MINUTES OF THE BBC TRUST MEETING

Held on Wednesday 21 February 2007
in the Council Chamber, Broadcasting House, London, W1A 1AA

Present:
Chitra Bharucha  Acting Chairman
Diane Coyle     Trust Member (items 25 - 31 only)
Dermot Gleeson  Trust Member
Alison Hastings  Trust Member for England
Patricia Hodgson Trust Member
Rotha Johnston  Trust Member for Northern Ireland
Janet Lewis Jones Trust Member for Wales
David Liddiment Trust Member
Jeremy Peat     Trust Member for Scotland

Apologies:        Mehmuda Mian Pritchard  Trust Member
                  Richard Tait       Trust Member

In attendance from the Trust Unit:
Nicholas Kroll    Director, BBC Trust
Sally Kendall     Head of Secretariat and Governance
Phil Harrold      Senior Adviser, Secretariat and Governance
Tina Stowell      Head of Communications
Christopher Woolard Head of Finance, Economics and Strategy
Items 24-27, 31 Alston Bexfield  Chief Financial and Compliance Adviser
Items 24-27, 31 Penny Young    Head of Audiences
Items 24-27, 31, 35 Mark Wakefield  Head of Performance
Item 31  Alison Gold  Chief Adviser, Performance and Market Intelligence
Item 32  Gareth Barr  Policy Analyst, Finance, Economics and Strategy
Item 36  Helen Bardell  Lawyer, Baker and McKenzie
Item 36  Zoltan Biro     Consultant to the Trust Unit

For items:
28 - 36  Mark Thompson  Director-General
28 - 36  Caroline Thomson  Chief Operating Officer
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AGENDA

24. Declaration of Interests
25. Minutes of Meeting held on 24 January 2007
26. Reports from Committees and Audience Councils
27. Trust Business
28. Director-General's Report
29. Quarterly Financial Report
30. Targeted Help
31. Strategic Reprioritisation
32. bbc.com
33. Management Policy on ‘Category Two’ Trials
34. Ofcom’s Consultation on the Digital Dividend Review: Proposed Approach to BBC Response
35. BBC Jam
36. Free Satellite
37. Audience Council Committee Terms of Reference
38. Memorandum of Understanding with Ofcom
39. Matters Arising from Previous Meetings
40. Any Other Business
41. Items for Noting
MINUTES

24 DECLARATION OF INTERESTS

24.1 The Chairman asked members if they had any interests to declare related to items on the agenda; there were none.

25 MINUTES OF MEETING HELD ON 24 JANUARY 2007

25.1 The Trust approved the minutes of the meeting held on 24 January 2007 as an accurate record of proceedings and agreed that they be published, with the redactions as proposed. The Chairman signed the minutes on behalf of the Trust.

26 REPORTS FROM COMMITTEES AND AUDIENCE COUNCILS

26.1 Members noted the report from meetings of the Trust committees that had been held in February and Audience Councils that had met in January and February.

26.2 The Chair of the Finance and Strategy Committee noted that the committee had also approved the Trust Unit budget for 2007/08.

27 TRUST BUSINESS

27.1 The Director, BBC Trust introduced his report. He updated the Trust on the proposed targeted help scheme and reprioritisation of expenditure following the licence fee settlement.

27.2 Members agreed that the Trust should continue to seek resolution of the issues on targeted help raised with the Department for Culture, Media and Sport (DCMS) following the Trust’s January meeting. They agreed to discuss the proposed management of the scheme with the Executive later in the meeting.

27.3 The Trust agreed that it wanted to be fully informed of the Executive’s licence fee reprioritisation proposals prior to them being presented to the Trust for approval. It was important for the BBC to continue to provide a range of high-quality services and that any change to the BBC’s service strategy and financial plans would need to be informed by the outcomes of the consultation on the BBC’s public purpose remits.

27.4 The Trust also reviewed other agenda items to be presented by the Executive during the meeting, including the bbc.com proposition.

27.5 The Director, BBC Trust introduced his proposals on Trust operations, which was informed by feedback from members following earlier meetings and endorsed by the Acting Chairman. The paper included proposals on the operation of the Trust’s meetings and members’ engagement with strategic BBC issues. The Trust agreed the approach presented and agreed to review progress in the summer.
27.6 The Trust was updated on the developing outline of the Trust’s part of the 2007/08 Annual Report and Accounts and the approval timetable for this. Members were invited to provide comments to the Trust Unit.

27.7 The Head of Communications presented an outline communications plan to support the Trust’s work programme. Members endorsed the plan and noted the provisional timetable of activities.

27.8 The Acting Chairman updated members on recent meetings in which she had participated, including with Marcus Agius, the senior non-executive director of the BBC’s Executive Board.

28 DIRECTOR-GENERAL’S REPORT

28.1 The Executive joined the meeting and the Director-General updated the Trust on issues under review within the Executive Board.

28.2 As the BBC’s Editor-in-Chief, he updated members on recent performance of programmes and services, including developments in the BBC’s journalism.

28.3 He also updated members on industrial relations issues, including threats of strike action in the News division, and informed the Trust of the Executive’s contingency plans to ensure broadcast continuity. He also referred to recent industry developments, noting British Sky Broadcasting’s proposal to withdraw some of its services from Freeview to launch a subscription service on the Digital Terrestrial Transmission network.

28.4 The Director-General updated the Trust on the recent non-exclusive arrangement that the BBC was to enter into with Google, to provide BBC content to YouTube. He acknowledged correspondence with the Acting Chairman in which she had agreed that it was within the Executive Board’s authority to enter into this arrangement. Given the potential strategic significance, the Acting Chairman noted that any extension to the current arrangements could require Trust approval. The Director-General agreed that, should the BBC wish to enter into a broader arrangement, he would consult the Trust before doing so. Members noted that in the current media landscape, partnerships such as this may become increasingly common and they would want to discuss similar deals.

28.5 He noted that the Executive Board had met the day before and that they had approved the 2007/08 BBC budget for submission to the Trust in March.

29 QUARTERLY FINANCIAL REPORT

29.1 The Chair of the Trust’s Finance and Strategy Committee outlined the conclusions of the Committee’s prior consideration and oversight of the BBC’s financial report for the last quarter.
29.2 The Group Finance Director noted that budgets for individual services would be provided in the 2007/08 budget and that expenditure against this would be tracked each month, allowing the Executive Board and the Trust to monitor performance. She also noted that the BBC was on track to meet its commitment to have ‘broadly zero’ debt by the end of the current financial year.

29.3 [withheld from published minutes]

30 TARGETED HELP

30.1 The Director, BBC Trust noted that the Trust had not received a response from the DCMS on the financial issues presented following the Trust’s last meeting. He reported that discussions were ongoing between the DCMS and HM Treasury.

30.2 [withheld from published minutes]

30.3 The Trust agreed that the Director, BBC Trust should write again to the DCMS on its behalf to stress the importance of resolving the outstanding issues quickly, and report back to the Trust in due course.

31 STRATEGIC REPRIORITISATION

31.1 The Acting Chairman said that the discussion provided an initial opportunity for the Trust to hear the Executive’s proposals for developing the BBC’s service strategy and reprioritising funding following the licence fee settlement.

31.2 The Director-General introduced the Executive’s presentation. He sought to agree a process that would enable the Trust to have oversight at each stage of the reprioritisation work and ensure that the Executive delivered to the Trust’s requirements.

31.3 The Director-General presented the background to the BBC’s current strategic framework, noting the opportunities and constraints from the funding settlement. Delivering any significant new investment in content, or developing new services, would require a mixture of ‘self-help’ and reprioritisation of funding.

31.4 The Executive presented their developing thoughts on audience segmentation and the Trust discussed the challenges associated with delivering value to all licence fee payers.

31.5 The Trust discussed the concept of ‘audience value’ as a measure to judge the performance of the BBC’s existing services and the use of the RQIV (Reach, Quality, Impact and Value for Money) framework to make assessments of the relative priority of services. The BBC needed to continue to provide high quality output and to service all audiences within the constraints of the licence fee settlement. Members noted that choices would need to be made as part of this process and the results of the Trust’s consultation on the BBC’s public purposes would be essential to inform the reprioritisation work.
31.6 The Director-General noted that the 2007/08 budget would be presented to the Trust for approval in March. He noted that the Executive would present a prudent and interim financial plan for the year until the full six year business plan was developed as part of the reprioritisation work.

31.7 The Acting Chairman thanked the Executive for the presentation. As the process of reprioritisation progressed the Trust would require further clarity on the available resources, the aims of the Executive’s approach and the framework and timetable within which decisions would be taken. She asked that the Trust Unit draw up plans in consultation with the Executive.

32 bbc.com

32.1 The Chief Executive Officer of BBC Worldwide introduced the paper, requesting the Trust’s approval to commercialise the international traffic to bbc.co.uk. He noted that the proposal was central to supporting BBC’s international strategy – both to enhance the BBC’s global news operation and also to meet BBC Worldwide’s profit objectives to return value to the BBC and licence fee payers. He noted that the plans represented the first phase of the proposition, which was to place advertising on internet pages that are accessed from outside the United Kingdom.

32.2 The Director of Global News spoke in support of the proposition on behalf of the BBC’s journalism group. He noted that the Journalism Board had investigated the proposal in some detail and was satisfied that appropriate editorial safeguards would be put in place to protect the BBC’s reputation and ensure that there would not be any commercial influence on the BBC’s journalism. The Director-General supported this view, noting that the proposal had the approval of the Executive and the Journalism Board. He recognised that the BBC’s reputation for impartial news was critically important and that the proposed service would be oversee by the Journalism Board and action taken immediately if this reputation was likely to be put at risk.

32.3 The Chair of the Trust’s Finance and Strategy Committee updated members on the committee’s prior consideration of the proposition. He noted that committee had requested additional information on the benefits to the BBC’s journalism to be provided in the paper presented to the Trust.

32.4 The Trust discussed the options available for the BBC to invest further in the BBC’s global internet presence. The Director-General noted that licence fee funding could not be used for providing services outside the UK and that the amount of Grant-in-Aid funding available from the Government to provide this service would always be limited. The only viable option for investing in growing this service to meet the BBC’s international purpose would be through some form of commercial funding. With respect to the impact on the BBC’s journalism, he noted the bbc.com proposal was designed to use commercial funding to invest in public service journalism and not to commercialise the BBC’s journalism output. He believed that there would be no negative impact on the quality of the BBC’s journalism as a result of this proposition.
The Trust discussed in detail the role of the ‘editorial guardian’ and other mechanisms that would be put in place to ensure appropriate separation between the editorial and commercial aspects of the operation. Trustees sought further clarification on the proposed editorial oversight at the operational and Executive level.

The Trust’s Head of Finance, Economics and Strategy outlined the four criteria that the Charter and Agreement required the Trust to consider when considering commercial ventures:
- fit with the BBC’s public purposes;
- commercial efficiency;
- not jeopardising the good reputation of the BBC or the value of its brand; and
- compliance with fair trading and avoidance of distortion to the market.
He noted that, in addition, the Trust had the discretion to consider other factors it believed might be relevant to the decision.

The General Counsel confirmed his advice that the fair trading aspects of the proposal had been considered in detail and he was comfortable with the approach being proposed. He confirmed that all commercial agreements would require approval from the BBC’s fair trading department.

The Executive left the room to enable to the Trust to continue its discussion in private. Members discussed various aspects of the proposal and agreed that further information would be required to understand the benefits to the BBC’s global journalism offering, which they agreed should be integral to the proposition. The Trust asked for further written clarification on the editorial safeguards proposed to be put in place, both at operational and Journalism Board level. Members also requested clarification about the redeployment of the existing Grant-in-Aid funding used to fund the international-facing version of the BBC News website.

Members concluded that providing independent news and information to an international audience remained essential to the BBC’s purpose and, to that end, the BBC must remain a global news organisation. They agreed it was necessary for the BBC’s international presence to be equally compelling across all platforms and that the internet was particularly important to delivering a comprehensive service.

The Trust requested that the Executive undertake further work on the proposition addressing the issues raised in discussion. Specifically, the members requested further information on how advertising revenue would be reinvested in BBC Global News and how the BBC’s UK public services for the benefit of licence fee payers plus assurance on the editorial controls. Members also asked the Trust Unit to do further analysis to satisfy them that all issues linked to potential fair trading questions had been addressed.
32.13 The Executive re-entered the room and the Trust’s decision was communicated to them.

33 MANAGEMENT POLICY ON ‘CATEGORY TWO’ TRIALS

33.1 The Chief Operating Officer introduced the paper, which proposed a policy for dealing with trials other than those that would form part of the evidence base for a Public Value Test. She noted that such trials could be authorised by the Executive Board under delegated authority and a policy approved by the Trust.

33.2 The Acting Chairman noted that the proposed policy had been considered by the Trust’s Public Value Test Steering Group, which had recommended it to the Trust for approval.

33.3 The Trust approved the policy as presented and noted that it would be published by the Executive Board in due course.

34 OFCOM’S CONSULTATION ON THE DIGITAL DIVIDEND REVIEW: PROPOSED APPROACH TO BBC RESPONSE

34.1 The Chief Operating Officer introduced the paper and outlined the background to the Ofcom review. She noted that the review raised a number of important issues for the BBC and the Executive Board was currently developing a response.

34.2 The Trust agreed that it was appropriate for the Executive Board to complete this work and submit it to Ofcom. The Acting Chairman requested that the Trust Unit be kept informed of progress on behalf of the Trust.

35 BBC JAM

35.1 The Director, BBC Trust updated members on developments regarding the BBC Jam service since the last meeting.

35.2 [withheld from published minutes]

35.3 [withheld from published minutes]

35.4 [withheld from published minutes]

35.5 [withheld from published minutes]

35.6 [withheld from published minutes]
36  **FREE SATELLITE**

36.1 The Director, Marketing, Communications and Audiences introduced the Executive’s paper which outlined the proposal from BBC management to launch a satellite service that would allow all UK licence fee payers access to standard- and high-definition television, radio and interactive services via a satellite receiver, subscription free, in perpetuity. He noted the BBC’s objective in launching this service was to provide access to digital services to licence fee payers who were unable to access digital terrestrial television and to support digital switchover.

36.2 Members noted that following the Trust meeting in January the Secretary of State had officially handed back responsibility for approval of the proposition to the Trust under the approvals framework in the Charter and Agreement.

36.3 The Chair of the Trust’s Finance and Strategy Committee reported on the committee’s prior consideration of the proposal, which the committee fully supported. He noted that the committee had requested an independent review of the potential competitive impact of the proposition, which had been commissioned by the Trust Unit from Frontier Economics.

36.4 Dr Zoltan Biro, Director, Frontier Economics, presented the findings of his review, which looked at the reports that had been prepared by the BBC Governance Unit, as part of the Board of Governors’ application to the Secretary of State, and by Fathom Partners and Indepen on behalf of DCMS. On the basis of the evidence provided, and the verbal report provided by Dr Biro, the Trust endorsed the Finance and Strategy Committee’s recommendations and agreed that it would be appropriate to undertake a 28 day consultation on the provisional conclusions. Members noted that the provisional conclusions document would be updated to reflect the conclusions of the Frontier Economics report, which was expected in full the following day, and delegated members to approve the final text on the Trust’s behalf.

36.5 Members noted that a final decision on this matter would be taken by the Trust following the consultation period.

37  **AUDIENCE COUNCIL COMMITTEE TERMS OF REFERENCE**

37.1 The Trust approved the terms of reference for the Audience Councils Committee, including delegated authority to this committee to approve the appointment of members of Audience Councils. Members agreed that non-material drafting amendments to the terms of reference could be made by the Committee itself.

38  **MEMORANDUM OF UNDERSTANDING WITH OFCOM**

38.1 The Trust approved the amendments to the draft Memorandum of Understanding with Ofcom and authorised the Acting Chairman to sign it on behalf of the Corporation.
39 MATTERS ARISING FROM PREVIOUS MEETINGS

39.1 Members noted the matters arising from the previous minutes, as reported.

40 ANY OTHER BUSINESS

40.1 There was no other business.

41 ITEMS FOR NOTING

41.1 The following items were noted:
   - Report of offline approvals
   - Report on Public Value Test activity
   - Minutes of Trust Committees and Audience Councils