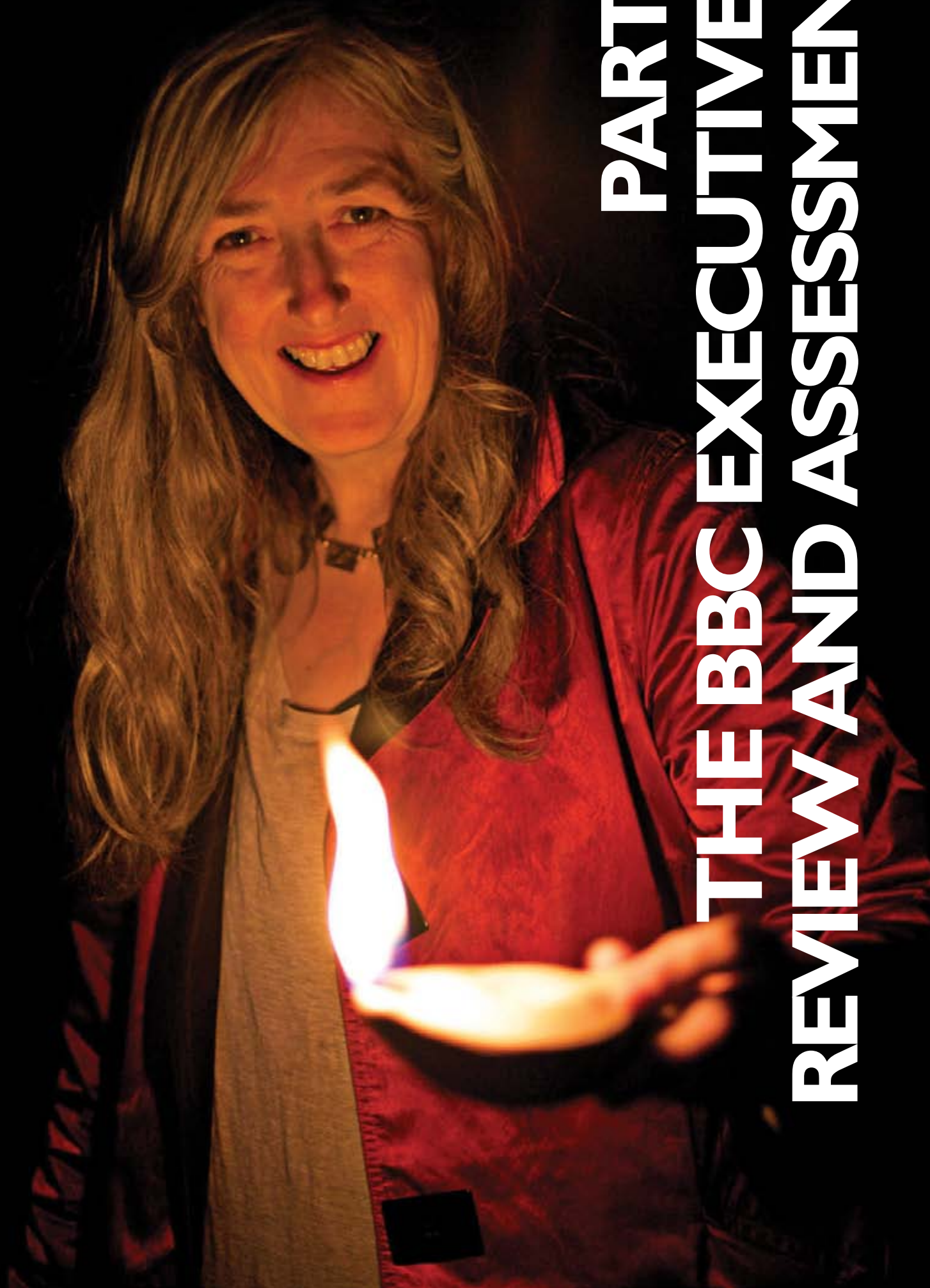


B B C

PART 2
THE BBC EXECUTIVE'S
REVIEW AND ASSESSMENT



Part 2

BBC Executive

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Front cover: In BBC Two's *Pompeii: Life and Death in a Roman Town*, Cambridge professor Mary Beard provided insight into the lives of the people who lived in the shadow of Mount Vesuvius before its cataclysmic eruption.

Director-General's introduction



A few evenings ago, I sat and watched the first part of the BBC Three documentary series *Our War* with my own teenage children. It was exhilarating, disturbing, heartbreaking. And utterly gripping. It characterised much of the best of what the BBC achieved last year.

It told the story of ordinary British soldiers' experiences of the Afghan war in their own words and through images recorded by them with helmet cameras.

At work the following morning, I learned that *Our War* had not just achieved the second highest ever score for quality for any BBC factual programme, but that it had been watched by a large, very young and diverse audience – including people of similar ages and backgrounds to the young men and women who are fighting for this country in Afghanistan, people who seldom, if ever, watch *Panorama*, *Newsnight* (or Sky News or ITN for that matter) and who never read a serious newspaper.

To me, this commitment – not just to 'preach to the choir', but to put serious, engaging journalism, knowledge, culture in front of everyone, including those who may not feel a natural appetite for it, and to make it so compelling and inspiring that it becomes unmissable – is at the heart of what it means to be a public service broadcaster.

It was an outstanding year for science programmes – and not just on BBC Radio 4 and BBC Four. Brian Cox introduced broad audiences to the wonders both of the solar system and universe on BBC Two, while *Bang Goes The Theory* brought serious science to a mass viewership on BBC One. *A History of the World in 100 Objects* was a phenomenon on BBC Radio 4, but with expressions and extensions on CBBC, BBC Local Radio and of course on our website, the partnership with the British Museum being just one of a growing set of links between the BBC and other cultural institutions. Opera on the BBC – another big initiative in 2010 – meant not just Tony Pappano's magnificent *Opera Italia*, but Stephen Fry on Wagner.

The BBC Proms had what for me was the most ambitious and exciting season for many years while drama on television enjoyed creative success across a very broad front: from Stephen Moffat's *Sherlock* to the unforgettable *Five Daughters* – an outstanding example of brave commissioning, writing and production being rewarded by a matching commitment from the audience. It was an extraordinary year for international news with the Japanese tsunami, events in the Middle East,

and the death of Osama Bin Laden. Our journalists have risen to each challenge, sometimes sacrificing sleep and personal safety to do so.

Audience performance and approval has been strong, with further growth for many digital services, but of course not everything has gone right. In addition to occasional creative misfires, the Miriam O'Reilly case was a reminder to the whole BBC of our duty to reflect, on-air and in all our employment practices, every part of the society we serve, irrespective of age, ethnicity or anything else. In 2011 and beyond, we need to demonstrate that we have learned both the specific and the more general lessons from the case.

There were big events behind the scenes over 2010/11 as well, above all a licence fee settlement completed in record time last autumn. The settlement gives the BBC certainty over its funding for many years and will help us plan the future of our services with real confidence. But, in common with every other public cultural organisation, the settlement means the need to find savings and to make difficult choices. In 2010, we took significant steps to prioritise spend on content and services, reducing senior management pay and numbers and top talent fees, and making many other savings. This year we will take that agenda to the next stage as part of a comprehensive plan for the BBC between now and the end of our Royal Charter in 2016.

We are hard at work on this plan right now. Inevitably, there are many difficult questions and trade-offs to work through. We know, however, that both our governing body, the BBC Trust, and the British public will want to ensure that the commitment to quality and originality which marked the best of 2010/11 will guide all our decisions about the future. Now more than ever, we are determined to put quality first.

Mark Thompson
Director-General

23 June 2011

Understanding the BBC's finances

The BBC creates, commissions and broadcasts more hours of original television and radio programming than any other broadcasting organisation – the vast majority of it produced in the UK.

Across all our activities, the BBC's single vision is to be the most creative organisation in the world and enrich people's lives with programmes and services of high quality, originality and value that inform, educate and entertain.

BBC Group

BBC World Service

£299m

Grant-in-aid subscription income

BBC World Service first broadcast news and information to the world via radio in 1932. Today, the original radio service has been enhanced with TV and online.

Last year over 240 million people across the world turned to the BBC for impartial and independent news, analysis and information.

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

Looking ahead

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

In January we announced cuts to some language services and radio broadcasts, including the closure of five language services (with the approval of the Foreign Secretary).

Commercial operations

£206m

Combined profit before tax

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

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

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

Looking ahead

The BBC's commercial operations are not exempt from our public mission. Following a review of the mandate, strategy and governance arrangements for BBC commercial activity, initiated by the BBC Trust, changes in how BBC Worldwide in particular should operate were announced in September 2009.

Since then, BBC Worldwide has been working to realign its activities more clearly on securing value from the BBC's existing intellectual property and brands – and so best serve the interests of licence fee payers.

Licence fee funded services

£3,513m

Licence fee income

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

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

Looking ahead

The new licence fee settlement means that the annual cost per licensed UK household will be held at just under 40p per day – but for that the BBC will additionally have to pay for BBC World Service and BBC Monitoring, establish a partnership fund for up to 20 new local television services (as much as an initial £25million in 2013, and £5million per annum in subsequent years), and establish a new partnership model for Welsh language TV service S4C (contributing £76million each year in 2013 and 2014, with future funding levels not yet set).

Further efficiencies will be sought on top of nearly £1billion saved since 2008.

A new settlement

A new six-year licence fee settlement was agreed in October last year.

At the same time, we were conducting an update of an independent report from Deloitte that assessed the economic impact of the BBC in 2008/09. The BBC update used the same methodology and, in March, reported that the licence fee, and how the BBC spends it, remains a cornerstone of the UK's creative economy.

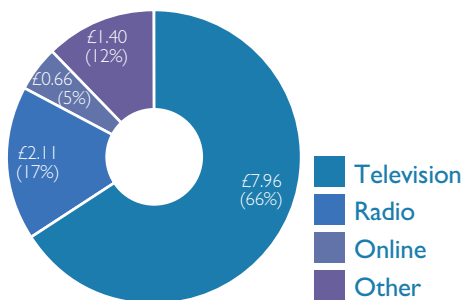
In a tough economic climate, the licence fee has a strong stabilising effect, and for smaller businesses and independent producers the security of BBC funding, sometimes over many years, can be key to survival and success.

The BBC report concluded that the BBC made an economic contribution to the UK economy in 2009/10 of at least £8.1 billion (up 5.6% from the £7.6 billion value recorded in the previous review), meaning that over £2 of economic value is generated by every £1 of the licence fee. We aim to continue to deliver an economic value of at least twice the value of the licence fee in the future, spreading the value across the UK.

We will repeat this exercise every two years and report publicly on our success in meeting this target. To read the 2008/09 and 2009/10 reports visit www.bbc.co.uk/aboutthebbc/reports/.

This year the licence fee was £145.50. This is how it was spent:

Monthly charge per licence fee



Delivering value

Everyone in the UK who watches or records TV as it is broadcast needs to be covered by a TV licence. This includes TV on computers, mobile phones, DVD/video recorders and other devices. In parallel with the Government's Comprehensive Spending Review, a new six-year licence fee settlement was agreed with the Secretary of State in October last year, in effect freezing the licence fee at the 2010 level of £145.50 until the end of the current BBC Royal Charter period – the equivalent of just under 40p per current licensed household per day.

Licence fee rates across Europe £ 2010/11

316.27	Switzerland*
273.48	Norway*
265.11	Denmark*
227.42	Austria*
210.41	Finland
199.19	Sweden
185.36	Germany
145.50	UK
137.45	Republic of Ireland
103.95	France
94.93	Italy*
74.24	Czech Republic

Envy of the world

Website www.proudofthebbc.com, related Twitter #proudofthebbc and comedian Mitch Benn's musical offer on YouTube – over 127,000 views and still growing – all launched in October when the government announced that the licence fee would be part of its Spending Review. They each continue to garner visitors from across the globe, and generate overwhelmingly positive comments.

Source: Broadcasting Fee Association. All licences run for a calendar year except the UK which runs from 1 April to 31 March. Euro exchange rate used as of 1 January 2011 (£1=€1.17). Cost is total per licence to domestic customer for TV and radio. Marked * includes VAT.

BBC spend in creative economy £m

Year	Independent programmes transmitted	External programme facilities and resources	Acquired programmes transmitted	Artists, contributors and copyright	BBC performing groups	Total
08/09	434	266	101	305	23	1,129
09/10	440	237	93	299	24	1,093
10/11	467	230	77	289	24	1,088

Investing in the best of British

The cumulative impact and spending power of over 20 million television licences can deliver more than content alone. As well as over 17,000 in-house staff, we are able to give work to 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.

Performance by service

Network television



BBC One is the UK's most popular television channel, with the broadest range of quality programmes of any UK mainstream network. An HD simulcast of network BBC One, with most peaktime programmes in HD, launched in November.



BBC Two brings programmes of depth and substance to a broad audience. It originates the greatest amount and range of factual programming of all BBC TV channels, combined with distinctive arts, comedy and drama.



BBC Three is dedicated to innovative British content and talent. The channel aims to provide a broad mix of programmes aimed primarily at younger audiences.



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



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



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



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



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

	Content £m	Reach %	Time spent watching a channel each week hours:mins	Appreciation index by service %	Costs per User Hour p
	We spent a total of £1,801.3million on content for these services last year	UK population who use service each week	Length of time the average viewer spent each week with the channel	Aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users
BBC One	1,130.9 (1,113.1)	78.8 (77.3)	07:25 (07:11)	81 (81)	6.4 (6.7)
BBC Two	421.0 (450.0)	55.1 (55.7)	03:29 (03:31)	83 (82)	7.4 (7.7)
BBC Three	84.7 (87.5)	22.7 (20.7)	01:45 (01:38)	83 (84)	7.0 (8.6)
BBC Four	50.8 (54.5)	10.6 (8.9)	01:37 (01:29)	84 (83)	9.8 (14.0)
CBBC†	78.3 (39.9)	7.0 (5.6)	02:56 (02:44)	n/a (n/a)	8.6 (8.8)
CBeebies†	28.5 (18.1)	8.6 (8.3)	04:02 (04:01)	n/a (n/a)	2.5 (1.8)
BBC HD	2.1 (1.6)	3.4 (1.6)	01:57 (01:57)	n/a (n/a)	1.0 (1.6)
BBC ALBA*	5.0 (4.3)	4.3 (4.3)	n/a (n/a)	n/a (n/a)	21.8 (20.6)

New metric for 2010/11.

New metric for 2010/11.

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

() Figures in brackets from 2009/10.

Source: BARB.

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

† The methodology for setting the CBBC and CBeebies content spend changed in 2010/11, following the BBC Trust's 2009 review of children's services.

Network radio



BBC Radio 1 aims to offer a high-quality service for young audiences combining the best new music and emerging artists, and offers a platform for live music, news and advice campaigns.



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



BBC Radio 2 brings listeners a broad range of popular and specialist music and live performances, complemented by a broad range of speech output including current affairs, documentaries, religion and the arts.



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



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



BBC Radio 4 Extra provides speech-based entertainment including comedy, features, drama and readings, plus programmes for children. Most output is from the BBC archive, although it also commissions some original content. (Was BBC Radio 7).



BBC Radio 5 Live broadcasts live news and sport 24 hours a day, covering events as they happen and providing context through analysis and discussion.



BBC Radio 5 Live Sports Extra is a part-time network that provides additional sports coverage using rights already owned by the BBC, and so delivering greater value to licence fee payers.



BBC 6Music aims to entertain lovers of popular music by offering the best music from the BBC sound archive together with current releases outside the mainstream, complemented by music news and documentaries.



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

	Content £m	Reach %	Time spent listening to a channel each week hours:mins	Appreciation index by service %	Costs per User Hour p
	We spent a total of £300.0million on content for network radio services last year	UK population who use service each week	Length of time the average listener spent each week with the channel	Aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users
BBC Radio 1	36.7 (32.2)	22.6 (21.9)	08:05 (08:48)	77 (77)	0.7 (0.6)
BBC 1Xtra	7.4 (6.5)	1.5 (1.2)	04:46 (05:46)	80 (n/a)	3.9 (3.6)
BBC Radio 2	46.7 (40.4)	27.2 (26.9)	11:54 (11:54)	81 (81)	0.5 (0.5)
BBC Radio 3	37.3 (40.8)	4.1 (3.9)	05:50 (06:11)	82 (83)	5.9 (6.3)
BBC Radio 4	92.8 (86.7)	20.3 (19.5)	12:06 (12:22)	80 (79)	1.4 (1.3)
BBC Radio 4 Extra	5.3 (5.0)	2.0 (1.8)	05:56 (05:58)	80 (n/a)	1.7 (1.7)
BBC Radio 5 Live	55.4 (55.0)	12.9 (12.3)	07:33 (07:22)	76 (75)	2.1 (2.3)
BBC 5 Live Sports Extra	2.5 (2.5)	1.3 (1.4)	02:42 (02:56)	84 (n/a)	2.6 (2.2)
BBC 6Music	7.3 (6.5)	2.3 (1.4)	08:23 (06:27)	81 (n/a)	1.4 (2.7)
BBC Asian Network	8.6 (8.9)	0.9 (0.7)	05:19 (05:28)	71 (n/a)	6.7 (8.5)

New metric for 2010/11.

New metric for 2010/11.

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

() Figures in brackets from 2009/10.

Sources: RAJAR.

Performance by service, continued/..

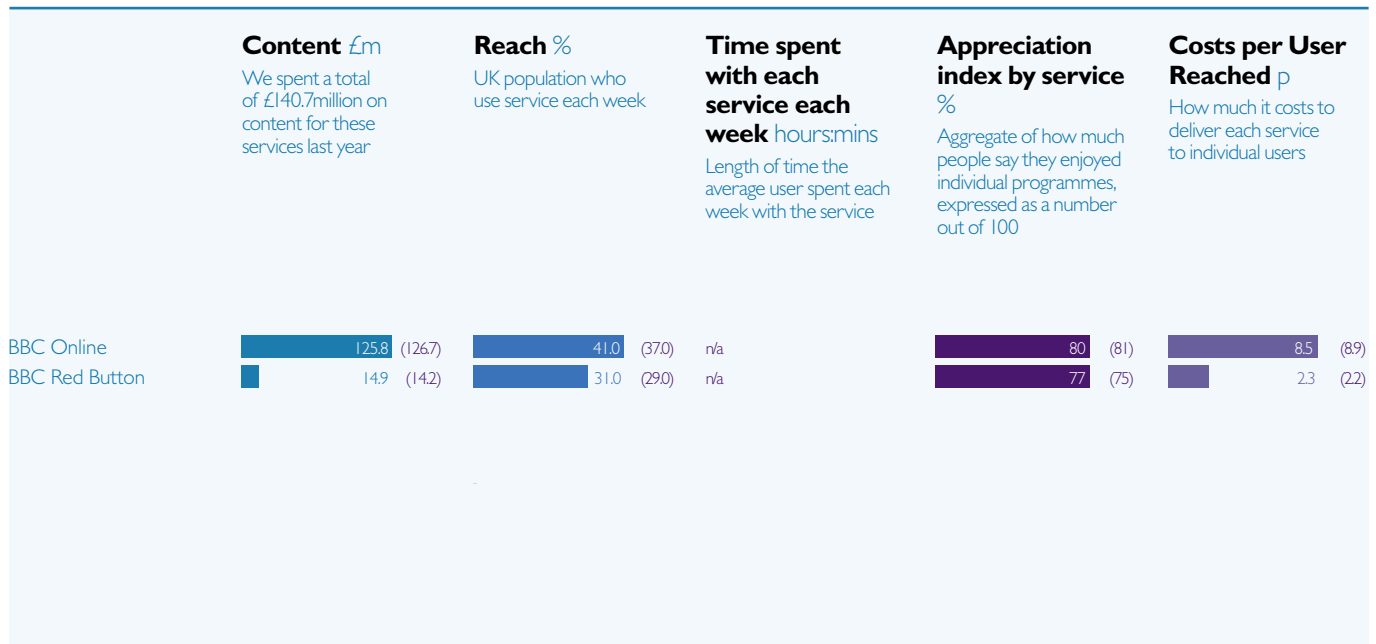
Future Media



ONLINE MOBILE RED BUTTON

BBC Online provides innovative and distinctive online content that reflects and extends the range of the BBC's broadcast services.

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



New metric for 2010/11.

New metric for 2010/11.

Reach definition: 3+ minutes for both services, and on audiences aged 16+, in line with industry standards.

() Figures in brackets from 2009/10.

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

Journalism, and national and local radio services



The BBC News channel delivers up-to-the-minute, accurate, impartial and independent news and comprehensive coverage of local, UK and international events. It offers specialist analysis of the most significant stories to put the news in context.



BBC Parliament makes the work of the UK's parliamentary and legislative bodies and the European Parliament accessible to all, and offers analysis and context for the issues behind parliamentary debates.



BBC Global News brings together the BBC World Service, BBC World News television channel, the BBC's international-facing online news services in English, BBC Monitoring and BBC World Service Trust.



BBC Local Radio is a primarily speech-based service of news, information and debate, with a strong emphasis on interactivity.



BBC Radio Scotland is a speech-led service for adults; BBC Radio nan Gàidheal is a speech and music radio service for Gaelic speakers. Both services offer a wide range of genres and reflect the issues, events, culture and interests of the people of Scotland.



BBC Radio Wales is a speech-led service for adults; BBC Radio Cymru is a speech and music radio service for Welsh speakers. Both services offer a wide range of genres and reflect the issues, events, culture and interests of the people of Wales.



BBC Radio Ulster/Foyle is a speech-led service that covers a wide range of genres and reflects all aspects of contemporary life in Northern Ireland, combining coverage of local issues, interests and events with coverage of national and international developments.



Content £m

We spent a total of £232.5million on content for these services in last year:

Reach* %

UK population who use service each week

Time spent watching or listening to a channel each week hours:mins

Length of time the average viewer or listener spent each week with the channel

Appreciation index by service %

Aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100

Costs per User Hour p

How much it costs to deliver each service to individual users

Service	Content (£m)	Reach* (%)	Time spent (hours:mins)	Appreciation index (%)	Costs per User Hour (p)
BBC News channel	47.1 (47.8)	12.2 (8.7)	02:37 (02:23)	n/a (n/a)	4.9 (7.6)
BBC Parliament	2.0 (2.4)	0.5 (0.3)	01:40 (01:27)	n/a (n/a)	8.2 (14.1)
BBC English Local Radio	114.8 (110.2)	17.3 (16.9)	09:35 (09:38)	80 (80)	3.2 (3.2)
BBC Radio Scotland	23.8 (24.9)	22.2 (21.2) ¹	(Combined average across BBC Local and Nations radio).	79 (75) ¹	6.8 (7.8)
BBC Radio nan Gàidheal	3.8 (4.2)				13.7 (16.7)
BBC Radio Wales	13.0 (13.1)	18.6 (16.7)		82 (82) ²	5.7 (5.9)
BBC Radio Cymru	11.8 (12.3)	5.9 (5.8)			12.9 (13.7)
BBC Radio Ulster/Foyle	16.2 (14.4)	36.9 (35.4)		84 (80)	4.8 (4.3)

New metric for 2010/11.

New metric for 2010/11.

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

* Three minute reach for BBC News channel and BBC Parliament – in line with industry standard for news services – would be 18.1% and 1.2% respectively, both up again year-on-year.

¹ Figure includes BBC Radio Scotland and BBC Radio nan Gàidheal.

² Figure includes BBC Radio Wales and BBC Radio Cymru.

() Figures in brackets from 2009/10.

Sources: BARB (TV); RAJAR (Radio); Lèirsinn.

Television



Our mission is to produce innovative and original programmes of the highest possible quality across all genres. Coverage that unites the UK around key moments, placing us at the heart of national events, is absolutely central to our role.

George Entwistle
Director, Vision

BBC network television weekly reach versus main commercial groups %

All BBC Television

2011 86.1 (84.9)

Total other channels

2011 83.9 (79.9)

All ITV

2011 75.6 (74.8)

All Channel 4

2011 66.9 (66.1)

All Channel Five

2011 44.5 (43.9)

All Sky

2011 40.9 (39.3)

() Figures in brackets are 2010 comparators.

Our role in national life

BBC Television remains at the heart of national life with nearly 50 million people, almost nine out of every ten children and adults, choosing to watch each week. Audiences place a particularly high value on BBC Drama, with BBC One titles *Sherlock* and *Five Daughters* exemplifying our creative ambition.

Putting Quality First

Our channels guarantee high quality plus a range of programming audiences cannot find anywhere else: original home-grown drama in Daytime and Children's; *The One Show*, with its distinctly local flavour, live at the heart of peaktime; distinctive new comedy, as seen in BBC Two's *Miranda*, *Rev* and *The Trip*; hard-hitting factual created for younger audiences on BBC Three; and BBC Four, a showcase for arts and culture, from literature and ballet to *Reggae Britannia*.

640 hours

We originated more than 640 hours of drama across our network services – introducing 44 brand new works.

45m

Our investment in science was widely appreciated, with more than 45 million people sharing our special year of programmes.

Bringing audiences together

People turn to the BBC in times of commemoration, reflection and celebration. The Royal Wedding, an amazing and uniquely British spectacle, was captured by BBC television for audiences around the world. And across the UK, 75% of viewers chose to watch the service with us. Thanks to the generous support of the public, it was also an exceptional year for *Comic Relief*. More than 35 million people joined our programmes, raising record funds for the charity.

Increasing our value to licence fee payers

Three years into a challenging five-year savings programme, we remain on target to achieve a 25% reduction in expenditure by 2012/13. With the support of in-house and independent programme makers, we are delivering efficiencies across the full range of production costs. Our Cost per User Hour last year was 6.6p (2010: 7.0p).

Radio



BBC radio has put its efforts into making ambitious programmes of the highest quality. Encouragingly, by focusing on this, as well as increasing innovation across the radio industry, we continue to thrive in a digital age.

Tim Davie
Director, Audio & Music

BBC radio weekly reach versus main commercial groups %

All BBC Radio

2011 67.0 (66.3)

All Commercial Radio

2011 64.6 (61.7)

Absolute Radio

2011 2.9 (3.0)

Classic FM

2011 11.2 (10.8)

TalkSPORT

2011 5.6 (4.8)

() Figures in brackets are 2010 comparators.

Talking to the UK

BBC radio strengthened its reach this year, ensuring that it continues to deliver live radio to two thirds of the UK population every week with distinctive, high quality programmes across its stations. In addition, average weekly hours listened to remains around 16.6 hours per listener.

A different approach

A year of unrivalled quality saw the conclusion of BBC Radio 4's *A History of the World in 100 Objects*, which also became an online success generating more than 11 million downloads, BBC Radio 1 teaming up with British Forces Broadcasting Service radio in Afghanistan's Camp Bastion for a ten-hour takeover; Chris Evans launching the *Children's Story Writing Competition* on BBC Radio 2, and BBC Radio 3 celebrating *The Genius of Mozart* by playing every note he wrote over 12 days in January.

13,700 hours

There were over 13,700 hours in total of news and current affairs programmes across BBC Network Radio alone over the year.

42

BBC Radio 3 commissioned 42 new musical works this year including Simon Holt's *A Table of Noises*, debuted at the Proms by BBC Young Musician winner Colin Currie.

Memorable programmes and services

BBC radio won 54 Sony Radio Academy Awards in 2010, including the UK Station of the Year for BBC Radio 5 Live. Elsewhere, attendance at BBC Proms performances were higher than ever and BBC Radio 1's *Big Weekend* in Bangor entertained 40,000 people. Radioplayer, our online listening partnership with UK commercial radio, launched in March.

Cascading value

Radio remains incredible value for money and cost per listener hour across the portfolio of radio channels is 1.6p (2009: 1.6p). We are working hard to ensure the efficiency of in-house productions and have increased competition from independent productions in the WoCC. In addition, we aim to deliver value through our external partnerships – for example, *BBC Radio 1's Big Weekend* in Bangor generated an estimated £3million for the local economy.

News



Our aim is to combine distinctive eyewitness reporting with specialist analysis – explaining not just what is happening in a sometimes chaotic world but why. In this way, we aim to justify the public's continuing trust in our impartiality and independence.

Helen Boaden
Director, News

49

There were 49 new documentaries on BBC Radio 1 across the last year.

100 hours

BBC News channel offered over 100 hours of sports news.

Meeting audience needs

On average, more than 80% of UK adults consumed BBC news each week last year across television, radio and online. *Breakfast*, BBC Parliament, BBC News channel, and News Online all had record audiences, with News Online averaging 11.7 million weekly users across the year, up year-on-year from 10.2 million. In local radio, there was an impressive growth in weekly listeners in England – up 722,000 on the year – after renewed focus on editorial ambition and resources. Audience trust levels for BBC news are at their highest for three years (Source PBTS).

Quality assured

Our core values are accuracy, impartiality and independence, driven by our commitment to eyewitness reporting and specialist analysis at home and abroad. BBC journalism is founded on the quality of our specialist editors and correspondents working for a range of daily and weekly services and programmes on all platforms. We invest in investigations of significance and current affairs on television and radio not found elsewhere in the marketplace.

Memorable stories

Big events drew big and sometimes record audiences – the General Election, the Chilean miners' rescue, Japan's earthquake and Middle East unrest. We examined government spending plans across all BBC News, including the nations and regions, under one heading – 'The Spending Review: Making It Clear'. Over 21 million people saw our television news on the day of the review. *Panorama* was widely recognised for its independence in investigating FIFA corruption before the World Cup vote.

Working together

We are meeting our existing five-year continuous savings programme while hitting our audience performance targets and continuing to deliver high quality, comprehensive news coverage. To help to do this, we are sharing the best of BBC journalism and reporting teams across more outlets: in Libya the BBC News channel presenter also presented for BBC One bulletins. In Japan, BBC News channel and BBC World simulcast output. The combined CPUH for BBC News channel and BBC Parliament was 5.0p (2010: 7.8p).

Continuous news weekly reach (000s)

	2009/10	2010/11
BBC News channel	7,896	10,367
Sky News	5,279	6,250

Source: BARB. Base: 4+. Three-minute reach.

In response to the Lambert Review of BBC News 24 in 2002 the BBC offered to consider the relationship between BBC News and BBC World News, including a triennial benchmarking exercise by independent consultants to confirm that marginal cost pricing remained in line with market practice and the BBC's Fair Trading guidelines. The latest benchmarking exercise was completed in May 2010 and confirmed this to be the case.

Future Media



Every week, millions of people experience the BBC's digital services. We exist to combine technological innovation with high-quality editorial to make these services engaging, easy to find and accessible for all.

Ralph Rivera
Director, Future Media

500,000

The Archers is one of the BBC's most popular on-demand programmes, with over 500,000 podcast downloads every month.

12.5m

On average last year 12.5 million people used BBC Red Button services each week – for news, sport such as darts and snooker, and multi-screen video streams from events like T in the Park.

Digital content for all

BBC Online was used by an average of 20 million people in the UK each week last year. Our new three year plan will give them all a clearer editorial offer so that they can quickly and easily find what they want. Individual products – like news or children's content – will have clearly defined remits and will ensure that BBC Online offers something for everyone. BBC Red Button provides important interactivity for many of the nine million individuals in the UK who are not yet online.

Content not found anywhere else

Each online product category will have a content strategy built on the editorial priorities from *Putting Quality First*, making them distinct from what is available from commercial media providers. BBC Red Button continues to play an important role in repurposing that content for TV, and gives viewers up-to-the-minute information as well as different ways to watch sports and events.

11.7m

The News website generated 11.7 million users on the day after the General Election, passing the previous record of 9.4 million for President Obama's 2008 win.

100m

BBC iPlayer averaged well over 100 million requests for programmes each month and over 1.6 billion programmes were played through the year.

Future media now

Innovations in BBC iPlayer, in particular the 2010 re-launch and the applications for smartphones and tablets, have proven popular with audiences, with weekly programme requests increasing by 41% year-on-year. BBC News relaunched in 2010 with more integrated use of video and images, and increased external linking to other websites. Seamless and simple experiences, and doing fewer things better, will frame our activity for the coming year.

Increasing value

Digital services are no longer optional extras to television or radio, but are themselves important elements in the 21st century media landscape, and used by our audiences to improve their experience of BBC content. BBC Online and BBC Red Button continue to deliver value for money for licence fee payers, accounting for just 4% of licence fee spend last year, and having a Cost per User Reached of 8.6p and 2.3p respectively (2010: 8.9p, 2.2p).

Nations and Regions



England Local Radio is where we share experiences like the General Election, the winter freeze and join community celebrations like Royal Wedding street parties (shown). It is also an important showcase for local talent. Last year more people watched regional weekday evening news programmes on BBC One than in any of the previous five years, and Local Radio audiences were up by 720,000 to 7.4 million (Q4). Online user numbers were also up to 6.7 million (from 5.1 million in Q1 2010). For more about the BBC across England visit www.bbc.co.uk/england.



Scotland Network television programming hours were up 150% to 611 hours from 243 hours in 2008/09. This has brought new investment and opportunities for our in-house production teams and the wider creative sector. Weekday national bulletin *Reporting Scotland* peaked at 710,000 average nightly viewers in December (highest since 2002), while overall reach to BBC Scotland TV bulletins was up to 54% (2010: 51%). For more from the BBC in Scotland see www.bbc.co.uk/scotland or www.bbc.co.uk/alba. Picture shows comedy *Limmy's Show*.



Wales Audiences enjoy the quality and diversity of our offer. Picture shows landmark history series *Snowdonia 1890* (our most successful series of the year). English language programmes attracted an average of one million viewers each week, and we saw an impressive 14% increase in viewers to our Welsh language content for S4C (up to 190,000). BBC Radio Wales drew in a nearly 60,000 more listeners each week versus 2010, while BBC Radio Cymru improved year-on-year although still slightly down on 2008/09 levels. For more about the BBC in Wales visit www.bbc.co.uk/wales or www.bbc.co.uk/cymru.



Northern Ireland Programmes and services in Northern Ireland enjoyed popular appeal, and much critical success, with highlights including Fergal Keane's series on *The Story of Ireland* (shown). Reach on BBC One was up to 78% (2010: 73%), and was steady on BBC Two at c.49%. Schedule changes at BBC Radio Foyle helped Radio Ulster/Foyle to a joint 1% year-on-year increase in reach. Weekly unique users to BBC Northern Ireland's website broke the one million mark – up from 0.66 million in 2010. To find out why, go to www.bbc.co.uk/northernireland.

BBC Radio: hours from the Nations and Regions

	2009/10	2010/11
London	8,760	8,760
England	243,075	238,461
Scotland	14,694	15,917
Wales	15,670	15,790
Northern Ireland	9,355	9,285
Total	291,554	288,213

The vast majority of our radio hours are live – which enables us to keep our listeners updated on key developments and issues of the day.

TV programming spend by region as a % of eligible spend

	2009	2010
London	62.3%	62.2%
Scotland	6.1%	7.4%
Wales	4.4%	5.0%
Northern Ireland	1.2%	0.8%
Total Nations	11.7%	13.2%
Midlands	3.8%	3.9%
North of England	8.2%	7.7%
South of England	14.0%	13.0%
Total English Regions	26.0%	24.6%
Total Nations and Regions	37.7%	37.8%
Grand Total	100.0%	100.0%

Based on Ofcom definitions by calendar year.

A vibrant CGI scene featuring three main characters. On the left is a large, shaggy brown bear with black eyes and nose. In the center is a young girl with orange braids, wearing a red dress and a headband with a blue gem. In the foreground is a small, black and white penguin. The background shows a bright blue sky, green leaves, and a yellow structure. The title 'DELIVERING OUR STRATEGY' is written vertically in large white letters on the right side.

DELIVERING OUR STRATEGY

Little Charley Bear is a brand new pre-school series for 2011, which launched on CBeebies in January. *Little Charley Bear* inspires creativity, discovery and imagination, using CGI animation to aid learning. To find out more or to join in the fun visit www.littlecharleybear.com.

Meeting the BBC's Purposes

The BBC's public service mission is to inform, educate and entertain audiences with programmes and services of high quality, originality and value. *Putting Quality First* is our 21st century strategy for delivering our mission in the digital age through:

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

By offering the best content across our portfolio of services we give audiences what they tell us they want to listen to, watch and surf. The following pages give a flavour of our last year and highlight how we have met our promises to audiences to inform, educate and entertain them with a distinct range of programmes that they will not find anywhere else.



Citizenship

Inform: we have a worldwide reputation for impartial reportage and analysis of the world we live in. Our UK-wide, international, national and local channels and services cover a broad range of stories, issues and information tailored for a diverse range of users.

As well as covering May's General Election (pictured) and local elections, and the lead up to and outcome of the new Government's Comprehensive Public Spending Review (and the subsequent reaction), other major domestic stories that we reported and analysed included the Report of the Bloody Sunday Inquiry, the Papal visit, and the Labour Party leadership contest.



Learning

Educate: we promote and support formal and informal education for all age groups – from pre-school children to silver-surfer adults, across television, radio and the web.

Our targeted children's services – CBeebies and CBBC – engage and entertain their demanding audiences, supporting them as they learn new skills to cope with the world around them. The picture shows *Tikkabilla's* Paul Ewing reading a story for our youngest viewers with the help (and occasional hindrance) of Tamba the puppet.



Creativity

Entertain: we offer unique and innovative content that entertains and engages audiences, including live music and the biggest range of radio, television and bespoke online drama from any broadcaster in the world.

A season of programmes across BBC One, BBC Two and BBC Four marked the 70th anniversary of The Battle of Britain. Pictured here, *First Light* told the extraordinary story of 18 year old Spitfire pilot Geoffrey Wellum through a mixture of drama and his own personal recollection.



Community

We reflect the UK's diversity at national, regional and local levels with services in English, Scottish Gaelic and Welsh, and programmes in many other languages. The BBC's distinctive offer across our portfolio means we have something for everyone.

And while tastes may change, and senses of humour may vary from region to region, quality content will be valued by audiences wherever in the UK they are. Stephen Nolan (shown in his studio) meets the different expectations of the listeners to the shows he presents locally on BBC Radio Ulster and UK-wide on BBC Radio 5 Live.



Global

We offer the best of UK content to the world, as well as bringing the best of the world to the UK.

Our global news services provide independent and internationally respected news and analysis, covering the key stories of the day. We continue to cover the ongoing conflicts in Iraq and Afghanistan, as well as new and emerging stories like the recent Pakistan floods, the election and floods in Haiti, the oil leak in the Gulf of Mexico, the Chilean miners, democracy protests across the Middle East (picture shows women protesters in Cairo's Tahrir Square), and the Japanese earthquake and tsunami.



Digital

The BBC is the most used online content provider in the UK and over 15 million adults now listen to our radio services via digital platforms each week.

We have been at the forefront of helping the UK upgrade to digital television, and will continue to develop partnerships with industry leaders that can benefit audiences everywhere, from digital radio to broadband. In September we broadcast a set by The Charlatans from London to Tokyo in Super Hi-Vision. We plan to use this technology, developed with Japanese broadcaster NHK, for a series of BBC big screens during the 2012 London Olympics.

Meeting the BBC's Purposes with ...

The best journalism in the world

Informing civic and democratic life at home and abroad – through independent, impartial and accurate news, current affairs and information.

We aim to reach 80% of the UK population each week with our journalism output. For 2010/11 the weekly average was 82%.



© european pressphoto agency bv

1 In June, crowds gathered in the square outside Londonderry's Guildhall to hear the Prime Minister announce the findings of the Saville Inquiry live on BBC Parliament.

2 A record 7.4 million viewers watched the BBC News channel on the day of Gordon Brown's resignation and the announcement of the UK's first peacetime coalition government since the 1930s.

3 As well as the aftermath of the January 2010 earthquake, we continued to cover the election and floods in Haiti (picture shows local woman helping out at emergency hospital).



BBC network hours of output by genre 2010/11 (2009/10 comparator figures)

News and weather

BBC One	BBC Two	BBC Three	BBC Four	Radio
2,421	932	32	6	11,542
(2,407)	(902)	(32)	(6)	(11,833)

Current affairs

BBC One	BBC Two	BBC Three	BBC Four	Radio
224	296	253	150	2,164
(235)	(282)	(160)	(165)	(2,172)

Anytime news

The BBC News channel is the UK's most watched news channel, with more viewers than its primary competitor Sky News, reaching 10.4 million viewers each week. The channel is committed to appeal to a broad ranging audience.

BBC News channel and BBC News online both offer up to the minute updates and expert analysis throughout the day, but viewers and listeners just wanting a quick update on the big stories and key headlines from our television and radio services can visit www.bbc.co.uk/news/video_and_audio/.

A year of politics

The big national story of the year for the UK was the General Election, which saw not only the election of a new Parliament in Westminster; but also a large turnover in its membership and many voices calling for change to revitalise Parliament's work and increase its openness and relevance. On BBC Parliament we discussed many of the emerging issues during the Live State Opening at the end of May, and have continued to do so since on, for example, the Friday edition of *The Record*.

During the General Election process and its aftermath, BBC Parliament continued to strike a balance between ongoing coverage of the devolved institutions and unfolding Westminster events. It offered live coverage of news conferences and speeches from the political parties, and debates and analysis from across the BBC's portfolio.

In the absence of committee and Westminster Hall debates, the channel expanded its *Briefings* slot over the summer months. Highlights included the CBI's Richard Lambert on 'After the Crisis' at Chatham House in May, Speaker John Bercow's speech on Parliamentary reform to the Hansard Society in June, and European Commission President Barroso's State of the Union address in September.

For more live and recorded parliamentary coverage see <http://news.bbc.co.uk/democracylive/hi/>.

The national perspective

BBC One is our primary channel for reaching mainstream audiences with both daily news and current affairs. More viewers get their national and international news from our 6pm network news bulletins than from the other terrestrial channels. And our regional and Nations news at 6.30pm also outperforms the equivalent offer from the commercial providers.

Panorama continues to bring quality in-depth investigative journalism to peaktime audiences each week. A *Kids in Care* special report spent six months following children in the care of social services to find out if the state can be a real parent. It was narrated by Samantha Morton, who herself grew up in care. And in a worldwide scoop in November, the controversial *FIFA's Dirty Secrets* investigated corruption allegations against some of the officials who were due to vote on England's 2018 World Cup bid. FIFA has not yet addressed the allegations and the story continues to make headlines around the world.

Current affairs is also an important part of the BBC Two offer – with highlights this year including *Secret Iraq*, *Secret War on Terror* and, closer to home *The British at Work*.

We are working on imaginative ways to bring topical issues to a mainstream BBC One audience by producing bold documentaries such as July's *My Child's Big Fat Birthday Party* as well as building on the format *Famous, Rich And...*

Connecting with new audiences

We will continue to introduce BBC Three's young adult viewers to a broad range of current affairs content, covering subjects as diverse as autism and child trafficking. Some pieces will be UK-based, while others will have an international dimension. *Blood, Sweat and Luxuries* explored the production of goods like coffee, mobile phones and leather, and brought the impact of first world consumerism on the developing world home to our audience. It showed that BBC Three viewers do have an appetite for challenging documentaries when they see the relevance to them.

In response to the BBC Trust's service review, we revamped BBC iXtra's news coverage in August 2009, adding two new

The best journalism in the world, continued/...

News, commentary and analysis across our television, radio and online services, including:

- 1 *Democracy Live* website.
- 2 Matt Holland presents the East version of *Late Kick Off*, England's regional Football League show.
- 3 Harvard professor Michael Sandel brought a series of lectures to BBC Four on *Justice*, part of a season on the state of justice in Britain and the world today.
- 4 We reported extensively from location as the world witnessed unprecedented calls for change from across the Middle East, starting in Cairo's Tahrir Square.
- 5 Over 2,100 hours of radio news and current affairs last year included BBC Radio 4's *PM*, with Eddie Mair.
- 6 Daily news on BBC One includes tailored regional and national main evening bulletins. Picture shows Catriona Shearer from *Reporting Scotland*.
- 7 Camera operator Joe Phua (from our Singapore bureau) in Japan after the earthquake and tsunami.



5



6



7



Average audiences to news programmes (million)

Breakfast news

BBC One 1.5 (1.2)

GMTV/Daybreak 0.7 (0.9)

Lunchtime news

BBC One 2.6 (2.7)

ITVI 1.0 (1.0)

Early evening network news

BBC One 4.4 (4.2)

ITVI 3.3 (3.2)

CH4 0.8 (0.7)

CH5 0.7 (0.7)

Early evening regional news

BBC One 5.5 (5.2)

ITVI 3.2 (3.1)

Late night news (10pm)

BBC One 4.4 (4.5)

ITVI 2.3 (2.4)

Source: BARB Base: All aged 16+, weekdays.

() Figures in brackets are 2009/10 comparators.

15-minute bulletins, similar in style to BBC Radio 1's *Newsbeat*, each weekday. These were supplemented during 2010 with a number of one-offs that addressed areas of specific interest to the audience such as literacy and consumer technology. In April, we offered special 30-minute *Newsbeat Leader Interviews* with each of the three main party leaders in front of live first time voter audiences.

We are proud that CBBC covers issues that no other children's channel would touch – like smoking, the General Election and children's care services. We work hard to ensure that such subjects are relevant to our viewers and that we present them in such a way that they actively choose to watch. This is particularly important for our core citizenship strands, *Newsround* and *Blue Peter*, and we will continue to work to ensure that both shows reach as many children as possible. The *Newsround* website is regularly updated across every day – see <http://news.bbc.co.uk/cbbcnews> – and the mobile site is at www.bbc.co.uk/mobile/cbbc, for the latest news, sport and *Press Pack* reports.

Listening to our audiences

BBC Radio 4 remains at the forefront of our radio news and current affairs offer, and *Today*, the lunchtime's *The World at One* and drivetime's *PM* all help set the daily agenda. Recent addition to the BBC Radio 4 stable – current affairs strand *The Report* – responded to the big stories and mixed analysis and insight with topical investigations.

At a Nations and at a local level, comprehensive radio coverage of the General Election – during which the devolved institutions continued to sit – offered room for our correspondents to assess the implications of a change of government for each area. BBC Radio Wales embarked on a General Election Tour, with *Good Morning Wales*, *Good Evening Wales* and *The Radio Wales Phone-In* gauging the views of people and politicians in six marginal seats across the country. BBC Radio Scotland also ran dedicated programming and a series of debates from across Scotland. And BBC Radio Ulster/Foyle made effective use of outside broadcasts and its network of area-based correspondents to profile and explore issues affecting communities across the region.

KPI

Restore trust in output

% Agreeing

Scoring 8 or more out of 10 for 'I trust the BBC'

09/10 30.8

10/11 36.8

Average score out of 10 for 'I trust the BBC'

09/10 6.0

10/11 6.4

Source: Pan BBC Tracking Study/Brand and Reputation Tracker. Base: All aged 15+.

Ongoing local debates around both the build-up to, and the aftermath of, the coalition government's spending review added further context to matters of local concern.

World news

Our global news coverage provides independent and internationally respected news and analysis. We continue to cover the ongoing conflicts in Iraq and Afghanistan, as well as new and emerging stories. The early part of the year saw us cover the Pakistan floods, the floods and election in Haiti, the oil leak in the Gulf of Mexico, the rescue of the Chilean miners, and the EU response to France expelling Romanian gypsies. In January, anti-government protests in Egypt saw the start of calls for increased personal and political freedoms across the Middle East and North Africa. Our correspondents and journalists across our services made sense of what was happening for their viewers, listeners and readers at home in the UK and on the ground in the countries themselves (and elsewhere) on BBC Arabic, on BBC World Service radio, and online, giving historic context as well as contemporary analysis as the events unfolded. A particular highlight was Jeremy Bowen's interview with Libya's Colonel Gaddafi.

The earthquake in Japan, as well as the subsequent tsunami and the drama that unfolded around the Fukushima Daiichi nuclear reactors – as well as the global economic implications of these events – continued to be covered long after the original events on that day in March had passed. Updates were kept together on a central website, www.bbc.co.uk/news/world-asia-pacific-12711226.

As a result of the government's spending review, BBC World Service will be funded by the licence fee from April 2014. You can find out more about BBC World Service at www.bbc.co.uk/worldservice, where you can also find the most recent full annual report of BBC World Service's performance for 2010/11.

To find out some of our programme priorities and plans for the year ahead, visit www.bbc.co.uk/aboutthebbc.

Meeting the BBC's Purposes with...

Inspiring knowledge, culture and music

Enriching people's lives – bringing knowledge, music and culture to receptive minds, eyes and ears.

With our core mission to inform, educate and entertain, we are always looking for ways to open up accessible and engaging ways into music, the arts, science, history and other specialist fields for our audiences.



1 *Spitfire Women* introduced us to some of the 168 female pilots of World War Two Air Transport Auxiliary, a thousand strong organisation that delivered aircraft to the frontline RAF.

2 *Agony and Ecstasy* followed English National Ballet in its 60th anniversary year – picture shows dancers Daria Klimentov and Vadim Muntagirov.

3 *When God Spoke English – The Making of the King James Bible* told how one of the greatest works of English prose came to be written.



BBC network hours of output by genre 2010/11 (2009/10 comparator figures)

Factual

BBC One	BBC Two	BBC Three	BBC Four	Radio
2,302 (2,153)	1,786 (1,785)	1,403 (1,541)	1,081 (915)	2,359 (2,436)

Music and arts

BBC One	BBC Two	BBC Three	BBC Four	Radio
102 (97)	353 (317)	70 (79)	1,425 (1,267)	41,709 (41,591)

Religion

BBC One	BBC Two	BBC Four	Radio
98 (97)	50 (37)	37 (40)	1,181 (1,173)

Inspiring live music from across the UK

We broadcast our first outside concert – a relay of Mozart's *The Magic Flute* from Covent Garden – in 1923. It is a heritage that we are privileged to continue.

The 2010 BBC Proms season saw more people attending than ever before. There were more than 313,000 attendances at 89 concerts in the Royal Albert Hall and Cadogan Hall in London (over 15,000 more than last year, with one in eight buying tickets for the first time). On average, 4,000 people attended each of the 76 Proms in the Royal Albert Hall, with 42 concerts selling out completely. There were also more 'Prommers' buying £5 standing tickets on the day – over 86,000 sold in total from July to September.

The season kicked off with an ambitious opening weekend featuring Mahler's *Symphony No. 8* from the BBC Symphony Orchestra and combined choirs under the baton of Jiří Bělohávek, Wagner's *The Mastersingers of Nuremberg* with Bryn Terfel, and Verdi's *Simon Boccanegra* with Plácido Domingo. This – and all other Proms – were broadcast live on BBC Radio 3 and available for a further seven days on BBC iPlayer. The Friday and Saturday concerts also simulcast on television. And we hosted *Last Night* concerts in London, County Down, Salford, Swansea and Dundee.

Specialist music

Our jazz coverage has included Desmond Carrington's Friday night show and live sessions from our Maida Vale studios hosted by Jamie Cullum, both on BBC Radio 2. BBC Radio 3 output has included *Jazz on 3* (with Jez Nelson), *Jazz Library* and *Jazz Line-Up*, a feature in the schedule for 11 years. Our local radio services also serve up a mixed diet to their listeners – on BBC Radio Stoke John Hellings plays a huge range of music from the earliest recorded Jazz, through Big Band and Bebop, to the latest releases. John's show is followed not just by listeners in the Midlands but also all over the world on the web.

On television, *Reggae Britannia* celebrated the impact of reggae on British society as well as its enduring musical legacy – including many of the urban music styles typically found on BBC iXtra: hip hop, grime, bassline, garage, dubstep, drum and bass, UK funky, dancehall and R&B. On Sunday's *100% Homegrown* host DJ Target champions the sound of UK black music and gives a platform to new talent. Over the years the show has supported a host of UK artists at the beginning of their careers including Lethal B, Dizzee Rascal, Skinnyman and Estelle.

Exploring the Arts

We are committed to keeping Arts coverage at the heart of our programme offer. From BBC One, *Modern Masters*, presented by Alastair Sooke, aimed to make sense of western art in the last century when the historically normal rules of painting ceased to apply and artists were less interested in making straightforward pictures of the world around them. Focusing on the work of four key artists – Warhol, Matisse, Picasso and Dali – *Modern Masters* gave a sense of what happened to art in the 20th century. The series was supported online with a virtual exhibition and we created a series of walking guides to accompany the series – available at www.bbc.co.uk/bbccone/modernmasters/artwalks/ and also available on mobile phones – so that viewers inspired by what they saw could experience some of the very best in modern art, sculpture and architecture for free in nine cities across the UK.

Other Arts output that had an impact on audiences included *Opera Italia*, a tour de force from the Royal Opera's musical director Antonio Pappano; *Stephen Fry on Wagner* was a very personal assessment of the man and his music, filmed in Bayreuth and Nuremberg, and a glorious attempt to salvage the music Fry loves from its dark association with the Nazis; and *Agony and Ecstasy*, an exclusive behind-the-scenes series following English National Ballet in its 60th anniversary year.

Inspiring knowledge, culture and music, continued/...



Distinctive factual output can be found across our channels – and this year on television alone our eclectic offer included:

- 1 *E-Numbers – An Edible Adventure* was part of a range of output across TV, radio and online for our World of Wonder season.
- 2 *Mountain Gorillas*: we invest time and resource into genres not widely available from UK commercial channels, like natural history.
- 3 *The Judas Tree* starring Carlos Acosta – along with *Concerto* and *Elite Syncopations* – celebrated the genius of choreographer Kenneth MacMillan.
- 4 *Digging for Britain*, archaeology in action from BBC Two.
- 5 Dr Kevin Fong looked at pioneering cardiac treatment in *Horizon: How to Mend a Broken Heart*.
- 6 We explored how *The Normans* transformed the history of Europe, in a four-part series filmed in HD.



6



KPI

Maintain value among high approvers and improve value among low approvers
% High approvers
Scoring 8 or more out of 10
Overall approval of the BBC

09/10	38.0
-------	------

10/11	41.8
-------	------

% Low approvers
Scoring 4 or less out of 10
Overall approval of the BBC

09/10	12.4
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10/11	10.2
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Source: Pan BBC Tracking Study/Brand and Reputation Tracker. Base: All aged 15+.

Choirmaster Gareth Malone literally picked up the baton for two major challenges this year. In *Gareth Malone Goes to Glyndebourne* he agreed to find and train a youth chorus of 50 teenagers to sing on the main stage at Glyndebourne, and he went back to school in *Gareth Malone's Extraordinary School For Boys*, both on BBC Two.

BBC Radio Scotland offered its 900,000 listeners more than 200 hours of arts coverage over the year, including a daily arts show at lunchtime.

Our shared history

BBC Radio 4's *History of the World in 100 Objects* continued to surprise audiences to the end. Our local online support and content as well as links with over 500 museums helped people up and down the country to get involved in this fascinating subject. By the end of March, over 20.6 million podcasts from the series had been downloaded.

In ancient history Cambridge professor Mary Beard provided insight into the lives of the people who lived in the shadow of Mount Vesuvius before its cataclysmic eruption in *Pompeii: Life and Death in a Roman Town*.

Also on television, *Victorian Pharmacy* examined the world of the pharmacy at the beginning of Queen Victoria's reign in 1837, when traditional remedies such as leeches, oil of earthworm and potions laced with cannabis and opium were the order of the day for those that could afford them.

In August, Robert Bartlett examined the legacy of *The Normans* in Britain. And September saw the launch of landmark series *Michael Wood's Story of England*, tracking the evolution of an English community at Kibworth in Leicestershire over 15 centuries – we also made 15 complementary regional programmes that highlight other places of local interest for viewers to explore themselves.

On a more contemporary level, *The Trouble with Northern Ireland* tackled the sensitive issue of identity in Northern Ireland with a light-hearted look at how much Northern Ireland has changed over the last 40 years. For audiences in Northern Ireland only, Fergal Keane's landmark series *The Story of Ireland* traced the events and influences that shaped modern Ireland. The series was subsequently given a network showing.

Science

As part of our World of Wonder year of science (launched in January 2010 to coincide with the Royal Society's 350th anniversary), BBC Four profiled three British Nobel Prize winners – astronomer Dame Jocelyn Bell Burnell, biologist Sir Tim Hunt and chemist James Lovelock – in the series *Beautiful Minds*.

On BBC Two, medical journalist Michael Mosley's *The Story of Science* was an informative and ambitious exploration of how science has changed the way we see ourselves, and the way we see our world.

And *Saving Species* was a 40-part BBC Radio 4 series looking at man's impact on nature and the environment and the challenges of wildlife conservation, covering topics as diverse as the BP oil spill off the Mississippi Delta and efforts to save the long-billed vulture in India. Podcasts from the best of the BBC's natural history radio output are available at www.bbc.co.uk/podcasts/series/nathistory.

To find out some of our programme priorities and plans for the year ahead, visit www.bbc.co.uk/aboutthebbc.

Meeting the BBC's Purposes with...

Ambitious UK drama and comedy

Stimulating and entertaining audiences – with stories about their lives and the world around them.

Excellence, originality and variety are the watchwords for BBC comedy and drama.



1 Crime drama *Sherlock* was a fast-paced contemporary telling of the Arthur Conan Doyle classic, with 21st century twists.

2 *Five Daughters* was scheduled on five consecutive evenings, and rewarded viewers with a powerful drama based on a harrowing true story.

3 *Come Fly With Me* was set in a busy airport and featured a host of characters played by Matt Lucas and David Walliams.



BBC network hours of output by genre 2010/11 (2009/10 comparator figures)

Entertainment

BBC One	BBC Two	BBC Three	BBC Four	Radio
585	597	1,179	143	7,622
(612)	(499)	(989)	(293)	(7,405)

Drama

BBC One	BBC Two	BBC Three	BBC Four	Radio
808	283	346	304	4,577
(980)	(472)	(506)	(413)	(4,784)

Film

BBC One	BBC Two	BBC Three	BBC Four
486	660	224	173
(534)	(609)	(236)	(168)

Although overall drama hours are down year-on-year by a total of 630 hours across all channels, the reality behind these numbers is a drop in originated drama of only eight hours across our portfolio. The primary reason for the drop in hours is fewer acquired drama series, which is in line with our stated *Putting Quality First* strategy.

New stories

On BBC One, *Five Daughters* told a true story over consecutive nights in April last year. It involved viewers with the unfolding stories of five women and their brutal murders. Four-part thriller *The Silence* centred around a deaf protagonist, but covered familiar themes of alienation and powerlessness in a strikingly different way. It featured deaf actress Genevieve Barr in her first major television role. Both series were highly appreciated by viewers.

Luther was a dark psychological crime drama about a police detective struggling with his own demons, a damaged individual who might be as dangerous as the murderers he hunts. Actor Idris Elba brought this complex character to life on our screens, and will return for a second series.

In May, *The Secret Diaries of Miss Anne Lister* from BBC Two saw Maxine Peake play the title role of a 19th Century Halifax woman regarded as Britain's first out lesbian. Based on Lister's private journals – only recently decoded – it was a costume drama about a woman who lived ahead of her time.

New ways with old stories

A dramatisation of Christopher Isherwood's semi-autobiographical novel *Goodbye to Berlin* was told in *Christopher and his Kind*, starring Matt Smith. It explored the political and social context that gave rise to what is perhaps Isherwood's most iconic work.

It can be risky taking something familiar and daring to change it – but Mark Gatiss and co-creator Steven Moffatt's approach to *Sherlock* saw Arthur Conan Doyle's characters brought up-to-date and resulted in one of the highlights of the year, winning both critical acclaim and drawing in over eight million viewers.

And on BBC Four, *The Road to Coronation Street* was a one-off drama that lovingly explored the birth of one of the nation's favourite programmes for the last 40 years. An all-star cast included Jane Horrocks, Jessie Wallace and Christian McKay. The programme was part of the Planet North season, celebrating the culture, history, life and architecture of northern England.

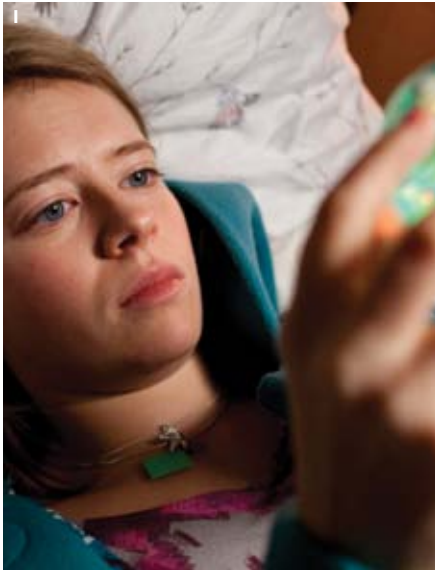
A second series of *E20*, the *EastEnders* companion drama premiered online, was commissioned. The series is a great platform for young, aspiring writers and actors to master their craft as they establish characters and develop storylines. The writing team are all aged between 17-22.

Drama on-demand

Drama from the BBC embraces everything that is uniquely British and is the home of the best story-telling. Our homegrown approach encourages UK talent to tell our nations' stories to itself and to the world. We broadcast new and original drama across our portfolio of services, including around 4,500 hours of drama on our UK-wide radio networks each year, and over 1,700 hours of television drama, much of it available after broadcast on BBC iPlayer.

Listeners who prefer their content 'live' in the schedules have found recent afternoon highlights included *HMS Surprise*, a three-part dramatisation of Patrick O'Brian's novel set in 1804 in England, India and on the high seas, and a welcome return for *Two Pipe Problems* by Michael Chaplin, featuring William and Sandy, residents of The Old Beeches retirement home for elderly thespians and former co-stars of a 1960s TV series.

Ambitious UK drama and comedy, continued/...



Story-telling – whether in straight drama or comedy – has to engage the audience with the characters, even the puppet ones. Highlights from the BBC's schedules have included:

- 1 Four-part thriller *The Silence*, introducing new talent Genevieve Barr.
- 2 *Mongrels* from BBC Three, our first urban, multispecies, adult puppet comedy from new writer Jon Brown.
- 3 *Rev* followed the daily trials and moral conflicts of an inner city minister, played by Tom Hollander.
- 4 BBC Three's most successful sitcom launch ever, *Him & Her*, with Russell Tovey and Sarah Solemani.
- 5 Other new comedy this year included comedy panel game *Ask Rhod Gilbert* from BBC Northern Ireland.
- 6 Our original daytime drama offer included *The Indian Doctor*, starring Sanjeev Bhaskar in the title role.
- 7 *White Chameleon*, an autobiographical piece by playwright Christopher Hampton (right, with actor Alex Jennings), just part of over 600 hours of drama from BBC Radio 4 this year.





Uniquely British humour

BBC Radio 4 was responsible for around 260 hours of original comedy last year; from some of the country's best new writers and performers, and its topical comedy podcast is one of the UK's most popular, with over 1.2 million downloads worldwide every month.

Cockney comedian Micky Flanagan's first radio series told his journey from 'working-class Herbert to middle-class intellectual' as he left the mean streets of London's East End and headed to the leafy lanes of Dulwich. Mixing documentary segments, interviews with people he knew, and some of his acclaimed stand-up comedy, each episode focused on a different decade. Not only can we expect to hear Micky back on BBC Radio 4 in a second series, but as a direct result of series one he has also now signed a television development deal.

In July, BBC Radio 4 brought listeners a series of five comedy pilots in the *Happy Tuesdays* slot, in which some of the most exciting comedy talent around were given the chance to try out new ideas and formats. Justin Moorhouse, for example, wrote his first audience sitcom, with Jim Poyser; Dan Renton Skinner took his Angelos Epithemiou character from *Vic Reeves* and Bob Mortimer's surreal panel show *Shooting Stars* and gave him a spoof chat show; and *Pauline Pepys' Dowry* saw Olivia Colman playing Pauline, Samuel Pepys' sister and David Mitchell playing Samuel.

August saw *An Audience with Ed Reardon* recorded live during the Edinburgh festival – just part of our wider output from festivals and events across the country.

BBC Radio 2's comedy season got started with *Hot Gossip*, a comedy panel show hosted by Claudia Winkleman, and included programmes dedicated to the talents of some of the UK's greatest comedians: Leslie Phillips presented *Carry On Forever*; Sean Lock remembered the unique talent that was Tommy Cooper in *Tommy Cooper – Just Like This!*; 30 years

KPI

Increase distinctiveness and quality

% Agreeing
Scoring 8 or more out of 10 for
High Quality

09/10 36.0

10/11 42.3

Average score out of 10 for
High Quality

09/10 6.4

10/11 6.8

Source: Pan BBC Tracking Study/Brand and Reputation Tracker. Base: All aged 15+.

after his death, Alexander Armstrong brought the story of Peter Sellers in *Being Here – The Peter Sellers Story*; and *All Round Bob Monkhouse* was presented by his old friend Barry Cryer. The season ended with *Dave Allen: Goodnight and May Your God Go With You*, in which one Irish comic, Ed Byrne, examined the life and career of another.

Embracing risks

Comedy is a risky genre – requiring time and investment to create and then maintain. But it is still important that broadcasters and commissioners experiment with new writers, comics and actors.

New television series this year included *Rev* – with Tom Hollander as an inner city vicar; emerging comedian Simon Brodtkin's character-driven series *Lee Nelson's Well Good Show*, adult puppet comedy *Mongrels* from new writer Jon Brown, and BBC Three's most successful comedy launch ever with Stefan Golaszewski's anti-romantic comedy *Him & Her*. BBC Three pushed convention further than before by opening up its range of pilots to audiences online for comment. Although full series of *Pulse*, *Stanley Park* and *Dappers* were not commissioned, they demonstrate the channel's continued support of original UK drama and commitment to try new things. But *The Fades*, a supernatural horror from award-winning writer Jack Thorne, will be back later this year.

To find out some of our programme priorities and plans for the year ahead, visit www.bbc.co.uk/aboutthebbc.

Meeting the BBC's Purposes with...

Outstanding children's content

Delighting and surprising young audiences – helping children explore their world in a safe public space.

We are committed to providing the best quality UK-produced content for children that encourages learning, supports understanding of the world around them, but also entertains this demanding audience.



1 CBBC's *Deadly 60* brought natural history to children in an adventure covering six continents.

2 BBC orchestras give masterclasses and performances to a range of audiences across the year.

3 *Growing Up In A War Zone: A Newsround Special* showed how Afghan children's lives are affected by war.



BBC network hours of output by genre 2010/11 (2009/10 comparator figures)

Children's

BBC One	BBC Two	CBBC	CBeebies	Radio
459	1,736	4,398	4,514	1,460
(482)	(1,660)	(4,344)	(4,538)	(1,414)

Schools/formal education

BBC Two	BBC Four	CBBC	CBeebies	Radio
198	6	—	214	104
(289)	(4)	(-)	(156)	(128)

Learning with the BBC

Knowledge and skills are fundamental to the BBC's offer. Our aim is to open learning opportunities to all audiences, but it is of greatest importance to our younger viewers, listeners and users.

We want to inspire a life full of learning, and engaging younger audiences wherever and whenever they watch or listen to our programmes or use our websites. On our mainstream content for example we will tackle subjects like bullying and peer pressure through *EastEnders* spin-off *E20*, in chunks designed to be shown to teens and others in their classrooms.

And our specialist children's content – including over 2,100 hours across BBC One and BBC Two – will remain springboards for learning.

Online, our support for formal education includes Key Stage 1 maths and literacy games, as well as English, maths and science activities for Key Stage 2 learners on our website www.bbc.co.uk/schools/bitesizeprimary. *GCSE Bitesize* remains the cornerstone of our learning portfolio for older school students, with practical help and advice across a range of GCSE subjects from Art & Design to Welsh as a Second Language. For more information see www.bbc.co.uk/schools/gcsebitesize.

Children live in a world that they want to engage with and find out more about. We help them to do this with programmes like *Newsround*, the daily news magazine that keeps them up-to-date on the latest stories and events happening at home and abroad, and *My Life*, CBBC's acclaimed single-subject documentary strand which follows extraordinary children with unique stories to tell.

Encouraging the youngest imaginations

For pre-schoolers, programmes like *Alphablocks* – 26 episodes aimed at 4-6 year olds who are learning to read – encourage the use of the imagination. *Alphablocks* is a series of adventures that invite parent and child to have fun together with words. Based on best-practice phonics teaching, it can help young children develop engagement and confidence with reading and making words. Every episode is different: there are songs, stories and games, and the website – like all the BBC's children's sites – features games and activities in a safe and secure environment. New from February, *The Lingo Show* introduces different languages (including Polish, Somali and Urdu) to a pre-school audience. It is aimed at mother tongue speakers of English as well as their friends who may speak a different language at home. To see all our websites for under-12s visit www.bbc.co.uk/children.

Show Me Show Me actively encourages these youngest viewers to imagine they are with their presenter friends in a playground high in the sky. This year the show featured Uki, whose adventures helped viewers learn about nature, friendship and sharing first experiences of the world.

Outstanding children's content, continued/...



Our distinctive range of children's programming is presented in a safe and ad-free environment, and our online offer is safely moderated. Recent viewer favourites include:

- 1 Science-based gameshow *Richard Hammond's Blast Lab*.
- 2 Original drama this year included a new version of Richmal Crompton's *Just William* stories.
- 3 CBeebies' *Show Me Show Me* – Pui and Chris explore the magic of the every day.
- 4 *Big City Park* is full of adventure, and filmed outdoor's in Belfast's Ormeau Park.
- 5 Popular comedy drama with a heart in *Tracey Beaker Returns*.
- 6 Animated reggae-singing crime fighting *Rastamouse* always 'Makes A Bad Ting Good!' with the help of friends Scratchy and Zoomer.
- 7 Mish (pictured) and his chums Moosh and Mogo from *Same Smile* travel the country showing 2-4 year olds that while we all have different lives, we all have the same smile!



**KPI****Increase distinctiveness****% Agreeing strongly****BBC television is original and different**

09/10	37.3
10/11	35.9

Source: Pulse: All aged 16+.

Audio for children

Older children – and even family groups – will also find opportunities to grow their imagination with the BBC children's output. Over the summer, BBC Radio 7 (now called BBC Radio 4 Extra) broadcast a selection of classic children's novels including *Black Beauty*, *101 Dalmatians*, *The Wind in the Willows*, and *The Adventures of Tintin*. And BBC Radio 4 offered a two-part adaptation of Mary Norton's children's classic *The Borrowers* about the tiny Clock family that live under the floorboards of a large house.

CBeebies offers a weekly 'Best Bits' podcast for download at www.bbc.co.uk/podcasts/series/cbeebies, for anytime anywhere listening – a real boon for today's busy children.

Engagement through games and activities

Children are not passive viewers. They want to get involved. And the BBC can help them do this.

Our range of public events this year included CBBC's *Deadly Days Out*, which attracted thousands of children and families to locations across the country, including Cwmbran and Norwich. The days were linked to the *Live 'n' Deadly* series and featured wildlife presenter Steve Backshall (and some of his friends!) and a host of fun family activities.

New series included *Mighty-Mites*, a high-energy programme that inspires children to get up and have a go at a range of new, and sometimes very exciting activities – from circus skills to indoor skiing, and swimming to pottery painting.

Informing and entertaining

Sometimes audiences want to watch or listen or log-on just to be entertained. And our audiences have not been disappointed this year.

We launched *ZingZillas* in April, a live action music series set on a tropical island paradise that follows the adventures of the best children's band in the history of music – the *ZingZillas!* With musical influences spanning the globe – from rock to soul, jazz to samba, big band to orchestra – *ZingZillas* gets its young viewers jumping, swaying and trilling to music from the world over. Guests such as Dame Cleo Laine and Jamiroquai help with the fun.

CBBC's *Muddle Earth* – our first ever in-house long-form animation series – is a comedy fantasy adventure series set in a mad world inhabited by all manner of strange creatures. Aimed at 6-9 year olds, it features the voice of Sir David Jason and music performed by the BBC Philharmonic Orchestra. And *Horrible Histories* – a real favourite with the older children – continues to offer laugh out loud sketches, cartoons and quizzes. It has been available on BBC HD since June last year.

As well as being fun, each of these programmes offers real educational content and rewards our younger viewers engagement with improved skills and knowledge.

To find out some of our programme priorities and plans for the year ahead, visit www.bbc.co.uk/aboutthebbc.

Meeting the BBC's Purposes by...

Bringing the nation together

Being there for the whole UK – in moments of crisis, commemoration and celebration through landmark events, sport and entertainment.

Since its earliest days, the BBC has been privileged to be a national gathering point. It is a heritage that we are proud to continue.



1 *Proms in the Park* saw five *Last Night* concerts from County Down, Salford, Swansea, Dundee and London's Hyde Park.

2 Although mainly broadcast in English, BBC Asian Network also offers news, current affairs and music programmes to speakers of a range of South Asian languages, including in Mirpuri, presented by Zarina Khan.

3 Wimbledon tennis was available on BBC Radio 5 Live with Richard Bacon, complementing our television, BBC Red Button and online coverage.



BBC network hours of output by genre 2010/11 (2009/10 comparator figures)

Sport

BBC One	BBC Two	BBC Three	BBC Four	Radio
697	965	101	1	4,832
(597)	(1,023)	(75)	(-)	(4,071)

News events

There have been a number of momentous events marked this year in our programming – events that unite large sections of the country in a shared experience: from May's General Election – when 73% of adults watched or listened to our coverage (including results) – to September's Papal visit which was of particular interest to a large community of faith and was seen by nearly one in six of the UK population.

The UK is renowned worldwide for its pomp and ceremony. Viewers can find live coverage of some of our big national events – from the State Opening of Parliament to Trooping of the Colour and the Edinburgh Tattoo – on our BBC Red Button service.

For those interested in the big events as they unfold, www.bbc.co.uk/news gives up-to-the-minute information on what is going on in the world. And for users interested in what is happening at Brussels, Westminster or the UK's devolved parliament and assemblies, they can search, find and watch the politics that impact on us all at <http://news.bbc.co.uk/democracy/live/hi>.

Bringing the nation together

Live music has been a core part of our offer since the British Broadcasting Company's earliest days.

BBC radio is the home of UK live music – from live acoustic sets on BBC Radio 2 to round-the-clock coverage from Glastonbury on BBC 6Music as part of our 150 hours of music from the festival, headlined by Gorillaz and featuring acts as diverse as Kylie Minogue, Muse, Stevie Wonder and the Yeovil Town Brass Band.

As well as Glastonbury, our festival coverage last year included Reading and Leeds (available across a range of channels, including BBC Red Button) as well as the less well-known Rockness (from the banks of Loch Ness) and Wakestock, Europe's largest wakeboard music festival from the Llŷn Peninsula in North Wales.

BBC Radio 1's *Big Weekend* also came from Wales this year. 40,000 people went to Bangor for the largest free ticketed music festival in the UK, where they were treated to performances from stars including Rihanna, Cheryl Cole, Florence and the Machine, Dizzee Rascal, Alicia Keys and Faithless.

Our coverage is not limited to the popular and chart acts preferred by the commercial stations, and BBC Radio 3 came live from Womad in Wiltshire in July, the 10th year it has done so. This year the BBC Radio 3 Stage's closing act was Kanda Bongo Man, king of Congolese soukas music. And BBC 1Xtra Live – UK's biggest free urban music event – saw over 10,000 tickets issued to fans for sets by N-Dubz, Tinie Tempah and Tinchy Stryder among others.

The BBC is committed to bringing the very best live music to our audience and supporting both established and emerging UK artists, as well as the best from around the world. To experience recent live performances visit www.bbc.co.uk/radio, where you will also find links to the best in recorded music from pipes on BBC Radio nan Gàidheal's *Cruanlath* to country, roots and Americana on BBC Radio 2's *Bob Harris Country*, and podcasts of gems like BBC Radio 3's *Late Junction Sessions*. Whatever your musical passion, you will find something on the BBC.

Nothing unites people more than a good wedding – and April's Royal Wedding did not disappoint.

Despite the many choices available to audiences, the BBC's edge over other broadcasters on these great occasions is actually growing. For the ceremony in Westminster Abbey itself, BBC One had an average audience of 18.7 million. An additional 0.5 million joined us on BBC News channel, giving BBC television a 69% audience share – more than three times that of ITV and over 25 times that of Sky. Over the whole day, just under 35 million UK viewers experienced some of our coverage, including news and highlights.

BBC iPlayer live streaming requests for the ceremony topped 530,000 on the Friday, making it the second most requested BBC iPlayer programme ever on a single day.

Bringing the nation together, continued/...

Our coverage of live news, sport events and music from the UK and across the globe bring communities of interest together for a shared experience:

- 1 The visit of Pope Benedict XVI to the UK – watched by around one in six of the population.
- 2 BBC Radio 5 Live's *Septemberfest* from Newcastle had something for all the family, including an exclusive set by children's favourite the *ZingZillas*.
- 3 Sports commentary across television, radio and online from experts like John Inverdale and Denise Lewis.
- 4 The FIFA World Cup from South Africa united football fans across the UK, whoever they were supporting.
- 5 Paulo Nutini performed live for BBC Radio 2 from his home town of Paisley.
- 6 The BBC was destination of choice for six out of ten of the UK population (c.35 million) for the Royal Wedding.



2



3



4



5





KPI

Maintain reach

Weekly pan-BBC reach %

09/10	96.9
10/11	96.7

Source: CMI. Base: All aged 16+

Talking to audiences

Each year, our UK-wide radio networks go up and down the country meeting with their listeners and broadcasting from where they are. In August, when BBC London 94.9 joined one million revellers at the Notting Hill Carnival, Chris Evans broadcast his BBC Radio 2 *Breakfast* show from a field in Cornwall. In September BBC Radio 5 Live was in Newcastle for its *Septemberfest*, which culminated in coverage of the Great North Run.

There are five BBC orchestras which, with the BBC Singers, can be seen live in a range of concerts across the country, many of them free. For more information or to check out the concert diary see www.bbc.co.uk/orchestras.

Uniting communities of interest

We broadcast our first radio sports commentary in 1927: it has been a vital part of our schedules since, with 44% of viewers watching or listening to our sports commentary and analysis each week.

2010 has been an incredible year for sport from the BBC, and once more we have been broadcaster of choice for the big events from Wimbledon to the FIFA World Cup, where we had nearly 80% reach across all platforms, a peak television audience of 17.8 million (for England v Germany), and a record weekly reach of 11.5 million online users at www.bbc.co.uk/sport. Over half of the available audience watched the final on BBC One.

Over four million viewers watched our television coverage of 'Super Saturday' at August's European Athletics in Barcelona as Britain's Mo Farah, Dai Greene and Jessica Ennis each won Gold, helping Team GB to a record haul of 19 medals from the meet. Winter 2010 saw record weekly audience figures of in excess of seven million for BBC Radio 5 Live.

Adding value by extending choice

Television BBC Red Button offers viewers a multi-screen experience, and extends audience choice. So far this year we have used it for a range of national and minority sporting events including the FIFA World Cup, Wimbledon tennis (where seven million viewers picked which matches to follow from a selection of up to six at a time), Formula 1, World Championship Snooker, Open Golf, rowing, skiing and equestrian events such as the Burleigh Horse Trials.

Our sports news continues to cover major and breaking stories online and other platforms like twitter.com, where fans can follow the likes of Dan Roan (@danroan) or Cornelius Lysaght (@CorneliusRacing).

We constantly seek to engage audiences with our sports output, anytime they choose and anywhere they are. BBC News channel for example, with over 100 hours of sports news each year, is streamed on the iPhone. And podcasts, from BBC Radio 5 Live's *606 Football Phone-in* to BBC Radio Scotland's *Off the Ball*, are being increasingly used to offer innovative delivery solutions to our progressively more on-demand audiences. To discover what podcasts we currently have see www.bbc.co.uk/podcasts.

To find out some of our programme priorities and plans for the year ahead, visit www.bbc.co.uk/aboutthebbc.

Delivering Quality First objectives

In December, in its conclusions on *Putting Quality First*, the BBC Trust identified four primary objectives for the BBC between now and 2016.

These objectives require a challenging programme of organisational and cultural change – and this summer's *Delivering Quality First* is an initial look at how we might best do this. For more information on *Delivering Quality First* see www.bbc.co.uk/aboutthebbc/therealstory/delivering_quality_first.shtml.

Objective 1: Increase the distinctiveness and quality of output

We will do this by increasingly focusing on our five editorial priorities across our portfolio of services.

In addition, we have listened to what audiences tell us they want – both directly and via BBC Trust consultations – and are working to implement specific changes coming out of the recent reviews of BBC One, BBC Two, BBC Four, BBC Radio 1, BBC Radio 2, BBC Radio 3, BBC Radio 4, BBC 6Music, BBC Radio 7 (now BBC Radio 4 Extra) and BBC Red Button. We will also spend less on a more focused and higher quality website.

We will do fewer things better in ways which increase quality, impact and value and help the BBC as a whole maintain or increase its reach to audiences.

Objective 2: Improve value for money for licence fee payers

We will continue to reduce the share of our expenditure allocated to running costs in order to direct a greater share of the licence fee into making great content that our licence fee payers value.

As a public service broadcaster, we have a duty to make every pound of the licence fee work harder. Doing more for less is challenging, but not new. In fact since the 1990s we have made significant efficiencies to bring our running costs down from 24% of the licence fee to around 12% today. Our new target will bring these to under 10% from 2013/14.

Equally importantly, we will continue to strive to make the 90% of the licence fee that we will spend on content and distribution work hard too, so that we can deliver quality programmes and services to audiences and licence fee payers.

Objective 3: Serve all audiences

We will meet our audiences' expectations by progressing key digital projects.

A successful launch of YouView remains a priority for 2011/12. YouView is just one example of the opportunities made available by the development of Internet Protocol TV (IPTV). And we are currently exploring how IPTV can further enrich and add value to the television experience for viewers by using our strengths in linear broadcasting as well as the online space to bring the best of the BBC's interactive output to the television screen.

We will work with government and other stakeholders to deliver a roadmap for digital terrestrial television, radio and broadband.

Objective 4: Set new standards of openness and transparency

These objectives will be a key part of how we report from now on. They will be monitored by a range of different measures, including audience research, financial analysis, external audit, and an assessment by the BBC Trust. In the coming year licence fee payers will see us introduce more information online at regular intervals that will keep them up-to-date on service performance, as well as a six-month update on progress against these objectives and any major new proposals we are developing. This will all be available at www.bbc.co.uk/aboutthebbc/.

The Director-General expects to present formal proposals on *Delivering Quality First* to the BBC Trust in the summer of 2011, to be followed by a period of public consultation and with final conclusions before the end of 2011.



MANAGING THE BUSINESS

BBC One's dark psychological crime drama *Luther* starred Idris Elba as a murder detective struggling with his own demons, and whose brilliant mind cannot always save him from the potentially dangerous violence of his own passions.

Chief Operating Officer's review



The new Operations Group will drive change and support the BBC in delivering simpler, more efficient and more cost-effective ways of working – vital if we are to meet the target we set ourselves in *Putting Quality First* of reducing overheads to less than 10p in every licence fee pound by 2015.

Operations Group

In October, a new, expanded Operations Group brought together the existing Operations division with BBC People (HR and recruitment services) and the externally facing Communications and Marketing and Audiences departments, bringing in functions as varied as audience telephone helplines and the teams who produce programme trails. In February, Technology and Editorial Policy joined the group. The expanded group is responsible for driving change through programmes such as *Delivering Quality First* as well as serving and supporting the whole organisation with a world-class infrastructure.

Delivering Quality First

In addition to meeting existing efficiency targets – £434million over this financial year – the Operations Group is working with the rest of the BBC to deliver the stretching extra efficiencies required from the new fixed licence fee settlement as well as integrating the BBC World Service and BBC Monitoring with our UK services and building our new relationship with S4C. Operations itself is making savings of 25%.

Partnerships and projects

Operations is now responsible for a large majority of the BBC's major contracts and projects, including the migration into London's new Broadcasting House which will bring our news and radio services together next year. This allows us to substantially reduce our property footprint in central London as well as bring the BBC World Service physically closer to our domestic services. In Salford's MediaCityUK, we completed the fit-out under budget and the first teams began moving into their new home in May.

We are making good progress on digital switchover with over one in four of the UK population now switched. Over the past year we completed the STV North region (with roughly 610,000 households switched), the West and the Channel Islands, with good progress being made in Anglia and Central regions.

Freeview HD launched in April last year to complement our high definition services already available on satellite and cable, and is growing quickly. Almost one million receivers have been sold and more than one in seven of all new televisions now include Freeview HD as standard. We achieved our coverage target of 50% of UK households in time for the FIFA World Cup in July. Autumn saw the launch of BBC One HD, bringing the excitement of HD to BBC One – the most watched channel in the UK – in time for Christmas.

Despite all this change, which has been as unsettling for some staff as it has been exciting for others, in many respects recent months have been 'business as usual' for the BBC: we have continued to make truly distinctive programmes like *Human Planet* and *ZingZillas*.

New ways of working

The digital age means that the broadcast and information industries have to evolve and move faster than ever before. We have to make sure that we're set up to address new and emerging challenges in the most efficient, effective way. We are, for example, at the final testing stages of a revolutionary project that will enable programme makers to view and edit video footage, including thousands of hours of archive material, on their PCs. This will allow them to work both more collaboratively and more efficiently, making savings that can be fed back into other high quality content.

For me, this means keeping it simple: we need a BBC that is simple to work for, simple to work or partner with, and perhaps most importantly, simple for its audiences to access and use. And we need to stay open, transparent and accountable so that audiences understand the value they get for their licence fees. Achieving that will be the test of the Operations Group's success.

Caroline Thomson
Chief Operating Officer

23 June 2011

Meeting the BBC's Purposes by...

Increasing value

Our new strategy, *Putting Quality First*, was approved by the BBC Trust in December. *Putting Quality First* was designed to help the BBC respond flexibly to the business challenges we face every day in the face of advances in technology and a rapidly changing media landscape, as well as adapt to the way we behave in – and therefore the impact we have on – the wider marketplace.

To read *Putting Quality First* go to www.bbc.co.uk/aboutthebbc/future/strategy_review.shtml, where we will also post updates as we deliver change at the BBC.

Delivering value for audiences

Changes in audience behaviour continue to challenge us all. While the number of radio listeners is at an all-time high, the hours they listen are going down. This is particularly true of Local Radio (both BBC and commercial).

At the same time, the average amount of television viewing has increased. And while time-shifted viewing has more than tripled in three years – BBC iPlayer is the most popular catch-up service online with over 130 million requests per month in the UK – the vast majority of viewing (c.94%) is still to live TV. Difficult economic and trading conditions have continued this year. In August, Ofcom's seventh annual Communications Market Report recorded the decline in commercial TV and radio revenues for 2009 – the fifth year in a row that it has decreased (see www.ofcom.org.uk/cmtr). The ongoing threat to advertising revenues continues to highlight the opportunities and support that the BBC is able to offer to the wider media industry through its careful investment of the licence fee, although this may be impacted going forward by the new licence fee settlement.

The Government's Comprehensive Spending Review saw the licence fee frozen for six years until December 2016. This means new challenges, which in turn mean more tough choices. We have to work even harder than before to minimise costs across the board – people, processes, procurement, property and technology – in order to maximise investment in programmes and services over the long-term.

As we look inwards to how we manage our investment on our in-house content, we must also look outward to see if we are driving as much value as we can. Inevitably some sections of our audiences will be disappointed, and harder deals will need to be struck with our partners and suppliers.

Sports rights

Sports fans expect to experience the best UK, European and world events as they happen, with supplementary news and analysis on television, radio and online. The major sporting events have the ability to deliver shared national moments with massive cross platform audiences. But with many broadcasters seeking to buy the rights to the most popular sporting events, we must carefully consider the balance of our rights portfolio before bidding for new or additional ones, considering factors such as anticipated audience size and value for money.

Our sports rights portfolio is in a strong position, with key properties like the 2014 FIFA World Cup, 2012 Olympics and Wimbledon in place, plus a wide range of rights recently secured including:

- Golf: Open Golf until 2016, and US Masters Golf until 2014
- Rugby Union: Live Wales, Ireland and Scotland autumn internationals, plus highlights for England games
- Cricket: Ashes cricket for *Test Match Special* on the radio

The BBC Trust commissioned independent consultants, MTM London, to undertake a Value for Money (VfM) study into the BBC's procurement of sports rights. The report by MTM London concluded that the BBC's processes for sports rights management are well suited to market conditions and enable the BBC to make sensible decisions about which rights to acquire and manage the negotiating process so as to secure value for money.

Increasing value, continued/...

Map showing progress of Switchover as at end of March 2011**Already Switched**

- Border
- West Country
- Granada
- Wales
- STV North
- West
- Channel Islands

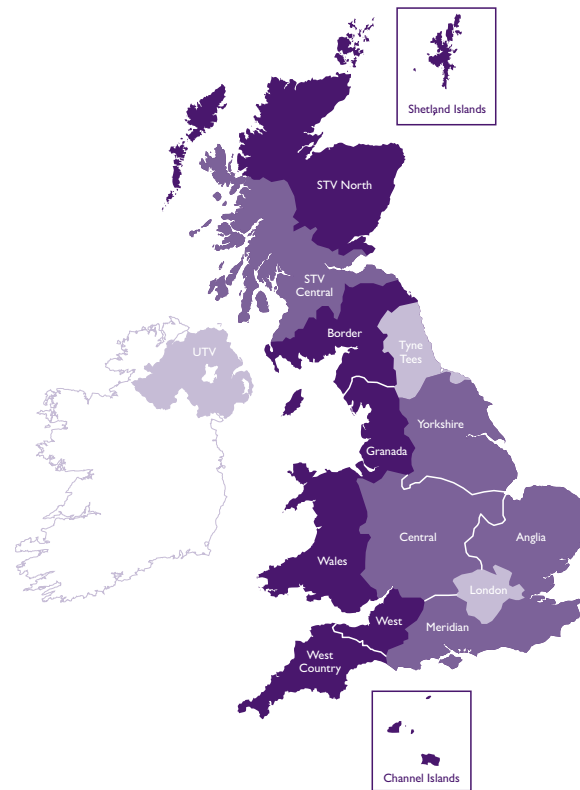
Switching in 2011

- STV Central switches between 2010 and 2011
- Central, Yorkshire and Anglia switch in 2011
- Meridian switches between 2011 and 2012

Switching in 2012

- London switches in 2012
- Tyne Tees and UTV switch in 2012

By the end of March, the Switchover Help Scheme had contacted about 5.4 million people and completed 588,000 installations. By the time switchover is complete, we expect to have helped around 1.5 million eligible people.

**Value for money studies**

As well as the MTM study into sports rights, this year has seen the BBC Trust commission two more VfM studies.

In February, the National Audit Office reported on our management of the Digital Media Initiative programme, designed to allow BBC staff to develop, create, share and manage video and audio content and programming on their desktop, and so to improve production efficiency across the BBC.

And in March, the NAO also reported on our management of the costs of producing continuing drama, specifically BBC One network's *Casualty*, *Doctors*, *EastEnders*, *Holby City*, BBC Scotland's *River City* and, for S4C, *Pobol y Cwm*.

In all three instances, we have accepted, and are currently acting on, the full findings of the reports. To read the reports in full go to www.bbc.co.uk/bbctrust/our_work/vfm/index.shtml.

Digital switchover

Digital UK Limited – owned and funded by the BBC and other UK PSBs and digital multiplex licensees – works closely with the DCMS and Ofcom to prepare for the switchover from analogue to digital TV.

It is responsible for coordinating and planning the technical rollout of a digital terrestrial network (DTT) to a timetable set by government spanning the years 2008-2012. It is budgeted to 'cost' up to £200million, ring-fenced in the licence fee.

Twelve switchovers took place in the year to 31 March, covering 2.5 million homes. After switching England's West region, the main focus this year was on STV North and the Channel Islands, areas with low or no DTT coverage before switchover. The arrival of Freeview has greatly improved viewer choice.

Digital UK works with industry stakeholders and other interested groups, and helps make sure that viewers know what is happening and when, and what they need to do.

Digital switchover is scheduled to be completed by the end of 2012. Through our wholly-owned subsidiary, DSHS Limited, the BBC also offers practical help to millions of older and

disabled viewers to keep on watching the programmes and services they love – not just from the BBC – and ensure that no-one is left behind.

For more information on the Switchover Help Scheme, please visit www.helpscheme.co.uk or for advice call Freephone 0800 40 85 900.

Programme acquisitions

In *Putting Quality First* we committed to cutting annual spend on foreign acquisitions by £20million, targeting savings towards even more UK-originated programming.

We will still aim to bring some of the best foreign dramas and movies to UK viewers, in line with our Global purpose to bring the best of the world to the UK. The best foreign language films – including *The Diving Bell and the Butterfly* and *The Counterfeiters* – and other drama like Danish police series *The Killing* were still available on BBC Four over the year. But, as with sport rights, we will not buy at any cost. We are delighted that we were able to introduce UK viewers to the stylish world of *Mad Men* but elected not to enter a bidding war over series five. Sky offered significantly more than we were willing to pay and so the show has now moved. UK fans will still be able to watch the new series, but will have to pay a monthly subscription to Sky's new premium channel.



Acquired programmes – like police drama *The Killing* from Danish broadcaster DR, shown here – can provide excellent value, as well as introduce UK audiences to the best global content.

Total average PSB headcount (equivalent full-time)

Year end 2006	18,860
Year end 2007	17,914
Year end 2008	17,677
Year end 2009	17,078
Year end 2010	17,238
Year end 2011	17,242

Some post closures identified as part of our current restructuring had not yet taken effect as at 31 March 2011. In addition, there is some dual running of posts as we complete the transition of to the new Salford site. In our Future Media and Technology divisions, a number of agency staff were replaced over the year by people employed directly by the BBC and who consequently now feature in the overall headcount.

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

	2009/10	2010/11
England (excluding London)	24	25
London	59	55
Scotland	7	8
Wales	7	8
Northern Ireland	3	4
Total	100%	100%

Adding value by stretching resources

Our aim is to continually increase our efficiency and effectiveness while maintaining and improving services and quality for audiences. *Putting Quality First* has given fresh impetus to our ongoing efficiency programme, as we examine the level and spread of our spend on people (both in-house people and through external contractors).

Staff

Staff management and remuneration

We are privileged to benefit from a workforce with exceptionally high levels of skills as well as pride in both the work they do and in the BBC as an organisation. For many, we offer the opportunity to work on a range of output and activity unavailable elsewhere, offering creative challenges that benefit us all, not least audiences.

However, this has been a particular challenging year for us to demonstrate our appreciation of our staff and acknowledge the value that they deliver. We suspended the staff and management bonus schemes and embarked on an extensive – and at times heated – consultation with employees and unions over radical reforms to the BBC pension arrangements. Moreover, the 2010 pay settlement reflected the economic climate and the need to deliver an affordable deal that offers value to licence fee payers. The deal saw a below inflation rise for those on less than £37,726, with a pay freeze for those on higher salaries for the second year in a row. Although disappointing for many, it was a responsible reaction to the acute pressure on pay and pensions across the public and private sectors. We still saw two days of strike action over pension reforms and pay, although agreement was finally reached and our proposals in both areas have now been implemented.

Our target on senior management pay is to reduce that payroll by 25% by the end of December 2011. Since August 2009 it has been reduced by £14.4million (18.3%), with the balance £5.4million on course for delivery by target date. On average, new senior managers are paid 8.7% less than the previous post holder.

Senior manager headcount by salary band

Band	2009/10	2010/11
Under £70,000	40	41
£70,000-£99,999	261	230
£100,000-£129,999	157	128
£130,000-£159,999	82	77
£160,000-£189,999	33	28
£190,000-£219,999	23	20
£220,000-£249,999	9	7
£250,000-£279,999	4	4
£280,000-£309,999	2	2
£310,000-£339,999	3	3
Total*	614	540

We publish details of senior managers' salaries in bands of £5,000, as well as the salaries, expense claims and gifts and hospitality register of the 110 most senior managers, identified according to salary, responsibility and reference at www.bbc.co.uk/aboutthebbc/running/bbcstructure/az.shtml.

* Total excludes Executive Board members.

Year-on-year the equivalent full-time (EFT) staff level has remained broadly stable although the pay and service profile of the organisation has changed following a decrease in the number of senior managers and a higher proportion of redundancies from amongst longer serving and more highly paid members of the workforce.

Our new purpose-built, state-of-the-art broadcast facilities in Salford and London Broadcasting House provide the opportunity for ambitious change over the next couple of years. Multiplatform working, creative collaboration and knowledge share will drive efficiency and greater benefit for audiences.

Around 2,300 jobs are in the process of moving to Salford's MediaCityUK. An estimated 1,500 people from London will join staff moving from our old site in Manchester, with an additional 500 local creative talents occupying space alongside the BBC as the move opens up new opportunities in the area. People interested in joining us in Salford can upload their CV at www.bbc.co.uk/jobs/north.

Over 5,000 staff are also due to move into the new Broadcasting House complex in London from early 2012. This will allow us to substantially reduce our property footprint in central London as we bring the BBC World Service physically closer to our domestic news and radio services.

We recognise that the migration of key departments from London to Salford coupled with uncertainty among staff over the implementation of *Delivering Quality First* is unsettling for many employees. There will be fewer jobs in the new BBC. So the coming year will see us work with staff and unions to manage those changes fairly, transparently and with compassion, providing outplacement services and redeployment wherever possible and working to maintain staff motivation and engagement.

Increasing value, continued/...

Diversity table, % of total staff

	Target 2012	Actual 2010/11	% point change year-on-year
Black and Minority Ethnic	12.5	12.2	+0.1
Senior manager, Black and Minority Ethnic	7.0	6.0	+0.3
Disabled staff	5.5	4.1	-0.1
Senior manager, disabled staff	4.5	3.0	-0.4

We aim to meet all our diversity targets by the 2012 deadline date.



The College of Production launched this year. Free to UK users, it helps equip people with skills they need for a lifetime of employability in the constantly shifting media landscape.

Diversity

A fundamental commitment to serve our audiences drives the BBC's equality and diversity agenda: we aim to reflect the variety of the world we live in through our workforce, who directly and indirectly make rich, meaningful content which delivers quality and value back to all UK audiences.

We continually review our policies and processes to ensure that they are barrier free for all potential employees and specific workforce targets focus our efforts on diversifying the workforce to reflect modern Britain. But we also look beyond these targets across the breadth of our workforce. We have worked with staff across all BBC divisions so they can understand and implement the core requirements of the Equality Act 2010, and developed a new online diversity training module for new managers.

Women made up half (49.2%) of the BBC's total workforce last year, and over one third (36.0%) at senior management levels. Both are stable year-on-year. The number of staff who identify themselves as disabled has stayed reasonably constant at 4.1% (2010: 4.2%) and is 3.0 % among senior managers. Black and minority ethnic (BME) staff are 12.2% with a slight increase at senior management levels, now at 6.0%.

We changed our ethnicity monitoring categories to reflect the national Census 2011, and have introduced sexual orientation and religion or belief monitoring to help us better understand the composition of our workforce.

During the year, the BBC took over the chair of the Cultural Diversity Network (CDN) and launched a programme of training and development to underpin the CDN mentoring scheme. In December, a week of programming across all platforms marked International Day of Disabled People and included *Access All Areas*, with well-known disabled presenters and journalists looking at technology, employment and social attitudes.

Looking to the year ahead, one of the key areas of focus will be around understanding issues relating to age and ageism within the industry. We are actively working with programme making areas in the BBC and with the wider industry to develop a more sophisticated approach to reflecting people of different ages in our on-air talent.

For more information on our approach to equality and diversity see www.bbc.co.uk/diversity.

BBC Academy

This year our training focus has been on building a UK talent base that has transferable skills and is able to make the most of the creative opportunities offered by a fully digital world. In the current economic climate, it is more important than ever that the BBC shares easy-to-access training direct with the industry.

A highlight of the year was the launch of the College of Production website, joining the existing College of Journalism site – both offered free to everyone in the UK. And we made available a suite of 20 easily-digested online modules on subjects surrounding editorial standards like accuracy, impartiality and privacy. More will follow.

Across the UK, we established key partnerships with other industry bodies: we joined forces with Arts Council England to help arts organisations create compelling and high quality content using web and broadcast technologies; we played a key role in devising and supporting the Belfast Media Festival 2010; and for the first time, the BBC Academy had a strong presence at leading industry events, including delivering free training at the Edinburgh TV Festival and the Sheffield Documentary Festival.

Across the media industry, and as part of our Bristol Anchor Partnership, we delivered training which supports creative innovation across the South West of England. And in partnership with PACT, the trade association representing and promoting the commercial interests of independent producers, we delivered multiplatform workshops to hundreds of freelancers across the UK.



The BBC has promoted an industry-wide safety passport which ensures that staff are fully trained in all safety aspects of their job. For more details of this and other training modules open to the industry and general public see www.bbctraining.com.

We know that this training is valued by the industry. Broadcast magazine reported that 93% of freelancers think that training is an important part of what helps them to be successful (April 2011) and 83% of industry stakeholders believe that the BBC makes a significant contribution to training the broadcasting industry (source: BBC Academy survey of external stakeholders, March 2011).

We will continue to develop our industry partnerships; extending the benefits of BBC training to the wider freelance pool on which everyone in the industry depends. But, in-house, a major focus of our efforts for 2011 will be on supporting the moves to Salford and back to the newly refurbished Broadcasting House. We will also help the BBC implement changes around *Delivering Quality First*.

Safety

Our safety team is involved across the range of BBC output, with significant highlights this year including: covering news events in North Africa and the Middle East; filming landmark series *Africa*, under extreme climate and terrain challenges, coupled with the rapidly changing political environment; the Commonwealth Games in Delhi; The Cricket World Cup; Glastonbury; the Proms and Proms in the Park; *Top Gear's* Middle-East special; and ensuring the safety of thousands of visitors to events including *Doctor Who Live* and the *Doctor Who Experience*.



Our approach to safety focuses on prevention, but we also support people after unexpected or unplanned events, including BBC Arabic reporter Assad Sawey, beaten during the democracy protests in Cairo's Ramses Square and seen here on the left being interviewed by News colleague Lyse Doucet.

There were no fatalities in 2010/11. We reported 38 accidents to the Health & Safety Executive, equivalent to an incidence rate of 175 per 100,000 staff. Most accidents are very minor.

Our work with industry leaders, other employers and the HSE this year included one day safety conferences covering Noise in the Performing Groups, Events Safety and Worker Involvement. We have been working with the HSE and others to produce new guidance for musicians to help protect their hearing.

We are continuing to focus on simplifying safety, especially on ensuring that planning for safety is proportionate and focuses on serious risk. We have published a series of pocket guides for staff which take much of the repetition out of planning for routine and familiar tasks, and delivered awareness training on them.

To read BBC health and safety policies visit www.bbc.co.uk/safety.

Creating new value and synergies

The UK's creative economy

The BBC believes that the future of public service broadcasting in the UK depends on a vibrant UK creative community. Without locally-based on-air and off-air talent, the existing range, quality and plurality of UK public service broadcasting content and services would be impossible to sustain.



The Road to Coronation Street from external supplier ITV Studios, part of BBC Four's Planet North season, recalled the difficult birth of a show that is still one of the television industry's greatest successes and which celebrated its 50th anniversary in December.

Increasing value, continued/...

2010/11 Talent spend

Pay band	2009/10 £000s	Number of individuals	2010/11 £000s	Number of individuals	Variance £000s
To £50,000	103,877	57,859	102,433	50,029	(1,444)
£50,000-£99,999	41,766	618	38,259	562	(3,507)
£100,000-£149,999	15,434	129	16,990	142	1,556
£150,000-£249,999	17,881	94	14,958	80	(2,923)
£250,000-£499,999	8,457	26	10,781	33	2,324
£500,000-£749,999	6,170	} 21	4,084	} 19	(2,086)
£750,000-£999,999	2,756		3,315		559
£1,000,000-£4,999,999	16,964		14,647		(2,317)
Organisations*	8,211	2,943	7,098	2,505	(1,113)
Total	221,516	61,690	212,565	53,370	(8,951)

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

Editorial guidelines

Over the years generations of programme makers have learned many lessons about how to make our content. Lessons that still apply today. And we pull these together into our Editorial Guidelines, available at www.bbc.co.uk/guidelines/editorialguidelines, and which is both a written assurance of our commitment to our audiences as well as a valuable support to in-house and external programme makers.

In addition to the easy-to-navigate guidelines, the site gives advice on how to interpret them and links through to brand new bite-size training modules from the BBC Academy, so users inside and outside the BBC can learn (at no charge) how to apply them. Link via www.bbc.co.uk/academy/collegeofproduction.

Indies

Since it was introduced, the BBC has consistently met – and usually exceeded – the television hours quota established under the 1990 Broadcasting Act intended for independent production companies.

Over the years, and bolstered by the 25% quota, the independent television sector has grown in size and in confidence, and is today responsible for providing some of the UK's most valued programmes like *Gareth Malone's Extraordinary School for Boys* and *Sherlock*. The BBC has introduced its own additional Window of Creative Competition (WoCC), increasing yet further the television hours commissioned from independents across entertainment, comedy, drama, factual and children's output. Performance against the television WoCC can be found in the Performance Against Public Commitments document in the download section at www.bbc.co.uk/annualreport.

The radio supply market is less established. At present, the BBC voluntarily sets its own quota of 10% of eligible radio programming by broadcast hours from external radio producers. We have exceeded this quota by more than 2% for all but one of the last ten years. In August the BBC Trust asked the Executive to introduce a WoCC for the

radio programme market, potentially opening up the available programming hours to independent producers by a further 10%.

Talent spend

A BBC Trust review of talent costs in 2008 confirmed the BBC did not pay more than the market price for top TV talent. At the time, the BBC committed to reductions in its spend through a review of how we manage and reward on-air talent – those artists, presenters and performers who help drive audiences' assessment of BBC quality and distinctiveness – and see how we might improve our processes while still investing in the best talent available.

This year, we have continued to reduce both our top talent and overall spend (down a further £9million for talent spend overall, including £2.9million for those individuals earning over £100,000) as we focus on the practical implementation of our strategy: to reduce rates paid, develop new talent, and work existing talent harder, as appropriate. A resurgent commercial market has, however, seen the departure of several high profile individuals to other broadcasters making further reductions challenging.

Last year, for the first time, we published our total spend on talent. This year we are publishing the data at a more granular level, as proposed by the House of Commons' Culture, Media and Sport Select Committee, demonstrating to licence fee payers our commitment to transparency and value for money.

Partnerships

We believe that there is real value in working in partnership with others. By combining our expertise and resources with those of external partners and independent production companies we are able to support the wider creative industries as they develop their skills and experience, and extend their own offer and so together we deliver greater value to all audiences.



1 *The Ginger Tree* was one of the earliest examples of HD television content. Audiences could not experience the HD, but the programme still won two BAFTAs and was nominated for a further three.

2 YouView opens up BBC iPlayer away from the PC to the family television.

YouView

'Project Canvas' was proposed as a way to deliver an internet connected upgrade to the UK's free-to-air digital TV platform Freeview, and create a subscription-free content alternative for audiences in a market dominated by pay-TV.

In June, after an extensive public consultation process, we were given approval to participate in an enabling joint-venture and YouView TV Ltd was subsequently established in September. Consumer trials are scheduled for later in 2011 and, together with fellow shareholders ITV, BT, Channel Five, Channel 4, TalkTalk and Arqiva, we are planning to launch in early 2012.

Consumers will be able to buy a set-top box that will integrate on-demand content – from sources like BBC iPlayer – with live and recorded programmes.

Central to YouView's business model is openness. Common technical standards will allow a range of technology companies to make boxes while an open environment for content will give third parties like Local TV a route to the living room screen.

Freeview HD – DVB-T2

When Freeview's partners wanted to introduce a High Definition service for their audiences, they needed to find a way to transmit the much larger HD signals within the existing spectrum capacity. To make the most efficient use of spectrum available, BBC Research & Development (R&D) collaborated with other European broadcasting experts representing 40 companies and – in less than 18 months – developed a new transmission system, DVB-T2.

DVB-T2 enabled Freeview HD to launch in time for the FIFA World Cup. By the end of March, 1.85 million Freeview HD boxes and Freeview HD TVs had been sold.

Freeview HD carries the BBC HD Channel, ITV 1 HD and 4 HD. This line-up was boosted in autumn 2010 with the arrival of BBC One HD which simulcasts a network version of the BBC One schedule for the first time.

Investment in innovation since 2006 £m

06/07	11.2
07/08	12.5
08/09	17.2
09/10	20.7
10/11	18.3

The yearly totals represent the BBC's expenditure on infrastructure and distribution technology, as well as on other research and development activity which had, at the time, not yet led a product or service. It also covers investment in audience facing technology, content and production – a few examples of which are outlined on the next couple of pages.

In September BBC R&D's work on DVB-T2 won the IBC 2010 Innovation Award for Content Delivery.

Super Hi-Vision

We continue to develop partnerships across the media sector that can benefit audiences everywhere – often behind the scenes and over many years.

A BBC R&D team worked with Japanese broadcaster NHK on the first High Definition film *The Ginger Tree* in 1989, although at that point of course the audience could not actually see any of the benefits of HD!

In the intervening years we have continued to collaborate with NHK to refine HD and aid the development of other innovations such as experimental new broadcasting system Super Hi-Vision – 16 times sharper than current High Definition. Most recently we have shared the benefits of the BBC's considerable expertise in distribution and compression technologies to help NHK ascertain exactly what will be possible in terms of transmitting SHV pictures long distance.

Although live transmission of SHV was tested in 2008 the content used for this experiment was small, simple and relatively easy to distribute. We needed to find out if it was possible to send SHV footage across long distances by subjecting the system to true broadcast conditions. Using subjects that might normally be seen by audiences on conventional TV, in September we broadcast a set by The Charlatans, as well as an exhibition Taekwondo bout by the Scottish national team, from London to Tokyo across the internet and relayed using a series of international research networks. We are interested in its potential as a means to provide high quality pictures on public displays for the 2012 London Olympics and to form part of the BBC's archive footage of the Games.

For more information about BBC R&D visit www.bbc.co.uk/rd.

Increasing value, continued/...



1 The new generation of the sci-fi drama *Torchwood* is a co-production between STARZ, BBC Cymru Wales and BBC Worldwide. BBC Worldwide Productions has produced the latest series, *Torchwood: Miracle Day*, shot in Los Angeles and Cardiff, featuring locations throughout the world. The investment from STARZ and BBC Worldwide has provided greater production values for fans, the BBC and international sales clients.

2 The Open Offer Process has been a useful addition to the BBC trading framework and will continue on an ongoing basis. The largest individual deal it generated this year was with FremantleMedia Enterprises on a new children's title *Strange Hill High* (shown).

3 *Strictly Come Dancing* is still performing strongly across the world as the international TV format *Dancing with the Stars*. In 2011 it was broadcast in three new territories: Vietnam, Armenia and Indonesia.

Piero sports graphics system

The Piero sports graphics system (Piero), which debuted on *Match of the Day* in September 2004, transformed sports broadcasting. It lays graphics over TV pictures, affording presenters and pundits another way to view and analyse and explain crucial game incidents or referee decisions.

Piero was initially created by BBC R&D, and has since been developed by Red Bee Media. Content has been sold to 33 companies in 25 countries, featuring global sports events such as RBS Six Nations Rugby and the FIFA World Cup in South Africa, where over 85% of all analysis effects used in the global feed came from the Piero system.

The 'Queen's Award for Enterprise: Innovation 2011' was jointly awarded to both BBC R&D and Red Bee Media for their collaborative work in developing Piero in April 2011.

For more information about Piero visit www.bbc.co.uk/rd/projects/virtual/piero/index.shtml or www.redbeemedia.com/piero.

Many of our collaborations extend beyond the type of formal partnerships outlined here, and we share our resources and expertise more widely with a wide range of organisations. For example, we distribute some of our online video news content in an agreement with The Daily Telegraph, The Guardian, The Independent, Daily Mail and over 30 other newspaper websites. For more about our partnership strategy and who we are currently collaborating with see www.bbc.co.uk/aboutthebbc/future/partnerships.shtml.



Supplying the BBC

We aim to choose all our suppliers carefully, to ensure that they have a specific expertise and can deliver value for money. We have worked with many of our suppliers for many years, and some are essential to broadcast continuity – such as Arqiva, Siemens and SES Astra who provide and maintain our distribution networks. Equally, each year other companies and individuals work with us for the first time, including on-screen and on-air talent, independent production companies, and through outsourced support services providers.

All our supply arrangements are managed through specialised procurement teams, to ensure we comply with the relevant regulations, and use industry-standard terms of trade. Information on all our procurement needs – including new tenders – can be found on www.bbc.co.uk/supplying.

BBC commercial companies

Across all that we do, our vision is to be the most creative organisation in the world and enrich people's lives with content that informs, educates and entertains. Through our commercial operations – from licensing agreements with UK and non-UK companies to making digital technologies work better for studio-based programme makers and to being a direct provider of independent, impartial and trusted news – we work to build and enhance the UK's global and national reputation as a creator and provider of the best content available.

Exploiting intellectual property rights fairly

The BBC Commercial Agency creates value for licence fee payers by generating optimal commercial returns on BBC programmes and intellectual property.

Historically, all investment was conducted on a First Option agreement giving BBC Worldwide 30 days negotiating exclusivity to secure commercial rights at a market-rate price acceptable to the BBC. In return, BBC Worldwide pays a Minimum Guarantee. Deals are struck in 70-80% of cases, with remaining rights made available for sale to the wider market.



Worldwide

Headline sales £m

09/10	1,074
10/11	1,158

Headline profit £m

09/10	145
10/11	160

Overseas sales £m

09/10	587
10/11	643

Following the BBC Trust's Commercial Review, we introduced an Open Offer Process to test pricing and increase transparency. We auctioned a representative selection of rights directly to the open market (including BBC Worldwide on equal terms). In 2010/11, the first year of operation, 24 titles were offered this way.

This generated almost £5million from six different distributors, including BBC Worldwide, who were successful on just under 70% of completed bids. Comparable prices achieved through Open Offer bids are broadly in line with those achieved in the normal trading arrangements. Both results support our view that arms-length negotiation between the BBC Commercial Agency and BBC Worldwide provides genuine commercial, market-rate pricing.

In total, by licensing rights to a range of commercial partners this year the BBC Commercial Agency raised a record £111.4million, including £77.4million of up-front programme investment.

BBC Worldwide

The majority of the BBC's commercial income comes from BBC Worldwide and its network of sales and production offices around the world. BBC Worldwide invests in rights to create media content, which it then exploits internationally across a wide range of products and services. A leading exporter in its sectors, BBC Worldwide provides a global showcase for British talent and content that helps the BBC to achieve its fifth public purpose – Bringing the UK to the world and the world to the UK.

BBC Worldwide's headline sales of £1,157.7million (2010: £1,074.2million) and headline profits of £160.2million (2010: £145.2million) in 2010/11 both exceeded the previous best performance (up 7.8% and 10.3% respectively) and were achieved despite ongoing economic difficulties in some market segments. The company's continuing resilience during the down turn is due to several factors: the diversity of its product portfolio and the strength of its brands, the geographic spread of its markets, and prior investment in new business areas that is now starting to bear fruit.

Returns made to the BBC in the year increased by £14.4million to £181.9million (2010: £167.5million). This figure includes direct investments into programming budgets (£78.5million) and cash dividends (£76.4million). Headline operating margin increased slightly to 13.8% (2010: 13.5%), driven primarily by the continuing success of established high-margin businesses (sales of TV programmes and formats, and DVD publishing) and the move towards profitability of some new businesses.

A particular focus for BBC Worldwide in recent years has been developing new businesses to ensure growth in the digital age. There has been good progress in this respect, with BBC.com (the international version of www.bbc.co.uk) growing its advertising base, especially in the US, and moving rapidly since its launch in 2007 towards breakeven. A version of the site editorially tailored for US visitors was launched in July 2010 and one for business users in Asia in March 2011. The company has also launched mobile games and other Apps in response to the rising popularity of smartphone and tablet devices. For example, there have been 80,000 downloads of the BBC Listener App – which brings the best of BBC radio content to audiences in North America – since its launch in May 2010.

The company is also aiming to generate more of its sales from outside the UK, and overseas revenues increased by 9.6% year-on-year. The current proportion of revenues generated outside the UK is 55.5%.

Given the ongoing strong performance in the UK (revenues have grown by 5.6%) reaching its target of two thirds revenues from overseas by 2012 may take slightly longer than forecast. BBC Worldwide's portfolio of 31 international BBC-branded TV channels, first launched in 2007, has helped bring a wider range of UK programmes to audiences in over 100 countries. BBC America, its cable channel in the US, has had its best year ever with average primetime ratings for the 25-54 age group up 36.8% year-on-year. There were new launches in India (BBC Entertainment), and New Zealand and Italy (BBC Knowledge), among others.

Increasing value, continued/...



BBC Worldwide is on track to meet its 2012 target of 10% of revenues generated from digital businesses (2010/11: 8.1%). Major brands such as *Top Gear*, *Doctor Who* and BBC Earth (an umbrella brand used to market the BBC's natural history catalogue) continue to grow quickly. They generated sales of £308.1million, up 12.6% on last year. BBC Worldwide is always working to find new ways for people to enjoy their favourite shows: new developments include an acclaimed *Doctor Who* Live arena show, electronic games linked to *Top Gear* and three natural history films being developed for cinema release, including one based on *Walking with Dinosaurs* in 3D.

BBC Worldwide's international production business also had a good year. The US version of *Strictly Come Dancing*, made for the ABC network, is as popular as ever – season 12, which aired in April and May 2011, was the most-watched series in the franchise's history. Other highlights included a US version of *Top Gear* for HISTORY™ channel, and Indian and French versions of *The Week the Women Went*. The Los Angeles based production team has developed a strong slate of formats as well as making a new series of the sci-fi drama series *Torchwood* for BBC Cymru Wales and US channel STARZ.

As the company continues to implement its strategy, its priorities will be: growing digital and international revenues, expanding its TV channels and production businesses, and developing more direct-to-consumer businesses through its major brands and a programme of customer engagement. It will also be working hard to increase its business specifically in the US, the world's largest media market.

BBC Studios and Post Production

Our commercial facilities arm BBC Studios and Post Production (BBC S&PP) worked with over 250 media companies and other clients across the 12 month period, making hundreds of shows for a variety of broadcasters, including Zeppotron's *10'0'Clock Live* for Channel 4, Thumbs Up Productions' *Britain's Next Top Model* for Living TV and CPL Production's *A League of Their Own* for Sky 1.

Despite tough market conditions the company performed well, beating budget and achieving an operating profit before restructuring of £6.1million. This is the highest operating profit margin achieved since incorporation and only three out of the last 13 years have been higher in absolute terms (2002/03, 2004/05 and 2006/07 – when turnover was two and half times higher). Restructuring costs resulted in a £1.6million loss before interest and taxation (2010: £9.7million loss).

Highlights from the year include:

- supporting over 22 hours of complex live coverage of May's General Election from Studio One at Television Centre, with six BBC News production teams and four sets on multiple levels, plus hosting and delivering Channel 4's and RTE's election coverage and two other productions on the same night
- launching the UK's first 3D capable (and 108050P HD) TV studio at Television Centre, and making a stereoscopic 3D *Strictly Come Dancing* trail for *BBC Children in Need*
- winning a multi-million pound contract for the Channel 4 blockbuster entertainment show *Deal or No Deal*, produced by Endemol UK
- taking *EastEnders* tapeless and HD



- 1 Upgrading the set – and even working that into the storylines – saw the Queen Vic burn as BBC S&PP takes *EastEnders* HD, part of a major technology refresh and introducing new HD and tapeless workflows.
- 2 Working across the industry, BBC S&PP helps deliver some of the best loved programmes from other broadcasters, including Channel 4's *Deal or No Deal*.
- 3 Emmy, Peabody and duPont Award-winning *BBC World News America* is the BBC's first ever newscast tailored for American viewers.

- expanding digital restoration and archive services, and launching the new digital Media Hub facility – consolidating and building on existing technologies to connect with customers, suppliers and distributors around the world
- remastering the landmark arts series *Civilisation* for BBC HD and restoring ITV's cult action adventure series *The Persuaders* for BluRay release for Network DVD

BBC S&PP also completed its turnaround with the closure of its Sport and Children's business as a result of this work moving to Salford. Looking ahead, the company will focus on growing its three remaining businesses:

- new Business and Entertainment: delivering studios and post production facilities from London's Television Centre and Bristol's Paintworks
- Drama Services: supporting the BBC's *EastEnders* operation and running the recently renovated Studio D facility for set standing shows, both at Elstree
- Digital Media Services: preserving, re-mastering and managing content, editing TV promos and creating high-end effects

For more about BBC S&PP see:
www.bbcstudiosandpostproduction.com.

BBC World News

BBC World News is our subscription and advertising-funded international 24-hour news and information channel. It is available across the globe and attracts 69 million viewers each week. As well as being available in nearly 300 million households and nearly 1.8 million hotel rooms, the channel can also be found on some cruise ships, airlines, mobile phone networks and a number of major online platforms including www.bbc.com/news.

Operating in a highly competitive marketplace, BBC World News reported a net profit for the year of £9.4million (2010: £3.6million profit). For more information on the channel visit www.bbcworldnews.com.

Fair Trading by the BBC

The BBC has a detailed operational Fair Trading framework which applies to all our activities and is outlined in our Fair Trading Guidelines, found at www.bbc.co.uk/info/policies/fairtrading.

These arrangements are subject to annual audit by independent auditors and have been accredited with the ISO9001:2008 quality standard.

The BBC Agreement requires all our commercial services to meet the following criteria:

- fit with public purposes
- show commercial efficiency
- not jeopardise the BBC's good reputation nor the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines, and avoid distorting the market





Having received reports from relevant senior management, the BBC Executive is satisfied that all commercial services met the criteria for the period 1 April 2010 to 31 March 2011.

The BBC has a published Fair Trading complaints and appeals process, which can be found at www.bbc.co.uk/aboutthebbc/policies/fairtrading_complaints/fair_trading.shtml.

Details of Fair Trading complaints dealt with during the year and those that went to appeal to the BBC Trust can be found in our Fair Trading Bulletin at www.bbc.co.uk/aboutthebbc/policies/fairtrading_complaints and on the BBC Trust's appeals page www.bbc.co.uk/bbctrust/about/complaints_appeals/fair_trading/.

Looking forward

Our environment targets – by 31 March 2013

Area	Target 2012/13	Performance 2010/11
 Reduction in energy consumed per person	-20%	-1%
 Reduction in water consumed per person	-25%	-3%
 Reduction in waste to landfill per person	-25%	-78%
% of waste recycled	75%	55%
 Reduction in CO ₂ emissions from transport	-20%	-2%

2010/11 was the third year of a major programme focused on improving our environmental impact. Over the period we have constantly taken opportunities to devise environmentally friendly solutions across a range of work issues. In February we received the Carbon Trust Standard, granted to organisations proven to have taken practical steps to manage and reduce CO₂ emissions. Further notes on this environmental data can be found in our corporate responsibility report, available at www.bbc.co.uk/outreach/reports/.

£111.4m

BBC Commercial Agency raised record £111.4million licensing rights in 2010/11.

2,300

The number of jobs moving to MediaCityUK.

£14.4m

Reduction on senior manager paybill from August 2009 until end March 2011.

Delivering value

Our previous investments and plans will now start to pay-off. For example, upfront investment in Salford's MediaCityUK will deliver a completely tapeless, digital production environment which will return any short-term investment through reduced operational costs. This is allowing us to revolutionise the way we work and do more with less.

Since the start of the Digital Switchover Help Scheme, it has spent significantly less than the amount originally allocated by government. Over the last three years the take-up of digital television has increased significantly and take-up of the Help Scheme has been lower than originally estimated. In addition, a very effective procurement exercise also reduced the projected cost of the Scheme by £100million, so that by the end of the Scheme in 2012 we expect the under spend to be around £300million.

Adding value

We will continue to develop our industry partnerships; extending the benefits of BBC training to the wider freelance pool on which everyone in the industry depends. But, in-house, a major focus of our efforts for 2011 will be on supporting the moves to MediaCityUK in Salford and back to the newly re-furnished Broadcasting House in London. We will also help the BBC implement changes around *Delivering Quality First*.

Creating value

For the rest of 2011, much of our focus will be on delivering major milestones for some existing partnership projects, continuing to develop partnerships in three key areas (training, Digital Public Space and City/Regional partnerships), and planning for how the BBC will meet the new partnerships commitments agreed as part of the recent licence fee settlement.

Environmental sustainability

This year we reviewed our own approach towards the environment and our sustainability practices and as a result, we have evolved a new strategy to help us become a more sustainable organisation. In addition to our ongoing efforts to meet existing targets aimed at reducing our environmental footprint, we have introduced a renewed focus on our core business: making programmes.

We aim to set the standard in sustainable productions, and have created a detailed 'how to' guide for staff, plus a range of other initiatives and events to engage them in the issues. We have developed a carbon calculator 'Albert' which will enable us to gather data and identify where we need to do better. We will share our learnings, and Albert itself, with the wider broadcasting industry. For more see www.bbc.co.uk/outreach/environment.

GOVERNANCE

Middle East Editor Jeremy Bowen, with Rob Magee and producer Cara Swift (not shown), covered developments in Libya from a base in Tripoli, working across radio, television and online to bring the latest news and analysis of the events and people making headlines there, and within the wider context of change across the Middle East and North Africa.

Executive Board

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



Mark Thompson

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



Caroline Thomson

Chief Operating Officer. Board member since May 2000. Trustee of the BBC Pension Scheme. Non-executive director of Digital UK.



Zarin Patel

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



Helen Boaden

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



Tim Davie

Director of Audio & Music since September 2008. Board member since April 2005.



George Entwistle

Interim Director, BBC Vision from January 2011, confirmed in post and appointed to full Executive Board in April 2011. Prior to this he was Controller of Knowledge Commissioning since January 2008.



Ralph Rivera

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



Marcus Agius

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

The following executive directors ceased to be members of the Executive Board during 2010/11: Mark Byford (Deputy Director-General), Lucy Adams (Director, BBC People), Sharon Baylay (Director, Marketing, Communications & Audiences), Jana Bennett OBE (Director, Vision), Erik Huggers (Director, Future Media & Technology), and Peter Salmon (Director, BBC North). The terms of office for non-executive directors David Robbie and Dr Samir Shah OBE also concluded during the year.

For more information on the members of the BBC's Executive Board, please visit www.bbc.co.uk/aboutthebbc/running/executive.



Simon Burke

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



Val Gooding

First appointed non-executive director in January 2008. Chairman of Premier Farnell plc. Also non-executive director of J Sainsbury plc, Standard Chartered Bank plc, the Lawn Tennis Association and the Home Office. Trustee of the British Museum and the Rose Theatre.



Dr Mike Lynch OBE

First appointed non-executive director in January 2007. Re-appointed for the second time this year. Technology entrepreneur; founder and CEO of Autonomy Corporation plc. Other directorships include the British Library and Blinkx plc.



Robert Webb QC

First appointed non-executive director in January 2007. Re-appointed for the second time this year. Appointed QC in 1988. Chairman of BBC Worldwide and BBC Commercial Holdings Board. Chairman of Autonomy Corporation plc and Sciemus Ltd. Non-executive director of the London Stock Exchange, Hakluyt & Co Ltd, Argent Group plc and the Emerging Health Threats Forum. Honorary Fellow of UNICEF.

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

Executive Audit Committee

Chair: Simon Burke

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

Executive Remuneration Committee

Chair: Marcus Agius

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

Fair Trading Committee

Chair: Val Gooding

The Fair Trading Committee helps ensure that the BBC complies with its fair trading obligations. It is made up of three non-executive directors and two executive directors. The Head of Fair Trading and General Counsel also attend. The committee meets four times a year.

Nominations Committee

Membership of the Nominations Committee depends on whether non-executive or executive appointments are being made. The Chair of the committee is taken by a non-executive director for other non-executive director appointments and the Director-General for executive appointments. The Chair of the ERC is not permitted to chair this committee. The Nominations Committee was established under article 35(4) of the Charter and operates in accordance with the requirements set out in articles 30 and 31 of the Charter. This committee oversees the process of proposing, appointing and dismissing members of the Executive Board, except the Board Chairman (the Director-General), who is appointed by the BBC Trust.

Risks and opportunities

The Executive Board is responsible for identifying risks and taking mitigating action. The risks and related opportunities identified below are those thought to have the most significant impact on our audiences, strategy and operations. They are not expressed in any ranking or order of priority.

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

Our mission is to inform, educate and entertain audiences and manage any threats to this objective. We must continue to seize appropriate opportunities and serve all audiences, against a backdrop of profound changes in the media sector, and a focus on distinctiveness and value-for-money:

Risk	Action	Future outlook
<ul style="list-style-type: none"> Failure to deliver on Charter requirements and strategy 	<ul style="list-style-type: none"> Effective editorial and business strategies Ongoing monitoring of audience and industry developments In-house review of existing production processes and audience priorities 	<ul style="list-style-type: none"> Continuing need to cover complex events, worldwide Ongoing focus on Charter, Mission and Purposes Clear strategic choices, whilst maintaining editorial quality
<ul style="list-style-type: none"> Failure to uphold the highest values and standards, and to maintain accuracy and impartiality in all content, could lead to loss of audience trust, damaging our brand 	<ul style="list-style-type: none"> Continue to attract and retain people with the right mix of skills and expertise Strong editorial controls and effective compliance processes Ongoing training of production teams Serious consideration of complaints 	<ul style="list-style-type: none"> Highest standards of editorial integrity and impartiality will remain paramount Any editorial lapses will be dealt with quickly and proportionately Strategy to combat perceived regional bias
<ul style="list-style-type: none"> Failing to keep pace with developments in technology could limit access to content 	<ul style="list-style-type: none"> Technology strategies that reflect developments and maintain principle of free at the point of use Collaboration with media industry on technical innovations (eg launch of Radioplayer) 	<ul style="list-style-type: none"> Accelerating pace of change will present challenges but also new opportunities in how we engage with our audiences Recognition of need to be flexible to keep pace with audience expectations (eg use of social media) Reviewing options to fund the digitisation of the archive, in order to open it up to licence fee payers

Operational and Services: Challenges are mitigated by our business strategy, policies and procedures

Resilience of our operations, and of the operations of our suppliers and partners, is essential to delivering the services that licence fee payers expect in both normal times and times of crisis. Organisational transformation will change our overall risk profile. Innovation is essential to anticipate modern audience needs:

Risk	Action	Future outlook
<ul style="list-style-type: none"> 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"> Detailed broadcast continuity plans regularly reviewed and tested Exit strategies and contingency plans for key suppliers Major investment to refresh the core technology network 	<ul style="list-style-type: none"> Prioritising technology investment in new sites and recognised need for new training Technological development will continue to offer opportunities alongside risks Resilience enhanced by platform options offered by internet and broadcast technology development (eg YouView)
<ul style="list-style-type: none"> Without careful allocation and management of resources, we will not successfully complete the wide scope of concurrent projects, compromising our ability to match audience future needs (eg Olympics, Queen's Diamond Jubilee, Digital Switchover) 	<ul style="list-style-type: none"> Lessons learnt from external reviews of major projects Consistent review of individual and portfolio project risks Enhancing scrutiny of milestone attainment and inter-project impacts on the overall project portfolio 	<ul style="list-style-type: none"> Continuously review the timeline of major activities impacting business areas, to highlight points of strain To build on existing expertise in dealing with change, change management and project delivery capability Capacity planning for projects to be supported by staff resource monitoring tool, with targeted actions for scarce and specialist skills

Financial and Commercial: Challenges are mitigated by our financial strategy and our commercial policy and guidelines

The prolonged UK and global economic situation impacts us and all our stakeholders and could lead to a decline in income, despite reduced uncertainty due to agreement on the licence fee level to 2016:

Risk	Action	Future outlook
<ul style="list-style-type: none"> Economic slowdown could lead to decreased licence fee income and reduced financial flexibility, in turn increasing pressure on borrowing arrangements; spending power eroded by inflation 	<ul style="list-style-type: none"> Contingencies built into financial plans Efficiencies gained by cooperation with partners and ongoing strategic initiatives Pension affordability addressed 	<ul style="list-style-type: none"> Possibility of a recession in the UK remains and low inflation predictions may prove inaccurate High levels of uncertainty remain regarding the global economy, impacting the value of assets and investments
<ul style="list-style-type: none"> Extending beyond appropriate boundaries could impact commercial interests of other operators against the public interest 	<ul style="list-style-type: none"> Compliance with existing guidelines on unfair competition Vigilance over boundaries and plurality 	<ul style="list-style-type: none"> Upheaval in media sector may continue Developments in technology will pose new challenges Transparent public service role

Corporate Responsibility: Challenges are mitigated by the strength of our business processes

Whilst driving our strategy to deliver quality, originality and value to our audiences – requiring creative risks and innovative approaches – we must maintain appropriate practices:

Risk	Action	Future outlook
<ul style="list-style-type: none"> Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation 	<ul style="list-style-type: none"> Strong safety risk assessment procedures applied diligently Environmental impacts under continuous review 	<ul style="list-style-type: none"> Attention to changing exposures and industry best practice on global stage Take opportunities to devise environmentally friendly solutions
<ul style="list-style-type: none"> Failure to comply with legal and regulatory requirements may result in penalties 	<ul style="list-style-type: none"> Liaison and active engagement with regulatory bodies and stakeholder groups Specific controls enhanced (eg to comply with Bribery Act and Data Protection Act) 	<ul style="list-style-type: none"> Political focus on media industry regulation likely to continue and penalties may become more severe Continuing to study and plan for impacts of new legislation
<ul style="list-style-type: none"> Failure to meet digital public policy responsibilities could limit enjoyment by all 	<ul style="list-style-type: none"> Digital Switchover highly successful to date Focus on new responsibilities for delivering broadband Engaging with vulnerable groups Broadcasting and internet; launch of Radioplayer 	<ul style="list-style-type: none"> Pace of innovation may overtake and mitigate some risks and present new opportunities Emerging government initiatives may impact the resources at our disposal
<ul style="list-style-type: none"> Developments in technology and changes to legislation are conspiring to increase potential threats from information security breaches 	<ul style="list-style-type: none"> Active consideration of threats, with ongoing mitigation measures including encryption roll-out Data Protection procedures and training reviewed and revitalised 	<ul style="list-style-type: none"> Effective practices and procedures will remain key and are under regular review Continued deployment of the best available technology to safeguard data

Governance report

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 www.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 while the BBC is not a listed company, it has nonetheless opted to adopt best practice and follow the provisions of the Financial Services Authority's Listing Rules and the Financial Reporting Council's 2008 Combined Code on Corporate Governance (the Combined Code) in order to be consistent with companies quoted on an EU regulated market.

In May 2010, the Financial Reporting Council issued the UK Corporate Governance Code (2010) which is effective for financial years beginning on or after 29 June 2010. The BBC will report on its compliance with this new edition of the Code in its Annual Report and Accounts for 2011/12.

The Executive Board has complied with the requirements of the Charter which has also secured substantial compliance with the Combined Code. There are, however, a few areas of the Combined Code that are either not appropriate to the circumstances of the BBC or where compliance with the Charter overrides compliance with the Combined Code. Partial non-compliance with a further provision of the Combined Code has arisen during the year. From 1 January 2011 to 25 May 2011, the Executive Audit Committee comprised only two non-executive directors, Simon Burke and Dr Mike Lynch whereas the Combined Code requires an audit committee to comprise at least three non-executive directors. The Executive Board believes that these areas do not compromise the quality of the governance arrangements in place nor the execution of the Executive Board's responsibilities.

Cost of compliance

In order to ensure that we complied with all relevant legislation, to which the BBC is subject in 2010/11, we incurred compliance costs estimated at £17.3million (2010: £17.6million), which includes the BBC's annual £3.3million subscription to Ofcom.

Areas of the Combined Code not relevant to the BBC

Make up of remuneration (Combined Code principle B.1):

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

Interaction with shareholders (Combined Code principles D.1 and D.2): 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 Combined Code

Division of responsibilities between Chairman and Chief Executive (Combined Code principle A.2):

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

Board balance and independence (Combined Code principle A.3): The Executive Board currently comprises 12 directors, of whom seven are executive directors and five are non-executive directors – providing a balance of executive and non-executive directors so that no individual or small group of individuals can dominate decision taking. This complies with the Charter which specifies that non-executive directors must not be less than one-third and not equal to or more than one half of the members of the Executive Board. However, this does not comply with the Combined 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 Combined Code.

Executive Board

The Executive Board usually meets monthly (except for August); summary minutes of meetings are available online at www.bbc.co.uk/info/running/executive/minutes.shtml.

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 www.bbc.co.uk/aboutthebbc/running/executive/subcom.shtml.

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

Report of the Senior Independent Director

In last year's Annual Report I reflected on how the BBC's response to the economic downturn was having an impact across all of the BBC's areas of activities. This year, the pressures on the Corporation continued, with the Government's Spending Review having serious ramifications for the BBC. The six year licence fee settlement will see a relatively flat income level, the value of which will be reducing in real terms, and from 2013 the licence fee will also have to fund BBC Monitoring, BBC World Service and the majority of Welsh language broadcaster S4C.

The new financial reality is requiring a radical response from the Board.

During the year, we have implemented big changes at Board level, with total membership reduced from 16 to 12. Post closures saw us lose Mark Byford and Sharon Baylay; Erik Huggers took up a role in the commercial sector; and the terms for non-executive directors David Robbie and Samir Shah concluded at the end of December. In addition, a further three executive directors also stepped down from the Board, but I am delighted to say will remain with the BBC: Peter Salmon, Lucy Adams and Jana Bennett.

We thank them all for their generous advice and wisdom over the years and for their commitment to the BBC on behalf of licence fee payers. We wish them all well for the future, especially Mark Byford who is leaving after 32 years with the Corporation.

These changes also brought us new members Ralph Rivera, Helen Boaden and George Entwistle, and non-executive director Simon Burke who will chair the Executive Audit Committee. The range of skills, expertise and experience around the Board table continues to be strong, and the benefits of a smaller and therefore more responsive Board are already being seen in action.

The licence fee settlement is increasing the pressure for efficiencies from all parts of the business. As the BBC has already been delivering year-on-year efficiencies since 2008, this is difficult. But we are witnessing examples of BBC staff across the Corporation finding ways creatively to reduce spend and to drive added benefit from the licence fee while maintaining quality. As a Board, and in our Committee work, we will continue to ensure that this remains the case.

Although I believe that there will be benefits for the BBC and its audiences in the longer term, the negative side of an efficiency drive includes the human costs for departing staff. With more staff choosing to leave as their posts are relocated to Salford, I am – in common with the other non-executive directors – impressed by the manner in which the BBC is showing itself managing such a level of upheaval.

Of course, large numbers are also electing to embrace the move to Salford, and the fresh creative and personal challenges it offers. The BBC has, throughout all this change, not only achieved record levels of audience/licence fee payer appreciation but also delivered a raft of distinctive programmes not found anywhere else. *Sherlock* and *Human Planet* – fiction and fact but telling equally dramatic stories – were particular personal highlights from the year.

May saw Lord Patten take the chair at the BBC Trust. I look forward to working with the new Chairman in the coming months and years, supporting the BBC as it provides more great, original content valued by the British public, paid for by them, and representing the best of UK creativity.



Marcus Agius

Senior Independent Director
23 June 2011

Governance report, continued/...

Induction, performance and development

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

All directors have access to external independent advice if they wish.

The Director-General also has a separate meeting with the non-executive directors every year.

In accordance with the Charter, the BBC Trust conducts an ongoing assessment of BBC services, including some full service reviews each year (with public consultation). The Trust also annually reviews the performance of all BBC services with the service controllers and output directors. The BBC Trust's review and assessment for 2010/11 can be found in Part One.

The performance review processes for the Executive Board's Committees continues to evolve and each reviews their own performance and effectiveness. No significant issues were identified for 2010/11.

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

Nominations Committee

The Nominations Committee oversees the process of proposing, appointing and – if necessary – dismissing members of the Board. The only exception is the Director-General, 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.

Board appointments

The Nominations Committee oversaw a number of appointments during the year. Two executive appointments were made: Ralph Rivera, Director, Future Media (effective 1 March 2011) and Helen Boaden, Director, BBC News Group (effective after the year end, from 1 April 2011).

The terms of office for non-executive directors David Robbie and Samir Shah OBE were ended on 31 December 2010.

Two other non-executive directors, Dr Mike Lynch OBE and Robert Webb QC, were due to step down on 31 December 2010: the Nominations Committee recommended to the Board and to the BBC Trust that both be re-appointed for a further term. One new non-executive director appointment was recommended to the Board and the Trust: Simon Burke was appointed for a two year period with effect from 1 January 2011.

Departing directors

Changes implemented this year to the Executive Board saw the departure of a number of executive and non-executive directors.

Following the closure of the role of Director of Marketing, Communications and Audiences, Sharon Baylay stepped down from the Executive Board in November. She is currently on maternity leave.

In February, after over two years on the Executive Board and nearly four years with the BBC, Director, Future Media & Technology Erik Huggers left the BBC for the commercial sector.

Mark Byford stepped down as the BBC's Deputy Director-General and Head of BBC Journalism, after 32 years of service and 13 years on the BBC Executive Board, and subsequently left the BBC in June.

The terms of office for non-executive directors David Robbie and Dr Samir Shah concluded at the end of December.

We are grateful for the contribution each has made, individually and collectively, to the BBC and on behalf of licence fee payers, and wish them well for the future.

In addition, a further three executive directors also left the Board, but remain with the BBC: Peter Salmon (Director, BBC North) is running our new base in MediaCityUK, Salford; Lucy Adams took up a new role with additional areas of responsibility as Director, Business Operations; and Jana Bennett moved from Director, BBC Vision to our commercial subsidiary BBC Worldwide.

Executive Board and Committee attendance

	Executive Board		Audit Committee		Fair Trading Committee	Nominations Committee		Remuneration Committee	
	Ordinary	Extra-ordinary	Member	Attendee		Member	Attendee	Member	Attendee
Number of meetings for the period	11	12	4		3	3		9	
Director, BBC People Lucy Adams	10	10					2		9
Director, MC&A Sharon Baylay	7/7	6/10							
Director, Vision Jana Bennett	8/9	5/10							
Deputy Director-General Mark Byford	10	10				2/2			
Director, Audio & Music Tim Davie	10	10							
Director, Vision George Entwistle	3/3	2/2							
Director, Future Media & Technology Erik Huggers	9/10	9/11							
Chief Financial Officer Zarin Patel	11	12		4	3				
Director, Future Media Ralph Rivera	1/1	2/2							
Director, BBC North Peter Salmon	10	11							
Director-General Mark Thompson	11	11		3		3			9
Chief Operating Officer Caroline Thomson	11	11			3				
Non-executive directors:									
Marcus Agius	10	10			3	3			8
Simon Burke	3/3	2/2	1/1						
Val Gooding	9	10			2				7
Dr Mike Lynch	8	9	4			3			
David Robbie	8/8	6/10	3/3						
Dr Samir Shah	8/8	8/10	2/3		3				
Robert Webb	10	8							8

Report of the Chairman of the Executive Remuneration Committee

While recognising the importance of attracting and retaining excellent people to deliver the BBC's purposes for the benefit of licence fee payers, the focus of the ERC this year has been on implementing the recommendations of 2009's BBC Executive Remuneration Review:

- Executive pay frozen for four years and bonuses removed indefinitely
- senior management pay frozen and bonuses removed for two years
- reduce the number of senior managers by 20% over a two year period (and payroll by 25%)
- ensure Executive remuneration is significantly below the equivalent in the market by providing salaries which are discounted by between 50-80% against comparative roles in the commercial sector

At the BBC Trust's request we brought forward the target date for achieving these measures from August 2013 to December 2011.

We are making steady progress towards our target measures. As at 31 March 2011, the number of senior managers has reduced by 86 posts (13.4%) and the related payroll is down by £14.4million (18.3%). Plans are in place fully to meet the target by the new deadline.

Our most talented people continue to be in demand within and outside of the sector; and this has been demonstrated by the recent exits of some of our most talented senior executives who have left the BBC to secure similar positions on significantly increased packages.

Despite these pressures, we have continued to focus on finding opportunities to reduce our senior management payroll through recruiting senior managers who are paid less than the previous incumbent. Senior managers joining the BBC and staff promoted into senior roles during the year are, on average, paid 8.7% less than

the previous post holder. Of the 15 most senior roles replaced, we have achieved an average salary reduction of 19%.

In particular the Committee has been mindful of the need to ensure that Executive Board salaries make a substantial and proportionate contribution to the reductions. To this end we have:

- reduced the size of the Board
- reduced the salaries of new Board members
- with individual agreement, removed pension supplements with effect from April 2011

As a result, we will have reduced the executive director payroll for 2011/12 by £2.1million (43%). In addition, Board members (including non-executive directors) agreed to forgo one month's salary, reducing executive earnings last year by a further £289,000.

The ERC undertook its regular assurance exercise to benchmark BBC Executive pay against the market, and this revealed that Executive Board pay is discounted on average by 58% against the commercial sector.

The reality of meeting stretching targets within a short timeframe coupled with the necessity of competing head-on with highly commercial competitors to attract and retain the very best talent will be an ongoing challenge for the BBC. But we recognise that pay growth across the UK is below the rate of inflation and many licence fee payers are experiencing a reduction in their personal income. It is essential therefore that the BBC continues to demonstrate pay restraint at all levels.



Marcus Agius

Chairman of the Executive Remuneration Committee
23 June 2011

Executive Board remuneration report

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

Remuneration Committees: constitution and operation

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

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

Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, Business Operations, who advise on matters relating to other members of the Executive Board and the overall performance of the BBC. When matters concerning the remuneration of the Director-General and Director, Business Operations are considered, they are not present. The ERC has access to internal expertise through the BBC's Reward Director who also attends the meetings.

Complying with the Combined Code, the ERC takes specialist advice from external professional advisers on some matters, and particularly those relating to market practice. During the year, independent advice was received from PricewaterhouseCoopers.

Remuneration of non-executive directors

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

Remuneration of executive directors

The strategy set by the Trust is intended to provide remuneration that attracts, motivates and retains the best talent to lead the BBC, while recognising the expectations of licence fee payers. The BBC is funded by the licence fee and must deliver value to the licence fee payer.

Remuneration received

The remuneration of the Executive Board members and the Trustees during the year is shown below:

	Fee/base pay ⁷ £000	Taxable benefits £000	Other remuneration ⁸ £000	Sub total 2010/11	Compensation for loss of office £000	Total remuneration 2010/11 £000	Total remuneration ⁹ 2009/10 £000
Executive directors serving as at 31 March 2011							
Tim Davie	335	15	72	422	–	422	452
Zarin Patel	322	13	68	403	–	403	434
Ralph Rivera	25	1	–	26	–	26	–
Mark Thompson	613	3	163	779	–	779	838
Caroline Thomson	307	15	63	385	–	385	419
Total executive directors	1,602	47	366	2,015	–	2,015	2,143
Non-executive directors serving as at 31 March 2011⁶							
Marcus Agius	47	–	–	47	–	47	51
Simon Burke	10	–	–	10	–	10	–
Val Gooding	37	–	–	37	–	37	37
Mike Lynch	33	–	–	33	–	33	36
Robert Webb ¹	123	–	–	123	–	123	83
Total non-executive directors	250	–	–	250	–	250	207
Executive directors leaving during 2010/11							
Lucy Adams	293	15	59	367	–	367	328
Sharon Baylay ²	207	10	37	254	392	646	345
Jana Bennett ³	353	13	74	440	–	440	517
Mark Byford ⁴	435	12	–	447	949	1,396	488
Erik Huggers ⁵	345	13	56	414	–	414	407
Peter Salmon	344	17	75	436	–	436	193
Executive directors leaving during 2009/10							
John Smith	–	–	–	–	–	–	348
Total former executive directors	1,977	80	301	2,358	1,341	3,699	2,626
Non-executive directors leaving during 2010/11⁶							
David Robbie	31	–	–	31	–	31	41
Samir Shah	27	–	–	27	–	27	36
Total former non-executive directors	58	–	–	58	–	58	77
Total Executive Board	3,887	127	667	4,681	1,341	6,022	5,053
Total Trustees				588	–	588	662
Total				5,269	1,341	6,610	5,715

Note 1 In October 2009, Robert Webb was appointed as non-executive Chairman of both BBC Commercial Holdings Limited and BBC Worldwide Limited. In recognition of these additional responsibilities he received fees of £90,000 during the 2010/11 financial year.

Note 2 Sharon Baylay stepped down from the Board on 30 November 2010 and is currently on Maternity Leave. It was announced in November 2010 that she would leave the BBC in June 2011. On leaving the BBC she will receive the BBC's standard redundancy terms and her compensation for loss of office will be £392,000.

Note 3 Jana Bennett left the role on 6 February 2011 and took up a position in BBC Worldwide.

Note 4 It was announced in November 2010 that Mark Byford would step down from the Executive Board on 31 March 2011 and leave the BBC in June 2011. On leaving the BBC he will receive the BBC's standard redundancy terms and his compensation for loss of office will be £949,000.

Note 5 Erik Huggers left the BBC on 25 February 2011 and his base pay includes a payment for unpaid leave of £46,000.

Note 6 Non-executive directors are appointed initially for a period of two years, except the Senior Independent Director, who is appointed for an initial three-year period.

Note 7 The BBC introduced a salary sacrifice arrangement on 1 June 2008 for members who joined the Pension Scheme before 1 November 2006, and all directors in the table above participated in the arrangement. The terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice arrangement have been treated as employer contributions, 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. The total salary sacrifice by executive directors was £94,000 (2010: £77,000).

Note 8 Other remuneration relates to pension arrangements; providing cash supplements for directors subject to the maximum annual limit. These cash supplements have been withdrawn with effect from 1 April 2011.

Note 9 Lucy Adams, Sharon Baylay and Peter Salmon joined the Board during 2009. John Smith stepped down from the Board in 2009. Total Remuneration 2009/10 therefore reflects part year tenure.

Annual executive directors' salary and benefits

	Executive director pay at 31 March 2010 ¹	Executive director pay at 1 May 2011 ²
Lucy Adams	394	–
Sharon Baylay	376	–
Jana Bennett	517	–
Helen Boaden	–	354
Mark Byford	488	–
Tim Davie	452	380
George Entwistle	–	285
Erik Huggers	407	–
Zarin Patel	434	365
Ralph Rivera	–	308
Peter Salmon	467	–
Caroline Thomson	419	350
Mark Thompson	838	671
Total	4,792	2,713

¹ The executive directors' annual salary and benefits as at 31 March 2010 represents annual salary, taxable benefits and other remuneration of executive directors serving at that date.

² The Executive Board paybill as at 1 May 2011 represents the annual salary, projected taxable benefits and other remuneration of executive directors serving at that date. From 1 April 2011 the BBC, with individual agreement, has removed pension supplements for individual directors.

Each year the ERC reviews independently provided market pay data to support it in its decision-making on remuneration, and ensure that levels of pay are consistent with the agreed strategy. Data obtained for 2010 showed that total direct compensation (base salary plus variable pay) ranged between 31% and 60% of the level paid by our competitors in the commercial sector. This differential reflects the substantial additional amounts of variable pay (including share based awards) that are provided in the commercial sector.

Each component of the total remuneration package of executive directors is broken down as follows:

Base pay

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

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

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

Variable pay

Performance bonuses to a maximum of 10% of base pay have historically been paid to executive directors for achieving efficiency targets and other identified objectives. However, in 2009 the annual bonus scheme for executive directors was suspended indefinitely. No discretionary bonuses were paid in 2010/11.

Benefits

In addition to pensions, the other main contractual benefits are a car and fuel allowance, private health insurance, and life assurance. The Director-General and Deputy Director-General (post closed on 31 March 2011) were entitled last year to a chauffeur-driven car under earlier arrangements. The Director-General has no entitlement to a personal car allowance or fuel allowance.

Pension

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

For an employee joining the Pension Scheme before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary (base pay, including London weighting) for each year of service. For this group of employees, the normal pensionable age is 60.

For an employee who joined the pension scheme on/after the 1 November 2006 the accrual rate is 1.67% of their pensionable pay for each year of service, adjusted in line with inflation. For this group the normal pensionable age is 65.

The majority of the executive directors have a normal pensionable age of 60.

We have reduced the size of the Executive Board, reduced the pay of new Board members and – with individual agreement – removed pension supplements with effect from 1 April 2011. As a result, ongoing significant financial savings will be realised in 2011/12 as shown in this table.

In addition executive directors have agreed to forego an additional one month's base salary in the financial year ending 31 March 2012. (This excludes new members Ralph Rivera, Helen Boaden and George Entwistle, whose appointments are effective during the year, respectively on 1 March 2011, 1 April 2011 and 1 May 2011).

Defined benefit schemes

Details of defined benefit entitlements are shown below:

Executive directors	Age as at 31 March 2010	Increase in accrued pension over year £000	Total accrued pension at 31 March 2011 £000	Transfer value of accrued pension at 31 March 2011 £000	Transfer value of accrued pension at 31 March 2010 £000	Director's contributions (excluding contributions paid via the salary sacrifice arrangement) £000	Increase/(decrease) in transfer value less director's contributions £000
Lucy Adams ¹	46	2	4	29	11	0	18
Sharon Baylay ²	42	2	4	26	10	0	16
Jana Bennett ³	55	2	18	313	247	0	66
Mark Byford ⁴	52	8	223	3,553	3,682	0	(129)
Tim Davie	43	2	12	127	92	0	35
Erik Huggers ⁵	38	2	6	33	19	0	14
Zarin Patel	50	2	26	349	284	0	65
Peter Salmon ⁶	54	2	9	154	107	0	47
Mark Thompson	53	2	14	221	167	0	54
Caroline Thomson	56	2	75	1,436	1,460	0	(24)

¹ Lucy Adams stepped down as a director on 31 March 2011.

² Sharon Baylay stepped down as a director on 30 November 2010 but was still an active member of the scheme at 31 March 2011, therefore her accrued pension as at 31 March 2011 has been valued.

³ Jana Bennett left as a director on 6 February 2011 but was still an active member of the scheme at 31 March 2011, therefore her accrued pension as at 31 March 2011 has been valued.

⁴ Mark Byford stepped down as a director on 31 March 2011.

⁵ Erik Huggers both left as a director and left the Scheme on 25 February 2011. His accrued pension on leaving the Scheme has been valued as at 31 March 2011.

⁶ Peter Salmon stepped down as a director on 31 March 2011.

For those who joined the Pension Scheme after 31 May 1989 earnings are subject to a maximum annual limit (£123,600 per annum for 2010/11). No maximum annual limit is applied to those who joined on or before 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times pensionable pay up to a prescribed limit.

Executive directors who joined the Pension Scheme on/after 1 June 1989, and whose pensionable pay exceeds the maximum annual limit, received a cash supplement in 2010/11, paid on pensionable salary above the maximum annual limit (see table showing defined benefit schemes). This cash supplement has been withdrawn with effect from 1 April 2011.

Members of the Executive Board who joined the BBC after the 1 December 2010 are eligible to join the BBC LifePlan scheme, a defined contribution arrangement. The BBC pays matching contributions between 4-5%, with an additional 1% contribution between 6-7%, above which an additional 2% is provided up to a maximum employer contribution of 10%.

Employment contracts

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

Outside interests

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

During the year no executive director held any other remunerated external directorship. To obtain the Executive Board's register of interests visit www.bbc.co.uk/aboutthebbc/running/executive/eb.

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

The BBC's commercial businesses

The BBC has three commercial subsidiaries:

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

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

Governance report, continued/...

Report of the Chairman of the Executive Audit Committee

The BBC is currently in the midst of one of the most interesting and challenging times in its history, and I am very pleased to take the Chair of the Executive Audit Committee at this time. I have inherited an audit and risk function which has been well managed but I hope to bring a fresh perspective to the issues brought before the Committee, whilst maintaining the existing strength of governance within the BBC which is essential to making the best use of the licence fee.

Over the course of the year, the Committee has continued to consider papers from management covering a diverse range of issues including the security of the BBC's information, the levels of fraud and theft in the organisation and the post implementation reviews of major projects.

Additionally we regularly consider the findings of the Internal Audit Department, and track management's progress in addressing these. We maintain a close contact with the external auditors, considering with them their audit approach in advance and discussing any issues they wish to bring to our attention. We also ensure risks are considered in the full context of the BBC's values and objectives, aided by regular reports on the pan-BBC risk profile and also on specific significant issues, a key focus being to ensure that mitigations are proportionate.

We recognise that key to the delivery of the BBC's objectives is the successful completion of numerous inter-related projects and change programmes, and we intend to continue to focus on achievement of delivery milestones and holding management to account. During the year the Committee has reviewed health checks on all critical projects.

An important value of our work is in providing an independent view, challenging assumptions and perspectives and bringing innovative approaches to the BBC, by which we help the management team foresee potential pitfalls and inefficiencies.

We will continue to keep audience priorities and value for money at front of mind in our assessment of the control environment's adequacy.



Simon Burke

Chairman of the Audit Committee
23 June 2011

Accountability and internal control

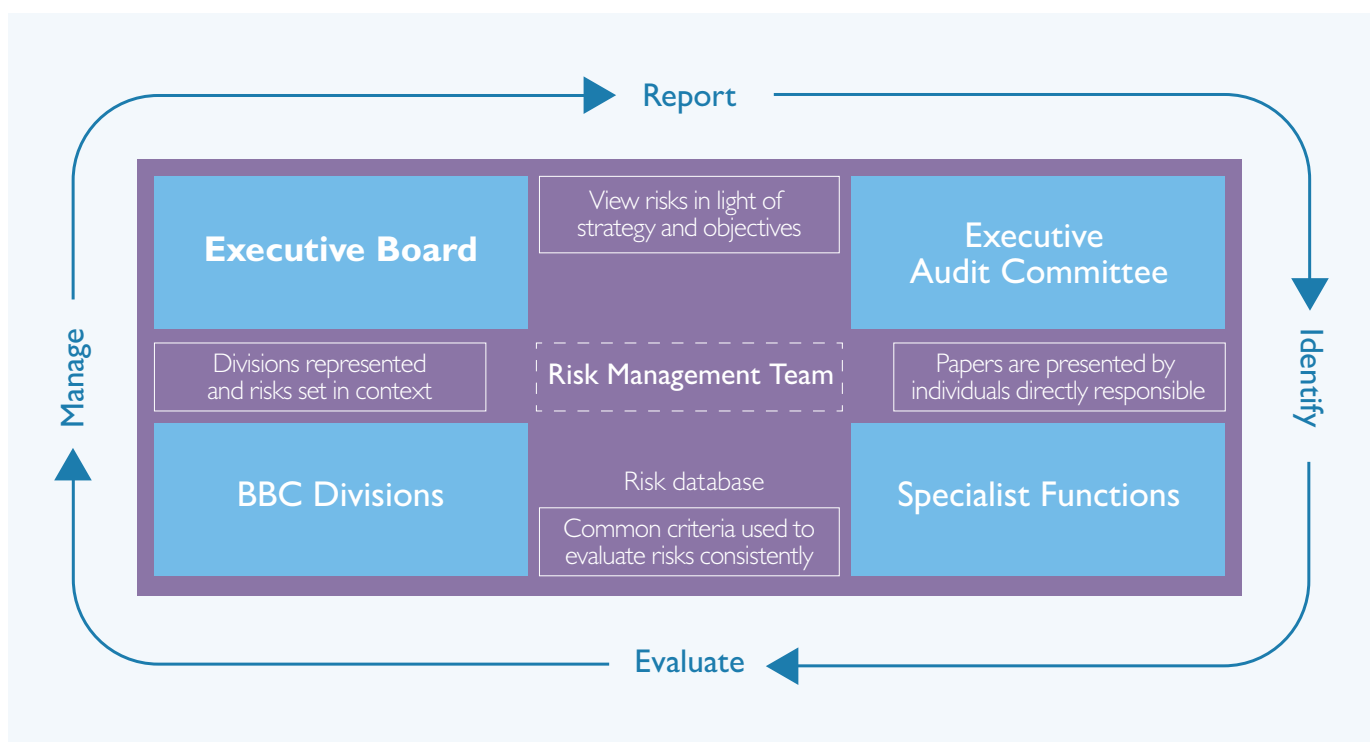
The Executive Board is responsible for the operational management of the BBC (excluding the Trust Unit), which includes safeguarding its assets and achieving value for money by ensuring there is a process in place for managing significant risks to the BBC as well as maintaining an effective system of internal control.

Risk identification, management and ownership

Managing risk within the BBC is integral to the delivery of our business objectives and public purposes. We believe that this

is most effectively achieved through the engagement of the entire Executive Board, which is responsible for identifying risks and opportunities that might impact on the BBC's audiences, strategy and operations.

Our ongoing process for identifying, evaluating, managing, monitoring and reporting significant risks to the BBC, which accords with the Turnbull guidance (Internal Control: Revised Guidance for Directors on the Combined Code), has been in place for the year ended 31 March 2011 and up to the date of approval of this BBC Annual Report and Accounts.



Key elements of the process include:

- the director of each business group is responsible for identifying and managing the risks facing their business, and maintaining a register of key business risks, together with mitigations
- specialist functions oversee the management of certain major areas of risk, such as production safety, fraud and information security, ensuring appropriate frameworks are in place and effective ownership at a senior level
- a dedicated central risk management team works with stakeholders to ensure the continuous development of the process and appropriate ownership of all risks
- the Board receives regular reports and updates on the BBC's risk exposure and mitigation strategies

Internal control

The Executive Board is responsible for establishing, maintaining and reviewing the effectiveness of the BBC's system of internal control and for ensuring necessary actions are taken to remedy any significant failings or weaknesses identified. 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:

- comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Board (including financial monitoring and reporting based on an annual budget, monthly reporting of actual results, regular re-forecasting and analysis of variances and key drivers, as well as performance reviews tracking achievements against strategy)
- regular treasury and cash reporting, analysing funding requirements and liquidity
- formal authorisation limits and processes covering all financial transactions
- processes to ensure compliance with all applicable laws and regulations, including Ofcom requirements
- formal policies and procedures concerning all material business processes, to ensure risks are managed and that timely, relevant and reliable information is available across the business
- processes to ensure that our staff are professional and competent, such as recruitment policies, performance appraisals and training programmes

The Executive Board confirms that it has considered the effectiveness of the system of internal controls outlined here and in operation throughout the last financial year, and up to the date of approval of the Annual Report and Accounts.

Internal audit

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 our 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 independent production companies and service providers. Any significant control failings or weaknesses identified are reported to appropriate levels of management; the status of corrective actions is reported back to the EAC.

Executive Audit Committee

The current members of the Executive Audit Committee (EAC) are non-executive directors Simon Burke (Chairman, appointed 1 January 2011), Dr Mike Lynch and Val Gooding (appointed 25 May 2011). Until 31 December 2010, members included non-executive directors David Robbie (Chairman) and Dr Samir Shah, whose terms of office concluded at that date. The Board is satisfied that both Simon Burke, and David Robbie before him, have significant, recent and relevant financial experience.

The EAC augments the range of skills and experience of its members with advice as necessary from internal and external professionals, on relevant matters including developments in financial reporting and company law. Meetings are also attended by the Director-General, the Chief Financial Officer, the Director of Risk and Assurance, and representatives from Internal Audit, Risk Management and external auditors KPMG LLP.

During the year, the EAC reviewed its Terms of Reference and approved their continued application, deeming them appropriate to ensure the Committee's continued effectiveness.

The EAC met four times during the financial year. It meets at least annually with the external auditors without any member of management present. The Chairman of the EAC meets with the Director of Risk and Assurance, alone or with the external auditors, but without management, and also meets privately with the external audit lead partner.

Minutes of EAC meetings are available to the Executive Board and to the BBC Trust. Recommendations of the Committee on any area within its remit where action or improvement is needed are reported back to the Board. The Committee Chairman formally reports to the Board at least once a year.

Governance report, continued/...

During 2010/11 the EAC has:

- reviewed the effectiveness of the system of internal controls, including controls over financial reporting
- sought assurance from management that control issues highlighted by internal and external auditors are being addressed
- considered reports from management on processes for managing significant risks
- reviewed the BBC's group financial statements, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external auditors
- overseen the BBC's relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their performance and their independence, including the approval and compliance with the policy on non-audit work
- approved the work plan of Internal Audit
- reviewed the fraud detection processes and whistle-blowing arrangements
- considered post investment reviews for major investments
- monitored the implementation actions required as a result of reviews carried out by the National Audit Office

Independence of external auditors

We comply with the Combined Code guidance on maintaining an appropriate relationship with external auditors. We re-appointed KPMG LLP as external auditors during 2008 for a period of three years from 2008/09, after a formal tender process. In accordance with the contract terms, the EAC has since approved a two year extension to this period.

The EAC is satisfied that KPMG has adequate safeguards in place to avoid the possibility of its audit objectivity and independence being compromised, including appropriate rotation of its team, as well as an appropriate quality assurance programme.

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

BBC jam

BBC jam launched in January 2006, providing free-to-view interactive online learning resources in support of UK curricula requirements for 5-16 year olds. The original budget for the service was £150million. After rigorous consultation involving the BBC Governors, the Department for Culture, Media and Sport and the European Commission, the service had extensive conditions and operating boundaries set on its activities. Notwithstanding, the service attracted criticism from commercial educational providers and, following further discussions with the UK Government and the European

Commission, the BBC Trust decided to suspend BBC jam in March 2007. In January 2008, the BBC Trust decided that the public interest was best served by BBC jam closing when its Service Licence expired on 30 September 2008. It is estimated that, of the £150million available budget, £96million was spent on the service before it was closed.

Subsequent use of BBC jam assets in indigenous language content for Scotland, Wales and Northern Ireland was approved by the BBC Trust in May 2008 and again in February 2011. This content was judged to offer high public value with limited scope for creating adverse market impact. In addition, a bespoke learning resource that assisted deaf children with literacy was returned to creators, Shoreditch Consortium. The value of these re-used assets totalled £13million, with a recovery cost of £2million. No further opportunities to dispose of assets and limit the costs of decommissioning BBC jam have subsequently been identified. The Trust has stipulated that no further work on re-using BBC jam assets should now take place. The final net cost of the BBC jam service was therefore £85million after taking into account the value of the recovered assets and the cost of recovering and re-using them.

Whistle-blowing

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 is 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.



The fit-outs for both MediaCityUK at Salford (shown here) and London's Broadcasting House are delivering on time and under budget.

BBC
RADIO

1

MANAGING OUR FINANCES

Grammy winning singer-songwriter Adele gave a stunning exclusive performance for *Live Lounge Special* on BBC Radio 1 in January, just part of our distinctive ongoing commitment to live music last year.

Chief Financial Officer's review



The last year has seen the BBC face a number of financial challenges. But we end the year in a financially resilient position – able to absorb these challenges, and also unlock significant future savings as we transform our ways of working as we continue to provide audiences with excellent content across all our platforms.

Financial resilience

It is the management of these challenges and our preparations for the future which have driven the result for the year. The full year group surplus of £483million reflects some exceptional credits which are not part of our regular operations: we benefit from a £250million actuarial gain which is a direct result of significant pension reform to reduce our ongoing pension costs, as well as a profit of £96million from the disposal of *Animal Planet* as we concentrate our commercial activities on BBC branded channels and platforms. Excluding these two significant items, the underlying group surplus for the year was £137million, or 2.7% of our income. A small surplus like this is appropriate as it reflects a broad matching of income and expenditure, whilst providing some headroom for unforeseen events or costs.

Although at the year-end we are showing an overall cash balance of £513million, this needs to be seen in the context of our short-term commitments. £266million of this cash is ring-fenced for repayment to DCMS as it is the surplus on the Digital Switchover Help Scheme and Digital UK. Further sums of £74million and £120million respectively, have been set aside to fund the completion of the move to Salford and our pension deficit recovery payments for the next two years. Finally, £69million of this cash is destined for investment in the development of our commercial operations. After allowance for these amounts, the BBC has an underlying net overdraft of £16million at the year-end which is a reasonable level.

The first step of providing value to licence fee payers is to ensure the maximisation of our income. In difficult economic times we have protected the level of licence fee income and at the same time grown our non-licence fee incomes to show an overall increase in our income of over £200million. The commercial operations should not be overlooked with significant contributions being made by BBC Worldwide, which goes from strength-to-strength as a business, but BBC World News and BBC Studios & Post Production (BBC S&PP) also contributed.

We have also agreed with the government the levels of the licence fee through to the end of the Charter period and although this agreement comes with significant additional financial obligations, it gives us the financial security to plan our operations and prioritise our expenditure to best serve the needs of our audiences.

Delivering efficiency

We are in the position to do this is because of the operational and financial efficiencies we have delivered in recent years, augmented by the prioritisation of our expenditure in line with the editorial priorities set out in *Putting Quality First*. We are now projecting that the efficiencies to be generated from our Continuous Improvement Programme will exceed £2billion, with all the money being recycled into either the enhancement of our content or investment in our infrastructure, especially our operational sites. In addition we continue to identify further opportunities to reduce the costs of senior managers and of our talent and remain on track to hit all our targets in these areas.

Financial challenges

In the course of this year we have not only confirmed the size of our pension deficit but also agreed a plan with the pension trustees to recover the deficit over a mutually agreed timescale and which does not unduly compromise the funding available for our services.

The management of high inflation (the RPI increase was 5.3% over the year) has put significant pressure on the BBC's finances, and will continue to do so with the licence fee frozen for the next five years. However, recent experience has taught us how to manage such pressures and puts the BBC in a strong position to enable their management without compromising our spending and investment ambitions.

Zarin Patel

Zarin Patel
Chief Financial Officer

23 June 2011

Summary financial performance

Licence fee payers rightly expect their investment in the BBC to offer distinctive, high-quality programmes, and at the same time deliver real and sustainable value for them and their families. The onus is on the BBC to efficiently manage how we spend licence fee income, as well as striving to continuously cut duplication and waste across all our operations, and increase revenues from our commercial activities.

Licence fee spend

- 80p in every £1 of licence fee is spent on programmes or the infrastructure to support the BBC's activities.
- 6p in every £1 is spent getting our services to audiences on analogue, DTT, satellite and the internet.
- The cost of collecting the licence fee is lower than last year at 3.4p per £1 collected (down from 3.5p last year).

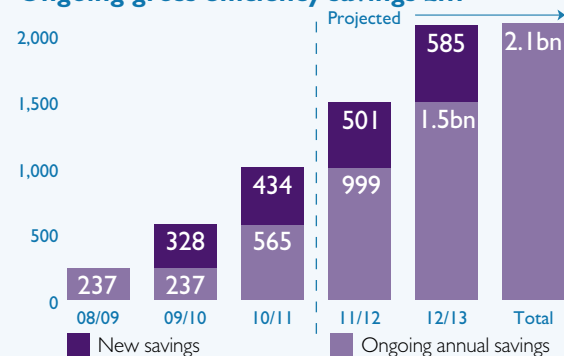
Breakdown of licence fee spend 2010/11

	£m	%
Content spend	2,549	71
Property and technology	308	9
Support and marketing functions	303	8
Service distribution	202	6
Licence fee collection	124	3
Digital Switchover Help Scheme	80	2
Restructuring	30	1
Total	3,596	100

Efficiency savings

- £1 billion of sustainable savings achieved since the start of the Continuous Improvement Programme without deterioration in quality of our content.
- Of the remaining £1.1 billion, £870 million will be delivered by initiatives already in place (assured savings).
- We remain on track to achieve our 3% annual savings target.
- Total savings are anticipated to be £1.9 billion after implementation costs.

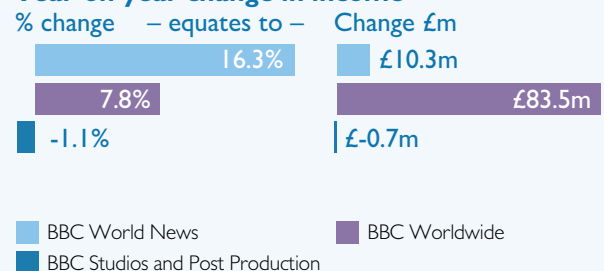
Ongoing gross efficiency savings £m



Commercial performance

- BBC Worldwide record gross sales of £1.158 billion – 8% up on last year.
- BBC World News sales benefit from recovery in advertising markets and show a 16% increase on last year.
- BBC S&PP operations show profits before restructuring costs.
- BBC Worldwide returned £182 million to Public Services Broadcasting in the year.

Year-on-year change in income



Financial overview

In common with many other organisations, the BBC has continued to face some significant financial challenges as the UK economy has continued to suffer from the effects of its deepest recession since the 1930s. Collecting the licence fee has been a challenge in this difficult environment, and as I set out last year, the value of the pension scheme has led to the need for us to address a significant deficit.

The actions that we have taken during the last two years have met the short-term pressures of needing to fund the pensions deficit and lower than planned income from the licence fee whilst sustaining and improving the breadth, depth and reach of the services that our viewers, listeners and readers value. This has, I believe, created a strong platform from which we can begin to meet the future challenge of maintaining the quality of our output within our future funding pressures.

We set out our strategic view for the BBC in the publication in March 2010 of *Putting Quality First*. This strategy ambitiously reshapes the BBC and its output to serve audiences in a future that will be much more dynamic than traditional linear programming. It would have been an easy response to the prevailing financial conditions to have scaled back our ambition for more creative and innovative programming, or to have retrenched our range of TV and radio channels or to have scaled back our transformational investment programme in an infrastructure that will enable the delivery of great quality output for the next 25 years.

We have, though, maintained the direction of travel on which we had embarked whilst beginning the implementation of our plans to tackle the key issue of the recovery of the pension scheme deficit. Our financial statements and the balance sheet in particular, demonstrate the underlying health of the BBC and the success, so far, of our investment strategy.



The multimedia newsroom at Television Centre brings different journalistic sources together so that all BBC news outlets and services on all platforms can meet the challenges of an on-demand digital world.

Efficiency savings by category

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

The following examples give a sense of how and where we made some of our ongoing efficiency savings this year:

Saving today, planning for tomorrow

During 2010/11 BBC network radio made some immediate practical changes to how it is structured, removing duplication and improving impact across the division – for the benefit of our audiences. For instance, it now has a single Live Events unit, a one-stop-shop where specialist expertise and resources are easily found and shared.

The same colleagues also carried out a number of studies to identify opportunities for new and future efficiency savings – including an external review benchmarking BBC music radio operations against the commercial sector, and a study comparing programme prices across BBC radio networks. Both provided real insight into current BBC practices and will help to deliver sustainable improvements.

News headlines

Last year we realised our first full year of savings from the introduction of a new playout system for dedicated politics channel BBC Parliament from its Millbank HQ in Westminster. The new system enabled the automation of a number of key tasks, as well as facilitating integration with the operations supporting the *Democracy Live* website. Combined, these different ways of working delivered significant savings on what had previously been a separate third party contract for BBC Parliament channel playout.



Deriving ongoing benefits

While long-term contracts deliver many benefits, dramatic changes in the economic environment can necessitate some renegotiations. The economic downturn over the last few years coupled with the licence fee freeze has given us leverage to renegotiate some supplier contracts and deliver improved value to licence fee payers.

For example, with operations from catering to construction, car parking to cleaning, BBC Workplace manages some of our biggest contracts. During 2010/11, it negotiated a change to the contracted inflation provisions (from RPI-based to CPI-based) and embedded guaranteed reductions in charges into two service provider contracts. The result was additional savings of £1.3million over the year, worth around £7.0million until the end of the current licence fee period.

Creative solutions

Different television programme genres have distinct ways of working, and there is not always a single solution to a problem that can be applied across the board.

Because of large studio and overhead costs, growing volume and long-term or bulk deals allow better cost management for entertainment series, and effectively reduce the average cost of programmes.

Volume commissioning has also been used to lower average programme costs in drama (due to low marginal cost of additional episodes) and has delivered savings on shows such as *The Armstrong and Miller Show* (pictured).

Shooting drama episodes together in blocks has reduced preparation time, and therefore costs, which have been further reduced by re-working crew structures and levels.

Commissioning of returning factual strands has generated some of the largest efficiencies. For example, *The Antiques Roadshow* is now a 60 minute programme (was 50 minutes in 2007/08), allowing additional content that would previously have been cut, driving audience value at little extra input and having no negative impact on programme quality.

The Armstrong and Miller Show.

Financial overview, continued/...

Summary consolidated income statement

For the year ended 31 March 2011

	2011 £m	2010 £m	
Licence fee income	3,513	3,447	Effective and efficient collection of the licence fee has maintained income despite household growth continuing to be lower than historic levels
Other income	1,480	1,343	Other income – primarily from the commercial group – is up by 10% with strong growth in BBC Worldwide sales
Total income	4,993	4,790	
Operating costs (excluding restructuring costs and exceptional pension income)	(4,789)	(4,541)	Operating costs reflect higher sales in BBC Worldwide. Costs also reflect a big year in sport and coverage of the General Election and world events
Exceptional pension income	250	334	The exceptional pension income reflects the change in scheme benefits announced during 2010/11, partly offset by the cost of early retirement and redundancy
Restructuring costs	(63)	(62)	
Total operating costs	(4,602)	(4,269)	
Share of results of associates and joint ventures	27	37	
Gain on sale of operations and disposal of fixed assets	96	41	Gains this year relate to the disposal by BBC Worldwide of <i>Animal Planet</i>
Tax, interest and financing costs	(31)	(122)	
Group surplus for year	483	477	

Income and expenditure statement

The management of our recent financial challenges and the preparations put in place for the future are heavily reflected in the group result of a £483million surplus. An actuarial gain of £250million was made as a direct result of significant pension reform to reduce our ongoing pension costs; and a profit of £96million was made from the disposal of *Animal Planet* as we moved to concentrate our commercial activities on BBC branded channels and platforms. After excluding these two items, the underlying group surplus for the year was £137million (2.7% of our income), in line with our broad aim to match our income and costs over each licence fee period.

The licence fee is our single biggest source of income and through efficient and effective collection we have increased this by £66million this year. This income is augmented by the commercial exploitation of licence fee funded content through our commercial subsidiaries – primarily BBC Worldwide, but this year has also seen greater contributions from BBC World News and from BBC S&PP.

Despite the difficult wider trading environment, total commercial revenues have increased 13% year-on-year, with a 68% increase in profit before interest and tax – boosted by the disposal of *Animal Planet* for £96million as the BBC continues to focus on BBC branded channels and platforms.

BBC Worldwide has delivered record gross sales of £1,158million, up 8%. The continued diversity of its portfolio of businesses has allowed it to beat the trend in many markets and generate strong margins with operating profit before specific items up by 10%.

As a result of its activities in 2010/11, BBC Worldwide contributed £182million to the BBC from, in the main, dividends and investment in programming – an increase of 9% on last year. Looking forward, BBC Worldwide will continue to invest in great programming, international expansion, the growth of its channels businesses and new digital opportunities to fuel the UK creative economy.

During the year, BBC Worldwide wrote down the carrying value of its *Lonely Planet* investment by £34million. This is as a result of the continued strengthening of the Australian dollar – at a 27-year high against sterling – as well as the challenging market conditions facing the business.

BBC World News maintained the BBC's international reputation for high quality journalism and delivered an operating profit for the first time this year with sales increasing and reduced costs – advertising sales in particular recovered from the prior year recession and sales improved, although in part from the continued weakness of sterling.

Despite tough market conditions BBC S&PP performed well, achieving an operating profit before restructuring of £6million. This is the highest operating profit margin achieved since incorporation. BBC S&PP also completed the closure of its Sport and Children's business as this activity transfers to Salford.

The Trust, on behalf of licence fee payer, scrutinises how we spend this revenue whilst also ensuring that our high profile role in the sector does not damage the industry. One of the tools that the Trust uses to monitor our performance is Service Licences – we agree a Baseline Budget for each one of our 28 major services and report against that baseline within a 10% tolerance either higher or lower.

The full outturn of our content spend by service shows that through our efficiency programme, we are delivering output for broadly the same cost as last year, and this includes funding the cost of covering the General Election and the FIFA World Cup in South Africa. We have been able to do this by managing our cost base tightly, for example with staff costs, where we have held pay increases to below the rate of inflation again.

We have seen a very marginal increase in headcount in the licence fee funded services (from 17,238 to 17,242 full-time equivalent people) and a reduction in the staff paybill of 4% this year, reflecting the continued focus on reducing our permanent staffing levels.

Total operating expenditure on UK public services

2011 Service	Content £m	Distribution £m	Infrastructure/ support £m	2011 Total £m	2010 Total £m
BBC One	1,130.9	50.8	221.2	1,402.9	1,373.6
BBC Two	421.0	21.0	86.3	528.3	575.6
BBC Three	84.7	3.9	21.5	110.1	118.6
BBC Four	50.8	2.9	13.4	67.1	74.0
CBBC*	78.3	3.2	17.8	99.3	57.1
Cbeebies*	28.5	3.3	7.9	39.7	28.7
BBC HD	2.1	8.2	1.5	11.8	10.9
BBC ALBA	5.0	1.5	1.1	7.6	6.1
BBC News channel	47.1	6.2	7.8	61.1	64.0
BBC Parliament	2.0	4.7	1.3	8.0	10.3
BBC Red Button	14.9	19.5	5.1	39.5	39.3
Television	1,865.3	125.2	384.9	2,375.4	2,358.2
BBC Radio 1	36.7	4.8	6.6	48.1	43.8
BBC iXtra	7.4	1.2	2.4	11.0	10.1
BBC Radio 2	46.7	4.9	7.6	59.2	53.2
BBC Radio 3	37.3	4.9	8.5	50.7	54.7
BBC Radio 4	92.8	9.9	17.1	119.8	112.7
BBC Radio 4 Extra	5.3	1.1	1.8	8.2	7.8
BBC Radio 5 Live	55.4	6.2	11.3	72.9	72.7
BBC Radio 5 Live Sports Extra	2.5	1.1	1.3	4.9	4.9
BBC 6Music	7.3	1.2	2.3	10.8	10.0
BBC Asian Network	8.6	1.4	2.6	12.6	12.9
BBC Local Radio	114.8	10.1	22.6	147.5	141.5
BBC Radio Scotland	23.8	3.3	5.3	32.4	33.1
BBC Radio nan Gàidheal	3.8	1.4	0.9	6.1	6.3
BBC Radio Wales	13.0	1.2	2.8	17.0	16.7
BBC Radio Cymru	11.8	1.6	2.7	16.1	15.9
BBC Radio Ulster/BBC Radio Foyle	16.2	1.8	3.6	21.6	18.9
Radio	483.4	56.1	99.4	638.9	615.2
BBC Online	125.8	21.1	47.3	194.2	199.3
Spend regulated by service licence	2,474.5	202.4	531.6	3,208.5	3,172.7

* The methodology for setting the CBBC and Cbeebies content spend changed in 2010/11, following the BBC Trust's 2009 review of children's services. All children's spend is now allocated to either CBBC or Cbeebies, including that portion which was previously allocated to BBC One and BBC Two.

It is the 'more for less' strategy that is creating downward pressure on service licence baselines. One service licence finished the year below its 10% tolerance – BBC iXtra, where savings were delivered from leveraging greater synergies from its sister station, BBC Radio 1 and several others were close to the 10% mark as efficiencies and savings are delivered. We are careful, though, to ensure that these savings are not at the cost of quality and we carefully monitor the audience response to our output to ensure that we still deliver value.

The increasing costs of BBC Radio 1 and BBC Radio 2 reflect their success in attracting larger audiences which increases their allocation of music copyright costs with corresponding reductions across other services.

Management is committed to reducing the budget of BBC Online by 25% and has now agreed plans with the Trust to deliver this saving over the next three years.

Financial overview, continued/...



Our orchestras (like the BBC National Orchestra of Wales, shown) and singers are based across the UK, and work among local communities and groups as well as take their rightful place on the global stage. For more see www.bbc.co.uk/orchestras/.



The team from *In Your Corner* travels round and about Northern Ireland picking up on the stories that affect the ordinary person on the street.

Total BBC expenditure

2011	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	2011 Total £m	2010 Total £m
Spend regulated by service licence	2,474.5	202.4	531.6	–	3,208.5	3,172.7
Other UK PSB spend						
Licence fee collection costs	–	–	–	123.6	123.6	126.5
Orchestras and performing groups	20.2	–	3.9	–	24.1	24.1
S4C	26.9	–	5.3	–	32.2	36.6
Development spend	27.6	–	5.3	–	32.9	37.1
Costs incurred to generate third party income	–	–	–	64.6	64.6	41.5
Total other UK PSB spend	74.7	–	14.5	188.2	277.4	265.8
Restructuring costs	–	–	–	29.6	29.6	36.9
Total UK public services expenditure	2,549.2	202.4	546.1	217.8	3,515.5	3,475.4
Digital switchover (Digital UK Limited)	–	–	–	25.0	25.0	29.2
Digital switchover (DSHS Limited)	–	–	–	55.3	55.3	55.6
Total UK Public Service Broadcasting Group expenditure	2,549.2	202.4	546.1*	298.1	3,595.8	3,560.2

* Infrastructure and support costs include spend on learning support and community events, marketing, press and publicity, the BBC Trust Unit (£14.0million (2010: £13.9million)) and other overheads excluding restructuring.

Summary balance sheet

for the year ended 31 March 2011

	2011 £m	2010 £m	
Non current assets	1,947	1,533	Completed refurbishment of Broadcasting House has increased non current assets and reduced current asset as the pre-paid value is capitalised. Recognition of the finance lease liability increases liabilities
Current assets	2,082	2,242	
Current liabilities	(1,344)	(1,498)	
Non current liabilities (excluding pensions)	(1,357)	(1,084)	
Net assets (excluding pension)	1,328	1,193	
Net pension liability	(927)	(1,647)	The valuation of the pensions scheme's net liabilities reflect changes to scheme benefits, the deficit reduction payments and changes in market valuation of assets
Net assets/(liabilities)	401	(454)	
Represented by			
BBC reserves	394	(470)	
Non-controlling interests	7	16	
	401	(454)	

The balance sheet – plant, property and equipment

A quick glance at the change in our balance sheet from last year to this shows the increase in value of our non current assets, particularly our plant, property and equipment, ie the assets on which we rely to make and distribute programmes.

The key reason behind the increase is the delivery to the BBC of our major development of the renewed Broadcasting House in London, delivered ahead of time and on budget. This building, along with Pacific Quay in Glasgow, MediaCityUK in Salford and the new Roath Lock Drama Village in Cardiff Bay (the latter two will both come into service next year) are cornerstones of our strategy to transform the way we work, and to move the BBC out of London. The depreciation of Broadcasting House will only commence once the building becomes functional in 2011/12.

It will be sad to leave Television Centre (as announced for 2015) but it is a building that needs significant investment and which is becoming increasingly less suited to the way that programmes are made now. Our new buildings represent substantial investments to enhance creative collaborations and cross-platform working. This investment is also serving to redistribute our infrastructure across the UK to ensure that by 2016, 50% of network TV spend will be outside of London.

Although our permanent asset base has increased by £414million this year, we will reap future cost savings from more efficient use of space, people and time as well as broadening our dialogue with audiences across the UK, finding and fostering new talent and opening up opportunities for production beyond the M25. These benefits are why it was right that we continued with these projects despite the added risks and pressures from the economic environment.

Pension liability

Last year's valuation of our pension scheme showed a deficit of £1,647million, a situation that clearly needed addressing. Due to a combination of stronger performance from the scheme's investments, pension reform and an initial deficit recovery payment made to the scheme in 2010/11, the scheme has made significant progress in recovering the deficit. At 31 March 2011, the deficit has reduced by £720million (44%) to £927million.

There are three main constituent parts to this improvement:

Pension curtailment

During the year we announced plans to reform the pension benefits of active scheme members and to reduce the cost of benefits building up in the future. The gain is calculated at £250million based on the expected actions of scheme participants.

Actuarial gain on defined benefit pension schemes

A net gain of £304million arose in the year as a consequence of a rise in the equity markets, and changes in the key demographic assumptions.

Additional payments

We have agreed a *Deficit Reduction Plan* with the Scheme Trustees, which after making an initial payment of £110million in 2010/11, allows for annual payments of between £60million and £100million over the ten years to 2021/22 at levels which are regarded as affordable and do not unduly jeopardise the delivery of programme content and other investments.

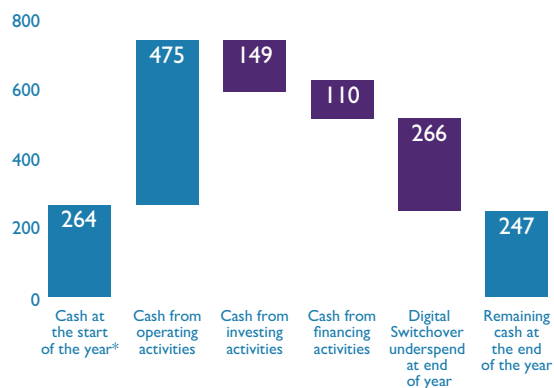
Financial overview, continued/...

Summary consolidated cashflow statement

for the year ended 31 March 2011

	2011 £m	2010 £m	
Net cash inflow from operating activities	475	441	The group's operating surplus excluding depreciation, but including changes in working capital
Net cash outflow from investing activities	(149)	(147)	Addition and disposal of assets less interest earned
Net cash outflow from financing activities	(110)	(144)	Interest paid and finance leases entered into
Net increase in cash and cash equivalents	216	150	
Cash and cash equivalents at the beginning of the year	264	124	
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(2)	
Cash classified as held for sale and restricted funds	34	(8)	2011 figure represents: £266m – digital underspend £69m – commercial companies £178m – Home and World Services
Cash and cash equivalents at the end of the year	513	264	

Movements in cash £m



* Includes Digital Switchover underspend at start of the year of £132million.

Cash

We always seek to match the cash collected from the licence fee payer with the programmes and services we deliver. This year, however, we have a significant amount of cash retained for three very good reasons:

Digital Switchover

£266million of the year-end cash is money that we collected to fund the transition to digital transmission. This reflects significantly lower rates of take up of the offer of digital switchover support than were initially assumed and also contract procurement efficiencies. £32million of the cash saved so far has already been paid back to DCMS and we expect to repay substantially more over the course of the next year.

Investment in our infrastructure

As I set out above, we are investing in our productive infrastructure across the UK. These are large scale projects that spread across a number of years and the cash demands vary from year to year. Hence we have cash set aside now to finance the completion of these projects. We also face the challenge of moving 1,600 posts from London to Salford which commenced in May 2011 and will complete in December at a budgeted cost of £74million.

Recovery of the pension scheme deficit

As set out above, we have agreed a deficit reduction plan with the scheme trustees and have made financial provision for the payments of £120million due to 2013.

As these pressures crystallise, and are compounded by the financial challenges of the flat licence fee settlement from this year onward plus the wider inflation environment, the BBC's cash balance will reduce rapidly.



It has been a significant year for science programming on BBC television – which saw some creative thinking in meeting existing efficiency targets as well as delivering sustainable changes in work practices.

- 1 *Bang Goes the Theory* presenter Liz Bonnin was on OB duties in Hawaii for *Stargazing Live*, speaking to an assortment of experts over the three programmes. The production team from her 'day job' took this as an opportunity to work up two relevant stories for *Bang...*, completing film inserts that otherwise they could not have afforded. *The Bang...* and *Stargazing* teams shared all location staff, and both teams benefited from improved usage of valuable presenter time, as well as savings in location and travel costs.
- 2 *Horizon* improved the efficiency of its staffing mix so that the two Series Producers covered most of the development producer role, used more desktop FCP editing to reduce post-production costs, and – in common with increasing numbers of other factual teams like *The One Show* – increased the amount of self shooting, reducing the number of staff needed to make a shoot. The use of different combinations of initiatives enabled significant saving to be made without impacting on programme quality.
- 3 *The One Show*.

Optimising our income – collecting the licence fee with sensitivity

I am very aware of the BBC's unique position of trust with the licence fee payer, and this places on us some important responsibilities: to use the money well and to spend it on the things that matter; to use the money efficiently and finally, to make sure that everyone who should pay does pay. There is an inherent unfairness in evasion which penalises those who do pay.

Within these principles, we have continued to improve our collection services – offering different ways to pay; enhancing the web based self-serve options; more targeted marketing and reminder contacts and earlier follow up action on licences that are not renewed.

During this year, the fall in the rate of growth in licence fee income seen last year has stopped as household growth has started to show signs of recovery. Also, despite the recessionary pressures in the economy, we have held the rate of evasion stable. Income is higher than last year, attributable to the increase in the cost of a TV Licence. This is the last time the fee will be increased for the next five years under the settlement agreed with the government.

Even within a difficult collection environment, the cost of collection is lower than last year and the cost per £1 collected is lower at 3.4p. There is evidence that people prefer electronic options as a method of payment as self-serve transactions on our website have increased to 54% and around 68% of all licences are paid for now by direct debit.

We have continued to focus on enforcement activity and have been quicker to follow up where licences are not renewed or direct debit payments missed. But alongside this, we have been able to offer flexible ways for people to pay through the cash schemes and whilst this activity is expensive compared to renewals via direct debit, it is still cost effective in protecting our income. Furthermore, I believe that this approach is reasonable and fair, a view supported by the fact that recorded complaints are down by 20% this year at less than 1% of licences in force.

This year, in collaboration with Harris, the world regarded polling agency, we have started maintaining a Reputation Index to track the attitude of the British public towards the activity for the collection of the TV licence. Over the course of the year this index has increased from 100 to 102.

For the first time this year, the BBC is publishing a Trust Statement which specifically discloses all licence fee income collected and paid over to HM Treasury. The statement is audited by the National Audit Office.



Financial overview, continued/...



Making the licence fee work harder – the efficiency story

Looking at what we do and how we do it has become part of the way that the BBC does business since the *Value for Money* programme was launched in 2005. We are now three years into a five year programme of Continuous Improvement that aims to generate over £2billion of savings without compromising quality. This is money that has been recycled to develop our content and our infrastructure.

This year, savings of £434million have been generated and the actions taken to date, if continued, will deliver over £2billion of savings by the end of 2012/13. There are plans in place to deliver the remaining efficiencies by March 2013 and whilst the achievement of this is not without risk, I am confident that we will continue to deliver on this programme.

Beyond continuous improvement, we have looked further at how much we spend on senior staff pay. We have set ourselves some challenging targets to reduce senior manager paybill by 25% and senior manager headcount by 20% – both targets to be achieved by December 2011. We are on course to deliver these targets. Talent costs have also been targeted following a 3% reduction in talent spend last year, a further £9million has been saved this year.

The Continuous Improvement savings plan, reductions in senior manager pay and what we spend on talent were initiatives already in place at the beginning of this year and are all important contributors to being able to commit as much of the licence fee to content as possible. When the valuation of the pension deficit was confirmed, it was clear that pension reform would not be adequate in itself to close the gap and consequently that additional contributions to the scheme would be needed. To afford those additional contributions, a further set of challenges were put in place to generate savings.

1 Picture shows Hilary Kay, one of the *The Antiques Roadshow* experts, who understands the importance of knowing the value of assets. Format sold by BBC Worldwide.

2 Picture shows Sir Kenneth Clark's landmark 1969 arts series *Civilisation*, remastered this year by BBC S&PP in HD for broadcast and retail sale.

Looking forward



The licence fee settlement means that we are able to plan ahead, including investing in programmes and genres like *Lost Land of the Tiger* that have long production lead times and need major up-front commitment of resources or may be unattractive to commercial producers.

20%

Reduction in annual cost base after impact of licence fee settlement and Government Spending Review.

£501m

Projected pan-BBC efficiency savings for 2011/12, on top of £999million already achieved.

£9m

Year-on-year reduction in spend on talent, artists and contributors – just over 4%.

Future challenges

Reflecting on our financial performance in 2010/11 and the strength of our balance sheet, we are in a good position to shape our own destiny. We have faced considerable financial risks to our plans in the past year and have managed these risks to date, whilst continuing to meet our primary purpose of serving the licence fee payer. To continue to do so, we need to show the same belief in our strategy and to continue to focus on delivering the priorities of the business – the five editorial priorities set out in *Putting Quality First*.

Next year carries its own challenges and for the first time, we have published a summary of our budget which sets them out and how we intend to meet them. Uppermost in these are the moves to Salford and Broadcasting House which will be logistically demanding but I am pleased to confirm the financial risk is included in our plans.

We are also preparing for the major broadcasting events to come in 2012 (Olympics, Diamond Jubilee) and our further investment in digital production initiatives. These costs are also budgeted.

There are challenges arising from the funding limits set for the BBC World Service in the Government's Comprehensive Spending Review last year, which reduced Grant-in-Aid funding by 16% over three years. A number of savings initiatives to meet these challenges were announced in January 2011. These included the closure of five language services (Albanian, Serbian, Macedonian, Portuguese for Africa and English for the Caribbean), the cessation of radio broadcasting in other

services (for example Russian and Turkish) in order to focus on online and new media content, savings in distribution and support costs, and changes to the English schedule. More than 400 posts will close as a result of these changes and cost of these post closures has been provided for in this year's accounts.

Most significantly, in a separate announcement in October, the government also set out the medium term future for the licence fee which will stay at its current value for the remainder of the Charter period and, in future years will also be used to fund the BBC World Service and S4C. We estimate that the loss of any increase in the licence fee and the use of income to fund services previously funded by government will equate to around 20% of our ongoing licence fee funding. We believe we cannot accommodate that size of a reduction in spending power by efficiency savings alone. We are now engaged in a major exercise reaching across the whole of the BBC's operations to determine what the shape of the organisation should be – what services should we be providing; what should we be doing less of or even stopping. We exist to inform, to educate and to entertain the UK public, so we will also be seeking, through the Trust, viewer and listener feedback on these ideas.

As described above, 2011/12 will see significant changes to the BBC's operations, and combined with the efficiencies we have delivered and financial strategies we have pursued, the BBC is in a strong, resilient position as it sets out to *Deliver Quality First*.

Beyond broadcasting

The BBC has staff and services based across the UK, providing local and national programmes and attending or running events, from small local Melas to *BBC Radio 1's Big Weekend* and the BBC Proms. Wherever we are, we aim to behave sustainably and ethically within those communities where we operate.

To find out more about the activities outlined on this page – and links to much more – visit www.bbc.co.uk/outreach.

BBC Outreach

Reaching underserved audiences remains the focus of our Outreach activities. As well as supporting learning by making our resources widely available online, for example, we organise community activities across the UK. Last year these activities included citizenship projects such as *School Report* and *Schools Question Time*. We also promoted education and learning through, for example, *BBC Bitesize* and *BBC Headroom* and stimulated creativity with *BBC Writersroom*.

Bang Goes the Theory LIVE has been a great success. We took the flagship BBC One science show out to meet audiences across the UK. Each individual event was organised with the support of external partners and offered a presenter-led stage show as well as a range of interactive displays. By the end of March, over a quarter of a million people had visited *Bang LIVE*. More are planned for later this year. See www.bbc.co.uk/tv/features/bang/aps/. To find out about other Outreach activities or to sign up for regular updates visit www.bbc.co.uk/outreach.



Pudsey and Sir Terry Wogan play it 'Strictly' for laughs.

Charitable donations

Once again we broadcast appeals for a wide variety of local, national and international causes, helping raise awareness and funds. High profile appeals this year included November's annual *BBC Children in Need* appeal which raised £39million and *Comic Relief* in March, which raised a record £74million on the night. Overall, we broadcast appeals for total of 63 charitable causes through our weekly *BBC Radio 4 Appeal* and the monthly *Lifeline* appeal on BBC One, plus DEC appeal for Pakistan. For more on our charity appeals – including how to apply for an Appeal – visit www.bbc.co.uk/charityappeals/. An independent Appeals Advisory Committee informs the BBC on its policy and practice.

And to find out more about our corporate charities, visit the individual websites:

- BBC Children in Need: www.bbc.co.uk/pudsey/
- BBC Performing Arts Fund: www.bbc.co.uk/performingartsfund/
- BBC Wildlife Fund: www.bbc.co.uk/wild/
- BBC World Service Trust: www.bbc.co.uk/worldservice/trust/

Last year we provided charities with services with a cash equivalent value of £420,000 (2010: £384,000)

In addition to broadcast appeals, BBC commercial businesses donated £26,700 to charities during the year (2010: £6,700).

Corporate responsibility

The BBC sets out to be an industry leader in managing its business responsibly. This year we have again maintained our Platinum ranking in Business in the Community's Corporate Responsibility Index with a score of 98%. We share our knowledge and learn from others through active involvement in the CSR Media Forum, the Corporate Responsibility Group, Associate Parliamentary Corporate Responsibility Group, Business in the Community and the London Benchmarking Group.

Summary financial statement

The summary financial statement contains the BBC's Summary Income Statement on page 2-72, Summary Balance Sheet on page 2-75 and Summary Cash Flow Statement on page 2-76. These include the key headline data from the full financial statements which are available online in the download centre at www.bbc.co.uk/annualreport.

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

The summary financial statement, including the Governance report and Executive Remuneration Report, was approved by the Executive Board on 23 June 2011 and signed on its behalf by:



Mark Thompson
Director-General

Zarin Patel
Chief Financial Officer

Independent auditor's statement to the Trustees of the British Broadcasting Corporation (BBC)

We have examined the summary financial statement which comprises the Summary Consolidated Income Statement on page 2-72, the Summary Consolidated Balance Sheet on page 2-75, the Summary Consolidated Cash Flow Statement on page 2-76 and Executive Board Remuneration Report on pages 2-60 to 2-63.

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

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

Respective responsibilities of directors, Trustees and auditors

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

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


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

Basis of opinion

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

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements and the Executive Board Remuneration Report of the BBC for the year ended 31 March 2011 and complies with the applicable requirements of section 428 of the Companies Act 2006 and the regulations made thereunder as if they applied to the BBC and it were a quoted company.



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

Chartered Accountants
15 Canada Square
London E14 5GL
23 June 2011

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 ones.

Acquired Programmes	Acquired Programmes are bought in a finished state from another supplier; for example police drama <i>The Killing</i> was licensed from Danish broadcaster DR and shown on BBC Four. Last year we licensed programmes from over 20 countries.
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 indies, actors and writers. A recent report updating an independent review from Deloitte originally published in March 2010 showed that the BBC contributed at least £8.1 billion to the UK creative economy in 2009/10 (up year-on-year by 5.1%), generating over £2 worth of economic value for every pound of the licence fee.
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 (CPUH) or Cost per Listener Hour combines service spend and consumption to help inform an assessment of value for money. BBC Radio 2 has the lowest CPUH of all BBC radio services (around 0.5p) due to its popularity.
Digital switchover	The process of digital switchover involves turning off the UK's analogue television broadcasting system by 2012. For more information see www.helpscheme.co.uk .
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 www.freesat.co.uk/ . Freesat from Sky is also available for a one-off payment: www.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 www.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.
IPTV	IPTV (Internet Protocol TV) usually delivers on-demand content down a phone line to a television. YouView is an example of the opportunities made available by the development of IPTV.
On-demand	On-demand services let the viewer or listener experience a programme at a time that suits them, for example via BBC iPlayer, itvplayer, 4oD or Sky Player.
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 Five 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 <i>television</i> is the number or percentage of an audience group who watch a programme or channel (15 consecutive minutes each week is the usual BBC measure, versus three minutes on commercial TV); and on <i>radio</i> is the number or percentage of people aged 15+ who listen to at least five minutes of radio in a 15-minute period during an average week.
Share	The 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. For example, BBC One has a 21% share of viewing in all homes each week, and BBC Radio Ulster/ Foyle had nearly 23% share of listening in its transmission area for the year.
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 information or to know more about how the BBC is run, please visit www.bbc.co.uk/aboutthebbc.

Contact us

More information

Contacting the BBC

If you wish to find out more about the BBC's full year performance to March 2011 – including full financial statements and each service's performance against its Statement of Programme Policy, as well as other public commitments, please visit www.bbc.co.uk/annualreport.

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

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

For tickets to shows, tours and events please visit www.bbc.co.uk/showsandtours.

If you have a comment, appreciation or complaint about BBC programmes and services please visit www.bbc.co.uk/feedback.

Or write to BBC Audience Services,
PO Box 1922, Darlington DL3 0UR

Comment line tel: 03700 100 222*

Other queries tel: 03700 100 123*

Textphone: 03700 100 212*

Lines are open 24 hours a day, seven days a week.

Calls may be monitored or recorded for training purposes.

BBC Trust

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

BBC Trust Unit

1st Floor

180 Great Portland Street

London W1W 5QZ

Email: trust.enquiries@bbc.co.uk

Telephone: BBC Information line 03700 103 100†*

Textphone: 03700 100 212*

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

BBC Audience Councils

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

To contact the Audience Councils:

Audience Council England

Email: audiencecouncil.england@bbc.co.uk

Audience Council Scotland

Email: acs@bbc.co.uk

Audience Council Wales

Email: acw@bbc.co.uk

Audience Council Northern Ireland

Email: audiencecouncil.ni@bbc.co.uk

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† Calls may be recorded for training purposes.

* 0370 numbers are 'UK wide' and cost no more than calls to 01 or 02 geographic numbers.



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