The multiplatform games – BBC 2012 Olympics coverage on TV, radio, PC, mobile, tablet and connected TV
## OVERVIEW

The BBC exists to serve the public, and its mission is to inform, educate and entertain.

## PART ONE

### THE BBC TRUST’S REVIEW AND ASSESSMENT

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

## PART TWO

### THE BBC EXECUTIVE’S REVIEW AND ASSESSMENT

The BBC Executive is responsible for the operational delivery of BBC services and the direction of BBC editorial and creative output in line with the framework set by the Trust.
The BBC serves the public interest through the promotion of its six public purposes.

**OUR PUBLIC PURPOSES AND STRATEGIC OBJECTIVES**

The Trust set four strategic objectives for the BBC which focus on things that matter most during this Charter period.

**QUALITY AND DISTINCTIVENESS**
All BBC services should offer high quality content that is distinctive in terms of its creative ambition, high editorial standards and its range and depth.

**SERVING ALL AUDIENCES**
The BBC should reflect the diversity of its audiences in both its programmes and its work force. All audiences should have access to relevant BBC services.

**VALUE FOR MONEY**
The BBC should improve value for money and open itself to external scrutiny of this area. It should become more efficient and increase investment in content whilst reducing overheads.

**OPENNESS AND TRANSPARENCY**
The BBC should enable the public, and the market in which it operates, to understand how it spends its money, how it performs and what it plans to do next.
In October 2012, ITV’s programme, Exposure, revealed widespread sexual abuse by Jimmy Savile, former TV presenter and DJ. Separately, questions had previously been raised about whether a Newsnight investigation into allegations of this abuse had been halted due to scheduled Jimmy Savile tribute programmes.

While the BBC’s prime concern was, and remains, the impact on his many victims, the issue also led to a significant series of events for the BBC, culminating in the departure of the Director-General, George Entwistle.

Following the revelations about Savile, the BBC commissioned three reviews:

- Nick Pollard’s independent review was published on 18 December 2012. It examined the original Newsnight investigation and a blog written by the editor of Newsnight, which was later found to contain inaccuracies. The Pollard Report concluded that the decision to drop the original investigation was flawed and the way it was taken was wrong, but that it was taken in good faith and not done to protect the Savile tribute programmes, or for any improper reason. He also concluded that there were serious failings in editorial oversight and management control.

- the BBC’s Respect at Work Review was published on 2 May 2013. Dinah Rose QC oversaw and provided independent challenge to the review. Initially, this review focused on the extent to which sexual harassment is an issue at the BBC, but its remit was later expanded to include broader behavioural issues. The review found that, whilst incidents of sexual harassment are rare, there is evidence of bullying which often appears to go unchallenged by senior managers.

- the former Court of Appeal judge Dame Janet Smith is currently examining the culture and practices of the BBC during the years that Jimmy Savile worked here. Dame Linda Dobbs will investigate the series of sexual assaults recently admitted by Stuart Hall and the conclusions will feed into Dame Janet Smith’s report.

On 2 November 2012, the BBC broadcast a Newsnight report on historic child sex abuse in North Wales care homes that claimed that two victims had been abused by a ‘leading Conservative politician from the Thatcher years’. Online speculation prior to Newsnight’s broadcast identified the subject of the report as Lord McAlpine. After the broadcast, information emerged that Lord McAlpine had been mistakenly identified by a victim and he strenuously denied any involvement. This led to Newsnight broadcasting an apology a week after transmission. The Director-General George Entwistle departed the following day.

The Trust subsequently investigated the November Newsnight report and concluded that there had been a serious breach of the BBC’s Editorial Guidelines relating to accuracy, that the allegations in the Newsnight report were not based on sound evidence, and that the audience had been misled.

Conclusions

The BBC is determined to learn from these reviews and to ensure that we do not let down licence fee payers in this way again. These events have affected audiences’ trust in the BBC, which is at the heart of everything that we do. Rebuilding that trust will continue to be the focus for the entire organisation in the year ahead.
UNDERSTANDING OUR FINANCES
HOW WE SPEND YOUR MONEY

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.

Our income explained 2012/13

<table>
<thead>
<tr>
<th>Licence fee</th>
<th>Commercial operations</th>
<th>Grant income</th>
</tr>
</thead>
<tbody>
<tr>
<td>The BBC is established by Royal Charter and our UK public service broadcasting activities are funded by UK households.</td>
<td>Our commercial operations include BBC Worldwide, BBC Studios and Post Production and BBC Global News Ltd.</td>
<td>BBC World Service is currently funded by the Foreign and Commonwealth Office. BBC Monitoring is funded by the Cabinet Office.</td>
</tr>
</tbody>
</table>

Total licence fee income

<table>
<thead>
<tr>
<th>Total licence fee income</th>
<th>Combined profit before interest and tax</th>
<th>Grant in aid and grant income</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3,656m</td>
<td>£155m</td>
<td>£265m</td>
</tr>
</tbody>
</table>

2011/12: £3,606m | 2011/12: £222m | 2011/12: £277m |

Cost per household

A six-year licence fee settlement was agreed in 2010 which, in effect, has frozen the licence fee at £145.50 until 2016.

Per day

40p

2011/12: 40p

Cost per service 2012/13

<table>
<thead>
<tr>
<th>Monthly spend by licence fee</th>
<th>Television</th>
<th>Radio</th>
<th>Online</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>£12.13 per household</td>
<td>£2,472m</td>
<td>£670m</td>
<td>£177m</td>
<td>£502m</td>
</tr>
</tbody>
</table>

Per day

40p

2011/12: 40p

Overall impression of the BBC

The overall impression of the BBC given as a figure out of ten.

7/10

2011/12: 7/10

What it delivers 2012/13

<table>
<thead>
<tr>
<th>Audience reach</th>
<th>Total time spent</th>
<th>Overall impression of the BBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the population who use BBC services each week.</td>
<td>Length of time the average listener and viewer spends with the BBC each week.</td>
<td>The overall impression of the BBC given as a figure out of ten.</td>
</tr>
</tbody>
</table>

96%

19.5 hours

7/10

2011/12: 96% | 2011/12: 19 hours | 2011/12: 7/10 |
Network TV programming spend 2012/13 – percentage by region
The BBC has committed that by 2016, 50% of network TV programming spend will be from outside of London and 17% from the Nations.

BBC spend in the creative economy 2012/13
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.

The licence fee in Europe
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 2013 (£1=EUR 1.23). Cost is total per licence to domestic customer for TV and radio.

* Rate includes VAT
PART ONE
THE BBC TRUST’S REVIEW AND ASSESSMENT

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

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

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

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

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

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

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

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

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

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

Lord Patten of Barnes CH
Chairman
20 June 2013
Reporting on the BBC’s progress: quality and distinctiveness; value for money; serving all audiences; openness and transparency
To get the best out of the BBC for licence fee payers, in 2010, the Trust set four strategic objectives for the organisation.

**QUALITY AND DISTINCTIVENESS**

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

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

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

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

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

David Liddiment and Alison Hastings

**VALUE FOR MONEY**

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

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

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

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

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

Anthony Fry
SERVING ALL AUDIENCES

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

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

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

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

Diane Coyle

OPENNESS AND TRANSPARENCY

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

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

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

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

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

Richard Ayre
QUALITY AND DISTINCTIVENESS

ENSURING STAND-OUT CONTENT

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

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

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

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

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

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

### Television – audience appreciation
Audience appreciation of BBC television is very high and continues to rise each year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>81.6</td>
</tr>
<tr>
<td>2011/12</td>
<td>82.6</td>
</tr>
<tr>
<td>2012/13</td>
<td>83.1</td>
</tr>
</tbody>
</table>

**How we measure up**

Source: BBC Pulse Survey

**What’s next?**
- The Trust will consider how BBC television can maintain and increase its quality in our television service review in the coming year.

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

### Radio – audience appreciation
Audience appreciation of BBC radio is very high and has remained stable.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>79.7</td>
</tr>
<tr>
<td>2011/12</td>
<td>80.6</td>
</tr>
<tr>
<td>2012/13</td>
<td>80.4</td>
</tr>
</tbody>
</table>

**How we measure up**

Source: BBC Pulse Survey

**What’s next?**
- We will continue to monitor how BBC radio can maintain its very high quality whilst making efficiency savings and budget cuts in the coming years.

### BBC Online – audience appreciation
Audience appreciation of our online services increased slightly this year. The previous year’s lower score was attributed to website relaunches in that year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>80.5</td>
</tr>
<tr>
<td>2011/12</td>
<td>77.1</td>
</tr>
<tr>
<td>2012/13</td>
<td>77.5</td>
</tr>
</tbody>
</table>

**How we measure up**

Source: BBC Online Quality Survey

**What’s next?**
- Our review of BBC Online highlighted the BBC Knowledge & Learning sites and the BBC’s local sites as key areas for improvement.
- We will monitor overall progress and these sites in particular.
Television
The BBC has retained a very strong position with audiences in a year which marked the end of the switchover to digital TV and with catch-up services now widely available. Television remains very popular with the public, no doubt helped by more people buying large screen, HD-enabled TV sets and the availability of catch-up TV via PVRs and online players. With that caveat, audiences rated BBC Television increasingly highly for its quality and for being ‘fresh and new’.

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

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

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

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

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

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

Despite lower budgets, it is still vital for the daytime schedules to demonstrate creative ambition through the range and quality of their programming.
The ‘Proms’ underpins Radio 3’s ongoing commitment to offering the widest range of live classical music.
**BBC Radio 2**

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

**BBC 6 Music**

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

**BBC Radio 3**

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

**BBC Radio 4 and 4 extra**

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

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

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

**BBC Radio 5 live and 5 live sports extra**

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

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

**BBC Asian Network**

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

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

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

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

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

**BBC Local Radio**

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

**BBC Online and Red Button**

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

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

Reach grew for many parts of BBC Online, including news, sport and iPlayer. Perceptions of the quality of BBC Online improved after a significant drop last year, following the relaunch of two of its most popular sites, *Homepage* and *Sport*. Appreciation is now close to pre-relaunch levels, and our service review research this year showed that audiences hugely value BBC Online for its quality of content.
The BBC Red Button reaches around 17 million people each week. Its users value the news and sport headlines, weather and other information. Some cuts were made to Red Button’s broadcast offer this year as part of DQF cost savings, but we are confident that it will remain an important service for licence fee payers. We expect it to become an increasingly important gateway to BBC Online.

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

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

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

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

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

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

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

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

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

The Trust welcomes the step change in quality and depth of output on BBC World News, following increased investment in this commercial service. It has allowed a visibly improved service to be offered.
One of the Trust’s main responsibilities is to set the BBC’s editorial standards.

**Editorial complaints**

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

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

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

**Other serious breaches**

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

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

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

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

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

**Public perceptions of the impartiality of news providers**

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

- BBC News 49%
- Other 22%
- Don’t know 6%
- Channel 4 3%
- Sky News 6%
- ITV 14%

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

BBC’s economics editor Stephanie Flanders presented Stephanomics, a series on the economics of our times, on BBC Radio 4.
The BBC has made significant overall savings this year, but the costly failure of the BBC’s Digital Media Initiative (DMI) project has rightly generated public concern.
PERFORMANCE SUMMARY

Savings
This year, the BBC delivered £580m efficiency savings under the continuous improvement programme, contributing to the £2bn cumulative savings delivered over 2008/09 to 2012/13.
This means the BBC exceeded the 3% year-on-year efficiency savings target set by the Trust.
Early indications suggest that this has been achieved without a detrimental impact on overall audience numbers or appreciation scores.

How we measure up
£580m efficiency savings

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

Perceptions of value for money
Nearly six in ten people perceived the BBC to represent good value for money (57%).
This score has remained stable over the past five years despite the BBC making significant efficiency savings.

How we measure up
57%

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

Reducing the pay gap
The pay multiple shows the difference in median earnings of BBC staff, and the Director-General.
The Trust has reduced the pay multiple over the past year by significantly reducing the remuneration paid to the Director-General.

How we measure up
Director-General pay multiples

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

Source: Purpose Remit Survey
Financial strategy and annual budget

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

Efficiency savings

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

Performance against service licence budgets

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

Ensuring the licence fee supports the wider economy

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

Pay

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

Senior executive pay

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

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

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

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

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

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

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

Presenters’ and performers’ pay

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

Employing freelancers

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

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

The Director-General

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

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

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

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

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

Non-executive directors

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

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

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

Executive directors

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

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

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

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

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

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

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

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

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

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

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

Significant financial proposals

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

Trading fairly

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

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

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

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

CREATING DIVERSE CONTENT ON ALL PLATFORMS FOR ALL AGES AND COMMUNITIES

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

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

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

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

The Olympics provided something for everyone
In total, 47.4 million accessed the BBC’s games coverage online, including 32 million in the UK.

32m
UK browsers
90%
TV reach

The BBC’s coverage of the 2012 Olympics broke all records.
## PERFORMANCE SUMMARY

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

**How we measure up**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2011/12</td>
<td>96%</td>
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</table>

**Source:** BBC Cross Media Insight Survey

**What’s next?**
- The BBC’s ability to offer something of high quality for everyone will remain key to its success in coming years

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

**How we measure up**

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

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

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

**How we measure up**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of network spend</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>35%</td>
</tr>
<tr>
<td>2009</td>
<td>38%</td>
</tr>
<tr>
<td>2010</td>
<td>35%</td>
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<tr>
<td>2011</td>
<td>41%</td>
</tr>
<tr>
<td>2012</td>
<td>46%</td>
</tr>
<tr>
<td>2014 target</td>
<td>50%</td>
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**What’s next?**
- The Trust will closely monitor the BBC’s progress towards our target of making 50% of our network television by spend outside London by 2016
- In doing so, we will consider how the BBC is supporting production centres outside London so they are in a position to thrive

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

**How we measure up**

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

**What’s next?**
- Through our audience research we will continue to monitor how BBC programming is reflecting the UK as a whole

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

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

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

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

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

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

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

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

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

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

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**Representing the diversity of the UK within the BBC**

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

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

We have asked the Executive to continue its work on recruiting and retaining disabled staff and will monitor progress over the next year.

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

OPERATING TRANSPARENTLY, ENGAGING OPENLY

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

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

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

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

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

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

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

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

Gemma Cairney, Radio 1 weekend Breakfast Show presenter, answers questions from the audience at ‘Access All Areas’ session
PERFORMANCE SUMMARY

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

How we measure up

Engagement with:
- UK digital industry
- Independent television production sector
- Wider media industry

What’s next?
- We will continue to hold annual industry engagement events with the industry
- The BBC will continue to engage with the creative industries

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

How we measure up

Published in 2012/13
- Senior manager pay and expenses
- Talent costs
- Hospitality
- Declarations of personal interest

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

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

How we measure up

What’s next?
- The BBC will hold more ‘access all areas’ initiatives so licence fee payers can see the BBC at work
Consultations, research and Audience Councils: those we heard from and what they said
We heard from a range of audiences, in particular through our Purpose Remit Survey and nine public consultations linked to major pieces of research.

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

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

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

In the last year, we carried out nine public consultations linked to our major pieces of work, including service reviews for BBC Online and Red Button, and the Children’s services, CBBC and CBeebies. We also ran consultations as part of BBC policy reviews on the purpose remits, service licences and the Election Guidelines for Police and Crime Commissioners. In total, we heard from over 10,000 people across the UK, and received responses from a range of organisations including industry bodies, voluntary organisations and other interest groups. As part of the Children’s services review, we designed a consultation for children, giving them the opportunity to tell us themselves what they thought.

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

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

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

Qualitative research also played an important role in our impartiality review on breadth of opinion. Audiences were asked to watch and listen to a range of BBC news and current affairs output, and comment on whether they had seen, read and heard a breadth of opinion.
Purpose Remit Survey
This Survey asks audiences for their views on how important each public purpose is to them, and on the BBC’s performance in relation to each. It also includes some general questions. Although the Survey is usually annual, we did not carry it out in 2012 because we were reviewing the purpose remits and updating the Survey to ensure its questions remain relevant to the public. The results here for 2013 are, therefore, compared with those of 2011.

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

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

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

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

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

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

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

Delivering the benefit to the public of emerging communications, technologies and services
YouView was successfully launched in 2012, and enhancements were made to iPlayer. Therefore, we were pleased to see that this purpose continued to score increasingly highly this year, with teenagers and young adults giving higher than average scores. However, the public does continue to consider this purpose to be less important than the others, although its importance has been rising.
Audience Councils
It is essential that the BBC properly represents all nations of the UK, and we, therefore, have an Audience Council for each nation, as well as a National Trustee. The Audience Councils play an important role in gathering insights from audiences in their respective nations, including how well the BBC is serving these audiences and delivering its public purposes.

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

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

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

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

Priorities for 2013/14
Audience Councils report emerging issues to the Trust so that they can be included in the annual workplan. This year, audiences asked for more drama and documentary programmes on the main networks, to appeal to audiences across the UK, and to more diverse groups – they want the BBC to move more quickly to reflect fully the four nations’ political and cultural distinctiveness. They also raised concerns that local programmes are not available on BBC One HD in England, or on BBC Two HD in Northern Ireland, Scotland and Wales, and asked that DAB radio be made more widely accessible.

For more information, see the four Audience Councils’ annual reviews published on the Trust’s website.
INSIDE THE TRUST

The governing body of the BBC: who we are, how we operate and how much it costs
Trustees are part-time and come from a variety of backgrounds, bringing a wide range of experience to the BBC. Trustees are appointed by the Queen on advice from ministers following an open appointments process.
PART ONE: INSIDE THE TRUST

David Liddiment
Chairs Audiences and Performance Committee. Led Trust’s review of service licences.

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

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

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

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

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

Elan Closs Stephens CBE
Trustee for Wales, chairs Audience Council Wales. Member, S4C Authority.

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

Suzanna Taverne
Led Trust’s review of BBC Online and Red Button.

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

Lord Williams of Baglan
Chairs International Services Committee.

Other roles
Distinguished Visiting Fellow, Chatham House; member of the international advisory board, Toledo CTPAX, Toledo International Centre for Peace; member of governing board, School of Oriental and African Studies.
The BBC Trust is the governing body of the BBC. We are supported by the Trust Unit, a team of professional staff who report directly to us.

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

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

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

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

Trustee changes during the year
Rotha Johnston’s and Mehmuda Mian’s terms ended on 31 October 2012. Sonita Alleyne’s and Aideen McGinley’s terms began on 1 November 2012.

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

Trustees’ attendance at Audience Council meetings (1 April 2012-31 March 2013)

<table>
<thead>
<tr>
<th>Trustee Name</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Alison Hastings</td>
<td>7/7</td>
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<tr>
<td>Rotha Johnston</td>
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<td>Bill Matthews</td>
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<td>Aideen McGinley</td>
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<tr>
<td>Elan Closs Stephens</td>
<td>8/8</td>
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</table>

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

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

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

The Trust Unit
We are supported in our work by the Trust Unit, which provides independent and objective advice, calling on outside experts when necessary. The Unit is made up of BBC staff who are independent of the Executive and report directly to us. It includes professional staff with expertise across a range of disciplines, including corporate governance, policy development, audience research, financial and performance analysis, economics and law.

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

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

**Fees**

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

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

**Expenses**

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

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

**Chairman’s benefits**

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

### Trustees’ remuneration

<table>
<thead>
<tr>
<th>Fees</th>
<th>£000</th>
<th>Taxable benefits</th>
<th>£000</th>
<th>Total 2012/13 £000</th>
<th>Total 2011/12 £000</th>
<th>Appointment term start date</th>
<th>Appointment term end date</th>
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<td>–</td>
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<td>Bill Matthews (Scotland)***</td>
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<td>38</td>
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<tr>
<td>Aideen McGinley (Northern Ireland)**</td>
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<td>–</td>
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<td>Sonita Alleyne</td>
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<td>Dame Patricia Hodgson***</td>
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<td>33</td>
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<tr>
<td>Mehmuda Mian</td>
<td>19</td>
<td>–</td>
<td>–</td>
<td>19</td>
<td>33</td>
<td>1 Nov 06</td>
<td>31 Oct 12</td>
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<td>Suzanna Taverne**</td>
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<td>8</td>
<td>1 Jan 12</td>
<td>31 Dec 15</td>
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<tr>
<td>Lord Williams</td>
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<td>11</td>
<td>1 Dec 11</td>
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<td><strong>Total</strong></td>
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<td>532</td>
<td>492</td>
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</table>

Notes

1. Trustees took an 8.3% voluntary reduction in pay in September 2010.
2. Lord Patten, Suzanna Taverne and Lord Williams began their appointments during the financial year 2011/12; accordingly their fees for 2011/12 only relate to their time in office and do not cover the full year. Diane Coyle began her term as Vice Chairman in May 2011; accordingly her fee as Vice Chairman for 2011/12 does not cover the full year.
3. Sir Michael Lyons and Dame Patricia Hodgson ended their appointments during the financial year 2011/12; accordingly, their fees only relate to their time in office and do not cover the full year.
4. Rotha Johnston and Mehmuda Mian ended their appointments part-way through the financial year 2012/13; accordingly their fees only relate to their time in office and do not cover the full year.
5. Bill Matthews is the Chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.
6. Aideen McGinley and Sonita Alleyne began their appointments part-way through the financial year 2012/13; accordingly, their fees only relate to their time in office and do not cover the full year.
7. Anthony Fry will step down in the autumn of 2013.
8. In 2012/13 the total fees were higher as there were no vacant posts. In 2011/12 there were three vacant posts: a one-month vacancy for the Vice Chairman post and two Trustee vacancies (six and eight months respectively).
9. These Trustees all had taxable benefits less than £500 which have been rounded to nil. The total amount incurred by Trustees was £1,430.48.
Trust committees
We do much of our work through committees, which can make certain decisions on behalf of the Trust as a whole. The members of each committee and their attendance during 2012/13 are set out below. The terms of reference for each committee are on our website.

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

Meeting attendance (1 April 2012-31 March 2013)
Diane Coyle (Chair) 3/3
Alison Hastings 3/3
Rotha Johnston 2/2
Bill Matthews 3/3
Aideen McGinley 1/1
Elan Closs Stephens 2/3
Committee membership changes: Rotha Johnston (until October 2012); Aideen McGinley (from November 2012).

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

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

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

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

Meeting attendance (1 April 2012-31 March 2013)
Richard Ayre (Chair)* 11/11
Diane Coyle 4/4
Anthony Fry 1/1
Alison Hastings 2/2
David Liddiment 1/1
Bill Matthews 2/2
Aideen McGinley 1/1
Mehmuda Mian* 4/5
Elan Closs Stephens* 4/5
Suzanna Taverne 1/1
* Indicates standing members. Committee membership changes: Mehmuda Mian (until October 2012); Elan Closs Stephens (from December 2012).

Editorial Standards Committee
Chair: Alison Hastings
The Editorial Standards Committee (ESC) is responsible, on behalf of the Trust, for establishing the BBC's editorial standards and overseeing the BBC's services for compliance with these standards. Editorial standards are enshrined in the BBC's Editorial Guidelines. The Trust asks the Executive Board to prepare draft Guidelines and, if content, the Trust then formally approves them. The ESC is the final appeal body within the BBC in determining whether the Editorial Guidelines have been followed. The ESC also manages the Trust's programme of impartiality reviews and seminars.

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

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

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

Meeting attendance (1 April 2012-31 March 2013)

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Lord Williams (Chair)</td>
<td>4/4</td>
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<tr>
<td>Richard Ayre</td>
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<tr>
<td>Diane Coyle</td>
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<td>David Liddiment</td>
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<td>Aideen McGinley</td>
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<tr>
<td>Elan Closs Stephens</td>
<td>4/4</td>
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Committee membership changes: David Liddiment (until November 2012); Aideen McGinley (from December 2012).

Strategy and Approvals Committee  
Chair: Diane Coyle

The Strategy and Approvals Committee (SAC) considers proposals from the Executive Board, including for new services or changes to existing services, except those proposed as part of a service review (which are considered by the APC). It considers whether a public value test (PVT) is required and advises the Trust accordingly. The SAC manages any PVT or other consideration of a proposal from the Executive, and makes recommendations to the Trust on possible outcomes. The SAC also oversees the BBC’s commercial strategy and individual proposals, where these are of strategic significance or of high value.

Meeting attendance (1 April 2012-31 March 2013)

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
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<tbody>
<tr>
<td>Diane Coyle (Chair)</td>
<td>8/8</td>
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<tr>
<td>Richard Ayre</td>
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<td>Anthony Fry</td>
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<td>Bill Matthews</td>
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<td>Suzanna Taverne</td>
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<td>Lord Williams</td>
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Committee membership changes: Richard Ayre (until November 2012); Lord Williams (from December 2012).

Remuneration and Appointments Committee  
Chair: Lord Patten

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

Meeting attendance (1 April 2012-31 March 2013)

<table>
<thead>
<tr>
<th>Name</th>
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<td>Diane Coyle</td>
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</tr>
<tr>
<td>Rotha Johnston</td>
<td>0/0</td>
</tr>
<tr>
<td>David Liddiment</td>
<td>1/1</td>
</tr>
</tbody>
</table>

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

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

Trust Finance Committee  
Chair: Anthony Fry

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

Meeting attendance (1 April 2012-31 March 2013)

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony Fry (Chair)</td>
<td>10/10</td>
</tr>
<tr>
<td>Richard Ayre</td>
<td>3/3</td>
</tr>
<tr>
<td>Diane Coyle</td>
<td>3/3</td>
</tr>
<tr>
<td>Rotha Johnston</td>
<td>5/6</td>
</tr>
<tr>
<td>Elan Closs Stephens</td>
<td>10/10</td>
</tr>
<tr>
<td>Suzanna Taverne</td>
<td>10/10</td>
</tr>
<tr>
<td>Lord Williams</td>
<td>6/7</td>
</tr>
</tbody>
</table>

Committee membership changes: Rotha Johnston (until October 2012); Lord Williams (until November 2012); Diane Coyle (from December 2012); Richard Ayre (from December 2012).
We aim to run our operations as efficiently as possible. Our direct expenditure for 2012/13 was consistent with that for the previous year.

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

**Director and senior management remuneration**

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

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

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

**Trust expenditure statement**

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

**Notes**

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

**Trust people**

<table>
<thead>
<tr>
<th></th>
<th>Average for year</th>
<th>2012/13</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees</td>
<td>12.0</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>Trust Unit staff (EFT)</td>
<td>65.9</td>
<td>67.3</td>
<td></td>
</tr>
</tbody>
</table>

**Notes**

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

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

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

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

Our report has been prepared for the Trust solely in connection with its obligations under the Royal Charter. Our report was designed to meet the agreed requirements of the Trust and particular features of our engagement determined by the Trust’s needs at the time. Our report should not, therefore, be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Trust for any purpose or in any context. Any party other than the Trust who obtains access to our report (or any part of it) will do so at its own risk.

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

Scott Cormack
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
20 June 2013

Statement of responsibilities in respect of the annual report and accounts

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

In preparing its associated corporate governance disclosures, the Executive Board has elected to comply with the UK Corporate Governance Code, and, where applicable, the Financial Services Authority Listing Rules which apply to a company quoted on an EU regulated market.

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

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

Statement of disclosure of information to auditors

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

This statement was approved by the Trust on 20 June 2013.

Lord Patten of Barnes CH
Chairman
20 June 2013
PART TWO
THE BBC EXECUTIVE’S REVIEW AND ASSESSMENT

The BBC Executive is responsible for the operational delivery of BBC services and the direction of BBC editorial and creative output in line with the framework set by the Trust.
DIRECTOR-GENERAL’S INTRODUCTION

The BBC is a remarkable, creative organisation, enriching millions of lives every day, here and the world over. It also provokes strong opinions because people care passionately about it. As I embark on my first year as Director-General I have a very real sense of pride, but also of the responsibility that comes with the role.

The last year has seen the BBC perform at its very best with programmes and services of the highest quality. Equally it was a year when the organisation fell short, and people were let down as a result.

Our Olympics coverage was a milestone in broadcasting, helping to unite the country for a proud moment in our national history. Over 90% of the TV population saw some of the BBC’s Olympic programming and the Olympic opening ceremony was watched by a peak audience of 28.7 million. It was also the first truly digital Olympics with 24 streams of events meaning audiences did not have to miss a moment.

Distinctive and original programme-making remains core to the BBC and it was great to see BBC Drama’s outstanding year recognised at the BAFTAs – from the Accused on BBC One, to the extraordinary Hollow Crown on BBC Two. In comedy, Twenty Twelve was a huge topical hit, and our enthusiasm for documentaries has not waned with Sir David Attenborough’s remarkable Africa reaching 25 million viewers.

News is at the heart of the BBC’s mission and BBC journalists across the globe have worked tirelessly. From the crisis in the Eurozone to renewed tensions in the Middle East, our teams have continued to show why BBC journalism is internationally respected. Our recent coverage of the death and funeral of Baroness Thatcher also showed the BBC’s ability to reflect both respect and context.

It’s been a landmark year for radio too with the 90th anniversary of the BBC’s first broadcast, and the most ambitious ever Proms. The Hackney Weekend saw the launch of Radio 1’s Hackney Academy, its biggest social action programme to date reaching thousands of young people with career master classes, as well as showcasing some of the biggest musical talent in the world, all for free.

We have also faced well documented challenges. Many people understandably felt very let down by the appalling revelations about Jimmy Savile and Stuart Hall – first and foremost the victims of their abuse. We are absolutely determined to learn the lessons to ensure that this can never happen again at the BBC. Equally, as an organisation, we have had to look in the mirror and address our failings in how we handled this issue. There is more to do, but thanks to the hard work across the organisation we have seen some recoveries in public trust. We must never take it for granted.

In my first three months as Director-General, I have made it a priority to visit different parts of the BBC – from Glasgow, Belfast and mid-Wales to Salford, Cardiff and Lincolnshire. The passion, professionalism and commitment of the people I’ve met give me confidence in the BBC’s future. As an organisation we are truly fortunate to have such outstanding staff. We now have a new senior team in place, combining the best from inside and outside the BBC. We have also reconfirmed the importance of a clear commercial proposition for the BBC that supports public service broadcasting. Our challenge now is to ensure we get the most out of our staff in a way that allows all their talents to flourish – and that they in turn get the most out of working for the BBC.

As we move towards our centenary, the BBC should be optimistic about the future. Like any organisation, we face significant challenges but there also great opportunities. As I said on my first day as Director-General, I firmly believe that with imagination and hard work the BBC’s best days lie ahead.

Tony Hall
Director-General
20 June 2013

“As I embark on my first year as Director-General, I have a very real sense of pride, but also the responsibility that comes with the role.”
In December 2010 the BBC Trust set four strategic objectives for the BBC to 2016
Delivering Our Strategy

Our Four Strategic Objectives

Every year, the BBC Executive sets the organisation annual objectives. The primary focus of the last year was to put into place the Delivering Quality First (DQF) strategy to meet these objectives and to make the savings required by the 2010 licence fee settlement.

Quality and Distinctiveness

We need to do more than any other broadcaster to make our output innovative and different from what is available elsewhere. Every BBC programme (or piece of online content) should have a distinctive BBC quality, displaying at least one of the following: high editorial standards; creative and editorial ambition; range and depth; and UK-focused content and talent.

The biggest digital broadcast Olympics

The BBC was at the heart of the Olympics with unprecedented and comprehensive coverage of the action in the first truly ‘Digital Olympics’. There was live coverage of every Olympic sport from every venue. 52 million viewers watched the BBC’s coverage.

How we measure up

Audience appreciation (AI) score out of 100.

83.1

What’s next

We will continue to create great programmes and services. Upcoming highlights will include:

- programming to mark the anniversary of World War I
- making events like Glastonbury and the Commonwealth Games truly integrated, digital experiences
- providing comprehensive coverage in the build-up to the Scottish referendum

Value for Money

We must demonstrate a continued commitment to providing value for money by using the licence fee effectively. We are doing this by taking advantage of new ways of working to reduce costs; increasing commercial income; and addressing concerns around talent costs and top management pay and expenses.

New ways of working

The new Broadcasting House brings together national and international news, network radio stations, television channels and online services for the first time in the BBC’s history with 4,000 staff now based in the building.

Annual savings (£m)

£2bn savings in total or 3.7% annual savings across five years.

What’s next

We will run the organisation efficiently by:

- implementing the 20% efficiency savings identified in DQF
- developing a new commercial strategy
- delivering partnerships in key strategic areas
- streamlining the BBC’s support services
- preparing for the transition of BBC World Service to licence fee funding
SERVING ALL AUDIENCES
We aim to deliver services of value to everyone in the UK. This means making sure that every household has convenient access to each relevant service, free at the point of use. We must also provide output that serves and represents the UK, its nations, regions and its various diverse communities.

Digital switchover
Digital TV switchover was one of the largest broadcast engineering projects in history. Alongside the upgrade of over 1,000 transmitters, the BBC led the Switchover Help Scheme, which provided expert assistance to the most vulnerable in society, substantially below budget.

How we measure up
Each week we reach 96% of the UK population through our services.

What’s next
We will sustain and improve our impact and relationship with audiences by:

- ensuring the BBC’s output is delivered to all and take advantage of new internet-based distribution services
- offering audiences the opportunity for greater personalisation of services
- maintaining reach and time audiences spend with the BBC

OPENNESS AND TRANSPARENCY
Our ambition is to lead the public sector in setting standards of openness and transparency. In particular, we will continue to publish an annual summary work-plan and budget; quarterly audience data; senior manager remuneration and talent costs; and increase openness and engagement with the media industry.

Bringing the audience in-house
Audiences are at the heart of everything we do and we are offering more opportunities for them to see how we work. Radio 1’s Access All Areas in February 2013 opened up studios and offices to show how the network is put together.

How we measure up
We aim to go over and above what is expected of us in an open and transparent manner.

What’s next
We will strive to become more open and transparent by:

- developing a single, easy-to-use portal through which audiences can access a wide range of BBC public documents
- being more proactive in publishing management blogs
- creating more ‘Access All Areas’ events where licence fee payers can see the BBC at work

Delivering Quality First
In summary, DQF obliges the BBC to:

- live within its means by making 20% savings by 2016/17
- concentrate on what matters most by focusing investment on quality, key services, genres and the times of day when people most use our services
- transform itself for the future, in part by creating a reinvestment fund for content and digital creativity

At the same time, the BBC plans to deliver an exciting and hugely ambitious year of national events and cultural highlights.
2012 was a year of major events including the Olympics – the BBC’s biggest ever broadcasting moment – which engaged audiences across all technology platforms.

The opening ceremony of the London 2012 Olympic Games

2012 was a year of major, stand-out events, and the BBC delivered some extraordinarily successful and ground-breaking coverage of the Torch Relay, the Olympics and the Diamond Jubilee, as well as more regular events such as Wimbledon, the European Championships, Children in Need and Comic Relief – the last two raising record amounts for good causes.

More than any other event, the Olympics showed the BBC not just covering the event but at its very heart. The range and breadth of BBC coverage was unprecedented, capturing all the action, providing first-rate analysis and offering unparalleled range and breadth to audiences – not to mention BBC Drama’s film of Her Majesty The Queen and James Bond, part of Danny Boyle’s opening spectacular. Whether it was Clare Balding interviewing Bert le Clos, or the commentary team reacting to Team GB’s outstanding achievements on the field, the BBC’s coverage drew audiences in and captured the spirit of every moment. In research carried out just after the event, 96% of the public who consumed the BBC’s coverage felt that it met or exceeded their expectations; 95% of the audience agreed that it captured the mood of the occasion; and 95% thought that the BBC’s coverage was high quality.

We also provided the most comprehensive coverage ever in the first truly ‘Digital Olympics’. Audiences were able to access coverage through multiple platforms including TV, radio, and online across four screens: PC, mobile, tablet and connected TV (including smart TVs and games consoles) and BBC Red Button services. There was live coverage of every Olympic sport from every venue throughout the day. The flagship Olympic channels, BBC One and BBC Three were dedicated to the event. A 24-hour, temporary digital radio station, Radio 5 live Olympics Extra, complemented BBC Radio 5 live and BBC Radio 5 live sports extra. At bbc.co.uk/sport users could watch live HD video coverage, switch between up to 24 live video streams, rewind live coverage and access live data, statistics and information while watching the action. Those 24 HD-quality, live Olympic streams were also made available to cable and satellite providers.

The Queen’s Diamond Jubilee was another moment of national celebration, with the BBC broadcasting an unprecedented array of television, radio and online output. This included 14 hours of live programming across the Jubilee weekend itself; a four-and-a-half hour broadcast spanning the river pageant route; the BBC’s Diamond Jubilee Concert created, shaped, funded and produced by the BBC in collaboration with Gary Barlow on a stunning stage built in front of Buckingham Palace; full coverage of the Service of Thanksgiving at St Paul’s Cathedral, and the Royal Procession and fly-past. Elements of the BBC’s coverage proved controversial, with the Jubilee pageant in particular attracting sharp criticism.
The biggest digital broadcast Olympics
The coverage of the 30th summer Olympic Games in London was the biggest outside broadcast ever attempted by the BBC. In addition to BBC One, BBC Two and BBC Three, there were 24 dedicated digital channels via Red Button covering all 26 sports live from 32 venues. Coverage was also available via PC, mobile phone, tablet and internet-connected TV.

32m unique browsers
of which 8.6m watched on mobile browsers
and 2.3m watched on tablets

52m watched on TV and 24m on Red Button
24 dedicated digital television channels
7.8m listened to Radio 5 live and Olympics Extra

The weather and technical difficulties compromised some parts of the event, alongside some inaccuracies in the commentary, but both the pageant and the BBC’s coverage across the whole weekend was broadly well-received by audiences. The pageant achieved an average audience of close to 11 million viewers over more than four hours of coverage, with a programme appreciation score (AI) of 82 out of 100. The Jubilee Concert was the highest-rating non-sports programme of the year with over 15 million viewers and an AI of 85.

The BBC also delivered high quality programming throughout the year. Television’s Hollow Crown series of four Shakespeare plays was an audience highlight, achieving an AI of 88 and the Shakespeare Unlocked season as a whole, reached over 14 million viewers. The BBC’s Natural History Unit series about Africa reached some 25 million across the series, with an AI of 93. Mrs Brown’s Boys became one of the most popular comedies in recent years: the latest series achieved an average audience per episode of over nine million viewers (increasing close to 14 million on average with iPlayer and repeat showings) with an AI of 91. In music, we gave away 100,000 free tickets for Radio 1’s Hackney Weekend with millions watching and listening on TV and radio. Children’s drama was strong this year, with Wolfblood and the spin-off from Tracy Beaker The Dumping Ground proving particularly popular with younger viewers.

Online, the cycle of refreshing the major parts of the BBC’s site was completed in 2012. Tablet and mobile use were the big stories of the year, with BBC Online’s browser reach on tablets increasing by almost 200%. The BBC’s iPlayer app has been installed more than 16 million times and the BBC News app over nine million times. The BBC launched the Connected Red Button in December 2012 on Virgin’s TiVo platform. It allows audiences to access contextual information, catch-up content and text articles via normal TV viewing. Further launches on YouView and other platforms are planned.

BBC News continued to reach over 80% of the UK population every week. Scores for trust in the BBC were, of course, hit by the Savile story and related issues with Newsnight, but nevertheless, BBC News remains by far the most trusted source of news in the UK, with 58% of the public picking the BBC as the one source they trust the most, followed by ITV on 14%.
The BBC is a unique organisation, funded by licence fee payers to provide high-quality and distinctive services in the public interest.

The BBC is entering a challenging period 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. We are determined to rise to this financial challenge while also maintaining or improving the overall performance and audience appreciation of BBC services.

The National Audit Office reviewed the BBC’s approach to financial management and concluded that it provides effective support to the business in delivering value for money, with strong financial leadership and governance. They also made a number of recommendations for the BBC to improve its financial and risk reporting arrangements which are being implemented in full.

In 2012/13, we took the following actions to make every pound of the licence fee work as hard as possible.

- we successfully completed the current Continuous Improvement efficiency programme, which has delivered in excess of £2bn of cumulative savings between 2008/9 and 2012/13 with on-going annual savings by 2012/13 of £580million. Over the five years of the programme, the BBC has delivered efficiency savings at a rate of 3.65% a year, exceeding the 3% target set by the BBC Trust.

- we have planned the DQF efficiency targets in detail across all divisions for the next three years and many of these initiatives are already being implemented. Significant early savings have already been released, and by 2016/17 the BBC will make 11% savings across its current operations.

- we are continuing to reduce the cost of the top talent, with overall payments to performers paid more than £500,000 reducing by £4.2million from £16.5million in 2011/12 to £12.3million in 2012/13. Top talent now makes up 6% of our overall talent spend, down from 12% in 2008/09 when the commitment was made. This group is critical to licence fee payers, the great majority of whom agree that the BBC should use the best performers, presenters and artists.
we completed the move of BBC News, BBC Television and BBC Global News into Broadcasting House (see opposite). As a result of these moves, we sold BBC Television Centre in West London to a property developer – Stanhope Plc funded by Mitsui Fudosan UK and Alberta Investment Management Corporation. The sale followed a year-long selection process centred around three key objectives: maximising the value of the site for licence fee payers; protecting the legacy of this iconic building; and choosing a buyer that could deliver. The proceeds from the sale, together with the end of running costs for the site, will contribute towards the BBC's target of achieving annual savings in property expenditure of £47million per annum by 2016/17. The listed elements of Television Centre will be retained and enhanced, including the instantly recognisable exterior view.

Digital Media Initiative
Beginning in 2008, our Digital Media Initiative (DMI) set out to move the BBC's production and archive operations to a fully integrated, digital way of working. The BBC has a history of delivering ambitious technology projects, but they do carry a risk of failure and an operational review of DMI, launched in October 2012, found that DMI was not going to deliver on its stated objectives. As a result, the Director-General took the decision to close it with the agreement of the BBC Trust at a cost to the licence fee payer of £98.4million. We must ensure that there can be no repeat of a failure of this scale, and the BBC Trust has launched a wide-ranging independent review to establish just what went wrong. This report will be published in 2013.

New Broadcasting House
Broadcasting House has been reinvented as a new and dynamic creative hub in the centre of London. It brings together our national and international BBC News output alongside network radio stations, television channels and online services for the first time in the BBC's history.

The extension of Broadcasting House and the migration of thousands of staff into W1 represented an unprecedented challenge for the BBC. However, the second phase of the BBC's largest ever capital project ended in March 2013 by delivering hundreds of hours of live programmes from the new location on-air, on-schedule and under budget.

The W1 Programme, which organised the move, has identified considerable financial benefits which are made possible by highly efficient flexible working in the open plan space, which enabled the sale of many other BBC buildings across London. Savings have also been made by exploiting the economies of scale which are made possible by having more than 4,000 staff based in one location.

Other substantial costs were avoided by the competitive tender of new digital technology which is now common to all of the teams in W1. This is anticipated to reduce support and training costs and enables the much easier exchange of material between different programmes and platforms.
The BBC’s mission is to enrich people’s lives with programmes and services that inform, educate and entertain – regionally, nationally and internationally.

**REACHING THE WHOLE BRITISH PUBLIC**

In 2012/13, the BBC reached around 96% of the UK population each week and on average each of those people spent nearly 19.5 hours with the BBC – nearly half an hour higher than last year. BBC television was watched by 86% of the population every week; BBC radio was listened to by 66%; BBC Online was used by nearly 50%.

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.

Part of that strategy has been the shift of channels, commissioning power, and major production departments to Salford, which was completed successfully in 2012. One objective behind the move is to have a significant impact on the use of BBC services and perceptions of the BBC in the North-West of England. The challenge for the BBC is to ensure that these benefits are also spread across the whole of the North of England.

Performance in Scotland and Northern Ireland continued to be more mixed with BBC network radio reach and BBC general impression both lower than the UK average. However, strong local services like BBC Radio Ulster and television opt-out programming on BBC One and Two help to compensate, and the BBC’s strategy for moving more network production to the three nations by 2016 is underway.

**GUARANTEEING ACCESS TO AUDIENCES**

The BBC seeks 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.

In 2012/13, we made significant progress in guaranteeing access to audiences through the following achievements:

- Digital switchover was successfully completed (see opposite)
- We launched BBC One HD for Scotland, Wales and Northern Ireland and BBC Two HD (with the closure of the BBC HD channel)
- We completed a three-year build out of the BBC’s UK-wide DAB network, extending coverage to 94% of homes
- We successfully launched a new and improved process for diagnosing and resolving reception problems experienced by our viewers and listeners
The BBC in the North of England
BBC North, based at MediaCityUK, is now the home of BBC Breakfast, CBBC, CBeebies, BBC Learning, BBC Sport, the BBC Philharmonic, BBC Radio 5 live, Future Media departments, Religion and Ethics, and parts of Television Entertainment, Comedy, Current Affairs and Drama, as well as radio programmes from 6 Music, Radio 3 and Radio 4 and regional and local output. Producers and engineers there delivered the record-breaking 24 digital streams for the London Olympics from the state of the art hub.

Already audiences can see an impact: the difference between BBC television viewing in the North West and the UK average has narrowed from a 3.9% gap two years ago to a 1.6% gap. Quality remains high – BBC Radio 5 live won Sony Station of Year and CBBC was named BAFTA Children’s Channel of the Year.

The National Audit Office (NAO) published a report for the BBC Trust in May 2013. It found that BBC North was delivered on time, under budget and with no break in broadcast or business continuity. The report also contained a number of recommendations to ensure value for money, which we will fully implement.

Digital switchover
The BBC has been involved with digital TV switchover since the very beginning: technical, operational and strategic planning started more than a decade ago. A programme which has gone so smoothly for viewers masks the extent of the re-engineering which has gone on behind the scenes.

We have worked with our technology and transmission providers to fundamentally reorganise how we get TV programmes from the studios to the home. In doing so, we undertook the largest broadcast engineering project in history – all the while making sure that viewers and listeners could continue to get our services despite the disruption happening at the transmitters.

The BBC led the Switchover Help Scheme: the vital public service that made sure that when it came to digital switchover, no-one would be left behind. Providing assistance to the most vulnerable in society was a hugely complex and important undertaking and we’re proud to have done so expertly and substantially below the budget set.

But the real success of switchover was in the uniting and co-ordination of the public service broadcasters in delivering a uniquely challenging public project.

**Digital switchover**
- 1,154 transmitting stations upgraded
- 98.5% of homes receive digital TV
- 10m viewers gain access to Freeview
- 7.1m households offered help
- 1.3m elderly/disabled customers assisted
- 95% customer satisfaction
- 23m mailings sent to eligible people
- 2,000 roadshows provided
As a licence fee funded organisation, we want to ensure that all licence fee payers across the UK can access information about the BBC and interact with us.

It is the BBC’s ambition to be one of the most open and transparent public services in the country. We lead the public sector in publication of senior staff salaries, declarations of personal interest and expenses. We are open about our internal decision-making processes, routinely publishing summary minutes of Executive Board and minutes of Trust meetings, as well as using blogs for topical issues and announcements. Last year, we published more data and information than ever before.

We are also more open with the wider media industry. The BBC Workplan and Budget give clarity on the BBC’s major strategic activities for the year; publication of audience data shows how BBC services are performing; and the BBC’s major reviews and strategies are published in full. BBC Online continues to engage in open discussion with partners and suppliers, with an industry briefing taking place in May 2012 in the Radio Theatre in Broadcasting House. At this event, BBC Future Media shared some of its thinking and plans for the year ahead with around 200 partners and suppliers from the wider digital industry. All the presentations from the event were videoed and published online, where staff from the BBC’s online and technology teams continue to write about our services and the technology and software that make them possible.

However, sometimes the BBC is not able to give out information. If so, we will be clear about our reasons. This might happen if we genuinely believe providing information would:
- threaten our ability to report the news freely or interfere in the creative process
- cause harm to someone’s business, or cause the BBC and licence fee payers financial loss
- interfere with someone’s private life, or jeopardize their health and safety
- result in the BBC being unable to collect the licence fee to make programmes

We believe that we can go further than the information we publish today. We are exploring a range of ideas about how to become more open and transparent, including proposals to create a single easy-to-use portal through which audiences can access and navigate the wide range of BBC public documents; more proactive publication of information blogs; and more ‘Access All Areas’ events for licence fee payers.
How we performed against our objectives by content area, genre and channel or network.
“It has been an extraordinary year for BBC Television, with the Olympics at the heart of our endeavours. Looking ahead, we are focused on ensuring that all licence fee payers find plenty to inform, educate and entertain them across our services.”

Uniting the nation
2012 – a year when BBC audiences were united by moments of scale and brilliance: from the genius of Danny Boyle’s Olympic Opening Ceremony, including the BBC-produced film with Her Majesty The Queen and James Bond, to the energy and impact of the Diamond Jubilee Concert, created by BBC Events with Gary Barlow. Viewers also delighted in the latest series of Strictly Come Dancing, our most successful to date, comedy hits Miranda and Mrs Brown’s Boys, and the most ambitious Sports Personality of the Year we’ve ever produced. As well as celebrating as a nation, we also bring communities together to make lives better and to support one another in times of reflection. We will, in 2014 for instance, commemorate the centenary of the Great War with stories of individual courage and sacrifice, as well as exploring how the country changed forever.

A true public service
It’s important that BBC One is at the heart of our national life, but it’s equally crucial that we offer something special for everyone. Last summer, alongside the Games, we also embraced the Cultural Olympiad, reflecting the rich arts life of Britain to audiences around the country and across the world. Some of our finest creative talent brilliantly re-created four of Shakespeare’s most acclaimed history plays in The Hollow Crown on BBC Two; and there were contributions from BBC music, drama, documentary and film to the London 2012 Festival. The Natural History Unit is a further reminder of world-class BBC production, with Sir David Attenborough’s Africa reaching some 25 million, and Professor Brian Cox was centre stage taking a physics lens to natural history in The Wonders of Life. It’s also been an exceptional year for documentaries with Welcome to India and The Secret History of our Streets engrossing viewers on BBC Two; Our War, a remarkable series of films on BBC Three; and an unparalleled range and breadth of specialist factual on BBC Four.

Creative ambition
We are constantly striving to offer audiences programmes with great creative ambition that also contribute to the country’s cultural standing around the world. More than 100 major national and international awards reflect excellence across all programme genres. 2012/13 was a very successful year for BBC drama – with Call the Midwife warmly embraced by millions; critical and audience acclaim for Sir Tom Stoppard’s adaptation of the literary classic, Parade’s End; as well as memorable characters on display in the shape of Sherlock, Luther and Last Tango in Halifax. With epic dramas like The White Queen, Jane Campion’s Top of the Lake and a BBC adaptation of Hilary Mantel’s Booker prize-winning novel Wolf Hall gracing our screens soon, we’ll be aiming even higher next year.

Strategy in action

SERVING ALL AUDIENCES
- 54m shared in our events coverage last summer, with millions more watching around the world
- 48% growth for BBC One HD, the fastest growing channel in the top 30
- 1.9bn requests to watch TV programmes through iPlayer, with a new record of well over 200m requests in January

QUALITY AND DISTINCTIVENESS
- 23.9m watch original British drama on the BBC each week
- 84% of viewers agree that BBC Four’s content is distinctive and offers something new
- 15 BAFTA awards for our programmes this year and special recognition for some of our most loved and respected presenters

Danny Cohen
Director, Television
“BBC Radio has emerged from its 90th year in robust health and with a firm eye to the future. Our digital stations have shown truly impressive growth and the distinctiveness of our output across all networks continues to strike a chord with our audiences.”

Ambitious content
The 90th anniversary of the BBC’s first broadcast was marked in November by a simultaneous broadcast on around 60 BBC radio stations across the UK and around the world. The Diamond Jubilee celebrations saw extensive coverage on Radio 2 and our Olympics coverage featured both sport and culture, from Chris Evans’ Breakfast Show in the Olympic Park to Radio 1’s Hackney Weekend and the related Hackney Academy, its biggest social action programme to date.

Growth in digital
The BBC’s digital-only networks have continued to grow rapidly. The new station 5 live Olympics Extra peaked at just below two million listeners a week during the Olympic Games, 6 Music achieved a record weekly reach of 1.9 million in the period between October and December 2012, and 1Xtra and 4 extra both reached record numbers of listeners in 2012. In 2012, one-third of all hours spent listening to live radio was via a digital platform. The Radio iPlayer app, streaming all BBC Radio content to mobile phones and tablets, was launched in October 2012 on iOS devices and proved an instant hit, with 1.8 million downloads in a matter of months. It was launched for Android devices in April 2013.

Younger Listeners
In response to recommendations from the BBC Trust, Radio 1 reorganised its schedules to try to attract younger listeners. The biggest change was the departure of Chris Moyles from the breakfast show to be replaced by Nick Grimshaw, and a renewed emphasis on music particularly enjoyed by teenagers. Radio 1 led the way in visualising its content and experimented further by hiring Dan and Phil, who have a large internet following, to present a Sunday evening show, and Radio 2 and 6 Music increased the amount of live music visualised.

Strong performance across traditional networks
Radio 2 enjoyed a year of record figures, achieving a weekly reach of 15 million for the first time in the period from October to December 2012. In the same period, the Chris Evans breakfast show topped 9.5 million. Forty seven million adults listen to live radio every week – around 90% of the population – and live radio accounts for over a billion listening hours each week. Overall, BBC radio reached in excess of 35 million people for only the third time in 2012.

Strategy in action

SERVING ALL AUDIENCES
- Radio 6 Music achieved a record weekly reach of 1.9m between October and December 2012
- A third of all hours spent listening to live radio was via a digital platform
- The iPlayer Radio app has been downloaded 2.2m times since its launch in October 2012

QUALITY AND DISTINCTIVENESS
- Digital stations BBC Radio 1Xtra and BBC Radio 4 extra both reached record numbers of listeners in 2012
- By the end of 2012, more than 25m people listened digitally every week
NEWS

“We are still the country’s most trusted news provider despite our well-publicised troubles. This is no cause for complacency, but a reminder that we must justify the audience’s support with the quality of our future editorial decision-making.”

Reaching all audiences
More than 80% of UK adults consumed BBC News each week this year across television, radio and online. With fewer big, breaking stories, reach across TV and radio did not quite match last year, but audiences remained strong overall.

The popularity of the BBC News website continued to grow, with an average of 19.6 million UK weekly browsers and the UK site had a record week in January when snow and the London helicopter crash drew 26.7 million.

Trust
The trust our audiences place in us is based on our sustained commitment to rigorous impartiality, independence, fairness and accuracy. The well-publicised difficulties BBC News faced over its coverage of Jimmy Savile and the separate Newsnight child abuse investigation in Wales, which led to high-profile external and internal inquiries, led to an initial dip in our trust ratings. But BBC News continues to be the most trusted source of news in the UK by a wide margin. We will work hard to justify the continued faith in our journalism.

Memorable stories
We covered the continued crisis in the Eurozone from Italy, Greece and Spain; renewed tensions in Egypt; elections in Russia, France, Greece and the USA; and leadership change in China. We won RTS awards for our coverage of the escalating violence in Syria. At home, we tracked the progress of the UK economy. Floods, freezing temperatures and unseasonable sunshine meant UK weather stories became five of the year’s most followed stories. Panorama’s investigation of our own troubles over Jimmy Savile attracted its highest audience since at least 2001. The BBC was a key audience destination for news coverage of Her Majesty The Queen’s Diamond Jubilee and the Olympics.

Working together
We are making good progress towards creating a single, integrated, BBC newsgathering service. BBC News completed the move from Television Centre to New Broadcasting House and the World Service from Bush House, while BBC Breakfast moved to Salford. The English regions and the nations work together more closely than ever before, helping us to share resources and content more effectively across the BBC while investing in distinctive journalism. In this way we aim to meet our savings targets, while delivering the same quality of output for our different audiences.

Strategy in action

QUALITY AND DISTINCTIVENESS
Every week across all platforms. 82% of UK adults came to BBC network and regional news

SERVING ALL AUDIENCES
BBC continuous TV news reach vs competitor (000s)
“This year we delivered the first truly digital Olympics. We need to build on this foundation, using innovation to help deliver the BBC of the future, just as our predecessors have done through radio and TV.”

One service
We want the service that BBC Online provides to be greater than the sum of its parts. In 2011, we created the Connected Strategy to provide rich experiences on mobile, tablet, desktop and connected TVs. 60% of the audience agreed that BBC digital media made their Olympics experience better. We now turn our attention to one service. In 2012 we delivered standardised sign-in procedures that enable richer pan-portfolio recommendations, and shared ‘add to favourites’ technology across the products. Delivering one service in 2013 will mean that across BBC Online all our products will feel familiar, interconnected and recognisably BBC.

Personalisation
The BBC’s digital services are unique in their potential to drive deeper and more direct relationships with audiences. In 2013, we will focus on personalisation of services. By signing-in, it will become easier to get to the programmes, News and Sport you’re interested in. Content will come to you and you’ll be kept up-to-date on more of the things you want – and we’ll make it easy to discover new things, based on people with similar tastes.

The future of the red button
The red button was a success story of the BBC’s coverage of London 2012, as each of the 24 streams of Olympic content was watched by over 100,000 people, allowing us to reach an audience of 24 million. The boundary between TV and online is blurring, and building on this momentum, we launched the Connected Red Button service in December 2012. This brings BBC content into one converged experience – allowing the viewer to move seamlessly from broadcast to broadband; access on-demand content, overlay programme data, ‘favourite’ programmes, or play-along with live TV.

Reaching more licence fee payers
Last year, our strategy aimed to increase accessibility of our content via mobile, tablet, desktop or TV. As a result, the number of browsers connecting to our content each week increased by 20% in a year. However, we still only reach about 50% of the UK population. This year, we will focus on increasing that reach with relevant, high quality and up-to-the minute digital content.

Strategy in action

SERVING ALL AUDIENCES

- 36.5bn minutes of viewing through BBC iPlayer in 2012
- 100m the equivalent number of DVDs of data delivered by BBC Online in 2012/13

QUALITY AND DISTINCTIVENESS

- 2,500 number of hours content delivered by BBC Online during the Olympics
- 60% of the audience agreed that BBC digital media made their Olympics’ experience better
The BBC has committed that, by 2016, 50% of network TV programming spend will be from outside London and 17% from the nations.
**England**
The focus for English Regions teams this year has been high-quality local output, original journalism and providing a platform for accountability. Our newly appointed political reporters have generated a range of valuable content which has examined key local issues in depth. Regional television, local radio and England Online have been working increasingly closely with their network counterparts to deliver the best value and most powerful journalism possible. Our broadcasts and online content helped the Olympics, and the Torch Relay which preceded it, create a celebration of achievement for the whole country.

![Lewis Hamilton with the Olympic torch for BBC Three Counties](image_url)

**Wales**
BBC Cymru Wales’ English language output on BBC One and BBC Two continued to reach nearly a million viewers every week. The most recent series of X-Ray, BBC One Wales’ long running consumer show, had its highest average audience for ten years while the investigative current affairs strand Week In Week Out had its highest average audience for nine years. Both BBC Radio Wales and BBC Radio Cymru launched a new line-up of weekday programmes. Our online sites showed steady growth attracting 2.7 million unique weekly browsers, with news stories driving most people to our sites.

![BBC Wales presenters Oliver Hides, Jason Mohammad and Louise Elliott](image_url)

**Scotland**
His Royal Highness Prince Charles turned weather forecaster for the day during his visit to BBC Scotland in May, drawing worldwide interest. Other highlights included prestigious awards including the Foreign Press Association Media Award for Sports Story of the Year for the investigations into Rangers FC. Specialist factual output was particularly strong across the year with Operation Iceberg, Prehistoric Autopsy and Afterlife: The Strange Science of Decay. Waterloo Road returned for an eighth series, now relocated to Inverclyde, and River City celebrated its tenth anniversary on air. Mrs Brown’s Boys remained a firm audience favourite. Network TV spend dropped slightly as a result of fewer productions, though Specialist Factual programming increased, and spend is planned to reach c.10% in 2013.

![More than 10 million viewers saw Mrs Brown’s Boys, co-produced by BBC Scotland, over Christmas](image_url)

**Northern Ireland**
This has been an important year for BBC Northern Ireland. Digital switchover took place marked by a live simulcast with UTV. BBC One NI HD launched securing an important platform for our future local output. We delivered a rich mix of TV, radio and online covering major anniversaries and events such as the Titanic Centenary, the Olympic Torch Relay and The Queen’s Jubilee visit. Large-scale audience events included Proms in the Park and the Sons and Daughters concert opening Derry–Londonderry UK City of Culture 2013. During the period, we produced new documentaries, landmark series and refreshed our politics strand. Work continues on network supply plans with the aim of hitting our 3% target of total network television expenditure in 2016.

![BBC Northern Ireland Proms in the Park](image_url)
### PERFORMANCE BY SERVICE

#### NETWORK TELEVISION

<table>
<thead>
<tr>
<th>Service</th>
<th>Content (£m)</th>
<th>Reach (%) UK population who use the service each week</th>
<th>Time spent watching a channel each week (h:m)</th>
<th>Appreciation Index by service</th>
<th>Costs per user hour (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BBC One</strong></td>
<td>£1,129.2m (£1,041.1m)</td>
<td>77.6% (78.8%)</td>
<td>07:51 (07:20)</td>
<td>82.6 (82.2)</td>
<td>6.2p (6.1p)</td>
</tr>
<tr>
<td><strong>BBC Two</strong></td>
<td>£404.8m (£416.6m)</td>
<td>50.9% (54.3%)</td>
<td>03:15 (03:23)</td>
<td>84.2 (83.5)</td>
<td>8.3p (7.8p)</td>
</tr>
<tr>
<td><strong>BBC Three</strong></td>
<td>£89.7m (£83.8m)</td>
<td>23.2% (23.3%)</td>
<td>01:58 (01:51)</td>
<td>84.0 (84.0)</td>
<td>6.6p (7.0p)</td>
</tr>
<tr>
<td><strong>BBC Four</strong></td>
<td>£50.0m (£49.2m)</td>
<td>14.2% (12.5%)</td>
<td>01:44 (01:38)</td>
<td>85.6 (84.8)</td>
<td>6.8p (9.5p)</td>
</tr>
<tr>
<td><strong>CBBC</strong></td>
<td>£81.6m (£81.9m)</td>
<td>6.6% (7.4%)</td>
<td>n/a</td>
<td>n/a</td>
<td>11.1p (9.3p)</td>
</tr>
<tr>
<td><strong>CBeebies</strong></td>
<td>£28.9m (£29.2m)</td>
<td>8.7% (9.0%)</td>
<td>n/a</td>
<td>n/a</td>
<td>2.7p (2.6p)</td>
</tr>
<tr>
<td><strong>BBC ALBA</strong></td>
<td>£4.9m (£5.0m)</td>
<td>15.6% (11.9%)</td>
<td>n/a</td>
<td>n/a</td>
<td>7.4p (22.0p)</td>
</tr>
</tbody>
</table>

---

**Source:** BARB, GfK (Appreciation Index).  
Reach definition: 15 minutes for all channels and services and on audiences aged 4+.  
HDTV Channel was converted into BBC Two HD on 26 March 2013. The service licence consequently closed on 1 April 2012 with the associate spend transferred to the BBC Two service licence.  
**n/a** Data does not currently exist for this measure.  
CBBC: among its target audience of 6- to 12-year-olds reach was 30.1% and time spent was 3:23.  
CBeebies: among its target audience of 0- to 6-year-olds (measured as children aged 4-6 and housewives with children aged 0-3) reach was 42.6% and time spent was 4:38.  
* Source: TNS Scottish Opinion Survey. Base: All aged 16+ in Scotland. Among Gaelic speaking community reach was 75.2 and time spent was 4 hours and 24 minutes (Lèirsinn panel).  
2011/12 figure based on June 2011-March 2012 as service only received full coverage in Scotland on Freeview/cable from June 2011.  
Arrows denote whether there has been a change of +/-2.5% from the previous year’s AI.  
(1) Figures in brackets from 2010/11.
<table>
<thead>
<tr>
<th>Network Radio</th>
<th>Content (£m)</th>
<th>Reach (%)</th>
<th>Time spent</th>
<th>Appreciation</th>
<th>Costs per</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We spent a total of £302.8m on these services last year</td>
<td>UK population who use the service each week</td>
<td>Length of time the average listener spent each week with the service</td>
<td>Index by service</td>
<td>user hour (p)</td>
</tr>
<tr>
<td>BBC Radio 1</td>
<td>£40.7m (£38.4m)</td>
<td>20.9% (22.3%)</td>
<td>07:14 (07:56)</td>
<td>77.0 (78.7)</td>
<td>1.0p (0.8p)</td>
</tr>
<tr>
<td>BBC 1Xtra</td>
<td>£7.5m (£7.2m)</td>
<td>2.0% (1.9%)</td>
<td>04:55 (05:03)</td>
<td>79.8 (81.0)</td>
<td>2.7p (2.8p)</td>
</tr>
<tr>
<td>BBC Radio 2</td>
<td>£47.8m (£47.2m)</td>
<td>28.0% (27.4%)</td>
<td>11:45 (11:53)</td>
<td>81.4 (81.0)</td>
<td>0.5p (0.5p)</td>
</tr>
<tr>
<td>BBC Radio 3</td>
<td>£38.3m (£37.8m)</td>
<td>4.0% (4.0%)</td>
<td>06:17 (06:06)</td>
<td>81.6 (83.2)</td>
<td>5.6p (5.6p)</td>
</tr>
<tr>
<td>BBC Radio 4</td>
<td>£91.1m (£88.1m)</td>
<td>20.5% (20.4%)</td>
<td>11:58 (12:09)</td>
<td>80.8 (80.9)</td>
<td>1.4p (1.3p)</td>
</tr>
<tr>
<td>BBC 4 extra</td>
<td>£4.0m (£5.0m)</td>
<td>3.2% (3.0%)</td>
<td>05:45 (05:34)</td>
<td>80.4 (80.6)</td>
<td>0.8p (1.1p)</td>
</tr>
<tr>
<td>BBC Radio 5 live</td>
<td>£55.0m (£51.1m)</td>
<td>11.8% (12.2%)</td>
<td>07:08 (07:20)</td>
<td>77.7 (77.8)</td>
<td>2.4p (2.1p)</td>
</tr>
<tr>
<td>BBC Radio 5 live extra</td>
<td>£2.7m (£2.6m)</td>
<td>1.8% (1.7%)</td>
<td>03:18 (03:08)</td>
<td>83.4 (85.2)</td>
<td>1.7p (1.7p)</td>
</tr>
</tbody>
</table>
## Network Radio

### BBC 6 Music

- **Content (£m)**: £7.4m (£7.8m)
- **Reach (%)**: 3.2% (2.6%)
- **Time spent listening to a service each week (h:m)**: 08:32 (07:56)
- **Appreciation Index by service**: 83.6 (83.5)
- **Costs per user hour (p)**: 1.0p (1.4p)

BBC 6 Music 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

- **Content (£m)**: £8.3m (£8.5m)
- **Reach (%)**: 1.0% (1.0%)
- **Time spent listening to a service each week (h:m)**: 06:14 (06:31)
- **Appreciation Index by service**: 73.3 (75.6)
- **Costs per user hour (p)**: 4.9p (4.9p)

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 provide some programmes in other languages.

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## Future Media

### BBC Online

- **Content (£m)**: £103.0m (£115.3m)
- **Reach (%)**: 48.1% (42.5%)
- **Time spent listening to a service each week (h:m)**: n/a (n/a)
- **Appreciation Index by service**: 77.5% (77)
- **Costs per user hour (p)**: 8.4p (10.8p*)

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 and Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.

### BBC Red Button

- **Content (£m)**: £15.6m (£13.5m)
- **Reach (%)**: 34.0% (31.3%)
- **Time spent listening to a service each week (h:m)**: n/a (n/a)
- **Appreciation Index by service**: 76.5% (79†)
- **Costs per user hour (p)**: 1.8p (2.0p)

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.

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*The basis for calculating CPUH for BBC Online has changed from browsers to people; comparatives have consequently been restated for consistency.*

†Owing to a measurement change, the Red Button appreciation index figure is from October 2012-March 2013 and cannot be compared with 2011/12.

*Figures in brackets from 2011/12.*

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Sources: RAJAR, GfK (Appreciation Index).
Reach definition: 15 minutes for all stations and on audiences aged 15+, in line with industry standards.

Arrows denote whether there has been a change of +/-2.5% from the previous year’s AI.

() Figures in brackets from 2011/12.
### JOURNALISM, AND NATIONAL AND LOCAL RADIO SERVICES

<table>
<thead>
<tr>
<th></th>
<th>Content (£m)</th>
<th>Reach (%)</th>
<th>Time spent watching or listening to a service each week (h:m)</th>
<th>Appreciation Index by service</th>
<th>Costs per user hour (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The BBC News Channel</strong></td>
<td>£45.2m (£42.4m)</td>
<td>11.7%* (12.2%)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>5.1p (4.7p)</td>
</tr>
<tr>
<td><strong>BBC Parliament</strong></td>
<td>£1.9m (£2.1m)</td>
<td>0.5%* (0.5%)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>7.2p (7.2p)</td>
</tr>
<tr>
<td><strong>BBC Local Radio</strong></td>
<td>£114.7m (£112.7m)</td>
<td>16.4% (17.6%)</td>
<td>09:26 (09:50)</td>
<td>81.3 (81.8)</td>
<td>3.4p (3.0p)</td>
</tr>
<tr>
<td><strong>BBC Scotland</strong></td>
<td>£23.2m (£23.2m)</td>
<td>21.9% (22.6%)</td>
<td>07:06 (06:51)</td>
<td>79.3 (79.2)</td>
<td>6.5p (6.6p)</td>
</tr>
<tr>
<td><strong>BBC Radio nan Gàidheal</strong></td>
<td>£3.8m (£3.6m)</td>
<td>68.6% (72.9%)</td>
<td>07:22 (n/a)</td>
<td>n/a (n/a)</td>
<td>15.6p (12.9p)</td>
</tr>
<tr>
<td><strong>BBC Radio Wales</strong></td>
<td>£13.9m (£13.0m)</td>
<td>18.2% (18.7%)</td>
<td>09:19 (10:02)</td>
<td>81.2 (81.8)</td>
<td>6.2p (5.3p)</td>
</tr>
<tr>
<td><strong>BBC Radio Cymru</strong></td>
<td>£12.5m (£11.4m)</td>
<td>5.1% (5.5%)</td>
<td>09:52 (11:00)</td>
<td>n/a (n/a)</td>
<td>19.0p (14.5p)</td>
</tr>
</tbody>
</table>
## PERFORMANCE BY SERVICE

### JOURNALISM, AND NATIONAL AND LOCAL RADIO SERVICES CONTINUED

<table>
<thead>
<tr>
<th>BBC Radio Ulster</th>
<th>Content (£m)</th>
<th>Reach (%)</th>
<th>Time spent (h:m)</th>
<th>Appreciation Index by service</th>
<th>Costs per user hour (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speech-led service providing a mix of programmes that reflect news, events and community life in all its different aspects and diversity.</td>
<td>£17.0m</td>
<td>35.5%</td>
<td>11:37</td>
<td>81.6</td>
<td>5.4p</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>BBC Radio Foyle</th>
<th>Content (£m)</th>
<th>Reach (%)</th>
<th>Time spent (h:m)</th>
<th>Appreciation Index by service</th>
<th>Costs per user hour (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>£17.0m</td>
<td>35.5%</td>
<td>11:37</td>
<td>81.6</td>
<td>5.4p</td>
</tr>
</tbody>
</table>

Source: BARB (TV), RAJAR (Radio), GfK (Appreciation Index).
Reach definitions: 15 minutes for all channels and services, and on audiences aged 4+ (TV) and 15+ (radio).
BBC Local Radio, BBC Radio Scotland, BBC Radio Wales, BBC Radio Cymru, BBC Radio Ulster/Foyle: data based on their Total Survey Area (TSA).
n/a Data does not currently exist for this measure.
Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 17.5% and 1.2% respectively (19.3% and 1.4% among 16+ population).
‡Source: Lèirsinn for the BBC. Base: Gaelic-speaking 16+ population.
AI data for BBC Radio Cymru available from 27 June 2012.
() Figures in brackets from 2011/12.
## PERFORMANCE BY GENRE

<table>
<thead>
<tr>
<th>NETWORK HOURS OF OUTPUT BY GENRE</th>
<th>BBC One 12/13</th>
<th>BBC Two 12/13</th>
<th>BBC Three 12/13</th>
<th>BBC Four 12/13</th>
<th>Radio 12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>News and Weather: 11/12</td>
<td>2,611 hrs (2,456 hrs)</td>
<td>914 hrs (882 hrs)</td>
<td>34 hrs (34 hrs)</td>
<td>6 hrs (6 hrs)</td>
<td>11,317 hrs (11,430 hrs)</td>
</tr>
<tr>
<td>News and Weather: 12/13</td>
<td>11,317 hrs (11,430 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Current Affairs: 11/12</td>
<td>241 hrs (250 hrs)</td>
<td>292 hrs (273 hrs)</td>
<td>195 hrs (192 hrs)</td>
<td>110 hrs (128 hrs)</td>
<td>1,885 hrs (2,120 hrs)</td>
</tr>
<tr>
<td>Current Affairs: 12/12</td>
<td>1,885 hrs (2,120 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Factual: 12/12</td>
<td>2,222 hrs (2,399 hrs)</td>
<td>2,396 hrs (1,888 hrs)</td>
<td>1,153 hrs (1,430 hrs)</td>
<td>1,207 hrs (1,162 hrs)</td>
<td>2,543 hrs (2,359 hrs)</td>
</tr>
<tr>
<td>Factual: 11/12</td>
<td>2,543 hrs (2,359 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Music and Arts: 11/12</td>
<td>84 hrs (98 hrs)</td>
<td>333 hrs (328 hrs)</td>
<td>50 hrs (79 hrs)</td>
<td>1,354 hrs (1,355 hrs)</td>
<td>41,812 hrs (41,727 hrs)</td>
</tr>
<tr>
<td>Music and Arts: 12/12</td>
<td>41,812 hrs (41,727 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Religion: 12/12</td>
<td>99 hrs (102 hrs)</td>
<td>47 hrs (27 hrs)</td>
<td>n/a (n/a)</td>
<td>5 hrs (53 hrs)</td>
<td>975 hrs (1,211 hrs)</td>
</tr>
<tr>
<td>Religion: 11/12</td>
<td>975 hrs (1,211 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Drama: 12/12</td>
<td>665 hrs (690 hrs)</td>
<td>129 hrs (299 hrs)</td>
<td>268 hrs (291 hrs)</td>
<td>232 hrs (305 hrs)</td>
<td>4,971 hrs (4,996 hrs)</td>
</tr>
<tr>
<td>Drama: 11/12</td>
<td>4,971 hrs (4,996 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Film: 12/12</td>
<td>411 hrs (446 hrs)</td>
<td>745 hrs (755 hrs)</td>
<td>220 hrs (211 hrs)</td>
<td>119 hrs (121 hrs)</td>
<td>n/a (n/a)</td>
</tr>
<tr>
<td>Film: 11/12</td>
<td>n/a (n/a)</td>
<td>411 hrs (446 hrs)</td>
<td>745 hrs (755 hrs)</td>
<td>220 hrs (211 hrs)</td>
<td>119 hrs (121 hrs)</td>
</tr>
<tr>
<td>Entertainment: 11/12</td>
<td>457 hrs (482 hrs)</td>
<td>374 hrs (415 hrs)</td>
<td>214 hrs (234 hrs)</td>
<td>54 hrs (74 hrs)</td>
<td>7,796 hrs (8,190 hrs)</td>
</tr>
<tr>
<td>Entertainment: 12/12</td>
<td>7,796 hrs (8,190 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Comedy: 12/12</td>
<td>237 hrs (228 hrs)</td>
<td>196 hrs (214 hrs)</td>
<td>1,149 hrs (1,134 hrs)</td>
<td>43 hrs (52 hrs)</td>
<td>n/a (n/a)</td>
</tr>
<tr>
<td>Comedy: 11/12</td>
<td>n/a (n/a)</td>
<td>237 hrs (228 hrs)</td>
<td>196 hrs (214 hrs)</td>
<td>1,149 hrs (1,134 hrs)</td>
<td>43 hrs (52 hrs)</td>
</tr>
<tr>
<td>Schools/ Formal Education: 11/12</td>
<td>n/a (n/a)</td>
<td>339 hrs (189 hrs)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>108 hrs (104 hrs)</td>
</tr>
<tr>
<td>Schools/ Formal Education: 12/12</td>
<td>n/a (n/a)</td>
<td>339 hrs (189 hrs)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>108 hrs (104 hrs)</td>
</tr>
<tr>
<td>Sport: 11/12</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
</tr>
<tr>
<td>Sport: 12/12</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
<td>n/a (n/a)</td>
</tr>
<tr>
<td>Children's: 11/12</td>
<td>858 hrs (580 hrs)</td>
<td>783 hrs (763 hrs)</td>
<td>290 hrs (30 hrs)</td>
<td>n/a (n/a)</td>
<td>5,550 hrs (4,230 hrs)</td>
</tr>
<tr>
<td>Children's: 12/12</td>
<td>n/a (n/a)</td>
<td>858 hrs (580 hrs)</td>
<td>783 hrs (763 hrs)</td>
<td>290 hrs (30 hrs)</td>
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</tr>
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<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Children's: 11/12</td>
<td>5,550 hrs (4,230 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Children's: 12/12</td>
<td>n/a (n/a)</td>
<td>5,550 hrs (4,230 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
</tr>
<tr>
<td>Children's: 11/12</td>
<td>5,550 hrs (4,230 hrs)</td>
<td>12/12</td>
<td>12/12</td>
<td>11/12</td>
<td>11/12</td>
</tr>
</tbody>
</table>

BBC Annual Report and Accounts 2012/13
### PERFORMANCE BY GENRE

#### AVERAGE AUDIENCES TO NEWS PROGRAMMES

<table>
<thead>
<tr>
<th>Time</th>
<th>BBC One 12/13</th>
<th>BBC One 11/12</th>
<th>ITV 12/13</th>
<th>ITV 11/12</th>
<th>4 12/13</th>
<th>4 11/12</th>
<th>5 12/13</th>
<th>5 11/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast news</td>
<td>1.5m (1.5m)</td>
<td></td>
<td>0.6m (0.7m)</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lunchtime news</td>
<td>2.7m (2.6m)</td>
<td></td>
<td>0.9m (0.9m)</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early evening network news</td>
<td>4.5m (4.3m)</td>
<td></td>
<td>3.3m (3.2m)</td>
<td>0.6m (0.7m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early evening regional news</td>
<td>5.5m (5.4m)</td>
<td></td>
<td>3.4m (3.2m)</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late night news (10pm)</td>
<td>4.4m (4.4m)</td>
<td></td>
<td>2.1m (2.2m)</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BARB, 4+

#### WEEKLY REACH

**BBC network television versus main commercial groups**

<table>
<thead>
<tr>
<th>Time</th>
<th>All BBC television 12/13</th>
<th>All BBC television 11/12</th>
<th>Total other channels 12/13</th>
<th>Total other channels 11/12</th>
<th>ITV television 12/13</th>
<th>ITV television 11/12</th>
<th>4 television 12/13</th>
<th>4 television 11/12</th>
<th>5 television 12/13</th>
<th>5 television 11/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>85.6% (86.6%)</td>
<td>88.2%* (87.3%)</td>
<td>73.0% (75.6%)</td>
<td>65.5% (67.1%)</td>
<td>44.0% (45.4%)</td>
<td>45.0% (46.4%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BARB, 4+, 15-minute+ reach. *Reach of all TV channels apart from BBC One, BBC Two, ITV, Channel 4, Channel 5 (their +1s and HD equivalents).

#### WEEKLY REACH

**BBC radio compared to commercial stations**

<table>
<thead>
<tr>
<th>Time</th>
<th>All BBC radio 12/13</th>
<th>All BBC radio 11/12</th>
<th>All commercial radio 12/13</th>
<th>All commercial radio 11/12</th>
<th>All BBC network radio 12/13</th>
<th>All BBC network radio 11/12</th>
<th>All national commercial radio 12/13</th>
<th>All national commercial radio 11/12</th>
<th>BBC local radio 12/13</th>
<th>BBC local radio 11/12</th>
<th>All local commercial radio 12/13</th>
<th>All local commercial radio 11/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td>66.5% (67.3%)</td>
<td>63.5% (64.5%)</td>
<td>60.5% (60.9%)</td>
<td>31.0% (30.5%)</td>
<td>17.6% (18.6%)</td>
<td>50.4% (51.7%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: RAJAR, 15+, 15-minute reach.
Management of the BBC’s relationships with staff, organisations and partners
People
This year, our people have continued to deliver outstanding content and services to our audiences, whilst also delivering the organisational change we need to meet our Delivering Quality First (DQF) savings target of 20%.

Delivering successful change
As part of DQF, we have continued to develop more efficient and effective ways of working, which has inevitably led to restructures and redundancies. While we have worked closely with our staff and trade unions to mitigate job losses from these restructures, due to the scale of these changes this has not always been feasible. As a result, although our relationships with our unions remain generally constructive, there have been approximately 2.5 days of strike action over the year.

We remain fully committed to redeploying staff who are at risk of redundancy where possible, and have worked incredibly hard to do so this year. We closed 143 vacant posts this year, a total of 635 voluntary redundancies have been accepted, and we redeployed 250 people into continuing and fixed-term roles. This meant we were left with 153 compulsory redundancies as a result of DQF.

We have continued our move to New Broadcasting House, in Central London. Approximately 4,000 of our people are now based there, with around 3,000 of those moving in over the past 12 months. This includes our Television HQ, Television Commissioning, Music Entertainment TV, Global News Languages Services, Radio Newsroom and Six and Ten O’Clock News teams. Our Salford base, MediaCityUK, has continued to expand, with 200 more people working there than at the end of the previous financial year. Notably, BBC Breakfast migrated during this period and has been broadcasting there successfully since 10 April 2012.
Engaging our people to perform at their best

We took a fresh approach to measuring staff engagement this year, focusing our attention on the aspects of working life that drive engagement and, as a result, organisational performance. Following receipt of the results, all divisional leadership teams have now begun to implement action plans to improve areas which will make a difference to the engagement of their people and, as a consequence, their services to our audiences. Improvements include better staff communication, better career development and improving management expertise.

The Respect at Work Review was set up in the wake of revelations about sexual abuses by Jimmy Savile to assess the extent to which sexual harassment is an issue in today’s BBC, as well as broader issues of behaviour in the BBC workplace. The review was commissioned by the BBC Executive Board under the executive sponsorship of Lucy Adams, Director of Human Resources. Dinah Rose QC, a barrister with expertise in human rights, discrimination and employment law, was engaged to advise throughout, and to offer an independent perspective, and assisted in the authorship of the report and recommendations.

Following an extensive consultation process, the report was published on 2 May 2013. A number of recommendations have been made based on the findings of work undertaken to assess the above points. We have now proactively begun to work with staff, the unions and the wider industry through an extensive series of discussion groups, manager-led sessions and external events, in order to ensure that the conclusions of the report are discussed and understood, and that implementation of the recommendations can begin as soon as possible.

We have continued to focus on leadership engagement and capability in order to enable our managers to deliver the scale of transformation that is currently required of the BBC. We hold regular conference calls with managers to discuss management-related topics. We have also continued to run our wider management group workshops, attended by 520 managers from across the BBC this year.

A fair deal

We are aware that over the past few years, many of our people have been awarded below-inflation pay rises or, in the case of some of our higher earners, a complete pay freeze. However, our pay settlement for 2012/13 was also set against a backdrop of continuing economic difficulties in the UK, which also affected many of our licence fee payers, as well as our continued need to manage pay effectively within our own financial constraints. We felt that it would not be fair to continue a pay freeze for higher earners for another year, and so offered a pay increase of 1% to all staff, but sought to protect lower earners through a £400 guaranteed minimum increase.

As part of our ambition to develop a new contractual deal for staff that aligns with the broadcasting market and delivers greater value to the organisation and to audiences, we implemented a number of reforms for new joiners with effect from 1 January 2013, including: capping redundancy pay to one month’s pay for each year of service up to a maximum of 12 months’ pay; discontinuation of terminal payments for fixed-term contracts; and discontinuation of additional leave (2.5 days after ten years’ service).
Talent
The BBC strives to be the place where the best artists and contributors want to work to deliver great programmes. Our continuing challenge is to appropriately reward the people who make our programmes rich, distinct and diverse for their efforts and creative input, while at the same time drive the best value for licence fee payers. Our talent spend has reduced again this year. Overall, it has reduced by almost £30million since the commitment was made in 2008, and in line with that commitment, our efforts have focused on the top tier, with both the numbers of people and the amount spent on those earning over £500,000 reducing by 36% and 54% respectively.

2012/13 talent spend

<table>
<thead>
<tr>
<th>Category</th>
<th>2012/13</th>
<th>2011/12</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; £50k</td>
<td>97,350</td>
<td>97,651</td>
<td>(301)</td>
</tr>
<tr>
<td>£50k – £100k</td>
<td>43,177</td>
<td>42,324</td>
<td>853</td>
</tr>
<tr>
<td>£100k – £150k</td>
<td>15,202</td>
<td>15,038</td>
<td>164</td>
</tr>
<tr>
<td>£150k – £250k</td>
<td>15,966</td>
<td>14,209</td>
<td>1,757</td>
</tr>
<tr>
<td>£250k – £500k</td>
<td>9,366</td>
<td>10,617</td>
<td>(1,251)</td>
</tr>
<tr>
<td>£500k – £750k</td>
<td>5,076</td>
<td>6,011</td>
<td>(935)</td>
</tr>
<tr>
<td>£750k – £1m</td>
<td>1,568</td>
<td>823</td>
<td>16*</td>
</tr>
<tr>
<td>£1m – £5m</td>
<td>5,633</td>
<td>9,696</td>
<td>(4,063)</td>
</tr>
<tr>
<td>Organisations¹</td>
<td>6,980</td>
<td>6,685</td>
<td>1,763</td>
</tr>
<tr>
<td>Total</td>
<td>200,318</td>
<td>203,054</td>
<td>51,991</td>
</tr>
</tbody>
</table>

* 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. ¹ 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.

Headcount
We have continued to make significant reductions to the senior management headcount and pay bill, reducing them by 195 (30%) and £24.6million (31%) respectively since August 2009. 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 from the levels achieved at the end of December 2011. We have already achieved a reduction of 39 heads and £3.5million towards this target. The bonus freeze for these grades remains in place for the foreseeable future.

Senior manager headcount by salary band

<table>
<thead>
<tr>
<th>Category</th>
<th>2012/13</th>
<th>2011/12</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £70,000</td>
<td>21</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>£70,000-£99,999</td>
<td>171</td>
<td>192</td>
<td></td>
</tr>
<tr>
<td>£100,000-£129,999</td>
<td>111</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>£130,000-£159,999</td>
<td>67</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>£160,000-£189,999</td>
<td>31</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>£190,000-£219,999</td>
<td>22</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>£220,000-£249,999</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>£250,000-£279,999</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>£280,000-£309,999</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>£310,000-£339,999</td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>£340,000-£369,999</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>£370,000-£399,999</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total*</td>
<td>437</td>
<td>470</td>
<td></td>
</tr>
</tbody>
</table>

* Total excludes Executive Board members

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

<table>
<thead>
<tr>
<th>Year End</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/6</td>
<td>18,860</td>
</tr>
<tr>
<td>2006/7</td>
<td>17,914</td>
</tr>
<tr>
<td>2007/8</td>
<td>17,677</td>
</tr>
<tr>
<td>2008/9</td>
<td>17,078</td>
</tr>
<tr>
<td>2009/10</td>
<td>17,238</td>
</tr>
<tr>
<td>2010/11</td>
<td>17,242</td>
</tr>
<tr>
<td>2011/12</td>
<td>16,858</td>
</tr>
<tr>
<td>2012/13</td>
<td>16,534</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Nation</th>
<th>31 Mar 2013</th>
<th>31 Mar 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (ex London)</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>London</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Scotland</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Wales</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>N Ireland</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Organisations †

<table>
<thead>
<tr>
<th>Organisations</th>
<th>31 Mar 2013</th>
<th>31 Mar 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6,980</td>
<td>2,019</td>
</tr>
</tbody>
</table>

† 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.
Diversity: percentage of total staff

<table>
<thead>
<tr>
<th>Employee group</th>
<th>Old target to be met by Dec 2012</th>
<th>Actual as at Dec 2012</th>
<th>New target to be met by end 2017</th>
<th>Actual as at March 2013</th>
<th>% point change between March 2012 and March 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>BME* – all staff</td>
<td>12.5%</td>
<td>12.4%</td>
<td>14.2% (average corporate figure)</td>
<td>12.4%</td>
<td>0.1% up</td>
</tr>
<tr>
<td>BME† – senior managers (SM)</td>
<td>7%</td>
<td>6.9%</td>
<td>10% (wider senior leadership group)</td>
<td>6.6%†</td>
<td>0.2% down</td>
</tr>
<tr>
<td>Disabled – all staff</td>
<td>5.5%</td>
<td>3.8%</td>
<td>5.4%</td>
<td>3.7%</td>
<td>0.1% up</td>
</tr>
<tr>
<td>Disabled – senior manager (SM)</td>
<td>4.5%</td>
<td>3.1%</td>
<td>10% (wider senior leadership group)</td>
<td>3.2%†</td>
<td>0.1% up</td>
</tr>
</tbody>
</table>

* Black and Minority Ethnic
† Based on old senior manager only data

Diversity

Diversity enhances the BBC’s originality and distinctiveness. We know that sharing diverse perspectives and ideas, and listening to our audiences, results in the very best in creative and innovative programming and technology.

This year, activity has included work to measure and analyse diverse portrayals across network TV channels as well as a major review of our workforce diversity targets and key employment trends. The BBC also continued to chair the Creative Diversity Network (CDN) during 2012, co-ordinating a range of cross-sector activities, culminating in the CDN Diversity Awards, which showcased new and emerging talent and diversity-focused initiatives.

Divisional activity has included, for example: television’s schemes to identify and develop potential disabled presenters and actors and radio’s initiative to provide training and mentoring opportunities for disadvantaged young people at the Radio 1 and 1Xtra’s Radio Academy in Hackney, East London.

We routinely monitor the broad profile of our workforce to help ensure we look and sound like the audiences we serve. Specific corporate workforce targets for Black and Minority Ethnic (BME) staff and disabled staff help to focus our efforts on groups that are under-represented compared to the wider UK population. The table above shows progress against previous targets as well as new targets agreed in January 2013.

We hit our 12.5 % BME all staff ethnicity target in November 2012 (with an additional 5.9% from Other White backgrounds), though that figure has since slipped to 12.4%. Nevertheless, this represents significant progress from 8.4% representation in December 2002.

We narrowly missed our senior manager BME target of 7% in December 2012, having reached 6.9% (with an additional 6.7% from Other White backgrounds), but that figure has since slipped to 6.6%. To help ensure focused attention across all – but particularly the more senior grades – we have now set stretching new targets for a wider band of senior staff who constitute the BBC’s key strategic and operational decision makers. We will report on this wider band in next year’s Annual Report.

Disabled staff representation is a key challenge and we remain some way off our targets. We have now set specific divisional targets to make sure that work is focused in the areas that need it most, and a programme of work is underway to help improve disabled staff representation at all levels.

Important areas of focus for 2013/14 are therefore the continuation of activities to address the retention and development of disabled staff. In addition, we will continue to find creative and practical ways to increase the portrayal of women on air/screen and build on existing activity to increase access to the BBC for those from diverse socio-economic backgrounds.

More about the BBC’s diversity policy can be found at bbc.co.uk/diversity

Sharing diverse perspectives and ideas, and listening to our audience, results in the very best in creative and innovative programming and technology.
Training and Apprenticeships

2012/13 has been an important year for the BBC Academy which provides training to staff across the BBC, with training reaching 98% of BBC staff and 97% of line managers reporting that teams are more effective as a result. Nowhere has this been more important than in supporting the move into the BBC’s New Broadcasting House in London. This year, over 6,000 BBC delegates received training in new technology and new ways of working in a digital production environment.

The BBC Academy’s ‘Safeguarding BBC Values’ programme has been rolled out to over 11,000 staff and independent producers. Led by line managers, it has challenged content makers to re-appraise how the BBC’s enduring values of truth, accuracy and impartiality are applied in a world of pervasive social media, user-generated content and complex commercial pressures.

Our commitment to investing in new talent sees us hiring apprentices right across the UK – in London, Salford, Bristol, Glasgow and Cardiff. For the first time ever, we’ve joined forces with other UK broadcasters (Channel 4 and ITV) to address an industry-wide skills shortage around new technology talent. Working with leading universities and media infrastructure companies, we’ve developed a world-class BBC technology programme in which the BBC hires and trains 100 degree-level apprentices on behalf of the wider broadcasting sector and 60 MSc level trainees. Part funded by co-investment from the Department for Business, Innovation and Skills (BIS), our first recruits will join us in July 2013. In addition, we have continued to offer large numbers of work experience opportunities, bringing in a total of almost 1,400 people over the year to undertake various roles in order to experience what it is like to work at the BBC.

The training programme rolled out by the BBC Academy to arts bodies, as part of Building Digital Capacity, received excellent feedback. High quality training enabled 322 arts organisations to embrace the potential of the digital space to produce, present and distribute arts and cultural content in new ways.

The BBC Academy’s ‘Expert Women’ programme has begun to tackle the industry-wide imbalance of female experts on TV and radio. To date, 60 expert women have received broadcast training from the world of business, politics, science, engineering, architecture and history. As a result, 11 of these women have appeared on air in the last two months. There will be further training events in Salford and around the UK, extending the range of specialisms and reaching up to 180 women.
Partnerships
The BBC’s partnership activity this year has been notable for the variety and the wealth of content it has enabled – not least our diverse range of partnerships to support the Olympics and the Cultural Olympiad. Core partnership activity has ranged from the City Partnership in Bristol – with plans underway for a similar one in Birmingham – which support digital literacy and artistic endeavour within the community, to the continued evolution of Project Albert, a carbon calculator for content production created in conjunction with BAFTA and a consortium of UK broadcasters and independent producers.

Notable ventures such as YouView and RadioPlayer have continued to evolve. In particular, RadioPlayer now reaches 7 million unique users every month with 330 live stations and 15,000 on-demand items available every day. The partnership has now launched a mobile app version for Android and iOS devices.

Partnership highlights in television include a new alliance between the BBC and the Public Catalogue Foundation which recently celebrated the completion of a joint project to put the entire collection of UK publicly owned oil paintings online. Over 3,300 institutions and 212,000 paintings are now online at bbc.co.uk/yourpaintings. The site also contains significant amounts of BBC archive and biographical information about selected artists. This project is unique in the world and provides an important resource for art lovers, teachers and anyone interested in the most complete pre-photographic record of life in the UK.

Partnerships in the arts have been further celebrated through The Space, a groundbreaking new digital venture between the BBC and Arts Council, England. The Space celebrates the wealth of arts and cultural activity in the UK and is a highly interactive and very experimental digital arts website. It has featured work from around 80 arts organisations across the UK in its first nine months, ranging from Will Self’s first Digital Essay to a major project offering access to John Peel’s unique record collection and sleeve notes. The Space particularly embraced the incredibly rich mix of arts projects commissioned around the Cultural Olympiad.

In radio, Radio 4 launched ‘The Listening Project’, an innovative oral history initiative gathering unique regional voices for the BBC network in partnership with the British Library. Radio 1 heralded the Olympics in fine style with Radio 1’s Hackney Weekend which involved a range of local partnerships, and our celebration of the Cultural Olympiad led to a further partnership with the British Museum bringing alive Shakespeare’s Restless World. In the Jubilee year, Radio 4 also turned its first collaboration with the Royal Collection into Jubilee Year series ‘The Art of Monarchy’.

The BBC also worked extensively with mobile, TV and social partners in the run-up to the London 2012 Olympic Games to deliver ground-breaking experiences from BBC Sport to audiences across four screens (TV, computer, tablet and mobile). Our partnership with LOCOG also led to the BBC’s extensive coverage of the Torch Relay with coverage on BBC television, online and local and network radio. The BBC also worked in partnership with LOCOG to create two films for the celebrated Olympic Opening Ceremony.

Through technology and digital partnerships, we have reached out to connected audiences by extending our partnership activity within the digital media sector. This has involved working with device manufacturers, operator platforms and social networks to deliver BBC Online products and make them accessible to audiences across desktop, mobile, tablet and TV platforms. The BBC continues to play an active role in the Digital Production Partnership with ITV and Channel Four which delivered its first formal published guidance for producers. ‘The Bloodless Revolution’ sought to help suppliers achieve a smooth transition to digital production and is part of an anticipated £1 million investment from the broadcast partners.

Partnerships

**Public Catalogue Foundation**
A joint project to put the entire collection of UK publicly owned oil paintings online.

- 3,000+ participating institutions
- 100% of UK publicly owned oil paintings is now online
- 212,000 paintings can be seen at bbc.co.uk/yourpaintings

**The Space**
The Space celebrates the wealth of arts and cultural activity in the UK, and has featured work from around 80 arts organisations across the UK.

Discover The Space, a partnership between the BBC and Arts Council, England at thespace.org
A responsible BBC

Corporate responsibility
We aim to be an industry leader in responsible business management. Our membership of a number of corporate responsibility groups and organisations allows us to share our skills and experience. In 2013, we were again awarded Platinum status in The Corporate Responsibility Index.

Charity appeals
We help a broad range of charities to raise funds and awareness, and this year, our high-profile charity appeals were well supported by BBC audiences. On appeal night, we raised £27million and £75million respectively for BBC Children in Need and Comic Relief, with donations still coming in. We also broadcast 64 appeals via our weekly BBC Radio 4 appeal and the monthly Lifeline television appeal. For more information about BBC charity appeals, including details on applying, visit bbc.co.uk/charityappeals. In addition to helping charities to fundraise, we also provided services worth an equivalent of £253,200 (2011: £547,000).

Outreach
Our outreach activity this year focused on large national events, including the Hackney Academy, run by Radio 1 and BBC Learning as part of the One Big Weekend, and the Blue Peter’s Big Olympic Tour, which travelled around the country following the Olympic Torch. Stargazing LIVE and BBC News School Report once again helped to bring brands to life by offering face-to-face learning activities to audiences around the country. The BBC Outreach department has continued to run activities in areas where we have large numbers of staff, helping us to reach audiences who live near our sites. The Design an App Challenge, for example, was a technology skills development project for secondary school students in Greater Manchester. Professor Brian Cox presented the winning team with their awards at an event at MediaCityUK.

Environmental sustainability
We want our programmes to have a positive impact on the people and places involved in their creation. Our sustainability strategy, The Difference, focuses on embedding sustainable practices in programme-making, working to targets to help to reduce the environmental impacts of our buildings and technology, and inspiring staff to take action. Over 500 BBC productions have engaged in sustainable production through use of our carbon calculator, Albert. We restated our environment targets and introduced a new CO2 reduction target aligned with our energy reduction target. We have made moderate progress this year in energy and CO2 reduction, while we continue to run new and outgoing buildings concurrently. As we phase out technology, our move from Television Centre will add to the savings achieved through the exit of Bush House and the White City Building in London.

You can read more about this area of our work in the BBC Corporate Responsibility Review published each summer, and our updates on the BBC sustainability website bbc.co.uk/sustainability

The One Show's Rickshaw Challenge raised money for Children in Need

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<thead>
<tr>
<th></th>
<th>Target</th>
<th>Performance against baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute reduction in energy consumption</td>
<td>-20%</td>
<td>-4%</td>
</tr>
<tr>
<td>Absolute reduction in CO2 emissions from buildings</td>
<td>-20%</td>
<td>-6%</td>
</tr>
<tr>
<td>Reduction in water (per person)</td>
<td>-25%</td>
<td>-7%</td>
</tr>
<tr>
<td>Reduction in waste (tonnes) to landfill (per person)</td>
<td>-25%</td>
<td>-81%</td>
</tr>
<tr>
<td>% of waste recycled</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Reduction in transport CO2 emissions (per BBC user)</td>
<td>-20%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Notes on table: CO2 reduction is a new target which reflects our commitment to meeting best industry practice and cutting CO2 emissions.
Governance is the way we guarantee independence, deliver our mission and account for actions.
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.

**The Executive Board at April 2013**

Tony Hall  
Director-General since April 2013. Previously chief executive of the Royal Opera House.

Zarin Patel  
Chief Financial Officer since January 2005. Zarin Patel will step down from the Executive Board in June 2013 and leave the BBC in the autumn. Anne Bulford joined the BBC as Managing Director, BBC Finance & Operations in June 2013.

Lucy Adams  
Director, Human Resources, BBC Academy and Internal Communications since June 2009. Joined the Executive Board September 2012.

Helen Boaden  
Director of Radio since April 2013. Board member since 2011 as Director of BBC News.

Danny Cohen  
Director of Television since May 2013. Previously Controller of BBC One.

James Purnell  
Director, Strategy and Digital since March 2013. Previously senior producer at Rare Day, and adviser at Boston Consulting Group.

Francesca Unsworth  
Acting Director of News since April 2013. Previously Head of Newsgathering since January 2005.
Non-executive directors

Dame Fiona Reynolds
Appointed non-executive director in January 2012. Chairs the BBC Executive Board’s Fair Trading Committee. Will take up the post of Master of Emmanuel College, Cambridge in September 2013.

Simon Burke
Appointed non-executive director in January 2011. Chairs the BBC Executive Board’s Audit Committee. Chairman of Hobbycraft and Bathstore.com.

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.

Brian McBride
Appointed non-executive director in March 2012. Chairman of MX Data, a member of the Advisory Board of Numis PLC and Huawei UK, non-executive director of Computacenter PLC and partner with Scottish Equity Partners.

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

In general, the committees meet four times a year, although this can vary depending on the business to be considered.

Audit Committee
The Audit Committee oversees financial reporting, internal control and risk management. The committee is made up of three non-executive directors. The Director-General, Chief Financial Officer, Head of Business Assurance, and external audit representatives also attend.

Fair Trading Committee
The Fair Trading Committee ensures that the BBC complies with its fair trading obligations. It is made up of three non-executive directors and two executive directors. The Head of Fair Trading and General Counsel also attend.

Nominations Committee
The Nominations Committee oversees the process of proposing, appointing and dismissing members of the Board, except the Chairman, who is appointed by the BBC Trust. Membership of the committee depends on whether non-executive or executive appointments are being made.

Remuneration Committee
The Remuneration Committee decides the remuneration of executive members of the Board. It is made up of at least three non-executive directors, and the Director of HR and Director of Employment may also attend.
Risks and opportunities affect 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.

The financial and operating implications of the risks and opportunities are crucial. We also focus on their possible impact on our reputation. The BBC’s relationship with licence fee payers is based on trust, so we must take appropriate actions to mitigate risks that may damage this trust.

This year, we were severely challenged on trust and reputation. This led us to review our risk register and management; an on-going process. Summarised below are the main operational risks we have identified.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Action now</th>
<th>Planned</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audiences</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to further improve the quality and distinctiveness of our programmes whilst delivering a streamlined BBC could limit our ability to deliver the content our audience wants</td>
<td>Detailed monitoring of the impacts of Delivering Quality First</td>
<td>Reinvestment funding focused on flagship services and areas of transformation</td>
</tr>
<tr>
<td>Failure to uphold our editorial values and standards in all our content could impact on maintaining high levels of audience trust and damage our brand</td>
<td>Strong editorial values, effective editorial compliance processes, ongoing training and serious consideration of complaints and their implications</td>
<td>Strategy review shaping the future of the BBC</td>
</tr>
<tr>
<td>Inability to build an ever more creative and dynamic organisation could limit our ability to attract the best creative talent and our contribution to creative and digital economies</td>
<td>New senior role leading on major escalated editorial issues</td>
<td>Implement recommendations for clarity and robustness of editorial processes following publication of recent reports</td>
</tr>
<tr>
<td><strong>Delivery</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Failure to deliver content when and how it is demanded, or to anticipate the next big trends in technology and content consumption, could threaten our connection with audiences</td>
<td>Reflecting the demands of our audiences for more ‘live and alive’ experiences</td>
<td>Continue to focus on creativity and innovation, and how we can simplify the organisation</td>
</tr>
<tr>
<td>Delayed and ineffective implementation of major projects could compromise the delivery of the BBC’s overall ambitions</td>
<td>Renewed engagement with key industry partners</td>
<td>Communicate and embed the benefits of being part of the BBC, the expectation of leaders, and how we live our values</td>
</tr>
<tr>
<td>Technical failure, infrastructure interdependencies, industrial action or the actions of third parties, including suppliers, could lead to interruption of broadcast services</td>
<td>Recently implemented organisational changes reflect the close link of future strategy to developing media technologies</td>
<td>Recognise value of creative talent through appropriate rewards and the opportunities offered across the BBC</td>
</tr>
<tr>
<td></td>
<td>Corporate Project Management Office overseeing delivery of major projects</td>
<td></td>
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<tr>
<td></td>
<td>Formal programme in place to provide independent assurance over portfolio projects</td>
<td></td>
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<tr>
<td></td>
<td>Refreshed business continuity arrangements</td>
<td></td>
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<tr>
<td></td>
<td>Foster good union relationships with regular dialogue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exit plans and contingency plans for key suppliers</td>
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</table>
### Risk

#### Financial

- The prolonged UK and global economic situation impacts us and all our stakeholders, and could lead to reduced financial flexibility, potentially impacting on our ability to meet all our ambitions within our means.

- Risk of reducing our income potential by failing to create, acquire, invest, develop and exploit media content and brands in the global marketplace.

#### Action now

- Contingency planning and business modelling.
- Pension trustees committed to reducing the scheme’s investment risk over the long term; deficit repayment plan agreed.

#### Planned

- Tight management of the implementation of phased savings targets.
- Planning for new funding responsibilities (e.g. World Service).

#### Operational

- A lack of transparency or the inability to respond swiftly, reasonably and proportionately to significant events or criticisms could impact on our brand reputation and our efficient delivery to audiences.

- Failure to keep pace with changes to the information security threat could increase our exposure to vulnerabilities.

- Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation.

#### Action now

- Response to major incidents reviewed and revised; will continue to be reviewed as appropriate ensuring alignment with best practice where appropriate.
- Active threat intelligence analysis and vulnerability remediation, focusing on business and technical areas deemed most at risk.
- Well-developed safety procedures supported by expert advisers and comprehensive written guidance.
- Implementing environmental sustainability strategy to reduce impacts on environment from BBC operations.

#### Planned

- Regular rehearsals of response procedures planned.
- Increasing investment in monitoring and compliance systems.
- Staff information security awareness and education campaign.
- Will continue to work to improve our own safety and environmental performance, and work with other broadcasters to raise standards in the industry as a whole.
GOOD GOVERNANCE IS ABOUT LEADERSHIP, ACCOUNTABILITY AND OPENNESS

BBC Corporate Governance Framework
The BBC’s corporate governance framework is defined in the Royal Charter (the Charter). You can see the Charter on the BBC Trust’s website at bbc.co.uk/bbctrust/about/how_we_govern/charter_and_agreement/

The Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. Whilst 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.

In September 2012, the Financial Reporting Council issued a new edition of the UK Corporate Governance Code (2012) which is effective for financial years beginning on or after 1 October 2012. The BBC will report on its compliance with this new edition of the Code in its Annual Report and Accounts for 2013/14.

The Executive Board has complied with the requirements of the Charter which has also 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 UK Corporate Governance Code. Non-compliance with a further provision of the UK Corporate Governance Code has arisen during the year, with the last external evaluation of the Board being completed in 2009. As noted below, there have been a number of changes to the Board during the course of the year which has meant it has not been practical to carry out an external evaluation. Following an internal review, a number of changes have been made, however, with the aim of improving governance.

Board structure during 2012/13
There have been a number of changes to Board membership during the year in terms of chairmanship, non-executive representation and acting directorships. The appointment of two Director-Generals in the year, as well as an Acting Director-General for a period, also resulted in a number of acting positions on the Board. Apart from one particular instance when the individual stepped in for a short period, and at short notice, in all cases the appropriate governance procedures were followed, with the Director-General appointments being ratified by the Trust and the terms for the acting and permanent positions being approved by the Executive Remuneration and Nominations Committees as appropriate. Appointments were made in as timely a manner as was practicable and there were no significant

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 have 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)
At 31 March 2013, the Executive Board comprised 11 directors, of whom seven were executive directors and four 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 B.6.3)
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 stated in the UK Corporate Governance Code.
**Board appointments**

The Nominations Committee oversees the process of proposing members of the Board. Appointments are made by the Executive Board, with non-executive appointments requiring the approval of the Trust. The only exception is the Chairman, who is appointed by the BBC Trust. Membership of the Nominations Committee is dependent on whether it is dealing with executive or non-executive appointments.

The Nominations Committee oversaw a number of appointments during the year. Three executive appointments were made during the year: James Purnell, Director, Strategy & Digital (effective 20 March 2013); Helen Boaden, Director Radio (effective 15 April 2013); and Anne Bulford, Managing Director, BBC Finance and Operations (effective June 2013). The terms of office for Senior Independent Director, Marcus Agius, and non-executive director, Mike Lynch, were concluded during the year (as planned). One of the existing non-executive directors, Dame Fiona Reynolds, took on the role of Senior Independent Director on 1 December 2012.

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**Cost of Compliance**

In order to ensure that we complied with all relevant legislation to which the BBC is subject in 2012/13, we incurred compliance costs estimated at £14.9million (2012: £15.6million), which includes the BBC’s annual £3.3million subscription to Ofcom. During the year, a number of inquiries were set up; the costs incurred to the 31 March 2013 on these inquiries was £4.9million.

The BBC paid the reasonable legal and related costs of witnesses who gave evidence to the Pollard Review where they sought approval of those costs in advance. Those legal and related costs are included as part of the total cost of inquiries above at a cost of £0.9million which includes three members of the Executive Board who received total legal and related support amounting to £0.3million.

**Executive Board**

The Executive Board meets monthly (except for August), although additional Board meetings are convened during the year as and when required. Summary minutes of the monthly meetings are available online at bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/

In practice, the Executive Board delegates some of its responsibility to other managerial groups and, 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 bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom

The Executive Board, its sub-committees and other boards to which it delegates responsibility (e.g. the Management Board) are responsible for the delivery of BBC services and day-to-day operations across the organisation.

**Induction, performance and development**

All new directors receive an induction programme including Board procedures and directors’ responsibilities. All directors have access to external independent advice if they wish.
“No-one would expect the report of the Senior Independent Director on the Executive Board of the BBC to be a conventional one this year.”
Dame Fiona Reynolds

Report of the Senior Independent Director
The revelations regarding the activities of Jimmy Savile imposed great pressure on the BBC. There were immediate repercussions for some senior executives, and much of the management focus was diverted into dealing with the crisis.

The role of the non-executives during this time was critical. We had two clear priorities:

- to ensure that the Board continued to function effectively, managing the BBC well and with proper governance
- to see that the matters being raised in relation to the Savile affair were properly investigated, including by supporting and challenging executive members

In addressing the first of these, we did what we felt was right to support the new Director-General, George Entwistle; the Acting Director-General, Tim Davie; and the senior team. In particular, we ensured that key initiatives remained on the agenda and that, as far as possible, momentum was maintained. We also recognised the changes that were needed in the executive team and supported the timely series of appointments made in the first half of 2013.

At the same time, we recognised that serious questions had been raised about the BBC’s actions, in both the recent and more distant past, and that these must be confronted. The decision not to proceed with the broadcast of the Newsnight investigation into Jimmy Savile led to my commissioning, on behalf of the Executive Board, a review by Nick Pollard; and simultaneously one by Dame Janet Smith to review the wider aspects of the BBC’s culture during the so-called ‘Savile years’. More recently we have announced an investigation into Stuart Hall’s conduct at the BBC.

Our response to the Pollard Report accepted his recommendations, and also re-stated our commitment to the BBC’s public service values. We have begun to make significant changes within News and more widely in response. We will do the same, if needed, in response to Dame Janet Smith’s report.
The closure of the Digital Media Initiative project also raised serious concerns for us about the control of major IT projects, and we support the inquiry commissioned by the BBC Trust.

I became Senior Independent Director during the year, taking over from Marcus Agius whose appointment ended in November 2012. Marcus’ experience and wisdom were extremely valuable to the BBC and we thank him very much. We also thank Mike Lynch who stood down in December 2012 as a non-executive director.

The remaining non-executive directors on the Board: me, Simon Burke, Sally Davis and Brian McBride each serve on a number of committees, bringing our varied experience to provide constructive challenge to executive members. Our overriding aim is to ensure that the BBC can continue to deliver creative, inspiring programmes to delight and entertain audiences in a way that gives great value for money to licence fee payers.

The high points of 2012/13 give us confidence that we can succeed if we maintain focus on quality, engagement with audiences, and expert delivery. The Olympics is an example of where we get it right, with superb coverage of the sporting events alongside innovation with the new Red Button facility. The move to New Broadcasting House and the launch of the first steps of Delivering Quality First are examples of internal changes being delivered on time and to budget. We have also restated the relationship between the BBC and its commercial arm, BBC Worldwide, to reaffirm the importance of a well-constructed commercial proposition to support public service broadcasting.

As we concluded the year, we gave a warm welcome to the incoming Director-General, Tony Hall. We warmly thank Tim Davie, who stepped into the breach as Acting Director-General with vigour, energy and grip. We acknowledge him and the many others who have helped make this difficult year a reminder that even when the chips are down, we know why we are here and what we need to do.

Dame Fiona Reynolds
Senior Independent Director
20 June 2013

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### Executive Board and Committee attendance

<table>
<thead>
<tr>
<th>Executive Board Member</th>
<th>Ordinary Attendance</th>
<th>Extraordinary Attendance</th>
<th>Audit Committee Member</th>
<th>Attendee</th>
<th>Fair Trading Committee Member</th>
<th>Attendee</th>
<th>Nominations Committee Member</th>
<th>Attendee</th>
<th>Remuneration Committee Member</th>
<th>Attendee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucy Adams*</td>
<td>9/10</td>
<td>1/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Helen Boaden†</td>
<td>1</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tim Davie</td>
<td>15</td>
<td>4</td>
<td>2/2</td>
<td></td>
<td>1/1</td>
<td></td>
<td>3/3</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Graham Ellis</td>
<td>8/8</td>
<td>0/0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>George Entwistle</td>
<td>7/7</td>
<td>3</td>
<td>2/2</td>
<td></td>
<td>1/1</td>
<td></td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roger Mosey</td>
<td>10/11</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zarin Patel</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td></td>
<td>2/2</td>
<td></td>
<td>2/8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>James Purnell‡</td>
<td>0/0</td>
<td>0/0</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Ralph Rivera</td>
<td>13/13</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark Thompson</td>
<td>5/5</td>
<td>2/2</td>
<td>2/2</td>
<td></td>
<td>0/1</td>
<td></td>
<td>2/3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caroline Thomson</td>
<td>5/5</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Non-executive directors:</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Marcus Agius</td>
<td>7/8</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>6/6</td>
<td></td>
<td></td>
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<tr>
<td>Simon Burke</td>
<td>13</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sally Davis</td>
<td>13</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mike Lynch</td>
<td>8/9</td>
<td>2</td>
<td>4/5</td>
<td></td>
<td>1/1</td>
<td></td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brian McBride</td>
<td>11</td>
<td>2</td>
<td>0/1</td>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiona Reynolds</td>
<td>13</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td>1/1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Lucy Adams rejoined the Board in September 2012.
† Helen Boaden stepped aside from the Board for a short period between November and December 2012. Fran Unsworth was Acting Director, News during this period.
‡ James Purnell joined the Board part way through March 2013.

During 2012/13 a number of conference calls and extraordinary meetings were convened at short notice or included content that prevented some members from attending. This table does not include business conducted offline and update meetings where no formal business was considered.
“2012/13 has been a challenging year for the BBC, and has seen a number of changes to the Executive Board coupled with increased scrutiny of executive pay and contractual terms.”

Sally Davis

Report of the Chairman of the Executive Remuneration Committee (2012/2013)

Dealing with the crisis that followed the allegations regarding Jimmy Savile has made significant demands of the Executive Board and senior managers in the organisation. Nonetheless, the BBC has maintained its focus on reducing senior management pay and headcount, delivering our 2011-2015 Executive Pay Strategy and reforming Executive Board contractual terms.

Having achieved the targets set by the Trust in 2009 for senior manager pay bill and headcount reductions, we are now working towards new targets agreed with the Trust for 2015. At the end of March 2013, the BBC had reduced its senior manager headcount by 195 (30.5%) and pay-bill by £24.7million (31.4%) and is committed to achieving further reductions in the senior manager pay bill of around £5.5 million and reductions in headcount of around 30 by 2015.

Furthermore, the BBC has agreed with the Trust to continue with the policy of discounting senior manager salaries against the commercial market by between 20% and 80%.

Over the last 12 months, the implementation of this executive pay strategy has delivered:

- a reduction in executive directors’ cash earnings of 8% (£209k) between the future Executive Board and the 2011/12 Executive Board
- an increase in the level of salary discount against the external market; the average discount applied to executive directors’ pay was 73% against the commercial sector compared to 70% the previous year; the Director-General’s pay is discounted by 83%
- a reduction in the ratio of the median executive director remuneration to the median earnings across the whole BBC. This pay multiple was 8.7 in 2012 and will be 8.3 going forward
- the removal of car allowances and private medical benefits for those joining the Executive Board or taking on a senior manager role for the first time, therefore simplifying executive remuneration, and more closely aligning executive terms to those of the wider the BBC.
In September 2012, the Executive Remuneration Committee (ERC) commissioned a review of Executive Board severance and notice terms and practices. Although the results showed that the BBC’s severance terms were broadly in line with the public sector, the ERC recognised that in the current economic climate, when licence fee payers are facing tough economic circumstances, the BBC should limit the size of severance payments made to senior staff. The ERC therefore agreed the following reforms:

- reduce notice periods from 12 months to six months for all executive directors
- implement a cap of £150,000 on redundancy and severance pay, bringing the BBC into closer alignment with the Civil Service
- end the practice of paying in lieu of contractual notice for executive directors and senior managers

These changes to contractual terms have been agreed and implemented for all Executive Board members and consultation with other affected staff and senior managers is progressing with a view to implementing the changes from September this year. There is always more to do, and as the strategy evolves for the BBC under its new leadership team, we will review our approach to remuneration to ensure that it supports the overall BBC strategy, in both delivering value for money for the licence fee payer and attracting the brightest and best talent to the BBC.

Sally Davis
Chair, Executive Remuneration Committee
20 June 2013

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 Listing Rules 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: Sally Davis (Chairman), Dame Fiona Reynolds, and Brian McBride.

Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, HR, 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, PwC and Deloitte on matters related to market comparability of executive remuneration.

Remuneration of non-executive directors
Non-executive directors’ fees are determined by the Trust. From January 2013, the non-executive directors agreed to a permanent reduction in fees, which was approved by the Trust as an alternative to the voluntary surrender of a month’s payment and fees are now as follows:

<table>
<thead>
<tr>
<th>Role</th>
<th>2013 fee</th>
<th>2012 fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Independent Director</td>
<td>£42,000</td>
<td>£45,900</td>
</tr>
<tr>
<td>Non-executive director</td>
<td>£32,700</td>
<td>£35,700</td>
</tr>
<tr>
<td>Committee chair</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Additional</td>
<td>Additional</td>
</tr>
<tr>
<td></td>
<td>£4,700</td>
<td>£5,100</td>
</tr>
</tbody>
</table>

Remuneration of executive directors
Strategy and approach for 2012/13
The strategy set by the Trust is intended to provide remuneration that attracts, motivates and retains the best talent to lead the BBC whilst providing value for the licence fee payer. In July 2011, the ERC agreed, with the Trust, a new ‘BBC Executive and Senior Management Pay Strategy’ which set out a revised approach to executive and senior management 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
- freeze in bonuses: bonus payments remain withdrawn from executive directors
**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 and Director-General pay to median BBC pay) in the Annual Report.

The Trust and ERC also agreed to continue the practice of discounting the BBC 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 2012 showed that total direct compensation for our executive directors (base salary plus variable pay), including the Director-General, is discounted by between 59% and 83% of the level paid in the commercial sector. This discount reflects the substantial additional amounts of variable pay (including bonus and long-term incentives) that are provided in the commercial sector.

The ERC conducted a full review of executive directors’ severance terms and practices in 2013. The review concluded that current BBC practices were broadly in line with the public sector. Following this review, the ERC has changed the employer notice period for all executive directors from 12 months to six months, aligning it with senior manager notice periods, and implemented a cap on redundancy payments of £150,000. Consultation to implement the £150,000 cap on redundancy and severance pay for all staff and senior managers is progressing with a view to implementation from September 2013. Outplacement support and legal fees for compromise agreements are now capped at £5,000 and £2,000 respectively.

**Pay multiples**

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

Whilst the BBC was not required to comply with the outcomes of this report, the BBC Executive has agreed with the Trust recommendations to voluntarily publish, track and explain our pay multiples 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 of the organisation. The methodology we use is to compare the median pay of the organisation. The methodology we use is to compare the median pay of the Executive Board to the median earnings of this new Executive Board.

The multiple of median earnings across the BBC to the Director-General’s earnings for 2013 is 11.0 compared to 16.5 last year. This is based on the Director-General’s annual salary.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Director-General</td>
<td>11.0</td>
<td>11.0</td>
<td>16.5</td>
</tr>
<tr>
<td>Executive Board</td>
<td>8.3</td>
<td>8.1</td>
<td>8.7</td>
</tr>
</tbody>
</table>

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 annual salaries.

In addition to taking account of the 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 follows:

**Base pay**

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

- Would the rate be consistent with 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**

Discretionary 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. Under the current pay arrangements, bonuses are not paid and as a result, no discretionary bonuses were paid in 2012/2013.

No executive director has received a discretionary bonus in the past six years.

**Benefits**

In addition to pensions, the other main contractual benefit is life assurance. In April 2012, the BBC removed the car allowance benefit for all new executive directors. Those already in receipt of a car allowance have retained it. 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 2012/13 all other executive directors have had shared access to a car and driver. Private medical insurance continues to be provided to executive directors who joined the BBC before 1 August 2011; it is no longer offered as a benefit to members of the Executive Board who joined the BBC after this date.
The BBC Trust is the governing body of the BBC. It sets the BBC’s strategic direction, monitors the Executive’s performance and reports to licence fee payers. The Trust’s review and assessment of the Executive’s performance in 2012/13 can be found in Part One.

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

For employees who joined the 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 or 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 (£137,400 per annum for 2012/13). 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 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. 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 £135,000 per annum for 2012/13.

Members of the Executive Board who joined the BBC on or after the 1 December 2010 are eligible to join LifePlan which is the BBC’s defined contribution arrangement. The BBC pays matching contributions to LifePlan for employee contributions between 4% and 5%. Employee contributions between 6% and 7% are matched plus an additional 1%. Employee contributions of 8% or more receive the maximum employer contribution of 10%. There is no maximum pensionable salary for contributions to LifePlan.

Full details of the BBC Pension Scheme are available on our website bbc.co.uk/mypension

Remuneration received
Table 1 provides a summary comparison of annualised executive director base salary for the future executive directors compared to 2011/12. Table 2 provides full details of the remuneration received by all Executive Board members and the Trustees for 2012/13 compared to previous year.

<table>
<thead>
<tr>
<th>Table 1: Comparison of future and 2011/12 executive director salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Future executive directors</strong></td>
</tr>
<tr>
<td>Tony Hall†</td>
</tr>
<tr>
<td>Director-General (since 2 April 2013)</td>
</tr>
<tr>
<td>Anne Bulford†</td>
</tr>
<tr>
<td>Managing Director, Finance &amp; Operations (since 1 June 2013)</td>
</tr>
<tr>
<td>Danny Cohen</td>
</tr>
<tr>
<td>Director, Television (since 7 May 2013)</td>
</tr>
<tr>
<td>Helen Boaden</td>
</tr>
<tr>
<td>Director, Radio (since 15 April 2013)</td>
</tr>
<tr>
<td>James Harding†</td>
</tr>
<tr>
<td>Director, News and Current Affairs (from 12 August 2013)</td>
</tr>
<tr>
<td>James Purnell†</td>
</tr>
<tr>
<td>Director, Digital &amp; Strategy</td>
</tr>
<tr>
<td>Lucy Adams</td>
</tr>
<tr>
<td>Director, HR</td>
</tr>
<tr>
<td>Role no longer on Executive Board</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>2011/2012 executive directors</strong></th>
<th><strong>Annualised base salary</strong>* £000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Thompson</td>
<td>668</td>
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<tr>
<td>Director-General</td>
<td></td>
</tr>
<tr>
<td>Zarin Patel</td>
<td>352</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td></td>
</tr>
<tr>
<td>Caroline Thomson</td>
<td>335</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td></td>
</tr>
<tr>
<td>George Entwistle</td>
<td>270</td>
</tr>
<tr>
<td>Director, Vision</td>
<td></td>
</tr>
<tr>
<td>Tim Davie</td>
<td>365</td>
</tr>
<tr>
<td>Director, Audio &amp; Music</td>
<td></td>
</tr>
<tr>
<td>Helen Boaden</td>
<td>340</td>
</tr>
<tr>
<td>Director, News Group</td>
<td></td>
</tr>
<tr>
<td>New role</td>
<td></td>
</tr>
<tr>
<td>Ralph Rivera</td>
<td>295</td>
</tr>
<tr>
<td>Director, Future Media</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,625</strong></td>
</tr>
</tbody>
</table>

* Annualised base salary excluding taxable benefits. Excludes voluntary one-month pay surrender by four executive directors in March 2012.
† No entitlement to car allowance or private medical insurance.
**Table 2: Executive Board remuneration**

The remuneration of the Executive Board members and the Trustees during the year is shown below and also compares to remuneration received last year.

**Remuneration received**

<table>
<thead>
<tr>
<th>Role</th>
<th>FY 2012/13</th>
<th>FY 2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fee/base pay £000</td>
<td>Taxable benefits £000</td>
</tr>
<tr>
<td><strong>Executive directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lucy Adams <em>(Note 1)</em></td>
<td>Re-appointed to Executive Board 18 September 2012</td>
<td>172</td>
</tr>
<tr>
<td>Helen Boaden</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tim Davie <em>(Note 2)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graham Ellis <em>(Note 3)</em></td>
<td>Acting Director from 1 December 2012</td>
<td>74</td>
</tr>
<tr>
<td>George Entwistle <em>(Note 4)</em></td>
<td>Appointed to Executive Board 1 May 2011. Stepped down from Executive Board 10 November 2012</td>
<td>217</td>
</tr>
<tr>
<td>Roger Mosey <em>(Note 5)</em></td>
<td>Acting Director from 20 August 2012</td>
<td>166</td>
</tr>
<tr>
<td>Zarin Patel <em>(Note 6)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>James Purnell <em>(Note 7)</em></td>
<td>Joined Executive Board 1 June 2013</td>
<td>10</td>
</tr>
<tr>
<td>Ralph Rivera <em>(Note 8)</em></td>
<td>Stepped down from Executive Board 18 March 2013</td>
<td>286</td>
</tr>
<tr>
<td>Mark Thompson <em>(Note 9)</em></td>
<td>Stepped down from Executive Board 16 September 2012</td>
<td>410</td>
</tr>
<tr>
<td>Caroline Thomson <em>(Note 10)</em></td>
<td>Stepped down from Executive Board 17 September 2012</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total executive directors</strong></td>
<td>2,592</td>
<td>96</td>
</tr>
<tr>
<td><strong>Non-executive directors</strong></td>
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<td></td>
</tr>
<tr>
<td>Marcus Agius <em>(Note 11)</em></td>
<td>Left 30 November 2012</td>
<td>34</td>
</tr>
<tr>
<td>Simon Burke</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sally Davis <em>(Note 12)</em></td>
<td>Joined 1 January 2012</td>
<td>36</td>
</tr>
<tr>
<td>Mike Lynch <em>(Note 13)</em></td>
<td>Left 1 January 2012</td>
<td>27</td>
</tr>
<tr>
<td>Brian McBride <em>(Note 14)</em></td>
<td>Joined 1 March 2012</td>
<td>35</td>
</tr>
<tr>
<td>Dame Fiona Reynolds <em>(Note 15)</em></td>
<td>Joined 1 January 2012</td>
<td>43</td>
</tr>
<tr>
<td>Val Gooding <em>(Note 16)</em></td>
<td>Left 31 December 2011</td>
<td>–</td>
</tr>
<tr>
<td>Robert Webb <em>(Note 17)</em></td>
<td>Left 29 February 2012</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total non-executive directors</strong></td>
<td>215</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Executive Board</strong></td>
<td>2,807</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total Trustees</strong></td>
<td>531</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,338</td>
<td>97</td>
</tr>
</tbody>
</table>
Notes to accompany Table 2: Executive Board remuneration

Note 1: Lucy Adams
Lucy Adams was re-appointed to the Executive Board on 18 September 2012 having stepped down previously on 31 March 2011. The base pay reflects the period for which Lucy was on the Executive Board. Lucy has not received any additional remuneration following her re-appointment to the Executive Board with her annual base salary remaining at £320,000 and her total cash remuneration remaining at £332,900.

Note 2: Tim Davie
Tim Davie was Director, Audio & Music. Following the departure of George Entwistle as Director-General (see note 4), Tim Davie assumed the role of Acting Director-General on 12 November 2012 until Lord Tony Hall assumed the role on a permanent basis on 2 April 2013. Base pay includes a temporary acting allowance equivalent to £50,000 per annum received whilst Acting Director-General.

Note 3: Graham Ellis
Graham Ellis was appointed Acting Director, Audio & Music with effect from 1 December 2012. Base pay includes temporary acting allowance. Graham stepped down from the Executive Board when Helen Boaden assumed the role of Director, Radio on 14 April 2013. The remuneration reflects earnings from 1 December 2012.

Note 4: George Entwistle
George Entwistle was promoted from Director, BBC Vision to Director-General with effect from 17 September 2012. George stepped down from the Executive Board on 10 November 2012 and his employment with the BBC ended with effect from 30 November 2012. The base pay reflects the period up to his last day of employment. Compensation for loss of office includes: £450,000 pay in lieu of notice; legal fees; private medical insurance; communication support.

Note 5: Roger Mosey
Roger Mosey was appointed Acting Director, Vision with effect from 20 August 2012. Base salary includes temporary acting allowance. Roger stepped down from the Executive Board when Danny Cohen assumed the role of Director, Television on 7 May 2013. The remuneration reflects earnings from 20 August 2012.

Note 6: Zarin Patel
Zarin Patel will step down from the Executive Board on 28 June 2013 and will leave the BBC on 31 October 2013.

Note 7: James Purnell
James Purnell joined the BBC on 19 March 2013 as Director, Strategy & Digital in a new executive director role.

Note 8: Ralph Rivera
Ralph Rivera stepped down from the Executive Board on 18 March 2013. The remuneration reflects earnings whilst on the Executive Board. Ralph received a relocation package on appointment to BBC (prior to board appointment). Relocation spend during the 2012/13 year was £11,349. This value is not included in the figures and payment has now ceased.

Note 9: Mark Thompson
Mark Thompson resigned from his role as Director-General on 1 July 2012. Mark stepped down from the Executive Board on 16 September 2012 and his last day of employment was 11 November 2012. The base pay reflects earnings up to his last day of employment.

Note 10: Caroline Thomson
Caroline Thomson’s role of Chief Operating Officer was made redundant as part of a restructure of the Executive Board. Caroline stepped down from the Executive Board on 17 September 2012 and her employment with the BBC ended on 30 September 2012. The base pay reflects earnings up to her last day of employment. Caroline’s compensation for loss of office includes: £335,000 pay in lieu of notice; £331,400 redundancy pay; £16,800 including VAT for legal fees (including additional legal fees) and outplacement support.

Note 11: Dame Fiona Reynolds
Dame Fiona Reynolds joined the Board on 1 January 2012 as a non-executive director and assumed the role of Senior Independent Director on 1 December 2012.

Note 12: Robert Webb
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.

Note 13: Voluntary salary surrender
Tim Davie, Zarin Patel, Mark Thompson and Caroline Thomson voluntarily surrendered one month’s salary in March 2012. This only applied to executive directors who had remained in their roles since March 2011. Sally Davis, Brian McBride and Dame Fiona Reynolds voluntarily surrendered one month’s fees in March 2012.

Note 14: Pension
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 £107,993 (2012: £98,178).

Note 15: Legal and Related Costs
The legal and related costs borne by the BBC in respect of those directors that gave evidence to the Pollard Review.

Additional Note: Fran Unsworth
Fran Unsworth was Acting Director, News between 11 November 2012 and 20 December 2012 and also covered this role while Helen Boaden was on leave between 19 March 2013 and 31 March 2013. On both occasions, Fran did not join the Executive Board or receive any additional remuneration and has therefore been excluded from the table this year. Fran was appointed Acting Director, News and Current Affairs, joining the Executive Board, with effect from 1 April 2013. Fran will step down from the Executive Board when James Harding assumes the role of Director, News and Current Affairs on 12 August 2013.
Defined benefit schemes
Details of defined benefit entitlements are shown below.

<table>
<thead>
<tr>
<th>Executive directors</th>
<th>Age as at 31 March 2013</th>
<th>Section</th>
<th>Increase in accrued pension over year £000</th>
<th>Total accrued pension at 31 March 2013 £000</th>
<th>Transfer value of accrued pension at 31 March 2013 £000</th>
<th>Transfer value of accrued pension at 31 March 2012 £000</th>
<th>Director’s contributions (excluding contributions paid via the salary sacrifice arrangement) £000</th>
<th>Increase in transfer value less director’s contributions £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucy Adams (1)</td>
<td>48</td>
<td>CAB 2006</td>
<td>2</td>
<td>8</td>
<td>80</td>
<td>53</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Helen Boaden</td>
<td>57</td>
<td>Old Benefits</td>
<td>7</td>
<td>69</td>
<td>1,519</td>
<td>1,213</td>
<td>0</td>
<td>306</td>
</tr>
<tr>
<td>Tim Davie (2)</td>
<td>45</td>
<td>New Benefits</td>
<td>0</td>
<td>15</td>
<td>200</td>
<td>164</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>Graham Ellis (5)</td>
<td>59</td>
<td>Old Benefits</td>
<td>2</td>
<td>3</td>
<td>21</td>
<td>4</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>George Entwistle (6)</td>
<td>50</td>
<td>Old Benefits</td>
<td>4</td>
<td>63</td>
<td>1,098</td>
<td>877</td>
<td>0</td>
<td>221</td>
</tr>
<tr>
<td>Roger Mosey (5)</td>
<td>55</td>
<td>Old Benefits</td>
<td>4</td>
<td>137</td>
<td>2,815</td>
<td>2,414</td>
<td>0</td>
<td>401</td>
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<tr>
<td>Zarin Patel</td>
<td>52</td>
<td>New Benefits</td>
<td>4</td>
<td>33</td>
<td>567</td>
<td>436</td>
<td>0</td>
<td>131</td>
</tr>
<tr>
<td>Mark Thompson (6)</td>
<td>55</td>
<td>New Benefits</td>
<td>2</td>
<td>19</td>
<td>374</td>
<td>293</td>
<td>0</td>
<td>81</td>
</tr>
<tr>
<td>Caroline Thomson (7)</td>
<td>58</td>
<td>Old Benefits</td>
<td>4</td>
<td>85</td>
<td>1,922</td>
<td>1,713</td>
<td>0</td>
<td>209</td>
</tr>
</tbody>
</table>

Notes
1. Lucy Adams was re-appointed as a director on 18 September 2012, although she joined the Scheme on 1 July 2009. The figures shown include the period before she was appointed as a director.
2. 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 2013 in respect of each section has been shown separately in this table.
3. Graham Ellis was temporarily appointed as a director on 1 December 2012. The figures shown include the period of Scheme membership before he was appointed as a director where he continues to build up benefits.
4. George Entwistle stepped down from the Executive Board on 10 November 2012 and left the Scheme on 30 November 2012. His accrued pension on leaving the Scheme has been valued as at 31 March 2013.
5. Roger Mosey was temporarily appointed as a director on 20 August 2012, although he joined the Scheme on 1 October 1981. The figures shown include the period before he was appointed as a director.
6. Mark Thompson stepped down from the Executive Board on 16 September 2012 and left the Scheme on 11 November 2012. His accrued pension on leaving the Scheme has been valued as at 31 March 2013.
7. The figures for Caroline Thomson have all been calculated as at her date of retirement, which was 1 October 2012, rather than the date on which she stepped down from the Executive Board. The transfer value shown includes a tax-free cash lump sum of £251,770 in respect of Scheme pension commuted at retirement. The total accrued pension as at 31 March 2013 is before any reductions for early retirement, commutation of pension for the lump sum of tax charges. Actual early retirement pension put into payment was £61,952 pa (after a deduction of £1,006 pa for the Lifetime Allowance charge which was paid by the Scheme).

Additional notes
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 the employer contributions and between 1 April 2012 and 31 March 2013 the BBC paid a total of £29,500 to the Scheme.

The figures shown exclude any Scheme pensions in payment before the start of the year.

Employment contracts
Employment contracts of executive directors have a maximum notice period of six 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 bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/management/
“A number of specific issues dominated the agenda of the Executive Audit Committee during the past year.”
Simon Burke

Report of the Chairman of the Executive Audit Committee

We carried out a special review of the operation and control of the BBC’s child protection arrangements in the wake of the Savile scandal.

The BBC was also challenged about the way in which it structures payments to freelancers, and whether these practices were being used to avoid tax or National Insurance contributions. The EAC commissioned a special report by Deloitte into these arrangements, which found that although there was no evidence that the BBC was facilitating tax avoidance, nevertheless we needed to apply our policy more consistently and to review our use of the freelancer model in some cases.

The significant changes to the Executive Board between September 2012 and March 2013 created disruption to the management structure and process of the BBC. We were actively engaged in ensuring that this did not lead to any impairment of the control environment and that key projects such as Delivering Quality First (DQF) remained on course. In this latter respect, we are pleased to report that DQF has started well, in line with expectations.

Elsewhere in this Annual Report are details of the write-down of the BBC’s investment in its proposed new Digital Media Initiative (DMI). This project has had a troubled history, and we were very dismayed to learn that it would not now achieve the majority of its objectives despite the huge investment of money, time and management effort. Clearly this outcome raises serious questions for us in terms of the monitoring and control of major IT projects and we are working with the Trust to ensure that the right lessons are learned from this.

In general, this year’s audits, including the foregoing, have shown that we still have work to do to reach our desired level of assurance and control in all areas. I will be working with my Board colleagues to see that this is prioritised in coming months.

On a more positive note, we have seen a significant overhaul of risk mapping and assessment at the BBC, which is an important starting point for our assurance process. In addition, we have continued to consider a wide range of issues; review the work of the BBC’s Internal Audit team; consult frequently with the external auditors; and in general sought to provide the Executive team with an independent, challenging but supportive view. We endeavour at all times to keep audience priorities and value for money at the forefront of our thinking.
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
Fiona Reynolds
Brian McBride (appointed December 2012)
Mike Lynch (until December 2012)

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 six times in 2012/13. 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 presentations from management on how the BBC is managing its information security risks, its key strategic projects, and also the key risks associated with the BBC’s global tax exposures. In addition, the EAC received the report into the review carried out into the BBC’s child protection arrangements.

Fraud detection processes and whistle-blowing arrangements: the EAC reviewed the levels of fraud and theft reported and detected, and the arrangements in place to prevent, minimise and detect fraud and bribery.

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 major strategic projects. During the year, the EAC extended the plan to include additional work on the BBC’s compliance with freelancer contracting policies.

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 misstatement 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 2013, 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 84 to 85. These include consideration of a wide range of risks including editorial, operational and financial risks.

Strategy and financial reporting: the Executive Board approves 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 reforecasting, analysis of variances and performance reviews tracking achievements against business plan and strategy.
**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.

**Project governance:** the importance of assurance in supporting project governance and, ultimately, successful project delivery is recognised. It is now a requirement of all major projects in the BBC to put in place a robust set of checkpoints and reviews with the aim of providing senior stakeholders with assurance that the project is on track to deliver; and to identify appropriate actions to be taken if the project is off course. The roles and expected interventions of assurance providers (e.g. Internal Audit or independent technical experts), are defined within the overall project plan. The project sponsor is responsible for ensuring that the programme of assurance is sufficient for the project throughout its life cycle, with independent review and challenge provided by Internal Audit and the BBC Programme Management Office.

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

**Business continuity:** a specialist unit which is on call 24/7, co-ordinates the BBC’s response to emergencies across the country in order to keep the BBC’s key services to the public on air and on line. It also sets policy and direction, and provides training advice across the business.

**Outsourcing of key business services:** processes are in place to manage outsourced contracts (e.g. licence fee collection, finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.

**Editorial compliance:** policies and procedures are in place to ensure the editorial integrity of output on all platforms, with specialist teams in support.

**Health and safety:** policies and procedures are in place, supported by specialist teams, to protect all persons employed, service providers and members of the general public from potential health and safety hazards and accidents.

**Environmental issues:** policies and procedures are in place, supported by a specialist team, to mitigate against potential environmental damage resulting from any BBC activity.

**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 for a period of three years from 2008/09, after a formal tender process. In accordance with the contract terms, in 2011 the EAC approved a two-year extension to this period. In anticipation of the significant changes in the senior management team at the BBC – including forthcoming change in Chief Financial Officer and the integration of BBC World Service in 2013/14 – the EAC decided to extend KPMG LLP’s appointment for the further year 2013/14, with the expectation of a formal tender process commencing in 2013 for financial years 2014/15 onwards. Furthermore, recognising the above changes and the ongoing developments of systems, processes, controls and infrastructure, the EAC requested that the mandate of the lead audit partner be extended by two years to 2013/14, to help maintain and enhance audit quality.

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 breach. We recognise that there could be sensitivities regarding actual or suspected incidents, 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), Sally Davis and one vacant position. The meetings are also attended by the Chief Financial Officer, Controller, Policy & Regulation, 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 bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html

These arrangements are subject to annual audit by independent auditors and have been separately accredited with the ISO 9001:2008 quality standard. The auditor’s report is set out on page 102.

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 this criteria for the period 1 April 2012 to 31 March 2013.

The BBC has a published Fair Trading complaints and appeals process, which can be found at bbc.co.uk/bbctrust/governance/complaints_framework/fair_trading.html

There have been no complaints or appeals during the year. Details of previous Fair Trading complaints and those that went to appeal to the BBC Trust can be found in our Fair Trading Bulletin at bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints_bulletins.html and on the BBC Trust’s appeals page bbc.co.uk/bbctrust/our_work/complaints_and_appeals/fair_trading.html
“As a publicly funded broadcaster, the BBC has a responsibility to ensure that it trades fairly and has regard to the impact of its activities on the wider market.”

Dame Fiona Reynolds

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. Against a backdrop of change to the media landscape and at the BBC, this year we made some modest changes to the Executive’s Fair Trading Guidelines to reflect the Trust’s revised Fair Trading Policy. The changes included an extension to the BBC’s cross-promotion code to cover on-demand services, and better alignment of the BBC’s Editorial Guidelines with the Fair Trading framework.

The Fair Trading regime continues to operate effectively with an unqualified audit opinion, and this year there were no Fair Trading complaints. I will continue to be focused on ensuring that the BBC’s regulatory requirements are adhered to and high on the Executive Board’s agenda. All stakeholders, including licence fee payers and those who might be affected by the BBC’s activities, can be confident that the BBC remains committed to, and compliant with, its Fair Trading obligations.

Dame Fiona Reynolds
Chairman of the Executive Fair Trading Committee
20 June 2013
Independent fair trading auditors’ report
to the BBC for the year ended 31 March 2013
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 Policies & Framework and the Fair Trading Guidelines for the year ended 31 March 2013 (‘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 (the ‘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 2013, 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 2013. 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 2013.

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 its Fair Trading Arrangements for the year ended 31 March 2013. 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 2013.

Deloitte LLP
Chartered Accountants
London
20 June 2013
MANAGING OUR FINANCES

The BBC must account for how it responsibly uses the licence fee and other income.
MANAGING OUR FINANCES

CHIEF FINANCIAL OFFICER’S REVIEW

“After a year of getting the balance right between current editorial and operational priorities and preparing for imminent financial challenges, the BBC is well positioned to face the future.”
Zarin Patel

Striking a financial balance
This is a year when the BBC has struck a balance between putting in place the financial resources and the infrastructure to deliver our major broadcasting and operational priorities and challenges – many of them truly transformative – whilst also being careful to ensure funding plans are in place for our future financial obligations and other pressures. In 2013/14, £278million of new obligations will need to be funded, and in 2014/15, licence fee funding of some £245million is expected to be required to run the BBC World Service.

Delivering our immediate editorial and operational priorities
This has been a year of some major BBC milestones:
- we successfully moved into New Broadcasting House – under-budget – and started to deliver the synergies and other efficiencies from bringing together so many BBC colleagues
- both the operational and financial benefits of our move into MediaCityUK in Salford are now being realised
- Television Centre was sold at a profit of £78million
- digital switchover was completed – over £400million under-budget over the full life of the scheme, most of which has already been paid over to DCMS
- the BBC’s efficiency programme, the Continuous Improvement Programme, was successfully delivered, to achieve efficiency savings of 3.7% per annum versus a target of 3.0%. This has provided perpetual annual savings of £580million which we have reinvested in our content and essential infrastructure
- early Delivering Quality First savings were also identified to put cash aside to ease the pressure of future savings targets
Breakdown of UK PSB Group expenditure 2012/13

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Service licences – direct content spend</td>
<td>2,443</td>
<td>64</td>
</tr>
<tr>
<td>Other direct content spend</td>
<td>87</td>
<td>2</td>
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<tr>
<td>Property and technology</td>
<td>357</td>
<td>9</td>
</tr>
<tr>
<td>Distribution</td>
<td>222</td>
<td>6</td>
</tr>
<tr>
<td>Support costs</td>
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<td>9</td>
</tr>
<tr>
<td>Licence fee collection costs</td>
<td>111</td>
<td>3</td>
</tr>
<tr>
<td>Digital switchover</td>
<td>57</td>
<td>1</td>
</tr>
<tr>
<td>Costs to fund other income</td>
<td>232</td>
<td>6</td>
</tr>
<tr>
<td>Lease cost reclassified</td>
<td>(82)</td>
<td>(2)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>23</td>
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<tr>
<td>Pension deficit payments</td>
<td>49</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>3,817</td>
<td>100</td>
</tr>
</tbody>
</table>

The trust of the viewing and listening public is at the heart of everything that the BBC does. That is why, in response to the revelations about Jimmy Savile, we commissioned and resourced three reviews so as to ensure that we do not let down licence fee payers again. We have also, in accordance with accounting rules, made appropriate provision for future compensation claims.

**Future challenges**

We start 2013/14 in a strong place, with enough cash to be able to afford our new obligations, without having to compromise on the quality and range of our output. However, successful delivery of the full £700million of DQF savings will be essential to ensure their funding on a continuing basis. It will also be necessary for the further development of our essential infrastructure, in order to ensure we can continue to deliver successfully and sustainably to licence fee payers.

- the ground-breaking coverage of the London 2012 Olympics was broadcast to great acclaim, fulfilling the BBC’s commitment to ‘Never Miss a Moment’ of the games through its innovative digital offering and 24 dedicated channels. Coverage of the Games and surrounding programming and events cost £66million, before rights costs
- some of our spending has been deferred to ensure it delivers maximum audience impact in later years and to avoid a step down in quality post 2012

A year of resolving some major challenges

This year, we reviewed our plans to develop new digital production tools under our Digital Media Initiative (DMI). Having reviewed our progress to date, we decided to close the project in its current form. As much of the software and hardware would only have a value if the project was completed, we are booking a charge of £52million this year. This will bring the total cost of the project to £98.4million.

It is not acceptable to waste licence fee payers’ money in this manner. There were clearly mistakes made in the management of this project, and there will now be a full review, led by PwC initially, to identify and learn the lessons to ensure there is no repetition and that future technology projects are better controlled.

The BBC employs a large number of freelancers to deliver the best programmes for our audiences, but we must do so on the right basis. We are pleased that we can demonstrate a high standard of compliance and no evidence of tax avoidance in this area. However, as a public body, the BBC has committed to go further. Therefore, we are working with HMRC to develop a new employment test for our on-air talent, and are reviewing our contractual arrangements with both our on-air talent and off-air production workers, which is expected to result in some changes to contractual arrangements when current contracts expire.
The unique financial challenges for the BBC
The way in which the BBC is funded places significant financial responsibilities on the BBC as an organisation. Specifically, it has to:

- maximise licence fee income through its efficient and effective collection
- maximise funding from other sources, most significantly BBC Worldwide, the BBC’s commercial trading operation, in a manner consistent with the terms of its Charter and other obligations
- provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC
- ensure that our output is then delivered as cost-efficiently as possible

Our results this year show how we have successfully managed these financial challenges and made sound preparations for the future. This is reflected in our Income Statement for the year. Our group surplus for the year was £328million (2011/12: £389million) although the result is inflated this year by profit of £78million on the sale of Television Centre, and was last year by a £95million profit on the sale of Worldwide’s Magazines business as well as £45million of exceptional pension income.

Income
Licence fee income increased by £50million this year to £3,656million. Included within licence fee collected is a sum to fund the digital switchover (‘DSO’) initiative. As savings against this funding are paid over to the Government by the BBC, they are extracted from our income. There was less activity originally scheduled for this year than last year, so the saving was smaller at £50million (2011/12: £92million) which has resulted in the net licence fee income being higher this year.

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence fee collected</td>
<td>3,706</td>
<td>3,698</td>
</tr>
<tr>
<td>DSO savings</td>
<td>(50)</td>
<td>(92)</td>
</tr>
<tr>
<td><strong>Net licence fee</strong></td>
<td>3,656</td>
<td>3,606</td>
</tr>
</tbody>
</table>

Summary Consolidated Income Statement
For the year ended 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
</table>
| **Licence fee income**         | 3,656   | 3,606   | Reduced Digital Switchover funding and activity
| The total of licence fees collected |         |         |
| **Other income and revenue**   | 1,446   | 1,480   | Sales growth in Global News and in World Service Grant-in-Aid offset by loss of income from sold Magazine business
| Commercial (mainly BBC Worldwide) income and Grant-in-Aid for World Service |         |         |
| **Total income**               | 5,102   | 5,086   | Increases to reflect additional cost of Olympics and technology investment
|                                |         |         |
| **Operating costs**            | (4,801) | (4,750) | Finalised benefit from pension reform
| The cost of producing all content and of running the BBC |         |         |
| **Exceptional pension income** | –       | 45      | The in-year write-off of DMI assets
| One-off significant item       |         |         | Relate primarily to Delivering Quality First initiatives
| **Exceptional impairment of tangible and intangible assets** | (52) | – | Profit results principally from the sale of Television Centre and Lonely Planet this year, and from BBC Worldwide’s Magazines business last year
| One-off significant item       |         |         |
| **Restructuring costs**        | (43)    | (103)   |         |
| Sums provided to fund future efficiency initiatives |         |         |
| **Total operating costs**      | (4,896) | (4,808) |         |
|                                |         |         |
| **Share of results of associates and joint ventures** | 23 | 21 |         |
| Our share of the profit of the businesses where we control less than 50% |         |         |
| **Gain on sale of operations and disposal of fixed assets** | 111 | 100 |         |
| Profit on asset disposals      |         |         |
| **Tax and net financing income** | (12)   | (10)   |         |
| The net tax liability of the BBC on its taxable profits and the net interest on the BBC’s pension assets and liabilities |         |         |
| **Group surplus for the year** | 328     | 389     |         |
Licence fee collection
Despite pressure on household budgets, evasion rates are unchanged. There was a small increase in the total licence fee collected of £8 million. As household budgets come under pressure, we are starting to see an increase in licence fee evasion rates over their prior year level. However, this has been more than offset by a reduction in our collection costs, so that the combined total has reduced in the year.

Effective financial management is a key part of the BBC’s unique relationship with its audiences. This includes spending the licence fee efficiently, ensuring people get delight and enjoyment from the BBC, and collecting a television licence fee from everyone who is required to buy one.

Our new collection contract with Capita started in July 2012 and has already started to deliver savings against the cost of the previous contract. Collection costs were £111 million this year, down from £126 million last year, and total cost savings of £220 million are expected to be delivered over eight years, releasing funding to be spent on our programmes and services. The new contract also contains increased incentives on Capita to reduce evasion and help mitigate the lower increases in the licensable population that we are currently experiencing. Capita have also begun to deliver improvements to our collection processes which will help customers to find the right method of payment for them.

Licence fee statement
This is the third year in which we have prepared a licence fee revenue statement. This account sets out the amounts we collected in the year and paid over to HM Government. The National Audit Office (NAO) audits the statement. Alongside their audit work, the NAO examines our collection arrangements and reports on them to Parliament. More on the licence fee revenue statement can be found on our website bbc.co.uk/aboutthebbc
Commercial trading
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 Global News Ltd and BBC Studios & Post Production (S&PP).

Commercial performance

<table>
<thead>
<tr>
<th></th>
<th>Headline sales 2012/13 £m</th>
<th>Headline result 2012/13 £m</th>
<th>Headline sales 2011/12 £m</th>
<th>Headline result 2011/12 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK PSB Group*</td>
<td>277.1</td>
<td>n/a</td>
<td>271.9</td>
<td>n/a</td>
</tr>
<tr>
<td>BBC Worldwide</td>
<td>1,115.8</td>
<td>n/a</td>
<td>1,085.0</td>
<td>156.3</td>
</tr>
<tr>
<td>BBC Global News Ltd</td>
<td>91.7</td>
<td>(0.8)</td>
<td>71.0</td>
<td>4.2</td>
</tr>
<tr>
<td>S&amp;PP</td>
<td>37.6</td>
<td>(1.1)</td>
<td>52.2</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*UK PSB Group commercial income above includes an element of trading within the BBC.
Headlines for the relevant entity include its share of its joint-venture sales and headline result is profit or loss before exceptional items.

BBC Worldwide
BBC Worldwide exists to support the BBC public service mission and to maximise income to the group on its behalf. It returned £156million to the BBC in 2012/13 (compared to £216million in 2011/12) principally through programme and other rights investment and in dividends. The 2011/12 figure reflects increased returns following the disposal of the magazines business. As always, returns from BBC Worldwide to the BBC reflect the need to balance short-term cash returns and investment in long-term growth to protect future benefits to licence fee payers.

Following an overall review of the BBC’s commercial activities, BBC Worldwide is undertaking a review of its strategy. The overall commercial strategic focus will be on BBC brands and the promotion of the best of the corporation’s output globally. During the year, BBC Worldwide reconfigured its business from divisional to geographical lines of management, moving its profit and loss ownership nearer to its customers. This increased focus on international markets will enable it to capture future growth opportunities around the world.

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. To deliver this, closer working relationships are being developed between our public-service body and our commercial operations. BBC Worldwide is investing 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 Download To Own (DTO), local production and consumer products.

In 2012/13, BBC Worldwide delivered a solid performance in the face of incredibly tough trading conditions. Key growth drivers were:

- strong TV sales across all key markets, particularly in France and Germany, and in the UK which included the first full-year impact of new Video On Demand (VOD) services
- growth in BBC Worldwide’s branded channel portfolio, particularly higher advertising and affiliate sales for BBC America
- new shows from BBC Worldwide Productions in Los Angeles drove revenue growth, as did the increase in format sales for series like The Great Bake Off

This was combined with a focus on delivering cost savings and optimising returns from assets across the business.

In pursuit of BBC Worldwide’s strategy to focus on BBC brands and promote the best of our output globally, our shareholding in Lonely Planet was sold to US-based media company NC2 Media, in March 2013. In total, we will receive AU$75million (£51million) for 100% of the business. AU$60million (£41million) was paid on completion, and the balance of AU$15million (£10million), will be paid in 2013/14. During our period of ownership, we recorded unrealised foreign exchange gains of £48million from retranslating Lonely Planet’s assets into sterling. As a result of the disposal, these gains became realised and have been reclassified to the income statement. The resulting gain on disposal of £15million reflects this. Despite this accounting gain on disposal, we have made a net cash loss on our investment of £80million.

Lonely Planet was acquired in 2007 when both our strategy and market conditions were quite different. Since then, Lonely Planet has increased its presence in digital, magazine publishing and emerging markets whilst also growing its global market share, despite difficult economic conditions. However, we came to the conclusion that it did not fit with our wider plans to put BBC brands at the heart of our business, and therefore decided to sell the company.

Returns to the BBC rose by 9% this year, after excluding the one-off proceeds from the sale of Magazines in 2011/12. Direct investment into BBC-commissioned programming was slightly lower at £74million (2011/12: £78million) reflecting the normal fluctuations in production cycles. Key titles this year included landmark natural history series Africa, which benefited from co-production deals brokered by BBC Worldwide with China’s CCTV9, Discovery Channel and France Télévisions. BBC Worldwide continued to invest in BBC brands such as Strictly Come Dancing, and the international format, Dancing with the Stars, has now sold 46 local versions.

BBC Worldwide also continued to support the UK creative sector, working with 40 independent production companies on a range of development, output and first-look deals. In 2012/13, the business delivered over 130 hours of independent production companies’ programming and returned £9million to independent rightsholders through up-front rights investment, profit shares and royalties.
BBC Global News Ltd
During 2012/13, BBC World News and bbc.com were brought under one holding company — BBC Global News Ltd — to oversee the operation of our two commercially funded international news services and to reinvest in the BBC’s international journalism by pursuing new television and digital business opportunities. In January 2013, the BBC World News channel was re-launched with additional investment of £4 million so that their journalists now sit at the heart of one of the world’s largest multimedia, multilingual newsrooms in Broadcasting House. Working alongside BBC World Service, they bring the world’s most trusted journalism to a global weekly audience of 256 million people. BBC World News is available in over 360 million households, up 30 million on last year, while 58 million people use bbc.com each month on PCs, tablets and mobile devices. As a result of planned investments such as the newsroom move and increased programme spend, the business returned an operating loss of £0.8 million in 2012/13 (2011/12 profit of £4.2 million).

Studios & Post Production
A challenging studio production market heavily impacted by the Olympics, the decommissioning of Television Centre, and the first full year since BBC Sports and BBC Children’s move to Salford, have all combined to mean BBC Studios & Post Production delivered £38 million of sales (2011/12: £52 million) and an operating loss of £1 million (2011/12: £5 million profit) before exceptional items.

BBC Studios & Post Production has successfully delivered a range of creative projects for media companies and other clients during the year, including working on Strictly Come Dancing, Mrs Brown’s Boys, A League Of Their Own, World War I footage for Imperial War Museums London, David Attenborough’s Trials of Life and Life on Earth, EastEnders, Holby City and Deal or No Deal.

Following the sale of Television Centre and under a new leadership team, the company has restructured and moved its operations to three new sites. BBC Studios & Post Production is now operating successfully from a new studio in Elstree, an efficient digital media facility in South Ruislip, and a new post production house on central London’s Charlotte Street. The business is now bedding into these facilities and the sales pipeline is encouraging.
## Financial Overview

### Expenditure

#### UK Public Service Broadcasting (UK PSB) group expenditure

<table>
<thead>
<tr>
<th>2013 Service</th>
<th>Content £m</th>
<th>Distribution £m</th>
<th>Infrastructure/support £m</th>
<th>Other items £m</th>
<th>Total £m</th>
<th>2012 Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>1,129.2</td>
<td>52.9</td>
<td>281.1</td>
<td>–</td>
<td>1,463.2</td>
<td>1,337.6</td>
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<tr>
<td>BBC Two</td>
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<td>31.7</td>
<td>106.6</td>
<td>–</td>
<td>543.1</td>
<td>537.1</td>
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<tr>
<td>BBC Three</td>
<td>89.7</td>
<td>4.6</td>
<td>27.4</td>
<td>–</td>
<td>121.7</td>
<td>112.9</td>
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<tr>
<td>BBC Four</td>
<td>50.0</td>
<td>4.2</td>
<td>16.0</td>
<td>–</td>
<td>70.2</td>
<td>67.8</td>
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<td>CBBC</td>
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<td>23.1</td>
<td>–</td>
<td>108.7</td>
<td>107.3</td>
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<td>Cbeebies</td>
<td>28.9</td>
<td>4.5</td>
<td>9.6</td>
<td>–</td>
<td>43.0</td>
<td>42.4</td>
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<tr>
<td>BBC HD</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>17.8</td>
</tr>
<tr>
<td>BBC ALBA</td>
<td>4.9</td>
<td>1.5</td>
<td>1.4</td>
<td>–</td>
<td>7.8</td>
<td>8.0</td>
</tr>
<tr>
<td>BBC News Channel*</td>
<td>45.2</td>
<td>7.5</td>
<td>8.8</td>
<td>–</td>
<td>61.5</td>
<td>57.5</td>
</tr>
<tr>
<td>BBC Parliament</td>
<td>1.9</td>
<td>7.2</td>
<td>1.4</td>
<td>–</td>
<td>10.5</td>
<td>9.3</td>
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<tr>
<td>BBC Red Button</td>
<td>15.6</td>
<td>22.3</td>
<td>3.9</td>
<td>–</td>
<td>41.8</td>
<td>37.2</td>
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<tr>
<td><strong>Television</strong></td>
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<td><strong>140.4</strong></td>
<td><strong>479.3</strong></td>
<td>–</td>
<td><strong>2,471.5</strong></td>
<td><strong>2,334.9</strong></td>
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<td>BBC Radio 1</td>
<td>40.7</td>
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<td>8.1</td>
<td>–</td>
<td>54.2</td>
<td>50.6</td>
</tr>
<tr>
<td>BBC Radio 2</td>
<td>47.8</td>
<td>5.3</td>
<td>9.0</td>
<td>–</td>
<td>62.1</td>
<td>60.5</td>
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<tr>
<td>BBC Radio 3</td>
<td>38.3</td>
<td>5.3</td>
<td>10.7</td>
<td>–</td>
<td>54.3</td>
<td>52.5</td>
</tr>
<tr>
<td>BBC Radio 4</td>
<td>91.1</td>
<td>9.8</td>
<td>21.2</td>
<td>–</td>
<td>122.1</td>
<td>115.9</td>
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<tr>
<td>BBC Radio 5 live</td>
<td>55.0</td>
<td>6.8</td>
<td>14.2</td>
<td>–</td>
<td>76.0</td>
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<td>BBC Radio 5 live sports extra</td>
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<td>1.4</td>
<td>1.5</td>
<td>–</td>
<td>5.6</td>
<td>5.3</td>
</tr>
<tr>
<td>BBC Xtra</td>
<td>7.5</td>
<td>1.5</td>
<td>2.8</td>
<td>–</td>
<td>11.8</td>
<td>11.1</td>
</tr>
<tr>
<td>BBC 6 Music</td>
<td>7.4</td>
<td>1.5</td>
<td>2.6</td>
<td>–</td>
<td>11.5</td>
<td>11.7</td>
</tr>
<tr>
<td>BBC 4 extra</td>
<td>4.0</td>
<td>1.5</td>
<td>1.7</td>
<td>–</td>
<td>7.2</td>
<td>8.2</td>
</tr>
<tr>
<td>BBC Asian Network</td>
<td>8.3</td>
<td>1.7</td>
<td>3.0</td>
<td>–</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>BBC Local Radio</td>
<td>114.7</td>
<td>9.9</td>
<td>27.9</td>
<td>–</td>
<td>152.5</td>
<td>146.5</td>
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<tr>
<td>BBC Radio Scotland</td>
<td>23.2</td>
<td>3.2</td>
<td>6.3</td>
<td>–</td>
<td>32.7</td>
<td>32.1</td>
</tr>
<tr>
<td>BBC Radio Na Gàidhuel</td>
<td>3.8</td>
<td>1.4</td>
<td>1.1</td>
<td>–</td>
<td>6.3</td>
<td>6.0</td>
</tr>
<tr>
<td>BBC Radio Wales</td>
<td>13.9</td>
<td>1.2</td>
<td>3.7</td>
<td>–</td>
<td>18.8</td>
<td>17.7</td>
</tr>
<tr>
<td>BBC Radio Cymru</td>
<td>12.5</td>
<td>1.6</td>
<td>3.5</td>
<td>–</td>
<td>17.6</td>
<td>15.9</td>
</tr>
<tr>
<td>BBC Radio Ulster/BBC Radio Foyle</td>
<td>17.0</td>
<td>2.1</td>
<td>4.7</td>
<td>–</td>
<td>23.8</td>
<td>23.8</td>
</tr>
<tr>
<td><strong>Radio</strong></td>
<td>487.9</td>
<td>59.6</td>
<td>122.0</td>
<td>–</td>
<td>669.5</td>
<td>640.1</td>
</tr>
<tr>
<td><strong>BBC Online†</strong></td>
<td>103.0</td>
<td>21.8</td>
<td>51.8</td>
<td>–</td>
<td>176.6</td>
<td>186.8</td>
</tr>
<tr>
<td><strong>Spend regulated by service licence</strong></td>
<td><strong>2,442.7</strong></td>
<td><strong>221.8</strong></td>
<td><strong>653.1</strong></td>
<td>–</td>
<td><strong>3,317.6</strong></td>
<td><strong>3,161.8</strong></td>
</tr>
</tbody>
</table>

* Included within BBC News channel are production costs of £27.2million, news-gathering costs of £17.8million and other costs of £0.2million (2012: production costs of £26.1million, news-gathering costs of £16.1million and other costs of £0.2million).

† BBC Online spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service, and overheads. The spend for each was: News, Sport and Weather £43.8million (2012: £47.7million); Children £8.5million (2012: £9.5million); Knowledge and Learning £18.7million (2012: £21.5million); TV and Player £12.2million (2012: £15.3million), Audio and Music £13.3million (2012: £15.3million), giving a total annexe spend of £96.5million (2012: £109.3million). Non-annexe spend was £6.5million (2012: £6.0million).
### Total public service broadcasting group expenditure continued

<table>
<thead>
<tr>
<th></th>
<th>Content £m</th>
<th>Distribution £m</th>
<th>Infrastructure/support £m</th>
<th>Other items £m</th>
<th>2013 Total £m</th>
<th>2012 Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend regulated by service licence</td>
<td>2,442.7</td>
<td>221.8</td>
<td>653.1</td>
<td>–</td>
<td>3,317.6</td>
<td>3,161.8</td>
</tr>
<tr>
<td>Licence fee collection costs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>111.1</td>
<td>111.1</td>
<td>126.1</td>
</tr>
<tr>
<td>Orchestras and performing groups</td>
<td>23.4</td>
<td>–</td>
<td>5.8</td>
<td>–</td>
<td>29.2</td>
<td>29.0</td>
</tr>
<tr>
<td>S4C</td>
<td>23.6</td>
<td>–</td>
<td>6.4</td>
<td>–</td>
<td>30.0</td>
<td>29.2</td>
</tr>
<tr>
<td>Development spend</td>
<td>40.4</td>
<td>–</td>
<td>10.1</td>
<td>–</td>
<td>50.5</td>
<td>52.5</td>
</tr>
<tr>
<td>UK PSB group pension deficit reduction payment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>48.6</td>
<td>48.6</td>
<td>89.1</td>
</tr>
<tr>
<td>Costs incurred to generate intra-group income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>164.8</td>
<td>164.8</td>
<td>156.8</td>
</tr>
<tr>
<td>Costs incurred to generate third-party income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>67.4</td>
<td>67.4</td>
<td>55.9</td>
</tr>
<tr>
<td><strong>Other content-related spend</strong></td>
<td>87.4</td>
<td>–</td>
<td>22.3</td>
<td>391.9</td>
<td>501.6</td>
<td>538.6</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23.1</td>
<td>23.1</td>
<td>100.6</td>
</tr>
<tr>
<td><strong>Total UK public services content expenditure</strong></td>
<td>2,530.1</td>
<td>221.8</td>
<td>675.4</td>
<td>415.0</td>
<td>3,842.3</td>
<td>3,801.0</td>
</tr>
<tr>
<td>Digital switchover (Digital UK Limited)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>12.5</td>
<td>12.5</td>
<td>40.8</td>
</tr>
<tr>
<td>Digital switchover (DSHS Limited)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>44.4</td>
<td>44.4</td>
<td>89.7</td>
</tr>
<tr>
<td><strong>Total UK PSB group expenditure</strong></td>
<td>2,530.1</td>
<td>221.8</td>
<td>675.4</td>
<td>471.9</td>
<td>3,899.2</td>
<td>3,931.5</td>
</tr>
<tr>
<td>Lease reclassification(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(81.9)</td>
<td>(81.9)</td>
<td>(81.7)</td>
</tr>
<tr>
<td><strong>UK PSB group expenditure</strong></td>
<td>2,530.1</td>
<td>221.8</td>
<td>675.4</td>
<td>390.0</td>
<td>3,817.3</td>
<td>3,849.8</td>
</tr>
</tbody>
</table>

\(1\) In order to reflect the full cost of UK PSB group expenditure by service, finance lease interest is included, although it is not included in the group operating expenditure.

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

<table>
<thead>
<tr>
<th></th>
<th>2013 £m</th>
<th>2012 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>181.6</td>
<td>186.9</td>
</tr>
<tr>
<td>HR and training</td>
<td>45.4</td>
<td>46.2</td>
</tr>
<tr>
<td>Policy and strategy</td>
<td>12.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Finance and operations</td>
<td>67.7</td>
<td>56.8</td>
</tr>
<tr>
<td>Marketing, audiences and communication</td>
<td>68.7</td>
<td>72.0</td>
</tr>
<tr>
<td><strong>Total central costs</strong></td>
<td>375.4</td>
<td>374.2</td>
</tr>
<tr>
<td>Technology*</td>
<td>175.1</td>
<td>128.0</td>
</tr>
<tr>
<td>Libraries, learning support and community events</td>
<td>33.6</td>
<td>36.1</td>
</tr>
<tr>
<td>Divisional running costs</td>
<td>64.5</td>
<td>62.7</td>
</tr>
<tr>
<td>BBC Trust Unit (excluding restructuring)</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Other</td>
<td>14.9</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total infrastructure support costs</strong></td>
<td>675.4</td>
<td>618.4</td>
</tr>
</tbody>
</table>

*Includes the £51.7million impairment of DMI.
Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content and its delivery to audiences and users, and the essential infrastructure to support this. Total content spend increased by 3.4% in 2012/13 to £2,530million (2010/11: £2,446million), largely due to additional investment in our coverage of the London Olympics.

No service licences spent above the regulated baseline budget threshold during 2012/13, and two services underspent by more than 10%. Both BBC Parliament and BBC Asian Network were able to deliver additional efficiency savings without compromise to their editorial performance.

The BBC’s continuing expenditure on its technology and property infrastructure was inflated this year by the write-down of DMI. Underlying costs were lower than last year at £305million (2011/12: £315million). This level of investment is essential to enable the new ways of working required to deliver both enhanced content and the financial efficiency savings of 20% required to fund the BBC’s DQF strategy. The production and delivery of multi-channel Olympic content was only possible due to the new technical infrastructure in MediaCityUK and the greater collaboration across Sport and Future Media teams enabled by this facility.

The continuing delivery of efficiency savings and the completion of key projects led to headcount reductions in both our licence fee funded operations and in our commercial subsidiaries. Salaries and wages paid to staff were unchanged this year at £999million. In the UK PSB group, staff numbers reduced by 324 (1.9%) to 16,534 and there was a £93million reduction in pay and wages paid to staff (mainly due to lower restructuring costs and pension contributions).

The BBC has also commissioned a comprehensive review of our contractual arrangements with our on-air talent and off-air production workers which is expected to result in a number of these individuals being offered employment contracts in the future when their current contracts expire.

World Service funding

The priorities for World Service in 2012/13 were the developing of new television programming and the delivery of the 2012/13 savings targets set by the Foreign & Commonwealth Office in the latest Comprehensive Spending Review. World Service also moved its London office into New Broadcasting House to be co-located with the wider BBC News teams and to mobilise the delivery of operational synergies and other savings.

Its operating cost was £284million in 2012/13 (2011/12: £252million) although this is stated after exceptional costs of £6million for restructuring this year and after £13million of costs for the decommissioning of transmission infrastructure as well as some related asset write-downs.

Efficiency

In 2008/09, the five-year Continuous Improvement (CI) programme commenced as an integral part of the Delivering Creative Future strategy to release the funding necessary to make the BBC fully fit for purpose for the digital age. It set an annual efficiency savings target of 3.0%. We can now confirm that the BBC has delivered savings of 3.7% over the five-year period, not only delivering the funding necessary, but enabling the BBC to go further for its audiences and to have the financial stability to continue to do so over the next few years.

In 2012/13, we delivered another £580million worth of savings, bringing the cumulative total achieved over the life of the programme to £2,080million. This has all been delivered without compromising the quality of our output and whilst delivering record audience appreciation figures.

There has been particular focus on rationalising and modernising our operating estate over the programme, bringing new operating environments into operation in London and Salford, disposing of Television Centre at a significant profit, and vacating our White City building ready for its marketing.

Our annual savings achievement is reviewed by our auditors, KPMG LLP. It was also examined by the NAO last year and their report, issued in November 2011, commended the programme and the way it was being managed. The NAO 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 (DQF).

In addition to the CI savings, savings have been delivered this year under our DQF programme, with a number of initiatives that will continue to realise year-on-year savings through the DQF period. These include significant savings delivered from the exit of Television Centre, a new licence fee collection contract, Formula 1 sports rights negotiations, W1 and Access Services.

Our confidence is high in the delivery of our savings target for the next two years.

These savings are essential to generate the cash required to continue to develop the BBC’s content and distribution, and thus ensure we are able to continue to provide licence fee payers with the quality and the range of services they are entitled to expect from the BBC into the foreseeable future.
Balance sheet
The group has provided £43 million of restructuring costs this year, primarily relating to those of our DQF plans which are sufficiently advanced to have been communicated to staff and other key stakeholders. This is essential expenditure for the delivery of our long-term target of £700 million of annual savings. Further provisions are expected in 2013/14 as plans are finalised. Additionally, the BBC has provided for the expected costs of the claims against the BBC for past events.

After concentrating on the development of our new buildings in recent years, we are now turning our focus on rationalising the rest of our estate. In the year, we announced the sale of Television Centre at a profit of £78 million, and we have also vacated our main White City building, prior to offering it also to the market.

Future pension costs
The IAS 19, or accounting pension deficit, has risen to £1,717 million compared to £1,179 million a year ago. The most significant reason for the increase has been the continued fall in corporate bond yields, which are used to determine the present value of the pension scheme liabilities. The accounting valuation is only a ‘snapshot’ at a particular date in time, and is therefore sensitive to short-term market fluctuations.

The next formal actuarial valuation of the Scheme is underway. The final result is not yet known, but is expected to show a larger deficit than the previous valuation at 1 April 2010. The deficit repayment plan agreed at the 1 April 2010 valuation continues to be followed, and any revisions to this plan will need to ensure that the pension scheme is brought back into equilibrium in a way that is fair both to members of the pension scheme and licence fee payers.

Summary Consolidated Balance Sheet
For the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Balance sheet classification</th>
<th>What is it?</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>What happened this year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>Mainly the BBC’s property, plant equipment and investments</td>
<td>1,783</td>
<td>1,920</td>
<td>Reduced by the DMI write-down, the disposal of Lonely Planet and increased depreciation on new infrastructure</td>
</tr>
<tr>
<td>Current assets</td>
<td>Programme and other stocks and amounts to be received in the next 12 months</td>
<td>2,166</td>
<td>2,069</td>
<td>Cash has increased as the BBC prepares for its new funding obligations and DQF savings targets</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>Amounts to be paid in the next 12 months</td>
<td>(1,148)</td>
<td>(1,259)</td>
<td>Reduction in sums payable to DCMS from Digital Switchover savings paid over in the year</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>Amounts to be paid after the next 12 months</td>
<td>(1,144)</td>
<td>(1,206)</td>
<td>Reduction in amounts payable to DCMS mainly</td>
</tr>
<tr>
<td>Net assets (excluding pension liabilities)</td>
<td></td>
<td>1,657</td>
<td>1,524</td>
<td>Increases to reflect reduction in discount rates used to value future liabilities</td>
</tr>
<tr>
<td>Net pension liabilities</td>
<td>The net deficit on the BBC’s pension scheme</td>
<td>(1,717)</td>
<td>(1,179)</td>
<td>The increase in the pension deficit (£538 million) offsets the operating surplus (£336 million)</td>
</tr>
<tr>
<td>Net (liabilities)/assets</td>
<td></td>
<td>(60)</td>
<td>345</td>
<td></td>
</tr>
<tr>
<td>BBC Reserves</td>
<td>The net resources available to the BBC for future use</td>
<td>(60)</td>
<td>338</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>The share of businesses that the BBC does not wholly own</td>
<td>–</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

In light of the BBC’s strategic priorities, the ability for the BBC to afford significant increases in pension cost is constrained. The BBC considers itself to have a strong and enduring brand and covenant and, consequently, has a high degree of confidence in its ability to meet pension liabilities as they fall due. At the same time as we agree a plan with the BBC Pension Scheme Trustees to repair the predicted actuarial deficit in the Scheme, we are continuing to look at ways to reduce the volatility in the scheme to provide greater stability for long-term financial planning.

The increase in the pension deficit has moved the BBC Group into an overall net liability position. As there is an extended time scale for addressing the deficit, this is not regarded as a significant financial risk for the BBC or believed to jeopardise our ability to pay our obligations as they fall due. Current pension contribution levels are provided for within our latest financial plans, and the projected out-turn from the current review of pension funding can also be accommodated.
**Cash**

The BBC’s cash balance of £575 million at the end of the year will be used to help fund a number of imminent financial pressures which total over £600 million:

- the new obligations for S4C, BBC Monitoring, Local TV and Broadband roll-out in 2013/14, budgeted in aggregate at £278 million
- implementation costs of £81 million necessary to deliver our DQF efficiency savings
- £60 million on replacement technology after our exit from Television Centre
- the next annual pension deficit recovery payment (£100 million)
- £77 million is held within our commercial business for investment in their development
- a final £33 million to fund the final costs and savings repayment from the Digital Switchover Scheme. A total of £424 million of DSO scheme savings will be paid over by the BBC to DCMS over the life of the scheme

The BBC is a committed and prudent tax payer in all the countries in which it operates, and conducts its tax affairs with integrity. Its commercial activities undertake acceptable tax planning measures in accordance with the spirit and intention of laws and regulations so as to minimise its tax cost, but does not undertake measures purely for tax purposes, and it never knowingly contributes to other companies’ tax evasion.

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**Summary Consolidated Cashflow Statement**

For the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Cash-flow classification</th>
<th>What is it?</th>
<th>2013 £m</th>
<th>2012 £m</th>
<th>What happened this year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>Surplus of the BBC’s income over its operating costs</td>
<td>339</td>
<td>266</td>
<td>Reduction in operating surplus in the year in part due to higher depreciation and non-cash pension charges which do not impact cash surplus</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>Cash invested in property, plant and equipment</td>
<td>(41)</td>
<td>(203)</td>
<td>The much smaller outflow in this year reflects the receipt of proceeds from the sale of Television Centre</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>Net interest paid on the BBC’s borrowings</td>
<td>(129)</td>
<td>(136)</td>
<td>This is primarily interest on the group’s property leases</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td></td>
<td>169</td>
<td>(73)</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>The BBC’s cash balance at the beginning of the year</td>
<td>407</td>
<td>513</td>
<td></td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes on cash and cash equivalents</td>
<td>The impact of foreign exchange rates on the BBC’s cash</td>
<td>1</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Movement in cash held as restricted funds</td>
<td>DSO savings to be paid over to DCMS or received for LF stamps</td>
<td>(2)</td>
<td>(32)</td>
<td>Reduced DSO activity means less scope for savings to be paid over to DCMS</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>The BBC’s cash at the end of the year</td>
<td>575</td>
<td>407</td>
<td></td>
</tr>
</tbody>
</table>
LOOKING FORWARD

An important four years ahead
The next years are important years for the BBC as we embark on the delivery of the DQF strategy and head into the Charter renewal process. 2013/14 will be the first full year of DQF and the year in which a significant proportion of the 20% savings target is planned.

It is clear that the UK economy is now set for a slower recovery, and although the BBC is not as exposed to overall economic trends as other broadcasters, we are still seeing pressure on licence fee collection and on our commercial income. It is this pressure that has required us to focus on the value delivered by the licence fee, and validates the recent conservation of cash.

Recent times have been difficult for the BBC, and we are learning the lessons as we move forward. We are regaining trust – something which will always be the most precious commodity for our organisation, and which we must never take for granted.

We shall continue to focus on producing outstanding programmes and services, and on removing the obstacles that get in the way of that ambition. We set ourselves incredibly high standards and at our best we provide a service like no other. Our challenge is to perform at our best all the time.

A strong BBC for the future
This is my final review as Chief Financial Officer of the BBC, and in the nine years, I can reflect on the successful delivery of two efficiency programmes which have released over £900million for reinvestment. It has been particularly important to reduce the costs of running the BBC, so that we can concentrate expenditure on our content, as our licence fee payers would expect.

It is a period in which the operations of the BBC have been transformed with our new premises and ways of working in London, Salford and Glasgow, and in which the digital switchover programme has been delivered, returning over £400million to the Government. The BBC’s commercial activities have thrived, to promote the BBC brand globally, and to provide additional funding to develop our offer to our licence fee payers.

Finally, it is a period over which we have simultaneously reduced licence fee evasion and collection costs to record low levels, whilst maintaining positive relations with the licence fee paying British public. There are plans in place to reduce evasion and collection costs further still.

Although there are challenges from the delivery of a 20% savings target, and pressures from the current pension and economic situation, I am confident that the BBC is well positioned to afford these new costs and also continue to “educate, inform and entertain” licence fee payers to the level they are entitled to expect from the BBC.

New Broadcasting House has been reinvented as a new and dynamic creative hub in the centre of London

The technical infrastructure of MediaCityUK made the delivery of multi-channel Olympic content possible
The summary financial statement contains the BBC’s Summary Income Statement on page 106, Summary Balance Sheet on page 113 and Summary Cash Flow Statement on page 114. These include the key headline data from the full financial statements which are available online in the download centre at 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 20 June 2013 by:

Tony Hall
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 2013 which comprises the Summary Consolidated Income Statement on page 106, the Summary Consolidated Balance Sheet on page 113, the Summary Consolidated Cash Flow Statement on page 114 and Executive Board Remuneration Report on pages 90-96.

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 2013 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
20 June 2013
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**
Acquired programmes are bought in a finished state from another supplier.

**Appreciation Index or AI**
Appreciation Index or AI is the aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100.

**Creative economy**
The UK’s creative economy includes the organisations and people who work in design and media industries, including independent production companies, actors and writers.

**BARB**
BARB (Broadcasters Audience Research Board) is the independent organisation responsible for providing the official measurement of UK television audiences.

**Cost per user hour**
Cost per user hour or Cost per listener hour combines service spend and consumption to help inform an assessment of value for money.

**Digital switchover**
The process of digital switchover involved turning off the UK’s analogue television broadcasting system which completed in 2012.

**Freesat**
Freesat 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 freesat.co.uk/. Freesat from Sky is also available for a one-off payment: freesatfromsky.co.uk

**Freeview**
Freeview 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 freeview.co.uk

**HDTV**
HDTV – 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**
Impact 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**
Peak-time 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 (PSBs) are the BBC, ITV, Channel 4, Channel 5 and S4C.

**Rajar**
Rajar (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**
Reach on television 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 radio 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 share 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**
Unique users 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 (WoCC) 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 more information or to know more about how the BBC is run, please visit bbc.co.uk/aboutthebbc
<table>
<thead>
<tr>
<th>Subject Index</th>
<th>Overview</th>
<th>Part One</th>
<th>Part Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit committee report</td>
<td>–</td>
<td>–</td>
<td>97</td>
</tr>
<tr>
<td>BBC North</td>
<td>–</td>
<td>24</td>
<td>57</td>
</tr>
<tr>
<td>BBC Worldwide</td>
<td>4</td>
<td>25</td>
<td>108</td>
</tr>
<tr>
<td>Commercial strategy</td>
<td>–</td>
<td>25</td>
<td>108-109</td>
</tr>
<tr>
<td>Complaints</td>
<td>–</td>
<td>18</td>
<td>–</td>
</tr>
<tr>
<td>Content spend by service</td>
<td>–</td>
<td>–</td>
<td>66-70</td>
</tr>
<tr>
<td>Delivering Quality First</td>
<td>–</td>
<td>12</td>
<td>50-51/74</td>
</tr>
<tr>
<td>Digital Media Initiative project</td>
<td>–</td>
<td>20</td>
<td>55/88/105</td>
</tr>
<tr>
<td>Digital switchover</td>
<td>–</td>
<td>26</td>
<td>57</td>
</tr>
<tr>
<td>Editorial standards</td>
<td>–</td>
<td>18/42</td>
<td>–</td>
</tr>
<tr>
<td>Efficiency savings</td>
<td>–</td>
<td>22</td>
<td>50/54</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>–</td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td>Equality and diversity</td>
<td>–</td>
<td>29</td>
<td>77</td>
</tr>
<tr>
<td>Executive Board directors</td>
<td>–</td>
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More information
If you wish to find out more about the BBC’s full-year performance to March 2013 — including full financial statements and each service’s performance against its Statement of Programme Policy, as well as other public commitments, please visit bbc.co.uk/annualreport. The Annual Report is also published in Welsh. An audio version is available on request.

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Divider images
Part Two cover – ‘BBC Events teamed up with Gary Barlow to create the Diamond Jubilee Concert’

Delivering Strategy – ‘Tom Hiddleston as Henry V in The Hollow Crown: Henry V, one of four Shakespeare plays recreated’


Working Together – ‘The BBC’s Natural History Unit produced hit series Africa which achieved an AI of 93’

Governance I – ‘The Voice coaches Will.I.am and Jessie J perform at the Diamond Jubilee Concert’

Managing Our Finances – ‘Children’s drama Wolfblood proved popular with younger viewers on CBBC’