
THE BBC TRUST'S REVIEW AND ASSESSMENT

BBC Radio 4's *A History of the World in 100 Objects* inspired additional content across other BBC services, and encouraged young and old to visit museums and go online to research their own history. The picture shows a young family visiting the British Museum, BBC Radio 4's partner in this ambitious and original project.

The picture opposite shows a snow covered UK. BBC services were the main source of information for many people during January's snowy weather, and other key events during the year like the General Election.

PART I BBC TRUST

OVERVIEW

- I-1 YEAR IN BRIEF
- I-2 CHAIRMAN'S FOREWORD

BBC PERFORMANCE

- I-6 PERFORMANCE AGAINST STRATEGIC OBJECTIVES
- I-8 FINANCIAL PERFORMANCE
- I-10 PURPOSES
- I-14 SERVICE PERFORMANCE
- I-17 SECURING EDITORIAL STANDARDS
- I-18 DELIVERING VALUE FOR MONEY

TRUST PERFORMANCE

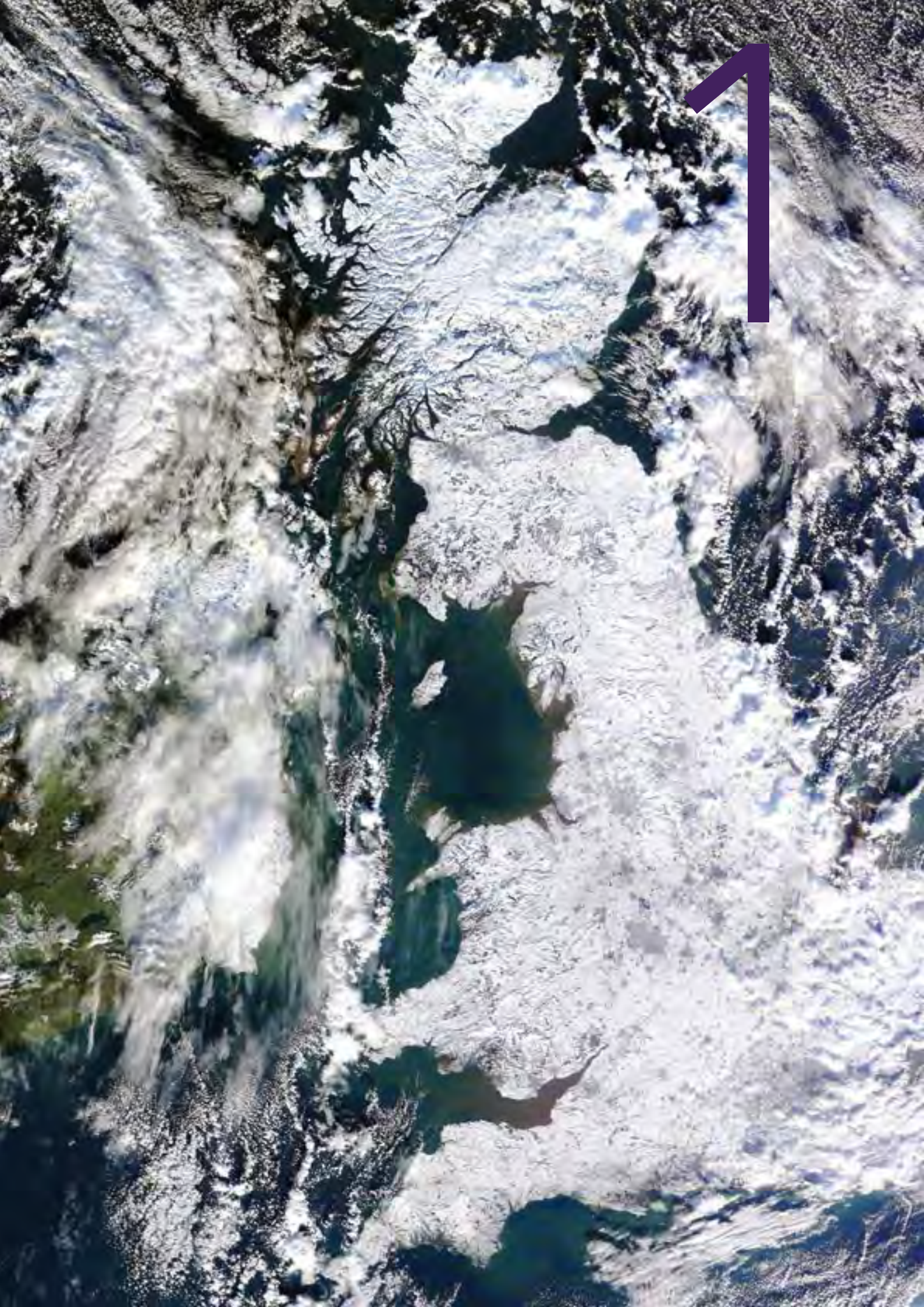
- I-22 REAL CHANGE FOR LICENCE FEE PAYERS
- I-29 THE TRUST'S PLANS FOR 2010/11

GOVERNANCE

- I-32 THE BBC TRUSTEES
- I-34 AUDIENCE COUNCILS
- I-35 ENGAGING WITH AUDIENCES
- I-36 TRADING FAIRLY

INSIDE THE TRUST

- I-40 INTERNAL GOVERNANCE
-



“ALL OF OUR EFFORTS ARE INTENDED TO SHAPE THE BBC IN THE INTERESTS OF THE PUBLIC IT SERVES. LICENCE FEE PAYERS TELL US THEY WANT HIGH QUALITY, DISTINCTIVE PROGRAMMES, VALUE FOR MONEY AND SOMETHING FOR EVERYONE. THAT IS EXACTLY WHAT WE HAVE WORKED TO DELIVER.”
 SIR MICHAEL LYONS, CHAIRMAN

LESS THAN

40p

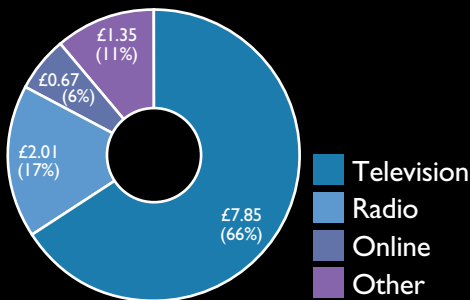
EACH LICENSED UK HOUSEHOLD PAYS LESS THAN 40 PENCE PER DAY FOR ALL BBC SERVICES

97%

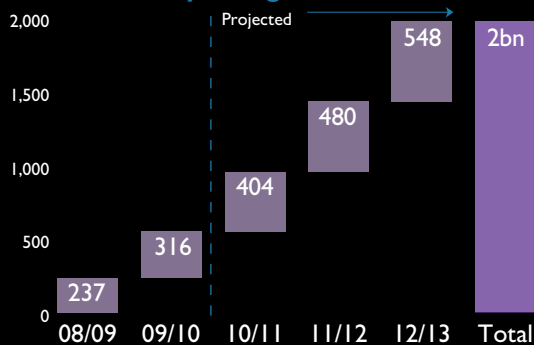
OF THE UK ADULT POPULATION USE BBC SERVICES EACH WEEK*

* Source: BBC Cross Media Insight survey.

This year the individual licence fee was £142.50. The monthly charge per licence fee was:



Gross efficiency savings £m



Through the efficient and effective collection of the licence fee, by reducing the cost of running how we manage our business year-on-year, and by selling and licensing programmes and content assets to companies in the UK and abroad, we strive to increase the amount of money available to invest in delivering the right portfolio of programmes and services for UK audiences.

TRUST EXPENDITURE

Trust expenditure £000

Trust expenditure as a percentage of BBC UK public services spend has reduced to 0.30%



Trustee remuneration, Staff costs, Other operating costs, Restructuring costs

* Restated for IFRS.

Ofcom fees £000



Regulatory fees, Market impact assessment fees

TRUST CONSULTATIONS

We hold consultations to understand what audiences, industry and others think. These inform our decisions about the BBC's services, and the priorities we set for the Executive.

Total responses



We completed nine public consultations in 2009/10 and received a total of 35,310 responses from members of the public. These were:

- review of on demand services
- review of BBC One, BBC Two, BBC Four
- service licence review of BBC Radio 2 and BBC 6 Music
- review of BBC ALBA
- review of the BBC Red Button service
- review of the BBC Editorial Guidelines
- Project 'Canvas'
- BBC Election Guidelines
- Party Election Broadcasts complaints procedure

YEAR IN BRIEF

2009/10: REAL CHANGE FOR LICENCE FEE PAYERS

The BBC Trust ('the Trust') exists to get the best out of the BBC for licence fee payers. That means listening to what the public tell us then acting on it to ensure they receive the modern, responsive and representative BBC that they want. Here are three areas in which the Trust delivered real change for licence fee payers during the year:

1. RE-SHAPING THE BBC FOR LICENCE FEE PAYERS

While we know that audiences value the BBC, they also tell us that they want it to evolve constantly to reflect their interests. This is the number one priority for the Trust and underpins most of our work. Examples in the past year include:

Putting quality first

July 2009: challenged Executive to review BBC's overall strategy to determine how the BBC can most effectively deliver its public service mission. **March 2010:** Executive's proposals received. **Summer 2010:** Trust's interim conclusions due. **Autumn 2010:** final report due to be published.

Limits set for BBC Worldwide

November 2009: set tighter boundaries for commercial operations while ensuring they continue to bring financial benefits to licence fee payers.

Making distinctiveness a top priority

During the year: conclusions from radio service reviews showed that distinctiveness is a top priority for audiences. **February 2010:** approved changes to BBC Radio 2 to make it more distinctive.

Shaping debate about the future of public service broadcasting

Summer 2009: played active role in Government's Digital Britain debate, setting out how BBC could appropriately contribute to health of UK public service broadcasting; argued for importance of protecting licence fee and BBC's independence.

Managing impact on the market

September 2009: confirmed that commercial sponsorship would not be allowed for on-air BBC events. **October 2009:** rejected Executive's proposals to set up a new venture to share the iPlayer with other public service broadcasters.

2. INVESTING IN AUDIENCE PRIORITIES

The BBC has to serve all audiences, which means meeting a diverse and competing range of needs and interests. We use our work plan to help identify what really matters to licence fee payers so that we can ensure the BBC focuses its efforts in these areas. Examples in the past year include:

Extra £25.5million for children's services

October 2009: Executive pledged additional budget following the Trust's recommendations on budgetary pressures in services for children.

TV on demand a step closer

December 2009: provisional approval for BBC joint venture to develop a common standard to allow viewers to watch on demand services on TV (Project 'Canvas').

£15.3million boost for local TV and radio services

July 2009: approved enhancements to local TV and radio services in the nations and regions, with extra £15.3million by 2012/13.

Giving licence fee payers a say on standards

October 2009: first ever public consultation on BBC's Editorial Guidelines to ensure BBC is meeting the highest standards.

3. DELIVERING VALUE FOR MONEY

The Trust is determined that every licence fee pound should be used as effectively as possible. This is more important than ever in the current challenging economic climate. Examples of how we have achieved this in the past year include:

Major cuts to senior management pay bill

October 2009: approved proposals to cut senior management pay bill by 25% and reduce numbers by 18% over three-and-a-half years.

Learning lessons from past building projects

February 2010: following NAO report into three major BBC building projects, Trust asked Executive to undertake immediate 'health check' of all existing major projects to ensure they were being effectively managed.

CHAIRMAN'S FOREWORD

WE PUBLISH THIS ANNUAL REPORT AT A TIME OF ACUTE CHALLENGE FOR THE UK. IN SUCH TIMES, IT IS MORE IMPORTANT THAN EVER THAT THE BBC LIVES UP TO THE PUBLIC'S EXPECTATIONS, REMAINING A BEACON OF IMPARTIALITY AND INTEGRITY, AND UNDERPINNING OUR WAY OF LIFE BY SUPPORTING OPEN, INFORMED PUBLIC DISCUSSION.

It is also critical that the BBC strains every sinew to deliver value for money to licence fee payers; the Trust will work relentlessly to ensure this happens.

Last year on behalf of the Trust I set out six commitments for the BBC: upholding the highest editorial standards; serving all audiences; to lead not follow in content; supporting public service broadcasting; spending only what it needs to deliver its public service remit; and protecting the BBC's independence. These commitments have underpinned all our decisions this year. In making decisions we have tested proposals rigorously, formed conclusions based on research that draws on audiences' views and published all our evidence.

THE BBC'S YEAR

Turning to the BBC's year, and what audiences told us. The BBC is maintaining its position in the public's affections, with 82% saying that they would miss the BBC if it wasn't there. It continues to reach almost everyone in the UK – 97%* – and performance against our other objectives continues to move in the right direction. But there is further to go.

Squeezing every pound

It's essential that we make every pound work as hard as possible. During the year the Trust challenged the Executive to reduce the senior management pay bill, resulting, over the next three years, in savings of 25% and a headcount reduction of 18%. This builds on a three-and-a-half year pay freeze for the most senior managers and an indefinite suspension of their bonuses, alongside savings in top talent costs. We will not take our foot off the pedal on these issues in the coming year.

Making outstanding programmes

The public judges value for money on the quality of the BBC's programmes and services. We've seen more high quality programmes this year, with renewed emphasis on knowledge and education. *Wounded* (BBC One), *A History of the World in 100 Objects* (BBC Radio 4), *The Love of Money* (BBC Two) and *Enid* (BBC Four) were amongst my favourites, along with some outstanding coverage of current affairs, in particular the recession, the Haiti earthquake and the election build up.

But we still need more. The public tells us that too much of what the BBC does is not yet distinctive enough – this will be the BBC's highest priority in 2010/11.

Revising editorial standards

The public expects the BBC to maintain the highest editorial standards and to learn lessons from the past. This year the Trust reviewed the BBC's Editorial Guidelines with the help of in-depth audience research and, for the first time, public consultation on the changes to be made.

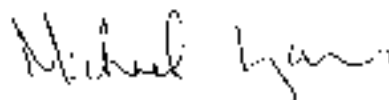
Reviewing the BBC's commercial activities

Making sure that the BBC isn't unduly influenced by commercial considerations while ensuring it doesn't use its substantial economic power to damage others are important parts of our job. We carefully examined the BBC's trading activities to ensure that they are consistent with its role as a public service broadcaster.

RE-SHAPING THE BBC FOR MODERN BRITAIN

Along with the whole communications industry, the BBC faces a very demanding future with ever increasing choice in when and how we enjoy content. This raises big questions about how the BBC makes use of its money. To help us set clear priorities we launched a review of the BBC's current strategy, which I announced through an open letter to licence fee payers in September. We have consulted the public on the Director-General's recommendations to us and will publish results this autumn. But I can say now that the Trust is clear: the result must be a BBC that focuses on its public service role, puts quality and distinctiveness first, is tireless in ensuring value for money and is clear about the behaviours appropriate for its publicly-funded status.

The strategy review is not the final chapter though. Rather it is one significant step in a wider quest to ensure the BBC is of a size and shape that allows all licence fee payers to feel it is delivering for them. No bigger than it needs to be, and intent on using every penny of the licence fee to good effect.



Sir Michael Lyons

Chairman

* See page 1-6.



“LICENCE FEE PAYERS HAVE ENORMOUS TRUST IN AND AFFECTION FOR THE BBC. WE ARE HERE TO GET THE BEST OUT OF THE BBC ON THEIR BEHALF. THAT MEANS SUPPORTING AND CHALLENGING THE EXECUTIVE TO ENSURE THAT THE BBC REPAYS THAT TRUST.”
SIR MICHAEL LYONS
CHAIRMAN



BBC TRUST: ASSESSING THE BBC'S PERFORMANCE

The BBC has served audiences well this year with a broad range of high quality content across TV, radio and online, although people tell us that they would like to see even more distinctive programming. The BBC is addressing audiences' concerns about past lapses in editorial standards, and has made good progress in delivering value for money.

BBC Radio Leeds presenter Adam Pope takes a range of views from the local community during an audience phone-in. Phone-ins are an important part of national and local radio, giving voice to people's concerns and holding decision makers to account.



BBC PERFORMANCE

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

WE BELIEVE THAT THERE IS MORE TO BE DONE TO INCREASE THE DISTINCTIVENESS OF BBC OUTPUT AND THE DELIVERY OF SOME OF THE PUBLIC PURPOSES. HOWEVER, THE BBC HAS PERFORMED WELL IN SERVING AUDIENCES THIS YEAR IN MANY RESPECTS.

Here we report for the second full year on the six objectives set out in the Executive's strategic plan, 'Delivering Creative Future'. This is the main way in which we judge the BBC's performance at a high level.

1. THE BBC SHOULD INCREASE THE DISTINCTIVENESS AND QUALITY OF ITS OUTPUT.

Much of the BBC's output is very high quality, although changing audience behaviour is driving an increase in many quality measures. We still believe that the BBC can do more to be distinctive.

(Figures in brackets are for 2008/09)

- average score out of 10 for the BBC being 'high quality' remained at 6.4 (6.4)¹
- proportion of those agreeing strongly that the BBC is high quality rose slightly to 36% (34%)¹
- average appreciation index (AI) for BBC television programmes rose to 82 (80)²
- average appreciation index (AI) for BBC radio programmes remained at 79 (79)²
- average quality score for BBC Online sites is 41 (–)³
- proportion agreeing strongly that BBC television programmes are 'original and different' rose slightly to 37% (36%)²

As a publicly-funded broadcaster, this is a major responsibility for the BBC.

Over the past two years we have observed a change in TV viewing behaviour which has had a positive impact on how audiences regard the programmes they watch, but which has also resulted in them feeling less positive about the overall TV offer from the BBC and other broadcasters. Viewers are now more likely to watch particular programmes and less likely to watch something just because the TV happens to be on. This change is the result of the near universal availability of digital TV which offers more choice of channels, and also the growing use of equipment like personal video recorders and online catch-up services, such as the BBC iPlayer.

The recorded scores for the quality and originality of programmes from all broadcasters have gone up, partly

because people are increasingly choosing programmes they will enjoy watching. However, some audiences are less satisfied with what's on offer on television in terms of range and surprise. And public expectations are always highest for the BBC

Our annual research into delivery of its public purposes, and the more detailed recent reviews of BBC One, BBC Two and BBC Four; reinforce our belief that the BBC can still do more on its flagship, broad appeal services, as well as smaller niche offers, to be distinctive from other broadcasters. It should take advantage of its secure funding to take more creative risks and be more ambitious editorially.

Also this year we worked with the Executive to define what distinctiveness really means for BBC output (see page 1-23), and all editorial areas are now working to embed these definitions in their work.

2. THE BBC SHOULD MAINTAIN THE MAXIMUM REACH CONSISTENT WITH ITS PURPOSES AND VALUES.

BBC maintains reach well in excess of the 90% target.

(Figures in brackets are for 2008/09)

- weekly reach across all BBC services in 2009/10 was 97% (based on new measurement system)⁴
- weekly reach across all BBC services in 2009/10 using previous measurement system remained at 93% (93% in 2008/09)¹

The BBC has a duty to serve all audiences. Only by reaching a large number of people can it deliver its purposes. Our target is for the BBC to reach at least 90% of UK adults with its services each week. Reaching this very large number of people is a clear sign that the BBC continues to produce programmes and content that audiences value, and we commend the Executive for this performance.

This year, we began using a new BBC survey, Cross Media Insight, to measure reach. It is a more thorough way of measuring how people use the range of BBC services and therefore tends to record higher reach than the previous methodology.

3. THE BBC SHOULD MAINTAIN PERCEIVED VALUE AMONG HIGH APPROVERS AND SHOULD INCREASE PERCEIVED VALUE AMONG MIDDLE AND LOW APPROVERS.

Further small signs of improvement.
(Figures in brackets are for 2008/09)

- proportion of those who are 'high approvers' of the BBC rose slightly to 38% (37%)¹
- proportion of those who are 'low approvers' of the BBC remained at 12% (12%)¹

There have always been varying levels of approval of the BBC amongst the public in the different nations and regions, but the BBC aims to serve all, regardless of their level of approval. There is clearly still some way to go towards appealing to lower approvers. Young people's (15-24 year olds) approval of the BBC tends to be highest, and has risen a few points over the past two years. People from higher socio-economic groups (ABCIs) are also more likely to be high approvers of the BBC.

4. THE BBC SHOULD RESTORE TRUST IN ITS OUTPUT.

There has been a gradual restoration of trust.
(Figures in brackets are for 2008/09)

- average score out of ten for 'I trust the BBC' remains at 6.0 (6.0)²
- proportion of those agreeing strongly that 'I trust the BBC' rose to 31% (29%)³

We set this objective in response to a number of editorial incidents in 2007 which had a tangible impact on audiences' trust in the BBC. In last year's report, we voiced a serious concern that editorial controls and compliance in Audio & Music were inadequate, following the serious breach of editorial guidelines on BBC Radio 2. Since that point, we are encouraged to see that editorial controls and compliance have been strengthened across the BBC, with excellent progress in Audio & Music. Perceptions of trustworthiness have now recovered to levels we saw before these incidents. As with approval, trust tends to be higher amongst young people.

5. THE BBC SHOULD INCREASE THE DELIVERY OF ITS PUBLIC PURPOSES.

Despite the welcome direction of the BBC's new strategy, *Putting Quality First*, we believe that the pursuit of greater creative and editorial ambition should become the Executive's main strategic aim.

The BBC is required by the Royal Charter to promote a number of public purposes across all of its services. Delivery of the public purposes – and in particular working to address performance gaps we identified in 2007 – has been a focus for the Executive over the past three years.

Much work is being done in areas such as helping the BBC improve its representation of the different nations, regions and communities, and in creating a strategy which can promote and support formal educational goals for children and teenagers. We are keen to see progress in delivery of the public purposes as a result of this work in future years.

The public's expectation of the BBC in terms of providing output that is distinctive and creative on all platforms remains higher than its perceived delivery. Perceptions in this area are closely linked with perceptions of the BBC's value for money, so we continue to believe that this should be the primary focus for the Executive.

6. THE BBC SHOULD DELIVER AN IMPROVEMENT OF 3% EACH YEAR AGAINST ITS EFFICIENCY TARGET.

Efficiency savings of £275million have been made this year (net of costs). The BBC is on track to deliver the overall target, with a cumulative £468million savings (net of costs) from the first two years of the five-year project.

Licence fee funding is a great privilege for the BBC and the BBC has a duty to make sure that it spends public money as efficiently as possible. Therefore, in 2007, we set the Executive a cumulative efficiency target over the five-year period to 2012/13.

The Executive is reporting good progress against this target. The BBC's external auditors, KPMG, provide assurance each year on the value of the financial savings declared. We also consider whether the savings achieved are real efficiency gains – ie they have not adversely affected the performance of the services the BBC is delivering. The BBC's performance measurement framework is designed to ensure that we can assess the BBC's effectiveness in driving efficiency while maintaining quality. Performance measures are currently holding up well and we have no cause for concern in this respect from the efficiencies made to date.

LOOKING AHEAD: REVISING THE STRATEGIC OBJECTIVES

As part of our approval of a new strategy for the BBC, we will look at what the appropriate objectives should be and how they should be measured. We will then report on them publicly each year as we have done in the past two Annual Reports for the existing objectives.

¹ Source: Pan-BBC Tracking Survey.

² Source: BBC Pulse survey.

³ Source: Netpromoter, weighted score; no comparable figure for 2008/09.

⁴ Source: BBC Cross Media Insight survey.

FINANCIAL PERFORMANCE

THE BBC IS FUNDED IN A UNIQUE WAY, WITH MOST OF ITS INCOME COMING FROM THE LICENCE FEE, PAID FOR BY HOUSEHOLDS ACROSS THE UK. THIS FUNDING GIVES THE BBC EXCEPTIONAL PRIVILEGES AND WE HAVE A RESPONSIBILITY TO ENSURE THIS MONEY IS SPENT WELL.

Unlike profit-making organisations we are not focused on the bottom line. Instead we need to ensure the BBC delivers real and tangible value for both the licence fee payer and the wider UK economy. This translates into five key financial objectives which provide a measure of our progress in creating and delivering this value:

- maximising the BBC's income by collecting the licence fee as efficiently as possible
- making the BBC as efficient as possible, and providing good value for money
- maximising the returns the BBC makes on programmes paid for by the licence fee
- spreading the benefit of the licence fee across the whole of the UK
- ensuring the licence fee supports the wider creative economy

The BBC's performance against these financial objectives is set out opposite and you can read a more detailed commentary around these in Part Two of this Annual Report.

Below we comment specifically on three areas where we have taken a close interest during the last year. You can read more about the activities we undertake to ensure the licence fee is spent wisely, and that the BBC achieves value for money, on pages 1-18 to 1-19.

PENSION SCHEME

Part Two of this Report sets out the current position regarding the financial position of the BBC Pension Scheme. Like many such schemes, the current valuation has been affected by significant changes in bond returns and forward inflation assumptions, as well as changing life expectancy, such that the scheme is showing a large deficit. The BBC is therefore facing the challenge of reducing this deficit, in a way satisfactory to pension scheme trustees and regulators, while also ensuring the long-term affordability of the scheme. In addressing this challenge, the Executive has announced plans to reform the BBC's pension provision.

Pension provision is one part of the remuneration package that is offered to staff and is an operational, not strategic, matter. Our interest in this concerns how the Executive

addresses the longer-term issues of affordability for licence fee payers, such that the overall remuneration package offered to staff costs no more than is necessary to secure a sustainable and equitable strategy moving forwards.

TALENT FEES

At the start of the year we reviewed the progress that the Executive had made in implementing the recommendations from our 2008 report into the role of the BBC in the on-screen and on-air talent market. We concluded that progress had been made but thought the BBC could, and should, go further. We tasked the Executive with achieving further substantial savings during the remainder of this licence fee period.

We are pleased to note that the Executive has already started to deliver against this challenge. The Executive has, for the first time, published details of talent costs in Part Two of this Report. This table shows that the total spent on talent (artists, presenters, journalists and musicians) in 2009/10 was £7.7million less than in the previous year, with a 4.0% reduction for the top tier of talent (those earning over £150,000). The external auditors have provided assurance over these numbers that they have been compiled on a consistent basis to the baseline defined in 2008/09. While the progress to date is pleasing we expect to see further progress in future years.

LICENCE FEE COLLECTION

Last year we published a study on the collection arrangements for the licence fee. We concluded that, in collecting the licence fee, the BBC must balance firmness with fairness and made a number of recommendations for improvement. We are pleased to note that the Executive has made good progress in implementing those recommendations, although there remain some areas with longer implementation timescales where actions are yet to be completed. One of the practical consequences of our review has been a redesign of the early renewal reminder letters to be clearer, simpler and less accusatory in tone. We are also pleased to note, more generally, that by quarter three of 2009/10, complaints about TV Licensing had fallen year-on-year by 17%.

Breakdown of BBC spend

	£m 09/10	% 09/10	£m 08/09	% 08/09
Television	2,351	66	2,346	68
Radio	604	17	590	17
Online	199	6	178	5
Other	406	11	335	10
Total	3,560	100	3,449	100

Monthly charge per licence fee

	£ 09/10	% 09/10	£ 08/09	% 08/09
Television	7.85	66	7.91	68
Radio	2.01	17	1.99	17
Online	0.67	6	0.60	5
Other	1.35	11	1.13	10
Total	11.88	100	11.63	100

LICENCE FEE COLLECTION

More people are paying for their television licence online and by telephone which helps the BBC to keep down the costs of collection. This year, the combined cost of collection and evasion has once more been kept at 2007/08 levels.

Licence fee collection/evasion %

07/08	8.7
08/09	8.7
09/10	8.7

LICENCE FEE SPEND IN THE NATIONS AND REGIONS

We set the Executive a target of making 50% of our Network Television (by spend) outside London by 2016 with the amount spent in the nations reaching 12% in 2012 and 16% by 2016. We are making good progress towards these targets.

TV programming spend by area as % of eligible spend

	% 09/10	% 08/09
Total nations	11.7	7.9
Total outside London	37.7	34.9

SPEND IN THE CREATIVE ECONOMY

Once more the BBC has spent more than £1.1 billion in the UK's creative economy, commissioning programmes from independents (40% and 14% of eligible television and radio content respectively) and collaborating with other creative partners.

Spend in creative economy £m

07/08	479	248	90	299	22	1,138
08/09	435	265	101	305	23	1,129
09/10	460	267	93	299	24	1,143

■ Independent programmes transmitted	■ Artists and contributors (includes copyright – excluded from Table 2-10)
■ External programme facilities and resources	■ BBC performing groups
■ Acquired programmes transmitted	

BBC WORLDWIDE

BBC Worldwide increased its sales year-on-year by 7% and its profit was up to a record £147million. BBC Worldwide returned £151million in dividends and programme investments to the UK public services in 2009/10.

BBC Worldwide sales £m

07/08	916
08/09	1,004
09/10	1,074

BBC Worldwide statutory profit before specific items, interest and tax £m

07/08	118
08/09	106
09/10	145*

2007/08 figures are UK GAAP. Other years are IFRS.

* Specific items are significant items which are highlighted by virtue of their size or importance to enable a full understanding of BBC Worldwide's performance.

PURPOSES

THE BBC'S MISSION IS TO INFORM, EDUCATE AND ENTERTAIN. UNDER THE TERMS OF THE ROYAL CHARTER AND AGREEMENT, THROUGH ITS OUTPUT, THE BBC MUST PROMOTE THE FOLLOWING SIX PUBLIC PURPOSES:

- 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
- HELPING TO DELIVER THE BENEFITS OF EMERGING COMMUNICATIONS TECHNOLOGIES AND SERVICES



HOW IS THE BBC PERFORMING?

Quite rightly, people have high expectations of the BBC, and it is the Trust's job to ensure that the BBC lives up to these expectations. We measure the BBC's performance against each of the purposes by carrying out an annual audience survey. In it, we ask how important each of the BBC's public purpose commitments is to audiences, and how well they think the BBC is delivering these commitments. By comparing these scores we can see whether the BBC is meeting audience expectations in each area. We supplement the results of this survey with insights from our Audience Councils and with findings from our other activities such as service reviews, as well as other relevant research carried out by the Trust, the Executive, Ofcom and Digital UK.

In our survey we also ask audiences to compare the BBC's performance against other broadcasters. This year, we found that, for each public purpose, the BBC is outperforming these others. To an extent this is to be expected, given that commercial broadcasters are not required to deliver the BBC's public purposes. Nevertheless, it shows that the BBC offers something different.

1 *Stranger danger*: BBC children's services ran a campaign to help children become alert to the potential threats posed by strangers.

2 BBC Radio 4's *Today* programme – just part of the nearly 14,000 hours of news, information and current affairs across BBC network radio each year.

3 *Empire of the Seas* – on BBC Two, BBC Four and BBC iPlayer – revealed the surprising history of the Royal Navy.

4 *Small Island* was an acclaimed adaptation of Andrea Levy's award-winning book – and a small part of the 980 hours of drama on BBC One alone last year.

1. SUSTAINING CITIZENSHIP AND CIVIL SOCIETY

Audiences have high expectations of the BBC's provision of news and current affairs. These are largely being met but this is an important area and will remain a priority next year.



The BBC's commitments in this area relate to news, current affairs, and enhancing people's understanding of the political process. In its strategy review proposal, the Executive identified journalism as a high priority, a principle with which we agree.

Audiences rate the BBC highly in this area but expectations slightly exceed performance so there is no room for complacency. Research carried out as part of our review of BBC Radio 2 and BBC 6 Music indicated that both these stations make an important contribution to citizenship. In particular, BBC Radio 2's *The Jeremy Vine Show* is effective at engaging lower-income listeners with current affairs content, when other parts of the BBC often find it challenging to reach this audience.

2. PROMOTING EDUCATION AND LEARNING

The BBC plans to strengthen its educational content for schools and colleges to meet audiences' high expectations.



The BBC has a responsibility to support formal education in schools and colleges. Performance scores for this commitment are high relative to other purposes but expectations are higher, particularly among parents with children under 18 who feel that the BBC could do more in this area. The Executive has been carrying out a strategic assessment of how formal learning provision can be enhanced, and is due to submit proposals to the Trust this summer.

As well as supporting formal education, the BBC offers content which builds people's knowledge and skills across a broad range of subjects. In contrast to formal learning, this content is broadly meeting audiences' expectations.

3. STIMULATING CREATIVITY AND CULTURAL EXCELLENCE

The BBC's most pressing priority is to provide output that is distinctive and creative, since audience expectations in this area are still not being met.



Related to this purpose, the BBC has commitments to provide distinctive and entertaining content as well as to cover and encourage participation in cultural activities. Last year we found that improving performance in both these areas would have the greatest effect on audiences' perception of the BBC offering value for money. However, our survey this year shows that this area has the largest gap between expectation and performance, with no significant change from the previous year. Audiences expect output that is distinctive and creative but, in many cases, these expectations are not being met.

The creativity purpose also includes a commitment to nurture and support UK talent. This is essential to quality and distinctiveness, but there is a limit to how far our audience surveys can help us understand the BBC's contribution to UK talent. For this reason we intend to carry out targeted research with industry stakeholders in 2010/11.

More work needed in television

Our service reviews of BBC Radio 1, BBC Radio 2 and BBC 6 Music showed that audiences feel that these stations make a significant contribution to the creativity purpose by playing a wide range of music, particularly new and live music. While radio appears to be meeting audiences' expectations for creativity, we have made recommendations to enhance the ability of the popular music stations to deliver the purposes and further build distinctiveness. Our service reviews of BBC One, BBC Two, and BBC Four show that, while the channels are performing well in many respects, the biggest single issue for audiences is that there is not enough programming which is 'fresh and new'. They want the BBC to use the licence fee to take more risks with new, distinctive programming, and be more ambitious. Our initial findings on these services can be found in a separate report on our website.

Reducing the gap between expectations and delivery will be a challenge because people have different views on what constitutes creative and distinctive content. However, as a public service broadcaster, the BBC must provide content which audiences feel they cannot get anywhere else. For this reason this area will be the BBC's most pressing priority in 2010/11.

4. REPRESENTING THE UK, ITS NATIONS, REGIONS AND COMMUNITIES

Audiences still feel there are weaknesses in how the BBC represents the different nations, regions and communities to other people in the UK; the BBC is taking steps to address them.



There are signs that on the whole, national, regional and community representation on the BBC has improved this year. However our surveys show that there are still weaknesses in the devolved nations, particularly Scotland and Northern Ireland, where expectations are higher and perceptions of performance lower. In 2010/11 the Trust is due to review the nations radio services. This will provide us with an opportunity to explore issues of national representation on radio further.

As well as national, regional and community representation, this purpose also includes commitments to reflect different religious and other beliefs, to bring people together for shared experiences, to encourage interest in local communities and to provide output in indigenous languages. Performance has remained relatively stable year-on-year for these commitments and audience expectations are broadly being met.

Understanding politics in the nations and regions

Audiences still think the BBC could do more to help them understand politics in their area. There have been some improvements in the devolved nations, most notably in Scotland, where the gap between expectations and performance has narrowed significantly compared with last year. It is probably too early to say whether this will be a lasting change, but in summer 2010 we will be publishing follow-up research into the impartiality of network news regarding the nations. This will help us understand if the change we have seen so far is a continuing trend.

Improving national and local representation

In recent years the BBC has set out to address the issue of national and local representation. Our work has included initiatives such as the reviews of the impartiality of network news's coverage of the nations, the network television and radio supply reviews which looked at where the BBC procures its programmes from, and the BBC North project which moved large parts of BBC production to Salford. Many of these initiatives will take time to make an impact on audience perceptions, particularly the introduction of new quotas determining the amount of programming to be supplied out of London, and the move to Salford.

We have set this issue as a priority in our work plan, and over the coming months we will monitor how successful these initiatives have been. We hope that perceptions among Scottish audiences will also be improved by Gaelic media services on BBC ALBA which completed its first year on-air in September. BBC ALBA is currently available on satellite and the Trust is carrying out a review to investigate whether it should also be broadcast on Freeview. We will report our conclusions later this year.

Campaigns and charitable appeals

The BBC also has a commitment to engage audiences with social action content, specific campaigns or charitable appeals designed to benefit society. The BBC runs a wide range of campaigns each year and we are keen to ensure that these have maximum impact. This year, our BBC Radio 2 service review concluded that the station should deliver its campaigns through a wider range of programmes in the peak time schedule to reach a larger audience. The station has already responded to this by launching its 'Get Connected' campaign in March 2010 to help more of BBC Radio 2's listeners get online and understand digital technology better. The campaign ran across a wide range of shows including *Weekend Wogan*, *The Chris Evans Breakfast Show*, *The Jeremy Vine Show*, *Steve Wright in the Afternoon*, *Simon Mayo's Drivetime*, *The Ken Bruce Show*, *The Alex Lester Show*, and Aled Jones's *Good Morning Sunday*.

1 Live concerts and sets are an important element of the BBC's distinctive music offer across radio and television. Picture shows BBC National Orchestra of Wales at Cardiff's Hoddinott Hall.

2 Fida Bassil (R) and Osman Ayfarah (L) from BBC Arabic television, the BBC's news and information channel in the Arabic language.

3 BBC iPlayer allows users to watch or listen to programmes they may have missed – or want to experience again – enhancing the value of their licence fee. BBC Online will be reviewed in the coming year.

5. BRINGING THE UK TO THE WORLD AND THE WORLD TO THE UK

The BBC is doing well on both fronts through the BBC World Service and BBC One and BBC Two.



As part of this purpose, the BBC has a commitment to providing international news services to audiences around the world. It does this primarily through the BBC World Service, which broadcasts in more than 30 languages to some 180 million listeners around the world. Last year our research in this area covered BBC Hausa in Nigeria, Niger and Ghana and BBC Urdu in Pakistan. Both these services are generally perceived to be high quality by their target audiences.

Keeping in touch with the world

This purpose also includes commitments to keeping UK audiences in touch with what is going on in the world, and giving them an insight into the way people live in other countries. Our research indicates that audiences rate the BBC highly in these areas and these findings are consistent with Ofcom data which tracks whether audiences feel particular channels help them 'understand what's going on in the world'. Both BBC One and BBC Two outperformed other public service broadcasters against this measure last year.

6. HELPING TO DELIVER THE BENEFITS OF EMERGING COMMUNICATIONS TECHNOLOGIES AND SERVICES

The BBC is meeting expectations for its commitment to making engaging digital content available to audiences.



The BBC has a commitment to making content available through digital media, such as mobile phones, interactive television, digital radio and the internet. However, audiences are not overly concerned about this purpose. Generally they feel that the BBC's performance is relatively low in this area compared with the other purposes, but high enough to meet their expectations. In our review of BBC Radio 2 and BBC 6 Music we concluded that BBC Radio 2 has been less successful than other BBC stations at encouraging its audience to listen digitally or go online. We therefore recommended that the station should use its influence to promote the benefits of digital media so that groups that are hard to reach do not get left behind.

One of our responsibilities is to make sure the BBC reaches all audiences. As part of the strategy review the Trust is considering what this means in practice and where the balance should be struck between pursuing new technology and filling the gaps in coverage which exist in some parts of the UK.

Digital switchover

This purpose includes a commitment to support the switchover to digital television, arguably the biggest change to television since the introduction of colour. In the past year, Wales, together with the South West of England and North West of England, switched to digital and work continues to meet the Government's target to switch the whole of the UK by 2012. The BBC also continues to expand its national digital audio broadcasting (DAB) network and most of the BBC's digital-only radio stations continue to increase their reach although audience levels are still low compared with analogue stations. The Executive's strategy review proposal included recommendations to close the digital radio stations BBC 6 Music and BBC Asian Network. The Trust has been consulting publicly on the Executive's proposal and we will report our conclusions in summer 2010.

Interacting with different media

The BBC also has a commitment to enabling audiences to access, understand and interact with different types of media. In line with general views about this purpose, audiences do not feel this aspect is particularly important. Scores for performance were low, but met expectations. Having said that, our research on media literacy this year indicates that, when people are encouraged to think more deeply about this subject, most think that it is an important area for the BBC, particularly in relation to online safety and security. We will therefore be carrying out further research on media literacy in 2011.

SERVICE PERFORMANCE

THE PERFORMANCE OF BBC SERVICES HAS BEEN VERY STRONG OVERALL THIS YEAR, REACHING MANY AUDIENCES WITH HIGH QUALITY CONTENT. WE CONTINUE TO ENCOURAGE THE EXECUTIVE TO BE MORE AMBITIOUS CREATIVELY AND EDITORIALY IN ALL OUTPUT.

The Trust assesses the Executive's performance in delivering the BBC's services and holds it to account. Here we report on the BBC's performance this year in the areas of:

- television
- radio
- online
- news
- sport
- the BBC World Service

TELEVISION

This year we reviewed BBC One, BBC Two and BBC Four. The reviews conclude in autumn 2010 but our interim findings on these services can be found on our website.

All television channels (BBC and other) have continued to record increases in appreciation of individual programmes and perceptions of programmes being high quality and 'original and different'. Investigation of these increases by the Executive has shown that the rises are at least partially due to changes in viewing behaviour, where digital choice and on demand options are allowing audiences to become more selective in their viewing and, therefore, more appreciative of what they watch. However, we also know that access to a wider range of digital channels does leave many viewers feeling that television is less original and surprising overall. We continue to discuss this issue regularly with the Executive as it lies at the heart of the BBC's ability to deliver its public purposes well. We are still keen to see greater creative ambition and originality across all BBC output.

We have seen encouraging signs that BBC Two is starting to provide a more consistently distinctive offering, particularly through its factual output, and accept that this may have some impact on reach and audience share. While reach to the BBC television portfolio and BBC One was relatively steady, BBC Two reach fell slightly following several years of stability.

Our review of BBC Three in 2009 concluded that the channel had developed into an important part of the BBC's television portfolio through its ability to reach younger audiences and its role in commissioning programmes which take creative risks. We are encouraged that BBC Three is continuing to innovate with programming across all genres and by how many young people watched and appreciated some of the channel's factual and current affairs programmes. BBC Three continued to grow its reach this year, and now performs well amongst its young target audience. This, together with a lower budget in 2009/10, has resulted in a significant improvement in BBC Three's value for money.

However, we note that use of the channel's online and multiplatform offerings remains relatively low and we will seek further clarification of the role of online for BBC Three as we consider the Executive's strategy proposals this summer.

We are pleased to see that a very high proportion of BBC Four's programmes are regarded by viewers as high quality, original and different and we note its role in providing very high quality music and arts programming. As part of our consideration of the Executive's *Putting Quality First* strategy, we are looking at the future focus of the channel in the TV portfolio.

ALL TELEVISION CHANNELS (BBC AND OTHER) HAVE CONTINUED TO RECORD INCREASES IN APPRECIATION OF INDIVIDUAL PROGRAMMES AND PERCEPTIONS OF PROGRAMMES BEING HIGH QUALITY AND 'ORIGINAL AND DIFFERENT'.

Children's

The BBC operates in a market where investment in UK-originated children's content is falling. But at the same time the BBC competes for children's attention with established global broadcasters like Disney and Nickelodeon as well as the expanding range of other types of entertainment.

When the Trust reviewed children's services in 2009 we commended their strong performance in this challenging environment but also suggested some changes to ensure that the BBC remains the cornerstone of high quality UK children's programming. This has led to an extra £25.5million being allocated to children's services over the next three years. We are now considering a proposal for further investment in children's programming from the Executive as part of the *Putting Quality First* strategy.

CBeebies has maintained its reach this year and continues to be the most watched channel among young children. CBBC's audience numbers fell slightly compared with last year, but the service remains the most watched children's channel in homes with digital television. Perceptions of quality continue to be very high for both channels, particularly for CBeebies, which is very popular with both parents and children.

RADIO

In general, people are spending less time listening to the radio. Average hours of radio listening per person fell year-on-year, and this trend continues to be strongest amongst young people.

Network radio

Despite this, the BBC network radio portfolio had a strong year with slight increases in both reach and audience.

However we are concerned at the slow rate of growth for DAB and note how this has affected performance of some digital-only BBC services, particularly BBC Asian Network. The Executive has proposed closing BBC Asian Network as part of its strategy review. We will report our conclusions in summer 2010.

Following our review of BBC Radio 1 and BBC 1Xtra last year, we have been monitoring their performance against the challenges we set for the stations. We were encouraged

by operational changes which clearly aim to strengthen BBC Radio 1's focus on a young, rather than older, mainstream audience, although these are yet to be reflected in any change in the station's age profile.

We note that BBC Radio 1's performance in terms of serving young people from ethnic minorities remains a challenge and will continue to assess the success of the Executive's attempts to address this. It is important that BBC Radio 1 remains relevant to a broad base of young people so that the station can continue to promote the BBC's public purposes widely.

We were encouraged by early signs that the changes we approved to BBC 1Xtra last year – reformatted news output and a new approach to offering 'new music' – are helping the station deliver public value to its listeners.

We reviewed both BBC Radio 2 and BBC 6 Music earlier this year. Subsequently, the Executive proposed closing BBC 6 Music as part of its strategy review proposals.

Nations and local radio

The BBC's radio stations for each of the devolved nations which include stations that broadcast in Welsh and Gaelic, and for localities across England, make an important contribution to the BBC's aim to represent the different communities of the UK. However, the reach of many of these stations has been falling, and we are now keen to establish their role and purpose more clearly alongside the BBC's UK-wide stations. We will consider this, and many other issues, in our reviews of these stations.

The Executive has proposed a new strategy for English local radio which we are now considering. It would result in increased investment in news-based output at breakfast, mid-morning and afternoon drivetime, alongside more shared content between local radio stations at other times.

Service reviews in 2010

Our programme of service reviews continues in 2010, with reviews of BBC Radio 3, BBC Radio 4 and BBC 7 now underway and reviews of the BBC's radio stations for each devolved nation to start later in 2010.



THE BBC NETWORK RADIO PORTFOLIO HAD A STRONG YEAR WITH SLIGHT INCREASES IN BOTH REACH AND AUDIENCE.

Picture shows contemporary R&B singer Alicia Keys performed live on Trevor Nelson's show, simulcast on BBC 1Xtra and BBC Radio 1.



THE BBC WORLD SERVICE CONTINUED TO BE RATED HIGHLY BY AUDIENCES FOR QUALITY MEASURES SUCH AS TRUST, OBJECTIVITY AND RELEVANCE.

ONLINE

BBC Online has now established itself as one of the BBC's most important services in terms of sheer numbers of regular users and as a way of catching up with BBC programmes.

While online remains a very fast-changing market, we have seen signs that its growth is maturing in line with the overall broadband market, although usage of individual areas, such as BBC iPlayer and the BBC's mobile offerings, is growing strongly. We are now considering the Executive's plans to consolidate BBC Online with the aim of reducing content spend by 25%.

NEWS

Audiences continue to have a high regard for BBC News overall, and perceptions of it being trustworthy, accurate and impartial were all stable. Reach remained strong at 79% of UK adults. We were pleased to see that the main news bulletins on BBC television and radio have either maintained or increased their numbers and that usage of BBC News online continues to grow. Both the BBC News channel and BBC Parliament grew reach slightly this year.

We have considered the gradual decline in reach of current affairs on television as part of our review of BBC One and BBC Two and will be publishing our findings on this in our final report in autumn 2010. We believe that maintaining the quality and editorial integrity of current affairs output remains a very high priority for the BBC, and we still expect mainstream BBC services to engage a wide audience in a broad range of in-depth current affairs programming.

In our review of services for younger audiences published last year, we found that the BBC was facing a growing challenge to engage young people with news, particularly those from lower income households. Engaging all audiences with news is central to how well the BBC delivers its citizenship public purpose and, while certain programmes such as BBC Radio 1's *Newsbeat* and the BBC One *8pm Update* have helped to some extent, this challenge remains a major one. We will continue to report on it.

SPORT

The performance of BBC Sport was strong this year with a slight increase in reach, helped by Formula One. Sport content has been particularly popular on BBC Online, with mobile access growing strongly. In our response to the Government's review of listed events, we supported keeping these events as guaranteed for free-to-air broadcast as there is clear value in their being enjoyed by large numbers of people. We also thoroughly support the Executive's principle that the BBC should prioritise coverage of those sports and events which have greatest national resonance.

BBC WORLD SERVICE

The BBC World Service is funded by Parliamentary Grant-in-Aid rather than the licence fee. It reached 180 million people last year, a decline on the previous year driven chiefly by falls in listening to the shortwave radio service in key areas such as India and Bangladesh. In general, BBC World Service stations continued to be rated highly by audiences for quality measures such as trust, objectivity and relevance.

As part of our programme of audience research on the BBC World Service, this year we focused on BBC Hausa in Nigeria, Niger and Ghana and BBC Urdu in Pakistan. Both services are perceived by audiences to be providing high quality and credible sources of news and information for their respective areas. Exploring mobile access is key for each service as there are some barriers to delivery for the BBC Hausa service which can impact on the quality of the listener experience; and for BBC Urdu, there remains a challenge to maintain the relevance of this service for younger audiences.

SECURING EDITORIAL STANDARDS

THE PUBLIC, QUITE RIGHTLY, EXPECTS THE HIGHEST STANDARDS FROM THE BBC. UPHOLDING EDITORIAL STANDARDS IS ONE OF THE TRUST'S MOST IMPORTANT RESPONSIBILITIES.

As well as setting the BBC's Editorial Guidelines, the Trust, through the Editorial Standards Committee (ESC), ensures that they are adhered to by acting as the final arbiter in the BBC's complaints process. In the last year, the ESC dealt with a number of significant appeals including:

- **Reef Television:** we found that some programmes made by Reef TV for the BBC, within the series *Sun, Sea and Bargain Spotting*, *Trash to Cash* and *Dealers: Put Your Money Where Your Mouth Is* contained unacceptable practices which could undermine public trust in the BBC (such as members of staff making purchases as if they were members of the public). The Trust required an on-air apology and that new compliance measures should be in place before Reef TV could work for the BBC again. The affected programmes will not be rebroadcast.
- **Panorama:** the public and the BBC expect the highest standards from *Panorama*, BBC One's flagship current affairs programme. However we found a serious breach of the BBC's guidelines on accuracy and impartiality in *What's next for Craig*, in which the findings of a scientific study were not reported accurately. The Trust required the programme to broadcast a correction and an apology.
- **BBC Radio 1:** a caller to the *Breakfast Show* had her privacy breached when a guest in the studio, a member of British band N-Dubz, made abusive calls to her having obtained her number from a text screen in the studio. The caller subsequently received an apology from the band member and the BBC. The Trust was satisfied, however, that this occurred without the knowledge of anyone in the programme-making team, and that the BBC had taken action to ensure this could not recur.
- **Mock the Week** and **The Most Annoying People of 2008:** appeals upheld about offensive references to real people on these two programmes demonstrated a continuing concern about the use of crude and humiliating references. These followed complaints upheld in the previous year in relation to the *Jonathan Ross Show* and the *Russell Brand Show*. See page 1-24 for more on what the Trust has been doing to ensure the BBC sets the highest standards.

HANDLING COMPLAINTS APPROPRIATELY

The BBC has a formal framework in place to ensure that complaints handling is clear, open, fair and efficient. The Trust monitors the framework to make sure complaints are dealt with appropriately.

- **Key performance indicators:**
 - The BBC answered more than 220,000 complaints between April 2009 and March 2010; 94% were answered within ten working days. This rises to 97% when we include complaints that received an initial acknowledgement within that timeframe.
 - In the last year, the ESC dealt with 80 appeals, 48% of which were handled within the target timeframe of 16 weeks from the acceptance of the appeal. This is up from 9% last year, but still falls short of our target. We will be making greater efforts to improve this next year.
 - The General Appeals Panel received 38 appeals, of which 28 were accepted and two of these were completed within 60 days, reflecting the complex nature of a number of them. While this is disappointing, significant progress is expected next year.
- **Mystery shopping:** when we approved the complaints framework in 2008, we said that we would do a 'mystery shopping' exercise to test it in practice. We completed a small pilot in 2009 and a larger scale exercise will take place in 2010, following which we will publish the results.

DELIVERING VALUE FOR MONEY

AS TRUSTEES, WE ARE RESPONSIBLE FOR ENSURING THAT THE LICENCE FEE IS SPENT WISELY, WITH THE BBC RECEIVING MAXIMUM VALUE FOR EVERY POUND SPENT.

Our role is to ensure that the licence fee is spent in ways that meet audiences' expectations and deliver value for money. Our Finance and Compliance Committee oversees the BBC's financial and business performance, keeping a close eye on its financial needs and how it spends its income. We focus on four areas:

- setting financial budgets and objectives
- monitoring operations
- risk management
- specific reviews

1. SETTING FINANCIAL BUDGETS AND OBJECTIVES

Each year we formally review and question the BBC's finances and, once our questions have been answered and changes we feel necessary have been made, we approve the BBC's annual budget and its longer-term financial plans. As part of this we review, and, if necessary, amend, the level of individual service budgets as set out in their service licences. You can find the current service budgets on our website.

Where we consider it appropriate, we may also set financial objectives to guide the way the Executive manages operations. In 2007 we set targets for efficiency savings at a pan-BBC level and also specifically concerning talent fees and senior management pay.

2. MONITORING OPERATIONS

We monitor the ongoing financial position of the BBC through regular reports from the Executive. We also request information on specific areas in which we have an interest, for example compliance with service licences, licence fee collection activities and the digital switchover, and on those areas where we have previously set specific efficiency targets.

- **Compliance with service licence budgets:** in 2009/10, all but two services complied with their licence budgets. Services are permitted to spend within a boundary that falls up to 10% up or down from the stated baseline budget. The lower limit is included as a trigger for the Trust to consider whether the delivery of the service against its remit would be affected if spending were to be cut significantly. The Trust will however welcome underspending where this is due to genuine efficiencies that do not impact

on the service provision, as was the case with the HDTV service which has seen significant savings in contract costs. We were more concerned by BBC Radio 3's overspend, which resulted from a previous misclassification by the Executive of some expenditure being outside the service licence regime when the baseline budget was set. This baseline has now been amended and therefore we do not expect to see this happening again.

- **Licence fee collection:** the Trust has a specific duty to ensure that the collection of the licence fee is 'efficient, appropriate and proportionate'. Last year we undertook a detailed study of collection arrangements and made some recommendations for improvement. This year we have been monitoring the Executive's progress in implementing these recommendations and we report further on this on page I-8.
- **Digital switchover:** the Government and Ofcom are responsible for the switchover of the UK to digital broadcasting, but asked the BBC to help certain vulnerable groups in society adjust to the switchover through the targeted help scheme. Our role in this is to ensure that the Executive's operation of the scheme provides value for money. To date the scheme has spent less than forecast due to lower take-up than expected. The money that is not spent is ring-fenced as it is not available for BBC use. During the year the DCMS and the BBC agreed how such underspends will be returned to the DCMS.
- **3% efficiency target:** we report on the BBC's progress against this target on page I-7.
- **Talent costs:** Last year we set the Executive a target to achieve substantial savings in talent fees over the remainder of the current licence fee period. We report further on progress against this target on page I-8.
- **Senior management pay:** during the year we set the Executive a target to reduce substantially the amount spent on senior manager pay (see page I-25). It is too early to report progress against this target as yet but we will revisit it in future years.

3. RISK MANAGEMENT

Each year we review the BBC's risk management activities to make sure that the Executive is adequately identifying and addressing the key operating risks facing the BBC. We do this by looking at regular risk management reports and by questioning the Executive, the external auditors, internal audit and the Audit Committee.

Occasionally matters arise that we feel require a more detailed review. Last year we asked the Executive to provide us with assurance on the current status and quality of management reporting across the BBC's public services. The external auditors reviewed the BBC's systems, assessing them against those of other organisations. While there are no problems that require urgent attention, the auditors have indicated areas in which the BBC could develop its systems further.

4. SPECIFIC REVIEWS

We undertake a rolling programme of value for money (VFM) studies, mainly commissioned from the National Audit Office (NAO). These studies provide us with an independent check on the Executive's activities.

This year we commissioned two studies from the NAO: the BBC's management of its coverage of major sporting and music events, and the BBC's management of three major estates projects. You can find full reports on these studies, including our recommendations and resulting action, on our website.

- **Major sporting and music events:** this study looked at the effectiveness of the BBC's management once the decision to cover an event had been taken. The study examined six events: the Beijing 2008 Olympic Games; the 2008 UEFA European Football Championships (Euro 2008); The Championships, Wimbledon; the Glastonbury Festival of Performing Arts (Glastonbury); the BBC Proms; and BBC Radio 1's *Big Weekend*.
 - The report made a number of positive findings, but also identified some areas where the BBC could improve its processes. The Trust was encouraged that several of the points identified were already being implemented as the NAO carried out its study.
 - The NAO's report found "The BBC delivered coverage of all six major events on time and largely within final budgets. Whilst the BBC uses experienced production personnel to deliver its coverage, the BBC has recognised that the absence of a formal documented control framework or a formal planning procedure may have exposed the BBC to unnecessary risks. The BBC has now put more formal planning processes in place."
 - The Trust accepted all the recommendations arising from the study and agreed with the Executive a plan for their implementation. The Executive will report back to us on progress.



“THE BBC DELIVERED COVERAGE OF ALL SIX MAJOR EVENTS ON TIME AND LARGELY WITHIN FINAL BUDGETS.”*

- **Major estates projects:** this study looked at the BBC's management of the Broadcasting House, Pacific Quay and Salford Quays projects. It reviewed whether the projects are being delivered in line with the original plan made at the time resources were committed, and in line with the most recent budget and timetable update.
 - The study found that there were significant failings in phase one of Broadcasting House (already reported extensively) which was approved in 2003 and delivered in 2006.
 - The study confirmed the Trust's own findings that since the BBC Governors, and subsequently the Trust, first intervened directly to bring the Broadcasting House development back on track, the BBC has significantly improved its management of major estates projects.
 - The study found that Pacific Quay (completed in July 2007), was completed on time and on budget (against the increased building scope revised investment case approved in July 2005).
 - The study found that Salford Quays is currently on time and on budget, and on track to be fully operational in late 2011. The first building was handed over to the BBC in September 2009, a month earlier than planned.
 - The study overall identified a number of recommendations for improving the management of major projects. We accepted these and agreed with the Executive a plan for their implementation. We also required the Executive to review all major capital projects against the best practice highlighted by the NAO to ensure that any lessons learned were taken fully on board across the BBC.

Picture shows singer Alesha Dixon performing at this year's BBC Radio 1's *Big Weekend*.

*NAO report on major events.

BBC TRUST: SUPPORTING AND CHALLENGING THE EXECUTIVE

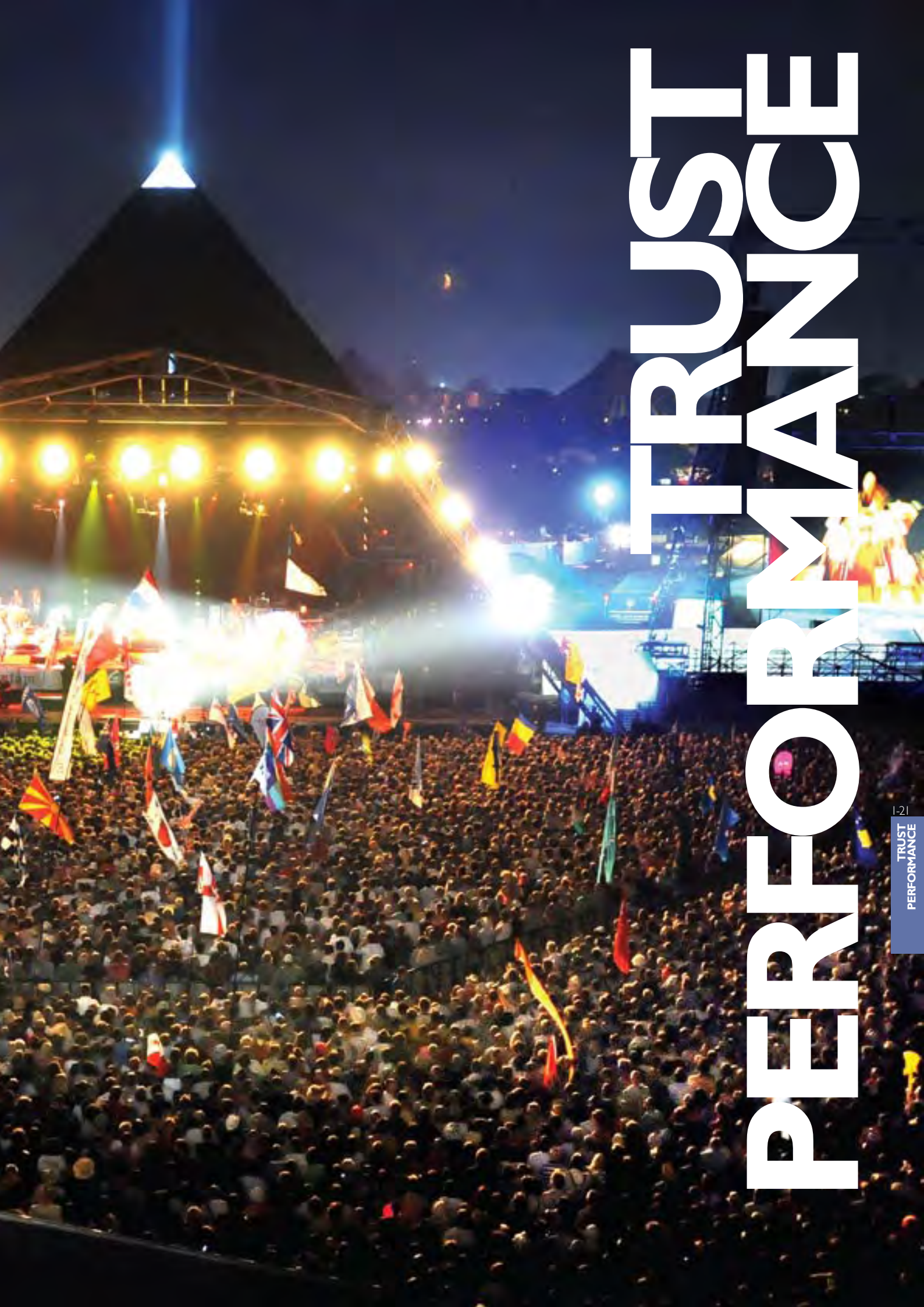
The Trust is here to get the best out of the BBC for licence fee payers. This year we have acted decisively in supporting and challenging the Executive to deliver high quality programming and services, and ultimately to ensure that every pound of the licence fee is spent wisely to deliver the best value for our audiences.

Major work this year includes:

- reach or distinctiveness? Or both?
- challenging unacceptable behaviour on-air
- radical pay reform for senior management
- new limits to the BBC's commercial services
- a step closer to internet-enabled TV for all
- giving the public a say in the future of the BBC

Glastonbury is just one of the many UK and international festivals and events covered by BBC services each year.





TRUST PERFORMANCE

REAL CHANGE FOR LICENCE FEE PAYERS

OUR MISSION IS TO GET THE BEST OUT OF THE BBC FOR LICENCE FEE PAYERS. THE IMPACTS OF A CHALLENGING ECONOMIC ENVIRONMENT HAVE BEEN AT THE FRONT OF EVERYONE'S MINDS OVER THE LAST YEAR, AND, AT THE TRUST, WE ARE NO EXCEPTION.



Delivering value for money has been central to all our work, in particular our service reviews of BBC Radio 2 and BBC 6 Music, the review of executive pay, our testing of the Executive's proposals for Project 'Canvas' and our assessment of BBC Worldwide's impact and activities.

We have also heard a lot about what audiences value in the BBC. High standards, quality and distinctiveness have been key themes, and these have fed into our review of the BBC's Editorial Guidelines.

The media world is constantly changing, and the BBC must constantly evolve to continue to deliver the best value for licence fee payers. Against this backdrop, we announced a full-scale review of the BBC's strategy, inviting the public to have their say on its future.

As Trustees, we are proud to be both guardians and champions of licence fee payers' interests. During our work this year, we have aimed always to have been guided by this central responsibility.

REACH OR DISTINCTIVENESS? OR BOTH?

TRUST REVIEWS BBC RADIO 2 AND BBC 6 MUSIC

Service reviews are an essential part of our work. We look at each service at least once every five years to make sure that they are fulfilling their remits; that the remits remain relevant for delivering the public purposes; and that ultimately, licence fee payers feel they are getting good value.

Last year the Trust carried out a comprehensive review of BBC Radio 2 and BBC 6 Music receiving some 4,700 responses to our public consultation. We found that BBC Radio 2 is the most listened to station in the UK, and is highly regarded. BBC 6 Music is well-liked by listeners, although these are relatively few in number.

Reviewing the two radio stations resulted in certain challenges for each. BBC Radio 2's widespread appeal was tempered by audiences' belief that content in peak-time was not as distinctive as that in off-peak. We concluded that BBC Radio 2 should use its size and influence to address this imbalance, even if that were to mean some loss of audience. There were also concerns from the commercial sector that the station was targeting younger audiences, while its remit is to appeal to all ages above 35. We have asked BBC Radio 2 to ensure that the average age of its audience does not fall and that the station should look at how it might cater better for the needs of those aged over 65.

For BBC 6 Music we set a different challenge. While the station is clearly highly distinctive, its reach is very low. This is compounded by low awareness – just 20% of the adult population know it exists. We therefore concluded that BBC 6 Music should raise awareness and increase its audience, appealing to a greater range of people, without losing its distinctiveness.

The recent proposal by the Executive to shut down BBC 6 Music has, in fact, given BBC 6 Music a big publicity boost. We will be considering the public response to that proposal in due course when we decide the future of the station.

May 2009

- Trust launches service review of BBC Radio 2 and BBC 6 Music with public consultation and audience research

July 2009

- public consultation ends

February 2010

- Trust publishes its conclusions

WHAT IS DISTINCTIVENESS?

Audiences frequently tell us that they value the BBC for its distinctiveness – in other words, that it provides something different from other broadcasters. Where there are criticisms, they are often to do with people's disappointment that the BBC has not been distinctive enough. But what does distinctiveness really mean for the BBC? Over the last year the Trust has worked with the Executive to define what we mean by the term, and created a clear set of criteria by which to judge the BBC's activities.

Four values

We distilled distinctiveness into four values which we believe underpin the BBC's core commitment to quality. They derive from the fact that the BBC enjoys the great privilege of public funding, which allows it to pursue the following four values to an extent that commercial organisations often cannot:

- **high editorial standards:** the public expects the BBC to set the highest standards of fairness, accuracy and impartiality.
- **creative and editorial ambition:** the BBC has the freedom to take risks, innovate and challenge.
- **range and depth:** because everyone who watches television must have a licence, the BBC is required to provide for the widest range of tastes and interests, and to a depth that meets audiences' needs.

• UK-focused content and indigenous talent:

the BBC is required to reflect all parts of the UK and has the freedom to nurture new, indigenous talent which can be risky.

This better understanding of distinctiveness is guiding the Trust's consideration of the Executive's strategy review, although there is more work to be done. In particular, the Trust has requested more information from the Executive on how these core values apply to the different kinds of output and how we might best measure the BBC's distinctiveness. We will report further on this work in next year's Annual Report.



Picture shows Father Brian Darcy's *Sunday Half Hour* on BBC Radio 2.

CHALLENGING UNACCEPTABLE BEHAVIOUR ON-AIR

TRUST TIGHTENS STANDARDS AND COMPLIANCE IN LINE WITH PUBLIC ATTITUDES

As society changes, what is deemed acceptable in broadcasting also changes. However, being funded by the licence fee, the BBC is, quite rightly, expected to uphold higher standards than other media organisations. Indeed some groups of the public look to the BBC to uphold standards that they see being eroded elsewhere.

In the last year, the Trust has brought to its conclusion a significant body of work around editorial standards, prompted by breaches of the BBC's Editorial Guidelines in 2007, 2008 and 2009, the Ross/Brand incident being amongst the most serious and also the most publicised. The complaints we received, along with the nature of the breaches themselves, led us to require the Executive to do some research into what the public considers acceptable in terms of taste and standards, and also a review of editorial compliance within Audio & Music.

WHAT'S ACCEPTABLE TO THE PUBLIC

The Trust supports the BBC in taking risks as part of creating the most distinctive and entertaining programmes, but also expects the highest standards. We recognise that there is always a tension between not unduly restricting creativity, and making sure that content is not unduly offensive. This was a concern echoed by the public during the taste and standards research. People did not want the BBC to become too cautious but, at the same time, they found the humiliation of real people unacceptable.

EDITORIAL GUIDELINES AT A GLANCE

The BBC's Editorial Guidelines outline the standards we expect, regardless of the medium. They are designed for everyone who makes content for the BBC, including independent production companies working for us, to help them deal with difficult editorial decisions. They also form the framework against which complaints are considered. The Guidelines cover:

- truth and accuracy
- impartiality and diversity of opinion
- editorial integrity and independence
- serving the public interest
- fairness
- privacy
- harm and offence
- children
- accountability

This message was fed into the review of the Editorial Guidelines that took place in the latter half of 2009 and into 2010.

FOLLOWING THE GUIDELINES

The other big issue was compliance with the Editorial Guidelines, which apply to all BBC programming. Audio & Music was the main area of concern following the *Russell Brand Show* breaches and the failures in running competitions exposed in 2007 and 2008. Following the changes we required in 2008, we did an independent follow-up review of compliance in 2009 which showed a real change in culture, although we did note that some of the requirements had been unduly stringent.

CHECKING WE GOT IT RIGHT

The consultation and research we did around the new Editorial Guidelines was very useful in checking that we had got the balance right. We required the Executive to include wording in the Guidelines to address the concern that 'unduly intimidatory, humiliating, intrusive, aggressive or derogatory remarks must not be celebrated for the purposes of entertainment'. The responses confirmed that this was the right approach and met the expectations the public have about the standards they expect from the BBC.

November 2008

- Trust requires Executive to research taste and standards in light of a series of breaches of the BBC's Editorial Guidelines, most notably the Ross/Brand incident and also announces it will independently review compliance in Audio & Music

May 2009

- Executive reports to Trust results of taste and standards research; this feeds into review of the BBC's Editorial Guidelines

September 2009

- Trust publishes findings that offence was caused by *Mock the Week* and *The Most Annoying People of 2008*
- Trust approves the draft Editorial Guidelines for public consultation

October 2009

- public consultation and audience research on the draft Editorial Guidelines begins

February 2010

- audience research on Guidelines concludes

March 2010

- Trust publishes report into compliance in Audio & Music

Summer 2010

- new Editorial Guidelines to be approved by Trust for autumn publication

RADICAL PAY REFORM FOR SENIOR MANAGEMENT

TRUST ACTS TO CUT REMUNERATION BUDGET

In February 2009, against a backdrop of severe economic difficulties, we outlined a challenge to the Executive Board to reform the BBC's approach to pay for senior management. We believed that it was right that, as a major public service organisation, the BBC showed leadership on this issue.

In October 2009, following discussion with the Executive Board, we announced a radical new strategy to reduce significantly the pay bill for senior management.

The Trust's job is to get the best out of the BBC for licence fee payers, and this means delivering value for money. How much the BBC pays its people is of course a big part of that. Our approach has to strike a difficult balance between ensuring the BBC pays enough to attract the best people to deliver the distinctive, high quality service that licence fee payers expect, whilst meeting licence fee payers' expectations that the BBC will offer value for money. We believe that the outcomes of the review will achieve that balance.

It will be a priority for us in the coming year to ensure that the Executive Board delivers the testing targets for senior pay reduction that we have agreed.

PAY REFORM KEY POINTS

- 25% reduction in senior management pay bill over three-and-a-half years
- significant reduction in senior manager posts: 18% over same period
- Executive Board: pay freeze for a further three-and-a-half years; indefinite suspension of bonuses
- senior management/directors: pay freeze and suspension of bonuses for a further two years
- new pay strategy for senior management across the BBC

February 2009

- Trust requires Executive Board to review remuneration

October 2009

- Executive reports back
- Trust agrees proposals
- implementation begins

July 2013

- implementation complete

EXECUTIVE BOARD REMUNERATION REPORT 2010

1. Director-General

The Director-General is the BBC's Chief Executive Officer, the editor-in-chief and Chairman of the Executive Board. We set the Director-General's remuneration.

Our approach to the Director-General's remuneration is to provide a package that attracts and retains a person of the calibre required to undertake this demanding role and provide effective leadership. The Director-General's remuneration consists of a base salary, a pension and the option to be considered for a performance-related bonus although, along with all executive directors, the bonus element is currently suspended. The Director-General is provided with a chauffeur-driven car which he uses principally for business journeys in London; he is not entitled to a personal car or fuel allowance.

This year, in line with the pay review proposals agreed in October 2009, the Director-General, Mark Thompson, did not receive an increase to his base salary or a performance-related bonus. The next possible pay review will be in August 2013.

The Trust undertakes an annual performance assessment of the Director-General. He continues to meet his objectives and we believe that he brings energy and creativity to the leadership of the BBC.

2. Non-executive Directors

The non-executive Directors receive a fee determined by the Trust, which reflects the complexity of the role and the time required. Fee levels are set with reference to rates paid by other UK corporations, but at a level such that the

non-executive Directors are not financially dependent on the BBC.

Each non-executive Director receives a base fee (currently £35,700 pa); the chair of each committee receives an additional fee (currently £5,100 pa). The Senior Independent Director receives an additional fee of £10,200 pa. The non-executive Directors are reimbursed for expenses, and any tax arising on those expenses is settled directly by the BBC. The Trust reviews non-executive Directors' fees every other year; the next review is due this year, to come into effect in January 2011.

3. Executive directors

Within a strategy set by the Trust, the Executive Board's Remuneration Committee determines the individual remuneration of executive directors and presents a formal report assuring us that this strategy has been followed. On reviewing this year's report, we concluded that our strategy had been followed, and therefore accepted the Committee's assurance on this matter.

As described above, in October 2009 the Trust agreed a significant reduction in the cost of senior management across the BBC's public services. This included a new strategy for senior management pay, which will result in a clearer focus on the BBC's approach to pay as a publicly-funded institution.

The performance of the executive directors is a matter for the Director-General. The Executive Board's Remuneration Committee Report can be found in the download section at www.bbc.co.uk/annualreport.

NEW LIMITS TO THE BBC'S COMMERCIAL SERVICES

TRUST REVIEWS BBC WORLDWIDE



By securing a commercial return for the BBC's valuable content, BBC Worldwide brings substantial financial benefits to licence fee payers and to the wider UK creative economy, as well as promoting and strengthening the BBC's reputation overseas. Making sure the BBC's main commercial arm does not veer from its remit and remains properly aligned with the BBC's public service interest, while being sensitive to other commercial concerns, was at the heart of the Trust's review of Worldwide, launched in July 2008.

Our review took longer than expected, because we wanted to take account of the Digital Britain report, which included the Government's intentions for Worldwide. However by the end of this financial year, the Trust was in a position to announce a series of changes to give Worldwide clearer boundaries and focus its activities, particularly in the UK market, without stifling its ability to remain a thriving, profitable entity.

REVIEW'S MAIN THEMES

- changes in governance structure to serve public purposes and reduce potential conflicts of interest between the Executive and BBC Worldwide
- endorsement of concept of a commercial arm to maximise the BBC's assets for the benefit of licence fee payers
- confirmation of 'first look' arrangements, whereby Worldwide has the opportunity to acquire BBC rights before they are offered to competitors, but more benchmarking to ensure pricing is fair
- focusing BBC Worldwide's activities on exploiting value of BBC's own intellectual property
- exit from activity not in keeping with the BBC brand
- end to mergers and acquisitions unless there are exceptional circumstances

July 2008

- Trust launches review of BBC Worldwide

March 2009

- Trust publishes interim report; formally suspends review pending outcomes from the Government's Digital Britain work

September 2009

- Trust announces changes to governance of BBC Worldwide

November 2009

- Trust announces new limits to BBC Worldwide's activities

SNAPSHOT OF BBC WORLDWIDE

BBC Worldwide is the main commercial arm and a wholly-owned subsidiary of the BBC. Its purpose is to enable the BBC to maximise the value generated by content owned and paid for by licence fee payers. As part of the BBC, Worldwide's activities must:

- fit with the BBC's public purposes as set out in the Royal Charter
- be commercially efficient
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines and avoid distorting the market

Key facts

- 2009/10 figures: profits of £145million (before specific items) on statutory revenues of £1,074million
- investment of more than £1billion in the UK creative industry over the last five years
- areas of business:
 - channels
 - content and production
 - digital media
 - sales and distribution
 - magazines, children's and licensing
 - home entertainment
 - global brands

Picture shows *Antiques Roadshow*, a format that has been successfully sold abroad.

A STEP CLOSER TO INTERNET-ENABLED TV FOR ALL

ASSESSING THE BBC'S ROLE IN PROJECT 'CANVAS'

In November 2008, the Executive requested the Trust's permission to form a joint venture with partners to help enable the delivery of internet-enabled television. The proposal, known as Project 'Canvas', would allow viewers to watch on demand services such as the BBC iPlayer and other internet content on their televisions, by setting a common standard for set-top boxes and other devices.

This ambitious idea fits well with the Trust's challenge to the Executive to bring the benefits of the BBC's public investment to the whole public service broadcasting sector. As for any new public service activity for the BBC, the Trust's role has been to assess whether it would deliver the public purposes, and the impact it could have on the market. This has involved a public value assessment, a market impact assessment, and a number of public consultations. It has also meant engaging with interested parties across industry to hear their views at several stages such that our assessment could be as rigorous and well informed as possible.

PUBLIC VALUE ASSESSMENT

The Trust's public value assessment concluded that 'Canvas' would have a high public value, and would be consistent with the BBC's public purposes, including helping deliver to the public the benefits of emerging communications technologies and services. In summary, its value is based on bringing on demand television into the living room through a common technical standard. It could also help drive broadband take-up.

MARKET IMPACT ASSESSMENT

The Trust concluded that 'Canvas' would potentially have both positive and negative impacts on a number of markets. Positive impacts identified included growing the market for TV on demand content, residential broadband access, and set-top boxes and integrated digital television, as well as strengthening the competitive position of the DTT platform. The negative impacts included effects on the DVD rental and retail market, initiatives for platforms to develop their own user interface, as well as a likely impact on Sky and Virgin's revenues.

PROVISIONAL CONCLUSIONS

Therefore, in our provisional conclusions, we proposed certain conditions to minimise the negative competitive impact on the wider market by 'Canvas', whilst ensuring the fulfilment of the BBC's public purposes and taking into account its other obligations under the Royal Charter and Agreement.

As we publish this Annual Report we are preparing to announce our final conclusions.

INSIDE PROJECT 'CANVAS'

- **Aim:** to create an open, internet-connected TV platform
- **Partners:** BBC, ITV, Channel 4, five, BT, TalkTalk, Arqiva
- **Delivery:** a set-top box and a simple user interface

November 2008

- Executive seeks Trust approval for participation in Project 'Canvas'

February 2009

- Trust launches public consultation on the BBC's proposals, including audience research

February – December 2009

- Trust assesses public value and market impact implications of the proposals

July 2009

- Trust publishes additional information on Project 'Canvas'

December 2009

- Trust gives provisional approval to BBC's involvement in Project 'Canvas'
- Public consultation on provisional conclusions begins

February 2010

- Public consultation ends

Project 'Canvas' partners*



* At time of publication.



GIVING THE PUBLIC A SAY IN THE FUTURE OF THE BBC TRUST LAUNCHES PUBLIC CONSULTATION ON THE BBC'S NEW STRATEGY

'The public picks up the bill for the BBC, and it is right that it constantly evolves to meet their expectations,' said Sir Michael Lyons.

The BBC is inviting input from the public on what its future should look like. In the past, certain assumptions have prevailed about the role of the BBC in the UK's broadcasting industry and our society as a whole. The recent full-scale review of the BBC's strategy challenged traditional thinking and looked at what the size, scope and role of the BBC should be in today's ever-changing broadcasting environment – and asked the public what they thought.

The Trust posed five broad questions to the Executive in carrying out the review:

- how can the BBC best maintain quality and distinctiveness?
- where, if necessary, could its focus be narrowed and its scale reduced?
- what will a fully digital BBC look like?
- can the BBC better define the 'public space' it provides?
- how can the BBC create most value from its scale?

THEMES FOR A FUTURE BBC

The core vision of the Executive's proposals of a BBC focused on quality content and enduring values, keeping open a public space for all, is one we endorse wholeheartedly. We also endorse the central principles put forward for achieving that vision, which are:

- putting quality first
- doing fewer things better
- guaranteeing access
- making the licence fee work harder
- setting new boundaries

Our central concern – and the focus for further work – has been how far the strategy will deliver these five principles, and whether there are alternative or better ways of delivering them than those outlined in the proposals. The public's views are crucial in determining the action we take to shape the future of the BBC.

July 2009

- Trust challenges Executive to complete full-scale review of BBC's strategy

September 2009

- Chairman publishes open letter to licence fee payers

March 2010

- Executive submits proposals to the Trust
- Trust publishes proposed strategy for public consultation

May 2010

- Trust commissions audience research
- public consultation concludes

WHAT AUDIENCES SAY

Audiences tell us that:

- they are proud of the BBC and see it as trustworthy
- they want it to be strong and independent
- they are willing to pay for it – but expect good value from the licence fee
- they want their money to be spent on high quality programmes
- they want more programmes that feel new and different

These views have been central to our thinking when reviewing the Executive's proposals for the future of the BBC.

THE TRUST'S PLANS FOR 2010/11

OUR BIGGEST PRIORITY IS THE BBC-WIDE STRATEGY REVIEW AS OUTLINED OPPOSITE.

This table summarises our other planned work for the year. Full details are available on our website.

STEWARDSHIP OF THE LICENCE FEE

VALUE FOR MONEY

We will commission value for money studies in the management of:

- a) the production of continuing drama (soaps)
- b) the BBC's digital media initiative as well as an independent review of the BBC's process for managing the acquisition of sports rights.

EXECUTIVE PAY

We will track progress against the target of reducing senior management remuneration by 25% by July 2013.

COMMERCIAL ACTIVITIES

We will set a three-year rolling strategy for BBC Worldwide alongside the broader strategy review.

FAIR TRADING

We will carry out our first review of the BBC's fair trading policy and related codes.

PROGRAMME SUPPLY

We will carry out a second review of the 'window of creative competition'. We will consult on our review of the supply of radio programmes from independents and publish the findings.

S4C PARTNERSHIP

We will enter into a new strategic partnership with Welsh channel S4C.

UPHOLDING LICENCE FEE PAYERS' INTERESTS

IMPARTIALITY REVIEW

We will review the impartiality of the BBC's science coverage.

REVIEW OF THE COMPLAINTS FRAMEWORK AND PROCEDURES

We will review and consult on the BBC's complaints framework and associated procedures. We will carry out a second 'mystery shopping' investigation into how complaints are treated when they reach the BBC.

AUDIENCE COUNCIL PRIORITIES

Our Audience Councils advise us about audiences' views and concerns. Following their advice we will be looking at these issues:

- a) universality of access to BBC services – we will consider how audiences across the UK are best served across the BBC's services
- b) portrayal – we will investigate perceptions of how people are portrayed in the BBC's output and work closely with the Executive to ensure that the BBC is meeting audiences' expectations.

EQUALITY

Following the enactment of the Government's Equality Bill in April 2010, we will work with the Executive to develop the BBC's single equality scheme and consult with stakeholders.

EFFECTIVELY PROMOTING THE BBC'S PUBLIC PURPOSES

SERVICE REVIEWS

The Trust has a duty to review and consult on each BBC service at least once every five years. In 2010/11 we will review:

a) Radio

- BBC Radio 3
- BBC Radio 4
- BBC 7
- Nations radio
 - BBC Radio Wales
 - BBC Radio Cymru
 - BBC Radio Scotland
 - BBC Radio nan Gàidheal
 - BBC Radio Ulster/Foyle

b) Television (begun last year, to be completed this year)

- BBC One
- BBC Two
- BBC Four
- BBC Red Button

c) Online

We reviewed BBC Online in 2008, and our review this year will be of the effectiveness of the management controls that were created as part of the recommendations from the original review.

BBC TRUST: WORKING ON BEHALF OF LICENCE FEE PAYERS

The BBC Trust, as the governing body of the BBC, is separate from the Executive which manages the BBC's day-to-day operations. Our job is to represent licence fee payers and make sure the Executive delivers the high quality programmes and services the public wants, while ensuring that the BBC is accountable and open. We also protect the independence of the BBC from commercial or political influence.

Members of the public take part in one of the Trust's public consultations.





GOVERNANCE



SIR MICHAEL LYONS
CHAIRMAN



CHITRA BHARUCHA
VICE CHAIRMAN



DIANE COYLE



ANTHONY FRY



ALISON HASTINGS
ENGLAND



DAME PATRICIA
HODGSON



ROTHA JOHNSTON
NORTHERN IRELAND



JANET LEWIS-JONES
WALES



DAVID LIDDIMENT



MEHMUDA MIAN



JEREMY PEAT
SCOTLAND



RICHARD TAIT



RICHARD AYRE

THE BBC TRUSTEES

THE 12 BBC TRUSTEES ARE PART-TIME AND COME FROM A VARIETY OF BACKGROUNDS, BRINGING A WIDE RANGE OF EXPERIENCE TO THE BBC. AMONGST THE TRUSTEES WE HAVE A CHAIRMAN, VICE CHAIRMAN AND NATIONAL TRUSTEES FOR ENGLAND, SCOTLAND, WALES AND NORTHERN IRELAND.

SIR MICHAEL LYONS (CHAIRMAN)

Other roles: Chairman, English Cities Fund; Chairman designate, Participle Ltd; non-executive director, Mouchel plc, Wragge & Co, and SQW Ltd; Chairman, Tindal Street Press; governor, Royal Shakespeare Company.

CHITRA BHARUCHA MBE (VICE CHAIRMAN)

Chairs Remuneration and Appointments Committee and Audience Councils Committee; lead Trustee for international news; co-lead Trustee for complaints. *Other roles:* Trustee, Marie Curie Cancer Care.

DIANE COYLE OBE

Chairs Strategic Approvals Committee; led the Trust's TV services review and the assessment of Project 'Canvas'. *Other roles:* Economist; member, Migration Advisory Committee; member, Independent Review of Higher Education Funding; visiting professor, University of Manchester, Institute of Political and Economic Governance.

ANTHONY FRY

Scrutinises the BBC's commercial activity on behalf of the Trust. *Other roles:* Senior adviser, Evercore Partners; chairman, Dairy Crest; non-executive director, Control Risks; non-executive director, LL Online; board member, Edinburgh International Television Festival, English National Opera; Chairman of Development Board, School of Oriental and African Studies.

ALISON HASTINGS

Trustee for England (chairs Audience Council England). *Other roles:* Media consultant; vice president, British Board of Film Classification; retained consultant, Camelot; retained consultant and trainer, Press Complaints Commission.

DAME PATRICIA HODGSON DBE

Lead Trustee for learning; led the Trust's engagement with commercial learning providers. *Other roles:* Principal, Newnham College, Cambridge; non-executive director, Competition Commission; member, Higher Education Funding Council for England.

ROTHA JOHNSTON CBE

Trustee for Northern Ireland (chairs Audience Council, Northern Ireland); chairs Finance and Compliance Committee; lead Trustee on property issues. *Other roles:* Partner, Johnston Partnership; non-executive director, Allied Irish Bank (UK) plc; Pro-Chancellor, Queen's University, Belfast; member, JIGSA.

JANET LEWIS-JONES

Trustee for Wales (chairs Audience Council Wales); lead Trustee on fair trading. *Other roles:* Chair, Membership Selection Panel, Glas Cymru Cyf (Welsh Water); trustee, Refugee and Migrant Justice, Maytree Charity and Mid Wales Chamber Orchestra.

DAVID LIDDIMENT

Chairs Audiences and Performance Committee; led the Trust's review of BBC Radio 2 and BBC 6 Music. *Other roles:* Non-executive director, All3Media; associate, Old Vic Theatre Company.

MEHMUDA MIAN

Lead Trustee for equality and diversity issues; co-lead Trustee for complaints. *Other roles:* Non-executive director; Independent Safeguarding Authority; associate director, Lokahi Foundation.

JEREMY PEAT

Trustee for Scotland (chairs Audience Council Scotland); lead Trustee for the value for money programme (2009 programme included estates and major events). *Other roles:* Chairman, BBC Pension Trust Board; director, David Hume Institute; member, Competition Commission.

RICHARD TAIT CBE

Chairs Editorial Standards Committee; leads Trust's work on editorial standards and compliance. Leaves on 31 July 2010. *Other roles:* Professor of Journalism and Director, Centre for Journalism Studies, Cardiff University; Vice President, International News Safety Institute.

RICHARD AYRE

Joins Trust on 1 August 2010.

AUDIENCE COUNCILS

AUDIENCE COUNCILS IN ENGLAND, SCOTLAND, WALES AND NORTHERN IRELAND, CHAIRED BY THE TRUSTEE FOR THAT NATION, EXIST TO MAKE SURE THAT LICENCE FEE PAYERS ACROSS THE UK HAVE A SAY IN THE WORK OF THE TRUST AND THEREFORE THE FUTURE OF THE BBC.

Councils are recruited to reflect the diversity of the UK, and members are volunteers. They listen to the views of licence fee payers, and advise the Trust on matters of topical concern. They are consulted on proposals for new services and on how well the BBC is delivering its public purposes. Each year they suggest ways of improving BBC services, based on what audiences have told them ('audience priorities').

LISTENING TO AUDIENCES

Councils held more than 60 meetings with licence fee payers across the UK, some from specific audience groups such as ethnic minorities, young people and the business community. Some meetings focused on particular issues like the Government's Digital Britain report, while at others audiences raised issues of concern to them.

PERFORMANCE AGAINST AUDIENCE PRIORITIES FOR 2009/10

Councils welcomed progress made in 2009/10. The BBC increased the number of television programmes made outside London, and commissioned research to check whether improvements were being made in news coverage of the devolved nations. New guidelines on the BBC's editorial standards were developed. Following the Trust's rejection of plans for enhanced local web coverage, the BBC made improvements to coverage in the nations and regions, and began audience research on the provision of news for audiences in Scotland. The Trust will also undertake specific work to see how the BBC might better portray the diversity of the UK.

ADVISING THE TRUST

The Councils gave us advice on major developments affecting BBC audiences from the reviews of BBC Radio 2, BBC Television, and free-to-air listed events, to the proposal for internet-connected digital television ('Canvas') and the Government's Digital Britain report. Audiences support 'Canvas', but want the technology that delivers it to be easy to use. On Digital Britain, Councils emphasised that licence fee payers valued the sense of ownership they feel from paying a fee in return for the BBC's services.



Delivering the public purposes

Audiences felt the BBC made progress this year but that there were still areas for improvement. Councils in Scotland, Wales and Northern Ireland welcomed the decision to release for re-use Welsh, Scottish and Irish Gaelic learning resources from the former BBC jam, and said that those nations should be represented better on both network and local services. Audience Council England said that ethnic minorities wished to see more positive role models for younger members of their communities. All Councils reported that audiences want more innovation in BBC services.

PRIORITIES FOR 2010/11

Current priorities for licence fee payers include seeing more fresh ideas from the BBC, and for the BBC to do more to represent UK contemporary society accurately. Audiences are also concerned that not everyone can access all BBC services, especially DAB and broadband. These issues informed the strategy review launched by the Trust earlier in the year. The Trust will also consider the issue of access in our reviews of radio in the devolved nations and we have started a project to find out how the BBC might better portray the full diversity of the UK's nations and communities.

Further details of the Councils' advice can be found in the Councils' own annual reviews.

ENGAGING WITH ALL AUDIENCES

ONLY BY LISTENING TO WHAT AUDIENCES THINK AND BUILDING THEIR VIEWS INTO OUR DECISIONS CAN WE MAKE SURE THAT THE BBC TRULY SERVES LICENCE FEE PAYERS AND DELIVERS WHAT THEY WANT.

The licence fee, unique to the BBC, is designed to ensure high-quality output, free at the point of delivery, available to all. But it means that everyone who watches television must have a licence, whatever they think of the BBC. So the Trust has a particular responsibility to ensure everyone is served as well as possible. To do this we carry out a programme of work that helps us understand what audiences think.

UNDERSTANDING WHAT AUDIENCES THINK

As well as the advice we get from our Audience Councils, we invite the public's views about decisions we need to make through consultations. For example, we consult when reviewing a BBC channel or when the BBC wants to launch a new service. This year we redeveloped our website with a dedicated area for consultations. We know that not everyone has easy access to the internet, however, so we also use on-air trails and leaflets to publicise consultations and encourage participation. During 2009/10, more than 35,000 people took part in Trust consultations.

We also conduct rigorous research to ensure we hear from a wider range of licence fee payers than those who take part in consultations. We explore issues in more depth, using qualitative research such as workshops, groups or interviews, while surveys allow us to understand the strength of certain views amongst the whole population. For example, our annual Purpose Remit Survey is a key tool we use to measure people's views on the BBC's delivery of the public purposes.

EQUALITY AND DIVERSITY

We believe that, to represent licence fee payers most effectively, the BBC should reflect the diversity of the UK population. In December 2009, we received the first annual report from the Executive on its progress in implementing the BBC's diversity strategy across BBC activity. These annual reports will make it easier for us to monitor progress.

One of our ongoing concerns is the proportion of staff at senior levels from black and ethnic minority backgrounds. Our report, *Observations on the Promotion of Equal Opportunities in Employment*, notes that the Executive has many initiatives underway to work towards increasing this, but at 5.7%, this



figure still falls short of our target of 7% to be achieved by 2012. We will continue to monitor progress on the actions we have set out in our report, and on progress towards meeting this target.

The BBC also has legal duties to promote equality and to eliminate unlawful discrimination across disability, gender and race in respect of certain 'public functions', which include TV Licensing, arrangements for digital switchover and some of our own regulatory functions. We publish equality schemes explaining how we do this, and this year we reviewed them, including commissioning research involving disability, race and gender organisations. Work has begun across the BBC on a single equality scheme which will be published in 2011; this will consolidate the existing schemes and add actions for sexual orientation, age and religion.

As the Trust, we need to make sure we consider equality and diversity in our own operations and behaviour. This year we made good progress, seeking input into our work from a range of people as we reviewed the BBC's services. We completed equality impact assessments for all major reviews to ensure that our activities are inclusive and do not discriminate against any groups.

TRADING FAIRLY

OUR DUTY IS TO ENSURE THAT THE BBC FULFILS THE PUBLIC PURPOSES SET OUT IN THE ROYAL CHARTER; CONDUCTS ITS COMMERCIAL TRADING ACTIVITIES FAIRLY; AND DOES NOT USE ITS ECONOMIC POWER IN WAYS THAT MIGHT STIFLE ENTERPRISE OR INITIATIVE FROM ELSEWHERE.

The BBC plays a pivotal role by helping to stimulate, develop and sustain investment in high quality broadcast content. Without the positive impact of the BBC, other parts of the creative sector, ranging from the UK film industry to orchestras and language services to the nations, could be greatly diminished or lost. The BBC generates significant and stable investment, particularly important during periods of economic downturn, giving critical mass to many creative and broadcasting companies and the sector as a whole.

We know people value a wide choice of content on radio, TV and online. Whilst maintaining that breadth in the public interest, we also ensure that the BBC is a fair player in the wider UK media market. We do this by scrutinising new proposals from the Executive for their economic and commercial impact, and ensuring that all the BBC's activities comply with our fair trading regime.

SCRUTINISING NEW PROPOSALS

When the BBC wants to launch a new service, an important part of our job is to consider its potential effects on the wider market. For any significant change to one of the BBC's UK public services, we carry out a public value test (PVT) in conjunction with Ofcom. PVTs are designed to ensure that both public value and market effects are considered, and they take into account the views of all interested parties, including others in the market. When we make a decision we publish it and the reasons behind it. We did not conduct any PVTs in 2009/10. The Trust can also call in other cases if, for example, we think there may be evidence that these may constitute a significant change to an existing service. The Trust scrutinised several other BBC activities in this way during the year.

We apply the same principles to public service activities that are not classed as services, for example the BBC's participation in 'Canvas' (see page 1-27).

The Trust also oversees the BBC's commercial services. These are separate from the BBC's public services and are not funded from the licence fee. These services are subject to different requirements, but they must comply with the BBC's fair trading regime and they must not distort the market.

OVERSEEING FAIR TRADING ARRANGEMENTS

The BBC recognises that it plays a unique role in the media market. It abides by UK and European competition and state aid rules, and by its own statement of policy on fair trading as required by the Royal Charter. The Trust holds the Executive Board to account for compliance with this policy. This fair trading regime is designed to ensure that the BBC's commercial and other trading activities are conducted fairly and to minimise any negative impact on the market. We review this policy and its operation at least every three years. The BBC's current fair trading policy and the Trust's related competitive impact codes came into effect on 1 July 2007. Accordingly we will be reviewing them during 2010, including consultation, to consider how they might be improved in the context of the evolving media market.

Compliance

Responsibility for day-to-day fair trading compliance by the BBC and for handling fair trading complaints lies with the Executive through its Executive Fair Trading Committee. For more information see www.bbc.co.uk/info/policies/fairtrading.

Responsibility for monitoring fair trading compliance and for handling fair trading appeals lies with the Trust's Finance and Compliance Committee (FCC). The FCC gains assurance in a number of ways that the controls and procedures designed to ensure the fair trading policies have been applied throughout the BBC have been followed. These include regular reports by the Executive to the committee, reports from the independent fair trading auditors (see opposite), and from its own work in hearing appeals on fair trading matters.

2009/10 appeals

In 2009 the FCC considered two fair trading appeals and, exceptionally, took one complaint directly rather than referring it back to the Executive's Fair Trading Compliance Committee. The FCC partially upheld elements of all three appeals on points of process. The FCC was disappointed to note that the common theme in these findings concerned the lack of a properly documented competitive impact assessment by the Executive. The FCC required the Executive to improve its

processes in this area and asked the independent fair trading auditors to report back as to whether these improvements had been made. The FCC has received adequate assurance from the auditors to this effect. Details of appeals and findings can be found on our website.

Independent fair trading auditor's report to the BBC Trust for the year ended 31 March 2010

We have audited, in our role as the BBC's fair trading auditors, the system of internal controls established within the BBC to provide the BBC with reasonable assurance that the BBC Executive (the Executive) has complied with the requirements of its Fair Trading Policy, Competitive Impact Codes and the Fair Trading Guidelines ('the Fair Trading Arrangements') for the year ended 31 March 2010.

Our instructions for this engagement, including the scope of work to be undertaken, were agreed with the BBC Trust's Public Value and Fair Trading Committee and subsequently the BBC Trust's Finance and Compliance Committee (FCC). These instructions include agreement that our audit should be conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, agreement on the limit of our liability in respect of this work, and agreement that our duty of care in respect of this work is solely to the BBC Trust (the Trust), as a body. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

Respective responsibilities of BBC Trust, BBC Executive and fair trading auditors

The Trust is responsible for ensuring that the Executive trades fairly. It is also responsible for preparing the section within the BBC's Annual Report entitled 'Overseeing fair trading arrangements' which includes a statement on fair trading.

The Executive is charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2010, including identifying and assessing risks that could threaten fair trading, and designing and implementing responses to such risks.

As the BBC's fair trading auditors, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, a system of internal controls which provide reasonable assurance that it has complied with the requirements of its Fair Trading Arrangements for the year ended 31 March 2010. 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 application of the system of internal controls. We have also reviewed whether the Trust's statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls and we report if it does not.

Independent audits

The Trust 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 provides reasonable assurance that it has complied with the fair trading policy, competitive impact codes and fair trading guidelines. This audit includes a wide programme of reviews, tests and evaluations across all BBC divisions. The opinion of the auditors is set out below.

Our opinion has been prepared for, and only for the Trust, as a body, in accordance with our instructions which were agreed with the Trust Unit of the BBC on behalf of the FCC. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person other than the Trust or the Executive to whom this Report is shown, or into whose hands it may come, and no other person shall be entitled to rely on our opinion, save where expressly agreed by our prior consent in writing.

Our approach

We have performed a reasonable assurance engagement as defined in ISAE 3000. The objective of a reasonable assurance engagement is to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion on the BBC's compliance with its Fair Trading Arrangements for the year ended 31 March 2010.

Our work consisted of enquiry and testing to enable us to form a view as to whether an appropriate system of internal controls was in place. We also reviewed the processing of a sample of material transactions to provide us with reasonable assurance that the system of internal control had been applied.

Inherent limitations

As with any system of control, it is not practicable to ensure that no errors or irregularities have occurred without being detected. Our audit work was designed to give the Trust reasonable assurance as to the adequacy of the system of internal controls which were in place and being applied to deliver compliance with the requirements of its Fair Trading Arrangements for the year ended 31 March 2010. Further, because fair trading issues require judgements which ultimately might be tested in a court of law, competition authority or elsewhere, there is always a risk of challenge even where the system of internal controls has been followed and decisions have been taken with the greatest care.

Opinion

Based on the results of our procedures, in our opinion the BBC has established and has applied a system of internal controls that provide reasonable assurance that it has complied with the requirements of the Fair Trading Arrangements for the year ended 31 March 2010.

Deloitte LLP Chartered Accountants London

16 June 2010

BBC TRUST: OPENNESS AND TRANSPARENCY

The Trust is responsible for getting the best out of the BBC for licence fee payers. As important as what we do is how we do it. We ensure that our processes are as open and transparent as possible. As well as the information we publish each year in this Report, we report extensively on our work via our website, where we publish our reports and findings in full. We are supported in our work by the Trust Unit, professional staff who give us independent and objective advice on our duties and responsibilities.

Trustees and senior BBC managers meet regularly with members of the four Audience Councils to discuss the issues that matter to audiences and licence fee payers across the UK. The picture shows one such meeting with the Audience Council Scotland.





INSIDERS

INTERNAL GOVERNANCE

AS BBC TRUSTEES WE ARE COMMITTED TO UPHOLDING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE.

HOW WE OPERATE

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

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

Our work plan

Each year we publish our annual work plan. We get input from the Audience Councils about the issues that matter to audiences to help us determine what the priorities in our plan should be. You can find a summary of our 2010/11 work plan on page I-29, and the full plan on our website.

Openness and transparency

We take particularly seriously our Royal Charter requirement to operate openly and with transparency – we see this as part of our commitment to licence fee payers. On major pieces of work we consult publicly and expressly ask for the views of licence fee payers, the industry and those who will be affected by a proposal. We use our website as well as other means to encourage people to respond, making sure that there are plenty of opportunities for people to make us aware of their views.

After we make a decision we publish our conclusions clearly along with the evidence that has been used to reach them. We explain our decisions to licence fee payers, the industry and to those within the BBC who may be affected. We also publish the costs of our major pieces of work.

The Trust Unit

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

Trust committees

We do much of our work through seven committees, which can make certain decisions on behalf of the Trust as a whole. You can find the terms of reference for each of the Trust's committees on our website. Attendance at committee meetings is published on page I-46.





Audiences and Performance Committee

David Liddiment (Chair)
Diane Coyle
Alison Hastings
Dame Patricia Hodgson
Mehmuda Mian

The Audiences and Performance Committee (APC) oversees the performance of all of the BBC's public services on behalf of the Trust and monitors how the BBC (services in the UK and the BBC World Service) is delivering its public purposes as outlined in the Royal Charter.

Drawing on audience research, the APC assesses the performance of the BBC's services against the criteria set out in the service licences, using data provided by the Executive Board and independent analysis undertaken by the Trust Unit.

A key responsibility of the APC is to oversee the Trust's programme of service reviews. The Trust undertakes a service review of each of the BBC's UK public services at least once every five years. We report separately on this year's service reviews earlier in this Report.

Editorial Standards Committee

Richard Tait (Chair)
Chitra Bharucha
Anthony Fry
Alison Hastings
David Liddiment
Mehmuda Mian

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

Editorial standards are enshrined in the BBC's Editorial Guidelines which the ESC commissions from the Executive Board. The ESC is the final appeal body within the BBC in determining whether these Guidelines have been followed.

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

Finance and Compliance Committee

Rotha Johnston (Chair)
Anthony Fry
Dame Patricia Hodgson
Janet Lewis-Jones
Jeremy Peat

The Finance and Compliance Committee (FCC) undertakes the Trust's responsibilities on matters of finance, value for money and compliance.

The FCC scrutinises the BBC's annual budget from the Executive Board before it goes to the full Trust; approval from this committee is required for any significant financial investment. The FCC also manages the Trust's programme of value for money studies and is responsible for ensuring that recommendations from the reviews are implemented by the Executive Board.

The FCC oversees the Executive Board's compliance function (with the exception of editorial compliance, which is overseen by the ESC) and monitors internal controls and risk management. It also considers appeals regarding fair trading, TV Licensing and the Digital Switchover Help Scheme.

Strategic Approvals Committee

Diane Coyle (Chair)
Dame Patricia Hodgson
Rotha Johnston
Jeremy Peat
Richard Tait (until February 2010)
David Liddiment (attending in his capacity as chair of the APC, and only for matters relating to service approvals)

The Strategic Approvals Committee (SAC) considers proposals from the Executive Board for new services or changes to existing services, except those proposed as part of a service review (which are considered by the APC). The SAC determines whether a public value test (PVT) is required and advises the Trust accordingly.

The SAC manages any PVT or other consideration of a proposal from the Executive and makes recommendations to the Trust on possible outcomes.

The SAC also oversees the BBC's commercial strategy and any detailed commercial business plans being proposed to the Trust for approval.



Remuneration and Appointments Committee

Chitra Bharucha (Chair)
Anthony Fry
Sir Michael Lyons
Janet Lewis-Jones

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

Audience Councils Committee

Chitra Bharucha (Chair)
Alison Hastings (Trustee for England)
Rotha Johnston (Trustee for Northern Ireland)
Janet Lewis-Jones (Trustee for Wales)
Jeremy Peat (Trustee for Scotland)

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

General Appeals Panel

Membership is not fixed. The Panel consists of two Trustees and is generally chaired by the Vice Chairman (Chitra Bharucha).

The General Appeals Panel is also a committee of the Trust, although it meets only when required to hear complaints and appeals on behalf of the Trust that do not fall into one of the BBC's specific procedures. You can find more information about the BBC's complaints procedures on our website.

ASSESSING OUR OWN PERFORMANCE

Every year we review our own performance, including the performance of each committee, and summarise our findings in the Annual Report. This is a requirement that we set ourselves in our own Standing Orders, published on our website, and is also recommended by the Combined Code on Corporate Governance.

This year we undertook this exercise internally, with the support of the Trust Unit. Through the review we reflected on the operation of the Trust and its committees and on how the Trust is carrying out its business and fulfilling its remit. We discussed the outcomes of the exercise at the full Trust meeting as well as in each committee. The Chairman also interviewed all Trustees individually and discussed the effectiveness of each Trustee in undertaking his or her duties and responsibilities.

We believe that we undertake our supervisory and regulatory roles effectively. We take seriously our duty to make decisions in the best interests of licence fee payers, and we believe that the decisions we have made this year have achieved outcomes in line with these. In particular, we have progressed some major issues of concern to them in the overarching strategy review and through specific initiatives such as the review of Executive remuneration. Meanwhile our reviews of specific BBC services are beginning to deliver real change and make the BBC's output more distinctive.

We have also identified a number of areas to focus on further in the year ahead. These include continuing to ensure that the BBC delivers value for money, and that the outcomes of all our work are effectively communicated within the BBC and externally.



COSTS OF RUNNING THE TRUST

The Trust is funded from licence fee money. As such, running the Trust efficiently is very important.

Two years ago we committed to keeping the Trust's direct expenditure to not more than 0.35% of the BBC's UK public service spend. We are pleased to report that we have again met this commitment, with Trust direct expenditure representing 0.30% of the BBC's UK public service spend – a slight decrease to that achieved in 2008/09. In absolute

terms, our total expenditure has fallen significantly. This is mainly attributable to the reduced fees payable to Ofcom, which has not undertaken any market impact assessment work for the Trust this year. Ofcom has also refunded some fees relating to 2008/09 and earlier, following its own finalisation of its costs for those years.

We set out below the Trust's direct expenditure statement and the external auditors' report on this statement.

Table I-1
Trust relative spend

	2009/10 %	2008/09 %
Direct Trust expenditure as % of BBC UK public services spend	0.30	0.31

Table I-2
Statement of Trust expenditure

	Note	2009/10 £000	2008/09* £000
Trustee remuneration costs	1	730	741
Staff costs	2	4,749	4,756
Other operating costs	3	5,023	4,716
Restructuring costs	4	–	308
Direct Trust expenditure	5, 6	10,502	10,521
		2009/10 £000	2008/09 £000
Ofcom regulatory fees	7	3,521	3,571
Ofcom MIA fees	8	(117)	911
Total Ofcom fees payable by Trust		3,404	4,482
Total Trust expenditure		13,906	15,003

Notes to the statement of Trust expenditure

- The remuneration received by each Trustee is shown in the table on page I-45. The figures in the table above include the Trustees' fees, taxable benefits and social security costs.
- Staff costs include wages and salaries, social security costs and employer's pension contributions.
- Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's engagement activities and stakeholder events.
- The restructuring spend in 2008/09 resulted from a review of the way in which the regional Audience Councils are serviced. This resulted in a reduction in the number of staff required. The change was implemented during 2009/10.
- The expenditure shown above for the Trust represents direct external spend by the Trust. The Trust also made use of shared services provided by the BBC public services. These included property provision, finance, HR and information services.
- Of direct Trust expenditure, £1,320,000 (2008/09: £1,539,000) relates to spend on our activities in the four nations, which primarily covers support for the four national Audience Councils and the 12 regional Audience Councils.
- Ofcom allocates its costs of television and radio regulation to the BBC and the other UK commercial and public service broadcasting channels. The Trust pays the BBC's share of that allocation based on an estimate from Ofcom for the year.
- Ofcom Market Impact Assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking the MIA for the public value tests in the period. One MIA was completed in 2008/09 (local video) but none was undertaken in 2009/10. During 2009/10 Ofcom reviewed its costs and refunded the Trust for some past fees charged on MIA work.
- The cost classification between categories in the statement above has been slightly amended in 2009/10 compared with that used in the previous year. In particular Trustee social security is now shown within Trustee costs rather than operating costs. This means the Trustee costs shown above will not equal those shown in the remuneration table on page I-45. The amount shown above is a more complete representation of Trustee costs. Expenditure for the comparative period has been adjusted accordingly for consistency.

* The 2008/09 numbers have been restated to comply with International Financial Reporting Standards (IFRS) in order that they are comparable with the 2009/10 numbers. The effect is to increase staff costs by £4,000 in 2008/09 by inclusion of a holiday pay accrual.

Table 1-3
Trust people

Trust staff numbers have reduced slightly year-on-year reflecting the effect of the restructuring in the staffing of the English Regions support that took place in 2009.

	Note	Average per year 2010	Average per year 2009
		No.	No.
Trustees		12.0	12.0
Trust Unit staff	1, 2, 3, 4	68.1	70.2

Notes

1. 'EFT' means equivalent full-time numbers.
2. The majority of Trust Unit staff are based in London, with 18.7 EFT (2009: 21.8) based outside London providing support to the work the Trust undertakes in the four nations; Wales, Scotland, Northern Ireland and England.
3. Prior to July 2009, staff providing support to the 12 regional Audience Councils were not direct employees of the Trust although their staff costs were fully reimbursed by the Trust. During July 2009, following a restructuring of how the audience councils were served, the remaining staff required to support the regional Audience Councils transferred to being employed directly by the Trust. For comparison purposes these staff are included in the headcount numbers above for both years.
4. Within the Trust Unit staff, 14% come from black or minority ethnic backgrounds, 7% are disabled and 68% are women (2009: 9%, 5% and 68% respectively).

Director and senior manager remuneration

Nicholas Kroll, Director, BBC Trust, is the chief officer of the Trust as specified in the BBC's Royal Charter. He is the principal adviser to the Trust and chief executive of the Trust Unit. His base pay for 2009/10 was £238,680 (2008/09: £237,900) and the aggregate of his emoluments to 31 March 2010 was £282,609 (2008/09: £282,648). Along with other senior managers, he will not receive a bonus for 2009/10 (2008/09: nil). He is a member of the BBC Pension Scheme.

The Trust Unit has 13 senior managers in addition to the Director. The table below shows Trust senior managers' headcount by base salary as at 31 March 2010. Where staff are part time, the full-time equivalent salary is given. For both the years shown, senior managers were not eligible to receive a discretionary bonus award. They were also not eligible for any annual pay review in 2009/10. The increase in headcount year-on-year reflects timing differences in filling two vacancies created by staff departures prior to 31 March 2009.

Table 1-4
Senior manager headcount by salary band

Salary band	31 March 2010	31 March 2009
Under £70,000	4	4
£70,000 to £99,999	6	5
£100,000 to £129,999	2	1
£130,000 to £159,999	1	1
Total	13	11

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

In accordance with the terms of our engagement letter dated 3 June 2008, we have examined the above expenditure statement ('the Trust expenditure statement') for the year ended 31 March 2010 which has been prepared, further to the requirements of the BBC Royal Charter dated October 2006, by the Trustees and is their sole responsibility. The Trust expenditure statement has been prepared by the Trustees applying the recognition and measurement requirements of International Financial Reporting Standards.

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

Our report has been prepared for the Trust solely in connection with the Royal Charter. Our report was designed to meet the agreed requirements of the Trust and particular features of our engagement determined by the Trust's needs at the time. Our report should not therefore be regarded as suitable to be used

or relied on by any party wishing to acquire rights against us other than the Trust for any purpose or in any context. Any party other than the Trust who obtains access to our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

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



Scott Cormack
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 8 Salisbury Square, London, EC4Y 8BB
16 June 2010

TRUSTEE REMUNERATION

Fees

Our fees as Trustees are determined by the Secretary of State for Culture, Media and Sport, and reviewed annually by his department. In 2009 the DCMS recommended a 1.5% increase in fees for members of the Trust. We considered this recommendation but decided not to accept any increase, in line with the fact that the BBC froze pay for senior managers over the same period. This is reflected in the table below. Members of the Trust do not receive severance pay or other compensation for loss of office.

Expenses

We are reimbursed for expenses incurred on BBC business, which include travel, accommodation, work-related meals and hospitality. The expenses we are entitled to claim are governed by the Trust's Code of Practice, which is published on our website. Every six months we publish a full list of all

expenses incurred by each Trustee as well as the services booked centrally for Trustees by the Trust Unit.

Some of our expenses and support services are classed as taxable benefits by HM Revenue and Customs and this figure is published in the remuneration table; any tax arising on expenses incurred is settled by the BBC.

Chairman's benefits

Under the terms of his appointment, the Chairman, Sir Michael Lyons, is eligible to participate in a pension scheme with benefits that mirror those of the BBC Pension Scheme. Sir Michael has elected not to participate in this scheme, hence the BBC has made no pension contributions for him. Instead, he receives life assurance at a similar level of cover to that of Pension Scheme members. He also receives private medical insurance cover at the same level as BBC senior managers. Other than the Chairman, Trustees are not eligible to participate in the BBC Pension Scheme or receive private medical insurance.

Table 1-5
Trustees' remuneration

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

	Fees £000	Taxable benefits £000	Total 2009/10 ¹ £000	Total 2008/09 £000	Appointment term	
					Start Date	End Date
Chair and Vice Chair						
Sir Michael Lyons ²	143	61	204	213	1 May 07	30 April 11
Chitra Bharucha	77	1	78	79	1 Nov 06	31 Oct 10
National Trustees						
Alison Hastings*	41	0	41	42	1 Nov 06	31 Oct 10
Rotha Johnston*	41	0	41	42	1 Nov 06	31 Oct 10
Janet Lewis-Jones*	41	0	41	42	1 Nov 06	31 Oct 10
Jeremy Peat*	41	0	41	42	1 Jan 06	31 Dec 10
Trustees						
Diane Coyle*	36	0	36	37	1 Nov 06	31 Oct 10
Anthony Fry ³	36	0	36	15	1 Nov 08	31 Oct 12
Dame Patricia Hodgson*	36	0	36	36	1 Nov 06	31 Oct 10
David Liddiment*	36	0	36	36	1 Nov 06	31 Oct 10
Mehmuda Mian	36	0	36	36	1 Nov 06	31 Oct 10
Richard Tait*	36	0	36	36	1 Aug 04	31 Jul 10
Former Trustee						
Dermot Gleeson ⁴	–	–	–	21	1 Nov 00	31 Oct 08
Total Trustees	600	62	662	677		

¹ As noted above, Trustees did not accept any fee increase for 2009 and their fees for 2009/10 are therefore the same as for 2008/09.

² The higher taxable benefits figure for Sir Michael reflects the fact that the Chairman's office is located in London and he lives in Birmingham, therefore his travel to London and accommodation when in London on BBC business is classed as a taxable benefit. Sir Michael also received life assurance and private medical insurance costing £4,817 and £2,398 respectively for 2009/10 (2008/09: £4,354 and £2,277).

³ Anthony Fry was appointed as a BBC Trustee on 1 November 2008; accordingly his fees for 2008/09 relate to the period 1 November 2008-31 March 2009.

⁴ Dermot Gleeson finished his term as a member of the Trust on 31 October 2008.

* These Trustees all had taxable expenses less than £500 and consequently have been rounded to £nil on the table above. The total amounts claimed by these Trustees amounted to £2,329.99.

Register of interests

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

Reporting regulations

The BBC is exempt from the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Services Authority but, where relevant, we have prepared this Report as if those requirements apply. The section on remuneration received by Trustees is audited.

On page I-42 you will find information about the Remuneration and Appointments Committee and on page I-25 our strategy for Executive Board remuneration.

TRUSTEES' ATTENDANCE AT MEETINGS

Trustees' attendance at Trust and committee meetings for the period 1 April 2009 to 31 March 2010 is shown below.

A calendar of full Trust meetings and their minutes, and the terms of reference for each committee, are published on our website.

For more information about the committees and their responsibilities, see pages I-40 to I-42.

Table I-6
Meeting attendance table

	Trust	Audiences and Performance Committee	Editorial Standards Committee	Finance and Compliance Committee	Strategic Approvals Committee	Remuneration and Appointments Committee	Audience Councils Committee	General Appeals Panel ¹
Number of meetings	16	11	14	14	13	4	5	6
Chairman								
Sir Michael Lyons	16/16	–	–	–	–	4/4	–	–
Vice Chairman								
Chitra Bharucha	15/16	–	13/14	–	–	4/4*	5/5*	6/6*
National Trustees								
Alison Hastings (England)	15/16	11/11	13/14	–	–	–	5/5	–
Rotha Johnston (Northern Ireland)	16/16	–	–	14/14*	12/13	–	5/5	–
Janet Lewis-Jones (Wales)	16/16	–	–	14/14	–	4/4	5/5	–
Jeremy Peat (Scotland)	16/16	–	–	13/13 ²	13/13	–	5/5	–
Trustees								
Diane Coyle	14/16	10/11	–	–	13/13*	–	–	–
Anthony Fry	15/16	–	10/14	11/14	–	4/4	–	–
Dame Patricia Hodgson	16/16	11/11	–	14/14	13/13	–	–	–
David Liddiment	15/16	10/11*	13/14	–	–	–	–	2/2
Mehmuda Mian	13/16	7/11	11/14	–	–	–	–	5/5
Richard Tait	11/16	–	13/14*	–	10/11 ³	–	–	1/1

Notes:

¹ The General Appeals Panel does not have a constant membership.

² Jeremy Peat did not attend one Finance and Compliance Committee meeting due to a potential conflict of interest.

³ In February 2010 Richard Tait ceased to be a member of the Strategic Approvals Committee.

* Denotes committee Chairman.

Attendance at Audience Council meetings and other committees

The Royal Charter establishes Audience Councils in each of the nations to advise the Trust on delivering its public purposes and how well the BBC is serving licence fee payers in different parts of the UK.

The Audience Councils are chaired by the respective National Trustee. National Trustees' attendance at Audience Council meetings for 2009/10 was:

- Alison Hastings 7/7
- Rotha Johnston 11/11
- Janet Lewis-Jones 11/11
- Jeremy Peat 11/11

Diane Coyle and Jeremy Peat represent the Trust on the Market Impact Assessment Joint Steering Group with Ofcom. There was only one meeting during this period, which they both attended.

Jeremy Peat is chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme, which meets six times per year. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.

The Trust set up an ad hoc appeals panel three times between 1 April 2009 and 31 March 2010. Committee membership included Chitra Bharucha, Diane Coyle, Dame Patricia Hodgson, Rotha Johnston, Mehmuda Mian, Jeremy Peat and Richard Tait.

Statements of responsibilities in respect of the annual report and accounts

a) Statement of Trust responsibilities in respect of the annual report and accounts

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

In preparing its associated corporate governance disclosures, the Executive Board has elected to comply with the 2008 Financial Reporting Council Combined Code and the disclosure provisions of the Companies Act 2006, and, where applicable, the Financial Services Authority Listing Rules which apply to a company quoted on an EU regulated market.

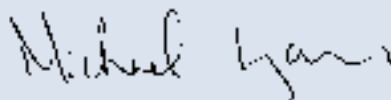
In order to comply with those requirements, the annual report must include disclosures on the governance arrangements of the Trust as well as those of the Executive Board. These disclosures, which are audited, are the responsibility of the Trust, and are included in Part One of this report.

The Charter also requires the Trust to prepare a statement of its expenditure and include it within Part One of the annual report.

b) Statement of disclosure of information to auditors

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

This statement was approved by the Trust on 16 June 2010.



Sir Michael Lyons

Chairman
16 June 2010

CONTACT US

CONTACTING THE BBC

If you wish to find out more about the BBC's year – including full financial statements and each service's performance against its Statement of Programme Policy, as well as other public commitments, please visit **www.bbc.co.uk/annualreport**.

The report is also available in Welsh and in audio version.

If you want information or to know more about how the BBC is run please visit **www.bbc.co.uk/aboutthebbc**.

For tickets to shows, tours and events please visit **www.bbc.co.uk/showsandtours**.

If you have a comment, appreciation or complaint about BBC programmes and services please visit **www.bbc.co.uk/feedback**.

Or write to BBC Audience Services,
PO Box 1922, Darlington, DL3 0UR

Comment line tel: 03700 100 222*

Other queries tel: 03700 100 123*

Textphone 03700 100 212*

Lines are open 24 hours a day, seven days a week.

Calls may be monitored or recorded for training purposes.

Last year the BBC had over 3.3 million contacts with the general public.

BBC TRUST

If you have any comments or questions about the work of the BBC Trust you can contact us by post, email, or telephone.

BBC Trust Unit

1st Floor

180 Great Portland Street

London W1W 5QZ

Telephone: BBC Information line 03700 103 100†*

Textphone: 03700 100 212*

Lines open Monday to Friday between 9.30am and 5.30pm.

Email: trust.enquiries@bbc.co.uk

BBC AUDIENCE COUNCILS

The Audience Councils in England, Scotland, Wales and Northern Ireland, help the BBC Trust to understand the needs and concerns of audiences throughout the UK.

To contact the Audience Councils:

Audience Council England

Email: audiencecouncil.england@bbc.co.uk

Audience Council Scotland

Email: acs@bbc.co.uk

Audience Council Wales

Email: acw@bbc.co.uk

Audience Council Northern Ireland

Email: audiencecouncil.ni@bbc.co.uk

† Calls may be recorded for training purposes.

* 0370 numbers are 'UK wide' and cost no more than calls to 01 or 02 geographic numbers.

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