

B B C

QUALITY FIRST



Annual Report and Accounts
2010/11



BBC ANNUAL REPORT AND ACCOUNTS 2010/11

**Presented to Parliament by the Secretary of State
for Culture, Olympics, Media and Sport
by command of Her Majesty
July 2011**

Subject index	Part 1	Part 2
Appreciation index by service		2-4 to 2-7
Audience approval – KPI	1-6	2-23
Board remuneration from 2011/12		2-61
Board remuneration 2010/11	1-20	2-60
Commercial companies	1-19	2-46/2-69
Content spend by service	1-19	2-4 to 2-7
<i>Delivering Quality First</i>	1-7	2-36
Digital switchover	1-9	2-40
Distinctiveness – KPI	1-6/1-25	2-31
Efficiencies	1-7	2-69/2-71
Innovation		2-45
Licence fee	1-24	2-3
Licence fee spend	1-17	2-69/2-73
News audiences	1-8/1-13	2-19
Public purposes	1-8	2-14
Quality – KPI	1-6	2-27
Radio from Nations & Regions	1-12	2-12
Reach – KPI	1-6	2-35
Reach by service	1-10	2-4 to 2-7
Reach (BBC News channel versus Sky)		2-10
Reach (BBC radio versus main commercial groups)		2-9
Reach (BBC network TV versus main commercial groups)		2-8
Service performance	1-10	2-4 to 2-7
Staff management and remuneration	1-37	2-41
Talent costs	1-18	2-44
Time spent with service		2-4 to 2-7
Trust expenditure	1-37	
Trust – KPI	1-6	2-19
Trustee remuneration	1-35	
Trust work plan 2011/12	1-42	2-12
TV programming spend by Region		2-12
VfM: Cost per User by service		2-4 to 2-7

Copyright

The text of this document may be reproduced free of charge in any format or medium providing that it is done so accurately and not in a misleading context. It must be accredited to the BBC.

Design

luminous.co.uk

PART I THE BBC TRUST'S REVIEW AND ASSESSMENT



Part I

BBC Trust

Overview

- I-1 Chairman's foreword
- I-2 Year in brief
- I-4 Chairman's thoughts after a month in office

BBC performance

- I-6 Strategic objectives
- I-8 Purposes
- I-10 Service performance
- I-15 Securing editorial standards
- I-17 Financial performance
- I-18 Delivering value for money
- I-21 Trading fairly

Trust performance

- I-24 The licence fee settlement
- I-25 Improving quality and distinctiveness
- I-26 Improving value for money
- I-27 Promoting openness and transparency
- I-28 Serving all audiences

Inside the Trust

- I-30 BBC Trustees
- I-32 Governance

Taking part

- I-40 Audience engagement
- I-41 Audience Councils
- I-42 The Trust's plans for 2011/12
- I-43 Contact the Trust

Subject index

	Part I	Part 2
Appreciation index by service		2-4 to 2-7
Audience approval – KPI	I-6	2-23
Board remuneration from 2011/12		2-61
Board remuneration 2010/11	I-20	2-60
Commercial companies	I-19	2-46/2-69
Content spend by service	I-19	2-4 to 2-7
<i>Delivering Quality First</i>	I-7	2-36
Digital switchover	I-9	2-40
Distinctiveness – KPI	I-6/I-25	2-31
Efficiencies	I-7	2-69/2-71
Innovation		2-45
Licence fee	I-24	2-3
Licence fee spend	I-17	2-69/2-73
News audiences	I-8/I-13	2-19
Public purposes	I-8	2-14
Quality – KPI	I-6	2-27
Radio from Nations & Regions	I-12	2-12
Reach – KPI	I-6	2-35
Reach by service	I-10	2-4 to 2-7
Reach (BBC News channel versus Sky)		2-10
Reach (BBC radio versus main commercial groups)		2-9
Reach (BBC network TV versus main commercial groups)		2-8
Service performance	I-10	2-4 to 2-7
Staff management and remuneration	I-37	2-41
Talent costs	I-18	2-44
Time spent with service		2-4 to 2-7
Trust expenditure	I-37	
Trust – KPI	I-6	2-19
Trustee remuneration	I-35	
Trust work plan 2011/12	I-42	2-12
TV programming spend by Region		2-12
VfM: Cost per User by service		2-4 to 2-7

Presented to Parliament in accordance with the BBC Royal Charter 2006 (sec. 45).

Cover picture shows new comedy for 2010, *Grandma's House*, starring Simon Amstell and co-written by him and Dan Swimer.

Chairman's foreword



The licence fee settlement saw the BBC achieving certainty for licence fee payers through a deal lasting until 2017.

I joined as Chairman on 1 May 2011; my report here covers a year in which the Trust was led by my predecessor, Sir Michael Lyons. On page 1-4 I give my reflections on the BBC and its future after a month in office.

I arrived at the end of a big year for the BBC. The licence fee settlement, negotiated in October 2010, was unexpected, but saw the BBC achieving certainty for licence fee payers through a deal lasting until 2017. In December 2010 the Trust concluded a review of the BBC's strategy which set out a roadmap for how we will implement the settlement.

High levels of satisfaction with the BBC

We know that people value the BBC's content. This year 80% of people said that they would miss the BBC if it wasn't there, while our programmes and services continued to reach 97% of UK adults. This is a tribute to the skills of those involved.

Getting value for money

But despite this popularity, we know the institution itself commands less affection. One concern is value for money. Under the Trust's leadership, the BBC has made good progress on savings this year, for example in reducing senior managers' pay, although I believe there is more to do here. And it was good to see a Trust review showing the work done in previous years on getting value from continuing drama bearing fruit.

Distinctive, high quality content

Savings aside, what does value for money really mean? Principally people want to see their money spent on good programmes. For the BBC this means offering both the highest quality and something that is different. With a population of over 60 million in the UK there is inevitably a wide variety of tastes and expectations; the BBC's services must cater for everyone yet be distinctive.

The Trust's TV service reviews this year (BBC One, BBC Two and BBC Four) showed good progress in the drive to make schedules more distinctive. Highlights for me include BBC Two's *The Crimson Petal and the White* and the *Horizon* programme on the Japanese earthquake, and BBC One's *Sherlock*.

The Trust's reviews of BBC Radio 3 and BBC Radio 4 showed that these stations offer something truly different – for me this includes BBC Radio 3's nightly concert and BBC Radio 4's Today programme, which manages to sound fresh every day. The Trust's challenge to the Executive here is to reach more listeners without sacrificing any of the distinctiveness which makes these stations BBC flagships.

Access in the digital age

The BBC has a duty to bring the advantages of the digital age to all licence fee payers and, with so many more platforms available, it must remain at the cutting edge of technology while doing so within its budget. This year the Trust approved BBC One HD, involvement in YouView (internet-enabled television), and mobile Apps for news and sport.

Finally, I would like to pay tribute to Sir Michael. As the Trust's first Chairman, he had the challenging job of ushering in a new era of BBC governance. On behalf of the BBC I would like to thank him for setting us on a sound footing to tackle the challenges ahead.

Lord Patten of Barnes
Chairman

Year in brief: making the licence fee work harder

The BBC Trust exists to get the best out of the BBC for licence fee payers. This means setting a clear vision for the BBC and ensuring that it delivers what the public wants. Here is how the Trust has worked in licence fee payers' interests during the year.

2010/11

May 2010

Growing high definition

Trust approves launch of high definition version of BBC One. Allows daily broadcasting on dedicated BBC HD channel to increase from nine to 12 hours.

June 2010

Internet TV given the green light

Following extensive consultation, Trust approves BBC's participation in internet-enabled TV (YouView), which will allow viewers to watch on-demand programmes on their television sets.



July 2010

Putting Quality First

Trust sets out initial conclusions on Executive's strategy for future direction of the BBC, which include finding that case had not been made for closure of BBC 6Music.

Mobile Apps get the go-ahead

Trust concludes that plans to launch BBC smartphone applications (Apps) can go ahead. Trust notes that audiences will increasingly expect to be able to access BBC content in this way.



August 2010

Boosting opportunities for radio indies

Trust asks the Executive effectively to double the amount of BBC commissions open to the independent radio sector, following a review of supply in the market.



September 2010

Greater transparency for BBC finances

Trust agrees to extend relationship with National Audit Office, so the NAO can decide which areas of BBC operations to review.

1 Smartphone Apps – a new way to access BBC content.

2 Children's favourite *Horrible Histories* is produced in HD.

3 Chair of the Trust's Finance and Compliance Committee, Rotha Johnston.

4 *An Education*, from BBC Films, was available on demand from BBC iPlayer.

5 Tosca on *Live from the Met* on BBC Radio 3.

6 Live audience for *Young Person's Question Time*.

October 2010**Licence fee settlement provides stability**

Following Trust's proposal to Government to freeze licence fee until 2013, Trust agrees new licence fee settlement for six years, taking responsibility for funding the World Service from 2014, and making a contribution to funding S4C.

November 2010**More distinctive programming**

Trust asks BBC One to make daytime and peaktime schedules more distinctive, following service reviews of BBC One, BBC Two and BBC Four which highlighted how important this is to audiences.

December 2010**Putting Quality First**

Trust publishes new strategy to guide BBC as it plans for life under new licence fee settlement.

Serving all audiences

Trust approves Executive's proposal to make BBC's Gaelic language service, BBC ALBA, available on Freeview.

**January 2011****Making on-demand content more widely available**

Trust publishes provisional conclusions of syndication review, looking at how BBC programmes can best be made widely available on different platforms. Trust provisionally concludes that BBC on-demand content should be syndicated to other operators via BBC iPlayer, not on a programme-by-programme basis, and consults on this. Review continues.

February 2011**Excellent services deserve broader audiences**

Trust's service review concludes that audiences greatly value BBC Radio 3's and BBC Radio 4's distinctive and high quality content and endorses Executive's plans to enable both stations to extend core appeal.

Defining the BBC's global role

Trust publishes a new global strategy for the BBC, setting out how it should bring the UK to the world and the world to the UK, alongside generating financial value from programmes sold overseas.

March 2011**Better processes for acquiring sports rights**

An independent report commissioned by Trust following fair trading appeal and ruling on sports rights in 2009 finds that BBC processes for managing sports rights have improved and are serving licence fee payers well.

Throughout year**Reducing senior management pay bill**

Following Trust challenge, Executive has continued to cut senior management pay bill, and is on target to reach 25% reduction by December 2011. Trust expects BBC Executive proposals to drive down senior management pay further.

Full BBC Trust workplan for year ahead can be found at www.bbc.co.uk/bbctrust/about/how_we_operate/workplan/index.shtml

2011/12

Thoughts after a month in office

“It is an honour to be associated with what is simply the best broadcasting organisation in the world. If the BBC didn’t exist already I think it is unlikely that anyone would have the wisdom to create it. But the case for public service broadcasting is stronger than ever in the digital age, given the plethora of distribution channels available today.”

Lord Patten of Barnes, Chairman

A service for citizens

The BBC not only produces great programmes but also performs a primary function of providing accurate and comprehensive, independent and impartial news. It produces high quality services in some sectors – children’s broadcasting, for example – that wouldn’t otherwise be made. And it not only has its roots in our national culture, but also contributes to our sense of values and civic humanism. It’s worth noting that more people by far watched the Royal Wedding on the BBC than on other channels – a gap that has increased, in fact, since the wedding of the groom’s parents 30 years ago. The decision to turn first to the BBC for a great national occasion has become even more clear cut.

This says to me that people identify with the BBC and hold its programmes in great esteem, but we know that they want more assurance about where it is heading and how it is governed. The fact that the BBC is a great organisation does not mean that it is perfect, and it faces today both technological and financial challenges.

On the first point, none of us quite know what the impact of technology will be on listening and viewing habits in the next few years, but the BBC is as well placed to cope as anyone, a remarkable thing to be able to say about a public service body. It is a tribute to its investment in the cutting edge of technology.

Maintaining quality

On the second, like every other institution in the country, the BBC has to live within its means. At present it is bigger than the budget that can sustain it. Given the new licence fee settlement, the BBC is going to have to do less, but I am determined that programme quality will not suffer as a result. Very often when dealing with limited resources, organisations talk about priorities, but in practice ‘salami slice’ and try to make everything a priority. We cannot ‘salami slice’ in the BBC without risking quality in areas that matter to us.

The challenge for us in the next year is to set out and make progress towards a vision for an organisation which wants to retain quality on a fixed budget, with new demands being made on that budget. So collectively we will have to make some difficult choices and stand by them, with the overriding objectives of continuing to make the highest quality programmes and ensuring that the BBC reflects and serves audiences across the whole of the UK.

Enhancing the Trust’s strategic role

And what of the Trust’s role? Thus far I think it has done a difficult job extremely well. The Trust has a strong relationship with licence fee payers and has established itself as the strategic governing body of the BBC. In future I think we must enhance this strategic role. We must ensure we do not overburden the BBC with compliance; we must simplify and make more open the way we deal with complaints; and we must ensure that our relationships with the Executive, Ofcom and the wider broadcasting sector are as effective as possible. By making these changes we will help the BBC live up to the high expectations licence fee payers have of it.



BBC PERFORMANCE

Monitoring the BBC's performance is a key role of the Trust. We do this in several ways. We assess how well it is delivering the public purposes set out in the Royal Charter and how it is performing against strategic objectives. We monitor performance of the 28 services – TV, radio and online – and the BBC's editorial standards. We scrutinise finance and value for money and fair trading compliance.

Baking Made Easy, presented by Lorraine Pascale on BBC Two.

Performance against strategic objectives

The Trust sets the strategy for the BBC. Performance this year has been very good. We have seen progress in increasing the distinctiveness of BBC programmes but believe there is more to be done in some key parts of the TV schedules.

1. The BBC should increase the distinctiveness and quality of its output.

Much BBC output is very high quality but we still believe that the BBC can do more to make its most popular services more distinctive.

(Figures in brackets are for 2009/10)

- average score out of 10 for the BBC being 'high quality' rose to 6.8 (6.4)¹
- proportion of those agreeing strongly that the BBC is high quality rose to 42% (36%)¹
- average appreciation index (AI) for BBC television programmes remained at 82 (82)²
- average appreciation index (AI) for BBC radio programmes increased slightly to 80 (79)²
- average appreciation index (AI) for BBC Online sites was 80 (81)²
- proportion agreeing strongly that BBC television programmes are 'original and different' was stable at 36% (37%)²

Quality perceptions and appreciation of BBC output continued to be high, and we commend the Executive for this. We also saw some encouraging progress in the BBC becoming more creatively ambitious and distinctive in radio and television, but believe more can be done on the major television and radio services.

Distinctiveness is evidence of the BBC using the privilege of licence fee funding to take creative risks and demonstrate editorial ambition across the whole range of its output. Distinctiveness remains a major focus for the Trust this year.

2. The BBC should maintain the maximum reach consistent with its purposes and values.

BBC maintains reach at 97%, well in excess of the 90% target.

(Figures in brackets are for 2009/10)

- weekly reach across all BBC services in 2009/10 was 97% (97%)³

The BBC continued to perform very strongly in reaching people with its TV, radio and online services. This is impressive, given the number of alternative media available in the UK, and is a testament to the BBC's ability to create valued output for all audiences.

3. The BBC should maintain perceived value among high approvers and should increase perceived value among middle and low approvers.

We see some further improvement in audience approval.

(Figures in brackets are for 2009/10)

- proportion of those who are 'high approvers' of the BBC rose to 42% (38%)¹
- proportion of those who are 'low approvers' of the BBC fell to 10% (12%)¹

Audiences continue to vary in terms of their level of approval of the BBC with a minority demonstrating lower approval, despite the fact that they regularly consume BBC output. In future, we will focus on how the BBC can serve all audiences in a variety of ways.

4. The BBC should restore trust in its output.

Further growth in levels of trust this year.

(Figures in brackets are for 2009/10)

- average score out of 10 for 'I trust the BBC' increased to 6.4 (6.0)¹
- proportion of those agreeing strongly that 'I trust the BBC' rose to 37% (31%)¹

This objective was set in 2007 in response to a series of incidents relating to programme competitions and some editorial lapses. We continue to treat breaches of the BBC's editorial guidelines very seriously, but we are encouraged by the current level of trust in the organisation. We report on our work to uphold editorial standards on pages I-15 to I-16.



5. The BBC should increase the delivery of its public purposes.

We believe that pursuing greater creative and editorial ambition and giving all audiences across the UK something of value should be the Executive's main strategic aims; they are therefore central to the BBC's new strategy.

The BBC is required to promote a wide range of priorities across six public purposes. Its performance is strong overall, although audience expectations of the BBC are always very high and it does not always meet them.

We assess how the BBC has delivered its six public purposes on pages 1-8 to 1-9. Addressing the areas where performance does not meet expectations remains a focus for the Trust.

6. The BBC should deliver 3% cumulative efficiencies over five years.

New efficiency savings of £434million have been made this year. The BBC appears to be on track to deliver this target, with a cumulative £903million savings (net of costs) from the first three years of the five-year period.

Three years ago we set the BBC an efficiency challenge to deliver almost £2billion of savings, without impacting on service quality, over the five year period to March 2013.

The BBC's external auditors, KPMG, provide assurance each year on the value of the financial savings declared. We also assess whether the BBC has maintained quality of services whilst driving efficiency. Our service reviews and performance measures give us no cause for concern in this respect.

We have asked the National Audit Office to review the efficiency programme to see how well it is being managed and highlight any lessons as we consider future efficiency targets.

¹ In-depth local, national and international news and analysis are all part of the BBC's offer.

² Junior Doctors followed newly-qualified medics as they started working on hospital wards.

A new strategic framework for *Putting Quality First*.

When we approved the *Putting Quality First* strategy in December, we set four objectives for the BBC. These replace the six objectives reported above. We will report on progress against the new objectives in future Annual Reports.

Objective	How we will measure progress
1. Increase the distinctiveness and quality of its output	<ul style="list-style-type: none"> • average AI scores • audience perceptions of 'original and different'
2. Improve the value for money it provides to licence fee payers	<ul style="list-style-type: none"> • forecast annualised efficiency (%) • change in number of senior managers (%) • change in senior manager pay bill (%) • overheads as a % of expenditure • audience perceptions of value for money
3. Set new standards of openness and transparency	<ul style="list-style-type: none"> • publish an annual workplan and budget; annual senior manager pay bill; annual talent costs in agreed bands; quarterly expenses reports • hold industry briefings twice a year <p>We aim to track audience perceptions of the BBC's openness and transparency.</p>
4. Do more to serve all audiences	<ul style="list-style-type: none"> • audience reach to BBC • access to BBC services • network TV output (% produced out of London) • audience perceptions of representation of the nations and regions

¹ Source: Pan BBC Tracking Study (PBTS) April-October 2010 combined with Brand and Reputation Tracker (BaRT) November 2010 to March 2011. The PBTS survey was relaunched as the BaRT survey in November 2010 using the same methodology but updated questionnaire and weighting scheme.

² Source: BBC Pulse survey.

³ Source: BBC Cross Media Insight survey.

Purposes

People have very high expectations of the BBC. Overall this year, the BBC continued to deliver most of its public purposes well, and in line with or above audiences' expectations. However, there remain some areas for improvement, particularly concerning the culture and creativity, and the nations, regions and communities 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 six public purposes described on these two pages.

The Trust measures the BBC's performance against each of the purposes using a number of sources of information. We carry out an audience survey each year, in which we

ask how important the BBC's public purposes are, and how well audiences think the BBC is doing on each purpose. By comparing these scores we can see where the BBC is meeting audiences' expectations and where there are gaps. We also use the findings from our other activities such as service reviews, and other relevant research carried out by the Trust Unit, the Executive and our Audience Councils.



The BBC provides a broad news, politics and current affairs agenda.

Sustaining citizenship and civil society

This purpose is of central importance. Audiences' high expectations of news and current affairs are largely being met. Our reviews this year showed that BBC One and BBC Two make very important contributions to audiences' views of news and current affairs, while BBC Radio 4's news output lives up to and sometimes surpasses expectations. However, despite the good progress made by the Executive in reporting the issues and policies of devolved government and institutions which we noted last year, our survey showed that audiences still think the BBC could do more, particularly in Scotland. We have had constructive discussions with the Executive about addressing this challenge.



Coverage of the 70th anniversary of the Battle of Britain included *Dig 1940* with archaeologist Jules Hudson.

Promoting education and learning

Audiences' expectations are higher relative to the other purposes, and were largely met this year. However, as in previous years, parents with children under 18 felt that the BBC could do more. The BBC's formal learning provision is now primarily online, and both its usage and quality ratings remained high. The BBC also has a commitment to engage audiences with specific campaigns or charitable appeals designed to benefit society, and runs a wide range of these each year. Our BBC Radio 4 service review, which covered these areas, found that the station was supporting social and educational campaigns effectively, using partnerships to enhance the impact of educational output.



BBC Two's award-winning comedy *Miranda*.

Stimulating creativity and cultural excellence

The BBC needs to provide more distinctive and creative programmes, since audience expectations are still not being met. Our work shows that the biggest gap between audiences' expectations of the BBC and its performance lies in the distinctiveness of programmes, and that this is driven largely by perceptions of BBC One and BBC Two. In some areas the BBC is performing well, however. For instance, viewers believe that BBC Four often provides something original and different from other channels, while our review of BBC Radio 3 showed that the station makes an important contribution to the BBC's cultural and creative purpose.



Oyster Cafe in Shieldinch – the fictional home to BBC Scotland's soap *River City*.

Representing the UK, its nations, regions and communities

Audiences continued to feel there are weaknesses in how the BBC represents the different nations, regions and communities across its output. This was particularly true for Scotland and Northern Ireland, despite the good progress made in some areas such as reporting news. This year we will conclude our review of the BBC's nations radio services, in which we are exploring how they serve audiences in the devolved nations. The BBC has major initiatives designed to address issues of national and local representation. We are confident that these will show a positive outcome over time.



BBC Two's *This World* sensitively worked with the saved Chilean miners and their families to bring a fresh dimension to that story.

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

Audiences rated the BBC highly for bringing the world to the UK, and the BBC's global reach remained high. BBC One and BBC Two are particularly important to audiences' views in this respect; following our review of BBC Two, the channel reinforced its commitment to high quality international current affairs. The BBC provides international news services to audiences globally through the BBC World Service, as well as through the commercially-funded English language channel, BBC World News. The estimated collective reach of these in 2010/11 was around 225 million.



Radioplayer brings BBC and commercial radio together into one place.

Helping to deliver the benefits of emerging communications technologies and services

The BBC met expectations for its commitment to make engaging digital content available to audiences. This year the BBC launched BBC One HD and was a partner in the launch of Radioplayer. Targets for digital switchover were met. The national DAB radio network continued to expand, with coverage forecast to reach 92% by mid 2011.

Service performance

One of our main duties is assessing the performance of the BBC's services. This year, the BBC performed strongly in reaching almost all licence fee payers with high quality content. The television channels made progress in becoming more distinctive and portraying all audiences more effectively. We will continue to focus on areas where we believe there is still more scope for improvement.

The Trust holds the Executive to account for the BBC's performance through reviews of services. Here we report on the BBC's performance this year in the areas of:

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

Television

We were pleased that average quality scores ('AIs') have increased this year, but AIs for most non-BBC channels have also risen. This suggests that the improvement, like last year, continues to be driven by a range of factors other than just the programmes themselves, including greater choice of programmes and more use of high quality TV equipment including recording and time-shifting devices.

This year we completed our reviews of BBC One, BBC Two and BBC Four.

BBC One

BBC One remains by far the BBC's most popular channel, in terms of both audience numbers and approval scores. In 2010/11 average weekly viewing grew to nearly 7 hours 30 minutes per person, while the channel's average AI remained steady at 81.

Our service review concluded that BBC One could harness its size and popularity to be more ambitious and take more creative risks. In particular, it found that BBC One should seek to increase the range and variety of programming in peak time before the watershed, and show more ambition at 9pm, particularly by broadening the range and creative ambition of its drama. We will be looking at progress in these areas with the new Controller of BBC One during 2011/12.

BBC Two

BBC Two performed strongly in terms of showing ambition and taking creative risks, particularly in factual programming, comedy and new drama. We are encouraged by the channel's performance in ambitious drama and support its aspirations. We believe that BBC Two is not yet getting full credit from audiences for its more ambitious content, but think this will come in time if it consistently provides a distinctive offering. As noted in our service review, we believe that BBC Two has a key role to play in audience perceptions of the distinctiveness of BBC television. We will also track the impact of BBC current affairs to be assured that the BBC is delivering on its public service remit in this area.

Daytime on BBC One and BBC Two

Our service review found that the quality and ambition of parts of the daytime schedule on BBC One and BBC Two were not meeting audience expectations and we believe both channels could do more to deliver the public purposes. Progress in addressing this challenge is encouraging; for example both channels are beginning to show new types of programming such as social history.

BBC Three

BBC Three now reaches nearly 30% of its target audience of 16-34 year olds each week and quality measures are positive. Audiences showed particular appreciation for some factual programming covering challenging social and international current affairs. BBC Three's role is to take creative risks and innovate across all genres.

BBC Four

This channel performed well this year. Reach has continued to grow and now stands at over 10% each week; Cost per User Hour has decreased; and BBC Four has the highest average AI score of any BBC channel. Its key challenge is to achieve greater impact, not only among its viewers but also the general public, for the high quality and distinctive output it provides.



Children's (CBBC, CBeebies)

The BBC has a particular responsibility to offer originated programming for UK children, since the investment in UK programming by the many other children's channels' is very low.

CBeebies continued to perform exceptionally strongly, both in terms of reach and perceptions of quality. It remains the most watched children's channel among children aged six and under and is highly trusted by their parents.

CBBC also had a strong year. In cable and satellite homes, where CBBC competes with a very wide range of channels, the channel performed very strongly and increased its reach from 21% to 28% amongst children aged six to 12, although it remains well behind the Disney Channel.

Reach of children's content on BBC One and BBC Two continued to decline this year. By the end of the digital switchover, there will be universal access to the BBC's children's channels and in preparation for this, it will be important to assess the role of children's programming on BBC One and BBC Two. We will discuss with the Executive how to ensure that children's best interests are served.

BBC ALBA

In December we published our findings on the BBC's Gaelic language television channel, BBC ALBA. We found that BBC ALBA is performing well and is appreciated by both fluent Gaelic speakers and Gaelic learners. We also considered how to make BBC ALBA more widely available. Following a public consultation which attracted over 5,000 responses, we concluded that the service should be broadcast on Freeview, although it means displacing some BBC network radio stations in the evenings. The Trust took into account a range of strong and sometimes conflicting views, and this was a finely balanced decision.

Radio

Radio listening is strong in the UK, with 90% of adults listening every week. Following some years of decline, average listening hours increased slightly this year amongst all adults. However, young people are listening less and less, and it is clear that engaging with younger listeners represents a significant challenge for the BBC's radio stations aimed at this audience. We will consider the BBC's response to this challenge carefully over the coming year.

BBC Radio 1 and BBC 1Xtra

BBC Radio 1's remit is to engage a young audience with public service programming. It has grown reach to its distinctive output amongst its target audience and amongst younger teens this year which is a positive achievement given the challenge of reaching these audiences. However, we continue to challenge the Executive to ensure that BBC Radio 1 focuses more clearly on younger listeners, in line with the conclusions of our 2009 service review. Changes made to the service since the review have not resulted in a younger average audience so we have asked for further action to address this challenge.

BBC 1Xtra grew listening to record levels of over 800,000. Awareness of the station has also grown significantly on the back of closer links to BBC Radio 1.

BBC Radio 2

Following our review of BBC Radio 2 in 2010, we made a number of recommendations to make the station more distinctive, particularly during the day. We are pleased to see that the station has implemented these recommendations by strengthening its documentary, comedy and arts programmes, as well as showing greater editorial ambition in its popular daytime output. We expect to see more developments in these areas.

1 *The Sinking of the Laconia* told the story of the Allied ship, sunk by a U-Boat which then rescued the civilian crew.

2 The story of 16-year-old Jasmine Burkitt was told in *Small Teen Big World*.

Service performance continued/...



BBC Radio 3 and BBC Radio 4

Our review of BBC Radio 3 and BBC Radio 4 found that these stations were performing very well. They are extremely high quality and broadcast distinctive programming. Both stations face the challenge of appealing to a range of audiences without in any way jeopardising their distinctiveness.

BBC Radio 5 Live

BBC Radio 5 Live had a record year attracting over seven million listeners a week for the first time. We will look at the performance of BBC Radio 5 Live and its digital sister station BBC Radio 5 Live Sports Extra in more depth in the service review launched in April 2011.

BBC 6Music

Since the Executive proposed closing BBC 6Music last year, weekly reach has nearly doubled to over one million adults. Audience approval scores also increased. We support BBC 6Music's distinctive role in the BBC music radio portfolio and hope it can sustain this level of performance.

BBC Radio 7

Our review of BBC Radio 7 found that it is one of the best performing digital radio stations and is much loved by its listeners. We endorsed the Executive's proposals to rebrand BBC Radio 7 as BBC Radio 4 Extra as this may encourage more listeners to sample the station. However, in order to preserve the elements that audiences most value, the Trust amended BBC Radio 7's service licence so that commitments to comedy and drama were strengthened and the amount of BBC Radio 4 catch-up programming was limited.

BBC Asian Network

During 2010/11, the BBC Asian Network increased its reach to 16% of young British Asians. In 2010, the Executive suggested closing the service but has now withdrawn this idea and is considering the BBC Asian Network's future along with other BBC services as part of the wider BBC strategy review. BBC radio should seek to serve Asian listeners as well as it does other audience groups.

Nations and English regions radio

The BBC's national radio stations are BBC Radio Scotland, BBC Radio Wales, BBC Radio Ulster/Foyle, the Welsh language station BBC Radio Cymru, and the Gaelic language station BBC Radio nan Gàidheal. These, together with BBC Local Radio in England, make an important contribution to the BBC's remit to serve the different communities across the UK.

BBC Radio Ulster/Foyle continued to be the most popular station in Northern Ireland, while the other national stations and BBC Local Radio in England also had a strong year, boosting their reach and in many cases the average length of time listeners stayed tuned in.

We are in the process of reviewing the performance and strategy of the nations' radio stations and will publish our findings later this year. We will be launching a review of BBC Local Radio in England later this year and it will consider the impact of the Executive's content-sharing strategy which has been piloted this year.



Online

BBC Online

BBC Online came third only to BBC One and BBC Two in terms of reach, being used by 19.5 million adults each week, up from 17 million in 2009/10. This represents 57% of adults online. This growth was driven by particularly strong performances for news, with BBC Online playing an important role in engaging audiences with major news stories such as the severe weather, the Japanese earthquake and the General Election. In addition, the increasing use of smartphones and tablet devices helped to extend reach and usage, with around 2.6 million adults using them to access the BBC each week.

There is still some inconsistency in perceptions of quality across BBC Online, and overall quality scores fell slightly. This was an initial reaction to some major site re-launches, including the homepage, News and BBC iPlayer. We will continue to monitor quality perceptions of BBC Online closely.

In January 2011 we approved the BBC's new online strategy. It involves a budget reduction of 25%, clearer editorial boundaries around more distinctive content areas, and better navigation and linking. With this strategy, the Executive projects that reach will grow to 65% of online adults by 2013/14, and user appreciation from an average of 79 to over 80 in 2012/13, with fewer sites and products recording low appreciation scores. We will monitor progress against these objectives.

BBC Red Button

Reach to the BBC Red Button grew strongly in 2010/11. Quality scores improved and reach grew slightly. Major events, such as the World Cup, Wimbledon and Glastonbury, drew large audiences in the summer.

News

BBC News continues to be very highly regarded by audiences and recorded slight increases in audience perceptions of impartiality, trustworthiness and accuracy this year. Across all platforms, 81% of adults consumed BBC News each week.

The past year's strong news agenda helped the BBC's major news programmes and offerings increase audience size. Notably, the BBC News channel and BBC Parliament reached more viewers, with weekly reach doubling during the General Election. They also increased their approval scores. We are looking more closely at the performance and strategy of BBC News and BBC Parliament in our review of these services which is now underway.

Audiences have a high regard for the BBC's regional news in England, Wales and Northern Ireland and perceptions in Scotland are improving although they remain at a lower level. We are very aware of the challenges for BBC News in serving a UK-wide audience with network output, while also responding to the growing appetite for news of devolved matters in the nations.

Over recent years, we have seen a gradual decline in the reach of current affairs on television. We concluded in our review of television services that the BBC should aim to increase the impact of current affairs programming, particularly on BBC Two. We will look for evidence of this increase in impact in the coming year.

1 The BBC 6Music OB van was at Glastonbury.

2 *Just a Minute*. Comedy is important for bringing new audiences to BBC Radio 4.

3 The BBC News website has up-to-the-minute news, plus analysis and comment on the issues of the day.

4 BBC *Spotlight* presenters, David Braine, Victoria Graham and Justin Leigh.

Service performance continued/...



Sport

BBC Sport performed well across all platforms with strong audience perceptions of quality. BBC Sport continued to attract big audiences on television, radio and online, particularly to major events like the World Cup, Wimbledon and Formula 1, while average audiences continued to grow for *Match of the Day*, *BBC Sports Personality of the Year* and *Six Nations Rugby*. Broadcast coverage of the major sporting events across the year was also well supported by BBC Online and BBC Red Button.

The challenges for BBC Sport in the coming year will be first to maintain this strong performance when there are fewer major sporting events, and second to begin the build-up to the London Olympics in 2012.

BBC World Service

The BBC World Service is highly rated by its audience for the quality of its output. It continues to play a vital role in bringing impartial news and information to audiences around the globe. In 2010/11 it reached around 166 million people each week. This is lower than last year, due to the closure and reduction of some language services, following the cut in Government funding.

In adjusting to the reduction in funding we aim to ensure the BBC World Service maintains its quality, standards and impact. One of the ways we do this is through reviewing parts of the BBC World Service's activity each year. This year our research looked at the BBC's Persian television service, finding that the service is successfully reaching millions of Farsi speakers with an impartial and authoritative news service.

1 *BBC Sports Personality of the Year*, champion jump jockey AP McCoy.

2 BBC Persian television broadcasts in Farsi to Iran, Afghanistan and Tajikistan.

Securing editorial standards

The public expects the highest standards from the BBC, and upholding these standards is one of the Trust's most important responsibilities. Since October 2010, the BBC has been working to new Editorial Guidelines, approved by the Trust, which were designed to help ensure BBC content meets these expectations.

Handling complaints

Stage one: Most complaints are handled by BBC Audience Services, with some also being dealt with directly by the programme makers or independent production companies to which they are sent. BBC Audience Services answered just under 240,000 complaints last year, an increase of 20,000 from 2009/10. It is normal to see a fluctuation between years. In 2010 BBC Audience Services installed a new complaints database. A number of issues then affected complaints handling at stage one, resulting in only 81% of complaints answered within the target ten day timeframe at this stage, compared with 94% the year before.

The Trust was concerned and disappointed with the experience of some complainants during this time. The Executive has since reported back to the Trust on its actions to resume normal service and on lessons learnt.

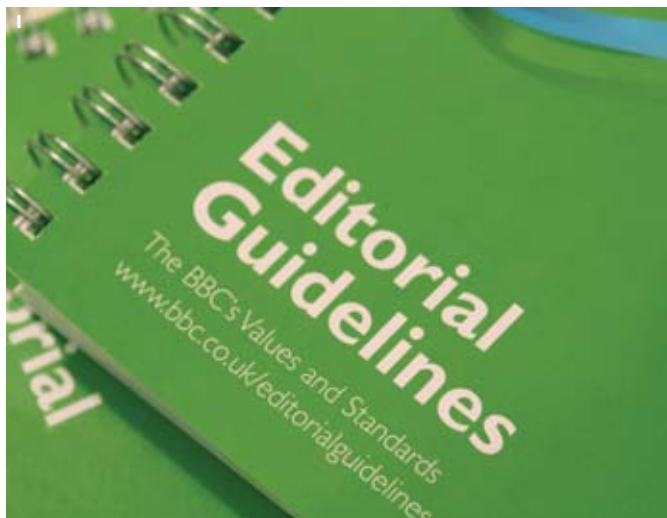
The Trust also undertook a mystery shopping exercise in 2011 to test the initial handling of complaints across the BBC. The phone service was satisfactory. Written responses were affected by some known performance issues. We were disappointed that only 64% of letters and 56% of emails received a reply within the timeframe set out in the Complaints Framework. This level of service for written complaints is not satisfactory. We are pleased to note the Executive has taken steps to improve turnaround times at stage one.

Stage two: 257 complaints were answered, 17 of which were upheld or partially upheld. 84% were answered within the target timeframe.

Hearing appeals (Stage three)

The Trust, through the Editorial Standards Committee (ESC), acts as final arbiter in the BBC's complaints process. In 2010, the ESC received 111 appeals, 84% of which were handled within the target timeframe (16 weeks from acceptance of the appeal), up from 48% last year. Of these, 40 were heard by the ESC, of which two were upheld, six were partially upheld and 32 were not upheld. The ESC also considered breaches reported by the Executive. The following were particularly significant:

- **BBC One – Panorama – Primark: On the Rack:** the ESC upheld an appeal about a *Panorama* programme entitled *Primark: On the Rack* which was broadcast on BBC One in 2008. The programme included footage of three boys in Bangalore apparently 'testing the stitching' on Primark garments. Having carefully scrutinised all of the relevant evidence, the ESC concluded that, on the balance of probabilities, it was more likely than not that the Bangalore footage was not authentic and that there had been a serious breach of the accuracy and fairness editorial guidelines. The Trust required an on-air and on-line apology. The appeal highlighted serious failings in the making of this programme. The BBC Executive has been asked to consider what changes ought to be made to the BBC's editorial policies following this appeal.
- **BBC Radio 1 – Harry Potter themed day:** the ESC concluded that there had been a breach of the Editorial Guidelines on undue prominence, taking all output together in the context of the launch of a Harry Potter film on the same day as this themed day on BBC Radio 1. Consequently, a new guideline about cumulative undue prominence was introduced and there was a re-emphasis within the BBC of the need for referral of all such themed output to the BBC's Editorial Policy team.



- **BBC One – Panorama – Death in the Med:** more than 2,000 complaints were made about the accuracy and impartiality of this programme. In the ESC's view, the programme was original, illuminating and well-researched, and they remarked it was unlikely that a programme covering such a contentious issue would be found to be entirely flawless if subjected to such a level of deconstruction and analysis. The appeal raised 51 points; the ESC upheld three of those points (two in relation to accuracy and one in relation to impartiality) and did not uphold the remaining 48. The Committee considered the programme achieved due impartiality and due accuracy.
- **The Curse of Steptoe:** in May 2009 the Trust upheld a complaint of inaccuracy and unfairness in this BBC drama. A re-edited version was shown later that year on BBC HD and released on DVD in June 2010. The complainant alleged the programme was still unfair. The ESC agreed and required the Executive not to re-broadcast the programme in its current form and to immediately withdraw from sale all copies of the programme.
- **Band Aid:** the ESC was informed that the Executive upheld in part a complaint by the Band Aid Trust of inaccuracy and unfairness regarding reports on the BBC in March 2010. An apology was broadcast.

The General Appeals Panel, a committee of the Trust which handles complaints which do not fall under the other complaints procedures of the BBC, received 24 appeals, of which nine were accepted. Seven of these were completed within 60 days, significant progress from last year. None were upheld.

Equality and diversity

To represent the diversity of licence fee payers effectively, the BBC itself should reflect the diversity of the UK population. The Trust receives an update annually from the Executive on progress in implementing its diversity strategy across the BBC. It focuses particularly on diversity amongst BBC employees.

Results for 2010/11

As noted in our report, *Observations on the Promotion of Equal Opportunities in Employment*, progress in some areas has been slow including diversifying the senior manager population and progress against the diversity targets for black and minority ethnic (BME) and disabled staff remains a concern. However, the Executive sets out activities which, over the next year, aim to work towards meeting these challenges and the targets which are in place until 2012.

New diversity strategy

This year the Executive developed a new diversity strategy, effective to 2014, which was approved by the Trust in March 2011. This was in response to the new Equality Act 2010 which extended the scope of previous legislation to include age, gender reassignment, pregnancy and maternity, religion and belief, and sexual orientation, as well as race, gender and disability. The new strategy will replace the BBC's existing equality schemes which were in place to cover race, disability and gender. The Executive is responsible for implementing the new strategy and, as before, will report on it annually to the Trust. Published alongside the strategy are the divisional diversity action plans which detail how the Executive will implement it.

1 The BBC editorial guidelines are available at www.bbc.co.uk/editorialguidelines/.

2 Mehmda Mian is lead Trustee on equality and diversity.

Financial performance

The BBC is not a profit-making organisation and so is not focused on the bottom line. Instead, we measure financial performance against a series of financial objectives which provide a measure of the BBC's progress in creating and delivering value to licence fee payers. The BBC has met, or is on track to meet, the financial objectives we have previously set.

Outturn for 2010/11 against those core objectives:

- Maximising the BBC's income by collecting the licence fee as efficiently as possible:** despite difficult economic conditions the BBC has again reduced the proportion of the licence fee that is spent on collection activities – down 0.1% to 3.4%. The combined cost of evasion and collection has remained stable year-on-year at 8.6% of licence fees collected.
- Making the BBC as efficient as possible, and providing good value for money:** the BBC remains on target to meet the challenge we set the Executive of delivering £1.9billion of efficiency savings by 2013. A further £434million of efficiency savings were achieved in the year taking the cumulative savings over the past three years to £903million.
- Maximising the returns the BBC makes on programmes paid for by the licence fee:** the contribution from BBC Worldwide to the money available for spending on UK public services, provided through a mixture of dividends and direct investment in programmes, has again increased – up 9% on the previous year to £182million.
- Spreading the benefit of the licence fee across the whole of the UK:** the BBC continues to make progress towards the target we set of making 50% of network television (by spend) outside London by 2016 with 12% spent in the nations by 2012 and 16% by 2016.
- Ensuring the licence fee supports the wider economy:** the BBC has spent £1.1billion in the UK's creative economy during 2010/11. The BBC has commissioned 36% and 13% of eligible television and radio content respectively from independent producers.

The BBC's performance against these objectives is set out in more detail within the Chief Financial Officer's review in Part Two of this Annual Report.

Below we comment specifically on two areas where we have taken a close interest in the past year. You can also read more about the activities we have undertaken to ensure the licence fee is spent wisely in the next section.

Financial stability for the BBC

We agreed a new licence fee settlement with the Government which provides financial stability and security for the BBC for the period to 2017. It is a tough settlement with the licence fee frozen for the next six years while the BBC also will be funding new obligations from that money – a decline in real terms. This means we will need to make some hard decisions about how the BBC spends its money. However the settlement brings some stability, giving us the space to make the necessary future decisions on the size and shape of BBC services and to set new challenging financial targets for the next few years.

Pension scheme

The BBC has a significant pension deficit and it was important that a funding plan for this was agreed with the Pension Scheme Trustees which was not only fair to pension scheme members and the BBC but, importantly, was also fair to the licence fee payers who fund the BBC. We have taken a close interest in the Executive's reforms of the pension scheme such that the ongoing scheme remains affordable and its funding sustainable in the longer term. We are satisfied that the deficit reduction plan and other reforms agreed with the Pension Scheme Trustees will ensure that the BBC can continue to meet its obligations as an employer whilst also ensuring that the funding of pensions does not take up a disproportionate amount of each licence fee.

Delivering value for money

As Trustees of the BBC, we are responsible for ensuring that the licence fee is spent wisely, with licence fee payers receiving maximum value for every pound spent. This was central to 2010's strategic review, while the licence fee settlement we secured in October 2010 means the BBC will have to work even harder to improve quality as it works to reduce overheads.

Our role is to ensure that the licence fee is spent in ways that meet audiences' expectations and delivers value for money. We focus on five areas:

- setting budgets and objectives
- monitoring operations
- specific reviews, some of which are chosen in discussion with the National Audit Office (NAO)
- contribution from commercial operations (BBC Worldwide)
- setting out a framework and strategy for executive pay

We are currently working through the implications of the licence fee settlement, but the impact on services can be reduced through more efficient ways of working. With tighter budgets, it is more important than ever that the BBC continues to focus on reducing overheads while investing in the high quality content we know licence fee payers want.

Setting budgets and objectives

Each year we review thoroughly and question the BBC's finances and budgetary plans. When our questions have been answered and changes we require 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, change individual service budgets as set out in their service licences. The current service budgets are on our website.

When appropriate, we 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 subsequently set targets for talent fees and senior management pay. During 2010, as part of the strategic review, we set further savings objectives, requiring the BBC to find additional savings to offset the freeze in the licence fee over the next six years. We also accelerated the timeline for achieving our required 25% cut in the senior manager pay bill.

Because of the new licence fee settlement the budget we have approved for 2011/12 is an interim budget that will enable the BBC to continue its operations while the Executive develops more detailed plans for the coming years that reflect the reduced level of funding.

Monitoring operations

We monitor the ongoing financial position of the BBC and its risk management processes through regular reports from the Executive. We question the external auditors, internal audit and the Audit Committee Chairman as to their views on the BBC's control environment. We also request information on specific areas in which we have an interest and on those areas where we have previously set specific efficiency targets.

Highlights from 2010/11

- **3% efficiency target:** the BBC generated a further £434million in efficiency savings during 2010/11 taking the cumulative net savings over the past three years to £903million. We asked the NAO to give us an independent view on the Executive's management of the efficiency programme, and will hear back later in 2011.
- **Talent costs:** in 2009 we asked the Executive to reduce spend on talent, particularly at the top end. This year the BBC spent £9million less on talent, of which £2.9million related to those people earning over £100,000.
- **Senior management pay:** the Executive is making progress against the agreed target of reducing the senior manager pay bill by 25% before the end of 2011; as at March this had reduced by over 18%. The Trust is monitoring achievement against this target closely.
- **Project health checks:** following the NAO report on the BBC's major estates projects last year, we asked the Executive to carry out a series of independent health checks on all the BBC's major strategic projects. We have monitored the outcome of these reviews through the past year and are satisfied with the governance of these projects.



The National Audit Office study into BBC continuing drama – including *EastEnders*, shown here – concluded that production costs were tightly controlled.

- **Compliance with service licence budgets:** all but one of the services complied with their budgets. BBC Radio 1Xtra underspent its budget by 13% exceeding the permitted 10% tolerance. We were satisfied, however, because the underlying performance data show that this underspend was delivered without compromising quality.
- **Licence fee collection:** we heard one appeal relating to complaints about licence fee collection which was not upheld. A further appeal, heard since the year end, was partially upheld and as a result we asked the Executive to review its processes to reduce further the risk that some licensed households may be chased unnecessarily.

Specific value for money reviews

We undertake a rolling programme of value for money studies, mainly commissioned from the NAO, which act as an independent check on the Executive's activities.

This year we commissioned two studies from the NAO and a third from consultancy MTM London. You can find the three reports on our website, including the recommendations made and what actions the Executive has carried out as a result.

DMI programme (NAO study)

The digital media initiative (DMI) is a technology transformation project designed to allow BBC staff to develop, create, share and manage video and audio content and programming on their desktop. The project, which began in January 2008 with costs of £133.6million to the end of March 2017, aims to improve production efficiency across the BBC.

The Executive appointed the BBC's existing IT contractor, Siemens, to develop the programme. The contract with Siemens was terminated by mutual agreement in July 2009, and the Executive brought delivery of the project in-house, offsetting its increased costs by a £27.5million financial agreement with Siemens. The NAO concluded that the early stages of the programme did not give good value for money, mainly as a result of a 21-month delay leading to £26million of benefits not being achieved in the period 2009/10 to 2010/11. However it noted that in-house delivery of the system has

started well and, while there is a considerable way to go, users have been positive about the elements delivered thus far.

Producing continuing drama (NAO study)

The study looked at production costs on six long-running shows. The NAO found that all were tightly controlled, and that the average cost of producing an hour of continuing drama had fallen by 20% in real terms over the last eight years, with the programmes being delivered on time and largely within budget. However it recommended that the BBC strengthens its approach to achieving value for money in continuing drama by being more systematic in comparing and challenging production costs and processes.

Managing sports rights (MTM London study)

The Executive revised the process for the acquisition of sports rights following a Trust fair trading finding relating to the acquisition of FA Cup rights in 2009. The study concluded that the BBC has improved its processes for the acquisition of sports rights, and that overall these are working effectively and serving licence fee payers well. Nonetheless it made a series of recommendations around strengthening existing acquisition processes.

Contribution from commercial activities (BBC Worldwide)

During the past year we approved a new commercial strategy for BBC Worldwide. BBC Worldwide exploits the value in the BBC's intellectual property on the licence fee payer's behalf and from these activities is able to make a significant contribution, through dividends and direct investment in programmes, to the funding of the public services. It has returned £486million over the past three years.

We take care, through our approval of the commercial strategy, to give BBC Worldwide clear parameters within which to operate which ensure that its activities are fully aligned with the BBC's public service interest. In particular we seek to ensure that no commercial activity damages the core BBC brand and the reputation of the BBC, either at home or abroad. The parameters include a focus on BBC intellectual property and international growth. They balance the need for growth with acceptable levels of risk.

Delivering value for money continued/...

The new strategy for BBC Worldwide aims to ensure that it delivers growing sustainable dividends (within the parameters set by the BBC Executive and the Trust) in support of the BBC's overall funding model.

Setting out a framework and strategy for executive pay

We recognise that how much the BBC pays its people plays a big part in delivering value for money. The Trust has a specific responsibility for determining the pay of the Director-General and the non-executive directors. It sets the strategy for executive pay, within which the Executive Board's Remuneration Committee sets the remuneration of executive directors.

Our approach to executive pay is to strike a balance between ensuring that the BBC pays enough to attract the right people to deliver the distinctive, high quality service that licence fee payers expect, and meeting licence fee payers' expectations that the BBC will offer value for money. This latter consideration is of particular importance at a time of financial constraint. Executive remuneration at the BBC must

also reflect the fact that the BBC is a publicly funded institution with public service values. This will naturally be taken into account as the current strategy is reviewed.

Bringing forward our target for reducing executive pay

Our review in 2009 set the current framework for executive remuneration at the BBC. Among other things, this review required a 25% reduction in the senior manager pay bill. During 2010/11 we agreed with the Director-General that achievement of this target should be brought forward to December 2011, and the Executive Board is on track to deliver this.

This year the Director-General has overseen significant changes to the Executive Board that will help achieve the target, and we welcome this response. In addition to structural changes, all members of the Executive Board have agreed to a voluntary reduction in their remuneration, equivalent to one month of their base salary or fees; this reduction is for two years.

Executive Board remuneration report 2010/11

The amount paid to members of the Executive Board for 2010/11 is detailed in the Executive Board's Remuneration Committee report in Part Two of this Annual Report.

a) Director-General

The Director-General, Mark Thompson, is the BBC's chief executive officer, editor-in-chief and Chairman of the Executive Board. 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 right to be considered for a performance-related bonus. The bonus element is currently suspended. The Director-General has been entitled to receive a 'pension supplement' in the form of a cash contribution equivalent to his pension on the portion of his salary that was over the pensions earning cap. During the year the Director-General agreed that, in line with other executive directors, he would give up this entitlement. This change came into effect from 1 April 2011.

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.

On behalf of the Trust, the Chairman undertakes an annual performance assessment of the Director-General. He continues to meet his objectives and we believe that he provides strong and effective leadership of the BBC. The next possible date for a pay review for the Director-General is August 2013.

b) Non-executive directors

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

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

In December 2010 we reviewed the level of fees paid to the non-executive directors and agreed that there would be no change in the level; the next review will take place in December 2013. The non-executive directors are currently taking a voluntary reduction in their fees equivalent to one month's pay.

c) Executive directors

Each year the Executive Board's Remuneration Committee provides the Trust with a formal report assuring us that the Trust's strategy for executive remuneration has been followed. We have considered the report for 2010/11 and have concluded that the current strategy is being followed.

Trading fairly

We have a duty to ensure that the BBC conducts its commercial trading activities fairly and minimises as far as possible its competitive impact on others. This year we conducted a review of the fair trading policy which governs the BBC's trading behaviour, and will publish the results in the summer of 2011.

The Trust sets the high level fair trading policies which determine what the BBC, as a public service broadcaster, should do to minimise its impact on others in the markets in which it operates (see www.bbc.co.uk/bbctrust/our_work). Although the Trust is responsible for approving new BBC services or significant service changes via a public value test, we also scrutinise certain other planned activities to ensure the BBC complies with its fair trading obligations.

Responsibility for day-to-day fair trading compliance and for handling fair trading complaints lies with the Executive through its Fair Trading Committee.

The Trust also considers appeals on Fair Trading matters. Last year the Finance and Compliance Committee (FCC) considered a fair trading appeal from Virgin Media concerning BBC iPlayer.

Highlights from 2010/11

During 2010/11, we:

- approved the Executive's plans to launch News and Sports Apps for mobile devices following independent research into the Apps market which it published. The Trust's assessment was prompted by representations from industry. The Trust decided that a public value test was not required to approve this proposal
- launched a major public consultation and review of BBC syndication policy, due to be published in 2011. The policy sets out how the BBC reaches wider audiences by making its content available on third-party platforms
- published a study into how the BBC ensures value for money when it acquires sports rights for broadcast on radio and TV, following a fair trading appeal we partially upheld last year. The review concluded that the BBC's management of sports rights acquisitions is working well overall but made some recommendations to strengthen further acquisition processes

- launched our first review of the Trust's fair trading policies, including a public consultation, due to be published during 2011. This review is examining how well current policy is working and whether any improvements can be made. It is drawing on views from the public consultation, from BBC staff, from appeals heard by the Trust over the past few years and also from insights from the external fair trading auditors
- commissioned external auditors to report to us on the BBC's compliance with its own fair trading policy
- the Trust also oversees the BBC's commercial services which 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

Trading fairly continued/...

Independent fair trading auditors' report to the BBC Trust for the year ended 31 March 2011

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 2011.

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 'Trading fairly'. 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 2011, 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 2011. 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.

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 2011. 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 2011. 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 provides reasonable assurance that it has complied with the requirements of the Fair Trading Arrangements for the year ended 31 March 2011.

Deloitte LLP
Chartered Accountants
London

23 June 2011

A portrait of Mark Kermode, a man with grey hair, wearing a dark blue pinstriped suit jacket, a dark blue shirt, and a red tie. He is looking slightly to the right of the camera with a neutral expression. The background is dark and out of focus.

TRUST PERFORMANCE

Trust performance is about getting the best out of the BBC for licence fee payers. This includes championing the distinctive, high quality programmes and services we know audiences want; getting more value from the licence fee; and ensuring that the BBC is run efficiently, openly and fairly in the interests of all audiences. This year also saw the Trust getting a fair deal for audiences and a stable future for the BBC by negotiating a new licence fee settlement.

Live Arts and performance, as well as commentary and discussion on them, are distinctive elements across BBC services. Picture shows Mark Kermode, BBC Radio 5 Live film critic and co-presenter of BBC Two's *The Culture Show*.

A stable future for the BBC

The licence fee settlement

The BBC reached a new licence fee settlement with the government in autumn 2010. The settlement was not expected at this time but was prompted by the government's spending review which had included consideration of the BBC taking over the funding of free television licences for over-75s and the BBC World Service.

The Trust felt that any questions of such major financial significance could not be discussed without a review of the licence fee, since the BBC could not take on additional financial obligations without the security of a long-term settlement.

Safeguarding the BBC's independence

Working alongside the Executive, we were therefore only willing to negotiate on the basis of a full licence fee settlement to 2017, the end of the current Royal Charter period. Our central objective during negotiations was to safeguard the editorial and operational independence of the BBC. We also wanted to ensure the BBC would have the security of funding needed to deliver the high quality programmes and services that licence fee payers expect. Our principles were that:

- the licence fee must be fixed to the end of the Royal Charter period and not tied to the Government's spending period
- no further demands should be made on the BBC's finances during that time
- decisions about the future scale and scope of BBC services must remain with the Trust as set out in the Royal Charter, and any new efficiency targets must allow the Trust to reconsider the scope of services if necessary

- any use of licence fee money must contribute to the BBC's public purposes as required by the Royal Charter, and the Trust should remain responsible and accountable to licence fee payers for how all that money is spent

A fair deal for licence fee payers

In negotiations with the Government, we secured what we believe to be a fair deal for licence fee payers, given the tough economic climate. The level of the licence fee is to be frozen for the duration of the settlement, which means a decline in real terms each year.

There are new obligations for the BBC. We have agreed to take on funding the BBC World Service and BBC Monitoring, from 2014 and 2013 respectively, core to our public purpose of bringing the UK to the world and the world to the UK. We will help create a new partnership and funding model for S4C. We will also provide some funding for new local television services. Part of the licence fee will be reserved for spending on broadband roll-out, in view of our purpose to help deliver the benefits of new technology to the public. We rejected the Government proposal that the BBC should fund free television licences for the over-75s. They will continue to be funded by the Government.

It is a tough settlement, but it provides stability and security, and it ensures that the Trust will continue to make decisions on the size and shape of BBC services that are aligned with our public purposes and in the interests of licence fee payers.

Due to the speed of settlement negotiations, we were not able to involve licence fee payers, but we will consult them on the decisions needed to implement the settlement and make the necessary savings.

A tough licence fee settlement challenges the BBC to continue to deliver distinctive content in line with its core public purposes.





Ensuring the licence fee is worth it

Improving quality and distinctiveness

We have been consistent in our challenge to the Executive to raise standards of quality and distinctiveness. Being licence fee funded, the BBC is uniquely placed to care about more than just ratings. The BBC is here to deliver public service ambitions. The BBC's contribution to British culture and society is enormous; we believe it can be greater still through the creative ambition of programme makers and commissioners.

This point is not lost on the BBC's audiences. As we know from our research, great content is their single most important priority. Distinctiveness is therefore central to each of our service reviews. These reviews do not confine themselves to results; they set out recommendations to improve the service which we follow up later. Here are some of this year's highlights.

BBC Radio 2 – championing daytime distinctiveness

BBC Radio 2 is a hugely popular station and highly rated by its many listeners. Our service review asked the station to harness its popularity to take greater creative risks and demonstrate greater distinctiveness in daytime output. Some examples of BBC Radio 2 rising to this challenge during the year included Chris Evans' short story writing competition for children aged 13 and under; drive-time support for poetry week to coincide with National Poetry day; a social action campaign to promote internet take-up amongst BBC Radio 2's older listeners; and moving coverage of the *Folk Awards* to peaktime.

BBC Two – regaining creative ambition

Over the last few years audiences had become less clear about the role of BBC Two, which can be overshadowed by the flagship television channel BBC One. During the course of our service review discussions of this matter with the Executive, we saw real progress in BBC Two achieving higher creative ambition across a range of programming, from drama and comedy to lifestyle and specialist factual. We think BBC Two's role is now becoming much clearer.

An ongoing priority

Of course, notions of quality and distinctiveness are always changing; a programme that appeared distinctive one year may not be the next. So quality and distinctiveness will remain a focus of our service reviews, and continue as a strategic priority for the BBC.

BBC Radio 2's Graham Norton offers his listeners a vibrant mixture of music, celebrity chat, sport and travel.

Making every penny count

Improving value for money

Improving value for money is about getting more from the licence fee. It is not code for cost cutting, although there is always an element of this. Rather it is about setting clear priorities for the BBC based on what audiences want, and making sure that the money is spent wisely on these priorities. Currently only around 58% of audiences consider the licence fee to be good value for money. We therefore need to improve, and to explain better how the money is being spent.

Focusing on what audiences want

We know that audiences want the BBC to spend money on programmes, so we support the Executive's commitment to increase the share of investment in content while reducing overheads.

In January we initiated significant savings by requiring the Executive to cut the online budget by 25% by 2013, focusing on areas that are not very well used or valued by audiences. And we began a review of the BBC's syndication policy, the basis on which the BBC makes content available on other platforms, to make sure that audiences have access to content, but that this is done in an efficient manner.

Last year we agreed a 25% reduction in the senior management pay bill by the end of 2011. There has been substantial progress during the year towards the target, through a mix of reductions in the number of senior posts and in the pay for specific posts.

Checking progress

Each year we commission externally, particularly from the National Audit Office, some specific value for money studies. One showed that the Executive has made significant efficiency savings in recent years through reducing production costs on continuing dramas while maintaining their quality. Our work also confirmed that the Executive's new processes for acquiring sports rights work effectively. However the study of the digital media initiative – a technology project designed to make production more efficient – showed that the early stages of this seven-year project were not good value for money. Steps have already been made to rectify this and the project should still deliver the efficiency targets set for it on completion in 2017.

Maintaining a value for money culture is only going to become more important in the years ahead, given the freeze in the licence fee agreed this year until 2017. Our job will be to support and challenge the Executive to make sure the BBC continues to deliver the high quality that audiences want as efficiently as possible.

A National Audit Office study into BBC continuing drama like *Holby City* concluded that production costs had fallen by around 20% in real terms over the last eight years.





Knowing what you are paying for

Promoting openness and transparency

We know our audiences want the BBC to spend their money on content, and on delivering that content in a convenient way. But of course there is far more to delivering great quality content than simply investing in programmes, services and platforms; there are many other costs associated with running an organisation like the BBC. For licence fee payers to trust that the BBC is spending their money wisely in this respect – on the things that they don't see or hear – we have to be open about where the money's going and what the BBC's plans are for the future.

This year we have opened up the BBC to more scrutiny than ever by licence fee payers, supported by our close relationship with the NAO which conducts value for money studies on our behalf. We are also continuing to encourage the Executive to be more open to sharing information while, of course, observing necessary confidentiality.

Salaries

People's pay is always a subject of great interest to the public, never more so than when money is tight. The public can assess for themselves whether or not they are getting value from BBC spending on on-air and on-screen talent; even so, this year we required the Executive to report in far more detail on the talent pay.

Senior management pay is a more controversial issue. Again we asked the Executive to be more transparent this year by publishing all senior managers' pay, along with a clear explanation of how the BBC is organised, so that people can judge for themselves how the BBC's managers are delivering value. The structure of the BBC will remain a focus for our attention in the new licence fee settlement.

Understanding the BBC's future

All public companies are expected to explain how they plan to deliver returns to their shareholders. In the same way, we believe that the BBC should explain its strategy for delivering programmes and services to licence fee payers. So this year, for the first time, we required the Executive to publish a business plan. As well as being clearer for licence fee payers, it will also give more clarity to others in the media industry about the BBC's plans.

Openness and transparency are not goals that can simply be ticked off a list, however. They should be part of accepted behaviour and attitudes at the BBC, which is why we have set improving openness and transparency as one of the four strategic objectives for the BBC's future.

Over each year we consult a broad range of stakeholders to ensure that we can consider the spectrum of opinions, especially among licence fee payers.



What licence fee payers want

Serving all audiences

The licence fee is designed to ensure high-quality output, free at the point of delivery, available to all. This means the BBC must provide some content that all audiences value and that can be accessed conveniently.

Portraying our audiences

We know that, while in general the BBC is highly rated by audiences across the UK, it gets less popular further away from London. We would like to tackle this imbalance.

There are two aspects to our work on this front: making programmes outside London, where the BBC is on track to meet the targets we've set; and reflecting the varied character of the UK within the programmes themselves, which we know is very important to audiences.

We think there has been good progress on this question of portrayal this year, with programmes like *Being Human* and *Exile* showing a real sense of place intrinsic to their strong storylines. Audience Council feedback suggests that this is appreciated by licence fee payers.

Accessing content

All licence fee payers, wherever they are, expect to be able to get the programmes they want, when they want them. And there is an ever-increasing number of platforms and devices on which people expect to be able to access BBC content. The Trust has set the BBC the aim of ensuring that every household has convenient access to all relevant BBC services, free at the point of use. This means the BBC must invest in new technology as platforms develop and yet make careful choices to ensure that audiences are served fairly and that the BBC keeps its primary focus on investing in high-quality content.

This year, following our review of the Gaelic-language service in Scotland, BBC ALBA, we approved the Executive's plan to put it on Freeview. This will give many more people access to the service. This required the removal of some of the BBC's radio services from Freeview, in Scotland only, while the television channel is on-air. This was not an easy decision but is an example of the tough choices the BBC faces in terms of audience access.

Also this year the Trust approved the BBC's participation in YouView, an open standard internet-connected TV offer, which will give people access to all on-demand content through a set-top box. We also reviewed the Executive's plans to launch mobile Apps for news, sports and the BBC iPlayer. We determined that whilst offering licence fee payers a new way to access the BBC's existing services, the proposals did not represent a significant change to a service and therefore that it was not necessary for the Trust to conduct a public value test.

BBC ALBA documentary *Cobairean Mara* (Sea Shepherds) visited the rugged and isolated Eilean Garbh, the highest of the Shiant Islands, off the west coast of Scotland.

A photograph of Lord Patten of Barnes, the BBC Trust Chairman, in a dark suit and red patterned tie, speaking to Diane Coyle, the Vice Chairman, who is partially visible on the left. The background is a blurred office setting.

INSIDE THE TRUST

The BBC Trust, as the governing body of the BBC, is separate from the Executive which manages the BBC's day-to-day operations. 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.

Here you can find details of the Trustees and their remuneration and an explanation of how we run the Trust in the interests of all licence fee payers.

BBC Trust Chairman Lord Patten of Barnes in conversation with Vice Chairman Diane Coyle.

BBC Trustees

Trustees are part-time and come from a variety of backgrounds, bringing a wide range of experience to the BBC.

Trustees are appointed by the Queen on advice from ministers, following an open appointments procedure. Amongst the Trustees we have a Chairman, a Vice Chairman, and a National Trustee for each of England, Scotland, Wales and Northern Ireland.

Lord Patten of Barnes, Chairman

Appointed Chairman from 1 May 2011.

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

Diane Coyle OBE, Vice Chairman

Appointed Vice Chairman from 1 May 2011.

Chairs Strategic Approvals Committee; led reviews of BBC One, Two and Four, and BBC Red Button. Other roles: Director, Enlightenment Economics; Stakeholder Advisory Panel member, EDF Energy.

Richard Ayre

Joined the Trust on 1 August 2010.

Other roles: Freedom of Information Adjudicator; The Law Society; member of the Advisory Committee, Sense About Science.

Anthony Fry

Lead Trustee for fair trading and value for money reviews. Other roles: Chairman, Espirito Santo UK, Dairy Crest, and CALA; non-executive director, Control Risks, Twig Rights Ltd.

Alison Hastings

Trustee for England (chairs Audience Council England); chairs Editorial Standards Committee and Audience Councils Committee. Other roles: Vice president, British Board of Film Classification; retained consultant and trainer, Press Complaints Commission.

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.

David Liddiment

Chairs Audiences and Performance Committee; led Trust's review of BBC Radio 3, BBC Radio 4 and BBC Radio 7. Other roles: non-executive director, All3Media; associate, Old Vic Theatre Company; chair, Hepworth Wakefield Gallery.

Bill Matthews

Joined the Trust on 1 January 2011.

Trustee for Scotland (chairs Audience Council Scotland). Other roles: Director, M2M2 Limited; chairman, NHS National Services Scotland; non-executive director, Security Industry Authority, Scottish Police Services Authority.

Mehmuda Mian

Chairs General Appeals Panel; lead Trustee for equality and diversity issues. Other roles: non-executive director, Independent Safeguarding Authority; associate director, Lokahi Foundation.

Elan Closs Stephens CBE

Joined the Trust on 1 November 2010.

Trustee for Wales (chairs Audience Council Wales). Other roles: Professor, Aberystwyth University; non-executive director, Strategic Delivery and Performance Board and chair, Corporate Governance, Welsh Assembly Government; non-executive director, Imax Waterloo for BFI.

This reflects the membership of the Trust at 23 June 2011. There were two vacancies on the Trust at this time.

The terms of office of Sir Michael Lyons (Chairman), Chitra Bharucha MBE (Vice Chairman) and Trustees Janet Lewis-Jones, Jeremy Peat and Richard Tait CBE have concluded since we published our last Annual Review. Dame Patricia Hodgson DBE stood down from the Trust on 6 June 2011.



Lord Patten of Barnes
Chairman



Diane Coyle OBE
Vice Chairman



Richard Ayre



Anthony Fry



Alison Hastings
England



Rotha Johnston CBE
Northern Ireland



David Liddiment



Bill Matthews
Scotland



Mehmuda Mian



Elan Closs Stephens CBE
Wales

Governance

As important as what we do is how we do it. Our processes are as open and transparent as possible. As well as this Report, we publish reports and findings in full on our website. We are supported in our work by the Trust Unit, professional staff who give us independent advice on our duties and responsibilities.

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. These provide more detail on how we carry out these duties and responsibilities and, where necessary, explain the duties and responsibilities of the Executive Board. You can find all of these documents on our website.

Our regular business is undertaken in monthly meetings of the full Trust. 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 an 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 2011/12 work plan on page I-42, 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 us on our duties, manages the Trust's supervisory and regulatory functions, and provides the Trust with independent assessments of proposals from the Executive Board. Most Unit staff are based in London; others are based in offices in Belfast, Birmingham, Cardiff and Glasgow.

Trust committees

We do much of our work through committees, which can make certain decisions on behalf of the Trust as a whole. The members of each Committee and their attendance during 2010/11 are shown in the table on page I-34. You can find the terms of reference for each of the Trust's committees on our website.

Audiences and Performance Committee

Chair: David Liddiment

The Audiences and Performance Committee (APC) 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.

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 once every five years. We report separately on this year's service reviews on pages I-10 to I-14.

Editorial Standards Committee

Chair (from August 2010): Alison Hastings
Chair (until July 2010): Richard Tait

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

Chair: Rotha Johnston

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 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

Chair: Diane Coyle

The Strategic Approvals Committee (SAC) considers proposals from the Executive Board, including for new services or changes to existing services, except those proposed as part of a service review (which are considered by the APC). 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

Chair (from May 2011): Lord Patten
Chair (from November 2010 until April 2011):
Sir Michael Lyons
Chair (until October 2010): Chitra Bharucha

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

Chair (from January 2011): Alison Hastings
Interim Chair (from November to December 2010):
Jeremy Peat
Chair (until October 2010): Chitra Bharucha

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 usually consists of two Trustees and was chaired by the Vice Chairman (Chitra Bharucha) until October 2010 and by Mehmuda Mian from November 2010.

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.

Governance continued/...

Trustees' attendance at meetings

Trustees' attendance at Trust and committee meetings for the period 1 April 2010 to 31 March 2011 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.

	Trust	Audiences and Performance Committee (APC)	Editorial Standards Committee (ESC)	Finance and Compliance Committee (FCC)	Strategic Approvals Committee (SAC)	Remuneration and Appointments Committee (RAC)	Audience Councils Committee (ACC)	General Appeals Panel ¹
Number of meetings	19	11	15	15	10	4	5	5
Chairman								
Sir Michael Lyons	18/19	±	±	±	±	4/4*	±	±
Vice Chairman								
Chitra Bharucha	12/13	±	7/8	±	±	2/2*	3/3*	4/4*
National Trustees								
Alison Hastings (England)	18/19	11/11	15/15*	±	±	±	5/5*	±
Rotha Johnston (Northern Ireland)	17/19	±	±	15/15*	10/10	2/2	5/5	±
Janet Lewis-Jones (Wales)	13/13	±	±	7/7	±	2/2	3/3	1/1
Bill Matthews (Scotland)	3/3	±	±	4/5	3/3	±	1/1	±
Jeremy Peat (Scotland)	15/16 ²	±	±	8/10 ³	7/7	±	4/4*	±
Elan Closs Stephens (Wales)	6/6	±	6/7	8/8	±	±	2/2	1/1
Trustees								
Richard Ayre	12/12	±	9/9	±	7/7	±	±	±
Diane Coyle	17/19 ⁴	11/11	±	±	10/10*	±	±	2/2
Anthony Fry	17/19	±	9/15	12/15	–	4/4	±	±
Dame Patricia Hodgson	19/19	11/11	±	13/15 ⁵	10/10	±	±	±
David Liddiment	17/19	11/11*	15/15	±	±	±	±	1/1
Mehmuda Mian	17/19	8/11	11/15	±	±	±	±	2/2*
Richard Tait	6/7	±	6/6*	±	±	±	±	±

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

² Jeremy Peat did not attend one Trust meeting due to a potential conflict of interest.

³ Jeremy Peat did not attend two FCC meetings due to a potential conflict of interest.

⁴ Diane Coyle did not attend one Trust meeting due to a potential conflict of interest.

⁵ Dame Patricia Hodgson did not attend two FCC meetings due to a potential conflict of interest.

* Denotes committee Chairman during 2010/11.

± Denotes Trustee is not a member of Committee listed.

Committee membership changes during 2010/11

Editorial Standards Committee (ESC): Alison Hastings (Chair from August 2010); Richard Tait (Chair until July 2010); Elan Closs Stephens (from November 2010); Chitra Bharucha (until October 2010).

Finance and Compliance Committee (FCC): Bill Matthews (from January 2011); Elan Closs Stephens (from November 2010); Janet Lewis-Jones (until October 2010); Jeremy Peat (until December 2010).

Strategic Approvals Committee (SAC): Richard Ayre (from August 2010); Bill Matthews (from January 2011); Jeremy Peat (until December 2010); David Liddiment (attending in his capacity as Chair of the APC, and only for matters relating to service approvals).

Remuneration and Appointments Committee

(RAC): Lord Patten (Chair from May 2011); Sir Michael Lyons (Chair from November 2010 until April 2011); Chitra Bharucha (Chair until October 2010); Diane Coyle (from May 2011); Janet Lewis-Jones (until October 2010).

Audience Councils Committee (ACC): Alison Hastings (Trustee for England; Chair from January 2011); Bill Matthews (Trustee for Scotland, from January 2011); Elan Closs Stephens (Trustee for Wales, from November 2010); Chitra Bharucha (Chair until October 2010); Jeremy Peat (Trustee for Scotland, until December 2010; interim Chair from November to December 2010).

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 2010/11 was:

Trustee	Attendance
Alison Hastings	7/7
Rotha Johnston	9/9
Janet Lewis-Jones	5/5
Bill Matthews	2/2
Jeremy Peat	7/7
Elan Closs Stephens	5/5

Jeremy Peat remains chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme. He also chairs the Committee of Directors, which discusses funding issues, and the Governance sub-committee. 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 once between 1 April 2010 and 31 March 2011. For this meeting, committee members were: Alison Hastings, Janet Lewis-Jones, David Liddiment, Jeremy Peat and Richard Tait.

Trustee changes during the year

Richard Tait's term as Trustee ended on 31 July 2010.

Richard Ayre's term as Trustee began on 1 August 2010.

Chitra Bharucha's term as Vice Chairman ended on 31 October 2010.

Janet Lewis-Jones's term as National Trustee for Wales ended on 31 October 2010.

Elan Closs Stephens' term as National Trustee for Wales began on 1 November 2010.

Jeremy Peat's term as National Trustee for Scotland ended on 31 December 2010.

Bill Matthews' term as National Trustee for Scotland began on 1 January 2011.

Assessing our own performance

We have a commitment to review our performance, including that of each committee, annually, and to summarise our findings in the Annual Report. This year we carried out this review internally, supported by the Trust Unit. We considered the outcomes at the full Trust meeting, as well as at each committee.

Our focus this year has been on the development of the BBC's new strategy, *Putting Quality First*, and our continuing programme of service reviews. We believe that, as part of the strategy review and through our reviews of specific BBC services, we have progressed some major issues of concern to licence fee payers. We have held the Executive to account

and based our decisions on what audiences have told us, while taking into account the views of industry representatives and BBC staff. We will continue to set the strategy for the BBC, based on our understanding of audiences' priorities.

We believe that we carry out decision-making effectively through our full Trust meetings and committee structure and that we deal with the flow of business efficiently.

We have identified a number of areas to focus on further in the year ahead. These include even greater oversight of strategic and budgetary issues, ensuring that the BBC delivers value for money; and effectively communicating the outcomes of our work within the BBC and externally.

Trustees' remuneration

Fees

Our fees as Trustees are determined by the Secretary of State for Culture, Olympics, Media and Sport, and are reviewed annually by his department. In September 2010, Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the Director-General and other Executive Board members. The reduced rates will be in effect until 31 August 2012 and are reflected in the table overleaf. Trustees do not receive severance pay or other compensation for loss of office.

Expenses

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

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

Chairman's benefits

Under the terms of his appointment, Sir Michael Lyons (Chairman until 30 April 2011) was eligible to participate in a pension scheme with benefits that mirror those of the BBC Pension Scheme. Sir Michael elected not to participate in this scheme, hence the BBC made no pension contributions for him. Instead, he received life assurance at a similar level of cover to that of pension scheme members. He also received 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. Sir Michael Lyons had part-time access to a BBC driver and car when working in London on BBC business.

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

Governance continued/...

Trustees' remuneration

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

	Fees £000	Taxable benefits £000	Total 2010/11 £000 ¹	Total 2009/10 £000	Appointment term	
					Start date	End date
Chairman and Vice Chairman						
Sir Michael Lyons ²	136	48	184	204	1 May 07	30 April 11
Chitra Bharucha ^{3*}	44	–	44	78	1 Nov 06	31 Oct 10
National Trustees						
Alison Hastings [*]	39	–	39	41	1 Nov 06	31 Oct 14
Rotha Johnston	39	–	39	41	1 Nov 06	31 Oct 12
Janet Lewis-Jones ³	23	–	23	41	1 Nov 06	31 Oct 10
Bill Matthews ⁴	9	–	9	–	1 Jan 11	31 Dec 14
Jeremy Peat ³	30	–	30	41	1 Jan 06	31 Dec 10
Elan Closs Stephens ⁴	16	–	16	–	1 Nov 10	31 Oct 14
Trustees						
Diane Coyle ^{5*}	34	–	34	36	1 Nov 06	30 Apr 15
Richard Ayre ⁴	22	–	22	–	1 Aug 10	31 Jul 14
Anthony Fry	34	–	34	36	1 Nov 08	31 Oct 12
Dame Patricia Hodgson	34	–	34	36	1 Nov 06	31 Oct 14
David Liddiment	34	–	34	36	1 Nov 06	31 Oct 14
Mehmuda Mian	34	–	34	36	1 Nov 06	31 Oct 12
Richard Tait ³	12	–	12	36	1 Aug 04	31 Jul 10
Total	540	48	588	662		

¹ As noted above, Trustees took a voluntary 8.3% pay cut, in parallel with the Director-General and Executive Board, in September 2010. Fees for 2010/11 are therefore lower than in 2009/10.

² The higher taxable benefits figure for Sir Michael Lyons reflects the fact that his office was located in London and he lived in Birmingham, therefore his travel to London and accommodation when in London for BBC business was classed as a taxable benefit. Sir Michael Lyons also received life assurance and private medical insurance costing £5,466 and £1,339 respectively for 2010/11 (2009/10: £4,817 and £2,398).

³ Chitra Bharucha, Janet Lewis-Jones, Jeremy Peat and Richard Tait all ended their appointments part way through the financial year; accordingly their fees only relate to their time in office and do not cover the full year.

⁴ Bill Matthews, Elan Closs Stephens and Richard Ayre began their appointments part way through the financial year; accordingly, their fees only relate to their time in office and do not cover the full year.

⁵ Diane Coyle was appointed as Vice Chairman on 1 May 2011 and her term will now run until 30 April 2015.

* These Trustees all had taxable benefits less than £500 and consequently these have been rounded to nil. The total amounts claimed by these Trustees amounted to £522.36.

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.

Costs of running the Trust

Three 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 0.31% of the BBC's UK public service spend – (2009/10: 0.30%).

In absolute terms our total expenditure, including the fees payable to Ofcom, remains stable year-on-year. The fall in Ofcom regulatory fees has been a welcome contribution to controlling the Trust's costs. However we have also taken our own steps in restructuring the teams within the Trust Unit to improve efficiency and better focus our activity. This has resulted in some immediate restructuring costs but we will see a reduced pay bill going forward.

Trust relative spend

Financial year	Trust spend (excluding Ofcom spend) as % of UK PSB spend
2007/08	0.34%
2008/09	0.31%
2009/10	0.30%
2010/11	0.31%*

* 0.30% excluding the exceptional restructuring costs.

Statement of Trust expenditure

	Note	2010/11 £000	2009/10 £000
Trustee remuneration costs	1	651	730
Staff costs	2	4,586	4,749
Other operating costs	3	5,097	5,023
Trust expenditure before restructuring costs		10,334	10,502
Restructuring costs	4	461	–
Direct Trust expenditure	5, 6	10,795	10,502
		2010/11 £000	2009/10 £000
Ofcom regulatory fees	7	3,187	3,521
Ofcom MIA fees	8	4	(117)
Total Ofcom fees payable by Trust		3,191	3,404
Total Trust expenditure		13,986	13,906

1. The remuneration received by each Trustee is shown in the table opposite. The figures in the table above include the Trustees' fees, taxable benefits and social security costs.

2. Staff costs include wages and salaries, social security costs and employer's pension contributions.

3. Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's consultation activities and stakeholder events.

4. The restructuring spend in 2010/11 resulted from a reorganisation of the Trust Unit staff aimed at better serving the Trust's objectives while also increasing the efficiency of Trust Unit operations.

5. This 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.

6. Of direct Trust expenditure, £1,192,000 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 (2009/10: £1,320,000).

7. 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.

8. Ofcom Market Impact Assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking the MIA for the public value tests undertaken in the period. No MIA work was undertaken in 2009/10 or 2010/11. During 2009/10 Ofcom reviewed its costs and refunded the BBC for some past fees charged on MIA work.

Trust people

	Average for year 2010/11	Average for year 2009/10
Trustees (number)	11.6	12.0
Trust Unit staff (EFT ^{1,2})	68.6	68.1

¹ EFT means equivalent full-time number.

² Trust Unit staff are those employed directly by the Trust Unit. Of these, 18.3 are based outside London providing support to the work the Trust undertakes in the four nations, Wales, Scotland, Northern Ireland and England (2009/10: 18.7).

Within the Trust Unit staff population, 13% come from black and minority ethnic backgrounds, 7% are disabled and 67% are women (2009/10: 14%, 7% and 68% respectively).

Director and senior manager remuneration

Nicholas Kroll, the Director, BBC Trust, is the chief officer of the Trust as specified in the Royal Charter. He is the principal adviser to the Trust and chief executive of the Trust Unit. His base pay for 2010/11 was £238,680 (2009/10: £238,680) and the aggregate of his emoluments to 31 March 2011 was £281,004 (2009/10: £282,609). He is a member of the BBC Pension Scheme.

The Trust Unit has ten senior managers in addition to the Director, a reduction from 13 in 2009/10 as the Trust has also sought to reduce its senior manager numbers and pay bill in line with the rest of the BBC.

The Trust's website provides an analysis of Trust Unit senior manager headcount split into £5,000 salary bands.

Governance continued/...

Report of KPMG LLP to the BBC Trust

In accordance with the terms of our engagement letter dated 3 June 2008, we have examined the above expenditure statement (the 'Trust expenditure statement') for the year ended 31 March 2011 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
15 Canada Square
London E14 5GL
23 June 2011

Reporting regulations

The BBC is exempt from the requirements of the Directors' Remuneration Report Regulations 2002 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 1-33 you will find information about the Remuneration and Appointments Committee and on page 1-20 our strategy for the remuneration of the BBC's Executive Board.

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 accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. These financial statements are audited by external auditors.

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

In order to comply with 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.

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 23 June 2011.



Lord Patten of Barnes
Chairman
23 June 2011



TAKING PART

The BBC Trust's duty is to represent all licence fee payers. To do so we must engage with all audiences to understand their views and thus take them into account in making our decisions. We do this through our national Audience Councils as well as engaging directly through public consultations and many other mechanisms. Here we look at how we've worked with audiences over the year, give an overview of the work of the Audience Councils, and look ahead to work planned for 2011/12.

Local author Lynn Shepherd met BBC Radio Oxford's Joel Hammer in February. The Trust is reviewing BBC Local Radio in 2011/12.

Audience engagement

The Trust exists to get the best out of the BBC for licence fee payers. To do so, we must hear what they think and understand their views and priorities. This year, discussions with audiences focused on the BBC's strategic direction, and on BBC Radios 3, 4 and 7 and the national radio stations in Northern Ireland, Scotland and Wales which we were reviewing.

The licence fee places a duty on the BBC to serve all audiences. To guide the BBC in doing this, we carry out a range of audience research and public consultation to provide us with insight into audiences' views and attitudes.

Inviting opinions

Our Audience Councils advise us on perspectives from the nations and regions of the UK.

We also ensure that any members of the public can have their say about the BBC by running public consultations linked to our major pieces of work. For example, we consult when reviewing a BBC service or when developing BBC policies such as Editorial Guidelines. Licence fee payers can take part in a variety of ways including online consultation forms and consultation leaflets, by post or by email.

This year an unprecedented number of people – over 113,000 – contacted us as part of our public consultations. These responses have helped shape the decisions we've made during the year. For example, over 85,000 people told us why they were concerned about the potential closure of BBC 6Music. We considered these views alongside other evidence and, as a result, rejected the Executive's proposals to close the station.

Getting a wider range of views

We need to make sure we represent the views of all audiences, not just those who choose to give us their opinions and take part in our consultations. So we commission research amongst a wider range of licence fee payers. This includes nationally representative surveys to enable us to understand

the strength of views across the whole UK population as well as allowing us to appreciate any differences between diverse groups of people.

This year we again tracked audience perceptions of the BBC's delivery of its public purposes through a survey of over 2,500 adults. To inform our review of the BBC's radio stations in the devolved nations, we commissioned surveys amongst listeners, including bilingual surveys in Wales and Scotland for BBC Radio Cymru and BBC Radio nan Gàidheal respectively.

We also use qualitative research techniques such as one-to-one interviews, focus groups or workshops to get more in-depth feedback on particular issues. This year, to inform our decision on the future strategy of the BBC, we ran focus groups across the UK.

To complement this research and consultation we also talk directly to audiences of particular channels or stations. This year, as part of our review of BBC Radio 3, BBC Radio 4 and BBC Radio 7, we talked to audiences attending studio recordings to find out what they thought about the stations. We were particularly keen to explore the broader cultural impact of BBC Radio 3 and the role of drama on BBC Radio 4 during these reviews, so we ran discussion groups involving industry bodies, producers, writers and artists to give us a better understanding of the views of these interested parties.



The BBC 6Music signing wall at last year's Glastonbury festival.

Audience Councils

Audience Councils in England, Scotland, Wales and Northern Ireland, chaired by the Trustee for that nation, ensure that the views of licence fee payers across the UK play a central role in the work of the Trust and the future of the BBC. This year, Councils welcomed the BBC's focus on distinctiveness in its new strategy.

Councils are recruited to reflect the diversity of the UK, and members are volunteers. They listen to licence fee payers' views, 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.

Listening to audiences

Councils held more than 70 meetings with licence fee payers across the UK, from Kent to the Isle of Lewis. Members heard the views of specific groups such as students, older people and parents of younger children, as well as wider audience views on the BBC's strategy and the performance of services.

Performance against 2010/11 audience priorities

Last year Councils noted that audiences wanted to see more fresh ideas, and members welcomed the focus on distinctiveness in the BBC's new strategy. They also welcomed its commitment to improving access to BBC services. Councils perceived improvements in arts coverage, in political reporting on English Local Radio, and in network television production from the nations. Following advice from Councils, the Trust asked the Executive to undertake research on portrayal on network services of the diverse communities across the nations and regions. The outcomes are now being used to inform programme commissioning.

Advising the Trust

The Councils advised the Trust on audiences' views of key items of business such as the strategy review and service reviews (BBC television; BBC Radios 3, 4 and 7; BBC radio

in Scotland, Wales and Northern Ireland; BBC ALBA). Audience Council England stressed the value placed by audiences on local and regional services and seeing their communities reflected. Councils warned that the lack of 'opt out' programming on BBC One HD across the UK could affect delivery of the public purposes.

Delivering the public purposes

Audience Council England reported widespread appreciation of the BBC, with an appetite for more European news and more comparisons of differences in public policy between the nations. Audience Council Scotland advised that a better balance of Scottish news and news on public policy developments in England would improve delivery of the purposes. Audience Council Wales said that, in seeking efficiency savings, the BBC should not reduce further its provision of English language television. Audience Council Northern Ireland said audiences wanted better explanation of public policy issues, especially if different from elsewhere in the UK.

Priorities for 2011/12

Councils raised concerns about audiences' access to services, particularly on some digital platforms. They said the BBC should play a stronger role in facilitating public debate, and that international reporting should have greater breadth and depth. The Trust was asked to continue to challenge the Executive to enhance portrayal of different communities and identities.

In light of financial constraints following the licence fee settlement, Councils want to ensure that value for money is pursued fairly for all audiences. Councils noted that audiences wish to see consistent standards of quality across all services, and they raised concerns about how well the needs of older audiences were being met.

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



The four national Audience Councils ensure we represent the views and opinions of licence fee payers across the whole UK.

The Trust's plans for 2011/12

Our focus in 2011/12 will be to ensure the BBC delivers the *Putting Quality First* strategy against a demanding new licence fee settlement. With fewer resources available, this will require difficult choices in the year ahead. We remain committed to ensuring licence fee payers continue to get high quality and distinctive services from the BBC. We will continue to consult widely with audiences and stakeholders, including our Audience Councils, to help us get this right. This table summarises the main work planned for this year. Full details are available on our website.

Implementing the BBC's strategy

We will monitor and measure progress to ensure the BBC, regardless of financial pressures, is becoming more distinctive, more efficient, more transparent and more sensitive to its potential market impact.

This year the BBC should

- increase the distinctiveness and quality of its output
- improve the value for money it provides to licence fee payers
- set new standards of openness and transparency
- do more to serve all audiences

We will continue to track audience perceptions and other quality measures for signs of improvement.

Implementing the licence fee settlement

We will assess the Executive's proposals for delivering the new licence fee settlement against the yardstick of the four priorities set out in the *Putting Quality First* strategy.

- we have asked the Executive to undertake a fundamental review of its cost-base and shape of services and activities and propose cost-based savings
- we intend to appoint independent advisers to test the proposals and ensure their robustness
- we will continue to consult widely with the public to test the likely impact of the proposals
- we aim to finalise our conclusions by the end of 2011

Reviews

Service reviews

We review each BBC service at least once every five years against its service licence to assess performance. In 2011/12 the services up for review are:

- BBC Radio 5 Live
- BBC Radio 5 Live Sports Extra
- BBC News channel
- BBC Parliament
- BBC Local Radio in England
- BBC Asian Network

Value for money reviews

We have asked the National Audit Office to undertake the following value for money studies:

- continuous improvement programme
- management of overheads



Contact the Trust

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

BBC Trust

1st Floor
180 Great Portland Street
London W1W 5QZ

Email: trust.enquiries@bbc.co.uk

Telephone: BBC Information Line on 03700 103 100¹ or text phone on 03700 100 212².

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

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

Complaints

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

BBC Audience Councils

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

To contact the Audience Councils:

Audience Council England

Email: audiencecouncil.England@bbc.co.uk

Or write to:

BBC Audience Council England
The Mailbox
Birmingham B1 1RF

Audience Council Scotland

Email: acs@bbc.co.uk

Or write to:

BBC Audience Council Scotland
Zone G.11
40 Pacific Quay
Glasgow G51 1DA

Audience Council Wales

Email: acw@bbc.co.uk

Or write to:

BBC Audience Council Wales
Broadcasting House
Llandaff
Cardiff CF5 2YQ

Audience Council Northern Ireland

Email: audiencecouncil.ni@bbc.co.uk

Or write to:

BBC Audience Council Northern Ireland
BBC Broadcasting House
Room G08
Ormeau Avenue
Belfast BT2 8HQ

Photography credits

Photographs used are © BBC or used under the terms of the PACT agreement, except for page 1-3 *Tosca*, © Metropolitan Opera. Permission from the copyright holders must be sought before any photographs are reproduced.

The text of this document may be reproduced free of charge in any format or medium providing that it is done so accurately and not in a misleading context. It must be accredited to the BBC.

¹ Calls may be recorded for training purposes.

² 0370 numbers are 'UK wide' and cost no more than calls to 01 or 02 geographic numbers.



British Broadcasting Corporation
Broadcasting House
London W1A 1AA
bbc.co.uk
© BBC 2011