of the monthly Trust meetings were published, as well as evidence and research on which decisions were based, the findings of all editorial appeal decisions, and the outcomes of value for money and service licence reviews.

In March 2017, the Trust published its End of Charter Report on its assessment of the BBC's performance during 2016/17, using the data that was available at the end of December 2016. The End of Charter Report is available at: downloads.bbc.co.uk/bbctrust/assets/files/pdf/our_work/charter/end_of_charter_review.pdf

Chairman's Introduction to the End of Charter Report – March 2017
Rona Fairhead, Chairman of the BBC Trust (October 2014 – March 2017)

The new Charter and Agreement puts the BBC on a strong footing for the future, enabling it to continue to be bold, creative and independent.

This report marks the final year of the BBC Trust, and the end of the 2006 Charter that laid down the BBC's purpose, duties and governance over the last decade.

On 1 January, the new Charter and Agreement came into effect, following a lengthy process of review, collection of evidence, detailed negotiation, and a huge public engagement process by the Trust, the BBC and the Government. Our priority was to make sure the views of the BBC's audiences were heard loud and clear, and that Government took account of them.

In many respects this was achieved; the Charter delivers a BBC that can respond to what audiences want – a BBC that is able to be confident, innovative, distinctive and creatively ambitious. A BBC that will continue to offer something to everyone.

Protecting the BBC's independence was of fundamental importance in our negotiations. The 11-year Charter will put a bigger gap between forthcoming general elections and decisions about the BBC's future. The BBC's independence is now the first statement of principle in the Charter, and its new Board members – only a minority of whom will be appointed by the government of the day – will all have a clear duty to defend the Corporation's independence.

Although the framework of independence is sound, the new Board will need to continue to protect the BBC's position robustly in the face of future challenges. One area of particular note is the licence fee funding settlement. The process of the previous two settlements was unsatisfactory and the new Charter provides some improvement on this, including requiring the Government to consult with the BBC on any future funding deal. However, what it does not yet do is provide any public transparency from the Government before those funding settlements are decided. To me, this remains a concern.

A new system of BBC governance and regulation will take effect in April, and I believe this will provide the greater clarity and separation of roles that the Trust called for at the start of the process. I wish the new Board and its Chairman, Sir David Clementi, every success.

The BBC's performance in 2016 gives us considerable confidence in its future performance. 95% of adults use the BBC's television, radio or online services each week – an extraordinary achievement in a world where choice has proliferated enormously over the past two decades. Yet the BBC continues to achieve new records: *Planet Earth II* became the most watched natural history programme in the UK for at least 15 years; the BBC's final series of *The Great British Bake Off* achieved record ratings, as did Radio 4's *Today*, providing authoritative and impartial reporting in a year of hugely significant news events for people in the UK, US, Europe and around the world. Internationally the BBC's audiences continue to grow and in November the BBC announced 11 new language services in the biggest World Service expansion since the 1940s.

No-one should underestimate, however, the competitive and managerial challenges the organisation faces in the next few years. The BBC must find another £800m per annum in cost savings, after a decade of significant efficiencies and while many of its main competitors continue to grow their incomes. The BBC must continue along the path of simplifying the organisation, becoming a partner of choice in the industry and providing even better value for money. But even so, hard choices will have to be made. The BBC must operate within a global market for ideas and talent and, while it has the privilege of knowing its income for some years ahead, it also knows that that income is largely fixed.

The new Charter charges the BBC with setting the very highest editorial standards. It must also ensure it better represents and portrays all sections of society and all parts of the UK. Over the past two years the Trust has urged the BBC to review its services in the nations, and we very much welcome the announcement in February this year of new investments in Scotland and Wales, and the forthcoming investment announcement for Northern Ireland. Creating a new channel for Scottish audiences and delivering a 50% increase in English language programming from and for Wales are very welcome steps, and recognise the BBC's commitment to serving all parts of an increasingly devolved and diverse UK.

A further challenge remains – not just for the BBC but also for the broadcast media generally – namely how to reach under-served communities – such as 16-34 year olds and BAME audiences.

Even as the BBC seeks to create outstanding content on its current channels, it will need to "ride two horses" simultaneously, investing in digital, mobile and personalised services to keep pace with technology change and audience expectations.

At the heart of the argument for a publicly-funded national broadcaster is the need for reliable and impartial information to inform our democracy. Although the BBC remains far ahead of all other news providers when UK audiences are asked to choose a single source they trust, nonetheless some performance scores for BBC News are falling (as shown in the Purpose Remit Survey) and, at a time when the rise of social media is exacerbating the risks of fake news, the BBC's journalism must be ambitious in the seriousness and analysis of its reporting to ensure it continues to provide a distinctive, trusted offering to audiences. The BBC must explain the news, not just report it.

Alongside work on the new Charter, the Trust has lost none of its focus on its regular responsibilities – from handling appeals from complainants, to considering BBC proposals around financial management and service changes. Notably this year, Trustees assessed and endorsed the BBC's proposal to turn its production arm BBC Studios into a commercial subsidiary and reviewed the BBC's news and radio services in Northern Ireland, Wales and Scotland.

It has been a privilege to chair the BBC Trust and to work with Tony Hall and his team at the BBC; I wish them continued success. And as the Trust comes to an end, I want publicly to express my appreciation for the dedication of those who contributed to its many successes. I am enormously grateful to my fellow Trustees for the tireless dedication and wisdom they have shown during my time as Chairman. They have been a joy to work with. None of us could have discharged our responsibilities without the hard work, intelligence and professionalism of the Trust's permanent staff whose role it has been to give us independent analysis and advice. Their work made a huge contribution to the Charter negotiations and they have helped provide the framework for a strong BBC over the next decade – a BBC the UK public wants and deserves.

28 March 2017

Trustees' attendance at Trust meetings (1 April 2016–31 March 2017)

	Attendance
Chairman	
Rona Fairhead	16/16
Vice-Chairman	
Sir Roger Carr	16/16
National Trustees	
Mark Florman	13/16
Bill Matthews	16/16
Aideen McGinley	16/16
Elan Closs Stephens	16/16
Trustees	
Sonita Alleyne	15/16
Richard Ayre	14/16
Mark Damazer	13/16
Nick Prettejohn	13/16
Suzanna Taverne	16/16
Lord Williams	14/16

The Trust Unit

The Trust was supported by the Trust Unit, a team of professional BBC staff, which provided independent and objective advice, calling on outside experts when necessary. The Unit advised on Trustees' duties, managed the Trust's supervisory and regulatory functions and provided the Trust with independent assessments of proposals from the Executive Board.

Trust committees

Much of the work of the Trust was done through committees, which made certain decisions on behalf of the Trust as a whole. The members of each committee and their attendance during 2016/17 are shown on the next page.

Complaints and Appeals Board

Chair: Bill Matthews

Deputy Chair: Sonita Alleyne

The Complaints and Appeals Board ('CAB') handled appeals and complaints to the BBC relating to fair trading, TV Licensing, and other general matters which are not editorial. All Trustees were members of the CAB. The duties of the Committee were conducted by panels consisting of at least two Trustees and at least one of the members was the CAB Chairman or the CAB Deputy-Chairman.

Meeting attendance | April 2016–31 March 2017

Trustee	Attendance
Bill Matthews	11/12
Sonita Alleyne	11/12

Other Trustees attended the following number of meetings

Rona Fairhead*	1
Richard Ayre	2
Aideen McGinley	2
Elan Closs Stephens	3
Suzanna Taverne	4
Lord Williams	1

* Rona Fairhead, Chairman of the Trust, was entitled to attend any meetings of the Committee. Between 1 April 2016 and 31 March 2017 she attended one CAB meeting

Editorial Standards Committee

Chair: Richard Ayre

The Editorial Standards Committee ('ESC') was responsible, on behalf of the Trust, for establishing the BBC's editorial standards. The ESC commissioned the BBC's Editorial Guidelines and monitored the Executive Board's compliance with these guidelines. As the final stage of the BBC's complaints process, the ESC considered appeals relating to breaches of the Editorial Guidelines, as well as related complaints handling issues. It also had functions in relation to election and referendum coverage, party political broadcasts, party election broadcasts and referendum campaign broadcasts. In addition, the Committee managed the Trust's programme of impartiality reviews and seminars.

Meeting attendance | April 2016–31 March 2017

Trustee	Attendance
Richard Ayre	10/11
Sonita Alleyne	10/11
Mark Damazer	11/11
Bill Matthews	9/11
Nick Prettejohn	9/11
<i>Other Trustees attended the following number of meetings</i>	
Rona Fairhead*	5
Sir Roger Carr	2
Aideen McGinley	2
Elan Closs Stephens	2

* Rona Fairhead, Chairman of the Trust, was entitled to attend any meetings of the Committee. Between 1 April 2016 and 31 March 2017 she attended five ESC meetings

Trust Management Group

Chair: Rona Fairhead

The Trust Management Group ('TMG') approved Trust Unit staff remuneration and severance payments over £75,000 and oversaw Trustee expenses, conflicts of interest and hospitality, and the Trust Code of Practice.

Meeting attendance | April 2016–31 March 2017

Trustee	Attendance
Rona Fairhead	3/3
Sir Roger Carr	2/3
Aideen McGinley	3/3
Nick Prettejohn	3/3
Elan Closs Stephens	3/3
Lord Williams	3/3

Services Committee

Chair: Suzanna Taverne

The Services Committee ('SC') ensured that the BBC's public services, together with its distribution and commercial activities, were delivered in line with the licences and frameworks set by the Trust. This included oversight of Trust reviews and regulatory matters.

Meeting attendance | April 2016–31 March 2017

Trustee	Attendance
Suzanna Taverne	8/8
Mark Damazer	7/8
Aideen McGinley	7/8
Elan Closs Stephens	8/8
Lord Williams	7/8
<i>Other Trustees attended the following number of meetings</i>	
Rona Fairhead*	5
Mark Florman	1

* Rona Fairhead, Chairman of the Trust, was entitled to attend any meetings of the Committee. Between 1 April 2016 and 31 March 2017 she attended five SC meetings

Value for Money Committee

Chair: Nick Prettejohn

The Value for Money Committee ('VFM') oversaw the budget, financial approvals and value for money processes at the Trust.

Meeting attendance | April 2016–31 March 2017

Trustee	Attendance
Nick Prettejohn	5/5
Sonita Alleyne	5/5
Sir Roger Carr	1/5
Mark Florman	1/5
Suzanna Taverne	4/5
<i>Other Trustees attended the following number of meetings</i>	
Rona Fairhead*	3

* Rona Fairhead, Chairman of the Trust, was entitled to attend any meetings of the Committee. Between 1 April 2016 and 31 March 2017 she attended three VFM meetings

TRUST REVIEW

Trustees' remuneration

Fees

Trustees' fees were determined by the Secretary of State for Culture, Media and Sport. In September 2010, Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the then-Director-General and other Executive Board members. The reduced fees for Trustees remained in effect until 2 April 2017 and are reflected in the table below. Trustees did not receive severance pay or other compensation upon the closure of the BBC Trust.

Expenses

Trustees were reimbursed for expenses incurred on BBC business, which included travel, accommodation, work-related meals and hospitality. Trustee expenses were governed by the Trust's Code of Practice, which was published. Every six months we published 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 the expenses and support services were classed as taxable benefits by HM Revenue & Customs. This figure is published in the remuneration table.

Chairman's benefits

Rona Fairhead was not eligible to receive any benefits other than her fee but did make use of a BBC driver when required for BBC business.

Trustees' remuneration (£000s)

	Fees ¹	Taxable benefits	Total 2016/17	Total 2015/16	Appointment term start date	Appointment term end date
Chairman and Vice-Chairman						
Rona Fairhead	110	4	114	116	9 October 2014	2 April 2017
Sir Roger Carr	71	0	71	65	1 May 2015	2 April 2017
Diane Coyle	0	0	0	6	1 November 2006	30 April 2015
National Trustees						
Mark Florman	38	0	38	38	1 April 2015	2 April 2017
Bill Matthews ²	38	0	38	38	1 January 2011	2 April 2017
Aideen McGinley	38	0	38	38	1 November 2012	2 April 2017
Elan Closs Stephens	38	0	38	38	1 November 2010	2 April 2017
Trustees						
Sonita Alleyne	33	0	33	33	1 November 2012	2 April 2017
Richard Ayre	33	0	33	33	1 August 2010	2 April 2017
Mark Damazer ³	33	0	33	30	1 April 2015	2 April 2017
Nick Prettejohn	33	0	33	33	1 January 2014	2 April 2017
Suzanna Taverne	33	0	33	33	1 January 2012	2 April 2017
Lord Williams	33	0	33	33	1 December 2011	2 April 2017

¹ Trustees took an 8.3% voluntary reduction in pay, in parallel with the then Director-General and Executive Board, in September 2010. This remained in effect until 2 April 2017

² 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

³ Mark Damazer requested not to be paid for his first month in office (April 2015); accordingly his fees for 2015/16 reflect this

Trust expenditure statement

		2016/17 £000s	2015/16 £000s
Trustee remuneration	1	607	588
Staff costs	2	3,891	4,218
Other operating costs (including project costs)	3	465	2,216
Direct Trust expenditure before reorganisation costs		4,963	7,022
Reorganisation costs			
Redundancy costs		2,086	–
Total reorganisation costs	4	2,086	–
Direct Trust expenditure after reorganisation costs	5 and 6	7,049	7,022
Ofcom fees			
Transition costs	7	4,800	–
Regulatory fees	8	1,402	2,425
Market Impact Assessment fees		–	445
Total Ofcom regulatory fees payable by Trust		6,202	2,870
Total Trust expenditure		13,251	9,892

Notes

- The remuneration received by each Trustee is shown in the table on page 90. The figure in the table above includes social security costs
- Staff costs include wages and salaries, social security costs and employer's pension contributions
- 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
- During the year, as a result of the changes to BBC governance which resulted from the Charter renewal process, all Trust Unit staff were issued with notification of redundancy, to take effect from 13 April 2017
- 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
- Of direct Trust expenditure, £748,775 relates to spend on Trust activities in the four nations (£826,823 in 2015/16)
- During the year, as a result of the changes which resulted from the Charter renewal process, Ofcom began to prepare for their increased responsibilities from April 2017 in respect of BBC governance and charged their transition costs to the BBC
- 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

Trust People

	Note	Average for year 2016/17	Average for year 2015/16
Trustees (number)		12	11.9
Trust Unit staff (EFT)	1 and 2	62.8	63

Notes:

- Trust Unit staff are those employed directly by the Trust Unit
- Of the 62.8 average equivalent full time ('EFT') Trust Unit staff for 2016/17, 13 EFTs were based outside London and supported the work the Trust undertakes in the four nations – Wales, Scotland, Northern Ireland and England (13.7 in 2015/16). 10.13% come from a black or minority ethnic background (8.7% in 2015/16), 6.05% are disabled (4.8% in 2015/16) and 66.14% are women (69.8% in 2015/16)

Additional information

p.93

Nations' data pack

Detailed performance data by service in Wales, Scotland and Northern Ireland

[+ Read more on pages 93-104](#)

p.105

Performance against Public Commitments

The BBC's performance against a number of public commitments for which it is accountable

[+ Read more on pages 105-114](#)

BBC drama *Line of Duty*

p.124

Consolidated Financial Statements

Primary statements and additional supporting disclosure notes

[+ Read more on pages 124-185](#)

The BBC in Wales

The BBC's expenditure in Wales during 2016/17 was £185.9 million across all services and platforms compared to £195.9 million in 2015/16.

The principal reason for the £10.0 million movement was a £10.5 million decrease on network content spend when compared to the previous year. Network television spend in Wales in 2016/17 included *Casualty*, *The Living and the Dead*, *Sherlock*, *A Midsummer Night's Dream*, *To Walk Invisible*, *Crimewatch*, *Bargain Hunt* and the *Doctor Who* Christmas Special; most of the year-on-year decrease is attributable to the scheduling of *Doctor Who* series 10, which transmitted in April 2017 and so will be reported in the 2017/18 figures. *Class* also premiered on BBC Three in 2016/17 and is reported in the network Online and Red Button figures.

In terms of local content there was 663 hours of English language content produced – a decrease of 34 hours principally reflecting fewer hours of drama and sport in 2016/17. Welsh language content totalled 649 hours in 2016/17 – including 251 episodes of *Pobol y Cwm* (34 more than 2015/16) and over 17 hours coverage of the Wales football team at the 2016 European Championship in France. Both BBC Wales radio services saw increased output in 2016/17; Radio Wales broadcasted almost 7,600 hours with most of the 154 hours increase reflecting the fact that the station is now on air from 5am on weekdays (previously 5.30am). Radio Cymru broadcasted 7,262 hours with most of the increase reflecting the output of the Radio Cymru Mwy pop-up station which aired for 15 weeks from September 2016.

The following pages provide additional detail on the BBC's performance in Wales, including income, high level expenditure and performance across services provided in Wales.

Income

These numbers are estimated as figures for each nation and have been calculated by applying the proportion of licenced premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2017 £m	2016 £m
Estimated income		
UK	3,787.2	3,742.8
Wales	188.5	186.5

Expenditure by service

Direct and indirect spend relating to programmes produced in the nation.

	2017 £m	*Restated 2016 £m
Network content		
Television (inc. sport and childrens) ⁺	54.8	68.6
Radio	3.3	3.8
Online and Red Button	5.3	1.5
Total network spend	63.4	73.9
Local content		
Television – BBC One	22.5	21.1
Television – BBC Two	8.7	11.6
Radio Wales	14.2	15.1
Radio Cymru	13.6	14.2
Online and Red Button	7.5	6.2
Total local spend	66.5	68.2
Distribution Costs	20.7	20.2
National Orchestra of Wales	4.7	4.7
S4C ^{**}	29.2	28.0
Development	1.4	0.9
Total	185.9	195.9

⁺ Network content is attributed on an Ofcom basis, which excludes foreign productions

* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

** This represents the television programmes commissioned and produced by BBC Wales and supplied to S4C (excluding programmes commissioned directly by S4C from other producers)

Television hours

Local opt-out hours[^] (including repeats) on BBC One and BBC Two

	2017 Hours	2016 Hours
Drama, comedy, entertainment, music and arts	22	31
Daily, weekly news and current affairs	392	400
Sport and Leisure	141	168
Education, factual and religion	108	98
Total	663	697

[^] Television content commissioned specifically for audiences in the nation

S4C*

	2017 Hours	2016 Hours
Drama, comedy, entertainment, music and arts**	258	246
Daily, weekly news and current affairs	272	263
Sport and leisure	119	98
Education, factual and religion	0	9
Total	649	616

* This represents the television programmes commissioned and produced by BBC Wales and supplied to S4C (excluding programmes commissioned directly by S4C from other producers)

** This includes repeats where BBC Wales has incurred a charge associated with the transmission of the programmes

Radio hours

BBC Radio Wales

	2017 Hours	2016 Hours
News and current affairs	1,868	2,168
General	5,725	5,271
Total	7,593	7,439

BBC Radio Cymru

	2017 Hours	2016 Hours
News and current affairs	1,335	1,418
General	5,927	5,582
Total	7,262	7,000

Headcount









Average headcount reflects those individuals employed to directly support the services produced in Wales.

	2017 Number	2016 Number
Average number of persons employed in the year	1,187	1,232

Average headcount of individuals based in Wales across all services including support functions.

	2017 Number	*Restated 2016 Number
Average number of persons employed in the year	1,418	1,416

* The average number of persons employed during 2015/16 has been restated to include members of the BBC orchestras and BBC singers employed on programme contracts

Wales' performance by service – Television		 Content We spent a total of £86.0 million on these services last year in Wales	 Reach Wales population who use the service each week	 Time spent watching a channel each week Length of time the average Wales viewer spent each week with the channel
		£M	%	H:M
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	£72.1m 2015/16: £75.8m*	76.6% 2015/16: 75.9%	08:34 2015/16: 08:39
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	£11.3m 2015/16: £22.7m*	50.4% 2015/16: 49.9%	03:20 2015/16: 03:17
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	£2.6m 2015/16: £3.4m	13.6% 2015/16: 13.0%	01:44 2015/16: 01:41
	The CBBC channel offers a distinctive mixed schedule for 6-12 year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	– 2015/16: –	3.7% 2015/16: 4.4%	02:37 2015/16: 02:35
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	– 2015/16: –	6.3% 2015/16: 6.6%	03:52 2015/16: 04:19






Reach definition: 15+ minutes consecutive for all channels and services and audiences in TV-owning households aged 4+ (TV)

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable)

Since the publication of the 2015/16 Annual Report, BARB has changed its reach methodology which makes a marginal difference to the 2015/16 reach figures when run now. Here we are stating the 2015/16 figures as they appeared in the 2015/16 Annual Report

N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing on other devices is not included in any of the above figures. iPlayer viewing is growing especially for young-skewed services such as CBBC


* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

Wales' performance by service – News		 Content We spent a total of £nil on these services last year in Wales	 Reach Wales population who use the service each week	 Time spent watching or listening to a channel each week Length of time the average Wales viewer or listener spent each week with the service
		£M	%	H:M
	The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.	– 2015/16: –	11.7% 2015/16: 12.5%	02:59 2015/16: 03:13
	BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.	– 2015/16: –	0.9% 2015/16: 0.7%	01:40 2015/16: 01:53

Reach definition: 15+ minutes for all channels and services and on audiences in TV-owning households aged 4+

Source: reach and time spent BARB (TV)











Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 15.9% and 1.7% respectively (17.8% and 2.0% among 16+ population)

Wales' performance by service – Digital				
	Content We spent a total of £12.8 million on these services last year in Wales	Reach Wales population who use the service each week	Time spent with each service each week Length of time the average Wales user spent each week with the service	
	£ M	%	H : M	
	BBC Online comprises the BBC's portfolio of online products on desktop, connected television, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered television and radio services, with both live and on-demand programmes available on BBC iPlayer.	£12.8m 2015/16: £7.7m*	64.2% 2015/16: 62.8%	n/a 2015/16: n/a

Reach definition: 3+ mins for both services, and adults aged 16+

Source: Cross-Media Insight Survey by GfK. UK data financial years, Wales data calendar years

* Full details of the above restatements can be found within note G1 of the notes to the accounts of the financial statements

Wales' performance by service – Radio				
	Content We spent a total of £3.3 million on these services last year in Wales	Reach Wales population who use the service each week	Time spent listening to a service each week Length of time the average Wales listener spent each week with the service	
	£ M	%	H : M	
	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	– 2015/16: –	21.9%* 2015/16: 24.9%	07:16 2015/16: 07:49
	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	– 2015/16: –	1.8%^ 2015/16: 2.0%	05:47⁺ 2015/16: 02:20
	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	– 2015/16: –	37.1%** 2015/16: 36.6%	12:45 2015/16: 13:30
	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£2.3m 2015/16: £2.6m	3.3% 2015/16: 3.4%	05:54 2015/16: 05:42
	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£1.0m 2015/16: £1.2m	16.7% 2015/16: 16.6%	12:02 2015/16: 11:51
	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 Extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	– 2015/16: –	3.0% 2015/16: 3.0%	07:41 2015/16: 07:06
	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	– 2015/16: –	8.5% 2015/16: 9.1%	07:44 2015/16: 06:33
	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	– 2015/16: –	1.6% 2015/16: 2.8%	02:38 2015/16: 03:44
	BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.	– 2015/16: –	2.8% 2015/16: 3.1%	08:57 2015/16: 08:11
	BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.	– 2015/16: –	0.1% 2015/16: 0.1%	^ 2015/16: ^

Reach definition: 15+ minutes for all stations and audiences aged 15+

Source: RAJAR (Radio reach and time spent)

Excludes programme "Coming up on 5 live sports extra"

* Radio 1: among its target group of 15-29 year-olds reach was 48.6% and time spent was 07:39

+ 1Xtra: among 15-24 year-olds reach was 5.3%

** Radio 2: among its target group of 35+ year-olds reach was 44.5% and time spent was 13:41

^ Sample size for the time per user too low to report

The BBC in Scotland

In 2016/17, BBC Scotland produced a wide range of content across all its platforms, from compelling drama, popular comedy, a range of diverse documentaries and events coverage for audiences in Scotland and across the UK.

The BBC's expenditure in Scotland during 2016/17 was £233.0 million across all services and platforms. This represents a circa 11% increase from the previous year 2015/16, primarily driven by a significant rise in network television investment. This growth reflects increased drama content with new titles such as *The Replacement* and *One of Us* transmitting alongside the return of must see comedy such as *Two Doors Down* and the phenomenally successful, *Still Game*, with audiences of circa 1.7 million in Scotland and circa 3.8 million across the UK.

As a consequence, the value of qualifying BBC network television content from Scotland (relative to all BBC qualifying spend) exceeded the 2016 target of 8.6%, reaching 10.3%.

The following pages provide additional detail on the BBC's performance in Scotland, including income, high level expenditure and performance across services provided in Scotland.

Income

These numbers are estimated as figures for each nation have been calculated by applying the proportion of licensed premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2017 £m	2016 £m
Estimated income		
UK	3,787.2	3,742.8
Scotland	321.7	320.1

Expenditure by service

Direct and indirect spend relating to programmes produced in the nations.

	2017 £m	*Restated 2016 £m
Network content		
Television (inc. sport and childrens) ⁺	84.2	65.6
Radio	3.5	4.0
Online and Red Button	5.5	3.2
Total network spend	93.2	72.8
Local content		
Television – BBC One	43.0	44.5
Television – BBC Two	17.0	15.2
Television – BBC ALBA	6.0	5.5
Radio Scotland	21.1	22.9
Radio nan Gàidheal	3.7	3.9
Online and Red Button	6.6	5.0
Total local spend	97.4	97.0
Distribution Costs	36.0	35.5
Scottish Symphony Orchestra	4.8	4.3
Development	1.6	1.2
Total	233.0	210.8

⁺ Network content is attributed on an Ofcom basis, which excludes foreign productions

* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

BBC IN THE NATIONS

Television hours

Local opt out hours[^] (including repeats) on BBC One and BBC Two

	2017 Hours	2016 Hours
Drama, comedy, entertainment, music and arts	131	139
Daily, weekly news and current affairs	499	544
Sport and leisure	196	174
Education, factual and religion	101	104
Total	927	961

[^] Television content commissioned specifically for audiences in the nation

Hours (including repeats) on BBC ALBA

	2017 Hours	2016 Hours
Drama, comedy, entertainment, music and arts	659	685
Daily, weekly news and current affairs	186	189
Sport and leisure	225	246
Education, factual and religion	884	877
Children's	700	668
Total	2,654	2,665

Radio hours

BBC Radio Scotland

	2017 Hours	2016 Hours
News and current affairs	3,213	3,072
General	5,338	5,521
Total	8,551	8,593

BBC Radio nan Gàidheal

	2017 Hours	2016 Hours
News and current affairs	663	647
General	4,258	4,281
Total	4,921	4,928

Headcount









Average headcount reflects those individuals employed to directly support the services produced in Scotland.

	2017 Number	2016 Number
Average number of persons employed in the year	1,104	1,160

Average headcount of individuals based in Scotland across all services including support functions.

	2017 Number	*Restated 2016 Number
Average number of persons employed in the year	1,199	1,228

* The average number of persons employed during 2015/16 has been restated to include members of BBC orchestra and BBC singers employed on programme contracts

Scotland's performance by service – Television		 Content We spent a total of £144.2 million on these services last year in Scotland	 Reach Scotland population who use the service each week	 Time spent watching a channel each week Length of time the average Scotland viewer spent each week with the channel
		£ M	%	H:M
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	£83.8m 2015/16: £76.1m*	74.0% 2015/16: 75.2%	08:17 2015/16: 08:11
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	£45.6m 2015/16: £32.7m*	50.0% 2015/16: 49.1%	03:12 2015/16: 03:11
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	£4.4m 2015/16: £4m	14.0% 2015/16: 13.6%	01:46 2015/16: 01:41
	The CBBC channel offers a distinctive mixed schedule for 6-12 year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	£7.7m 2015/16: £7.5m	3.4% 2015/16: 3.5%	02:15 2015/16: 02:25
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	£2.7m 2015/16: £2.4m	5.5% 2015/16: 6.4%	03:54 2015/16: 04:21






Reach definition: 15+ minutes consecutive for all channels and services and audiences in TV-owning households aged 4+ (TV)

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable)

Since the publication of the 2015/16 Annual Report, BARB has changed its reach methodology which makes a marginal difference to the 2015/16 reach figures when run now. Here we are stating the 2015/16 figures as they appeared in the 2015/16 Annual Report

N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing on other devices is not included in any of the above figures. iPlayer viewing is growing, especially for young-skewed services such as CBBC





* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

Scotland's performance by service – News		 Content We spent a total of £nil on these services last year in Scotland	 Reach Scotland population who use the service each week	 Time spent watching or listening to a channel each week Length of time the average Scotland viewer spent each week with the service
		£ M	%	H:M
	The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.	– 2015/16: –	9.9% 2015/16: 10.7%	03:27 2015/16: 03:07
	BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.	– 2015/16: –	0.8% 2015/16: 1.1%	02:14 2015/16: 01:53

Reach definition: 15+ minutes for all channels and services and on audiences aged 4+. Source: reach and time spent BARB (TV)

Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 14.1% and 1.7% respectively (15.4% and 1.9% among 16+ population)














BBC IN THE NATIONS

			
Scotland's performance by service – Digital	Content We spent a total of £12.1 million on these services last year in Scotland	Reach Scotland population who use the service each week	Time spent with each service each week Length of time the average Scotland user spent each week with the service
	£ M	%	H:M
	BBC Online comprises the BBC's portfolio of online products on desktop, connected television, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered television and radio services, with both live and on-demand programmes available on BBC iPlayer.	£12.1m 2015/16: £8.3m*	59.1% 2015/16: 61.4%
			n/a 2015/16: n/a

Reach definition: 3+ mins for both services, and on adults aged 16+

Source: Cross-Media Insight Survey by GfK, 16+. UK data financial years, Scotland data calendar years

* Full details of the above restatements can be found within note G1 of the notes to the accounts of the financial statements

			
Scotland's performance by service – Radio	Content We spent a total of £3.5 million on these services last year in Scotland	Reach Scotland population who use the service each week	Time spent listening to a service each week Length of time the average Scotland listener spent each week with the service
	£ M	%	H:M
	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	£0.1m 2015/16: £0.1m	16.1%** 2015/16: 18.7%
	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	– 2015/16: –	0.8%⁺ 2015/16: 0.9%
	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	£0.1m 2015/16: £0.1m	25.6%** 2015/16: 26.9%
	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£1.8m 2015/16: £2.0m	2.7% 2015/16: 3.2%
	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£1.5m 2015/16: £1.8m	12.7% 2015/16: 14.3%
	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 Extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	– 2015/16: –	1.9% 2015/16: 3.0%
	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	– 2015/16: –	6.9% 2015/16: 6.8%
	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	– 2015/16: –	1.2% 2015/16: 1.5%
	BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.	– 2015/16: –	3.7% 2015/16: 3.7%
	BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.	– 2015/16: –	0.4% 2015/16: 0.5%

Reach definition: 15+ minutes for all stations and audiences aged 15+

Source: RAJAR (Radio reach and time spent)

Excludes programme Coming up on 5 live sports extra

* Radio 1: among its target group of 15-29 year-olds reach was 31.3% and time spent was 06:52

+ 1Xtra: among 15-24 year-olds reach was 2.3%. Sample size for time per user too low to report

** Radio 2: among its target group of 35+ year-olds reach was 31.0% and time spent was 12:19

^ Sample size for time per user too low to report

The BBC in Northern Ireland

The year-on-year increase in total expenditure to £97.2 million reflects the successful growth of network television drama from Northern Ireland, all of it produced by the independent production sector. Output in this area included *Line of Duty*, *The Fall* and *My Mother and Other Strangers*. Additional income also derived from children's programming or BBC network audiences. Online expenditure increased as a result of BBC Rewind, an archive-based initiative, which is providing programme-makers with much easier access to the BBC's archive holdings and facilitating new editorial projects.

The small uplift in average headcount reflects this increased investment in Online services.

Locally-produced content continued to perform strongly across a range of genres on BBC One and BBC Two.

BBC Radio Ulster/Foyle maintained its position as the most listened to radio service in Northern Ireland and secured an increase in the average hours per listener.

The following pages provide additional detail on the BBC's performance in Northern Ireland, including income, high level expenditure and performance across services provided in Northern Ireland.

Income

These numbers are estimated as figures for each nation and have been calculated by applying the proportion of licenced premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2017 £m	2016 £m
Estimated income		
UK	3,787.2	3,742.8
Northern Ireland	99.8	99.0

Expenditure by service

Direct and indirect spend relating to programmes produced in the nation.

	2017 £m	*Restated 2016 £m
Network content		
Television (inc. sport and childrens) ⁺	27.3	17.8
Radio	1.4	1.6
Online and Red Button	1.5	0.4
Total network spend	30.2	19.8
Local content		
Television – BBC One	24.0	24.0
Television – BBC Two	5.8	5.6
Radio Foyle/Ulster	17.5	17.7
Online and Red Button	6.0	5.9
Total local spend	53.3	53.2
Distribution Costs	13.7	13.4
Development	–	–
Total	97.2	86.4

⁺ Network content is attributed on an Ofcom basis, which excludes foreign productions

* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

BBC IN THE NATIONS

Television hours

Local opt out[^] (including repeats) hours on BBC One and BBC Two

	2017 Hours	2016 Hours
Drama, comedy, entertainment, music & arts	57	48
Daily, weekly news and current affairs	489	474
Sport and leisure	78	83
Education, factual and religion	176	173
Total	800	778

[^] Television content commissioned specifically for audiences in the nation

Radio hours

BBC Radio Foyle/ULster

	2017 Hours	2016 Hours
News and current affairs	3,219	3,065
General	5,480	5,689
Total	8,699	8,754









Headcount

Average headcount reflects those individuals employed to directly support the services produced in Northern Ireland.

	2017 Number	2016 Number
Average number of persons employed in the year	631	623

Average headcount of individuals based in Northern Ireland across all services including support functions.

	2017 Number	2016 Number
Average number of persons employed in the year	663	656

Northern Ireland's performance by service – Television				
		Content We spent a total of £57.1 million on these services last year in Northern Ireland	Reach Northern Ireland population who use the service each week	Time spent watching a channel each week Length of time the average Northern Ireland viewer spent each week with the channel
		£M	%	H:M
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	£38.0m 2015/16: £33.5m*	71.7% 2015/16: 72.4%	06:40 2015/16: 06:41
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	£13.3m 2015/16: £7.9m*	42.1% 2015/16: 41.7	02:51 2015/16: 02:49
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	£1.5m 2015/16: £1.2m	10.4% 2015/16: 9.3%	01:34 2015/16: 01:31
	The CBBC channel offers a distinctive mixed schedule for 6-12 year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	£3.6m 2015/16: £4.0m	5.4% 2015/16: 6.4%	02:53 2015/16: 03:05
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	£0.7m 2015/16: –	6.9% 2015/16: 8.1%	03:35 2015/16: 04:19

Reach definition: 15+ minutes consecutive for all channels and services and audiences in TV-owning households aged 4+ (TV)

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable)

Since the publication of the 2015/16 Annual Report, BARB has changed its reach methodology which makes a marginal difference to the 2015/16 reach figures when run now. Here we are stating the 2015/16 figures as they appeared in the 2015/16 Annual Report

N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing on other devices is not included in any of the above figures. iPlayer viewing is growing, especially for young-skewed services such as CBBC

* Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

Northern Ireland's performance by service – News				
		Content We spent a total of £nil on these services last year in Northern Ireland	Reach Northern Ireland population who use the service each week	Time spent watching or listening to a service each week Length of time the average Northern Ireland viewer spent each week with the service
		£M	%	H:M
	The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.	– 2015/16: –	6.9% 2015/16: 7.3%	03:22 2015/16: 03:08
	BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.	– 2015/16: –	0.8% 2015/16: 0.7%	* 2015/16: *

Reach definition: 15+ minutes for all channels and services and audiences aged 4+














Source: reach and time spent BARB (TV)

Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 11.2% and 1.6% respectively (13.0% and 2.0% among 16+ population)

* Sample size for time per user too low to report

			
Northern Ireland's performance by service – Digital	Content We spent a total of £7.5 million on these services last year in Northern Ireland	Reach Northern Ireland population who use the service each week	Time spent with each service each week Length of time the average Northern Ireland user spent each week with the service
	£ M	%	H:M
	BBC Online comprises the BBC's portfolio of online products on desktop, connected television, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered television and radio services, with both live and on-demand programmes available on BBC iPlayer.	£7.5m 2015/16: 6.3*	54.7% 2015/16: 56.5%
			n/a 2015/16: n/a

Reach definition: 3+ mins for both services, and on adults aged 16+
 Source: Cross-Media Insight Survey by GfK. UK data financial years, Northern Ireland data calendar years
 * Full details of the above restatement can be found within note G1 of the notes to the accounts of the financial statements

			
Northern Ireland's performance by service – Radio	Content We spent a total of £1.4 million on these services last year in Northern Ireland	Reach Northern Ireland population who use the service each week	Time spent listening to a service each week Length of time the average Northern Ireland listener spent each week with the service
	£ M	%	H:M
	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	– 2015/16: –	19.2%* 2015/16: 20.8%
	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	– 2015/16: –	0.6%+ 2015/16: 1.3%
	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	– 2015/16: –	13.8%** 2015/16: 14.1%
	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£0.8m 2015/16: £0.9m	2.0% 2015/16: 1.7%
	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£0.6m 2015/16: £0.7m	9.6% 2015/16: 9.0%
	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 Extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	– 2015/16: –	2.0% 2015/16: 1.5%
	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	– 2015/16: –	9.2% 2015/16: 9.9%
	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	– 2015/16: –	1.7% 2015/16: 2.1%
	BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.	– 2015/16: –	1.5% 2015/16: 2.0
	BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.	– 2015/16: –	– 2015/16: 0.1%

Reach definition: 15+ minutes for all stations and audiences aged 15+
 Source: RAJAR (Radio reach and time spent)
 Excludes programme "Coming up on 5 live sports extra"
 * Radio 1: among its target group of 15-29 year-olds reach was 40.8% and time spent was 05:05
 + 1Xtra: among 15-24 year-olds reach was 1.3%. Sample size for time per user too low to report
 ** Radio 2: among its target group of 35+ year-olds reach was 16.7% and time spent was 08:55
 ^ Sample size for time per user too low to report
 > Lower sample size may be responsible for greater variability in the data

PERFORMANCE AGAINST PUBLIC COMMITMENTS

Performance against public commitments 2016/17

The BBC is accountable for a number of public commitments each year, including programming and production quotas and service licence commitments. This document sets out the BBC's performance against these.

The following pages do not form part of the financial statements and have therefore not been audited by Ernst & Young LLP.



PERFORMANCE AGAINST PUBLIC COMMITMENTS

1. Ofcom tier 2 quotas

The data presented reflects a calendar rather than financial year.

	Note	Quota	2016 Achievement
Independent production quota	1		
Hours of qualifying programmes across all channels		25%	30%
Hours of qualifying programmes on BBC One		25%	30%
Hours of qualifying programmes on BBC Two		25%	37%
Regional programme making	2		
Spend on qualifying programmes		30%	51%
Hours of qualifying programmes		25%	62%
News and current affairs programmes	3		
Hours of news on BBC One		1,380	1,683
Hours of news on BBC One in peak		275	296
Hours of current affairs on BBC One and BBC Two		365	602
Hours of current affairs on BBC One and BBC Two in peak		105	108
Levels of original production	4		
BBC One		70%	86%
BBC One in peak		90%	99.7%
BBC Two		70%	89%
BBC Two in peak		80%	96%
BBC Three		70%	78%
BBC Three in peak		70%	72%
BBC Four		c.70%	88%
BBC Four in peak		50%	85%
CBeebies		70%	73%
CBBC		70%	78%
BBC News Channel		90%	99%
BBC Parliament		90%	97%
Regional programming	5		
Hours of regional programming		6,270	6,619
Hours of programmes made in the relevant area		95%	99.7%
Hours of BBC One news		3,920	4,845
Hours of BBC One news in peak		2,010	2,153
Hours of non-news programming in peak		655	716
All non-news programmes adjacent to peak		280	383

Notes

- 1 The BBC is subject to a 25% independent production quota across all channels and on BBC One and BBC Two individually
- 2 The BBC has used Ofcom's definitions of regional production from 1 January 2006
- 3 These quotas and performance figures are for network programming only. The News quota specifically excludes overnight transmissions of BBC News
- 4 Original productions include all BBC commissioned programmes including repeats. Figures for BBC Three are for the period 01/01/2016 to 16/02/2016
- 5 These figures represent regional programmes across BBC One and BBC Two

2. Compliance with service licences 2016/17

This section provides the detail of compliance with requirements set out in the service licences established by the BBC Trust. Unless otherwise stated, hours commitments throughout this section include originations, acquisitions and repeats. The use of the word 'new' means that the commitment includes originations only.

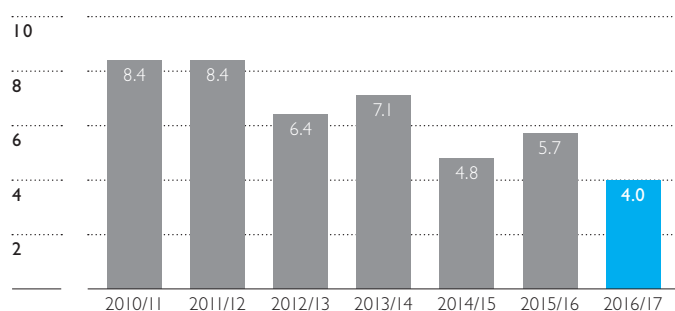
BBC Network Television

	Note	Commitment	Actual
BBC One			
Hours of arts and music		40	61
Current affairs in peak		40	54
Hours of religious programmes	2	110	140
BBC One Scotland			
Hours of news and current affairs		265	361
Hours of other (non-news) programming each year	1	140	187
BBC One Wales			
Hours of news and current affairs		250	356
Hours of other (non-news) programming each year	1	60	88
BBC One Northern Ireland			
Hours of news and current affairs		280	334
Hours of other (non-news) programming each year	1	80	176
BBC Two			
Hours of arts and music		150	245
BBC Two Scotland			
Hours of other (non-news) programming each year including Gaelic output	3	190	240
BBC Two Wales			
Hours of other (non-news) programming each year	1	160	181
BBC Two Northern Ireland			
Hours of other (non-news) programming each year	1	55	228
BBC Three			
Long-form Content	4	70%	73%
Factual Long-form		25%	40%
BBC Four			
Hours of arts and music		150	226
Hours of new factual programming		60	103
CBBC			
Hours of drama programming		665	1,704
Hours of news		85	92
Hours of factual programming		550	996
CBeebies			
No specific commitments apply		–	–

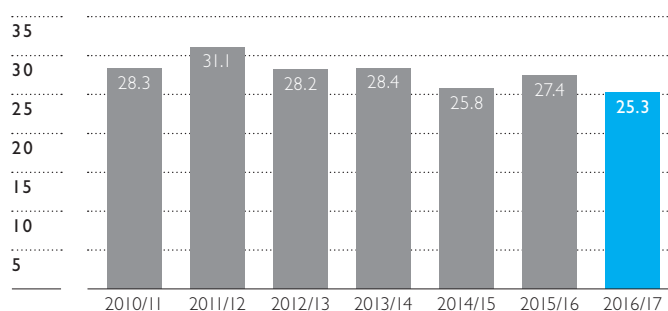
Notes

- 1 This output may include repeats and acquisitions
- 2 BBC One and BBC Two shared
- 3 Repeats included but current affairs excluded
- 4 BBC Three linear service licence commitments no longer apply, and have been replaced with two new 'BBC Three Online' commitments

BBC One peak time repeats %



BBC Two peak time repeats %



PERFORMANCE AGAINST PUBLIC COMMITMENTS

2. Compliance with service licences 2016/17

BBC Network Radio

	Note	Commitment	2016/17 results
BBC Radio 1			
Hours of specialist music per week		60	69
% of music from UK acts in daytime		40%	47%
% of new music in daytime		45%	60%
Number of live events and festivals broadcast		c.10	19
Number of new sessions (excluding repeats)		160	221
% of eligible hours commissioned from independent producers		>10%	15%
Hours of news in daytime each weekday, including two extended bulletins		1	1hr 6 mins
Regular bulletins during daytime at weekends		✓	✓
Number of new documentaries		40	42
Number of major social action campaigns		2	3
BBC Radio 1Xtra			
% of new music in daytime		60%	67%
% of music from UK acts in daytime		35%	43%
% of eligible hours commissioned from independent producers		c.10%	15%
Number of documentaries		40	40
Hours of news in daytime each weekday, including two extended bulletins		1	1
Regular bulletins in daytime at weekends		✓	✓
BBC Radio 2			
% of music from UK acts in daytime		40%	53%
% of new music in daytime		20%	26%
Hours of live music	I	260	255
Hours of specialist music programmes		1,100	1,111
Hours of arts programming		100	136
% of eligible hours commissioned from independent producers		10%	14%
Weekly hours of news and current affairs, including regular news bulletins		16	18
Hours of new documentaries		130	142
Hours of religious output covering a broad range of faiths		170	209
BBC Radio 3			
% of live or specially recorded music		40%	59%
Number of live or specially recorded performances		400	611
Number of new musical works commissioned (excluding repeats)		20	31
Number of new drama productions broadcast (excluding repeats)		20	25
% of eligible hours commissioned from independent producers		10%	25%
Number of new documentaries on arts and cultural topics (excluding repeats)		30	52
% of relevant spend incurred outside the M25		40%	50%
BBC Radio 4			
Hours of news and current affairs programmes		2,500	3,364
Hours of original drama and readings		600	622
Hours of original comedy (excluding repeats)		180	261
% of eligible hours commissioned from independent producers		c.10%	14.5%
Hours of original documentaries (excluding repeats)		350	392
Hours of original religious programming (excluding repeats)		200	227
BBC Radio 4 Extra			
Weekly hours of comedy		55	68
Weekly hours of drama		55	72
% Radio 4 catch-up programming		<15%	10.75%
% of eligible hours commissioned from independent producers		10%	24.5%

Note

I Radio 2 under-delivered in 2016/17 due to an unexpected drop in live music on a single specialist music show. We have introduced a new Daytime slot for live music which will address this issue

2. Compliance with service licences 2016/17

BBC Network Radio

	Note	Commitment	2016/17 results
BBC Radio 5 live			
% of output that is news coverage		c.75%	75%
% of eligible hours commissioned from independent producers	1	10%	14%
BBC Radio 5 live sports extra			
% of eligible hours commissioned from independent producers	1	10%	14%
BBC Radio 6 Music			
% of new music	2	<30%	32%
Hours of archive concert performances		400	413
Number of concert tracks or sessions from the BBC music archive (daytime)		6,500 (1,150)	6,672 (1,008)
Number of new sessions (excluding repeats and acquisitions)		300	312
% of eligible hours commissioned from independent producers		10%	23%
Average weekly hours of speech-based features, documentaries and essays		10	10
Weekly hours of news		6	6
BBC Radio Asian Network			
Proportion of speech to music daytime		50:50	47:53
Hours of news and current affairs per week		24	24
% of music from UK artists		30%	38%
% of new music		30%	34%
% of music from South Asia		10%	9%
Coverage of live events or festivals		10	11
% of eligible hours commissioned from independent producers		>10%	12%
Average hours of language programming each week	3	20	n/a

1 Radio 5 live and Radio 5 live sports extra combined

2 6 Music slightly exceeded its commitment to new music. However, the new music broadcast by the station does not overlap with rival commercial radio stations

3 The commitment was removed from the Service Licence in August 2016

BBC News

	Note	Commitment	2016/17 results
BBC News Channel			
More international news than other main continuous news channel(s) in the UK		✓	✓
More local/regional news and perspectives than other main continuous news channel(s) in the UK		✓	✓
Sports news throughout the day, including evening round-up		✓	✓
Hours of sports news	1	100	199
BBC Parliament			
Hours of coverage of the Westminster Parliament during a normal sitting week...		70	75
... including hours from committees		10	18
Hours of proceedings of the Scottish Parliament, Northern Ireland Assembly and Welsh Assembly		260	356
Hours of programming (including repeats) from Brussels and Strasbourg		100	123

1 In addition to sports updates throughout the day, there were hours of dedicated sports news programmes on the News Channel. There were a further 63 hours of *Sport Today* broadcast on our overnight joint service with BBC World News, bringing total hours of sport to 262

PERFORMANCE AGAINST PUBLIC COMMITMENTS

2. Compliance with service licences 2016/17

BBC Nations and English regions

	Note	Commitment	2016/17 results
BBC Local Radio			
% of speech content in core hours (Monday-Friday, 6am-7pm)	1	60%	70%
% of speech content at breakfast peaktime		100%	100%
Average minimum weekly hours per station of original, locally made programming	2,3	85	108.9
BBC Radio Scotland			
Weekly hours of radio news and current affairs		43	60
Hours of arts coverage (including narrative repeats of daily arts show)		200	427
% of eligible hours commissioned from independent producers		c.10%	14.9%
BBC Radio nan Gaidhail			
% of eligible hours commissioned from independent producers		c.10%	10.7%
BBC Alba			
Weekly hours of originated programming (excluding news), including current affairs and transfers from other BBC services		c.5	9
Hours per week aimed at Gaelic language learners (originations only)		2	15
Live news programmes each weekday evening (including peaktime) and news review at weekends		✓	✓
% of age of eligible hours commissioned from independent producers		>50%	86%
BBC Radio Wales			
Weekly hours of news and current affairs		24	35
% of eligible hours commissioned from independent producers		>10%	21%
BBC Radio Cymru			
Weekly hours of news and current affairs		16	26
% of eligible hours commissioned from independent producers		>10%	19%
BBC Radio Ulster/BBC Radio Foyle			
Weekly hours of news and current affairs on Radio Ulster		27	44
Weekly hours of news and current affairs on Radio Foyle		8	25
Hours of new comedy		20	22
% of eligible hours commissioned from independent producers		10%	9.6%
Hours of indigenous minority language programming, including Ulster Scots and Irish		220	252

Notes

- 1 Unless otherwise stated, hours commitments throughout this document include originations, acquisitions and repeats
- 2 All Local Radio stations exceeded the minimum weekly hours of original locally made programming
- 3 Following its establishment as a standalone station BBC Somerset shares some programming with BBC Bristol. For service licence purposes these also contribute to BBC Somerset's commitment







BBC Digital

	Note	Commitment	2016/17 results
BBC Online			
% of eligible content and services commissioned from external suppliers (by value)		25%	31.6%
Increase the volume of click-throughs to external sites	1	2015/16 Monthly average for the year 17.8m	17.3m
BBC Red Button			
No specific commitments apply		–	–

Note

- 1 External click performance primarily reflects changing audience behaviour. Desktop users are almost twice as likely to click on an external link as mobile and tablet users, and over the past two years we have seen a significant migration from desktop to mobile and tablet

3. Access services

Audio	Audio described hours		Total hours	Actual for year (%)		Target for year (%)	
	2016/17	2015/16		2016/17	2015/16	2016/17	2015/16
	1,896	1,947	8,736	21.7	22.3	20.0	20.0
	2,408	2,323	8,736	27.6	26.6	20.0	20.0
 ^{1,2}	n/a	895	n/a	n/a	31.4	n/a	20.0
	1,205	1,176	3,294	36.6	36.8	20.0	20.0
	1,771	1,413	5,064	35.0	32.5	20.0	20.0
	1,320	1,441	4,707	28.0	30.6	20.0	20.0
Total	8,600	9,195	30,537				








Note

1 BBC Three was launched as an online service on 16 February 2016 and there are no figures to report for the period 2016/17

2 All BBC Three long-form content is also broadcast on BBC One and BBC Two and therefore falls under the access service quotas for those channels

PERFORMANCE AGAINST PUBLIC COMMITMENTS

3. Access services

Sign interpreted	Sign interpreted hours		Total hours	Actual for year (%)		Target for year (%)	
	2016/17	2015/16		2016/17	2015/16	2016/17	2015/16
	460	457	8,736	5.3	5.2	5.0	5.0
	453	457	8,736	5.2	5.2	5.0	5.0
 ^{1,2}	n/a	158	n/a	n/a	5.5	n/a	5.0
	177	187	3,294	5.4	5.8	5.0	5.0
	261	243	5,064	5.2	5.6	5.0	5.0
	244	251	4,707	5.2	5.3	5.0	5.0
	514	495	8,736	5.9	5.7	5.0	5.0
Total	2,109	2,248	39,273				

Note

1 BBC Three was launched as an online service on 16 February 2016 and there are no figures to report for the period 2016/17

2 All BBC Three long-form content is also broadcast on BBC One and BBC Two and therefore falls under the access service quotas for those channels

3. Access services

Subtitled	Subtitled hours		Total hours		Actual for year (%)		Target for year (%)	
	2016/17	2015/16	2016/17	2016/17	2015/16	2016/17	2015/16	
	14,213	14,188	14,225	99.9	99.9	100	100	
	9,634	9,676	9,640	99.9	99.9	100	100	
 ^{1,2}	n/a	2,851	n/a	n/a	100	100	100	
	3,294	3,198	3,294	100	100	100	100	
	5,062	4,341	5,064	100	100	100	100	
	4,706	4,701	4,707	100	100	100	100	
	1,379	1,132	8,736	15.8	13			
	8,733	8,733	8,736	100	100	100	100	
Total	47,021	48,820	54,402					

Note

1 BBC Three was launched as an online service on 16 February 2016 and there are no figures to report for the period 2016/17

2 All BBC Three long-form content is also broadcast on BBC One and BBC Two and therefore falls under the access service quotas for those channels

PERFORMANCE AGAINST PUBLIC COMMITMENTS

4. Window of Creative Competition ('WOCC')

Television

The following table shows the levels of all BBC network television hours from in-house and external suppliers¹.

	Proportion of all hours produced by qualifying independent producers for BBC television (%)			Proportion of all hours produced by non-qualifying Independent producers for BBC television (%)			Proportion of all hours produced in-house for BBC television (%)		
	2016/17	2015/16	% change	2016/17	2015/16	% change	2016/17	2015/16	% change
Drama	24	30	-6	12	9	3	65	61	4
Entertainment	29	30	-1	38	37	0	33	32	1
Comedy	46	47	-1	19	10	9	36	43	-7
Knowledge	26	26	0	16	14	2	58	60	-2
Daytime	39	44	-5	28	18	10	33	38	-5
Sport	27	32	-5	0	0	0	73	68	5
Children's	32	38	-6	12	6	6	56	56	0
Total	30	34	-4	15	13	2	55	54	1

The following table shows the levels of all WOCC hours from in-house and external suppliers².

	Proportion of WOCC hours produced by qualifying independent producers for BBC television			Proportion of WOCC hours produced by non-qualifying independent producers for BBC television			Proportion of WOCC hours produced in-house for BBC television		
	2016/17	2015/16	% change	2016/17	2015/16	% change	2016/17	2015/16	% change
Drama	21	64	-44	61	36	25	18	–	18
Entertainment	21	20	1	66	77	-11	13	3	10
Comedy	52	68	-15	45	32	12	3	–	3
Knowledge	33	27	5	52	53	-1	15	20	-5
Daytime	20	26	-6	75	56	19	6	18	-13
Sport ³	n/a	–	–	n/a	–	–	n/a	100	–
Children's	31	52	-20	46	27	19	22	22	0
Total	20	33	-13	60	50	10	20	17	3

Radio

The following table shows the levels of radio hours from external suppliers.

	Actual % 2016/17					Actual % 2015/16				
	Indie Guaranteed	Indie WOCC	In-house WOCC	Total WOCC	Total Indie	Indie Guaranteed	Indie WOCC	In-house WOCC	Total WOCC	Total Indie
BBC Radio 1	11	4	5	8	15	11	4	5	9	15
BBC Radio 1Xtra	15	0	5	5	15	15	0	5	5	15
BBC Radio 2	9	4	2	6	13	10	4	2	6	14
BBC 6 Music	14	9	0	9	23	14	9	0	9	23
BBC Radio 3	15	10	2	12	25	14	5	6	12	19
BBC Radio 4	10	5	7	12	15	10	5	7	12	15
BBC Radio 4 Extra	24	–	–	–	–	28	–	–	–	–
BBC Radio 5 live (including BBC 5 live sports extra)	14	10	0	10	25	14	9	0	9	24
Asian Network	13	3	10	13	16	11	2	9	12	14
Total	13	5	4	9	18	12	5	4	10	17
Target	10			10		10			10	

Notes

- The 2016/17 figures only include those programmes which were commissioned before the end of 2016
- The 2006 Charter and Agreement commitments regarding the WOCC and inhouse guarantee only apply to the end of 2016. The 2016/17 figures only include those programmes which were commissioned before the end of 2016. The requirement in the 2017 Charter and Agreement commitment to open up the in-house guarantee for competition started in September 2016. The timelines between commissioning decisions and programme delivery mean that the above figures are in line with the regulatory requirements
- There were no eligible sport titles in the WOCC in 2016/17

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Board of the British Broadcasting Corporation (‘BBC’) only

Opinion on financial statements

In our opinion:

- BBC's financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of the Group's deficit for the year then ended; and
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

BBC's financial statements comprise:

Consolidated balance sheet as at 31 March 2017

Consolidated income statement for the year then ended

Consolidated statement of comprehensive loss for the year then ended

Consolidated statement of changes in equity for the year then ended

Consolidated cash flow statement for the year then end

Related notes A to H to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Respective responsibilities of Board and auditor

As explained more fully in the Statement of Board Responsibilities set out on page 85, the Board is responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with the Royal Charter and Schedule 8 to the Large and Medium sized Companies and Groups (Accounts and Reports) regulations 2008 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Board on terms that have been agreed. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to the Remuneration Reports and reporting on Corporate Governance, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC and the Board as a body, for our audit work, for this report, or for the opinions we have formed.

Overview

Risks of material misstatement

- completeness and occurrence of licence fee revenue around year end
- completeness and occurrence of commercial income streams around year end
- classification of costs for service licences and content spend
- valuation of provisions
- inappropriate capitalisation or unidentified impairment of capital projects
- valuation of the property portfolio
- judgemental assumptions impacting the pension deficit

Audit scope

- we performed an audit of the complete financial information of five components
- the five full-scope reporting components where we performed audit procedures accounted for 96% of the Group's total assets, 100% of the Group's income, 100% of the Group's operating costs and 85% of the Group's deficit before taxation

Materiality

- overall Group materiality of £10 million, which represents 0.2% of operating costs

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as they had the greatest effect on our overall audit strategy, the allocation of resources in the audit and direction of the efforts of the audit team. These risks remain consistent with the prior year; however, articulation of these risks have been clarified in the current year to define more precisely those which we consider the greatest risks of material misstatement. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Completeness and occurrence of licence fee revenue around year end – total revenue recognised £3,787.2 million (2016: £3,742.8 million)</p> <p><i>Refer to notes A1 and A2 (financial disclosures) and note H (accounting policy). Communicated in Audit and Risk Committee report section 3 and Appendix B</i></p>	<p>The value of licence fee revenue is significant. The forecast revenue from the licence fee forms the basis of the BBC budget and allocated spend. There could be an incentive to disclose a revenue figure to meet the public's or management's expectation. This could exist at the BBC or at third parties involved in this revenue recognition process.</p> <p>The revenue recognition process for licence revenue is not complex as the recognition occurs on issuance of the licence and the amount is a fixed price. We consider the transactions over the year end period to have a higher risk owing to timing differences and focus our testing over this area. This risk has remained consistent with the prior year.</p>	<p>We have met with key members of management and the outsourced service provider who collect the licence fee on behalf of the BBC, to understand and evaluate any changes in the licence fee process. We have walked through the licence fee process and identified key controls in place.</p> <p>We have inspected any changes to contractual agreements between the BBC and third parties in relation to the licence fee.</p> <p>We have researched external sources regarding changes in the licence fee and discussed these with management. We assessed any impact on the financial statements.</p> <p>We have completed analytical review procedures by calculating our expected licence fee revenue figure for the year and comparing this to the licence fee revenue recognised, utilising external evidence on the number of households and our expected evasion rates.</p> <p>We have inspected the year end reconciliation of cash to licence fee revenue. This includes the licence fee receivable and payable accounts. We have confirmed the valuation, existence and completeness of these accounts by testing a sample of transactions back to cash receipts and licences issued.</p> <p>We have inspected cut-off documentation and underlying evidence. We inspected evidence showing cash payments and licences issued after year end.</p> <p>We have examined and obtained support for material journal entries focusing on March and April postings.</p> <p>We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.</p>	<p>Based upon the audit procedures performed, we consider the licence fee revenue to be appropriately stated.</p>

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Completeness and occurrence of commercial income streams around year end – total revenue recognised £1,166.8 million (2016: £1,084.2 million)</p> <p><i>Refer to notes A1 and A2 (financial disclosures) and note H (accounting policy). Communicated in Audit and Risk Committee report section 3 and Appendix B.</i></p>	<p>The accounting for revenue will differ depending on the type of sale and terms of the underlying agreement. A significant proportion of the external revenue is generated by BBC Worldwide through channels, distribution and consumer products. Our area of emphasis is on the timing of revenue recognition for these revenue streams as there are a number of different types of revenue and a significant proportion of revenue is recognised in the final quarter of the year, increasing the risk of misstatement due to revenue being recognised in the wrong period.</p>	<p>We have understood controls relating to the revenue process by revenue type and tested controls over a number of revenue streams.</p> <p>As part of our overall revenue recognition testing, for some revenue streams we used data analysis tools to test the correlation of revenue transactions to cash receipts for 100% of sales through the year. This provided us with a high level of assurance over £460.8 million (40%) of commercial revenue recognised. For those revenue streams where we did not use data analysis tools we performed a test of transactions to source documentation and cash receipts to validate revenue transactions recorded throughout the period.</p> <p>We have inspected any unusual sales agreements, including non-standard terms, discounts or rebates and the sales-related balance sheet reserves for such items.</p> <p>We performed cut-off tests around year end for material items to assess whether revenue had been recorded in the correct accounting period.</p> <p>We have inspected a sample of post year end credit notes and assessed the impact on pre year end revenue and/or sales related reserves.</p> <p>As part of our journal entry testing, we obtained evidence for a sample of manual postings to revenue made around the cut off period to ensure that all entries were appropriate.</p> <p>We performed disaggregated analytical review procedures across all revenue streams compared to expectations to identify unusual and unexpected variances.</p> <p>To the extent that substantive analytical procedures and key item testing was not sufficient, we performed representative sampling on revenue items throughout the year. This was assessed for each revenue stream, and performed by testing the accuracy of revenue transactions recorded throughout the period by reviewing underlying contracts, invoices and cash collection.</p> <p>Throughout the testing above, we considered whether revenue had been recognised in accordance with the terms and conditions of the contract and in compliance with the BBC's revenue recognition policy, particularly cut-off at year end.</p> <p>We performed full scope audit procedures over this risk area in three locations, which covered 100% of the risk amount.</p>	<p>Management identified a prior period adjustment in this area which we agree is not material to the accounts and therefore remains unadjusted.</p> <p>Based on our procedures we are satisfied that the completeness and occurrence of commercial streams are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Classification of costs for service licences and content spend – total expenditure £3,529.3 million (2016: £3,478.7 million)</p> <p>Refer to note B3 (financial disclosures) and note H (accounting policy). Communicated in Audit and Risk Committee report section 3 and Appendix B.</p>	<p>In accordance with the 2006 Royal Charter, for 2016/17 service licences were used by the former BBC Trust to regulate the BBC's licence fee funded services and ensure that each service provides public value. The Trust's annual assessment of performance against service licences compared actual costs for content against an agreed and authorised baseline budget. Actual costs may have varied by up to 10% against budget, but if this tolerance threshold was breached, the matter was referred to the Trust.</p> <p>Disclosure of service licences is therefore subject to high levels of scrutiny from members of the public who are interested in understanding how the licence fee is spent on individual channels and services and is subject to risk of management override.</p> <p>Areas of focus include an assessment of the appropriateness and consistency of the allocation of costs between service licences and the apportionment of costs between 'content and distribution support' and 'general support' and risk of management override.</p>	<p>We obtained the year end service licence statement workings and assessed if the allocation between 'content and distribution support' and 'general support' are consistent between service licences and with the prior year.</p> <p>We tested significant spend allocations between service licences obtaining support as to the appropriateness of the basis of allocation used.</p> <p>We obtained and recalculated the central contribution rate calculations and understood all estimates and assumptions applied in the computation of each percentage.</p> <p>We understood and considered any judgemental allocations of costs across the service licence reporting. We assessed the independence and competence of any individuals making the judgements, considering the risk of management override of controls.</p> <p>We read the disclosures in the Annual Report and Accounts, and agreed these disclosures to the underlying audited financial information and considered their accuracy.</p> <p>We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.</p>	<p>We identified one misstatements relating to the valuation of provisions. Upon bringing this to management's attention it was adjusted.</p> <p>We are satisfied that provisions have been established in accordance with accounting standards and are appropriately disclosed.</p>
<p>Valuation of provisions – £113.1 million (2016: £107.0 million).</p> <p>Refer to note F8 (financial disclosures) and note H (accounting policy). Communicated in Audit and Risk Committee report section 3 and Appendix B.</p>	<p>Certain provisions require complex estimates involving high levels of judgement and uncertainty, with manual intervention increasing the risk further. The judgements and estimates involved also mean that the valuation of provisions give rise to a risk of management override.</p> <p>Some provisions are material by nature (rather than amount) and subject to high levels of scrutiny by the public. The disclosure of the amounts of these provisions are therefore matters of public interest.</p>	<p>We tested material provisions for business purpose and appropriateness.</p> <p>For a sample of provisions we obtained supporting evidence and recalculated amounts where appropriate.</p> <p>We calculated the sensitivity of certain provisions to changes in assumptions used such as discount rates and inflation to determine if this was material.</p> <p>We tested journal entries made to provisions to identify unusual postings.</p> <p>We assessed management's judgement and estimates applied in the calculation of provisions in the financial statements by comparing actual costs to provision amounts made at the end of the prior year where provisions have materialised to assess the accuracy of management's past judgements.</p> <p>We reviewed the disclosure of provisions in the financial statements to determine whether accurate and complete.</p> <p>We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.</p>	<p>We identified one misstatements relating to the valuation of provisions. Upon bringing this to management's attention it was adjusted.</p> <p>We are satisfied that provisions have been established in accordance with accounting standards and are appropriately disclosed.</p>

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Valuation of the property portfolio – total value capitalised £633.3 million (2016: £665.2 million)</p> <p>Refer to notes D1, D2, D3, D4, D5, D6, D7 and G1 (financial disclosures) and note H (accounting policies). Communicated in Audit and Risk Committee report section 3 and Appendix B.</p>	<p>The BBC occupies and owns a number of properties across the UK. Included within the portfolio are properties which are carried at historic cost, investment properties, and properties under either finance or operating leases. A property might also be classified as held for sale if it is available for immediate sale and a sale is highly probable. Certain property transactions, such as the sale and leaseback of Broadcasting House ('the Daunus asset'), the construction works associated with the sale and leaseback of Television Centre and accounting for Media Village include complex accounting treatment.</p>	<p>We enquired with management, including Board members and fixed asset accountants, with regards to changes in the BBC's property portfolio. We understood the financial impact of any changes and investigated whether there were any expected changes in the future use of the properties. We reviewed Board minutes. We checked that our understanding was consistent with the financial statements.</p>	<p>The significant transactions during the year related to the refinancing of New Broadcasting House. We read signed contracts and verified that the accounting treatment was appropriate.</p>
	<p>The BBC's property portfolio forms a key part of the BBC's cost savings initiatives; in relation to both the location of properties, and the method of financing. The BBC has progressed with plans to become more prominent outside of London in recent years. The BBC's strategy has led to a number of changes in the property portfolio, with further relocation and changes to leases expected in the coming years.</p>	<p>We performed site visits to material BBC properties. We understood from enquiries with individuals at each site, the use of the property and any expected changes. We assessed whether the property is used as intended.</p>	<p>During the year we identified a prior period misstatement relating to the assumptions used in the calculation of finance lease assets and liabilities. Upon bringing this to management's attention, management considered that it was appropriate to remove an inflationary assumption originally included within these calculations and adjusted the financial statements to reflect this.</p>
	<p>There are a number of ongoing property transactions. Certain property transactions involve complex accounting and the application of judgements and therefore are deemed to be a significant risk.</p>	<p>We read meeting minutes and press releases. We remained aware and alert for issues in relation to the BBC property portfolio. We assessed the impact on the financial statements.</p>	<p>We identified one audit difference in relation to the discounting of future receipts, which was not material to the accounts and we consider the property portfolio amounts to be reasonably stated.</p>
	<p>Note that properties are recorded at cost, or the lower of fair value and the present value of minimum lease payments where acquired through a finance lease, and not market value. However, should the accounting treatment not be correctly determined, the resultant values recorded on the balance sheet could be incorrect. The property transactions described below were areas of focus for our audit.</p>	<p>We read management's technical accounting papers relating to property transactions. We understood any judgements or areas of subjectivity involved. We assessed and concluded on the accounting treatment for the valuation of properties.</p>	
		<p>We reviewed material new or amended lease contracts. We checked and concluded on whether the lease should be accounted for as a finance lease or an operating lease. We agreed key terms to lease calculations and recalculated the lease amounts in the financial statements. We investigated any differences.</p>	
		<p>We understood any variances in the lease contracts (i.e. factors which drive lease increases or decreases). We checked that these have been accounted for appropriately.</p>	
	<p>We understood management's rationale for the reconsideration of the assumptions used in the calculation of finance lease assets and liabilities and leading to management's consideration that it was appropriate to remove an inflationary assumption originally included within these calculations. We reperformed these calculations and compared the outputs to those prepared by management. We investigated any differences.</p>		
	<p>We understood management's position with regard to investment properties and held for sale assets at year end. We tested the completeness and accuracy of these accounts and considered if the disclosures were appropriate.</p>		
	<p>We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.</p>		

INDEPENDENT AUDITOR'S REPORT

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Inappropriate capitalisation or potential impairment of capital projects – total amount of capitalised projects £131.7 million (2016: £98.2 million)</p> <p><i>Refer to note D1 (financial disclosures) and note H (accounting policy). Communicated in Audit and Risk Committee report section 3 and Appendix B.</i></p>	<p>The BBC undertakes multiple capital projects at any one time which vary in size, complexity and duration. If a material capital project cannot be completed, or will not generate future benefit to the BBC, this could result in an impairment, and if significant by size or nature, this could result in reputational risk for the BBC.</p> <p>There are a high number of open capital projects; typically over 300. These can be complex projects and take more than one year to complete. There is a risk of assets being inappropriately capitalised, or indicators of impairment not being identified, leading to an overstatement of tangible and intangible assets.</p>	<p>We obtained a listing of open projects. We reconciled this listing through to the fixed asset register and financial statements. We assessed completeness through enquiry with project managers and review of meeting minutes.</p> <p>We gained an understanding of a sample of open projects; through enquiring of project managers, finance and operations teams; inspecting the business approval form and reading Board and steering group meeting minutes.</p> <p>We examined the nature of the costs capitalised and considered if they met the capitalisation criteria. We selected a sample of items and tested these to third party evidence.</p> <p>We performed physical verification for a sample of projects to confirm the existence of the asset and to identify any visible indicators of impairment.</p> <p>We assessed any uncertainty in the performance of projects based upon the aging of the project, costs incurred to date compared to budget and our knowledge of the business to determine whether a provision or impairment should be considered. We compared budgeted costs of a sample of projects against actual spend to date.</p> <p>We examined and obtained support for material manual journal entries.</p> <p>We considered the appropriateness of the accounting and disclosures.</p> <p>We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.</p>	<p>Based on our procedures performed, we consider the capital projects to be reasonably stated.</p>

	Risks	Our response to these risks	Key observations communicated to the Audit and Risk Committee
<p>Judgemental assumptions impacting pension deficit – total deficit £1,149.1 million (2016: £1,010.7 million)</p> <p>Refer to notes C7, C8, G3 (financial disclosures) and note H (accounting policies). Communicated in Audit and Risk Committee report section 3 and Appendix B.</p>	<p>The BBC has a significant pension deficit. The assumptions used to arrive at the value of the pension deficit are highly judgemental, and the degree of public interest in the deficit means that it is important there is sufficient and comprehensible disclosure of pension balances to enable understanding of the impact of these balances on both pensioners and the licence fee payer.</p>	<p>We confirmed our understanding of the retirement benefit schemes and processes undertaken by management to account for pensions.</p> <p>We understood significant assumptions used. We tested the appropriateness of these assumptions using our pension specialists and considering consistency with prior year, current market information and knowledge of the BBC pension scheme.</p> <p>We tested the completeness and accuracy of the membership data used by the actuary. We performed this by testing a sample of members and verifying to payroll records.</p> <p>We tested the valuation of the pension scheme assets by obtaining third party confirmations of the amounts and re-performance of the valuation of a sample of assets.</p> <p>We tested the cash contribution and obtained evidence to support the amounts including bank statements and authorisation of payment runs.</p> <p>We tested key transactions and journal entries during the year. We assessed the appropriateness of accounting treatment and applicable disclosures.</p> <p>We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.</p>	<p>Based on procedures performed, we consider that the assumptions are reasonable and the disclosure of pension figures is appropriate.</p>

Scope of our audit Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected five components, which represent most of the activity of the Group.

We performed an audit of the complete financial information of all five components. The reporting components where we performed audit procedures accounted for 100% (2016: 100%) of the Group's income, 100% (2016: 100%) of the Group's operating costs, 85% (2016: 81% of the surplus before tax) of the Group's deficit before tax and 96%

(2016: 96%) of the Group's total assets. We have performed analytical procedures on the aggregated results of the other components in order to identify whether there are significant risks of material misstatement for the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. Of the five full scope components, audit procedures were performed on two of these directly by the primary audit engagement team. For two components an additional scoping exercise was undertaken to determine the statutory entities that are in scope in order for them to issue a full scope opinion to the primary team. In the case of the final component, BBC Worldwide, additional instructions are issued by the primary audit engagement team to component auditors from other EY global network firms who operate under their instruction.

The majority of the audit is conducted by the primary audit engagement team in the UK, given the nature of the Group's activities. The Group audit team also continued to

follow a programme of planned visits. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group-level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

INDEPENDENT AUDITOR'S REPORT

We determined materiality for the Group to be £10 million (2016: £10 million). We have based materiality on 0.2% of operating costs, which reflects our consideration of the expectations of the users of the financial statement and as agreed with the Audit and Risk Committee. We believe that operating costs is the most relevant performance measure to the stakeholders of the group given the level of focus stakeholders place on how efficiently the Group spends the income raised through the licence fee. Profit-related measures would not be appropriate as the Group is a public sector broadcaster. For illustration, materiality for the group represents 0.2% of the Group's operating costs and 0.2% of the Group's total assets. This provided a basis for identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment and other qualitative considerations, our judgement was that overall performance materiality for the Group should be 50% (2016: 50%) of planning materiality, namely £5 million (2016: £5 million). Our objective in adopting this approach was to reduce to an appropriately low level the probability that the aggregate of total undetected and uncorrected misstatements for the accounts as a whole did not exceed our planning materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.0 million to £3.8 million (2016: £1.0 million to £3.8 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2016: £0.5 million), which is set at 5% (2016: 5%) of planning materiality, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the terms of our engagement

In addition to our audit of the Group financial statements, the Board has engaged us to audit the information in the Board remuneration report that are described as having been audited, which the Board has decided to prepare as if the BBC were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion:

- the information given in the Overview, Strategic report and Governance sections of the Annual Report and Accounts, for the financial year for which the Group financial statements are prepared are consistent with the Group financial statements; and
- the parts of the remuneration report which we were engaged to audit have been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to the Group.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report and Accounts is:</p> <ul style="list-style-type: none"> – materially inconsistent with the information in the audited financial statements – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit – otherwise misleading <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Board's statement that they consider the Annual Report and Accounts is fair, balanced and understandable and whether the Annual Report and Accounts appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.</p>	We have no exceptions to report.
Terms of our engagement	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us – the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns – certain disclosures of Board remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit <p>In addition to our audit of the financial statements the Board have engaged us to review the Corporate Governance statement as if the BBC was required to comply with the Listing Rules of the Financial Conduct Authority in relation to these matters. Under the terms of our engagement we are required to review:</p>	We have no exceptions to report.

Statement on the Board's assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> – the Board's confirmation in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; – the disclosures in the Annual Report and Accounts that describe those risks and explain how they are being managed or mitigated – the Board's statement in the Annual Report and Accounts about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements – the Board's explanation in the Annual Report and Accounts as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions 	We have nothing material to add or to draw attention to.
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Richard Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
22 June 2017

Notes:

1. The maintenance and integrity of the BBC website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
2. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The BBC's consolidated financial statements

These financial statements comprise both the primary statements and additional supporting disclosure notes. The primary statements are:

Consolidated income statement

The income the BBC receives and expenditure incurred by the Group's operations during the financial year.

Consolidated statement of comprehensive loss

Items of income and expense, including reclassification adjustments, that are not directly recognised in the income statement and hence are charged or credited directly against or to reserves.

Consolidated balance sheet

The statement of the assets and liabilities of the BBC at a specific point in time, the financial year end.

Consolidated statement of changes in equity

Components that make up the capital and reserves of the Group and the changes to each component during the financial year.

Consolidated cash flow statement

Cash generated by the BBC from its operations and how those cash flows have been used.

Consolidated income statement

	Note	2017 £m	*Restated 2016 £m
Licence fee income	A1	3,787.2	3,742.8
Other income	A1	1,166.8	1,084.2
Total income	A1	4,954.0	4,827.0
Operating costs excluding restructuring costs		(4,943.7)	(4,789.6)
Restructuring costs	C3	(49.6)	(21.4)
Total operating costs	A1	(4,993.3)	(4,811.0)
Group operating (deficit)/surplus		(39.3)	16.0
Gain on disposal of non-current assets	D8	8.3	96.7
Share of results of associates and joint ventures	E3	45.7	39.7
Net financing costs	F9	(134.0)	(78.5)
(Deficit)/surplus before taxation		(119.3)	73.9
Taxation	G2.1	(9.8)	(0.2)
(Deficit)/surplus for the year		(129.1)	73.7
Attributable to:			
BBC		(129.1)	73.7
(Deficit)/surplus for the year		(129.1)	73.7

* Full details of the above restatement can be found within note G1

Consolidated statement of comprehensive loss

	Note	2017 £m	*Restated 2016 £m
(Deficit)/surplus for the year		(129.1)	73.7
Other comprehensive income:			
Remeasurement on defined benefit pension schemes	C7.2	(248.0)	(92.7)
Total items that will not be reclassified to the income statement in the future		(248.0)	(92.7)
Exchange differences on translation of foreign operations		30.4	7.2
Losses on cash flow hedges		(10.1)	(12.5)
Revaluation of available-for-sale financial assets		–	2.9
Deferred tax on financial instruments		1.8	2.5
Total items that may be reclassified to the income statement in the future		22.1	0.1
Other comprehensive loss net of tax		(225.9)	(92.6)
Total comprehensive loss for the year		(355.0)	(18.9)
Attributable to:			
BBC		(355.0)	(18.9)
Total comprehensive loss for the year		(355.0)	(18.9)

* Full details of the above restatement can be found within note G1

Consolidated balance sheet

	Note	31 March 2017 £m	*Restated 31 March 2016 £m	*Restated 31 March 2015 £m
Non-current assets				
Intangible assets (including goodwill)	E1	238.3	291.3	275.7
Property, plant and equipment	D1	1,076.4	1,110.6	1,227.3
Investment properties	D2	78.1	82.4	14.1
Interests in associates and joint ventures	E3	258.5	171.8	148.9
Other receivables	F6.1	90.4	92.6	28.3
Assets available for sale	D3	7.9	7.5	4.4
Derivative financial instruments	G4.2	490.8	10.1	8.3
Deferred tax assets	G2.5	11.3	10.9	12.3
		2,251.7	1,777.2	1,719.3
Current assets				
Programme-related assets and other inventories	B5	612.9	684.7	707.9
Trade and other receivables	F6.2	1,022.4	978.0	949.4
Assets classified as held for sale		–	–	3.0
Derivative financial instruments	G4.2	6.6	3.9	11.4
Current tax assets	G2.4	40.0	26.1	20.5
Cash and cash equivalents	F1	256.3	334.8	405.8
		1,938.2	2,027.5	2,098.0
Current liabilities				
Trade and other payables	F7.1	(1,069.7)	(1,006.3)	(1,054.3)
Borrowings	F3.1	(14.5)	(67.5)	(49.8)
Provisions	F8	(62.5)	(64.8)	(66.2)
Derivatives financial instruments	G4.2	(34.0)	(19.3)	(17.0)
Current tax liabilities		(10.5)	(6.3)	(4.7)
		(1,191.2)	(1,164.2)	(1,192.0)
Non-current liabilities				
Other payables	F7.2	(48.4)	(11.6)	(10.5)
Borrowings	F3.2	(876.7)	(875.0)	(889.2)
Provisions	F8	(50.6)	(42.2)	(51.6)
Derivative financial instruments	G4.2	(533.9)	(12.8)	(18.7)
Deferred tax liabilities	G2.5	(31.4)	(21.5)	(19.7)
Pension liabilities	C7.1	(1,149.1)	(1,010.7)	(948.5)
		(2,690.1)	(1,973.8)	(1,938.2)
Net assets		308.6	666.7	687.1
Attributable to the BBC:				
Operating reserve		283.7	660.8	679.8
Hedging reserve		(21.3)	(13.0)	(3.0)
Translation reserve		47.9	17.5	10.3
Other reserves		(2.1)	1.3	–
		308.2	666.6	687.1
Non-controlling interests		0.4	0.1	–
Total capital and reserves		308.6	666.7	687.1

* Full details of the above restatement can be found within note G1

The financial statements were approved by the Board on 22 June 2017 and signed on their behalf by:



Tony Hall
Director-General



Anne Bulford
Deputy Director-General

Consolidated statement of changes in equity

	Note	Operating reserve £m	Hedging reserve £m	Translation reserve £m	Other reserve £m	Total £m	Non-controlling interests £m	Total £m
At 1 April 2015 ('Restated')		679.8	(3.0)	10.3	–	687.1	–	687.1
Surplus for the year		73.7	–	–	–	73.7	–	73.7
Exchange differences on translation of foreign operations		–	–	7.2	–	7.2	–	7.2
Cash flow hedges		–	(12.5)	–	–	(12.5)	–	(12.5)
Deferred tax on financial instruments		–	2.5	–	–	2.5	–	2.5
Revaluation of available for sale financial assets		–	–	–	2.9	2.9	–	2.9
Remeasurement on defined benefit pension scheme	C7.2	(92.7)	–	–	–	(92.7)	–	(92.7)
Total comprehensive (loss)/income for the year		(19.0)	(10.0)	7.2	2.9	(18.9)	–	(18.9)
Acquisition of subsidiaries		–	–	–	(1.6)	(1.6)	0.1	(1.5)
At 31 March 2016 ('Restated')		660.8	(13.0)	17.5	1.3	666.6	0.1	666.7
Deficit for the year		(129.1)	–	–	–	(129.1)	–	(129.1)
Exchange differences on translation of foreign operations		–	–	30.4	–	30.4	–	30.4
Cash flow hedges		–	(10.1)	–	–	(10.1)	–	(10.1)
Deferred tax on financial instruments		–	1.8	–	–	1.8	–	1.8
Revaluation of available for sale financial assets		–	–	–	–	–	–	–
Remeasurement on defined benefit pension scheme	C7.2	(248.0)	–	–	–	(248.0)	–	(248.0)
Total comprehensive (loss)/income for the year		(377.1)	(8.3)	30.4	–	(355.0)	–	(355.0)
Changes in non-controlling interest		–	–	–	(3.4)	(3.4)	0.3	(3.1)
At 31 March 2017		283.7	(21.3)	47.9	(2.1)	308.2	0.4	308.6

* Full details of the above restatement can be found within note G1

Consolidated cash flow statement

	Note	2017 £m	*Restated 2016 £m
Operating activities:			
Cash generated from operations	F5	301.1	179.9
Tax received		13.3	2.5
Net cash from operations		314.4	182.4
Investing activities:			
Interest received	F9	5.3	6.3
Financing income relating to swap transactions		20.8	–
Dividends received from associates and joint ventures		24.8	26.6
Proceeds from sale of operations		2.7	31.6
Proceeds from disposal of property, plant and equipment		27.9	24.2
Acquisition of investments		(0.4)	(3.1)
Acquisition of interests in associates and joint ventures		(43.7)	(2.9)
Purchases of other intangible assets	EI	(169.9)	(137.8)
Purchases of property, plant and equipment		(123.3)	(118.6)
Net cash used in investing activities		(255.8)	(173.7)
Financing activities:			
Interest paid	F9	(9.7)	(5.1)
Proceeds from increase in borrowings		–	53.6
Repayments of borrowings		(54.0)	(35.0)
Payment of obligations under finance leases		(72.9)	(93.7)
Net cash used in financing activities		(136.6)	(80.2)
Net decrease in cash and cash equivalents		(78.0)	(71.5)
Cash and cash equivalents at beginning of the year	FI	334.8	405.8
Effect on foreign exchange rate changes on cash and cash equivalents		(0.5)	(0.5)
Cash and cash equivalents at the end of the year	FI	256.3	334.8

* Full details of the above restatement can be found within note G1

Key themes for the BBC

			Page
A.	Where the BBC's funding comes from		
	Income and operating results	Contribution of commercial operations	131
	Licence fee income		
B.	How the BBC spends the funds		
	Total operating costs	Analysis of total operating costs by commercial activities	133
	Auditor's remuneration	Programme-related assets and other inventories	
	PSB Group expenditure	PSB ring-fenced expenditure	
C.	What the BBC spends on its people		
	Persons employed	Key management personnel compensation	138
	Employee remuneration	Related party transactions with key management personnel	
	Restructuring costs	Group pension plans	
	Remuneration of BBC Trust members and the BBC Executive Board		
D.	The property, technology and equipment used by the BBC to make and distribute its programmes		
	Property, plant and equipment	Financing costs of leasing arrangements	145
	Investment properties	Operating leases	
	Assets available for sale	Property provisions	
	Obligations under finance leases	Gain on disposal of non-current assets	
E.	Investments in the BBC's commercial activities		
	Intangible assets	Gain on sale and termination of operations	149
	Goodwill	Interests in associates and joint ventures	
F.	Managing funding (including future costs)		
	Analysis of net funds	Trade and other payables	153
	Borrowings and borrowing facilities	Provisions and contingent liabilities	
	Cash generated from operations	Net financing costs	
	Trade and other receivables	Long-term commitments not reflected in the balance sheet	

Notes to the accounts

A. Where the BBC's funding comes from

The Group generates its income from a number of key sources, each source funding different parts of the BBC's activity. The notes in this section provide information on the performance in the year for each segment of the BBC Group.

The distinction between the various income sources is important as the BBC must not cross-subsidise its commercial activities through its PSB Group or grant funded activities; however, the performance of the Group's commercial activities generates profits that are distributed back to the BBC and contribute towards the funding of PSB Group activities.

The BBC Group's operating segments are reported in a manner consistent with the internal reports provided to the BBC Board, and previously to the BBC Executive Board. The BBC Board is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

Segmental information provided to the BBC Board is aligned to the BBC Group's income sources. The reportable segments are:

- **PSB Group** – This primarily receives licence fee income and is responsible for the Group's public sector activities. During 2016/17 this included delivery of its obligations under the Service Licence Operating Framework issued by the former BBC Trust;
- **BBC Worldwide** – Generates revenue from exploiting the various assets of the BBC, for example licencing formats, selling international rights, merchandising and production facilities;
- **Other commercial** – These have been aggregated for reporting purposes as they meet the conditions set out in IFRS 8, Operating Segments.

From 1 April 2017 the BBC Board will also receive information relating to BBC Studios following its launch as a wholly-owned commercial subsidiary of the BBC Group.

The prices charged for services provided by one segment of the BBC Group to another are determined on an arm's length basis in accordance with the BBC's Fair Trading policy.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

A1 Income and operating results

2017	Note	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Licence fee income	A2	3,787.2	–	–	–	3,787.2
Other revenue		72.8	828.3	120.7	–	1,021.8
Intra-group trading		76.5	–	15.7	(92.2)	–
Grant income		39.1	0.1	–	–	39.2
Royalties		32.9	46.6	–	–	79.5
Rental income		25.0	1.3	–	–	26.3
Other income		246.3	876.3	136.4	(92.2)	1,166.8
Total income		4,033.5	876.3	136.4	(92.2)	4,954.0
Restructuring costs	C3	(47.8)	(1.5)	(0.3)	–	(49.6)
Depreciation and amortisation		(154.1)	(218.9)	(0.9)	–	(373.9)
Pension deficit reduction contributions		(100.0)	–	–	100.0	–
Other operating costs		(3,796.9)	(655.1)	(144.8)	27.0	(4,569.8)
Total operating costs	B3, B4	(4,098.8)	(875.5)	(146.0)	127.0	(4,993.3)
Group operating (deficit)/surplus		(65.3)	0.8	(9.6)	34.8	(39.3)
Gain on disposal of non-current assets	D8	0.6	7.7	–	–	8.3
Share of results of associates and joint ventures	E3	(2.4)	48.1	–	–	45.7
Operating segment result		(67.1)	56.6	(9.6)	34.8	14.7
Financing income	F9					5.3
Financing costs	F9					(139.3)
Net financing costs	F9					(134.0)
Deficit before taxation						(119.3)
Taxation	G2.1					(9.8)
Deficit for the year						(129.1)

Additional information on total operating costs can be found in note B3 for the PSB Group and note B4 for the commercially funded activities. Total operating costs for the Group are also analysed further in note B1.

FINANCE AND OPERATIONS

A. Where the BBC's funding comes from continued

*Restated 2016	Note	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Licence fee income	A2	3,742.8	–	–	–	3,742.8
Other revenue		59.7	809.5	111.6	–	980.8
Intra-group trading		65.1	–	20.5	(85.6)	–
Grant income		4.0	0.1	–	–	4.1
Royalties		31.4	45.2	–	–	76.6
Rental income		22.1	0.6	–	–	22.7
Other income		182.3	855.4	132.1	(85.6)	1,084.2
Total income		3,925.1	855.4	132.1	(85.6)	4,827.0
Restructuring costs	C3	(15.1)	(5.2)	(1.1)	–	(21.4)
Depreciation and amortisation		(152.7)	(134.5)	(1.8)	–	(289.0)
Pension deficit reduction contributions		(95.8)	(3.3)	(0.9)	100.0	–
Other operating costs		(3,761.0)	(653.3)	(139.0)	52.7	(4,500.6)
Total operating costs	B3, B4	(4,024.6)	(796.3)	(142.8)	152.7	(4,811.0)
Group operating (deficit)/surplus		(99.5)	59.1	(10.7)	67.1	16.0
Gain on disposal of non-current assets	D8	95.2	1.5	–	–	96.7
Share of results of associates and joint ventures	E3	(2.1)	41.8	–	–	39.7
Operating segment result		(6.4)	102.4	(10.7)	67.1	152.4
Financing income	F9					12.7
Financing costs	F9					(91.2)
Net financing costs	F9					(78.5)
Surplus before taxation						73.9
Taxation	G2.1					(0.2)
Surplus for the year						73.7

* For an explanation of the above restatement, see note G1

A2 Licence fee income

	Licence fee 2017 £	Licences in force 2017 Number '000	Total income 2017 £m	Licence fee 2016 £	Licences in force 2016 Number '000	Total income 2016 £m
Colour	145.50	21,667	3,138.8	145.50	21,441	3,103.1
Monochrome	49.00	6	0.3	49.00	7	0.3
Concessionary	7.50	176	1.2	7.50	186	1.3
Over 75s	–	4,385	630.4	–	4,363	621.7
		26,234	3,770.7		25,997	3,726.4
Quarterly payment scheme premium			16.5			16.4
Total licence fee income			3,787.2			3,742.8

During the year 3.3 million (2016: 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2016: £5).

Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC was reimbursed for these free licences by the relevant Government department during the year.

A3 Contribution of commercial operations

In the year ended 31 March 2017, a dividend of £89.3 million (2016: £93.0 million) was declared by BBC Worldwide to BBC Commercial Holdings and a dividend in specie of £0.5 million was declared by BBC Studioworks to BBC Commercial Holdings. A dividend of £86.5 million (2016: £93.0 million) was subsequently declared by BBC Commercial Holdings to PSB Group. The dividends paid are not identifiable in the consolidated primary statements as these amounts are eliminated during the consolidation process.

B. How the BBC spends the funds

This section analyses the total operating costs incurred by the BBC Group. It also analyses the PSB Group's expenditure by service licence.

Service licences

During 2016/17 service licences were used by the BBC Trust to regulate the BBC's licence fee-funded services and ensure that each service provides public value and contributes to delivering the BBC's public purposes.

The assessment of performance against service licences compares actual costs for content against an agreed and authorised baseline budget. Actual costs may vary by up to 10% of the baseline budget to permit management flexibility in its commissioning decisions.

No service was outside of its 10% threshold for the 2016/17 financial year.

Service licences show the cost to the licence fee payer of providing the relevant service and therefore exclude any costs funded by a co-producer. The table presented in note B3 sets out the PSB Group content expenditure by service.

Where a programme is broadcast on more than one channel, the full cost of the programme is recognised as a cost of the channel where the programme is first broadcast. Where a programme is commissioned by two channels, however, the cost of the programme is recognised as a cost of the primary channel irrespective of the channel holding the first transmission.

For BBC Online and BBC Red Button, the licence reflects only the incremental costs of getting content to audiences unless the content is specifically commissioned for one of these two services.

This means the costs reported against individual service licences are not necessarily equivalent to the costs which would be incurred by such a service on a stand-alone basis.

Development costs (see note B3.1) fund the near-term development of new platforms and services, particularly for BBC Online and Red Button. This is primarily focused on new features for existing services and also include related support and overhead costs. It is distinct from research costs (see note B3.2) which is focused on much longer-term research of new technology and standards that benefit the whole industry.

World Service operating licence

From 1 April 2014 BBC World Service, having previously been funded by the Foreign & Commonwealth Office, became directly funded by the licence fee. During 2016/17 the BBC Trust regulated spend on BBC World Service in a similar manner to the BBC's UK Public Services using an operating licence.

The BBC committed to spend at least £245 million on BBC World Service activity (including capital expenditure) in 2016/17. The operating licence also sets a content and distribution budget of £222 million.

World Service Grant Funding

In 2016/17 the Foreign & Commonwealth Office (FCO) awarded a grant to the BBC of £289 million, to be spend over the following 4 years, with a view to assist in the expansion of the World Service.

The funding will be used to enhance BBC's digital, television and radio services around the world to build the global reach of the World Service and increase access to news and information.

The BBC maintains editorial and operational oversight and independence, though we report regularly to the FCO on overall spend and the proportion of that expenditure that can be deemed 'Overseas Development Assistance' in nature.

For additional information on the relevant accounting policies applied in this section please see section H Basis of preparation of the financial statements and other accounting policies.

FINANCE AND OPERATIONS

B. How the BBC spends the funds continued

B1 Total operating costs

Total operating costs have been arrived at after charging the following items:

	Note	2017 £m	*Restated 2016 £m
Intangible fixed assets, property, plant and equipment and other investments			
Depreciation			
– owned assets	D1	109.9	113.6
– leased assets	D1, D2	35.6	35.2
Amortisation of intangible fixed assets	E1	228.4	140.2
Impairment of investments in joint ventures and associates		0.5	0.6
Impairment of intangible assets	E1	14.1	–
Inventories			
Write-downs of programme-related assets recognised as an expense		7.8	11.2
Other operating costs			
Payments under operating leases			
– land and buildings		47.0	46.7
– plant and machinery		9.2	27.9
– other		48.5	50.7
Net loss on disposal of tangible fixed assets [^]		3.8	9.2
Research costs	B3.2	15.1	17.9
Online and television development		71.3	87.7
Audit and non-audit fees paid to Ernst & Young LLP	B2	2.0	2.1
Fair trading auditor's remuneration (Deloitte LLP)		0.2	0.2
Net exchange differences on settled transactions		(16.9)	1.7
Impairment of trade debtors	F6.2	6.1	4.8
Staff costs	C2	1,387.0	1,297.2

[^] The loss on disposal of tangible fixed assets represent adjustments to depreciation on disposals made in the ordinary course of business

* Full details of the above restatement can be found within note G1

B2 Auditor's remuneration

Ernst & Young LLP served as independent external auditors for the year ended 31 March 2017 and 31 March 2016. The National Audit Office were appointed as independent external auditors from 1 April 2017.

The following table presents the aggregate fees for professional services and other services rendered by the external auditors to the BBC:

	Note	2017 £m	2016 £m
For the audit of the BBC's annual accounts		0.6	0.7
For the audit of subsidiaries of the BBC		0.8	0.9
Audit-related assurance services		0.2	0.2
Total audit and audit-related assurance services		1.6	1.8
Taxation compliance services		0.2	0.2
All other services		0.2	0.1
Total non-audit services		0.4	0.3
Total fees paid	B1	2.0	2.1

B. How the BBC spends the funds continued

B3 PSB Group expenditure

B3.1 PSB Group expenditure by service

2017 Service	Note	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One		1,115.4	35.7	157.1	78.2	1,386.4
BBC Two		403.3	20.4	59.4	28.9	512.0
BBC Four		50.5	4.4	8.5	3.6	67.0
CBBC		69.5	9.9	12.1	5.1	96.6
CBeebies		28.7	4.3	6.4	2.0	41.4
BBC ALBA		6.0	0.9	0.9	0.4	8.2
BBC News channel**		47.8	7.4	7.8	1.9	64.9
BBC Parliament		1.8	6.7	1.3	0.1	9.9
Television		1,723.0	89.7	253.5	120.2	2,186.4
BBC Radio 1		35.9	6.3	5.1	1.0	48.3
BBC Radio 2		51.2	6.3	4.9	1.8	64.2
BBC Radio 3		37.4	6.3	6.5	2.6	52.8
BBC Radio 4		87.9	6.7	12.9	5.4	112.9
BBC Radio 5 live		45.5	4.6	6.8	3.1	60.0
BBC Radio 5 live sports extra		2.7	1.8	1.3	0.2	6.0
BBC iXtra		6.6	1.9	2.7	0.3	11.5
BBC 6 Music		10.9	1.9	2.2	0.5	15.5
BBC 4 Extra		3.0	1.9	1.3	0.2	6.4
BBC Asian Network		7.1	2.3	1.8	0.5	11.7
BBC Local Radio		112.9	16.1	14.4	7.7	151.1
BBC Radio Scotland		21.1	2.9	4.3	1.5	29.8
BBC Radio nan Gàidheal		3.7	1.3	0.6	0.3	5.9
BBC Radio Wales		14.2	1.6	3.1	1.0	19.9
BBC Radio Cymru		13.6	1.5	3.0	1.0	19.1
BBC Radio Ulster/BBC Radio Foyle		17.5	2.0	3.8	1.3	24.6
Radio		471.2	65.4	74.7	28.4	639.7
BBC Online and Red Button***		185.5	45.7	41.2	13.2	285.6
Spend regulated by service licence		2,379.7	200.8	369.4	161.8	3,111.7
Orchestras and performing groups		23.2	–	2.9	1.7	27.8
S4C (service spend)		29.2	–	4.4	2.1	35.7
Development spend		57.0	–	7.0	4.3	68.3
World Service grant****		15.1	–	1.8	1.1	18.0
BBC World Service operating licence*****		229.6	–	25.3	12.9	267.8
Other service spend		354.1	–	41.4	22.1	417.6
Total service spend		2,733.8	200.8	410.8	183.9	3,529.3
Licence fee collection costs						82.2
S4C (direct funding)						74.5
Monitoring						6.0
PSB Group pension deficit reduction payment						100.0
Costs incurred to generate intra-group income						83.3
Costs incurred to generate third-party income						70.9
Restructuring costs						47.8
Total PSB Group content expenditure						3,994.0
Local TV*****						3.9
Broadband rollout*****						150.0
Total PSB Group expenditure						4,147.9
Lease reclassification*****						(49.1)
PSB Group expenditure	AI					4,098.8

FINANCE AND OPERATIONS

B. How the BBC spends the funds continued

*Restated 2016 Service	Note	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One		1,045.8	35.8	152.5	87.2	1,321.3
BBC Two		396.5	20.2	59.7	33.8	510.2
BBC Three		52.9	7.7	13.5	4.4	78.5
BBC Four		44.2	4.1	7.7	3.8	59.8
CBBC		70.6	7.7	12.3	6.1	96.7
CBeebies		29.1	4.1	6.6	2.5	42.3
BBC ALBA		5.5	0.9	0.9	0.5	7.8
BBC News channel**		46.6	7.0	6.5	2.2	62.3
BBC Parliament		1.9	6.3	1.4	0.2	9.8
Television		1,693.1	93.8	261.1	140.7	2,188.7
BBC Radio 1		36.2	6.0	5.2	1.3	48.7
BBC Radio 2		44.6	6.0	4.7	2.1	57.4
BBC Radio 3		37.7	6.0	6.4	3.0	53.1
BBC Radio 4		88.6	6.4	13.1	6.6	114.7
BBC Radio 5 live		45.5	4.4	6.9	3.6	60.4
BBC Radio 5 live sports extra		2.5	1.6	1.3	0.2	5.6
BBC 1Xtra		4.6	1.7	3.0	0.3	9.6
BBC 6 Music		7.9	1.7	2.4	0.6	12.6
BBC 4 Extra		3.1	1.7	1.4	0.2	6.4
BBC Asian Network		6.6	2.1	1.8	0.5	11.0
BBC Local Radio		119.8	14.8	14.9	9.3	158.8
BBC Radio Scotland		22.9	2.9	4.3	1.9	32.0
BBC Radio nan Gàidheal		3.9	1.3	0.7	0.3	6.2
BBC Radio Wales		15.1	1.6	3.0	1.2	20.9
BBC Radio Cymru		14.2	1.5	2.9	1.2	19.8
BBC Radio Ulster/BBC Radio Foyle		17.7	1.8	3.5	1.5	24.5
Radio		470.9	61.5	75.5	33.8	641.7
BBC Online and Red Button***		152.3	37.9	33.4	13.1	236.7
Spend regulated by service licence		2,316.3	193.2	370.0	187.6	3,067.1
Orchestras and performing groups		23.2	–	2.9	2.1	28.2
S4C (service spend)		28.0	–	4.3	2.4	34.7
Development spend		72.0	–	9.2	6.4	87.6
BBC World Service operating licence****		224.3	–	21.8	15.0	261.1
Other service spend		347.5	–	38.2	25.9	411.6
Total service spend		2,663.8	193.2	408.2	213.5	3,478.7
Licence fee collection costs						114.6
S4C (direct funding)						75.3
Monitoring						5.8
PSB Group pension deficit reduction payment						95.8
Costs incurred to generate intra-group income						64.5
Costs incurred to generate third-party income						71.3
Restructuring costs						15.1
Total PSB Group content expenditure						3,921.1
Local television*****						3.5
Broadband rollout*****						150.0
Total PSB Group expenditure						4,074.6
Lease reclassification*****						(50.0)
PSB Group expenditure	AI					4,024.6

* Full details of the above restatement can be found within note G1

** Included within BBC News channel are production costs of £25.4 million, Newsgathering costs of £20.8 million and other costs of £1.7 million (2016: production costs of £24.7 million, Newsgathering costs of £21.3 million and other costs of £0.6 million)

*** BBC Online and Red Button spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service and overheads. The spend for each annexe was: News, Travel & Weather £50.6 million (2016: £50.9 million), Sport £19.1 million (2016: £16.7 million), Childrens £10.4 million (2016: £9.4 million), BBC Three £37.1 million (2016: £10.4 million), Knowledge & Learning £15.4 million (2016: £18.6 million), TV & iPlayer £14.9 million (2016: £16.3 million) and Radio & Music £14.6 million (2016: £13.5 million), giving a total annexe spend of £162.1 million (2016: £135.8 million). Non-annexe spend was £23.4 million (2016: £16.5 million)

**** The BBC World Service Grant is in operation from this financial year and is being used to enhance the World Service by introduction of 12 new languages, improved newsgathering, digital transformation and new and improved programmes

***** The BBC World Service operating licence includes distribution spend of £38.2 million (2016: £36.6 million). Total Grant-in-aid funding equivalent spend on BBC World Service was £246.0 million (2016: £240.2 million)

***** Under the terms of the 2015 licence fee agreement, the BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels

***** In order to reflect the full cost of the PSB Group expenditure by service, finance lease interest is included, although it is not included in the Group operating expenditure

B. How the BBC spends the funds continued

B3.2 PSB Group support costs

PSB Group support costs include the following:

	Content and distribution support £m	General support £m	2017 £m	*Restated Content and distribution support £m	*Restated General support £m	*Restated 2016 £m
Property	64.8	48.3	113.1	65.8	41.7	107.5
HR and training	13.6	26.3	39.9	14.0	31.5	45.5
Policy and strategy	–	7.8	7.8	–	9.5	9.5
Finance and operations	12.0	39.7	51.7	10.7	49.1	59.8
Marketing, audiences and communication	86.8	–	86.8	86.8	–	86.8
Total central costs	177.2	122.1	299.3	177.3	131.8	309.1
Technology	125.7	47.2	172.9	106.3	60.0	166.3
Libraries, learning support and community events	28.0	–	28.0	28.5	–	28.5
Production and digital support	25.8	–	25.8	25.0	–	25.0
Research department	15.1	–	15.1	17.9	–	17.9
Contribution to JVs and spend in other PSB entities	28.1	–	28.1	28.3	–	28.3
BBC Trust Unit (excluding restructuring)	–	11.2	11.2	–	9.9	9.9
Other	10.9	3.4	14.3	25.1	11.8	36.9
Total support costs	410.8	183.9	594.7	408.4	213.5	621.9

* Full details of the above restatement can be found within note G1

B4 Analysis of total operating costs by commercial activities

	BBC Worldwide 2017 £m	BBC Worldwide 2016 £m	Other commercial 2017 £m	Other commercial 2016 £m	Total commercial 2017 £m	Total commercial 2016 £m
Cost of sales	653.8	572.7	113.7	114.2	767.5	686.9
Distribution costs	69.8	70.8	–	–	69.8	70.8
Administration expenses	151.9	152.8	32.3	28.6	184.2	181.4
Total operating costs	875.5	796.3	146.0	142.8	1,021.5	939.1

B5 Programme-related assets and other inventories

The main output of the BBC Group is the production of programmes for broadcast and the sale of rights for others to broadcast. This note discloses the amounts for those programmes that are in production, completed programmes that are ready for broadcast but not yet aired, and rights secured to broadcast programmes produced independently of the BBC Group. Other inventory for our commercial activities are also contained in this note.

Originated programmes are stated at the lower of cost and net realisable value, and the full value is written off on first transmission. The costs of acquired programmes and films are also written off on first transmission except to the extent that the numbers of further showings are contractually agreed, when it is written off according to its expected transmission profile.

	2017 £m	2016 £m
Programme-related assets		
– Rights to broadcast acquired programmes and films	99.9	92.9
– Prepayments to acquire future programme-related rights	308.8	349.1
– Completed originated programmes ¹	57.5	61.3
– Programmes in production	136.9	169.7
Total programme-related assets	603.1	673.0
Other inventories	9.8	11.7
Total programme-related assets and other inventories	612.9	684.7

¹ See Glossary for further details

FINANCE AND OPERATIONS

C. What the BBC spends on its people

The BBC Group employs a significant number of people. It also provides pension benefits to both current and past employees. This section is broken into two main parts; the first details employee numbers (excluding freelancers and agency staff), costs and transactions with members of the BBC Trust and the BBC Executive Board who served during the year. The second presents the key information relating to the BBC Group's pension plans.

The analysis provided in the pension notes is based on the IAS 19 estimate of the scheme's assets and liabilities as at 31 March 2017. The most recent actuarial valuation of the pension scheme completed by Willis Towers Watson showed a funding shortfall of £1,769 million at 1 April 2016.

The deficit of the BBC Pension Scheme can change significantly. In this section we provide information to explain the following:

- why the pension liabilities on the balance sheet have changed from one year to another;
- what makes up the charge in the income statement in the year;
- the amount of the scheme assets and liabilities totalling the net defined benefit pension liability on the balance sheet;
- how sensitive the liabilities are to changes in key assumptions; and
- the steps being undertaken by the BBC to fund the defined benefit pension liability.

The movement in the IAS 19 *Employee Benefits* estimate of the defined benefit scheme liability during the year, specifically the BBC Pension Scheme, is the item which singularly has the greatest impact on the balance sheet position of the Group. The pension note in this section explains in further detail the reasons behind the movements in the defined benefit pension liability in the year and its degree of sensitivity to changes in the underlying assumptions used.

Further information on the analysis of the BBC Pension Scheme assets and the assumptions underlying the liabilities are set out in note G3.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

CI Persons employed

The average number of persons employed in the year was:

	Average for the year	
	2017 Number	Restated 2016 Number
PSB Group	19,357	19,269
BBC Worldwide	1,706	1,759
Other commercial businesses	208	237
Group total	21,271	21,265

* The average number of persons employed during 2015/16 has been restated to include members of BBC Orchestras and BBC Singers employed on programme contracts

Within the averages above 2,882 (2016 restated: 2,850) part-time employees have been included at their full-time equivalent of 1,773 (2016 restated: 1,728).

In addition to the above, the Group employed an average full time equivalent of 988 (2016: 821) persons on a casual basis.

C. What the BBC spends on its people continued

C2 Employee remuneration

	Note	2017 £m	2016 £m
Salaries and wages		1,018.1	990.0
Social security costs		106.6	101.5
Pension costs			
Main scheme (defined benefit)	C7.3	183.2	154.5
Other schemes	C7.3	29.5	29.8
Restructuring costs	C3	49.6	21.4
		1,387.0	1,297.2
Comprising:			
PSB Group		1,259.9	1,198.8
BBC Worldwide		142.9	145.1
Other commercial businesses		15.3	18.5
Group adjustments*		(31.1)	(65.2)
Group total		1,387.0	1,297.2

* Relates to Group adjustments for the BBC Pension Scheme, reflecting the difference between the operating charge and contributions paid

The actual employer cash contributions to the defined benefit pension scheme are borne by each business.

Employee pension contributions made via salary sacrifice are included within pension costs, with a corresponding reduction in salaries and wages.

C3 Restructuring costs

	2017 £m	2016 £m
PSB Group	47.8	15.1
BBC Worldwide	1.5	5.2
Other commercial businesses	0.3	1.1
	49.6	21.4

The table above reflects the BBC's cost of redundancy during the year. For further information on total restructuring costs, please see note F8.

The PSB Group restructuring costs include anticipated redundancies associated with the carve out of BBC Studios activity, ongoing savings initiatives and costs resulting from the commitment to relocate and increase investment out of London.

BBC Worldwide includes redundancy costs arising as a result of changes within the Group's organisation structure.

C4 Remuneration of the BBC Trust members and the BBC Executive Board

The total emoluments of the members of the former BBC Executive Board and the former BBC Trust are disclosed in the Remuneration Report.

C5 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the BBC. During 2016/17 this included all members of the BBC Executive Board, including the non-executive directors (see the BBC Executive Remuneration Report), along with the Trustees and the Director of the Trust Unit (see the Trustees' Remuneration Report).

Information about the BBC's structure, senior staff salaries and expenses are published on the BBC's website.

Key management personnel compensation is as follows:

	2017 £m	2016 £m
Short-term employee benefits	4.2	4.2
Post-employment benefits	0.4	0.3
	4.6	4.5

FINANCE AND OPERATIONS

C. What the BBC spends on its people *continued*

C6 Related party¹ transactions with key management personnel

Executive directors:

Charlotte Moore has a close family member who is a Director of Perry Images Limited. During the year the BBC received an immaterial amount of services from Perry Images Limited. There were no outstanding balances as at 31 March 2017.

Trustees:

Elan Clos Stephens has a close family member employed by the BBC on standard terms and conditions.

C7 Group pension plans

The following section includes the key notes relating to BBC Group pension plans and more specifically the BBC Pension Scheme¹. Further supplementary notes on the assumptions underpinning the value of the BBC Pension Scheme asset and liability are disclosed in note G3.

As the BBC Group has two defined benefit pension schemes, the BBC Pension Scheme and the Unfunded Scheme, the information in this section first analyses the liability and income statement charge between the two schemes (note C7). Separate analysis then follows in respect of the BBC Pension Scheme to highlight the points outlined below (note C8).

The defined benefit pension schemes give rise to liabilities which are included on the BBC Group balance sheet as the BBC bears the risk on investment returns, life expectancy (mortality) and inflation related to meeting future pension payments. The net liability consists of two component parts:

- scheme liabilities: these are the present value of the future pension payments the BBC is required to pay in respect of employee service performed up to the balance sheet date.
- scheme assets: these are the assets held by the pension fund, into which the BBC pays annual contributions. The assets are used to fund the payments to retired members and to generate returns to fund future pension payments.

The BBC Group's defined contribution plans do not give rise to balance sheet pension assets/liabilities as there is no ongoing liability for the employer from these plans once the contributions due for the year have been settled. The expenditure on the defined contribution scheme shown in these accounts represents the BBC's contributions payable in this financial year.

C7.1 Pension liabilities included in the balance sheet

The pension liabilities included in the BBC Group balance sheet comprise both the BBC Pension Scheme and the Unfunded Scheme and are analysed below:

	Pension liabilities	
	2017 £m	2016 £m
BBC Pension Scheme	(1,140.7)	(1,003.4)
Unfunded Scheme	(8.4)	(7.3)
Total	(1,149.1)	(1,010.7)

¹ See Glossary for further details

C. What the BBC spends on its people continued

C7.2 Group pension plans

	BBC Pension Scheme 2017 £m	Unfunded Scheme 2017 £m	Total 2017 £m	BBC Pension Scheme 2016 £m	Unfunded Scheme 2016 £m	BBC Pension Total 2016 £m
Deficit in scheme at the start of the year	(1,003.4)	(7.3)	(1,010.7)	(940.7)	(7.5)	(948.2)
Movement in the year:						
Current service cost ¹	(186.1)	–	(186.1)	(185.4)	–	(185.4)
Contributions (from employer)*	334.3	0.4	334.7	219.8	0.4	220.2
Past service costs ^{**}	2.9	–	2.9	30.9	–	30.9
Administration costs incurred	(9.8)	–	(9.8)	(7.7)	–	(7.7)
Net finance cost ¹	(31.9)	(0.2)	(32.1)	(29.9)	(0.2)	(30.1)
Settlement gains	–	–	–	2.3	–	2.3
Remeasurement ¹ recognised in the consolidated statement of comprehensive income	(246.7)	(1.3)	(248.0)	(92.7)	–	(92.7)
Deficit in scheme at the end of the year	(1,140.7)	(8.4)	(1,149.1)	(1,003.4)	(7.3)	(1,010.7)

* The contribution shown for the Unfunded Scheme represents the pensions paid to members during the year

** This comprises a past service cost of £0.4 million for augmentations over the year and a past service credit of £3.3 million due to the Pension Increase Exchange¹

The assumptions for pension scheme liabilities of the Unfunded Scheme are the same as the main scheme. As the scheme is unfunded there are no assets.

C7.3 Pension charges in consolidated income statement

	Note	BBC Pension		Defined Contribution Scheme £m	All schemes £m
		BBC Pension Scheme £m	Unfunded Scheme £m		
2017					
Current service cost	C2	(186.1)	–	(29.5)	(215.6)
Past service costs	C2	2.9	–	–	2.9
Administration costs		(9.8)	–	–	(9.8)
Total operating charge		(193.0)	–	(29.5)	(222.5)
Net finance cost	F9	(31.9)	(0.2)	–	(32.1)
Net cost in consolidated income statement		(224.9)	(0.2)	(29.5)	(254.6)
2016					
Current service cost	C2	(185.4)	–	(29.8)	(215.2)
Past service costs	C2	30.9	–	–	30.9
Settlement gains		2.3	–	–	2.3
Administration costs		(7.7)	–	–	(7.7)
Total operating charge		(159.9)	–	(29.8)	(189.7)
Net finance cost	F9	(29.9)	(0.2)	–	(30.1)
Net cost in consolidated income statement		(189.8)	(0.2)	(29.8)	(219.8)

¹ See Glossary for further details

C. What the BBC spends on its people *continued*

C8 BBC Pension Scheme

The BBC Pension Scheme, a defined benefit scheme, is now closed to new entrants. This plan provides pensionable salary-related benefits on a defined benefit basis.

The pension scheme is administered by a separate fund that is legally separated from the BBC Group. The Trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme. The pension scheme Trustees manage the plan in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities.

The pension scheme exposes the BBC to the following actuarial risks:

Risk	Description
Investment risk	Actual returns may differ from expected returns. If the return on plan assets is below the discount rate, it will create a plan deficit. Investments are diversified across and within asset classes, to avoid overexposure to any one asset class or market.
Currency risk	Movements in exchange rates can impact the sterling value of overseas assets held. The scheme ensures that overseas investments are diversified across currencies and buys forward rate contracts in order to partially hedge against US dollar and euro exposures.
Counterparty risk	The risk that a counterparty defaults while owing money to the scheme. Collateral is posted by the counterparty for long-term transactions when the valuation of the transaction is favourable to the scheme.
Interest risk	A fall in interest rates would cause the present value of liabilities to rise. To mitigate this risk, the scheme's Trustees invest in bonds, derivatives and other investments with predictable long-term cash flows that will tend to rise in price if interest rates fall.
Longevity risk	Longer life expectancy would increase the scheme's liabilities. The scheme's Trustees regularly assess the possibility and value of hedging the scheme's longevity risk.
Inflation risk	An increase in expected inflation will cause the present value of liabilities to rise if it is not accompanied by a rise in interest rates. To mitigate this risk, the scheme's Trustees invest in index-linked bonds, derivatives and other assets whose value is likely to increase if inflation rises.
Liquidity risk	The risk of the scheme not having sufficient liquid assets to allow it to meet its liabilities and other obligations as they fall due. The amount of cash held to pay benefits is assessed well in advance to minimise unforeseen sales and transaction costs and the large majority of the scheme's assets are invested in highly liquid assets.
Custody risk	The collapse of the scheme's custodian could result in a significant proportion of the scheme's assets being frozen or put at risk of loss. The scheme undertakes rigorous due diligence of the custodian relationship and conducts regular service level reviews.

C8.1 Scheme financial position

Valuations of the scheme are performed by Willis Towers Watson, consulting actuaries. Formal valuations are undertaken at least every three years.

IAS 19 valuation ¹	Note	2017 £m	2016 £m
Scheme assets	G3.2	15,745.2	12,821.4
Scheme liabilities	G3.1	(16,885.9)	(13,824.8)
Deficit		(1,140.7)	(1,003.4)
Percentage by which scheme assets cover liabilities		93%	93%

Key movements in the year are shown in note C7.2.

A deferred tax asset or liability in relation to the scheme does not arise for the BBC Group because most of the BBC Group's public service activity is not subject to taxation.

¹ See Glossary for further details

C. What the BBC spends on its people continued

The sensitivities of the Scheme's liabilities to changes in the principal assumptions are set out below:

2017	Assumption used	Movement	Impact on scheme liabilities %	(Increase)/decrease on scheme liabilities £m
Discount rate	2.5%	decrease 0.1%	2.5%	(416)
Discount rate	2.5%	increase 0.1%	1.8%	307
Retail price inflation rate	3.2%	decrease 0.1%	2.0%	331
Retail price inflation rate	3.2%	increase 0.1%	2.0%	(340)
Mortality rate	See note G3.5	decrease 1 year	3.4%	581
Mortality rate	See note G3.5	increase 1 year	3.6%	(602)

2016	Assumption used	Movement	Impact on scheme liabilities %	(Increase)/decrease on scheme liabilities £m
Discount rate	3.4%	decrease 0.1%	2.2%	(302)
Discount rate	3.4%	increase 0.1%	1.6%	227
Retail price inflation rate	3.0%	decrease 0.1%	1.7%	237
Retail price inflation rate	3.0%	increase 0.1%	1.8%	(244)
Mortality rate	See note G3.5	decrease 1 year	3.4%	476
Mortality rate	See note G3.5	increase 1 year	3.6%	(493)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

C8.2 Funding the scheme

The 2016 actuarial valuation by Willis Towers Watson of the pension scheme showed a funding shortfall of £1,769 million. Consequently, an 11 year recovery plan (2017 to 2028) was agreed between the BBC and the pension scheme Trustees which details the total amounts to be paid by the BBC (these amounts include both the employer normal contributions in respect of future service accrual and the amounts payable in respect of the funding shortfall). Future contributions are to be paid to the pension scheme on or before the due dates shown below.

Due date	Amount £m	Due date	Amount £m
31 March 2018	340	31 March 2024	195
31 March 2019	125	31 March 2025	195
31 March 2020	145	31 March 2026	195
31 March 2021	195	31 March 2027	195
31 March 2022	180	31 March 2028	195
31 March 2023	185	31 December 2028	195

The next formal actuarial valuation is to be performed as at 1 April 2019.

Contribution rates	Projection 2018 %	2017 %	2016 %
Employer	31.4	16.7	16.7
Employee (Old and New Benefits)	7.5	7.5	7.5
Employee (Career Average Benefits 2006)	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	6.0

On the basis of the pension assumptions made above, contributions totalling £340.0 million are expected to be paid in 2017/18.

I See Glossary for further details

FINANCE AND OPERATIONS

C. What the BBC spends on its people *continued*

C8.3 Scheme cash flows (day-to-day liquidity)

Below are the cash flows related to the BBC Pension Scheme (not included in the Group results). The contributions paid have increased due to a £220 million contribution paid in March 2017 (2016: £100 million). As the scheme is now closed to new entrants, the level of contribution from employees will decrease (as members retire, there are no new entrants to replace the reduction in employee contributions).

	2017 £m	2016 £m
Contributions including additional voluntary (employer and employee)	337.5	222.9
Investment income	231.4	222.9
Cash inflows	568.9	445.8
Payments of pensions and transfers out	(459.1)	(446.5)
Expenses	(29.0)	(28.1)
Net cash inflow/(outflow)	80.8	(28.8)

D. The property, technology and equipment used by the BBC to make and distribute its programmes

The BBC Group uses a significant number of assets in its operations. This section sets out those assets the BBC Group intends to continue to use, those which it is disposing of and any disposals made in the year.

In accordance with IAS 17 Leases the BBC Group includes certain assets leased under finance leases on the balance sheet. For these assets the BBC Group has obtained substantially all the risks and benefits of ownership, but does not have legal ownership.

The BBC Group has certain obligations to restore leased properties to their original condition at the end of the lease term. The BBC Group makes provisions for the cost of such restoration works. The amounts provided are included within this section of the notes.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

D1 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2015 (*Restated)	1,100.5	1,026.4	124.0	102.8	2,353.7
Additions	0.7	16.3	3.2	106.9	127.1
Transfer to investment properties	(109.2)	–	–	–	(109.2)
Transfer from intangible assets	–	–	(1.2)	(17.0)	(18.2)
Brought into service	13.0	67.8	13.7	(94.5)	–
Disposals	(10.9)	(61.8)	(17.1)	–	(89.8)
Exchange movements	0.2	0.4	0.2	–	0.8
At 31 March 2016 (*Restated)	994.3	1,049.1	122.8	98.2	2,264.4
Additions	0.9	7.7	1.7	117.5	127.8
Transfer to intangible assets	–	–	–	(17.6)	(17.6)
Brought into service	8.8	51.1	6.5	(66.4)	–
Disposals	–	(33.9)	(2.3)	–	(36.2)
Exchange movements	0.9	0.5	0.8	–	2.2
At 31 March 2017	1,004.9	1,074.5	129.5	131.7	2,340.6
Depreciation					
At 1 April 2015 (*Restated)	334.9	702.8	88.7	–	1,126.4
Charge for the year	41.9	92.7	11.2	–	145.8
Transfer to intangible assets	–	–	(0.7)	–	(0.7)
Disposals	(10.2)	(57.4)	(13.0)	–	(80.6)
Transfer to investment properties	(37.8)	–	–	–	(37.8)
Exchange adjustments	0.3	0.2	0.2	–	0.7
At 31 March 2016 (*Restated)	329.1	738.3	86.4	–	1,153.8
Charge for the year	41.8	90.0	9.4	–	141.2
Disposals	–	(30.1)	(2.3)	–	(32.4)
Exchange adjustments	0.7	0.4	0.5	–	1.6
At 31 March 2017	371.6	798.6	94.0	–	1,264.2
Net book value					
At 31 March 2017	633.3	275.9	35.5	131.7	1,076.4
At 31 March 2016 (*Restated)	665.2	310.8	36.4	98.2	1,110.6

* Full details of the above restatement can be found within note G1

FINANCE AND OPERATIONS

D. The property, technology and equipment used by the BBC to make and distribute its programmes *continued*

D2 Investment properties

	2017 £m	*Restated 2016 £m
Cost		
At 1 April	130.9	21.7
Transfer from property, plant and equipment	–	109.2
At 31 March	130.9	130.9
Depreciation		
At 1 April	48.5	7.7
Charge for the year	4.3	3.0
Transfer from property, plant and equipment	–	37.8
At 31 March	52.8	48.5
Net book value	78.1	82.4

* Full details of the above restatement can be found within note G1

The BBC holds investment properties as at 31 March 2017 valued at £181.4 million (2016: £167.8 million). The valuation of these investment properties was carried out by Lambert Smith Hampton, independent valuers not connected with the Group, in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards. The valuation conforms to International Valuation Standards. In estimating the fair value¹ of the properties, the highest and best use of the properties is their current use.

The property rental income earned by the Group from its investment properties, which are leased out under operating leases, amounted to £19.0 million (2016: £14.4 million). Direct operating expenses incurred on the investment properties, which generated rental income during the year, amounted to £3.1 million (2016: £2.5 million). Direct operating expenses incurred on the investment properties, which did not generate rental income during the year, amounted to £0.1 million (2016: £0.3 million).

D3 Assets available for sale¹

	2017 £m	2016 £m
Unquoted equities	7.9	7.5

D4 Obligations under finance leases¹

	2017 £m	*Restated 2016 £m
Due within one year	14.5	13.5
Due after more than one year	675.5	697.1
	690.0	710.6

See note F3 for full analysis of borrowings, including obligations under finance leases.

Finance lease liabilities are payable as follows:

	Minimum lease payments £m	Interest £m	Principal £m
2017			
Not later than one year	61.8	47.3	14.5
Later than one year but not later than five years	273.8	173.5	100.3
Later than five years	855.0	279.8	575.2
	1,190.6	500.6	690.0
2016 (*Restated)			
Not later than one year	62.2	48.7	13.5
Later than one year but not later than five years	273.5	180.0	93.5
Later than five years	924.1	320.5	603.6
	1,259.8	549.2	710.6

* Full details of the above restatement can be found within note G1

¹ See Glossary for further details

D. The property, technology and equipment used by the BBC to make and distribute its programmes [continued](#)

Under the terms of the lease agreements, the BBC has the right to share in the residual value of its key finance lease properties (Broadcasting House and Pacific Quay). This share will be passed to the BBC as either a cash flow at the end of the lease arrangement, or a reduction in rentals if the lease agreement is extended for a further term. In addition, the BBC has the right to repurchase each property at the end of the respective lease agreement.

Interest rates are fixed at the contract date. Leases with a carrying value of £688.5 million (2016 Restated: £706.7 million) have contingent elements included within their contracts and result in contingent rents of £27.4 million (2016 Restated: £26.3 million) being reflected in operating costs.

Included within the carrying amounts of assets in note D1 and D2 are amounts held under finance leases. Set out below is the analysis of the carrying amount of assets held under finance leases by asset category:

	Land and buildings £m	Investment Property £m	Plant and machinery £m	Total £m
Net book value				
At 31 March 2017	500.6	78.1	1.3	580.0
At 31 March 2016 (*Restated)	529.8	82.4	3.3	615.5

* Full details of the above restatement can be found within note G1

D5 Financing costs of lease arrangements

Interest costs relating to the finance lease obligations are recognised in the income statement at a constant rate over the term of the lease.

	Note	2017 £m	Restated 2016 £m
Financing costs of lease arrangements	F9	49.1	50.8

* Full details of the above restatement can be found within note G1

D6 Operating leases¹

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 £m	2016 £m
Not later than one year	97.9	100.3
Later than one year but not later than five years	288.4	316.2
Later than five years	521.8	585.9
	908.1	1,002.4

The BBC Group's operating lease agreements primarily relate to office space, land, computers and other IT equipment. Certain contracts include renewal options, stepped rents or annual RPI uplifts (which are accounted for on a straight line basis) or periodic rent reviews. All leases have been entered into on commercial terms.

The BBC Group has entered into a number of sublease arrangements. The total future minimum sublease income expected to be received under non-cancellable subleases at 31 March 2017 is:

	2017 £m	2016 £m
Due within one year	24.5	6.1
Due after one year but not later than five years	89.5	24.0
Due after more than five years	263.6	33.0
	377.6	63.1

¹ See Glossary for further details

FINANCE AND OPERATIONS

D. The property, technology and equipment used by the BBC to make and distribute its programmes *continued*

D7 Property provisions

Property provisions relate to the cost of returning leasehold properties (accounted for as operating leases) to their original condition at the end of the lease. The average life of these leases is 8 years, and the actual amount payable will depend on the extent of leasehold improvements made over the remainder of the lease. The majority of this provision is expected to be paid after more than five years and only £1.0 million is expected to be paid during the next financial year. For full analysis of provisions and contingent liabilities see note F8.

	At 1 April £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March £m
2017	37.2	7.4	(1.8)	(0.8)	42.0
2016	38.7	2.8	(2.1)	(2.2)	37.2

D8 Gain on disposal of non-current assets

	2017 £m	2016 £m
Disposal of property, plant and equipment	0.6	95.2
Disposal of investments in associates and joint ventures	7.7	1.5
Total gain on disposal of non-current assets	8.3	96.7

In November 2016, the Group and ITV Plc formed a joint venture, Britbox LLC, ('Britbox'), to launch an SVOD service in the US. In December 2016, AMC Networks Inc., subscribed for 19% of newly-issued Britbox shares, diluting the Group's stake and crystallising a £6.1 million gain in the Group's account for a deemed disposal.

The Group disposed of interests in Slim Film & TV Limited and Next Radio Limited for a total consideration of £2.7 million. As both of these investments had previously been impaired to nil, the full consideration has been recognised as a gain on disposal.

During the year, the Group acquired a further 48% of the shares of Baby Cow. A fair value loss of £1.1 million was recorded upon transaction.

The gain on disposal of properties in the prior year related to the sale of freehold land from the West London Media Village site; overage on the sale of BBC Television Centre; and the sale of BBC Television Centre freehold land.

On 25 April 2015, BBC Worldwide disposed of its interest in Temple Street Productions for a cash consideration of £4.5 million, resulting in a gain on disposal of investments in associates and joint ventures of £1.5 million. Net assets at the date of disposal were £3.0 million.

E. Investments in the BBC's commercial activities

The following section is primarily driven by the commercial activities of the BBC Group and includes information on what assets are used to generate economic benefits for the BBC Group. The section also includes intangible assets such as goodwill and programme acquisitions, balances held to represent the BBC's interest in associates and joint ventures and the results of any sale of operations that have occurred.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

E1 Intangible assets

	Goodwill £m	Programme rights £m	Software £m	Other intangibles £m	Total £m
Cost					
At 1 April 2015	33.4	592.4	190.6	9.1	825.5
Additions	0.4	122.4	14.5	0.5	137.8
Disposals	–	(2.8)	(34.2)	–	(37.0)
Transfer from property, plant and equipment	–	–	18.2	–	18.2
Exchange movements	0.4	0.5	–	0.4	1.3
At 31 March 2016	34.2	712.5	189.1	10.0	945.8
Additions	–	155.8	10.4	3.7	169.9
Disposals	–	–	(1.3)	(0.2)	(1.5)
Transfer from property, plant and equipment	–	–	17.6	–	17.6
Exchange movements	1.3	2.9	–	1.4	5.6
At 31 March 2017	35.5	871.2	215.8	14.9	1,137.4
Amortisation and impairment					
At 1 April 2015	–	419.2	126.7	3.9	549.8
Charge for the year	–	121.0	18.7	0.5	140.2
Write off	–	–	0.7	–	0.7
Disposals	–	(2.8)	(34.2)	–	(37.0)
Exchange adjustments	–	0.5	–	0.3	0.8
At 31 March 2016	–	537.9	111.9	4.7	654.5
Charge for the year	–	201.8	24.8	1.8	228.4
Disposals	–	–	(1.3)	(0.1)	(1.4)
Impairment	–	–	14.1	–	14.1
Exchange adjustments	–	2.7	–	0.8	3.5
At 31 March 2017	–	742.4	149.5	7.2	899.1
Net book value					
At 31 March 2017	35.5	128.8	66.3	7.7	238.3
At 31 March 2016	34.2	174.6	77.2	5.3	291.3

Other intangibles include:

	2017 £m	2016 £m
Acquired carrier agreements	4.6	4.6
Other	3.1	0.7
	7.7	5.3

Impairments above includes the impairment in full of assets relating to BBC Store (£12.5m) following a full review at 31 March 2017. The Group accounting policy is to review the amortisation profile of distribution rights every three years. This review has resulted in a new amortisation profile for distribution rights which amortises the original cost of investments over a three year period (previously a range from one to ten years) to match an overall revenue profile updated for recent experience.

FINANCE AND OPERATIONS

E. Investments in the BBC's commercial activities continued

E2 Goodwill

All goodwill is recognised in BBC Worldwide.

Goodwill, allocated by cash-generating unit¹ (CGU), is analysed as follows:

Goodwill by cash-generating unit	2017 £m	2016 £m
Consumer Distribution	25.4	25.4
Australian Channels	9.6	8.4
South African Production	0.5	0.4
	35.5	34.2

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions used for these calculations are discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to each CGU.

BBC Worldwide tests goodwill for impairment in the accounting period in which a business combination takes place, thereafter annually or more frequently, if there are indications that goodwill might be impaired.

No goodwill impairment has been recognised to date.

Consumer Distribution business

The goodwill in this CGU arose as a result of the acquisition of 2entertain on 6 August 2009. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five-year period after which cash flows have been extrapolated using an expected growth rate of -6% (2015: -6%).

A discount rate of 13.9% (2016: 14.9%) has been applied to the cash flows.

Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UKTV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2016: five years) and a discount rate of 13.9% (2016: 16.0%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1.0% (2016: 1.0%).

The main assumption on which the forecast cash flows are based is licence fee rates. In forming its assumptions about licence fee rates, the Group has used a combination of long-term trends and recently contracted terms.

South African Production

The goodwill in this CGU arose as a result of the acquisition of Rapid Blue (Pty) Limited on 28 March 2016. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of 2.5% (2016: no test was performed as the entity was acquired close to year end).

A discount rate of 22.5% has been applied to the cash flows.

Management believe that any reasonably possible change in the key assumptions on which the value in use of the above cash-generating units is based would not result in any impairment.

¹ See Glossary for further details

E. Investments in the BBC's commercial activities continued

E3 Interests in associates¹ and joint ventures¹

This note details the BBC Group's share of net assets in associates and joint ventures, along with the impact that they have on the income statement. Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in note G5.

	2017 £m	2016 £m
Interest in joint ventures	53.5	12.2
Interest in associates	205.0	159.6
Total interest in associates and joint ventures	258.5	171.8
Share of results of joint ventures	31.4	28.7
Share of results of associates	14.3	11.0
Total share of results of associates and joint ventures	45.7	39.7

The following table presents financial information for joint ventures:

	Danus Limited £m	UKTV Media Limited £m	Freesat (UK) Limited £m	Other £m	Total 2017 £m
Non-current assets	561.7	8.9	–	2.8	573.4
Current assets	57.9	261.8	11.4	19.7	350.8
Current liabilities	(53.0)	(140.0)	–	(9.4)	(202.4)
Non-current liabilities	(720.4)	(54.1)	(35.6)	–	(810.1)
Shareholders' equity	(153.8)	76.6	(24.2)	13.1	(88.3)
Adjustment to reflect the BBC Group's effective obligation	153.8	(38.4)	15.8	(5.2)	126.0
Provision for unrealised profit	–	(5.1)	–	(0.8)	(5.9)
Group's share of net assets/(liabilities) of joint ventures	–	33.1	(8.4)	7.1	31.8
The net book value is presented within:					
Interest in associates and joint ventures					53.5
Provisions ¹					(8.4)
Interest in Danus Limited recognised at cost					(13.3)
					31.8
Income	22.4	348.7	8.9	41.1	421.1
Profit/(loss) after tax	13.2	72.5	(4.9)	(5.1)	75.7
Adjustment to reflect the BBC Group's effective obligation	(13.2)	(36.3)	2.4	2.8	(44.3)
Share of results of joint ventures	–	36.2	(2.5)	(2.3)	31.4
	Danus Limited £m	UKTV Media Limited £m	Freesat (UK) Limited £m	Other £m	Total 2016 £m
Non-current assets	567.9	6.8	0.1	0.1	574.9
Current assets	52.7	220.0	12.2	6.5	291.4
Current liabilities	(49.2)	(137.9)	(4.7)	(8.2)	(200.0)
Non-current liabilities	(753.2)	(54.1)	(29.7)	–	(837.0)
Shareholders' equity	(181.8)	34.8	(22.1)	(1.6)	(170.7)
Adjustment to reflect the BBC Group's effective obligation	181.8	(17.5)	15.0	1.8	181.1
Provision for unrealised profit	–	(5.3)	–	–	(5.3)
Group's share of net assets/(liabilities) of joint ventures	–	12.0	(7.1)	0.2	5.1
The net book value is presented within:					
Interest in associates and joint ventures					12.2
Provisions ¹					(7.1)
					5.1
Income	14.2	329.4	8.0	38.4	390.0
Profit/(loss) after tax	13.2	61.4	(4.1)	(0.6)	69.9
Adjustment to reflect the BBC Group's effective obligation	(13.2)	(30.7)	2.1	0.6	(41.2)
Share of results of joint ventures	–	30.7	(2.0)	–	28.7

¹ See Glossary for further details

FINANCE AND OPERATIONS

E. Investments in the BBC's commercial activities continued

The following table presents financial information for associates:

	New Video Channel America LLC £m	YouView Limited £m	3sixtymedia Limited £m	Other £m	Total 2017 £m
Non-current assets	162.9	0.3	0.7	6.4	170.3
Current assets	92.1	4.9	4.3	68.6	169.9
Current liabilities	(28.0)	(8.6)	(0.7)	(36.4)	(73.7)
Non-current liabilities	(13.5)	(34.1)	–	(16.8)	(64.4)
Net assets/(liabilities)	213.5	(37.5)	4.3	21.8	202.1
Group share net assets	107.0	–	–	6.3	113.3
Provision for unrealised profit	(3.8)	–	–	(0.3)	(4.1)
Goodwill	69.6	–	–	26.2	95.8
Total net book value	172.8	–	–	32.2	205.0
The net book value is presented within:					
Interest in associates and joint ventures					205.0
					205.0
Income	128.9	11.9	(3.2)	60.1	197.7
Profit/(loss) after tax	26.3	(2.9)	(0.1)	(0.6)	22.7
Adjustment to reflect the BBC Group's effective obligation	(12.7)	2.9	0.1	1.3	(8.4)
Group share of results	13.6	–	–	0.7	14.3

	New Video Channel America LLC £m	YouView Limited £m	3sixtymedia Limited £m	Other £m	Total 2016 £m
Non-current assets	135.9	0.2	0.8	4.4	141.3
Current assets	69.2	8.4	5.2	42.8	125.6
Current liabilities	(25.5)	(8.3)	(1.9)	(28.1)	(63.8)
Non-current liabilities	(6.0)	(14.9)	–	(8.4)	(29.3)
Net assets/(liabilities)	173.6	(14.6)	4.1	10.7	173.8
Group share net assets	87.0	–	0.4	3.2	90.6
Provision for unrealised profit	(3.7)	–	(0.4)	(0.2)	(4.3)
Goodwill	60.2	–	–	12.9	73.1
Other	–	–	–	0.2	0.2
Total net book value	143.5	–	–	16.1	159.6
The net book value is presented within:					
Interest in associates and joint ventures					159.6
					159.6
Income	113.6	11.9	7.7	51.5	184.7
Profit/(loss) after tax	18.0	(31.0)	(1.4)	1.7	(12.7)
Adjustment to reflect the BBC Group's effective obligation	(9.0)	31.0	1.4	0.3	23.7
Group share of results	9.0	–	–	2.0	11.0

F. Managing funding (including future costs)

This section contains the notes to the balance sheet that detail the funding of the BBC Group as well as the assets and liabilities that are primarily used in the day-to-day transactions of the BBC Group.

It also sets out the external borrowings of the BBC Group. The BBC Group is subject to two specific limits to its borrowings:

- the Public Service net borrowing limit of £200 million is set by the Secretary of State for DCMS in accordance with the Framework Agreement between the BBC and DCMS.
- under a direction granted by the Secretary of State for the DCMS a net borrowing limit of £350 million has been set for the BBC commercial group.

Included within this section are the disclosures required by DCMS in respect of the above limits.

For additional information on the relevant accounting policies applied in this section please see section H Basis of preparation of the financial statements and other accounting policies.

FI Analysis of net funds for DCMS borrowing¹ limits

	Restated At 1 April 2016 £m	Cash flows £m	Non-cash changes £m	Exchange £m	At 31 March 2017 £m
Total cash and cash equivalents	334.8	(78.0)	–	(0.5)	256.3
Loans and loan notes	(231.9)	54.0	–	(23.3)	(201.2)
Derivatives associated with loans	7.2	–	(46.4)	–	(39.2)
Finance leases	(710.6)	72.9	(52.3)	–	(690.0)
	(600.5)	48.9	(98.7)	(23.8)	(674.1)
Leases not included in DCMS borrowing limits**	704.0				686.0
Net funds	103.5				11.9
Made up of:					
PSB Group	265.8				186.8
Centre House Productions	1.0				1.5
BBC Worldwide	45.4				44.3
Other commercial businesses	(208.7)				(220.7)
Net funds	103.5				11.9

* Full details of the above restatement can be found within note G1

** Due to leases having been transacted prior to 2006 and classified as operating leases under UK GAAP at inception

Under the new Charter and Agreement the Public Service net borrowing limit has been increased, with effect from 3 April 2017, to £1.050 billion. This covers all borrowings including the Finance Leases not included in the DCMS borrowing limits under the previous Charter and Agreement. Of the limit £850 million is specifically for Finance Leases. The commercial group net debt limit remains £350 million.

F2 Reconciliation of net funds to the DCMS borrowing limits

	Public Services ¹ Capital or current expenditure £m	Commercial businesses* £m
2017		
Net funds/(debt)	186.8	(228.0)
Net borrowing limit	(200.0)	(350.0)
Headroom	386.8	122.0
2016		
Net funds/(debt)	266.0	(163.3)
Net borrowing limit	(200.0)	(350.0)
Headroom	466.0	186.7

* Under the terms of the DCMS agreement, BBC Commercial Holdings Limited must satisfy two financial covenants, which need to be satisfied throughout the respective period. During 2016/17 and 2015/16, BBC Commercial Holdings Limited was in compliance with both of these covenants

As at 31 March 2017 and 31 March 2016, and during both 2016/17 and 2015/16, the BBC Group did not breach the borrowing limits.

¹ See Glossary for further details

FINANCE AND OPERATIONS

F. Managing funding (including future costs) continued

F3 Borrowings

F3.1 Borrowings due within one year

	2017 £m	Restated 2016 £m
Bank loan	–	54.0
Obligations under finance leases	14.5	13.5
Total	14.5	67.5

* Full details of the above restatement can be found within note G1

F3.2 Borrowings due after more than one year

	2017 £m	Restated 2016 £m
Bank loan	201.2	177.9
Obligations under finance leases	675.5	697.1
Total	876.7	875.0

* Full details of the above restatement can be found within note G1

Analysis of the BBC Group's borrowing facilities is set out in note F4.

F. Managing funding (including future costs) continued

F4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2017 £m	Drawn down at 31 March 2017 £m	Total available 31 March 2016 £m	Drawn down at 31 March 2016 £m	Expiry or review date
PSB Group						
Sterling revolving credit facility agreement	LIBOR* plus 0.3% rising to LIBOR* plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.45% on utilisations over 2/3	200	–	200	–	15 July 2020
Uncommitted money market lines (short-term borrowings)	Margin of 0.45% over LIBOR*	–	–	25	–	Reviewed annually
Uncommitted money market lines (short-term borrowings)	Margin of 0.5% over LIBOR*	25	–	25	–	Reviewed annually
GBP overdraft	Bank base rates plus 1%	5	–	5	–	Reviewed annually
Multicurrency overdraft	Banks' short-term offered rates for the relevant currency plus 1%	5	–	5	–	Reviewed annually
Overdraft*	Bank base rate plus 1%. Excess usage at bank base rate plus 2%	1	–	1	–	Reviewed annually
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR* plus 0.6% rising to LIBOR* plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3	210	–	210	45	July 2019
Overdraft or money market lines	Money market line – margin of 1.0% (2015: 1.0%)	20	–	20	9	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28	28	28	28	June 2020
US Private Placement**	Fixed interest at 2.71%	173	173	150	150	June 2020
BBC Worldwide						
Overdraft*	Bank base rate plus 1% up to £2 million, bank base rate plus 3% over £2 million	2	–	2	–	Reviewed annually
Overdraft or working capital loan for Indian Rupees	Market rate at drawdown	1	–	1	–	Reviewed annually

* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR

** The US\$216 million US placement is hedged to a sterling value of £143 million, valued at the time of the facility being put in place

There have been no defaults or breaches of covenants on these facilities during the year (2016: none).

I See Glossary for further details

FINANCE AND OPERATIONS

F. Managing funding (including future costs) continued

F5 Cash generated from operations

	2017 £m	*Restated 2016 £m
Group (deficit)/surplus before taxation	(119.3)	73.9
Depreciation, amortisation and impairment	388.5	289.0
Difference between pension charge and cash contribution	(141.6)	(60.3)
Fair value impact of derivatives associated with loans	(108.7)	4.6
Fair value impact of other derivatives	87.0	(13.7)
Gain/(loss) on disposal of tangible and intangible fixed assets	3.8	(86.0)
Gain on sale and termination of operations	–	–
Other gains	(2.7)	(1.5)
Share of results of associates and joint ventures	(45.7)	(39.7)
Financing income	(5.3)	(12.7)
Financing costs	139.3	91.2
Decrease in programme-related assets and inventories	71.8	23.0
Increase in debtors	(49.8)	(39.4)
Increase/(decrease) in creditors	80.1	(35.5)
Increase/(decrease) in provisions	3.7	(13.0)
Cash generated from operations	301.1	179.9

* Full details of the above restatement can be found within note G1

F6 Trade and other receivables

This note discloses the balances that are owed to the BBC Group by third parties and prepayments made by the BBC Group.

F6.1 Other receivables due after more than one year

	2017 £m	2016 £m
Other prepayments and receivables	84.5	83.6
Loans to other entities	–	3.0
Amounts owed by associates and joint ventures	5.9	6.0
Total	90.4	92.6

F6.2 Trade and other receivables due within one year

	2017 £m	*Restated 2016 £m
Trade receivables	276.9	233.1
Licence fee receivables	396.0	392.9
Amounts owed by associates and joint ventures	30.3	25.3
VAT recoverable	31.4	42.3
Other receivables	59.8	93.8
Prepayments and other assets	228.0	190.6
Total	1,022.4	978.0

* Full details of the above restatement can be found within note G1

Included in the BBC Group's trade and other receivables at 31 March 2017 are balances of £20.8 million (2016: £44.3 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

Trade receivables past due but not impaired	2017 £m	2016 £m
Up to 3 months	15.4	32.6
3 to 6 months	1.6	6.8
Over 6 months	3.8	4.9
	20.8	44.3

F. Managing funding (including future costs) continued

In determining the recoverability (likelihood of receiving payment) of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation.

There are no significant impairment provisions relating to balances of any individual debtor. Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement. The impairment provision stands at £7.9 million at 31 March 2017 (2016: £5.2 million).

The movement in the allowance for doubtful debts is set out below:

	2017 £m	2016 £m
Balance at the beginning of the year	5.2	3.6
Impairment losses recognised	6.1	4.8
Amounts written off as uncollectable	(1.2)	(1.3)
Amounts recovered during the year	(2.2)	(1.9)
Balance at the end of the year	7.9	5.2

No significant amount has been provided for items that are not yet due for payment.

F7 Trade and other payables

This note details the amounts payable to third parties by the BBC Group.

F7.1 Other payables due within one year

	2017 £m	*Restated 2016 £m
Trade and employment-related payables	376.9	483.9
Amounts owed to associates and joint ventures	14.6	10.7
Other taxation and social security	28.2	27.4
Other payables	34.8	23.1
Accruals	231.1	126.3
Deferred income (including licence fee payables)	338.7	288.5
Licence savings stamp deposits and direct debit instalments	45.4	46.4
Total	1,069.7	1,006.3

* Full details of the above restatement can be found within note G1

F7.2 Other payables due after more than one year

	2017 £m	*Restated 2016 £m
Other payables	48.4	11.6
Total	48.4	11.6

* Full details of the above restatement can be found within note G1

It is the BBC's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with their contracted terms and conditions. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The Group's number of days outstanding in respect of other trade payables at 31 March 2017 was 21 days (2016: 22 days).

FINANCE AND OPERATIONS

F. Managing funding (including future costs) continued

F8 Provisions and contingent liabilities

	Note	At 1 April 2016 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2017 £m
Restructuring		26.7	56.3	(38.5)	(6.7)	37.8
Litigation		12.4	0.3	(1.3)	(1.0)	10.4
Insurance		5.6	1.5	–	–	7.1
Property	D7	37.2	7.4	(1.8)	(0.8)	42.0
Share of joint ventures net liabilities	E4	7.1	1.3	–	–	8.4
Other		18.0	5.6	(1.2)	(15.0)	7.4
Total		107.0	72.4	(42.8)	(23.5)	113.1
Included in current liabilities		64.8				62.5
Included in non-current liabilities		42.2				50.6
Total		107.0				113.1

	Note	At 1 April 2015 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2016 £m
Restructuring		37.1	26.2	(27.5)	(9.1)	26.7
Litigation		15.6	1.4	(4.5)	(0.1)	12.4
Insurance		5.8	–	–	(0.2)	5.6
Property	D7	38.7	2.8	(2.1)	(2.2)	37.2
Decommissioning		1.5	–	–	(1.5)	–
Share of joint ventures net liabilities	E3	6.2	0.9	–	–	7.1
Other		12.9	17.8	(12.4)	(0.3)	18.0
Total		117.8	49.1	(46.5)	(13.4)	107.0
Included in current liabilities		66.2				64.8
Included in non-current liabilities		51.6				42.2
Total		117.8				107.0

The restructuring charge for the year relates mainly to the restructuring programmes within the PSB Group and BBC Worldwide. The balance at 31 March 2017 relates predominantly to the redundancies generated through BBC Studios restructuring as well as ongoing saving strategies.

Litigation and insurance provisions relate to ongoing legal, insurance and compensation claims against the BBC. The BBC makes specific provision for its best estimate of any damages and costs which may be awarded. A provision is only made to the extent that the BBC Group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated. There are currently no known individually material outstanding litigations.

The decommissioning provision was created at 31 March 2013 for the costs of decommissioning the Cyprus shortwave transmission site in BBC World Service. The remaining provision was released in 2015/16.

Other provisions consist of a number of items arising across the BBC Group in the normal course of business, none are individually material.

There were no other significant contingent liabilities known at the year end (2016: no significant).

F. Managing funding (including future costs) continued**F9 Net financing costs**

Set out below is an analysis of the financing income and expenses incurred in the year. These amounts include interest relating to finance lease liabilities (see note D4) and defined benefit pension schemes (see note C7).

	Note	2017 £m	*Restated 2016 £m
Financing income			
Interest income		5.3	6.3
Fair value gains on swaps		–	6.4
		5.3	12.7
Financing costs			
Interest expense		(9.7)	(5.1)
Investment expense on liabilities available for trading		(0.1)	(0.1)
Exchange loss on borrowings		(23.3)	(3.8)
Fair value loss on swaps		(25.0)	(1.3)
Interest on obligations under finance leases	D5	(49.1)	(50.8)
		(107.2)	(61.1)
Interest cost on pension plan liabilities ¹	C7.3	(32.1)	(30.1)
		(139.3)	(91.2)
Net financing costs		(134.0)	(78.5)

The net impact of financing can be analysed as:

	2017 £m	*Restated 2016 £m
Net financing costs of leasing arrangements	(49.1)	(50.8)
Net financing costs related to pension obligations	(32.1)	(30.1)
Net financing (cost)/income related to loans and financial instruments	(52.8)	2.4
	(134.0)	(78.5)

* Full details of the above restatement can be found within note G1

F10 Long-term commitments not reflected in the balance sheet – contracts placed for future expenditure

This note shows amounts to which the BBC Group is contractually committed, but which do not meet the criteria for inclusion in the balance sheet. It includes fixed (but not variable) payments due under outsourcing contracts for the life of those contracts.

Functions covered by these long-term outsourcing contracts include IT support, content distribution and transmission, facilities management and elements of finance support.

	2017 £m	2016 £m
Fixed asset additions	34.5	31.4
Programme acquisitions and sports rights	1,263.0	1,089.0
Independent programmes	127.7	138.8
Other fixed payments on long-term outsourcing arrangements	2,070.7	2,206.6
	3,495.9	3,465.8

Long-term commitments not reflected in the balance sheet are payable as follows:

	2017 £m	2016 £m
Not later than one year	743.0	737.9
Later than one year but not later than five years	1,642.3	1,535.4
Later than five years	1,110.6	1,192.5
	3,495.9	3,465.8

¹ See Glossary for further details

FINANCE AND OPERATIONS

G. Other

For additional information on the relevant accounting policies applied in this section please see section H Basis of preparation of the financial statements and other accounting policies.

G1 Prior period restatement

We have reconsidered the assumptions used in the calculation of finance lease assets and liabilities and now consider it appropriate to remove an inflationary assumption originally included within the calculations.

The impact of this change on the result for the year ended 31 March 2016 is to increase the surplus for the year by £14.4million. The full impact on the income statement is set out below:

	Restated 2016 £m	Reported 2016 £m	Movement 2016 £m
Operating costs	(4,789.6)	(4,775.7)	(13.9)
Financing Costs	(91.2)	(119.5)	28.3
Surplus before tax	73.9	59.5	14.4

The impact on the balance sheet is as follows:

	Restated 31 March 2016 £m	Reported 31 March 2016 £m	Movement 31 March 2016 £m	Restated 1 April 2015 £m	Reported 1 April 2015 £m	Movement 1 April 2015 £m
Property, Plant and Equipment	1,110.6	1,137.4	(26.8)	1,227.3	1,258.0	(30.7)
Investment properties	82.4	85.2	(2.8)	14.1	14.5	(0.4)
Total non-current assets	1,777.2	1,806.8	(29.6)	1,719.3	1,750.4	(31.1)
Trade and other receivables	978.0	975.4	2.6	949.4	947.2	2.2
Total current assets	2,027.5	2,024.9	2.6	2,098.0	2,095.6	2.4
Trade and other payables	(1,006.3)	(1,006.4)	0.1	(1,054.3)	(1,054.4)	0.1
Borrowings	(67.5)	(61.6)	(5.9)	(49.8)	(43.2)	(6.6)
Total current liabilities	(1,164.2)	(1,158.4)	(5.8)	(1,192.0)	(1,185.5)	(6.5)
Other payables	(11.6)	(14.5)	2.9	(10.5)	(13.8)	3.3
Borrowings	(875.0)	(1,020.5)	145.5	(889.2)	(1,022.5)	133.3
Total non-current liabilities	(1,973.8)	(2,122.2)	148.4	(1,938.2)	(2,074.5)	136.3
Net assets	666.7	551.1	115.6	687.1	586.0	101.1
Operating reserves	660.8	545.3	115.5	679.8	578.7	101.1
Total capital and reserves	666.7	551.1	115.6	687.1	586.0	101.1

G2 Taxation

G2.1 Recognised in the income statement

The charge for the year, based on the rate of corporation tax of 20% (2016: 20%) comprised:

	Note	2017 £m	2016 £m
Current tax			
UK corporation tax		(12.1)	(3.2)
Foreign tax		22.4	15.5
Adjustments in respect of prior years		(8.5)	(16.9)
Total current tax		1.8	(4.6)
Deferred tax¹			
Origination and reversal of temporary differences		(1.4)	5.1
Changes in tax rate		0.7	0.5
Adjustments in respect of prior years		8.7	(0.8)
Total deferred tax		8.0	4.8
Total taxation expense in the consolidated income statement	G2.2	9.8	0.2

¹ See Glossary for further details

G. Other continued**G2.2 Reconciliation of taxation expense**

The PSB Group is liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable and does not therefore receive relief for all its expenditure. The commercial subsidiaries in the BBC Group are taxed in accordance with tax legislation. As the BBC Group's public sector 'free-to-air' broadcasting activities are not subject to taxation, the tax charge is primarily driven by the results of the commercial businesses. The items affecting the standard rate of corporation tax are explained below:

	Note	2017 £m	2016 £m
(Deficit)/surplus before tax		(119.3)	59.5
(Deficit)/surplus before tax multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)		(23.9)	11.9
Effects of:			
Public service activities			
Public service taxable external income		6.5	24.0
Utilisation of unrecognised capital losses		–	(15.0)
Non-taxable public service activities		30.7	4.3
Commercial activities			
Disallowed expenditure (including goodwill impairment)		(2.0)	3.6
Losses carried forward		2.3	–
High-end television tax relief		(9.5)	(10.7)
Tax exempt investment sale		–	(0.3)
Tax differential on overseas earnings		11.9	5.6
Tax differential in associates and joint ventures		(7.1)	(6.0)
Tax rate decrease		0.7	0.5
Adjustments in respect of prior years		0.2	(17.7)
Total tax charge for the year	G2.1	9.8	0.2

G2.3 Factors that may affect future tax charges

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017.

On 26 October 2015, The Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and on 15th September 2016, The Summer Finance Bill 2016, reduces the corporation tax rate to 17% from April 2020. As these reductions to the rate were substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 17% in line with when the company anticipates temporary differences to unwind.

There are many future changes to worldwide taxation systems as a result of the potential adoption by the UK and individual territories of measures relating to the OECD Base Erosion and Profit Shifting Actions. The Group continues to actively monitor any developments and evaluate their potential impact. The Group does not expect the future tax rate to be materially impacted by these changes to the international tax landscape.

G2.4 Current tax assets

The current tax assets totalling £40 million in 2016/17 includes £15 million (2015/16: £26.1 million) due in respect of film tax credits outstanding on high-end drama and comedy productions following prudent overprovisions made in 2016/17.

FINANCE AND OPERATIONS

G. Other continued

G2.5 Deferred tax assets/(liabilities)

	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax (liability)/asset £m
At 1 April 2016	4.3	3.9	1.3	(15.7)	(6.3)	1.9	(10.6)
Net charge/(credit) to the income statement	1.9	(2.2)	(2.7)	(2.2)	0.3	(3.1)	(8.0)
Charge to reserves	–	–	1.8	–	–	–	1.8
Acquisition of subsidiary, JV's and associates	–	–	–	–	–	(0.1)	(0.1)
Exchange differences	(0.1)	0.2	–	(2.8)	(1.0)	0.5	(3.2)
At 31 March 2017	6.1	1.9	0.4	(20.7)	(7.0)	(0.8)	(20.1)

	2017 £m	2016 £m
Deferred tax asset/(liability) presented within:		
Non-current assets	11.3	10.9
Non-current liabilities	(31.4)	(21.5)
	(20.1)	(10.6)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The BBC Group has unrecognised deferred tax assets arising on capital losses totalling £137.3 million (2016: £145.2 million). These assets are not recognised on the basis that there is insufficient certainty that capital or operating gains will arise against which the BBC Group can utilise these losses.

G3 Pension plans

Note G3 sets out the additional detailed disclosures related to the BBC Pension Scheme which were not included in note C7 or C8.

G3.1 Changes in the present value of plan liabilities¹

The table below illustrates the movement on the scheme liabilities during the year. The key items which affect this are the additional year of pension benefits earned, any gains or losses relating to participants leaving the pension scheme, changes in assumptions made and benefits paid out during the year.

	2017 £m	2016 £m
Opening present value of plan liabilities	13,824.8	13,707.0
Current service cost	186.1	185.4
Past service cost	(2.9)	(30.9)
Administration cost	9.8	7.7
Interest on pension plan liabilities	462.7	459.3
Remeasurement (gains)/losses:		
– Experience gains arising on plan liabilities	(141.3)	(179.1)
– Changes in financial assumptions ¹	3,703.6	125.3
– Changes in demographic assumptions	(695.3)	–
Contributions by plan participants	0.9	0.9
Liabilities extinguished on settlements	–	(32.9)
Benefits paid and expenses	(462.5)	(417.9)
Closing present value of plan liabilities	16,885.9	13,824.8

¹ See Glossary for further details

G. Other continued**G3.2 Changes in the fair value of plan assets**

The table below illustrates the movement on the plan assets during the year. The key items which affect this are the additional year of contributions made, changes in the value of the pension plan assets (including the investment return) and benefits paid during the year.

The employee contributions to the scheme by members are mainly paid via a salary sacrifice arrangement. These have been treated as employer contributions.

	2017 £m	2016 £m
Opening fair value of plan assets	12,821.4	12,766.3
Interest income on assets	430.8	429.4
Remeasurements on plan assets ¹	2,620.3	(146.5)
Contributions by employer	334.3	219.8
Contributions by plan participants	0.9	0.9
Assets distributed on settlements	–	(30.6)
Benefits paid and expenses	(462.5)	(417.9)
Closing fair value of plan assets	15,745.2	12,821.4

G3.3 Plan assets

The allocation of assets by the Pension Trust Trustees is governed by the need to manage risk against the desire for high returns and any liquidity needs. A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term.

Type of asset	2017		2016	
	£m	%	£m	%
Equities	1,499.0	10	1,284.1	10
Pooled vehicles	2,624.7	17	1,989.9	16
Repurchase agreements	(1,639.3)	(10)	(1,718.1)	(13)
Derivatives	112.8	1	(33.5)	–
Fixed interest bonds	1,450.1	9	1,693.7	13
Index-linked bonds	6,144.0	39	4,939.0	39
Property				
– UK	885.2	5	855.1	7
– Pooled investment vehicles	456.4	3	391.7	3
Alternatives [*]	3,710.9	23	3,055.1	22
Cash and other current assets	501.4	3	364.4	3
Total assets	15,745.2	100	12,821.4	100
Actual return on pension plan assets^{**}	3,051.1		282.9	

* Alternatives are investments in asset classes other than the traditional quoted equities, bonds, property and cash. They include investments in private equity, private credit, hedge funds, infrastructure and renewable energy investments. They are generally illiquid investments as some may require sufficient time to find buyers willing to pay full market value. They are useful for managing risk as they enhance portfolio diversification and potentially reduce risk as their cash flows can be well suited to meeting the scheme's liabilities

** This constitutes realised gains from the receipt of investment income (e.g. dividends and rent), transactions where assets are sold and unrealised fair value changes

G3.4 BBC Pension Scheme gains/(losses) in the consolidated statement of comprehensive income

	2017 £m	2016 £m
Return on plan assets (excluding amounts included within interest)	2,620.3	(146.5)
Remeasurement gains/(losses) ¹ arising from:		
– Experience gains on plan liabilities	141.3	179.1
– Changes in demographic assumptions	695.3	–
– Changes in financial assumptions	(3,703.6)	(125.3)
Net loss recognised in the consolidated statement of comprehensive income	(246.7)	(92.7)

¹ See Glossary for further details

FINANCE AND OPERATIONS

G. Other continued

G3.5 Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of financial and demographic assumptions to be made. The principal assumptions used by the actuaries at the balance sheet date were:

Principal financial assumptions	2017 %	2016 %
Rate of increase in salaries	1.00	1.00
Rate of increase in pension payments:		
Old Benefits*	3.20	2.95
New Benefits*	3.00	2.75
Career Average Benefits (2006)*	2.40	2.40
Career Average Benefits (2011)*	2.10	1.85
Inflation assumption (RPI)	3.20	2.95
Inflation assumption (CPI)	2.20	1.95
Discount rate ¹	2.45	3.40

* For more information on the different pension arrangements, please refer to the Remuneration Report

The average life expectancy assumptions, for members after retirement at 60 years of age, are as follows:

Principal demographic assumptions	2017 Number of years	2016 Number of years
Retiring today:		
Male	27.0	27.6
Female	29.3	30.0
Retiring in 20 years:		
Male	28.5	29.5
Female	31.0	32.0

The mortality assumptions have been selected to reflect the characteristics and experience of the membership of the scheme and are based on those used for the actuarial investigation which was carried out for funding purposes as at 1 April 2016. The standard 'S2' series of tables, published by the CMI, reflect recent research into mortality experience in the UK. A subset of these tables have been used for males and females, with a multiplier of 118% for males and 96% for females. For the allowance for future improvements, the CMI 2016 core projection has been adopted with a long-term trend of 1.25% for both males and females.

G3.6 Scheme membership analysis and maturity¹ profile

Principal demographic assumptions	2017 Number	2016 Number
Contributors	10,636	11,405
Pensioners	19,636	19,536
Dependants	4,308	4,276
Deferred pensioners	29,036	29,110

The total number of scheme beneficiaries as at 31 March 2017 was 50,037 (2016: 50,797), excluding dependants. Membership numbers in the table above are higher as members can hold more than one record. For example, existing members who have joined the Career Average Benefits 2011 section from another section of the scheme may have a deferred pensioner record for their benefits built up in the Old Benefits, New Benefits or Career Average Benefits 2006 sections and a contributing record for their Career Average Benefits 2011 benefits.

The average duration of the benefit obligation at the end of the reporting period is 21 years (2016: 19 years). This number can be subdivided into the duration related to:

- contributors: 26 years (2016: 25 years)
- pensioners: 14 years (2016: 13 years)
- deferred pensioners: 28 years (2016: 26 years)

¹ See Glossary for further details

G. Other continued

G4 Financial instruments

This section details the financial instruments held by the BBC Group. A financial instrument is a contract that results in one entity recording a financial asset (a contractual right to receive financial assets, e.g. cash) in their accounts and another entity recording a financial liability.

The BBC Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and cash equivalents, borrowings and various items such as trade receivables and payables that arise directly from its operations.

G4.1 Financial risk management

The BBC Group's financial risk management operations are carried out by a BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Executive Board. BBC Group Treasury's activity is routinely reported and is subject to review by internal auditors.

The BBC Group Treasury function uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives which are:

- to ensure the business of the BBC Group, both PSB Group and Commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings;
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations; and
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The BBC Group takes a risk averse approach to the management of foreign currency trading and has implemented a clear economic hedging policy to minimise volatility in the financial results. A small number of the forward foreign currency contracts entered into by the BBC Group were designated as hedging instruments in effective cash flow hedges. Hedge accounting is only applied where there is appropriate designation and documentation.

The BBC Group is exposed to the following areas of risk arising from financial instruments:

- market risk, principally currency and interest rate risk;
- liquidity risk; and
- credit risk¹. The largest element is the licence fee debtor, £396.0 million (2016: £392.9 million). The amount of income that the BBC receives is directly related to the amount of licence fee collected from households in the UK.

The material risks to the BBC Group are:

Currency risk

The BBC Group is principally a UK-based organisation with the majority of transactions, assets and liabilities being sterling based; however, the BBC Group undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the BBC Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when the transaction is settled.

The most significant currency exposure by total value of transactions is to US dollars. Due to the relative size of this exposure in comparison to the BBC Group's sterling-denominated business, the BBC does not consider this to be significant for the BBC Group, but does, however, generally enter into forward currency contracts to manage, or hedge, this currency risk, which allows the BBC Group to settle transactions at known exchange rates, reducing uncertainty.

The overall income or expenditure to be recognised in relation to contracts denominated in foreign currency (and the related hedges) is therefore fixed; however, where these contracts span financial years, the recognition of the fair value of the forward currency contracts results in timing gains/losses in each financial year. These timing gains/losses are therefore a result of market conditions and not variances in underlying contract value.

As a result of this certainty of cash flows the BBC Group has mitigated its underlying sensitivity to currency fluctuations and therefore has not presented sensitivity analysis as any potential variation is insignificant.

At 31 March 2017, the BBC Group had entered into a net commitment to sell foreign currencies amounting to £224.8 million (2016: £322.1 million) that mature in the period through to 2021 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars). These forward foreign exchange contracts mean the BBC Group had no significant currency exposure.

¹ See Glossary for further details

FINANCE AND OPERATIONS

G. Other continued

Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external borrowings. BBC Commercial Holding's 2013 private placement included a tranche of fixed rate sterling debt alongside a tranche of fixed rate US dollar debt, with the latter swapped to fixed rate sterling throughout the period of the instrument. Since March 2003, the Group has been borrowing under its revolving credit facilities at floating rates of interest and then using interest rate swaps, caps and collars to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows. Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. The effect of taking out the interest rate swaps, caps and collars is that in the longer term the Group has no significant underlying sensitivity to interest rate fluctuations and hence no sensitivity analysis has been presented.

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by the end of June 2020. In total, £173.2 million (2016: 240.3 million) of swaps were entered into. The coverage is £28.0 million lower (2016: £8.4 million higher) than the current level of bank loans of £201.2 million (2016: £231.9 million).

Fair value movements in respect of interest rate swaps and interest rate options are recorded through the income statement within financing income/financing costs as hedge accounting is not applied.

Liquidity risk

Liquidity risk is the risk that the BBC Group will not be able to meet its financial obligations as they fall due. The BBC is subject to ceilings on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and DCMS (see note FI). In order to comply with these ceilings, together with the terms of any individual debt instruments, the BBC's Group Treasury function manages the BBC Group's borrowings by regularly monitoring BBC Group cash flow forecasts. The BBC holds its surplus liquidity in term deposit accounts with highly rated financial institutions.

G4.2 Fair value of financial instruments

The following table shows the fair value of the BBC Group's financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
2017 – Fair value				
Financial assets at fair value				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	0.1	0.1	–	0.2
Derivatives through the income statement	6.5	31.2	459.5	497.2
Loans and receivables				
Trade and other receivables	673.8	–	2.8	676.6
Cash and cash equivalents	256.3	–	–	256.3
Available for sale financial assets				
Other investments	–	–	230.2	230.2
Investment properties	–	–	181.4	181.4
Financial liabilities at fair value				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	(21.5)	(5.0)	–	(26.5)
Derivatives through the income statement	(12.5)	(3.7)	(525.2)	(541.4)
Trade and other payables	(1.4)	(0.6)	(8.5)	(10.5)
Financial liabilities measured at amortised cost				
Bank loans, overdrafts and loan notes	–	(201.2)	–	(201.2)
Trade and other payables	(369.4)	–	–	(369.4)
Obligations under finance leases	(61.8)	(273.8)	(855.0)	(1,190.6)

G. Other continued

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
2016 – Fair value (*Restated)				
Financial assets at fair value				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	0.7	0.1	–	0.8
Derivatives through the income statement	3.2	10.0	–	13.2
Loans and receivables				
Trade and other receivables	626.9	–	2.5	629.4
Cash and cash equivalents	334.4	–	–	334.4
Available for sale financial assets				
Other investments	–	–	158.9	158.9
Investment properties	–	–	167.8	167.8
Financial liabilities at fair value				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	(12.0)	(5.0)	–	(17.0)
Derivatives through the income statement	(7.3)	(7.8)	–	(15.1)
Trade and other payables	(2.0)	(0.6)	–	(2.6)
Financial liabilities measured at amortised cost				
Bank loans, overdrafts and loan notes	(54.0)	(177.9)	–	(231.9)
Trade and other payables	(472.1)	–	–	(472.1)
Obligations under finance leases	(62.3)	(273.5)	(924.1)	(1,259.9)

* Full details of the above restatement can be found within note G1

The fair value and carrying value of financial instruments was the same with the exception of finance leases. At 31 March 2017, the fair value of the Group's obligations under finance leases was £500.6 million higher than their carrying value (2016 restated: £549.3 million higher). The fair value at 31 March 2017 was determined by recalculating the finance lease liability using the current market interest rates, adjusted for appropriate risk premium. The movement in the interest rates between the inception of each finance lease (used to generate the finance lease models) and 31 March 2017 creates a difference between the carrying value and the fair value.

During 2016/17 the Group entered into a new financing arrangement with regards to New Broadcasting House. This has resulted in a derivative financial asset of £459.4 million and a derivative financial liability of £525.2 million being recognised as at 31 March 2017.

G4.3 Fair value hierarchy

When calculating the fair value of the BBC Group's financial instruments (subsequent to the initial recognition), the technique used in each calculation has to be allocated to the relevant level of hierarchy in the table below. This disclosure helps to show the level of judgement that the BBC Group has used in calculating fair values, subsequent to the initial recognition.

Categorisation into the following headings is based on the inputs used for the valuation technique as opposed to the technique itself:

- level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets (where transactions occur on a frequent basis and in sufficient volumes for the pricing information to be available on an ongoing basis). The prices are therefore available to the general public for identical instruments and occur on a regular basis, thus ensuring they are continually up to date;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Instruments that would typically fall into this category include those where quoted prices are available for similar, but not identical instruments and instruments where a quoted price is available, but in a non-active market, i.e. the price may be out of date and therefore require some limited adjustments; and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This can include methods such as projected future cash flows and occur where there is little, or no, market activity.

FINANCE AND OPERATIONS

G. Other continued

	Fair value hierarchy level	Assets £m	Liabilities £m
2017			
Greater than one year			
Forward foreign currency contracts	1	4.6	(6.9)
Cash flow swaps	2	459.4	(525.2)
Interest rate swaps	2	26.8	–
Embedded derivatives	2	–	(1.8)
Investment properties	3	181.4	–
Other investments	3	230.2	–
Other payables	3	–	(5.8)
Finance leases	3	–	(943.9)
		902.4	(1,483.6)
Less than one year			
Forward foreign currency contracts	1	6.6	(34.0)
Other payables	3	–	(1.4)
Finance leases	3	–	(46.3)
		6.6	(81.7)
2016			
Greater than one year			
Forward foreign currency contracts	1	2.4	(10.5)
Interest rate swaps, caps and collars	2	7.7	(0.1)
Embedded derivatives	2	–	(2.2)
Investment properties	3	167.8	–
Other investments	3	158.9	–
Other payables	3	–	(0.6)
Finance leases	3	–	(939.4)
		336.8	(952.8)
Less than one year			
Forward foreign currency contracts	1	3.9	(18.9)
Interest rate swaps, caps and collars	2	–	–
Embedded derivatives	2	–	(0.4)
Other payables	3	–	(2.0)
Finance leases	3	–	(39.9)
		3.9	(61.2)

* Full details of the above restatement can be found within note G1

Level 3 financial assets recorded at fair value include £222.3 million (2016: £151.4 million) for the asset held in Daunus Limited, the entity that redeveloped Broadcasting House. The BBC holds a 20% (2016: 10%) share of the issued share capital (preferential in nature) of that company, due to mature in 2033 at which point in time the BBC receives certain rights in respect of Broadcasting House. The BBC's shares in Daunus Limited entitles it to the first £90 million (plus RPI from the start of the lease) of any proceeds on termination of the lease. The fair value estimate has been based on the £125 million, inflated by RPI, and discounted back to present day. The estimated interest rate used (linked to RPI) was 1.0% (2016: 1.0%) and the rate used to discount the future cash flows was 1.5% (2016: 2.1%).

The fair value of the investment in Daunus is not included on the balance sheet as it is equity accounted for. See note E3.

Level 3 financial liabilities recorded at fair value and included within other payables relate to written put options¹ issued to non-controlling interests in the Group's subsidiaries. The fair value of such instruments is calculated based on the strike price¹ of the options and management's best estimate of the date at which options may be exercised¹. Embedded derivatives were also assessed as a level 3 financial liability.

As the BBC's main finance leases include provisions to provide for the BBC's share of any appreciation in market value these have been classified as level 3 financial liabilities.

No transfers between categorisations have occurred during the period.

¹ See Glossary for further details

G. Other continued

The change in fair value of level 3 financial instruments is reconciled as follows:

	2017 £m		2016 £m	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Opening balance	326.7	(985.8)	211.7	(982.9)
Settlements and payments	–	67.2	–	66.9
Unwinding of discount recorded within finance expense	–	(50.1)	–	(49.8)
Additions	14.0	(3.4)	118.7	(1.6)
Change in fair value recorded in operating costs	–	2.3	0.1	(3.3)
Change in fair value recorded within reserves	–	–	2.9	–
Change in fair value	70.9	(29.4)	(6.7)	(15.0)
	411.6	(999.2)	326.7	(985.7)

Additions relate to the BBC's properties reclassified as investment properties during the year. See note D2 for further details.

The BBC Group applies cash flow hedge accounting for trades taken out by certain of its commercial subsidiaries in respect of their forecasted foreign currency transactions¹. Hedge accounting is only applied where appropriate designation and documentation exists. Net losses (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2017 were £10.1 million (2016: £12.5 million net gains). These amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement, at various dates over the next three years.

The following table details the BBC Group's remaining contractual maturity for its non-derivative financial liabilities (including obligations under finance leases) but excludes trade and other payables that were settled in the normal course of business and are due within one year. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the BBC Group can be required to pay:

	Cash flow £m	Interest £m	Principal £m
2017			
Fixed interest rate instruments			
Not later than one year	67.2	52.7	14.5
Later than one year but not later than five years	493.7	192.2	301.5
Later than five years	855.0	279.8	575.2
	1,415.9	524.7	891.2
2016 (*Restated)			
Variable interest rate instruments			
Not later than one year	54.0	–	54.0
Fixed interest rate instruments			
Not later than one year	56.4	53.4	3.0
Later than one year but not later than five years	470.4	197.5	272.9
Later than five years	933.2	320.6	612.6
	1,514.0	571.5	942.5

* Full details of the above restatement can be found within note G1

¹ See Glossary for further details

FINANCE AND OPERATIONS

G. Other continued

G5 Interests in joint ventures, associates and subsidiaries

The BBC Group holds (directly and indirectly) interests in the following joint ventures, associates and subsidiaries listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales.

G5.1 Significant joint ventures and their activities

The BBC Group has an interest in the following joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise:

Name of entity	Place of incorporation and principal place of business	Balance sheet date	Holding of issued ordinary shares %	Activity
Commercial joint ventures:				
UKTV Media Holdings Limited	England and Wales	31 December	50%	TV channel operator
Daunus Limited*	England and Wales	30 November	20%	Property
Micro:bit Educational Foundation**	England and Wales	30 September	20%	Educational support
Freesat (UK) Limited	England and Wales	31 March	50%	Broadcasting

* The BBC's interest in Daunus Limited increased from 10% to 20% following the acquisition of an additional shareholding during 2016/17. As a result the voting rights held by the BBC total 50%. However, it is noted that other shareholders do retain certain veto rights

** The BBC's interest in the Micro:bit educational foundation has been established by way of a non-monetary contribution during 2016/17

G5.2 Significant associates and their activities

Name of entity	Place of incorporation and principal place of business	Balance sheet date	Holding of issued ordinary shares %	Activity
YouView Limited	England and Wales	31 March	14.2%	Multiplatform broadcasting
New Video Channel America LLC*	United States	31 March	50.1%	TV channel operator
3sixtymedia Limited**	England and Wales	31 December	10.0%	Production

* Whilst BBC Worldwide Limited retain a significant influence over New Video Channel America LLC and has the rights to variable returns, it is not deemed to have control and is therefore recognised as an associate undertaking

** The BBC holds 10% of the total share capital of 3sixtymedia Limited but 20% of the Class A ordinary shares, which gives it significant influence

The most recent financial statements of the above joint ventures have been used for the purposes of equity accounting. Where the balance sheet date is different to 31 March then management accounts have been used in order to account for the intervening period.

G5.3 Subsidiary undertakings¹

Name of entity	Country of incorporation or establishment
Directly owned commercial subsidiaries: (all 100% owned unless stated):	
BBC Commercial Holdings Limited	
BBC Property Limited	
BBC Property Investment Limited	
BBC Property Development Limited	
Centre House Productions Limited	
BBC News Limited	
BBC Free to View (Satellite) Limited	Broadcast Centre, 201 Wood Lane, London, UK
BBC Free To View Limited	
Media Applications Technologies Limited	
BBC Subscription Television Limited	
BBC Investments Limited	
BBC Digital Programme Services Limited	
World Service Trading Limited	Broadcasting House, Portland Place, London, UK
BBC World Service Holdings Limited	
DSHS Limited	The Lighthouse, 201 Wood Lane, London, UK

¹ See Glossary for further details

G. Other continued

Name of entity	Country of incorporation or establishment
Indirectly owned commercial subsidiaries: (all 100% owned unless stated):	
BBC Worldwide Limited	
BBC Worldwide Investments Limited	
BBC Earth MD (WWD) Limited	
BBC Earth Productions (Africa) Limited	
BBC Earth Productions (Life) Limited	
BBC Earth Productions Limited	
BBC Worldwide Productions (UK) Limited	
BBC Magazines Rights Limited	
BBC Magazine Holdings Limited	
beeb Ventures Limited	
European Channel Management Limited	
BBC Worldwide Corporate Services Limited	
Beeb Rights Limited	
European Channel Broadcasting Limited	
2 entertain Video Limited	
Demon Music Group Limited	
DVDS2 Limited	Television Centre, 101 Wood Lane, London, UK
BBC Earth Productions (Giant Films) Limited	
Earth Film Productions Limited	
2 Entertain Management Limited	
BBC Video Limited	
MCI Music Publishing Limited	
Crimson Productions Limited	
F-Beat Records Limited	
Demon Records Limited	
Bedder 6 Limited	
BBC Worldwide Music Limited	
BBC Worldwide Productions (Africa) (Pty) Limited	
2 entertain Limited	
DVDS3 Limited	
Tonto Films and Television Limited	
UK Programme Distribution Limited	
Worldwide Channel Investments Limited	

FINANCE AND OPERATIONS

G. Other continued

Name of entity	Country of incorporation or establishment
Indirectly owned commercial subsidiaries: (all 100% owned unless stated):	
BBC Global News Holdings Limited BBC World Service Television Limited BBC Global News Limited BBC World Distribution Limited bbc.com Limited	Broadcasting House, Portland Place, London, UK
BBC Ventures Group Limited BBC Grafton House Productions Limited BBC Children's Productions Limited BBC Comedy Productions Limited BBC Store Limited	Broadcast Centre, 201 Wood Lane, London, UK
BBC Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire, UK
BBC Worldwide (Africa) (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Gauteng, South Africa
BBC Worldwide Australia Pty Limited BBC Worldwide Australia Publishing Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point, NSW, Australia
BBC Worldwide Intermediadora de Programadora Estangeira Ltd	Rua Ferreira de Araujo 741, Andar 1, São Paulo, Brazil
Nine Productions Incorporated	2200 – 1055 West Hastings St., Vancouver, Canada
Worldwide Channel Investments (Ontario) Ltd 2004370 Ontario Incorporated	Toronto Dominion Bank Tower, Toronto, Canada
Worldwide Knowledge (Beijing) Business Consulting Company Ltd	Unit 7 Floor 9, West Tower, 8 Xinyuan South Road, Chaoyang Beijing, China
BBC Worldwide Productions Nordics ApS	Mosedalvej 14, 2500 Valby, Denmark
Erste Weltweit Medien GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany
BBC Worldwide Media Private Ltd	401 Construction House 'A', 24th Road, Khar (W), Mumbai, India
BBC Worldwide Channels Mexico S.A de C.V BBC Worldwide Mexico S.A de C.V	Avenida Paseo de la Reforma 115, Piso 4 Lomas de Chapultepec, Distrito Federal 11000 Mexico
BBC Worldwide Polska	Pl. Bankowy 1, 00-139 Warszawa, Poland
BBC Worldwide Channels (Singapore) Pte. Ltd	3 Anson Road, #17-03 Springleaf Tower, Singapore
bbc.com US, Incorporated	Corporation Trust Centre, 1209 Orange Street, New Castle, Delaware USA
BBC Worldwide Americas (401) k Plan Trustees	1120 Avenue of the Americas, 5th Floor, New York, USA
Worldwide Americas Investments Incorporated	Corporation Trust Centre, 1209 Orange Street, New Castle, Delaware USA
Global Hybrid Productions LLC Sun Never Sets Productions LLC Bad Wolf Productions LLC Adjacent Productions, LLC BBC Worldwide Reality Productions LLC DWTS Productions LLC Worldwide Competition Productions LLC	10351 Santa Monica Boulevard, Los Angeles, USA
BBC World Japan Limited	Tokyo Club Bldg. 3-2-6, Kasumigaseki, Tokyo, Japan
BBC Global News India Private Limited	301 D-2, Southern Park, District Centre, Saket, New Delhi, India
BBC Global News US LLC	Corporation Service Company, 80 State Street, Albany, NY USA
BBC Worldwide Americas Incorporated	1121 Avenue of the Americas, 5th Floor, New York, USA
BBC Worldwide Australia Holdings Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point, NSW, Australia
BBC Worldwide Canada Limited	409 King Street West, 5th Floor, Toronto, Canada
BBC Worldwide France Sarl	18-20 Quai du Point du Jour, 92100 Boulogne-Billancourt, France
BBC Worldwide Germany GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany
BBC Worldwide Holdings B.V	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
BBC Worldwide Japan Limited	Tokyo Club Bldg. 0F, 3-2-6 Kasumigaseki, Tokyo, Japan
Rapid Blue (70% Ownership)	263 Oak Avenue, Ferndale, Randburg, South Africa
BBC Holdings M LLC LLC BBC R News	115054 Moscow, Bakhrushina street no. 32/1, Russia

G. Other continued**G6 Reserves****G6.1 Operating reserve**

At 31 March 2017, the cumulative goodwill written off to reserves on acquisitions prior to 1999 amounted to £6.8 million. This amount is unchanged from the prior year and remained in equity upon transition to IFRS as permitted by IFRS 1 First time adoption of IFRS.

G6.2 Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £28.1 million were removed from the hedging reserve and debited to revenue in the income statement (2016: £0.7 million).

G6.3 Translation reserve

The translation reserve comprises all foreign exchange differences arising since the transition to IFRS, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

G6.4 Other reserve

Other reserve includes revaluation of available for sale financial assets of £nil (2016: £2.9 million) and the fair value of the put option liabilities arising on acquisition of new subsidiaries. There has been no movement in the fair value uplift of the available-for-sale asset, £2.9 million, and an additional put option liability of £3.4 million has been recognised during the year in relation to the acquisition of Baby Cow.

G7 Post-balance sheet events

On 1 April 2017 BBC Studios Limited was launched as a wholly-owned commercial subsidiary of the BBC Group, with special provisions in its framework documents and those of the wider group which set out its role in the BBC's public mission. BBC Studios will operate in the market, producing programmes for the BBC and other broadcasters in the UK and internationally

G8 Related party transactions

The following table represents transactions with related parties excluding key management personnel.

	Associates, joint ventures and other investments		BBC Pension Scheme	
	2017 £m	2016 £m	2017 £m	2016 £m
Rendering of services	79.4	76.2	–	–
Receiving of services	(95.3)	(76.4)	–	–
Pension contributions	–	–	334.3	219.8
Dividends received	24.8	26.6	–	–
	8.9	26.4	334.3	219.8

	Amounts owed by related parties		Amounts owed to related parties	
	2017 £m	2016 £m	2017 £m	2016 £m
BBC Pension Scheme	–	–	(0.8)	(0.7)
Associates, joint ventures and other investments	36.2	31.3	(14.5)	(10.7)
	36.2	31.3	(15.3)	(11.4)

In all transactions, the terms of trade were negotiated on an arm's length basis.

The BBC Group also enters into various transactions with government and local authorities on an arm's length basis. These transactions include council tax agreements and corporation tax payments.

Related-party transactions with key management personnel are disclosed in note C6.

FINANCE AND OPERATIONS

G. Other continued

G9 Segment reporting

Geographical location of income and non-current assets

2017	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and financial instruments:					
UK	1,148.6	332.3	8.5	(33.3)	1,456.1
Rest of world	48.9	244.3	0.3	–	293.5
	1,197.5	576.6	8.8	(33.3)	1,749.6
Additions included in fixed assets and investments	117.7	203.4	0.1	5.2	326.4
External income:					
UK	4,018.1	206.8	26.0	(92.2)	4,158.7
Rest of world	15.4	669.5	110.4	–	795.3
	4,033.5	876.3	136.4	(92.2)	4,954.0
2016	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and financial instruments:					
UK	1,191.5	353.4	4.3	(35.8)	1,513.4
Rest of world	41.4	201.1	0.3	–	242.8
	1,232.9	554.5	4.6	(35.8)	1,756.2
Additions included in fixed assets and investments	118.4	192.0	5.4	(34.8)	281.0
External income:					
UK	3,905.8	200.5	30.7	(85.6)	4,051.4
Rest of world	19.3	654.9	101.4	–	775.6
	3,925.1	855.4	132.1	(85.6)	4,827.0

G10 Contingent liabilities

The Group has a number of contingent liabilities arising from litigation and from the rights of customers and suppliers to undertake routine audits. These arise from trading activities undertaken in the ordinary course of business. The Group makes specific provision for the best estimate of any amounts which might be awarded as a result of these. A provision is only made to the extent that the directors consider it probable that there will be an outflow of economic benefits and the amount can be reliably estimated.

H. Basis of preparation of the financial statements and other accounting policies

The BBC is incorporated in the United Kingdom under the Charter.

Statement of accounting policies

The BBC Group is required to select and apply accounting policies for each type of transaction entered into throughout the year and in the preceding year. An accounting policy will specify the timing for recognising and derecognising assets, liabilities, income and expenditure, how those items will subsequently be measured and where they are presented in the statement of total income and expenditure, balance sheet and statement of cash flows.

For ease of reference, accounting policies are grouped below into the section headings used above for the notes to the accounts.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates that affect the reported performance and position of the Group or areas where assumptions or estimates are significant to the consolidated financial statements.

It also requires management to exercise judgement in applying the BBC Group's accounting policies. These areas involve a higher degree of judgement or complexity,

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

- Revenue recognition (note A1)
- Provisions and accruals (note F8)
- Property, Plant and Equipment (note D1)
- Pension scheme and actuarial assumptions (note C7)
- Service licences (note B3)

Basis of preparation

These consolidated financial statements for the BBC Group have been prepared in accordance with IFRS as adopted by the EU.

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies within the relevant section of the notes.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the BBC Group's financial position and performance.

Adoption of new and revised accounting standards

The following new and revised EU endorsed accounting standards have been adopted for the first time. They have been applied since 1 April 2016 and have not had a significant impact on the results or financial position of the Group

- Annual Improvements to IFRS 2012 – 2014 Cycle
- IAS 1 Presentation of Financial Statements
- IAS 11 Joint Arrangements
- IAS 2 Separate Financial Statements
- IAS 38 Intangible Assets
- IAS 16 Property, Plant and Equipment

Going concern

The financial statements are prepared on a going concern basis. The directors believe this to be appropriate for the reasons set out below.

The directors have prepared and reviewed cash flow forecasts for the 24-month period to 31 March 2019, a period in excess of a year from the date of approval of these financial statements. The key factors in these forecasts are the continuity of the Charter and licence fee, the BBC Pension Scheme deficit and the resultant deficit recovery payments agreed with the pension scheme Trustees and the realisation of planned cost savings under the 'Strategic Plan' programme.

Under the agreement between the BBC and DCMS effective from 1 January 2007, BBC PSB consolidated net borrowings must not at any time exceed £200 million. The net borrowing position in the new Charter which came into force on 1 January 2017, with effect from 3 April 2017, must not exceed £1,050 million of which £850 million is specifically to accommodate previously 'grandfathered' finance leases under the previous Charter

The BBC Group has external funding available, including a £200 million revolving credit facility which expires in July 2020, which is currently unutilised. PSB net funds at 31 March 2017 were £187 million, this equates to a headroom of £387 million against the external funding available.

The BBC Group also has a £380 million multicurrency revolving credit facility available to the BBC commercial operations, with funding split between a US\$259 million US Private Placement (fixed through foreign exchange swap transactions at £171 million) until June 2020 and a £210 million facility until July 2019. As at the year end the Group had drawn down £201.2 million of the facilities available (2016: £231.9 million).

The directors of the BBC Group have reviewed these forecasts and taking all above factors into consideration, together with the sensitivities and mitigating factors in the context of available funds, they expect the BBC Group to be able to meet its debts as they fall due for the foreseeable future.

As a result, the directors are satisfied that the going concern basis is appropriate for the preparation of these financial statements.

Basis of consolidation

The BBC Group accounts include the results of the BBC and all businesses controlled by the BBC (subsidiaries') together with the BBC's share of the results of businesses over which the BBC has significant influence but not control (associates') and those which the BBC jointly controls (joint ventures').

The BBC Group accounts for its interests in associates and joint ventures using the equity method. The equity method means that the BBC presents its interest in the associates or joint ventures as a single line item in the balance sheet, measured at the cost of the investment plus the share of the net result, less dividends received. The equity accounted result for the year is presented as a single line item in the statement of income and expenditure.

¹ See Glossary for further details

H. Basis of preparation of the financial statements and other accounting policies *continued*

Changes in the BBC Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, being movements between reserves attributable to the BBC and non-controlling interests. A non-controlling interest is the interest in a subsidiary that is not owned, directly or indirectly, by the BBC. The non-controlling interest reflects the amount of the net result for the year and the net assets/(liabilities) which are not attributable to the BBC. The carrying amounts of non-controlling interests are adjusted to reflect any changes in their, and the BBC Group's, relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the BBC.

When the BBC Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the net assets of the subsidiary (including attributable goodwill) and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to the income statement or transferred directly to retained earnings as appropriate. The fair value of any interest retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate or joint venture.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given by the BBC Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the BBC Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred. On acquisition, the BBC Group recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of net assets.

When control is obtained in successive share purchases (a 'step acquisition'), it is accounted for using the acquisition method at the acquisition date. The previously held interest is remeasured to fair value at the acquisition date and a gain or loss is recognised in the income statement.

Foreign currency transactions¹

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign currency gains or losses arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from transactions settled during the year, are included in the income statement within operating costs. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of initial recognition.

¹ See Glossary for further details

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. The income and expenses of foreign operations are translated into sterling at average monthly rates of exchange ruling during the financial period, which is a good approximation for the actual rate. Exchange differences arising on translation are recognised directly in the translation reserve.

On disposal of an investment in a foreign operation the associated translation reserve balance is released to the income statement.

Accounting policies relevant to section A

Licence fee income

Income from television licences is treated as an amount due from the relevant Government department, principally the DCMS. This represents the value of licences issued in the year, less a deduction for refunds and cancellations.

Where an element of the licence fee income has been ring-fenced by the Government for a specific purpose, that income is recognised when it is due, except if it becomes virtually certain that the BBC's expenditure on the ring-fenced purposes will be less than the ring-fenced income already received. In this case, the relevant amount of licence fee income, as agreed with the Government, will be repayable and recognised as such in the year the obligation to repay arises.

Other income

Other income arises from activities such as the sale of goods, provision of services and granting of licences. Revenue is measured after deductions for value added tax, any other sales taxes, trade discounts and sales between BBC Group companies.

Sale of goods

Revenue is recognised once the significant risks and rewards of ownership of the goods have been passed to the customer and the BBC has released all managerial involvement surrounding the goods. Sales of goods are stated after deduction of the sales value of actual and estimated returned goods. Examples of goods sold include magazines, books and DVDs.

Sale of services

Revenue is recognised at the point the service has been delivered and the receipt of the income is probable. Where the delivery is over a period of time, the revenue is recognised on a straight line basis. Examples of services sold include advertising and commercial licences for specific rights associated with TV programmes.

Royalties

Royalty income is recognised on receipt or on an accruals basis, in accordance with the detail of the relevant agreements, where sufficient information is available.

Rental income

Rental income is recognised on a straight line basis over the term of the lease.

Grants from Government departments

Grants are recognised as income in the financial year that they relate to.

Grants from other public bodies

Grants from other public bodies are recognised as income consistently with the related costs, provided that there is reasonable assurance that the BBC will comply with any conditions attached to the grant and that the grant will be received.

H. Basis of preparation of the financial statements and other accounting policies *continued*

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Use of estimates and judgements – Commercial income

Revenue recognition in the BBC's commercial operations is complex, with a number of different revenue streams including sale of content to global broadcasters, subscription income and revenue from the sale of physical and digital products.

The complexity of individual contractual terms may require the Group to make judgements in assessing when the triggers for revenue recognition have been met, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow revenue to be recognised.

Accounting policies relevant to section B

Completed originated programmes¹, programmes in production and prepayments to acquire future programme-related rights

Completed originated programmes and programmes in production are held at cost.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads. The proportion of programmes necessarily taking a substantial period of time to produce is small and as such no borrowing costs are included in cost.

Where, exceptionally, a programme is unable to be broadcast, as soon as it is virtually certain that this is the case, the full value of the programme will be written off to the income statement.

Programme development costs are expensed to the income statement until such time as there is a strong indication that the development work will result in a commissioned programme¹, when any further costs are recognised as programme-related assets.

Originated programmes that are still in production at the balance sheet date are recognised as programmes in production, except that prepayments to acquire future programme-related rights are shown separately where the BBC has made payments to independent producers, or the holders of certain rights (for example, rights to broadcast sporting events), to receive the programme on completion.

Rights to broadcast acquired programmes and films

The rights to broadcast acquired programmes and films are recognised at cost. The costs of acquired programmes and films are written off on first transmission except to the extent that the number of further showings are contractually agreed, when they are written off according to the expected transmission profile. Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of rights whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

Where the BBC has invested in independent productions, in addition to broadcasting rights, the BBC may obtain rights to future royalties from the sale of rights associated with the production. These residual interests are recognised initially at cost subject to amortisation as royalties are received and impaired if anticipated royalties do not materialise.

Other inventories

Raw materials and other physical inventory, including finished goods, are stated at the lower of cost and net realisable value.

Works in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Accounting policies relevant to section C

Other employee benefits

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure.

Defined contribution plans

The amounts charged as expenditure for the defined contribution plans represent the contributions payable by the BBC for the accounting period.

Defined benefit plans

The defined benefit plans, of which the majority of staff are members, provide benefits based on pensionable pay. The assets of the BBC's Pension Scheme are held separately from those of the BBC Group.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured using the projected unit credit method. The present value of scheme liabilities is calculated by discounting estimated future cash outflows at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities.

Remeasurement comprising gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. When the benefits of a plan are changed the resulting change in benefit that relates to past service is recognised immediately in the income statement. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on settlements and curtailments;
- net interest expense or income; and
- remeasurement.

¹ See Glossary for further details

H. Basis of preparation of the financial statements and other accounting policies *continued*

The current service cost and past-service cost are included within operating costs in the consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net interest expense or income relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Administration costs directly related to the management of plan assets are deducted from the return on plan assets, which are recorded as remeasurements in the statement of comprehensive income. Other administrative scheme expenses associated with running the scheme are recorded within operating expenses when incurred.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

Use of estimates and judgement – post retirement benefits

The pension costs and obligations of the BBC Group's defined benefit schemes are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. Further analysis on the sensitivity of pension assumptions is given in note C8.I.

Accounting policies relevant to section D

Owned assets

Other than as noted below, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Leased assets

Assets held under finance leases are capitalised within property, plant and equipment and depreciation is provided as appropriate. On initial recognition the asset is measured at the lower of its fair value and the present value of the minimum lease payments.

Depreciation

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

Land and buildings

Freehold land – not depreciated
 Freehold buildings – 50 years
 Freehold building improvements – 10 to 50 years
 Leasehold buildings – shorter of 50 years or life of lease
 Leasehold building improvements – shorter of 50 years or life of lease

Plant and machinery

Computer equipment – 3 to 5 years
 Electrical and mechanical infrastructure – 10 to 25 years
 Other – 3 to 10 years

Furniture and fittings – 3 to 10 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

Use of estimates and judgements – capital projects

The BBC is completing a number of significant capital projects for which amounts have been capitalised on the Group's balance sheet.

The recoverability of these assets is dependent on the achievement of project completion and the assets being used in the manner intended as part of the original business case.

Investment properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of the properties. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the profit and loss when the changes arise.

Lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the lease term.

Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Use of estimates and judgements – leases

The determination of whether an arrangement is, or contains, a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to use the asset.

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the BBC Group. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the BBC. Another key judgement is the determination of the commencement date of a lease.

When determining the accounting for a finance lease, the BBC has assessed whether it has the right to use the leased asset at the inception of the lease, or whether this right passes at a later date ('the commencement date').

Where a significant site is being redeveloped, occupation may occur in distinct phases; consequently, the leased asset and liabilities are recognised based on the proportion of the site occupied at each commencement date.

Non-current assets held for sale

Non-current assets (and disposal groups comprising assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

H. Basis of preparation of the financial statements and other accounting policies *continued*

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

Investments in equity securities

Investments in equity securities held by the Group are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised in the statement of comprehensive income, except for impairment losses. When these investments are derecognised the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement.

Accounting policies relevant to section E

Programme-related intangible assets

Programme-related intangible assets, which include programme rights¹ and residual programme rights, are stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. The cost and accumulated amortisation of programme-related intangible assets are reduced by programmes which are fully written off.

Research and development¹ expenditure – internally generated intangible assets

Expenditure on research activities is written off in the income statement when incurred.

Expenditure on development activities is included on the balance sheet as an asset only if both of the following conditions are met:

- it is probable that the asset will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

The assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

For the PSB Group it is generally unlikely that future economic benefits in the form of cash inflows will be received, and as a result, other than assets created for use by the business in delivering its public purposes, development costs are only capitalised by the BBC Group's commercial businesses.

Other intangible assets

Other intangible assets acquired separately by the BBC Group are stated at cost less accumulated amortisation and any accumulated impairment losses. The identifiable intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition (in accordance with IFRS 3 Business Combinations) less accumulated amortisation and any accumulated impairment losses.

Amortisation¹

Amortisation is charged to the income statement on a systematic basis over the estimated useful lives¹ of intangible assets, from the date that they are available for use, unless such lives are indefinite.

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate. This review has resulted in a new amortisation profile for distribution rights which amortises the original cost of investments over a three year period (previously a range from one to ten years) to match an overall revenue profile updated for recent experience. This change in estimates results in a charge of £67.9m

The useful lives and amortisation methods other classes of intangible asset are as follows:

UKTV carrier agreement	Straight line	Unexpired term of agreement
Software	Straight line	2 to 5 years
Other	Straight line	3 to 8 years

Impairment¹: Non-financial assets

At each balance sheet date, the BBC Group reviews the carrying amount (net amount held on the balance sheet) of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

For goodwill the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the higher of fair value¹ less costs to sell and value in use. For the purposes of impairment testing, assets are grouped at the lowest level at which they generate separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Where a cash-generating unit is impaired the impairment loss will first be allocated to reduce goodwill and then to the other assets of the cash-generating unit on a pro rata basis, except that the carrying amount of any individual asset will not be reduced below its separately identifiable recoverable amount.

Impairment losses in respect of goodwill are not reversed. In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Goodwill¹

Goodwill is recorded in the balance sheet as the difference between the fair value of the consideration transferred by the BBC and the recognised amount of non-controlling interests in the acquire compared to the fair value of the identifiable assets and liabilities acquired. These are all measured at the date of acquisition. Where the consideration is less than the net assets acquired, the difference is recognised immediately in the income statement.

¹ See Glossary for further details

H. Basis of preparation of the financial statements and other accounting policies *continued*

Acquisitions prior to 1 April 2007 – as part of the adoption of IFRS, in accordance with IFRS 1 First-time adoption of IFRS, the Group elected to restate only those business combinations that occurred on or after 1 April 2007. In respect of acquisitions prior to 1 April 2007, goodwill is recognised at deemed cost being the amount previously recognised under UK accounting standards, subject to being tested for impairment at that date. Goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve, as was permitted by UK GAAP at the time.

Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the joint venture or associate and is tested for impairment as part of the overall balance.

Subsequent measurement of separately recognised goodwill – goodwill is tested annually for impairment and is measured at cost less any accumulated impairment losses. For the purposes of impairment testing the goodwill is allocated to cash-generating units on the basis of those expected to benefit from the relevant business combination.

Accounting policies relevant to section F

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at fair value less an allowance for estimated impairment. The allowance is based on objective evidence that the BBC Group will not be able to recover all amounts due. Changes in the carrying amount of the allowance are recognised in the income statement.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use.

Originated programmes can be qualifying assets, but those necessarily taking a substantial period of time to get ready for broadcast are a small proportion of overall programme investment. Any borrowing costs that could be attributed to those programmes are not significant and, therefore, no borrowing costs are capitalised.

All finance income and other borrowing costs are recognised in income and expense in the period in which they are incurred.

Use of estimates and judgements – provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the BBC. This can be very complex, especially when there is a wide range of possible outcomes.

The BBC Group recognises decommissioning liabilities as part of the initial cost of the asset, discounted to present value. The Group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date.

Accounting policies relevant to section G

Taxation

The tax charge for the period comprises both tax currently payable and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in reserves.

Current tax is the expected tax payable for the year, using tax rates that are enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In respect of tax currently payable:

- the PSB Group is not liable to corporation tax on any surplus licence fee income or grants received from Government departments, however, it is fully liable for corporation tax on capital gains and on all its other external income. Expenditure on capital assets is not eligible for capital allowances giving rise to temporary differences that would lead to deferred tax assets or liabilities. Movements of fair value adjustments in the income statement give rise to deferred tax balances.
- the BBC's commercial subsidiaries are liable for corporation tax based on taxable profit for the year.

Current tax assets and current tax liabilities are offset if, and only if, there is a legally enforceable right to set off the recognised amounts; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the tax rates expected to apply in the period when the liability is settled or the asset is realised using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Financial instruments

The BBC Group holds various derivative¹ and non-derivative financial instruments (including assets such as trade investments and liabilities such as borrowings). All financial assets are recognised and derecognised on a trade date. The accounting policy for the major categories of financial instruments is set out below.

¹ See Glossary for further details

H. Basis of preparation of the financial statements and other accounting policies *continued*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months. Cash and cash equivalents also includes licence fee funds collected on behalf of HM Treasury, which are excluded from the Group's net funds and in respect of which a separate creditor is recognised.

Derivative financial instruments

The BBC Group does not enter into speculative derivative contracts, however, some derivative financial instruments are used to manage the BBC's exposure to fluctuations in interest rates (interest rate swaps¹, caps¹ and collars¹) and foreign currency exchange rates (foreign currency forwards contracts and currency options).

Derivative financial instruments, excluding derivatives held as qualifying hedges, are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement.

The fair value of interest rate swaps, caps and collars is the estimated amount that the BBC Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates, the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the BBC.

The fair value of foreign currency forward contract rates is determined using forward exchange rates at the balance sheet date.

Hedge accounting

The BBC Group designates certain derivatives as cash flow hedges by documenting the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Where the hedge is deemed to have been effective, the effective portion of any changes in the fair value of the derivatives that are designated in the hedge are recognised in other comprehensive income. The accumulated amount in the cash flow hedge reserve is reclassified to profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of the hedge is recognised immediately in the income statement.

Embedded derivatives

These derivatives are found embedded within other financial instruments or other host contracts. Once identified they are treated as derivatives in their own right if their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value.

Embedded derivatives are carried on the balance sheet at fair value from inception¹ of the host contract. Unrealised changes¹ in fair value are recognised as gains/losses within the income statement during the period in which they arise.

Use of estimates and judgements – Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. Factors considered in determining whether there is objective evidence of an impairment include significant financial difficulty of the counterparty and breach of contract. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate¹. All impairment losses are recognised in the income statement.

Reserves

The operating reserve is the accumulated surplus/deficit to date.

Available for sale reserve includes fair value gains and losses on available for sale financial assets.

The hedging reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax).

The translation reserve is used to record exchange differences arising from the retranslation of the net assets and results of overseas subsidiaries.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Annual Improvements 2014–2016 Cycle (effective 1 January 2017 and 1 January 2018)
- IAS 40 (effective 1 January 2018) – Investment property
- IFRIC 22 (effective 1 January 2018) – Foreign currency transactions
- IFRS 2 (effective 1 January 2018) – Share-based payment transactions
- IAS 7 (effective 1 January 2017) – Statement of Cash Flows
- IAS 12 (effective 1 January 2017) – Income Taxes

The BBC do not expect to early adopt any of the accounting standards stated above.

The directors do not expect that the adoption of the standards and interpretations above would have a material impact on the financial statements of the Group in future periods, except for the following:

IFRS 9 Financial Instruments (effective 1 January 2018) replaces the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. The potential impact on the Group is currently being assessed.

IFRS 16 Leases (effective 1 January 2019 but not yet EU endorsed) replaces IAS 17. IFRS 16 will primarily impact the accounting for operating leases. Such agreements will require the recognition of lease assets, representing the right to use the leased item, and a respective liabilities, representing the future lease payments. The potential impact on the Group is currently being assessed.

¹ See Glossary for further details

H. Basis of preparation of the financial statements and other accounting policies *continued*

IFRS 15 Revenue from Contracts With Customers (effective 1 January 2018) requires the identification of distinct promises within contracts with customers in order to determine the 'performance obligations' that exist. The transaction price receivable from customers is subsequently allocated between the identified performance obligations. An initial assessment of the impact on the Group has been undertaken however further detailed analysis is required on specific revenue streams to determine if contracts include dynamic or static performance obligations.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 16 and IFRS 15 until a full and detailed review has been completed.

Glossary

With the aim of improving comprehension, the table below explains the financial terms used within the financial statements:

Term	Note	Definition
Amortisation	H	Amortisation is the reduction reflected in the carrying value of the asset as a consequence of the regular use of that asset by the organisation.
Assets available for sale	D3	Assets available for sale are interests in entities in which the BBC has neither control nor a significant interest.
Associate	E3	An associate is an entity that the BBC Group has significant influence over, but that does not meet the definition of a joint venture or subsidiary. Significant influence is the power to participate in the financial and operating decisions of an entity but is not control or joint control over those policies.
Cash-generating units	E2	Cash-generating units are the smallest group of assets that can independently generate cash flows.
Changes in demographic and financial assumptions	G3.1	Changes in demographic and financial assumptions represent the changes in estimates used to value the future liability. Demographic assumptions include mortality rates, staff turnover and early retirement. Financial assumptions encompass items such as discount rate and future salary levels.
Commissioned programme	H	A commissioned programme is where an agreement has been made for the programme to be produced for broadcast.
Credit risk	G4.1	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation.
Current service cost	C7.2	The current service cost is the underlying cost to the BBC of pension rights earned by employees during the year.
DCMS borrowings	F1	The DCMS definition of 'borrowings' excludes leases which would be classified as operating under UK GAAP, but which are classified as finance leases under IFRS at the date of transition to IFRS. These leases are therefore excluded when comparing net debt/funds to DCMS borrowing ceilings.
Deferred tax	G2	Deferred tax is the amount of income tax payable or recoverable in future periods in respect of taxable or deductible temporary differences, the carry forward of unused losses, and/or the carry forward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, where the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.
Derivative	G4.2	A derivative is an asset or liability that is dependent on, or derives its value from, another asset or liability and is to be settled in the future.
Discount rate	G3.5	The discount rate for the IAS 19 valuation has been derived with reference to market yields at the end of the reporting period on AA rated sterling-denominated corporate bonds with maturities consistent with the estimated term of the post-employment benefit obligations. Certain types of bonds are excluded from the calculating model, either because they have unusual features, are relatively small or potential outliers, in order to remove the distortion that might otherwise occur from including unusual, less liquid or potentially misrated bonds. Extrapolation is performed when the profile of the Scheme's expected benefit outgo is longer than the cashflows of the available bonds.
Effective interest rate	H	An effective interest rate is the rate used to discount future cash flows over the life of the contract back to present value.
Effective tax rate	G2.2	The tax charge for the year as a percentage of Group surplus/deficit excluding tax.
Exercise	G4.3	Exercise is the point at which the rights in the option are implemented or acted upon.
Fair value	D, G	The fair value of an asset is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Finance lease	D4	A finance lease is a lease where the lessee has substantially taken on the risks and rewards of ownership and operating the asset. As such, both the asset and future liability are recognised on the balance sheet.
Foreign currency transactions	G	As these financial statements are prepared in sterling the BBC's foreign currency transactions and balances must be translated at appropriate exchange rates, into sterling. This means that variations in exchange rates can cause the valuation of investments to fluctuate even when there has been no change in the health of the underlying business.
Forward foreign currency contracts	G4.3	Under forward exchange contracts you buy or sell a currency at a fixed exchange rate with delivery made on a given date or dates in the future.
Going concern	H	The directors are required to make a statement that the BBC is a going concern which means it can meet its debts and continue trading for a period of at least 12 months from the date on which these financial statements were signed.

FINANCE AND OPERATIONS

Term	Note	Definition
Goodwill	H	<p>Goodwill is the difference between the value paid for a business and the fair value of its net assets. It represents the premium the purchaser is prepared to pay for the business.</p> <p>Consideration, in this context, is the monetary value transferred in exchange for the share in ownership of another entity.</p> <p>Where the BBC does not own an entity outright, the other shareholders are known/disclosed as non-controlling interests.</p>
IAS 19 valuation	C8.1	The IAS 19 valuation takes assets at their market value and discounts the accrued liabilities by reference to the discount rate of an AA rated corporate.
Impairment	H	An impairment occurs when the carrying value of an asset is higher than the amount that is recoverable from its use or sale.
Inception	H	Inception is the point at which a contract is confirmed, this is normally the point at which the contract is signed.
Interest cost on pension plan liabilities	F9	The interest cost on pension plan liabilities represents the increase during the year in the value of the plan liabilities because the benefits are one year closer to settlement.
Interest rate caps	G4.1	Interest rate caps protect against interest rates rising, by setting an upper limit (cap) on the floating interest rate, while still allowing the benefit of falling interest rates.
Interest rate collars	G4.1	Interest rate collars are the same as interest rate caps except that there is also a lower limit set to the floating interest rate.
Interest rate swaps	G4.1	Interest rate swaps effectively swap a floating rate loan into a fixed rate loan, or vice versa.
Joint venture	E3	A joint venture is where the BBC Group has joint control over an entity with another partner(s).
Maturity	G3.6	The maturity of a scheme provides an indication of the cash requirements of the scheme and the likely attitude of the Trustees to risk within their investment policy. The more mature a scheme, the more likely that Trustees will favour low risk investments.
Net finance income/(cost)	C7.2	Net finance income/(cost) is the difference between the expected return on assets and the interest liabilities.
Operating lease	D6	An operating lease is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.
Originated programmes	B5	Originated programmes are programmes produced internally by the BBC Group for broadcasting and/or sale of the rights to broadcast.
Past service cost	C7.2	The past service charges arise from changes to the terms and conditions relating to member's defined retirement benefits, resulting in a credit for years of service already given.
Pension Increase Exchange	C7.2	A PIE exercise involves offering defined benefit (DB) scheme members the choice of exchanging future annual increases on their pensions for a one-off immediate uplift. The uplifted pension does not then attract any further annual increases. The offer can be made to members currently receiving pensions, or to members at the point of retirement.
Pension scheme	C7	On retirement, members of the BBC's defined benefit Pension Scheme are paid their pensions from a fund which is kept separate from the Group to which the BBC makes cash contributions.
Plan liability	F9	The plan liability represents the expected amount of money that will be needed in the future to pay employees for their current and future service to the company.
Programme rights	H	Programme rights are rights held by the BBC that permit a future transmission of a particular programme or event.
Provisions in relation to associates and joint ventures	E3	Where the BBC has an obligation to settle an individual net liability of a joint venture, this is reflected within provisions.
Public services	F2	Public Services in this context represent the PSB Group (excluding Centre House Productions Limited – see note G4.2).
Put option	G4.3	A put option issued by the BBC provides the holder the rights, but not the obligation to require the BBC to buy shares at a future date and price determined by the option agreement.
Related parties	C6	Related parties include key management personnel, their immediate families and external entities controlled by them.
Remeasurement gains and losses	G3.4	These gains and losses arise from actual performance being different from that predicted. Only defined benefit schemes give rise to gains and losses in the statement of comprehensive income.

Term	Note	Definition
Remeasurements	C7.2	Remeasurements which arise from actual performance being different from that predicted give rise to gains and losses in the statement of comprehensive income.
Remeasurements on plan assets	G3.2	Remeasurements on plan assets represent the amount by which the assets held by the scheme (such as equities, bonds and property) have performed better or worse than the expected prior year value.
Research and development	BI	Research and development costs are incurred to explore ideas for new programmes or assets, such as the BBC iPlayer. Research costs are where the ideas are generated, some of which are then developed further into a plan or design where the costs are then categorised as development.
Strike price	G4.3	The strike price is the price the option will sell at.
Subsidiary undertaking	G5.3	A subsidiary undertaking is an entity that is directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.
Unrealised changes	H	Unrealised changes are those changes that occur to the value of the embedded derivative prior to the point at which the derivative is exercised.

Index

Subject index	Page number
Audit Committee Report	74
Awards	23
BBC Studios	10-11, 25, 51
BBC Studioworks	51
BBC Trust	86-91
BBC World Service	2, 19, 30-31
BBC Worldwide	19, 21, 50
Charities	61-62
Commercial trading	50
Consolidated financial statements	124
Content spend by service – by nation	93, 97, 101
Content spend by service – network	25, 27, 29, 30, 32, 33
Diversity and inclusion	60
Efficiency savings	52
Environmental sustainability	63
Human Rights	58
Licence fee- income and expenditure	49
Nations and regions	36-45, 93-104
New governance	12-13, 48, 66
Performance against public commitments	105
Public purposes	14-19
Reach by service	25, 27, 28, 30-31, 33
Remuneration – BBC Executive Board	78-79
Remuneration – BBC senior managers	56
Remuneration – BBC Trust	100
Risks and opportunities	88
Service performance	25, 27, 29, 30, 32, 33
Severance pay	57
Spend by service	25, 27, 29, 30, 32, 33
Staff – headcount and location	56-57
Talent costs	56
Time spent with each service	25, 27, 29, 30, 32, 33
Trading fairly	83-84
Viability statement	82

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A Harris hawk takes off from a cactus in the desert in the southern United States.

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Page 01

Wildlife cameraman Vianet Djenguet – BBC/Josh Helliker.

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Terrific Scientific Live Lesson – BBC.

Timeline presenters – BBC Scotland/Martin Shields.

BBC Three's *Five By Five* series of short films from new writers –

BBC Studios/Green Door Pictures/Sally Mais.

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Pages 02-03

Family listen to the radio – BBC Media Action.

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Kofi Smiles, BBC's Face of Hull 2017 – BBC/Les Gibbon.

The Archers – BBC/Pete Dadds.

Muslims Like Us – Love Productions 2016/Gareth Gatrell.

iPlayer and iPlayer Kids – BBC.

Pages 04-05

Paldark – Mammoth Screen Limited/Robert Viglasky.

Page 06

BBC Chairman, Sir David Clementi – BBC/Liam Bailey Ltd.

Page 07

Today – BBC/Jeff Overs.

Page 09

BBC Director-General, Tony Hall – BBC/Liam Bailey Ltd.

Page 10

CBBC presenters Hacker, Lauren, Karim and Dodge –

BBC/Rachel Joseph.

Page 11

Countryfile – BBC Studios/Tom Dulat.

Page 13

New Broadcasting House – BBC/Jeff Overs.

Page 14

Damilola, Our Loved Boy – Steffan Hill/Minnow Films.

Page 15

The BBC's Quentin Sommerville reporting in Syria – BBC News.

Page 16

BBC Terrific Scientific – BBC/James Stack.

Page 17

Taboo – Scott Free/Hardy Son & Baker.

Page 18

Presenter David Olusoga – BBC/Des Willie.

Page 19

A radio producer interviews a health worker for a Hausa-language radio drama – BBC Media Action.

Page 21

Happy Valley – BBC/Red Production Company.

Page 22

Thirteen – BBC/Todd Anthony.

Page 23

Happy Valley – BBC/Red Production Company.

I, Daniel Blake – Photo Joss Barratt, Sixteen Films Ltd.

Sherlock: The Abominable Bride – BBC/Hartwood Films.

People Just Do Nothing – BBC/Roughcut Television/Jack Barnes.

The Night Manager – BBC/The Ink Factory/Mitch Jenkins.

Casualty – BBC/Alistair Heap.

BBC News presenter George Alagiah – BBC/Jeff Overs.

Murder in Successville – Tiger Aspect Productions.

Radio 2 DJ Chris Evans – BBC.

Topsy and Tim – Darrall Macqueen Ltd.

Pages 24-25

Murdered by My Father – BBC/Des Willie.

Exodus: Our Journey To Europe – Hassan Akkad/KEO Films.

Page 26

BBC Proms – BBC/Mark Allan.

Page 31

Newsreader Reeta Chakrabarti – BBC/Jeff Overs.

Newsreader Huw Edwards – BBC/Jeff Overs.

Victoria Derbyshire – BBC/Jeff Overs.

Panorama logo – BBC.

News app on various devices – BBC.

Pages 28-29

iPlayer – BBC.

Amazing Humans – BBC.

Page 33

Presenter Peter Okwoche – BBC.

Page 36-37

Wales vs Belgium, Euros 2016 – Meissner/AP/REX/Shutterstock.

Page 40

Still Game – BBC Scotland.

Page 42

My Mother and Other Strangers – BBC/Stefan Hill/Matt Burlem.

Page 44

Radio presenter Nihal Arthanayake – BBC/Stephen Brooks.

Page 46

SS-GB – Sid Gentle Films Ltd/BBC/Laurie Sparham.

Page 47

BBC Deputy Director-General, Anne Bulford – BBC/Liam Bailey Ltd.

Page 53

The Hollow Crown – The War of the Roses – BBC/Carnival Film and

TV/Robert Viglasky.

Page 54

Radio 1 DJ Clara Amfo – BBC.

Page 58

BBC School Report – BBC School Report.

Page 60-62

BBC Young Dancer 2017 – BBC/Ray Burmiston.

DIY SOS for Children in Need – BBC.

WIA for Red Nose Day – BBC.

Page 64-65

BBC Board – BBC/Liam Bailey Ltd.

Page 86

Old Broadcasting House – BBC/Jeff Overs.

Page 92

Line of Duty – World Productions/BBC/Aidan Monaghan.

Page 105

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