

PART ONE**THE BBC TRUST'S REVIEW
AND ASSESSMENT**

The Trust exists to get the best out of the BBC for licence fee payers. It is the governing body of the BBC and sets the strategic direction, measures performance and holds the Executive to account.

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CHAIRMAN'S FOREWORD



It was the best of times, it was the worst of times. The opening words from Dickens' *A Tale of Two Cities* perfectly sum up the BBC's year in 2012/13. The unparalleled success and quality of the BBC's Olympics coverage was rapidly followed by some of the darkest days in our recent history, with the revelations about the appalling crimes of Jimmy Savile and all that came after them.

But first the high points. The BBC's Olympics coverage, like the Games themselves, surpassed all expectations. As Danny Boyle's mesmerising opening ceremony unfolded, it became clear that this was going to be a moment that brought the nation together and would hold its place in our collective memory. The quality of the BBC's coverage and the professionalism of presenters such as Clare Balding, Gabby Logan, and Gary Lineker, supported by experts including Denise Lewis and Michael Johnson, helped make that possible.

The Olympics also provided a signpost as to how the BBC can serve audiences in the future. You need only look at the recent coverage of Glastonbury, which has encompassed more of the BBC's channels and platforms than ever before, for evidence of how the Olympics has influenced the way we reach audiences.

Of course it wasn't all just about the Olympics in 2012/13. Amongst much other wonderful output, *The Hollow Crown* Shakespeare season was film-making of the highest ambition, shown on a prime time slot on BBC Two. Similarly, *Britain in a day* was another programme that encapsulated all that is best about the BBC, as did BBC Radio 4's *Bloomsday* Ulysses-in-a-day coverage.

As for the low points, the details of the *Newsnight* crises and the departure of George Entwistle as Director-General are set out elsewhere in this report, so I don't intend to recount them in detail here. But the BBC seriously let down both itself and licence fee payers. Trust in the institution took a hit as a result, although it has begun to recover.

The failings of the BBC were significant – the original flawed decision not to pursue the Savile *Newsnight* investigation; the initial chaotic handling as the saga unfolded; the inaccurate blog that I myself relied upon to explain events in public; the unforgivably poor journalism in the *Newsnight* child abuse investigation in North Wales. Reports by Nick Pollard and the Trust were rightly unflinching in exposing the BBC's failings, and Acting Director-General Tim Davie, and then Tony Hall, both made addressing them a priority. One positive point that I did take from the whole episode is the BBC's willingness to tell the truth about itself, however horrible or uncomfortable that truth may be, as evidenced through our very substantial coverage.

Away from Savile, the BBC continued to focus on value for money. Senior management and talent pay at the BBC continued to fall this year, and it is encouraging that the Government is now following our lead in publishing comparisons between top and average pay. Of course there is much more to do on this agenda, particularly tackling the excessive severance payments of the past. That's why the Trust asked the National Audit Office to look into this and why the Director-General has introduced a cap on such payments. We have also asked PricewaterhouseCoopers to help us get to the bottom of what went wrong with the BBC's Digital Media Initiative technology project, which wasted huge sums of licence fee payers' money, and have asked the Director-General to provide the necessary assurance that the right measures are in place to make sure that there are no similar problems with current major projects.

Finally, I would like to pay tribute to Tim Davie for steadying the ship during the turbulent events of the autumn, and to say that, in Tony Hall, we have appointed a new Director-General who combines passion for the BBC with vast experience gained both inside and outside the organisation. My fellow Trustees and I look forward to working with him as we seek to build on the successes and learn from the failings of a year like no other.

Lord Patten of Barnes CH
Chairman
20 June 2013

“One positive point I take is the BBC's willingness to tell the truth about itself, however uncomfortable that truth might be.”



SETTING STRATEGY AND ASSESSING PERFORMANCE

Reporting on the BBC's progress: quality and distinctiveness; value for money; serving all audiences; openness and transparency

FOCUSING ON WHAT MATTERS

To get the best out of the BBC for licence fee payers, in 2010, the Trust set four strategic objectives for the organisation.

★ QUALITY AND DISTINCTIVENESS



We have always been clear that the BBC should aim higher in terms of programme quality, and that its services should enjoy the freedom from commercial pressure to take creative risks and try new things. We work to ensure that the BBC meets its audiences' very high expectations of impartiality.

The Trust identified areas in which the BBC should aspire to be more distinctive and addressed these by pressing for greater range and ambition on BBC Television (which we now see clearly on BBC Two in particular), more funding for BBC children's services, and more distinctive editorial strategies for many of the BBC's radio services. We have ensured that BBC Online plays a distinctive role in its newer and more dynamic online markets.

In 2007, we set out how the BBC could strengthen its approach to impartiality by reflecting greater breadth of opinion and moving away from the notion of there being only two sides to an argument. This year, we assessed progress in this area and found that, whilst audiences are broadly content with the BBC's coverage of a range of opinion, there are still gaps where public attitudes and concerns should be addressed more in BBC output.

“We have been consistent in stating that BBC television should take more creative risks and innovate.”

“The BBC can strengthen its approach to impartiality by reflecting the full breadth of opinion.”

David Liddiment and Alison Hastings

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£ VALUE FOR MONEY



The BBC has continued to meet Trust efficiency targets having generated some £2billion cumulative savings between 2008/09 and 2012/13. Early indications suggest that this has been achieved without a detrimental impact on performance but this is continually and closely monitored. We have set the BBC a target to deliver 11% efficiency savings by 2016/17.

Whilst this provides a good indication that overall value for money is improving, the costly failure of the BBC's Digital Media Initiative (DMI), shows that there is still a need for significant improvement. We are extremely concerned about the failure of this technology project to produce anything of value in return for the £98.4million spent on it, and have commissioned an external review into what went wrong to ensure that nothing like this ever happens again.

A failure on this scale has naturally prompted us to ask whether similar problems exist elsewhere and we have asked the Director-General to provide us with the assurance that all current major projects are both adequately controlled and accurately reported.

We will expect the BBC and, if appropriate the Trust, to implement the agreed recommendations of the review and to co-operate in any follow up studies by the National Audit Office.

“The BBC has made significant overall savings, but the costly failure of the DMI is a serious cause for concern. We have commissioned a review to ensure that there can be no repeat of a failure on this scale.”

Anthony Fry

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SERVING ALL AUDIENCES



Through its role in setting BBC strategy, the Trust tries to ensure that audiences can access BBC content at times and in ways that suit them.

BBC iPlayer is available on more platforms and devices than ever; and demand from people of all ages and backgrounds for BBC on-demand content continues to increase. The Trust has supported improved access, including the 24 temporary TV channels that enabled the BBC to offer the most comprehensive Olympics coverage ever.

The Trust has also sought to ensure that the BBC is always trying to meet the needs of a more diverse audience, not only through being at the forefront of new technology, but also through its work out of London, or improved portrayal of different parts of the UK in dramas, or a better understanding of how the news needs to serve the devolved nations.

“The Trust has supported better access to BBC content, including the 24 temporary TV channels that allowed the BBC to offer the most comprehensive Olympics coverage ever.”

Diane Coyle

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OPENNESS AND TRANSPARENCY



The BBC is incredibly fortunate that its licence fee payers feel a strong sense of ownership of the organisation, with a unique degree of curiosity about everything it does.

The Trust expects the BBC to respond by being transparent about the way it works, open to enquiry, forthcoming in its answers, and ready to own up when it makes mistakes – as all organisations do from time to time.

The BBC now routinely publishes details of senior pay and expenses, and the cost of presenters and performers. It has also relaunched its website, which provides more information about the running of the BBC than before.

The Trust now wants it to consider other initiatives. For example, in our review of BBC Online, we encouraged the Executive to make performance data available to licence fee payers, stakeholders and industry.

“To be the creative powerhouse that it is, the BBC needs to guard its editorial freedom and independence jealously. But, in the way it runs its business, it can only gain by being ever more open, in a way that none of its competitors would ever dream of.”

Richard Ayre

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ENSURING STAND-OUT CONTENT

We assess the performance of BBC services by looking at how audiences use and appreciate them, and we ensure BBC editorial standards remain high.



Use of BBC Online on tablets and mobile devices became mainstream in 2012/13

Overview

The public expects a different, higher standard of content from the BBC. So, increasing the distinctiveness and quality of all its services is a particular priority for the Trust. Maintaining high editorial standards is one key aspect of distinctiveness, because the BBC is committed to impartiality, as enshrined in the Editorial Guidelines. Although a very serious editorial breach occurred in BBC News during the year, the public's trust in the BBC's output has since recovered and the Trust will continue to focus on high editorial quality.

Here we report on how well BBC services performed in terms of audience appreciation and consumption, and then on the BBC's editorial standards.

Service performance

This year, the BBC maintained its strong position as the nation's most popular broadcaster, with all services performing well, and reaching 96% of the UK population each week. The BBC reached nearly everyone in the UK with its coverage of the London 2012 Olympics on TV, radio and online, and audiences were overwhelmingly positive about the coverage.

Audience perceptions of quality were very strong this year for all services, despite the start of budget cuts in line with the *Delivering Quality First* plans (DQF). The budgets for many services will go down more in coming years, so we will continue to monitor quality of output very carefully.

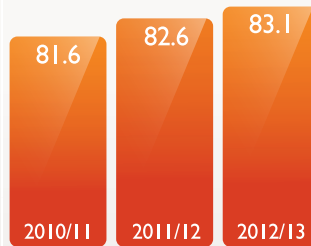
One of our priorities is that BBC services find ways to be more distinctive from other broadcasters and this year we continued to see progress on this front. We will use our continuing programme of service reviews to drive further progress.

PERFORMANCE SUMMARY

Television – audience appreciation

Audience appreciation of BBC television is very high and continues to rise each year.

How we measure up



Source: BBC Pulse Survey

What's next?

- The Trust will consider how BBC television can maintain and increase its quality in our television service review in the coming year

Fresh and new

Viewer perceptions of BBC television being fresh and new has remained stable but high, but the public still want more from the BBC.

How we measure up



What's next?

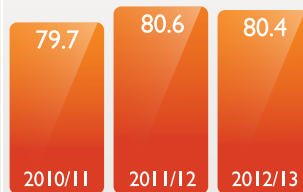
- We see BBC television's ability to take creative risks as key to its distinctiveness and will examine this in detail in our service review this year

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Radio – audience appreciation

Audience appreciation of BBC radio is very high and has remained stable.

How we measure up



Source: BBC Pulse Survey

What's next?

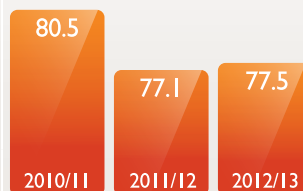
- We will continue to monitor how BBC radio can maintain its very high quality whilst making efficiency savings and budget cuts in the coming years

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BBC Online – audience appreciation

Audience appreciation of our online services increased slightly this year. The previous year's lower score was attributed to website relaunches in that year.

How we measure up



Source: BBC Online Quality Survey

What's next?

- Our review of BBC Online highlighted the BBC Knowledge & Learning sites and the BBC's local sites as key areas for improvement
- We will monitor overall progress and these sites in particular

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Television

The BBC has retained a very strong position with audiences in a year which marked the end of the switchover to digital TV and with catch-up services now widely available. Television remains very popular with the public, no doubt helped by more people buying large screen, HD-enabled TV sets and the availability of catch-up TV via PVRs and online players. With that caveat, audiences rated BBC Television increasingly highly for its quality and for being 'fresh and new'.

BBC One

BBC One remains the nation's most watched channel, with 78% of people watching each week. The channel contributes more to the BBC's overall audience reach than any other service.

BBC One offered a range of successful programmes this year, which contributed to its higher scores for both audience appreciation and being 'fresh and new'. In comedy, *Miranda* and *Mrs Brown's Boys* were seen by more than 10 million viewers over Christmas and were highly appreciated. In drama, *Call the Midwife* was watched by large audiences and also scored highly for appreciation. A number of other new dramas have been very successful, including *Last Tango in Halifax* and *Prisoners' Wives*. Factual programmes such as *Africa* also achieved large audiences that rated them highly.

We are keen that, whilst it must offer something for everyone, BBC One should also showcase distinctive types of high quality content that audiences expect from the BBC. The new drama *The Village* demonstrated considerable and welcome ambition. We believe BBC One has scope for more of this kind of ambitious programming. In the coming year's service review, we will be examining how much further it can go.

BBC Two

This year BBC Two performed very well, as was recognised by the channel and its programmes winning a large number of industry awards. Audience perceptions of quality increased, with dramas such as *Parade's End* and *Line of Duty* performing very well. Factual entertainment such as *The Great British Bake Off* attracted very large and appreciative audiences.

Audience reach overall was down this year, but this was mostly due to some key programmes, such as *Match of the Day 2*, moving onto BBC One and the recent changes to daytime output (see below). We believe it is essential for BBC Two to continue to bring high quality and distinctive programmes to large audiences, and it is playing an important role for the BBC in this respect.

Daytime on BBC One and Two

A number of changes were made to daytime schedules on BBC One and Two. The daily blocks of children's programming moved to CBBC and CBeebies. BBC One is now the primary channel for new daytime programming. BBC Two continues to feature international news and current affairs at lunchtime, with other parts of the schedule consisting of repeat programming and live sports periodically. Whilst BBC Two has lost some daytime viewers as a result, this is an inevitable outcome of the changes being made to achieve cost savings.

Despite lower budgets, it is still vital for the daytime schedules to demonstrate creative ambition through the range and quality of their programming.

Clare Balding presented *The Queen: A Passion for Horses*, a single documentary in peak time on BBC One



BBC Three

BBC Three, now ten years old, plays an important role in serving younger viewers, reaching around 29% of its target audience of 16-34 year-old viewers each week. The channel continued to deliver high quality, factual and current affairs programming, notably a new series of *Our War* (which received a particularly high appreciation score of 93). It also had some very successful new comedies, such as *Cuckoo* and *Bad Education*. Overall, audience appreciation remained high, whilst perceptions of the channel being 'fresh and new' increased.

BBC Four

BBC Four had a very successful year, helped by its 'seasons' of output, including Shakespeare and London seasons linked to the 2012 Cultural Olympiad. Average audience appreciation rose and was higher than for any other BBC channel. Audiences were also more likely to think BBC Four programming was fresh and new.

Many other digital channels have been losing viewers but BBC Four bucked this trend. Its weekly reach increased to 14%, almost twice as high as in 2007. With this much higher reach and a growing reputation, it has now clearly addressed the issue of impact we raised in our service review in 2010.

Children's – CBBC, CBeebies

CBBC and CBeebies had a strong year and continue to be the most watched children's channels amongst their target audiences by some margin, with 35% and 48% reach respectively.

Daily blocks of children's programming were moved this year from BBC One and Two, to CBBC and CBeebies. However, BBC One and Two still have a responsibility to serve children and family audiences through some of their programming, and we have asked the Executive to ensure children are catered for on these channels.

We are currently conducting a service review of children's programming, and will publish our findings in summer 2013.

BBC ALBA

BBC ALBA has increased its audiences significantly and is highly appreciated by both fluent Gaelic speakers and Gaelic learners. It increased weekly reach to more than 16% of the Scottish population, and reached 75% of the Gaelic community.

Radio

The BBC's radio stations performed well this year, with listening levels and audience appreciation remaining high. Hours of listening amongst younger adults have continued to decline, however, which remains a challenge for all radio stations. The BBC's radio stations continued to play an important role for UK music by promoting new music of all genres.

BBC Radio 1 and 1Xtra

BBC Radio 1's remit is to serve a younger audience and we have pressed Radio 1 to ensure it does serve this audience. This year there were a number of changes to its schedule and programming designed to attract younger listeners. There has been some increase in the proportion of the station's audience that are aged 15-24, but the median age of listeners has remained stable. Lowering it is a tough challenge as young people overall are not listening to the radio as much as they used to. We fully support the Executive's efforts to focus on younger listeners, and agree that the station's digital strategy is important for remaining relevant to this audience.

BBC 1Xtra's audience grew slightly to reach more than 1 million listeners each week.

The 'Proms' underpins Radio 3's ongoing commitment to offering the widest range of live classical music



BBC Radio 2

BBC Radio 2 had an exceptionally successful year as the nation's most popular radio station, with reach growing to 14.7 million weekly listeners. Perceptions of quality increased too, thanks to distinctive content throughout the schedule, such as *500 words*, *2 day*, *People's Songs* and *Titanic – minute by minute*. The station also maintained its unique and valued mix and range of music across its schedule.

BBC 6 Music

BBC 6 Music performed very well again this year, continuing to attract more listeners whilst retaining a very distinctive role in the BBC's music radio portfolio. Some 1.7 million people tuned in each week. In the final quarter of 2012, it became the UK's (as well as the BBC's) highest reaching digital-only station. Audiences' appreciation of the station remained strong.

BBC Radio 3

BBC Radio 3 made a number of programming changes in response to our review of the service in 2011. The review had concluded that Radio 3 should look for ways to be more accessible and welcoming, but without reducing its high degree of quality and distinctiveness, nor alienating its core audience. Around 2.1 million listeners continue to tune in to the station each week, and we think the priority now should be to ensure that distinctiveness is maintained, despite pressure on budgets. We will continue to monitor this area closely.

BBC Radio 4 and 4 extra

BBC Radio 4 had another very strong year. More than 10 million people tuned in each week and perceptions of quality remained high. Listeners to the station continue to listen on average for longer each week than to any other BBC radio station.

In our service review two years ago, we asked the Executive to look at ways to reach more people outside the south of England, including the devolved nations. However, Radio 4 continues to struggle to do so, and therefore, we have asked the Executive to do more to extend reach across the whole of the UK.

BBC Radio 4 extra was listened to by around 1.7 million people each week and perceptions of its quality remained high.

BBC Radio 5 live and 5 live sports extra

We concluded our review of BBC Radio 5 live and 5 live sports extra in early 2012, setting out a number of actions which we believed would enhance Radio 5 live's strength in news and increase its coverage of a wider range of sports, including those of minority interest.

We have been impressed by the progress made against the actions we set, including the station's renewed focus on high quality news. The strong coverage of the London Olympics set a good example of how a wider range of sports could be covered and this has continued since the Games. We recognise there is more to do in both areas, but we believe they are going in the right direction.

BBC Asian Network

We were pleased to see that BBC Asian Network continued to grow, despite the changes it was making following the conclusions of last year's service review. Whilst it is too soon to assess with certainty the impact these changes have had on audiences, we note that the station appeared to be holding on to its distinctive edge and its target audience of British Asians under the age of 35, whilst increasing overall listening.

Nations radio – BBC Radio Scotland, BBC Radio nan Gàidheal, BBC Radio Wales, BBC Radio Cymru, BBC Radio Ulster/Foyle

In our 2011 review of the BBC's national radio stations, we challenged the Executive to give each station more distinct roles within the BBC's radio portfolio, focusing on their particular audiences and editorial strengths. We have considered the stations' progress in refocusing this year and think some progress has been made, with more to do on some stations.

BBC Radio Scotland has found a more distinctive editorial approach and BBC Radio Ulster/Foyle continued to perform strongly in Northern Ireland, reaching 35% of adults each week, and with 55% of its audience not listening to any other BBC station. It plans to refresh its schedule, and we will assess the impact of this when it happens.

It is too early to assess the effect of recent schedule changes at BBC Radio Wales, although we support the underlying aims. We also support BBC Radio Cymru's review of its programming, given that listening to the station has been declining.

BBC Local Radio

Our review of BBC Local Radio last year highlighted the aspects of the service most valued by listeners, and the Executive responded by reducing the budget cuts in the DQF plans. The effect of the changes that have been made as part of the revised plan for savings is not yet apparent, but we support the aim to maintain editorial focus on local news and issues even in programming networked across England. We will monitor the changes as their effect becomes clearer.

BBC Online and Red Button

BBC Online and Red Button were central to the BBC's highly popular and high quality coverage of the London Olympics. The BBC's 'four screen' strategy allowed audiences to access BBC Olympics content on computers, mobiles, tablets and televisions. Take up was large and highly appreciated.

Growing use of smartphones and tablets in recent years has had a major effect on how people use BBC Online, with more frequent access from more devices. This year, whilst the number of people accessing BBC Online grew slightly, the number of different devices used grew significantly.

Reach grew for many parts of BBC Online, including news, sport and iPlayer. Perceptions of the quality of BBC Online improved after a significant drop last year, following the relaunch of two of its most popular sites, Homepage and Sport. Appreciation is now close to pre-relaunch levels, and our service review research this year showed that audiences hugely value BBC Online for its quality of content.

The BBC Red Button reaches around 17 million people each week. Its users value the news and sport headlines, weather and other information. Some cuts were made to Red Button's broadcast offer this year as part of DQF cost savings, but we are confident that it will remain an important service for licence fee payers. We expect it to become an increasingly important gateway to BBC Online.

News and current affairs

Due to the editorial crises at *Newsnight*, audience perceptions of accuracy, trustworthiness and impartiality fell significantly in autumn 2012, although BBC News performed strongly in both quality and reach terms overall this year. By the start of 2013, audience perceptions had recovered, and most licence fee payers continued to believe that the BBC is 'best for news'.

Big news stories drive higher levels of audience interest. Whilst there were fewer big stories than in 2011, reach remained very high on TV and radio, and grew online. Audiences to the BBC News Channel and BBC Parliament were broadly stable.

Current affairs programmes are an important way in which the BBC helps audiences understand important topical issues in greater depth than on the news. We are concerned about the gradual decline in audience numbers for current affairs programmes on television in recent years and about the degree of ambition and quality of current affairs programming. We will be using our review of BBC Television to understand more about how the BBC can serve audiences better with this important genre.

Sport

The BBC had exclusive rights to show coverage from the London 2012 Olympics so this was a vital year for BBC Sport. The BBC's Olympic output on TV reached 90% of the UK population – the highest audience for any event since measurement began – and the audience's reaction was overwhelmingly positive.

This success demonstrates the BBC's ability to serve everyone with high quality output and it shows how BBC television, radio and online services can work together for the benefit of the audience. We hope that the huge success of this collaboration will encourage BBC services and departments to work together more often, not only on big events, but also on regular output. This will be essential for the BBC in order to meet audiences' expectations as media platforms converge.

BBC World Service and BBC World News

BBC World Service reached 192 million adults around the world this year, an increase of 12 million from last year.

Short-wave radio services maintained audience figures, and there was strong growth in TV with 42 million people watching World Service language programming each week, up from 27 million last year. Particularly strong was the performance of non English language television, with BBC Arabic television reaching 28 million viewers (up from 20.7 million last year) and BBC Persian television with 11.5 million (up from 6.1 million last year). The World Service website was accessed by 14 million people, 2 million more than last year. Audiences continued to rate the service highly for trust and quality and for being unbiased and objective.

In the UK, World Service reached some 2.5 million people each week on radio and online, including around 200,000 to services in languages other than English.

From 2014/15 onwards, the BBC World Service will be funded by the licence fee which will lead to a change in how it is governed. The Trust will be consulting on its planned governance framework in summer 2013.

The Trust welcomes the step change in quality and depth of output on BBC World News, following increased investment in this commercial service. It has allowed a visibly improved service to be offered.

Aung San Suu Kyi came to New Broadcasting House to speak on the BBC World Service in June 2012



EDITORIAL STANDARDS

One of the Trust's main responsibilities is to set the BBC's editorial standards.

Editorial complaints

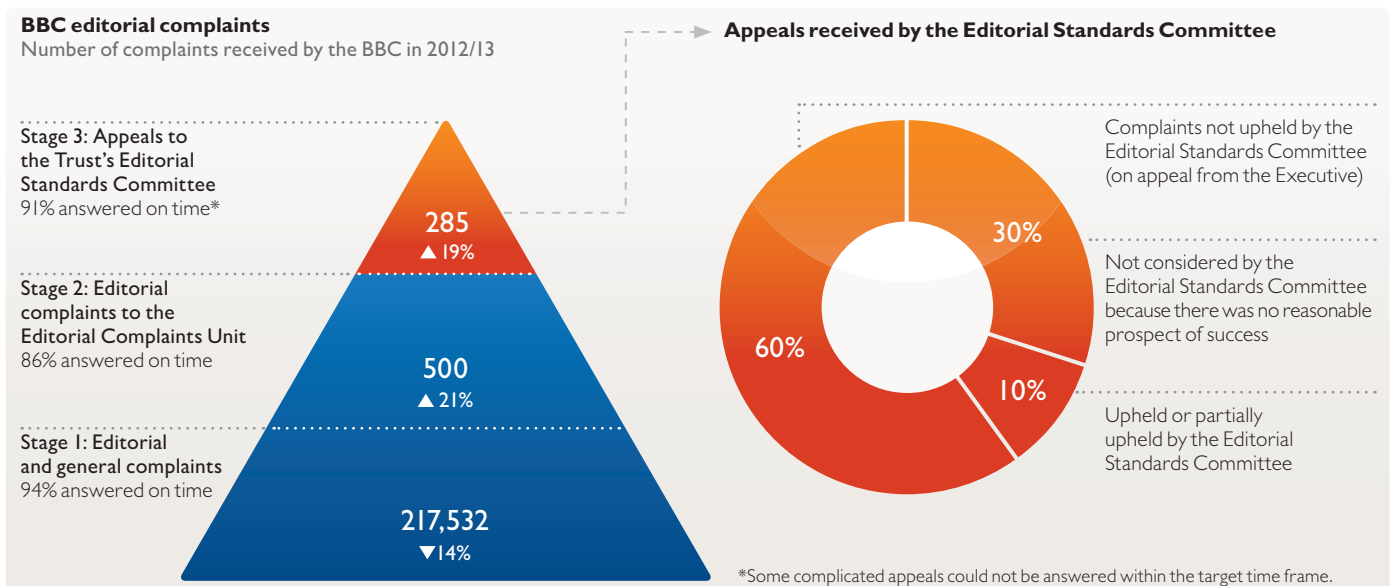
Editorial complaints and reports about serious editorial breaches are considered by our Editorial Standards Committee (ESC).

The most serious issue this year was the grave breach of standards in a November 2012 *Newsnight* report, which led to Lord McAlpine being wrongly identified online as the subject of child sexual abuse allegations. The Trust found the allegations broadcast were not based on sound evidence and that audiences had been misled. The Trust put on record an apology to Lord McAlpine for this serious failure of BBC journalism.

This came on top of the posting, in October 2012, of an inaccurate blog, by the then *Newsnight* editor, about the programme's decision to drop its investigation into allegations of child sexual abuse made against the late Jimmy Savile; that decision was the subject of an independent review commissioned by the BBC and conducted by former head of Sky News, Nick Pollard. Trustees expressed deep concern and asked him to look into these inaccuracies during his review. He concluded that significant failings of managerial oversight, and a lack of clear leadership, had contributed to the errors. In our response to his review, we said we would ask the incoming Director-General, Tony Hall, to make reform of management culture his top priority – and we have done so.

Other serious breaches

In October, the Executive reported a serious breach of privacy and of requirements to get consent before certain filming. During the making of a programme, a member of the production team had used a phone to film an adult who was not in a position to give informed consent. Although the film reportedly consisted of a bland verbal exchange, nonetheless the ESC agreed that the filming was a serious breach. However, it was satisfied that the Executive had taken appropriate action, which included terminating the contract of the person who had recorded the video.



Impartiality

Impartiality is at the heart of the BBC's commitment to audiences. The Trust is committed to making sure that the BBC retains the public's trust and fulfils its obligations to ensure its output achieves due impartiality.

Recently, the BBC published the results of a new survey (to be conducted annually) of perceptions of the impartiality and trustworthiness of BBC News compared with other media. The results were encouraging, with 49% of respondents saying that BBC News was the one source they were most likely to turn to for impartial news coverage, compared to 14% for ITV and 6% for Sky News.

Other work during the year included an impartiality review on 'breadth of opinion' in news, current affairs and factual programmes, led by Stuart Prebble, former Chief Executive Officer of ITV. His report focused on three topics: religion and belief; the EU; and immigration. The Trust concluded that, whilst there have been problems in the past and some remain, on the whole, the BBC goes to great lengths to provide a breadth of opinion. Nonetheless, we felt that the range of opinion may be narrowed in some subject areas by too great a focus on a Westminster agenda. We have, therefore, asked the Executive to ensure it has effective systems in place to monitor opinion more widely.

The Trust held an impartiality seminar during the year, with guests from inside and outside the BBC. The seminar, on economics reporting, reflected the importance of challenging and explaining the issues across all economic sectors, given the complexity and lack of certainty inherent in this area.

Public perceptions of the impartiality of news providers

Of all news sources, which ONE source are you most likely to turn to if you want impartial news coverage?

BBC News 49%

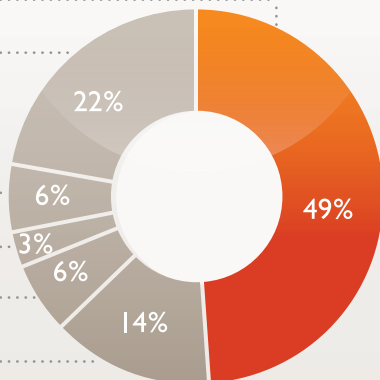
Other 22%

Don't know 6%

Channel 4 3%

Sky News 6%

ITV 14%



Source: Ipsos Mori for the BBC, UK adults 16+ who follow the news (1,873) interviewed face-to-face February 2013.

BBC's economics editor Stephanie Flanders presented *Stephanomics*, a series on the economics of our times, on BBC Radio 4



MAKING THE LICENCE FEE WORK HARDER

The BBC has made significant overall savings this year, but the costly failure of the BBC's Digital Media Initiative (DMI) project has rightly generated public concern.



Jenny Culshaw presenting from the BBC Sport Centre in MediaCityUK

Value for money

This year, the BBC continued to generate significant efficiency savings and early indications suggest that this has been achieved without a detrimental impact on overall audience numbers or appreciation scores.

Whilst this provides a good indication that value for money is improving overall, the costly failure of the BBC's digital media initiative (DMI) shows that further improvements are needed.

When it became apparent, during the course of the year, the project was failing, the BBC temporarily put a halt on further expenditure, and we agreed that a new business case, based on a fundamental review, should be presented to the Executive Board and the Trust for approval. This review showed that the £98.4million which the BBC has spent on DMI had generated little or no assets. On the basis of this review, we approved the Executive's proposal that the DMI project should be halted permanently.

We are deeply concerned about the money lost and the way the project was managed and reported to us. We have commissioned an external review by PricewaterhouseCoopers into what went wrong to ensure that there can be no repeat of a failure on this scale. We will publish the results in due course.

Research

Our research this year shows that 57% of people think that the BBC represents good value for money, which means around four in ten do not. Audience opinion in this area is driven by the quality of BBC programmes, the range of services and perceptions of how well the BBC is run.

We will continue to monitor the quality and range of BBC services to ensure they do not suffer as an unintended consequence of our drive to make the BBC more efficient. We will also continue to focus on improving the way the BBC is run, and in terms of value for money, this means focusing on the following areas:

- the BBC's long-term financial strategy and annual budget
- how the BBC pays its staff, performers and presenters
- in-depth reviews of the BBC's activities and services
- licence fee collection arrangements
- significant financial proposals from the Executive
- trading fairly.

In the following sections, we summarise our work in each of these areas over the past year.

PERFORMANCE SUMMARY

Savings

This year, the BBC delivered £580m efficiency savings under the continuous improvement programme, contributing to the £2bn cumulative savings delivered over 2008/09 to 2012/13.

This means the BBC exceeded the 3% year-on-year efficiency savings target set by the Trust.

Early indications suggest that this has been achieved without a detrimental impact on overall audience numbers or appreciation scores.

How we measure up



What's next?

- We set the BBC a new target to deliver a further 11% efficiency savings by 2016/17
- Significant risks remain, we will, therefore, continue to monitor performance to ensure that the BBC's savings programme does not have an unintended impact on the quality or range of BBC services

Perceptions of value for money

Nearly six in ten people perceived the BBC to represent good value for money (57%).

This score has remained stable over the past five years despite the BBC making significant efficiency savings.

How we measure up



Source: Purpose Remit Survey

What's next?

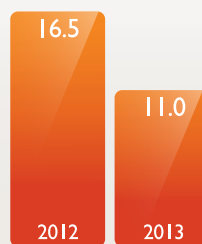
- Although we acknowledge that audience opinion in this area has tended to be unresponsive to change, we will continue to challenge the Executive to make further savings and improve the way the BBC is run

Reducing the pay gap

The pay multiple shows the difference in median earnings of BBC staff, and the Director-General.

The Trust has reduced the pay multiple over the past year by significantly reducing the remuneration paid to the Director-General.

How we measure up Director-General pay multiples



What's next?

- We are pleased that other public sector organisations will now also be publishing this multiple, which will allow for comparisons to be made across publicly-funded organisations

Financial strategy and annual budget

The Trust approves the BBC's high-level strategy and budget and holds the BBC to account for its financial and service performance.

Efficiency savings

We set the BBC a target to deliver 3% year-on-year efficiency savings over the period 2008/09 – 2012/13, and over the five years of the programme the BBC has exceeded this target delivering 3.7% year-on-year efficiency savings. This year, the BBC delivered £580million on-going savings (£499million in 2011/12). After the 2010 licence fee settlement, we set the BBC a new target to deliver a further 11% efficiency savings by 2016/17 in the *Delivering Quality First* strategy (DQF). Looking ahead, we will continue to monitor the quality and range of BBC services to ensure they do not suffer any unintended consequences of the BBC's DQF plan.

Performance against service licence budgets

We issue each of the BBC's 27 services with a service licence, setting out what we expect it to achieve and its budget. If the service over or underspends by more than 10%, we consider whether the character of the service has changed significantly. This year all services performed within the budget limits set by the Trust, except for BBC Parliament and BBC Asian Network, which underspent by more than 10%. We have investigated the reasons for these under spends and are satisfied that neither the quality or the scope of the services has been compromised.

Ensuring the licence fee supports the wider economy

The BBC, through the way it spends the licence fee, plays an important role in supporting the UK's wider creative economy. This year, spending on the UK's creative economy was £1,098million (£1,095million in 2011/12). The BBC commissioned 36% (37% in 2011/12) and 20% (19% in 2011/12) of eligible television and radio content respectively from external producers. In a challenging economic climate, the security of the licence fee enables the BBC to provide an important source of funding for smaller businesses and independent producers.

Pay

The BBC's approach to pay – particularly the amount paid to senior executives and to presenters and performers – plays a significant part in people's perceptions of whether or not the BBC delivers value for money. We have seen good progress in reducing the amount paid to the most senior people, but there is further to go.

Senior executive pay

The approach we agreed with the Executive Board on senior pay is to balance the need to attract high calibre people to manage the BBC with the need to provide value for money for the licence fee payer.

The BBC's senior management pay strategy also reflects our objective of spending more of the licence fee on programmes and content and less on administration. The Executive Board is responsible for the delivery of this strategy, and for individual decisions on remuneration and severance packages (except for the Director-General). In 2009, the Trust set demanding targets to reduce both the number of senior managers within the organisation and the amount paid to those managers.

The BBC met those targets by the end of 2011, as described in last year's annual report. Since then, the BBC has focused its efforts on consolidating those reductions in senior managers and ensuring that the remuneration of Executive Board members is in line with the overall strategic direction for pay at the BBC. New senior managers appointed from outside the BBC do not receive private medical insurance or a car allowance benefit.

In line with the overall strategy, the Trust has also significantly reduced the amount paid to the Director-General. The new salary for the Director-General is now set at £450,000 (£613,000 in 2011/12). Whilst this is a significant amount of money, it is a substantial reduction in the amount previously paid and we believe it represents value for money for licence fee payers. The Director-General is the Chief Executive and Editor-in-Chief of the BBC, with responsibility for a significant global workforce and the organisation's services across television, radio and online.

Last year, the BBC was one of the first public organisations in the UK to publish the 'pay multiple', which compares the pay of the chief executive officer with median pay of staff. With the significant reduction in the remuneration of the Director-General, this multiple has decreased from 16.5 to 11.0.

Earlier this year, the Trust proposed that the NAO should look at severance arrangements for senior executives as explained overleaf.

We welcome the new Director-General's proposal of a cap of £150,000 on total severance payments.

Presenters' and performers' pay

We recognise the significant contribution presenters and performers make to the quality and distinctiveness of our programmes. At the same time, it is vital that deals for pay represent value for money. In 2009, we asked the BBC to reduce the amount it spends on presenters and performers, focusing in particular on the highest paid, without compromising the quality of programmes. The BBC is continuing to meet this commitment and this year spent some £200million, £30million less than in 2009.

Employing freelancers

In response to public concern over the use of personal service companies in the public sector, the BBC commissioned Deloitte to carry out a review of the way the BBC pays freelancers. In November, Deloitte reported that it had found a high standard of compliance and no evidence of tax avoidance in this complex area. Nonetheless, we consider the BBC's responsibilities in this area go beyond legal compliance. We therefore welcomed the Executive's plans to ensure that those people whose working arrangements mean they have the characteristics of employees, will be treated as such, in future contracts. Where service companies are used, the BBC will provide more information to HMRC to help it achieve effective compliance. We intend to request a follow-up review next year to confirm whether Deloitte's recommendations have been implemented.

Report on Executive Board remuneration

This is the report of the Trust Remuneration and Appointments Committee on Executive Board remuneration in 2012/2013. The amount paid to members of the Executive Board for 2012/13 is detailed in the Executive Board's Remuneration Committee report in Part Two of this Annual Report.

The Director-General

During the 2012/13 financial year, three people occupied the post of BBC Director-General: Mark Thompson was in post until 16 September 2012, when he stepped down after eight years in the role; George Entwistle was the Director-General from 17 September until 10 November 2012; Tim Davie was the Acting Director-General from 11 November 2012 until 1 April 2013. Tony Hall was appointed by the Trust as Director-General on 22 November 2012 and started in the role on 2 April 2013, outside of the 2012/13 reporting period.

The Director-General's remuneration consists of a base salary and a pension, on standard BBC terms. The Director-General is also provided with a car and driver. There is no bonus scheme for the Director-General.

Following Mark Thompson's resignation, the BBC Trust set the salary for the Director-General at £450,000 p.a. This salary was provided to George Entwistle and Tim Davie for the periods in which they were in post; it is also the remuneration paid to Tony Hall.

George Entwistle left the BBC under the terms of a compromise agreement, in which the Trust agreed a payment of £450,000; Mr Entwistle agreed to ongoing co-operation in the inquiries commissioned by the BBC. Further information on the amount paid to those occupying the post of Director-General this year, including the full amount paid to George Entwistle as compensation for loss of office, can be found in Part Two.

We have agreed to publish the multiple of the median earnings of BBC staff and the Director-General's earnings. In 2012/13, once the Director-General's remuneration was set at £450,000, this multiple was 11.0 (16.5 in 2011/12). We are pleased that other organisations will now also be publishing this multiple, which will allow for comparisons to be made across publicly-funded organisations.

Non-executive directors

The non-executive directors receive a fee determined by the Trust. Fee levels are set with reference to rates paid by other UK corporations, but at a level such that the non-executive directors are not financially dependent upon the BBC.

Each non-executive director receives a base fee; there is an additional fee for chairing a committee of the Executive Board; and the senior non-executive director also receives an additional fee. Non-executive directors are reimbursed for expenses, and any tax arising on those expenses is settled directly by the BBC.

In 2011/12, the non-executive directors took a voluntary reduction in their fees, and in November 2012, the Trust agreed, with a proposal from the non-executive directors, that their fees be permanently lowered to reflect the reduced rate. We will next review the fees of non-executive directors in December 2013. Further information on the amount paid to non-executive directors can be found in Part Two.

Executive directors

The Executive Board's Remuneration Committee sets the remuneration package for individual executive directors, within a strategy agreed by the Trust. Each year the Trust considers a formal report assuring us that our strategy is being followed. Throughout the year, we have reviewed information from the Executive and are content with the approach being taken. As there have been changes in executive directors during the year, the Trust has ensured that decisions on remuneration over time meet the Trust's commitment to decrease gradually the 'pay multiple', which is calculated by comparing the median earnings of BBC staff with the median earnings of executive directors. Further information on the remuneration packages for executive directors – including the current 'pay multiple' – can be found in Part Two.

In-depth reviews

We commission in-depth reviews of the BBC's activities and undertake our own reviews of BBC services. The National Audit Office (NAO) also carries out value for money reviews and reports its findings to us. We work with the Executive to ensure the BBC acts on the recommendations made in these reviews, and the Executive reports back to us on its progress.

Trust-commissioned reviews

This year, we commissioned a review of the BBC's arrangements for distributing its UK services. The review is expected to conclude this summer when we will publish the findings.

NAO reviews

Since our previous annual report, the NAO has reported on its review of financial management at the BBC and on the BBC's move to Salford. For both reports, we have confirmed that the Executive will implement the recommendations and we will monitor progress closely. The NAO will also report on severance and wider benefits for senior BBC managers this summer.

Financial management at the BBC

This report examined whether the BBC's finance function was fit for purpose. The NAO concluded that the BBC's approach to financial management provided effective support to the business in delivering value for money, and has helped it to meet past savings targets consistently. It also concluded that the BBC exhibited strong financial leadership and governance, with effective challenge at senior levels including from the Trust and non-executive directors. However, it noted that limitations to the BBC's financial reporting systems have meant that information has not always been managed in the most efficient way and that the BBC should align its financial planning and reporting more closely with its strategic priorities.

The BBC's move to Salford

This report examined the progress of the BBC's move to Salford and concluded that the project was delivered on time and on budget, whilst maintaining broadcast continuity. The report also found that whilst the BBC retained skills and reduced redundancy costs by offering London-based staff relocation packages to encourage them to move, it did not apply sufficient rigour in managing the allocation of some allowances and may, therefore, have incurred some unnecessary costs.

Severance and wider benefits for senior BBC managers

This year, the BBC came under particular scrutiny over the level of severance payments made to senior executives, particularly the amount paid to the departing Director-General. We therefore suggested that the NAO should review severance arrangements for BBC senior staff, and its report is due to be published around the same time as this annual report. The BBC has already announced that it proposes to cap severance payments at £150,000 and that it will consult on this proposal with staff. We will consider the NAO's report carefully, and ensure that the Executive takes the appropriate actions to address any recommendations made.

Licence fee collection

The Trust is responsible for the BBC's licence fee collection arrangements and we aim to ensure they are efficient and appropriate. Compared with last year, the amount of the licence fee spent on collection decreased to 3.0% (3.4% in 2011/12). The combined cost of collection and evasion remained broadly stable at 8.5% (8.6% in 2011/12).

BBC North at MediaCityUK, Salford



Significant financial proposals

The Trust scrutinises key BBC financial proposals that would have a significant impact on the BBC's finances. This year, we approved the sale of Television Centre as part of the BBC's long-term plan to reduce the size of its property portfolio and move departments from west London. The BBC secured a profit of £78million from the sale.

Trading fairly

The Trust sets the BBC's fair trading policies and framework to ensure that the BBC has regard to its impact on the market in all its activities and, in doing so, observes high standards of openness and transparency. The Trust is satisfied that this year the BBC has continued to operate fairly within its fair trading framework.

The Executive is responsible for ensuring compliance with the fair trading policies and framework and for commissioning an annual independent audit of the BBC's fair trading activities. The fair trading auditors' report can be found in Part Two.

As well as setting the fair trading policies and framework, the Trust is the final arbiter for fair trading complaints which come to the Trust on appeal. This year, we did not hear any appeals.

In the year ahead, the Trust will begin the triennial process of reviewing its fair trading policies and framework which will include a public consultation.



BBC Worldwide commercial strategy

BBC Worldwide exploits the value of the BBC's intellectual property on the licence fee payer's behalf. It acquires the commercial rights to such programmes as *Doctor Who*, *Top Gear* and *Dancing with the Stars* and earns money from the rights across different media and markets. Through dividends and direct investment in programmes, it makes a significant contribution to the funding of the BBC and this year, returned £156million to the Group (£216million in 2011/12). The prior year figure includes a return arising from the sale of BBC Magazines.

During the year, BBC Worldwide reviewed its strategy, guided by the Trust, to ensure that its activities are more closely aligned with the BBC's public service remit. As a result of a greater focus on core BBC activities and programming, in March 2013, BBC Worldwide sold its travel guide business, Lonely Planet, for £51.5million. The transaction, which was approved by the Trust, represented a loss of around £80million on the original 2007 purchase.

Whilst the disposal of Lonely Planet was the right decision given the new direction that had been agreed for BBC Worldwide, the scale of the financial loss was significant. And, whilst, the new strategic direction means that BBC Worldwide will not make an acquisition like Lonely Planet again, the Trust has nonetheless decided that the original purchase and subsequent management of the business merit further scrutiny. It has, therefore, asked the Executive to commission a review of lessons learnt and report to the Trust with its findings.

CREATING DIVERSE CONTENT ON ALL PLATFORMS FOR ALL AGES AND COMMUNITIES

The BBC's services reached 96% of the UK's population across a range of platforms. It still has some way to go, however, in reflecting the growing diversity of its audiences in both its content and in the organisation itself.



The BBC's coverage of the 2012 Olympics broke all records

The Olympics provided something for everyone

In total, 47.4 million accessed the BBC's games coverage online, including 32 million in the UK.

32m
UK browsers

90%
TV reach

Serving all audiences means ensuring that the BBC provides something for all licence fee payers in the UK, the Channel Islands, and the Isle of Man; making the BBC's content widely available to everyone in a convenient way; and ensuring that BBC programmes, and the make-up of its workforce, reflect fully its diverse audiences. We say more about how the Trust represents audiences through consultation and research in the *Understanding Audiences* section later in this report.

Serving audiences through technology

The BBC should make content available on a range of platforms that are convenient for audiences whilst remaining cost-effective for the BBC. With digital convergence, people's expectations of how they should be able to access BBC content are changing fast. We believe the BBC must keep pace with technological developments as well as audience expectations. It needs to do so as efficiently as possible and with regard to the fact that audiences expect as much of the licence fee as possible to be spent on programmes. It also needs to do what it can to help as many people as possible gain access to new digital services, and that is why we support the investments that are being made from licence fee funds over the next few years in digital radio and in the roll-out of broadband.

Completion of digital switchover

The completion of TV digital switchover in October 2012 marked the end of the biggest change to broadcasting in the UK for a generation, in an impressive technical and logistical switchover programme. More than 26 million homes have now replaced their analogue TV with digital terrestrial TV. Digital UK, which is owned by the BBC, ITV, Channel 4 and Arqiva, successfully completed the project on time and on budget, and the BBC-run Digital Switchover Help Scheme helped over 7 million households continue to access television services.

PERFORMANCE SUMMARY

Reach of BBC services

The BBC maintains near universal reach despite its audiences having a huge choice of other channels and services.

How we measure up



2011/12: 96%
Source: BBC Cross Media Insight Survey

What's next?

- The BBC's ability to offer something of high quality for everyone will remain key to its success in coming years

More
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Digital switchover

The completion of television digital switchover on time and on budget was an impressive technical and logistical feat.

How we measure up

26 million homes have now replaced their analogue TV with digital terrestrial TV



What's next?

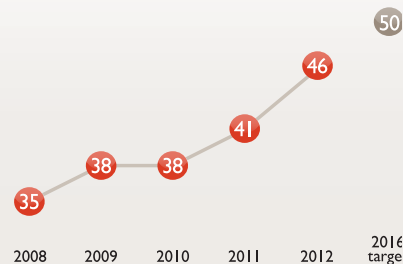
- The Trust will continue to support the BBC's investment in digital radio and the roll-out of broadband to help as many people as possible gain access to new digital services

More
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Out of London – % of network spend

The BBC is making good progress with its plans to produce more television outside London including in Scotland, Wales and Northern Ireland. However, there remains more to do to develop sustainable production communities across the UK.

How we measure up



What's next?

- The Trust will closely monitor the BBC's progress towards our target of making 50% of our network television by spend outside London by 2016
- In doing so, we will consider how the BBC is supporting production centres outside London so they are in a position to thrive

More
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Representing the nations and regions

The BBC has made some progress in improving audience perceptions in the nations and regions, but viewers and listeners around the UK still want to be better represented in programming.

How we measure up

48% of UK adults believe the BBC performs well in representing their nation or region



Source: Purpose Remit Survey

What's next?

- Through our audience research we will continue to monitor how BBC programming is reflecting the UK as a whole

More
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Serving a more mobile audience

Accessing content through a mobile device is becoming the norm for many – for example, over half of adults in the UK now own a smartphone and audiences increasingly want to watch and listen to content 'on the go'. The Trust, therefore, supports the BBC's investment in new online platforms, particularly mobile, since they help the BBC maintain the reach and relevance of its services.

The benefits to audiences of the BBC's investment were clear during the Olympics. The Trust approved the plans to launch temporary Olympic services and extend online coverage including through 24 video streams. This extended coverage, providing some 2,500 hours of live sport, was watched eagerly. The BBC received 12 million requests for video on mobile as well as 9.2 million browsers accessing the dedicated mobile site and Olympics app over the course of the Games.

In September 2012, BBC iPlayer launched mobile downloads, enabling audiences to watch downloaded content without a Wi-Fi or a mobile signal. Around 64% of all BBC TV downloads are now to smartphones or tablets. In October 2012, the BBC Radio iPlayer app was launched, and by the year end, had been downloaded more than 1.8 million times. The BBC Sport app launched in January 2013 and was downloaded 1.4 million times by the year end.

Evolution of Red Button

Following the Olympics, the BBC reduced the number of video streams on the Red Button from five to one. The Trust supported this change, which will be more efficient and free up resources to support the development of a better experience for Connected Red Button, the alternative service for web-based TV. Connected Red Button was piloted on Virgin Media's TiVo boxes from December 2012.

Launch of YouView

In July 2012, YouView, a joint venture between the BBC, ITV, BT, Channel 4, Channel five, Arqiva and Talk Talk, launched in the UK. It offers audiences a free-to-air, web-connected TV service combining Freeview with on-demand content such as iPlayer. The partnership aims to encourage demand for television over the internet.

The Trust imposed several conditions on the BBC's participation, including guaranteeing a subscription-free offer, and ensuring other content providers have access to the platform. YouView launched in a very competitive marketplace. The Trust has been regularly updated on its progress with a view to protecting the BBC's investment and licence fee payers' interests, and also because of its duty to have regard to the impact the BBC's participation may have on competition in the wider market.

BBC Red Button kept viewers up to date throughout the Olympics with 24 streams of coverage



Representing the whole of the UK

The BBC produces output around the UK, both to ensure its activities spread their economic benefits in the UK's nations and regions, and to enhance its ability to represent all audiences in its programming.

The Trust set the BBC a target of making 50% of network television by spend outside London by 2016, with 17% spent in Scotland, Wales and Northern Ireland. We were pleased to see that this year the BBC is ahead of schedule, with 46% made out of London and just under 16% made in the devolved nations. However, there remains more to do to enable sustainable and thriving production communities in each location, particularly in those where spending is quite low in total and it is, therefore, difficult to create a critical mass of expertise in particular programme types.

Part of the aim of making more content out of London is to reflect audiences from across the UK better in BBC output. We have seen some success this year in improved perceptions of the BBC amongst audiences in the North West of England, which might be linked to the establishment of BBC North in Salford.

In this year's Purpose Remit Survey, audiences in the devolved nations continued to say that they would like to see their nation represented better in both news, drama and entertainment programming. We have seen examples of good co-ordination between the nations and English regions and those in London, and there may be further opportunities for BBC staff to build on this. However, the challenge for the BBC of providing 'something for everyone' will get tougher as the UK becomes more diverse and the internet provides ever greater choice from other media providers.

Representing the diversity of the UK within the BBC

To represent licence fee payers effectively, the BBC itself should reflect the diversity of the UK in its workforce and the Trust is committed to ensuring that it does so.

In January 2013, the Executive published a report, *Developing Our Story: Equality and Diversity at the BBC in 2012*. The Trust notes that the BBC almost met its 12.5% target for black and minority ethnic (BME) staff by December 2012, with 12.4% of BBC staff from BME backgrounds. However, the Trust is concerned by the continuing pattern of decline in the representation of disabled staff. The BBC fell short of its 5.5% target; as at December 2012, only 3.8% of staff were registered disabled. We note the Executive's recent engagement activity amongst disabled staff to address this decline. We have asked the Executive to continue its work on recruiting and retaining disabled staff and will monitor progress over the next year.

The Trust expects every part of the BBC to take an active role in considering the diversity of its workforce. From January 2013, the Executive introduced a new method of measuring employee diversity, setting targets for ethnicity and disability in each BBC division and region. The Executive also set targets to increase the number of women in some divisions. We also support the BBC's initiative to provide media training to female external experts to increase the proportion of women contributors in news and factual programming.

The BBC aims to have more women in its output and the BBC Academy offered a free day's training for aspiring female presenters and contributors



OPERATING TRANSPARENTLY, ENGAGING OPENLY

The BBC has made progress in some areas – publishing more information and working openly with industry – but it could do more.



Gemma Cairney, Radio 1 weekend Breakfast Show presenter, answers questions from the audience at 'Access All Areas' session

The Trust is determined the BBC should lead the public sector in openness and transparency.

The Executive has made progress in this area over the last few years. On pay, it now routinely publishes details of senior pay and expenses because the public expects transparency about executive pay. The Executive is also transparent about what it spends on talent (artists, presenters and performers), details of which can be found in Part Two. In addition, the BBC website now provides more information about the running of the BBC than before and it includes some corrections and clarifications. Compliance with the Freedom of Information Act 2000 (FOIA) also contributes to greater transparency. Last year, the BBC handled approximately 1,700 FOIA requests, whilst at the same time, protecting the creative and editorial space and the confidentiality of sources.

However, the Trust believes the BBC could do much more to demonstrate commitment to 'setting new standards in openness and transparency', the strategic objective set by the Trust. This includes encouraging a culture of openness inside the organisation and taking other initiatives. For example, in our review of BBC Online, we encouraged the Executive to consider how it can make some of the performance data about BBC Online available to licence fee payers, industry and stakeholders. We would expect the same from other parts of the BBC.

Trustees also expect the Executive to work openly and constructively with the broadcasting and creative industries.

There were some good examples of this last year. BBC Radio 1 and iXtra opened their stations to the public in an unprecedented 'Access All Areas' initiative. The BBC, in partnership with Arts Council England, launched the website thespace.org as a way to provide free online access to thousands of works from UK artists and art institutions. We strongly support initiatives like these which promote openness and transparency at the BBC.

The Trust is also committed to open engagement. This helps us to take into account the interests of the broadcasting and creative industries when making decisions.

For example, in 2012/13, our service review of BBC Online and Red Button enabled Trustees to explore a range of issues with the UK digital industry, including its relationship with the BBC fostered through partnerships or commissioning relationships. During the Window of Creative Competition review we talked to the independent television production sector to ensure that their views about the BBC competitive commissioning arrangements were considered. We also worked closely with stakeholders in Wales to develop the historic S4C Operating Agreement, and met other broadcasters and interest groups during the current review of BBC Children's services. Finally, for each of the past three years, the Trust has sought to bring together a small number of the most senior figures from the media industry for an open and frank discussion about the BBC and its performance, in light of the objectives the Trust has set.

PERFORMANCE SUMMARY

Engagement with industry
 We worked constructively with the broadcasting and creative industries to take their views into account.

How we measure up

Engagement with:

- UK digital industry
- Independent television production sector
- Wider media industry

What's next?

- We will continue to hold annual industry engagement events with the industry
- The BBC will continue to engage with the creative industries

Publications and disclosures
 We published a range of information about the running of the BBC, and responded to 1,700 disclosures under the Freedom of Information Act 2000.

How we measure up

Published in 2012/13

- Senior manager pay and expenses
- Talent costs
- Hospitality
- Declarations of personal interest

What's next?

- The BBC will make information more accessible and easier to find
- The BBC will explain more clearly when information is not available and give reasons
- We will work with the Executive to create a stronger culture of openness within the BBC

Bringing the audience in house
 A way of showing audiences how the BBC is run is to invite audiences into the BBC.

How we measure up
 BBC Radio 1 and BBC Radio 1Xtra opened up stations to their audiences in an 'Access All Areas' initiative



What's next?

- The BBC will hold more 'access all areas' initiatives so licence fee payers can see the BBC at work





UNDERSTANDING AUDIENCES

Consultations, research and Audience Councils: those we heard from and what they said

ENABLING EVERYONE TO HAVE THEIR SAY

We heard from a range of audiences, in particular through our Purpose Remit Survey and nine public consultations linked to major pieces of research.

The Trust's duty is to represent all licence fee payers and it aims to ensure that the BBC serves all audiences. We make key decisions that affect audiences and other stakeholders, and so it is important that these decisions are informed by their views.

The main ways in which we get their views is through consultations, research and direct engagement through our Audience Councils. We aim to reach as many people as possible with our public consultations, and we use targeted research when we need the views of particular groups or stakeholders on a specific issue. When relevant, we take our public sector equality duty into account when making decisions. Our Audience Councils in England, Scotland, Wales and Northern Ireland augment our understanding of issues that matter to licence fee payers, in each of the nations.

Public consultations

Public consultations enable anyone to have a say, and are particularly important in our service reviews, where we aim to get the greatest breadth of opinion possible. To this end, we promote all our public consultations on BBC TV and radio stations and on BBC Online.

In the last year, we carried out nine public consultations linked to our major pieces of work, including service reviews for BBC Online and Red Button, and the Children's services, CBBC and CBeebies. We also ran consultations as part of BBC policy reviews on the purpose remits, service licences and the *Election Guidelines for Police and Crime Commissioners*. In total, we heard from over 10,000 people across the UK, and received responses from a range of organisations including industry bodies, voluntary

organisations and other interest groups. As part of the Children's services review, we designed a consultation for children, giving them the opportunity to tell us themselves what they thought.

Responses to consultations make an important contribution to our findings and recommendations. For example, one of our key recommendations in the review of BBC Online, that navigation should be improved so that people can explore the sites more easily, came from the public consultation.

Research

Our main piece of research is our annual Purpose Remit Survey measuring the BBC's performance in delivering its six public purposes (see details overleaf). We also commission a mix of quantitative and qualitative research which, together with our public consultations, gives us a detailed picture of what our audiences think about the BBC's services.

This year, for our service reviews, we commissioned research amongst users of BBC Online and Red Button and used a specialist research agency to speak to children, as well as parents, for our review of Children's services.

Qualitative research also played an important role in our impartiality review on breadth of opinion. Audiences were asked to watch and listen to a range of BBC news and current affairs output, and comment on whether they had seen, read and heard a breadth of opinion.

Members of Audience Council England discuss the Trust's service review of BBC Online



Purpose Remit Survey

This Survey asks audiences for their views on how important each public purpose is to them, and on the BBC's performance in relation to each. It also includes some general questions. Although the Survey is usually annual, we did not carry it out in 2012 because we were reviewing the purpose remits and updating the Survey to ensure its questions remain relevant to the public. The results here for 2013 are, therefore, compared with those of 2011.

This year, over 2,000 adults from across the UK participated in the Survey, enabling us to understand the views of a diverse group of licence fee payers. As in previous years, eight in ten adults felt that they would miss the BBC if it were not there, and the BBC was once again more likely to be missed than any other broadcaster. Also in line with previous years, nearly six in ten (57%) thought the BBC represents good value for money, a perception which is driven by the quality of BBC programmes, online content, and the range of BBC services.

Following, is a summary of audiences' views on each of the purposes:

Stimulating creativity and cultural excellence

As in previous years, providing a wide range of entertaining and enjoyable content continues to be a strength of the BBC. Three quarters felt BBC programmes were high quality – the second highest result of all questions asked in the Survey. However, audiences were less positive about the BBC having many fresh and new ideas. To find out more about distinctiveness, we asked whether the BBC provides programmes that no other broadcaster would make, and this score was lower than most, at 47%. This supports our view that increasing distinctiveness should continue to be a key strategic priority for the BBC.

Sustaining citizenship and civil society

This purpose continued to be important to audiences and, overall, expectations were met. However, the score relating to the BBC's delivery of high quality, independent journalism was 65%, compared with 70% in 2011.

Representing the UK, its nations, regions and communities

This year, we split the representation question, asking people about whether they felt represented in a) news, and b) drama and entertainment. Scores for both were around the same, and similar to the previous, single question in 2011. Both were below average, with only about half considering they were represented by either genre; both measures were lower in Scotland and Northern Ireland. This remains a priority for the Trust.

Promoting education and learning

Audiences continued to see the BBC's contribution to education as a key strength of the BBC, and it met their high expectations.

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

We asked a new question this year with regard to the extent to which the public felt that the BBC was good at presenting a positive image of the UK to the rest of the world; two thirds said that it did. As in 2011, about eight in ten felt that the BBC helped them to understand what was going on in the wider world.

Delivering the benefit to the public of emerging communications, technologies and services

YouView was successfully launched in 2012, and enhancements were made to iPlayer. Therefore, we were pleased to see that this purpose continued to score increasingly highly this year, with teenagers and young adults giving higher than average scores. However, the public does continue to consider this purpose to be less important than the others, although its importance has been rising.

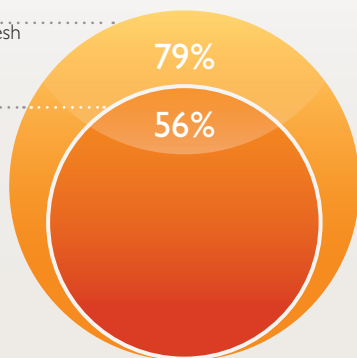
Stimulating creativity

The BBC could do more in this area because there is a large performance gap.

79% of audiences thought that fresh and new ideas were important

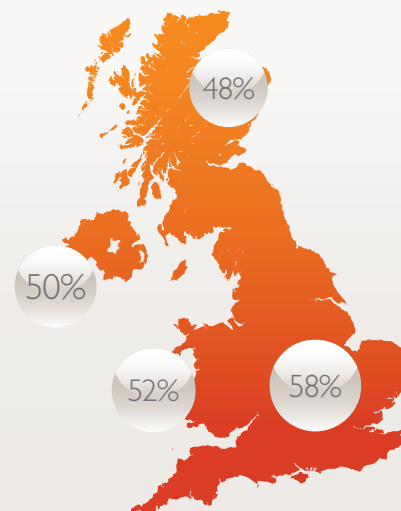
But only 56% of audiences thought that the BBC had lots of fresh and new ideas

-23%
2011/12: -21%
▼ **Fallen short**



Representing life in Scotland, Wales, Northern Ireland and England

The map shows the % of people in each nation who think the BBC is good at representing their life in news and affairs content.



UNDERSTANDING AUDIENCES

Audience Councils

It is essential that the BBC properly represents all nations of the UK, and we, therefore, have an Audience Council for each nation, as well as a National Trustee. The Audience Councils play an important role in gathering insights from audiences in their respective nations, including how well the BBC is serving these audiences and delivering its public purposes.

Members are volunteers and are recruited to reflect the diversity of audiences across the UK. They advise the Trust on matters of topical concern and help shape service reviews by ensuring that audiences' issues are highlighted from the earliest stages. This year, Councils contributed to reviews of BBC Online and Children's programming.

How the BBC performed this year

The revelations about Jimmy Savile and concerns over editorial decision-making at the BBC were a significant issue for audiences across the UK, and Councils urged the BBC to undertake every step necessary to restore audiences' trust in its journalism.

As well as reporting on performance specific to each nation, Councils reported on other common issues. These included: the need to take more creative risks; the need to maintain the quality and range of local programming in spite of the need save money; and that, although BBC Radio 4 reached over 10 million people, its listeners are concentrated in the South of England. The Audience Councils felt that the BBC could do more, in this and other services, to reflect fully the diversity of the UK.

The Councils also reported that the BBC's coverage of the London Olympics and the Queen's Diamond Jubilee was hugely popular, and noted how effective it was in bringing people together from across the UK.

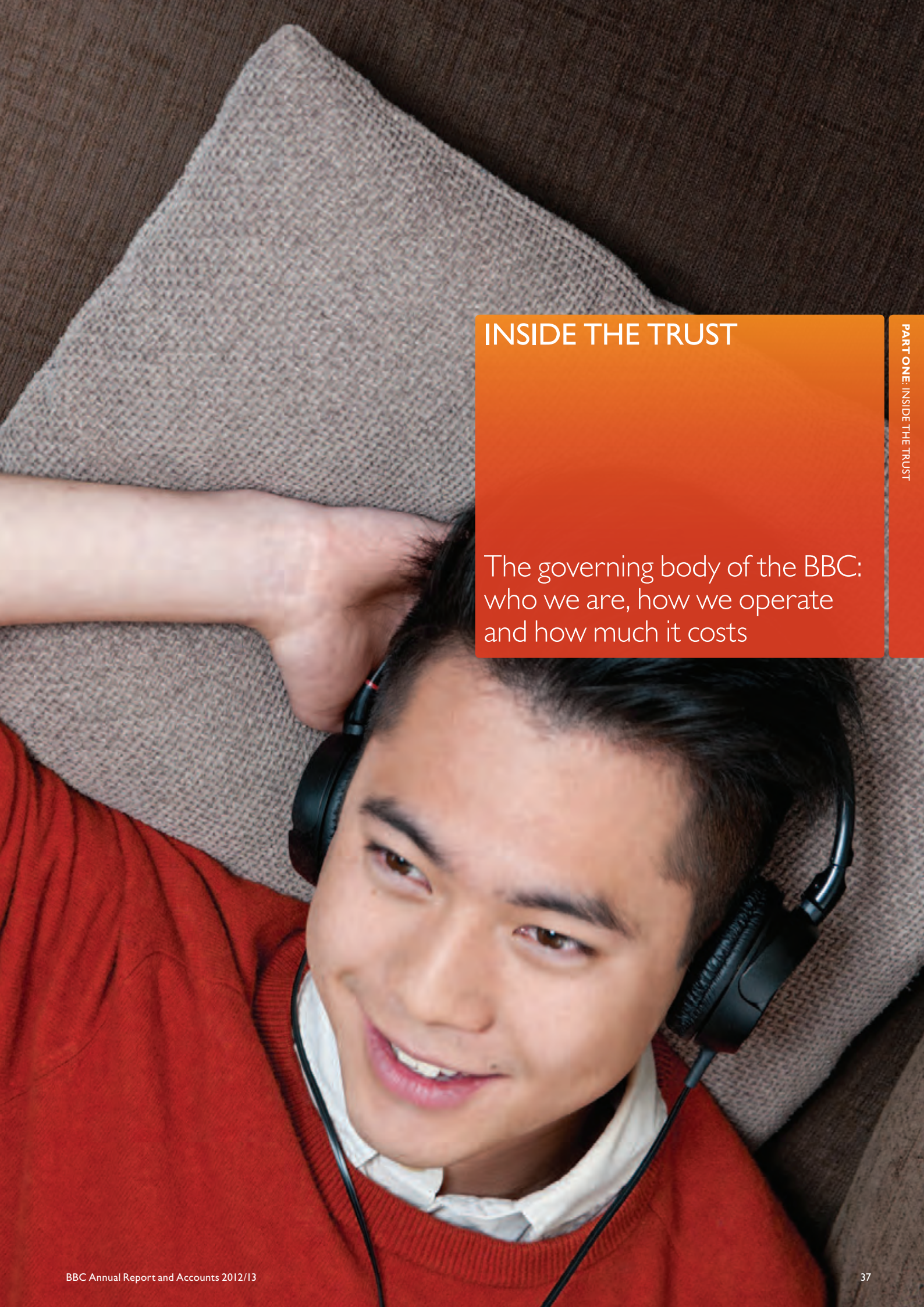
Priorities for 2013/14

Audience Councils report emerging issues to the Trust so that they can be included in the annual workplan. This year, audiences asked for more drama and documentary programmes on the main networks, to appeal to audiences across the UK, and to more diverse groups – they want the BBC to move more quickly to reflect fully the four nations' political and cultural distinctiveness. They also raised concerns that local programmes are not available on BBC One HD in England, or on BBC Two HD in Northern Ireland, Scotland and Wales, and asked that DAB radio be made more widely accessible.

For more information, see the four Audience Councils' annual reviews published on the Trust's website.

Members of Audience Council England's North West panel meeting at MediaCityUK, Salford





INSIDE THE TRUST

The governing body of the BBC:
who we are, how we operate
and how much it costs

BBC TRUSTEES

GETTING THE BEST OUT OF THE BBC FOR LICENCE FEE PAYERS

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 process.



Lord Patten of Barnes CH, Chairman

Chairs Remuneration and Appointments Committee.

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

Chairs Strategy and Approvals Committee and Audience Councils Committee. Lead Trustee on commercial issues.

Other roles

Director, Enlightenment Economics; Stakeholder Advisory Panel member, EDF Energy; board member, Social Impact Lab.



Sonita Alleyne OBE

Trustee from 1 November 2012. Lead Trustee on diversity and equality (with Richard Ayre).

Other roles

Founder, Yes Programme Ltd; non-executive director, Archant; member, British Board of Film Classification; member, London Legacy Development Corporation.



Richard Ayre

Chairs Complaints and Appeals Board. Lead Trustee on diversity and equality (with Sonita Alleyne), transparency issues, and the complaints framework.

Other roles

Freedom of Information Adjudicator, The Law Society.



Anthony Fry

Chairs Trust Finance Committee. Lead Trustee for fair trading and value for money reviews.

Other roles

Chairman, Premier League; Chairman, Dairy Crest; Chairman, CALA; senior adviser to Board, Espírito Santo UK; non-executive director, Control Risks. Anthony will step down as a Trustee in the autumn of 2013.



Alison Hastings

Trustee for England, chairs Audience Council England; chairs Editorial Standards Committee. Led Trust's review of Children's services.

Other roles

Vice President, British Board of Film Classification; non-executive director, Clatterbridge Cancer Centre; consultant and trainer, Press Complaints Commission.



David Liddiment

Chairs Audiences and Performance Committee.
Led Trust's review of service licences.

Other roles

Non-executive director, All3Media; associate, Old Vic Theatre Company; chair, Hepworth Wakefield Gallery.



Bill Matthews

Trustee for Scotland, chairs Audience Council Scotland. Chairman, BBC Pensions Trust.

Other roles

Director, M2M2 Limited; Chairman, Crimestoppers Scotland; Acting Chair, Security Industry Authority; member for Scotland, British Transport Police Authority.



Aideen McGinley OBE

Trustee for Northern Ireland from 1 November 2012, chairs Audience Council Northern Ireland.

Other roles

Jury member, UK City of Culture 2017; trustee, Fermanagh Trust; governor, St Michael's College, Enniskillen.



Elan Closs Stephens CBE

Trustee for Wales, chairs Audience Council Wales.
Member, S4C Authority.

Other roles

Emeritus professor, Aberystwyth University; non-executive director, Welsh Government Board; Member S4C Authority; non-executive director, BFI IMAX Waterloo; High Sheriff of Dyfed, 2012-13.



Suzanna Taverne

Led Trust's review of BBC Online and Red Button.

Other roles

Non-executive director, Ford Credit Europe; trustee, StepChange Debt Charity; trustee, Shakespeare Schools Festival; advisory board member, Manchester Business School.



Lord Williams of Baglan

Chairs International Services Committee.

Other roles

Distinguished Visiting Fellow, Chatham House; member of the international advisory board, Toledo CITPAX, Toledo International Centre for Peace; member of governing board, School of Oriental and African Studies.

MAKING WELL INFORMED, FAIR AND TRANSPARENT DECISIONS

The BBC Trust is the governing body of the BBC. We are supported by the Trust Unit, a team of professional staff who report directly to us.

The Trust sets the strategic direction through four strategic objectives for the BBC and issues a service licence to every BBC service, stating what we expect it to deliver and how much it can spend. We uphold the BBC's editorial standards and protect the BBC's independence. The Trust is separate from the Executive, which is led by the Director-General and manages the operational delivery of the BBC's services.

The functions and duties of the Trust are outlined in the BBC's Royal Charter and the BBC's Agreement with the Secretary of State. The Trust operates in accordance with published protocols and the way we make decisions is governed by our standing orders. As Trustees, we commit to acting in accordance with our Code of Practice.

Our regular business is undertaken in monthly meetings of the Trust and its sub-committees. At these meetings we make decisions relating to our duties and responsibilities and consider proposals from the Executive Board.

We publish the minutes of our monthly Trust meetings on our website. We also publish the evidence and research on which our decisions are based, the findings of all editorial appeal decisions, the outcomes of value for money and service licence reviews.

Trustee changes during the year

Rotha Johnston's and Mehmuda Mian's terms ended on 31 October 2012. Sonita Alleyne's and Aideen McGinley's terms began on 1 November 2012.

The trustees listed on pages 38 and 39 reflect the membership of the Trust at 20 June 2013. There were no vacancies at this time.

Trustees' attendance at Trust meetings (1 April 2012-31 March 2013)	
Chairman	
Lord Patten	26/27
Vice Chairman	
Diane Coyle	27/27
National Trustees	
Alison Hastings (England)	25/27
Rotha Johnston (Northern Ireland)	11/13
Bill Matthews (Scotland)	26/27
Aideen McGinley (Northern Ireland)	10/14
Elan Closs Stephens (Wales)	23/27
Trustees	
Sonita Alleyne	13/14
Richard Ayre	25/27
Anthony Fry ¹	23/27
David Liddiment	25/27
Mehmuda Mian	12/13
Suzanna Taverne	25/27
Lord Williams	23/27

Notes

¹ Anthony Fry sent apologies to the Trust meeting on 22 November 2012, as he was giving evidence at the Public Accounts Committee (PAC) on behalf of the Trust.

Trustees' attendance at Audience Council meetings (1 April 2012-31 March 2013)	
Alison Hastings	7/7
Rotha Johnston	5/5
Bill Matthews	9/9
Aideen McGinley	3/3
Elan Closs Stephens	8/8

Assessing our own performance

Every year we review the way the Trust and its committees have worked and publish the results in the annual report. This is a commitment we set ourselves in the Trust's standing orders.

The events of the past year – revelations about sexual abuse by Jimmy Savile, the departure of a newly-appointed Director-General, and wholesale changes in senior management – put strains on the Trust, as they did on the entire BBC, and we have needed to learn lessons. We recognise the need to clarify, both internally and externally, the distinct roles of the Trust and the Executive as they are laid down in the Charter; to ensure better communication between the two, especially at times of crisis; and to be transparent about the measures we take on behalf of licence fee payers to hold the Executive to account for its management of the BBC.

We continued our full programme of strategic and regulatory work, including service and impartiality reviews, scrutinising the BBC's budget proposals, assessing the case for new investments and major projects, and listening to audiences across the UK, despite the Savile affair having dominated the final months of 2012.

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 Trust Unit advises Trustees on their duties, manages the Trust's supervisory and regulatory functions, and provides the Trust with independent assessments of proposals from the Executive Board. Most Unit staff are based in London; others are based in offices in Belfast, Birmingham, Cardiff and Glasgow.

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 our duties as BBC Trustees. 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.

Trustees' remuneration

Fees

Our fees as Trustees are determined by the Secretary of State for Culture, Media and Sport. In September 2010, Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the Director-General and other Executive Board members. The reduced fees for Trustees will remain in effect until 31 August 2014 and are reflected in the table below. The one exception to this is the Chairman, where the level of fees was reduced by 23% when the post was last advertised and, therefore, a further discount has not been applied. Trustees do not receive severance pay or other compensation for loss of office.

Trustees are paid for a part-time role at the BBC Trust. The Chairman is expected to spend 3-4 days a week on Trust business, and the Vice Chairman about 2.5 days. Other Trustees are expected to work for about 2 days a week. Trustees work longer as needed.

Expenses

We are reimbursed for expenses incurred on BBC business, which include travel, accommodation, work-related meals and hospitality. Trustee expenses 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

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

Trustees' remuneration

	Fees £000 ¹	Taxable benefits £000	Total 2012/13 £000	Total 2011/12 £000	Appointment term start date	Appointment term end date
Chairman and Vice Chairman						
Lord Patten ²	110	1	111	101	11 May 11	30 Apr 15
Sir Michael Lyons ³	–	–	–	15	1 May 07	30 Apr 11
Diane Coyle ²	71	–	71	67	1 Nov 06	30 Apr 15
National Trustees						
Alison Hastings (England) ⁴	38	–	38	38	1 Nov 06	31 Oct 14
Rotha Johnston (Northern Ireland) ⁴	22	–	22	38	1 Nov 06	31 Oct 12
Bill Matthews (Scotland) ⁵	38	–	38	38	1 Jan 11	31 Dec 14
Aideen McGinley (Northern Ireland) ⁶	16	–	16	–	1 Nov 12	31 Oct 16
Elan Closs Stephens (Wales)	38	–	38	38	1 Nov 10	31 Oct 14
Trustees						
Sonita Alleyne ⁶	14	–	14	–	1 Nov 12	31 Oct 16
Richard Ayre	33	–	33	33	1 Aug 10	31 Jul 14
Anthony Fry ⁷	33	–	33	33	1 Nov 08	31 Oct 15
Dame Patricia Hodgson ³	–	–	–	6	1 Nov 06	6 Jun 11
David Liddiment	33	–	33	33	1 Nov 06	31 Oct 14
Mehmuda Mian ⁴	19	–	19	33	1 Nov 06	31 Oct 12
Suzanna Taverne ²	33	–	33	8	1 Jan 12	31 Dec 15
Lord Williams ²	33	–	33	11	1 Dec 11	30 Nov 15
Total⁸	531	1	532	492		

Notes

1 Trustees took an 8.3% voluntary reduction in pay in September 2010.

The Chairman's fee was reduced by 23% from £142,800 to £110,000 at the start of Lord Patten's term. Full details are available on the Trust's website.

2 Lord Patten, Suzanna Taverne and Lord Williams began their appointments during the financial year 2011/12; accordingly their fees for 2011/12 only relate to their time in office and do not cover the full year. Diane Coyle began her term as Vice Chairman in May 2011; accordingly her fee as Vice Chairman for 2011/12 does not cover the full year.

3 Sir Michael Lyons and Dame Patricia Hodgson ended their appointments during the financial year 2011/12; accordingly, their fees only relate to their time in office and do not cover the full year.

4 Rotha Johnston and Mehmuda Mian ended their appointments part-way through the financial year 2012/13; accordingly their fees only relate to their time in office and do not cover the full year.

5 Bill Matthews is the Chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.

6 Aideen McGinley and Sonita Alleyne began their appointments part-way through the financial year 2012/13; accordingly, their fees only relate to their time in office and do not cover the full year.

7 Anthony Fry will step down in the autumn of 2013.

8 In 2012/13 the total fees were higher as there were no vacant posts. In 2011/12 there were three vacant posts: a one-month vacancy for the Vice Chairman post and two Trustee vacancies (six and eight months respectively).

* These Trustees all had taxable benefits less than £500 which have been rounded to nil. The total amount incurred by Trustees was £1,430.48.

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 2012/13 are set out below. The terms of reference for each committee are on our website.

Audience Councils Committee

Chair: Diane Coyle

The Audience Councils Committee (ACC) brings together the Vice Chairman and 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 remits. The ACC also approves membership of the Audience Councils.

Meeting attendance (1 April 2012-31 March 2013)	
Diane Coyle (Chair)	3/3
Alison Hastings	3/3
Rotha Johnston	2/2
Bill Matthews	3/3
Aideen McGinley	1/1
Elan Closs Stephens	2/3

Committee membership changes: Rotha Johnston (until October 2012); Aideen McGinley (from November 2012).

Audiences and Performance Committee

Chair: David Liddiment

The Audiences and Performance Committee (APC) is responsible for developing the strategy for, and assessing the performance of, the BBC's UK public services on behalf of the Trust. It monitors how the BBC is delivering its public purposes. The APC assesses the performance of the BBC's services against their service licences, including overseeing the Trust's programme of service reviews. The Trust undertakes a service review of each of the BBC's UK public services at least once every five years. The APC is also responsible for the Trust's programme of audience research and public consultation.

Meeting attendance (1 April 2012-31 March 2013)	
David Liddiment (Chair)	11/11
Sonita Alleyne	4/4
Diane Coyle	7/7
Alison Hastings	10/11
Aideen McGinley	4/4
Mehmuda Mian	5/6
Suzanna Taverne	9/11

Committee membership changes: Mehmuda Mian (until October 2012); Diane Coyle (until November 2012); Sonita Alleyne (from December 2012); Aideen McGinley (from December 2012).

Complaints and Appeals Board

Chair: Richard Ayre

The Complaints and Appeals Board (CAB) deals with complaints about the Trust and appeals to the Trust concerning fair trading, Television Licensing and other matters apart from editorial appeals. In 2012/13, CAB received 145 requests for appeals relating to TV Licensing, fair trading and general complaints. Thirty-eight were heard by CAB; one was partially upheld and there were no others upheld. Ninety per cent were dealt with within the target time. CAB is responsible for reviewing the Complaints Framework, revised in June 2012. Early evidence suggests users now find the system more joined-up, flexible and responsive. All Trustees are members of CAB. The two standing members are supplemented by other Trustees as needed.

Meeting attendance (1 April 2012-31 March 2013)	
Richard Ayre (Chair)*	11/11
Diane Coyle	4/4
Anthony Fry	1/1
Alison Hastings	2/2
David Liddiment	1/1
Bill Matthews	2/2
Aideen McGinley	1/1
Mehmuda Mian*	4/5
Elan Closs Stephens*	4/5
Suzanna Taverne	1/1

* Indicates standing members. Committee membership changes: Mehmuda Mian (until October 2012); Elan Closs Stephens (from December 2012).

Editorial Standards Committee

Chair: Alison Hastings

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

Editorial standards are enshrined in the BBC's Editorial Guidelines. The Trust asks the Executive Board to prepare draft Guidelines and, if content, the Trust then formally approves them. The ESC is the final appeal body within the BBC in determining whether the Editorial Guidelines have been followed. The ESC also manages the Trust's programme of impartiality reviews and seminars.

Meeting attendance (1 April 2012-31 March 2013)	
Alison Hastings (Chair)	18/18
Sonita Alleyne	6/6
Richard Ayre	17/17
David Liddiment	18/18
Bill Matthews	6/6
Mehmuda Mian	8/8
Lord Williams	8/9

Committee membership changes: Mehmuda Mian (until October 2012); Lord Williams (until November 2012); Bill Matthews (from December 2012); Sonita Alleyne (from December 2012).

International Services Committee

Chair: Lord Williams

The International Services Committee is responsible for helping the Trust to develop the strategy for, and assess the performance of, the BBC's international public services. They consist of the BBC World Service, BBC World News, bbc.co.uk/news and BBC Monitoring.

Meeting attendance (1 April 2012-31 March 2013)

Lord Williams (Chair)	4/4
Richard Ayre	4/4
Diane Coyle	4/4
David Liddiment	3/3
Aideen McGinley	1/1
Elan Closs Stephens	4/4

Committee membership changes: David Liddiment (until November 2012); Aideen McGinley (from December 2012).

Remuneration and Appointments Committee

Chair: Lord Patten

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.

Meeting attendance (1 April 2012-31 March 2013)

Lord Patten (Chair)	1/1
Diane Coyle	1/1
Anthony Fry	1/1
Rotha Johnston	0/0
David Liddiment	1/1

Committee membership changes: Rotha Johnston (until October 2012); David Liddiment (from December 2012).

The RAC met only once this year as matters related to the appointment and remuneration of the Director-General were considered by the full Trust.

Strategy and Approvals Committee

Chair: Diane Coyle

The Strategy and 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). It considers 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 individual proposals, where these are of strategic significance or of high value.

Meeting attendance (1 April 2012-31 March 2013)

Diane Coyle (Chair)	8/8
Richard Ayre	5/5
Anthony Fry	7/8
Bill Matthews	5/8
Suzanna Taverne	8/8
Lord Williams	3/3

Committee membership changes: Richard Ayre (until November 2012); Lord Williams (from December 2012).

Trust Finance Committee

Chair: Anthony Fry

The Trust Finance Committee (TFC) helps the Trust to set the financial strategy for the BBC. It examines the BBC's annual budget and holds the BBC to account for its financial performance. It scrutinises significant financial proposals, and oversees the Executive's internal control and risk management arrangements. The TFC also manages the Trust's programme of value for money reviews, working with the Executive to ensure the BBC acts on any recommendations made.

Meeting attendance (1 April 2012-31 March 2013)

Anthony Fry (Chair)	10/10
Richard Ayre	3/3
Diane Coyle	3/3
Rotha Johnston	5/6
Elan Closs Stephens	10/10
Suzanna Taverne	10/10
Lord Williams	6/7

Committee membership changes: Rotha Johnston (until October 2012); Lord Williams (until November 2012); Diane Coyle (from December 2012); Richard Ayre (from December 2012).

HOW THE TRUST SPENT ITS BUDGET

We aim to run our operations as efficiently as possible. Our direct expenditure for 2012/13 was consistent with that for the previous year.

In line with the rest of the BBC, we are committed to making savings. Specifically, we are committed to keeping our direct expenditure below 0.31% of total licence fee income. This year, direct expenditure represented 0.24% of total licence fee income (0.25% in 2011/12).

Director and senior management remuneration

Nicholas Kroll, Director, BBC Trust, is the Chief Officer of the Trust as specified by the Royal Charter. He is the principal adviser to the Trust and Chief Executive of the Trust Unit. His base pay for 2012/13 was £238,680 (£238,680 in 2011/12) and the aggregate of his emoluments to 31 March 2013 was £246,480 (£246,480 to 31 March 2012). Nicholas is a member of the BBC Pension Scheme.

The Trust Unit has six senior managers as well as the Director, and our website provides an analysis of their remuneration, split into £5,000 salary bands.

See page 43 for the Trust's Remuneration and Appointments Committee, and page 41 for Trustees' remuneration which is audited.

Reporting regulations

The Royal Charter requires the annual report and accounts to be externally audited. We, therefore, asked KPMG LLP to confirm that we have accurately presented the Trust's expenditure, including Trustees' remuneration, in Part One.

KPMG LLP's report is included next to the statement of Trust responsibilities on page 45. The BBC is exempt from the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Services Authority, but, where relevant, we have prepared this report as if those requirements apply.

Trust expenditure statement

	Note	2012/13 £000	2011/12 £000
Trustee remuneration	1	589	546
Staff costs	2	4,496	4,473
Other operating costs	3	3,548	3,855
Direct Trust expenditure	4, 5	8,633	8,874
Ofcom regulatory fees	6	3,276	2,976
Ofcom market impact assessment fees	7	–	21
Ofcom significance test fees	8	–	26
Total Ofcom fees payable by Trust		3,276	3,023
Total Trust expenditure		11,909	11,897

Notes

- The remuneration received by each Trustee is shown in the table on page 41. The figure in the table above also includes social security costs.
- Staff costs include wages and salaries, social security costs and employer's pension contributions.
- Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's consultation activities and stakeholder events.
- This represents direct external spend by the Trust. The Trust also made use of shared services, which included property provision, finance, HR and information services, that were provided by the BBC public services.
- Of direct Trust expenditure, £998,409 relates to spend on Trust activities in the four nations (£999,691 in 2011/12). This primarily covers support for the four national Audience Councils and the 12 regional panels in England.
- Ofcom allocates its costs of television and radio regulation to the BBC and the other UK broadcasting channels. The Trust pays the BBC's share of that allocation.
- Ofcom market impact assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking MIAs for public value tests. No MIAs were undertaken in 2012/13 or 2011/12; costs in 2011/12 related to Ofcom's management of the MIA programme.
- Ofcom significance test fees cover Ofcom's direct and indirect costs in undertaking work to give input into the Trust's significance tests.

Trust people

Average for year	2012/13	2011/12
Trustees	12.0	10.8
Trust Unit staff (EFT) ^{1,2}	65.9	67.3

Notes

- Trust Unit staff are employed by the Trust under article 42 of the Royal Charter.
- Of the 65.9 average equivalent full-time (EFT) Trust Unit staff for 2012/13, 15 EFTs were based outside London and supported the work the Trust undertakes in the four nations (19.4 in 2011/12). 12.9% came from a black or minority ethnic background (13% in 2011/12), 3.9% were disabled (3.1% in 2011/12) and 65.2% were women (68% in 2011/12).

Report of KPMG LLP to the BBC Trust

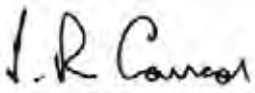
In accordance with the terms of our engagement letter dated 13 May 2013, we have examined the expenditure statement on page 44 (the Trust expenditure statement) for the year ended 31 March 2013 which has been prepared, further to the requirements of the BBC Royal Charter dated October 2006, by the Trustees and is their sole responsibility.

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 or a review.

We were not required to, nor have we, verified the completeness of the Trust expenditure statement.

Our report has been prepared for the Trust solely in connection with its obligations under 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 expenditure statement has been accurately extracted from the books and records of the Trust on the basis of the notes to the Trust expenditure statement.



Scott Cormack
For and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London E14 5GL
20 June 2013

Statement of responsibilities in respect of the annual report and accounts

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

In preparing its associated corporate governance disclosures, the Executive Board has elected to comply with the UK Corporate Governance 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 each is aware, there is no relevant audit information of which the BBC's auditors are unaware; and each Trustee has taken all the steps that he or she ought to have taken as a Trustee to make himself or herself 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 20 June 2013.



Lord Patten of Barnes CH
Chairman

20 June 2013