

**B B C**



PART 2

## THE BBC EXECUTIVE'S REVIEW AND ASSESSMENT

Drama *Sherlock*, starring Benedict Cumberbatch and Martin Freeman, returned for a second series in January 2012.

# CONTENTS AND SUBJECT INDEX

## Part 2 BBC Executive contents

### Overview

- 2-1 Director-General's introduction
- 2-2 Understanding the BBC's finances
- 2-4 Performance by service
- 2-8 Television
- 2-9 Radio
- 2-10 News
- 2-11 Future Media
- 2-12 Nations & Regions

### Delivering our strategy

- 2-14 Distinctiveness and quality
  - 2-15 The best journalism in the world
  - 2-16 Inspiring knowledge, music and culture
  - 2-17 Ambitious drama and comedy
  - 2-20 Outstanding children's content
  - 2-21 Content that brings the nation and communities together
- 2-22 Value for money
- 2-23 Serving all audiences
- 2-26 Openness and transparency

### Managing the business

- 2-28 Chief Operating Officer's review
- 2-29 Working together

### Governance

- 2-40 Executive Board
- 2-42 Risks and opportunities
- 2-44 Governance report
- 2-47 Remuneration report
- 2-52 Audit Committee report
- 2-55 Fair trading report

### Managing our finances

- 2-58 Chief Financial Officer's review
- 2-59 Summary financial performance
- 2-60 Financial overview
- 2-68 Collecting the licence fee
- 2-69 Looking forward with confidence
- 2-70 Auditor's report
- 2-71 Glossary
- 2-72 Contact us/More information

## Subject Index

	<b>Part 1</b>	<b>Part 2</b>
Board remuneration	1-9/1-32	2-48
Commercial strategy	1-8	2-36
Complaints	1-3/1-19	2-55
Delivering Quality First	1-4/1-6	2-14
Digital switchover	–	2-25
Distribution	1-17	2-25
Editorial priorities	–	2-14
Editorial standards	1-3/1-18	2-38
Efficiency	1-6	2-59/2-61
Equality and diversity	1-16	2-31
Executive Board directors	–	2-40
Fair trading	1-20	2-55
Impartiality	1-18	2-15
Licence fee	1-7	2-3/2-62
Public purposes	1-10	2-14
Reach by service	–	2-4
Senior manager remuneration	1-7/1-33	2-30
Service performance	1-11 to 1-15	2-4 to 2-7
Spend by service	–	2-64
Strategic objectives	1-4	2-14
– Do more to serve all audiences	1-17	2-23 to 2-25
– Improve value for money	1-2/1-6 to 1-9	2-22
– Increase distinctiveness and quality	1-2/1-13	2-14 to 2-21
– Set new standards in openness and transparency	1-22	2-26
Syndication of BBC content	1-3/1-17	2-11
Talent costs	1-7	2-33
Trust expenditure	1-33	2-65
Trust in the BBC	–	2-15
Trustees	1-26	2-49

## DIRECTOR-GENERAL'S INTRODUCTION



**The sun dips below the edge of the stadium. For a few moments the crowd – tens of thousands here, but billions in front of TV screens, computers, phones and tablets on every continent – fall silent. And then the show begins. This is London, as the BBC World Service still reminds its listeners, and the date is Friday 27 July 2012: the start of the greatest show on earth, not to mention the biggest single broadcasting event in the BBC's history.**

London 2012 is about many things. Outstanding sport, captured on TV and radio and the web with more authority and passion, more new creative ideas and more technical innovation than we've seen in any previous Olympic Games. An event staged in a capital city which, from the moment BBC cameras captured the Olympic torch arriving in Cornwall, has involved and inspired people all over the United Kingdom. A commitment to the Cultural Olympiad from the most ambitious ever Proms to BBC Radio 1's Hackney weekend to Shakespeare. But 2012 is also about the unique relationship between this country and its national broadcaster.

Today the public's general impression of and trust in the BBC are at historic highs. 96% of the UK population consume our services every week and the average amount of time they spend in our company is nearly 19 hours. Despite digital, despite the plethora of alternatives now available to our audiences, public support for the BBC and the licence fee has been growing, not declining. That's a credit to the extent to which the BBC's founding values and its commitment to serve its audiences here and around the world are still alive and well.

In 2011/12 we made progress on many of the goals that we've set ourselves over the past eight years. The creative revival of drama across TV and radio continued, with *Life and Fate* on BBC Radio 4 and a splendid second series of *Sherlock* on BBC One. Particularly pleasing to me as a former Controller of BBC Two was the spectacular sequence of

excellent dramas on that channel, including *The Shadow Line* and *The Hour* – part of a broader wave of renewal and creative energy on BBC Two which encompassed documentary and comedy as well. In a very strong year for BBC Radio, I would pick out BBC Radio 2 and English Local Radio for particular mention: in both cases, quality and distinctiveness are winning out and finding new audiences as well as retaining existing ones. From phone hacking to the Arab Spring to the Eurozone crisis, it was a momentous year for news and, time and again, our journalists rose to the occasion. Although representing less than a third of the hours of TV news broadcast in the UK, BBC TV News represents nearly three-quarters of all hours of news consumed, not because it is structurally dominant but because audiences trust it more than journalism from other providers. Our digital services continue to prosper with extraordinary audience growth in mobile and a BBC iPlayer which last year saw nearly two billion streams of programmes to the UK's 26 million households. Behind the scenes, the transformation of the BBC into a fully digital enterprise gathered pace. Our new digital broadcasting and production centre in Salford and the new Roath Lock Studios in Cardiff came on stream smoothly, both on time and on budget. Both are living proof of our commitment to a historic shift of investment and creative opportunity to the nations and the North of England.

Delivering Quality First has meant difficult choices for the BBC. In my judgement it is the last such exercise that can be contemplated without the kind of deep cuts to BBC services which the public has made it only too clear they are against. Nonetheless, after extensive public consultation, the BBC Trust has approved a sensible and balanced set of proposals which I believe will maximise public value and minimise damage to the range and quality of the service we offer our audiences.

Every few years one captain leaves the bridge, another arrives and the liner sails on. I'm very proud of what we've achieved over the past eight years at the BBC and I wish my successor every success. I've had the great good fortune of spending 30 years in the company of the best colleagues anyone could hope for – original, funny, creative, sceptical, clever, kind, incorrigibly disputatious, almost invariably, like me, true believers in public service broadcasting. I am very grateful to the Board of Governors of the BBC and the BBC Trust for appointing me and supporting me through thick and thin. I want to thank them for giving me the privilege of helping the BBC to serve you.

**Mark Thompson**  
Director-General  
21 June 2012

# UNDERSTANDING THE BBC'S FINANCES

The licence fee supports the greatest volume and range of original television and radio programming and public service online content to be found in the UK. Facing the dual challenge of a licence fee frozen at current levels and new funding commitments, the BBC is making the licence fee go further; through efficiency savings and by generating revenues from the pursuit of a strong commercial strategy.

## BBC Group

BBC World Service and BBC Monitoring

£277m

Grant-in-Aid and Grant income

**BBC World Service** first broadcast to the world in 1932. The service, across radio, TV and online, is currently funded by the Foreign and Commonwealth Office.

This year 180 million people tuned into the World Service for impartial and independent news. Including the BBC commercial services, globally the BBC reached an audience of 239 million.

**BBC Monitoring** is funded by the Cabinet Office. It is an open source news and information publisher, offering around the clock news, comment and reaction from the world's press, radio, TV and the internet. Reports are translated into English from more than 100 languages, from Afrikaans to Yoruba.

### Looking ahead

As part of the Government's Comprehensive Spending Review it was agreed that funding for BBC Monitoring and BBC World Service would transfer to the licence fee from 1 April 2013 and 1 April 2014 respectively.

We have begun a six-year savings programme to meet the reduction in BBC World Service funding. With the approval of the Foreign Secretary, five language services have closed, and radio broadcasts of other services have ceased.

Commercial operations

£222m

Combined profit before interest and tax

**BBC Worldwide** is the BBC's main wholly owned commercial subsidiary, which works to maximise income from BBC programme rights and properties, to offset the licence fee.

**BBC Studios & Post Production** works with the BBC, other broadcasters – ITV, Channel 4, Channel 5 and Sky – as well as other media and independent production companies to create great content.

**BBC World News** offers 24-hour news, information and analysis in English across the globe. It is funded by subscription and advertising revenues.

### Looking ahead

To ensure the BBC's commercial operations continue to support the licence fee in future years in addition to promoting the BBC and British creativity to international audiences, BBC Worldwide has been refreshing its company strategy.

It intends to invest more to increase its focus on fast-growing BBC-branded services, such as its wholly-owned and operated channels, around the world.

Licence fee funded services

£3,606m

Licence fee income

The BBC is established by Royal Charter and our UK public service broadcasting activities are funded by a licence fee paid by UK households. Last year, we provided the following to home audiences:

- ten UK-wide TV services
- nations and regions TV services across England, Scotland, Wales and Northern Ireland
- ten UK-wide radio networks
- two national radio services each in Scotland, Wales and Northern Ireland
- 40 local radio stations in England
- BBC Online

### Looking ahead

In future, the licence fee will additionally have to pay for BBC World Service and BBC Monitoring, and for the BBC to establish a partnership fund for new local television services (as much as an initial £25million in 2013, and £5million per annum in subsequent years), establish a new partnership model for Welsh language TV service S4C (contributing £76million each year in 2013 and 2014) and provide support for broadband roll-out.

We will reduce our current costs by £700million a year by 2017 to meet these new obligations.

### The licence fee

In parallel with the Government's Comprehensive Spending Review, a new six-year licence fee settlement was agreed with the Secretary of State in October 2010, in effect freezing the licence fee at £145.50 until the end of the current BBC Royal Charter period in December 2016 – the equivalent of just under 40p per current licensed household per day.

As well as supporting the commissioning, creation and broadcasting of the whole range of BBC television, radio and online content, the licence fee also has a broader economic impact, in supporting the wider creative economy.

The latest survey of this economic contribution to the UK economy concluded that the BBC made a contribution of at least £8.1 billion in 2009/10. This means that over £2 of economic value is generated by each £1 of the licence fee. We aim to continue to deliver an economic value of at least twice the value of the licence fee in the future, spreading its economic benefit across the UK. We will repeat this survey every two years and report publicly on our success in meeting this target. The next survey will be produced in autumn 2012. For previous reports visit [www.bbc.co.uk/aboutthebbc/reports](http://www.bbc.co.uk/aboutthebbc/reports).

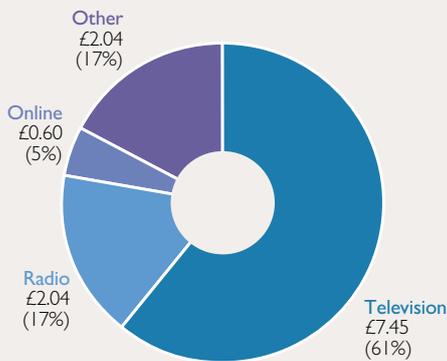
# 40p

per day

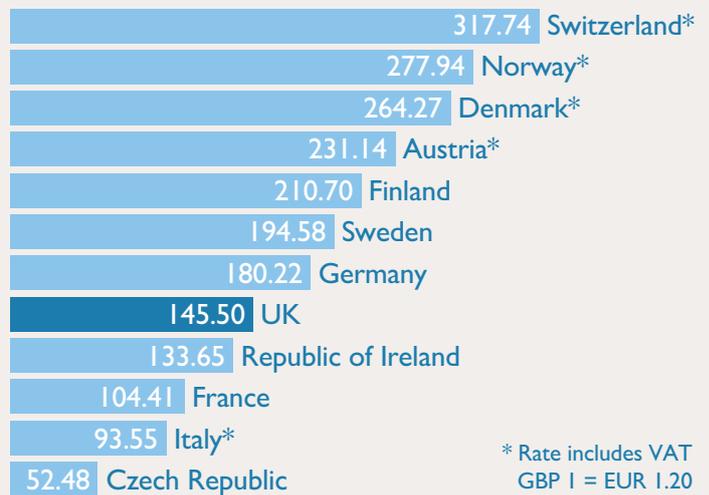
**This year the licence fee was held at £145.50.**

**This is how it was spent:**

#### Monthly spend per licence fee



#### Licence fee rates across Europe £ 2011/12



Source: Broadcasting Fee Association. All licences run for a calendar year except the UK which runs from 1 April to 31 March. Euro exchange rate used as of 1 January 2012 (£1=€1.20). Cost is total per licence to domestic customer for TV and radio.

### Investing in the best of British

The cumulative impact and spending power of over 20 million television licences can deliver more than content alone. As well as in-house staff, we are able to provide work for many freelance individuals and thousands of large and small businesses across the UK – delivering sustainable benefits to digital and creative industries as well as the wider British economy.

#### BBC spend in creative economy £m

Year	Independent programmes transmitted	External programme facilities and resources	Acquired programmes transmitted	Artists, contributors and copyright	BBC performing groups	Total
11/12	489	229	75	277	25	1,095
10/11	467	230	77	289	24	1,087
09/10	440	237	93	299	24	1,093

- Independent programmes transmitted
- External programme facilities and resources
- Acquired programmes transmitted
- Artists, contributors and copyright
- BBC performing groups

# PERFORMANCE BY SERVICE

## Network television



BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy and entertainment.



BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.



BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.



BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.



The CBBC channel offers a distinctive mixed schedule for 6–12 year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.



CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.



The BBC HD channel is a high-definition television showcase for a range of programming from across the BBC's other television services.



BBC ALBA offers, to Gaelic speakers and learners, a distinctive range of originated programming that reflects and supports Gaelic culture, identity and heritage.

	<b>Content £m</b> We spent a total of £1,708.0million on content for these services last year	<b>Reach %</b> UK population who use the service each week	<b>Time spent watching a channel each week hours:mins</b> Length of time the average viewer spent each week with the channel	<b>Appreciation index by service mean</b> Aggregate of how people rated individual programmes, expressed as a number out of 100	<b>Costs per User Hour p</b> How much it costs to deliver each service to individual users
BBC One	1,041.1 (1,130.9)	78.8 (78.8)	07:20 (07:25)	82 (81)	6.1 (6.4)
BBC Two	416.6 (421.0)	54.3 (55.1)	03:22 (03:29)	83 (83)	7.8 (7.4)
BBC Three	83.8 (84.7)	23.3 (22.7)	01:51 (01:45)	84 (83)	6.5 (7.0)
BBC Four	49.2 (50.8)	12.5 (10.6)	01:38 (01:37)	85 (84)	8.1 (9.8)
CBBC	81.9 (78.3)	7.4 (7.0)	03:00 (02:56)	n/a (n/a)	9.0 (8.6)
CBeebies	29.2 (28.5)	9.0 (8.6)	04:05 (04:02)	n/a (n/a)	2.5 (2.5)
BBC HD	1.2 (2.1)	3.7 (3.4)	01:35 (01:57)	83 (85)	0.7 (1.0)
BBC ALBA*	5.0 (5.0)	11.9 <sup>1</sup> (4.3)	n/a (n/a)	n/a (n/a)	10.8 (21.8)

Reach definition: 15 minutes for all channels and services and on audiences aged 4+, in line with industry standards.

Source: BARB.

( ) Figures in brackets from 2010/11.

\* Source: TNS SOS, Base: All aged 16+ in Scotland.

<sup>1</sup> BBC ALBA was launched on Freeview and digital cable in June 2011. Reach data reflects the channel post this launch (Jun 2011 to Mar 2012).

n/a Data does not currently exist for this measure.

## Network radio



BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15–29 year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.



BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new UK artists.



BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.



BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance from across the UK.



BBC Radio 4 is a mixed speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.



Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 Extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.



BBC Radio 5 Live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.



BBC Radio 5 Live Sports Extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.



BBC 6Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.



BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.

### Content £m

We spent a total of £293.7million on content for these services last year

### Reach %

UK population who use the service each week

### Time spent listening to a service each week hours:mins

Length of time the average listener spent each week with the service

### Appreciation index by service mean

Aggregate of how people rated individual programmes, expressed as a number out of 100

### Costs per User Hour p

How much it costs to deliver each service to individual users

Service	Content (£m)	Reach (%)	Time spent (hours:mins)	Appreciation index (mean)	Costs per User Hour (p)
BBC Radio 1	38.4 (36.7)	22.3 (22.6)	07:56 (08:05)	79 (77)	0.8 (0.7)
BBC 1Xtra	7.2 (7.4)	1.9 (1.5)	05:03 (04:46)	81 (80)	2.8 (3.9)
BBC Radio 2	47.2 (46.7)	27.4 (27.2)	11:53 (11:54)	81 (81)	0.5 (0.5)
BBC Radio 3	37.8 (37.3)	4.0 (4.1)	06:06 (05:50)	83 (82)	5.8 (5.9)
BBC Radio 4	88.1 (92.8)	20.4 (20.3)	12:09 (12:06)	81 (80)	1.3 (1.4)
BBC Radio 4 Extra	5.0 (5.3)	3.0 (2.0)	05:34 (05:56)	81 (80)	1.1 (1.7)
BBC Radio 5 Live	51.1 (55.4)	12.2 (12.9)	07:20 (07:33)	78 (76)	2.1 (2.1)
BBC 5 Live Sports Extra	2.6 (2.5)	1.7 (1.3)	03:08 (02:42)	85 (84)	1.8 (2.6)
BBC 6Music	7.8 (7.3)	2.6 (2.3)	07:56 (08:23)	83 (81)	1.4 (1.4)
BBC Asian Network	8.5 (8.6)	1.0 (0.9)	06:31 (05:19)	76 (71)	5.0 (6.7)

Reach definition: 15 minutes for all channels and on audiences aged 15+, in line with industry standards.

Source: RAJAR.

( ) Figures in brackets from 2010/11.

## PERFORMANCE BY SERVICE

### CONTINUED

#### Future Media



#### ONLINE MOBILE RED BUTTON

BBC Online comprises the BBC's portfolio of online products on desktop, TV, mobile and tablet, including News, Sport and Weather; our children's services CBBC and CBeebies, and Factual & Learning – as well as IP-delivered TV and Radio services, with both live and on-demand programmes available on BBC iPlayer.

BBC Red Button delivers interactive services and content to digital television viewers, including up-to-the-minute content and information across news, sport, weather; learning, entertainment, interactive programming and major events.

#### Content **£m**

We spent a total of £128.8million on content for these services last year

#### Reach **%**

UK population who use the service each week

#### Time spent with each service each week

hours:mins

Length of time the average user spent each week with the service

#### Appreciation index by service mean

Aggregate of how people rated individual programmes, expressed as a number out of 100

#### Costs per User Reached **p**

How much it costs to deliver each service to individual users

	Content <b>£m</b>	Reach <b>%</b>	Time spent with each service each week (hours:mins)	Appreciation index by service mean	Costs per User Reached <b>p</b>
BBC Online	<b>115.3</b> (125.8)	<b>42.5</b> (41.6)*	n/a	<b>77</b> (80)	<b>6.1</b> (8.5)
BBC Red Button	<b>13.5</b> (14.9)	<b>31.3</b> (31.0)	n/a	<b>79</b> (77)	2.0 (2.3)

Reach definition: 3+ minutes for both services, and on audiences aged 16+.

Sources: CMI (Online), Nunwood (Red Button).

() Figures in brackets from 2010/11.

\* The 2010/11 figure has been restated due to a change in methodology; the calculation now includes people who have accessed BBC Online via both desktop and mobile.

n/a Data does not currently exist for this measure.

## Journalism, and national and local radio services

 <p>The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.</p>	 <p>BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster; Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.</p>	 <p>BBC Global News brings together the BBC World Service, BBC World News television channel, the BBC's international-facing online news services in English, BBC Monitoring and BBC World Service Trust.</p>	 <p>BBC Local Radio is a primarily speech-based service of news, information and debate, with a strong emphasis on interactivity.</p>	 <p>BBC Scotland is a speech-led service for adults. It covers a wide range of genres and reflects the issues, events, culture and interests of the people of Scotland.</p>	 <p>BBC Radio nan Gàidheal offers a comprehensive speech and music radio service for Gaelic speakers. It covers a wide range of genres and reflects the issues, events, culture and interests of the people of Scotland from a Gaelic perspective and through the medium of the Gaelic language.</p>
 <p>BBC Radio Wales is a speech-led service for adults, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.</p>	 <p>BBC Radio Cymru is a speech and music radio service for Welsh speakers, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.</p>	 <p>BBC Radio Ulster is a speech-led service, providing a mix of programmes that reflect news, events and community life in all its different aspects and diversity.</p>	 <p>BBC Radio Foyle is a speech-led service for audiences in the North-West of Northern Ireland. It provides a mix of news and other programming which complements, and contributes to, BBC Radio Ulster's region-wide service.</p>		

	<b>Content £m</b> We spent a total of £225.7million on content for these services last year	<b>Reach %</b> Local population within reach of service who use service each week	<b>Time spent watching or listening to a service each week hours:mins</b> Length of time the average viewer or listener spent each week with the service	<b>Appreciation index by service mean</b> Aggregate of how people rated individual programmes, expressed as a number out of 100	<b>Costs per User Hour p</b> How much it costs to deliver each service to individual users
BBC News Channel	42.4 (47.1)	12.2* (12.2)	02:30 (02:37)	n/a (n/a)	4.7 (4.9)
BBC Parliament	2.1 (2.0)	0.5* (0.5)	02:04 (01:40)	n/a (n/a)	7.2 (8.2)
BBC Local Radio	112.7 (114.8)	17.4 (17.3)	09:50 (09:35)	82 (80)	3.0 (3.2)
BBC Radio Scotland	23.2 (23.8)	22.6 (22.2)	06:51 (06:59)	79 (79)	6.6 (6.8)
BBC Radio nan Gàidheal	3.6 (3.8)	72.9 <sup>1</sup> (72.4)	n/a (n/a)	n/a (n/a)	12.9 (13.7)
BBC Radio Wales	13.0 (13.0)	18.7 (18.6)	10:02 (09:26)	82 (82)	5.3 (5.7)
BBC Radio Cymru	11.4 (11.8)	5.5 (5.9)	11:00 (11:48)	n/a (n/a)	14.5 (12.9)
BBC Radio Ulster/Foyle	17.3 (16.2)	36.5 (36.9)	11:20 (12:20)	85 (84)	5.5 (4.8)

Reach definitions: 15 minutes for all channels and services, and on audiences aged 4+ (TV) and 15+ (radio).

Sources: BARB (TV), RAJAR (Radio).

\* Three minute reach for BBC News Channel and BBC Parliament – in line with industry standard for news services – would be 18.2% and 1.2% respectively.

() Figures in brackets from 2010/11.

n/a Data does not currently exist for this measure.

<sup>1</sup> Source: Lèirsinn. Base: Gaelic-speaking population.

## TELEVISION

Audiences constantly expect more from the BBC when it comes to freshness, originality and innovation. This year we've strengthened quality and distinctiveness, while also increasing overall reach and providing better value for money.

George Entwistle, Director, Vision



### Distinctive, high-quality content

In a year that has delivered our strongest audience appreciation scores so far, producers can feel proud of creating some truly memorable programmes. There's been a wealth of fresh, distinctive and highly original content, including Sir David Attenborough's wonderful series, *Frozen Planet*, watched by 28 million people. *Call the Midwife* and *Mrs Brown's Boys* both became appointments to view. BBC Two's *Stargazing Live* inspired millions to learn something new, with more than 100,000 attending events across the UK. BBC Two drama re-emerged in the shape of *The Hour*, *The Shadow Line*, *United* and *Page Eight*. BBC Three continues to connect with young people – from the immediacy of *Our War* to the intimacy of Alex's story in *A Life Fast Forward*. And BBC Four's sophisticated content offer saw audiences grow apace.

### Delivering value for money

While measures for quality and distinctiveness have improved over the year, so too has the value we're delivering to licence fee payers. We're four years through a really stretching efficiency programme, with average Cost per User Hour at 6.4p, down from 6.6p the previous year and 7.0p in 2009/10.

### Partnerships

We've learnt from our partnerships across the world of science in 2010 and books in 2011, and now we are enriching our relationships with the arts community. Working with the RSC and other creative leaders we've commissioned a multimedia Shakespeare season, with performances and documentaries on BBC Two and BBC Four and a new online resource for students. In an experimental partnership with Arts Council England, we've created *The Space* to foster creativity and help develop digital production skills.

### 2012 – an exceptional year

The BBC continues to cherish its position at the heart of UK public life, with BBC One leading the way for audiences in 2012 – from the UEFA European Championship to the celebrations of the Queen's Diamond Jubilee, and culminating in the London Olympics.

#### BBC network television weekly reach versus main commercial groups % 2011/12 (2010/11 figures in brackets)

##### All BBC Television

86.6 (86.1)

##### Total other channels

87.3 (83.9)

##### All ITV

75.6 (75.6)

##### All Channel 4

67.1 (66.9)

##### All Channel 5

45.4 (44.5)

##### All Sky

46.4 (40.9)

# 144hrs

We introduced audiences to 144 hours of brand new British drama, with 46 original titles across the year

# 37m

More than 37 million people choose to watch our factual programmes every week

# RADIO

BBC Radio has successfully grown audiences by maintaining a clear focus on the distinctiveness and ambition of its programmes, as well as leading on digital innovation across the radio sector.

Tim Davie, Director, Audio & Music



## Ninety years

BBC Radio approaches its 90th anniversary in 2012 with reach and approval ratings at record levels. Ninety per cent of the population listens to the radio each week, with two-thirds tuning into BBC stations. A key challenge for the whole radio industry is to maintain this performance and attract younger listeners. The BBC's public service role is clear: driving collaboration and partnership across the sector while pushing to make our own stations distinctive.

## Outstanding content

We are building value by investing in distinctive, high-quality and ambitious programming. From BBC Radio 4's eight-hour adaptation of Vasily Grossman's *Life and Fate*, scheduled in every drama slot across one week, to BBC Radio 1's *Teen Awards*, which celebrated overlooked 'Teen Heroes' in front of 10,000 young people at Wembley Arena, and from BBC Radio 2's children's writing competition *500 Words*, to the *Spirit of Schubert Season* on BBC Radio 3, which saw the station devote 200 hours to the composer's work.

## Digital growth and innovation

This year, BBC iXtra became the fourth BBC digital network to reach a million listeners, while the rebranding of BBC Radio 7 to BBC Radio 4 Extra saw audiences rise to 1.6 million in the second quarter of 2011. We reached the milestone of a billion downloads for radio programmes and, with 42.6% of people saying they live in a household with a digital audio broadcasting (DAB) receiver, DAB now accounts for 19% of all listening hours. The Radioplayer, our online listening partnership with UK commercial radio, now attracts seven million regular users, just a year after launch.

## Transforming the organisation

We have opened up more radio output to competition from independent producers. Ambitious savings targets for in-house production and management continue to drive efficiency, and have helped keep cost per listener hour across the radio portfolio at just 1.6p. BBC Radio continues to represent outstanding value for money.

### BBC radio weekly reach compared to commercial stations % 2011/12 (2010/11 in brackets)

#### All BBC Radio

67.3 (67.0)

#### All Commercial Radio

64.5 (64.6)

#### All BBC Network Radio

60.9 (60.7)

#### All National Commercial Radio

30.5 (29.4)

#### BBC Local Radio

18.6 (18.5)

#### All Local Commercial Radio

51.7 (52.2)

# 81

The Audience Appreciation Index for BBC Radio pushed above 80 for the first time ever

# 5.4m

There were a record 5.4 million users of our radio and music websites

## NEWS

The public sees the BBC as the leading source of accurate, trustworthy and impartial news. That's a prize we guard carefully and never take for granted.

We work hard to earn the trust of our audiences every day.

Helen Boaden, Director, BBC News Group



### Reaching all audiences

More than 80% of UK adults consumed BBC News each week this year across television, radio and online. BBC News continued to attract record audiences, with the BBC News Channel reaching 13.2 million individuals on the day of the riots across England, radio news reaching 28.8 million weekly listeners in the second quarter of 2011, and the number of unique users of the BBC News website, including the BBC World Service, growing to 39 million a week globally.

### Trust

The trust our audiences place in us is based on our sustained commitment to rigorous impartiality, independence, fairness and accuracy. Despite pressure on resources, BBC News aims to remain the most trusted news provider in the world; to continue to reach at least 80% of British adults; and to reach 250 million people globally. We will achieve this by staying true to our policy of eyewitness reporting, specialist analysis and investigative current affairs.

### Memorable stories

In a momentous news year we reported on uprisings across the Arab world and the toppling of Colonel Gaddafi. We covered the aftermath of the devastating earthquake and tsunami in Japan, the death of Osama Bin Laden, the gun and bomb attack in Norway that killed 77 people, the riots in England, and the death of North Korean leader, Kim Jong-il. Our specialist editors led our coverage of the world's economic crisis and the troubles in the Eurozone. *Panorama* ran an acclaimed undercover investigation into abuse at a Bristol care home.

### Working together

Over the next five years, we aim to create a single, integrated, BBC newsgathering service to make the best use of our journalists across the UK and the world. The BBC World Service will merge with BBC News in 2014, while retaining its separate identity. We want to share content more effectively across the BBC and invest in distinctive journalism to meet our savings targets, while aiming to deliver the same quality of output for our different audiences.

### Continuous news weekly reach (000s)

	2011/12	2010/11
BBC News Channel	10,451	10,367
Sky News	6,307	6,250

Source: BARB, Base: 4+, three-minute reach.

# 69.2%

BBC television news reached 69.2% of UK adults each week, the highest level since 2007

# 3m

The @BBCBreaking Twitter account has more than three million followers

## FUTURE MEDIA

Our aspiration is that 2012 will do for digital what the Coronation did for television. Our work over the past year has set us up to achieve this.

Ralph Rivera, Director, Future Media



### One service

We are joining up our audience-facing products to create an integrated service which is greater than the sum of its parts. By acting as a single service, we can create new and surprising audience journeys, the digital evolution of the traditional channel, which introduces people to content they may not have come to before. A shared look and design will make everything we do feel consistent and easy to use.

### A world-class experience across four screens

Our digital services are no longer tied to a single device, like a desktop, but increasingly are available on all digital platforms – desktop, mobile, tablet and connected TV – driven by recent innovations. The unique characteristics of each of these devices allow us to create outstanding experiences for our audiences that meet different needs – wherever they are and whatever they are doing. This was reflected in our growing reach figures, which peaked at 43 million average weekly unique browsers in February this year.

### Extending reach through partnership

As the digital media landscape evolves there are a growing number of ways to reach audiences. Our content was available on over 500 different models from 37 different manufacturers in the UK last year, through partnerships with major providers including Virgin, Xbox and Apple. These partnerships underpin our commitment to universal availability and accessibility, while the publication of a new syndication policy ensures that we can continue to get full credit for our content.

### Working together across the UK

BBC Online and BBC Red Button are truly networked services: six of our ten online products are now based in Salford and the creation of multiple editions allows us to reflect different audience experiences around the UK and across the world. Through working together and with others, we can ensure that we create truly outstanding content, invested with new and distinctive creative ideas.

# 43m

BBC Online reached a record 43 million average weekly unique browsers in February

# 191.7m

BBC iPlayer programme requests reached 191.7 million in the month of February – the highest ever

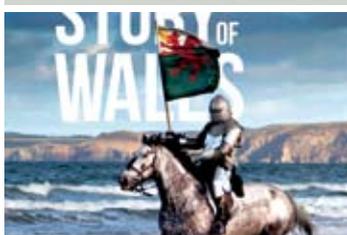
# 1.2bn

There have been 1.2 billion podcast downloads worldwide since the service began five years ago

# 1.3m

Our *Give an Hour* campaign, promoting media literacy, prompted 1.3 million people to get involved

## NATIONS & REGIONS



- 1 BBC West production, *The Lark Ascending*.
- 2 *Watching Ourselves: 60 Years of Television in Scotland*.
- 3 *The Story of Wales*.
- 4 *6 Degrees*.

### England

BBC Local Radio in England is a major provider of news and original journalism across radio, television and online. In the last year we have prioritised high-quality journalism, exemplified by *Hot Seat*, which calls those in authority to account. Our new political reporters have been active across local radio and beyond, bringing depth to coverage. Over the last year we generated over half of the BBC's news stories on the web. We provided extensive coverage and analysis of the riots which affected English cities, with reporting teams working in the most difficult circumstances to bring our audiences a detailed and accurate account of events.

### Scotland

BBC Scotland's television news output attracted some of the highest audiences in over a decade, as did the documentary *The Scheme*, with an average audience of 840,000 and a 45% audience share. Audience appreciation for *River City* continued to grow. The reach of all BBC Scotland's television news bulletins continued to increase, with the 6.30pm edition of *Reporting Scotland* attracting some of its largest audiences in the past decade, and close to one million viewers watching on the day of the storms on 3 January. A new programme strategy for BBC Radio Scotland was endorsed by the BBC Trust and we have already begun to reshape the schedules to ensure that its distinctive offering remains popular with listeners. BBC ALBA's availability on Freeview has now increased its weekly audience to over 500,000 viewers.

### Wales

BBC Wales' English language output on BBC One and BBC Two reached nearly a million viewers every week. A highlight of the year was *The Story of Wales*, six hour-long programmes presented by Huw Edwards on 30,000 years of Wales' history. The series received the second highest Audience Appreciation score (92) of any BBC One series this year. In a Welsh National Assembly election year, BBC Radio Wales' key news teams toured the country to explore the issues. News and current affairs continued to drive BBC Radio Cymru's output, with programmes such as *Post Cyntaf*, *Taro'r Post*, *Post Prynawn*, *Dau o'r Bae* and *Manylu* providing comprehensive analysis and insight into Welsh, UK and global stories. Our online sites attracted 2.38 million unique weekly browsers.

### Northern Ireland

BBC Northern Ireland's services retained their broad popularity and appeal, with several new drama projects, extensive coverage of the Assembly election and the Queen's visit to the Republic of Ireland, and the exploration of life in contemporary Northern Ireland through documentary series and debates. We enhanced our business and economics coverage and made effective use of social media in finding new ways to connect with, and involve, our audiences. BBC Radio Ulster/Foyle saw several editorial changes over the year; including a new focus on business issues in *Good Morning Ulster* and additional sports bulletins. Arts and cultural events in the North-West found a region-wide audience through a weekly edition of *Arts Extra* from BBC Radio Foyle.

### Network TV programming spend by region as a % of eligible spend

	2011	2010
London	59.0%	62.2%
Scotland	9.0%	7.4%
Wales	5.3%	5.0%
Northern Ireland	2.0%	0.8%
<b>Total Nations</b>	<b>16.3%</b>	<b>13.2%</b>
Midlands	3.7%	3.9%
North of England	9.4%	7.7%
South of England	11.1%	13.0%
Multi-region*	0.5%	n/a
<b>Total English Regions</b>	<b>24.7%</b>	<b>24.6%</b>
<b>Total Nations &amp; Regions</b>	<b>41.0%</b>	<b>37.8%</b>
<b>Grand total</b>	<b>100.0%</b>	<b>100.0%</b>

Network television spend based on Ofcom definitions by calendar year.

\* Multi-region is a new category for 2011, covering programmes made outside of London but which cannot be attributed to any one nation or region.

### BBC Local Radio and Nations Radio hours of output

	2011/12	2010/11
London	8,784	8,760
England (excluding London)	238,725	238,461
Scotland	16,179	15,917
Wales	15,824	15,790
Northern Ireland	9,310	9,285
<b>Total</b>	<b>288,822</b>	<b>288,213</b>

The BBC has committed that, by 2016, 50% of network TV programming spend will be from outside of London and 17% from the Nations. In addition there is an interim target of 12% from the Nations by 2012 – which the BBC has already exceeded.



## DELIVERING OUR STRATEGY

The BBC's mission is to enrich people's lives with programmes and services that inform, educate and entertain, and our vision is to be the most creative organisation in the world. We strive to achieve these aims across television, radio, online – regionally, nationally and internationally. This section provides an account of how we have achieved this throughout the year.

BBC Derby presenter Phil Trow interviews Derby's Mayor at a Royal Wedding street party.

# DELIVERING OUR STRATEGY

In December 2010 the BBC Trust identified four primary strategic objectives for the BBC up to 2016:

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

## KPI

### Increase distinctiveness and quality

#### 'General impression of the BBC'

11/12	7.0
10/11	6.8

Source: Kantar Media for the BBC, 12,009 adults 16+ FY11/12, general impression: mean score out of 10 where 1 = extremely unfavourable and 10 = extremely favourable.

To meet these objectives within the parameters of a new, challenging licence fee settlement requires a significant programme of organisational and cultural change. The Director-General put forward proposals to the BBC Trust in October 2011 for how the BBC should pursue these objectives in the long term – entitled Delivering Quality First.

The proposals have since been subject to public consultation and the Trust published its final conclusions in May 2012. Meanwhile, the Trust's four objectives have continued to be at the heart of the BBC's strategy, and we report on each one below.

### Distinctiveness and quality

The BBC's mission is to inform, educate and entertain audiences with programmes and services of high quality, originality and value. In doing so, we must promote our public purposes. The BBC Trust assesses how well we are delivering the public purposes, and what more

we need to do, and publishes a summary of its findings in Part I of the Annual Report and Accounts.

Maintaining distinctiveness and quality has been identified by the BBC Trust as key to the delivery of the purposes. We have been pursuing this by focusing on five editorial priorities across our portfolio of services. We aim to provide:

- the best journalism in the world
- inspiring knowledge, culture and music
- ambitious UK drama and comedy
- outstanding children's content
- content that brings together the nation and communities

By focusing in these areas, the BBC can most clearly distinguish itself from other broadcasters and ensure high-quality output. Some headlines from our output in each area are set out in the following pages.

## KPI

### Increase distinctiveness and quality

#### Average AI – Television

11/12	82.6
10/11	81.6

#### Average AI – Radio

11/12	80.6
10/11	79.7

#### Average AI – Online

11/12	77.1
10/11	80.5

Source: Average AI Television and Radio: Pulse, panel of 20,000 UK adults 16+ by GfK for the BBC, TV channels measured: BBC One, BBC Two, BBC Three, BBC Four and BBC HD.

Online: Online Quality Survey by eDigital Research for the BBC.

## KPI

### Increase distinctiveness and quality

#### BBC TV fresh and new

11/12	70.4
10/11	67.8

Source: Pulse panel of 20,000 UK adults 16+ by GfK for the BBC, TV channels measured: BBC One, BBC Two, BBC Three, BBC Four and BBC HD.

### Assessing distinctiveness and quality

We regularly ask audiences what they think of BBC programmes and services. Audience appreciation indices (AIs) provide an average score out of 100, indicating the quality which audiences perceive in our content. We also ask people the degree to which they think programming is 'fresh and new', giving us a separate indication of its relative distinctiveness.

On both of these key measures, this was a strong year for the BBC. Average overall AIs increased, to 82.6 for television programmes (up from 81.6 in the previous year) and 80.6 for radio (79.7). The overall score for television programmes being considered 'fresh and new' grew to 70.4 (67.8), reflecting our continuing focus on distinctiveness and originality.

Average online AIs fell from 80.5 in 2010/11 to 77.1 this year following a number of large relaunches of high-traffic sites towards the end of 2011/12. We know from experience that scores tend to drop following a change and recover as audiences become used to the new sites.

### The best journalism in the world

Across radio, television and online, BBC News reached over 80% of the UK population every week. The BBC News Channel remains the most watched news channel in the UK, with an average weekly reach of more than ten million viewers. BBC One's *News at Ten* was the UK's most watched UK-wide bulletin.

Among the BBC's political coverage, *The Sunday Politics* replaced *The Politics Show*, with opt-outs for different parts of the UK. BBC Parliament marked the centenary of the 1911 Parliament Act with an evening of documentaries and a series of Speaker's lectures on great 20th century parliamentarians.

*Panorama* continued to deliver strong investigative reporting, and its average audience rose to three million. International subjects included Britain's role in returning Libyan opposition figures who faced torture, the uprisings in Syria and human rights abuses in Zimbabwe's diamond mines. At home, *Undercover Care: The Abuse Exposed* revealed serious abuses at a private residential hospital, leading to reviews of procedure. It won three Royal Television Society (RTS) awards and was named Best Documentary at the Broadcast Awards.

On BBC Two, *Newsnight* won an RTS award as the 'must watch news programme of the year', while its economics expert Paul Mason won the specialist journalist award. Elsewhere on BBC Two, *Putin, Russia and the West* featured interviews with Russian insiders and key world figures.

Audiences for news and current affairs on radio reached record levels. BBC Radio 4's *Today* peaked at 7.2 million listeners a week, a million more than five years ago. The extension of *The World at One* to 45 minutes has enabled BBC Radio 4 to respond more nimbly to key stories. *The Reith Lectures* on BBC Radio 4 took

'securing freedom' as their theme, providing a global platform for the Burmese opposition leader, Aung San Suu Kyi, to make her first broadcasts after 15 years of house arrest.

The BBC Trust's service review of BBC Radio 5 Live reported that audiences perceived its news programming to be "high quality and distinctive, having breadth, depth, wit and intelligence." An example of its distinctive approach to engaging with its audience was an award-winning live 'AV debate' to illustrate how a new voting system might work.

The BBC's global news coverage was dominated by the Arab uprisings. The BBC was the only UK broadcaster to maintain a presence in Libya throughout the conflict. During the Arab Spring, the BBC Arabic television service saw its weekly estimated reach increase from 13.5 million to 24.4 million in the Middle East, while in Egypt it quadrupled to 9.3 million. BBC Persian almost doubled its weekly television reach in Iran to an estimated six million, despite continued attempts to jam the service.

BBC World News increased its reach in key markets, and overtook Euronews in Europe for the first time. Online, BBC.com is ahead of target for digital reach, and BBC World Service sites have achieved equivalent success.

### Performance highlights

In a year when trust in the media has been in the spotlight, trust in the BBC has risen to its highest level since current records began: 67% say they trust the BBC, up from 56% in 2004. When the public is asked to name the one news provider they trust the most, the BBC is selected by eight times as many people (59%) as the next nearest provider. People say they trust BBC news most because of its accuracy and impartiality, high quality, reputation and public funding.

### Average audiences to news programmes 2011/12 millions (2010/11 in brackets)

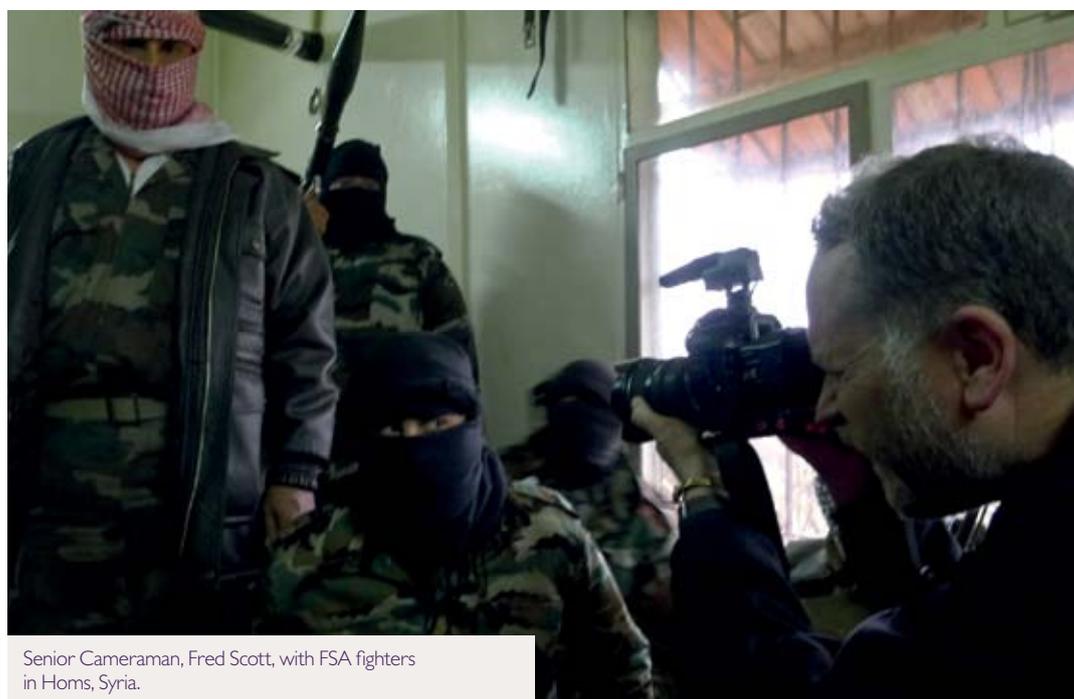
Breakfast news		
BBC One	1.5	(1.5)
ITV1/Daybreak	0.7	(0.7)
Lunchtime news		
BBC One	2.6	(2.6)
ITVI	0.9	(1.0)
Early evening network news		
BBC One	4.3	(4.4)
ITVI	3.2	(3.3)
Channel 4	0.7	(0.8)
Channel 5	0.7	(0.7)
Early evening regional news		
BBC One	5.4	(5.5)
ITVI	3.2	(3.2)
Late night news (10pm)		
BBC One	4.4	(4.4)
ITVI	2.2	(2.3)

### BBC network hours of output by genre News and weather

BBC One	
11/12	2,456
10/11	2,421
BBC Two	
11/12	882
10/11	932
BBC Three	
11/12	34
10/11	32
BBC Four	
11/12	6
10/11	6
Radio	
11/12	11,430
10/11	11,542

### Current affairs

BBC One	
11/12	250
10/11	224
BBC Two	
11/12	273
10/11	296
BBC Three	
11/12	192
10/11	253
BBC Four	
11/12	128
10/11	150
Radio	
11/12	2,120
10/11	2,164



Senior Cameraman, Fred Scott, with FSA fighters in Homs, Syria.

**BBC network hours of output by genre**  
**Factual**

<b>BBC One</b>	
11/12	2,399
10/11	2,302
<b>BBC Two</b>	
11/12	1,888
10/11	1,786
<b>BBC Three</b>	
11/12	1,430
10/11	1,403
<b>BBC Four</b>	
11/12	1,162
10/11	1,081
<b>Radio</b>	
11/12	2,359
10/11	2,576

**Music and arts**

<b>BBC One</b>	
11/12	98
10/11	102
<b>BBC Two</b>	
11/12	328
10/11	353
<b>BBC Three</b>	
11/12	79
10/11	70
<b>BBC Four</b>	
11/12	1,355
10/11	1,425
<b>Radio</b>	
11/12	41,727
10/11	41,709

**Religion**

<b>BBC One</b>	
11/12	102
10/11	98
<b>BBC Two</b>	
11/12	27
10/11	50
<b>BBC Four</b>	
11/12	53
10/11	37
<b>Radio</b>	
11/12	1,211
10/11	1,181

**Inspiring knowledge, culture and music**

In an exceptional year for factual programming, *Frozen Planet* on BBC One stood out. The series reached 28 million people, almost half the UK population.

On BBC Two, *Stargazing Live* made history when a viewer discovered a new planet during the series. It is estimated that over 100,000 people attended events across the UK and more than 150,000 children became involved through BBC Learning. *So You Want To Be A Scientist* on BBC Radio 4 also encouraged audiences to get involved, with listeners devising their own experiments.

Science came to a mainstream peak-time audience on BBC One, with series including *Richard Hammond's Journey to the Centre of the Planet*, *Earthflight*, *Nature's Miracle Babies*, *Inside the Human Body* and *Planet Dinosaur*. *Horizon Specials* on BBC Two provided authoritative coverage from expert presenters of subjects including the quest for the Higgs boson.

Among religious output, *The Life of Muhammad*, presented by Rageh Omar, explored the relevance of the story of Muhammad to our world today. Other television output included *The Seven Wonders of Buddhism*, *Jerusalem: The Making of a Holy City* and *Reverse Missionaries*, which brought today's missionaries from the Caribbean, Asia and Africa back to the home towns of the original missionaries. BBC Radio 2's *Faith In The World Week* considered how women are served by religion, while BBC One's *Songs of Praise* marked its 50th birthday with a one-hour special from Alexandra Palace.

A range of powerful documentaries portrayed life in Britain today. BBC Three's *Alex: A Life Fast Forward*, about a 21 year-old with bone cancer, gained the highest audience appreciation rating of any BBC programme this year. *Protecting our Children* on BBC Two, following social workers in Bristol, was described as "astonishingly revealing"

by the Daily Telegraph. A collaboration between BBC Three and BBC Learning, *Up for Hire* helped young people acquire greater confidence and skills in a difficult employment market. BBC iXtra tackled the issue of homophobia and rap music in *No Homo – Hip Hop's Last Taboo*, and gave a unique, first-hand insight into homelessness, in *Bored, Broke and Bedless*. On CBBC, *Newsround* presented a 15-minute special on domestic abuse and its impact on children. BBC Two's ambitious and extensive *Money Season* included the investigative documentary, *RBS: Inside the Bank That Ran Out of Money*. *Mark Zuckerberg: Inside Facebook* had exclusive access to the Facebook founder. In *Made in Britain*, Evan Davis analysed the key engines of the UK economy in the wake of the economic crash. Whilst CBBC took five children across the world to see the reality of life for the people who make their favourite possessions in *Show Me What You're Made Of*.

In *The Diamond Queen* Andrew Marr looked at the life and reign of HM The Queen, featuring interviews with all the Queen's grandchildren and with several of her 12 former Prime Ministers. Meanwhile on BBC Radio 4, *The Art of Monarchy* was an eight-part series in collaboration with the Royal Collection.

History output on BBC Radio 4 included *Sport and the British*, a 30-part series to launch the Olympic year; and the landmark *Russia: The Wild East*, chronicling a thousand years of Russian history over 50 episodes. On BBC Two, *Melvyn Bragg on Class and Culture* provided an insightful look at the subject over the past century.

BBC Radio 3's *Free Thinking Festival* in Gateshead provided a weekend of thought-provoking talks, debates and performances, a high point in a rich year of speech output. *The New Generation Thinkers* scheme was launched, to search for the brightest academic minds with the potential to create fascinating



BBC One's *Frozen Planet* reached almost half of the UK population.

broadcasts. *Laurels and Donkeys* on BBC Radio 4 featured new poems by Andrew Motion, drawing on soldiers' experiences of war from 1914 to the present day. The programme has been shortlisted for the Ted Hughes Award for New Work in Poetry. CBBC's *In My Life: Ballet School* followed two Liverpool brothers with a passion for ballet, and examined the dilemmas and challenges they faced.

Knowledge, culture and music are central to the remit of BBC Four. Landmark series included *Regency*, examining the cultural significance of that period. HRH The Prince of Wales offered insights into the life of Hubert Parry, in *The Prince and the Composer*, Simon Russell-Beale told the history of the *Symphony* (supported by in-depth output on BBC Radio 3), and Benedict Cumberbatch presented a passionate advocacy of Terence Rattigan's work.

The BBC Philharmonic Orchestra marked the move to its new home in Salford Quays with some extraordinary collaborations, including a *Dubstep Symphony*, written with Nero and broadcast on BBC Radio 1 and BBC iXtra, and a special edition of *Friday Night is Music Night* on BBC Radio 2, featuring some of musical theatre's leading lights.

The *BBC Proms* again broke records, with over 300,000 people attending the concerts, including around 36,000 first-timers. Highlights included the rarely performed, gargantuan Havergal Brian Gothic Symphony and an evening to mark Steve Reich's 75th birthday. High-definition television coverage was provided for the first time.

BBC 6Music celebrated its tenth anniversary in March with a week of special sessions from the BBC's legendary Maida Vale studios.

A number of innovative ideas were employed to bring the BBC's uniquely diverse range of specialist music to new audiences. On BBC Radio 1, Zane Lowe took over the breakfast show for a week, while BBC Radio 2 bravely turned its schedule on its head in June for *2Day*, including jazz at breakfast with Jamie Cullum and Simon Mayo.

### Performance highlights

This year saw a strong performance in factual television. Overall AIs were up to 83.7 from 82 in 2010/11. There were some very high scores for individual programmes. *Alex: A Life Fast Forward* recorded the highest, at 95. *Frozen Planet* achieved the highest AI for a series on BBC One with a series average of 94 and *The Choir: Military Wives*, on BBC Two, resonated strongly with audiences with an average AI of 91. On BBC Radio 2, *Sounds of the 60s* had a weekly reach of 3.6 million. The AI of 87 was high for a music programme and 83% of listeners agreed the show was original and different.



BBC Radio 2 competition, 500 Words, asked children to send in their own stories.

### Ambitious drama and comedy

Dramas which audiences loved this year included *Sherlock*, *Luther* and, more recently, *Call the Midwife*, which soon became unmissable Sunday night viewing and one of the BBC's most popular dramas ever. The long-awaited adaptation of Sebastian Faulks' novel, *Birdsong*, was watched by 9.6 million people.

It was also an exceptional year for factual drama, including *The Man Who Crossed Hitler* and *Shirley*, launching the Mixed Race Season on BBC Two, while BBC Four contributed *Holy Flying Circus* and *Taking Manhattan*.

BBC Two gained a growing reputation for high-quality and distinctive drama, with an offering including *The Hour*, *The Shadow Line* and *The Crimson Petal and the White*. The channel is also the home of BBC Films, with highlights this year including David Hare's *Page Eight* and *United*.

On BBC Radio 4 the highlight of 2011 was the landmark production of Vasily Grossman's epic tale *Life and Fate*, set in and around the Battle of Stalingrad. Kenneth Branagh, Greta Scacchi and David Tennant were among a cast of 67 actors, with the eight-hour adaptation broadcast across a week, taking over all the station's regular drama slots. Mervyn Peake's gothic classics were also dramatised over six hours, in *The History of Titus Groan*. BBC Four continued to show its pick of the best drama from across Europe, with *Borgen* and *The Killing II* providing compelling viewing on Saturday nights and generating a growing audience for distinctive subtitled drama content. BBC Radio 3 audiences were offered a number of dramas that explored difficult themes, including *Mogadishu* by Vivienne Franzmann, a hard-hitting story of school racism.

### BBC network hours of output by genre Drama

#### BBC One

11/12	690
10/11	808

#### BBC Two

11/12	299
10/11	283

#### BBC Three

11/12	291
10/11	346

#### BBC Four

11/12	305
10/11	304

#### Radio

11/12	4,996
10/11	4,577

### Film

#### BBC One

11/12	446
10/11	486

#### BBC Two

11/12	755
10/11	660

#### BBC Three

11/12	211
10/11	224

#### BBC Four

11/12	121
10/11	173

### BBC network hours of output by genre Entertainment (including Comedy)

#### BBC One

11/12	709
10/11	585

#### BBC Two

11/12	629
10/11	597

#### BBC Three

11/12	1,367
10/11	1,179

#### BBC Four

11/12	126
10/11	143

#### Radio

11/12	8,190
10/11	7,622

On the BBC Asian Network, a series of six half-hour plays gave a platform to Asian actors and writers in the UK. *No Waterfalls in Wembley* brought together school life in Bollywood and North London, while *Bajju Bawra* added a contemporary twist to the ancient tale of love and revenge.

The most distinctive of archive radio drama and comedy was showcased on BBC Radio 4 Extra, launched in April 2011. Building on the success of BBC Radio 7, it significantly increased its audience to over 1.5 million listeners a week within three months. Special programming for Armistice Day included another chance to hear 1995's drama documentary *Bomber*, based on the Len Deighton novel, broadcast as it was originally, in segments across the day.

The BBC is the only UK broadcaster to invest in original daytime television drama. *32 Brinkburn Street* marked the 100th anniversary of the census, and other daytime commissions included the award-winning series *The Indian Doctor*.

The BBC marked the 200th anniversary of the birth of Charles Dickens with a wide range of programming. Drama productions were led by a distinguished adaptation of *Great Expectations*, and a completion of *The Mystery of Edwin Drood*, while BBC Radio 4 contributed *The Mumbai Chuzzlewits*, which transposed Dickens to modern India, and BBC Four's *Arena* revisited

films from the archive. A wealth of factual programming about Dickens and his times was joined by the comedy satire, *The Bleak Old Shop of Stuff*.

In line with our strategy, fewer acquired drama series in daytime and after peak time meant that overall there were fewer hours of drama on BBC One this year. The balance during those hours was largely made up of archive comedy, resulting in an increase in reported hours of entertainment. BBC Three also saw entertainment hours increase, with repeats of comedy programming after midnight.

Good comedy continues to resonate with audiences, particularly when it reflects the texture of British life. This was a strong year for television comedy, in which the runaway success was BBC One's *Mrs Brown's Boys*. Other hits included *Rev* and *Twenty Twelve*, which cast a satirical eye over the approaching Olympic Games.

*Ab Fab* made a triumphant return over Christmas, and the BBC's tribute to *The Comedy Genius of John Sullivan* also proved hugely popular with audiences. However, we continue our search for the comedy greats of the future by investing in new talent and new formats. BBC One's *Kevin Bridges: What's The Story?* combined performance and documentary to reveal the inspiration behind some of his on-stage



*Luther*, starring Idris Elba, returned to BBC One for a second series.

material. *Watson & Oliver* made their debut television series for BBC Two.

For the first time, the whole of the BBC, across television, radio and online, were brought together at the Edinburgh Festival in a 'pop-up' venue created by BBC Comedy. Over the course of a fortnight, around 100 hours of radio and 200 hours of television and BBC Red Button content came from the site, ranging from *BBC Radio 1's Fun and Filth Cabaret* to BBC Radio 4's *Unbelievable Truth*, while *BBC Three Live @ the Fringe* featured new faces alongside more established acts.

On BBC Radio 4, *Just a Minute* celebrated its 45th anniversary by heading to Mumbai to record two editions, with Indian comedians joining regular panellists. The show is so popular in India that local clubs have been set up, where the game is played with passion. *Mark Watson's Live Address to the Nation* was the station's first live comedy series, while other new programmes included the satirical show *Tonight* and *Polyoaks*, a sitcom about the NHS.

The *BBC Radio 2 New Comedy Awards* showcase the UK's best new stand-up comedians. BBC Radio 4 Extra also has a remit to showcase new talent. *The Comedy Club*, broadcast six nights a week, profiles contemporary comedy and premieres new comedy talent. The topical series, *Newsjack*, has an open door policy allowing any budding scriptwriter to submit sketches, and this has resulted in some of the year's freshest satirical programmes.



Tom Hollander as Rev. Adam Smallbone in BBC Two sitcom, *Rev.*

### Performance highlights

*Call the Midwife* represented the most successful launch of a BBC One drama ever recorded with first episode audience figures of 9.8 million and a series average of 10.6 million. *Sherlock* returned with an audience of 10.2 million and an AI of 89, all up on last season.

BBC Two's drama offering saw growth in AIs and in audience assessments of distinctiveness.

*The Shadow Line* had an AI of 86, while 45% of viewers 'strongly agreed' that it was 'fresh and new'.

BBC Four's European dramas resonated strongly with audiences, with Danish acquisition *The Killing II* receiving BBC Four's highest AI of the year, at 92.

In comedy, *Mrs Brown's Boys* produced the best BBC One comedy AI on record (90), with an audience of seven million for the second series, up from 3.8 million for series one.



*Call the Midwife* was highly appreciated by audiences, with a series average AI score of 90.

**BBC network hours of output by genre Children's**

**BBC One**

11/12	471
10/11	459

**BBC Two**

11/12	1,788
10/11	1,736

**CBBC**

11/12	4,374
10/11	4,398

**CBeebies**

11/12	4,512
10/11	4,514

**Radio**

11/12	379
10/11	1,460

**Schools/Formal Education**

**BBC Two**

11/12	189
10/11	198

**BBC Four**

11/12	5
10/11	6

**CBeebies**

11/12	226
10/11	214

**Radio**

11/12	104
10/11	104

**Outstanding children's content**

Children's programming went from strength to strength, across the whole range of programming provided for young audiences. From topical programmes and factual output to original drama, the range of genres and formats and depth of quality of BBC programming for children is unrivalled.

The ever-popular *Horrible Histories* was joined by the documentary series *My Life* on CBBC and the natural history programme *Andy's Wild Adventures* on CBeebies. New drama for children included *Postcode* by Tony Marchant, which explored themes of class and cultural segregation, poverty and opportunity, and *Leonardo*, following the adventures of Leonardo da Vinci in 15th century Florence.

Learning content is core to CBeebies. The animated series *Numtums* gave young children a foundation in basic numeracy all wrapped in a fun, energetic and irreverent format. *The Lingo Show*, which began life online, introduced children to simple vocabulary in French, Spanish and Mandarin. *Nina and the Neurons* returned with *Brilliant Bodies*, answering questions from children themselves about their bodies and how they work.

On CBBC, *The Ministry of Curious Stuff* saw Vic Reeves using his inimitable brand of humour to answer children's questions such as "Will dinosaurs ever come back?" Full of both information and misinformation, it brought comedy to the factual world.

Launching the arrival of CBeebies in its new home in Salford, *Justin's House* entertained a live theatre audience of 3–6 year-olds with a panto-style mix of singing, dancing and comedy.

Children continue to be attracted to drama on our family channels, including *Doctor Who* and *Merlin*. Special commissions over Christmas included *The Gruffalo's Child*, watched by 7.6 million, and *The Borrowers*, a 90-minute film adaptation of Mary Norton's classic children's books. Special commissions for children ran alongside some of the big mainstream successes of the year, such as *Stargazing Live* and *The Great British Bake Off*.

BBC Radio 4 Extra's *The 4 O'Clock Show* contains stories and features both children and adults can enjoy, scheduled just after the end of the school day. Highlights have included September's *Roadl Dahl Month*. *Family Classics* on Sunday afternoons have featured new productions including *The Silver Sword* and *Chitty Chitty Bang Bang*.

The *500 Words* competition on BBC Radio 2 invited children aged 13 and under to write stories, and the *Chris Evans Breakfast Show* broadcast live from the Hay Festival in June to announce the winners. *Doctor Who – Script to Screen* gave primary school children the chance to write their own mini-adventure, and thousands of schools used BBC Learning's creative writing resources around this competition.

Finally, after 53 years of transmitting on BBC One, *Blue Peter* successfully relaunched in a new prime slot on the CBBC channel in January 2012 and more than doubled its audience of 6–12 year-olds.



CBBC's *My Life* series provided an insight into the lives of children across the UK.

**Performance highlights**

The BBC's children's channels have become the most popular channels in the UK for under-12s. CBeebies is watched by about half of under-6s each week, and CBBC by more than 1.8 million 6–12 year-olds.

The CBeebies panto, *Strictly Cinderella*, reached 603,000 young viewers and a total audience of 1.2 million on CBeebies, and gathered 733,000 requests on BBC iPlayer. The CBeebies website achieved the highest AI of any BBC online site, with a score of 87.

On CBBC the final series of the *Sarah Jane Adventures* attracted high audiences and higher share than the previous series, peaking at 330,000 children. *Tracy Beaker Returns* broke records, with audiences peaking at 442,000, the largest audience ever for a CBBC programme. One episode has been requested on BBC iPlayer over 1.1 million times.

## Content that brings the nation and communities together

The BBC remains the place where audiences come together to enjoy major events.

The undoubted highlight of the year was the Royal Wedding, and almost 35 million people in the UK watched some BBC coverage of the big day. Coverage of annual events like the Cenotaph Memorial on Remembrance Day also remain hugely popular.

Music events engage big audiences across BBC output. BBC 6Music led coverage of the Glastonbury Festival, with around 50 hours of live coverage, while around a third of the UK population watched some television coverage.

*The Proms in the Park* events around the UK extended the impact of the *Last Night of the Proms*. Scotland's *T in the Park* and the Reading and Leeds Festivals also featured, along with many smaller festivals including the *Green Man Festival* in the Brecon Beacons on BBC Radio 1 and live music from the *Cheltenham Jazz Festival* on BBC Radio 2. The BBC Asian Network helped to host six major Melas over the summer.

The BBC is also the home of must-see television programmes which become part of the national conversation, from *Strictly Come Dancing* to *The Choir: Military Wives*.

This year's Children in Need broke records, both by raising £26million on the night and by gaining a bigger audience before 10pm than in the previous seven years. Sport Relief also had a tremendous year, raising £50.5million on the night. David Walliams, John Bishop and Helen Skelton all pulled off some amazing feats, while across the country well over a million people took part in running the mile.

Sport continues to have a central place in the BBC's output, across all platforms. The biggest sporting events command huge audiences, providing dramatic moments which bring the nation together. The power of the BBC to bring in mass audiences to sport is shown by the fact that while the BBC accounts for only 2% of all television sports output in the UK, it delivers over 40% of all sports viewing.

Audiences peaked at over nine million for Wimbledon and more than eight million for the Six Nations and the thrilling Canadian F1 Grand Prix. Over half the viewing population watched some Match of the Day coverage.

In Britain's biggest ever year of sport, the BBC's portfolio of sports rights remains strong. This year we extended our deals for Wimbledon and the Six Nations up to 2017 and our radio rights deal for England cricket up to 2019. In partnership with ITV, we acquired the rights to the 2012 UEFA Football Championship. We renewed our F1 deal by entering into a partnership with Sky, under which the BBC will show half of all grands prix live, with extended highlights of other races. This represents excellent value for money, while ensuring that F1 remains available free-to-air for at least the next seven years.

### BBC network hours of output by genre Sport

#### BBC One

11/12	580
10/11	697

#### BBC Two

11/12	763
10/11	965

#### BBC Three

11/12	30
10/11	101

#### BBC Four

11/12	2
10/11	1

#### Radio

11/12	4,230
10/11	4,832

### Performance highlights

The BBC's BAFTA-winning coverage of the Royal Wedding ceremony was chosen by 74% of the audience.

In sport, the US Masters was shared with Sky for the first time and had a higher peak BBC audience (3.9 million) than in the last 11 years.

BBC Radio 5 Live Sports Extra reached its biggest ever audiences this year, peaking at over 1.15 million listeners, making it the fourth most popular digital radio station in the UK.

*Strictly Come Dancing* returned with an impressive series average of 11 million viewers and a higher AI, at 84.

The BBC Radio 1 *Big Weekend* reached 5.3 million people on television, up from 2.9 million in the previous year, and on BBC Three Lady Gaga's performance at the festival was the highest reaching music event ever shown on the channel.



Bringing the nation and communities together: the Royal Wedding.

## Value for money

The BBC is entering one of the most challenging periods in its history, dealing with a licence fee frozen until December 2016 while taking on new financial commitments: the extra broadcasting-related activities of BBC World Service, BBC Monitoring, an expanded partnership with S4C and support for new local television services and broadband roll-out. In 2014/15, these new obligations alone are estimated to add £388million to the BBC's licence fee-funded cost base. We are determined to rise to this financial challenge while maintaining or improving the overall performance and audience appreciation of BBC services.

2011/12 was the penultimate year of the BBC's Continuous Improvement productivity programme, introduced after the 2007 licence fee settlement, to make 3% efficiency savings a year over a five-year period. By the end of last year, cumulative efficiency savings are close to £1.5billion, equivalent to 3.6% each year, and we are on course to deliver £2billion in savings by the end of the programme.

Savings have mainly come through improvements in the way the BBC operates, through implementing technological change or by making different investment choices. The BBC has continued to:

- reduce costs by introducing new ways of working
- reduce licence fee collection costs
- maximise commercial revenues within the boundaries set by the BBC Trust
- do fewer things better in content areas, without reducing quality
- reduce the senior management pay bill by 25%, with a 20% reduction in the number of senior managers
- reduce talent costs when negotiating new contracts

Over the last year, the estimated overall Cost per User Hour of the BBC's television and radio services has fallen from 4.3p to 4.0p, largely the result of lower spend and improved reach in television. Radio cost per listener hour has remained stable at 1.6p, whilst online cost per user reached has improved to 6.1p from 8.5p.

### Demonstrating value for money

One way in which the BBC Trust fulfils its duty to ensure that value for money is achieved by the BBC is by commissioning a series of independent value for money reviews each year from the National Audit Office (NAO).

In November 2011, the BBC Trust published an NAO report which looked at the BBC's progress to date in delivering its target rate of efficiency savings. The NAO concluded that *"The BBC is delivering value for money from its efficiency programme in that it is on track to exceed its*

*target of delivering £487million sustainable, cash releasing net savings by 2012/13, whilst its overall performance in terms of audience measures has not declined. The efficiency programme is therefore proving a clear success in the terms set for it."*

The NAO also reported on the BBC's management of its support functions, concluding that the *"BBC has reduced the costs of most of its support functions over the last five years and plans to make further savings. Its current approach to challenging the cost of its support functions is broadly effective in improving value for money."*

The BBC will fully implement the NAO's recommendations from both reports.

### Spreading value outside the BBC

The BBC believes that the future of public service broadcasting in the UK depends on a vibrant UK creative community. Without this, the existing range, quality and plurality of UK public service broadcasting, content and services would be impossible to sustain. Much of the licence fee is spent outside the BBC, on independent producers, talent, suppliers, freelancers and productions.

Over the years, and bolstered by the 25% quota, the independent television sector has grown in size and in confidence. Today it is responsible for supplying some of the UK's most valued programmes, such as *Earthflight*, *Call the Midwife* and *Birdsong*.

The BBC operates its own additional Window of Creative Competition (WoCC), further increasing opportunities for independents to be commissioned for entertainment, comedy, drama, factual and children's output. Performance against the television WoCC can be found in *Performance Against Public Commitments* in the download section at [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

In radio, the BBC operates a voluntary quota of 10% of eligible radio programming by broadcast hours from external radio producers, and has now put in place a WoCC for the radio programme market, opening up the available programming hours to independent producers by a further potential 10%, across the BBC's national networks. The preferred supplier list has also been dropped to ensure the best ideas get to air, wherever they come from.

Overall this year the BBC commissioned 42% and 19% of eligible television and radio content respectively from external producers.



Syed and Christian contemplate starting a family in *EastEnders*, BBC One.

## Serving all audiences

The universal nature of the licence fee brings with it an obligation to try to deliver valued services to everyone in the UK, as well as to strive to deliver all the BBC's services, and the same quality of service, to all parts of the audience.

Each week the BBC reaches almost 96% of the UK population and on average each of those users spends almost 19 hours with the BBC.

Our continuing strategy is to seek to improve the extent to which BBC services resonate with people in all the UK's nations and regions and from different age groups and communities. In particular, we must ensure that we increasingly reflect the devolved nature of the UK's government, as well as the distinctive character of its constituent parts.

BBC services should be available to every household in the UK that wants to access them. It is one of the BBC's purposes to bring the benefits of new technologies to all audiences. The BBC must therefore seek to ensure that every household has convenient access to each relevant service, free at the point of use. It must do so in a way that safeguards easy, accessible, open routes to BBC content; sustains quality, free-to-air platforms; represents value for money; secures baseline standards of quality, brand attribution and due prominence; meets legal obligations; and is technically feasible.

## Serving different audiences

Headlines on how the BBC has served audiences across the different nations and regions of the UK are set out in the Overview section.

Across its portfolio of UK-wide services, the BBC has seen some significant improvements in its appeal to particular audiences. Listening to the BBC Asian Network grew amongst British Asians, reversing a previous downward trend. BBC iXtra also increased its reach, up from 6.1% to 7.4% of its target 15–24 audience.

With news and current affairs output in particular we have striven to target diverse audiences. Among successes with younger audiences were BBC Three's *A Dangerous Place to Meet My Family*, which took a young British Muslim back to the Yemen, and *So What If My Baby Is Born Like Me?*, a documentary about inherited conditions, while BBC Two's *Toughest Place To Be* took British workers to see how their jobs are carried out in developing countries, illuminating issues of poverty and hardship.

On BBC Radio 1, *Newsbeat* has used Facebook and Twitter to gauge instant reaction to news stories. 'Twitter street-teams' of young listeners provide audio, video and copy for the programme. The work of the armed forces has also featured regularly within *Newsbeat*, as many of those serving are within the station's target audience so their stories will resonate personally with some listeners.

### KPI

#### Increase distinctiveness and quality

Caters for a wide range of tastes

FY 11/12	7.1
FY 10/11	7.0

Nov 2010 – March 2011 / Source: Kantar Media for the BBC, 12,009 adults 16+ FY11/12, mean score out of 10 where 1 = strongly disagree and 10 = strongly agree to a statement: 'The BBC caters for a wide range of tastes'.

### KPI

#### Do more to serve all audiences

Average weekly reach (%)

FY 11/12	95.7
FY 10/11	96.8

Average time spent per user (hh:mm)

FY 11/12	18.48
FY 10/11	19.08

Source: Cross-Media Insight Survey (CMI) by GfK for the BBC, c.33,800 responses, adults 16+.

Issues affecting the UK's Asian communities are reflected in the *Asian Network Reports*, with two 30-minute programmes each weekday. Special editions of the show covered the rise of Sharia Law in the UK and looked at why some British Asian women are fighting to get their dowry back, typifying the original journalism the network offers its audience.

### Portraying a diverse UK

This year has seen positive progress in reflecting the diversity of people, places and lives across the UK. Examples of programming from Scotland which played across the UK are *Case Histories* and *Young James Herriot*, *Rab C Nesbitt* and *Kevin Bridges: What's the Story?*

*The Story of Ireland* transferred from BBC Northern Ireland to BBC Two, while *The Indian Doctor*, *Torchwood* and *Being Human* all reflected life in Wales.

We have also enhanced our portrayal of the North of England through dramas such as *Prisoners' Wives*, factual programmes including *Junior Doctors*, and comedies such as *White Van Man* and *In With The Flynns*.

We continue to develop talent across the UK, and have commissioned new shows this year for Kevin Bridges, John Bishop and Sarah Millican, as well as established talent like Graham Norton, Rob Brydon and Dara O'Briain.

Portraying diversity means more to the BBC, however, than reflecting different parts of the UK. For example, on BBC Radio 4 *In Touch* marked its 50th anniversary with a special show celebrating the achievements of blind people. Peter White brought together an array of talented blind and visually impaired people

from the world of music, politics and entertainment for a memorable evening in London's BBC Radio Theatre.

### Network programme supply

Network television has continued its implementation of the network supply strategy, producing more content in the UK's nations and regions outside London, with the overall programme being ahead of schedule.

With the opening of MediaCityUK, *Blue Peter*, *Newsround*, *Dragons' Den*, *Match of the Day* and *Sports Personality of the Year* are among the programmes now produced in Salford, which is also home to the BBC's new Sport Centre.

This year also saw the successful transfer of the production of *Casualty* to Wales and *Question Time* to Scotland, plus the recommissioning of *Sunday Morning Live* in Northern Ireland.

Further growth in business has seen the successful delivery of a broad range of titles from all three nations, from both in-house and independent production teams.

Highlights include:

- in Wales, *Sherlock* and *Merlin*, with the second series of *Upstairs Downstairs* being filmed in the new Roath Lock studios
- in Scotland, *Terry Pratchett: Choosing to Die* and *Richard Hammond's Journey to the Bottom of the Ocean*, as well as regular arts output from *The Review Show*, *Culture Show* and *Imagine*
- in Northern Ireland, *Atlantis*, *Hominid*, *Digging for Britain*, *Hidden* and *Secret Fortune*, as well as regular editions of *Panorama*

Plans are now in place to further consolidate the creative focus of network production centres across the UK, to help support local ecologies and strengthen creative sustainability as we move into the second phase of the strategy between now and 2016.

The BBC's targets of 17% of network programmes being produced in Scotland, Wales and Northern Ireland and 50% outside London by 2016 are expected to be exceeded before the end of the Charter period. In 2011, 16.3% of programmes were made in Scotland, Wales and Northern Ireland, and in all 41% outside London. For more detail see the table on page 2-12.



The BBC Asian Network broadcasts in English as well as South Asian languages. Presenter: Zarina Khan.

### Digital switchover

The switchover to digital television has presented both a huge challenge and also new opportunities to ensure that the BBC reaches and serves all licence fee payers.

Digital UK Limited – owned and funded by the BBC and other UK public service broadcasters and digital multiplex licensees – has continued to work closely with the DCMS and Ofcom to complete the process of switchover. It also works with industry stakeholders and other interested groups, and helps make sure that viewers know what is happening and when, and what they need to do. It is responsible for co-ordinating and planning the technical roll-out of the digital terrestrial network.

Over the last year almost 12 million households were converted to digital. Viewers in Scotland, Yorkshire, the English Midlands and East Anglia made the change, with many receiving Freeview (including HD) services for the first time.

By the end of 2011/12, the UK was almost three-quarters of the way through switchover in terms of population, and in 2012 we are seeing the rest of the UK switch completely to digital television.

Through our wholly-owned subsidiary, DSHS Limited, the BBC offers practical help to millions of older and disabled viewers about how they can continue to watch the programmes and services they love after switchover. The Digital Switchover Help Scheme has completed over a million digital installations, and customer satisfaction levels have remained high: 93% of customers give the Scheme at least eight out of ten, while complaints are running at less than 0.4% of installations.

For more information on the Digital Switchover Help Scheme, visit [www.helpscheme.co.uk](http://www.helpscheme.co.uk) or for advice call Freephone 0800 40 85 900.

### DAB

Fifty new BBC national DAB transmitters were brought into service over the last year. These have enabled a million people to access DAB services for the first time and have ensured that reliable DAB coverage is now available to more than 93% of the UK population.

### Improvements in other service coverage

An upgrade to BBC Radio Wales' transmitter network brought an additional 210,000 people in Bridgend County, the Vale of Glamorgan and the Gwent Valleys into FM coverage for the first time. Gaelic-language television channel BBC ALBA launched on both Freeview and Virgin Media cable in Scotland, supported by prominence in channel lists and on-screen programme guides, furthering the BBC's commitment to deliver services to as broad an audience as possible.



BBC Radio 5 Live moved to MediaCityUK with the first programmes broadcasting from their new home in late 2011.



In March 2012 the Queen visited Salford to officially open the BBC's base at MediaCityUK.

## Openness and transparency

We have made significant progress towards meeting this objective this year, publishing more data and information than ever before.

Among the new information we now provide is:

- an annual workplan detailing the BBC's objectives for the year ahead, any notable service developments or planned investments and a summary budget
- a much wider range of quarterly information, including audience data for BBC services and audiences' assessments of quality
- extended and simplified data about the pay and expenses of senior BBC managers
- talent costs broken down into figures for aggregate spend

The BBC has also engaged in more discussions with industry about its activities and plans. Notably, BBC Online has engaged in more open discussion with partners and suppliers, with two industry briefings taking place in June and November 2011. At these, industry delegates were informed about BBC Online's strategy and annual workplan and updated about the progress of key products such as TViPlayer and sport. The briefings were videoed and published on the BBC Internet blog.

Throughout the year, the BBC has also been engaged in an open discussion with its staff and the public about itself, its values and its operations, through the Delivering Quality First process.

All this information is available at [www.bbc.co.uk/aboutthebbc/](http://www.bbc.co.uk/aboutthebbc/).



Comedy *Twenty Twelve* returned to the BBC for a second series as the team prepared for the Olympic Games.



# MANAGING THE BUSINESS

The BBC is charged with delivering its public purposes across a broad range of services and activities, and managing this is a complex operation. In this section we show how we manage the organisation's corporate and operational activities in collaboration with our staff and external partners.

BBC factual programming:  
*Frozen Planet* was narrated  
by Sir David Attenborough.

## CHIEF OPERATING OFFICER'S REVIEW

The role of the Operations Group is to help the BBC deliver transformational change – whether it is concerned with technology, strategy, property or our people – or with understanding audiences. It does this while supporting the rest of the organisation with an efficient, best-in-class service and implementing its own plans to reduce much of its costs by 25%.



### Operations Group

Following the creation of a single Operations Group at the start of 2011, we have worked during the year to provide simpler, more efficient support to the rest of the organisation. Taking advantage of the synergies between departments, we are now able to offer a more joined-up service, whether that's Technology and Workplace collaborating on the move to New Broadcasting House or Editorial Policy and Editorial Legal providing shared compliance advice.

At the same time as leading the Delivering Quality First programme, Operations has developed and now begun to implement its own savings plan, cutting 25% of its non-contract costs. These savings targets will be achieved by spring 2013. By that time, we estimate that approximately 300 jobs will have gone. In addition, Operations is also looking for opportunities to make savings on its major contracts.

Alongside all of this change, we remain focused upon building trust and appreciation for the BBC directly and by working with output groups to delight audiences. We deliver high-quality, innovative technology, services and advice that inform and support the BBC's strategic goals whilst keeping us on air.

### Partnerships and projects

Operations is responsible for all of the BBC's major contracts and projects, including the migration into London's New Broadcasting House which began in earnest at the beginning of this year, with several of our global services now broadcasting live from that building. This allows us to substantially reduce our property footprint in central London as well as bring the BBC World Service physically closer to our domestic services. In Salford, the first phase of moves is now complete, with a wide range of output from CBeebies and BBC Radio 5 Live to BBC Breakfast coming from MediaCityUK.

Over the year we have worked with Government and other stakeholders to deliver on our roadmap for digital terrestrial television. We have kept digital switchover on track, with over 90% of the country now digital-only.

The Switchover Help Scheme has now provided assistance to over 1.2 million people in total, ensuring they continue to be able to enjoy their television services uninterrupted.

We have continued to build on the partnerships we've established in recent years, with the Bristol Anchor City Partnership leading to the BBC Radio 4 *More Than Words* festival broadcasting live from the city in March alongside much closer ties between the BBC and the local community. We hope to establish a similar creative partnership in Birmingham in 2012.

I'm also proud of the recent launch of 'The Space', a joint project with Arts Council England, to make the best of the glorious summer of arts that surrounds the Jubilee, the Olympics and the Paralympics, on as many screens as possible. With our partners The Space we will showcase a wealth of new art and will provide access to much more, including some of the events of London 2012.

But we can't rest on our laurels. Looking ahead, we still have significant financial challenges to meet, major projects to deliver as well as ensuring we remain close to our audiences. 2012 promises to be a historic year for the UK and I know the BBC will play a critical role in letting the whole country share in that excitement.

**Caroline Thomson**

**Chief Operating Officer**

21 June 2012

## WORKING TOGETHER

The BBC is a complex organisation with operations around the world and across the UK. A key priority for the next few years will be the simplification and streamlining of the Corporation so that staff can work more effectively together and the value of the BBC's output can be maximised across platforms and services.

### Staff

Our focus this year has been on delivering the organisational change we need to meet our Delivering Quality First savings targets and on continuing to develop a culture that encourages our employees to give their best.

Great leadership, robust performance management and a fair deal for staff are the core elements that underpin our approach to organisational change. Our BBC leaders and managers are essential to the successful delivery of transformational change. Throughout the last year we have engaged an extensive network of leaders and managers, at all levels within the organisation, to help design together and effectively deliver change across the BBC.

### Developing talent

Our success is built on a creative, skilled and talented workforce – people who are highly motivated to deliver the very best content to our audiences. Our challenge for this year has been to create an environment where talent can thrive and develop, within the BBC's financial constraints.

We are committed to recognising and developing our internal talent, as well as attracting the very best talent from the external market. We achieved 71% of recruitment to senior management roles through internal promotion, against a target of 70%. We have launched an online career management tool, supported by a series of workshops, so that employees at all levels can identify and manage their career aspirations, and to encourage greater mobility across the UK.

London 2012 has provided us with a great opportunity to create a long-lasting connection and legacy with audiences, and focus on skills and employment opportunities for those who might otherwise have found it hard to get into – or had not considered – working in the media.

The BBC 2012 Apprenticeship Scheme, being run in London and Glasgow for a second year, saw 20 apprentices from diverse backgrounds recruited by the end of March 2012. They are working both within the BBC and with our partners in the independent production sector.

The London Apprenticeship Scheme recruited 11 new candidates in April 2012, and the scheme will continue to operate for at least one further year, offering a large number of places in BBC Vision Productions. A further three intakes are scheduled in Scotland, in the run-up to the 2014 Commonwealth Games. The Scheme has enjoyed success and recognition, with 70% of first and second year apprentices in London having secured relevant employment in the BBC or wider industry.

The BBC is also partnering with the host Olympic Boroughs to provide work experience placements for local residents, while the 2012 Community Reporter Scheme, hosted at BBC centres across the UK, provides training and experience for volunteers who are interested in gaining journalism skills.

The move to MediaCityUK in Salford Quays is also providing opportunities both to develop existing staff and to work with local bodies to support skills acquisition. We have attracted 22 people to our North Digital Apprenticeship Scheme, offering employment opportunities and training and development. The opening of the Drama Village at Roath Lock in Cardiff also provided the opportunity to develop key skills in the external market and ten apprentices were offered 12-month contracts, across production and craft roles, in January 2012.

### A fair deal for staff

Our ambition is to develop a new contractual deal for staff that aligns with the broadcast market and delivers greater value to the organisation and to audiences. This year we set out the scope of this ambition: to reform our pay and grading framework and to more closely align our redundancy and severance terms with those in the industry.

Changing workforce terms and conditions is inevitably challenging. We have therefore encouraged staff to engage directly in an open debate about the cost and relevance of some of our core conditions. We held 120 seminars this year, reaching over 2,000 staff to explore alternative pay and allowances options.

Work to design and implement our new deal will continue throughout 2012/13.

## OPERATIONS CONTINUED

Across the organisation, locally designed changes have delivered more efficient operations and ways of working, in many cases leading to job reductions and redundancies. Although union relationships are generally constructive, the extent of these changes has driven an increase in days lost through industrial action, with a total of around 11 days of strike action, two of them BBC-wide by NUJ members and the remainder more localised action.

Reaching an agreed pay settlement in 2011 in a difficult economic climate presented a particular challenge. Many licence fee payers have been subject to pay freezes and job losses and we too need to manage pay effectively within our financial constraints.

Our 2011 pay deal increased salaries by 2% for those earning less than £60,000, and followed several years of tough settlements involving below-inflation increases which have reduced pay in real terms, particularly for high earners. Over the past three years we have sought to focus the benefits of our restricted pay budget on lower-paid staff.

The year ahead will also be challenging, as we implement our plans to achieve £700million savings a year by 2016/17.

We have made significant progress towards reducing the senior management headcount and pay bill, down by 156 (24%) and £21million (27%) respectively since August 2009. Pay for senior managers earning over £150,000 is down by 19% and we have achieved a reduction in the average replacement salary for all senior managers of 10%. We plan to reduce the senior management workforce by a further 70 posts by 2015, and want to see the pay bill fall by a further £9million. We have made further savings by removing private medical cover and car allowances for new senior managers from August 2011 and April 2012 respectively. The bonus freeze for these grades remains in place for the foreseeable future.

### Headcount

As shown in the table, the average year-on-year equivalent full-time headcount has reduced by 384 since last year, from 17,242 to 16,858, reflecting the initial impact of Delivering Quality First initiatives. The largest divisional reductions have been in Finance (12.3%) and Vision (12.2%). Many of the reductions have occurred in administration and support teams, allowing us to focus licence fee spend on content and output and to reduce overheads. Figures for the regional distribution of staff reflect the relocation of staff from London to Salford Quays.

### Total average Public Service Broadcasting headcount (equivalent full-time)

Year end 2005/06	18,860
Year end 2006/07	17,914
Year end 2007/08	17,677
Year end 2008/09	17,078
Year end 2009/10	17,238
Year end 2010/11	17,242
Year end 2011/12	16,858

### UK PSB staff by Nation (equivalent full-time) %

	2011/12	2010/11
England (excluding London)	33	25
London	48	55
Scotland	7	8
Wales	8	8
Northern Ireland	4	4

### Senior manager headcount by salary band

Band	2011/12	2010/11
Under £70,000	30	41
£70,000 – £99,999	192	230
£100,000 – £129,999	114	128
£130,000 – £159,999	70	77
£160,000 – £189,999	29	28
£190,000 – £219,999	18	20
£220,000 – £249,999	5	7
£250,000 – £279,999	6	4
£280,000 – £309,999	2	2
£310,000 – £339,999	3	3
£340,000 – £369,999	0	0
£370,000 – £399,999	1	0
<b>Total*</b>	<b>470</b>	<b>540</b>

The 2011/12 numbers reflect moves of the Director of BBC North and the Director of BBC People off the Executive Board and into senior manager population.

\* Total excludes Executive Board members.

## Diversity

Diversity in the workforce provides the opportunity to enhance the BBC's originality and distinctiveness and drive creativity and innovation.

Connecting with and listening to our diverse audiences is vital to our work. Our Equality and Diversity Strategy, *Everyone has a Story* (published in May 2011), was heavily informed by research and consultation. It lays out our vision and our core equality and diversity objectives.

In January 2012 we published our first annual Equality Information Report, *Telling our Story*, which brings to life our fundamental commitment to serve and reflect all UK audiences through our programmes and across our workforce. It demonstrates progress against our strategy and how we are meeting our new obligations under public sector equality duties, for example by carrying out a programme of equality analysis to help us assess and manage the equality implications of our decision-making processes.

Specific workforce targets focus our efforts on diversifying the workforce, but we also look beyond these to understand our workforce profile and seek to reflect modern Britain. In our 2011 staff census, 54% of staff voluntarily provided personal data on ethnicity and disability. 49% of the total BBC workforce are female and 37% of senior managers are female. Both figures are stable year-on-year. The number of staff who identify as disabled has dropped by 0.5%, but risen by 0.3% among senior managers. The black and minority ethnic (BME) staff percentage remains fairly static at 12.3%, but has risen by 0.8% to 6.8% among senior managers. The highest concentration of employees (36%) is aged between 30 and 39 years, and the highest representation of senior managers (44%) between 40 and 49.

The BBC continues to chair the Creative Diversity Network (CDN). In December 2011 we hosted the third annual Diversity Awards at MediaCityUK in Salford to celebrate and reward diverse creative talent and successful initiatives to promote diversity. In 2011, the CDN Senior Mentoring Scheme provided tailored training and mentoring for 34 professionals who are disabled or from a BME background. We have organised networking and diverse talent showcasing events and published research on age portrayal across the media.

Important areas of focus for 2012/13 will be working to address the drop in the number of disabled staff, building on existing activity to increase access to the BBC for those from diverse socio-economic backgrounds and leading the CDN in sharing and applying best practice to help increase on-air gender and age diversity. For further information, see: [www.bbc.co.uk/diversity](http://www.bbc.co.uk/diversity).

## Diversity: percentage of total staff

	Target (by end 2012)	Actual (March 2012)	% point change year on year
Black and minority ethnic	12.5	12.3	+0.1
Senior managers, Black and minority ethnic	7.0	6.8	+0.8
Disabled staff	5.5	3.6	-0.5
Senior manager, disabled staff	4.5	3.3	+0.3

## BBC Academy

The Academy's most important priority has been to ensure that staff relocating to Salford and New Broadcasting House are equipped with the skills to underpin a smooth transition. This has involved mass participation training programmes around new technology, new ways of working and collaboration. Training programmes have been delivered on time and on budget, and 7,200 delegates have been trained so far. Feedback about the value of the training has been very positive.

The Academy has also focused on 'fusion' training, which merges editorial and technical skills, encouraging collaborations which break down traditional silos. The BBC is leading the way with this type of training, highlighted in a Creative Industries Council report as a key skills gap across the sector.

Part of the fusion programme has involved delivering training around 'connected broadcasting'. This enables the BBC to develop more immersive storytelling and reach audiences via the platforms of their choice.

Building skills across the mobile workforce has been a major priority. So far, the Academy has organised and hosted two *Fast Train* freelance training events (for television and radio respectively), in partnership with Skillset, trade bodies and commercial training providers. These have reached over 700 freelancers with free taster training and are, by some margin, the biggest events of their kind ever staged across the industry. Feedback has been excellent from participants and partners alike.

The Academy's partnership with Arts Council England, *Building Digital Capacity for the Arts*, has delivered skills sharing workshops and seminars to 350 arts organisations, recognising the need for training which helps to deliver high quality and original arts content in the digital space.

## OPERATIONS CONTINUED



The *Blue Peter* garden was opened in MediaCityUK in February 2012.

### Relocation

#### BBC North

The move of BBC North to MediaCityUK in Salford Quays was completed on schedule and under budget, playing a big part in delivering the BBC's commitment to develop the media industry in the North of England.

More than 2,300 staff now work there, including BBC Children's, Sport, BBC Radio 5 Live, BBC Learning, BBC Breakfast and some Future Media teams. Existing Manchester-based staff including the BBC Philharmonic Orchestra, the Religion and Ethics team and *North West Tonight* also moved to join them in the new MediaCityUK complex.

Around two-thirds of the MediaCityUK workforce were existing BBC staff who relocated from London or our Manchester Oxford Road building, and a third are new recruits, many from Greater Manchester or the North West region.

BBC North aims to lead the way in training and developing local talent and building on the rich mix of skills and experience available in the North of England, working with colleges and universities to train and develop a workforce for the future.

#### New Broadcasting House

This year saw the start of the major migration of around 4,500 staff from across the BBC to our new state-of-the-art building, New Broadcasting House, in London W1.

Since January 2012, almost 800 employees have moved into the new building. This includes teams from Global News, Technology and Audio & Music, along with external partners. The Burmese section successfully broadcast

the first live output from the new building on 11 March 2012 and all of the World Service South Asia hub has now moved, along with the European language services, BBC Brazil and BBC Mundo. Over the next 18 months the BBC World Service and Audio & Music moves will be completed as will the migration of Network News and Vision.

Over the last 12 months approximately 250 managers from News, Audio & Music and Technology have completed the W1 leadership programme, which focused on how teams can work more collaboratively in the new building. Plans are being rolled out to build on this with a series of events and networking opportunities for staff in W1. Over 3,000 staff have already been inducted and 2,500 days of technology training have been delivered to equip people with the skills they need to operate shared broadcast systems. Work is continuing to develop flexible working options in order to maximise the efficient use of space in the new building.

#### Programme acquisitions

As shown in the table on page 2-3, spend on acquisitions has been falling in recent years. The savings generated have been targeted towards even more UK-originated programming, and the film acquisition budget focused on UK films.

We do still aim to bring some of the best foreign dramas and movies to UK viewers, helping meet our public purpose of bringing the world to the UK. However, as with sports rights, we will not buy at any cost.

The best foreign language films, including *Flame and Citron* and *Mongol*, and foreign dramas such as *Borgen*, *The Killing 2* and *The Slap*, were shown on BBC Four over the year, and have proven their value to audiences.

## Supplying the BBC

We choose all our suppliers carefully to ensure they have appropriate expertise and provide demonstrable value for money. We have worked with many suppliers for several years, and some are essential to broadcast continuity. Equally, each year other companies and individuals work with us for the first time, including on-screen and on-air talent, independent production companies and other suppliers that have competed for new contracts.

All our supply arrangements are managed through procurement teams with specialist market and business knowledge, to ensure we consistently achieve quality and value, comply with all relevant regulations and use industry-standard terms of trade.

Information on all our procurement needs, including new tenders, can be found on [www.bbc.co.uk/supplying](http://www.bbc.co.uk/supplying).

## Talent

Working closely with artists, presenters and performers, the BBC aims to produce programmes of the very highest quality while at the same time driving the best value for licence fee payers. It is vital that we appropriately reward the talent who make our programmes distinctive and appreciated. The resurgent market for talent continues to increase the challenge of controlling costs, and has led to some high-profile departures to other broadcasters. During the last 12 months we have continued to develop new approaches and have been able to reduce overall talent costs by £9.5million. We will continue to nurture and develop talent, offering the widest range of creative opportunities across genres and services. This year, we have worked hard to separate earnings into each pay bracket, substantially reducing the volume of 'organisations' and categorising individuals in each of the pay bands wherever possible.



## 2011/12 talent spend

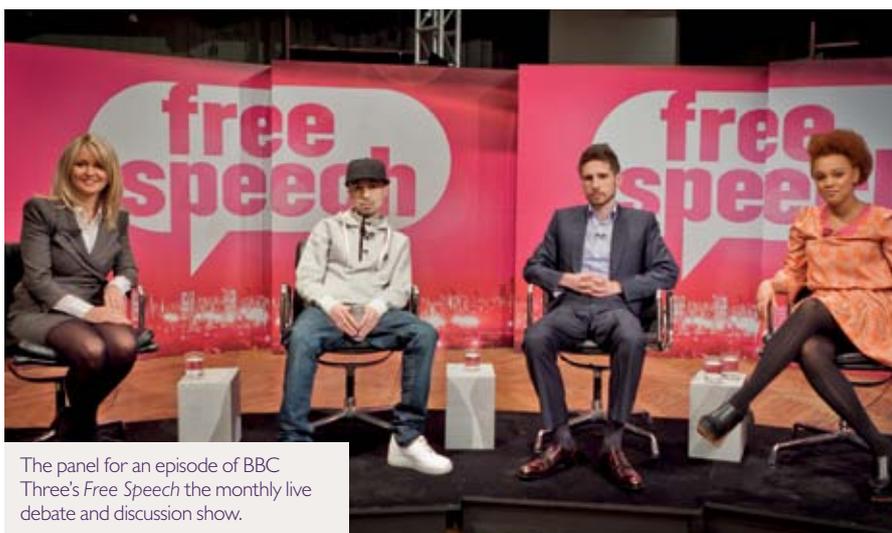
	2010/11		2011/12		Variance £000s
	£000s	Volumes	£000s	Volumes	
< £50k	£102,433	50,029	£97,651	49,341	£4,782
£50k – £100k	£38,259	562	£42,324	637	£4,065
£100k – £150k	£16,990	142	£15,038	125	£1,952
£150k – £250k	£14,958	80	£14,209	76	£749
£250k – £500k	£10,781	33	£10,617	33	£164
£500k – £750k	£4,084		£6,011		£1,927
£750k – £1m	£3,315	19	£823	16	£2,492
£1m – £5m	£14,647		£9,696		£4,951
Organisations*	£7,098	2,505	£6,685	1,763	£413
<b>Total</b>	<b>£212,565</b>	<b>53,370</b>	<b>£203,054</b>	<b>51,991</b>	<b>£9,511</b>

\* Organisations are groups of individuals contracted as one – for example external orchestras – so it is not possible to list numbers of individuals against this spend. The number of individuals in the £500,000+ categories has been aggregated in order to protect the personal information of those individuals, in line with data protection best practice.

## OPERATIONS CONTINUED



The gallery for the BBC Sport Centre, located at MediaCityUK.



The panel for an episode of BBC Three's *Free Speech* the monthly live debate and discussion show.

### Partnerships

Through partnerships we are able to combine our expertise and resources with those of external partners and independent production companies. This means we can support the wider creative industries while delivering content and products of even greater value to our audiences.

#### Digital Production Partnership

The BBC is working successfully with ITV and Channel 4 to encourage the adoption of file-based (digital) production techniques within the UK. The three broadcasters have created the Digital Production Partnership (DPP), which is now delivering tangible benefits across the industry.

For the BBC, the DPP helps deliver the benefits of emerging communication technologies and services to audiences, and increases value for money to licence fee payers. The DPP also helps the smooth and cost-efficient transition to 'end-to-end digital production' for independent production companies.

This year the DPP unveiled the UK's first Technical and Metadata Standards for file-based programme delivery. This is an important breakthrough: all seven major broadcasters (BBC, ITV, Channel 4, Channel 5, S4C, Sky and UKTV), have agreed one common file format, structure and wrapper to enable television programmes to be delivered by digital file.

The consistent nature of these files – particularly their standardised metadata – will enable the BBC and its partners to share programme content more cost effectively via the web, mobile, iPlayer and internet-enabled television. Audiences will benefit from sophisticated content search outcomes across these platforms, increasing the value of our content to licence fee payers.

The DPP continues to work nationally and internationally on technical and metadata standards, and is playing a significant role in bringing the BBC closer to realising our ambition of fully end-to-end digital production and distribution.

#### Radioplayer

Radioplayer is a partnership between the BBC and the commercial radio companies, aimed at growing listening on internet-connected devices. The industry decided to 'agree on technology, compete on content', and with this in mind set out to create a simple common radio interface for computers.

It featured 157 stations at launch, but quickly grew to 315 by the end of the year. Used by seven million listeners a month, it offers live streams and catch-up programmes from all BBC stations, all the main commercial stations, as well as student and community radio.

In its next year, Radioplayer plans to grow beyond the computer – launching mobile apps, developing for internet-connected televisions, and helping to shape the digital future of radio by prototyping new forms of 'hybrid' radio sets.

The UK is leading the way in working, in partnership, on common interfaces for radio and this innovation looks set to spread around the world, with dozens of other countries interested in adopting the model.

#### Media literacy

Partnerships have been at the heart of the media literacy strategy this year. In October we worked in partnership with Race Online 2012, UK online centres and a wide range of other partners to encourage people who are online to *Give an Hour* to help people they know to get online. Awareness of the *Give an Hour* campaign was at 30% of adults in the UK and 1.3 million people took action as a result of the campaign.

In February 2012, the BBC again showed its commitment to working in partnership to promote media literacy and online safety for young people, with the BBC's *Share Take Care* campaign. Working in partnership with the UK Safer Internet Centre to support Safer Internet Day, the BBC's campaign was designed to raise awareness of the issues around safeguarding reputation online. Awareness of the campaign was at 29% of adults in the UK and many said they had reviewed their privacy settings on social media as a result.

In the autumn, the Media Literacy team worked in partnership with the indie Scott Free and with BBC Documentaries to launch the *Britain in a*



The *Newsround* presenters. The children's news programme is now produced in Salford.

*Day project.* A series of 'how-to' films, funded by BBC Learning and featuring Dan Snow and Julia Bradbury, showed the audience how to plan, film and upload their contributions to the BBC's *Britain in a Day* channel on YouTube. Thirty workshops were held with diverse groups across the UK, helping them make films for this BBC Two project, airing in June 2012. More than 12,000 films have been uploaded so far, providing a unique picture of the UK on one day in 2011. BBC Learning's Salford-based Lab worked with community film-making groups in Hackney to provide films for the BBC Three programme *Free Speech*, scripted and directed by young people aged between 16 and 25. The Lab – whose mission is to equip members of the audience to make great content – will be providing more material for *Free Speech* in coming months by working in partnership with prisons, colleges and charities.



Julia Somerville, Gloria Hunniford and Angela Rippon tackle the nation's consumer problems in *Rip Off Britain*.

## OPERATIONS CONTINUED



The sixth series of *Doctor Who* starring Arthur Darvill, Matt Smith and Karen Gillan was the most downloaded TV show on iTunes in the US.



One of BBC Worldwide's top selling brands, *Top Gear*.

### Worldwide

#### Headline sales £m

11/12	1,085
10/11	1,030

#### Headline profit £m

11/12	155
10/11	144

#### Overseas headline sales £m

11/12	698
10/11	630

Commercial income excludes Magazines and includes joint ventures. Prior year numbers have been restated to exclude discontinued operations.

### Commercial activities

#### BBC Worldwide

BBC Worldwide is a wholly owned subsidiary of the BBC, charged with maximising profits on its behalf. It returned a record £215.7million to the BBC in 2011/12, principally through programme and other rights investment and in dividends.

While its financial contribution supplements the licence fee, BBC Worldwide's business activities raise the profile of the BBC brand internationally, and provide a showcase for British talent. BBC Worldwide invests in the BBC's brands and high-quality British intellectual property for exploitation around the world through a range of activities. These include its own linear channels, branded digital products and services, licensing to third parties, DVD and DTO, local production and consumer products.

This year BBC Worldwide delivered another strong performance, despite mixed economic conditions in some markets. The company exited most of its consumer magazines business in October, for a total consideration

of £121.0million, with a majority of the business sold to Exponent Private Equity.

Adjusting for this disposal, overall results showed solid growth. Headline sales on continuing operations increased 5.4% to £1,085.0million (2010/11: £1,029.8million), and headline profit on continuing operations was up 7.9% to £154.8million (£143.5million). Profit before tax excluding gains on disposals increased 13.0% to £103.5million (£91.6million). Headline profit margin increased to 14.3% (13.9%).

The increase in revenue was driven by the Channels, Content & Production and Sales & Distribution businesses, all of which grew at double-digit rates and together generated over £90million of additional headline sales compared to the previous year. The principal drivers of revenue growth were:

- BBC America performing in line with an ambitious investment plan, a strong year at UKTV and expansion of international BBC Channel services, including the launch of new channels and extension of existing channel feeds into more countries
- double-digit revenue growth in the Sales & Distribution business, with a trebling of programme sales to digital television services
- double-digit growth in advertising revenues for Channels and BBC.com
- continuing success with the international production of *Dancing with the Stars* along with good growth across both scripted production and other formats

Meanwhile, despite a very successful Christmas sales period in the UK, Consumer Products headline sales decreased by 15.8%. This reflected a subdued market, the impact on UK stock availability as a result of a fire in a third party warehouse fire in August, and the delay of the launch of *Frozen Planet* in the US market. Nevertheless, operating margins improved, reflecting a tight focus on cost and efficiency.

Returns to the BBC in the year increased by 18.6% to £215.7million (2011: £181.9million). Over a third of this was investment into programming budgets, which totalled £78.1million (£78.5million).

Dividends returned to the BBC of £139.9million (2010/11: £76.4million) were boosted by proceeds from the BBC Magazines transaction.

BBC Worldwide's strategy is concentrated around five priorities: digital growth, international revenue growth, increasing the scale of its BBC-branded channels, increasing investment in new content, and developing more direct connections with consumers. The company made good progress across all fronts.

It was an outstanding year for digital within BBC Worldwide, with digital products and services now generating 12.8% of headline sales excluding joint ventures, up from 8.1% on the year before on a like-for-like basis. During the year, the sixth series of *Doctor Who* became the most downloaded TV show on iTunes in the USA.

International revenue continues to grow and now accounts for 64.3% of headline sales (2010/11: 55.5%). This is attributable in part to success in the USA, which now generates revenue of \$500million, and the majority disposal of BBC Magazines, a predominately British business.

BBC Worldwide's channels are available in 356 million households across the globe (2010/11: 343 million). Strategic progress here includes an additional ten launches of channel brands across three key regions, including in Taiwan, Thailand and Indonesia, and the launch of BBC HD in Latin America. A pilot of the Global BBC iPlayer – a paid-for subscription app for the international market – was launched in 16 countries.

BBC Worldwide also saw continued success across formats, with *Dancing with the Stars* – the international version of *Strictly Come Dancing* – commissioned in Panama and Georgia. It has now been licensed to 40 markets.

In 2011/12, BBC Worldwide's top five brands accounted for 30% of revenue, and the top 12 for 47%, up from 24% and 36% just three years earlier. Facebook fans of BBC Worldwide's key brands grew to over 23 million and a concerted focus on e-CRM techniques has seen a doubling of customer contacts to 4.6 million.

BBC Worldwide has a clear and effective strategy, designed to maximise returns to the BBC over the long term, while building the BBC brands around the world. It has an established track record of success, is diversified across the globe and has a strong portfolio of brands and businesses.

Looking ahead, while market conditions in some sectors remain uncertain and visibility limited, the company's existing portfolio of brands and businesses, global diversification and a prudent approach to expenditure in current and new markets give us confidence about BBC Worldwide's position to face the year ahead.

### Studios and Post Production

BBC Studios and Post Production continued to work with a wide range of media companies and other clients across the year, making hundreds of shows for UK and international broadcasters, from the award-winning Harry Hill's *TV Burp* for ITV 1 and Morgan Spurlock's *New Britannia* for Sky Atlantic HD, to the blind audition shows for BBC One's new Saturday night entertainment format, *The Voice UK*.

The company has also expanded its digital media services arm, working with content owners to transform and restore valuable archive footage for the commercial digital age.

Despite a challenging economic climate and the transfer of Sport and Children's customers to Salford, BBC Studios and Post Production performed well, delivering £52.2million revenue and an operating profit of £4.9million, before exceptional items.

Highlights of the year include:

- providing full post production in the jungle for ITV's *I'm A Celebrity...Get Me Out Of Here!* and RTL's German version of the show

- taking Channel 4's blockbuster *Deal or No Deal* live for the first time for two weeks from the Bristol Paintworks studios
- restoring the much loved children's classic *The Trumptonshire Trilogy* for Blu-Ray and DVD release
- upgrading Elstree Studio D facility to HD and making CPL Productions' *A League of Their Own* for Sky 1 HD
- diversifying the customer base, including winning work from Film London and the Imperial War Museum to restore and provide public access to their archives

### BBC World News

Our subscription and advertising-funded international 24-hour news and information channel is now available in more than 330 million households, up by 40 million in the last year. It is also available in almost 1.8 million hotel rooms, 151 cruise ships, 40 airlines, 23 mobile phone networks and a number of major online platforms including [www.bbc.com/news](http://www.bbc.com/news). Operating in a highly competitive marketplace, BBC World News reported an operating profit of £3.8million (2010/11: £9.4million).



*Strictly Come Dancing* winners Harry Judd and Aliona Vilani. The programme, known as *Dancing with the Stars* internationally, has been seen by an estimated 250 million viewers and has been licensed to 40 countries.



BBC Studios and Post Production worked on a variety of shows including *The Voice UK*.

## OPERATIONS CONTINUED

### A responsible BBC

#### Editorial guidelines

The BBC's Editorial Guidelines, available at [www.bbc.co.uk/guidelines/editorialguidelines](http://www.bbc.co.uk/guidelines/editorialguidelines), encapsulate the editorial values and the standards the BBC expects all its programme and content makers, both in-house and independent, to meet. The website also contains additional guidance and links to training modules at the BBC Academy, which help with learning on how to apply the Guidelines. The Editorial Policy team is available around the clock to provide further advice and support.

#### Corporate responsibility

Our aspiration is to be an industry leader in managing business responsibly. We are active members of the Corporate Responsibility Group, the Associate Parliamentary Corporate Responsibility Group, Business in the Community, the CSR Media Forum and the London Benchmarking Group. We have also retained our Platinum ranking in Business in the Community's Corporate Responsibility Index 2012.

#### Charity appeals

The BBC prides itself on helping a broad range of charities to raise funds and awareness about important causes locally, nationally and internationally. Once again the high-profile charity appeals were well supported by BBC audiences. *BBC Children In Need's* appeal in November raised a record £46million to help change children's lives in the UK while the BBC also broadcast appeals for 63 charitable causes via its weekly BBC Radio 4 appeal and the monthly *Lifeline* television appeal, and one appeal on behalf of the Disasters Emergency Committee for the famine in East Africa. Sport Relief in March raised £50.5million on the night, with more money still coming in. For more information about BBC charity appeals, including how to apply for an appeal, visit [www.bbc.co.uk/charityappeals](http://www.bbc.co.uk/charityappeals).

In addition to helping charities raise money, in the last financial year the BBC provided charities with services worth an equivalent of £547,000 (2011: £420,000), and the BBC's commercial businesses donated £1,163,000 to charities.

### Outreach

This year many of our outreach activities have focused on scale – reaching a large audience through activities in the community. Highlights include *Stargazing Live*, which attracted tens of thousands to events including planetarium shows, star parties, astrophotography and night walks.

In March 2012, as part of *BBC News School Report*, over 1,000 schools became broadcasters for their own community. They joined the BBC's reporting teams with classrooms turned into newsrooms as more than 30,000 11–16 year-olds simultaneously created audio, video and web news reports.

The other focus of outreach activity has been on working with local communities, particularly where the BBC is a major employer. As the BBC establishes itself in MediaCityUK in Salford, outreach activities have sought to develop long-term ties with the local community. We have developed staff volunteering schemes with local schools and charities and successfully managed a young ambassadors' scheme offering paid work placements to local 16–19 year-olds who have limited or no experience of the world of work.

#### Safety

The BBC Safety team is involved across the full range of BBC output, dealing with coverage of events as varied as the Arab Spring, the Japan earthquake, public disorder in the UK, the Royal Wedding, music festivals, *Top Gear* and *Strictly Come Dancing*. The team also works to ensure the safety of thousands of visitors to events, including the *Deadly Sixty* and *Bang Goes the Theory* roadshows and the Doctor Who Experience.

To read BBC health and safety policies visit [www.bbc.co.uk/safety](http://www.bbc.co.uk/safety).

#### Environmental sustainability

We are committed to increasing the sustainability of the BBC, in particular our core business of making programmes. In November we were one of the first broadcasters to publish data on the carbon footprint of television production, based on the use of Albert, our carbon calculator. Albert has now been shared with the rest of the UK television industry through a partnership with BAFTA.

During 2012/13 we will refresh our environmental targets, acknowledging that we are some way from reaching them as they stand. This is mainly due to major new buildings opening ahead of the closure of Television Centre, which itself accounts for around a quarter of our energy usage.

We are also aware of the ever-increasing energy demands of the modern broadcasting environment. We believe, however, that the investment we are making in energy efficiency and our plans to concentrate staff into fewer, more efficient buildings will significantly cut our environmental impact.

To find out more about our plans and approach to sustainability, see [www.bbc.co.uk/outreach/sustainability](http://www.bbc.co.uk/outreach/sustainability).

### Our environmental targets – by 31 March 2013

Area	Performance 2011/12	Target 2012/13
 Reduction in energy (per person)	3%	-20%
 Reduction in water consumed (per person)	-1%	-25%
 Reduction in waste to landfill (per person)	-62%	-25%
 % of waste recycled	51%	75%
 Reduction in transport CO <sub>2</sub> emissions (per BBC user)	-8%	-20%



# GOVERNANCE

The BBC is a unique organisation, funded by licence fee payers and providing high-quality and distinctive services in the public interest. The governance of the BBC is the means by which we guarantee the organisation's independence, ensure that it is delivering its mission and is properly accounting for its actions.

The Royal Wedding was celebrated throughout the UK. Bunting hanging in Portland Place outside BBC Broadcasting House.



## EXECUTIVE BOARD

The Executive Board, chaired by the Director-General, and its sub-committees are responsible for the delivery of BBC services and day-to-day operations across the organisation.

### Mark Thompson

Director-General since June 2004. Chair of the Executive Board and the BBC Direction Group, made up of all the BBC's divisional directors. Non-executive Chairman of BBC Worldwide Limited.

### Caroline Thomson

Chief Operating Officer. Board member since May 2000. Non-executive director of Digital UK Limited.

### Zarin Patel

Chief Financial Officer since January 2005. Trustee of the BBC Pension Scheme and non-executive director of BBC Worldwide Limited.

### Helen Boaden

Director of News since 2004. Board member since April 2011 as Director, BBC News Group.

### Tim Davie

Director of Audio & Music since September 2008. Board member since April 2005, previously as Director of Marketing, Audiences and Communications.

### George Entwistle

Director of BBC Vision since May 2011; joined the Board at the same time. Non-executive director of BBC Worldwide Limited. Previously Controller of Knowledge Commissioning. Prior to this he was Controller of Knowledge Commissioning, from January 2008.

### Ralph Rivera

Joined the BBC in October 2010 as Director, Digital Media. Board member – as Director, BBC Future Media – since March 2011.

### Marcus Agius

First appointed non-executive director and Senior Independent Director in December 2006. Chairs the BBC Executive Board's Remuneration Committee. Group Chairman of Barclays PLC, Chairman of British Bankers Association, Chairman of the Trustees of the Royal Botanic Gardens, Kew and Chairman of the Foundation and Friends of the Royal Botanic Gardens, Kew.

### Simon Burke

Appointed non-executive director in January 2011. Chairs the BBC Executive Board's Audit Committee. Chairman of Hobbycraft and Eagle Eye Solutions.

### Sally Davis

Appointed non-executive director in January 2012. Previously CEO of BT Wholesale, currently a non-executive director of Telenor, Logitech and the Department for Transport.

### Dr Mike Lynch OBE

First appointed non-executive director in January 2007. Technology entrepreneur, founder and CEO of Autonomy Corporation plc. Non-executive director of Blinkx plc and a Member of the British Library Board.

### Brian McBride

Appointed non-executive director in March 2012. Former Managing Director of Amazon.co.uk. Chairman of MX Data, a member of the Advisory Board of Numis PLC and Huawei UK, non-executive director of Computacenter PLC and Monitise plc and Partner with Scottish Equity Partners.

### Dame Fiona Reynolds

Appointed non-executive director in January 2012. Chairs the BBC Executive Board's Fair Trading Committee. Director-General of the National Trust since January 2001, she will step down from this position in late 2012 and will take up the post of Master of Emmanuel College, Cambridge in September 2013.

### The Executive Board delegates some of its responsibilities to four sub-committees:

#### Executive Audit Committee – Chair: Simon Burke

The Executive Audit Committee (EAC) was established under Charter article 35(3). The EAC oversees the BBC's corporate governance, particularly its financial reporting, internal control and risk management. The Committee is made up of three non-executive directors. The Director-General, Chief Financial Officer, Director of Risk and Assurance, Director Finance, Procurement & Revenue Management and external audit representatives also attend. The Committee meets four times a year, and at other times as required.

#### Executive Remuneration Committee – Chair: Marcus Agius

The Executive Remuneration Committee (ERC) was established under Charter article 35(3) and in accordance with the requirements set out in article 33. The ERC decides the remuneration of executive members of the Board. It is made up of three non-executive directors, and the Director-General, Director of Business Operations and Director of Reward also attend. The Committee meets three times a year, and at other times as required.

#### Fair Trading Committee – Chair: Dame Fiona Reynolds

The Fair Trading Committee helps ensure that the BBC complies with its fair trading obligations. It is made up of three non-executive directors. The Controller of Fair Trading, Director of Risk and Assurance and General Counsel also attend. The Committee meets four times a year, and at other times as required.

#### Nominations Committee

Membership of the Nominations Committee depends on whether non-executive or executive appointments are being made. The Committee's chair is taken by a non-executive director for other non-executive director appointments and the Director-General for executive appointments. The Committee was established under article 35(4) of the Charter and operates in accordance with the requirements set out in articles 30 and 31 of the Charter. It oversees the process of proposing members of the Executive Board. Appointments are subsequently made by the Executive Board itself, with non-executive appointments requiring the approval of the Trust. The only exception is the Chairman of the Executive Board, who is appointed by the BBC Trust.



**Mark Thompson**  
Director-General



**Caroline Thomson**  
Chief Operating Officer



**Zarin Patel**  
Chief Financial Officer



**Helen Boaden**  
Director, BBC News Group



**Tim Davie**  
Director, Audio & Music



**George Entwistle**  
Director, Vision



**Ralph Rivera**  
Director, Future Media



**Marcus Agius**  
Senior Independent Director



**Simon Burke**  
Non-executive director



**Sally Davis**  
Non-executive director



**Dr Mike Lynch OBE**  
Non-executive director



**Brian McBride**  
Non-executive director



**Dame Fiona Reynolds**  
Non-executive director

The term of office for non-executive director Val Gooding concluded during 2011/12 and Robert Webb QC stepped down from his non-executive position in February 2012.

# RISKS AND OPPORTUNITIES

Risks and opportunities are at the heart of our decision-making processes and the day-to-day running of the BBC. The Executive Board monitors whether we are taking too much risk, or failing to capitalise on our opportunities.

Risk management mechanisms are concentrated within divisions and business units with supporting processes in place to manage project risks and cross cutting issues, such as editorial standards and safety. We also pay particular attention to our longer-term strategic threats and opportunities so that we remain competitive in an evolving market.

The Executive Board co-ordinates these processes and monitors the outputs. This ensures we maintain constant vigilance to emerging risks and opportunities to inform management decision making. The effectiveness of our approach is kept under review by the Executive Audit Committee.

The tables below provide a summary of the most significant risks and related opportunities impacting on our audiences, strategy and operations.

## Content and audiences: Challenges are mitigated by our editorial strategy and our commitment to Delivering Quality First.

Our mission is to inform, educate and entertain audiences, and we manage any threats to this objective. We must continue to focus on distinctiveness and to capitalise on opportunities to improve how we serve all audiences, whilst playing our part in the profound changes across the media sector:

Risk	Action now	Planned
Adverse impact on the quality and distinctiveness of our content when implementing Delivering Quality First could disappoint audience expectations	<ul style="list-style-type: none"> <li>Detailed modelling of projected impacts</li> <li>Increasing concentration of creative energy and resources on the five editorial priorities</li> </ul>	<ul style="list-style-type: none"> <li>Reinvestment funding available from 2013, focused on flagship services, our five editorial priorities and areas of transformation</li> <li>Ensure continued delivery of ambitious, standout and landmark content post-2012</li> </ul>
Failure to embrace emerging technologies could threaten our connection with audiences	<ul style="list-style-type: none"> <li>Targeted investment in new technologies</li> <li>Progressing partnerships, including the successful launch of YouView and <i>The Space</i></li> <li>Co-ordinated TV platform strategy for Freeview, Freesat and YouView</li> </ul>	<ul style="list-style-type: none"> <li>Exploit unique characteristics of all digital platforms to serve different audience needs</li> <li>Continue new partnerships with industry</li> <li>Continue to monitor long-term trends in audience preferences and industry developments</li> </ul>
Failure to uphold our editorial values and standards in all our content could lead to loss of audience trust, damaging our brand	<ul style="list-style-type: none"> <li>Strong editorial controls, effective compliance processes and serious consideration of complaints</li> <li>Ongoing training of production teams, with focus on skills and expertise, coupled with succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Implement the revised complaints framework</li> <li>Continue to monitor the Leveson Inquiry as it proceeds and as reports are published</li> </ul>

**Financial and operational: Challenges are mitigated by our business strategy, policies and procedures.**

The prolonged UK and global economic situation impacts on us and all our stakeholders and could lead to a decline in income and spending power. In addition, the resilience of our operations, and of the operations of our suppliers and partners, is essential to delivering the services that licence fee payers expect:

Risk	Action now	Planned
Continued economic uncertainty could lead to reduced financial flexibility and decreased licence fee income, and inflationary pressures could also significantly erode our spending power	<ul style="list-style-type: none"> <li>Contingency planning and business modelling for a range of economic scenarios</li> <li>Renegotiation of high-risk contracts to remove links to inflation</li> <li>Continued focus on reducing exposure to pension asset and liabilities risk</li> </ul>	<ul style="list-style-type: none"> <li>Tight management of the implementation of phased savings targets</li> <li>Planning for new funding responsibilities (for example, the BBC World Service)</li> </ul>
Technical failure, infrastructure interdependencies, industrial action or the actions of third parties including suppliers, could lead to interruption of broadcast services	<ul style="list-style-type: none"> <li>Business continuity arrangements in place to manage the impacts of disruption, in particular for new buildings</li> <li>Exit plans and contingency plans for key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Regular programme of rehearsals planned for the BBC estate to ensure continued alignment of continuity arrangements with changes to the property portfolio and new technologies</li> </ul>

**Corporate responsibility: Challenges are mitigated by the strength of our business processes.**

Whilst driving our strategy to deliver quality, originality and value to our audiences, and to anticipate modern audience needs, we must maintain appropriate practices:

Risk	Action now	Planned
Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation	<ul style="list-style-type: none"> <li>Robust health and safety training in the UK and overseas, including for staff operating in inhospitable locations</li> <li>Provision of dedicated advisors for specific high-risk deployments</li> <li>Working with other broadcasters to promote a sustainable, green production industry</li> </ul>	<ul style="list-style-type: none"> <li>Collaborating on industry-wide measures to improve safety of journalists</li> <li>Continued focus on targets to reduce environmental impacts from energy and transport emissions, water use and waste</li> </ul>
Failure to comply with legal and regulatory requirements, or to keep pace with changes, may result in penalties	<ul style="list-style-type: none"> <li>Training plans regularly refreshed to ensure compliance with relevant newly-introduced legislation</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to monitor introduction of new legislation</li> </ul>

# GOVERNANCE REPORT

## BBC Corporate Governance Framework

The BBC's Corporate Governance Framework is defined in the Royal Charter. The Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. While the BBC is not a listed company, it has nonetheless opted to adopt best practice and follow the provisions of the Financial Services Authority's Listing Rules and the Financial Reporting Council's 2010 UK Corporate Governance Code in order to be consistent with companies quoted on an EU-regulated market.

The Executive Board has complied with the requirements of the Charter, which has in turn secured substantial compliance with the UK Corporate Governance Code. There are, however, a few areas of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where compliance with the Charter overrides compliance with the Code. The Executive Board believes that these areas do not compromise the quality of the governance arrangements in place nor the execution of the Executive Board's responsibilities.

## Cost of compliance

In order to ensure that we complied with all relevant legislation to which the BBC was subject in 2011/12, we incurred compliance costs estimated at £15.6million (2010/11: £17.3million), which includes the BBC's annual £3.0million subscription to Ofcom.

## Executive Board

The Executive Board usually meets monthly (except for August). Summary minutes of meetings are available online at [www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement](http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement).

In practice, the Executive Board delegates some of its responsibility to other managerial groups. In accordance with the requirements and provisions of the Charter, the following Committees continued to operate last year:

- Audit Committee
- Fair Trading Committee
- Nominations Committee
- Remuneration Committee

Any delegation from the Executive Board is stated in the relevant standing orders for each group and a framework for reporting and review is established. See [www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html).

## Areas of the UK Corporate Governance Code not relevant to the BBC

**Make-up of remuneration (UK Corporate Governance Code principle D.1):** The BBC sets levels for executive remuneration that should be sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, in line with this principle. However, this principle also requires aligning executive remuneration to the notion of enhancing shareholder value by making performance-related elements of remuneration a significant proportion of total remuneration. By virtue of the BBC's licence fee funding and its public purposes, the amount of variable (or performance-related) remuneration that may be earned should be limited. Variable pay in the form of bonuses for BBC executive directors has been suspended indefinitely.

**Interaction with shareholders (UK Corporate Governance Code principles B.7.1, B.7.2 and section E):** The BBC is not a profit-oriented company with shareholders and so provisions relating to interaction with shareholders clearly do not apply. In some circumstances, however, it is possible to consider, by analogy, the way in which the BBC Trust engages with licence fee payers. This is set out in the Trust's review and assessment in Part One of the Annual Report and Accounts.

## Areas where compliance with the Charter overrides the UK Corporate Governance Code

**Division of responsibilities between Chairman and Chief Executive (UK Corporate Governance Code principle A.2):** As permitted by the Charter, the Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC. This does not comply with the UK Corporate Governance Code which requires a clear division of responsibilities at the head of the company between the running of the board and the executive responsible for the running of the company's business. No one individual should have unfettered powers of decision. Whilst the Director-General acts as both Chairman and Chief Executive, the strategic oversight by the BBC Trust ensures that no single individual has unfettered powers.

**Board balance and independence (UK Corporate Governance Code principle B.1):** The Executive Board currently comprises 13 directors, of whom seven are executive directors and six are non-executive directors – providing a balance of executive and non-executive directors so that no individual or small group of individuals can dominate decision taking. This complies with the Charter which specifies that non-executive directors must not be less than one-third and not equal to or more than one half of the members of the Executive Board. However, this does not comply with the UK Corporate Governance Code which requires that at least half the board, excluding the chairman, should be independent non-executive directors. All non-executive directors are considered independent for the purposes of the UK Corporate Governance Code.

**Evaluation of the Chairman (UK Corporate Governance Code principle B6.3):** The Director-General of the BBC, being the Chairman of the Board, has his performance evaluated by the Trust. This is performed by the Chairman of the Trust as opposed to the Senior Independent Director, as required under the UK Corporate Governance Code.

The Executive Board and its sub-committees are responsible for the delivery of BBC services and day-to-day operations across the organisation.

An evaluation of the effectiveness of the Executive Board, its Committees and its interaction with the Trust took place during 2009. This was conducted by external consultants and included interviews with Executive Board members (both executive and non-executive), an assessment of the governance protocols, and the administrative support to the Executive Board. The report concluded that although direct comparisons or benchmarking with corporate boards was difficult given the unusual governance structure of the BBC, the Board had been assessed as working well according to the most important criteria. Recommendations resulting from the review have been considered in ongoing work to ensure the effectiveness of the BBC's governance processes.

### Induction, performance and development

All new directors receive an induction programme and a wide range of information about the BBC, on joining. The content of the induction programme will vary depending on whether the appointment is to an executive or non-executive position and whether the new director was an external candidate or not. The information always includes details of Board procedures and directors' responsibilities. All directors have access to external independent advice if they wish.

In accordance with the Charter, the BBC Trust assesses the performance of the BBC's management and its services. This includes an ongoing review of progress and an annual performance day, which is attended by both the Executive Board and the BBC Trust. The Trust's review and assessment for 2011/12 can be found in Part One of this Report.

The performance review processes for the Executive Board's Committees continue to evolve and each reviews their own performance and effectiveness. No significant issues were identified for 2011/12.

All the executive directors have their own personal and divisional objectives, and their performance against them is reviewed by the Director-General each year, and by the Remuneration Committee.

### Report of the Senior Independent Director

The BBC Executive Board has once again had a full agenda to consider during 2011/12 and the non-executive directors have sought to provide appropriate challenge as well as support to their executive colleagues as each item has been addressed.

Chief among these was Delivering Quality First, where the difficulty of determining how to produce a better service for licence fee payers at a lower cost resulted in the project being a major item of discussion and debate at each Board meeting during the year. Great care was taken to apportion the output of the exercise appropriately as between scope reductions, cost savings/efficiencies and the generation of funds for new investment. Suffice it to say that the whole Board was resolved to create as much certainty as possible in the outcome, recognising that delivering it would require significant cultural change and that a sensitive and skilful communications strategy would be vital.

Following his appointment as Chairman of the BBC Trust, Lord Patten instigated a Governance Review to explore how to improve the working relationship between the BBC Trust and the Executive Board. This has resulted in a shift of emphasis between the two boards, with the Trust taking a clearer responsibility for strategy and the Executive Board a clearer responsibility for delivery/execution. In addition, interactions between the various individuals involved have increased. For example, in my role as Senior Independent Director, I now regularly attend relevant parts of the Trust's monthly meetings and there are more frequent meetings of Trustees and directors outside of routine business.

In the light of the phone hacking scandal, the Director-General commissioned a report examining editorial practice at the BBC, expanding the remit of the report after the setting up of the Leveson Inquiry to ensure it covered the same matters. The Audit Committee (which is comprised exclusively of non-executive directors) also commissioned a report to review financial transactions. Both gave the BBC a clean bill of health. Separately, the Board received a briefing on the witness appearances of the Director-General and the Chairman of the BBC Trust before the Inquiry.

Towards the end of the financial year, the project to dispose of Television Centre, the BBC's major property in West London, moved into sharper focus. The importance of this potential transaction and its structuring has been the subject of detailed Board scrutiny, and will continue to be so until an outcome has been achieved.

During the year, the only change in executive directorship was the confirmation of George Entwistle as Director, Vision. Both Robert Webb and Val Gooding retired as non-executive directors and I would like to record here my appreciation of the significant contributions each made to our Board and Committee meetings. Both, in their separate ways, demonstrated the best qualities of a first-rate non-executive director. Happily, they have been succeeded by three strong new non-executive directors in the form of Sally Davis, Dame Fiona Reynolds and Brian McBride. I have also had the opportunity to contribute to the BBC Trust's process for identifying a successor to Mark Thompson as Director-General.

Finally, I should report that the forthcoming events of 2012 have provided a recurrent and intensifying backdrop to our proceedings during the year. The whole Board is seized by the responsibility the BBC has to deliver flawless and uplifting coverage of the great events which will be occurring. I can assure you there has been no lack of effort, enterprise, imagination or ambition in seeking to ensure that the BBC is at its best in dealing with this once-in-a-lifetime combination of circumstances.

### Marcus Agius Senior Independent Director

21 June 2012



## GOVERNANCE REPORT CONTINUED

### Nominations Committee

#### Board appointments and departing directors

The Nominations Committee oversees the process of proposing members of the Executive Board.

One executive appointment was made during the year: George Entwistle, Director, Vision (effective 1 May 2011).

The term of office for non-executive director Val Gooding was concluded during the year, as planned. Robert Webb QC also stepped down early from his non-executive role to take up an executive position elsewhere, leaving on 29 February 2012. Following approval from the BBC Trust, the Board appointed three new non-executive directors for two-year periods: Dame Fiona Reynolds and Sally Davis from 1 January 2012 and Brian McBride from 1 March 2012.

### Executive Board and Committee attendance

	Executive Board		Audit Committee		Fair Trading Committee		Nominations Committee		Remuneration Committee	
	Ordinary	Extra-ordinary	Member	Attendee	Member	Attendee	Member	Attendee	Member	Attendee
Number of meetings for the period	10	5	4	4	4	4	1	1	8	8
<b>Director, News Group</b> Helen Boaden	9	5								
<b>Director, Audio &amp; Music</b> Tim Davie	10	4								
<b>Director, Vision</b> George Entwistle	9	4								
<b>Chief Financial Officer</b> Zarin Patel	10	5		3	3/3	1/1				
<b>Director, Future Media</b> Ralph Rivera	10	5								
<b>Director-General</b> Mark Thompson	9	5		4			1			8
<b>Chief Operating Officer</b> Caroline Thomson	10	3			3/3	1/1				
<b>Non-executive directors:</b>										
Marcus Agius	10	3			4		1			8
Simon Burke	9	3	4							
Val Gooding	6/7	1/3	3/3		3/3					6/6
Dr Mike Lynch*	7	2	1				1			
Sally Davis	3/3	2/2			1/1					2/2
Brian McBride	1/1	0/0								1/1
Robert Webb	9/9	4								7/7
Dame Fiona Reynolds	3/3	2/2	1/1		1/1					

\* In August 2011 Autonomy Corporation of which Dr Lynch serves as CEO was unexpectedly acquired, requiring the presence of Dr Lynch in the USA during the integration period.

# REMUNERATION REPORT

## Executive Board remuneration report

This report sets out the BBC's remuneration policy and details the remuneration received by the members of the Executive Board. It has been prepared on the basis that the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Services Authority apply to the BBC wherever these disclosure provisions are relevant. The sections on pensions and remuneration received by the Executive Board members are audited by KPMG LLP.

### Remuneration Committees: constitution and operation

The Remuneration and Appointments Committee (RAC) of the BBC Trust is responsible for setting the remuneration strategy for the Executive Board and is responsible for all aspects of the remuneration of the Director-General and the non-executive directors.

The Executive Remuneration Committee (ERC) is responsible for implementing the agreed strategy for all executive members of the Executive Board, with the exception of the Director-General. Its members are non-executive directors: Marcus Agius (Chairman), Sally Davis and Brian McBride, who replaced Val Gooding CBE and Robert Webb QC in January and March respectively.

Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, Business Operations, who advise on matters relating to other members of the Executive Board, and the overall performance of the BBC. The ERC has access to internal expertise through the BBC's Head of Reward.

Complying with the UK Corporate Governance Code 2010, the ERC takes specialist advice from external professional advisers on some matters, and particularly those relating to market practice. During the year, independent advice was received from Towers Watson on matters related to market comparability of executive remuneration.

### Remuneration of non-executive directors

Non-executive directors' fees are determined by the Trust.

## Report of the Chairman of the Executive Remuneration Committee

Since 2009 the BBC has endeavoured to balance the continuing need to recruit, retain and motivate high-calibre leaders and staff, whilst reducing its spend on pay and on the number of senior managers. We are fortunate that a combination of the unique employment offering of the BBC and the strong public service ethos of our people has meant that we are currently able to retain great people whilst making significant reductions in senior management spend.

The targets set by the Trust in 2009 for senior management pay bill and headcount reduction were achieved by December 2011: we reduced the pay bill by £21.1 million, 26.9% against our target of 25%, and reduced headcount by 156, a reduction of 24.4% against a 20% target.

Since 2009 we have made sure that, wherever possible, there is a significant reduction in the spend on Executive Board remuneration. Executive pay has been frozen for four years and bonuses removed indefinitely. We have removed pension supplements for all executive directors with effect from April 2011, and during 2011, reduced the remuneration of new, replacement executive directors on average by 32.7%. 2012 also sees the second of two years of voluntary pay surrender by all those executive directors who were on the Board in March 2011 and remain in executive director positions in March 2012.

The Board Committee undertook its regular assurance exercise to benchmark BBC Executive pay against the market at the end of 2011, and this confirmed that Executive Board pay is discounted on average by 70% against the commercial sector which is in line with the current and future strategy agreed by the Trust and an improvement of 12 percentage points to the discount in 2010 (58%).

The focus for 2012/13 will be continued remuneration constraint while retaining a sufficiently competitive executive pay offer to ensure that we retain the very best leaders for the future.

We have agreed with the Trust a new Senior Manager and Executive Pay Strategy for 2011-2015. This strategy sets out clear policy direction for the ongoing management of executive pay including the continuation of the bonus freeze for executive directors, the discounting of executive pay and our intention further to reduce the number of senior managers in the BBC by 70 by the end of 2015. We expect to achieve these reductions principally by natural attrition. We have also removed the provision of private healthcare and car allowance for new senior hires with effect from 1 August 2011 and 1 April 2012 respectively.

In recent years the BBC has led the way in executive pay transparency by publishing, in full, the salaries of our most senior leaders, and in July 2011 we became early adopters of many of the principles set out in the Hutton Review of Fair Pay in the Public Sector; including the publication of the ratio of executive director median pay to BBC median pay which is now provided annually in our remuneration report. The publication of this pay multiple allows the public to see exactly how the remuneration of those at the top of the BBC compares to the rest of the organisation. We hope that other broadcasters and public sector employers adopt a similar, transparent approach to the BBC, allowing the public to make a comparison. Since first publishing the multiple in July 2011, the figure has reduced marginally from 8.9 to 8.7 (excluding the impact of the Executive Board one month's voluntary pay surrender).

The Committee remains committed to ensuring that the BBC's investment in executive pay delivers value and transparency to the licence fee payer at a time when pay growth across the whole economy is minimal and many licence fee payers are living within a reduced annual income. We are proud of the success with which the organisation has delivered substantial savings in the pay bill for senior managers while retaining motivated

and talented leaders. As we further reduce numbers in the coming year our focus will be on continuing to deliver reductions while taking a close look at retention rates and succession strength to ensure that our executive pay strategy does not damage the calibre and motivation of our current and future leadership talent.

**Marcus Agius**  
Chairman of the Executive  
Remuneration Committee

21 June 2012



## REMUNERATION REPORT CONTINUED

### Remuneration of executive directors Strategy and approach for 2011/12

The strategy set by the Trust is intended to provide remuneration that attracts, motivates and retains the best talent to lead the BBC. In July 2011, the ERC agreed, with the Trust, a new Executive and Senior Management Pay Strategy which set out a revised approach to pay for the period 2011 through to 2015. Key principles within that strategy are:

- fewer senior managers, as a continuation of our strategy to reduce the numbers and cost of senior managers across the BBC
- a freeze in bonuses: bonus payments remain withdrawn from executive directors for an indefinite period
- fairness in the BBC reward structure, by phasing out funded private medical insurance and car allowances for new executives and senior managers with effect from August 2011 and April 2012 respectively
- greater transparency, through the publication of pay multiples (median Executive Board pay to median BBC pay) in the Annual Report

The Trust and ERC also agreed to continue the practice of discounting executive directors' pay

against the commercial sector. As a result, once again this year, the ERC reviewed independently provided market pay data to ensure levels of pay are consistent with the current and agreed strategy. Data obtained for 2011 showed that total direct compensation for our executive directors (base salary plus variable pay), including the Director-General, is discounted by between 64% and 78% of the level paid by our competitors in the commercial sector. This differential reflects the substantial additional amounts of variable pay (including share-based awards) that are provided in the commercial sector.

### Pay multiples

In 2011 Will Hutton published his review of Fair Pay in the Public Sector in which he recommended that organisations track, publish and explain their pay multiples over time – the most appropriate metric being top-to-median earnings. This would ensure organisations delivering public services were accountable for the relationship between the pay of their executives and the wider workforce.

Whilst the BBC was not required to comply with the recommendations of this report, the BBC Executive agreed with the Trust to voluntarily publish, track and explain our pay multiples

**Table I: Comparison of executive director total remuneration 2010/11 to 2011/12**

	2010/11		2011/12
Executive Director	Remuneration received <sup>4</sup> £000s	Executive Director	Remuneration received <sup>4</sup> £000s
Mark Thompson Director-General	779	Mark Thompson Director-General	622
Jana Bennett Director, Vision	440	George Entwistle Director, Vision	261
Mark Byford Director of Journalism Group	447	Helen Boaden Director, News Group	354
Tim Davie Director, Audio & Music	422	Tim Davie Director, Audio & Music	349
Erik Huggers Director, Future Media & Technology	414		
Ralph Rivera Director, Future Media <sup>1</sup>	26	Ralph Rivera Director, Future Media	309
Zarin Patel Chief Financial Officer	403	Zarin Patel Chief Financial Officer	337
Caroline Thomson Chief Operating Officer	385	Caroline Thomson Chief Operating Officer	328
Lucy Adams <sup>2</sup> Director, BBC People	367	See note 2	–
Sharon Baylay <sup>3</sup> Director, Marketing, Communications & Audiences	254	Role not replaced	–
Peter Salmon <sup>2</sup> Director, BBC North	436	See note 2	–
<b>Total</b>	<b>4,373</b>	<b>Total</b>	<b>2,560</b>

<sup>1</sup> Ralph Rivera was appointed to Executive Board 1 March 2011.

<sup>2</sup> Lucy Adams and Peter Salmon stepped down from the Executive Board in March 2011 but remain at the BBC in the roles of Director of Business Operations and Director of BBC North respectively.

<sup>3</sup> Sharon Baylay stepped down from the Executive Board in November 2010 and left the BBC in June 2011. The role of Director, Marketing, Communications & Audiences was not replaced.

<sup>4</sup> Remuneration includes annual salary, taxable benefits and other remuneration received during the financial year but excludes compensation for loss of office.

**Table 2: Executive Board remuneration**

The remuneration of the Executive Board directors and the membership of the BBC Trust during the year is shown below:

		FY 2010/11				FY 2011/12			
		Fee/base pay £000	Taxable benefits £000	Other remuneration £000 <sup>8</sup>	Compensation for loss of office £000	Total remuneration 2010/11 £000	Fee/ base pay £000 <sup>6</sup>	Taxable benefits £000	Total remuneration 2011/12 £000
<b>Executive directors</b>									
Helen Boaden	Appointed to BBC Board 1 April 2011	–	–	–	–	–	340	14	354
Tim Davie		335	15	72	–	422	335	14	349
George Entwistle	Appointed to BBC Board 1 May 2011	–	–	–	–	–	248	13	261
Zarin Patel		322	13	68	–	403	322	15	337
Ralph Rivera <sup>1</sup>	Appointed to BBC Board 1 March 2011	25	1	–	–	26	295	14	309
Mark Thompson		613	3	163	–	779	613	9	622
Caroline Thomson		307	15	63	–	385	307	21	328
Lucy Adams	Stepped down 31 March 2011	293	15	59	–	367	–	–	–
Sharon Baylay <sup>2</sup>	Stepped down 30 November 2010	207	10	37	392	646	–	–	–
Jana Bennett	Left 6 February 2011	353	13	74	–	440	–	–	–
Mark Byford <sup>3</sup>	Stepped down 31 March 2011	435	12	–	949	1,396	–	–	–
Erik Huggers	Left 25 February 2011	345	13	56	–	414	–	–	–
Peter Salmon	Stepped down 31 March 2011	344	17	75	–	436	–	–	–
<b>Total executive directors</b>		<b>3,579</b>	<b>127</b>	<b>667</b>	<b>1,341</b>	<b>5,714</b>	<b>2,460</b>	<b>100</b>	<b>2,560</b>
<b>Non-executive directors<sup>5</sup></b>									
Marcus Agius		47	–	–	–	47	47	–	47
Simon Burke	Joined 1 January 2011	10	–	–	–	10	37	–	37
Sally Davis	Joined 1 January 2012	–	–	–	–	–	6	–	6
Mike Lynch		33	–	–	–	33	33	–	33
Brian McBride	Joined 1 March 2012	–	–	–	–	–	–	–	–
Dame Fiona Reynolds	Joined 1 January 2012	–	–	–	–	–	7	–	7
Val Gooding	Left 31 December 2011	37	–	–	–	37	31	–	31
Robert Webb <sup>4</sup>	Left 29 February 2012	123	–	–	–	123	115	–	115
David Robbie	Left 31 December 2010	31	–	–	–	31	–	–	–
Samir Shah	Left 31 December 2010	27	–	–	–	27	–	–	–
<b>Total non-executive directors</b>		<b>308</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>308</b>	<b>276</b>	<b>–</b>	<b>276</b>
<b>Total Executive Board</b>		<b>3,887</b>	<b>127</b>	<b>667</b>	<b>1,341</b>	<b>6,022</b>	<b>2,736</b>	<b>100</b>	<b>2,836</b>
<b>Total Trustees<sup>7</sup></b>						<b>588</b>			<b>492</b>
<b>Total</b>		<b>3,887</b>	<b>127</b>	<b>667</b>	<b>1,341</b>	<b>6,610</b>	<b>2,736</b>	<b>100</b>	<b>3,328</b>

<sup>1</sup> Ralph Rivera was issued a relocation package on appointment to BBC (prior to Board appointment). Relocation spend during the 2011/12 year was £14,231, this value is not included in the numbers above.

<sup>2</sup> It was announced in November 2010 that Sharon Baylay would step down from the Executive Board on 30 November 2010 and leave the BBC in June 2011. Included in the 2010/11 total remuneration is compensation for loss of office of £392,000, this was paid during 2011/12.

<sup>3</sup> It was announced in November 2010 that Mark Byford would step down from the Executive Board on 31 March 2011 and leave the BBC in June 2011. Included in the 2010/11 total remuneration is compensation for loss of office of £949,000, this was paid during 2011/12.

<sup>4</sup> As well as his non-executive director role Robert Webb was non-executive Chairman of both BBC Commercial Holdings Limited and BBC Worldwide Limited. In recognition of these additional responsibilities he received fees of £82,500 during the 2011/12 financial year. Robert left the BBC in February 2012.

<sup>5</sup> Non-executive directors are appointed initially for a period of two years, except the Senior Independent Director, who is appointed for an initial three-year period. Sally Davis, Brian McBride and Dame Fiona Reynolds surrendered a month's fees in March 2012.

<sup>6</sup> Employee pension contributions are ordinarily made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced. The total salary sacrifice by executive directors during the year was £98,178 (2011: £94,000). In addition executive directors have surrendered an additional one month's base salary in the financial year ending 31 March 2012. (This excludes new members Ralph Rivera, Helen Boaden and George Entwistle, whose appointments were effective, respectively, on 1 March 2011, 1 April 2011 and 1 May 2011).

<sup>7</sup> Full detail of Trustee pay for FY 2011/12 can be found in Part 1 of this report.

<sup>8</sup> Other remuneration in 2010/11 related to pension arrangements; providing cash supplements for directors subject to the maximum annual limit. These cash supplements were voluntarily surrendered from 1 April 2011.

## REMUNERATION REPORT CONTINUED

annually so that the public can see exactly how the remuneration of those at the top of the BBC compares to the rest of the organisation. The methodology we use is to compare the median pay of Executive Board members with the median pay across the rest of the BBC.

As at 31 March 2012 the multiple of median earnings within the BBC to executive directors' median earnings (including the Director-General) was 8.3 (compared to 8.5 the previous year). This figure takes into account the Executive Board's reduced earnings due to the surrender of one month's pay by some Executive Board members in both 2011 and 2012. Using their substantive annual salary the median multiple is 8.7 (compared to 8.9 a year earlier).

The multiple of median earnings within the BBC to the Director-General's earnings for 2012 is 15.1, taking account of the reduced earnings due to the surrender of one month's pay. Using the Director-General's substantive annual salary the multiple is 16.5.

### Pay multiples (using substantive salaries)

Year	2012	2011
Director-General median earnings	16.5	16.8
Executive Board median earnings	8.7	8.9

Earnings calculation includes: basic pay, bonus, continuing allowances, overtime and other non-continuing allowances. Median earnings figures are calculated using Director-General and Executive Board substantive salaries.

In addition to taking account of these pay multiples when setting and considering pay for the Executive Board, the ERC consider each component of the total remuneration package of executive directors broken down as in the following paragraphs.

### Base pay

Three factors determine the level of base pay set for an executive director:

- Would the rate be recognised as fair by the market (competitor companies) for the job?
- Does the personal performance of the executive justify the level of base pay?
- Is the level affordable to the BBC and not deemed excessive?

Base pay is aligned at around the market median for total remuneration, discounted by a factor of 50–80% to ensure that the BBC does not lead the market on executive pay in the media sector.

### Variable pay

Performance bonuses to a maximum of 10% of base pay have historically been paid to executive directors for achieving efficiency targets and other identified objectives. However, under

the current pay strategy, bonuses are indefinitely suspended. As a result, no discretionary bonuses were paid in 2011/12.

### Benefits

In addition to pensions, the other main contractual benefits are a car allowance and life assurance. The Director-General is entitled to a car and driver under earlier arrangements but has no entitlement to a personal car allowance or fuel allowance. During 2011/12 there has also been the temporary allocation of a car and driver for the use of the Chief Operating Officer and other members of the Executive Board and BBC Direction Group for the remaining life of the car lease arrangement. Private health insurance continues to be provided to existing executive directors, but it will no longer be offered as a benefit to any future member of the Executive Board.

### Pension

Members of the Executive Board who joined the BBC before 1 December 2010 are eligible to participate in the BBC Pension Scheme, which provides for pension benefits on a defined benefit basis.

For employees who joined this Scheme before 1 November 2006, the accrual rate is 1/60th of final pensionable salary for each year of service. For this group of employees, the normal pension age is 60. For employees who joined the Scheme on/after 1 November 2006 and before 1 December 2010, benefits build up on a career average basis and the accrual rate is 1.67% of pensionable salary for each year of service, adjusted in line with RPI inflation. For this group the normal pension age is 65.

For those who joined the Scheme after 31 May 1989 pensionable salary is subject to a maximum annual limit (£129,600 per annum for 2011/12). No maximum annual limit is applied to those who joined on or before 31 May 1989. The Scheme provides for early retirement on medical grounds and life assurance of four times life cover pensionable salary up to a prescribed limit.

Following the introduction of a 1% annual limit on increases in pensionable salary (before the maximum annual limit under the Scheme is applied) for all employees in the Scheme, from 1 April 2011 the BBC introduced a new section Career Average Benefits 2011 (CAB2011) under the Scheme which existing members could join, during a limited period, by opting out of their existing section. There is no 1% annual limit on increases in pensionable salary in this new section CAB2011. Benefits build up on a career average basis and the accrual rate is 1.67% of pensionable salary for each year of service, ordinarily adjusted in line with CPI inflation up to a maximum of 4% each year. Under this section the normal pension

age is 65. There is also a maximum annual limit on pensionable salary, which was £127,800 per annum for 2011/12.

Members of the Executive Board who joined the BBC on or after 1 December 2010 are eligible to join LifePlan, which is the BBC's defined contribution arrangement. The BBC pays contributions to LifePlan on a matching, or slightly better, sliding scale. Starting at 4% for employees who pay 4% of pensionable salary, up to a maximum of 10% for employees who pay 8% of pensionable salary or more. There is no maximum pensionable salary for contributions to LifePlan. There is no maximum pensionable salary for contributions to LifePlan.

#### Remuneration received

Table 1 (on page 2-48) provides a summary comparison of executive director remuneration by individual from 2010/11 to 2011/12. Table 2 (on page 2-49) provides full details of the remuneration received by all Executive Board members and the members of the BBC Trust (collectively) for 2011/12 compared to previous year.

#### Employment contracts

Employment contracts of executive directors have a maximum notice period of 12 months, but are subject to earlier termination for cause. There is no contractual entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.

#### Outside interests

With the prior agreement of the Director-General and the Nominations Committee,

executive members of the Executive Board may hold one remunerated external directorship, with up to 15 days per year permitted to fulfil these duties. Remuneration which arises from directorships may be retained by the individual. Executive directors may also hold non-remunerated posts outside the BBC.

During the year no executive director held any other remunerated external directorship. To obtain the Executive Board's register of interests visit [www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement](http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement).

It is recognised that non-executive directors are likely to have other directorships and the restrictions applying to executive directors do not apply to them.

#### Remuneration in the BBC's commercial businesses

The BBC has three commercial subsidiaries:

- BBC Worldwide
- BBC Studios and Post Production
- BBC World News

The remuneration policy for the subsidiaries includes the contractual provision of annual bonus and long-term incentive plans (LTIPs) available to eligible permanent staff, including directors. The full cost of base pay, annual bonus and the LTIPs are self-funded by the commercial revenues of each subsidiary company and are not subsidised by the licence fee.

Remuneration within the commercial subsidiaries is not governed by the BBC's remuneration policy and governance arrangements.

### Defined benefit schemes

Executive directors	Age as at 31 March 2012	Section	Increase in accrued pension over year £000	Total accrued pension at 31 March 2012 £000	Transfer value of accrued pension at 31 March 2012 £000	Transfer value of accrued pension at 31 March 2011 £000	Director's contributions (excluding contributions paid via the salary sacrifice arrangement) £000	Increase in transfer value less director's contributions £000
Helen Boaden <sup>1</sup>	56	Old Benefits	6	62	1,213	991	0	222
Tim Davie <sup>2</sup>	44	New Benefits	2	14	164	127	0	37
		CAB2011	1	1	4	0	0	4
George Entwistle <sup>3</sup>	49	Old Benefits	5	59	877	710	0	167
Zarin Patel	51	New Benefits	3	29	436	349	0	87
Ralph Rivera <sup>4</sup>	50	DC LifePlan	See notes					
Mark Thompson	54	New Benefits	3	17	293	221	0	72
Caroline Thomson	57	Old Benefits	6	81	1,713	1,436	0	277

<sup>1</sup> Helen Boaden was appointed as a director on 1 April 2011, although she joined this Scheme on 1 February 1993. The figures shown include the period before she was appointed as a director.

<sup>2</sup> Tim Davie became an active member of the CAB2011 section as at 1 January 2012 and retains a deferred pension in the New Benefits section for service up to that date. The transfer value as at 31 March 2012 in respect of each section has been shown separately in this table.

<sup>3</sup> George Entwistle was appointed director on 1 May 2011, although he joined the Scheme on 1 August 1990. The figures shown include the period before he was appointed as a director.

<sup>4</sup> Ralph Rivera is a member of the LifePlan Defined Contribution Pension Scheme. The total contributions made are currently 25% of base salary. Of this 10% are employer contributions and between 1 April 2011 and 31 March 2012 the BBC paid a total of £29,500 to the Scheme.

# AUDIT COMMITTEE REPORT

## Report of the Chairman of the Executive Audit Committee

The past year has, as expected, been one of significant challenge for the BBC. In its Delivering Quality First programme, the BBC is endeavouring to reduce further its operating cost base whilst substantially maintaining the scope, and improving the quality, of its broadcast output. This requires not just imagination and relentless focus, but also the development of new ways of working across many parts of the Corporation.

At times like this, the Executive Audit Committee (EAC) has an important role in supporting the process, but also in ensuring that it is well governed and executed, as well as providing the Board with regular assurance that the financial targets are on course to be achieved.

We have therefore invested much time in Delivering Quality First this year, and will continue to do so as the programme unfolds. In addition, however, we have addressed some other important issues. We reviewed the BBC's controls over key capital projects, initiated an overhaul of the risk assessment process, considered aspects of the management of the property portfolio, and worked to accelerate the implementation of internal audit recommendations. We also carried out a special investigation of payments made in connection with investigative journalism, the results of which formed part of the BBC's submission to the Leveson Inquiry.

Alongside this, we continued our regular activity, taking a close interest in the findings of the BBC's Internal Audit department, requesting follow-up work where appropriate, and approving its work plan for the coming year. We reviewed the BBC's financial reporting and we meet regularly with the BBC's external auditors, considering with them their audit approach and discussing any issues they wish to bring to our attention.

The Committee provides the BBC's management with an independent view, informed by the fine work of the Internal Audit team and by the different perspectives and experiences of its members. Our aim is to help the BBC achieve its goals and be a better organisation, mindful always of audience priorities and giving value for money to licence fee payers.

We set out below the EAC's formal report, covering the most important things we have considered during the year:



**Simon Burke**  
**Chairman of the Executive Audit Committee**  
 21 June 2012

## Membership and remit of the Executive Audit Committee (EAC)

The main purpose of the EAC is to review and maintain oversight of the BBC's corporate governance, particularly with respect to financial reporting, internal control and risk management.

The EAC comprises three non-executive directors, of whom one must have recent and relevant financial experience. The members are:

- Simon Burke
- Mike Lynch
- Fiona Reynolds (appointed 1 January 2012)
- Val Gooding (until December 2011)

The EAC considers that Simon Burke has significant, recent and relevant financial experience. When appropriate, the EAC augments the skills and experiences of its members with advice from internal and external

audit professionals – for example on matters such as developments in financial reporting.

EAC meetings are also attended by the Director-General, the Chief Financial Officer, the Director of Risk and Assurance and representatives from internal audit, risk management and external auditors KPMG LLP. The EAC also meets privately, without any member of management present, with both internal audit and the external auditors on a regular basis.

Minutes from EAC meetings are made available to the Executive Board and to the BBC Trust. Additionally the Chairman of the EAC reports back to the Board after each meeting of the EAC on any issues where action or improvement is required. The EAC Chairman also produces a formal report to the Board each year.

## Key areas of focus for the committee in the past year

The EAC met four times in 2011/12. The key areas of focus were:

**Internal controls:** The EAC reviewed the effectiveness of the system of internal controls, taking account of the findings from internal and external audit reports. The EAC sought assurance from management that control issues identified are being addressed.

**Financial reporting:** The EAC reviewed the group financial statements. To assist this review the EAC considered reports from management and from the external auditors regarding compliance with accounting standards, key judgements made in preparation of the financial statements and compliance with legal and regulatory requirements.

**Risk management:** The EAC considered the processes for managing significant risks within the BBC, including a presentation from management on how the BBC seeks to minimise risk and maximise value from its UK property portfolio. The EAC considered enhancements made by management to the processes for managing significant risks within the BBC.

**Fraud detection processes and whistle-blowing arrangements:** The EAC reviewed these processes and arrangements.

**Internal Audit workplan:** The EAC continued to oversee the work of Internal Audit. The EAC approved the plan of work for the coming year including specific assurance work on the BBC's transformation programme.

**Management of key projects:** The EAC reviewed the controls in place to ensure that the portfolio of key projects is managed effectively. The EAC considered the role of the BBC's programme management office which provides a dual role of delivery assurance and capability development.

**Investigative journalism payments:** The EAC requested a review of all payments made for purposes of investigative journalism. The results from this review were submitted as part of the BBC's evidence to the Leveson Inquiry.

**Post-investment reviews:** The EAC considered post-investment reviews for major investments.

**Relationship with external auditors:** The EAC oversaw the relationship with the external auditors, including the scope and approach to their work, their fees, their performance and independence (including the approval and compliance with policy on non-audit work).

**The BBC's accountability and internal control processes**

The Executive Board is responsible for the operational management of the BBC (excluding the Trust Unit). This includes safeguarding its assets and achieving value for money by ensuring there is a process in place for managing significant risk issues to the BBC.

The Executive Board is responsible for establishing, maintaining and reviewing the effectiveness of the BBC's system of internal control and for ensuring that necessary actions are taken to remedy any significant failings or weaknesses identified. Such systems can only provide reasonable and not absolute assurance against material mis-statement or loss. Our system of control is designed to manage

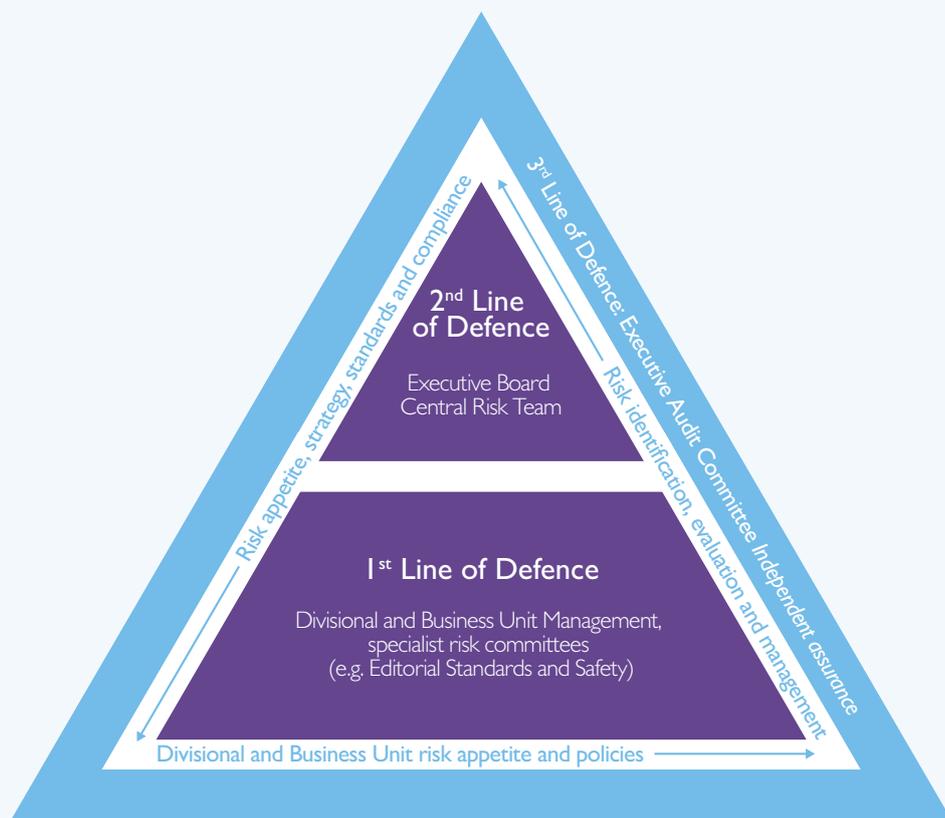
(rather than eliminate) the risk of failure to achieve business objectives and to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised and material errors or irregularities are either prevented or detected on a timely basis.

Key elements of our system of internal control include:

**Risk identification and management:** The Executive Board co-ordinates and monitors risk management activity within the BBC. Our process for identifying, evaluating and managing significant risks to the BBC, which accords with the Turnbull guidance (Internal Control: Guidance to Directors), has been in place for the year ended 31 March 2012 and up to the date of approval of this BBC Annual Report and Accounts. The key elements of risk management and oversight activity within the BBC are shown on pages 2-42 to 2-43.

**Strategy and financial reporting:** The Executive Board approve a business plan that aims to deliver the Trust-approved BBC strategy. Comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Executive Board, include financial monitoring against plan, regular re-forecasting, analysis of variances and performance reviews tracking achievements against business plan and strategy.

**Risk management and oversight processes**



## AUDIT COMMITTEE REPORT CONTINUED

**Business policies:** Formal policies and procedures are in place for all material business processes to ensure compliance with all applicable laws and regulations, that risks are managed and that timely, relevant and reliable information is available across the business.

**Cash management:** The BBC undertakes regular treasury and cash reporting, which analyses funding requirements and liquidity.

**Authorisation procedures:** Clearly stated formal authorisation limits and processes cover all financial transactions.

**Staff capability:** Processes are in place to ensure that our staff are professional and competent. These include recruitment policies, performance appraisals and development programmes.

### **The BBC's internal audit process**

Internal Audit, Risk Management and Investigation Services combine to form our Business Assurance function, which is led by the Director of Risk and Assurance. Internal Audit's authority and independence is assured by the Director of Risk and Assurance's independent and direct access to the Director-General and to the EAC.

Internal Audit regularly tests the BBC's control systems and core business processes to ensure they are fit for purpose and consistently applied. The work plan, which is based on a continuing assessment of key risks, is agreed annually with the EAC and covers financial, operational and compliance controls, including the exercise of the BBC's right of audit over external suppliers such as the independent production companies and service providers. Any significant control failings or weaknesses identified are reported to appropriate levels of management. The status of corrective actions is reported back to the EAC.

### **Independence of the BBC's external auditors**

We comply with the Corporate Governance Code guidance on maintaining an appropriate relationship with external auditors. The BBC appointed KPMG LLP as external auditors during 2008, after a formal tender process.

The EAC has set a clear policy which defines the threshold above which proposed non-audit work to be carried out by KPMG LLP must be approved in advance by the EAC. It also defines when it must be submitted for competitive tender. This is to safeguard and support the external auditors' ability to remain impartial and objective. KPMG is not considered for work which might compromise its ability to give independent opinion on the BBC's financial statements. Recruitment from KPMG into any senior management position in the BBC requires the prior approval of the EAC.

### **Whistle-blowing arrangements**

We have a 'whistle-blowing' (protected disclosure) policy to facilitate the confidential communication via a number of routes of any incident in which there is a suspicion that the BBC's codes have been breached. We recognise that there could be sensitivities regarding actual or suspected incidents and so we provide a 'whistle-blowing' hotline administered by an independent external company to ensure anonymity.

Each incident or suspicion reported is independently investigated in a confidential manner; a response is communicated and action taken as appropriate. The EAC is responsible for ensuring that there are appropriate arrangements in place for the proportionate investigation of matters reported and for appropriate follow-up action.

# FAIR TRADING REPORT

## Membership and remit of the Executive Fair Trading Committee

The key function of the Executive Fair Trading Committee (EFTC) is to oversee the BBC Executive's compliance with our Fair Trading obligations. The EFTC comprises three non-executive directors; these are Dame Fiona Reynolds (Chair), Marcus Agius and Sally Davis. The meetings are also attended by the Chief Operating Officer, Chief Financial Officer, Controller, Fair Trading & BBC Compliance Officer, General Counsel and the Director of Risk and Assurance. Responsibilities of the EFTC include:

- keeping under review the BBC's Fair Trading Guidelines
- dealing with Fair Trading complaints against the BBC through the appointment of a Fair Trading Complaints Panel which is chaired by and includes a majority of non-executive directors
- reviewing ongoing compliance with the BBC's Four Commercial Criteria
- commissioning the annual Fair Trading audit by independent auditors

The BBC has a detailed operational Fair Trading framework which applies to all our activities and is outlined in our Fair Trading Guidelines, found at [www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html).

These arrangements are subject to annual audit by independent auditors and separately have been accredited with the ISO 9001:2008 quality standard. The Auditor's report is set out on page 2-56.

The BBC Agreement requires the BBC Executive to ensure that all our commercial services meet the following criteria. Commercial services must:

- fit with public purposes
- show commercial efficiency
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines, and in particular avoid distorting the market

Having received reports from relevant senior management, the BBC Executive is satisfied that all commercial services have met the above criteria for the period 1 April 2011 to 31 March 2012.

## Report of the Chairman of the Executive Fair Trading Committee

The BBC has a well-established Fair Trading regime which is subject to both internal and external scrutiny. As a new non-executive director I took on responsibility as Chair of the Executive Fair Trading Committee (EFTC) from Val Gooding part way through the year and I would like to record my thanks to Val for her significant contribution in this role. I will ensure that the BBC continues to demonstrate and deliver on its commitment to its Fair Trading obligations.

Against a backdrop of continued change to the media landscape, this year has also seen some material changes to the Fair Trading regime. These include publication by the Trust of an updated Fair Trading Policy (as a result, the Executive Fair Trading Guidelines are being updated) and the conclusion of the Trust's governance review which further clarifies the roles and responsibilities of the Trust and Executive. Amongst other things this has facilitated a change in the constitution of the EFTC, which is now comprised solely of non-executive directors, and the transfer of responsibility to the Executive for commissioning the annual independent Fair Trading audit.

Overall, the Fair Trading regime continues to operate effectively with an unqualified audit opinion, continued accreditation of Fair Trading systems and processes with the ISO 9001:2008 standard and a relatively modest level of Fair Trading complaints totalling four during the year.

I am focused on ensuring that Fair Trading remains high on the Executive's agenda and that all stakeholders, including licence fee payers and those who might be impacted by the BBC's activities, can continue to be reassured that the BBC remains committed to and compliant with its Fair Trading obligations.



**Dame Fiona Reynolds**  
Chairman of the Executive Fair Trading Committee

21 June 2012

The BBC has a published Fair Trading complaints and appeals process, which can be found at [www.bbc.co.uk/bbctrust/about/complaints\\_appeals/fair\\_trading](http://www.bbc.co.uk/bbctrust/about/complaints_appeals/fair_trading).

The BBC received four Fair Trading complaints during the year. Details of these, and those which went on appeal to the BBC Trust, can be found in our Fair Trading Bulletin at [www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints\\_bulletins.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints_bulletins.html) and on the BBC Trust's appeals page at [www.bbc.co.uk/bbctrust/our\\_work/complaints\\_appeals/fair\\_trading/appeal\\_findings.shtml](http://www.bbc.co.uk/bbctrust/our_work/complaints_appeals/fair_trading/appeal_findings.shtml).

## FAIR TRADING REPORT CONTINUED

### Independent fair trading auditors' report to the BBC for the year ended 31 March 2012

We have audited, in our role as the BBC's fair trading auditors, the system of internal controls established within the BBC to provide the BBC with reasonable assurance that the BBC Executive ('the Executive') has complied with the requirement of the BBC Trust's Fair Trading Policy and Competitive Impact Codes from 1 April 2011 to 31 October 2011, the BBC Trust's Fair Trading Policies and Framework from 1 November 2011 to 31 March 2012 and the Fair Trading Guidelines (where not inconsistent with the Fair Trading Policies and Framework) from 1 April 2011 to 31 March 2012 ('the Fair Trading Arrangements').

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

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

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

The Executive is charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2012, including identifying and assessing risks that could threaten fair trading and designing and implementing responses to such risks.

As the BBC's fair trading auditors, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, a system of internal controls which provide reasonable assurance that it has complied with the requirements of its Fair Trading Arrangements for the year ended 31 March 2012. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as this is necessary to form an opinion on the application of the system of internal controls. We have also reviewed whether the Trust's statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls and we report if it does not.

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

#### Our approach

We have performed a reasonable assurance engagement as defined in ISAE 3000. The objective of a reasonable assurance engagement is to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion on the BBC's compliance with its Fair Trading Arrangements for the year ended 31 March 2012.

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

#### Inherent limitations

As with any system of control, it is not practicable to ensure that no errors or irregularities have occurred without being detected. Our audit work was designed to give the Executive reasonable assurance as to the adequacy of the system of internal controls which was in place and being applied to deliver compliance with the requirements of the Fair Trading Arrangements for the year ended 31 March 2012. Further, because fair trading issues require judgements which ultimately might be tested in a court of law, competition authority or elsewhere, there is always a risk of challenge even where the system of internal controls has been followed and decisions have been taken with the greatest care.

#### Opinion

Based on the results of our procedures, in our opinion the BBC has established and has applied a system of internal controls that provide reasonable assurance that it has complied with the requirements of the Fair Trading Arrangements for the year ended 31 March 2012.

#### Deloitte LLP Chartered Accountants

London

21 June 2012



# MANAGING OUR FINANCES

The BBC must manage its finances responsibly, accounting for how it uses the licence fee and other income in the public interest. This section shows how the BBC uses its financial resources, including the steps being taken to ensure efficiency and to make provision for future commitments.

Jenny Culshaw presenting from the BBC Sport Centre in MediaCityUK.

## CHIEF FINANCIAL OFFICER'S REVIEW

Careful financial management of the licence fee and our commercial businesses this year has put solid foundations in place for us to transform the way we work over the next five years and to enable us to afford our future obligations, as well as funding the landmark broadcast events of 2012.



### Strong financial foundation

2011/12 has been a year in which we consolidated our financial position to prepare for future demands and challenges. It is a year when we have worked together across the BBC to develop the detailed plans for Delivering Quality First, not only to live within the means of our licence fee settlement, which cut funding by 16% in real terms, but also to go further and provide reinvestment into the key service developments our audiences will require of us.

Careful management of the BBC's finances has meant that as well as funding programmes and other content which have delivered record audience reach, we have taken early action to provide funding for future plans.

Our group surplus is inflated by two non-recurring items: the sale of BBC Worldwide's Magazines business (at a profit of £95million) and gains relating to our pension scheme (£45million). Therefore we have an underlying surplus of £249million. We need this to pay for increased programme spend in 2012 to cover the Olympics and the Diamond Jubilee, but also to cover the costs of implementing our efficiency plans, and of implementing the new ways of working through our digital media initiative and the move into New Broadcasting House. As well as the one-off profit on the disposal of the Magazines business, the group surplus includes £127million of profit generated by our commercial activities to be invested into programmes and to deliver future commercial revenues.

This result reflects an increase in licence fee income of £93million. £74million of which can be attributed to increased digital switchover activity. Underlying licence fee income collected rose by £19million due to an increase in household growth, albeit slower than the historical trends, but also reflecting our ability to hold evasion rates level despite difficult economic conditions and pressure on household budgets. This year we signed a new collection contract that reduces the cost of collection and looks at ways of lowering evasion rates in the future to offset the risk of slower rates of household growth.

Our overall cash balance was £262million, excluding £145million ring-fenced savings from our digital switchover activity (the Help Scheme

and Digital UK). The £145million is due for repayment to the Government and is on top of £214million we repaid this year from savings built up in earlier years of this programme. The public service cash balance will provide the necessary funding for the restructuring required to deliver the efficiencies and new ways of working needed for our Delivering Quality First plan. It will also fund our further pension deficit recovery payments and a planned increase in spend on content in this landmark year of the Olympics and the Diamond Jubilee at the level our audiences expect.

This year we have changed the presentation of our Annual Report and Accounts to make them simpler and to present the financial position of the BBC more logically.

### Ready to deliver

We look forward to the financial challenges with a track record of success in delivering true efficiencies, not cuts. Our Continuous Improvement programme concluded its fourth and penultimate year by delivering £499million of continuing savings, bringing the cumulative total achieved to £1,498million. This translates to a projected out-turn equivalent to 3.6% average annual savings, exceeding the 3% target set by the Trust for this licence fee period. The National Audit Office (NAO) concluded positively on the programme this year when they examined it in detail.

In addition to the efficiency challenge, we cannot forget as we look forward that 2012/13 will be one of the biggest broadcasting years in the BBC's history, with audiences looking to us to cover the year's historic events with breadth, depth and quality.

Beyond 2012 there are significant challenges. We need sharp financial focus to manage the 16% reduction in our funding that is necessary to fund the additional financial obligations of BBC World Service, BBC Monitoring and S4C from the licence fee. I am confident that the BBC is in good financial shape to meet this challenge.

**Zarin Patel**  
**Chief Financial Officer**  
 21 June 2012

# SUMMARY FINANCIAL PERFORMANCE

## UK PSB Group spend

- 71p in every £1 of licence fee was spent directly on programmes or the property and technology infrastructure to support their production ...
- ... and another 6p in every £1 is spent getting our services to audiences on analogue, Digital Terrestrial Television (DTT) and the internet
- The cost of collecting the licence fee is 3.4p per £1 collected

## Breakdown of UK PSB Group expenditure 2011/12

	£m	%
Service licences – direct content spend	2,356	61
Other direct content spend	90	2
Distribution	208	6
Property and technology	315	8
Other infrastructure and support	304	8
Other items including licence fee collection and digital switchover	387	10
Restructuring costs	101	3
Pension deficit payment	89	2
<b>Total</b>	<b>3,850</b>	<b>100</b>

## Efficiency savings

- £1.5billion of sustainable savings achieved since the start of the Continuous Improvement Programme without deterioration in quality of our content
- £559million of recurring annual efficiency savings
- We will exceed our 3% annual savings target
- Total gross savings are forecast to be £2.1billion (before implementation costs)

## Cumulative gross efficiency savings £m



From 2012/13 we will deliver ongoing annual savings of £559million.

## Commercial performance

- BBC Worldwide gross sales (excluding Magazines) up 5.4% on last year
- BBC World News advertising revenue holding steady in a tough market
- BBC S&PP continues to broaden its customer base
- BBC Worldwide returned a record £216million to Public Service Broadcasting during the year

	Commercial income		Headline profit	
	2011/12 £m	2010/11 £m	2011/12 £m	2010/11 £m
UK PSB Group including BBC World Service and BBC Monitoring*	230	213	n/a	n/a
BBC Worldwide**	1,085	1,030	155	144
BBC World News	70	72	4	9
Studios & Post Production (S&PP)	52	59	5	6

\* Headline profit is not applicable to this Group.

\*\* Commercial income excludes Magazines and includes joint venture revenue.

## FINANCIAL OVERVIEW

With a licence fee fixed until 2017, the BBC might be regarded as being in a more stable position than other commercial businesses, but a fixed licence fee and new funding commitments (including BBC World Service) mean that the BBC licence fee funding is subject to 16% cuts in real terms.

As well as dealing with its own financial challenges, the BBC is not immune from the effects of the economic downturn:

- pressure on household budgets in the UK poses a continuing challenge for licence fee collection. We have held evasion at 5% for a number of years now through targeted collection and helping licence fee payers find their most suitable method of payment
- difficult trading conditions in some markets have put pressure on the BBC's commercial operations, mitigated to some extent by successes in new markets
- significant inflationary pressures have to be managed through the delivery of efficiency
- BBC World Service has seen reductions to its grant-in-aid funding in line with the rest of the public sector
- the low returns available on the world's financial markets place significant pressure on all pension schemes, including the BBC's

We have faced these challenges by bearing down on our costs and reviewing our business models. In addition to the efficiency plans we are putting in place, which are reviewed later in this section, a number of other initiatives have been implemented. A new contract has been signed for licence fee collection and we continue to offer a number of methods to pay the fee.

The BBC earns a return on its programmes through BBC Worldwide. BBC Worldwide reinvests part of its profit into ensuring that it is not left behind by the digital transformation we are seeing in commercial media markets.

We have restructured many of our strategic contracts to remove automatic indexation based on published inflation rates.

A pension deficit repayment plan continues to be followed to ensure that our pension scheme is brought back into equilibrium in a way that is fair both to our staff and to current and future licence fee payers and audiences.



The Choir: Military Wives scored BBC Two's highest AI score (93).

We are proud of the fact that the BBC's financial structures and plans will ensure that the BBC remains strong, despite these pressures. No services will close as a result of the plans, and the services which our audiences value the most will be largely protected. We continue to focus resources on the editorial priorities we know matter most to our audiences.

**Our efficiency achievements this year**

As well as planning our future efficiencies under Delivering Quality First, we have continued to deliver sustainable efficiency savings under our Continuous Improvement programme, which has now completed its fourth and penultimate year.

This year, we delivered another £499million worth of savings, bringing the cumulative total achieved since 2008/09 to £1,498million. Our full programme is on track to exceed the Trust's target of 3% average annual efficiencies, with a projected out-turn of 3.6%, and total predicted cumulative savings in excess of £2billion by the end of 2012/13. This has been delivered without compromising the quality of our output and whilst delivering record audience appreciation figures.

Our annual savings achievement is reviewed by our auditors, KPMG LLP. Additionally, and for the first time, the NAO examined Continuous Improvement this year. Their report, issued in November 2011, commended the programme and the way it was managed. It confirmed that we were on track to exceed our target, helped by clear incentives for management to deliver the savings targets set for their divisions. They also made useful recommendations on identifying cross-divisional initiatives and for further improvements to performance tracking. We are applying these findings to the design of Delivering Quality First.

**Efficiency savings by category**

Category	% of total savings
<b>People</b> Refocusing to get the right mix of people to continue to deliver distinctive output that audiences value. We are committed to a real-term reduction in talent spend.	<b>13%</b>
<b>Production and process improvement</b> Using innovative technology to improve how we do things and minimise costs across our operations, from scheduling to shooting.	<b>29%</b>
<b>Procurement and contracts</b> Releasing funds for programmes and content with savings from bulk buying, outsourcing and renegotiating contracts.	<b>23%</b>
<b>Property and technology</b> Transforming the way we work, for example using tapeless, digital production to make multiplatform content more efficiently than ever before.	<b>7%</b>
<b>Optimising content quality</b> Delivering Quality First builds on our existing efficiency programme, with a focus on more effective allocation of commissioning spend to deliver maximum audience impact.	<b>28%</b>

The successful delivery of Continuous Improvement shows that the BBC has embedded a culture of efficiency into its operations that we can build on to deliver the ever more challenging savings required in the future.

**BBC World Service**

2011/12 was the first year to reflect the outcome of the 2010 Comprehensive Spending Review for BBC World Service, and BBC World Service has been focused on delivering the first tranche of savings as announced in January 2011. Around 450 posts were closed in the year, although higher levels of redeployment than originally projected have provided significant savings on implementation costs.

## FINANCIAL OVERVIEW CONTINUED

### Summary Consolidated Income Statement

For the year ended 31 March 2012

	2012 £m	2011 £m	
Licence fee income	3,606	3,513	Income has risen because of increased digital switchover activity and limited growth in household numbers
Other income and revenue	1,480	1,480	Commercial income has held up in a challenging economic climate
<b>Total income</b>	<b>5,086</b>	<b>4,993</b>	
Operating costs (excluding restructuring costs and exceptional pension income)	(4,750)	(4,789)	Despite significant inflationary pressures and increased digital switchover activity, costs have remained broadly stable, reflecting the impact of our efficiency and savings programmes
Exceptional pension gain	45	250	Exceptional pension gain results from the finalisation of pension scheme members' decisions under the recent pension reform
Restructuring costs	(103)	(63)	Restructuring costs relate primarily to Delivering Quality First initiatives
<b>Total operating costs</b>	<b>(4,808)</b>	<b>(4,602)</b>	
Share of results of associates and joint ventures	21	27	
Gain on sale of operations and disposal of fixed assets	100	96	The gain this year results principally from the sale of BBC Worldwide's Magazines business
Tax and net financing income	(10)	(31)	
<b>Group operating surplus</b>	<b>389</b>	<b>483</b>	

### Income Statement

Our results this year show how we have continued to manage successfully our financial challenges, and make sound preparations for the future. This is reflected in the Income Statement for the year.

Our group surplus was £389million. This included a £45million actuarial gain resulting from finalising the benefits of pension reform undertaken in the previous year, and a profit of £95million from the disposal of BBC Worldwide's Magazines business. This sale represents a further move in focusing commercial activities on BBC-branded channels and platforms.

After excluding these two items, the underlying surplus was £249million, or 4.9% of our gross income. Our licence fee funding is managed over the licence fee period, and costs will not match income in all years. The surplus this year reflects savings made to cover the future anticipated costs of increased broadcast expenditure in 2012 (Olympics, Diamond Jubilee, European football championships) but also restructuring provisions to enable the delivery of savings in future years and to fund major projects like the move to New Broadcasting House and the new digital ways of working. In our recently published Workplan for 2012/13, we are projecting a deficit of £137million for the year, which this year's surplus will fund.

### Licence fee income

Licence fee income increased by £93million this year, despite the freeze in the licence fee. Included within the annual licence fee is a sum to fund the activities of the Digital Switchover Help Scheme as well as Digital UK. Underspend within this funding have to be repaid to the Government and are therefore netted from our income. Digital switchover activity was greater this year than last year, and accounted for £74million of the £93million increase in our income. The remainder was the result of modest household growth. We have also held licence fee evasion rates at their prior year level despite pressure on household budgets by targeting our collection activity and by highlighting easier ways to pay to licence fee payers.

### Commercial operations

The licence fee is supplemented by income from the commercial exploitation of licence fee funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC World News and BBC Studios & Post Production (S&PP).

As a result of its activities in 2011/12, BBC Worldwide returned a record £216million of cash to the BBC (2010/11: £182million), equivalent to 6% of licence fee income. Despite unpredictability in some of its markets, the company has continued to grow. Underlying sales (excluding sales of Magazines) increased 5.4% to £1,085million and the headline profit (excluding exceptional items) increased to £155million.

During the year, BBC Worldwide wrote down the carrying value of its investment in Lonely Planet by £16million. This was caused by continued appreciation of the Australian dollar. At the date of the annual impairment review in January 2012, the Australian dollar was at a 28-year high against sterling. Lonely Planet management have taken steps to reduce the company's Australian cost base to mitigate the potential impact of further appreciation.

BBC World News continued to deliver high-quality journalism to an international audience. Although both revenue and profits fell slightly overall in the face of tough economic conditions, advertising revenue in particular came under pressure. Distribution revenue fared better and was able to show a small improvement. The company also benefited from the first full year of a significant cost saving plan.

In a difficult trading environment, S&PP recorded a headline profit of £5million this year. The company continued to broaden its customer base, compensating for the loss of income after BBC Sport and Children's activities relocated to Salford where S&PP has no operating base.



The BBC Proms were broadcast live on BBC Radio 3 with over 300,000 people attending the concerts.

## FINANCIAL OVERVIEW

### CONTINUED

#### UK Public Service Broadcasting (UK PSB) Group Expenditure

Service	Content £m	Distribution £m	Infrastructure/ support £m	2012 Total £m	2011 Total £m
BBC One	1,041.1	54.8	241.7	1,337.6	1,400.8
BBC Two	416.6	19.3	101.2	537.1	527.4
BBC Three	83.8	4.4	24.7	112.9	110.0
BBC Four	49.2	3.5	15.1	67.8	67.0
CBBC	81.9	3.6	21.8	107.3	99.2
CBeebies	29.2	3.9	9.3	42.4	39.7
BBC HD	1.2	15.0	1.6	17.8	11.8
BBC ALBA	5.0	1.7	1.3	8.0	7.6
BBC News Channel	42.4	6.9	8.2	57.5	61.0
BBC Parliament	2.1	5.8	1.4	9.3	8.0
BBC Red Button	13.5	18.3	5.4	37.2	39.5
<b>Television</b>	<b>1,766.0</b>	<b>137.2</b>	<b>431.7</b>	<b>2,334.9</b>	<b>2,372.0</b>
BBC Radio 1	38.4	4.6	7.6	50.6	48.1
BBC Radio 2	47.2	4.6	8.7	60.5	59.1
BBC Radio 3	37.8	4.7	10.0	52.5	50.7
BBC Radio 4	88.1	8.6	19.2	115.9	119.7
BBC Radio 5 Live	51.1	5.8	12.4	69.3	72.8
BBC Radio 5 Live Sports Extra	2.6	1.2	1.5	5.3	4.9
BBC iXtra	7.2	1.3	2.6	11.1	11.0
BBC 6Music	7.8	1.3	2.6	11.7	10.7
BBC Radio 4 Extra	5.0	1.3	1.9	8.2	8.2
BBC Asian Network	8.5	1.5	3.0	13.0	12.6
BBC Local Radio	112.7	8.1	25.7	146.5	147.3
BBC Radio Scotland	23.2	3.0	5.9	32.1	32.3
BBC Radio nan Gàidhéal	3.6	1.4	1.0	6.0	6.1
BBC Radio Wales	13.0	1.5	3.2	17.7	17.0
BBC Radio Cymru	11.4	1.6	2.9	15.9	16.0
BBC Radio Ulster/BBC Radio Foyle	17.3	2.0	4.5	23.8	21.6
<b>Radio</b>	<b>474.9</b>	<b>52.5</b>	<b>112.7</b>	<b>640.1</b>	<b>638.1</b>
BBC Online	115.3	18.7	52.8	186.8	193.9
<b>Online</b>	<b>115.3</b>	<b>18.7</b>	<b>52.8</b>	<b>186.8</b>	<b>193.9</b>
<b>Spend regulated by service licence</b>	<b>2,356.2</b>	<b>208.4</b>	<b>597.2</b>	<b>3,161.8</b>	<b>3,204.0</b>

The largest element of the BBC's expenditure is the cost of programmes and other content supplied to audiences and users under the 28 service licences the Trust uses to hold BBC management to account.

Total content spend by service shows that our spending reduced to £2,356million (2010/11: £2,475million). This reflects the ongoing impact of our efficiency programme, and the normal biennial cycle of broadcasting costs with the previous year including the football World Cup and no equivalent event in 2011/12.

No service licences spent above the permitted baseline budget threshold during 2011/12. Five services underspent by more than 10%:

- the BBC HD channel benefited from falling costs of high-definition productions
- BBC iXtra, BBC Radio 5 Live and BBC Radio 4 Extra secured early Delivering Quality First savings
- BBC Red Button spent less than budgeted because of a decision to defer some transmissions until 2012/13, coupled with efficiencies from relocation to Salford

In all cases the delivery of savings did not compromise the editorial performance of the relevant services.

During the year, the continuing delivery of efficiencies led headcount to reduce in both licence fee funded operations of the BBC and in commercial subsidiaries. Staff numbers in the BBC Group reduced by 4.2% to 21,940 from 22,899 in the year and salaries and wages paid to staff reduced by 2.1%. In the UK PSB Group, staff numbers reduced by 2.2% to 16,858 from 17,242, and there was a 0.8% fall in the pay-bill (excluding restructuring costs and pension deficit recovery payments).

**Total Public Service Broadcasting Group expenditure**

	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	2012 Total £m	2011 Total £m
<b>Spend regulated by service licence</b>	2,356.2	208.4	597.2	–	<b>3,161.8</b>	3,204.0
Licence fee collection costs	–	–	–	126.1	<b>126.1</b>	123.6
Orchestras and performing groups	23.6	–	5.4	–	<b>29.0</b>	24.0
S4C	23.2	–	6.0	–	<b>29.2</b>	32.2
Research and development spend	42.7	–	9.8	–	<b>52.5</b>	32.8
UK PSB Group pension deficit reduction payment	–	–	–	89.1	<b>89.1</b>	–
Costs incurred to generate intra-group income	–	–	–	156.8	<b>156.8</b>	152.6
Costs incurred to generate third-party income	–	–	–	55.9	<b>55.9</b>	64.6
<b>Other content-related spend</b>	89.5	–	21.2	427.9	<b>538.6</b>	429.8
Restructuring costs	–	–	–	100.6	<b>100.6</b>	29.6
<b>Total UK public services content expenditure</b>	2,445.7	208.4	618.4	528.5	<b>3,801.0</b>	3,663.4
Digital switchover (Digital UK Limited)	–	–	–	40.8	<b>40.8</b>	25.0
Digital switchover (DSHS Limited)	–	–	–	89.7	<b>89.7</b>	55.3
<b>Total UK PSB Group expenditure</b>	2,445.7	208.4	618.4	659.0	<b>3,931.5</b>	3,743.7
Lease reclassification	–	–	–	(81.7)	<b>(81.7)</b>	(58.2)
<b>UK PSB Group expenditure</b>	2,445.7	208.4	618.4	577.3	<b>3,849.8</b>	3,685.5

**Infrastructure and support costs are made up of:**

	2012 £m	2011 £m
Property	<b>186.9</b>	150.0
HR and training	<b>46.2</b>	48.8
Policy and strategy	<b>9.6</b>	10.8
Finance and business	<b>56.8</b>	61.3
Marketing, audiences and communication	<b>72.0</b>	70.5
Executive Unit	<b>2.7</b>	4.4
Total central costs	<b>374.2</b>	345.8
Technology	<b>128.0</b>	85.8
Libraries, learning support and community events	<b>36.1</b>	38.6
Divisional running costs	<b>63.7</b>	63.3
BBC Trust Unit (excluding restructuring)	<b>11.9</b>	13.3
Other	<b>4.5</b>	(5.4)
<b>Total infrastructure/support costs</b>	<b>618.4</b>	541.4

Central department costs have all reduced this year in real terms.

The two exceptions are Property and of Technology, which reflect directly the significant investment the BBC has been making in both its technology and its operating infrastructure in recent years (e.g. MediaCityUK, Broadcasting House in London W1, Digital Media Initiative). As a direct consequence of this investment, annual depreciation and running costs in property and technology have increased this year.

This investment is essential to support the new ways of working and to provide the technological capacity, to enable the BBC to produce the dynamic content our audiences and users require in a digital economy where the platforms used to consume content have, and will continue to, develop rapidly. As we implement plans to reduce our property footprint we have to bear the costs of vacant production sites, both as we ready them for use and up to the point of disposal. These surplus property expenses are included in infrastructure and support. The disposal of sites (Television Centre (TVC), White City) in the coming years will deliver significant savings against current cost levels.

## FINANCIAL OVERVIEW

### CONTINUED

#### Summary Consolidated Balance Sheet

For the year ended 31 March 2012

	2012 £m	2011 £m
Non-current assets	1,920	1,947
Current assets	2,069	2,052
Current liabilities	(1,259)	(1,314)
Non-current liabilities (excluding pension liabilities)	(1,206)	(1,357)
Net assets (excluding pension liabilities)	1,524	1,328
Net pension liabilities	(1,179)	(927)
Net assets	345	401
Represented by		
BBC reserves	338	394
Non-controlling interests	7	7
	345	401

Many of our building and technology projects of recent years are now operational which has increased depreciation. This has led the value of non-current assets to reduce. TVC has been reclassified as a current asset 'held for sale'

The estimate of the pension scheme's net liabilities reflects changes to scheme benefits, the deficit reduction payments and changes in the market valuation of assets

#### Balance sheet

##### Plant property and equipment (PP&E)

This has been a year of significant further progress in developing our operating estate and technology to deliver ongoing savings through new technology and collaborative working, as well as enhancing programme output. The year saw the opening of MediaCityUK in Salford and our new Drama Village at Roath Lock in Cardiff. Additionally, BBC World Service has commenced operation from New Broadcasting House in London W1. The Fabric project (our new digital production system) has led development of our technology infrastructure. In total £175million was invested this year, with W1 (£44million), North (£37million) and Fabric (£38million) as the key constituents.

As these new properties and technology infrastructure become operational, we start to incur depreciation and the additional cost, combined with the transfer to current assets of TVC, as an asset held for sale, means there is a net reduction in the book value of our PP&E this year. Our depreciation charge increased by £20million this year as a direct consequence of our investment in our property and technology infrastructure.

The significant operating facilities we now have in Salford, Glasgow and Cardiff mean the BBC is in a strong position to meet our target of spending 50% of the network TV budget outside of London by 2016.

##### Pensions liabilities

Financial markets experienced a volatile year in 2011/12 as investors worried about the possibility of a double-dip recession in the developed world, a 'hard landing' in China, and the future of the Eurozone. Bond markets performed particularly strongly, and conventional fixed-coupon Gilt yields fell to what was reported to be their lowest level in 300 years.

Gilt yields are used to calculate the discount rate for future liabilities of our pension scheme, and their fall from last year has caused the current value of these liabilities to increase. This is an issue that all other defined benefit schemes face in the current economic environment. This increase in the value of the scheme's liabilities was the primary driver behind a rise in the accounting valuation of the pension scheme deficit to £1,179million at the year end, from £927million 12 months earlier. The next formal actuarial valuation of the scheme is due in April 2013, and we continue to fulfil our obligations under the agreed deficit reduction plan with the pension scheme trustees, making annual payments of between £60million and £100million through to 2021/22.

Twelve months ago, the BBC was in the middle of significant pension reforms to reduce the burden of future pensions on the licence fee. Consequently, we had to make assumptions on the choices that staff would be making between the different options. We now know what the final choices staff made are, and this has resulted in a higher saving than we initially projected so we have recognised a further curtailment gain of £45million in this year's accounts.

##### Restructuring provision

The Group has provided £103million of restructuring costs this year, primarily relating to those of our Delivering Quality First plans which are sufficiently advanced to have been communicated to staff and other key stakeholders. This is essential enabling expenditure for the delivery of our long-term target of £700million of annual savings. Further provisions are expected in 2012/13 as other divisions develop their implementation plans to the point of communication.

## Summary Consolidated Cashflow Statement

For the year ended 31 March 2012

	2012 £m	2011 £m
Net cash inflow from operating activities	266	475
Net cash outflow from investing activities	(203)	(146)
Net cash outflow from financing activities	(136)	(113)
Net (decrease)/increase in cash and cash equivalents	(73)	216
Cash and cash equivalents at the beginning of the year	513	264
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(1)
Movement in cash held as restricted funds	(32)	34
Cash and cash equivalents at the end of the year	407	513

The Group's operating cash surplus before depreciation and amortisation. The reduction reflects the lower operating surplus, plus increased programme inventory

This increase primarily relates to the purchase of additional intangible assets of £53million from the prior year

This is primarily interest paid on property leases

2012 figure represents:  
 £145million digital underspend;  
 £33million commercial companies;  
 £229million UK PSB Group, BBC World Service and BBC Monitoring

### Programmes for future transmission

The balance sheet also reflects a 11.7% increase in the value of completed programmes, programmes in production, and advance payments for sports rights. This increase reflects a build-up of our stock of special programmes and contracted sports rights for a year that will bring the London Olympics and the celebration of the Queen's Diamond Jubilee to BBC audiences.

### Summary Consolidated Cashflow statement

Our overall cash balance was £262million at the end of the year, excluding £145million ring-fenced savings from our digital switchover activity (both Digital Switchover Help Scheme and Digital UK). Of this, £33million is held by our commercial operations for investment in their development. The remaining £229million cash balance will provide:

- the accumulated funding for £107million of restructuring cost provisions to deliver efficiencies and new ways of working, primarily as part of the Delivering Quality First plan (£82million provided to date for Delivering Quality First, but will increase as plans develop further)
- further annual pension deficit recovery payments (next payment due is £60million)
- a planned increase in spend on content in this landmark year of the Olympics and the Diamond Jubilee
- the costs of moving into and occupying New Broadcasting House in W1 and completion of our digital production system for television (Fabric)

### Digital Switchover Help Scheme

The Help Scheme is run by the BBC to support older and disabled people through digital TV switchover. Designing and implementing a nationwide social care programme has been a new undertaking for the BBC. More than 1.2 million people have taken up this practical assistance as switchover has rolled out region

by region through the UK with just Tyne Tees and Northern Ireland remaining. Both value for money and customer services targets have been exceeded.

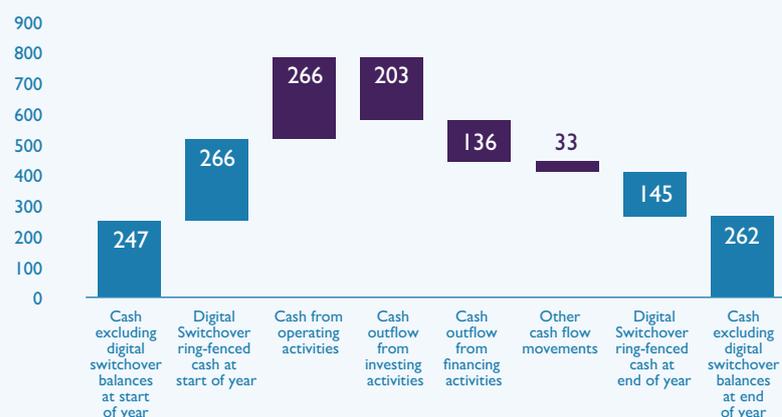
Many of the people eligible for help with converting their television for digital switchover had already switched before the Help Scheme reached their area. As a result, spending on support for digital switchover has been lower than expected, and we will return the part of the licence fee cash that was ring-fenced for this purpose by the Department for Culture, Media and Sport (DCMS).

At the end of 2010/11, the amount due to the DCMS was £266million, and reflecting the repayment plan agreed, we returned £214million during 2011/12. We made further savings of £93million on the scheme during 2011/12, leaving a projected £145million due for repayment overall, £92million of which will be repaid in the coming year.

### Delivering Quality First

As already described, our Delivering Quality First savings plans will require upfront restructuring costs to deliver the savings. This will involve payment of redundancy costs, as well as some further investment in new technology. To fund these exceptional items of expenditure, we need to set aside the cash now.

### Movements in cash £m



## COLLECTING THE LICENCE FEE

The unique relationship between the BBC and its audiences has at its core the way in which the BBC is funded. The BBC needs to maintain the trust of licence fee payers in the way that we look after their money. As well as spending the licence fee as efficiently as possible on programmes and services that our audiences value, we also need to make sure that we make it easy to pay for everyone who is required to have a television licence.

Our new collection contract with Capita starts in July 2012, and contains incentives to reduce evasion while maintaining perceptions of fairness. We believe that targeting lower evasion rates, together with making savings on the contract, will more than compensate for slower household growth going forward than historically experienced. The eight-year contract will also deliver savings in our collection costs of £220million (based on existing collection rates), meaning that more money will be available to spend on programmes and services.

The savings have been made possible by the success of our campaigns to encourage the use of web-based self-service options for licence fee payers managing their account, and by the high proportion of licence fee payers now paying by Direct Debit.

Capita will carry out further improvements to the TV Licensing website, making it even easier for licence fee payers to interact with TV Licensing in a way which suits them.

At the same time, we will continue to offer the cash payment schemes valued by many of our customers.

For the second year, we have prepared a licence fee revenue statement. This account sets out the amounts we collected during the year, and paid over to the DCMS. The NAO audits the statement. Alongside its audit work, the NAO examines an aspect of our collection arrangements and reports on it to Parliament. This year, the NAO looked at licence expiry and renewal processes including cancellations, refunds, and licence fee concessions.



BBC Radio 4's *The Reith Lectures*, in 2011 entitled *Securing Freedom*, featured the Burmese pro-democracy leader Aung San Suu Kyi.

## LOOKING FORWARD WITH CONFIDENCE

In the face of many challenges, 2011/12 can be seen to have been a strong one for the BBC financially, and it has put the organisation in excellent shape to deliver on its future challenges, specifically:

- to make 2012 a year of truly exceptional output in this 'once in a generation' year
- to complete the delivery of the moves to London W1 and Salford, making them far more than relocations, but projects which drive new ways of working to make sure the BBC can deliver against the further challenges to come
- to deliver £700million of savings to enable the BBC to live within its means following the licence fee settlement in 2010
- to be in stable financial shape for the Charter renewal discussions in 2017

We have committed through Delivering Quality First to deliver £700million per annum of sustainable savings by the end of 2016/17, equivalent to 20% of what we currently spend. This will enable us to take over funding through the licence fee of BBC World Service, BBC Monitoring and S4C and to support local TV channel development as well as the roll-out of broadband in the UK. In total these new commitments are equivalent to 16% of our 2011/12 costs. An additional 4% of savings will provide a reinvestment fund to enable us to keep pace with the latest technology and meet ever more demanding audience expectations. All this will have to be achieved with a licence fee frozen until 2016/17 and in an uncertain economic climate with inflation remaining high.

Putting together a plan to deliver these savings, whilst minimising the impact on our audiences, will demand some difficult choices. That is why we are focusing spend on our five editorial priority areas:

- the best journalism in the world
- inspiring knowledge, culture and music
- ambitious UK drama and comedy
- outstanding children's content
- content that brings together the nation and communities.

In line with this, we have chosen to broadly maintain current levels of spending on BBC One, BBC Radio 4, CBBC and CBeebies. We will reduce spending on the BBC Two daytime schedule, and focus the remit of BBC Four on science and the arts.

A key feature of the programme is that support areas of the BBC will make disproportionately higher savings of 25% by 2016/17, in order to protect our programme-making divisions as far as possible. We will also seek to further reduce our property footprint by a third and ultimately vacate West London entirely. This process will begin in 2013 with our exits from TVC and the original White City building. By moving our London-based journalists into New Broadcasting House we will also provide new opportunities to share facilities and material between domestic and international teams, increasing the efficiency of both.



Celebrating the stars: *Stargazing Live* presenters Prof Brian Cox and Dara O'Briain. The programme formed part of the BBC Outreach activity.

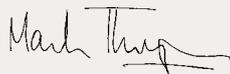
# AUDITOR'S REPORT

## Summary financial statement

The summary financial statement contains the BBC's Summary Income Statement on page 2-62, Summary Balance Sheet on page 2-66 and Summary Cash Flow Statement on page 2-67. These include the key headline data from the full financial statements which are available online in the download centre at [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

The summary financial statement does not contain sufficient information to allow a full understanding of the results and state of affairs of the BBC Group as are provided by the full annual financial statements. The independent auditors of the BBC, KPMG LLP, have issued an unqualified audit opinion on the full financial statements.

The summary financial statement, including the Governance report and Executive Remuneration Report, was approved by the Executive Board and signed on its behalf on 21 June 2012 by:



**Mark Thompson**  
Director-General



**Zarin Patel**  
Chief Financial Officer

## Independent auditor's statement to the trustees of the British Broadcasting Corporation ("BBC")

We have examined the summary financial statement for the year ended 31 March 2012 which comprises the Summary Consolidated Income Statement on page 2-62, the Summary Consolidated Balance Sheet on page 2-66, the Summary Consolidated Cash Flow Statement on page 2-67 and Executive Board Remuneration Report on pages 2-47 to 2-51.

The BBC's trustees have engaged us to examine the summary financial statement which has been prepared as if the BBC were a quoted company and entitled to prepare such a statement under Section 426 of the Companies Act 2006.

This statement is made solely to the BBC's Trustees as a body on terms we have agreed. Our work has been undertaken so that we might state to the BBC's trustees those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC and the BBC's Trustees as a body, for our work, for this statement or for the opinions we have formed.

## Respective responsibilities of directors, Trustees and auditor

The Trustees and Executive Board are responsible for preparing the BBC's Executive's review and assessment as if Section 428 of the Companies Act applied to the BBC and it were a quoted company.

Our responsibility, in accordance with the terms of our engagement, is to report to you our opinion on the consistency of the summary financial statement within the BBC's Executive's review and assessment with the full annual financial statements and the Executive Board Remuneration Report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder as if they applied to the BBC and it were a quoted company.

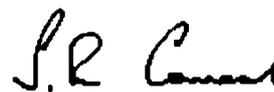
We also read the other information contained in the BBC Executive's review and assessment and consider the implications for our report if we become aware of any apparent misstatements of material inconsistencies with the summary financial statement.

## Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the BBC's full annual financial statements describes the basis of our audit opinion on those financial statements and the Executive Board Remuneration Report.

## Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements and the Executive Board Remuneration Report of the BBC for the year ended 31 March 2012 and complies with the applicable requirements of section 428 of the Companies Act 2006 and the regulations made thereunder as if they applied to the BBC and it were a quoted company.



**Scott Cormack**  
For and on behalf of KPMG LLP,  
Statutory Auditor

15 Canada Square  
London E14 5GL  
21 June 2012

## GLOSSARY

We have used some terms in this report to explain how we run our business, but which might be unfamiliar to our readers. The following list gives definitions for some of the more frequently used terms.

Acquired programmes	<b>Acquired programmes</b> are bought in a finished state from another supplier. Examples of acquired programmes are given on page 2-32.
Appreciation Index or AI	<b>Appreciation Index</b> or <b>AI</b> is the aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100.
Creative economy	The UK's <b>creative economy</b> includes the organisations and people who work in design and media industries, including indies, actors and writers.
BARB	<b>BARB</b> (Broadcasters Audience Research Board) is the independent organisation responsible for providing the official measurement of UK television audiences.
Cost per User Hour	<b>Cost per User Hour</b> or <b>Cost per Listener Hour</b> combines service spend and consumption to help inform an assessment of value for money.
Digital switchover	The process of <b>digital switchover</b> involves turning off the UK's analogue television broadcasting system by 2012. For more information see <a href="http://www.helpscheme.co.uk">www.helpscheme.co.uk</a> .
Freesat	<b>Freesat</b> is a free-to-air satellite TV service provided by the BBC and ITV, where users pay for the equipment but do not pay a monthly subscription. Visit <a href="http://www.freesat.co.uk/">www.freesat.co.uk/</a> . Freesat from Sky is also available for a one-off payment: <a href="http://www.freesatfromsky.co.uk">www.freesatfromsky.co.uk</a> .
Freeview	<b>Freeview</b> is the main UK digital terrestrial television service transmitted through an aerial and using a set-top box. No subscription is required. Freeview is the most widely used digital television platform. It has been available in HD since April 2010. See <a href="http://www.freeview.co.uk">www.freeview.co.uk</a> .
HDTV	<b>HDTV</b> – or high-definition television – is available via either a set-top box or an integrated digital television, and gives viewers better quality, high-resolution pictures.
Impact	<b>Impact</b> shows how memorable or acclaimed a programme or service is, and can be measured by the number of awards won by a service, or comments (positive and negative) generated in the press.
Peak time	<b>Peak-time</b> hours for the BBC's TV services are 6pm-10.30pm. Radio consumption is very different, and peak time for radio is usually defined as the breakfast and drive-time slots.
PSB	The UK's Public Service Broadcasters ( <b>PSBs</b> ) are the BBC, ITV, Channel 4, Channel 5 and S4C.
Rajar	<b>Rajar</b> (Radio Joint Audience Research) is the official body in charge of measuring radio audiences in the UK. It is jointly owned by the BBC and the RadioCentre on behalf of the commercial sector.
Reach	<b>Reach</b> on <i>television</i> is the number or percentage of an audience group who watch a programme or channel (15 consecutive minutes each week is the usual BBC measure, versus three minutes on commercial TV); and on <i>radio</i> is the number or percentage of people aged 15+ who listen to at least five minutes of radio in a 15-minute period during an average week.
Share	The <b>share</b> of total viewing or listening to a particular programme or service over a set time, expressed as a percentage of total hours of viewing/listening.
Unique users	<b>Unique users</b> or unique browsers is a measure for website traffic. It is not a traditional survey of 'people', but is measured automatically using either server logs or by a tag embedded within the web pages.
WoCC	The Window of Creative Competition ( <b>WoCC</b> ) opens up 25% of eligible TV hours and 10% of eligible radio hours to free competition between BBC in-house production and external producers. WoCCs are on top of pre-existing Ofcom and voluntary minimums.

If you want information or to know more about how the BBC is run, please visit [www.bbc.co.uk/aboutthebbc](http://www.bbc.co.uk/aboutthebbc).

# CONTACT US

## MORE INFORMATION

### Credits and copyright

Photographs are used ©BBC or used under the terms of the PACT agreement except for page 2-25 picture of the Queen at MediaCityUK ©Jon Super. Permission from copyright holders must be sought before any photographs are reproduced.

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

### Design

[luminous.co.uk](http://luminous.co.uk)



### Contacting the BBC

If you wish to find out more about the BBC's full year performance to March 2012 – including full financial statements and each service's performance against its Statement of Programme Policy, as well as other public commitments, please visit [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

The Annual Report is also available in Welsh and in audio version.

If you want information or to know more about how the BBC is run please visit [www.bbc.co.uk/aboutthebbc](http://www.bbc.co.uk/aboutthebbc). Here you will also find a blog where senior staff and experts regularly give an insider's view of what is happening at the BBC.

For tickets to shows, tours and events please visit [www.bbc.co.uk/showsandtours](http://www.bbc.co.uk/showsandtours).

If you have a comment, appreciation or complaint about BBC programmes and services please visit [www.bbc.co.uk/feedback](http://www.bbc.co.uk/feedback).

Or write to:

**BBC Audience Services**  
**PO Box 1922**  
**Darlington DL3 0UR**

Comment line tel: 03700 100 222

Other queries tel: 03700 100 123

Textphone: 03700 100 212

Lines are open 24 hours a day, seven days a week. Calls may be monitored or recorded for training purposes.

### BBC Trust

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

**BBC Trust Unit**  
**1st Floor**  
**180 Great Portland Street**  
**London W1W 5QZ**

Email: [trust.enquiries@bbc.co.uk](mailto:trust.enquiries@bbc.co.uk)

[www.bbctrust.co.uk](http://www.bbctrust.co.uk)

Telephone:

BBC Information line 03700 103 100

Textphone: 03700 100 212

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

### BBC Audience Councils

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

To contact the Audience Councils:

#### Audience Council England

Email: [audiencecouncil.England@bbc.co.uk](mailto:audiencecouncil.England@bbc.co.uk)

#### Audience Council Scotland

Email: [acs@bbc.co.uk](mailto:acs@bbc.co.uk)

#### Audience Council Wales

Email: [acw@bbc.co.uk](mailto:acw@bbc.co.uk)

#### Audience Council Northern Ireland

Email: [audiencecouncil.ni@bbc.co.uk](mailto:audiencecouncil.ni@bbc.co.uk)

[www.bbctrust.co.uk/bbctrust/who\\_we\\_are/audience\\_councils](http://www.bbctrust.co.uk/bbctrust/who_we_are/audience_councils)



[www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport)



British Broadcasting Corporation

Broadcasting House

London W1A 1AA

[bbc.co.uk](http://bbc.co.uk)

© BBC 2012