



Meeting of the BBC Board

MINUTES

22 June 2017
Broadcasting House, London

ITEMS OF BUSINESS

1. Apologies and Conflicts of Interest
2. Minutes from the 18 May Board Meeting
3. Executive Reports/Board Pack
4. Annual Plan
5. Consultation Response on Ofcom Operating Licence
6. Memorandum of Understanding with the National Audit Office
7. Annual Report and Accounts
8. Commercial Strategy
9. World Service
10. Committees of the Board
11. Consultations
12. BBC Wales Charter Investment: Materiality Assessments
13. AOB

ATTENDANCE

Present

- David Clementi Chairman
- Tony Hall Director-General
- Anne Bulford Deputy Director-General
- Simon Burke Non-executive director
- Tim Davie Chief Executive Officer, BBC Worldwide
- Ian Hargreaves Non-executive director
- Tom Ilube Non-executive director
- Ken MacQuarrie Director, Nations and Regions
- Steve Morrison Non-executive director
- Nicholas Serota Non-executive director
- Ashley Steel Non-executive director

With

- Phil Harrold Company Secretary
- Jo Clarke Secretariat Manager
- James Harding Director, News and Current Affairs (item 3 by phone)
- James Purnell Director, Radio and Education (item 3)
- David Jordan Director, Editorial Policy and Standards (items 3 and 10)
- Mark Linsey Director, Studios (item 3)
- Charlotte Moore Director, Content (item 3)
- Gautam Rangarajan Director, Strategy (items 3 and 4)
- James Heath Director, Policy (item 5)
- Ian Haythornthwaite Director, Finance (item 6)
- Mike Rudberg EY (item 6)
- David Moody Director of Strategy, BBC Worldwide (item 8)
- Fran Unsworth Director, World Service (item 9)
- John Shield Director, Communications (item 11)
- Andrew Scadding Head of Corporate Affairs (item 11)

Apologies

- Tanni Grey-Thompson Non-executive director

BOARD MINUTES – 22 JUNE 2017

1. Apologies and Conflicts of Interest

- 1.1 The Chairman noted the apology from Tanni Grey-Thompson. No conflicts of interest were declared.

2. Minutes from the 18 May Board

- 2.1 The minutes from the 18 May Board meeting were approved, subject to a small amendment. Directors discussed the plans for publication and noted that the first set of Board minutes would be due for release in July.

3. Executive Reports

- 3.1 The Director-General presented a number of regular Executive Reports to the Board. These included reporting on performance, editorial compliance, operations and assurance. The 2016/17 audience performance report was also included for review.
- 3.2 The Director-General opened the session by commending the professionalism, dedication and resilience of the news teams responsible for covering the recent terrorist atrocities in Manchester and at London Bridge, and the fire at Grenfell Tower. He also paid tribute to Mohammed Nazir, a driver with the BBC team in Afghanistan, who had been killed in a car bomb explosion in Kabul in which four BBC journalists were also injured.
- 3.3 The Board discussed the high level of audience engagement with BBC coverage of recent events. The One Love Manchester concert had achieved the highest audience of the year so far with 14.5 million viewers watching at its peak. On the morning after the General Election 25.5 million unique browsers were online with BBC News in the UK alone. A full discussion on election coverage would be held at the July meeting.
- 3.4 The Board discussed the editorial standards and complaints report. As expected the volumes of complaints had increased over the period of the General Election campaign.
- 3.5 The Board discussed the assurance reporting, which included the BBC's regular financial reporting and updates on risk, critical projects and HR. The Board noted that the pension valuation had been signed. Directors discussed a recent outage on the *Ten O'Clock News* and noted that it was a technical issue. The Board noted that a full briefing on staffing and HR issues would come to the Board in September.

- 3.6 The Board discussed the Annual Audience Performance Review for 2016/17. Directors noted that TV performance had been strong, particularly given the move of BBC Three online. In addition, whilst young audiences remained a challenge, they continued to use the BBC more than other media and their scoring of the BBC in terms of General Impression and Quality was stable.

4. Annual Plan

- 4.1 The Board discussed the draft Annual Plan at its May meeting, and it returned to this meeting for final approval ahead of its publication on 3 July.
- 4.2 Directors noted that that the new draft had been amended to reflect comments from the Board and now focused more on the relationship with Ofcom; framed the BBC's strategy and creative plans more strongly as responses to strategic challenges identified by both the BBC and Ofcom; set out additional editorial commitments for BBC services, which were designed to be complementary to the regulatory conditions imposed by Ofcom, and set out a performance framework that was more closely linked to the public purposes.
- 4.3 Directors noted that in future years the Annual Plan would be closely connected to the BBC's planning process, including the three year rolling content plan and the Budget and be published before the beginning of the financial year in question.
- 4.4 The Board approved the Annual Plan for publication, subject to including more on how the BBC intended to meet its remit in the Nations and Regions.

5. Consultation Response on the Ofcom Operating Licence

- 5.1 This Board considered the BBC's response to Ofcom's draft Operating Licence and performance framework.
- 5.2 Directors discussed the BBC's response in conjunction with the Annual Plan, which set out creative plans to deliver the BBC's mission and public purposes over the coming year. One of the objectives of the Annual Plan was to set strategic and editorial commitments that demonstrated how each UK public service would contribute to the delivery of distinctive output and services; these commitments complemented and built on the regulatory conditions set by Ofcom in the draft Operating Licence.
- 5.3 The Board noted that the draft Operating Licence currently proposed hours as well as spend, as the means of setting quotas for 'Out of London' content provision. It was

argued that using an hours quota would be creatively restrictive, and could potentially jeopardise production in the Nations based on high-value programming, and that using a spend quota was a more effective means to achieve policy objectives.

5.5 The Board approved the BBC's consultation response to the Ofcom Operating Licence.

6. Memorandum of Understanding with the National Audit Office

6.1 The National Audit Office has been undertaking value for money audits of the BBC public service for over a decade. These audits were designed to assess the economy, efficiency and effectiveness of public expenditure. As part of the Charter process the Government expanded this access with regard to value for money reviews under the new Charter and Agreement.

6.2 The Charter also requires the BBC to agree a Memorandum of Understanding (MoU) with the NAO. Whilst not legally binding, the MoU would be an important tool in setting expectations as to how the overall relationship would operate.

6.3 The Board approved the Memorandum of Understanding with the NAO.

7. Annual Report and Accounts

7.1 The BBC Board reviewed the BBC's Annual Report & Accounts 2016/17, which this year also included the Full Financial Statements for the financial year ended 31 March 2017 for the BBC Group. The Board noted the following key points:

- It was the final year of the DQF project which had delivered 724 million of savings, against a target of 700 million.
- Overheads were now down to 5%, which compared favourably against the public services sector average of 11%.

7.2 The Board approved the Annual Report and Accounts, including the full financial statements, for the year ended 31 March 2017. The Report would be laid before Parliament and published online on 19 July.

7.3 The Board noted the EY Report for Year Ending 31 March 2017. The report set out the key questions arising from this year's financial statements, findings from this year's audits and other audit findings and observations. Mike Rudberg from EY confirmed that the Auditors had reached an unqualified audit opinion. The Board noted that the NAO had shadowed the process and had indicated that they were content with the current

approach. The Board formally approved the Management Representation Letter and confirmed that the requirement for divisional management disclosure had been met.

- 7.4 The Board approved the Going Concern Review and Viability Statement which confirmed that the BBC's Directors were satisfied that the BBC was well-placed to manage the risks and had adequate resources to continue in operation for the foreseeable future.
- 7.5 The Board noted that an annex to the Annual Report and Account, providing a report on people paid more than £150,000 of licence fee revenue in the financial year 2016/17, had been prepared by the Remuneration Committee and would also be published.
- 7.6 The Board noted BBC Worldwide's Annual Review, noting that it had been approved by the Worldwide Board.

8 Commercial Strategy

- 8.1 The Board discussed a number of options relating to optimising its commercial strategy in the UK.

[Redacted due to commercial confidentiality]

9 World Service

- 9.1 This item provided an update of the performance of the World Service over the past year. It also provided an update on the World 2020 expansion programme, including a draft annual statement to the Foreign Secretary for approval by the Board, as required under our funding agreement with the UK Government.
- 9.2 The Board noted that the total weekly reach of the World Service Group (World Service, Global News Limited and BBC Media Action) was a record 346m. This represented growth of 7% from the previous year. The audience target for 2020 was 500 million and it was hoped that new language services, including TV services in India and Africa, would help to achieve that.
- 9.3 Directors discussed some of the challenges facing the World Service, with particular regard to the growing use of social media on which the BBC had less presence, and on which BBC content was often not attributed.
- 9.4 The Board approved the Annual Statement on performance against targets for submission to the Foreign Secretary.

10 Committees of the Board

- 10.1 In April the Board discussed the possible role and responsibilities of the proposed nations committees. As a result of that discussion a revised paper proposed a simpler set of draft responsibilities, which focussed on advising the Board on the delivery of the BBC's strategy and audience performance in the nations; reviewing regulatory requirements; engagement with licence fee payers and stakeholders in the nations, and provision of reporting information related to the nations.
- 10.2 The Board approved the revised role and responsibilities of the nations committees as set out in the draft Terms of Reference.
- 10.3 The Board also considered the proposed membership of the nations committees, with particular reference to the chairmanship of each committee. The Board approved the proposed membership and chairmanship of each committee, and because there were a range of views on the topic the Chairman proposed that a review of the chairmanship of the committees would be undertaken once the Wales and Northern Ireland directors were in place. This would take place as part of the wider Board review, which was planned for the autumn. It was also agreed that external advisors would be an optional part of the committee structure, rather than obligatory members.
- 10.3 The Board also approved the draft terms of reference for the following committees: The Audit and Risk Committee; The Fair Trading Committee; The Remuneration Committee; the Nominations Committee, and the Editorial Guidelines and Standards Committee.

11. Consultations

- 11.1 The Board noted the BBC's current obligations regarding consultations under the new Charter and the schedule of consultations that the BBC would have to undertake to meet those obligations.
- 11.2 The Board approved a set of general consultation principles (a consultation protocol) and the approach to consultations as set out in the paper, noting that they were based on best practice as adopted by Government.
- 11.3 The Board discussed the BBC's final complaints framework ahead of a public consultation. The interim complaints framework had been approved at the April meeting of the Board and directors noted that the document had not changed substantively since, aside from the addition of the framework relating to TV Licensing complaints.

11.4 The Board approved the complaints framework and agreed that it could go forward for consultation.

12 BBC Wales Charter Reinvestment: Materiality Assessments

12.1 Earlier this year, the BBC announced plans to invest in a package of proposals to meet the commitment set out in *British Bold Creative* to improve the portrayal and representation of the UK. The Board considered the investment package for services in Wales under its responsibility, in the first instance, for considering the impact of certain proposed changes to the BBC's public service activities, and in particular, whether the proposed changes were material and should be subject to a Public Interest Test.

12.2 The proposals in the Wales Charter investment package which could be viewed as potentially material were:

- investment in English language 'opt' programming on BBC One Wales and BBC Two Wales;
- an extended content offer to the existing Radio Cymru service;
- boosting Radio Wales' FM coverage;
- investment in news online.

12.3 The Board discussed the possible impacts of the investments in BBC Wales and considered that they were not material.

13 AOB

13.1 The Chairman informed the non-executive directors that any request for briefings from the executive could be made through the Company Secretary.

Approved by the Board: _____ (Chairman)

_____ (Date)