MINUTES OF THE BBC TRUST MEETING

Held on Wednesday 18 December 2013
at the BBC Trust offices, Great Portland Street, London

Present:
Lord Patten Chairman
Diane Coyle Vice Chairman
Sonita Alleyne Trust member
Richard Ayre Trust member
Alison Hastings Trust member for England

Items 140 – 143, 145, 147 – 152
David Liddiment Trust member

Bill Matthews Trust member for Scotland
Aideen McGinley Trust member for Northern Ireland

Item 140 – 152
Elan Closs Stephens Trust member for Wales
Suzanna Taverne Trust member
Lord Williams Trust member

In attendance from the Trust Unit:

Nicholas Kroll Director, BBC Trust
Alex Towers Deputy Director
Phil Harrold Head of Governance
Fran O’Brien Head of Editorial Standards
Mark Devane Head of Communications
Kate Atkins Chief Adviser, Governance

Jon Cowdock Head of Business Strategy

Items 140 – 146 and 149
Alison Gold Head of Public Services Strategy
Georgina Hodges Chief Research and Audiences Adviser

Items 140 – 14
Gareth Tuck Chief Financial Adviser

Items 150 and 151
Stephanie Simmonds Deputy to Head of Legal

Item 148
From the Executive:

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External attendees

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140 MINUTES AND MATTERS ARISING

140.1 The Trust approved the minutes of the meetings held on 21 November 2013 and 4 December 2013 as accurate records of proceedings.

140.2 The Chairman, Vice-Chairman and Trust members Alison Hastings and David Liddiment approved the minutes of a meeting held on 11 December to discuss an issue arising from the Pollard review, relating to a recorded conversation between Nick Pollard and a journalist.

140.3 The Trust noted the matters arising from previous meetings.

140.4 The Chairman noted that the Trust would publish later that day an independent report by PwC on the BBC’s management of the Digital Media Initiative (DMI).

140.5 The Chairman said that Nicholas Prettejohn had been appointed a Trust member and would take up his position on 1 January 2014.

141 COMMITTEES AND NATIONS REPORTS

141.1 [redacted – future publication]

141.2 The Acting Chairman of TFC said the committee had discussed the development of the 2014-15 BBC budget with the Executive. Further discussions would take place in the new year, ahead of the Trust being asked to approve the final budget in March.

141.3 The Chairman of the Strategic Approvals Committee (SAC), Diane Coyle, said the committee had received an update from the Executive on the development of the BBC’s free-to-air platform strategy. She reported that the BBC was in negotiations with its Youview joint venture partners over a new shareholder agreement, and that the Trust Unit would provide guidance to ensure that the BBC was able to continue to comply with the conditions set by the Trust when BBC participation in the venture was originally approved.

141.4 The Chairman of SAC also reported that the Trust Unit had received advice from Ofcom on the potential impact on the market of proposals for BBC Store – the Executive’s plans to offer, on a commercial ‘download to own’ basis, a broader range of digital video content than is available through the iPlayer ‘catch-up’ service. This advice would be taken into account in the Trust’s regulatory scrutiny of the proposals.

141.5 The Trust’s Deputy Director noted that the National Audit Office would be undertaking two value for money studies at the BBC in 2014 – one on progress in
reducing costs through the implementation of the BBC’s *Delivering Quality First* strategy and the other on the management of the BBC’s estate.

141.6 The Trust members for England, Northern Ireland, Scotland and Wales provided an update on recent activity in their respective nations.

141.7 Members noted the judgment of a tribunal that the BBC must pay Eos, a collection society that controls the broadcast rights for some Welsh language music, £100,000 a year. Eos had been seeking £1.5 million a year from the BBC.

142 **QUARTERLY PERFORMANCE BRIEFING**

142.1 The Trust’s Head of Public Services Strategy briefed members on the performance of BBC services in July to September 2013. She noted that the time spent by audiences watching BBC television and listening to BBC radio had fallen strongly, compared to the previous year.

142.2 Members discussed the fall in audiences, noting, in particular, the need for creative renewal on BBC One.

143 **DIRECTOR’S REPORT**

143.1 The Director, BBC Trust presented his report, which provided an overview of activity undertaken by the Trust and previewed the key issues to be discussed by the Trust at the meeting.

143.2 The Trust’s Deputy Director updated members on early discussions between the Chairman, Vice Chairman and the Executive about Charter review. Members agreed to hold discussions with the Executive in January.

144 **GOVERNANCE REVIEW**

144.1 The Director, BBC Trust briefed members on a programme of work to implement the conclusions of the governance review. This aimed to deliver a more distinct role for the Trust, alongside a stronger Executive Board; improved effectiveness in holding the BBC to account; and greater public accountability via increased openness and transparency.

144.2 The Director, BBC Trust said the Trust would be undertaking its annual board evaluation exercise in the spring.

144.3 Members discussed a strategic communications programme to be carried out by the Trust and agreed to give further consideration to this in the new year.
145  WORLD SERVICE OPERATING LICENCE

145.1 The Trust’s Head of Governance presented the draft operating licence for the BBC World Service, which set out the remit and scope of the service and its annual budget.

145.2 Members agreed that a condition should be added to the operating licence, in response to an issue raised during the 12-week public consultation. This specified that news, current affairs and information programming on the World Service should represent at least 75% of output each year. The only exception to this is BBC Persian television, which is required to deliver at least 50% news and current affairs output.

145.3 The Trust approved the operating licence, which will be published and come into effect on 1 April 2014 when the World Service moves to licence fee funding. A statement of policy on alternative finance will be added to the operating licence following approval by the Trust and the Department for Culture, Media and Sport.

146  SERVICE REVIEW PLANS FOR 2014-15

146.1 The Trust’s Head of Public Services Strategy set out the proposed schedule for the Trust’s service reviews in 2014-15.

146.2 Members agreed with the proposal that the Trust should review BBC music radio and BBC (network) speech radio in 2014-15. The first review would cover the whole portfolio of BBC music stations – Radio 1, 1Xtra, Radio 2, 6Music, Radio 3 and Asian Network. The second review would cover Radio 4, 4Extra, 5live and 5live Sports Extra.

146.3 Members noted that TV and online news in Scotland, Wales and Northern Ireland would be covered in the Trust’s service review of nations radio, due to take place in 2015-16.

147  DIRECTOR-GENERAL’S MONTHLY REPORT

147.1 The Trust noted the conflicts of interest process in place for discussion related to BBC Worldwide (see note at minute 155).

147.2 The Director-General provided an update on BBC programmes and events over the past month, including the 50th anniversary of Doctor Who. Trust members praised BBC coverage of the death of Nelson Mandela and the helicopter crash in Glasgow, noting the important role played by BBC journalists based in South Africa and Scotland respectively. They welcomed the appointment of Carrie Gracie as the BBC’s first China Editor.

147.3 The Director-General briefed Trust members on the implementation of the
governance review from the Executive’s perspective. He confirmed that the BBC would abolish 60% of its boards by 31 March and said the Executive Directors would make individuals, rather than committees, responsible for business in their area.

147.4 Trust members were updated on issues concerning BBC Worldwide, including negotiations around UKTV expenditure on BBC programmes under the long-term Programme Licence Agreement.

147.5 The Director-General briefed members on his recent visit to Derry-Londonderry, the 2013 UK City of Culture, where he had met some of the BBC’s creative partners in the city and attended a concert.

147.6 The Director-General also noted his recent speech at the Voice of the Listener and Viewer conference about the need to make a strong public argument for the BBC and to be more vocal about the Corporation’s successes.

147.7 In response to questions from Trust members, the Director-General provided an update on plans to replace the EastEnders exterior set at the BBC’s Elstree centre, due to the poor condition of the current set.

147.8 The Senior Independent Director welcomed the appointment of Sir Howard Stringer as a Non-Executive Director on the BBC Executive Board. Further non-executive appointments were due to be made in the new year, in line with the conclusions of the governance review.

148 DAME JANET SMITH REVIEW

148.1 The Director, BBC Trust provided an update on the progress of Dame Janet Smith’s review into the culture and practices of the BBC in the years when Jimmy Savile worked at the Corporation.

148.2 Members noted that the Executive planned to commission an independent audit of its child protection and whistleblowing policies. Once Dame Janet Smith’s report had been delivered in the new year, the Executive would assess what further work to take in light of the report’s findings and the independent audit.

148.3 [redacted – future publication]

149 GLOBAL NEWS ALTERNATIVE FINANCE

149.1 The Director, News and Current Affairs presented proposals to enable the BBC World Service to continue to receive alternative sources of income once funding responsibility transfers to the licence fee next year and to simplify and standardise

149.2 Trust members discussed the principles around alternative sources of income, including the need to ensure that such funding would not cast doubt on the BBC’s independence, impartiality and editorial integrity.

149.3 Subject to securing any necessary clearances from Government, the Trust endorsed the development of a consistent approach to funding and editorial rules and agreed that, from 1 April 2014, a limited amount of advertising and sponsored content that is not news and current affairs could be broadcast on BBC World Service. It also agreed that funding through a grant from the Department for International Development for “democratic governance” programmes (through BBC Media Action or directly) could continue.

149.4 The Trust agreed that its Editorial Standards Committee should consider draft Editorial Guidelines for BBC Global News Services on External Relationships and Funding and whether in the light of protections afforded by the Editorial Guidelines non-UK Governments and other organisations should be able to fund “democratic governance” programmes, such as Question Time type programmes in Afghanistan and Pakistan.

149.5 The intention, once agreed within the BBC and then with Government, is that a statement of policy on alternative finance will be added to the BBC World Service operating licence, which was approved by the Trust earlier in the meeting.

150 QUARTERLY FINANCE REPORT AND DELIVERING QUALITY FIRST REPORT

150.1 The Managing Director, Finance and Operations presented the Executive finance report for the six months to 30 September 2013, alongside a report on the implementation of the BBC’s Delivering Quality First (DQF) strategy for the same period.

150.2 Trust members discussed the two reports with the Executive. They noted that, while the Executive remained confident that planned DQF savings for 2013-14 would be delivered, around £100 million savings in 2016-17 were not yet certain and further savings may be required to fund the Director-General’s new strategy for the BBC.

150.3 With regard to the last six months, members noted a stable period for the BBC in financial terms with slightly lower than expected licence fee income and higher operational spend more than offset by higher commercial income and corporate savings.

150.4 The Managing Director, Finance and Operations outlined the process for setting the BBC budget for 2014-15, which included discussions with all BBC divisions.
about ways to save money. The Trust noted that, as in previous years, the budget would need to reflect the strategy it had agreed. Trust approval could be required if savings plans included changes to the scope of BBC services beyond those agreed by the Trust as part of DQF.

150.5 The Trust agreed to have further discussions with the Executive in the new year.

151 **BBC PENSION SCHEME**

151.1 The Trust noted the conflicts of interest process in place for discussion related to the BBC pension scheme (see note at minute 155).

151.2 The Managing Director, Finance and Operations presented the 2013 actuarial valuation and proposed funding settlement for the BBC pension scheme.

151.3 Members noted the ongoing pension scheme deficit and the proposed financial management plan.

151.4 The Trust approved the actuarial valuation and funding settlement for the BBC pension scheme and noted that it would be communicated to scheme members in the new year.

152 **EXECUTIVE REMUNERATION**

152.1 The Director, HR provided an update on progress towards reducing the number and pay of BBC senior managers, as agreed in the 2011 – 2015 executive pay strategy.

152.2 Members noted that, while good progress had been made in meeting the target reductions in the senior manager headcount and pay bill, more work was needed in reducing the number of senior managers who earn more than £150,000 pa.

152.3 Members also noted some changes to the roles and responsibilities of the Executive’s remuneration committees. These included the Executive Remuneration Committee taking on additional responsibility for Worldwide executive remuneration and the creation of a Senior Management Remuneration Committee to deal with the majority of remuneration and severance issues for the most senior managers in the BBC below the Executive Board.

153 **ITEMS FOR NOTING**

153.1 (a) Minutes from committees and Audience Councils
(b) Documents for sealing
(c) Report of offline approvals
(d) Freedom of Information Act section 36 decision
**BUSINESS HANDLING AND COMMUNICATIONS**

154.1 The Trust discussed the handling and communication of items considered at the meeting.

**CONFLICTS OF INTEREST**

155.1 The Trust noted that David Liddiment was a consultant and non-executive creative director at All3Media and, as such, had a potential conflict on discussions related to BBC Worldwide (see item 147). David Liddiment received redacted papers relating to this item but it was not necessary for him to leave the meeting.

155.2 The Trust noted that Bill Matthews is Chairman of the BBC Pensions Trust and, as such, had a conflict of interest on discussions related to the pension scheme (see item 151). Bill Matthews receive redacted papers relating to this item and left the meeting for the discussion.