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| The BBC's mission is to
inform, educate and entertain

BBC Annual Report and Accounts 2013/14

**Presented to Parliament by the Secretary of State for
Culture, Media and Sport by command of Her Majesty
21 July 2014**

Extended versions of the financial statements provided in Part Two
of this report were also laid before Parliament on 21 July 2014
and are available online at: bbc.co.uk/annualreport

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Our role and purpose

The BBC serves the public interest through the promotion of its six public purposes

Sustaining citizenship and civil society

The BBC provides high quality news, current affairs and factual programming to engage its audiences in important current events and ideas.



Representing the UK, its nations, regions and communities

The BBC reflects the UK's many communities, promoting awareness of different cultures and viewpoints, but also brings audiences together for shared experiences.



Promoting education and learning

Education and learning lie at the heart of the BBC's mission and have a part to play in the delivery of all its public purposes.



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

The BBC supports a global understanding of international issues and broadens UK audiences' experience of different cultures.



Stimulating creativity and cultural excellence

The BBC encourages interest, engagement and participation in cultural, creative and sporting activities across the UK.



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

In promoting its other purposes, the BBC helps audiences to get the best out of emerging media technologies.






- The BBC exists to serve the public, and its mission is to inform, educate and entertain. Within the overall public purposes, the Trust sets the strategic framework for the BBC, and the Executive, led by the Director-General, delivers the BBC's services and creative output.





- The following pages outline the strategic objectives agreed by the Trust and the Executive and provide some highlights illustrating how the BBC has worked to achieve them.

The BBC's objectives

This year the BBC has aimed to deliver four strategic objectives

 <p>Quality and distinctiveness</p> <p>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.</p>	 <p>Value for money</p> <p>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.</p>	 <p>Openness and transparency</p> <p>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.</p>	 <p>Serving all audiences</p> <p>The BBC should reflect the diversity of its audiences in both its programmes and its workforce. All audiences should have access to relevant BBC services.</p>
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In light of a new strategy agreed during the year, the Trust and Executive have agreed some changes to these objectives

 <p>Make the most creative and distinctive output</p> <ul style="list-style-type: none"> ■ Create outstanding content to build the BBC's reputation in key genres and make each service as distinctive as it can be ■ Ensure the BBC reflects the diversity of the UK 	 <p>Innovate online to create a more personal BBC</p> <ul style="list-style-type: none"> ■ Innovate fast online and enhance people's personal connection with the BBC
 <p>Serve all audiences</p> <ul style="list-style-type: none"> ■ Maintain the mass appeal of channels ■ Pursue universal access on new platforms and keep pace with new consumption behaviours ■ Better reflect the different nations, regions and communities 	 <p>Improve value for money through a simpler, more efficient and more open BBC</p> <ul style="list-style-type: none"> ■ Create a simpler, more efficient and more open BBC ■ Build new creative partnerships ■ Engage staff with the strategy

Serving everybody with a range of great content delivered in new ways

Reaching new audiences

Audience reach

Percentage of UK adults who use BBC TV, radio or online each week.

96%

2012/13: 96%



Total time spent

Length of time these audiences spend with the BBC each week.

18.5 hours

2012/13: 19.5 hours



Highlights of the year

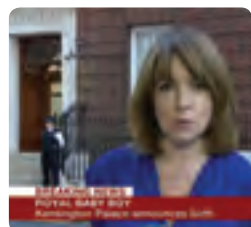


Doctor Who

The *Doctor Who* 50th Special was shown on TV in 98 countries; was broadcast in 15 languages; and sold 649,138 cinema tickets in 25 countries. In the UK it was watched by an average audience of 12.8 million, plus an additional 3.2 million iPlayer requests.

Wimbledon

A peak audience of 17.0 million viewers watched Andy Murray win Wimbledon, the highest for a Wimbledon final since at least 2002 (when current measurement began). 94% of the audience felt the BBC's coverage was high quality.



News

The day of the birth of HRH Prince George was a record day for global performance on BBC News Online – visited by 19.4 million browsers from around the world.

Leading the way with digital content



Introducing iWonder

In March 2014, knowledge and learning sites on BBC Online (which includes iWonder) achieved record reach, visited by 5.6 million UK internet browsers on average per week.



BBC Weather app

The BBC Weather app, released in June 2013, has been downloaded 6.3 million times.



CBeebies app

The CBeebies app, released in August 2013, has been downloaded 2.4 million times.

Better value for money

Cost per household

A six-year licence fee settlement was agreed in 2010 which has frozen the licence fee at £145.50 until 2017.

Per day

40p
2012/13: 40p

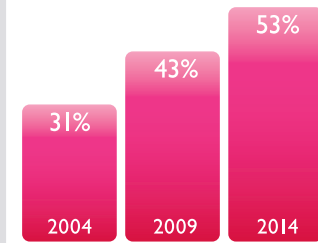
Ongoing savings

We have saved £374million p.a. so far through our Delivering Quality First programme and are on track to achieve the full £700million p.a. savings required by 2016/17.

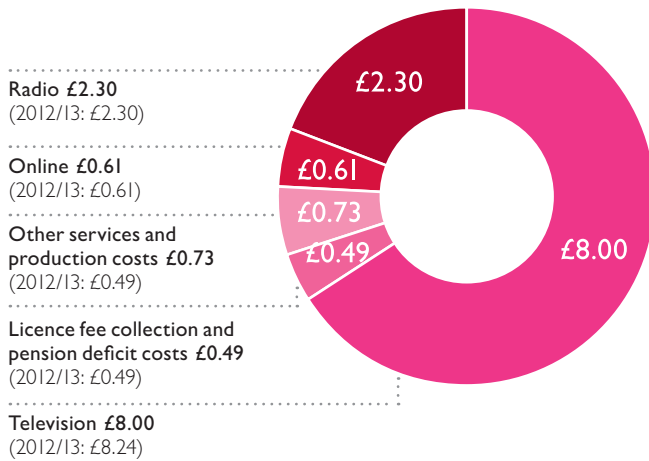
£374m

Public support for the licence fee

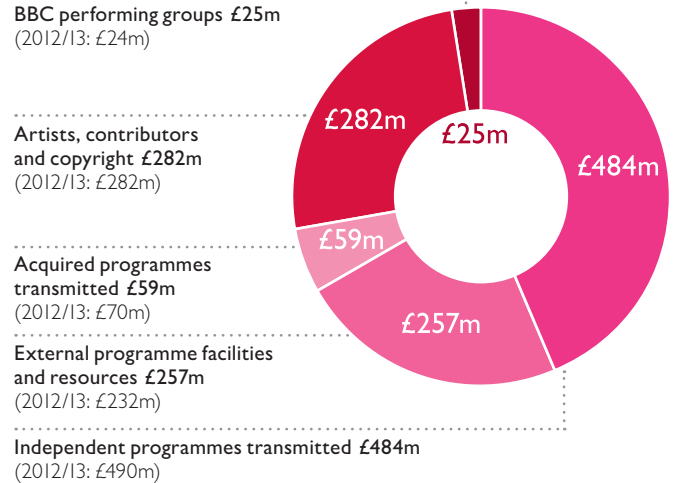
53% of the public support the licence fee as the means of funding the BBC, compared with 26% for advertising and 17% for subscription.



Monthly spend by licence fee £12.13 per household



BBC spend in the creative economy 2013/14 Total of £1.1bn



	2013/14		2012/13	
	Spend per year (£m)	% of licence fee	Spend per year (£m)	% of licence fee
Television Ten channels	2,276	66	2,472	68
Radio 15 network stations and Local Radio	650	19	670	19
Online BBC Online and BBC iPlayer	174	5	177	5
Other services and production costs	205	6	133	4
Licence fee collection and pension deficit costs	151	4	160	4

The above analysis corresponds to UK PSB Group content expenditure on page 122, although the costs incurred to generate other income are excluded as they are not funded from the licence fee.

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.



Part One

The BBC Trust's review and assessment

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

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The BBC is part of the fabric of our everyday life in this country. Practically everyone is touched by it – a huge achievement in a multi-platform, multi-channel digital age.

But it needs to respond to an audience that is more diverse than ever in terms of background, interests and identity, and who are accessing media in different ways.

How the BBC serves and reflects such a kaleidoscopic UK is a priority for the Trust and has been an important theme of our work during the past year.

People expect the BBC to be relevant to their lives. Our work has underlined how important this is to the BBC's continuing role as a vital cultural and civic institution.

We have set the Director-General a priority for the coming year of making measurable progress in reflecting the diversity of the UK in the BBC's workforce, including increasing the number of women on air.

The BBC needs to keep pace with rapid changes in technology. The Trust has reviewed BBC network news and current affairs and we found that, although it retains unrivalled audience trust thanks to consistently high standards, it needs to innovate in order to draw in a younger audience. Similarly, our review of children's services found that CBBC and CBeebies are held in very high regard, but must adapt to children's rapidly changing ways of engaging with media.

Audiences must be able to rely on the BBC to offer programmes not found in the commercial sector. So the Trust has continued to push for more distinctive programmes; and our review of the four main television channels has put a particular emphasis on this aspect of their performance. Our impartiality review on rural affairs concluded that the BBC needs to ensure a broader range of rural voices is heard on network news.

The BBC has had some notable successes during the year. Everybody will have their own highlights, but mine have included shows like *Rev*, *Hinterland* and *Call The Midwife*, the iWonder pages on World War I online, waking up to *Farming Today* each morning, and, of course, *Strictly*.

There have also been some high-profile failures. The BBC's Digital Media Initiative project was closed, at a cost of nearly £100million. And there was the controversy surrounding past severance payments above contractual entitlements to some senior staff. Both of these episodes involved significant sums of public money and saw the BBC falling well short of what licence fee payers expect.

“The BBC needs to respond to an audience that is more diverse than ever.”

Over the past year we have been working with the Director-General to overhaul how the BBC is run and how we work together to ensure we are clear about our roles and responsibilities and to prevent such issues recurring. We are determined to ensure the BBC is spending money effectively. We have set ambitious efficiency targets each year – which the Executive has been achieving. As part of expecting the Executive to demonstrate good value for money we have also asked for the number of senior managers to be reduced and want to ensure the BBC has firm control of its headcount.

Under the strong leadership of the Director-General Tony Hall and his senior team, the BBC has made progress on many of the areas highlighted above.

Finally I should say that I myself didn't expect to be writing this introduction. The former Trust Chairman, Lord Patten, stood down from the role on health grounds at the start of May 2014. I would like to pay tribute to his commitment to the BBC and its audiences during often very difficult times.

I consider it a huge honour to be performing this role. With my other colleagues on the Trust, I will be doing everything I can to make sure the BBC is as good as it can be, for all of us.

A handwritten signature in black ink that reads "Diane Coyle". The signature is written in a cursive, flowing style.

Diane Coyle
Acting Chairman
19 June 2014



BBC NEWS

WEATHER Pressure: 1004mb, Humidity: 75%

BBC TRAVEL

BBC SPORT

Setting strategy and assessing performance

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

Setting strategy

The Trust set a number of priorities for the Director-General for 2013/14. We report on progress below, as well as identifying our priorities for 2014/15.

★ Quality and distinctiveness

We highlighted for particular attention:

- The quality, variety and originality of new drama on BBC One, especially in peak
- The quality and prominence of current affairs on BBC One and BBC Two

The Executive has made a number of internal management changes that are designed to promote creativity and innovation in all genres. These include new development teams or 'Creative Labels', an innovation unit, BBC Productions awards (to boost creativity in in-house production) and a 'Charter of Editorial Commitments' to improve the BBC's relationship with, and speed of response to, independent producers.

In October, the Director-General signalled that high-quality British drama was a major editorial priority, and proposed changes to BBC Three in part to redirect more funding into BBC One drama.

The Trust welcomes this intention to further increase ambition in drama and will look to see a positive outcome for audiences.

We reviewed the quality and prominence of current affairs output as part of our service review of network news and current affairs, published in April 2014.

We found that the BBC makes more current affairs programmes, has larger audiences and is perceived as better than other providers for being high-quality and relevant, and for keeping audiences informed of issues.

However, we also found that audiences expect more from the BBC's current affairs and that there was a relatively low audience awareness of much of the BBC's current affairs output. They want it to do more to cover stories and issues which stand out. The challenge facing the BBC's current affairs output is therefore to make greater impact and increase audience awareness of what it does.

What's next?

Our priority for the BBC in this area remains to improve the quality, variety and originality of new drama on BBC One, particularly in peak time.

£ Value for money

We highlighted the need for:

- A clear and sustainable response to the National Audit Office's (NAO) review on severance payments to put a stop to any future excessive payments
- Sufficient rigour in the final years of the Delivering Quality First (DQF) savings plans, in particular to make sure that back-office functions can be pared back as promised

The BBC's full response to the NAO's review on severance payments can be found on our website. At its heart is a new policy that caps any future pay-offs at £150,000, along with significant improvements to internal controls and processes. Any future exceptions to the new policy need to be identified and justified in the Annual Report.

On the DQF savings programme, significant progress has been made in the course of the past year to remove three-quarters of the savings that had previously been considered 'at risk', largely through major savings in operational (non-content) areas and contracts. The programme has so far saved £374million each year and is on track to release the planned £700million of annual savings.

The NAO is to conduct a progress report in this area later in the year, and we hope they will be able to provide additional assistance to the BBC in meeting its targets in the final years of the plan.

In the meantime, the BBC will need to find additional savings to fund the new initiatives put forward by the Director-General. The Trust will subject some of the resulting proposals to further regulatory scrutiny where they affect services (for example BBC Three). We welcome the Executive's benchmarking exercise aiming to identify potential further efficiency savings.

What's next?

We want to see a further reduction in senior manager numbers and, while doing so, to establish what the Executive thinks the BBC's overall headcount ought to be in future.

Serving all audiences

We highlighted in particular our desire for:

- A clear strategy for free-to-air platforms
- Improvements in the representation of women on air
- Improvements to the quality and prominence of current affairs output for each different part of the UK

The Executive has presented a strategy for its investment and involvement in different free-to-air platforms (Freeview, Freesat and YouView) to the Trust. We captured the results of that work in our review of the BBC's participation in YouView (see page 28) as well as in the new distribution framework that will be put out for public consultation later in the year. This framework will establish the key principles and parameters for future BBC management decision-making in a way that the rest of the market can easily understand.

There have been notable individual examples of a new commitment from the Executive to improve the representation of women on air, and some broader initiatives, such as the commitment for 50% of local radio stations to have a female breakfast presenter by the end of 2014. However, content analysis suggests a continuing gender imbalance in BBC output and we consider that there needs to be a co-ordinated plan from the Executive to address this as part of a wider diversity strategy.

On current affairs, the Executive has done some work for each part of the UK to develop new formats and to promote local journalism. In Scotland in particular, additional funding has been put in place to cover the referendum campaign. The Trust's review of nations radio (to start in 2015) will include an assessment of news and current affairs provision in each nation.

What's next?

We want the BBC to make measurable progress in reflecting better the diversity of the UK population in the BBC's workforce and its output, in particular increasing the number of women on air.

Openness and transparency

We highlighted the particular importance of:

- The BBC's response to the general issues revealed by the Pollard report (which investigated whether there were any failings in the BBC's management of a dropped *Newsnight* investigation into Jimmy Savile)
- The pursuit of new creative partnerships with other major cultural organisations and institutions

We welcome the work that the Executive has done in response to the Pollard report, including:

- Changes to the organisational structures in news
- Bolstered management of major investigations
- New appointments from outside the BBC
- A redesign of the managed programmes risk list

The challenge will be to make sure these individual changes add up to the broader change in culture that the Trust asked for in response to Nick Pollard's report. From that point of view, the wider management changes made by the Director-General – to reduce internal bureaucracy and require individual responsibility from senior managers – are extremely welcome.

We also welcome the work that has been done to promote and develop new partnerships with institutions as diverse as Arts Council England (the Space), Birmingham City Council, the BFI, PACT (BBC Store), and Spotify (BBC Playlister).

As these partnerships develop, we are looking to the Executive to set out a clearer plan for an overall strategy to build on them, and on other successes, and make the BBC an even bigger catalyst for the success of the UK's cultural and creative sector.

What's next?

We want the BBC to pursue more partnerships with other cultural and creative organisations across the UK.

★ Quality and distinctiveness

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, and the Trust sets more detailed and demanding requirements for impartiality, accuracy and fairness than Ofcom sets for all other UK broadcasters.

Here we report on how BBC services performed in terms of audience numbers and appreciation, and then on how they complied with the BBC's editorial standards.

Service performance

Ninety-six per cent of UK adults used BBC services each week, and overall they continued to rate the quality of content highly, despite the continuing budget cuts. The time people spend with the BBC – on both radio and TV – has declined, as it has for other major broadcasters, probably as a result of audiences having a wider choice of entertainment of all types. Of greater concern is that, while most people continue to trust the BBC far more than other broadcasters, levels of trust have not fully recovered from the impact of the controversies regarding Jimmy Savile's time at the BBC. Regaining the full confidence of audiences is a key priority.

Elba during the filming of the third series of BBC One drama *Luther*

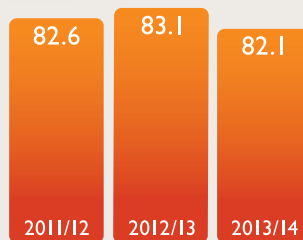


Performance summary

Television – audience appreciation

Audience appreciation of BBC television, while remaining high, has fallen slightly for the first time in a number of years.

How the BBC measures up



Source: BBC Pulse Survey

Next steps

- Our service review found that audiences' demands for range and variety are not entirely being met. We have asked the Executive to make a number of improvements in this area and will monitor the changes made.

Fresh and new

The number of people who believe the BBC offers something 'fresh and new' has remained stable, but the public still expect more from the BBC.

How the BBC measures up



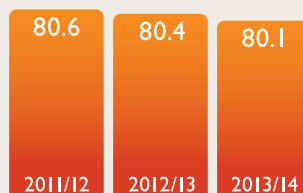
Next steps

- The distinctiveness of the BBC's output remains a priority and our review of TV services has asked for an improvement in this area.

Radio – audience appreciation

Audience appreciation of BBC radio remains high, but has fallen slightly in the last two years.

How the BBC measures up



Source: BBC Pulse Survey

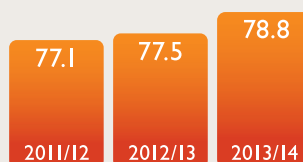
Next steps

- We will consider how BBC radio can maintain and increase its quality in our speech and music radio service reviews in the coming year.

BBC Online – audience appreciation

Audience appreciation of the BBC's online services increased slightly this year.

How the BBC measures up



Source: BBC Online Quality Survey

Next steps

- Our review of BBC Online last year highlighted a number of actions for the Executive, including improving the site's linking to external sites. This year the number of 'clickthroughs' to other sites fell slightly, so we will continue to monitor this area closely.

★ Quality and distinctiveness

Television

Even though increasing numbers of people own tablets and other devices, watching television is still enormously popular, with the average viewer watching 3 hours 47 minutes of TV each day. While the amount of 'timeshifted' viewing continues to rise slowly, by far the majority of TV is still watched live.

The performance of BBC television remains strong, although this year 'audience appreciation' (AI) scores declined slightly, and the number of viewers fell. In total, 84% of people watched some BBC TV each week in 2013/14, down from 86% in 2012/13.

BBC One

BBC One remains the nation's most widely viewed TV channel, watched by 75% of UK adults this year, compared with 78% in 2012/13. BBC One produced some very high quality and distinctive programmes, including *Sherlock*, *Mrs Brown's Boys*, *Last Tango in Halifax*, *Britain's Great War* and *Penguins – Spy in the Pod*. But BBC One's average AI score fell and there was also a slight decline in the audience's perceptions of its programmes being fresh and new.

As BBC One is the BBC's flagship TV channel, we are continuing to put pressure on the Executive to ensure it offers the distinctive, high-quality content audiences expect from the BBC, with improving the quality, variety and originality of peak-time drama a particular priority.

BBC Two

BBC Two's average AI score was stable, whilst its scores for 'fresh and new' increased. There were a number of very distinctive and popular dramas including *Line of Duty*, *The Fall* and *Peaky Blinders*, and the factual entertainment show *The Great British Bake Off* was enormously popular.

BBC Two's total audience numbers declined slightly this year, partly due to changes in the daytime schedule. However, more people watched the channel in peak time.

Daytime on BBC One and Two

To make savings, children's programmes were removed from BBC One in January 2013 and it became the primary channel for new daytime programming. As a result, the average audience for daytime on BBC One programming increased this year, although quality scores went down slightly. BBC Two's daytime audience declined, following the decision to remove new programming from the daytime schedule.

BBC Three

Slightly fewer people watched BBC Three this year, with 26% of the target audience of 16 to 34-year-olds watching each week, down from 29% in 2012/13. There is some evidence to show younger people are increasingly watching content online and BBC data indicates iPlayer now accounts for 6% of all viewing of the channel.

The Executive wants to make savings by closing BBC Three as a TV channel and instead creating an online service. When we consider these proposals, our priority will be to represent the interests of licence fee payers. We will conduct a public value test, including a public consultation, so that everyone will have the opportunity to have their say.

Sule Rimi as Henry Smart in CBBC series *DNN*



BBC Four

BBC Four bucked the trend of the rest of the BBC's TV channels, reaching the same number of people as last year – 14% of adults each week – despite significant cuts in its budget.

Saturday night foreign drama continued to lead the way, with programmes such as *The Bridge* recording an average AI score of 92 and the channel's highest audience of the year at 1.6 million viewers.

Children's – CBBC, CBeebies

In 2013 we published a review of the BBC's children's output, which plays a vital role in fulfilling the BBC's public service remit. We found that CBBC and CBeebies perform very well but the key challenge continues to be to maintain reach and impact in a media environment in which older children have a lot more choice. To achieve this, we expect regular promotion of children's output on mainstream BBC services as well as providing some content that will appeal to children on these services.

Since we published the review, the proportion of children aged 6-12 who watch CBBC each week fell, from 30% last year to 25% this year. Even at this level, the channel remains highly popular amongst its target age group.

CBeebies' reach amongst its target audience of children aged 0-6 also fell this year, down from 43% to 40%, although its Playtime app for tablets and mobiles has been highly successful, and it still reaches far more children than other pre-school channels.

BBC ALBA

BBC ALBA performed strongly, and was watched by 18% of the Scottish population each week, up from 16% last year. It did extremely well with Gaelic speakers, with 72% watching the channel each week, and audience approval remained high.

Radio

Listening to the radio remains very popular in the UK, with nine out of ten adults tuning in every week. However, the time they spend listening to the radio continues to decline and this may be a long-term trend. This is reflected in BBC Radio listening – 67% of UK adults tuned in each week, but for less time, with listening hours falling most among younger adults. Listeners' perceptions of the quality of BBC Radio remained very high, with an average AI of 80.

We will review BBC music and speech radio services in 2014/15 as part of our rolling programme of service reviews.

BBC Radio 1 and 1Xtra

Radio 1's remit is to serve younger audiences, and we have continued to press the Executive to ensure it does so. In 2012/13, the station made a number of changes to its presenter line-up to increase its appeal to younger age groups, and this year, while the median age remained stable at 30, younger listeners now account for a slightly greater proportion of the total audience. The station has been successful in reaching young audiences in new ways: the Radio 1 YouTube channel now has more than 1 million subscribers, and the station has more than 1.7 million followers on Twitter.

Radio 1Xtra continued to reach an audience of more than 1 million each week and, unlike many other stations, the amount of time people spent listening to it was largely stable.

BBC Radio 3's pop-up studio at Southbank Centre



★ Quality and distinctiveness

BBC Radio 2

Radio 2 continued to perform very strongly indeed. It remains the UK's most popular radio station, with 29% of UK adults listening each week, up from 28% last year. In contrast to many other stations, people are continuing to tune in for the same number of hours each week and listeners also continued to rate the quality of Radio 2 programmes very highly.

The station has an important responsibility to ensure that its speech output and music mix is distinctive and focuses on promoting the BBC's public purposes. We will consider how well it is achieving this in our forthcoming service review.

BBC Radio 3

Radio 3 continued to reach around 2 million people each week and they rated it very highly. The station offers a large amount of new music commissions, and a continuous and very high proportion of live and specially recorded performances, together with drama and other output. An example of Radio 3's output was a collaboration with the South Bank Centre, with a pop-up studio giving the public access to the station for a fortnight and including 15 live concerts and three world premieres.

Our service review will include an assessment of Radio 3's distinctiveness.

BBC Radio 4 and 4 extra

Radio 4 performed very well again this year. As well as increasing its AI score, now at 81.3, it also increased its audience – a record 11 million people tuned in each week.

Our review of BBC network news and current affairs, published in April 2014, found that audience numbers for radio news programmes remain very high, and the quality of Radio 4's news and current affairs output was very highly rated.

We are keen for Radio 4 to reach more people who would appreciate its programmes but do not currently listen outside the south of England, including in the devolved nations. This year the station increased its audience in some parts of the country, and we expect it to continue to look for ways to broaden its appeal across the UK without compromising its distinctiveness.

BBC Radio 5 live and 5 live sports extra

5 live continued to attract an audience of just over 6 million each week, while 5 live sports extra attracted 1 million. Since our service review, published in 2012, 5 live has made progress in providing more serious news coverage. Our review of network news and current affairs highlighted its role in facilitating public discussion and debate on topical issues.

BBC 6 Music

6 Music's audience continued to grow, and it is the UK's most popular digital-only station, with almost 2 million listeners each week. The station has a very loyal audience – people are tuning in for longer and its average AI is one of the highest of any BBC radio station.

BBC Asian Network

When we completed our service review of the Asian Network in May 2012, we said that the challenge for the station would be to grow its audience while operating with a much lower budget. The station's audience increased from 528,000 in 2012/13 to 588,000 this year.

Nations and local services

Our service review of the BBC's national radio stations in 2011 challenged the Executive to give each station a more distinct role. Since then, several stations have significantly refreshed their schedules and this has led to some positive results.

Radio Wales' weekly reach was stable this year at 18%, while audience appreciation increased. Radio Cymru has just made changes to its schedule and we will monitor the impact of this on listeners.

Radio Ulster/Foyle is also refreshing its schedule and developing the breadth of the local news agenda. It continued to perform very well, reaching 36% of the population of Northern Ireland, up slightly on last year.

Radio Scotland reached fewer people this year, down to 20% from 22% in 2012/13, although the time they spent listening to the station remained fairly stable. Our Audience Council in Scotland advised us that there had been positive developments following our service review, including new weekend speech programming and better coverage of cultural events.

The Gaelic station Radio nan Gàidheal's audience fell to 64% among Gaelic speakers this year, which may be linked to the universal availability of the Gaelic TV station, BBC ALBA, since 2011. The station will review its schedule in the coming year, including an increase in Gaelic-learning content.

As part of the BBC's savings plan, in January 2013 BBC Local Radio introduced a programme broadcast across all English regions on weekday evenings and we have been monitoring its impact on audiences. The number of people tuning in has fallen only slightly. Our Audience Council in England told us that the new programme maintains the spirit of BBC Local Radio. We also welcome Local Radio's introduction of political reporters to many of its stations and an increased focus on holding local figures to account.

BBC Online and Red Button

This year, 53 million unique browsers accessed BBC Online each week in the UK, with mobiles and tablets now accounting for more than half of all usage.

While the total number of people using BBC Online is still growing, it is doing so quite slowly. It is now used by around 49% of UK adults each week, which has increased only slightly on the previous year. We expect the BBC's development of its online offer for younger audiences to broaden its appeal and will monitor and report on this. BBC Red Button is used by 33% of UK adults and this is fairly stable compared with last year.

In our recent service review, we asked BBC Online to enable users to navigate more easily across the site, and to increase the number of 'clickthroughs' to external sites to allow users to find relevant content beyond BBC Online. In fact, clickthroughs fell slightly this year, largely driven by a decline in clicks from Sport and lower clickthrough rates from the growing number of mobile and tablet users. We are encouraging the Executive to continue to look for ways to increase the traffic it is driving to other sites.

News and current affairs

Nothing the BBC does is more important than its journalism: it is at the heart of the BBC's public service mission and the Trust will ensure it remains the core of the BBC's principal services. This year we published our first service review of network news and current affairs. We found that four out of five adults get news each week from the BBC and they rate it well ahead of other news providers for its key characteristics of range, authority and expertise. Young adults have always been difficult for news broadcasters to reach but a proliferation of sources of 'news' online has made the challenge all the greater. We have asked the BBC to ensure that its journalism is made available in forms that audiences want, wherever they want it.

Our review also confirmed that current affairs output on TV and radio covers an impressive range of domestic and foreign stories and that the BBC is perceived as the best at producing high-quality, relevant content, and keeping audiences informed. However, we found relatively low recognition of much BBC programming and we have asked the Executive to increase the impact of this output. To help this, we will amend the BBC One service licence to secure the presence and volume of high-quality current affairs in the schedules.

While audiences rate BBC News much more highly than other news providers, perceptions of accuracy and impartiality fell a little this year. These are important indicators which we will continue to monitor closely.

BBC World Service

The BBC World Service continued to reach 191 million adults around the world this year. More people accessed the service on television and online, while, as in previous years, the number of listeners to its radio services declined.

Nonetheless, radio remains the single most popular way of accessing the World Service, with 128 million listeners, although it lost 17 million listeners this year, mostly short-wave listeners from India, Nigeria and Pakistan. World Service TV had 59 million viewers each week, up from 42 million last year, with BBC Arabic and BBC Persian channels and many other new services growing. The World Service website was accessed by 18.8 million people, 4.8 million more than last year, with significant growth for the Ukrainian and Russian sites due to the crisis in Ukraine and the Sochi Olympics.

The Trust is responsible for setting the strategic direction of the World Service and for safeguarding its editorial independence. In April 2014, the World Service became funded by the licence fee and we have established an operating licence which sets out its remit, scope, budget and main commitments. As with other BBC services, we will review the performance of the World Service regularly.

The new BBC newsroom studio at New Broadcasting House



★ Quality and distinctiveness

Editorial standards

The overwhelming majority of the BBC's content complies with the Editorial Guidelines, through which we set demanding standards.

The public expects the highest editorial standards from the BBC and people expect to be able to rely on its output to inform, educate and entertain them. They also expect it to be accurate, fair, independent of commercial or political pressures and, above all, impartial. Upholding these standards is one of the Trust's most important roles, and where the BBC makes mistakes we expect lessons to be learned.

Editorial complaints

Through our Editorial Standards Committee we uphold the BBC's standards by considering editorial complaints and reports about serious editorial breaches. Below we report on two that were of particular significance.

Panorama: North Korea Undercover

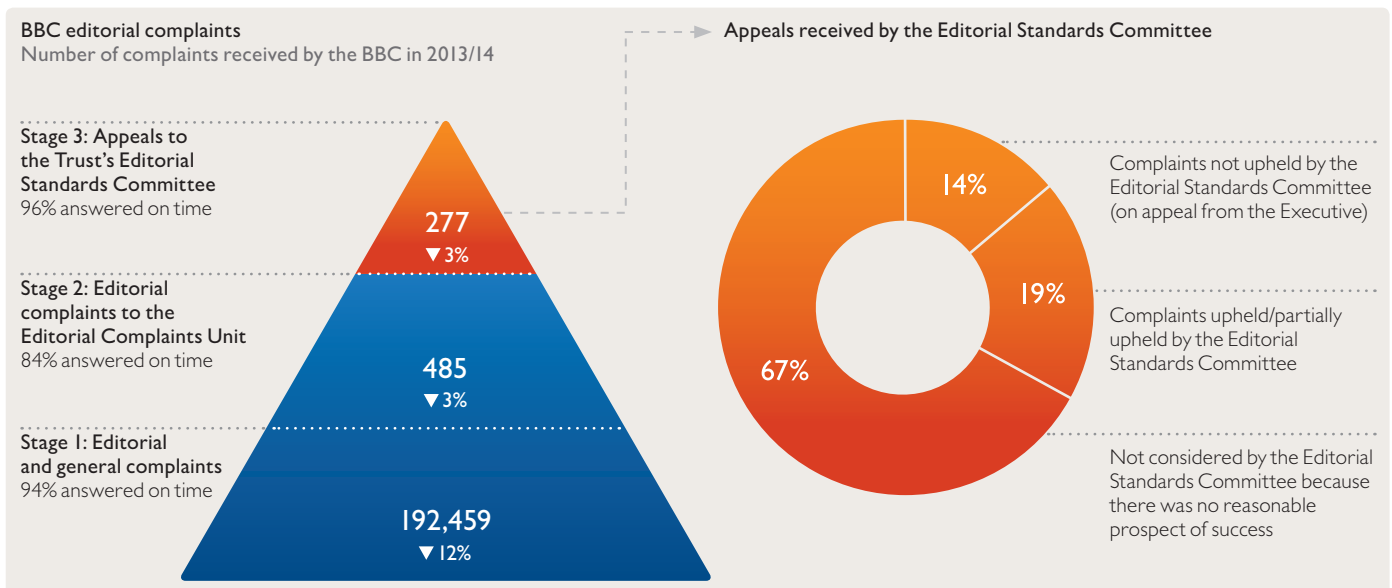
In the making of this programme, an undercover team from *Panorama* travelled to North Korea with a group of current and former students from the London School of Economics. We received two complaints about the programme on behalf of a student and the LSE who questioned whether they were treated fairly by the BBC in the organisation of the trip and whether their privacy was infringed. They also questioned the accuracy and impartiality of statements made by the BBC about the programme after it aired.

The Trust found that there was a strong public interest in the programme, that the BBC was not reckless and had spent considerable time evaluating the risks created by the trip, and that the correct referral procedures and processes had been followed. However, the BBC had failed to consider a number of important issues – or failed to deal with them appropriately – resulting in unfairness to the student and to the LSE in the way the programme was made. We were satisfied that the BBC staff had not set out to be deliberately misleading in their statements after the broadcast, but it is best practice when the BBC becomes aware that it has publicly presented incorrect facts for it to correct those facts.

We concluded that the Guidelines relating to fairness, contributors and consent, and conflicts of interest had been breached. The BBC subsequently apologised to the complainants.

The Great Bear Stakeout

This programme, transmitted on BBC One in April 2013, contained misleading footage, which was reported to us by the Executive. The programme showed accurate footage of a mother bear and cubs, but it also showed a guide apparently watching and commenting on the scene. In fact the guide had not been present – his contribution was filmed later as if he had been. On becoming aware of this, the show's Executive Producer posted an apology on the programme's web page. We commended the speed of this response, as well as other actions the BBC had already taken. Nevertheless, this was a serious breach of the Editorial Guidelines relating to accuracy.



Impartiality

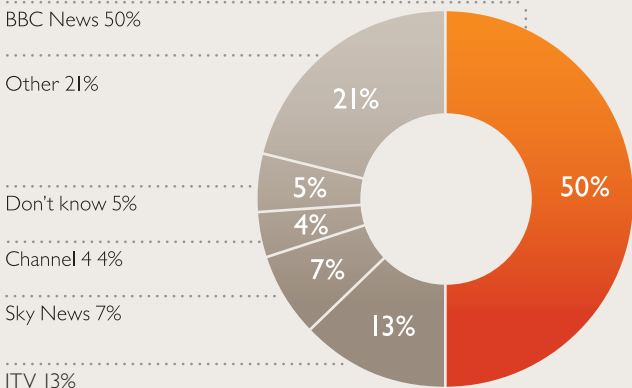
Impartiality is central to the BBC's role as a public service broadcaster, funded by the licence fee. It is one of our principal concerns in terms of editorial standards, particularly in relation to news and current affairs.

Each year, the BBC runs a survey of perceptions of the impartiality and trustworthiness of BBC News compared with other media. In this year's results, released in June, 50% of respondents said that BBC News was the source they were most likely to turn to for impartial news coverage. This is a much higher figure than for any other broadcaster and remains at around the same level as last year.

The Trust held an impartiality seminar on Africa in November 2013, with guests from inside and outside the BBC. The seminar highlighted some of the tensions felt by audiences about all media reporting of Africa.

In June we published an impartiality review, 'Rural Areas in the UK', led by an independent author, Heather Hancock. Taken as a whole, it found the BBC's coverage of rural issues in news, current affairs and factual programming was impartial, with strong specialist output on network TV and radio. It also found that services in the devolved nations and those in Welsh and Gaelic featured a wide range of voices. However, it found that network output relied on too narrow a range of organisations and charities and concluded that the range of rural voices used should be broadened. It also found that many news stories tended not to be considered from a rural perspective and that there was a particular deficit in coverage of rural issues in England. We have therefore asked the Executive to address this, including how it will ensure staff are able to report on rural issues with knowledge and confidence.

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?



Source: Ipsos MORI, 2014

The BBC remains the UK's most popular source of impartial news



£ Value for money

In this second year of the Delivering Quality First (DQF) strategy, the BBC has continued to save money – amounting to £374million of ongoing savings – without compromising the overall popularity of its programmes and online content.

A more efficient BBC

The BBC has delivered more than half of DQF's savings already and has worked to fully plan savings that were previously unidentified or considered difficult to achieve; these have now been reduced by three-quarters.

From April 2014 the BBC assumed responsibility for funding the World Service (£245million); this is on top of the extra responsibilities taken on this year for S4C, BBC Monitoring, broadband rollout, and Local TV (amounting to £250million). With a flat licence fee, the BBC needs to find further annual savings and commercial income of £326million in the next three years to meet these obligations and manage any inflationary pressures on the budget. And it needs to do this while continuing to deliver excellent programmes and content.

To this end, we welcome the Director-General's plans to benchmark costs across the BBC and will be looking for further progress in a range of other areas including headcount control and estate management as the new property strategy is implemented.

Our research shows that most people believe the BBC offers good value for money – 58%, which is slightly higher than last year. People's perception of value for money is, unsurprisingly, strongly influenced by the range of content they consume on TV, on radio and online, with around 71% of those who use BBC services on all three of these platforms concluding that the BBC is good value for money.

Nevertheless, value for money continues to be a concern for many licence fee payers and we will continue to listen to our audiences to ensure that the annual savings the BBC needs to achieve do not have an unintended impact on the quality and range of the BBC's services. We will also maintain our focus on improving how the BBC is run, through our programme of value for money reviews which makes an important contribution to holding the Executive Board to account. Some of these reviews are conducted by the National Audit Office (NAO) on our behalf; to support their work, the NAO has unrestricted access to BBC information.

In the following sections, we summarise our value for money work over the past year and set out our plans for the year ahead.

BBC North at MediaCityUK, Salford



Performance summary

Savings

2013/14 represents the second year of the BBC's DQF strategy and the BBC has already delivered over half the savings and additional income required.

How the BBC measures up

£374m

ongoing savings

Next steps

- From April 2014 the BBC took on £245million funding responsibility for the World Service.
- The BBC will continue the DQF efficiency programme to deliver the remaining savings required to help fund this and other additional obligations.

Perceptions of value for money

As last year, nearly six in ten people perceived the BBC to represent good value for money, although the affordability of the licence fee remains a concern for some.

How the BBC measures up



Source: Purpose Remit Survey

Next steps

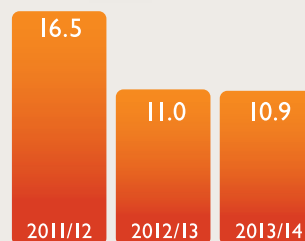
- We will continue to ask the Executive to make further savings and improve the way the BBC is run.
- We will commission value for money reviews into the BBC's risk management and talent pay.

Reducing the pay gap

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

The multiple has remained broadly level with last year.

How the BBC measures up



Next steps

- The BBC will ensure that its staff are fairly rewarded and motivated to deliver their best work for licence fee payers.
- Our aim is to see the multiple fall over time.
- As more public sector organisations begin to publish their multiple, we will be able to see how the BBC multiples compare with the public sector trend.

£ Value for money

Financial strategy and annual budget

The Trust approves the BBC's high-level strategy and budget, and we hold the Executive to account for the BBC's financial and service performance.

Cost savings

When the DQF plan was developed in 2012, the savings target of £700million was based on the pre-DQF budget for 2012/13 rather than the 2011/12 outturn. This approach meant that the impact of DQF cost savings could be tracked separately from initiatives which were already planned for the year ahead.

We have also asked the Executive to report savings against a baseline of 2011/12 actual expenditure rather than the pre-DQF 2012/13 budget, to establish with clarity the extent to which costs have reduced. This year, the BBC has reported ongoing annual savings of £374million. This is a significant achievement, particularly as the savings come on top of the BBC's previous efficiency programme, which, by 2012/13 had delivered £580million of ongoing annual savings.

As well as being on track to deliver the agreed savings, the BBC also plans to make further savings before the end of the licence fee period in order to fund new editorial priorities.

The Trust has been tracking the impact of cost savings on the BBC's services by monitoring audience numbers and audience perceptions of quality. As we move towards the final years of the plan we have also asked the Executive to assess the impact on editorial and financial controls to check that the savings initiatives are not having an unintended impact in these areas.

Property strategy

This year the BBC began the process of decommissioning Television Centre following moves to MediaCityUK in Salford, and New Broadcasting House in central London. These moves are part of a plan to reduce significantly the BBC's footprint in London, and to help towards the target that, by 2016, half the money spent on network TV programming should be spent outside the capital.

We are expecting to see proposals for the BBC's exit from much of the remaining White City campus later this year. As part of these plans, we look to the Executive to ensure that all unused and under-used office space in west London is sub-let or otherwise disposed of as soon as possible. A prompt and orderly handover to new tenants will help ensure that we get maximum value from the BBC's White City campus for licence fee payers.

We have asked the Executive to report key property benchmarks to us as part of their regular performance reports to help us monitor progress.

Pay

The amount the BBC pays senior executives and talent (on-screen and on-air) plays an important part in people's perceptions of whether or not the BBC delivers good value for money. This year the pay multiple, which compares the pay of the Director-General with the median pay of staff, was broadly stable, falling slightly from 11.0 to 10.9. This is down from 16.5 two years ago. The pay multiple for the Executive Board as a whole was also broadly stable.

Senior executive pay

This year, we suggested that the NAO look at severance arrangements for senior executives. They found that, although the BBC exceeded its target of a 20% cut in the number of senior managers it employs, the amount paid by the Executive in lieu of notice exceeded contractual entitlement in 22 of the 150 cases reviewed by the NAO. The total additional cost of these cases was £1.4million in the three years to December 2012.

From September 2013, the Director-General – in agreement with the Trust – introduced a cap of £150,000 on individual severance payments for all staff, and for new starters, a cap equal to the lower of £150,000 or 12 months' salary.

Employing freelancers

Last year, the BBC commissioned accountancy firm Deloitte to carry out a review of the way freelancers are paid. The review found that, although there was a high standard of compliance and no evidence of tax avoidance, an overarching policy in relation to the engagement of freelancers should be established. In response to that recommendation, the BBC worked with HMRC this year to develop specific guidance on how to determine whether a freelance or a staff employment arrangement is appropriate for each individual.

With this guidance in place, we will request a follow-up review in 2014/15 to ensure it is being applied consistently throughout the BBC, and that Deloitte's remaining recommendations, for example on increasing the disclosure of freelancer engagements to HMRC, have been fully implemented.

Headcount

This year, headcount increased for the first time since the BBC launched the DQF strategy. Given that, up until this year, £153.3million has been spent on restructuring, we have asked the Executive to explain what progress has been made in reducing headcount in previous years and identify the appropriate number of staff required to deliver the BBC's objectives.

Report on Executive Board remuneration

This is the report of the Trust Remuneration and Appointments Committee on Executive Board remuneration in 2013/14. The amount paid to members of the Executive Board for 2013/14 is detailed in the Executive Board's Remuneration Committee report in Part Two of this Annual Report.

The Director-General

The Director-General of the BBC is the organisation's chief executive officer and editor-in-chief; he is also Chairman of the BBC's Executive Board. There were two people in the post of Director-General during the 2013/14 reporting period. Tim Davie was acting Director-General from 11 November 2012 to 1 April 2013. Tony Hall became Director-General on 2 April 2013.

The Director-General's remuneration is usually made up of a base salary and a pension. However, Tony Hall is currently in receipt of a BBC pension from his previous employment with the Corporation, and has not joined the BBC pension scheme. The Director-General is provided with a car and driver for business journeys.

Tony Hall's base salary is £450,000 per annum, with no bonus potential. The same salary (pro rata) was paid to Tim Davie whilst he was acting Director-General.

We publish how much the Director-General gets paid compared with the median salary of BBC employees to illustrate how top executives' pay relates to the salaries of those in the rest of the BBC. In 2013/14, this multiple remained broadly steady at 10.9 (2012/13: 11.0).

Non-executive directors

In the 2013 Governance Review the Trust and the Executive agreed to appoint an additional two non-executive directors to the BBC, bringing the total number to six.

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 on the BBC.

Each non-executive director receives a base fee. The chair of each committee receives an additional fee for undertaking that task, 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 November 2012, non-executive directors proposed and the Trust agreed that their fees should be reduced. Further information about non-executive directors' fees can be found in Part Two.

Last year we stated that we would review non-executive directors' fees in December 2013; we decided to postpone this review, however, until after the appointment of the two new non-executive directors. The final appointment is expected to happen in the early summer of 2014.

Executive directors

The Executive Board's Remuneration Committee sets the remuneration for individual executive directors, within a strategy agreed by the Trust. Each year the Executive reports formally to us, explaining how this strategy is being followed.

During 2013/14, there were a number of changes in the Executive Board. We therefore considered the remuneration both of existing Executive Board members, and members appointed during the current reporting period. We are satisfied that the Executive's approach complied with the remuneration strategy, including the commitment to pay no bonuses to Executive Board members, and to gradually reduce 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, is provided in Part Two.

£ Value for money

In-depth value for money reviews

Value for money reviews commissioned by the Trust will play a key role in delivering the Governance Review's ambition for the Trust to focus on its oversight and regulatory functions by more explicitly and openly holding the Executive Board to account.

Digital Media Initiative

This year we commissioned an independent review of the failure of the Digital Media Initiative (DMI).

The aim of DMI was to improve production efficiency by enabling BBC staff to develop, create, share and manage video and audio content and programming on their desktop. It was closed in May 2013 and its remaining assets were written down at a total cost to the BBC of £98.4million. Following this costly failure, the Trust commissioned PricewaterhouseCoopers (PwC) to undertake a comprehensive review of DMI's management and reporting to identify what lessons could be learned and applied to future projects.

PwC found that there was no single event or issue that caused DMI to fail; rather, serious weaknesses in project management and reporting, a lack of focus on business change, together with piecemeal assurance arrangements, meant that it took the BBC too long to realise that the project was in serious trouble and unlikely to deliver its objectives.

The NAO published a memorandum on DMI, following up its original 2011 report on the project. It confirmed PwC's findings, concluding that the Executive did not have a sufficient grip of the programme.

As a consequence, on all projects, reporting arrangements have been strengthened to include points of external challenge, project management guidance has been updated, and project assurance arrangements are routinely reviewed to ensure they are coherent.

Distribution

Also this year we commissioned a review of distribution, which was undertaken by media consultancy Mediatique. The review examined whether the BBC's distribution of television, radio, and online services (such as iPlayer) are cost effective, what governance structures are in place, and how well prepared the BBC is to respond to future challenges. It found that, overall, expenditure on distribution represents good value for money but that the teams within the BBC responsible for different distribution contracts should work more efficiently together (see the 'serving all audiences' section for further details).

Future value for money reviews

Following a previous Trust review in 2008/09, we asked the Executive to reduce the overall cost of talent, particularly at the top end. Since then, the total amount paid to presenters and performers on screen and on air fell for the fifth year in a row, to £194million, bringing the total annual saving to £35million (15%).

Having seen five years of reductions in this pay bill, now is the right time to review the BBC's position in the market, and to test the Executive's strategy for talent pay. We have begun the process of commissioning a review from independent specialists, and will report our findings later on in 2014/15.

We also plan to commission a review of how the BBC manages risk in order to ensure the Executive Board has put in place the right structures and processes to identify, assess, and mitigate risks, and to deliver value for money to licence fee payers in doing so. We intend to commence this review in the coming year.

In addition, the NAO will conduct two value for money examinations at the BBC in 2014.

- **Managing the BBC's estate:** this study will provide a strategic overview of the cost, management and performance of the BBC's estate following a period of renewal and consolidation. The BBC's estate represents a significant cost and the configuration and effective utilisation of the estate is critical to supporting new and more efficient ways of working.
- **Delivering Quality First:** this review will examine the BBC's progress in reducing costs through DQF and how the BBC is measuring the impacts of cost reductions on service delivery and quality.

In each case, the NAO will provide reports to the Trust. We will arrange for them to be published and put before Parliament, and will also consider what further work is required in response.

Licence fee collection

In 2012/13 the BBC implemented the new licence fee collection contract with Capita; the contract is forecast to deliver savings to the BBC of £220million over its eight-year life. This year, the cost of collecting the licence fee fell below 3% for the first time, to 2.7%; this contributed to a reduction in the combined cost of collection and evasion from 8.5% in 2012/13 to 8.2% in 2013/14. We will continue to ensure that collection arrangements are efficient, appropriate and proportionate.

Significant financial proposals

Following the Governance Review this year, which concluded that the separate roles of the Trust and the Executive Board should be made clearer, the threshold at which we review significant financial proposals was raised. As such, the Trust no longer expects to approve individual investment decisions except where they are worth more than £100million and affect the overall direction or reputation of the BBC.

This year, under the previous arrangements, we received and approved four proposals from the Executive. In July, the Trust approved the procurement, until 2020, of transmission services for the BBC's domestic analogue and digital radio networks; this contract also included the build-out of the DAB digital network to cover 97% of the population.

The next significant proposal was a retendering of the BBC's UK-wide facilities management contract in October. This was followed a month later with a proposal to replace one of the BBC's core IT systems, underpinning finance, HR, training, and procurement.

Finally, in December, we approved the extension of the existing technology framework contract with service provider Atos; this is to allow the Executive time to restructure the provision of IT facilities into six different services, co-ordinated by a service integration and management function. We expect proposals for a number of the individual IT services to come to the Trust for approval as the Executive finalises their procurement during 2014/15.

Trading fairly

It is important that the BBC conducts its activities fairly and that it takes proper account of its effect on others in the market. The Trust sets the policy framework for fair trading, holds the Executive to account for its compliance with those requirements, and acts as final arbiter in the event of complaints.

We monitor the BBC's adherence to the fair trading policy during the year and approve the appointment of auditors who conduct an annual audit of its fair trading systems and processes. Their report is published in Part Two.

We are required to review the BBC's fair trading policy framework every three years, and we are currently conducting the second of these reviews. We will hold a public consultation later in the year on our findings and on any changes we propose as a result.

In August 2013, we considered a fair trading appeal concerning the BBC's arrangements for studio supply in the London area. At the request of the appellant, details of the appeal remain confidential but an extensive Trust investigation resulted in a number of follow-up actions including a review by the Executive of its studio supply arrangements in the London area and a clearer definition of the test of commercial efficiency that we apply to the BBC's commercial subsidiaries.

Overseeing the BBC's commercial activities

The Trust oversees the BBC's commercial strategy, sets the framework for scrutinising new commercial service proposals and monitors compliance with conditions set out in the BBC Agreement.

BBC Store

In July 2013, the BBC submitted proposals to the Trust to make available a broader range of BBC programmes, on a commercial basis, via a BBC-branded website, 'BBC Store'.

In March 2014, having completed both the commercial and public service regulatory assessments, including taking advice from Ofcom, we approved the proposals for BBC Store.

New framework for commercial services

One of the conclusions to emerge from the governance review was that we should build on the existing service licence system by creating public documents that set the boundaries of the BBC's commercial work and allow us to hold the BBC to account for its performance. We have begun developing a framework document for the BBC's commercial services and will consult publicly on it later in 2014, with a view to implementing the new framework towards the end of the year.

Lonely Planet

In 2013, BBC Worldwide sold the Lonely Planet business that it had acquired in 2007 (75% was acquired in 2007; the remaining 25% in 2011), making a significant loss on the transaction.

We commissioned and published an independent review which found that, against the backdrop of a sustained strong performance from BBC Worldwide, mistakes had been made both in the acquisition and subsequent operation of Lonely Planet. We identified a number of lessons to be implemented and we will ensure that these are reflected in the new commercial framework.

Overseeing other activities

In April 2013, S4C, the Welsh language broadcaster, became funded substantially from the licence fee. We undertake an annual performance assessment of S4C as part of our overall duty to oversee the licence fee. We publish our assessment separately alongside the S4C Annual Report.

New funding arrangements also came into effect for BBC Monitoring and we have been kept informed about its performance against criteria agreed with users of the service in government and the BBC.

£150million of licence fee funding was ring-fenced and provided to government to spend on its programme to extend the coverage of super-fast broadband. DCMS is responsible for the delivery of that programme. We are kept informed of progress, and would only seek to intervene if there were clear evidence of any value for money problem or any inconsistency with the BBC's public purposes.

In accordance with the licence fee settlement agreed in 2010, the Trust has a funding agreement with Comux UK Ltd, the company that Ofcom has licensed as the multiplex operator for local television services. £16.8million out of a maximum budget of £25million was allocated to Comux during 2013/14. In February 2014 we initiated an audit to assess compliance with the funding agreement.

Serving all audiences

The BBC's services reached 96% of the UK's population but could do more to reflect the diversity of its audiences.

The BBC should make its content widely available to all licence fee payers in ways that are convenient to them. It should also ensure that its programmes, and the make-up of its workforce, reflect the diversity of the UK.

Delivering BBC content

The Trust oversees the ways in which the BBC distributes its programmes and services and we must do everything we reasonably can to ensure that audiences can access these programmes and services in a range of convenient and cost-effective ways (whether on TV, online or on the radio).

The central issue for the BBC is that it needs to balance the principle of universal access, free at the point of use – providing the content people want in the way they prefer – with the cost of providing all content on every platform.

This year we began to develop a framework to set out clearly the BBC's distribution activities and to become the basis on which we hold the BBC to account for its performance. We will hold a public consultation on the proposed framework once it is ready later in the year, with a view to implementing it towards the end of 2014/15.

Diane Coyle and David Liddiment visiting the BBC Asian Network studio



Performance summary

Reach of BBC services

The BBC should make its content widely available to all licence fee payers in ways that are convenient to them.

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

How the BBC measures up

96%

2012/13: 96%
Source: BBC Cross Media Insight Survey

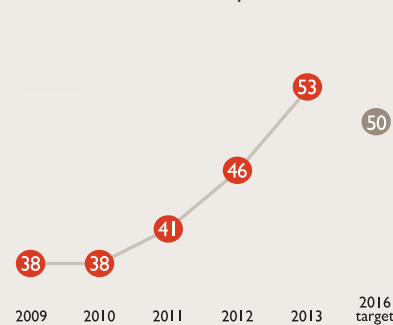
Next steps

- The BBC's ability to innovate and adapt its services, providing high-quality content for everyone, will remain key to its success in the coming years.

Out of London – % of network spend

The BBC is ahead of schedule in meeting its 2016 target to produce more television outside London.

How the BBC measures up



Next steps

- This remains an important priority in order to address the perception amongst audiences outside London that the BBC could represent them better.

Representing the nations and regions

The BBC has made 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 the BBC measures up

52% of UK adults believe the BBC performs well in representing their nation or region.



Source: Purpose Remit Survey

Next steps

- We will continue to monitor through audience research how BBC programming is reflecting the UK as a whole.

Serving all audiences

YouView

In June 2010 we approved the BBC's participation in YouView, a joint venture to develop and promote a common standard for internet-connected digital terrestrial television devices. YouView offers the public subscription-free access to on-demand services through a broadband connected digital box. Our approval was given subject to various conditions to ensure YouView does not distort the market, for example by crowding out other players, and to protect free-to-air viewing of an increasing choice of programmes. While certain principles (concerning free-to-air, and platform access) were enshrined in the objectives of the joint venture and the shareholders' agreement, others were subject to a separate review, to be conducted a year after launch by the Trust. These were:

- The implementation of accessibility and usability features
- The effects, if any, on the incentives of joint-venture partners to syndicate their content to other platforms
- The steps taken by the joint venture to provide appropriate information and signposting about the suitability of content wherever possible
- Cross-promotional activity, with reference to the Trust's Competitive Impact Code on Cross-Promotion.

YouView devices launched in July 2012 so we began our review in July 2013, including discussions with industry stakeholders and joint-venture partners. We concluded that the joint venture was operating in accordance with the terms we approved and consistently with the aims of the project. The findings from the review were published in May 2014.

We also had to approve the terms of the new shareholder agreement for YouView. In April 2014 we approved the heads of terms, and the final full agreement is due to be signed later in 2014/15. Our main objective in all the discussions on the new agreement was to ensure that it upheld the original aims of the venture and reflected the principles behind our original approval.

Representing the whole of the UK

The BBC aims to produce more programming from across the UK and less from London. This is to bring economic benefits to the UK's nations and regions as well as to represent the UK more fully culturally.

We set the BBC a target of making 50% of network television spend outside London by 2016, with 17% spent in Scotland, Wales and Northern Ireland. We are pleased to see that, again, the BBC is ahead of schedule with 53% of programming made outside London and 20% in the devolved nations. This remains an important priority in order to address the perception amongst audiences outside London that the BBC could represent them better.

We recognise that building sustainable creative communities is a long-term commitment, and we accept that there may be fluctuations in levels of programming from each region or nation as the BBC prioritises finding the best programming for its audiences in the normal course of creating content.

Representing the diversity of the UK within the BBC

In July 2014 the Executive will publish a report accounting for progress during 2013/14 against its diversity strategy: Everyone Has a Story 2011-2015. We note that the Executive has made some progress against its target of 12.5% for black, Asian and minority ethnic staff (BAME), with a 0.2% increase from last year in both leadership grades and other staff. To build upon this the Executive has established a mentoring scheme, Rise, for BAME staff.

We are nonetheless concerned by the lack of progress in the employment of disabled staff. The BBC continues to fall short of its target of 5.5%. As at March 2014, 3.8% of staff were registered as disabled and the number of disabled staff in senior grades has disappointingly dropped this year. There has been some progress in terms of disabled staff retention and we have asked the Executive to continue with these efforts. However, rates of promotion and transfer for disabled staff have decreased whilst the rate of redundancy amongst disabled staff has increased. We expect the Executive to prioritise this area.

In terms of recruitment, the Executive has focused on diversifying its leadership grades and have identified new models of recruitment. We also welcome the establishment of new partnerships with Job Centres and the Stephen Lawrence Trust to recruit BAME talent and help prepare young people to apply for BBC Apprenticeship schemes.

Having a more diverse staff is desirable in itself. But the objective is BBC programmes that, in terms of writers, producers, directors, actors performers, reporters, presenters and contributors, look and sound more like the people of an increasingly diverse UK.

⇌ Openness and transparency

The Trust believes that the BBC has nothing to lose and everything to gain by being open about what it does, how it spends its money, how well it is performing and, when things sometimes go wrong, how it has learned from it.

In 2010, we gave the BBC the strategic objective of setting new standards of openness and transparency. The BBC has begun to make progress against this objective, for example in the amount of information routinely published about senior manager and talent pay. The 'About the BBC' section of the BBC's website was refreshed in January 2014, and now includes blogs from senior managers and updates explaining how the BBC is making decisions.

A 'mystery shopping' exercise by the Trust in 2013 suggested that the new system for handling audience complaints is an improvement, while a Corrections and Clarifications webpage means the BBC is now more open about any mistakes made.

We continue to promote increasing openness and transparency in the Trust's work. This included consulting publicly on the new World Service operating licence before it was introduced for the coming year.

We believe that an important part of openness and transparency is to share insights and information with industry stakeholders and other interested parties. We again held our annual discussion session with senior industry figures on the future direction of the BBC. Throughout the year, as well as consulting audiences on reviews of major services – BBC Television and News – we met regularly with industry stakeholders and other interested parties across the UK.

The Trust also engaged with industry stakeholders more widely on a range of other issues, including the additional guidelines for reporting on the Scottish independence referendum.

The Trust and Executive reviewed together the BBC's governance. We jointly recognised that the BBC needed to be more open about the way in which it is run and held to account. In December 2013, we committed to a series of measures to bring greater clarity to our respective roles: that the Executive runs the BBC day-to-day and the Trust holds them to account on behalf of licence fee payers.

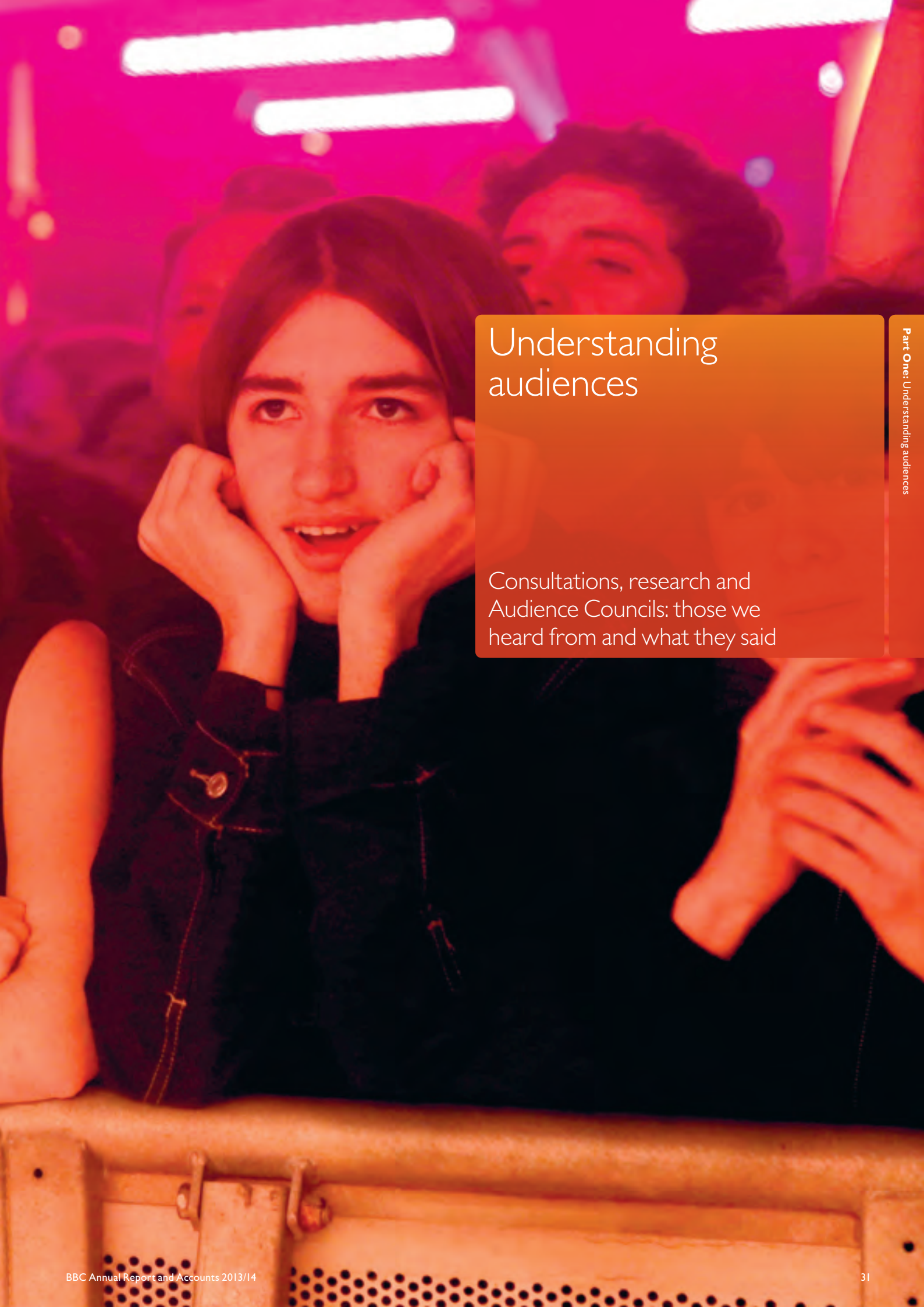
The Trust committed to streaming live some of our sessions, and, for the first time, we published the annual objectives we set for the Director-General, so that audiences can judge for themselves how he is performing against these priorities, as well as against his longer-term strategic objectives.

We also decided that in 2014/15, the principle of openness and transparency should be embedded in a wider objective for the BBC to improve value for money by being simpler, more efficient and more open. We will report on openness and transparency as part of this new broader objective next year.

Richard Ayre's discussion of the Trust's service review was streamed live







Understanding audiences

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

Enabling everyone to have their say

We heard from a range of audiences, in particular through our surveys and public consultations linked to major pieces of work.

The Trust's duty is to reflect the interests of all licence fee payers and to make decisions that are in the public interest. We make sure we are well informed about audiences' views through a number of means, both direct and indirect. There are many industry as well as BBC surveys that measure audience appreciation of programmes, such as the BBC Pulse Survey, and others that look at consumer trends, such as Ofcom's market surveys. These tell us which BBC services people use, and through which channels, and what people think about its and others' programmes and services. The Trust also has direct ways of hearing what the public thinks; these include public consultations, audience research, and feedback from our four national Audience Councils (see page 34). The responses we get, alongside our other evidence on audience perceptions and behaviour, help give us a fully rounded picture of public opinion to inform the decisions we make on licence fee payers' behalf.

Public consultations

Public consultations enable anyone to have a say. We always consult when we review a BBC service and also for some other work – this year, for example, we consulted on guidelines for coverage of the Scottish independence referendum. In the last year we carried out seven public consultations, and heard from more than 13,000 people across the UK about BBC Television and BBC News and other matters. We also received consultation responses from a range of organisations including industry bodies and voluntary organisations.

Research

Our main piece of research is the annual Purpose Remit Survey which measures the BBC's performance in delivering its six public purposes. 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 we commissioned specific research to inform our service review of the BBC's network news and current affairs, and for our review of BBC Television.

Purpose Remit Survey

This survey asks licence fee payers for their views on how important each of the BBC's six public purposes is to them, and how good the BBC's performance is in each case. It also includes some general questions such as whether the BBC offers good value for money.

This year, more than 2,250 adults from across the UK were selected to participate in the survey, enabling us to represent the views of a diverse and fully representative group of licence fee payers.

As in previous years, about six in ten thought that the BBC offered good value for money. Previously, black audiences have given much lower ratings than the average, so we were pleased to see that their perceptions of value for money rose considerably from 36% in the last survey to 50% today. Also in line with previous years, 78% of people said that they would miss the BBC if it were not there – a higher figure than for any other UK broadcaster.

Opposite is a summary of the results for each public purpose.

Sonita Alleyne at an Audience Council meeting



Stimulating creativity and cultural excellence

An important part of creativity is having fresh and new ideas, and this is something the BBC has been particularly focusing on in recent years. We were therefore pleased to see that this year, for the first time since the survey has been running, the perception that the BBC has plenty of fresh and new ideas increased, from 56% to 61%. However, the BBC's performance still does not match high audience expectations in this area so, while we welcome the improvement, we will continue to look for more progress. It is likely that some of the improvement is related to the BBC's newer digital services such as apps, since the main improvement in this score came from 16 to 34-year-olds who are most likely to use them.

Sustaining citizenship and civil society

Public perceptions that the BBC offers high quality, independent journalism dropped last year to 65%, and we said then that this was likely to have been because the high profile problems in the BBC had affected audiences' perceptions and trust. However, the score remained the same this year, and some supplementary qualitative research we carried out suggests greater competition in online news may also be affecting people's overall opinions about the BBC's journalism.

Representing the UK, its nations, regions and communities

The extent to which audiences in the devolved nations perceive that the BBC represents them well in network output remains low, at about 50-55% of respondents on average. The score for representation in network news coverage ranges from 47% in Scotland to 57% in Northern Ireland, the latter being a significant increase from last year.

Promoting education and learning

People score this, along with 'bringing the UK to the world and the world to the UK', as the BBC's most important public purpose, and the BBC received the second highest rating here, with an average performance score of 70%. 'I have learned new things from the BBC' again scored 74%, while 'the BBC helps children/teens perform with what they learn at school/college' was slightly lower at 67%.

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

The BBC received the highest rating for this purpose, with an average performance score of 73%. The statement 'The BBC helps me understand what is going on in the wider world' scored highest of all statements in the survey, at 80%.

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

Over the past three years there has been a steady improvement in perceptions that the BBC provides quality content on mobile phones and tablets, such that most people today believe this to be the case. Unsurprisingly, perhaps, younger people's perceptions have improved most, while people over 55, who tend to use these platforms less, are less positive.

Stimulating creativity

Though the gap has reduced, there is still room for improvement in the creation of fresh and new content.

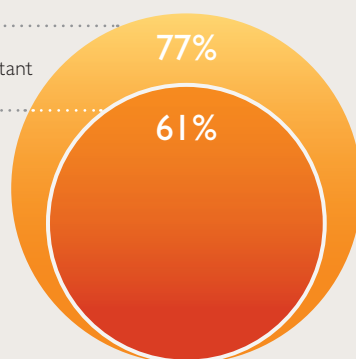
77% of audiences thought that fresh and new ideas were important

But only 61% of audiences thought that the BBC had lots of fresh and new ideas

-16%

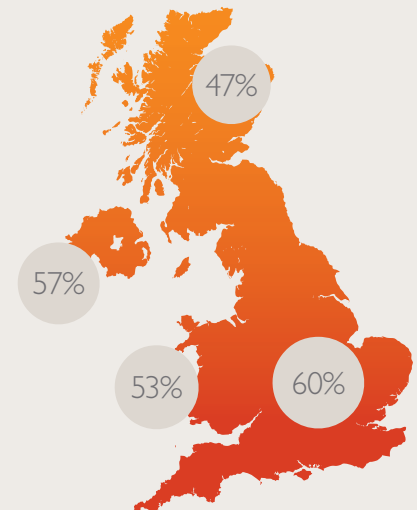
2012/13: -23%

▼ **Fallen short**



Representing life in Scotland, Wales, Northern Ireland and England

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



Audience Councils

Audience Councils in England, Scotland, Wales and Northern Ireland ensure that the interests of audiences across the UK are at the heart of the Trust's work through their regular input into our discussions. They monitor audience views and assess BBC performance in each nation, reporting monthly via their meetings and annually to the whole Trust. Through their work, they help to identify audience needs as a starting point for service reviews, and each year they assess how the BBC is performing for audiences in each part of the UK.

Reflecting audiences' views

Councils are recruited to reflect the diversity of the UK and are chaired by the Trustee for each nation. Some Councils hold public meetings with licence fee payers and consider a range of other audience information in order to formulate their advice for the Trust. This year the Councils focused their work on BBC Television to provide input into our service review. They emphasised to the Trust that audiences believed that BBC One should take more creative risks and that BBC Two should be more innovative and distinctive.

Informing the work of the Trust

We use the advice from Councils in our regular discussions with the Executive. This year, following the review of how the BBC is governed, specific sessions were introduced on how well the BBC performed for audiences in each of the nations based on reports from each Audience Council.

How the BBC performed

Members told us that audiences across the UK think the BBC's services are performing well. However, Councils suggested that more television programmes made by BBC Scotland, Wales and Northern Ireland should be broadcast on the national networks; that content for audiences in the devolved nations including local news and factual content should better reflect changes in society; and that it would be desirable to extend political coverage on local radio in England and to safeguard the relevance of regional television current affairs in England.

Audience Council priorities for the year ahead

The Councils use insights gathered from their meetings with audience members and research to identify priorities which they present each year to the Trust.

This year the Councils said that audiences wanted to see more network programmes reflecting different areas of the UK and more network news reflecting public policy issues in the devolved nations. They noted a desire for news and discussion programmes to contain a broader range of views and voices, to better reflect the diversity of viewpoints. The Councils felt that Radio 4 in particular could work harder to serve audiences outside the South East of England. They also said that when new technical developments like HD and the iPlayer Radio are introduced, programmes and services for audiences in the nations and English regions, and in indigenous minority languages, should be included from the outset.

An annual review from each Audience Council is available on their websites.

Audience Councils monitor audience views and assess BBC performance





BBC

Trust

Inside the Trust

Who we are, how we operate
and how much it costs

g the best out of the BBC for licence fee payers

BBC Trustees

Getting the best out of the BBC for licence fee payers

Trustees are part time and come from a variety of backgrounds, bringing a wide range of experience to the BBC.



Lord Patten of Barnes CH, Chairman
(stepped down on 6 May 2014)

Other roles

Chancellor, University of Oxford; Co-Chair, UK-India Round Table; non-executive director, Russell Reynolds Associates; International Advisory board member, BP; Stakeholder Advisory Panel member, EDF.



Diane Coyle OBE, Vice Chairman
(Acting Chairman from 6 May 2014)

Lead Trustee on commercial issues.

Other roles

Director, Enlightenment Economics; Stakeholder Advisory Panel member, EDF; member of Governing Council, National Institute of Economics and Social Research.



Sonita Alleyne OBE

Lead Trustee on diversity and equality (with Richard Ayre).

Other roles

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



Richard Ayre

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

Other roles

Freedom of Information Adjudicator, The Law Society.



Alison Hastings

Trustee for England

Other roles

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



David Liddiment

Other roles

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



Bill Matthews

Trustee for Scotland; Chairman, BBC Pension Trust Ltd.

Other roles

Director, M2M2 Limited; non-executive board member, Security Industry Authority; member for Scotland, British Transport Police Authority.



Aideen McGinley OBE

Trustee for Northern Ireland.

Other roles

Jury member, UK City of Culture 2017; trustee, Fermanagh Trust; governor, St Michael's College, Enniskillen; co-chair, Carnegie Trust Roundtable on Wellbeing in Northern Ireland.



Nick Prettejohn

Trustee from 1 January 2014.

Other roles

Independent director, Prudential Regulation Authority (stepped down on 6 March 2014); chairman, Britten-Pears Foundation; chairman, Royal Northern College of Music; chairman, Scottish Widows (from 23 June 2014); non-executive director, Lloyds Banking Group plc (from 23 June 2014).



Elan Closs Stephens CBE

Trustee for Wales.

Other roles

Emeritus Professor, Aberystwyth University; non-executive director and chair, Corporate Governance, Welsh Government; member, S4C Authority; non-executive director, IMAX Waterloo (BFI).



Suzanna Taverne

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

Other roles

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

Governance

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

The Trust sets the 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, providing the editorial and creative leadership of the BBC and managing the operational delivery of its 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 full Trust and some sub-committees. At these meetings we make decisions relating to our duties and responsibilities and consider proposals from the Executive Board.

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

Trustee changes during the year

The Trustees listed on pages 36 and 37 reflect the membership of the Trust at 31 March 2014. Anthony Fry stepped down on 30 October 2013. Nick Prettejohn's term began on 1 January 2014. Lord Patten stepped down as Chairman on 6 May 2014.

Trustees' attendance at Trust meetings (1 April 2013 – 31 March 2014)	
Chairman	
Lord Patten	19/19
Vice Chairman	
Diane Coyle	19/19
National Trustees	
Alison Hastings	18/19
Bill Matthews	18/19
Aideen McGinley	19/19
Elan Closs Stephens	18/19
Trustees	
Sonita Alleyne	17/19
Richard Ayre	19/19
Anthony Fry	8/10
David Liddiment	19/19
Nick Prettejohn	6/6
Suzanna Taverne	18/19
Lord Williams	16/19

Assessing our own performance

The Trust's Standing Orders set out that each year the Trust should evaluate its own performance and that of its committees, and publish the results in the Annual Report.

In light of the 2013 governance review which recommended further clarity between the roles of the Trust and the Executive, we decided to use this year's review process not only to assess last year's performance, but also to consider how we can implement these recommendations to achieve the best results for licence fee payers. We decided to use an external consultant to ensure frankness and objectivity, and to help benchmark our performance against that of other bodies. After a competitive process, we selected consultancy firm Egon Zehnder to run the evaluation. The main conclusions of the review included steps to consolidate the clarity of the Trustees' role, to enhance collective working within the Trust and to develop further effective interaction with the Executive. The cost of the external board evaluation was £65,000 (+VAT).

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 Unit advises us on our duties, manages the Trust's supervisory and regulatory functions, and provides us 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 the duties of a BBC Trustee. 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.

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 2013/14 are shown below. This is the last year the committees operated in this form since the governance review recommended a new committee structure, with four committees plus a Trust Management Group. Therefore from April 2014, the committees have been: Services Committee, Value for Money Committee, Editorial Standards Committee and the Complaints and Appeals Board. The terms of reference for the new committees can be found on our website.

Audience Councils Committee

Chair: Diane Coyle

The Audience Councils Committee (ACC) brought 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 was to ensure that issues identified by the Audience Councils were dealt with appropriately by the Trust and that the Councils worked within their remits. The ACC also approved membership of the Audience Councils. In April 2014, the ACC's functions were incorporated into those of the full Trust.

Meeting attendance (1 April 2013 – 31 March 2014)

Trustee	Attendance
Diane Coyle (Chair)	2/2
Alison Hastings	2/2
Bill Matthews	2/2
Aideen McGinley	2/2
Elan Closs Stephens	2/2

Committee membership changes: there were no changes during this period.

Audiences and Performance Committee

Chair: David Liddiment

The Audiences and Performance Committee (APC) was responsible for developing the strategy for, and assessing the performance of, the BBC's UK public services on behalf of the Trust. It monitored how the BBC delivers its public purposes. The APC assessed the performance of the BBC's services against their service licences, including overseeing the Trust's programme of service reviews. The APC was also responsible for the Trust's programme of audience research and public consultation. In April 2014, the APC's functions were incorporated into those of the Services Committee and the full Trust.

Meeting attendance (1 April 2013 – 31 March 2014)

Trustee	Attendance
David Liddiment (Chair)	10/10
Sonita Alleyne	8/10
Alison Hastings	10/10
Aideen McGinley	9/10
Suzanna Taverne	10/10

Committee membership changes: there were no changes during this period.

Complaints and Appeals Board

Chair: Richard Ayre

The Complaints and Appeals Board (CAB) deals with appeals and complaints to the BBC about everything except programme-making and content. There are two CAB standing members who are supplemented by one or more additional Trustees as needed. In 2013/14, of the 239 TV Licensing, fair trading and general appeals received, seven were heard in full by the CAB (four were upheld and three were not). Overall 96% of complaints were dealt with in the target time (40 working days for admissibility decisions and 80 working days for CAB findings and decisions). The CAB is responsible for reviewing the effectiveness of the BBC's complaints framework, which was relaunched in 2012/13. The CAB commissioned a 'mystery shopping' exercise to test the way complaints were being handled at Stage 1 of the BBC's complaints procedure. Testing took place during the summer of 2013 with the results published in February 2014. The role and responsibilities of the CAB remain unchanged in the new committee structure.

Meeting attendance (1 April 2013 – 31 March 2014)

Trustee	Attendance
Richard Ayre (Chair)	13/14
Elan Closs Stephens (standing member)	14/14
Sonita Alleyne	1/1
Diane Coyle	3/3
Alison Hastings	2/2
David Liddiment	0/1
Bill Matthews	1/1
Aideen McGinley	2/2
Nick Prettejohn	1/1
Suzanna Taverne	2/3
Lord Williams	1/1

Committee membership changes: there were no changes during this period.

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, which are approved by the Trust. The ESC is the final appeal body within the BBC in determining whether the Editorial Guidelines have been followed, and the final arbiter of complaints on appeal to the Trust. The ESC also manages the Trust's programme of impartiality reviews and seminars. The role and responsibilities of the ESC remain unchanged in the new committee structure.

Meeting attendance (1 April 2013 – 31 March 2014)

Trustee	Attendance
Alison Hastings (Chair)	15/15
Sonita Alleyne	14/15
Richard Ayre	15/15
David Liddiment	13/15
Bill Matthews	12/13

Committee membership changes: there were no changes during this period.

International Services Committee

Chair: Lord Williams

The International Services Committee (ISC) was responsible for helping the Trust to develop the strategy for, and assess the performance of the BBC World Service, BBC World News, bbc.co.uk/news and BBC Monitoring. In April 2014, the ISC's functions were incorporated into those of the Services Committee and the full Trust.

Meeting attendance (1 April 2013 – 31 March 2014)	
Trustee	Attendance
Lord Williams (Chair)	3/3
Diane Coyle	3/3
Richard Ayre	3/3
Aideen McGinley	3/3
Elan Closs Stephens	3/3

Committee membership changes: there were no changes during this period.

Remuneration and Appointments Committee

Chair: Lord Patten

The Remuneration and Appointments Committee (RAC) managed the Trust's responsibilities concerning Executive Board remuneration and appointments. The RAC oversaw executive remuneration strategy and made 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. In April 2014, the RAC's functions were incorporated into those of the full Trust and the Trust Management Group.

Meeting attendance (1 April 2013 – 31 March 2014)	
Trustee	Attendance
Lord Patten (Chair)	1/1
Diane Coyle	1/1
Anthony Fry	1/1
David Liddiment	0/1
Nick Prettejohn	0/0*

Committee membership changes: Anthony Fry (until October 2013); Nick Prettejohn (from February 2014).

* There were no meetings during Nick Prettejohn's membership period.

Strategy and Approvals Committee

Chair: Diane Coyle

The Strategy and Approvals Committee (SAC) considered proposals from the Executive Board, including for new services or changes to existing services, except those proposed as part of a service review (which were considered by the APC). The SAC managed any Public Value Test or other consideration of a proposal from the Executive and made recommendations to the Trust on possible outcomes. The SAC also oversaw the BBC's commercial strategy and individual proposals, where these were of strategic significance or of high value. In April 2014, the SAC's functions were incorporated into those of the Services Committee and the full Trust.

Meeting attendance (1 April 2013 – 31 March 2014)	
Trustee	Attendance
Diane Coyle (Chair)	9/9
Anthony Fry	3/5
Bill Matthews	8/9
Suzanna Taverne	9/9
Lord Williams	7/9
Nick Prettejohn	2/2

Committee membership changes: Anthony Fry (until October 2013); Nick Prettejohn (from February 2014).

Trust Finance Committee

Chair: Anthony Fry (until October 2013)

Acting Chair: Diane Coyle (from November 2013 until March 2014).

The Trust Finance Committee (TFC) helped the Trust to set the financial strategy for the BBC. It examined the BBC's annual budget and held the BBC to account for its financial performance. It scrutinised significant financial proposals, and oversaw the Executive's internal control and risk management arrangements. The TFC also managed the Trust's programme of value-for-money reviews, working with the Executive to ensure the BBC acts on any recommendations made. In April 2014, the TFC's functions were incorporated into those of the Value for Money Committee and the full Trust.

Meeting attendance (1 April 2013 – 31 March 2014)	
Trustee	Attendance
Anthony Fry (Chair)	7/8
Diane Coyle (acting Chair from November 2013 until March 2014)	14/14
Richard Ayre	13/14
Nick Prettejohn	2/2
Elan Closs Stephens	13/14
Suzanna Taverne	13/14

Committee membership changes: Anthony Fry (until October 2013); Nick Prettejohn (from February 2014).

Trustees' attendance at Audience Council meetings (1 April 2013 – 31 March 2014)

Trustee	Attendance
Alison Hastings	7/7
Bill Matthews	8/9
Aideen McGinley	9/9
Elan Closs Stephens	9/9

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, whose level of fees was reduced by 23% when the post was advertised in 2010 and, therefore, a further discount has not been applied. Trustees do not receive severance pay or other compensation for loss of office.

Trustees' remuneration table

	Fees ¹ £000	Taxable benefits £000	Total 2013/14 £000	Total 2012/13 £000	Appointment term start date	Appointment term end date
Chairman and Vice Chairman						
Lord Patten	110	1	111	111	1 May 11	30 April 15
Diane Coyle*	71	–	71	71	1 Nov 06	30 April 15
National Trustees						
Alison Hastings	38	–	38	38	1 Nov 06	31 Oct 14
Rotha Johnston ²	–	–	–	22	1 Nov 06	31 Oct 12
Bill Matthews ^{3*}	38	–	38	38	1 Jan 11	31 Dec 14
Aideen McGinley ⁴	38	–	38	16	1 Nov 12	31 Oct 16
Elan Closs Stephens	38	–	38	38	1 Nov 10	31 Oct 14
Trustees						
Sonita Alleyne ⁴	33	–	33	14	1 Nov 12	31 Oct 16
Richard Ayre	33	–	33	33	1 Aug 10	31 Jul 14
Anthony Fry ⁵	19	–	19	33	1 Nov 08	30 Oct 13
David Liddiment	33	–	33	33	1 Nov 06	31 Oct 14
Mehmuda Mian ²	–	–	–	19	1 Nov 06	31 Oct 12
Nick Prettejohn ⁶	8	–	8	–	1 Jan 14	31 Dec 17
Suzanna Taverne	33	–	33	33	1 Jan 12	31 Dec 15
Lord Williams*	33	–	33	33	1 Dec 11	30 Nov 15
Total	525	1	526	532		

Notes

- Trustees took an 8.3% voluntary reduction in pay, in parallel with the Director-General and Executive Board, in September 2010. The Chairman's fee was reduced by 23% from £142,800 to £110,000 at the start of Lord Patten's term. Full details are available on our website.
 - 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.
 - 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.
 - 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.
 - Anthony Fry stepped down on 30 October 2013; accordingly his fees only relate to his time in office and do not cover the full year.
 - Nick Prettejohn began his appointment during the financial year 2013/14; accordingly his fees for 2013/14 only relate to his time in office and do not cover the full year.
- * These Trustees all had taxable benefits less than £500 which have been rounded to nil. The total amount incurred by Trustees was £1,276.85.

Expenses

We are reimbursed for expenses incurred on BBC business, which include travel, accommodation, work-related meals and hospitality. Trustees' 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 HMRC, and this figure is published in the remuneration table; any tax arising on expenses incurred is settled by the BBC.

Chairman's benefits

During his time as Chairman, Lord Patten was not eligible to receive any benefits other than his fee, and he elected not to make use of a BBC driver.

Trust finances

We aim to run our operations as efficiently as possible. Our direct expenditure for 2013/14 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 0.25% of total licence fee income (2012/13: 0.24%).

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 2013/14 was £238,680 (2012/13: £238,680) and the aggregate of his emoluments to 31 March 2014 was £246,480 (£246,480 to 31 March 2013). Nicholas is a member of the BBC Pension Scheme. Nicholas steps down from his role as Director, BBC Trust on 20 June 2014.

Over 2013/14 the Trust Unit had 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 41 for Trustees' remuneration which is audited.

Reporting regulations

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

KPMG LLP's report is included next to the statement of Trust responsibilities on page 43. The BBC is exempt from the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Conduct Authority but, where relevant, we have prepared this report as if those requirements apply.

Trust expenditure statement

	Note	2013/14 £000	2012/13 £000
Trustee remuneration	1	583	589
Staff costs	2	4,203	4,496
Other operating costs	3	4,534	3,548
Direct Trust expenditure	4, 5	9,320	8,633
Ofcom regulatory fees	6	2,666	3,276
Total Ofcom fees payable by Trust		2,666	3,276
Total Trust expenditure		11,986	11,909

Notes

- 1 The remuneration received by each Trustee is shown in the table on page 41. The figure in the table above 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 services.
- 5 Of direct Trust expenditure, £952,153 relates to spend on Trust activities in the four nations (2012/13: £998,409).
- 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.

Trust people

Average for year	2013/14	2012/13
Trustees	11.8	12.0
Trust Unit staff (EFT) ¹	61.8	65.9

Note

¹ Trust Unit staff are those employed directly by the Trust Unit. Of the 61.8 average equivalent full time (EFT) Trust Unit staff for 2013/14, 14 EFTs were based outside London and supported the work the Trust undertakes in Wales, Scotland, Northern Ireland and England (2012/13: 15). 12% come from a black, Asian or minority ethnic background (2012/13: 12.9%); 5.7% are disabled (2012/13: 3.9%); and 65.9% are women (2012/13: 65.2%).

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 42 (the 'Trust expenditure statement') for the year ended 31 March 2014 which has been prepared, further to the requirements of the BBC Royal Charter dated October 2006, by the Trustees and is their sole responsibility.

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

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

Our report has been prepared for the Trust solely in connection with its obligations under the Royal Charter. Our report was designed to meet the agreed requirements of the Trust and particular features of our engagement determined by the Trust's needs at the time. Our report should not, therefore, be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Trust for any purpose or in any context. Any party other than the Trust who obtains access to our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

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



Jonathan Downer
For and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London E14 5GL
19 June 2014

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 Conduct Authority Listing Rules which apply to a company quoted on an EU regulated market.

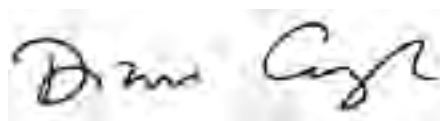
In order to comply with those requirements, the annual report must include disclosures on the governance arrangements of the Trust as well as those of the Executive Board. These disclosures, which are audited, are the responsibility of the Trust, and are included in Part One of this annual report.

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 19 June 2014.



Diane Coyle
Acting Chairman
19 June 2014



Part Two

The BBC Executive's review and assessment

The 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

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Across the UK, virtually everyone gets something from the BBC each and every week. This report sets out how we are delivering our programmes and services to audiences, our vision for the future, and how we spend the licence fee. It sets out our achievements, and highlights some of the challenges we face in continuing to deliver for everyone.

This year there is a lot to be proud of.

On BBC One, Britain's favourite channel, we have brought the nation together to celebrate, to commemorate, and to share amazing television moments. We saw history being made on Centre Court last summer; *Sherlock's* unforgettable return to our screens; and, more recently, Sarah Lancashire's unmatched performance in *Happy Valley*.

With BBC News I believe that Britain has the best news organisation in the world. It offers a unique service: a network that is local, regional, national and global. This year I have been particularly pleased at the way our local radio stations responded to the terrible weather this winter; and our journalism in Syria, and in covering the conflict in Ukraine has been first-rate. The BBC is by far the most trusted news service in the UK, and the most retweeted source of news the world over – these are achievements to be rightly proud of.

It has been a year in which we celebrated half a century of BBC Two, with some great comedy and brilliant new drama in *Line of Duty*, *The Fall* and Golden Globe winning performances in *Dancing on the Edge* and *Top of the Lake*.



At the core of the BBC's role is something very simple, very democratic and very important – to bring the best to everyone. Wherever you are – whoever you are – whether you are rich or poor, old or young, that's what we do... Everybody deserves the best.

Tony Hall, Director-General

Helena Bonham Carter and Dominic West in BBC Four's *Burton and Taylor*



The crowd enjoying the Asian Network's London Mela Event





BBC Introducing brings together all of the BBC's supporters of undiscovered and unsigned music

I am also pleased that I can report another exceptional year for BBC Radio. In this, the oldest part of the Corporation, we are seeing record-breaking audiences and distinctive talent – from Chris Evans, on Radio 2 every morning, to the *Today* team on Radio 4. Highlights for me include Sir Kenneth Branagh's magnificent performance in *Antony & Cleopatra* and Grayson Perry's exuberant Reith Lectures. I have also been impressed by BBC Introducing – a scheme that gives talented musicians, all across the country, a chance to shine, supported by BBC local radio, and across the UK on Radio 1.

And, the BBC also has the power to present extraordinary international events. Last November millions of people joined together across six continents to mark 50 years of *Doctor Who* in *The Day of the Doctor*.

But I want us to do even better.

The BBC has always been an innovator. We are the radio company that pioneered television; the broadcaster that embraced the internet. And, with expectations now changing fast, I want us to innovate again; to bring the wonders of digital technology to everyone. To inform, educate and entertain in new and surprising ways.

That is why I set out some big creative ambitions for the BBC last October – shaping new ideas, new partnerships, and a new kind of relationship with our audiences.

We are starting to see the results. This year has seen record audiences for BBC News online. Our vision for the iPlayer is starting to take shape, with a new version launched in March and more to come. We also launched Playlistr, a new digital service

for music fans. And across the UK we are offering everyone new ways to enjoy some of our country's greatest events: Glastonbury, Glyndebourne, Hay, the Edinburgh Festivals, the Proms, Wimbledon, Glasgow 2014. All of these events, and more, are being brought to you live, wherever you are. In addition, we have seen the launch of the BBC Weather app; a new app for CBeebies; and new digital guides, bringing learning to internet connected devices. In 2015, we plan a major series to inspire the nation with coding and computing.

We have started along the road of changing the way we interact with our audiences. We want not just to listen but to actively engage with them. That relationship should no longer simply be about the BBC, but my BBC – and work is underway for audiences to become their own schedulers, our next creators, our future innovators.

As we look to the future, I believe that the BBC should reflect Britain's strengths. As part of this, I want us to bring the best to everyone in science, natural history, comedy and drama. I also know from personal experience that the UK is world class in music and arts. That is why, last October, I announced that we would be putting music and arts at the very heart of the schedules. I have appointed single Directors for BBC Music and BBC Arts and I believe that we are already beginning to see a difference. The BBC is working in partnership with some of Britain's great institutions and some of our finest creative talent; joining up across television, radio, iPlayer and online to showcase Britain's artists, performers, writers and composers. This is something only the BBC can do, and we are proud to do it.

I also want us to do more to nurture and support new talent – from all backgrounds; all around the UK. Last year, I set new targets for apprenticeships and we are meeting them two years early. I also set new ambitions for women in local radio and we have made significant progress on this objective. Diversity will be a really important part of my agenda in the coming year.

As this report sets out, we face significant challenges ahead.

The BBC is operating with a flat licence fee settlement and new financial responsibilities. As a result, the amount of funding we have for public service in the UK will be 26% less in real terms by 2016/17. At the same time, we are working in an increasingly competitive market. The revenues of other media organisations are much larger than the BBC in the UK, and even they are dwarfed by some of the global giants that operate in the same market as we do.

In response, we are making savings to live within our means. We have now delivered £374million p.a. through our current savings programme, and we are on course to deliver the £700million p.a. savings we said we would make by 2016/17. I have also set the organisation a target to find an extra £100million p.a. of savings to fund our new ambitions. We are achieving all this by taking advantage of the latest technologies, introducing new ways of working, getting the best value for money whenever we renew our contracts, increasing our commercial income, and addressing talent costs and top management pay.

I believe the iPlayer is a key part of our future, and with our proposal to the BBC Trust to move BBC Three fully online we aim to keep the best from the linear world but also bring new formats, different durations, and more individualised content to an audience most ready for an online world. At the same time, we help meet the challenge of delivering high quality content for all our audiences at a time of financial constraint.

We are also looking hard at every aspect of what we do and at every pound we're spending. We are benchmarking our costs against the rest of the industry and looking in detail at our staff base.

The challenges are significant, but I am confident that we will meet them.

The BBC is an organisation brimful of talent. Every week, I meet teams who share a passion for the BBC and what it stands for. Very often, they are achieving above and beyond what you'd expect: our local news teams producing a vital service during months of flooding in places like Cornwall, Somerset and Sussex; serious entertainment in the *Strictly* ballroom; or BBC Science launching a new Longitude prize that will change our world fundamentally. I'd like to say thank you to all our teams and all the people outside the BBC who work with us.

But most importantly I'd like to thank our audience. Throughout this year – my first full year in post as Director-General – the statistic that most impressed me was how much money the BBC has helped raise through charity appeals supported across our services. Through our own charity *Children in Need*, or in partnership with others like Comic Relief; through big television nights and via regular appeals on radio, this year we helped raise over £84million for good causes. That's broadcasting at its most powerful. The BBC at its best.



Tony Hall
Director-General
19 June 2014

Last Night of the Proms 2013





Delivering our strategy

Our achievements for the year
and our vision for the future

Our achievements

We brought stand-out content, big moments and the benefit of new technologies to the public; we began the journey of changing the BBC.



Sherlock

The third series launched on New Year's Day 2014 with an average audience for the first episode of 12.7 million and 3.6 million iPlayer requests, making it the most requested drama on iPlayer to date.



The Fall

Commissioned by BBC Northern Ireland and set in Belfast, it had an average series audience of 4.3 million, the largest for a BBC Two drama series in the last ten years.



Winter Olympics

Our coverage of Sochi 2014 reached 33.7 million people, higher than any of the previous three Winter Olympic Games.



Great British Bake Off

The final achieved the biggest BBC Two audience in over 10 years.



New Year's Eve Fireworks

The highest television audience of 2013.



Britten 100

Broadcast on BBC Radio 3 and reached an estimated 1.1 million listeners on radio and requested 97,957 times via iPlayer in the UK.



Radio Drama

Radio 4 aired over 600 hours of drama, including a Scottish season featuring four original dramas about the Stuart dynasty and dramatisations of three novels by Sir Walter Scott. Whilst as part of Radio 3's celebration of the 450th anniversary of Shakespeare's birth, we broadcast *Anthony and Cleopatra* in full, starring Sir Kenneth Branagh and Alex Kingston.



Local Radio

Great dedication was shown in its reporting of the floods and in its passion for local sport. BBC Local radio also rightly performed strongly at the Radio Academy Awards with Gold Award wins for BBC Tees, BBC Three Counties, BBC Norfolk, BBC Ulster, BBC Lincolnshire.



News reaching everyone

BBC TV News coverage on the night of Nelson Mandela's death was watched by 13.38 million people on BBC One and the BBC News Channel.



Glastonbury

For the first time, there were live-streams from the six key Glastonbury stages giving over 250 hours of coverage, reaching a total Television audience of 19 million and with 12.1 million requests for live and catch-up content online.



World War One

To coincide with the start of the BBC's World War One season we launched BBC iWonder – interactive guides designed to unlock the learning potential of all BBC content. Meanwhile, Jeremy Paxman's programme, *Britain's Great War*, was the BBC One factual series with the highest score of the year for helping audiences learn something new.



The Wrong Mans

The highest audience for a comedy launch on BBC Two in seven years, with an average of 4.5 million viewers for the opening episode.



New iPlayer

Available on over 1,000 different devices and serves 10 million programme requests a day.



Biggest Commitment to Arts in a generation

We committed extra funding for BBC Arts programming, appointed strong leadership for the arts, and re-launched BBC Arts Online as well as The Space, our pioneering online partnership with Arts Council England.



CBBC

The *My Life* documentary series continued to challenge and celebrate our young audience with real children living extraordinary lives.



Apps

BBC apps have been downloaded over 57 million times.

A year of change at the BBC

We are building on strong foundations to take the BBC through to its centenary in 2022, putting the right policies in place to ensure that we are more efficient, representative, fair and innovative.

A new top team

A new leadership team is in place at the BBC bringing together the best of talents from inside and outside – with new non-executive directors bringing a huge breadth of experience.



A new strategy

We set out a clear ambition for the BBC to the end of the current Charter with a focus on quality, innovation and efficiency.



Respect at work

We want zero tolerance of bullying and a culture where people feel able to raise concerns and have the confidence that they will be dealt with appropriately.



Women on air

We committed that by the end of 2014 half of BBC Local Radio stations will have a woman presenting the high-profile Breakfast shows. Other prominent appointments include Mishal Hussein on *Today*, Ritula Shah on *The World Tonight*, Carrie Gracie as the BBC's first China Editor and Gemma Cairney on Radio 1.

Cap on severance pay

Severance pay has been capped at £150,000 and where staff resign or are made redundant they are expected to work their notice in full.



Contributing to the community

Through our own charities and partnerships with others, we have helped raise £84.5million across the year.



Birmingham

We are revitalising our presence in Birmingham with a focus on digital skills and talent development.



Apprenticeships

We are delivering on our commitment to have 1% of the workforce as apprentices.

Our vision for the future

“Last year’s Annual Report was written in the shadow of a crisis. In the last twelve months, we have sought to focus on what audiences need today, and how we can best serve them in the future. We start from a strong place. The UK has a world-class media sector. Thanks to everyone at the BBC over the last twenty years, the BBC has remained a world-class broadcaster. It hasn’t become the victim of technological change – instead, it has found new ways of informing, educating and entertaining. People use the BBC more every week than twenty years ago. We want to reinvent ourselves again.”



James Purnell
Director, Strategy
and Digital

We will be doing so in a market where digital technologies have become mainstream. For one part of our audience, they now represent a big part of their media consumption – with young people consuming close to a quarter of their television on-demand on other screens or via DVD, for example. We are no longer experimenting with these technologies – they are a normal part of our lives. As an organisation, we’re looking forward to the next wave of innovations.

But we don’t think these new ways of consuming will replace what’s gone before. Radio and television channels meet enduring human needs – to have an expert find the best of their subject and put it in front of us; to have commissioners showcase new content every week; to watch or listen at home at the same time as millions of others.

When he arrived at the BBC, Tony Hall asked the management team to agree a clear direction for the next three years, until the end of this Charter. The BBC has renewed its strategy regularly over the last twenty years. But this time we faced the new challenge of innovating in a period of declining income. In past periods, the BBC has been able to fund innovation from efficiency. At this time, we are using those savings to offset the fact that licence fee funding for our UK public services will be 26% lower in real terms by 2016/17 owing to the flat licence fee settlement and new financial responsibilities. To be able to keep on innovating, we’ve had to find further savings.

Grayson Perry delivers Radio 4’s *Reith Lectures*



An average audience of 12.7 million viewers tuned in to see the return of *Sherlock*



Rather than try and do everything a bit less well, we decided to prioritise three areas: innovating online, strengthening key programme genres, and making our channels work even better.

Our proposal to the Trust to move BBC Three online is the best illustration of what this means. We could have kept salami-slicing television budgets, but we were worried that would mean falling behind in genres like drama, which were set to be cut by tens of millions of pounds. Instead, we are proposing to close BBC Three as a broadcast channel, so as to avoid having to make that cut, but also to give ourselves a chance of going to where young audiences will be in five years' time based on a dialogue with them about how their media needs and habits are changing.

But the BBC Three decision is only one of the many ways in which we are implementing this strategy.

Innovating online

We have begun the building of a more personalised, social and mobile BBC, offering individual recommendations, participation and a two-way relationship with our audiences.

iPlayer is central to this. We want it to be the best online video and audio player in the world and will achieve this by extending it in three ways. Firstly, by offering more content, secondly by developing a truly online TV and radio experience and, finally, by making all of this content easier to browse, discover and enjoy.

From new programming exclusive to BBC iPlayer, to new online and pop-up channels around special interests or major events, BBC iPlayer will be bursting with more content than ever.

Danny Cohen, Director of BBC Television



We want iPlayer to be the best online video and audio player in the world

We already have plans for a longer catch-up window of 30 days, more archive material, iPlayer-specific commissions, and the launch of BBC Store – a way to buy a whole range of programmes to watch and keep forever.

But that is just the start. In particular, we expect iPlayer to be a key platform on which BBC Three launches as an online-only television service from the autumn of 2015 – subject to BBC Trust approval of our plans.

BBC Four's *Inspector De Luca* on BBC iPlayer



Strengthening key genres

As part of the strategy, we agreed to find an extra £100million p.a. in savings by 2016/17, so as to strengthen key parts of BBC output.

In some areas, this was because without the BBC there would be a clear market failure. In music, for example, key industry players had been telling us that our role in breaking new music and exposing it beyond niche audiences was becoming indispensable, as business models change and fragment. They wanted us to do more. So we're expanding BBC Introducing, providing the industry with a pipeline of brilliant new British musical talent and offering unrivalled opportunities for new artists. And we launched Playlist, which lets audiences tag and remember any piece of music they hear on the BBC across all programmes and genres, get recommendations from their favourite DJs, and replay it on their preferred streaming service.

The same was true of the arts, so in March 2013 we made the BBC's greatest commitment to arts for a generation. Arts will take centre-stage across the BBC with a new topical strand taking audiences to music and arts events across the UK. There will be a new online service, closer engagement with artists and institutions, more distinctive arts content across all the BBC's channels, and stronger leadership for the arts.

We have also re-launched The Space, our pioneering online partnership with Arts Council England, where we'll work with artists and performers from all creative industries to commission new kinds of digital art and digital performance, and to find the next generation of talent. The arts are at the heart of the BBC and our ambition is to be even better.

In other areas, we wanted to invest to make sure that we remained world-class. That wasn't just true of drama – it is also the case in News, where we want to build on the inheritance of the World Service. Audiences tell us how well the BBC helps them understand what is going on in the wider world and how much they value the BBC's global role. We are proud that we reach 265 million people per week through the BBC's Global News Services. It would be a terrible waste not to build on that, so we have set ourselves the stretching ambition of doubling that number by 2022. In the short term, thanks to these savings, we expect the budget of the World Service to rise, and we will strengthen original and investigative journalism both on the World Service and in the UK.

The Glastonbury Festival Pyramid Stage during the Rolling Stones' headline performance



Making our channels even better

By strengthening those programme areas, we will strengthen our channels. The great drama series or world-class news that we hope they will produce will keep BBC One and BBC Two as mass channels. By doing so, we will continue to be able to deliver the range of content that our public purposes require: challenging, new, distinctive and different, from comedy to current affairs, science to religion. Nearly 90% of viewing is still live; audiences are telling us with their remote controls that they love channels; so we will continue serving those needs.

That's also why we want to launch a BBC One +1 service, if approved by the BBC Trust. Our audiences love the convenience of +1 channels. Indeed, they can't quite understand why the BBC doesn't offer them one. Every other public service broadcaster does. Licence fee payers have funded these programmes – we should make it convenient for them to watch them, so they get as much value as possible from their investment.

As part of the strategy, we decided not to make BBC Four an arts and music channel. Not only did we believe that arts and music should be the responsibility of the whole BBC, we also listened to those who told us they loved BBC Four as it was, a channel that aims to be the most innovative in British television.

Technology can also help make channels work better. Audiences will be able to go back in time – through the backwards programme guide on YouView, for example, or into the future to create their own schedule from programmes we release early. We will take this even further with channels that are more personal and know more about what you like, what your friends like, and what you might want to watch next.

And – to finish where this section started – we are also using the new BBC Three to pioneer how channels will work in the future. BBC Three online will continue to have the things we all cherish most about the service – innovative comedy, unrivalled current affairs for young people, incisive and entertaining factual, and original entertainment. But it will also have the freedom to break traditional shackles – a wonderful creative opportunity to develop new formats with new programme lengths and to reach young audiences in an ever-growing number of ways.

Dame Judi Dench and Steve Coogan star in BBC Films co-production *Philomena*



Melvin O'Doom, Nick Grimshaw and Rochelle Humes from BBC Three's *Sweat the Small Stuff*



The BBC and Charter review

This strategy is about what the BBC will do for the next three years. The Government recently announced that Charter review will not start until after the Election. We were happy to see the BBC being taken out of the electoral cycle in this way.

To prepare for that, we will now develop our proposals for that Charter review, so that we can give audiences and decision-makers an exciting set of options for the future.

We look forward to that debate. We believe that the BBC is one of the reasons why Britain is one of the most competitive and successful media markets in the world. After the US, the UK is the largest exporter of TV programmes in the world¹. The UK is one of only three net exporters of music². We recently commissioned a study of how audiences around the world rate their television services on quality. Out of 14 countries the UK emerged as the leader with 72% of the British public rating their television service as good quality – the highest out of all the countries surveyed. Out of 66 major TV channels around the world, BBC One received the highest score of all. BBC News is the most trusted in the world.

The BBC is also an indispensable part of everyday life. For 40p a day, households consume on average six hours of information, education and entertainment. That's amazing value. And we are critical to the cultural health of the UK, finding, training, developing and supporting new talent: writers, actors, artists, musicians, journalists and technical staff.

So, as we approach Charter review, we'll be on the lookout for ways of improving what we do. It's because we believe that the system works pretty well, that we'll be very interested in discussing alternatives. It would be a sign of lack of confidence to want to close down debate. The BBC matters a lot – and this will be an important choice about the future of the BBC.

¹ Communications Chamber, Creative UK, The Audiovisual Sector and Economic success, 2011.

² PRS for music economic research, 2012.

Gillian Anderson in BBC Northern Ireland's crime drama *The Fall*





Performance

How we performed against our objectives by content area, genre and channel or network

Television



Danny Cohen
Director,
Television

“It was a strong year for BBC Television in an increasingly competitive landscape with changing audience viewing habits putting our reach figures under some pressure. Over the coming months we’re making programmes even more distinctive with high impact drama, natural history and major national events. And, as the media world changes rapidly and audience expectations get ever higher, we’re working hard to ensure quality, distinctiveness and innovation across all our output.”

Serving all audiences

Whilst BBC Television aims to stimulate and delight audiences across the UK we recognise we still need to work harder to reach a young, more diverse audience. From the factual *Wonders of Life* to distinctive drama *Peaky Blinders*, from comedy hit *Mrs Brown’s Boys* to entertainment in *Strictly Come Dancing* we look to offer something for everyone. Millions came together to enjoy *The Voice* and *The Great British Bake Off* and distinctive new programmes included *The Story of the Jews*, *Citizen Khan*, *The Call Centre*, Stephen Fry’s *Out There*, the live one-off musical from Bradford City Centre – *Bollywood Carmen* – along with coverage of the Winter Olympics – all attracting diverse audiences.

Creative excellence

There were many standout programmes in 2013/14 reflected in the number of awards won by BBC Television. However, audiences’ expectations continue to be very high and we are committed to raising the quality bar ever higher. *Sherlock*’s launch on New Year’s

Day was watched by 12.7 million viewers and audiences were thrilled with James Corden’s *The Wrong Mans*, Jane Campion’s *Top of the Lake*, and *Burton and Taylor* starring Dominic West and Helena Bonham Carter.

Distinctive thought-provoking content

We aim to provide educational and stimulating content for all audiences. The very best blue chip factual of Brian Cox’s *Wonders of Life* sat alongside popular innovation like *The Great British Sewing Bee* and *It’s A Mad World* – a powerful season looking at young people and mental health on BBC Three. The best arts, music and cultural programmes are increasingly delivered through partnership projects: *Written on Skin* with the Royal Opera House; *Handmade* alongside the V&A; and a star-studded performance celebrating the 50th birthday of the National Theatre.

Looking forward

Our commemoration of WWI continues with David Olusoga’s *World’s War* documentary series and major event coverage in August 2014. New drama includes adaptations by Hilary Mantel and Susanna Clarke and there’ll be new comedy from Peter Kay and Matt Lucas. *Life Story* is a major new natural history series for BBC One. We’ll see more collaboration between BBC Four and BBC Two, including a focus on the art and music of the 18th century. BBC Four is taking a lead role in *BBC Arts at...* a major new initiative to take our arts coverage across the UK, and as we look to reinvent BBC Three as an online service, the channel remains committed to factual and current affairs with a season on crime and punishment as well as new comedy, *Siblings*.

Strategy in action



Serving all audiences

- 99.6% of the UK population watched BBC television for at least 15 minutes during 2013 and on average people in the UK watch for almost nine hours a week.
- *Doctor Who: The Day of the Doctor* was the most viewed drama with an average audience of 12.8 million, while on iPlayer it was the most requested drama episode in 2013 with more than 3.2 million requests.



Quality and distinctiveness

- The BBC won a total of 16 Baftas over the last year (this includes Film, Television & Craft)



Radio

“BBC Radio stations’ unique, high-quality offer has helped to preserve radio listening in the UK in the face of ever-increasing competition. Our continuing focus on distinctive content and digital innovation, such as the launch of our Playlister service, means radio is well placed for future challenges.”

Ambitious content across all networks

BBC Radio continues to produce outstanding creative content across all its networks daily and through single standout moments:

Radio 1’s *Talk It Out* encouraged listeners to share their problems and receive expert advice, while the *Teen Awards* recognised more young ‘heroes’; Radio 2 broadcast a live minute-by-minute, three-hour documentary on the assassination of JFK and ran the year-long *People’s Songs*, telling the story of modern Britain through 50 records; Radio 3 celebrated anniversaries of Britten, Verdi and Wagner with complete opera cycles for each, while its *Free Thinking* festival of ideas returned to Gateshead to explore ‘Who’s in Control?’; on Radio 4, *Cultural Exchange* invited 75 leading creative minds to choose their favourite cultural work, while Grayson Perry’s *Reith Lectures* gave a powerful and playful insight into contemporary art.



Helen Boaden
Director, Radio

An unrivalled breadth of music

The BBC’s national networks offered a unique range of music, from Radio 2’s *Folk Awards* at the Royal Albert Hall and the inaugural 6 Music Festival in Manchester to new urban music at iXtra Live and the 119th season of the BBC Proms, which had more sell-out concerts than any previous year and included a last night led for the first time by a female conductor, Marin Alsop.

New British talent was showcased in the *Sound of 2014* poll on Radio 1, Radio 3’s *New Generation Artists* and the Asian Network’s *New Music Day*, whilst 120,000 unsigned acts have now uploaded their music on to the ‘BBC Introducing’ website.

Audiences

Whilst time spent listening remains under pressure in the face of digital competition, BBC Radio has been highly resilient in terms of reach with record audiences for Radio 2, Radio 4, 6 Music and the Asian Network. Hours continue to be under pressure though they have stabilised in the last quarter. Over the year, 90% of the population listened to the radio every week; 67% to BBC Radio.

Innovation

In October, as part of our move towards a more personalised service for our listeners, we launched *Playlister*, a service which allows users to tag tracks as they are played on BBC Radio and build up and export their personal playlists.

Digital Radio listening continues to grow, with 37% now through digital devices. Radio 1 became the first radio station to attract a million subscribers to its YouTube channel and the iPlayer Radio app now reaches more than 6 million browsers every week.

Strategy in action

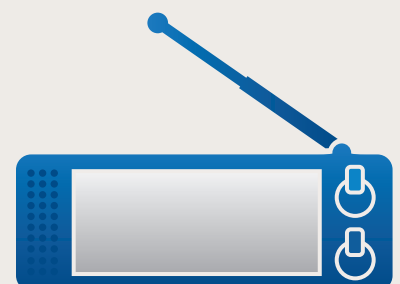
Serving all audiences

- 6 Music reach is now nearly 2 million, cementing its position as the UK’s leading digital station.
- Radio iPlayer now reaches over 6 million browsers every week, and launched an app for Android devices in April 2013.



Quality and distinctiveness

- In a year of outstanding creativity and ambition we have seen BBC Radio audiences grow across traditional networks, digital stations and online.



News



James Harding
Director, News

“The BBC is the best news organisation in the world. Our job is to keep making it better – to deliver more of our own original journalism, to get stories and tell stories in the ways now made possible by new technologies, to ensure ever greater value for licence fee payers, to lead the social and mobile media revolution so as to make the news available to everyone, wherever they are, now. We must do all this, but, above all, we must safeguard the public’s trust.”

Reaching all audiences

82% of UK adults consumed BBC News each week across television, radio and online. TV News reach was slightly down but was still the main audience platform, reaching over 32 million UK adults every week. Radio news and current affairs hit a new record of 29.2 million in the final quarter of 2013. Use of the BBC News website rose to an average of 25 million UK weekly browsers in early 2014. There was record world traffic in March, with an average of 62.8 million unique browsers (UK and international) per week.

Trust

BBC News remains by far the most trusted source of news in the UK, although we are slightly below the levels reached before October 2012 when the crisis broke over coverage of Jimmy Savile and the separate *Newsnight* child abuse investigation in Wales. We will work hard to justify the audience’s continued trust. We will be alive to our critics and take responsibility for mistakes when we make them. We will uphold an uncompromising commitment to accuracy, impartiality, diversity of opinion and fair treatment of people in the news.

Strategy in action



Serving all audiences

- The @BBCBreaking Twitter account has more than 10 million followers

10m

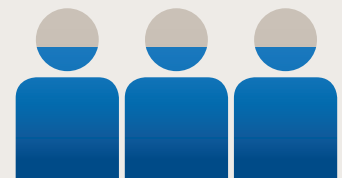


Quality and distinctiveness

- Every week, across all platforms, 82% of UK adults came to BBC Network and Regional news

82%

2012/13: 82%



High-profile stories

The brutal murder of the soldier Lee Rigby in Woolwich shocked people across the country and was our most followed story. In Syria, more than 100,000 were killed, and millions displaced. The bravery of our teams there was recognised with Royal Television Society awards. We reported on how the election of Iran’s President Rouhani is changing the dynamic in the Gulf; the assault on corruption by China’s president; how Pope Francis is reviving interest in the Roman Catholic church; and the passing of Nelson Mandela, who changed the course of history. At home, we reported on the miserable weather and a gathering, but uneven, economic recovery.

Working together

The BBC has a news network that reaches from local radio stations to bureaux across the world. We hope to put all those resources to the service of the public. We strive to cover what matters from the communities where we live to the furthest corners of the earth. Technology is transforming the news, enabling the BBC to inform, educate and, more than ever, engage. We want to help shape the future of news, using mobile and social media to ensure the news gets to everyone, everywhere, now.

Future media

“We’re committed to bringing the entire BBC to audiences as a seamless online experience across all screens – mobile, tablet, desktop and TV. As media consumption becomes increasingly mobile, we’re adapting content in innovative ways and using new formats to increase personalisation, interaction and choice.”

Mobile and tablet growth

A striking feature of the past 12 months has been the rise in mobile and tablet users, and we’re making sure we provide content that is interactive, personal, social and easy to consume on-the-go. The BBC Weather app provided localised, clear content and was snapped up by audiences, downloaded 1 million times within two weeks of launch. The CBeebies Playtime app, downloaded over 2 million times, prompted a surge in CBeebies’ weekly unique browsers.

A more personal BBC

We’re aiming to deliver an increasingly relevant, interactive, and social experience for our audiences. We’re investing more in data analytics so that we can better understand our audiences and help them find and discover content that they’ll love and come back for time and again.



BBC iPlayer goes from strength to strength

In 2014/15, BBC iPlayer will begin its transformation from a broadcast TV catch-up service to the BBC’s primary digital entertainment destination and complementary fifth channel. The new iPlayer offers a beautiful user experience designed to appeal to our growing audiences. We’ll use the platform to offer new forms of storytelling and collaboration, building upon the success of iPlayer exclusives – such as *Sherlock’s Many Happy Returns* which attracted over 7 million views – with stand-alone comedy shorts and factual commissions that will complement and contrast with linear programming. We’ll also develop exciting new product features, such as subtitles on mobile and a child-safe area for CBeebies and CBBC.

Bringing the nation together

From *Strictly* to Sochi, 2013/14 saw BBC Online use digital technology to engage the nation. In 2013, for the first time, we offered *Strictly* audiences the opportunity to vote for free via our online voting system, contributing to an enormous 81% growth in the number of votes for the final. The Winter Olympics provided the first opportunity to use the new live proposition – combining video, audio, text, data and social features across all screens to bring the biggest events alive. Similar digital power will be brought to bear as we look forward to the World Cup, Glastonbury and the Scottish Referendum.

Strategy in action



Serving all audiences

- BBC iPlayer saw a record three billion programme requests in 2013 – up 33 per cent on 2012

3bn



Quality and distinctiveness

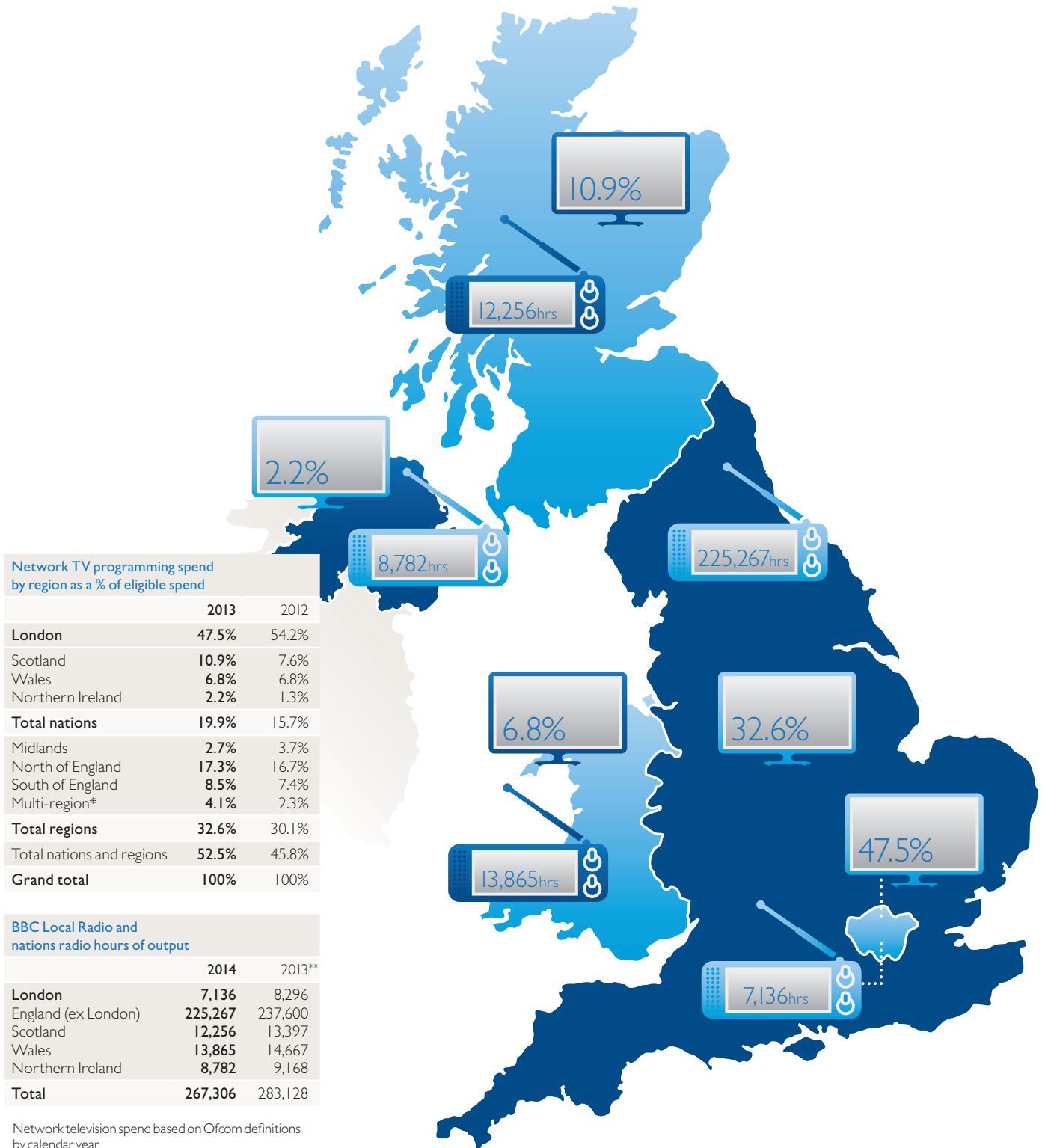
- The BBC Weather App is the fastest growing BBC mobile app of all time – more than 6 million downloads since launch

6m



Nations and regions

It has been a strong year for network TV production in the Nations and Regions, with more than 50% from outside London and more than 17% from the Nations.



Network television spend based on Ofcom definitions by calendar year

* Multi-region covers programmes made outside London but which cannot be attributed to any one region or nation.
 **The BBC Local Radio and nations radio hours of output only includes BBC original programmes and excludes any repeat programmes. The comparative hours have been restated to be on a consistent basis.

England

Television, radio and online teams across English Regions responded to the severe winter weather by providing an unmatched service of local news updates, essential information and special programming for local communities. We have worked hard to develop our reputation for delivering and leading high-quality, locally rooted accountability based journalism and debate, and we launched one of our biggest ever editorial projects – telling the stories of *World War One at Home* across every part of the country. Complementing our established output, we are developing exciting, fresh ways of bonding with existing and new audiences through our online and social media presence.

BBC Radio Bristol and BBC Somerset presenter Laura Rawlings



Wales

It was a record year for BBC Wales with programming for BBC One Wales/BBC Two Wales reaching their biggest audiences in a decade. A more contemporary flavour to output saw the drama *Hinterland* (co-produced with S4C) winning international acclaim and a special season of programming on lifestyle and obesity – *Live Longer Wales* – reaching almost 40% of adults in Wales. BBC Radio Wales produced another strong performance and a public consultation on the future of Radio Cymru resulted in major schedule changes. BBC Wales produced arguably the biggest programming moment of the year – *Doctor Who's* 50th anniversary (part of a slate of network drama made in Wales spanning *Casualty*, *Sherlock*, *Indian Doctor*, *Wizards vs Aliens*, *Atlantis* and *Hinterland*).

Hinterland delivered the best viewing figures for local drama for a decade



Scotland

In a year in which network television spend in Scotland rose to record levels, there was significant critical appreciation for the range and quality of BBC Scotland programmes. *Hebrides – Islands on the Edge* reached nearly one in three of the population in Scotland. The darkly atmospheric drama *Shetland* returned, achieving an average audience for the series of close to 6 million. *Mrs Brown's Boys* was the most viewed programme across the UK on Christmas Day and our Investigations Team, for the second year in a row, collected a Scottish BAFTA and a UK Royal Television Society Award for their work. Coverage of the Queen's Baton Relay launched our 2014 Commonwealth Games programming and live debates and documentaries, across all of our television and radio services, enabled a range of voices to be heard in the referendum debate on Scotland's future.

Actor Douglas Henshall in *Shetland*




























Northern Ireland

BBC NI delivered a rich mix of TV, radio and online covering major anniversaries and events. Over 50 projects marked Derry~Londonderry, UK City of Culture which included the Sons and Daughters gala concert, the Radio One Big Weekend, Music City Day, the All-Ireland Fleadh and, from the Guildhall, a BBC Radio 4 Reith Lecture from artist Grayson Perry. Bespoke documentaries and series also reflected cultural and community life in the North West to wider audiences. Other large scale events in partnership with the Ulster Orchestra included Proms in the Park and a St Patrick's Day concert. We launched new documentary series *True North*, investigative journalism series *Spotlight* reached 40 and we produced *The Disappeared* about those killed and secretly buried during the Troubles. Network television provision increased with success in returning crime drama series, *The Fall* and *Line of Duty*.

Sons and Daughters gala concert opening Derry~Londonderry



Performance by service

		Content (£m) We spent a total of £1,663.6million on these services last year	Reach (%) UK population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average viewer spent each week with the channel	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	£1,023.7m (£1,129.2m)	 74.9% (77.6%)	 07:30 (07:51)	 81.5 (82.6)	6.0p (6.2p)
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	£400.0m (£404.8m)	 50.3% (50.9%)	 03:13 (03:15)	 83.9 (84.2)	8.2p (8.3p)
	BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.	£81.0m (£89.7m)	 20.5%* (23.2%)	 01:55 (01:58)	 83.0 (84.0)	6.9p (6.6p)
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	£48.9m (£50.0m)	 14.0% (14.2%)	 01:43 (01:44)	 85.1 (85.6)	6.7p (6.8p)
	The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	£76.1m (£81.6m)	 5.7%† (6.6%)	 02:54 (02:53)	n/a (n/a)	15.4p (11.1p)
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	£28.7m (£28.9m)	 8.3%‡ (8.7%)	 03:59 (04:00)	n/a (n/a)	2.9p (2.7p)
	BBC ALBA offers, to Gaelic speakers and learners, a distinctive range of originated programming that reflects and supports Gaelic culture, identity and heritage.	£5.2m (£4.9m)	 17.6%§ (15.6%)	 01:56 (01:53)	n/a (n/a)	6.4p (7.6p)

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable); Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK.

Reach definition: 15+ minutes consecutive for all channels and services and audiences aged 4+ (TV).

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

* BBC Three: among its target group of 16 to 34-year-olds reach was 26.4% and time spent was 2:26.

† CBBC: among its target audience of 6 to 12-year-olds reach was 25.1% and time spent was 3:17 (based on 15+ min reach). Based on 3+ minute reach, reach was 30.4% of 6 to 12-year-olds and time spent per viewer was 2:43.

‡ 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 39.7% and time spent was 4:34 (based on 15+ min reach). Based on 3+ minute reach, reach was 45.2% of 0 to 6-year-olds and time spent per viewer was 4:00.

§ Source: TNS Scottish Opinion Survey. Base: All aged 16+ in Scotland. Lèirsinn panel. Among the Gaelic-speaking community, reach was 72.4% and time spent was 04:30.

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









() Figures in brackets from 2012/13.

Network radio

		Content (£m) We spent a total of £296.4million on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
BBC RADIO 1	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15 to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	£40.2m (£40.7m)	20.3%* (20.9%)	06:23 (07:14)	75.2 (77.0)	1.1p (1.0p)
BBC RADIO 1Xtra	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	£5.6m (£7.5m)	2.1%† (2.0%)	04:49 (04:55)	78.1 (79.8)	2.0p (2.7p)
BBC RADIO 2	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	£47.8m (£47.8m)	28.9%‡ (28.0%)	11:42 (11:45)	80.9 (81.4)	0.5p (0.5p)
BBC RADIO 3	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£40.8m (£38.3m)	3.8% (4.0%)	06:08 (06:17)	81.9 (81.6)	6.3p (5.6p)
BBC RADIO 4	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£91.8m (£91.1m)	20.8% (20.5%)	11:26 (11:58)	81.3 (80.8)	1.4p (1.4p)
BBC RADIO 4extra	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	£4.1m (£4.0m)	3.1% (3.2%)	06:11 (05:45)	79.9 (80.4)	0.8p (0.8p)
BBC RADIO 5 live	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	£49.2m (£55.0m)	11.6% (11.8%)	06:47 (07:08)	77.4 (77.7)	2.3p (2.4p)
BBC RADIO 5 live sports extra	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	£2.4m (£2.7m)	1.9% (1.8%)	03:59 (03:18)	83.8 (83.4)	1.2p (1.7p)








Performance by service
continued

Network Radio
continued

	Content (£m) We spent a total of £296.4million on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
 <p>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.</p>	<p>£7.9m (£7.4m)</p>	 <p>3.5% (3.2%)</p>	 <p>08:54 (08:32)</p>	 <p>82.3 (83.6)</p>	<p>0.9p (1.0p)</p>
 <p>BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.</p>	<p>£6.6m (£8.3m)</p>	 <p>1.1%§ (1.0%)</p>	 <p>06:21 (06:14)</p>	 <p>71.3 (73.3)</p>	<p>3.4p (4.9p)</p>


























Sources: RAJAR (Radio reach and time spent). Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK.
Reach definition: 15+ minutes for all stations and audiences aged 15+.
Arrows denote whether there has been a change of +/-2.5% from the previous year's AI.
* Radio 1: among its target group of 15 to 29-year-olds, reach was 39.7% and time spent was 06:25.
† 1Xtra: among 15 to 24-year-olds, reach was 7.6% and time spent was 04:27.
‡ Radio 2: among its target group of 35+ year-olds, reach was 35.3% and time spent was 12:40.
§ Asian Network: among its target group of British Asians under 35, reach was 16.2% and time spent was 05:13.
() Figures in brackets from 2012/13.

Future media

	Content (£m) We spent a total of £120million on content for these services last year	Reach (%) UK population who use the service each week	Time spent with each service each week (h:m) Length of time the average user spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user (p) How much it costs to deliver each service to individual users
 <p>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 Knowledge and Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.</p>	<p>£106.5m (£103.0m)</p>	 <p>48.6% (48.1%)</p>	 <p>n/a (n/a)</p>	 <p>78.8 (77.5)</p>	<p>8.6p (8.4p)</p>
<p>BBC Red Button and Connected Red Button deliver interactive services and content to digital television viewers, including up-to-the-minute content and information across news, sport, weather, entertainment, interactive programming and major events.</p>	<p>£13.5m (£15.6m)</p>	 <p>33.1% (34.0%)</p>	 <p>n/a (n/a)</p>	 <p>76.0 (76.5)</p>	<p>1.6p (1.8p)</p>






Sources: Reach: CMI/GfK.
Reach definition: 3+ mins for both services, and adults aged 16+.
Sources: Appreciation Index: eDigital (Online); CMI/GfK (Red Button).
n/a Data does not currently exist for this measure.
Arrows denote whether there has been a change of +/-2.5% from the previous year's AI.
() Figures in brackets from 2012/13.
(2012/13 Red Button reach source: Nunwood until Sept 2012 and CMI/GfK thereafter; 2012/13 Red Button Appreciation Index: for October 2012-March 2013 owing to measurement change)

News, national and local radio services

		Content (£m) We spent a total of £234.7million on content for these services last year	Reach (%) UK population who use the service each week†	Time spent watching or listening to a service each week (h:m) Length of time the average viewer or listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
	The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.	£48.7m (£45.2m)	 11.2%* (11.7%)	 02:33 (02:33)	n/a (n/a)	5.6p (5.1p)
	BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.	£1.7m (£1.9m)	 0.5% (0.5%)	 01:50 (01:40)	n/a (n/a)	7.3p (7.2p)
	BBC Local Radio is a primarily speech-based service of news, information and debate, with a strong emphasis on interactivity.	£115.4m (£114.7m)	 16.4% (16.4%)	 09:14 (09:26)	 81.1 (81.3)	3.4p (3.4p)
	BBC Radio Scotland is a speech-led service for adults. Mixed genre programming reflects the diversity of Scottish culture and covers national and international issues and events relevant to listeners across the country.	£22.6m (£23.2m)	 20.4% (21.9%)	 07:02 (07:06)	 78.1 (79.3)	6.8p (6.5p)
	BBC Radio nan Gàidheal‡ offers a comprehensive speech and music radio service for Gaelic speakers. Mixed genre programming reflects the diversity of Scottish culture and, from a Gaelic perspective and through the medium of the Gaelic language, covers national and international issues and events relevant to listeners across the country.	£3.8m (£3.8m)	 64.2% (68.6%)	 07:26 (07:22)	n/a (n/a)	19.6p (18.6p)
	BBC Radio Wales is a speech-led service for adults, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.	£13.4m (£13.9m)	 18.1% (18.2%)	 08:29 (09:19)	 84.4 (81.8)	6.5p (6.2p)
	BBC Radio Cymru is a speech and music radio service for Welsh speakers, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.	£11.7m (£12.5m)	 5.6% (5.1%)	 10:12 (09:52)	 80.6 (77.2)	15.3p (19.0p)

Performance by service
continued

News, national and local radio services
continued

	Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Costs per user hour (p)
 <p>BBC Radio Ulster is a speech-led service, providing a mix of programmes that reflect news, events and community life in all its different aspects and diversity.</p>	£17.4m (£17.0m)	 <p>36.0% (35.5%)</p>	 <p>10:02 (11:37)</p>	 <p>81.9 (81.6)</p>	6.3p (5.4p)
 <p>BBC Radio Foyle is a speech-led service for audiences in the North-West of Northern Ireland. It provides a mix of news and other programming which complements, and contributes to, BBC Radio Ulster's region-wide service.</p>					

Sources: Reach and time spent BARB (TV), radio (RAJAR); Appreciation Index: Pulse panel of 20,000 UK adults, 16+ by GfK.
 Reach definition: 15+ minutes for all channels and services and audiences aged 4+ (TV) and 15+ (radio).
 BBC Local Radio in England, 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 16.8% and 1.1% respectively (18.6% and 1.3% among 16+ population).
 † Based on % of UK population that is able to access these national and local radio services.
 ‡ Source: Léirsinn for the BBC. Base: Gaelic-speaking 16+ population.
 AI data for BBC Radio Cymru available from 27 June 2012.
 () Figures in brackets from 2012/13.

Global performance

The BBC World Service Group is the global division of BBC News and includes the World Service, World News, bbc.com/news and Media Action. BBC World Service is an international multimedia broadcaster, delivering a wide range of language and regional services on radio, TV, online and via mobile. BBC World News and bbc.com/news, the BBC's commercially funded international 24-hour news and information platforms, are owned and operated by BBC Global News Ltd, a member of the BBC's commercial group of companies. BBC Media Action is the BBC's international development charity. It uses media and communication to inform, connect and empower people around the world.



Audience by service (m)	2013/14	2012/13	Year on year change
World Service Group (Total Global News audience)	265.3	256.0	+9.3
World Service	191.4	192.2	-0.8
WS TV	58.7	41.5	+17.2
WS Radio	127.8	144.8	-17.0
WS Online	18.8	14.0	+4.8
World News	75.8	70.9	+4.9
bbc.com/news	27.7	24.8	+2.9

Source: BBC Global Audience Estimate (GAE). The GAE is a snapshot of the BBC's global news weekly audience using the latest data available as of February 2014, covering 240 countries and territories. Data is compiled from a combination of market surveys, ratings data and web analytics. UK Domestic news is excluded from the calculation.

Performance by genre

Network hours of output by genre						
News and Weather	13/14 12/13	3,322 hrs (2,611 hrs)	475 hrs (914 hrs)	32 hrs (34 hrs)	6 hrs (6 hrs)	11,617 hrs (11,317 hrs)
Current Affairs	13/14 12/13	188 hrs (241 hrs)	395 hrs (292 hrs)	135 hrs (195 hrs)	112 hrs (110 hrs)	1,759 hrs (1,885 hrs)
Factual	13/14 12/13	2,053 hrs (2,222 hrs)	3,228 hrs (2,396 hrs)	912 hrs (1,153 hrs)	1,157 hrs (1,207 hrs)	2,481 hrs (2,543 hrs)
Music and Arts	13/14 12/13	55 hrs (84 hrs)	281 hrs (333 hrs)	54 hrs (50 hrs)	1,429 hrs (1,354 hrs)	41,866 hrs (41,812 hrs)
Religion	13/14 12/13	80 hrs (99 hrs)	69 hrs (47 hrs)	n/a (n/a)	21 hrs (5 hrs)	611 hrs (975 hrs)
Drama	13/14 12/13	606 hrs (665 hrs)	314 hrs (129 hrs)	220 hrs (268 hrs)	152 hrs (232 hrs)	4,932 hrs (4,971 hrs)
Film	13/14 12/13	443 hrs (411 hrs)	753 hrs (745 hrs)	221 hrs (220 hrs)	94 hrs (119 hrs)	n/a (n/a)
Entertainment	13/14 12/13	631 hrs (457 hrs)	316 hrs (374 hrs)	294 hrs (214 hrs)	59 hrs (54 hrs)	7,654 hrs (7,796 hrs)
Comedy	13/14 12/13	216 hrs (237 hrs)	273 hrs (196 hrs)	1,182 hrs (1,149 hrs)	85 hrs (43 hrs)	n/a* (n/a)
Schools/ Formal Education	13/14 12/13	n/a (n/a)	335 hrs (339 hrs)	n/a (n/a)	n/a (n/a)	112 hrs (108 hrs)
Sport	13/14 12/13	636 hrs (858 hrs)	1,082 hrs (783 hrs)	103 hrs (290 hrs)	n/a (n/a)	5,144 hrs (5,550 hrs)

* The radio comedy hours are disclosed within the Entertainment genre.

Performance by genre

continued

Network hours of output by genre

						
Children's	13/14	4 hrs	n/a hrs	6 hrs	4,360 hrs	4,490 hrs
	12/13	(319 hrs)	(1,360 hrs)	(n/a)	(4,366 hrs)	(4,492 hrs)







Schools/Formal Education includes Education for children, Open University and BBC Learning Zone.
 CBBC & CBeebies programming moved from BBC One and BBC Two, to transmit only on its digital channels from Dec-12.

Average audiences to news programmes

					
Breakfast news	13/14	1.5m	0.6m	n/a	n/a
	12/13	(1.5m)	(0.6m)	(n/a)	(n/a)
Lunchtime news	13/14	2.6m	0.8m	n/a	n/a
	12/13	(2.7m)	(0.9m)	(n/a)	(n/a)
Early evening network news	13/14	4.5m	3.2m	0.6m	0.6m
	12/13	(4.5m)	(3.3m)	(0.6m)	(0.6m)
Early evening regional news	13/14	5.3m	3.3m	n/a	n/a
	12/13	(5.5m)	(3.4m)	(n/a)	(n/a)
Late night news (10pm)	13/14	4.3m	2.0m	n/a	n/a
	12/13	(4.4m)	(2.1m)	(n/a)	(n/a)

Source: BARB, adults 16+.

Weekly reach (BBC network television versus main commercial groups)

							
Television	13/14	83.9%	87.2%*	72.3%	64.2%†	43.1%	43.9%
	12/13	(85.6%)	(88.2%)	(73.0%)	(65.5%)	(44.0%)	(45.0%)

* Reach of all TV channels apart from BBC One, BBC Two, ITV, Channel 4, Channel 5 (their +Is and HD equivalents).

† Includes S4C.

Source: BARB, individuals 4+, 15+ minute consecutive reach. 2012/13 figures run for 2012/13 Annual Report so use TechEdge reach method that was current in 2012/13.

Weekly reach (BBC radio compared to commercial stations)

		All BBC radio	All commercial radio	All BBC network radio	All national commercial radio	BBC local radio	All local commercial radio
Radio	13/14	67.1%	64.9%	61.2%	32.3%	17.6%	51.7%
	12/13	(66.5%)	(63.5%)	(60.5%)	(31.0%)	(17.6%)	(50.4%)

Source: RAJAR, 15+, 15-minute+ reach.



How we run the BBC

Management of the BBC's relationships with staff, organisations and partners

How we run the BBC

Working together for a more efficient BBC

2013/14 has been a challenging year for the BBC and a period of substantial change. Responding to public criticism of our management of the Digital Media Initiative and severance payments, the BBC has put in place an improved approach to project management and in September implemented reformed severance and notice policies and practices. In May, the publication of the 'Respect at Work' report heralded a new approach to tackling bullying and harassment in the workplace and through a blend of training, engagement and policy and process improvements, the BBC is creating a culture built on respect between colleagues. Throughout the year, our people have delivered outstanding content to our audiences whilst the organisation continues to drive the organisational change necessary to deliver efficiencies, a more effective operation and a sustained change in the culture of the organisation.

1. Delivering change

Driving efficiencies within the divisions of the BBC has an inevitable impact on jobs and we continue to be fully committed to managing job losses through redeployment and retraining wherever possible. Since October 2011, when the DQF programme began, we have closed 2192 posts, a total of 1000 voluntary redundancies have been accepted and we redeployed 458 people into continuing and fixed-term roles, resulting in just 247 compulsory redundancies. Although consultation with our Trade Unions has been constructive there were five days of strike action taken by tour guides over the year.

To supplement the help we provide to staff at risk of redundancy we increased the career support offered to staff to include an easily accessible online toolkit and workshops to help individuals identify development needs and suitable career options.

We take care to ensure that we balance the redeployment and development of our workforce with external recruitment of talent, bringing greater diversity and fresh ideas into the BBC. We continue to focus on developing our leaders, through a range of training and development programmes and workshops.

We regularly measure staff engagement, and the last staff survey in 2012 reported high levels of commitment (90% of staff felt proud to work for the BBC, and 97% were committed to playing their part in delivering great quality and services). The survey also reported a desire for improved communication and career support, along with stronger leadership and performance management. During 2013/14, we have taken action in each of these areas. Additionally, in summer 2014, we will run the first quarterly survey enabling us to track progress as a result of action taken to deliver recommendations from the 2013 'Respect at Work' report.

2. New ways of working

This year we completed our move to New Broadcasting House with over 6000 staff now working in central London. For the first time, the BBC's national and global journalism teams are working together on the same site, alongside Radio 1 and iXtra, the commissioning and scheduling teams for BBC One, Two, Three and Four, and all of the television factual teams based in London, including BBC One's *The One Show*. The migration was completed in April 2013 and on Friday 7 June the building was officially opened by Her Majesty The Queen.

Filming BBC One courtroom drama *Silk*



Radio 5 live gallery at MediaCity UK, Salford





Radio 1Xtra presenter Sarah-Jane chats to festival-goers at Radio 1's Big Weekend in Derry-Londonderry

The BBC is here to serve all audiences across the UK and spend as much of the licence fee as possible on content across television, radio and online. In November 2013, the BBC unveiled a new creative vision for Birmingham and a commitment to making the Mailbox the home of the teams who deliver entry level training schemes, talent and skills development, BBC apprenticeships, and traineeships. Further roles from central HR, the Academy and central Internal Communications were announced in May 2014, resulting in the relocation of nearly 200 jobs to Birmingham by mid-July 2015. The BBC's relocation strategy, including rationalising our property portfolio in London, means that further relocations are anticipated.

3. A fair deal

Since 2009, the BBC has implemented pay settlements that are less than inflation and in 2013 working within our financial constraints, we structured the pay deal to ensure that the lower paid benefited with an increase close to CPI whilst limiting the pay increase to 1% for higher paid employees: for staff, other than senior managers, we implemented an £800 flat rate increase, with a minimum increase of 1%.

In 2012, the BBC reviewed the use of Personal Service Companies as a means of engaging presenters and contributors and this year we agreed a new test with HMRC to determine tax status for all our on-air talent who work in news and television. As a result, as contracts are due for renewal, we have applied the test and those news and television presenters who are deemed employees have transferred to employment status with PAYE deducted at source with more expected to follow in 2014. Details of the new employment test can be found at: bbc.co.uk/partnersandsuppliers/freelancers/onairtalent.html

We have also reformed our severance policies and practices, introducing a cap on contractual redundancy pay, reducing notice periods of Executive Directors, ceasing the practice of payment in lieu of notice in addition to severance and introducing a new and robust governance and approvals process.

4. Our people

The 'Respect at Work' report, published on 3 May 2013, recommended 24 actions to build a more supportive culture at the BBC. We have made progress in delivering these including: launching a bullying and harassment confidential help line; reforming our bullying and harassment policy and process for hearing complaints; and implementing new training on managing bullying and harassment, and we continue to review and make further improvements.

We have published details of the number and outcome of bullying and harassment cases within our Equality report and you can download this information at: bbc.co.uk/diversity/strategy/equalityreport2013/

Over the last 12 months, headcount has increased from 16,534 to 16,672 largely due to additional staffing required to deliver key programmes and events such as the Commonwealth Games and our coverage of the Scottish referendum. We have also provided re-investment funding from our DQF savings to Future Media to recruit staff with the skills we need to deliver the BBC's strategic priorities; development of iPlayer and delivery of more personalisation online.

Table 1: Total average public service broadcasting headcount (equivalent full time)

	Total
Year end 2005/6	18,860
Year end 2006/7	17,914
Year end 2007/8	17,677
Year end 2008/9	17,078
Year end 2009/10	17,238
Year end 2010/11	17,242
Year end 2011/12	16,858
Year end 2012/13	16,534
Year end 2013/14	16,672

Table 2: UK PSB staff by nation (equivalent full time) %

	31 Mar 2014	31 Mar 2013	31 Mar 2012	31 Mar 2011
England (excl. London)	33	32	33	25
London	47	48	48	55
Scotland	8	7	7	8
Wales	8	8	8	8
Northern Ireland	4	4	4	4

Table 3: Senior manager headcount by salary band

BAND	2013/14	2012/13
Under £70,000	10	21
£70,000-£99,999	161	171
£100,000-£129,999	93	111
£130,000-£159,999	73	67
£160,000-£189,999	34	31
£190,000-£219,999	17	22
£220,000-£249,999	9	5
£250,000-£279,999	1	3
£280,000-£309,999	2	3
£310,000-£339,999	2	2
£340,000-£369,999	0	0
£370,000-£399,999	1	1
Total*	403	437

* Total excludes Executive Board members.

Our workforce

Approximately 80% of our people work in roles directly related to our content**. They work in the following areas:

32% in Journalism

Within Journalism the three most common roles are broadcast journalist, senior broadcast journalist and broadcast assistant. These roles write and produce a wide variety of material in text, audio and video format. They produce radio/television/online bulletins and content.

27% in Content making

This involves areas such as editorial production, technical production and commissioning. The most common roles are Producer, technical operator, assistant producer and researcher. These roles work on new programme ideas and the editorial and technical production of television and radio programmes and online content.

11% in Technology

This includes areas such as systems and operations, strategy & delivery, research and development and user experience and design. The most common roles are engineers, broadcast engineers (who provide the support for the technology used in producing and broadcasting our output) and software engineers (who produce web tools for use by editorial staff to power products such as iPlayer).

10% in Content management

This includes areas such as production management, information management, staff and production scheduling and programme scheduling. The most common Content management roles are production coordinator, media manager and production manager (who help realise editorial plans within operational and financial constraints by managing a production from the green light through to delivery).

The other 20% fulfil a range of functions including corporate governance and essential support to content making areas such as communications, marketing & audiences, and legal, rights & business affairs. This group also includes assistants and roles such as safety advisers who work directly with content makers to help make our programmes. In 2014, we will complete an efficiency review which will provide the opportunity to examine all of our support functions and ensure they provide value for money.

**Information as at October 2013.

David Beckham alongside Sir David Jason and Nicholas Lyndhurst in a special edition of *Only Fools and Horses* for Sport Relief



Severance pay

In 2013, the BBC implemented reforms to contractual severance terms, improved the governance of severance decisions and committed to publishing the number and levels of severance payments made in the financial year. In 2013/14, there has been a significant reduction in the number and cost of severance payments and since September 2013 there have been no severance payments over £150,000 and no payments in lieu of notice made in addition to severance. Dame Fiona Reynolds (Senior Independent Director) undertook a full review of severance payments made in 2013/14 and the full report of that review can be downloaded from: bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/bbc_review_severance_payments_2013_14.html

Severance payments 2012/13 and 2013/14 (all staff, including senior managers*)

Payment band	1 Apr 13-31 Aug 13		1 Sep 13-31 Mar 14		Total 2013/14		Total 2012/13	
	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes
Under £10,000	66	11	51	6	117	17	304	48
£10,000-£49,999	2,482	83	2,901	103	5,383	186	12,863	443
£50,000-£74,999	1,871	30	2,289	38	4,160	68	8,453	137
£75,000-£99,999	3,048	36	3,004	35	6,052	71	7,821	91
£100,000-£150,000	2,937	25	4,191	34	7,128	59	5,932	51
Over £150,000	2,762	12**	–	–	2,762	12	4,825	23
Total	13,166	197	12,436	216	25,602	413	40,198	793

Payments in lieu of notice 2012/13 and 2013/14 (all staff, including senior managers*)

Payment band	1 Apr 13-31 Aug 13		1 Sep 13-31 Mar 14		Total 2013/14		Total 2012/13	
	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes
Under £5,000	18	6	2	1	20	7	30	11
£5,000-£9,999	37	5	10	1	47	6	114	15
£10,000-£19,999	39	3	12	1	51	4	66	5
£20,000-£29,999	–	–	–	–	–	–	75	3
£30,000-£49,999	–	–	–	–	–	–	122	3
Over £50,000	–	–	–	–	–	–	533	3
Total	94	14	24	3	118	17	940	40

Severance payments 2012/13 and 2013/14 (senior management staff*)

Payment band	1 Apr 13-31 Aug 13		1 Sep 13-31 Mar 14		Total 2013/14		Total 2012/13	
	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes	Spend £000	Volumes
Under £10,000	–	–	–	–	–	–	–	–
£10,000-£49,999	40	1	40	1	80	2	–	–
£50,000-£74,999	–	–	–	–	–	–	63	1
£75,000-£99,999	176	2	189	2	365	4	176	2
£100,000-£150,000	130	1	954	7	1,084	8	920	7
Over £150,000	2,088	8	–	–	2,088	8	3,904	18
Total	2,434	12	1,183	10	3,617	22	5,063	28

* Excluding on-air talent.

**The 12 payments over £150,000 were cases which were in the pipeline before the new system came into effect, and were all made to individuals who left the BBC before 1 September 2013.

Talent

	2013/14		2012/13		Variance £000s
	Spend £000s	Volumes	Spend £000s	Volumes	
Under £50k	93,202	45,154	97,350	47,020	(4,148)
£50k-£100k	44,398	662	43,177	645	1,221
£100k-£150k	14,578	123	15,202	126	(624)
£150k-£250k	15,503	83	15,966	83	(463)
£250k-£500k	8,237	25	9,366	27	(1,129)
£500k-£750k	6,598		5,076		1,522
£750k-£1m	787	14*	1,568	14*	(781)
£1m-£5m	4,215		5,633		(1,418)
Organisations**	6,716	2,229	6,980	2,019	(264)
Total	194,234	48,290	200,318	49,934	(6,084)

* 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.

** Organisations are a group of individuals contracted as one – for example an external orchestra – so it is not possible to list numbers of individuals against this spend.

In its dealings with talent the BBC strives to be the place where the best artists want to work to deliver great programmes. Our continuing challenge is to appropriately reward the talent 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. In 2008, the BBC made a commitment to reduce the amount we spend on top talent, and to keep the overall amount spent on talent flat, for the five years to 2013.

Over the period we have delivered spend against this commitment with top talent (those earning over £100,000) reduced from £71million in 2008/09 to £49million and over and above the original commitment we have also reduced the overall spend on talent from £229million to £194million. We continue to review our approach to talent to take account of changes in the market, and the BBC's strategic priorities.

Going forward, the BBC is committed to maintaining its efforts to invest in, nurture and develop new talent, and to keep total talent spend proportionate to content spend. The BBC will keep total talent spend to no more than 16% of overall internal spend on content. In 2013/14, the amount spent on talent represents 14.6% of the internal spend on content.

We will continue to publish the amount spent on talent in the fee bandings, in order to maintain our commitment to transparency.

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 creative and innovative programming and technology.

This year, corporate activity has included using the data from last year's research and analysis work to implement targeted interventions where they can have the most impact. We have used data to improve divisional understanding of diversity trends and have implemented recommendations from last year's Disabled Staff Engagement Project, including launching the 'Elev8' mentoring scheme for disabled staff. Building on that success we have now developed a similar scheme for Black and Minority Ethnic (BME) staff called 'Rise', which launched in June 2014.

In 2013, we developed a new disability website which provides information and advice for disabled staff and their managers and introduced a system to ensure that all new and existing IT is assessed for accessibility. Additionally, we have continued to build equality and diversity considerations into all our major contract procurement processes.

Last year we reported that increasing staff understanding of diversity would be a priority in 2013. Face to face training for line managers on supporting disabled staff is now being rolled out and 'Unconscious bias' training is being delivered to BBC leadership teams prior to wider rollout. We also reported on our intention to increase female representation in our output. Television has committed to increasing the proportion of women on panel shows and in English Regions a programme of activity to help identify and develop talented female on-air presenters is well underway.

Radio 1 Academy in Derry~Londonderry





Filming BBC Two's *Turks and Caicos*



BBC School Report students in the BBC News studio

At divisional level, two major successes have been the expansion of Radio 1 and iXtra's 'Take it On' scheme with its innovative approach to attracting diverse applicants via new models of recruitment and BBC North's 'Salford Ambassador's Creative Hub' project which aims to increase social mobility and reach under-served audiences by bringing editorial staff together with socially diverse young people and communities. News is taking the lead in actively creating movement across teams to provide development opportunities for staff and at the same time allow new and diverse staff to gain experience in various roles. TV continues to work in partnership with the 'Mama Youth Project' and in early 2014 we announced apprenticeships opportunities in partnership with the Stephen Lawrence Trust.

We monitor the profile of our workforce to help ensure we look and sound like our UK audiences and this year we have begun to monitor the diversity of freelancers. Workforce targets for BME and disabled staff (and women in future media and technology) help to focus our efforts on groups that are under represented compared to the wider UK population. The table below shows progress against targets agreed in January 2013.

Diversity: percentage of total staff

Employee group	Mar 2014	Mar 2013
BME – all staff	12.6%	12.4%
BME – senior managers	6.8%	6.6%
BME – wider leadership*	8.7%	8.7%
Disabled – all staff	3.8%	3.7%
Disabled – senior managers	2.6%	3.2%
Disabled – wider leadership*	3.1%	3.1%
Women – all staff	48.6%	48.6%
Women – senior managers	37.2%	37.4%
Women – wider leadership*	40.9%	41.4%

*Wider leadership includes grades 10, 11 and senior managers.

Priority areas for 2014 are: targeted leadership development for BME, disabled and female staff; further activity to increase access to the BBC for those from socially and ethnically diverse backgrounds; and measures to increase the retention and development of disabled and BME staff. In addition, we will continue to find creative and practical ways to increase diverse portrayal on-air/ screen and will enhance processes to monitor diverse portrayal in order to help inform editorial decision making.

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

Training and apprenticeships

2013/14 has seen 98% of BBC staff receive a total of 46,000 days of face to face training and a broad range of online learning, with 98% of line managers reporting that teams are more effective as a result.

- from supporting iPlayer 'in the Cloud' to developing new skills in data journalism, training has helped transform the BBC from an analogue broadcaster into a cutting-edge digital innovator. The BBC Academy's 'Fusion programme' aims to break down the boundaries between technical and creative skills, this year reaching 4,400 delegates with 50+ events across the UK.
- a strong focus on creativity saw our 'Creative Leadership Programme' reach over 1,000 delegates. Key highlights included supporting the launch of the creative vision for BBC Four and working with BBC Drama and Worldwide on a creative strategy to expand *Doctor Who* into new markets.
- the introduction of a single BBC Academy web presence has led to an extraordinary increase in our reach online. The number of people accessing our online learning (inside and outside the BBC) has risen to over 1.54 million. This represents a 100% rise on last year's figure and reflects the huge scale and quality of the industry best practice that we now curate and share across the wider industry.

- in October 2013, the Director-General pledged that 1% of the BBC's workforce would be made up of apprentices by the end of the current Charter period. From a base of just 37 this time last year, we are on target to reach our goal of 170 apprentices during 2014/15 – two years ahead of schedule.
- boosting the number of women on air has seen the BBC Academy deliver a series of 'Expert Women' training events focused on areas where women tend to be under-represented. Of the 168 graduates of the 'Expert Women's Day' programme, over 70 have, so far, made more than 250 appearances on TV and Radio. This conversion rate of 42% significantly exceeds our initial target of 20%. 'Women In Radio' also saw the BBC Academy join forces with BBC English Regions to deliver training events for 90 female would-be presenters, selected from more than 1,000 applicants.
- sound quality across television and radio is a matter of passionate debate and, this year, the BBC Academy's 'Sound Matters' programme has supported the industry to set common standards. As well as hosting engineering events with the International Association of Broadcast Manufacturers (IABM), we've also toured the UK with events in London, Bristol, Cardiff, Salford, Glasgow and Belfast, reaching 600+ delegates.

Partnerships

The last 12 months has seen a big rise in the number and complexity of partnerships across the BBC both in terms of a maturing of established partnerships and the creation of highly innovative new initiatives. The BBC's Television, Radio, Strategy & Digital, Technology and Research & Development divisions all create and support a wide range of partnerships, a few of which are highlighted here.

We have been proud to see 'The Space', our joint venture with Arts Council England move from pilot phase to a three-year digital project due to relaunch in the summer of 2014. In 2013, 'The Space' yet again provided groundbreaking digital content with a ten hour live stream of the Globe's *Henry VI* from Monken Hadley Common in Barnet and the world premiere of Stockhausen's *Helicopter Quartet*, performed in four helicopters over the West Midlands.

In Television, a new partnership with the National Maritime Museum in late 2013 led to a number of rare exhibits being filmed for the David Dimbleby series *Britain and the Sea*, with the museum also creating a free audio guide to paintings and objects linked to the series, as well as hosting special events at the museum. Our partnership with RIBA enabled users to vote on their own favourite building and led to a partnership around *The Brits Who Built the Modern World*. The BBC Four series was broadcast in February 2014 and RIBA staged a complementary exhibition telling the story of British architecture, including a panel discussion with all the architects featured in the series. Similarly, the collaboration with the National Theatre marking their 50th Anniversary in November led to a two-part *Arena* documentary on BBC Four and on BBC Two accompanied by a once in a lifetime live performance of extracts from some of the National Theatre's greatest productions. The centenary of the First World War has also led to a multi-faceted partnership with the Imperial War Museums which covers a number of enterprises during the life of the anniversary. The projects that are under way so far are: *World War One at Home*, led by the BBC's English Regions and involving all the Nations; *Voices of the First World War*, a radio archive collaboration; and *The Great War*, an archive preservation project to complement the documentaries being made. We have also entered into our first educational MOOC (Massive Open Online Course) around WWI with Futurelearn, a subsidiary of the Open University.

Production crew and cast filming BBC WWI drama *The Crimson Field*



Lyse Doucet presenting *World Have Your Say* from the 100 Women conference





Crowds watching the main stage at Radio 1's Big Weekend in Derry~Londonderry

As digital technology evolves we are increasingly finding new ways to deliver content to our audiences. This year this has included new forms of interactive entertainment such as eBooks and interactive video. As part of the BBC's Music strategy we have partnered with Spotify, YouTube and Deezer to create BBC Playlister enabling our audiences to discover new music and have also worked with Everything Everywhere to help audiences navigate Glastonbury live and on-demand content.

We continue to demonstrate our commitment to the open internet and open data, signing memorandum of understanding with leaders in the sector including the Open Data Institute, European and Mozilla. In collaboration with Jisc, we continue to develop the 'Research & Education Space' project, building upon the power of rich linked open data in order to make large quantities of media and archive metadata accessible to learners and teachers across the UK. The BBC, British Library and British Film Institute continue to work closely together to archive Britain's audio-visual heritage, seeking to broaden access to radio and television history for scholars, researchers and students.

Our commitment to extend our reach across digital platforms has led to syndication of our products to media and technology companies, such as our partnership with Freesat, which makes a bundle of BBC apps (iPlayer, News and Sport) available to audiences. Following the successful launch of Connected Red Button (CRB) on Virgin TiVo, we have been working alongside TV and set-top box manufacturers of all sizes to enable CRB on a wide range of devices in 2014.

The BBC's R&D division is a strategic partner in the Connected Digital Economy Catapult (CDEC), part of the UK Government's initiative run by the Technology Strategy Board to establish a network of seven 'Catapults' to support innovation by UK business. In a similar vein, R&D has held a place on the Steering Board of the Networked Electronic Media initiative since 2004, which seeks to guide the development of electronic media

for the benefit of European citizens and links the BBC with representative partners from across the entire European creative industries sector. The BBC is also a leading and proactive member of the European Broadcasting Union, the EBU.

In the past year, we have again committed to two pan-industry partnerships – the Digital Production Partnership which has successfully promoted and underpinned a digital change initiative bringing common file-sharing to the wider production community, and 'Project Albert', the sustainable production consortium led by BAFTA which supports low carbon content creation.

We also have a number of vibrant city partnerships such as those with Birmingham and Bristol which cement our local relationship through creative, cultural, business and educational initiatives.

Outreach and corporate responsibility

A responsible BBC

We aim to be an industry leader in responsible business management.

Corporate responsibility

We run our business in a responsible manner, as expected by the licence fee payer – that means the way we treat our audiences, our staff and everyone else. We demonstrate this in a number of ways, including by sharing our skills and experience to benefit the wider industry and by acting in a fair and transparent way. The BBC Corporate Responsibility Performance Review 2014, published alongside this document and produced by BBC Outreach & Corporate Responsibility can be found at: bbc.co.uk/outreach/reports

Outreach

Outreach at the BBC means reaching out to engage new or harder to reach audiences using face-to-face activities. Last summer, young people from Derry~Londonderry filled over 5,000 places on showcases, practical workshops, Q&A sessions and masterclasses as part of the BBC Learning Radio 1 Academy in the run-up to the Big Weekend. BBC News *School Report* is one of the projects which helps us reach a younger audience by engaging 11-16 year olds in news reporting, and the BBC Performing Groups, along with the 'Proms Plus' programme, helps us engage new audiences with classical music.






BBC Outreach & Corporate Responsibility reaches out to audiences living in the communities where we have large numbers of staff, using volunteering and face-to-face activities. A highlight from this year is the 'Talent Ticket' project, a unique partnership between BBC Outreach Bristol, the University of the West of England (UWE) and 12 of Bristol's lowest attaining schools. 1,500 Year 9 pupils in ten Bristol schools took part in a number of workshops designed to engage them in creative media skills and learn more about BBC careers in March 2014.

Human rights

The BBC takes human rights seriously, at home in the UK and across the globe. Every member of staff has the right to return home in the same state of health in which they left for work, and to form and join trade unions. Some staff are required to work in high-risk environments, such as those in hostile surroundings, covert filming or covering events such as terrorist incidents. Our High Risk Team advises and oversees training and provision of equipment for staff to ensure they are appropriately prepared to undertake their role. Our Terms of Trade requires any suppliers we work with, and any sub-contractors they use, to adhere to the codes of practice published by the Equality and Human Rights Commission and the Equality Commission Northern Ireland.

Environmental sustainability

Our sustainability strategy, The Difference, focuses on targets aimed at reducing the environmental impacts of our operations, on embedding sustainable practices in our core business of making programmes – 'sustainable production' – and inspiring BBC staff to take action in the workplace. This year we have achieved strong reductions as expected in energy consumption, reducing CO₂ emission by over 20,000 tonnes as we exit older properties such as Television Centre and Bush House and occupy modern environmentally-rated buildings such as MediaCityUK in Salford and New Broadcasting House in London, and we expect this trend to continue. Emissions from travel have increased however, as we travel more both internationally and between our UK locations. Building on the success of albert, the carbon calculator, we have launched albert+, a new certification scheme for sustainable production which helps production teams work in more sustainable ways and acknowledges their achievements. So far, five BBC productions, including one made for us by an independent production company, have achieved the certificate and we will be extending this initiative over the coming year. You can read more about this area of our work in the BBC Corporate Responsibility Performance Review, and other sustainability publications at: bbc.co.uk/sustainability

BBC environment targets		Target 2015/16	Year 6: 2013/14 Performance against baseline
	Absolute reduction in energy consumption	-20%	-20%
	Absolute reduction in CO ₂ emissions from buildings	-20%	-19%
	Reduction in water use (per person)	-25%	-21%
	Reduction in waste (tonnes) to landfill (per person) % of waste recycled	-25% 70%	-85% 64%
	Reduction in transport CO ₂ emissions (per BBC user)	-20%	+11%
Greenhouse Gas emissions			
Greenhouse Gas emissions (tonnes CO ₂ emissions, scopes 1 & 2):			119,517
Carbon intensity (tonnes CO ₂ emissions/Total Group Income £m):			23.6

Notes on table

Greenhouse Gas data is for UK-based operations; detailed information and explanatory notes can be found in the BBC Annual Corporate Responsibility Performance report 2014.

Charity appeals

The BBC has broadcast appeals for individual charities since 1923. These appeals form an important part of our remit as a public service broadcaster forming part of our broader involvement in social action broadcasting and highlighting the work of the UK's voluntary sector.

We help a broad range of charities to raise funds and awareness and our audiences are incredibly supportive of these causes. On appeal nights, BBC Children in Need 2013 had an 'on the night' total of £31.1million, which has now risen to nearly £47million and Sport Relief 2014 raised £51.2million with donations still coming in. BBC audiences helped raise more than £84.5million during the 2013/14 financial year.

In addition, BBC Media Action – the BBC's international development charity – continues to use media to transform lives around the world, whilst the BBC Performing Arts Fund continues to award grants to performers and arts organisations across the UK to help them realise their creative potential and reach new audiences.

Broadcast appeals

We broadcast a Disaster Emergency Committee appeal for the Philippines, helping to raise £90million for those affected by the typhoon. We also broadcast 49 Radio 4 appeals and a Christmas appeal for St Martin-in-the-Fields that raised £1.9million.

There were 11 BBC One Lifeline appeals, 12 Northern Ireland appeals, as well as charity partnerships on Radio Devon, Radio Manchester, Radio Suffolk, Radio York, Radio Cumbria and Radio Cambridgeshire.

For more information about BBC charity appeals and how to apply visit the BBC charity appeals website: bbc.co.uk/charityappeals

BBC Corporate charities

Alongside these broadcast appeals, support for our three corporate charities – BBC Children in Need, BBC Media Action and the BBC Performing Arts Fund – and our partnership with Comic Relief also helps us deliver fundraising activities that benefit individuals, communities and organisations across the UK and around the world.

BBC Children in Need

BBC Children in Need 2013 raised the highest total since the telethon began in 1980.

People from across the UK came together once again raising an amazing £31,124,896 on the night – an increase of £4.37million on the 2012 appeal. Every penny goes towards projects helping disadvantaged children and young people across the UK.

Throughout the Appeal Night on BBC One on November 15 – and as part of hundreds of hours of associated programming across BBC services – we provided BBC Children in Need with a platform to both fundraise and to showcase the enormous difference its work makes to individuals, communities and organisations all over the country.

BBC Children in Need currently supports more than 2,600 projects that help children facing a range of disadvantages such as poverty and deprivation as well as those who have been the victims of abuse or neglect and disabled young people.

Fundraising for BBC Children in Need is a year-round activity with the centrepiece being the star-studded annual telethon each November – now an important occasion in the UK calendar and one that brings together the UK's communities, regions and nations.

For more information about BBC Children in Need, please visit: bbc.co.uk/Pudsey

BBC Media Action

BBC Media Action is the BBC's international development charity. It uses media to transform lives around the world and works closely with governments, non-governmental organisations and broadcasters to ensure efforts are co-ordinated to bring lasting change in developing countries.

It operates through 17 country offices in Africa, Asia, the Middle East and Eastern Europe working in partnership and delivering programmes through radio, TV, social media, mobile phones and face-to-face dialogue. The work takes the form of debate shows, dramas, radio and TV magazine programmes, public service announcements, village level or national mobile phone initiatives and street theatre.

It is supported by a range of funders, including the UK's Department for International Development, the Foreign and Commonwealth Office and the Bill and Melinda Gates Foundation. It also receives investment from companies through its Corporate Leaders Group programme, support from individuals through payroll giving, major gifts and community fundraising activities. Its total income for 2013/14: £40million.

During this reporting period, the charity delivered 52 projects on multiple platforms in partnership with local broadcasters and BBC channels and language services. They include:

- 'Connections', using video at registration centres to help Syrian refugees in Lebanon and Jordan cope and access services.
- presidential debates in Afghanistan featured all 11 candidates and the election-focused series helped marginalised groups air their concerns on issues from security to the right of women to vote.
- an online drama series supported by the charity in the Western Balkans, *SamoKazem* ('Just Saying'), is produced by, for and about young people in Bosnia, Serbia, Kosovo, Macedonia and Montenegro.

For more information about BBC Media Action please visit: bbc.co.uk/mediaaction/

BBC Performing Arts Fund

Set up in 2003 following the success of the BBC One series *Fame Academy*, the BBC Performing Arts Fund (PAF) has so far awarded £4.5million of grants to more than 1,400 people and organisations.

It successfully delivers on our Public Purposes to stimulate creativity, promote education and learning, and to cater for diverse, UK-wide audiences.

The BBC Performing Arts Fund is not licence fee-funded. Instead it receives income from the voting lines used in BBC One entertainment programmes. In 2012, the Fund became the official charity for the BBC One's *The Voice* with downloads from the show raising money for the charity.

Over the past three years the Fund has had a rotating grants portfolio and each year a different art form as the focus for funding. In 2013 it was theatre, with funding offered to individuals, community theatre groups and projects, and theatrical organisations and companies.

In December 2013, the BBC Performing Arts Fund announced 19 winners of its Theatre Fellowship scheme as well as confirming 58 community theatre projects across the UK that would benefit from funding.

Previous recipients have gone on to produce a Mercury Prize winning album, perform at the Glastonbury Festival, appear on *Later with Jools Holland*, compose for the BBC Proms and land starring roles in both the West End and in Hollywood films.

Comic Relief and Sport Relief 2014

The BBC has held a partnership with Comic Relief since its creation in 1985. Each year we broadcast one of its two alternating appeals, Red Nose Day and Sport Relief.

Sport Relief 2014 produced the highest ever pre-news ratings – averaging 8 million and peaking at over 11 million during an *Only Fools and Horses* special featuring David Beckham.

It also raised more money on the night and across the weekend than any previous Sport Relief. The evening ended with a record breaking £51.2million and by the end of the weekend that had risen to £53.3million.

The show was reinvented and given a new scale and excitement by coming live from iconic venues at the Queen Elizabeth Olympic Park. Approximately 140,000 people took part in the Sport Relief Games across the country and around 50,000 were at Queen Elizabeth Olympic Park on the Sunday.

Since the last Sport Relief in 2012, projects have been funded across the whole of the UK that will help an estimated 2.5 million people.

- in the UK, over 17,000 projects in the UK have received money from Sport Relief so far, with over 2,000 projects currently in funding.
- internationally, over 2,000 projects have been funded to date, with over 300 currently in funding across 40 countries around the world.



Governance

Governance is the way we guarantee independence, deliver our mission and account for our actions

Executive Board

The Executive Board, chaired by the Director-General, and consisting of executive and non-executive directors, is responsible for the delivery of BBC services and day-to-day operations across the organisation.

Executive directors at April 2014



Tony Hall, Lord Hall of Birkenhead, CBE
Director-General since April 2013.



Helen Boaden
Director of Radio since April 2013.



Anne Bulford OBE
Managing Director, Finance and Operations since June 2013.



Danny Cohen
Director of Television since May 2013.



Tim Davie
CEO, BBC Worldwide and Director, Global since April 2013. Appointed to Executive Board 1 April 2014.



James Harding
Director of News and Current Affairs since August 2013.



James Purnell
Director, Strategy and Digital since March 2013.

Non-executive directors



Dame Fiona Reynolds DBE

Senior Independent Director. Appointed January 2012. Chairman of the Remuneration Committee, Fair Trading Committee, and Nominations Committee for non-executive appointments. Master of Emmanuel College, Cambridge.



Simon Burke

Appointed January 2011. Chairman of the Audit Committee. Chairman of Bathstore.com



Sir Nicholas Hytner

Appointed April 2014. Director of the National Theatre and Trustee of the Royal Opera House.



Alice Perkins CB

Appointed April 2014. Chairman of Post Office Ltd and Coaching Partner at JCA Group.



Sir Howard Stringer

Appointed January 2014. Non-executive director of Talk Talk Group.

This is the membership of the Executive Board as at April 2014. Throughout the reporting year membership has changed. Please refer to p102 for further details.

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, Managing Director, Finance & Operations, Director of Risk and 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, one of whom is nominated as chairperson. Other individuals may be invited to attend all or part of any meeting as and when appropriate. This may include (but not be limited to) the Managing Director, Finance & Operations, BBC Group General Counsel, Head of Fair Trading & Competition Law, external advisers and other relevant BBC members of staff.

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-General, Managing Director, Finance & Operations, Director of HR and Director of Employment may also attend.

Risks and opportunities

Risks and opportunities affect the ability of the BBC to fulfil its Charter obligations and public purposes. The Executive Board prioritises the BBC's risks and monitors whether we are taking too much or too little risk.

As we approach the start of negotiations on licence fee funding and Charter review, the BBC must put forward a compelling vision for the Corporation for the next ten years. At the heart of this vision will be our audiences and we will rest our case on the quality of our programmes and the excellence of the service we provide. If we fail to make a compelling case we run the risk

of not serving our audiences by bringing the best programmes and services to everyone.

The main risks to properly serving our audiences are set out in three categories below, but it is clear that they are all interdependent.

Audiences

Failure to continue to improve the quality, distinctiveness and innovation of our output in all genres whilst delivering a streamlined BBC could limit our ability to meet audience needs and expectations in an ever more competitive marketplace.

- detailed monitoring of audience performance and reaction
- strategy review focusing on creative ambition and with targeted reinvestment in key genres
- development of new online products responding to creative and audience opportunities
- responding to audience demand for more live and interactive experiences
- strategies to build long-term value with under-served audiences
- to work with a broader range of media and cultural partners

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.

- effective editorial compliance processes, further strengthened following publication of reviews
- wide-reaching training
- serious consideration of complaints and their implications

Inability to build an ever more creative, dynamic and cohesive organisation could limit our ability to attract, develop and retain the best creative talent and our contribution to creative and digital economies.

- proactive articulation of what we offer as an employer to the widest population and most diverse talent in the marketplace
- developing our leadership population to continue building a creative, innovative and collaborative environment
- enable managers to recognise and reward significant additional contribution, growth in skill, capability and experience throughout the year
- actively review and monitor strategies to attract, develop and retain on-air talent, reflecting the different market conditions within each genre and service area

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.

- regular evaluation of our product portfolio to ensure it best reflects audience demand
- immersive experience across devices, tailored to different audience needs
- anticipating long-term trends in audience preferences and industry developments
- renewed engagement with key industry partners

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.

- response to major incidents under continual review to ensure alignment with best practice
- regular rehearsals of response procedures
- ability to get immediate advice to the Director-General to ensure effectiveness, speed and proportionality of response

Delivery

Failure to deliver a flexible, agile and strong governance structure with clear accountability will hinder us in making the organisation simpler, more creative and better able to take focused, value for money decisions.	<ul style="list-style-type: none"> ■ pan-BBC review of management structures completed, focusing on single points of accountability and clear decision-making routes ■ greater clarity on relationship between Executive Board and BBC Trust following the completion of governance review ■ strengthened Executive secretariat function following appointment of Company Secretary
Delayed and ineffective implementation of major projects could compromise the delivery of the BBC's overall ambitions.	<ul style="list-style-type: none"> ■ Corporate Project Management Office overseeing delivery of major projects ■ independent assurance over portfolio of projects ■ act on lessons learnt from previous projects
Technical failure, infrastructure interdependencies, industrial action or the actions of third parties, including suppliers, could lead to interruption of broadcast services.	<ul style="list-style-type: none"> ■ strong business continuity policies and practices, regularly assessed and rehearsed ■ good union relationships with regular dialogue ■ focus on resilience in key procurements and major projects ■ exit plans and contingency plans for key suppliers
Failure to keep pace with changes to the information security threat could increase our exposure to vulnerabilities, especially in light of advances in technology and content delivery.	<ul style="list-style-type: none"> ■ continuous security improvement programmes established both in-house and in third-party IT support company ■ global staff awareness and education campaigns carrying key security messages ■ development of effective monitoring and forensic capabilities
Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation.	<ul style="list-style-type: none"> ■ well developed safety procedures with comprehensive written guidance, supported by expert advisers ■ robust health and safety training in the UK and overseas, including for staff operating in inhospitable locations ■ with other broadcasters, working to inform the consultation on key proposed safety legislation changes affecting production and to clarify the impact on the media industry ■ implementing environmental sustainability strategy to reduce impacts from BBC operations ■ working with other broadcasters to raise standards in the industry as a whole
Failure to comply with the broad range of legal and other regulatory requirements, or to keep pace with changes, may result in penalties.	<ul style="list-style-type: none"> ■ training plans regularly refreshed to ensure compliance with newly introduced legislation ■ continuing to study and plan for impacts of new legislation, including working with the industry to monitor and develop best practice solutions for achieving effective compliance

Financial

Developments in the UK and global economic situation impact 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.	<ul style="list-style-type: none"> ■ contingency planning and business modelling, incorporating potential variations in funding and inflation ■ tight management of the implementation of phased savings targets, to enable delivery of strategic vision within available funding ■ planning for new funding responsibilities (e.g. World Service)
As competitors achieve scale and consolidate, there is risk of revenue falling and existing businesses being disrupted, routes to market being diminished and access to potential partners being reduced.	<ul style="list-style-type: none"> ■ mature commercial subsidiary with significant global experience and a regionally focused structure to drive strong, sustainable financial returns, support the BBC and promote UK creativity and innovation ■ new global brands and globally branded channels strategy implemented with key partners to showcase BBC production and commissions ■ develop services to enhance content availability to UK audiences
Inability or failure to adequately plan for the range of potential changes to our funding model could limit our capability to deliver distinctive content to future audiences.	<ul style="list-style-type: none"> ■ engagement with the Government's Charter and licence fee review process ■ participation in the Government review of options regarding licence fee enforcement

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 2014 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 88-90. These include consideration of a wide range of risks including editorial, operational and financial risks.

Strategy and financial reporting: The Executive Board approve a business plan that aims to deliver the Trust-approved BBC strategy. Comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Executive Board, include financial monitoring against plan, regular 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 lifecycle, 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.

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 Executive Audit Committee (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 EAC.

Whistle-blowing arrangements

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

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

Governance report

Good governance is about leadership, accountability and openness

BBC Governance review

A major change this year has been the implementation of the review of BBC Governance, making clearer the respective roles of the Trust and the Executive. We are also working to make the operations of the BBC simpler, with proper individual accountability for decisions and the scrapping of some 60 BBC boards.

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. And whilst the BBC is not a listed company, it has nonetheless

opted to adopt best practice and follow the provisions of the Financial Conduct Authority's Listing Rules (in accordance with the 2010 Corporate Governance Code) and the Financial Reporting Council's 2012 UK Corporate Governance Code in order to be consistent with companies quoted on an EU regulated market.

The Executive Board has complied with the requirements of the Charter which has also secured substantial compliance with the UK Corporate Governance Code. The last external evaluation of the Board was completed in 2009; therefore, provision B.6.2 of the UK Corporate Governance Code has not been complied with. The BBC, jointly with the BBC Trust, did conduct an internal review of governance during the year. The Executive Board believes that this does not compromise the quality of the governance arrangements in place during 2013/14 or the execution of the Executive Board's responsibilities.

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

Make up of remuneration (UK Corporate Governance Code principle D.1.1): 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, with the exception of Tim Davie (appointed on 1 April 2014) in his capacity as the Chief Executive Officer of BBC Worldwide.

Interaction with shareholders (UK Corporate Governance Code principles B.7.1, B.7.2, D.2.4 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.2.1 and A.3.1): 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. 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.1.2): At 31 March 2014 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 B6.3): The Director-General of the BBC, being the Chairman of the Board, has his performance evaluated by the Trust. This is performed by the Chairman of the Trust as opposed to the Senior Independent Director, as stated in the UK Corporate Governance Code.

Nominations Committee

For the final quarter of the year the Remuneration Committee only comprised of two members which, despite being a quorate, is non-compliant with principle D.2.1 of the UK Corporate Governance Code. Two new non-executive directors were appointed as members of the Remuneration Committee in early 2014/15, therefore the BBC are now compliant with this principle.

There are also 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.

Cost of compliance

In 2013/14, the BBC incurred compliance costs estimated at £16.2million (2013: £14.9million) to ensure that we complied with all relevant legislation. This includes the BBC's annual £2.9million subscription to Ofcom. During the year a number of enquiries continued, the costs incurred to 31 March 2014 on these enquiries was £2.0million (2013: £4.9million).

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.html

The Executive Board, its sub-committees and other boards to which it delegates responsibility 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.

The BBC Trust assesses the performance of the BBC's management and its services including an ongoing review of progress and an annual performance day. The BBC Trust's review and assessment for 2013/14 can be found in Part One.

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

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. Two executive appointments were made: Danny Cohen, Director, Television (effective 7 May 2013) and James Harding, Director of News and Current Affairs (effective 12 August 2013). Helen Boaden, Director, Radio (effective 15 April 2013) and Anne Bulford, Managing Director, BBC Finance and Operations (effective 21 June 2013) were appointed during 2012/13.

Following approval from the BBC Trust, the Board appointed three new non-executive directors during the year: Sir Howard Stringer from 1 January 2014, and Nicholas Hytner and Alice Perkins from 1 April 2014. The term of office for non-executive directors Sally Davis and Brian McBride were concluded during the year (as planned).

Report of the Senior Independent Director



“We are filled with a renewed sense of determination and optimism.”

Dame Fiona Reynolds

2013 was a year of looking forward and looking back. The BBC Trust appointed Tony Hall as the 16th Director-General of the BBC and Chairman of the BBC's Executive Board. Arriving back at the Corporation on 2 April 2013, Tony brought with him a surge of optimism. He took over from Tim Davie, who had achieved much in a five-month stint as Acting Director-General. The Board set about moving forward under Tony's leadership and initiated a new strategy with a clear and unifying vision for the BBC, focused on making us accessible, inspiring and invaluable for all our audiences.

The early months of this year, however, were marked by a focus on the past. Investigations into past decisions on severance payments to departing staff and the failed Digital Media Initiative (DMI) project consumed much of the Board's time. These investigations were painful but only added impetus to the internal energy that was already being applied to remedying these difficulties. During the year we held a major review of remuneration policy and practice, led by Sally Davis, the then chair of the Executive Remuneration Committee. I report separately on the details of this review and the issue of severance pay on page 77. We also strengthened project management and overhauled the way we oversee complex major projects, learning from the lessons of DMI. We have drawn greater assurance from the evidence of tighter management and more open reporting of projects that is already resulting.

The composition of the Executive Board has changed significantly this year. Five out of seven executive directors were newly appointed to the Board in 2013. From outside the BBC we welcomed Anne Bulford (Managing Director, Finance and Operations), James Harding (News and Current Affairs) and James Purnell (Strategy and Digital). Danny Cohen (Television) joined the Board from his role as Controller of BBC One, and Helen Boaden (Radio) and Tim Davie (BBC Worldwide and Global) took on new roles.

Following the review of BBC governance conducted jointly with the BBC Trust, we also made significant changes to the non-executive membership of the Board. Sally Davis's term of office ended in December 2013 and Brian McBride's in March 2014: we warmly thank them both. Replacing them are Sir Howard Stringer, former CEO and Chair of Sony; Alice Perkins, Chair of the Post Office; and Nick Hytner, Director of the National Theatre. These new non-executive directors join Simon Burke and me in an expanded non-executive group on the Board. We plan to appoint a further non-executive to help us with the digital challenge in the coming year.

Executive Board and Committee attendance

	Executive Board		Audit Committee		Fair Trading Committee		Nominations	Remuneration	Committee
	Ordinary	Extraordinary	Member	Attendee	Member	Attendee	Committee Member	Member	Attendee
Number of meetings for the period	11	1	5		3		4	9	
Executives									
Tony Hall	11	1		3			4		9
Lucy Adams	8	0					2		8
Helen Boaden	10	1							
Anne Bulford	8/9	1		5		2/2			5/7
Danny Cohen	10	0							
James Harding	6/7	1							
Roger Mosey	1/2	0/0							
Zarin Patel	3/3	0/0		1/2		0/1			
James Purnell	11	1							
Fran Unsworth	4/4	0/0							
Non-executives									
Brian McBride	11	1	3				3	9	
Simon Burke	11	1	5				3		1/1
Dame Fiona Reynolds	11	0	5		3		3	9	
Sally Davis	8/8	1			3			8/8	
Sir Howard Stringer	2/2	0/0							

This table does not include business conducted offline and update meetings where no formal business was considered.

Together, the new Executive Board is committed to working as a team to bring energy, leadership and direction to the BBC. We are determined to create the conditions that will guarantee the highest quality of distinctive broadcasting, easily accessible to everyone who enjoys BBC programmes and products. We want to inspire our audiences and engage our staff in the new, purposeful direction for the BBC.

In the coming year we will face further challenges, not least the fact that our new strategy will place significant demands on us culturally, organisationally and financially. But we are filled with a renewed sense of determination and optimism: the BBC continues to inform, educate and entertain, and at our best we are sensational. Delivering more, better and more personally are our watchwords for the future.

Dame Fiona Reynolds
Senior Independent Director
 19 June 2014

Remuneration report



“We have appointed the very best people on salaries that are significantly discounted against the commercial sector.”

Dame Fiona Reynolds

Annual statement of the Chair of the Executive Remuneration Committee

2013/14 was a challenging year for the BBC. We came under intense scrutiny over the payment of substantial severance payments to senior managers. It was also a year of senior management change with a number of new Executive Board appointments in which we were determined to attract the most talented leaders on salaries that demonstrated value to the licence fee payer.

We accepted the findings of the NAO review of senior manager severance payments. This added to the existing internal impetus to intensify the challenge and scrutiny of senior manager pay, benefits and contractual terms. As a result the Executive Remuneration Committee (ERC) expanded its scope to include responsibility for the BBC's subsidiaries; introduced new policies and practices for senior salaries including severance; improved the governance of severance and pay; and introduced greater challenge and scrutiny of salaries and severance at a greater depth within the organisation.

In line with the new policies agreed, the BBC implemented a cap of £150,000 on severance payments in September 2013, ceased the practice of making payments-in-lieu-of-notice (PILON) in addition to severance and extended the scope of the newly established Senior Manager Remuneration Committee (SMRC) to include responsibility for approving all pay increases above £75,000, all discretionary severance payments and contractual severance payments above £75,000. The SMRC provides regular updates to the Executive Remuneration Committee and since the increased governance was introduced in September 2013 there has been a modest reduction in the headcount and pay bill of those earning £75,000 or more. Since September 2013, there have been no cases of severance paid above £150,000 and no cases where payment-in-lieu-of-notice (PILON) has been paid in addition to severance.

We have continued with our policy of discounting senior manager and executive salaries by between 20% and 80% against the commercial sector, aligning ourselves more closely with the commercial public sector. We no longer provide a car allowance or funded private medical insurance to executive directors and senior managers joining the BBC. The majority of Executive Board members are not entitled to receive either benefit and all of our executive directors have accepted contractual terms that cap severance at £150,000 and reduce the employer notice period to six months.

2013/14 saw significant change for the BBC's Executive Board; six of the seven BBC directors were newly appointed to their role in the 2013 calendar year. Throughout the year the ERC has reviewed the BBC's progress towards senior manager reductions against targets set by the 2011 BBC Executive and Senior Management Pay Strategy to be met by 31 December 2015. Since 2009, the BBC has reduced senior manager headcount and the senior manager pay bill by more than a third. Since January 2012, we have continued to make steady progress towards our targets, reducing by a further 74 heads (15.3%) against a target of c70 heads and reducing the pay bill by £6.6million (11.5%) against a target of c£9million.

We have appointed the very best people on salaries that are significantly discounted against the commercial sector; reflecting our ability to attract talented leaders motivated by the creative challenge and public responsibility of leading the BBC.

There is more to do. We have an ambition to further reduce the percentage of employees at senior management grades from 410 (down from 640 in August 2009) and the numbers of senior managers earning more than £150,000. To achieve these ambitions the Committee will continue to challenge the BBC's senior management to deliver value and transparency to licence fee payers. We believe we can attract the very best leaders and highly talented staff through a combination of our extraordinary output, compelling creative position and strong public service ethos.

Dame Fiona Reynolds
Senior Independent Director
19 June 2014

Key decisions 2013/14

- No salary increase for Executive Board members
- Reduction of Executive Board employer notice period from 12 months to 6 months
- Implementation of a £150,000 redundancy payment cap
- Introduction of enhanced governance of all salary proposals over £75,000 per annum
- Introduction of enhanced governance for redundancy payments over £75,000

Strategy for 2014/15

- Removal of the Director, HR role from the Executive Board
- Appointment of the CEO, BBC Worldwide and Director, Global role to the Executive Board
- Continuation of the Executive and Senior Manager Remuneration Strategy 2011-2015

This report sets out the BBC's remuneration policy and details the annual remuneration received by the staff members of the Executive Board (the executive directors) for the financial year 2013/14. 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 have been audited by KPMG LLP.

The remuneration policy for executive directors

1. Remuneration Committees: constitution and operation

The BBC Trust is responsible for setting the remuneration strategy for the Executive Board and 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 until 31 December 2013), Dame Fiona Reynolds and Brian McBride (until 31 March 2014). Dame Fiona Reynolds took over the chairmanship of ERC from Sally Davis on 1 January 2014.

Complying with the UK Corporate Governance Code 2010 and 2012, the ERC takes specialist advice from external professional advisers on some matters, particularly those relating to market practice. During the year, independent advice was received from Towers Watson on matters related to market comparability of executive remuneration.

The ERC established the Senior Manager Remuneration Committee (SMRC) in September 2012, giving it responsibility for aligning the operational needs of the BBC within the strategic framework set by the Trust and implemented by the ERC. Since 1 July 2013, the SMRC has been required to approve all redundancies of £75,000 or more and any severance payment that is not contractual or that includes a payment that is outside of policy. The SMRC is also responsible for approving all salary adjustments or new salaries for any employee earning a full-time salary of £75,000 or more since 1 September 2013.

SMRC members during 2013/14 were: Tony Hall, Director-General (Chair); Anne Bulford, Managing Director, Finance & Operations; Lucy Adams, Director, HR; and non-executive directors Sally Davis¹, Dame Fiona Reynolds and Brian McBride².

2. Executive Board membership and structure

In 2013/14, the BBC made the last of the current round of appointments to the new Executive Board under Tony Hall's leadership. This was the role of Director, News and Current Affairs. The Committee approved the salary for this appointment.

As at 31 March 2014, the Executive Board comprised seven executive directors and four non-executive directors – details of the Executive Board membership and full remuneration is provided in Table 1 below.

The Director, HR role is no longer a member of the Executive Board after 31 March 2014. The CEO, BBC Worldwide & Director, Global role was appointed to the Executive Board with effect from 1 April 2014.

3. Executive director pay components

The ERC is committed to striking the balance between setting appropriate levels of pay for Executive directors that attracts, motivates and retains the best people to lead the BBC and providing value for the licence fee payer. The BBC's executive pay strategy should be fair, transparent and broadly consistent with the approach to pay for all employees at the BBC. Progress continues to be made towards these goals, including the phased diminution of historic differences in approaches to pay and benefits between senior and other staff.

The BBC receives regular feedback regarding senior pay from employees during annual pay negotiations through the trade unions and via the annual staff engagement survey. This feedback is taken into account when setting the pay strategy for the executive directors.

When reviewing the pay for the executive directors, the Committee considers each component of the total remuneration package broken down as follows:

¹ Sally Davis was the non-executive director on the SMRC until 31 December 2013 when her term expired. Fiona Reynolds and Brian McBride replaced Sally Davis on SMRC between 1 January and 31 March 2014.

² Brian McBride's term as non-executive director ended on 31 March 2014.

Component	Purpose and link to strategy	Operation	Maximum opportunity
Base pay	<p>Base pay is aligned to the market median for total direct remuneration (salary, annual bonus and annualised long-term incentive).</p> <p>A discount of 50-80% against total direct remuneration in the commercial sector is applied to executive director roles.</p>	<p>Three factors are used to determine the level of base pay set for an executive director or senior manager:</p> <ul style="list-style-type: none"> ■ would the rate be consistent with the discounted market rate 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? 	<p>There is no prescribed maximum salary or maximum increase.</p>
Variable pay	<p>Discretionary performance bonuses to a maximum of 10% of base pay were historically paid to executive directors.</p> <p>Executive directors employed in the BBC's commercial businesses are contractually entitled to a performance related annual bonus funded by the commercial business and not the licence fee. It is reward for the achievement of short-term strategic goals and profit growth each year.</p>	<p>Executive directors with roles in the public service part of the business are no longer entitled to receive a performance bonus.</p> <p>Payment of contractual bonus in the BBC's commercial businesses is subject to an agreed level of performance linked to financial metrics. The levels of profit performance attracting threshold, target and maximum bonus are set by the BBC ERC. No payment is made for performance below the threshold. Payment of 0-100% of the maximum opportunity is made between the threshold and the maximum targets.</p>	<p>No executive director in the public service has received a bonus since 2008.</p> <p>The maximum bonus payable to an executive director employed in a BBC commercial business is 70% of salary where target bonus is 50% of salary.</p>

Component	Purpose and link to strategy	Operation	Maximum opportunity
Benefits	<p>Pensions are offered in accordance with the all employee pension arrangements.</p> <p>In addition to pensions, the other main contractual benefit is life assurance.</p> <p>In April 2012, the BBC removed the car allowance benefit for all new executive directors and senior managers to ensure that future policy aligns with arrangements for all BBC employees. Entitlement to private health care was also removed for all executive directors with effect from April 2011 for the same purpose.</p>	<p>Executive directors who were already in receipt of a car allowance have retained it.</p> <p>Executive directors who received a car allowance payment in 2013/14 were: Lucy Adams, Helen Boaden and Danny Cohen.</p> <p>Danny Cohen had his car allowance frozen on promotion to the Executive Board</p> <p>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 2013/14 all other executive directors have had shared access to a car and driver.</p>	<p>Current policy provides a defined contribution scheme with no salary cap.</p> <p>Existing members of a defined benefit pension scheme are capped at the maximum salary for their pension scheme or are subject to a cap in pensionable salary growth. The Scheme is closed for new joiners.</p> <p>The maximum car allowance benefit received by any executive director is £12,900 per annum. This is a historical benefit.</p>
Employment contracts and severance	<p>Employment contracts of executive directors have a maximum notice period of six months, but are subject to earlier termination for cause.</p>	<p>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.</p>	<p>In the event of redundancy, all executive directors are entitled to payments equal to one month per year served up to a maximum payment of £150,000.</p>
Other remuneration	<p>There is no entitlement to any other remuneration.</p>	<p>Consideration is given to the reputational risks to the BBC and the level of payment is agreed by the Executive Remuneration Committee on a case-by-case basis.</p>	<p>There is no prescribed maximum.</p>

Pension

Executive directors 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. Executive directors who joined the BBC on or after 1 December 2010 are eligible to join LifePlan which is the BBC's defined contribution arrangement. The BBC pays 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.

Executive directors who decide not to join LifePlan or are not already an existing member of the Scheme are, subject to meeting the relevant criteria, automatically enrolled into the National Employment Savings Trust (NEST). The BBC and employees currently pay 1% of qualifying earnings to NEST. Individuals can choose to opt out of this.

Executive directors' pension arrangements may be reviewed and amended in response to changes in legislation or similar developments.

Features of the BBC's pension arrangements, including normal pension age, are provided in the table below.

Details of the BBC Pension Scheme are available at bbc.co.uk/mypension/ and details of LifePlan can be found at friendslife.co.uk/microsite/bbc/

Scheme	'Old' benefits defined benefit	'New' benefits defined benefit	CAB 2006 defined benefit	CAB 2011 defined benefit	LifePlan defined contribution	National Employment Savings Trust (NEST) defined contribution (auto enrolment arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60ths accrual	60ths accrual	1.67% accrual adjusted in line with inflation	1.67% accrual adjusted in line with CPI	BBC will contribute a maximum of 10% of salary if employee contributes 8% with lower sliding scale	BBC will contribute 1% of qualifying earnings
Salary	Final pensionable	Final pensionable	Career average revalued earnings	Career average revalued earnings		
Normal pensionable age	60	60	65	65	N/A	N/A
Earnings cap	DOJ before 1 June 1989 uncapped, capped otherwise	Capped at £141,000	Capped at £141,000	Capped at £138,000	Uncapped	Minimum earnings £5,668pa Maximum earnings £41,450pa
Pensionable salary growth before the Earnings cap is applied	Limited at 1% p.a.	Limited at 1% p.a.	Limited at 1% p.a.	No restriction	N/A	N/A
Employee contribution (% of pensionable salary)	7.5%	7.5%	4%	6%	Minimum employee contribution is 4%	1% of qualifying earnings

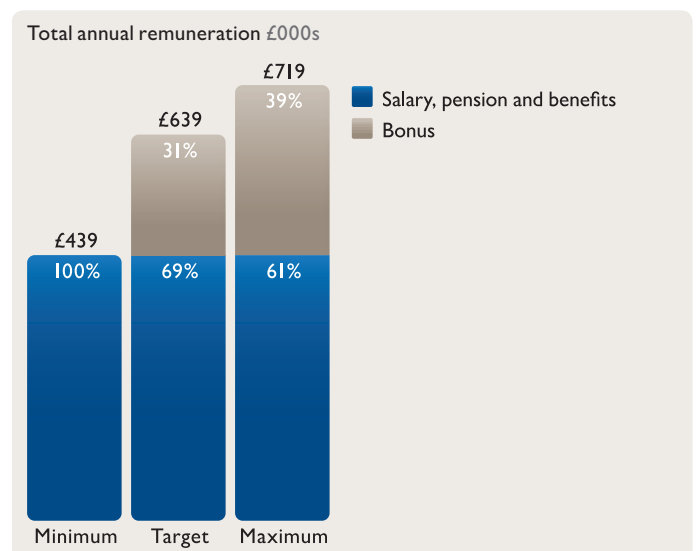
Severance pay

A detailed report on severance pay by the Senior Independent Director is available online: bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/bbc_review_severance_payments_2013_14.html

Variable remuneration in 2014/15 for BBC Worldwide

The chart represents the potential earnings of the CEO, BBC Worldwide & Director, Global for the year.

- Minimum: a base salary of £400,000, pension related single figure of £37,000 and taxable benefits of £2,000
- Target: the minimum payment plus a bonus of 50% of base salary (£200,000)
- Maximum: the minimum payment plus a bonus of 70% of base salary (£280,000)



4. How does the executive pay policy in the public service differ from that for all other BBC employees?

The ERC has ceased the payment of bonuses to all executive directors in the public service and is moving away from the previous two-tier benefit structure by phasing out private medical insurance and car allowances, with no new executive director or senior manager receiving these benefits since August 2011 and April 2012 respectively. These changes have simplified and equalised pay arrangements across our employee population. A full range of benefits can now be purchased by all staff at all levels of the organisation under our flexible benefits arrangements.

BBC graded staff are entitled to an annual pay review which is negotiated and agreed with the National Joint Council of Trade Unions. These people may also be entitled to a progression payment, depending on their salary position within range after three years and six years in post, assuming a satisfactory level of performance during this period.

Executive directors and senior managers are not automatically entitled to any form of annual increment nor are they entitled to any form of progression payment. All senior salaries are discounted against those of equivalent commercial organisations and the BBC is increasingly aligning senior pay to the commercial public sector.

The ERC uses the BBC pay multiples, ratios of the DG and executive directors' median earnings to the BBC median earnings, as a cap to ensure that the BBC continues to reduce the level of remuneration for executive directors relative to other members of staff.

5. The executive pay strategy and policy for 2013/14 – progressing towards greater consistency and transparency Continued reduction of executive and senior manager pay and salary discounts

Throughout 2013/14, the ERC worked to manage and reduce both senior managers' pay and numbers by ensuring compliance with the BBC Executive and Senior Management Pay Strategy. This was agreed with the Trust in July 2011 with targets to be delivered by the end of 2015. Since January 2012, the BBC has reduced by 74 senior managers against a target of c70 and by £6.6million against a target of c£9million.

The BBC continues the practice of discounting BBC executive directors' pay against the commercial sector and has maintained the freeze in pay of executive directors. The agreed discount remains at between 50% and 80% below commercial sector comparisons. In order to ensure that levels of pay are consistent with the agreed strategy the committee obtains and reviews external market pay data via an independent advisor. This information was reported to the Trust and provided assurance of our continued delivery against the policy: we maintained a discount against commercial sector executive roles of 72% for the last two years. This discount also reflects the substantial additional amounts of variable pay (including bonus and long-term incentives) provided in the commercial sector that are not available to executive directors working for the public service BBC.

Further to the National Audit Office review 'Severance payments and wider benefits for senior BBC managers' published in June 2013, the ERC commissioned a full review of executive directors' severance terms and practices in 2013 and expanded the remit of the SMRC to include responsibility for the BBC's approach to severance arrangements for senior managers.

As a result of 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, implemented a cap on redundancy payments of £150,000, ceased the practice of making payments-in-lieu-of-notice (PILON) in addition to severance and capped outplacement support and legal fees for compromise agreements at £5,000 and £2,000 respectively. The SMRC are also required to provide regular reports on senior severance cases to the ERC. A full report on the implementation of the NAO recommendations can be found at: bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/bbc_review_severance_payments_2013_14.html

6. Consideration of BBC Trust views

The ERC consults with the Trust on all matters relating to the executive director pay strategy to ensure alignment with the licence fee payers' expectations. The ERC provides regular reports to the Trust outlining progress against senior manager reduction targets, and seeks feedback from the Trust.

The committee provides an annual assurance report to the Trust for consideration and feedback.

Members discussed the report, which covered executive director pay, benefits and terms and conditions. It was noted there had been no 'in role' salary increases for executive directors and that the discount factor against remuneration of commercial sector competitors was within the range agreed by the Trust.

Executive Board annual remuneration report

I. Annual remuneration of the Executive Board – detail of remuneration received (audited)

Table 1 provides full details of the remuneration received by all Executive Board members and the total remuneration for Trustees for 2013/14 compared to previous year. Table 2 details pension benefits for those members of the Executive Board who are members of a defined benefit scheme.

Table 1: Executive Board remuneration

	2013/14					Total remuneration including pension related single figure £000
	Fee/ base pay £000 (Note 14)	Taxable benefits £000 (Note 15)	Other remuneration £000	Compensation for loss of office £000	Pension related single figure £000 (Note 17)	
Executive directors						
<i>Executive directors as at 31 March 2014</i>						
Tony Hall (Note 1)	449	18	–	–	–	467
Lucy Adams (Note 2)	320	16	–	–	42	378
Helen Boaden	340	15	–	–	59	414
Anne Bulford (Note 3)	304	–	–	–	–	304
Danny Cohen (Note 4)	287	9	–	–	31	327
James Harding (Note 5)	217	–	–	–	–	217
James Purnell (Note 6)	295	–	–	–	22	317
Total executive directors as at 31 March 2014	2,212	58	–	–	154	2,424
<i>Former executive directors serving on the Executive Board in 2013/14</i>						
Tim Davie (Note 7)	1	–	–	–	–	1
Graham Ellis (Note 8)	8	2	–	–	–	10
Roger Mosey (Note 9)	25	2	–	–	–	27
Zarin Patel (Note 10)	81	3	–	–	–	84
Fran Unsworth (Note 11)	66	5	–	–	–	71
Total former executive directors serving on the Executive Board in 2013/14	181	12	–	–	–	193
Total former executive directors on the Executive Board prior to 2013/14	–	–	–	–	–	–
Total executive directors	2,393	70	–	–	154	2,617
Non-executive directors						
<i>Non-executive directors as at 31 March 2014</i>						
Simon Burke	37	–	–	–	–	37
Brian McBride	33	–	–	–	–	33
Dame Fiona Reynolds (Note 12)	47	–	–	–	–	47
Howard Stringer (Note 13)	8	–	–	–	–	8
Total non-executive directors as at 31 March 2014	125	–	–	–	–	125
<i>Former non-executive directors serving on the Executive Board in 2013/14</i>						
Sally Davis	28	–	–	–	–	28
Total former non-executive directors serving on the Executive Board in 2013/14	28	–	–	–	–	28
Total former non-executive directors on the Executive Board prior to 2013/14	–	–	–	–	–	–
Total non-executive directors	153	–	–	–	–	153
Total Executive Board	2,546	70	–	–	154	2,770
Total Trustees	525	1	–	–	–	526
Total	3,071	71	–	–	154	3,296

2012/13								
Fee/ base pay £000	Taxable benefits £000	Other remuneration £000 (Note 16)	Compensation for loss of office £000	Total remuneration £000	Pension related single figure £000 (Note 17)	Total remuneration including pension related single figure £000		
–	–	–	–	–	–	–	Appointed to Executive Board 2 April 2013	
172	9	–	–	181	12	193		
340	14	81	–	435	61	496		
–	–	–	–	–	–	–	Appointed to Executive Board 21 June 2013	
–	–	–	–	–	–	–	Appointed to Executive Board 7 May 2013	
–	–	–	–	–	–	–	Appointed to Executive Board 12 August 2013	
10	–	–	–	10	–	10	Appointed to Executive Board 19 March 2013	
522	23	81	–	626	73	699		
397	11	–	–	408	41	449	Stepped down from Executive Board 1 April 2013	
74	4	–	–	78	9	87	Stepped down from Executive Board 14 April 2013	
166	6	–	–	172	–	172	Stepped down from Executive Board 6 May 2013	
352	14	–	–	366	40	406	Stepped down from Executive Board 21 June 2013	
–	–	–	–	–	–	–	Appointed to Executive Board 1 April 2013. Stepped down from Executive Board 11 August 2013	
989	35	–	–	1,024	90	1,114		
1,081	38	154	1,153	2,426	58	2,484		
2,592	96	235	1,153	4,076	221	4,297		
40	–	–	–	40	–	40		
35	–	–	–	35	–	35	Left 31 March 2014	
43	–	–	–	43	–	43		
–	–	–	–	–	–	–	Joined 1 January 2014	
118	–	–	–	118	–	118		
36	–	–	–	36	–	36	Joined 1 January 2012. Left 31 December 2013	
36	–	–	–	36	–	36		
61	–	–	–	61	–	61		
215	–	–	–	215	–	215		
2,807	96	235	1,153	4,291	221	4,512		
531	1	–	–	532	–	532		
3,338	97	235	1,153	4,823	221	5,044		

Notes to Table I: Executive Board remuneration

Note 1: Tony Hall

Tony Hall joined the BBC on 2 April 2013 as Director-General.

Note 2: Lucy Adams

Lucy Adams resigned from her role as Director, HR. Lucy came off the Executive Board with effect from 31 March 2014 and left the BBC on 4 April 2014. The Director, HR role is no longer on the Executive Board.

Note 3: Anne Bulford

Anne Bulford joined the BBC on 1 June 2013 as Managing Director, Finance & Operations. This was a new executive director role encompassing Finance, Legal, Human Resources and Operations that was appointed to the Executive Board on 21 June 2013. The remuneration reflects her earnings from 21 June 2013.

Note 4: Danny Cohen

Danny Cohen was promoted to the role of Director, Television, joining the Executive Board with effect from 7 May 2013. His remuneration reflects his earnings as Director, Television.

Note 5: James Harding

James Harding joined the BBC on 12 August 2013 as Director, News and Current Affairs.

Note 6: James Purnell

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

Note 7: Tim Davie

Tim Davie was Acting Director-General from 11 November 2012 until 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 8: 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 on 14 April 2013. The remuneration reflects earnings from 1 April 2013 up to 14 April 2013.

Note 9: Roger Mosey

Roger Mosey was appointed Acting Director, Vision with effect from 20 August 2012. Base pay includes temporary acting allowance. Roger stepped down from the Executive Board and became Director, Editorial Standards when Danny Cohen assumed the role of Director, Television on 7 May 2013. The remuneration reflects his earnings from 1 April 2013 to 6 May 2013. Roger has since left the BBC.

Note 10: Zarin Patel

Zarin Patel resigned from the Executive Board with effect from 21 June 2013 and left the BBC on 31 October 2013. The remuneration reflects her earnings from 1 April 2013 to 21 June 2013.

Note 11: Fran Unsworth

Fran Unsworth was Acting Director, News between 11 November 2012 and 20 December 2012 and also covered this role whilst 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 was therefore excluded from the table previously. Fran was appointed Acting Director, News and Current Affairs, joining the Executive Board, with effect from 1 April 2013. Fran stepped down from the Executive Board when James Harding assumed the role of Director, News and Current Affairs on 12 August 2013. The remuneration reflects her earnings from 1 April 2013 to 11 August 2013.

Note 12: 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 13: Howard Stringer

Howard Stringer joined the BBC on 1 January 2014 as a non-executive director.

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.

Note 15: Taxable benefits

Taxable benefits are: car allowance/benefit, private medical insurance and taxable expenses.

Note 16: Other remuneration 2012/13

In 2012/13, the BBC published the legal and related costs borne by the BBC in respect of those directors that gave evidence to the Pollard Review. These figures were published inclusive of income tax and National Insurance due, pending agreement of that figure with HMRC. Agreement has now been reached with HMRC regarding the associated tax and National Insurance due and the costs of the fees paid on behalf of executive directors in 2012/13 has changed. The total cost has reduced from £294,000 to £235,000.

Note 17: Pension related single figure

The pension related single figure represents the value of pension savings made during the year on behalf of directors. It is a new reporting requirement. The valuation is based on the calculation which tests pension savings against the annual allowance (AA), in line with HMRC regulations. The director's own contributions are deducted and for defined benefits the figure is calculated as 20 times (rather than 16 as applies for AA purposes) the increase in the accrued pension over the year after adjusting for inflation. In some cases this may result in a zero value.

Defined benefit schemes

Details of defined benefit entitlements are shown below.

Table 2

Executive Directors	Age as at 31 March 2014	Section	Accrued pension 31 March 2014 (or retirement/ leaving the BBC if earlier) £000	Accrued pension 1 April 2013 (or joining the Board if after) £000	Director defined benefit contributions (via salary sacrifice) £000 (Note 7)	Pension-related single figure £000 (Note 8)
Lucy Adams	49	CAB 2006	11	8	6	42
Helen Boaden	58	Old benefits	74	69	16	59
Danny Cohen ¹	40	CAB 2006	15	13	6	31
Tim Davie ²	46	CAB 2011	3	3	–	–
Graham Ellis ³	60	Old benefits	10	10	1	–
Roger Mosey ⁴	56	Old benefits	133	137	9	–
Zarin Patel ⁵	53	New benefits	34	33	3	–
Fran Unsworth ⁶	56	Old benefits	95	94	6	–

Notes

- Danny Cohen was appointed as a director on 7 May 2013. The pension shown includes the period before he was appointed as a director.
- Tim Davie became an active member of the CAB 2011 section as at 1 January 2012 and retains a deferred pension in the new benefits section for service up to that date. The accrued pension shown relates to CAB 2011 only.
- Graham Ellis came off the Board on 14 April 2013. The accrued pension shown includes the period of Scheme membership before he was appointed as a director where he continues to build up benefits.
- Roger Mosey came off the Board on 6 May 2013 and left the BBC on 30 September 2013. The accrued pension shown includes the period after he came off the Board.
- Zarin Patel stepped down from the Executive Board on 21 June 2013 and left the Scheme on 31 October 2013.
- Fran Unsworth was temporarily appointed as a director from 1 April 2013 to 11 August 2013. The accrued pension shown includes the period before she was a director.
- Directors' defined benefit contributions are made via salary sacrifice arrangement as an employer contribution, with 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. To avoid double-counting, the salary sacrifice contribution is treated as a contribution from the director for the purpose of calculating the pension-related single figure.
- The pension-related single figure has been calculated on a pro rata basis to reflect the period each director served as a member of the Board.
- Tony Hall and Anne Bulford are not currently contributing to a BBC pension arrangement and do not receive any payments in lieu of pension related benefits in respect to their current period of employment.
- James Harding was appointed to the Board on 12 August 2013 and was subsequently automatically enrolled into the National Employment Savings Trust. The BBC matches 1% of James' qualifying earnings. The employer contribution for 2013/14 was £149.05.
- James Purnell is an active member of LifePlan. In 2013/14 the employer contribution to this scheme was £22k.

2. Comparative pay across the BBC public service: how does executive director pay compare to that of other BBC employees?

In 2011, the BBC voluntarily agreed to report the top to median earnings multiple as proposed in the Hutton report 'Fair Pay in the Public Sector'. Since 2011, the BBC has published these figures on an annual basis.

The table below provides a summary of the Director-General to BBC median earnings and executive directors' to median earnings figures since 2011. The Director-General multiple has reduced again from 11.0 to 10.9.

	2014	2013	2012	2011
Director-General earnings	10.9	11.0	16.5	16.8
Executive directors' median earnings	8.2	8.1	8.7	8.9

Earnings calculation includes: basic pay, bonus, continuing allowances, overtime, and other.

Over the past two years there have been a number of changes in membership of the Executive Board which has impacted on the published multiples. On 31 March 2013, three of the seven executive director roles were filled on a temporary basis. Although these interim appointments attracted a temporary acting allowance, the acting executive directors were paid less than the permanent members of the Executive Board. As a result of these acting arrangements, the multiple was temporarily reduced to 8.1 in March 2013.

By August 2013, all of the permanent appointments were in place and the new Executive Board was complete. The multiple of median earnings within the BBC to the median earnings of the executive directors for 2014 is 8.2.

Over the past five years, the Director-General's earnings, in real terms, have been reduced as illustrated in the following chart, and earnings growth at the most senior levels of the BBC has been minimised.

The following tables provide a summary of the changes to the Director-General's cash earnings for 2013/14 versus the change in pan BBC median earnings over the same period. This demonstrates a positive increase in median earnings across the BBC whilst there has been no change in the earnings of the Director-General. In addition, through the BBC Executive and senior manager reduction programme, the BBC has achieved a reduction in total cash earnings and earnings as a proportion of total salary costs for BBC executive directors and senior managers.

	2014 £000	Change from 2013
Director-General cash earnings	450	0.0%
Pan BBC median earnings	41	1.0%

	2014		2013	
	Salary and allowance costs £m	Percentage of paybill	Salary and allowance costs £m	Percentage of paybill
Executive director cash earnings	2.49	0.3%	2.30	0.3%
Senior manager cash earnings	50.73	6.0%	54.25	6.6%
All other BBC staff cash earnings	786.09	93.7%	759.90	93.1%
Total	839.32		816.45	

These tables refer to the BBC public service and are exclusive of employees in the BBC's commercial business. For the purposes of the calculations, annualised values have been used. Employer pension costs, employer national insurance contributions and restructuring costs are not included in these values.

Delivering the strategy in 2014/15

During 2014/15, the ERC will continue to review, challenge and assess senior pay strategy and practice at the BBC in line with the agreed executive and senior manager strategy 2011-2015 to ensure that the number and paybill of the most senior managers at the BBC continues to reduce. The committee will consider all potential executive director appointments and severance cases to ensure alignment with BBC policy and the current remuneration strategy.

Outside interests

In 2013/14, with the prior agreement of the Director-General and the Nominations Committee, executive members of the Executive Board were permitted to 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.

These arrangements are currently under review.

During the year no executive director held any other remunerated external directorship. To see the Executive Board's register of interests visit: bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/

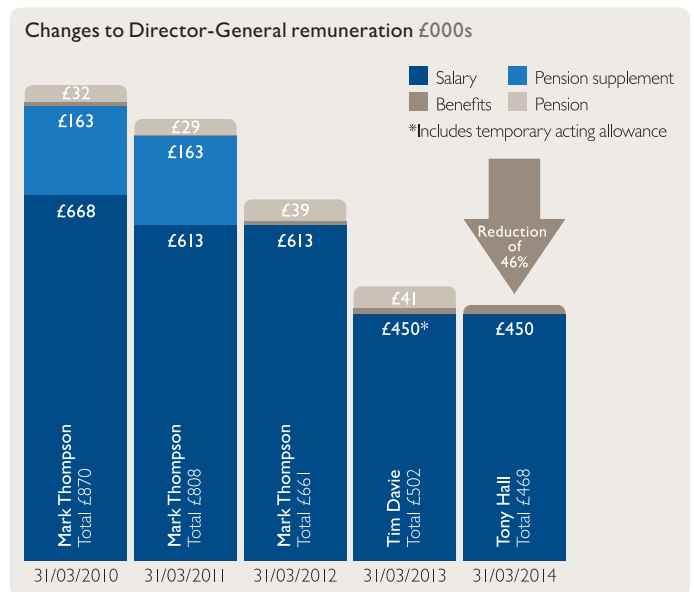
The BBC's commercial businesses

The BBC has staff employed with three commercial subsidiaries:

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

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

Remuneration within the commercial subsidiaries is not governed by the BBC's remuneration policy and governance arrangements. The BBC's SMRC approves all remuneration for the most senior staff in the commercial businesses with the exception of the executives for BBC Worldwide for whom the BBC's ERC approves all remuneration.



Audit Committee report



“Our activities continue to be focused on ensuring the BBC has effective controls – and applies those controls – to protect and use wisely its licence fee money.”

Simon Burke

Report of the Chairman of the Executive Audit Committee Overview

The BBC has faced a number of challenges in recent years and this year has seen the settling in of a new management team and a renewed focus on the future. Alongside this I have maintained the Audit Committee’s focus on ensuring the integrity of the BBC’s financial reporting and the appropriateness of its system of internal control.

We have sought to learn from previous incidents, such as failure of the DMI project, by looking specifically this year at project assurance processes across the BBC. We are satisfied that actions are being taken to strengthen project management capability and to build in independent project assurance – both technical and governance – at key stages in the life of BBC projects. This is an area to which we will continue to pay close attention.

We are also working to refine risk assessment and mapping across the BBC and to integrate this better with the various assurance activities undertaken not just by Internal Audit but other specialist assurance providers and management functions. For example, as part of our review and approval of the Internal Audit plan we discussed how well it addressed key strategic risks and whether there were any assurance gaps which we needed to address.

The BBC is facing a challenging time financially and we have made sure that sufficient Internal Audit effort is also directed at core financial and operational processes providing us with assurance that these are working as intended.

We endeavour at all times to keep the interests of our audience and the licence fee payers at the forefront of our thinking.

Role

The main purpose of the Executive Audit Committee (EAC) is to examine, on behalf of the Board, whether the financial statements of the BBC have been prepared with integrity and if the BBC is maintaining and operating a sound system of internal control and risk management. In order to gain assurance on these matters, the EAC has responsibility for:

- monitoring and reviewing the integrity of the financial statements of the BBC and the significant reporting judgments contained within them
- reviewing the effectiveness of the BBC’s system of internal control
- reviewing the process for the management of risk
- reviewing the assurance processes in place to test and monitor the operation of controls designed to manage key risks
- reviewing the appropriateness of the BBC’s relationship with the external auditor, including auditor independence, fees and the provision of non-audit services
- making recommendations regarding the appointment of the external auditor

The EAC’s Standing Orders set out in more detail our responsibilities. These are reviewed annually and were last updated in March 2014: downloads.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcommittee/pdf/executive_audit_committee_standing_orders_2013.pdf

Membership

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

Simon Burke
Fiona Reynolds
Brian McBride

The committee considers that Simon Burke has significant, recent and relevant financial experience. When appropriate, we augment the skills and experiences of our members with advice from internal and external audit professionals – for example, on matters such as developments in financial reporting. Our meetings are also attended by the Director-General, the Managing Director, Finance and Operations, the BBC's Legal Counsel, the Director of Risk and Assurance and representatives from internal audit, risk management and the external auditors. We also meet privately, without any member of management present, with both Internal Audit and the external auditors on a regular basis.

Meetings

We held five meetings during 2013/14, at key times in the reporting and audit calendar.

Minutes from our meetings are made available to the Executive Board and to the BBC Trust. Additionally, the Chairman of our Committee reports back to the Board after each meeting on any issues where action or improvement is required. We also produce a formal report to the Board each year and provide our views on the integrity of the financial statements before the Annual Report is approved by the Board as a whole.

Key areas of focus for EAC in the past year

We spent our time on the following areas:

Internal controls

We reviewed the effectiveness of the system of internal controls, taking account of the findings from internal and external audit reports. Our work in this area was influenced by the Director of Risk and Assurance's reports on the effectiveness of internal control, identified frauds and losses and assurance mapping. We considered a number of specific areas during the year:

- we sought assurance from management that control issues identified by Internal Audit are being addressed. This is an area we follow up at every meeting to ensure that agreed actions in respect of any weaknesses found are being properly addressed. We would like to see these dealt with more speedily and are working with management to achieve this
- we focused in particular on controls relating to payroll and employee access, including the development of systems for ensuring that access to buildings and confidential material is granted and removed on a timely basis when employees join, move or leave roles
- how the BBC is progressing the delivery of its DQF savings programme and the assurance activities, connected with this programme

Major reviews

We reviewed implementation of the actions recommended by external and internal reviews in respect of child protection, and the use of freelance and personal service company arrangements by the BBC. We received regular reports on progress and asked for internal audits to be carried out where appropriate.

Financial reporting

We reviewed the Group financial statements and how these are positioned within the wider Annual Report. To assist this review we considered reports from management and from the internal and external auditors to assist our consideration of:

- the quality and acceptability of accounting policies, including their compliance with accounting standards
- key judgements made in preparation of the financial statements
- compliance with legal and regulatory requirements
- the clarity of disclosures and their compliance with relevant reporting requirements
- whether the Annual Report as a whole is fair, balanced and understandable and provides the information necessary to assess the BBC's performance and strategy

Risk management

We considered the processes for managing significant risks within the BBC. This work is influenced by the assessment of the BBC's principal risks set out on pages 88-90. During the year we had detailed presentations from management on:

- how the BBC is managing its information security risks
- how the BBC is managing its key strategic projects

We continue to have an interest in project assurance so that we can ensure that the lessons learned from DMI are taken forward. Our review of the Internal Audit plan considered how audit work on project assurance was integrated with management's own project assurance activities. We satisfied ourselves that project assurance activity covers both governance and technical assurances.

Fraud detection processes and whistle-blowing arrangements

We reviewed the levels of fraud and theft reported and detected and the arrangements in place to prevent, minimise and detect fraud and bribery. We are pleased to note that no significant frauds were uncovered in the past year.

Internal audit

We continued to oversee the work of Internal Audit. This is a regular item at each of our meetings. During the year we have:

- approved the plan of work for the coming year, ensuring that it strikes a balance between providing assurance over core business processes and assurance over key projects and areas of significant corporate risk
- considered the trends and themes emerging from the outcomes of audits, focusing on any unsatisfactory results and management's plans to address these
- considered the resource requirements for Internal Audit
- held regular private discussions with the Director of Risk and Assurance

Relationship with external auditors

We 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). Specific areas of focus this year have included:

- audit risk identification and alignment of this with management risk assessment
- our challenge to the auditors on how they addressed these audit risks
- our private discussions with the auditors without management present
- our review of the effectiveness of the external audit process which we carried out through a survey of key stakeholders
- formal tender for the provision of external audit services, subsequently won by Ernst & Young (more detail on this is provided later in this report)

Significant financial judgements and reporting for 2014

We considered a number of areas where significant financial judgements were taken which have influenced the financial statements:

We identified through discussion with both management and the external auditor the key risks of misstatement within the BBC's financial statements. We discussed these risks with management during the year, and with the auditor at the time we reviewed and agreed the external auditors' audit plan during the year and also at the conclusion of the audit. We set out in the box below how we satisfied ourselves that these risks of misstatement had been appropriately addressed.

Level of provisions

The financial statements include provisions in relation to restructuring of £53.7million as part of the BBC's DQF programme. Judgements in this area are largely related to the timing of recognition of these provisions, the quantum recognised and the amount which has been utilised in previous years. Other provisions totalling £56.4million require judgements regarding the assumptions used in quantifying the BBC's exposure to claims from various parties, and the likelihood of success of those claims.

We reviewed and discussed the level of provisions with management. This included consideration of new provisions and any release and utilisation of existing provisions. Management confirmed to us that they have applied a consistent approach to the recognition and release of provisions across the BBC Group. We also considered the views of the external auditors in respect of the provisions and associated disclosures in the accounts. We concluded that we were satisfied with the level of provisions carried and the disclosure in respect of those provisions.

Pension scheme deficit valuation

The financial statements include a significant liability for the deficit of £1,508.5million in the BBC's defined benefit pension scheme. Judgements are required regarding the underlying assumptions used by the actuaries in calculating the pension deficit, combined with a change in accounting standard which leads to a prior year adjustment. Changes in these assumptions can result in large swings in the final numbers disclosed.

We took advice from independent actuaries and the external auditor on the appropriateness of the assumptions used, including how these compare with those used by other organisations. We focused in particular on the assumptions used regarding discount rates, inflation rates and mortality/life expectancy and obtained an understanding of how changes in these assumptions would affect the financial statements. We also considered any movements in these from prior years. We are satisfied that the assumptions used in the financial statements are reasonable, appropriate to the BBC and supported by independent actuarial specialists.

Treatment of property assets

The BBC holds a significant property portfolio which combines properties held under freehold with those held under finance and operating leases. Within this it is also holding some vacant buildings as it rationalises its property estate. Judgements relate to the future intentions for those vacant buildings and related timescales, which can change the appropriate accounting treatment and affect the carrying value on the balance sheet.

We reviewed the overall BBC property strategy, along with detailed reports from management which explained the treatment for the most significant buildings, including the projected timescales for future activity and rationale for treatment. We also considered the auditors' views on the accounting treatment for these buildings. We are satisfied that the treatment of these properties within the financial statements is consistent with management intention and is in line with accepted accounting standards.

Other areas of financial statement risk

Other areas where an inappropriate decision could lead to significant error include:

- the recognition of commercial revenue on new contracts and
- the treatment of expenditure related to capital contracts

We consider that the BBC's existing financial control systems should ensure that such items are properly treated in the financial statements. We have discussed the external auditors' findings in these areas and also drawn on relevant Internal Audit work. There were no issues of concern reported to us in these areas and consequently we are satisfied that the systems are working as intended.

Management confirmed to us that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The external auditors reported to us the misstatements that they had found in the course of their work and we are satisfied that no material amounts remain unadjusted. We confirm that we are satisfied that the auditors have fulfilled their responsibilities with diligence.

After reviewing the presentations and reports from management and consulting where necessary with the auditors, we are satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). We are also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged, and are sufficiently robust.

Appointment of our external auditors

The EAC periodically considers the reappointment of the external auditor and the rotation of the Group Audit Partner in order to ensure that the external audit remains effective and independent.

KPMG LLP has been the BBC's auditor since 1995. Their appointment as external auditor to the BBC was subject to previous testing by the EAC through a formal tender process in 2008. Subsequent internal reviews extended the appointment to the current year. The Corporate Code requires a rotation of the Group Audit Partner every five years. In view of recent changes in the BBC management team and ongoing system developments, the mandate of the audit partner had been extended by two years to maintain continuity and enhance audit quality. A new partner from KPMG was appointed for the 2013/14 audit.

As anticipated in last year's report, we have, during the year under review, carried out an external audit tender process. This was managed by a team including the Chairman of our Committee and the Managing Director, Finance and Operations. We sought interest from established audit providers on our supplier framework including all the 'Big Four' audit firms as well as other smaller and more specialist providers. Due to the BBC's complexity, geographical spread and size, we took forward those expressions of interest from firms we judged able to provide the necessary audit resources to audit the BBC effectively.

Those firms participating in the process were required to submit their audit proposals against the following criteria:

- organisation and capability
- audit approach and delivery
- audit quality
- resourcing and engagement team
- fees and value for money

The selection process comprised three stages:

- interviews with key stakeholders in the BBC
- written proposals
- presentation to a selection committee comprising the Audit Committee chairman, the Managing Director, Finance and Operations and five others.

We concluded that Ernst & Young best met the criteria for appointment, including independence. Accordingly, we recommended them for appointment as the BBC's external auditors for a period of three years with the option to extend this for a further two years. The Trust, and subsequently the Secretary of State for Culture, Media and Sport, have approved this appointment which takes effect for the financial year 2014/15.

Independence of our external auditors

The EAC has set, and regularly reviews, a policy to safeguard and support the external auditors' ability to remain impartial and objective. This policy defines the types of services which the external auditors can and cannot provide. Additionally, it includes fee thresholds above which any proposed non-audit work to be carried out by the external auditors must be approved in advance by the EAC. It also defines when work must be submitted for competitive tender.

Our external auditor, KPMG, was not considered for work which might have compromised its ability to give independent opinion on the BBC's financial statements. Recruitment from KPMG into any senior management position in the BBC required the prior approval of the EAC. These arrangements will apply to Ernst & Young for the duration of their team as our external auditor.

Simon Burke
Chairman of the Executive Audit Committee
19 June 2014

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: although during 2013/14, up to 31 December 2013, there were only two non-executive directors sitting on the committee, these being Dame Fiona Reynolds (Chair), and Sally Davis (until December 2013) and one vacancy. Alice Perkins replaced Sally Davies on the EFTC in April 2014. The EFTC meetings are also attended by the Managing Director, Finance & Operations, Group General Counsel, Assistant General Counsel, Head of Fair Trading & Competition Law and the Director of Risk and Assurance. See page 94 for the Executive Board and Committee attendance table.

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 separately have been accredited with the ISO 9001:2008 quality standard. The auditor's report is set out on page 114.

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 BBC Worldwide and BBC Global News have met the above criteria for the period 1 April 2013 to 31 March 2014. In the case of BBC Studios and Post Production, the BBC Executive considers it appropriate to await the outcome of additional work reviewing the operations of BBC Studios and Post Production (which is currently being undertaken at the direction of the BBC Trust) which will help inform the Executive's view of BBC Studios and Post Production's compliance with the above criteria.

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

The BBC received one Fair Trading complaint during the year. Details of this complaint, and 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 Complaints and Appeals Board page: bbc.co.uk/bbctrust/our_work/complaints_and_appeals/cab.html



“The BBC has a responsibility to ensure that we trade fairly and pay regard to the impact of our activities on the wider market.”

Dame Fiona Reynolds

Report of the Chairman of the Executive Fair Trading Committee

As a public service broadcaster, funded by the licence fee, the BBC has a responsibility to ensure that we trade fairly and pay regard to the impact of our activities on the wider market. The BBC has a well-established Fair Trading regime which is subject to both internal and external scrutiny.

At a time of change, the Fair Trading team has worked closely with staff throughout the BBC to ensure that new internal processes and initiatives comply with Fair Trading requirements. In particular, the Fair Trading team was involved in the development of the BBC Store project in the lead up to gaining regulatory approval from the Trust in March.

This year there was one Fair Trading complaint. Following a response from the Executive Fair Trading Committee, the complainant appealed to the BBC Trust. The BBC Trust did not uphold the appeal but did direct the BBC Executive to re-examine its arrangements in the relevant business area and to report back to the Trust within six months. This is being taken forward by the Executive. It also tasked the Trust Unit with developing a plan with the Executive to improve processes as part of the Trust's forthcoming triennial review of its Fair Trading Policies and Framework.

In anticipation of this review, the Executive Fair Trading Committee has done some preparatory work to ensure that the Fair Trading regime remains up to date in the fast moving external environment, and that its processes are efficient and effective.

The Fair Trading regime continues to operate effectively with an unqualified audit opinion. The Committee will continue to ensure that the BBC's regulatory requirements are adhered to through an approach to compliance which is robust, efficient and proportionate. Fair Trading will also be kept 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, our Fair Trading obligations.

Dame Fiona Reynolds
Chairman of the Executive Fair Trading Committee
19 June 2014

Independent Fair Trading Auditors' report to the BBC for the year ended 31 March 2014

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 2014 ('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 2014, 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 2014. 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 in to 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 2014.

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 2014. 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 2014.

Deloitte LLP
Chartered Accountants
London
19 June 2014



Managing our finances

The BBC must account for how it responsibly uses the licence fee and other income

Review of the Managing Director, BBC Finance & Operations



“This year we have built on our impressive track record of delivering efficiencies whilst maintaining the production of outstanding programmes and services. The BBC is currently well placed to meet its targets as well as to continue to invest in its future.”

Anne Bulford

Delivering efficiencies whilst prioritising our most valued output

The BBC has just completed its fourth year with the colour licence fee at £145.50 and is in the middle of delivering a major efficiency project, Delivering Quality First (DQF), which is on track to deliver an annual total of £700million in annual recurrent savings. Staff across the BBC continue to work hard to deliver these efficiencies, which allows the BBC to fund a range of new obligations. This year has been one of a continued focus on successfully delivering efficiencies whilst ensuring our most creative outputs are prioritised.

In 2013/14, the BBC started to fund a number of new obligations from the licence fee, specifically Broadband rollout, S4C, Local TV and BBC Monitoring, at a combined cost of £250million. The delivery of the first £374million of the £700million DQF savings target has meant that these costs have been absorbed without the need to utilise the BBC's cash balances. As a result we start 2014/15 in a strong position with sufficient cash reserves to fund the World Service (at an annual incremental funding requirement of £245million from 1 April 2014) without compromising the quality or range of our output.

The delivery of these savings has also given the BBC the foundation from which to make a number of key strategic decisions this year for our licence fee funded activities, targeting increased investment in the strategic priorities announced by the Director-General in October 2014.

A track record of delivering efficiencies

DQF builds on the BBC's long track record of successfully delivering savings and meeting efficiency targets. Across our Value For Money (2005-2008) and Continuous Improvement (CI) (2008-2013) programmes, we delivered nearly £1billion of real terms recurring savings, and these have already been reinvested in our content and essential infrastructure. This has been achieved whilst maintaining focus on the quality of services provided, optimising value for money rather than simply maximising savings in order to become the cheapest provider.

CBeebies presenter Cat Carey



Cast of *Ambassadors*



2012/13 was the first year of our DQF programme, which has an annual savings target of £700million by 2016/17. We planned to achieve a significant proportion of the savings by this year and progress has been made with audited savings of £374million delivered. We are on track to achieve the full £700million by 2016/17.

We are doing this by taking advantage of new technologies and ways of working to reduce costs, increasing commercial income, and addressing concerns around talent costs and top management pay and expenses.

In delivering our savings we have sought to protect our production activities as much as we can. We have found productivity savings through the reprocurement of key supplier deals, by improving our asset utilisation and by controlling talent spend. We have exited both Television Centre and our White City building. We have streamlined our facilities management workflows and invested in new systems and processes to deliver savings in our Finance division.

Enhancing and simplifying our governance structure

As an organisation, we have demonstrated that we are able to optimise our cost base and deliver against efficiency targets set, however, we need to go further in order to be confident that the BBC is a well-run organisation. We recognise that there have been failures in the past, such as the Digital Media Initiative (DMI) and in the level of some individual severance payments made to former executives and senior managers.

We have learned lessons from these and made changes to our governance structures and processes to deliver a simpler, more creative BBC. Since April, we have implemented a new way of working with the BBC Trust with a clearer definition of individual responsibilities. The Trust is now focussed on challenging the strategy for the BBC and making sure we are answerable to licence fee payers whilst the Executive takes full responsibility for the running of the BBC. This means a reduction in meetings with fewer, but more effective updates to the Trust and ensuring the Executive Board are the key decision makers.

In addition, we have simplified our meeting structures to streamline decision making and reduce bureaucracy. As an organisation, we will be much clearer on how decisions are made and who in the organisation is accountable for them.

We now have in place a cap of £150,000 on all severance payments and have also removed pay in lieu of notice in all but the most exceptional of circumstances. Dame Fiona Reynolds, our Senior Independent Director, has reviewed our severance deals and her findings have been published online: bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/bbc_review_severance_payments_2013_14.html.

Breakdown of UK PSB Group expenditure 2013/14

	2013/14 £m	%	2012/13 £m	%
Service licences – direct content spend	2,315	61	2,443	64
Other direct content spend	91	3	87	2
Property and technology	271	7	357	9
Distribution	217	6	222	6
Other infrastructure and support	325	9	318	9
LF collection costs	102	3	111	3
Digital Switchover	7	–	57	1
Broadband rollout / S4C / Local TV	242	6	–	–
Costs to fund other income	230	6	232	6
Lease cost reclassified	(81)	(2)	(82)	(2)
Restructuring costs	10	–	23	1
Pension deficit payments	49	1	49	1
Total	3,778	100	3,817	100

Future challenges

The delivery of efficiencies, both through the ongoing DQF programme and the historical CI programme, means we start 2014/15 in a strong position with sufficient cash reserves to meet our immediate obligations. As an organisation however, we face new competitive pressures in an evolving media landscape and structural change in audience behaviour, and this means the BBC's strategic context is changing. We have set ourselves three overall goals to address these challenges and stay ahead of the trend:

- innovating online
- making the most creative content and
- serving all our audience

This will enable us to continue to build on our track record of delivering savings pushing both efficiency and creativity as hard as we can. We must, however, be mindful that given our constraints and financial risks, these savings alone cannot fully fund the investments needed and consequently, difficult decisions in relation to scope reductions have to be made. The most significant of these is the proposed move of the BBC Three linear channel to an online platform only, which will be subject to a public consultation in 2014, as part of a public value test undertaken by the BBC Trust.

Financial overview

How we use the licence fee

The way in which the BBC is funded places significant responsibilities on the BBC as an organisation. Specifically, it has to:

- provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC;
- ensure that its output is then delivered as cost efficiently as possible;
- ensure effective and efficient collection of the licence fee; and
- 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.

Adjustment to last years published results

Changes in accounting standards for pension costs mean our comparative figures have been restated this year. The change predominantly impacts the interest calculation on our plan assets and means that our previously reported surplus before taxation of £367million has reduced to £196million and the previously reported net liabilities position of £60million has improved to a net assets position of £40million.

Results for the year

Our results this year once again show that we have successfully managed the financial challenges facing us so as to ensure a sound base for meeting our future commitments and delivering our strategic ambitions. Disposal of commercial businesses including Lonely Planet mean total income for the year has fallen from £5,102million to £5,066million, but this was offset by lower overall operating costs resulting in group surplus of £154million for the year (2012/13 restated: £157million). Through our efficiency programmes and a step-down in activity following the London Olympics last year, our operating costs have fallen from £4,808million to £4,722million.

Summary consolidated income statement

For the year ended 31 March 2014

Income statement classification	What is it?	2014	Restated 2013	What has happened this year?
		£m	£m	
Licence fee income	The total of licence fees collected	3,726	3,656	Reduced Digital Switchover funding and limited household growth
Other income and revenue	Commercial (mainly BBC Worldwide) income and Grant-in-Aid for World Service	1,340	1,446	Fall in sales in Worldwide partially offset by Global News
Total income		5,066	5,102	
Operating costs	The cost of producing all content and of running the BBC	(4,722)	(4,808)	Fall reflecting additional cost of Olympics last year
Exceptional impairment of tangible and intangible assets	One-off significant item	–	(52)	Prior year write off of DMI
Restructuring costs	Sums provided to fund future efficiency initiatives	(16)	(44)	Release of accounting provision in 2013/14 as a result of lower actual restructuring costs than originally budgeted for completed moves
Total operating costs		(4,738)	(4,904)	
Share of results of associates and joint ventures	Our share of the profit of the businesses where we control less than 50%	23	23	
Gain on sale of operations and disposal of fixed assets	Profit on asset disposals	4	111	Profit last year principally from the sale of Television Centre and Lonely Planet
Other gains and losses	Share of net liabilities of joint ventures	(17)	–	The BBC's accounting share of the net liabilities of UKTV not previously recognised
Net financing costs	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	(149)	(136)	Higher accounting charge for the BBC pension plan liabilities
Tax	The net tax liability of the BBC on its taxable profits	(35)	(39)	
Group surplus for the year		154	157	

Due to the adoption of IAS 19 (revised) during 2014, the 2013 comparatives have been restated. Further information is available in the financial statements.

Income

Total licence fee income collected increased by £16million from £3,706million to £3,722million as a result of modest household growth.

Licence fee income is adjusted for the costs of the Digital Switchover (DSO) initiative to give net licence fee income. In the year, net licence fee income increased by £70million to £3,726million. 2012/13 was the final year of DSO, although there was some limited ongoing activity this year where none was originally scheduled. Savings against DSO funding are paid over to the Government, and deducted from our income. In 2012/13 the savings amounted to £50million with a £4million carry over of cost into 2013/14.

	2013/14 £m	2012/13 £m
Licence fee collected	3,722	3,706
DSO overspend/(savings)	4	(50)
Net licence fee	3,726	3,656

Licence fee collection

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

Collection costs have reduced as the new contract with Capita continues to deliver savings – costs were £102million this year, down from £111million last year, falling below 3% of licence fee collected for the first time. Total cost savings of £220million will be delivered over the eight years of the contract, which started in 2012, releasing funding to be spent on our programmes and services.

CBBC's *My Life Race for Rio* featuring Reece, Hattie and Julia who are all trying to win a place in the Paralympics



Licence fee statement

As in previous years, we also prepare a licence fee revenue statement audited by the National Audit Office (NAO). This account sets out the amounts we collected in the year and paid over to HM Government. 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 and BBC Studios and Post Production (S&PP).

	Headline income		Headline result	
	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m
UK PSB Group	269	277	n/a	n/a
BBC Worldwide	1,042	1,116	157	156
BBC Global News	101	92	(7)	(1)
S&PP	29	38	(3)	(1)

Cast of *WIA* inside New Broadcasting House



BBC Worldwide

BBC Worldwide exists to support the BBC public service mission and to maximise income to the Group on its behalf. It returned £174million to the BBC in 2013/14, up from £156million in 2012/13. This was primarily through investment in BBC commissioned content and dividends. Returns from BBC Worldwide to the BBC support an ongoing commitment to manage financial performance sustainably, protecting the interests of licence fee payers.

Despite mixed market conditions and a significant adverse impact from foreign exchange, BBC Worldwide's overall financial performance was good. Headline sales of £1,042million (2012/13: £1,116million) declined by 7% (or 5% after adjusting for exchange rate movements), principally due to disposals and a new intra-BBC revenue share arrangement for BBC.com. Headline profit of £157million (2012/13: £156million) was up 1% (or 12% if exchange rate movements are discounted), with headline operating margin improving to 15% (2012/13: 14%). Revenue growth was strongest across sales to digital clients, advertising sales and in emerging markets. BBC Worldwide's best performing programme in the year was *Sherlock* Series 3. The *Doctor Who* 50th anniversary episode was also a global highlight, transmitting in 15 languages in 98 countries, with 3D screenings in 23 countries, and generating unprecedented interest amongst fans across the world.

BBC Worldwide entered a new phase this year, with a new organisational structure and a new strategy. BBC Worldwide's ambition is to grow the BBC brand around the world, increasing its global presence and future profitability, resulting in sustainable and rising returns to the BBC and the UK creative industry. BBC Worldwide announced that it will concentrate on three core areas: increasing spend on and delivering value from content, developing and rolling out a focused portfolio of new global BBC genre brands and consolidating global digital services.

In its first year, the new BBC Worldwide strategy showed good signs of progress:

- content investment was £201million (2012/13: £176million), reaching BBC Worldwide's target of £200million one year early. It continued to invest in the core BBC genres of drama, natural history and factual entertainment. Major investments included *Atlantis*, *Doctor Who*, *Orphan Black*, *The Musketeers* and *Hidden Kingdoms*.
- three new global genre brands were announced by BBC Worldwide: BBC First, BBC Earth and BBC Brit. Each will showcase premium content from the three core genres of, respectively, drama, premium factual and factual entertainment. Plans for a mix of linear and over the top launches in lead markets in the new financial year, prior to wider roll out, are underway.
- in digital, regulatory approval was received for the launch of BBC Store, to be funded and operated by BBC Worldwide. BBC Store will launch in the UK next year. Meanwhile, BBC Worldwide announced plans for a series of investments in BBC.com, and the end of the pilot of its Global BBC iPlayer app, as it focuses on the BBC.com site. This will help support the BBC in achieving a global reach of 500 million per week by 2022.

The business moved to regional operation at the start of the year, further increasing its focus on international markets. Successful international expansion included the launch of new channels, with BBC Knowledge marking a debut in Vietnam, as well as a Memorandum of Understanding signed with China's state broadcaster CCTV for the development of natural history titles.

BBC Worldwide is also an important source of revenue for UK independents, and in the year paid £116million (2012/13: £91million) to independent rightsholders in upfront rights investment, profit share and royalties – the vast majority of which was in the UK.

The Queen behind the screen of the BBC newsroom at the Royal opening of New Broadcasting House



BBC Global News

BBC Global News operates two commercially funded international news services, BBC World News and bbc.com, and saw a strong increase in use of its services during 2013/14. Digital reach for News content was up 25%, with bbc.com achieving a record 1.3 billion page views in March from 96 million unique browsers, whilst TV distribution increased to 388 million households. BBC Global News services were the main driver of increased audiences to the BBC's World Service Group: the total weekly audience grew from 256 million to 265 million. The business has continued to nurture key on-screen talent, and seen great success in the social media arena as BBC World News has welcomed its five millionth Facebook fan and been identified as the most shared news brand on Twitter. As a result of the business' continued planned investment programme, building on the relaunch of the BBC World News Channel in January 2013, the business returned an operating loss close to plan of £7million in 2013/14 (2012/13: loss of £1million).

Studios and Post Production

It has been a transformational year for Studios and Post Production (S&PP), moving from its historic home at Television Centre and successfully establishing operations at new core locations – Elstree Studios and South Ruislip – whilst new studios are being built at Television Centre.

The company delivered an impressive range of creative projects for numerous broadcasters, media companies and content owners – including full studios and post production services on *Strictly Come Dancing*, *EastEnders*, *Children in Need* and Channel 4's Winter Paralympics. It hosted a variety of independent productions including Sky's *A League of Their Own* and ITV's *The Chase* and built new production facilities for Channel 4's *Deal or No Deal* in Bristol. In addition, BBC S&PP's award winning Digital Media Services team digitally restored the original black and white televised film footage of the Queen's Coronation and cult classic *The Professionals*, as well as completing many other media handling projects.

Whilst the company has achieved £29million in sales from its new locations and smaller studio footprint, it has delivered an operating loss of £3million for the year against a £1million operating loss the previous year (after accounting for BBC pension deficit contributions but before exceptional items). A level of loss was always budgeted for this year of relocation and changing operations and is being funded through S&PP cash reserves which were retained in anticipation.

Radio 5 live commentators Jonathan Agnew and Geoffrey Boycott at the Old Trafford Ashes Test, July 2013



BBC Two drama *Line of Duty*



Expenditure

UK Public Services Broadcasting (UK PSB) Group expenditure

2014 Service	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	Total £m	2013 Total £m
BBC One	1,023.7	51.0	236.4	–	1,311.1	1,463.2
BBC Two	400.0	28.8	93.0	–	521.8	543.1
BBC Three	81.0	5.9	22.4	–	109.3	121.7
BBC Four	48.9	4.3	12.7	–	65.9	70.2
CBBC	76.1	5.5	19.3	–	100.9	108.7
Cbeebies	28.7	4.6	9.3	–	42.6	43.0
BBC ALBA	5.2	1.3	1.5	–	8.0	7.8
BBC News Channel*	48.7	8.0	9.5	–	66.2	61.5
BBC Parliament	1.7	7.2	1.5	–	10.4	10.5
BBC Red Button	13.5	21.9	4.1	–	39.5	41.8
Television	1,727.5	138.5	409.7	–	2,275.7	2,471.5
BBC Radio 1	40.2	5.8	6.8	–	52.8	54.2
BBC Radio 2	47.8	5.7	7.3	–	60.8	62.1
BBC Radio 3	40.8	5.8	10.1	–	56.7	54.3
BBC Radio 4	91.8	9.0	19.8	–	120.6	122.1
BBC Radio 5 live	49.2	5.7	11.6	–	66.5	76.0
BBC Radio 5 live sports extra	2.4	1.4	1.4	–	5.2	5.6
BBC Radio 1Xtra	5.6	1.6	2.6	–	9.8	11.8
BBC Radio 6 Music	7.9	1.6	2.5	–	12.0	11.5
BBC Radio 4 extra	4.1	1.6	1.7	–	7.4	7.2
BBC Asian Network	6.6	1.8	2.4	–	10.8	13.0
BBC Local Radio	115.4	10.8	23.4	–	149.6	152.5
BBC Radio Scotland	22.6	3.2	6.4	–	32.2	32.7
Radio nan Gàidhail	3.8	1.4	1.0	–	6.2	6.3
BBC Radio Wales	13.4	1.4	3.8	–	18.6	18.8
BBC Radio Cymru	11.7	1.6	3.5	–	16.8	17.6
BBC Radio Ulster/BBC Radio Foyle	17.4	1.3	4.9	–	23.6	23.8
Radio	480.7	59.7	109.2	–	649.6	669.5
BBC Online**	106.5	18.8	49.1	–	174.4	176.6
Spend regulated by service licence	2,314.7	217.0	568.0	–	3,099.7	3,317.6

Total UK PSB Group expenditure

2014 Service	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	Total £m	2013 Total £m
Spend regulated by service licence	2,314.7	217.0	568.0	–	3,099.7	3,317.6
Licence fee collection costs	–	–	–	102.1	102.1	111.1
Orchestras and performing groups	22.8	–	5.1	–	27.9	29.2
S4C	23.4	–	5.7	76.3	105.4	30.0
Development spend	45.2	–	10.0	–	55.2	50.5
BBC Monitoring	–	–	–	7.2	7.2	–
UK PSB Group pension deficit reduction payment	–	–	–	48.6	48.6	48.6
Costs incurred to generate intra-group income	–	–	–	169.3	169.3	164.8
Costs incurred to generate third-party income	–	–	–	60.6	60.6	67.4
Other content related spent	91.4	–	20.8	464.1	576.3	501.6
Restructuring costs	–	–	–	9.6	9.6	23.1
Total UK PSB Group content expenditure	2,406.1	217.0	588.8	473.7	3,685.6	3,842.3
Digital Switchover (Digital UK Limited)	–	–	–	–	–	12.5
Digital Switchover (DSHS Limited)	–	–	–	7.2	7.2	44.4
Local TV ***	–	–	–	16.0	16.0	–
Broadband rollout****	–	–	–	150.0	150.0	–
Total UK PSB Group expenditure	2,406.1	217.0	588.8	646.9	3,858.8	3,899.2
Lease reclassification****	–	–	–	(81.0)	(81.0)	(81.9)
UK PSB Group expenditure	2,406.1	217.0	588.8	565.9	3,777.8	3,817.3

* Included within BBC News channel are production costs of £26.8million, Newsgathering costs of £21.2million and other costs of £0.7million (2013: production costs of £27.2million, Newsgathering costs of £17.8million 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 annexe was: News, Sport & Weather £47.8million (2013: £43.8million), Childrens £9.3million (2013: £8.5million), Knowledge & Learning £15.7million (2013: £18.7million), TV & iPlayer £11.1million (2013: £12.2million) and Audio & Music £11.7million (2013: £13.3million), giving a total annexe spend of £95.6million (2013: £96.5million). Non-annexe spend was £10.9million (2013: £6.5million).

*** Under the terms of the latest licence fee agreement, The BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels.

**** 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:

	2014 £m	2013 £m
Property	141.2	181.6
HR and training	38.6	45.4
Policy and strategy	9.1	12.0
Finance and operations	70.3	67.7
Marketing, audiences and communication	71.9	68.7
Total central costs	331.1	375.4
Technology	130.3	175.1
Libraries, learning support and community events	32.0	33.6
Divisional running costs	62.7	64.5
BBC Trust Unit	12.0	11.9
Other	20.7	14.9
Total infrastructure/support costs	588.8	675.4

World Service

2013/14 was the final year of Foreign & Commonwealth Office (FCO) funding for the World Service prior to becoming licence fee funded. As well as delivering planned savings of £12million in the year a further reduction in Grant-in-Aid income of £2million on £240million from the FCO was mitigated by savings in restructuring costs and accommodation spend.

After its move to New Broadcasting House last year and its co-location with BBC News teams, the organisation will continue to pursue building synergies and therefore savings with the wider BBC.

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. Year-to-year spend can vary significantly because of the cycle of major sports events, and total content spend reduced by 4.9% to £2,406million (2012/13: £2,530million) this year which was largely due to additional investment in our coverage of the London Olympics last year.

No service licences spent above the regulated baseline threshold during 2013/14. BBC Parliament service licence was the only service to underspend by more than 10% as it delivered additional efficiency savings, especially in its overheads, without compromising editorial performance.

The BBC must invest in technology and property infrastructure to enable new ways of working which will deliver both enhanced content and financial efficiency savings to fund the BBC's DQF strategy. Last year the write down of DMI increased our expenditure for these two areas to £357million, and expenditure this year is lower at £271million. This is to be expected given the historical spend on technical infrastructure in MediaCity UK and in New Broadcasting House, the financial benefits of which continue to be seen. Our expenditure on all infrastructure and support costs reduced by nearly 13% this year, as it fell from £675million to £589million. An analysis of these costs are set out in the table on page 123.

Delivering efficiencies

Halfway through the DQF programme, more than half of the savings target of £700million has been delivered with savings to date of £374million, higher than our targeted figure for this point of £367million.

Our annual savings achievement is reviewed by our auditors, KPMG LLP. It will also be examined by the NAO in 2014/15 following up on their report, of November 2011, which commended the way the BBC manages the delivery of efficiencies.

We are doing this by taking advantage of new technologies and ways of working to reduce costs, reprocuring key contracts, increasing commercial income, and addressing concerns around talent costs and top management pay and expenses. Throughout our efficiency programmes, there has been particular focus on rationalising and modernising our operating estate which will continue as part of DQF.

We have sought to protect our production activities as much as we can, but we have found productivity savings in Television by reviewing procurement deals, by improving our asset utilisation and by controlling talent spend. We have also mitigated the impact of inflationary increases in our long-term sports rights deals.

We have placed particular emphasis on finding savings in those of our activities that do not directly face our audiences. We have re-procured our security contracts, and exited both Television Centre and our White City building. We have also put new rosters and supplier management arrangements in place to streamline our Facilities Management workflows and eliminate duplication, and we have reviewed our Marketing and Audience activities. We have invested in new systems and processes to reduce headcount in our Finance division.

The speed of delivery of our plans for West London, as well as the redevelopment of Television Centre, both carry a level of risk. However, we are still on track to deliver the remaining savings by 2016/17.

All 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 range of services they are entitled to expect from the BBC into the foreseeable future.

Balance sheet

Prudent financial management means we have ended the year with £526million of cash and cash equivalents. This provides a sound base as we absorb World Service's running costs in 2014/15 and deliver on our other strategic ambitions. The provisions we hold for restructuring costs have fallen to £54million (2012/13: £81million) as provisions raised predominantly in 2012/13 were utilised in 2013/14.

The rationalisation of our estate has continued this year, and will continue in future years as we exit White City and refurbish Television Centre. This is reflected in lower plant, property and equipment values and higher depreciation charges outweighing additions in the year.

Future pension costs

The accounting pension deficit (as defined by IAS 19) has reduced to £1,516million compared to £1,617million a year ago. The major reasons for the reduction is the payment of additional amounts under the agreed pension deficit recovery arrangement as well as changes in the valuation assumptions. The accounting valuation is only a 'snapshot' at a particular date in time, and is therefore sensitive to short-term market fluctuations.

The most recent actuarial valuation was completed in 2013 and showed a funding shortfall of £2,054million and a plan has been agreed between the BBC and the pension scheme Trustees detailing the contribution amounts to be paid by the BBC over a 12-year period commencing in 2014. The next formal actuarial valuation of the Scheme is expected to be performed as at 1 April 2016. We are continuing to look at ways to reduce the volatility in the Scheme to provide greater stability for long-term financial planning. We believe the agreed funding plan represents a sensible and affordable plan to address the deficit, without adversely affecting programmes or pension scheme members. We will continue working with the Trustees to ensure the Scheme delivers best value to members and licence fee payers.

Summary consolidated balance sheet

For the year ended 31 March 2014

Balance sheet classification	What is it?	2014	Restated	What has happened this year?
		£m	2013 £m	
Non-current assets	Mainly the BBC's property, plant, equipment and investments	1,702	1,783	Increased depreciation on new infrastructure offset by additions in the year
Current assets	Programme and other stocks and amounts to be received in the next 12 months	2,258	2,166	Increase in prepayments to acquire future programme-related rights
Current liabilities	Amounts to be paid in the next 12 months	(1,038)	(1,149)	Reduction in provisions through utilisation and releases
Non-current liabilities (excluding pension liabilities)	Amounts to be paid after the next 12 months	(1,098)	(1,144)	Reduced borrowings and long-term provisions
Net assets (excluding pension liabilities)		1,824	1,656	
Net pension liabilities	The net deficit of the BBC Pension Scheme	(1,516)	(1,616)	Decrease to reflect changes in assumptions and contributions paid during the year
Net assets		308	40	
Represented by:				
BBC reserves	The net resources available to the BBC for future use	308	40	

Cash

The BBC's cash balance of £526million at the end of the year will be used to help fund a number of imminent financial pressures and, together with future efficiency savings, deliver our Strategic Initiatives. These include:

- the new obligations for World Service in 2014/15 of £245million;
- the continuing obligations for S4C, Local TV and Broadband, budgeted in aggregate at £230million in 2014/15;
- circa £103million of spending on our Strategic Initiatives including iPlayer+, myBBC, increased investment in the arts and our television drama portfolio; and
- the next annual pension deficit recovery payment (£100million).

Tax

The BBC is a committed and prudent tax payer in all the countries in which it operates. Its commercial operations undertake appropriate and legitimate tax planning measures in accordance with the spirit and intention of all laws and regulations.

Summary consolidated cashflow statement

For the year ended 31 March 2014

Cash flow classification	What is it?	2014 £m	2013 £m	What has happened this year?
Net cash inflow from operating activities	Surplus of the BBC's income over its operating costs	336	338	
Net cash used in investing activities	Cash invested in intangible assets and property, plant and equipment (PPE)	(243)	(40)	Higher intangible asset purchases in the current year exacerbated by higher proceeds from property, plant and equipment disposals last year
Net cash used in financing activities	Net interest paid on the BBC's borrowings	(136)	(129)	
Net (decrease)/increase in cash and cash equivalents		(43)	169	
Cash and cash equivalents at the beginning of the year	The BBC's cash balance at the beginning of the year	575	407	
Effect of foreign exchange rate changes on cash and cash equivalents	The impact of foreign exchange rates on the BBC's cash	(6)	1	Adverse movements in exchange rates impacting the sterling value of our cash
Movement in cash held as restricted funds	DSO savings to be paid over to DCMS or received for Licence Fee stamps	–	(2)	
Cash and cash equivalents at the end of the year	The BBC's cash at the end of the year	526	575	

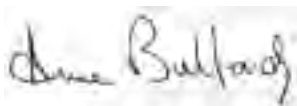
Looking forward

As we head into the Charter Review process we face a challenging three years. In addition to delivering our DQF strategy, our strategic context is changing as we respond to pressures from new competitors and structural changes in audience behaviour.

Although there are signs of recovery in the UK economy, we continue to see ongoing challenges in licence fee collection and strong commercial pressures from global competitors.

Our financial management has provided us with a solid base with which to face these future challenges which will be further boosted as we build on our track record of delivering efficiencies. We must, however, be mindful that given our constraints and financial risks, we cannot deliver these ambitions through efficiencies alone and we will have to make scope reductions.

This is my first review as Managing Director of Finance and Operations and I look back on my first year as one where we have continued to produce outstanding programmes and services whilst building on our impressive track record of delivering efficiencies. Delivery of all our savings targets by 2016/17, to enable us to deal effectively with 26% lower funding in real terms for our UK public services caused by the freeze in the licence fee and all the new obligations, whilst continuing to invest in the future of the BBC, is a very tough challenge requiring difficult choices. We have made good progress to date and remain on track to meet our targets.



Anne Bulford
Managing Director, BBC Finance and Operations
19 June 2014

BBC Two's *Peaky Blinders* won the BAFTA Television Craft award for Director – Fiction



BBC Natural History Unit production *Beyond Human*



Summary financial statement

The summary financial information comprises the BBC's summary income statement on page 118, summary balance sheet on page 125 and summary cash flow statement on page 126. These include the key headline data from the full annual financial statements which are available online in the download centre at: bbc.co.uk/annualreport

The summary financial information presented within Part Two of the BBC's Annual Report does not constitute the full financial statements of the BBC for the financial years ended 31 March 2014 and 2013 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the BBC as the full annual financial statements.

The independent auditor of the BBC, KPMG LLP, has issued an unqualified audit opinion on the full financial statements for the years ended 31 March 2014 and 2013.

Statement of the Executive Board's responsibilities in respect of Part Two of the BBC's Annual Report and summary financial information

The Executive Board has accepted responsibility for preparing Part Two of the BBC's Annual Report and the summary financial information included therein. The summary financial information is intended by the Board to be consistent with the full annual financial statements of the Corporation.

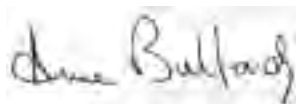
In considering the consistency of the summary financial information with the full annual financial statements, the Executive Board has elected to:

- use headings and sub-totals in the summary income statement, summary balance sheet and summary cash flow statement that include, as a minimum, the headings and sub-totals shown in bold type in the corresponding primary statements in the full annual financial statements;
- include a brief description of the respective headings;
- ensure that the amounts reported in the summary financial information agree with the corresponding amounts reported in the full annual financial statements;
- include the comparative amount for the immediately preceding financial year for all amounts reported in the summary financial information;
- include an explanation of "what has happened in the year" reflecting the main transactions and events reported in the full annual financial statements as they affect the respective heading; and
- include any other information necessary to ensure that the summary financial information is consistent with the full annual financial statements for the financial year in question.

The summary financial information, the Strategic report and Governance and finance report (including Executive remuneration report) was approved by the Executive Board and signed on its behalf on 19 June 2014 by:



Tony Hall
Director-General



Anne Bulford
Managing Director, BBC Finance and Operations

Auditor's report

Independent statement of KPMG LLP to the British Broadcasting Corporation

We have examined the summary financial information of the British Broadcasting Corporation ('the BBC' or 'the Corporation') for the year ended 31 March 2014 which comprises the Consolidated income statement on page 118, the Consolidated balance sheet on page 125 and the Consolidated cash flow statement on page 126 of Part Two of the BBC's Annual Report.

This statement is made solely to the Corporation on terms that have been agreed with the Corporation. Our work has been undertaken so that we might state to the Corporation those matters we have agreed to state to it 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 Corporation for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and KPMG LLP

As explained more fully in the Statement of Executive Board Responsibilities on page 128, the Executive Board have accepted responsibility for preparing the summary financial information within Part Two of the BBC's Annual Report which are intended by them to be consistent with the full annual financial statements of the Corporation.

Our responsibility is to report to the Corporation our opinion on the consistency of the summary financial information within Part Two of the BBC's Annual Report with the full annual financial statements of the Corporation.

Basis of opinion

Our examination of the summary financial information consisted primarily of:

- agreeing the amounts and disclosures included in the summary financial information to the corresponding items within the full annual financial statements of the Corporation for the year ended 31 March 2014, including consideration of whether, in our opinion, the information in the summary financial information has been summarised in a manner which is not consistent with the full annual financial statements of the Corporation for that year; and
- considering whether, in our opinion, information has been omitted that it is necessary to include to achieve consistency with the full annual financial statements of the Corporation for the year ended 31 March 2014.

We also read the other information contained in Part Two of the BBC's Annual Report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial information.

This engagement is separate from the audit of the annual financial statements of the Corporation and the report here relates only to the consistency of the summary financial information with the annual financial statements and does not extend to the annual financial statements taken as a whole.

As set out in our Audit report on those financial statements, that Audit report is made solely to the BBC's Trustees on terms that have been agreed. Our audit work has been undertaken so that we might state to the BBC's Trustees those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to the Remuneration reports and reporting on Corporate Governance, those matters that we have agreed to state to them in our report, 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 that audit work, for the Audit report, or for the opinions we have formed in respect of that audit.

Opinion on summary financial information

On the basis of the work performed, in our opinion the summary financial information is consistent with the full annual financial statements of the Corporation for the year ended 31 March 2014.



Jonathan Downer
For and on behalf of KPMG LLP, Chartered Accountants
15 Canada Square, London E14 5GL
19 June 2014

Glossary

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

Acquired programmes

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

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If you wish to find out more about the BBC's full-year performance to March 2014 – 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.

Contact us

If you have a comment, appreciation or complaint about BBC programmes and services, contact: bbc.co.uk/feedback or write to:

BBC Audience services, PO Box 1922, Darlington DL3 0UR

Comment line telephone: 03700 100 222

Other queries telephone: 03700 100 123

Textphone: 03700 100 212

BBC Trust

1st floor, 180 Great Portland Street, London W1W 5QZ

Email: trust.enquiries@bbc.co.uk

Website: bbctrust.co.uk

BBC information line: 03700 103 100

Textphone: 03700 100 212

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Filming the BAFTA award winning BBC One drama
'Last Tango in Halifax'

Inside front cover

'Today' presenter Mishal Husain

Part One cover

6 Music Festival in Manchester

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Inside New Broadcasting House

Understanding Audiences

6 Music Festival in Manchester

Inside the Trust

Trust Boardroom at 180 Great Portland Street

Part Two cover

Andy Murray holds the trophy aloft after winning
Wimbledon 2013

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BBC World Service Freedom Live Day. 1 April 2014

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Matthew Rhys and Anna Maxwell Martin starred in
the BBC One drama 'Death Comes To Pemberley'



British Broadcasting Corporation
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bbc.co.uk
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