

BBC | Trust

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PART ONE:

Annual Report and Accounts 2006/2007

The BBC Trust's review and assessment

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This is a pivotal time for the BBC...

We have a new Charter, a new licence fee settlement, a new definition of the BBC's Public Purposes, and a new system of governance that puts audiences firmly at the centre of what we do. Those audiences have more choice than ever before: more channels, more ways of receiving them and, increasingly, more ways of contributing to them. This is not a world in which the BBC can stand still.

This Annual Report reviews the BBC's activities over the past year in the context of rapid change in many areas in which the BBC operates. In Part One, the BBC Trust provides a strategic overview. In Part Two, the BBC Executive gives an operational review, accompanied by detailed performance data and financial statements.

Chairman's introduction



Sir Michael Lyons
Chairman, BBC Trust

This is the first annual report from the BBC Trust. It is very different from previous BBC annual reports, and this reflects the new and very different governance system now operating at the BBC.

The Trust is the sovereign body of the BBC. It works on behalf of the public, who fund the BBC. The public is made up of many diverse groups reflecting age, geography, interests, religion, ethnic background and many other factors. As Trustees, representing the public interest within the BBC, we will work to understand everyone's opinions and expectations. It is then our job to use our judgement to make decisions that set the BBC's course.

Inevitably, we will not please everyone. But I hope that most people will come to recognise that we are seeking to promote the public interest in the way we work to achieve our key aims as BBC Trustees.

The first of those key aims is to guard the independence of the BBC and protect it from interference by outside interests, whether political, commercial or from any other source. The BBC cannot operate in the public interest unless it is independent and seen to be independent.

After that, our next key aim is to ensure that the BBC delivers distinctive, high-quality services to all the people and all the communities of the United Kingdom – services that inform, educate and entertain, and fulfil the BBC's Public Purposes set out in the Charter.

The Charter gives us new governance tools – described later in this report – to help us achieve our aims. Much of the Trust's work so far has been spent in consulting the public to ensure that the new strategic framework we are building is informed by our understanding of the kind of BBC the public wants – one that will reliably produce the programmes and services the public really values.

Because this work is ongoing, our assessments of BBC performance in this report are necessarily provisional and incomplete, but where objective evidence is available we have sought to be frank in our comments. Some messages are already coming through strongly: the public trusts the BBC and values much of what it produces, but it wants to see more innovation from the BBC. These are messages to BBC management that we underline in this report.

My own favourite BBC programmes have always been those that bring diverse audiences together; that appeal across the barriers of age or geography or background – genuinely popular successes such as BBC One's *Planet Earth*, *Life on Mars* and *Doctor Who*. However, it is not only big budget programmes such as these which audiences value and enjoy. High quality does not necessarily mean high cost. The public wants to see more BBC programmes that demonstrate cultural and creative ambition. A big part of our job is to find ways to enable the BBC decisively to raise its game – but not at the expense of value for money.

An independent BBC delivering high-quality output will give us a strong foundation for our third key aim: to ensure that the BBC makes a very important contribution to the social, economic and civic life of the UK. This is a bold ambition. We can achieve it by ensuring that the BBC adds significantly to the creative and economic vigour of the UK, and by ensuring that the BBC contributes to the good reputation of the UK internationally.

In working to achieve these aims, we will operate in an open and transparent way and always keep ourselves receptive to views from many different directions.

As Trustees we do not run the day-to-day operations of the BBC – this is the job of the Director-General and his staff. Our job is to make sure that they have clear priorities and that they use their resources well – to produce high-quality services that reach their audiences and provide value for money and efficiency. We will rigorously hold the BBC management to account against these standards.

Where the BBC's journalism is concerned, we will seek to ensure that BBC reporting meets the highest standards of accuracy and impartiality essential to sustain public trust. In this report we set out the results of some recent work – begun by the Governors and completed by the Trust – to ensure that the BBC is properly positioned to meet the new challenges to impartiality. This provides a timely reminder that impartiality is not just about news and current affairs. The principles of impartiality are relevant to other areas of the BBC's activities.

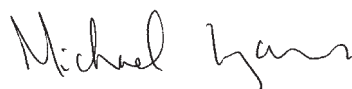
In common with all media organisations, the BBC faces new challenges as technology and markets change. Audiences now expect to be able to decide where, when and how they consume their media, and they are increasingly adept at finding what they want. Young adults, for example, are, as we show in this report, abandoning television and radio in favour of new kinds of entertainment offered online. This is not a world in which the BBC can stand still. It is vital that we encourage the BBC to reshape itself to meet changing public needs and expectations. We want the BBC to be at the forefront of developing new services for the public and to play a full role in the new media marketplace.

However, we also recognise that the BBC is only one of many media providers – albeit a very significant one – and we know the public places a high value on the breadth of choice made available by the thriving UK media market. The public interest lies in maintaining that breadth of choice. The BBC must be careful not to use its considerable economic power in ways that might stifle enterprise or initiative from elsewhere.

It is a great privilege to be entrusted with the care of the BBC and I am very proud to be its Chairman. I want to pay tribute to the Trust's predecessors, the BBC Governors, for the work they did over many years to establish and defend the BBC's independence and to build the BBC into Britain's foremost cultural institution. I would like to pay particular tribute to Michael Grade who, as the last Chairman of the Governors and the first Chairman of the Trust, did so much to design the new governance system and ensure it was established by the new Charter. Tribute is also due to Chitra Bharucha who became Acting Chairman after Michael Grade's resignation. She and her Trust colleagues laid much of the foundations on which the Trust will rest.

Ultimately, the BBC has only one asset – its people, whether they are part of its own staff or contributing to the BBC from outside. My fellow Trustees and I recognise that the BBC is driven by the professionalism, innovation and creativity of its people and we will work to nurture and stimulate those qualities.

Sometimes we ask BBC programme makers not just to be professional, innovative and creative. We ask them to be courageous too. Alan Johnston, the BBC's Gaza correspondent, who, as I write, is still held in captivity, typifies that quality – a fine reporter who put himself at daily risk to ensure that BBC audiences could, through his eyes and ears, experience events in that troubled land at first hand. The courage of people like Alan Johnston is one of the things that make the BBC special.



Sir Michael Lyons
Chairman
19 June 2007

The Trust came into existence on 1 January 2007. Sir Michael Lyons joined the Trust as Chairman on 1 May 2007

“It used to be real old school and now they’re creating and introducing new programmes that are making it for everyone, not just the older generation.”

Spontaneous definition of BBC One. Female, age 18–24, Somerset, contributing to Trust consultation on service licences.

Overview

Our provisional assessment, based on our first six months as Trustees, is that the BBC is becoming more efficient and is delivering a wide range of high-quality content across all its platforms, but it must do more to respond to public demands for greater originality.

Our audience research shows that public approval of the BBC remains strong but audiences want the BBC to provide a steady flow of new programme ideas. This means the BBC must show more creative ambition. We understand that this carries the risk of occasional failures – and accept that risk as long as the BBC is not spending its money wastefully and that there is clear evidence that the BBC is striving for originality and distinctiveness in its creative output.

The ability to take creative risks is one of the key justifications for the BBC's public funding. It will underpin our decisions about licence fee investment in the months ahead. As Trustees we will ensure that the BBC continues to contribute to the creative and economic vigour of the UK by bringing its audiences high-quality, distinctive output that informs, educates and entertains.

The world in which the BBC now exists

The transformation of the media landscape continues at great speed as new channels and services are launched and existing ones evolve in response to sharply intensified competition. In this thriving media market, audiences are evolving rapidly too.

Some, particularly younger audiences, are turning away from traditional media such as television and radio and finding new sources of entertainment and information, for example online games and social networking websites.

At the same time, other audiences remain committed to the traditional channels, but have rapidly rising expectations in terms of ambition, innovation and high production values.

In this world of swift and relentless change the BBC must stay true to its original vision of providing high-quality information, education and

entertainment – but also ensure it can keep pace with the changing tastes and expectations of the BBC's many different audiences.

This can only be achieved by ensuring that everything the BBC does is both driven by public value and informed by the interests of the public as licence fee payers. The role of the BBC Trust is to make sure this happens.

The Trust represents the public

The Trust represents the interests of the public. As BBC Trustees our first duty is to guard the independence of the BBC against outside interference, whether political, commercial, or from any other quarter. The BBC can only be defended if it demonstrates impartiality, accuracy, high quality and good value for money. Our job as Trustees is to make sure that the BBC delivers these qualities.

We hold the Director-General to account for delivering the services that meet the BBC's Public Purposes and current priorities – set in conjunction with us and informed by the views of the public.

The Trust is the sovereign body of the BBC. It is entirely independent of the BBC Executive and BBC management who run the day-to-day business of the BBC.

The BBC is becoming more efficient

In recent years the BBC has achieved significant improvements in its efficiency which have released more money to spend on content. Over the past two years the BBC delivered £228million in savings, not without pain as this saw the loss of 1,891 posts. The efficiency drive continues with a further target of £127million savings in 2007/2008. As we consider our decisions on future licence fee investment we are looking at what further efficiency targets we can set the BBC, but without distracting from the BBC's core purpose of delivering high quality and distinctive output to our audiences.

In this Annual Report we set out where we will focus our attention in the year ahead

In a world of relentless change the BBC must stay true to its original vision – but also keep pace with changing audience tastes and expectations

Everything the BBC does must be driven by public value and informed by the views of the public. The Trust's role is to make sure this happens and to guard the independence of the BBC

The BBC is becoming more efficient but there is still more to do

Our key challenge for the BBC: we want output with ambition, high quality, distinctiveness and originality

For more information about the Public Purposes and our new governance tools see page 9

The Trust requires high quality and distinctiveness from BBC services

As Trustees we do not make BBC programmes, or preview programmes before they are transmitted. Our job is to set the strategic priorities for the BBC and, informed by our understanding of what audiences want, to set out for management how we expect each BBC service to contribute to delivering the overall BBC Public Purposes.

We have new tools to help us do this. Purpose remits and service licences will, in a way never possible before, enable us to set objective, transparent, published criteria against which we will judge the BBC's performance. We will report the findings in our annual reports. As these new tools are not finally in place yet, our judgements in this report are provisional.

The report sets out the key messages on performance that we have been giving the Director-General and his staff since we started work. Those messages can be summed up as: we are looking for output that displays ambition, high quality, distinctiveness and originality.

There is more detail on all of this later in this report, but in headline terms our key comments about the BBC this year are:

- BBC Television is doing well – viewers still regard BBC One as the highest quality mixed genre television service while approval ratings for the various BBC channels are stable or improving. Our concern – given that audiences feel strongly the BBC should be more innovative – is whether this has been achieved at the cost of creative and cultural ambition.
- We note the fact that young people are turning away from television and radio as they consume alternative forms of entertainment. BBC Three's role in meeting the needs of this audience is something we will consider in setting the BBC's strategic priorities.
- While BBC Four is becoming more popular we note that reach is not the only objective for this channel. The challenge is how BBC Four can continue to build its appeal without losing faith with its original vision to be "a place to think".

- The attitude of our audiences to repeats is complex. Our research tells us that audiences dislike peak-time repeats but often welcome the chance to catch up on a missed programme before the next episode is shown. So we are pleased to see peak-time repeats fall (8.4% versus 8.9% in 2005/2006). We will continue to review policy in this area, especially as on-demand services become more established.
- Over the past year the BBC has started to implement some editorial priorities by refreshing drama on BBC One, factual on BBC Two and the provision for children. We note that a key challenge is to address all underserved audience groups, not necessarily by creating new output specifically for these audiences but by finding ways to reconnect them to mainstream BBC output. Strong content that appeals across different audience groups is one way to do this.
- BBC Radio is strong and successful overall, but has not been without controversy in the year with Ofcom ruling against two presenters for offensive language and the emergence of talent costs as a concern to the public and to commercial operators. We will be looking further at talent costs during the coming year.
- The BBC's journalism continues to be strong. Research shows that audiences continue to place a high value on the BBC setting the standard for high quality journalism and viewers rate BBC News 24 highly for quality. The challenge is to ensure that we protect the BBC's core values of accuracy, impartiality and independence – not just within journalism but throughout the BBC's activities.
- The BBC's online services are one of its great success stories. However we need to review whether they are properly positioned to respond to rapidly changing audience expectations. We will be reviewing bbc.co.uk in detail in 2007/2008 as our first service licence review.

The Trust plays a key role in upholding the BBC's editorial standards. We were disappointed with the serious breaches in standards concerning telephony lines on programmes that came to light in the year and initiated a policy review of this area to report later in 2007 (see page 43).

The Trust recognises that the public interest is best served by a thriving media market

We recognise that the public does not consume only BBC output and that BBC audiences value the wide range of choice available to them in the thriving UK media market. An important part of our role in upholding the public interest within the BBC is to ensure that the BBC does not use its considerable economic power in ways that might narrow the public's media choices.

Earlier this year, for example, the BBC Executive asked us for permission to launch new on-demand services. These include the BBC iPlayer which will allow audiences to catch up, via the internet, with BBC television and radio programmes they may have missed for up to a week after transmission. We gave our approval – but only after insisting that some important changes were made to the original proposal (see box below).

BBC on-demand services

We undertook a public value test of the service proposals, including a public consultation on our provisional conclusions. We approved the new services – but with modifications. In reaching our decision, our overriding responsibility as Trustees was to act in the public interest. This meant we focused primarily on the effect on consumers – who enjoy the choice offered by content and services beyond those from the BBC. Our changes were designed to protect this public choice.

Our modifications included an adjustment to the time period for which the public will be able to store downloaded programmes, a requirement for the BBC to seek a solution that will work on all major computer platforms and we ensured that suitable parental controls were part of the service. We also imposed conditions to safeguard the range of classical music the public can access by protecting the fragile commercial music market in that sector. We are satisfied that the BBC's new on-demand services will create significant public value with limited market impact. We will conduct a formal performance evaluation two years after the launch of the service.

Similarly, when we took the difficult decision to suspend the online educational service, BBC jam, we were clear that this was what would best serve the public interest. We have asked management to bring forward fresh proposals for a service that answers educational need and is distinctive from commercial offerings (see box below).

Trust suspension of BBC jam

In March 2007 we suspended the online educational service BBC jam – a difficult decision taken with great regret. However, the service had always attracted controversy, and we were informed that the European Commission had received complaints from the commercial sector alleging that BBC jam had not complied with its conditions of consent.

The Commission proposed that we conduct an early review to address these complaints, in addition to the review to which we were already committed later this year under BBC jam's approval conditions. After careful consideration, we decided that two consecutive regulatory reviews would seriously hinder the effective delivery of the service. Doing nothing was not an option, however, because the Trust faced the prospect of the European Commission opening a formal investigation and seeking the suspension of the use of licence fee funds for the service. In the circumstances therefore, we felt that it was in the best long-term interests of licence fee payers to suspend BBC jam and require the BBC Executive to bring forward a fresh proposition, building on the successes of the service and taking account of the changes in the market for online educational materials since 2003, when consent for BBC jam was granted.

Promoting education and learning is one of the BBC's six Public Purposes and a core part of the BBC's public service remit. We look forward to receiving the Executive's proposals, which we expect to be subject to a Public Value Test. Our aim remains to ensure that the needs of school-age children are met in a way which commands widespread support.

We will ensure that the BBC does not use its considerable economic power in ways that narrow licence fee payers' media choices

We are committed to fair and open competition. We hear appeals from anyone who believes the BBC has broken its fair trading guidelines and who has not been able to get a satisfactory response from BBC management

10,500 individuals and organisations responded to our public consultation on the BBC's on-demand proposals

“If Jeremy Vine is discussing something that’s happened in the last few days he has both sides of the argument and he sits in the middle and I have yet to hear him make a judgement, he keeps himself very impartial which I think he should anyway.”

News and current affairs programming on BBC Radio 2. Male, age 20–39, Newcastle-upon-Tyne, contributing to Trust consultation on service licences.

The BBC Trust

What it is and what it does

The Trust works for the public who pay for the BBC. We listen to a wide range of voices, seeking to understand all opinions and expectations to inform our judgements. We ensure the BBC is independent, innovative and efficient; a creative and economic force for good in the UK, and for the UK internationally.

We are the sovereign body of the BBC, its independent Trustees acting in the public interest.

We aim to ensure that:

- the BBC remains independent, resisting pressure and influence from any source
- the BBC's management delivers public value by providing distinctive services of the highest quality to all the people and all the communities across the UK
- the BBC contributes to the standing of the UK in the world, to the economy and to British culture.

Our tasks are to make sure that:

- the BBC meets its mission to inform, educate and entertain with ambition and fulfils the Public Purposes laid down in its Royal Charter
- the BBC's management has clear priorities and is using its resources well, providing quality, value for money and efficiency and reaching all audiences
- the BBC stays at the forefront of developing new services for the public, encouraging choice and innovation in the media marketplace without stifling private enterprise or initiative
- the BBC's journalism meets the highest standards of accuracy and impartiality to sustain public trust
- the BBC promotes its reputation and values around the world.

We will achieve this by:

- listening to the public and inviting their views in all their diversity
- prizing the professionalism, innovation and creativity of BBC staff and everyone who contributes to the BBC
- vigorously defending the independence of the BBC

- making judgements that will safeguard the BBC's high quality, audience reach and independence over the long term
- making sure our own processes are open and transparent
- rigorously holding the BBC's management to account.

Public Purposes

The Charter and Agreement sets out six Public Purposes for the BBC. These are:

- sustaining citizenship and civil society
- promoting education and learning
- stimulating creativity and cultural excellence
- representing the UK, its nations, regions and communities
- bringing the UK to the world and the world to the UK
- in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television.

Governance tools

The Charter and Agreement gives us governance tools to help us undertake our key tasks:

- **Purpose remits:** For each BBC Public Purpose we published a purpose remit defining our priorities for the Executive and setting out how we will judge performance.
- **Service licences:** Based on the purpose remits we issue service licences. These set out for each BBC service its remit, headline budget,

The Trust is the sovereign body of the BBC. Its independent Trustees act in the public interest

The Trust is committed to openness. You can find out more about how the Trust operates, and the decisions it makes, on bbc.co.uk/bbctrust

The BBC Trust

What it is and what it does

There is more information on how the Executive manage the operations of the BBC within Part Two

and how it should contribute to delivering the Public Purposes. We consult publicly before we set purpose remits or issue new service licences and, once adopted, monitor performance against them.

We also approve the Executive's annual Statements of Programme Policy, ensuring these are consistent with service licences, and monitor performance against them.

- **Public Value Tests:** Before we decide whether to approve or reject a management proposal to launch a new service or make a significant change to an existing service, we undertake a Public Value Test, which includes a market impact assessment undertaken by Ofcom (see box below). This helps us form our judgement of whether or not the proposal is in the public interest (for more on Public Value Tests, see page 36).

Relationship with management

We do not manage the day-to-day operations of the BBC. This is the job of the Executive, led by the Director-General. Our role is to set priorities for the Executive and ensure they are properly delivered within agreed policies and budgets.

The Director-General, who is appointed by us, is the BBC's editor-in-chief and chairs the Executive Board. The responsibilities of the Executive Board include:

- delivering BBC services in accordance with Trust strategies
- directing the BBC's editorial and creative output
- operational management of the BBC
- conducting the operational financial management of the BBC to ensure value for money
- accounting to the Trust for its own performance and for the performance of its subsidiaries.

The Executive Board includes non-executive directors whose appointments are approved by us.

The memorandum of understanding between the Trust and Ofcom is available on bbc.co.uk/bbctrust

Other supervisory functions

We have a number of supervisory and regulatory functions – the key ones are set out below:

- **Value for money:** We approve the BBC's high-level strategy and budgets and also commission regular value-for-money investigations into specific areas of BBC activity.
- **Editorial:** The Executive draws up editorial guidelines setting out the standards BBC content should meet. We approve these guidelines and any amendments, and we use them to monitor the BBC's editorial performance. We do not vet programmes before transmission. The Director-General, as the BBC's editor-in-chief, is ultimately responsible for all editorial decisions. We consider complaints on appeal after the BBC's complaints process has been exhausted.
- **Complaints and appeals:** We set the framework within which the Executive handles complaints and, where appropriate, we hear appeals.
- **Commercial and fair trading oversight:** We ensure the BBC complies with its fair trading policy, and that the Executive properly addresses key operating risks. We also exercise oversight of the BBC's commercial services.

The Trust's relationship with Ofcom

The Trust is a supervisory body with some regulatory functions. It shares some regulatory responsibility for the BBC with Ofcom. In some cases, the Trust works directly with Ofcom, principally in the Joint Steering Group for market impact assessments. In other cases the Trust and Ofcom have different responsibilities.

Ofcom regulates broadcasters including the BBC through its Broadcasting Code which sets standards, eg on Harm and Offence, for broadcasters. The Trust regulates BBC output in terms of impartiality and accuracy and is the final arbiter within the BBC for editorial complaints. Ofcom and the Trust have signed a memorandum of understanding as to how they will work together on these and on other issues where they have regulatory responsibilities.

Listening to the public

One of our key principles is that we will always act in an open and transparent way. The issues we deal with are often complex. We have to consider the views – often the competing views – of a wide range of individuals and organisations. We will always publish the evidence that has informed our independent judgements – and fully explain our decisions.

For example, when we approved the Executive's proposals to develop and launch Freesat (see page 30) we published all the evidence we had taken into account. It is available on our website, bbc.co.uk/trust, and it includes a number of independent reports on key aspects of the proposal, plus contributions from organisations that commented on the proposal.

We also consulted widely on our draft purpose remits and service licences which we published in January 2007. We will use the findings from these consultations to inform our work in finalising these governance tools and in setting BBC priorities.

Service licences consultation

Service licences are a key tool used by the Trust to define BBC services and monitor their performance. We consulted publicly on the first licences, which came into operation on 1 January 2007. We asked if the licences adequately described BBC services as they were when the Trust came into being – and whether their content was appropriate to allow the Trust to govern the BBC's UK public services.

We received a good level of response from the commercial sector and other organisations, although rather fewer responses from individual members of the public than in our other consultations. In anticipation of this we had commissioned focus group research across the UK to assess the opinions of the public.

We will publish the individual responses and a summary of all the consultation responses. We are now considering whether to vary these initial licences, informed by the responses received.

Purpose remits consultation

Our research agency conducted a very large audience survey in February 2007, interviewing around 4,500 adults. We wanted their views on the BBC Public Purposes – more specifically, how important they felt each Purpose was, and how well they believed the BBC was performing in delivering them. The findings will feed into our work on developing purpose remits. These will make clear what we expect the BBC Executive to deliver in order to fulfil the expectations of licence fee payers and the Public Purposes laid down by Parliament.

We will place particular importance on gaining insights into areas where audiences feel dissatisfied with what the BBC offers them now, and where people feel the BBC could do better. An overview of the research will be published with the revised purpose remits later this year.

Early findings show that audiences place particular importance on education and news as BBC priorities. Where people feel the greatest gap exists between importance and performance is in the area of creativity and originality. Audiences are telling us loud and clear that they want fresh and new ideas and a wide range of enjoyable and entertaining programmes – and that they feel the BBC could do better here.

Looking forward

In the year ahead we will continue to work energetically on behalf of licence fee payers and complete the building of the new governance system that gives BBC audiences a powerful voice in contributing to our decisions on BBC priorities.

There is more detail on our plans for 2007/2008 on page 51 and on our website.

The Trust will always seek to understand the views of its audiences before taking its decisions

Audiences are telling us loud and clear that they want fresh and new ideas – and they feel the BBC could do better here

In the year ahead we will work energetically on behalf of the public enabling their views to inform and contribute to our decisions on BBC priorities

The BBC Trust

The Trustees

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- 01 Sir Michael Lyons
- 02 Chitra Bharucha
- 03 Diane Coyle
- 04 Dermot Gleeson
- 05 Alison Hastings
- 06 Dame Patricia Hodgson DBE
- 07 Rotha Johnston
- 08 Janet Lewis-Jones
- 09 David Liddiment
- 10 Mehmuda Mian Pritchard
- 11 Jeremy Peat
- 12 Richard Tait CBE



The words 'Trust' and 'Trustee' in this document are not used in a technical legal sense and are not intended to imply that members of the Trust are to be treated as trustees of property or subject to the law relating to Trusts or Trustees

01 Sir Michael Lyons

Chairman

Chairman since 1 May 2007. Chairman, English Cities Fund. Non-executive director of MouchelParkman plc, Wragge & Co, and SQW Ltd. Former Chief Executive of Birmingham City Council; Nottinghamshire County Council and Wolverhampton Borough Council. Former Deputy Chairman and Acting Chairman, Audit Commission. Former Professor of Public Policy, Birmingham University. Led the Lyons Inquiry into the functions and funding of local government. Former non-executive director, Central Television; former Chairman, ITV Regional Advisory Council. Governor, Royal Shakespeare Company, and (until October 2007) Chairman of the City of Birmingham Symphony Orchestra.

02 Chitra Bharucha

Vice-Chairman

Acting Chairman from November 2006 to April 2007. Chairs BBC Trust Audiences and Performance, and Remuneration and Appointments Committees. Member of various public bodies including Chair, Fitness to Practise Adjudication Panels of the General Medical Council, and Chair, Advisory Committee on Animal Feedstuffs for the Food Standards Agency. Former consultant clinical haematologist and Deputy Director, Northern Ireland Blood Transfusion Service. Former member of the Independent Television Commission and the BBC Broadcasting Council for Northern Ireland.

03 Diane Coyle

Chair, BBC Trust Public Value Test Steering Group. Economic consultant specialising in new technologies and globalisation. Director, Enlightenment Economics. Member of Competition Commission. Visiting Professor, Institute for Political and Economic Governance, University of Manchester. Former journalist. Widely published author and broadcaster on economics.

04 Dermot Gleeson

Chair, BBC Trust Finance and Strategy Committee. Deputy Chairman of the BBC Pension Scheme Trustees. BBC Governor, 2000 to 2006. Chairman, M J Gleeson Group plc, having formerly been Chief Executive. Former Chairman, Major Contractors Group; former director of the Housing Corporation, and of the Construction Industry Training Board. Former Head, Home Affairs Section, Conservative Research Department; former member of Christopher Tugendhat's cabinet in the European Commission.

05 Alison Hastings

Trustee for England

Media consultant. Former Editor, Newcastle Evening Chronicle. Former Head of Editorial Staff Development, Thomson Regional Newspapers. Former local newspaper journalist. Former member, Press Complaints Commission.

06 Dame Patricia Hodgson DBE

Principal of Newnham College, Cambridge. Governor and member, Wellcome Trust; member, Committee on Standards in Public Life; non-executive director, Competition Commission.

Member of Higher Education Funding Council for England. Former Chief Executive, Independent Television Commission. BBC career included many senior positions including Director of Public Policy. Part of the founding team of the Open University.

07 Rotha Johnston

Trustee for Northern Ireland

Chair, BBC Trust Audience Council Steering Group. Entrepreneur in commerce and property. Partner, Johnston Partnership. Non-executive director, Allied Irish Bank (UK) plc; Deputy Chair, Invest Northern Ireland. Non-executive member, Northern Ireland Office Departmental Board. Former Director of Variety Foods (NI) Ltd and Local Enterprise Development Unit. Has held appointments in the Labour Relations Agency and the Northern Ireland Economic Council.

08 Janet Lewis-Jones

Trustee for Wales

Vice-President of the British Board of Film Classification. Trustee for Baring Foundation; Chairman, Membership Selection Panel, Glas Cymru Cyf (Welsh Water). Former Commissioner, Postal Services Commission. Former member, Welsh Fourth Channel Authority (S4C); Strategic Rail Authority; and of British Waterways Board. Former Vice-President, University of Wales (Lampeter). Former group Company Secretary, Welsh Water plc. Former civil servant and trained as barrister.

09 David Liddiment

Creative Director of All3Media and Associate, The Old Vic Theatre Company. Broadcasting career includes Director of Programmes, ITV; Deputy Managing Director LWT; Director of Programmes, Granada TV; and Head of Entertainment Group, BBC TV.

10 Mehmuda Mian Pritchard

A Commissioner of the Independent Police Complaints Commission, London and South East Region. Non-executive director of the NHS Litigation Authority. Former member of the Police Complaints Authority and the Office for the Supervision of Solicitors. Former solicitor in private practice in Birmingham and a former non-executive director of Northern Birmingham Mental Health Trust.

11 Jeremy Peat

Trustee for Scotland

Chair, BBC Trust Fair Trading Policy and Appeals Committee; Chair, BBC Trust Market Impact Assessment Joint Steering Group; Chairman of the BBC Pension Trustees. BBC National Governor for Scotland, 2005 to 2006. Member of the Competition Commission. Director of the David Hume Institute. Former Group Chief Economist at the Royal Bank of Scotland.

12 Richard Tait CBE

Chair, BBC Trust Editorial Standards Committee. Professor of Journalism and Director of the Centre for Journalism Studies, Cardiff University. BBC Governor, 2004 to 2006. Former Editor-in-Chief of ITN and Editor, Channel 4 News. Former BBC editorships include *Newsnight*, *The Money Programme*, and the 1987 General Election results programme.

Details of the
Governors who
served until
31 December 2006
are set out on page 47

“Some of the new comedy is quite quirky, but it can be just random and unfunny.”

Spontaneous definition of BBC Three. Male, age 25–34, Cardiff, contributing to Trust consultation on service licences.

BBC performance Services

It is too soon for us to make definitive judgements and the assessments below are provisional while we finalise the purpose remits and service licences that in future years will be our key performance assessment tools. They will give us objective evidence with which to measure and, if necessary, to challenge the effectiveness of the BBC in delivering high-quality services that demonstrate innovation, ambition and risk-taking.

Performance assessment

The Governors used to set corporate objectives for management and report on them in the Annual Report. The Trust does not set objectives in this way; instead it sets strategic priorities through purpose remits and we will report progress on these annually. This Annual Report marks the transition between the two systems and therefore includes assessments against last year's Governors' objectives as well as our own assessments of BBC performance.

The Governors set five objectives, three of which were editorial, and we include reports on these in this section. The other two objectives – on driving digital and on value for money – are covered in the Finance and business section. Our views on performance against the five objectives are set out as follows:

- Programme strategy (page 17)
- Impartiality (page 22)
- Accountability (page 24)
- Value for money (page 28)
- Driving digital (page 30)

Part Two contains information covering a range of facts and figures about the BBC's broadcasting activities. This year the information has been expanded, at our request, to show the information by individual service. This reflects our commitment to greater transparency. The data will, in future years, contribute objective evidence to assist our assessment of BBC performance.

BBC in the wider media market

No broadcaster has escaped the enormous changes sweeping through the industry over the last 15 years or so. These changes have brought in their wake audience fragmentation, intensified competition, an increasingly complex media landscape and heightened audience expectations. The BBC has responded to these forces by developing new services – digital channels on television and radio and extensive online services – and continues to reshape itself in order to take advantage of new technological developments on behalf of the public.

At the same time, the BBC has to remember that its core broadcast audiences still depend on the channels and networks that existed well before the current spate of change began. The challenge for the BBC is to continue to supply high-quality, innovative programming to these audiences, while finding the financial and creative resources to satisfy rapidly developing audience expectations elsewhere.

Given the diversity and plurality of its audiences, the BBC will never be able to meet all the expectations of every licence fee payer, but a close understanding of audience expectations will inform the strategic priorities we set for the BBC.

It is an important principle that the BBC should service all licence fee payers. We are pleased to note that some 94% of adults in the UK use BBC services and that the BBC's audience approval scores have remained reasonably steady over the last few years. That said, the BBC's total market share of all TV and radio consumption – at around 43% – is in gentle decline.

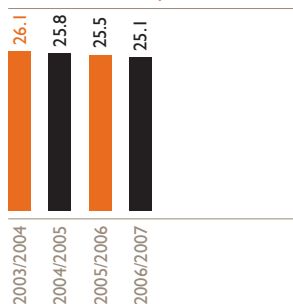
Detailed facts and figures on the performance of BBC services can be found on pages 64 to 75 in Part Two

94%

of adults in the UK use BBC services

Source: Pan BBC Tracking Study. Claimed reach, age 15+, 2006/2007

TV viewing: average amount of hours per week



Source: BARB, TNS/Infosys, age 4+

A key message from our work with the public is that audiences want the BBC to be more innovative. They value fresh and new ideas – and feel that the BBC could be doing more to deliver them. This is a challenge for the BBC that we will pursue vigorously in the year to come.

Television

Broadcasters of traditional linear television¹ are now under great pressure. Weekly television viewing of the BBC and the commercial channels has fallen on average by one hour over the past three year period. Audiences are shrinking as viewers – particularly the young (see box) – are attracted by new offerings elsewhere. Competition for this shrinking audience continues to intensify with the launch of new channels, and further competition comes from the growth of on-demand viewing through personal video recorders (PVRs) and online services. We expect this trend to intensify when the BBC launches its own on-demand television service via the BBC iPlayer later this year (see page 7).

BBC One and BBC Two have been unable to escape the long-term decline in reach suffered by nearly all established television channels. But against an acutely competitive background BBC Television has done well to continue to appeal to very large numbers of viewers with BBC One and BBC Two, and to increase the reach and appeal of BBC Three and BBC Four.

We are pleased to note that viewers still regard BBC One as the highest quality mixed-genre television service; that viewers' overall approval of BBC One and BBC Two is stable; and that approval is growing for BBC Three and BBC Four. Many BBC television programmes score well in terms of audience appreciation.

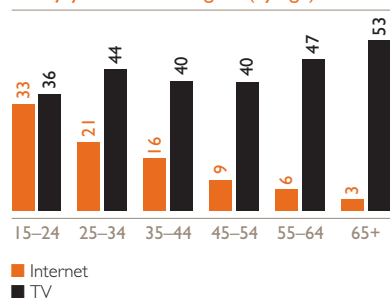
The question is whether or not this strong competitive response overall has been achieved at the cost of creative and cultural ambition. Our research suggests that audiences feel strongly that the BBC should be more innovative (see purpose remit research, page 11). This is something we will investigate over the coming year as part of our work on licence fee reprioritisation. We will also consider the role of each BBC television channel, how the portfolio of channels fits together and how it should work in a fully digital environment.

Young adults

The dramatic changes in the broadcast audience are nowhere more apparent than in the changing media behaviour of young adults (16–34). They are taking up new technologies and switching away from old ones at a faster rate than many older people, whose viewing behaviour often remains unchanged and based around four or five channels. Young adults watch less television than older groups, they listen to less radio and they consume more online services and other non-broadcast screen offerings such as games. As the chart shows, for 15–24s the internet is almost as popular a source of entertainment as television. It is important that the BBC finds ways to remain relevant to these younger age groups.

Despite the lower than average level of use of BBC services, young adults have a higher than average level of approval of the BBC. This may reflect the relatively low numbers who actually pay the licence fee in their households. But it may be that they are less likely to share older audiences' perception of the BBC having been better in the past – young people are more likely than the population as a whole to think the BBC is innovative.

TV and internet as a source of enjoyment % who agree (by age)



Source: Purpose Remit Survey, age 15+. BMRB February 2007

¹Linear television is defined as scheduled programming. Non-linear television includes on-demand viewing via Personal Video Recorders.

56%

fewer programmes in 2006/2007 had an average audience of 10 million+

Source: BARB, TNS/Infosys, age 4+. All TV Channels, UK. Minimum 10 minute duration (2006/2007 compared with 2005/2006)

Radio

The competitive forces that have reshaped UK television in the last 15 years were first felt by UK radio 40 years ago, when the launch of the pirate radio stations prompted the BBC radically to reshape its radio portfolio into Radios 1, 2, 3 and 4. This coincided with the launch of BBC local radio. The broad strategy followed by BBC Radio, then and since, of creating tailored networks with a clear public service role for specialist audiences, has proved extremely successful. BBC Radio continues to attract a high share of listening, with a strong lead over commercial radio, although, as with television, reach to younger audiences is in long-term decline, both for the BBC and for the commercial sector.

By the end of the year, more than half the adult population (58%) claimed either to own a DAB digital radio set or to have listened to digital radio via a digital TV or the internet. But sales of DAB radio sets have been relatively slow with an estimated 4.7 million units sold to date, and reach to individual digital-only radio services remains correspondingly low: the leading digital-only radio service The Hits (owned by Emap) has a weekly reach of just 2% of the adult population. Although the development of digital radio has been relatively slow to date, the arrival of a second national digital multiplex next year may further stimulate commercial competition and the digital radio market.

Online

The BBC spotted the public service potential of the internet at a very early stage and was instrumental in establishing it in the UK as a medium for high-quality news and information. bbc.co.uk has become one of the BBC's most successful services, used by an average of 15.6 million adults each month in the final quarter of 2006/2007 – an increase of more than 2.5 million people in 12 months.

The BBC's online services now face intense competition, nationally and internationally, but bbc.co.uk remains the leading UK website offering information, entertainment and educational content. The development of bbc.co.uk as a source of on-demand BBC television and radio is likely to cement its position as a key channel through which the BBC delivers its Public Purposes.

Programme strategy

The Governors set management a series of programme strategy objectives for 2006/2007. These were:

- translating Creative Future into service strategies and pan-BBC proposals
- reducing the volume of repeats on BBC One in peak-time to below 8.5% in 2006/2007
- continuing to increase overall investment in original UK comedy and drama
- refreshing BBC One's early evening output.

We are pleased with the progress made so far with Creative Future, the Director-General's large-scale project to develop an underlying editorial strategy for the BBC for the next six years. This is underpinning the work on reprioritisation following the licence fee settlement. Key themes are refreshing drama on BBC One, factual on BBC Two, and the overall provision for children and teenagers.

While we support the focus on the young, we have pressed for similar attention to be paid to all underserved audience groups. The challenge is not to create new output specifically for these audiences, but to find ways to reconnect them to mainstream BBC output.

The Governors' target for reducing repeats in BBC One peak-time was met. The 2006/2007 figure was 8.4% (down from 8.9% in 2005/2006). Valuable work has been done to improve understanding of audience attitudes to repeats in general (see box on page 18) and we support management's approach. The priority must be to create outstanding, ambitious and innovative programmes. Properly-managed repeats release resources to fund these landmark programmes – which, themselves, are likely to bear repeating.

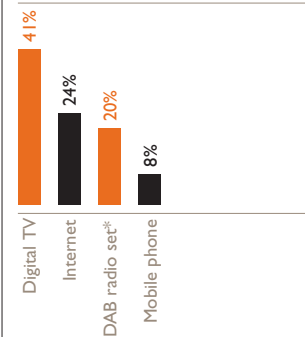
The objective of continuing to increase overall investment in original UK comedy and drama was achieved. Investment in comedy rose by 5% in 2006/2007 to £87.6million and a further 9.1% increase is proposed for 2007/2008. Lead times in drama are longer, so while investment here rose by only 3.4% to

BBC Radio: share of listening 2006/2007



Source: RAJAR. Adults aged 15+

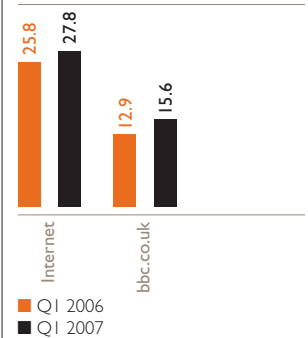
How people listen to digital radio services



Source: RAJAR. Claimed usage among adults age 15+. March 2007.

*Have a DAB digital radio set at home

Users of internet and bbc.co.uk (millions)



Source: TNS. Adults age 16+ in internet homes, UK. Claimed monthly reach

78%

of the population watch
BBC One in an average week

Source: BARB, TNS/Infosys, age 4+. At least
15 consecutive minutes, 2006/2007

£268.2million in 2006/2007, management is proposing a further 16.4% increase in 2007/2008.

In response to the Governors' final programme strategy objective – refreshing the early evening output on BBC One – management experimented with a trial run of *The One Show* and this has been commissioned as a regular anchor point in the BBC early evening schedule from spring 2007.

What audiences think about repeats

BBC research suggests that while audiences dislike some kinds of repeats they value others. Peak-time repeats on BBC One are disliked, but 'narrative repeats' are popular. (Narrative repeats are shown shortly after the original broadcast – often off peak, or on a different channel. Audiences value them as a chance to catch up on a missed programme before the next episode is shown.) Likewise digital transfers, where a programme first broadcast on one of the BBC's digital channels is re-broadcast on BBC One or BBC Two, enable people without digital access to view those programmes.

Audience fragmentation is increasing the value of repeats. Rising numbers of channels make it more likely that a programme will be missed because of schedule conflicts, and audiences increasingly expect repeats in order to catch up. In the long term, on-demand viewing may well reduce the value of repeats, particularly narrative repeats. But until on-demand is well-established, the value of repeats is likely to go on rising.

This evidence suggests the best way forward is to continue to minimise repeats in peak-time on BBC One, but to increase levels of narrative repeats and develop a well co-ordinated programme of repeats across the portfolio of services. The repeats policy must make sense to audiences and avoid the kinds of repeats they dislike. As on-demand develops, the policy may have to change to reflect changing audience behaviour.

Television

BBC One remains the BBC's flagship service. For many members of the public it is the BBC. Viewers' expectations are extremely high and, while programmes such as *Planet Earth* may exceed these standards, the channel has to work hard to match these expectations. Although 42% of viewers of the channel agree strongly that it offers high-quality programmes, a rather lower proportion – 29% – rate it highly for being "original and different".

BBC One viewers expect a very high level of first-run, original programming and we have asked the Executive to retain the commitment to decrease repeats in peak-time in the channel's Statement of Programme Policy for the coming year.

BBC One's overall reach is falling. Over the last three years it has lost five points, falling to 78% of the population in 2006/2007. Some of BBC One's most popular programming is coming under pressure. Reach to soaps such as *EastEnders* has fallen by ten percentage points over the three years and audience perceptions of BBC One as "best for soaps" have weakened. We are pleased to note, however, that reach to current affairs is growing – aided, in part, by moving *Panorama* to a new peak-time slot on Monday nights. We fully endorse the objective set by the Governors that both the prominence and the appeal of serious current affairs should be restored. BBC One's Statement of Programme Policy makes clear that we expect the channel's current affairs output to uphold the highest standards of impartiality and rigour; to invest in long-term investigations, and to reflect a broad variety of opinions and experiences. *Panorama* is to use its peak-time slot to bring high-quality coverage of a wide range of current affairs topics to its broad audience.

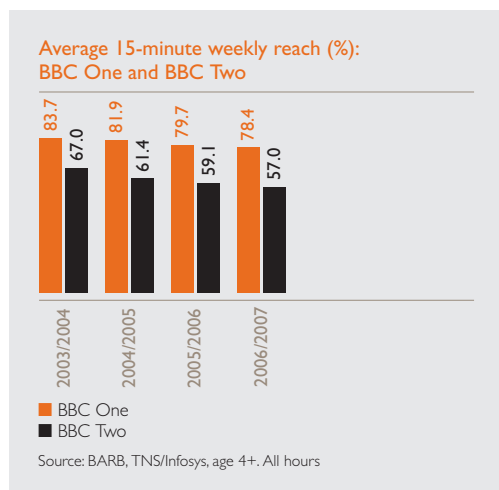
BBC One entertainment can polarise audience opinion. Some viewers feel that entertainment formats make the channel feel more modern and youthful; others are highly critical of celebrity-based entertainment, believing it to be derivative and unworthy of the channel. We believe strongly that all BBC services, including BBC One, should demonstrate innovation and creative ambition. We accept that this implies a degree of risk-taking, and recognise that the impact of 'misses', as well as of 'hits', is greater on BBC One than on any other BBC service.

Management's review
of the services can
be found in Part Two

The audience to **BBC Two** has fallen faster than BBC One's over the last four years, with particular decline among younger adults, although this rate of decline seems to have slowed.

The channel's factual output has performed strongly – including *Top Gear* (two episodes of which attracted average audiences of more than 8 million), *Coast*, *Springwatch* and *The Apprentice* (now moved to BBC One). BBC Two is performing relatively well in attracting audiences to its peak-time output in a highly competitive market. The challenge is to manage this without losing faith with the channel's commitment in its Statement of Programme Policy to show programmes of depth and substance that broaden and challenge viewers' horizons.

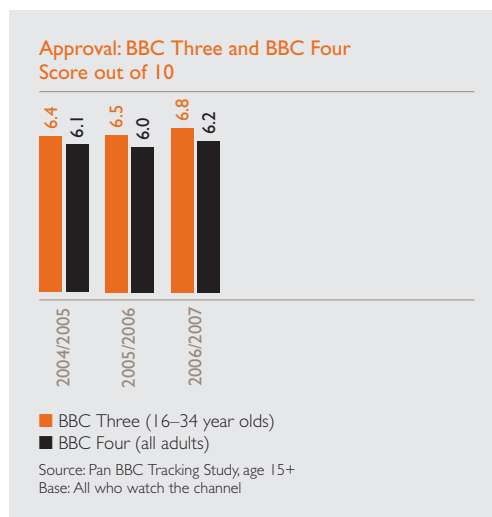
One of the findings of our service licence consultation was that viewers think of BBC Two in a different way from BBC One. In the coming year we will consider its 'fit' with other BBC television channels.



BBC Three has grown in popularity. It now reaches 17.6% of the population in digital television homes and approval is up. One in five 16–34 year olds watches the channel and it has developed a reputation as a testing ground for new comedy. The changing media behaviour of the young is a critical issue for the BBC and BBC Three's role in fulfilling the needs of this audience is something we will consider in setting the BBC's strategic priorities. We agree with the Executive's view that there is a debate to be had about some of the channel's programme titles.

BBC Four is also becoming more popular: It now reaches 7.1% of the population in digital television homes – a good performance for a digital channel. However, reach is not the only objective for BBC Four. High quality must remain the touchstone for the channel and the challenge for BBC Four is to keep faith with its original vision of being "a place to think".

We will aim to gain a better understanding of the role BBC Three and BBC Four should play in the BBC's portfolio of television services as digital switchover approaches. We also want to understand better the transfer policies between the BBC's digital and terrestrial channels, where there is a trade-off between retaining the distinctiveness of the channels and getting best value for money by showing programmes on more than one channel.



BBCi offers a broad range of non-linear television output accessed via the red button. We note management's comments on its ease of use but are aware that the Governors were concerned about speed of response times and we have asked management to monitor users' perceptions of quality and usability as more content is added to the service.

CBBC and **CBeebies** are performing strongly in particularly competitive markets. There are now 18 dedicated children's channels available in the UK but, overall, children are watching less television as they turn to other forms of entertainment. In this context, we note the

BBC Three has the third highest average weekly reach, out of 280+ non-terrestrial TV channels. **BBC Four** is ranked 16th

Source: BARB, TNS/Infosys, age 4+ in multi-channel homes. All hours, 2006/2007

18

dedicated children's TV channels in the UK

Source: BARB

63%

of 15–29 year olds who listen to Radio 1 do not tune in to any other BBC Radio service

Source: RAJAR, 2006/2007

popularity of the children's content on bbc.co.uk. 56% of 7–15 year olds in the UK with internet access claim to have used CBBC online.

CBeebies is still the most popular children's channel in its broadcast hours (0600–1900) with a 7% share of viewing² among children aged 4–14 in digital television homes. Despite increased competition, the channel continues to reach around 16% of this age group in digital TV homes. CBeebies is also seen as very innovative – half of its adult viewers agree strongly with the statement that it offers “programmes with new ideas and different approaches”. One weakness in the schedule has been provision for the 4–6 age group and we are pleased to note in the CBeebies 2007/2008 Statement of Programme Policy a plan to improve reach among this age group by introducing new programming.

CBBC is also still popular relative to competitors. Adults recognise that it provides a distinctive service, in terms of being British, offering a range of live action programmes and also that it has some educational value for children.

The Trust acknowledges that, in the overall children's television market in the UK, commissioning of original content is declining. The BBC's role in investing in UK programming therefore grows in importance and this is something we will take into account in our licence fee reprioritisation work.

Radio

Radio 1 and **Radio 2** continue to perform well. Overall, reach to Radio 1 is growing, as is the network's audience share as people listen for longer. Our audience research shows that listeners particularly appreciate the presenters on Radio 1 and Radio 2. However we note the Ofcom ruling against two Radio 1 presenters for offensive language and we are reassured by the Executive's decision to tighten regulation here. Radio 2 remains the UK's most listened-to station with more than 13 million listeners and it continues to have a high level of approval among its listeners.

However, there are some underlying concerns.

²Share of viewing = the percentage of a total viewing audience watching over a given time. 7% of all children watching television in digital TV homes between 0600 and 1900 are watching CBeebies. Source: BARB, TNS/Infosys 2006/2007

Radio 1 remains a key route for the BBC to reach the young – 53% of its audience do not listen to any other BBC radio service, rising to 63% for young listeners (15–29). But reach to 15–29s has fallen for the second year and, although this is an issue across the radio industry, Radio 1's decline is more pronounced. However, increased listening via digital platforms, especially among Radio 1's target 15–29 audience, may counter this over time.

Our Service Licence consultation showed that the distinctiveness of Radio 1 and Radio 2 is of particular concern for commercial operators. In finalising the purpose remits and reviewing the service licences, we will consider whether these services could do more to clarify the sources of their distinctiveness and contribution to the BBC's Public Purposes.

Over the year, talent costs have emerged as a significant issue for BBC Radio, and a source of concern to the public and commercial operators. We have built this into our forward plan of value-for-money studies (see page 51).

Radio 3 has seen a decline in reach over the last few years although share remains stable. In contrast, on-demand listening to its output has grown, although we decided not to approve the download of free classical music as we believed that the public value gained could be outweighed by the loss to consumers in the commercial market. In early 2007 a number of schedule changes were made and we await with interest the impact of these on the network's overall performance.

We note the aim of **Radio 4** to modernise without losing core listeners and, in particular, its aim to refresh some of its output in order to broaden its appeal. The service continues to be highly rated among its listeners, and rated the best service for high-quality programmes. In the final quarter of 2006/2007 the network recorded its highest share of listening for a decade.

The slight decline in the audience for **Radio Five Live** is, in the view of its management, largely attributable to the network's dependence on medium wave listening. We note that it is facing increasing competition for sports rights, including

the loss of the exclusive rights to Premiership football coverage.

In general the **BBC digital radio services** are increasing their reach and maintaining a solid performance when compared with commercial stations. By the end of 2006/2007, BBC digital radio services reached almost 8% of adults (up from 4.5% at the end of 2005/2006). **BBC 7's** blend of original programming and content from the archives has proved popular, and it has the third highest reach of all digital-only radio services in the UK. **BBC Asian Network** and **IXtra** target specific, relatively underserved audience groups. Despite the narrower target audience, we feel that the performance of the stations could be stronger: Reach to **IXtra**, for example, has shown relatively modest growth during the past year. However, we note **IXtra's** Statement of Programme Policy for 2007/2008 prioritising an improvement in reach through a refreshment of the schedule – although this should not be achieved at the cost of lowered public service ambition.

English local radio provides a highly valued service of local news and information for audiences who can sometimes feel underserved by the rest of the BBC. BBC English local radio attracts more than 7.5 million adults in an average week, although with some decline in reach over time. The service faces some difficult challenges – striving for broad appeal among the target audience of over 50s while maintaining distinctiveness within local markets and within the BBC radio portfolio.

We welcome efforts to refresh and modernise **BBC Radio Scotland**. The challenge is to achieve this while remaining fully distinctive in the Scottish broadcasting landscape. **BBC Radio Wales** achieved a record share (12.9%) in the final quarter of 2006/2007.

Despite a slight fall in reach and share, we note early results from audience research undertaken by management that show listeners to **BBC Radio Ulster/BBC Radio Foyle** give the service the highest scores among BBC's nations radio services for delivering the Public Service Broadcasting characteristics of high-quality, innovative, challenging and engaging programming.

We recognise concerns about the continuing lack of provision of the national radio stations on DAB, as raised by the BBC Audience Councils of Wales (BBC Radio Wales) and Northern Ireland (BBC Radio Foyle). We will take these concerns into consideration as part of our wider licence fee reprioritisation work. We were encouraged by the welcome from Audience Council Scotland for the relaunched **Radio nan Gàidheal**. The service now runs continuously throughout the evening and has expanded its output.

Journalism

The Governors set management some impartiality objectives for 2006/2007. These were:

- ensuring the BBC meets the highest standards of accuracy, fairness and impartiality
- responding to the Governors' independent reviews of impartiality to ensure strong editorial processes and training.

For the public, news remains the most fundamental service provided by the BBC. Recent research commissioned by the Trust (see page 11) shows that audiences place a high value on the BBC setting the standard for high-quality journalism. As Trustees we place very great importance on the BBC continuing to offer accurate, impartial and independent news and current affairs, and through our Editorial Standards Committee (see page 43) we will ensure that the focus on impartiality begun by the Governors is sustained.

In assessing performance against the Governors' impartiality and independence objectives, we judge that in overall terms BBC journalism in the past year has risen to the constantly difficult challenge of meeting the high standards of accuracy, fairness and impartiality expected by audiences, and that substantial progress has been made in implementing recommendations from the Governors' impartiality reviews.

Audience research indicates that perceptions of the BBC's impartiality remain stable over time. Research by Ipsos-MORI (Q1 2007) reports 76% of respondents saying they trust BBC news

808k

adults listen to BBC 7 in an average week

Source: RAJAR, Age 15+, Q1 2007

7.5m

adults listen to the BBC's local radio services in England in an average week

Source: RAJAR, Age 15+, 2006/2007

76%

of adults say they trust BBC news programmes

Source: Ipsos-MORI (Q1 2007)

80%

of adults access BBC News on TV, radio or online in an average week

Source: Pan BBC Tracking Survey. Claimed usage age 15+, 2006/2007

programmes the most to give a fair, informed and balanced view on important issues and events. Overall, 53% rate the BBC as “fair and impartial”, against 18% who believe it is “biased” (compared with 57% and 16% in Q1 2006).

Coverage of the Middle East has been a particular focus for action by management to strengthen editorial processes. An enhanced role has been developed for the Middle East Editor; there has been a co-ordinated plan to improve current affairs coverage; and there has been regular monitoring of output by the senior editorial adviser.

Last summer’s conflict between Israel and Hezbollah fighters in Lebanon posed a major test of BBC impartiality and tested the BBC’s ability to convey complex information to diverse audiences. The coverage drew more than five thousand complaints, many alleging bias – in both directions. A specially-commissioned audience survey for BBC News reported that a majority believed the BBC had provided the best coverage of the conflict, with 64% trusting it and 11% distrustful. On a scale of 1–10, the BBC coverage scored 6.7 in terms of being “fair and balanced”. This compares with a normal score of 6.3 for “BBC News is impartial”.

A study, *Safeguarding Impartiality in the 21st Century*, was commissioned by the Governors in conjunction with BBC management and was taken over by the Trust and the BBC Executive (see box, right). A separate study was commissioned of impartiality in BBC reporting of business (see box on page 23).

BBC News across television, radio and online reaches 80% of adults, but audiences for news programmes on BBC television and radio have fallen in recent years. This reflects the rise of alternative news sources such as the internet, mobiles and free newspapers, but also changing attitudes among younger and less well off audiences who seem to be becoming less interested in keeping up with the news on a regular basis. We note, however, that the appeal of regional television news has been relatively robust and that audiences appear to have a strong interest in news about local issues.

Weekly unique users of bbc.co.uk/news have risen by 72% in two years, to 6 million at the end of 2006/2007. Usage of news on bbc.co.uk has increased so rapidly that it now regularly exceeds

the level of previous ‘spikes’ in usage such as the July 2005 London bombings. News is by far the most popular part of bbc.co.uk and we note that the BBC’s online news offering continues to develop and innovate in order to serve the public better.

The BBC’s continuous television news service, **BBC News 24**, is now the clear market leader in terms of reach, and viewers rate it highly in terms of quality. We are pleased to see from analysis of its output that its news agenda remains distinctive and our work with audiences shows that there is appreciation of the channel’s breadth of agenda, its coverage of significant international news, and its reporting from across the UK.

Safeguarding Impartiality in the 21st Century

Impartiality, one of the cornerstones of BBC editorial values, is coming under increasing pressure as the nature of politics – and of technology – changes and as audience involvement grows. In response to this the Governors commissioned a fundamental review of BBC impartiality. The results were published in June 2007.

Research commissioned for the project shows that the public value and demand BBC impartiality. It underpins the public trust in the BBC without which the BBC cannot function. Impartiality depends on accuracy, balance, context, distance, evenhandedness, fairness, objectivity, open-mindedness, rigour, self-awareness, transparency and truth. Crucially it is about breadth of view and completeness. It should not be an excuse for insipid programme-making.

The BBC has the mechanisms, in its Editorial Policy department and its College of Journalism, to improve its delivery of impartiality. The report recommends their role be extended. The report also recommends clearer editorial supervision of big themed seasons. The rise of celebrity-driven single-issue campaigns presents particular dangers. Newsrooms also need to be fully aware of the ethical issues raised by user-generated content.

6m

weekly unique users of bbc.co.uk/news in 2006/2007

Source: BBC server logs, UK only. Based on cookies

Impartiality of BBC business coverage

As part of their regular programme of impartiality reviews the Governors commissioned an independent panel, chaired by Sir Alan Budd, to assess the impartiality of BBC business coverage. The panel reported in May 2007.

Its overall conclusion was that: "most of the BBC's business output meets the required standards of impartiality". But the panel also said it had seen: "a number of individual lapses and identified some trends which lead to repeated breaches of the BBC's standards".

The Trust welcomed the report. It shared the panel's concern about the BBC's predominant focus on the consumer perspective in business reporting. Audiences were also investors, savers, business owners and employees with a personal and civic interest in understanding the impact of business from a range of perspectives. Impartiality meant providing a complete picture and full breadth of opinion and the BBC had a responsibility to deliver this.

The Trust will discuss the panel's recommendations with management when they have had an opportunity to consider the report and respond.

Online

Our work with audiences shows that **bbc.co.uk** is valued for its ease of use, for the reliability of the information it offers, and for its breadth. News, sport and children's are the most popular offerings – although we expect that there will be growing demand for on-demand output when BBC iPlayer is launched.

Our remit for BBC iPlayer sets the Executive the objective of using the service to maintain the reach, consumption level and value for money of the BBC's radio and television output, and of increasing the impact of BBC programmes. The remit makes it clear that BBC iPlayer should give the public greater choice and control over how they consume BBC programmes, and increase viewing of niche and specialist

programming. By achieving these aims, BBC iPlayer should help maintain the perceived relevance of the BBC to licence fee payers as their patterns of media consumption change.

Use of the internet continues to change and develop at great speed – social networking and content sharing, for example, are increasingly important to many users. BBC online services must remain relevant in this rapidly changing environment and we look forward to engaging with management on their ideas for development of **bbc.co.uk**. We will review the service later this year (see box below).

Trust review of **bbc.co.uk**

The Trust is committed to carrying out in-depth reviews of all BBC public services at least once every five years and we will regularly publish an up-to-date schedule of forthcoming reviews. In March 2007 we decided to review **bbc.co.uk**, the BBC's online service. Our decision honours a commitment made by the Board of Governors in 2004, following the DCMS review of BBC Online, that another review should be carried out after three years.

We will launch the review in early summer 2007 with a period of public consultation on the current scope and performance of **bbc.co.uk**. We will seek responses from the public and from the BBC's other stakeholders, including commercial operators, and we will commission research where necessary. We will also ask the BBC Executive to submit a public response to the review.

We will then consider the evidence gathered during our review and draw conclusions. We will make public our findings and any resulting actions, such as changes to the service and variations to its service licence.

BBC jam, the online educational service for school-age children, was suspended in March 2007. For the background to this, see box on page 7.

Impartiality should not be an excuse for insipid programme-making

Source: Safeguarding Impartiality in the 21st Century

News, sport and children's are the most popular online content on **bbc.co.uk**

233m

people watch or listen to
BBC World Service (target
for 2006/2007 = 210 million)

Source: BBC Global News

183m

people listen to BBC World
Service radio (target for
2006/2007 = 163 million)

Source: BBC Global News

BBC World Service

No licence fee funding goes to **BBC World Service**, which is funded through a parliamentary Grant-in-Aid. The Trust's role is to agree and publish long-term objectives in agreement with the Foreign and Commonwealth Office, and to approve high-level strategy.

We note that the World Service has increased its overall reach ahead of target. However, we also note that target reach among 'influencers' (opinion formers and decision makers – a priority audience for the World Service) was not met in all key markets. We are keen to understand the needs of this audience better.

The Trust's Audiences and Performance Committee commissioned independent research into six language services – Arabic, Persian, Swahili, Bengali, Hindi and English for Western Europe. The overall response was positive. Reputation and reliability were perceived as strong, and audiences mostly found the World Service to be trustworthy, in-depth and educational. The research identified a need to make global issues more relevant locally and to encourage further participation in global debate.

In the coming year the World Service will launch an Arabic television service and it has plans for a Farsi equivalent the following year. We will monitor delivery of these new services to ensure that they contribute to the BBC's Public Purposes alongside the existing service portfolio.

Audiences

The Governors set the objective for 2006/2007 of improving BBC accountability to audiences. The Governance Unit was asked to:

- conduct a major public survey of attitudes towards the BBC
- work with the Audience Councils to build their profile and develop an action plan to engage more widely with audiences.

BBC management were asked to:

- develop new service strategies in response to Creative Future, ensuring that all audiences are well served, and focus on improving perceptions of audiences less favourable towards the BBC.

We are encouraged by the progress made towards achieving the Governors' accountability objective. BBC management have reflected the aims of this objective in their Creative Future project, one aim of which is to ensure that the BBC is relevant to all audiences. This has taken account of the needs of currently less well served audiences including the young and those on lower incomes.

Over the year management showed a very welcome focus on understanding audiences. Initiatives include a cross-media study looking at how and where the BBC currently delivers value to audiences, and a series of Audience Festivals encouraging BBC staff to learn more about those they are trying to reach.

As BBC Trustees, representing the interests of the public, we are committed to understanding and engaging with audiences ourselves. Our research programme includes a very large scale survey of 10,000 adults in the UK. We began this project earlier this year. As part of our work developing purpose remits, the research agency BMRB interviewed some 4,500 people to discover their attitudes to the BBC, what they thought were important roles for the BBC, and how well they felt the BBC was performing. (For more on this, see page 11.) The findings, as they come through, will feed into our work on reprioritisation.

You can find out more
about the BBC World
Service in its own
Annual Review – also
available on bbc.co.uk

The new Charter establishes Audience Councils and gives them an important role in the new governance of the BBC. The Trust has developed an Audience Council Protocol, setting out the role and responsibility of the Councils, and set up an Audience Councils Committee as a forum for the exchange of ideas (see page 34). For the Audience Councils' own performance assessment see box, right.

The Committee is currently developing outreach and promotion plans for each Council. Work is also under way to seek the views of the public on how they want to be consulted and involved in the Trust's decision-making processes, and Audience Councils will play a key role in this. For an example of one Council's consultative approach see the box on minority language provision below.

Minority language provision

Through its engagement with the public, the Audience Council for Northern Ireland identified particular audience concerns about output in Irish and Ulster-Scots. As a result it held a local consultation and this will inform the Trust's deliberation on provision for indigenous minority languages across the UK.

The two-stage consultation aims to understand audience needs and concerns and to identify key priorities for minority language provision by BBC Northern Ireland over the next three to five years. There will be a second consultation in summer 2007 after the Trust has published its emerging thinking, and the results will inform the Trust's final decision later in the year.

Audience Councils' assessment of BBC performance

The role of Audience Councils as defined in the Charter is to bring the diverse perspectives of licence fee payers to bear on the work of the Trust through the Councils' links with many different communities within the UK. Each of the four Councils, covering England, Wales, Scotland and Northern Ireland, review BBC performance in their nation and discuss their assessments with the Trust at an annual meeting.

At the annual meeting in April 2007 some of the key issues identified included:

- BBC network news coverage of devolved issues – there was some dissatisfaction in Scotland, Wales and Northern Ireland with the accuracy and range of BBC network news coverage of devolved issues.
- BBC network news coverage of regional stories in England – Audience Council England questioned the tendency of BBC network news to 'parachute in' nationally known names to cover regional stories at some cost to accuracy and provision of local context.
- Cultural representation on BBC network output – all four Councils expressed concern over the level and quality of representation of the UK's nations and regions in BBC network output.
- Levels of network commissions from the nations and regions – the Councils in Scotland, Northern Ireland and England pressed for a greater share of network contributions from their nation.
- Digital provision – all four Councils raised concerns over the limited availability of some digital services in their nation.

Where appropriate, the editorial issues will be taken account of as the Trust finalises purpose remits and commissions purpose plans from the Executive. Other issues will be taken forward through the Trust's regular programme of reviews and progress reports. For example, the next impartiality review will consider the impartiality of nations and regions journalism.

All four Audience Councils raised concerns over the limited availability of some digital services in their nation

The Trust has agreed that the next impartiality review will look at issues around nations and regions journalism

70%

of licence fee payers would miss the BBC if it were not there

Source: Purpose Remit Survey, Age 15+
BMRB, February 2007

Other significant findings from the Trust's own work with audiences include:

- Although the BBC's overall approval ratings remain stable – and ahead of ITV, Channel 4 and on a par with Sky – approval varies somewhat among different demographic groups. We will work to understand these results more fully.
- When we asked audiences if the BBC caters equally for all parts of the UK, only a minority agreed. The feeling is stronger the further away from London people live. This has been a long-standing concern of audiences, and is not limited to the BBC – many other national bodies also experience this. This is something we will work to understand more fully and seek to take account of in our work on licence fee reprioritisation.
- When audiences are asked their views on how seriously the BBC takes their opinion, a sizeable minority – a third or more – say they feel it takes either “not very much” or “none at all”. These perceptions are higher among older audiences, lower income groups and people living outside England. This is a real concern for the Trust in our role of representing the public. The Trust is currently consulting with audiences on how they want to have their say and the outcomes will inform the Trust's future engagement activity.
- Despite the audience challenges, the Trust is pleased to note that the vast majority of the public – 70% – would miss the BBC if it were not there.

“It’s quite good when you’re going home from work as well because it’s not blasting in your ears. It’s quite kind of interesting stuff to listen to in the car when you’re stuck in traffic on your way home.”

BBC Radio Scotland. Female, Glasgow, contributing to Trust consultation on service licences.

BBC performance

Finance and business

We take a strategic look at the BBC's finances and approve the BBC's budget and long-term financial plans

As Trustees we have responsibility for the oversight of the BBC's financial and business performance. We also report here on the Governors' objectives for 2006/2007 dealing with value for money and driving digital take-up.

BBC in the wider economy

The BBC is a major presence in the UK media sector with expenditure of £3.3 billion in 2006/2007. Of this, £1.1 billion was spent outside the BBC within the UK creative industry (with independent production companies, artists and other programme resources). The window of creative competition has opened up new opportunities to independent producers, while in particular sectors such as children's programming the BBC's commissioning role is becoming increasingly important in supporting original UK programming.

The BBC's contribution to a thriving UK media sector is not simply through its direct expenditure. The BBC also contributes in other ways such as through the provision of specialist industry training (see Part Two, page 81) and the regular flow of staff between BBC and commercial players.

The BBC also increasingly contributes to the wider economy throughout the UK. During 2006/2007 it spent £864 million outside London in the nations and regions. This year also saw the relocation of the BBC's finance division to Cardiff, while on 31 May 2007 we finally approved the contract for a new broadcasting centre in Salford.

BBC financial performance

Under the Charter, the Trust has the ultimate responsibility for the BBC's stewardship of the licence fee revenue and its other resources. This means we are required to keep under review the financial needs of the BBC and ensure that value for money is achieved by the BBC through its spending of the licence fee.

We do this in two ways – through an ongoing process of review of budgets and financial plans and also through a more targeted series of studies on particular aspects of value for money.

Each year we take a strategic look at the BBC's finances and have a duty to approve the BBC's budget and its long-term financial plans.

We may set management a number of financial objectives within which they must manage their operations.

The Governors set management a series of value-for-money objectives for 2006/2007. These were:

- Deliver value-for-money savings whilst retaining quality output. Reduce headcount by 2,055
- Make cumulative cash savings of £211 million, including new cash savings of £112 million, towards a target of annual cash savings of £355 million by 2007/2008. Incur implementation costs of no more than £148 million
- Develop a coherent business architecture
- Set targets for continuous financial improvement
- Improve Worldwide's return to the BBC: ensure double-digit profits growth and ongoing sales growth; at least 10% return on sales; and EBITDA¹ margin of at least 22%
- Increase licence fee sales by 1.04% and reduce evasion to 4.6%

Most of these objectives were met and the BBC is on track to deliver the savings planned for the final year of its three-year efficiency programme. £128 million in cash savings were made in 2006/2007, making a cumulative total of £228 million – £17 million above target. Costs of implementing the programme were £106 million – £42 million below estimate. However, the headcount reduction target was missed by 8%. The target was 2,055 and the out-turn 1,891.

The BBC has developed a business model designed to reinforce a culture of continuous improvement. The intention is to apply the

¹Earnings before interest, taxes, depreciation and amortisation

For management's more detailed review of BBC financial performance see Part Two

operating principles beyond the current three-year efficiency programme to secure further value-for-money benefits.

BBC Worldwide met all our financial planning objectives. The double-digit growth target for profits was comfortably achieved. Profits, excluding exceptional items, rose by 27.5% from £79million to £101million. Sales increased by 3.2%, and a return on sales achieved of 12.4% against a target of 10%. The EBITDA margin was 27% against a target of at least 22%.

The objectives of increasing licence fee revenue and reducing the evasion rate were not met. Net licence fee sales grew by 0.3% against a target of 1.04%, and the evasion rate rose from 4.7% to 5.1%. The rise in the evasion rate accounts for the missed revenue target. A contributory factor may have been the transition from Post Office to PayPoint collection. Around 3% of customers are thought to have delayed payment as a result of the switch – but this is forecast to be a one-off effect.

On a more positive note, the cost of licence fee collection fell by £20million and the combined cost of collection and evasion amounted to 9.2% – the lowest since the BBC took over licence fee collection in 1991/1992.

Specific value-for-money studies

The Trust also fulfils its stewardship responsibility through the commissioning of a series of independent value-for-money reviews each year. We agree the areas on which these reviews will focus in dialogue with the Comptroller and Auditor General – the head of the National Audit Office (NAO). The reviews are then undertaken by the NAO or other external agencies. For the purposes of these reviews editorial decisions are out of scope. The findings from each review are published in full on bbc.co.uk/bbctrust and presented to Parliament.

During 2006/2007 four reviews were completed under the previous programme of studies agreed by the Governors. The full reports from each study, including the BBC's response to all recommendations made, can be found on bbcgovernorsarchive.co.uk, but we give a brief overview below:

1 BBC's definition of overheads (July 2006):

This study considered whether the definition of overheads was a useful measure to demonstrate whether the BBC was achieving best value for licence fee payers. The Governors were pleased that the NAO considered that the use of overheads measurement had proved useful to the BBC in its past efficiency programmes. We will take forward the recommendations from that review as we work on the reprioritisation plans and set management new efficiency targets.

2 BBC outsourcing: the contract between the BBC and Siemens Business Services for the provision of technology services (July 2006):

This assessed whether the BBC was well placed to meet its strategic objectives for outsourcing technology services, to review how the partnership with Siemens was progressing and to enable lessons learnt from this contract to be applied to future outsourcing deals. The Governors welcomed the NAO's acknowledgement that the deal had been a financial success for the BBC but agreed there was scope for improvement in technology governance arrangements. Following the report the Governors took a close interest in management's efforts to address the review's recommendations, monitoring progress through regular updates to the Audit Committee.

3 BBC's management of risk (November 2006):

This assessed whether the BBC's overall approach to risk management allows the organisation to understand fully and respond effectively to the risks it faces. The NAO concluded that the BBC had an appropriate framework for managing risk.

4 BBC independent television commissioning (November 2006):

This assessed the effectiveness of the independent commissioning process. Deloitte concluded that the complicated commercial and regulatory environment has some limiting effect on the BBC's ability to improve value for money in independent commissioning. Notwithstanding that, we were pleased to note that the report concluded that "the BBC takes value-for-money considerations very seriously and is doing much to drive value-for-money improvements in independent commissioning."

We are planning five reviews for 2007/2008 (see page 51).

We commission a series of independent value-for-money studies as part of our stewardship duties

All of our value-for-money reports are published in full on our website

We have a duty to help deliver to the public the benefit of emerging technologies and services, and to take a leading role in the switchover to digital television

We have approved the BBC's proposals to develop, jointly with other broadcasters, a satellite platform guaranteeing subscription-free access to any digital services

Driving digital take-up

The Royal Charter contains a new Public Purpose for the BBC which requires it to take a leading role in the switchover to digital television and sets out a broader role for the BBC in helping to deliver to the public the benefit of emerging technologies and services. Recognising the growing importance of these issues, the Governors set four specific objectives for management.

The Governors set management a series of objectives in 2006/2007 for driving digital take-up. These were:

- Preparing for digital switchover and driving the market for free-to-air digital television, digital radio and new media while continuing to serve the analogue-only audience
- Raising awareness of the value added to the overall portfolio by the BBC's digital services
- Improving their availability
- Working with the commercial sector to drive take-up.

In general terms we are pleased with progress. Take-up of digital television, DAB and broadband continues to rise, and availability of digital terrestrial television (DTT) has reached the maximum coverage possible until switchover starts – 73%. In 75% of homes at least one television set has been converted to digital, and in 42% all sets have been converted. The launch of the BBC iPlayer and of Freesat should produce further progress in driving digital.

Overall awareness of digital switchover stands at 82%, although levels are very much lower in some regions (51%, for example, in Ulster). Management have explained that these regions will be among the last to switch; awareness is much higher in areas switching first (96% in Border), reflecting the concentration of marketing effort there.

We have some concerns over figures showing a decline in the awareness of the BBC's digital services. Management have suggested to us that this reflects the rapid approach of switchover and a consequent shift in the marketing emphasis – away from messages promoting BBC digital

services and towards generic messages promoting switchover itself.

We have stressed our concern that management, working alongside Digital UK, should maintain a sharp focus on reducing the 'digital divide'. This means targeted marketing aimed at hard-to-reach groups such as lower income groups, some ethnic minorities, and the over-75s.

Although this is the last year in which we will monitor objectives in this way, the Trust's Digital Protocol requires the Executive to report to us quarterly on digital progress. The Public Purpose remit for emerging communications will also measure many areas currently monitored through the objective.

Freesat

In April we gave BBC management the formal go-ahead to develop and launch Freesat. This is a satellite platform, developed as a joint venture with other UK broadcasters, guaranteeing subscription-free access to digital services, including those from the BBC. The only payment will be a one-off charge for equipment and installation.

Although we are not required to undertake a full Public Value Test for activities that do not constitute BBC content services, we applied similar principles in reaching our decision. We weighed up Freesat's likely benefits to the public, the public value it could create, and the potential market impact. Our consultations demonstrated widespread public support for the proposal. We gave our approval subject to conditions relating to quality control, the transparency and integrity of the use of licence fee funding, and technical co-existence with other digital television platforms.

We have asked BBC management to move swiftly in developing their plans to ensure that licence fee payers, particularly those outside Freeview coverage areas, gain maximum benefit in the lead up to digital switchover.

82%

of adults are aware of digital switchover

Source: Digital UK, Q1 2007

“I know he can go on that [CBeebies website] and it’s a safe website and he won’t be wandering off.”

Spontaneous comment on bbc.co.uk. Female, 30–49, Inverness, contributing to Trust consultation on service licences.

BBC Governance

The Trust

The Trust's role is to set priorities for the BBC and ensure they are properly delivered by the Executive within agreed policies and budgets

The Executive runs the day-to-day operations of the BBC

A different system of BBC governance came into force when the new Charter took effect on 1 January 2007. The Board of Governors was replaced by the Trust, and a formally constituted Executive Board was created. Under the new system the Trust is formally established as the representative of the licence fee payer, and there is greater separation between the Trust and the BBC Executive than there was between the Governors and BBC management.

Overview

As Trustees we are committed to upholding the highest standards of corporate governance at the BBC. In this section we set out how the governance of the BBC has been managed over the past year by the Trust and by the Governors.

Governance under the Trust (January–March 2007)

- Governance under the Trust – page 32
- Statement of Trust responsibilities – page 33
- Trust Committees – page 33
- Trust advisory bodies – page 34
- Promoting equality and diversity – page 35
- Measuring public value – page 36
- Trust Unit – page 37
- Trust expenditure – page 37
- Trustee remuneration – page 38
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Governance under the Board of Governors (April–December 2006)

- Governors' committees – page 46
- Governance Unit – page 47
- Governors' remuneration – page 48

Governance under the Trust

The BBC Charter and Agreement sets out our obligations as Trustees, including:

- representing the interests of licence fee payers and carefully assessing their views
- maintaining the independence of the BBC
- exercising rigorous stewardship of public money
- taking proper account of the competitive impact of the BBC on the wider market
- making sure the BBC operates openly and transparently
- ensuring that the BBC's Public Purposes are effectively promoted
- setting the framework for handling complaints, and hearing appeals where appropriate.

The way we work as BBC Trustees is set out in a series of published protocols. The protocols describe how we should manage our responsibilities – for example, to conduct our business in an open and transparent way, to set the strategic direction of the BBC, and to undertake value-for-money investigations.

The Trustees have also agreed a Code of Practice, setting out the principles and policies by which we conduct our business. This covers such things as conflicts of interests, Trustees' expenses, and political activity by Trust members. In addition we have adopted Standing Orders governing the way we conduct our meetings. The Trust will review its own performance and that of its committees on an annual basis. The first review will be carried out by April 2007 and reported in next year's *Annual Report and Accounts*.

Part Two of the *BBC's Annual Report and Accounts* provides more information on how the Executive has undertaken its corporate governance responsibilities

Statement of Trust responsibilities in respect of the *Annual Report and Accounts*

The Charter requires that an annual report and statement of accounts is prepared and audited. The Executive Board's responsibilities are detailed in their responsibility statement on page 95 of Part Two of this *Annual Report and Accounts*. In summary, the Executive Board is responsible for preparing the financial statements and statements of compliance with applicable corporate governance codes and remuneration regulations and delivering these to the Trust within Part Two.

In preparing its corporate governance disclosures the Executive Board has elected to comply with the 2003 Financial Reporting Council Combined Code and the disclosure provisions of the Companies Act 1985 and, where applicable, the Financial Services Authority Listing Rules which apply to a company listed on an EU regulated market.

In order to comply with those requirements the Annual Report must include disclosures on the governance arrangements of the Trust as well as those of the Executive Board. These disclosures, which are audited, are included in Part One of the *Annual Report and Accounts* and are the responsibility of the Trust.

Additionally, the Charter requires the Trust to prepare a statement of its expenditure and include this within Part One.

Statement of disclosure of information to auditors

The Trustees 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 in respect of the Trust governance disclosures, remuneration disclosures and Trust statement of expenditure of which the BBC's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the BBC's auditors are aware of that information.

This statement was approved by the Trust on 19 June 2007.

Trust Committees

The full BBC Trust meets monthly but we do much of our work in small committees of Trustees who report back to the full Trust. These committees have decision-making powers.

The Trust Committees are:

Finance and Strategy Committee (see below)

Audiences and Performance Committee (see page 34)

Audience Councils Committee (see page 34)

Public Value Test Steering Group (see page 36)

Remuneration and Appointments Committee (see page 38)

Fair Trading Policy and Appeals Committee (see page 41)

Editorial Standards Committee (see page 43)

The members of each Committee and their attendance during the period since the Trust commenced are shown in the table on page 34.

As well as formal meetings of the Trust and Committees, the Trustees have been involved in a range of activities, including meeting licence fee payers and stakeholders as well as BBC staff. The four Trust members with special responsibilities for the nations also chair the Audience Councils in that nation. Attendance at these meetings was as follows: Alison Hastings (England) 3/3; Rotha Johnston (Northern Ireland) 3/3; Janet Lewis-Jones (Wales) 3/3; and Jeremy Peat (Scotland) 3/3.

Finance and Strategy Committee

This Committee supervises and scrutinises issues of finance, business strategy and risk management including reporting and investment proposals from the Executive. It meets monthly.

The Committee's early activities have included scrutinising and advising the Trust on the Executive's proposals for Freesat (see page 30), assessing the budgets and financial plans for the BBC for 2007/2008, and approving a programme of value-for-money studies for the 2007/2008 year (see page 29). The Committee also oversees the Trustees' conflicts of interest and the Trust Unit's own financial affairs.

More information about our Committees, including their terms of reference, is provided on bbc.co.uk/bbctrust

Trust and Committee attendance, 1 November 2006 to 31 March 2007

	Trust	Finance and Strategy Committee	Audiences and Performance Committee	Audience Councils Committee	Public Value Test Steering Group	Remuneration and Appointments Committee	Fair Trading Policy and Appeals Committee	Editorial Standards Committee
Number of meetings in the year	7	4	2	3	3	1	3	3
Michael Grade (to 27 Nov 2006)	1/1							
Chitra Bharucha	7/7		2/2	3/3		1/1		3/3
Diane Coyle	7/7				3/3		3/3	3/3
Dermot Gleeson	6/7	4/4	2/2			1/1		
Alison Hastings	6/7		2/2	3/3	1/3			
Patricia Hodgson	7/7	4/4	1/2		3/3			
Rotha Johnston	6/7	3/4		3/3			2/3	
Janet Lewis-Jones	7/7	4/4		3/3		1/1		
David Liddiment	6/7		2/2					3/3
Mehmuda Mian Pritchard	5/7 ¹						2/3	3/3
Jeremy Peat	7/7	3/4		3/3	3/3		3/3	
Richard Tait ²	4/7				2/3			3/3

¹Agreed absence due to conflict with pre-arranged meetings of the Independent Police Complaints Commission

²Agreed leave of absence from November 2006 – January 2007 (inclusive) owing to illness

Audiences and Performance Committee

This Committee assesses the performance of the BBC's publicly funded services in delivering public value. It reviews how the BBC is performing among different audience groups and identifies challenges arising for the BBC from this work.

The Committee has new tools to help it in its assessment of BBC performance. These include purpose remits and service licences which provide the framework for the Trust to set out the public's expectations of the BBC and measure performance through a system which is transparent and consistent.

The Committee's early activities included approving plans for the purpose remit consultation (see page 11) and approving the purpose remit and service licence consultation documents and use of audience research. It also met with representatives of the Executive to discuss the performance of the BBC's public services over the past year, making recommendations to the Trust. The Committee will carry out regular detailed reviews of the BBC's public services. The first review will cover bbc.co.uk.

The Committee also monitors the performance of the BBC World Service in line with long-term objectives agreed with the Foreign and Commonwealth Office and the Operating Agreement published by the Trust in June 2007.

Audience Councils Committee

This Committee oversees and reviews the work of the BBC Audience Councils established by the Royal Charter. The Committee shares best practice and learning across the work of the Audience Councils and identifies cross-nations issues and concerns. It also approves membership of Audience Councils on behalf of the Trust. It meets quarterly with the Chair rotating periodically among the National Trustees.

Trust advisory bodies

In undertaking their work the Trustees draw on a wide range of views. This includes Audience Councils, which are constituted in the Charter and other more informal bodies such as the Central Religious Advisory Committee (see page 35).

Purpose remits

Purpose remits explain how the BBC should fulfil its six Public Purposes. The remits set priorities for the BBC in consultation with licence fee payers, and show how the BBC Trust will judge performance against those priorities using measures based on audience perceptions. The purpose remits are currently in draft form and will be finalised later in 2007.

Service licences

The Trust issues a service licence for each BBC service which sets out how that service should help the BBC to deliver its Public Purposes and gives a headline budget for the service.

Audience Councils

The Charter defines the role of the Audience Councils as bringing the diverse perspectives of licence fee payers to bear on the work of the Trust through the Councils' links with many different communities within the UK.

There are Audience Councils in England, Scotland, Northern Ireland and Wales (Audience Council England is supported by a network of Regional Audience Councils). Council members are selected from licence fee payers who have an informed interest in the work of the BBC, and an understanding of the interests, concerns and diversity of the audience in their nation. Members are volunteers and do not have any professional affiliation to the BBC. Each Audience Council is chaired by the Trust member for that nation.

In addition to regular meetings, the Audience Councils carry out wide-ranging programmes of activities in order to identify ways in which the BBC can better serve audiences. Each Audience Council submits a report to the Trust every year on the BBC's performance in each nation and advises on issues arising. The Audience Councils also play a key role in Trust-led public consultations. Some of their findings in 2006/2007 are set out on page 25.

Central Religious Advisory Committee (CRAC)

The Central Religious Advisory Committee (CRAC) has advised the BBC on religious policy and programmes since 1923. It was the first of the BBC's advisory committees and it has traditionally played a dual role – advising the Board of Governors on broad policy issues and advising management on programming. However this dual role is open to question under the new governance arrangements, which are based on the principle of greater separation between the Trust and the Executive.

We are therefore reviewing the arrangements as part of our current consultation on how we should engage with audiences (see page 24). The issue is how and on what terms CRAC might continue to fulfil a useful advisory role that is consistent with the principle of separation; and how its work should fit with the Trust's wider mechanisms for engaging with diverse audiences. We hope that CRAC will itself make a submission

to the consultation. In December 2006 the Governors agreed that CRAC should continue in an informal capacity while the review was under way. CRAC is chaired by Bishop Graham James, Bishop of Norwich.

Promoting equality and diversity

The BBC aims to provide services to all the people and all communities across the UK. In doing so we believe it is important that both the way in which the BBC operates, and its output, reflect the wide diversity in those communities. In this respect diversity should be seen as including ethnicity, disability, gender, age, faith, sexuality, class, political affiliation and regional differences.

The BBC is also subject to certain equalities legislation concerning some aspects of diversity. The BBC is required by law to promote equality positively. It must work to eliminate unlawful discrimination in three areas – race, disability and gender – in respect of its public functions. These public functions include such things as TV licensing, arrangements for digital switchover, and certain regulatory functions of the Trust. For each area the BBC has to develop, publish and implement an Equality Scheme. The Disability Equality Scheme was published in December 2006, and the Gender and Race Equality Schemes in April and May 2007 respectively. The Trust is responsible for overview and scrutiny of the Schemes which run for three years and will be subject to annual review by the Trust.

In exercising regulatory control of the BBC, the Trust has set itself a number of tasks. These include:

- issuing and consulting on a draft protocol on engagement with licence fee payers, covering, for example, public meetings, website and consultations
- ensuring that all its communication and involvement activities are accessible
- ensuring that all disabled people have fair access to the Trust's complaints processes, and are consulted with and/or involved in policy decisions that may have an impact on them.

Further details of the three Schemes can be found on the Trust website, bbc.co.uk/bbctrust. The Trust will monitor its performance and report on this in the *Annual Report and Accounts 2007/2008*.

The Audience Councils bring the diverse views of communities from throughout the UK to the Trust's attention

The concept of public value will drive many of our decision-making processes and our performance-monitoring activities

Public Value Test (PVT)

Some BBC activities may produce a positive public value, but have a negative impact elsewhere – for example, on commercial broadcasters or media suppliers. In order to ensure that the right balance is struck between these competing interests, we apply a Public Value Test before we consent to the BBC starting a new service or making a significant change to an existing service. The test considers the positive or negative public value created and the positive or negative market impact. There are two parts to the test – a public value assessment, and a market impact assessment.

Public value assessment

The public value assessment measures the likely public value of the proposed change by assessing:

- the value licence fee payers would place on the change as individuals
- the value it would deliver to society as a whole through its support for the BBC's public purposes
- its cost and the value for money it offers.

This assessment is overseen by the Trust, and always includes public consultation.

Market impact assessment (MIA)

The market impact assessment measures the likely effect of the proposed change on other players in the market (or markets) affected. This assessment is carried out, or commissioned, by Ofcom. The work is overseen by a joint steering group made up of members drawn from the Trust and from Ofcom.

Applying the Public Value Test

We consider the outcomes of both assessments and make a provisional decision on the proposed change. We publish this decision and consult on it. Once we have considered the results of the consultation, we make our final decision. Before we agree to any proposed change, we must be satisfied that any likely adverse impact on the market is justified by the likely public value it creates.

Measuring Public Value

The term public value is a relatively new concept, first used by an American academic, Mark Moore, in 1995 as a new way of addressing management of public bodies. The British Cabinet Office adopted the term as a framework for considering public sector reform in 2002. The notion of public value was incorporated into the new BBC Charter and Agreement. Public value will drive many of the Trust's decision-making processes and other activities, including the Public Value Test and performance monitoring of the BBC's publicly funded services.

The BBC's public value performance measurement framework has a number of components:

- most fundamental are the **six Public Purposes** of the BBC (see page 9)
- the Charter and Agreement has established **five content characteristics** – high quality, engaging, challenging, original and innovative – for the UK public services
- the BBC Trust has established **four drivers of public value** – Reach, Quality, Impact and Value for Money – in which the content characteristics are incorporated.

The aim of this framework is to bring as much evidence as possible to inform the Trust's judgements. The Trust has already actively applied its first Public Value Test (PVT) and believes that the concept of public value will help inform much of their work in the future. The Trust will be conducting work to further develop the concept of public value in the coming year.

Public Value Test Steering Group

This Trust Committee oversees the process for each PVT: examining the proposal from the Executive, engaging with Ofcom and the Joint Steering Group regarding the market impact assessment, and making recommendations to the Trust on the outcome of the PVT. It meets monthly and as necessary.

The PVT is a further tool of governance that the new Charter has introduced. The Trust uses this tool to assess any proposals from the Executive to significantly change an existing service or to create a new service (see box).

In April the Trust, advised by this Steering Group, approved the plans of the Executive to launch on-demand services giving audiences new powers to watch and listen to BBC output over the internet (see page 7).

Trust Unit

The Trust is supported in its work by the Trust Unit, which provides independent and objective advice, calling on outside experts when necessary. The Trust Unit is independent of BBC management. Its director is appointed by the Trust and the staff are outside the BBC management chain. The Unit is made up of professional staff with expertise across a range of disciplines who advise Trustees on the conduct of their duties and support their work in key areas. The Trust Unit had a staff of 42 at 31 March 2007.

Statement of Trust expenditure

	Note	3 months to 31 March 2007 £000
Trustee remuneration	1	209
Staff costs – Trust Unit	2	865
Other operating costs	3	1,564
Direct Trust expenditure		2,638
Ofcom regulatory fees	4	875
Ofcom MIA fees	5	620
Total Ofcom fees		1,495
Total Trust expenditure	6	4,133

Notes

- 1 Although the Trust came into existence on 1 January 2007, new Trustees were appointed with effect from November 2006 and their remuneration therefore reflects this five-month period. Remuneration of Trustees that were previously Governors is included from 1 January 2007
- 2 Staff costs include wages and salaries, social security costs and employer pension contributions
- 3 Operating costs include direct expenditure on activities such as research, legal advice and other specialist advisory services
- 4 Ofcom allocates its costs of television and radio regulation between the BBC and the commercial channels. The Trust Unit bears the BBC's share of that allocation
- 5 Ofcom MIA fees cover Ofcom's direct and indirect costs in undertaking the market impact assessment for the Public Value Test undertaken in the period
- 6 The expenditure above represents direct external spend by the Trust. Additionally the Trust made use of shared services provided by the BBC which included the use of property, finance, HR and information services

Report of KPMG LLP to the BBC Trust ('the Trust')

In accordance with the terms of our engagement letter dated 1 May 2007, we have examined the expenditure statement ('the Trust expenditure statement') for the period from 1 January 2007 to 31 March 2007 which has been prepared, further to the requirements of the BBC Charter dated October 2006, by the Trustees of the Trust and is their sole responsibility. The Trust expenditure statement has been prepared by the Trustees of the Trust applying the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

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

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

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

Yours faithfully

KPMG LLP
Chartered Accountants
19 June 2007

The Trust is funded from the BBC's licence fee income. The expenditure shown here has been extracted from the full financial results of the BBC (set out in Part Two)

In this report we explain our responsibilities for the remuneration of the Executive Board and set out the fees we receive as Trustees

Trust Remuneration report

This report sets out the Trust's role regarding the remuneration policy for the Executive Board and details the remuneration received by the members of the Trust. Information on the remuneration received by the Governors prior to the Trust's formation is provided on pages 48–49.

The BBC is exempt from the requirements of the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority, but this report has been prepared as if those requirements apply wherever the disclosure provisions are relevant and applicable. The sections on pensions and remuneration received by the Trustees are audited.

Remuneration and Appointments Committee: constitution and operation

From 1 January 2007, under the Royal Charter, the Trust and Executive Board have specific responsibilities for the remuneration of members of the Executive Board.

The Remuneration and Appointments Committee is a sub-committee of the Trust and advises the Trust on the remuneration policy for the executive directors and Director-General, including the application of the policy in relation to the Director-General, and also on the fees for the non-executive directors. The Committee is chaired by Chitra Bharucha and the other members are Michael Lyons, Dermot Gleeson and Janet Lewis-Jones.

The Executive Board also has a Remuneration Committee and its constitution and responsibilities are set out in Part Two on page 92.

The meetings of the Trust's Remuneration and Appointments Committee are advised by the Secretariat and Governance team in the Trust Unit. As required, and at the invitation of the Committee, the Director-General (Mark Thompson), the Director, BBC People (Stephen Kelly) and the Chair of the Executive Board's Remuneration Committee (Marcus Agius) attend to advise on matters relating to the Executive Board and the wider BBC. The Director-General is not present when his own remuneration is considered. The Remuneration and Appointments Committee has access to

internal remuneration expertise through the BBC's Head of Reward, who also attends the meetings as required.

Complying with the 2003 FRC Combined Code on Corporate Governance, the Remuneration and Appointments Committee takes specialist advice from external professional advisers on remuneration matters. The Trust's Remuneration and Appointments Committee has appointed Towers Perrin as its advisers.

Members of the Trust: remuneration policy

The members of the Trust receive a fee determined by the Secretary of State for Culture, Media and Sport. They are additionally reimbursed for expenses incurred on BBC business, and any tax arising on those expenses is settled directly by the BBC. The fees and taxable benefits are reported in the table on page 39.

Pensions

The Chairman is eligible to participate in a pension scheme, however as no permanent Chairman was in place during this period there were no pension contributions made by the BBC.

Non-executive directors: remuneration policy

Under the new Charter and Agreement the Trust is responsible for setting the policy and level of fees for the non-executive directors. It approved the appointment, including the terms of the appointment, of the five current non-executive directors in November and December 2006. For convenience, the fees received by the non-executive directors during 2006/2007 are set out in Part Two alongside other members of the Executive Board. In line with best practice, the Trust will review the level of fees every other year, with the first review due in 2008/2009.

Executive Board: remuneration policy

The current remuneration policy for the executive directors and Director-General was approved by the Board of Governors and adopted by the Trust under the transitional arrangements in the BBC Charter. It is intended to offer remuneration that attracts, motivates and retains the key talent required to lead the BBC and to deliver outstanding public service broadcasting. The main elements of remuneration are base pay, annual bonus and pension.

The base pay and bonus plans for the period for the executive directors and Director-General on the Executive Board were set by the Board of Governors in July 2006, and confirmed on

their appointment to the new Executive Board. The remuneration policy and remuneration received are set out in Part Two.

Details of remuneration received by the Governors for the nine month period to 31 December 2006 is set out on page 49

Remuneration received

The remuneration of the members of the Trust during the year is shown below:

	Fee/ base pay £000	Expenses/ benefits £000	Total 1 November 2006 – 31 March 2007 £000
Trustees (appointed 1 November 2006 unless otherwise stated)			
Chitra Bharucha ¹	53	12	65
Diane Coyle	15	1	16
Dermot Gleeson ²	9	–	9
Alison Hastings	17	2	19
Patricia Hodgson	15	–	15
Rotha Johnston	17	–	17
Janet Lewis-Jones	17	1	18
David Liddiment	15	–	15
Mehmuda Mian Pritchard	15	–	15
Jeremy Peat ²	10	1	11
Richard Tait ²	9	–	9
Total Trustees	192	17	209

¹Chitra Bharucha was Acting Chairman of the BBC Trust following Michael Grade's resignation on 27 November 2006 and received fees at the Chairman's level during this period

²The Trustees' appointments commenced on 1 November 2006. Dermot Gleeson, Jeremy Peat and Richard Tait also continued their duties as Governors until 31 December 2006 (the fees for the Board of Governors are reported on page 49). They received fees as Trustees from 1 January 2007

There were no payments in respect of termination or compensation for loss of office paid to or receivable by members of the Trust during the year.

Details of remuneration received by members of the Executive Board is provided within Part Two, page 94

More information on the financial performance of the BBC's commercial services is set out in Part Two

Trust oversight of BBC commercial services

The BBC undertakes some activities on a commercial basis. The aim is to generate revenue to reinvest in the public services to the benefit of the public.

The basis on which the BBC may undertake commercial activity is set out in the BBC Agreement. Clear separation is required between its public and commercial services. Commercial activity cannot take place directly within the Corporation but must be carried out through commercial subsidiaries. The overarching commercial company is BBC Commercial Holdings. BBC Worldwide is the main commercial subsidiary, but some activity is carried out in BBC Resources and BBC World.

The Executive Board is responsible for overseeing the BBC's commercial activities. BBC Worldwide (which reports to the Executive Board) is governed by a Board with an independent chair and two further independent non-executives plus three public service directors from the BBC (serving as non-executives).

BBC Worldwide's main activities are commercial television channels, sales of television programmes, magazine publishing and home entertainment. On a smaller scale it also operates a children's business and a new media business. It operates worldwide but its priority markets for significant growth are USA, Canada, Australia and India.

The business has grown steadily and the strategy is to increase the rate of growth and, in particular, profitability.

Trust oversight of commercial activity

The Trust approved a five year strategy for BBC Worldwide, including high level targets and budgets, in March. It has also set the framework within which new commercial services are approved and overseen. In March the Trust adopted and published a protocol which set the framework for the commercial services' activities and accountability to the Trust and the Executive Board.

The BBC Agreement sets four criteria which the BBC's commercial services must meet. They must:

- fit with the BBC's public purpose activities
- exhibit commercial efficiency
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with BBC fair trading guidelines and in particular avoid distorting the market.

The protocol explains how these criteria are applied in practice. While the Trust sets the framework and requires reporting, most operational decisions are taken under this framework either by the Board of BBC Worldwide (where the non-executive members play an important role) or by the Executive Board. In a small proportion of cases the Trust's approval is required for new service proposals.

Trust fair trading report

The BBC's fair trading regime governs all the trading activities of the BBC. It is designed to ensure that the BBC's commercial and trading activities are conducted 'fairly'. While the BBC is subject to European and UK competition law and European law on state aid, the BBC has for a number of years voluntarily embraced additional requirements in recognition of its unique status.

I The BBC's fair trading arrangements

The BBC's fair trading arrangements are in transition. Under the previous governance system, the BBC had adopted a Fair Trading Commitment and operated under Fair Trading Guidelines which translated the Commitment into a detailed operational framework. The Governors' Fair Trading Compliance Committee (FTCC) exercised oversight.

On 1 January 2007, oversight of fair trading passed to the Trust. The Charter and Agreement requires the Trust to adopt a statement of policy on fair trading and to hold the Executive Board to account for compliance with it. This statement has to be adopted by 1 July 2007 and the Trust launched a public consultation on 20 February 2007.

In the meantime, the Trust decided that the existing fair trading regime should remain in force. For the period of this report, therefore, the BBC was subject to the obligations set out in the Fair Trading Commitment and Guidelines.

2 Trust oversight of fair trading compliance

Since 1 January 2007 responsibility for monitoring fair trading compliance and handling fair trading appeals has lain with the Trust's Fair Trading Policy and Appeals Committee (FTPAC). The Trustees on this Committee are: Jeremy Peat (Chairman), Diane Coyle, Rotha Johnston and Mehmuda Mian Pritchard.

Since 1 January 2007 responsibility for day-to-day fair trading compliance by the BBC and handling of fair trading complaints has passed to the Executive, which has set up a Fair Trading Compliance Committee (see Part Two, page 77).

The FTPAC is advised by independent fair trading auditors and advisers. The independent auditors conduct an annual Fair Trading Audit to determine whether the BBC has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Commitment.

The auditors' activities include:

- meeting fair trading representatives and other individuals with significant fair trading roles in each division
- evaluating each division's fair trading system of internal controls
- reviewing and testing a sample of commercial activities
- testing the adequacy of processes to record and track fair trading issues through to resolution/completion
- assessing and testing the adequacy of fair trading training programmes within each division
- reporting their findings and conclusions to the FTPAC.

The auditors' opinion based on their audit for the year ended 31 March 2007 is set out below.

3 Fair trading compliance

The Trust considers that the policies in the BBC's Fair Trading Commitment are consistent with the requirements of the Charter and Agreement. Through the FTPAC, and formerly the FTCC, they have gained reasonable assurance that the system of controls and procedures designed to ensure that these policies are applied throughout the BBC have been operating effectively throughout the year. The BBC Executive has reported in Part Two on its own measures to ensure compliance.

Fair trading appeals

The Trust considered one fair trading appeal during the year, in relation to a complaint from the Kent Messenger Group. While noting that the issues raised did not amount to a serious breach of the BBC's Fair Trading Guidelines in terms of the scale of the activity or likely impact on the market, breaches of procedure were found and the Committee upheld the appeal. Findings of all appeals are published at: bbc.co.uk/bbctrust/appeals/fair_trading_appeal_findings.html.

Fair trading audit

The independent fair trading auditors' report is set out below.

Independent Fair Trading Auditors' report to the BBC Trust for the year ended 31 March 2007

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 Trust with reasonable assurance that the BBC has complied with its published Fair Trading Commitment for the year ended 31 March 2007.

Our instructions for this audit, which include the scope of work to be undertaken, were agreed with the Governors' Fair Trading Compliance Committee which on 1 January 2007 was succeeded by the BBC Trust's Fair Trading Policy and Appeals Committee. These instructions include agreement that our audit should be conducted in accordance with relevant Auditing Standards, 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 Trust. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

The Trust considered, and upheld, one fair trading appeal during the year

We ask external auditors to provide an opinion on whether the BBC has established, and applied, a system of internal controls which provide reasonable assurance the BBC has complied with its Fair Trading Commitment

Respective responsibilities of Governors, BBC Trust, management and auditors

Until 31 December 2006 the Governors were responsible for ensuring that the BBC meets all the requirements of competition law and trades fairly. The Governors established the BBC's Fair Trading Commitment, determined the objectives of the system of internal controls designed to ensure compliance with this Commitment and monitored the outcomes of those controls. On 1 January 2007, upon creation of the BBC Trust, the BBC Trust assumed these responsibilities. The BBC Trust is also responsible for preparing the BBC Trust's Fair Trading Report for the year ended 31 March 2007, as included in the BBC Trust's *Annual Report and Accounts*.

The BBC's management is charged with operating a system of internal controls designed to ensure compliance with the Fair Trading Commitment, including identifying and assessing risks that could threaten fair trading and designing and implementing responses to such risks.

As the BBC's Fair Trading Auditor, 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 its Fair Trading Commitment during the year. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as this is necessary to form an opinion on the system of internal controls. Our audit was not designed to express an opinion on the quality of the specific decisions taken by the BBC with regards to fair trading. We have also reviewed whether the BBC Trust's Fair Trading Report reflects our findings of the BBC's compliance with its system of internal controls, and we report if it does not.

This opinion has been prepared for and only for the BBC Trust. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of audit opinion

We have carried out a programme of procedures and tests designed to provide us with the necessary assurance to support our audit opinion. Our work consisted of enquiry and assessment to enable us to form a view as to whether an appropriate system of internal controls was in place. We also reviewed the processing of a sample of material transactions to provide us with reasonable assurance that the system of internal controls had been applied.

As with any system of control, however effective, it is not practicable to ensure that no errors or irregularities have occurred without being detected. Our audit work was therefore designed to give reasonable assurance, but not certainty, as to the adequacy of the system of internal controls which were in place and being applied to deliver compliance with the Fair Trading Commitment during the year. 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

In our opinion the BBC has established and has applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment for the year ended 31 March 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
19 June 2007

Upholding editorial standards

The Trust's role in upholding editorial standards involves oversight and approval of management's guidelines. We also consider complaints on appeal after the BBC's complaints process has been exhausted.

Editorial Standards Committee (ESC)

The Trust's Editorial Standards Committee (ESC) was set up on 1 January 2007. Before then, issues of editorial standards were dealt with by the Governors' Programme Complaints Committee. This report reflects the work of both bodies.

The Trust's role regarding editorial standards is to commission editorial guidelines from the Executive Board, monitor compliance and ensure that an effective editorial complaints and appeals process is implemented. It may commission special projects to inform itself and also may consider topics of editorial concern.

The ESC supports the Trust in these functions and in particular determines editorial complaints on appeal. The Committee is chaired by Richard Tait and the other members are Chitra Bharucha, Diane Coyle, David Liddiment and Mehmda Mian Prichard.

Editorial compliance

Every six months the BBC Executive reports to the ESC on editorial compliance issues. The ESC considered the first of these reports in May 2007. The Committee welcomed the launch of the BBC College of Journalism and its website. Creating the College was one of the recommendations of the Neil Report following the Hutton Inquiry. Other welcome developments included guidance for BBC staff on issues including conflict of interest, personal blogs, and user-generated content. The Committee also noted new guidelines to assist viewers with hearing loss.

The Committee noted 38 breaches of editorial compliance upheld either by BBC management or by the ESC compared to 50 in the previous year. Serious compliance issues relating to premium rate phone services (PRS) were raised in editions of *Blue Peter* and *Saturday Kitchen* (see box).

Blue Peter and *Saturday Kitchen*

In November 2006, because of a fault with the phone lines, a child visiting the *Blue Peter* studio was asked to pretend to be a caller to a *Blue Peter* premium rate phone competition, and was named the winner. The BBC Executive accepted this was a serious error of judgement and made a public apology.

Following a newspaper report in February 2007 it was established that viewers of the BBC One programme *Saturday Kitchen* had been misled into believing they were calling a live programme.

The BBC Executive gave the Trust an interim report about both programmes. The Executive made a further report in May, including a review of the use of PRS by all BBC output over the previous two years. The Trust published the report. It described the *Blue Peter* breaches as particularly serious and said that the culture of the BBC must be such that any proposal to mislead audiences is instantly dismissed as wholly inappropriate. The Trust also agreed with the Director-General that he commission an external auditor to carry out sample checks. The Trust was pleased that management had moved swiftly to address the problems and get a thorough review under way with a commitment to learn from these breaches. It welcomed the actions of the BBC Executive which included an on-air apology for the serious errors that had occurred in *Blue Peter*.

The Trust announced the appointment of Ronald Neil to carry out a longer term policy review of how and when the BBC uses PRS and associated programme activity. The Trust will consider the review's recommendations in the autumn of 2007.

"The culture of the BBC must be such that any proposal to mislead audiences is instantly dismissed as wholly inappropriate"

Sir Michael Lyons
BBC Chairman

The ESC also noted that Ofcom upheld four programme standards complaints against the BBC and resolved five others. New systems were put into place at Radio 1 following complaints to Ofcom. Ofcom also upheld six fairness and privacy cases by first-party complainants against the BBC.

The ESC will continue to scrutinise rigorously progress by the Executive in ensuring editorial compliance at all levels and in all genres. There is a particular need to ensure that the staff of independent companies supplying the BBC understand and comply with BBC editorial guidelines. The ESC will also continue to monitor the work of the Executive's Complaints Management Board in analysing compliance breaches and disseminating lessons learned.

BBC three-stage complaints process

In February 2005 the BBC established a three-stage complaints process for editorial complaints.

Stage 1

Anyone can choose to complain to either BBC Information or the programme or content division within 12 weeks from the broadcast or publication. The BBC will aim to provide a substantive reply to any complaint within ten working days. (Details of some issues raised at this stage in the last year are included in Part Two.)

Stage 2

If the complainant is dissatisfied with the Stage 1 response (and the complaint is about a specific item broadcast or published by the BBC and concerns a possible breach of the BBC's editorial standards) then they can write to the independent Editorial Complaints Unit (ECU) within 12 weeks.

Stage 3

If the complainant disputes the ECU's ruling they may appeal within eight weeks to the BBC Trust's Editorial Standards Committee (ESC).

Editorial complaints

Complaints received dropped from 150,000 to just under 124,000. Coverage of the conflict between Israel and Hezbollah fighters in the Lebanon in 2006 generated 5,300 complaints, some of which came to the Committee on appeal. Management responded to 90% of all complaints within the target of ten working days. However, this was below the management target of 93% – a cause of some disappointment to the Committee, given the lower volume of complaints. The Committee also noted a small fall in the overall satisfaction rating of complainants contacting BBC Information and scoring the service at least 8 out of 10 from the highest score of 69% in January to March 2006 to 59% in the same period in 2007 (measured in an independent survey by Ipsos MORI). The Committee will monitor the new processes put in place by the Executive to improve performance.

The independent Editorial Complaints Unit (ECU) hears editorial complaints from people who are not satisfied with the response from BBC information. It received 187 complaints and upheld 31 in full or in part. If complainants are unhappy with decisions by the ECU they can appeal to the ESC (formerly to the Governors' Programme Complaints Committee). There were 32 such appeals in 2006/2007, of which two were upheld, four partially upheld, and in a further case the ESC agreed to uphold a matter already upheld by the ECU. The 32 appeals represented 0.03% of complaints to the BBC in the period. Although Trustees appreciate that a decision not to appeal to the Trustees may not mean the complainant is necessarily satisfied with the outcome, the small percentage of appeals indicates that the majority of complaints are successfully handled by BBC management.

The Committee is concerned at the time taken to deal with complaints by the ECU. Turnaround times have improved following a restructuring of the ECU and the Committee expects further improvement next year.

Trust research

The Trust will be undertaking research with the public about what they wish to see in a best practice complaints system, and what may inhibit them from complaining (see page 51).

The BBC has a three-stage complaints process for editorial complaints. The final stage allows appeal to the Trust's Editorial Standards Committee

“Every day we talk about the BBC, someone will always bring some news from the BBC, it’s always a topic of discussion at work, in taxis. I always quote from the BBC – I really believe in them.”

Response from Tehran taken from focus group work into audience perceptions of BBC World Service, commissioned by the Audiences and Performance Committee. Male, Tehran, contributing to Trust research.

BBC Governance

The Governors

The Board of Governors was responsible for the strategic oversight of the BBC until its replacement by the Trust at the start of 2007.

Governors' committees

The Board of Governors routinely referred some matters to sub-committees which reported back to the full Board. These were:

- **Fair Trading Compliance Committee** – reviewed the BBC's compliance with its Fair Trading Commitment, the World Service Trading Protocols, and the BBC News/BBC World trading relationship; considered significant external challenges to the BBC's compliance with its Fair Trading Commitment; tested the fair trading processes and controls through the work of the fair trading independent auditor.
- **Audit Committee** – reviewed the BBC's systems of internal controls; the compliance of the BBC's financial statements with legal and regulatory requirements; the BBC's relationship with its external auditors; the work and effectiveness of the BBC's internal auditors; the value-for-money reviews commissioned by the Audit Committee.
- **Finance and General Purposes Committee** – scrutinised and made recommendations to the Board on the annual budget; reviewed investment cases before consideration by the

Board; reviewed progress of major projects and strategies, including property; scrutinised management proposals to assist deliberations of the full Board.

- **Remuneration Committee** – considered the performance of individual members of the Executive Board and recommended their base pay and annual bonus awards to the Board of Governors.
- **Programme Complaints Committee** – ensured that complaints were properly handled by the BBC, including hearing certain appeals.

The structure of these sub-committees reflected the governance system in place under the Charter and Agreement that expired at the end of 2006. Under the new Charter and Agreement some of the responsibilities of the former Board of Governors have passed to the Executive. This is why, for example, the Board of Governors had an audit committee while the Trust does not, the audit responsibilities having passed to the Executive under the new Charter.

The attendance record of Governors at Board and Committee meetings is set out below.

Board and Committee attendance, 1 April 2006 to 31 December 2006

	Board of Governors	Fair Trading Compliance Committee	Audit Committee	Finance and General Purposes Committee	Remuneration Committee	Programme Complaints Committee
Number of meetings in the year	8	3	5	10	4	7
Michael Grade (to 27 November 2006)	7/7			9/9	4/4	
Anthony Salz	7/8	3/3		6/10	4/4	
Deborah Bull	7/8				3/4	6/7
Sir Andrew Burns	8/8		5/5			
Baroness Deech (to 22 October 2006)	5/6	1/2	4/4			
Dermot Gleeson	7/8		4/5	10/10		
Professor Merfyn Jones	6/8	3/3				6/7
Professor Fabian Monds	8/8	3/3				7/7
Jeremy Peat	7/8		5/5	10/10		
Angela Sarkis (to 22 October 2006)	5/6					5/5
Ranjit Sondhi (to 22 October 2006)	6/6					
Richard Tait ¹	6/8					3/7

¹Agreed leave of absence owing to illness

Governance Unit

The Governors were supported in their work by the Governance Unit, which provided independent and objective advice as well as administrative backup. It was reconfigured as the Trust Unit at the end of 2006 as part of the transition to the governance arrangements established by the new Charter and Agreement. Details of the Trust Unit are on page 37.

At the end of 2006, the Governance Unit had a staff of 33. The total cost of the Unit for the first nine months of 2006/2007 was £7.9million (£8.3million 2005/2006 – full year cost).

Members of the Board of Governors in office from April 2006 until 31 December 2006

Michael Grade CBE, Chairman

BBC Chairman until his resignation in November 2006. Chairman of Pinewood Shepperton and of Hemscott Group and, from September 2006, of Ocado. Former journalist and theatrical agent. Held many senior positions in broadcasting including Director of Programmes, LWT; Managing Director designate, BBC Television; and Chief Executive, Channel 4.

Anthony Salz, Vice-Chairman

Acting Chairman of the BBC from November 2006 to December 2006 following Michael Grade's resignation. Vice-Chairman from August 2004. Chairman of the Fair Trading Compliance Committee; Chairman of the Remuneration Committee and member of the Finance and General Purposes Committee. Former joint senior partner of the law firm Freshfields Bruckhaus Deringer.

Deborah Bull CBE

Member of the Governors' Programme Complaints Committee and the Remuneration Committee. Creative Director, ROH2. Former Principal Dancer, Royal Ballet.

Sir Andrew Burns KCMG

The BBC's International Governor. Member of the Audit Committee. Non-Executive Director of J P Morgan Chinese Investment Trust and Chairman of the Council of Royal Holloway, University of London. Former diplomat.

Baroness Deech DBE (Ruth)

Member of the Audit Committee and the Fair Trading Compliance Committee. Independent Adjudicator for Higher Education. Former Principal of St Anne's College, Oxford, and former Chairman of the Human Fertilisation and Embryology Authority.

Professor Merfyn Jones

The BBC's National Governor for Wales. Member of the Fair Trading Compliance Committee, the Governors' Programme Complaints Committee, and the Councils and Advisory Bodies Committee. Historian and broadcaster. Former Vice-Chancellor of the University of Wales, Bangor.

Professor Fabian Monds CBE

The BBC's National Governor for Northern Ireland. Member of the Governors' Programme Complaints Committee, the Fair Trading Compliance Committee, and the Councils and Advisory Bodies Committee. Chairman of the trustees of BBC Children in Need. Specialist in communications, information systems and entrepreneurial studies.

Angela Sarkis CBE

Member of the Governors' Programme Complaints Committee. National Secretary YMCA from July 2006. Former Chief Executive, Church Urban Fund and former Vice-President of the African Caribbean Evangelical Alliance.

Ranjit Sondhi CBE

BBC Governor with special responsibility for the English Regions. Chairman of the English National Forum and of the Councils and Advisory Bodies Committee. Senior Lecturer at the University of Birmingham's Westhill College. Former Deputy Chairman of the Commission for Racial Equality.

Three other BBC Governors – Dermot Gleeson, Jeremy Peat and Richard Tait – transferred to the BBC Trust. Their biographical details are on page 13.

Board of Governors remuneration

This section of our report sets out the remuneration policy and remuneration received by the Board of Governors.

The BBC is exempt from the requirements of the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority, but this report has been prepared as if those requirements apply wherever the disclosure provisions are relevant and applicable. The sections on pensions and remuneration received by the Governors are audited.

Until 31 December 2006, the Governors' Remuneration Committee, a sub-committee of the Board of Governors, advised the Board of Governors on the remuneration policy for the BBC's Executive Board and the determination of their base pay and any bonus awards. The Governors' Remuneration Committee was chaired by Anthony Salz and the other members were Deborah Bull and Michael Grade.

The meetings of the Governors' Remuneration Committee were also attended by the Director-General (Mark Thompson) and the Director, BBC People, to advise on matters relating to other members of the Executive Board and the overall performance of the BBC. Neither was present when matters concerning their own remuneration were considered. The Committee also had access to internal expertise through the BBC's Head of Reward, who attended the meetings.

Complying with the 2003 FRC Combined Code on Corporate Governance, the Governors' Remuneration Committee took specialist advice from external professional advisers on remuneration matters, particularly market practice. During the year, the Governors' Remuneration Committee received advice from the Hay Group on comparative market data in the determination of pay and benefits for the Executive Board.

Governors: remuneration policy

The members of the Board of Governors received a fee determined by the Secretary of State for Culture, Media and Sport. They were additionally reimbursed for expenses incurred on BBC business, and any tax arising on those expenses was settled directly by the BBC. The fees and taxable benefits are reported in the table on page 49.

Pensions

The Chairman was eligible to participate in a pension scheme, which provides for pension benefits on a defined benefit basis with an accrual rate of 1/60th of the final pensionable salary per year of service. Earnings are subject to a maximum annual limit (£108,600 per annum for 2006/2007) for those who joined the Pension Scheme after 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times base pay up to a prescribed limit. No other Governors were eligible to participate in a BBC pension scheme.

Details of defined benefit entitlements compared with 2005/2006 are shown on page 49.

Pension entitlement

Name (age at 31 March 2007)	Defined benefit schemes				
	Annual values		Transfer values ¹		
	Accrued pension at 31 March 2007 ² £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31 March 2007 ² £000	Transfer value of accrued pension at 31 March 2006 £000	Increase in transfer value less members' contributions over the year £000
Chairman					
Michael Grade (64) ²	4	1	59	50	6

¹The transfer value of accrued pension benefits represents the estimated cost to the Pension Scheme of providing the pension benefits accrued to date. The value is affected by many factors, including age, pensionable salary, pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GNI 1). It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration. The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, while for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant

²Michael Grade resigned on 27 November 2006. The figures at the end of the year are the total pension (before any pension was commuted for cash) and contributions at the date of retirement. His total benefits have then been valued as at 31 March 2007, including the value of the benefits received between 27 November 2006 and 31 March 2007

Remuneration received

The remuneration of the Governors during the year is shown below.

	Fee/base pay £000	Expenses/benefits £000	1 April 2006 – 31 December 2006 £000	Total 2006 £000
Governors (retired 31 December 2006 unless otherwise stated)				
Deborah Bull	12	2	14	23
Sir Andrew Burns	21	7	28	36
Baroness Deech (retired 22 October 2006)	9	5	14	23
Dermot Gleeson (appointed Trustee) ¹	12	7	19	26
Michael Grade (resigned 27 November 2006)	55	21	76	110
Professor Merfyn Jones	21	6	27	42
Professor Fabian Monds	21	2	23	29
Jeremy Peat (appointed Trustee) ¹	21	2	23	34
Anthony Salz ²	26	3	29	35
Angela Sarkis (retired 22 October 2006)	9	2	11	25
Ranjit Sondhi (retired 22 October 2006)	16	1	17	32
Richard Tait (appointed Trustee) ¹	12	2	14	19
Total Governors	235	60	295	434

¹Dermot Gleeson, Jeremy Peat and Richard Tait received fees as Governors until 31 December 2006

²Anthony Salz was Acting Chairman of the Board of Governors following Michael Grade's resignation on 27 November 2006 until his term ended on 31 December 2006, and received fees at the Chairman's level during this period

There were no payments in respect of termination or compensation for loss of office paid to or receivable by Governors during the year.

The fees payable to the Governors were determined by the Secretary of State for Culture, Media and Sport

“It is like a candy store, you don't like everything in there, but what you do like, you actually really love.”

Spontaneous definition of BBC Two. Male, age 25–44, Cardiff, contributing to Trust consultation on service licences.

The Trust's plans for 2007/2008

The year ahead will be a busy one for the Trust as we continue to build and operate the new BBC governance systems and establish the Trust as the representative of the licence fee payer.

Our duties under the new Charter fall into three main groups:

- Stewardship of the licence fee income and other resources
- Upholding the public interest within the BBC, particularly the interests of licence fee payers
- Effectively promoting the BBC's Public Purposes

The key elements of our plans for 2007/2008 that address these issues are outlined below.

Stewardship of the licence fee

Reprioritisation

Following the licence fee settlement, the BBC Executive has carried out an extensive reprioritisation exercise. We will be examining the proposals closely in order to protect the interests of licence fee payers and ensure that their voice is taken into account as spending decisions are made.

Value-for-money studies

The Charter requires us to carry out value-for-money studies into specific areas of BBC activity. In 2007/2008 we will investigate:

- BBC use of radio spectrum – to ensure that the BBC is making the most efficient use of this valuable resource
- In-house commissioning – to ensure that BBC commissioning processes drive value and reflect our strategic priorities
- Procurement – to ensure that the BBC is getting best value from its suppliers
- Preparations for digital switchover – to ensure that the BBC is playing an effective role in digital switchover

Additionally, we will carry out a study into the BBC's role in the talent market – to ensure that the BBC is generating the greatest value for audiences.

Upholding licence fee payers' interests

Public Value Tests

We expect to conduct a number of Public Value Tests (PVTs) during the coming year. We have already announced a PVT on BBC plans to launch a high-definition television channel. Details are on the Trust website. Following the suspension of BBC jam we look forward to receiving fresh proposals from the Executive, which we expect to be subject to a Public Value Test. Other tests may follow from the reprioritisation work.

Audience engagement

We want to make it as easy as possible for licence fee payers to take part in our consultations. To find out licence fee payers' own ideas on how we can best achieve this, we are currently consulting publicly on ways to engage with BBC audiences. Full details and a consultation form are on our website.

Complaints framework

It is important that anyone with a complaint about the BBC is given a clear idea of how to complain, and can do so with confidence that the complaint will be dealt with seriously and in a timely manner. We will consult publicly on a complaints framework later in the year.

Effectively promoting the BBC's Public Purposes

Purpose remits

We consulted publicly on our draft purpose remits and will finalise the remits over the summer alongside the Trust's view on reprioritisation.

Service licences

For the first time, each BBC service has a licence setting out clearly what is expected of it. We published interim service licences at the start of 2007. We will amend these later this year in the light of our public consultation.

Service reviews

We will review each BBC service at least once every five years. Our first review will be of bbc.co.uk.

Our full work plan can be found on bbc.co.uk/bbctrust. You can also find details of how the public may contribute to our various planned consultations

Contact the BBC Trust



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The BBC welcomes comments or queries on any aspect of its operations.

BBC Trust
Any comments or questions you have about the work of the Trust should be sent directly to:
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Room 211
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Telephone: BBC Information line 0870 010 3100*
Textphone: 08700 100 212
(Lines open Monday to Friday between 9.30am and 5.30pm)
Email: trust.enquiries@bbc.co.uk

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Glasgow G2 3WT
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Fax: 0141 307 5770
Website: bbc.co.uk/info

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BBC Audience Councils
The Audience Councils in England, Northern Ireland, Scotland and Wales help the BBC Trust to understand the needs, interests and concerns of audiences throughout the UK, and to identify ways in which the BBC can better serve its audiences. If you want to contact the Audience Councils you can write to them at the addresses below:

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Other information
This BBC *Annual Report and Accounts* is available in public libraries throughout the UK and on the BBC Trustees' website at bbctrust.co.uk. It is also available in Welsh, in an audio version and in Braille. *Annual Reviews* for BBC Scotland, BBC Wales, BBC Northern Ireland, BBC English Regions and the BBC World Service are also published.

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The BBC is required under the terms of its Charter to produce an Annual Report and Accounts in two parts. The BBC Trust prepares the first part, the BBC Executive prepares the second and each reflects the different roles and responsibilities of the two bodies. Together the two parts make up the BBC's review and assessment of its year.