





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

# BBC Annual Report and Accounts 2014/15

**Presented to Parliament by the Secretary of State for  
Culture, Media and Sport by Command of Her Majesty**

Extended versions of the financial statements provided in Part Two  
of this report are laid before Parliament on 14 July 2015 and are  
available online at [bbc.co.uk/annualreport](http://bbc.co.uk/annualreport)

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# Our role and purpose

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

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

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

## Sustaining citizenship and civil society

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



## Representing the UK, its nations, regions and communities

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



## Promoting education and learning

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



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

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



## Stimulating creativity and cultural excellence

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



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

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



This year in summary

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

Reaching new audiences

**Audience reach**

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

**97%**

2013/14: 96%



**Total time spent**

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

**18.3hrs**

2013/14: 18.5 hrs



Leading the way with digital content



**iPlayer**

The iPlayer window has been extended from seven to 30 days, giving audiences more time to watch and listen to the BBC content they love.

**Apps**

The BBC Weather app reached five million downloads within eight months of relaunch (an average of 15 downloads per minute).



**Digital radio**

6 Music is the first digital-only radio station to reach two million weekly listeners. And Radio 4 Extra has now achieved a weekly audience of over two million listeners.



Highlights of the year



**Wolf Hall**

The series attracted six million viewers at its launch and became BBC Two's highest-rated drama series since at least 2002.

**Global News**

A record 283 million people accessed the BBC's Global News services per week.



**EastEnders**

The 30th anniversary was watched by over 21 million people – 37% of the UK population – across the week and generated the highest ever appreciation index (AI) score for the show.



# Better value for money

## Cost per household

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

Per day

**40p**  
2013/14: 40p

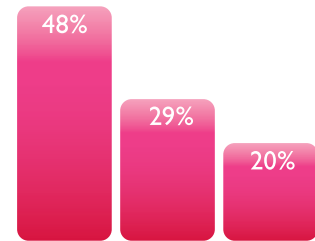
## Ongoing savings

This year we have saved £484 million through our Delivering Quality First programme and are on track to achieve the full £700 million per annum savings required by 2016/17.

**£484m**

## Public support for the licence fee

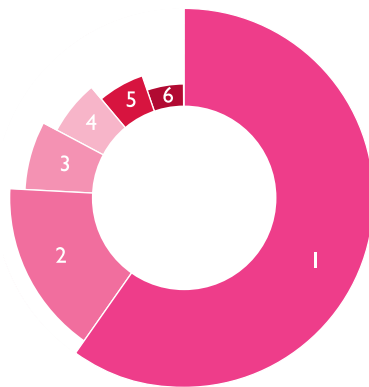
48% of the public support the licence fee as the means of funding the BBC, compared with 29% for advertising and 20% for subscription.



Source: Ipsos MORI

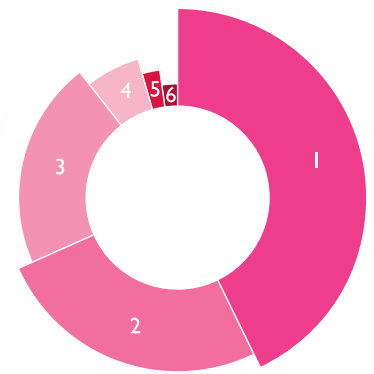
## How your monthly licence fee is spent 2014/15 £12.13 per household

1. Television £7.27 (2013/14: £8.00)
2. Radio £1.94 (2013/14: £2.30)
3. Licence fee collection and pension deficit costs £0.85 (2013/14: £0.49)
4. BBC World Service £0.73 (2013/14: n/a)
5. Other services and production costs £0.73 (2013/14: £0.73)
6. Online £0.61 (2013/14: £0.61)



## BBC spend in the external creative economy 2014/15 Total of £1.1bn

1. Independent programmes transmitted £468m (2013/14: £484m)
2. Artists, contributors and copyright £280m (2013/14: £282m)
3. External programme facilities and resources £232m (2013/14: £257m)
4. Acquired programmes transmitted £66m (2013/14: £59m)
5. BBC performing groups £25m (2013/14: £25m)
6. External online expenditure £22m (2013/14: £20m)



The cumulative impact and spending power of over 20 million television licences can deliver more than content alone. As well as in-house staff, we are able to provide work for many freelance individuals and thousands of large and small businesses across the UK – delivering sustainable benefits to digital and creative industries, as well as the wider British economy.

This external spend is in addition to the c.£1.1 billion internal spend the BBC makes within the creative industries.

	2014/15		2013/14	
	Spend per year (£m)	% of licence fee	Spend per year (£m)	% of licence fee
Television Nine channels	2,368	60	2,276	66
Radio 15 network stations and Local Radio	653	16	650	19
Online BBC Online and BBC iPlayer	201	5	174	5
BBC World Service	254	6		
Other services and production costs	229	6	205	6
Licence fee collection and pension deficit costs	290	7	151	4

The above analysis corresponds to UK PSB Group content expenditure on page 139, although the costs incurred to generate other income are excluded as they are not funded from the licence fee.



# The BBC's objectives

This year the BBC has aimed to deliver four strategic objectives.



## Make the most creative and distinctive output

- Create outstanding content to build the BBC's reputation in key genres and make each service as distinctive as it can be
- Ensure the BBC reflects the diversity of the UK



## Innovate online to create a more personal BBC

- Innovate online and enhance people's personal connection with the BBC



## Serve all audiences

- Maintain the mass appeal of channels
- Pursue universal access on new platforms and keep pace with new consumption behaviours
- Better reflect the different nations, regions and communities of the UK



## Improve value for money through a simpler, more efficient and more open BBC

- Create a simpler, more efficient and more open BBC
- Build new creative partnerships
- Engage staff with the strategy

## Charter Review will frame the debate on the BBC's future.

The Royal Charter is the constitutional basis for the BBC. The current Charter runs until 31 December 2016 and sets out the public purposes of the BBC, guarantees its independence, and outlines the duties of the Trust and the Executive Board.

As we approach the end of this Charter period, there will be a wide-ranging process of consultation and review that will set out the framework under which the BBC will operate in the years ahead.

Although a government-led process, Charter Review provides an opportunity for the BBC to talk in more depth to the public and to test reaction to new ideas for the future.

We will do this in a range of ways and the Trust has already announced plans for widespread public engagement, including public seminars and a comprehensive research programme, from focus groups and online surveys, to more sophisticated studies of public attitudes towards the BBC's services and its funding.

When we put our case to the Government we must make sure it is for a BBC that is efficient, open, distinctive and innovative, and that continues to be relevant to everyone across the UK who pays for it.





Part One

## The BBC Trust's review and assessment

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Part One

## Chairman's foreword



The next year will be pivotal for the BBC as its future is debated and determined for the next generation.

On the cusp of Charter Review, I have three initial observations.

First, the BBC is an extraordinary thing. It's not perfect; there are things it could do differently or do better. But when you stand back from it, the BBC has been one of our country's great achievements of the past century. It delivers important public services and is a critical and valuable catalyst for and contributor to the UK creative economy, while achieving universal appeal and popular relevance. It is precious – something the UK should be proud of. It continues to reach nearly 97% of us every week for roughly a third of the price of a national daily broadsheet. And outside this country it is widely regarded with respect and affection, not least thanks to the World Service.

Second, the level of expectation about what the BBC should deliver is huge. Our research shows the public – the BBC's owners – still believe its mission to inform, educate and entertain matters as much as ever. And they want that mission translated into consistently high-quality content, which is accessible on the technology of their choice, which reflects, serves and represents the full diversity of the UK and its different, nations, regions and communities, as well as specific groups like children; and which represents great value for money.

Third, the BBC faces very significant challenges. There are continuing cost pressures from the rise in the price of rights, notably in sports, but increasingly in drama and broader talent inflation too, as well as from the costs of dual running on traditional broadcast media and on-demand and mobile. The population is more varied and diverse in its tastes than ever, and a wider range of services and editorial approaches is needed to meet their needs. And the global market is exploding with new, non-UK based media giants, with which the BBC must compete if the UK is to retain its place as a world leader in creative and digital media.

All of this means there are very real questions to ask about what sort of BBC we want in the future and how it needs to adapt to survive and prosper. We need to address changes both in what audiences expect and what the market will sustainably offer. We need to determine how much the public are willing to pay for their BBC, and modernise the means of payment so that it covers catch-up viewing on services like iPlayer and future consumption patterns and behaviours. Finally, we need to make sure the most effective governance structure is in place. Only through proper, evidence-based debate about all of these questions will we build the best BBC for the next generation.

**“Only through proper, evidence-based debate will we build the best BBC for the next generation.”**

My fellow Trustees and I are focused on bringing the public's voice into that debate and understanding what they want the BBC to deliver in the future. We will ensure the public are given the opportunity to have their say on what the BBC will look like tomorrow.

From my first nine months as Chairman, I think the BBC starts from a strong position. Looking at the past year, it has had some notable successes on screen and on air; it has made good progress in delivering value for money and it has taken steps towards providing a more personal service.

Taking content first. Since its inception the Trust has pushed the BBC to make ever more distinctive programmes, and in the past year we have specifically asked it to focus on the quality, variety and originality of its drama on BBC One. Acclaimed dramas like *Happy Valley*, *The Missing* and *Remember Me* are notable examples of distinctiveness and there has been a corresponding increase in the number of people seeing BBC drama as providing something 'fresh and new' over the year.

**“The BBC is a critical and valuable catalyst for and contributor to the UK creative economy, while achieving universal appeal and popular relevance.”**

Our review of the BBC's television services, published last summer, found there was still further to go on distinctiveness, in reaching out to all parts of the UK and on engaging with specific sectors of the audience, particularly those from black, Asian and minority ethnic (BAME) backgrounds. But overall it found the TV channels performing very strongly. For my part, I thought *Life Story*, *Poldark*, *Bake Off* and Nafiseh Kohnavard's and Quentin Sommerville's extraordinary reporting from the recently liberated Syrian town of Kobane showed the BBC at its very best.

During the year we also completed a review of the BBC's music radio stations, which found that the public continue to value them highly, that they provide a distinctive alternative to commercial radio and that the BBC's support is of critical importance to the music sector, something underlined by this year's inaugural BBC Music Awards. Special mention must go to 6 Music, a station that has gone from being threatened with closure five years ago, to being the first digital station to achieve audiences of more than two million.

But the Trust's role is to push the BBC further, even when it is succeeding, and there is more that the music radio stations can do to build on their excellent track record. For example, Radio 3 should continue to push the bounds of distinctiveness across all its schedules and Radio 2 needs to harness its richly deserved success and popularity to reach out more to BAME listeners.

As well as great programmes, audiences want to know that they are getting value for money. Today's BBC is a much more efficient place and it is on course to achieve an ambitious £1.5 billion savings plan.

Nonetheless, efficiency should be a never-ending journey and there is more for the BBC to do. It should become a better partner for other organisations, becoming simpler to navigate and easier to work with, so that it can pool resources that enable it to make the licence fee pound go further, building on previous and existing successful partnerships, like those with the British Museum and at the Commonwealth Games in Glasgow. It needs to do more to get a commercial return for licence fee payers from its content, while recognising the dual constraints of the complex web of rights and the intensity of global competition.

Every year independent value for money reviews are carried out for the Trust, some by the National Audit Office (NAO). This year a review by independent experts found the BBC has made good progress in driving down talent costs, although it can do more to bring on new talent. And in two separate reviews the NAO found that, while there is scope to use space better, the BBC has made good progress in rationalising and upgrading its estate and that the Corporation's efficiency programme has brought real value for licence fee payers, although delivering efficiencies will become increasingly challenging in the years ahead.

It is clear that the scope for further efficiencies at the BBC is going to be central to the future discussions about the size of the licence fee. The BBC also has a role to play in helping other organisations become more efficient and effective through its support for wider creative society, for example by helping train the industry.

A very clear challenge for the BBC in the years ahead will be to keep pace with new technologies and adapt to new market realities, so that it continues to serve all audiences. Among the proposals the BBC has put forward for modernising its portfolio, is the proposition to move BBC Three to online only. The Trust is part way through considering this proposal, alongside some other changes to television services.

While predictions of the death of so-called 'linear' television are premature, the BBC needs to recognise that young audiences in particular expect ever more personal and interactive services that are accessible on a range of devices – TV on their own terms. There are some good examples of innovation at the BBC, for example, through the recently launched Radio 1 iPlayer channel and new apps for CBBC and BBC News that encompass a more personalised format. Through personalisation and a better use of data, the BBC should start to grow the reach of BBC Online, whose figures currently remain largely static.

The BBC can't be all things to all people, but as a universal public service broadcaster it must strive to serve all audiences. The move towards greater devolution, seen at national level through the Scottish independence referendum and at regional level in areas like Greater Manchester, is all part of the changing context that the BBC needs to reflect. Having visited Salford, Glasgow, Cardiff and Belfast since becoming Chairman, I have seen not only the steps the BBC is taking to do this, but also the desire from the different nations and regions of the UK to be better reflected and portrayed by the BBC.

This isn't just about simple economics and job creation, although the BBC has an essential role here. It is about ensuring that the whole of the UK's rich diversity is reflected on screen and on the airwaves, so that the BBC provides a truly universal service. And in addition to regional and national representation and portrayal, we know that there remains a long way to go in ensuring representation and portrayal in terms of ethnic background, gender, age and disability, as well as in addressing disparity in consumption amongst different age groups. Steps are being taken to do better, but the Trust is determined to hold the Executive to account on this and we will also be striving to ensure the voices of all groups in society are heard during Charter Review.

**“The BBC can't be all things to all people, but as a universal public service broadcaster it must strive to serve all audiences.”**

## Chairman's foreword

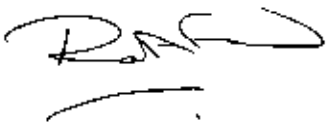
This move towards increasing devolution also underlines the importance of the BBC's role in plugging the democratic deficit in local news coverage. This means the BBC not only has to provide first rate local news itself, but also partner with other local and regional news outlets to ensure people are being kept informed of what is happening in their area so they can make informed choices at the ballot box and hold their democratically elected representatives to account.

**“Today's BBC is a much more efficient place and it is on course to achieve an ambitious £1.5 billion savings plan. Nonetheless, efficiency should be a never-ending journey and there is more for the BBC to do.”**

One topic that takes up an awful lot of debate around the BBC is its governance. Audiences understandably care most about the programmes they pay for, but good governance is important and the public need to know the BBC is in safe hands. I have been impressed by the Trust's achievements in increasing transparency, better defining services through licences, enforcing rigorous editorial standards and ensuring audiences are heard and represented. But my fellow Trustees and I believe the current governance system can be improved. We need intelligent reform, retaining the good and changing where necessary.

It has been a challenging year for the Trust in terms of personnel. Lord Patten sadly had to step down as Chairman last May on health grounds and then Vice-Chairman Diane Coyle did an excellent job of stepping into the role before my appointment in the autumn. My colleagues and I are indebted to both for their excellent work and commitment.

By the time next year's Annual Report is published, it is likely that much about the future of the BBC will have been decided. There has been a lot in the past year that shows why the BBC is such an important public institution culturally, economically and internationally. In order to stay relevant it has to stay connected to the diverse public it serves throughout the UK and be confident about its ability to deliver its mission. For my part I will ensure the Trust carries out much more audience engagement so that we have a debate about the future of the BBC with the public – its owners – at the very forefront. That, I believe, is the key to keeping the BBC extraordinary.



**Rona Fairhead**  
Chairman  
16 June 2015



## Setting strategy and assessing performance

Reporting on the BBC's progress against its four strategic objectives: making creative and distinctive output; serving all audiences; innovating online; and improving value for money

# Setting strategy

The Trust agreed the BBC's four overall objectives for 2014/15. This section summarises our assessment of progress against those objectives, including the more specific priorities that the Trust identified at the start of the year.

## ★ Quality and distinctiveness

### Objective

Make the most creative and distinctive output.

### Specific priority

- To improve the quality, variety and originality of new drama on BBC One (particularly in peak time).

### Assessment

This has been an excellent year for BBC programmes and other content, with some particular successes in TV drama and comedy.

In common with other public service broadcasters, there has been a dip in some of the audience appreciation scores for TV. However, more people now say 'the BBC has lots of fresh and new ideas', while 76% say that the BBC produces high-quality programmes and content across TV, radio and online.

The BBC has delivered successfully against its specific priority, with a strong range of high-quality programmes on BBC One, such as *Poldark*, *Happy Valley* and *The Missing*.

Nonetheless, the Trust will continue to push for ever greater creativity and distinctiveness.

### Next steps

We will continue to track audience perceptions as to whether BBC TV is distinctive, including carrying out more research.

We will continue to push for greater distinctiveness, particularly on mainstream services.

## £ Value for money

### Objective

Improve value for money through a simpler, more efficient, and more open BBC.

### Specific priorities

- To ensure firm control of overall headcount, including continued reductions in the number of senior managers.
- To pursue more partnerships with other cultural and creative organisations across the UK.

### Assessment

The BBC continues to demonstrate a strong record in improving its efficiency and productivity, as the recent NAO report on the 'Delivering Quality First' savings programme showed.

The majority of licence fee payers think that the BBC provides good value for money and the Trust's review of talent costs showed significant progress in this area.

Many of the more challenging savings initiatives are yet to come, so more work is needed to hit the overall savings targets for the final years of the plan.

Steps have been taken to provide a clearer account of overall headcount, and targets are now also more clearly built into divisional budgets within the BBC. Further work in this area will be needed in order to achieve future efficiency targets.

### Next steps

There will be increasing pressure on the BBC's income and there is work to do to set the appropriate level of future efficiency ambitions as part of the Charter Review.

For the public, value for money is second only to impartiality when people are asked what is most important for the future BBC. The Trust's job will be to test the BBC's costs and savings plans over the coming year.



## Serving all audiences

### Objective

Serve all audiences.

### Specific priority

- To make tangible progress in reflecting better the diversity of the UK population in the BBC's workforce and its output, in particular increasing the number of women on air.

### Assessment

This objective is becoming increasingly challenging as different audience groups become more diverse, not only in terms of culture and ethnic background, but also in their habits and expectations as technology provides a greater range of personalised choices to individual consumers. It is encouraging that the proportion of people who agree that the BBC provides programmes or content 'for people like me' has risen from 59% to 64%.

Nonetheless, the Trust is clear that the BBC must do all it can to stay relevant to all audiences across the UK. This is vital to the BBC's long-term future as a universal service.

There is more to do to address existing disparities between the on-screen population and the actual population (particularly in terms of gender and ethnicity); in the amount of time that younger people spend with the BBC; and in audience perceptions as to whether the BBC fairly represents all the UK's nations and regions, religions and ethnicities.

The Director-General and his team have shown laudable public ambition and commitment to change. The proportion of women at senior management level has risen this year and some progress has been made on staff diversity. However, it has yet to feed through into change on air and in audience perceptions, and the specific priority has not yet been met.

### Next steps

While we understand that this change will not happen overnight, we expect the Executive to continue to make it a priority to measure and improve performance in this area.

All the major UK broadcasters have jointly developed a new tool for monitoring on-screen diversity, which we will use over the course of the next year to measure progress and identify areas for further improvement.

## Innovating online

### Objective

Innovate online to create a more personal BBC.

### Specific priority

- We did not set a specific priority for this objective – rather, we aimed to give the BBC a remit to innovate and enhance people's personal connection with the BBC.

### Assessment

The Trust recognises the strong and clear focus of the BBC's current strategy in this area.

Quality scores for online services are high but have declined slightly this year, and the number of people reached by those services remains flat, at around 50%.

The positive steps the BBC has made this year, including innovations such as the Radio 1 iPlayer channel (approved by the Trust) and new apps for CBBC and BBC News with a more personalised format, may help to increase the reach of online services. This is very important in ensuring the BBC retains its relevance to all licence fee payers.

### Next steps

We will continue to monitor the reach of BBC online services. We look forward to receiving and considering the BBC's plans for new ways to allow people to 'sign-in' for a different and more personalised experience.

# ★ Quality and distinctiveness

## Service performance

### Overview

High-quality, distinctive programmes are central to the public's enduring affection for the BBC. Each week, 97% of adults in the UK are informed, educated and entertained by BBC programmes, a considerable endorsement given the wide range of media choices available today.

People continue to rate the BBC highly for the quality of its programmes, and some audience perceptions in this area have been improving during this Charter period. Our annual Purpose Remit Survey, which assesses how well the BBC is performing against its public purposes, showed that people's overall impression of the BBC remains, on average, higher than it was at the start of the Charter – and people would still be much more likely to miss the BBC if it wasn't there than they would any other broadcaster.

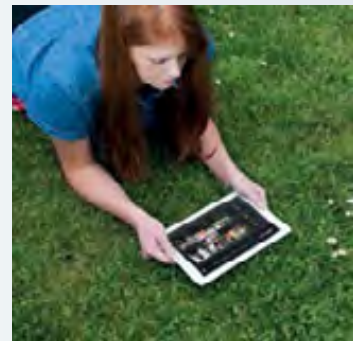
Very importantly, the majority of the public (76%) believes that the BBC offers high-quality programmes and content, and our research also shows that the BBC is scoring ever more highly with regard to offering something that they feel is 'fresh and new'. This is particularly pleasing given the emphasis we have placed on the importance of distinctive content. We have seen, through our more detailed performance reviews of individual services, how this is the foundation of the BBC's success in serving its audiences well.

However, we cannot ignore the fact that it is becoming increasingly challenging for the BBC to satisfy younger, less well-off and non-white audiences. Younger adults tend to watch TV and listen to the radio less overall, instead accessing more content online. These trends are affecting many of the BBC's TV and radio services, and the BBC's online content is not yet meeting the gap left by younger people spending less time watching or listening to linear TV and radio services. The BBC has a duty to serve everyone, and it needs to continue to find ways to transform mainstream services to serve younger people better.



**The BBC's mission:**  
Inform, educate,  
entertain

New research we've done shows that the public believe the three pillars of the BBC's mission should not change, and 'entertain' was rated highest of all when people were given a list of words which have been associated with the BBC.



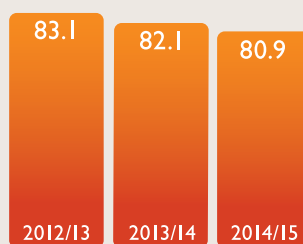
BBC Two's output includes factual programmes such as *Inside The Commons*

## Performance summary

### Television – audience appreciation

Audience appreciation of BBC television, while remaining high, has fallen slightly for the second year running.

#### How the BBC measures up



Source: BBC Pulse Survey

#### Next steps

- The BBC should increase further the distinctiveness of its offer and we will continue to track audience perceptions of quality.

### Fresh and new

Audience ratings measuring whether audiences think the BBC offers something 'fresh and new' have risen noticeably.

#### How the BBC measures up



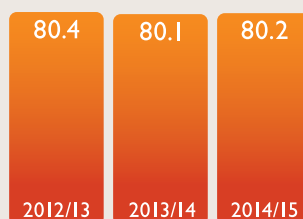
#### Next steps

- We expect the BBC to continue to offer audiences content that they feel is 'fresh and new' and will monitor performance over the year.

### Radio – audience appreciation

Audience appreciation of BBC radio remains high and stable compared with last year.

#### How the BBC measures up



Source: BBC Pulse Survey

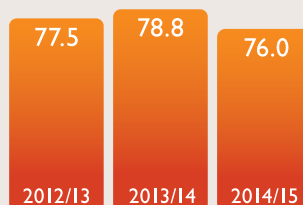
#### Next steps

- We will publish the conclusions of our review of the BBC's speech radio output in the summer and begin work to review both local and national radio services.

### BBC Online – audience appreciation

Audience appreciation of the BBC's online services has declined this year.

#### How the BBC measures up



Source: BBC Online Quality Survey

#### Next steps

- We expect the BBC to increase the reach of its online services and develop its plans for a more personalised service. We will continue to track audience perceptions of quality.

## ★ Quality and distinctiveness

### Television

Overall, watching TV remains very popular, with 85% of adults watching at least 15 minutes of BBC TV each week – although this has fallen slightly, reflecting the trend in TV viewing overall and the increased choice of entertainment online. In particular, younger and black, Asian and minority ethnic (BAME) viewers are watching less TV.

In our review of BBC TV, published in July 2014, we challenged the Executive to improve appeal amongst these audiences. We discussed these challenges regularly with the Executive during the year, and we want to see changes in the coming year which will enable BBC television to serve younger audiences better.

**“BBC One should not only entertain and delight audiences, but also frequently challenge and surprise them.”**

*Former BBC Trustee, David Liddiment*

We also asked the Executive to increase further the distinctiveness of its offer, which we know from our survey is very important to audiences, and essential for ensuring the BBC remains relevant. While average appreciation of BBC TV fell slightly in common with trends for other broadcasters, BBC TV's average 'fresh and new' score improved.

The BBC is making progress on this issue, but we will continue to track audience perceptions, including carrying out more research if necessary, to ensure it continues. The BBC's public funding gives it a unique opportunity to take creative risks and we will encourage it to do so at every opportunity.

### BBC One

BBC One remains the most watched channel in the UK, with an average of 73% of adults switching on each week, although this is slightly down from 75% last year, reflecting a more general fragmentation of viewing amongst channels. But with programmes like *The Great British Bake Off* and the FIFA World Cup Final, BBC One shows that it can still bring audiences of all ages and backgrounds together for must-see programmes.

Last year we made it a priority for the Executive to improve the quality, variety and originality of new drama on BBC One, particularly in peak time. We have been pleased to see a strong performance from a range of new dramas such as *Happy Valley*, *The Missing* and *Poldark*, as well as returning series including *Last Tango in Halifax*, *The Village* and *Call the Midwife*. There was an increase in perceptions of drama being 'fresh and new', although overall appreciation was down slightly.

### BBC Two

BBC Two broadcast some highly acclaimed and popular programmes, from dramas like *Wolf Hall*, *Peaky Blinders* and *The Fall*, to its award-winning birthday celebration, *The Story of the Twos*. Overall, fewer people watched the channel this year but its core offer of factual programmes remained popular, including food and other lifestyle shows, documentaries and international current affairs.

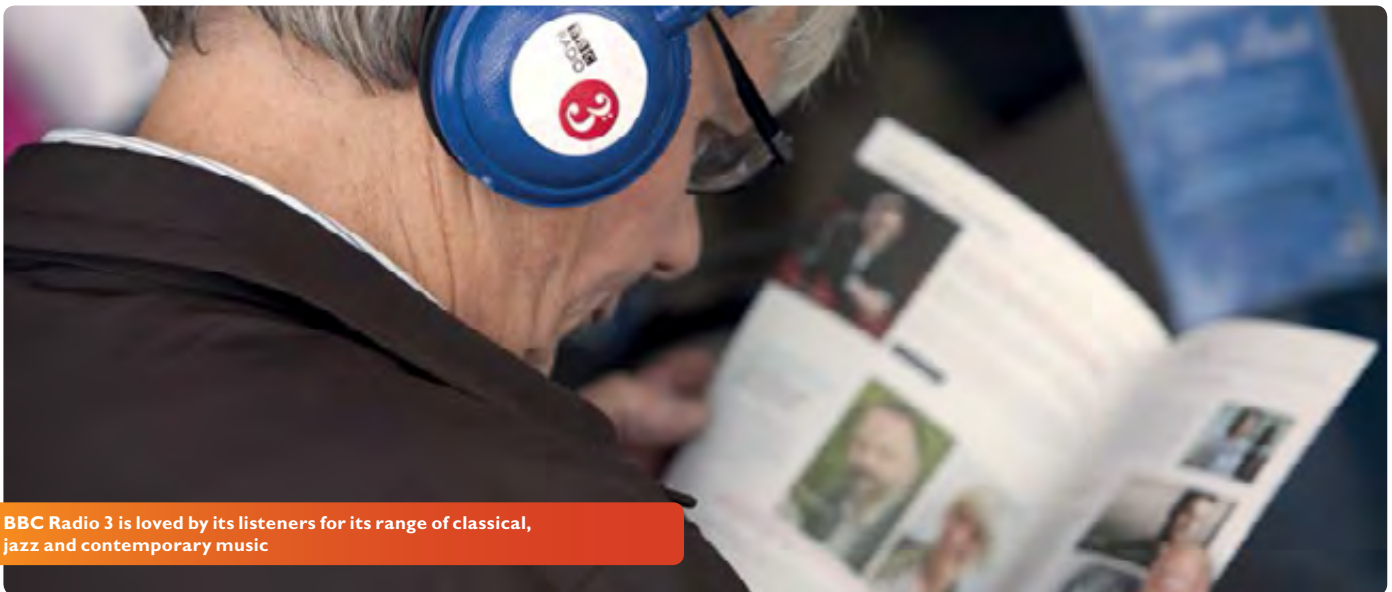
### BBC Three

BBC Three plays an important role for younger audiences – reaching 24% of 16- to 34-year-olds each week (some of whom watch no other BBC TV) with its unique mix of UK-originated factual and entertainment programmes, news and current affairs. Highlights in the year included *Murdered By My Boyfriend*, which achieved extremely high audience appreciation scores.

In December the Trust received proposals from the Executive to close BBC Three and relaunch it as an online-only offer. We began an assessment of these proposals and expect to publish our final conclusions in the autumn. Further information on the process can be found on page 28.



Audience members enjoy a tour of *The One Show* studio in London



**BBC Radio 3 is loved by its listeners for its range of classical, jazz and contemporary music**

### BBC Four

BBC Four plays a significant role in the BBC's promotion of arts and culture and the channel continues to be very highly rated with an average appreciation score of 84, and a 'fresh and new' score of 82. Its reach is stable at 14% of UK adults. Popular programmes included French drama *Spiral*, which achieved very high audience appreciation scores.

### Children's

While there is a wide and growing range of content for children on TV and online, the BBC continues to be the only broadcaster to offer them a range of new UK programmes. Children clearly appreciate this, since the BBC's channels are the most watched among their target audience and are highly rated for their quality.

However, the way in which school-age children watch programmes is changing fast: fewer children aged six to 12 are watching CBBC, and instead many are using iPlayer – CBBC now has the highest proportion of iPlayer viewing of any BBC TV channel. The CBBC app for mobiles and tablets was released in December and so far has been downloaded around 250,000 times. This move onto different platforms presents a challenge for the BBC, which must continue to develop its offer to ensure CBBC remains the most popular children's channel.

Unlike CBBC, CBeebies' weekly reach amongst its target audience has remained fairly stable at around 40%, and it remains far more popular than any other pre-school channel. More children are also watching CBeebies online – it was accessed by around 1.4 million unique browsers each week, and its app has now been downloaded more than 4.1 million times.

### BBC ALBA

BBC ALBA's reach amongst the Scottish population fell this year from 18% to 16%. However, among Gaelic speakers, reach increased slightly from 72% to 73% and audience approval remained high.

### Music radio review Consulting audiences

The Trust's assessment of the BBC's six music radio stations was based on extensive audience research, a public consultation and feedback from the wider industry, including commercial radio and representatives from across the UK music sector.



### Radio

Overall, listening to the radio remains very popular, with around 90% of adults tuning in each week. But the time they spend listening to the radio continues to fall, particularly amongst younger listeners.

BBC radio continues to appeal to a significant proportion of those listeners, with 65% of adults tuning in each week, slightly down from 67% the previous year. An average 74% of listeners rated BBC network stations highly when asked about their general impression.

This year, we reviewed the BBC's six music radio stations: Radio 1, 1Xtra, Radio 2, 6 Music, Radio 3 and Asian Network. This underlined the critical importance of the BBC to the music sector, and that the high level of support given by its stations to new, UK and live music makes them distinct from commercial radio. Listeners' perceptions of the quality of the stations are high and around 49% of UK adults listen to at least one of the six stations each week. We will soon be publishing conclusions of our review of Radio 4, Radio 5 live and their sister digital stations.

## ★ Quality and distinctiveness



Audience members can visit New Broadcasting House to see how radio programmes are made

### Radio 1 and 1Xtra

Radio 1 continued to perform well, reaching a large proportion of its young target audience: this year, 38% of 15- to 29-year-olds listened to it. Radio 1 is clearly focusing well on serving a young audience; it broadcasts a wide range of music and, through its focus on new music, plays a significant role in developing new UK talent. Radio 1's daytime speech output also helps deliver the BBC's public purposes within its music entertainment programmes, although we think it could do even better.

1Xtra also performed well, reaching 6% of 15- to 24-year-olds each week, who rate it highly. Through its specialist music and expert presenters, it is meeting its remit to serve young listeners with distinctive music and speech programmes.

### Radio 2, 6 Music and Asian Network

Radio 2 remains the most popular radio station in the UK, with more than 15 million listeners each week. Perceptions of quality are high, and people praise Radio 2 for its well-established presenters, mature tone, mix of music, high production values, and daily current affairs. However, Radio 2 reaches considerably fewer than average BAME listeners in its target group of over 35-year-olds, so we have asked the Executive to find ways to address this disparity.

**“The BBC's six music radio stations are doing well and are seen as go-to services for millions of UK listeners on a quest to discover and be entertained by music.”**

*BBC Trustee, Bill Matthews*

6 Music's audience grew again this year and it was clear from our music radio review that its listeners are huge fans of the station's distinctive range of music and informed presenters.

Asian Network reached a growing audience with its mix of music and speech programmes this year. Our review of the station found that it is appreciated by British Asians for the high quality of its programmes and its unique relevance to them.

### Radio 3

Radio 3 is loved by its listeners and by a wide range of stakeholders in the world of classical and other music. Listeners feel it plays the best classical, jazz and contemporary music, and they value the presenters as authoritative and expert. During the review, we looked in some detail at its music and programming, and concluded that Radio 3 is very distinctive and should maximise that distinctiveness across its schedule.

### Radio 4 and 5 live

Radio 4 performed well again this year, with 20% of UK adults listening each week, although this was down slightly from last year's record level. The average Radio 4 listener still tunes in for more than 11 hours each week.

Radio 4 Extra reached a record 2 million people this year. This is particularly encouraging in light of the considerable budget cuts it has made.

Radio 5 live and 5 live sports extra are facing the same challenges as all sports TV and radio services, namely that more people are going online for sports coverage. 5 live's audience fell below 6 million listeners this year, while 5 live sports extra reached around 1 million listeners. Time spent with 5 live also dropped to its lowest level, with listeners tuning in for just over six hours a week. In response, the service is developing its own online presence, offering a growing range of short-form clips.

### Nations and regions radio

Radio stations in the nations and across the English regions continued to perform a very important role in serving listeners' interests in a way that pan-UK network services cannot. The services compete for listeners with the BBC's network stations, however, and in some areas this poses challenges.

Fewer people listened to Radio Wales and Radio Cymru this year and both stations are looking at ways to improve what they offer so that they can continue to maintain the appeal of Welsh news and other programmes to their audiences.

In contrast, Radio Ulster/Foyle continued to perform very strongly, with 36% of adults in Northern Ireland listening each week. The station is clearly meeting audiences' very strong interest in news and current affairs.

Radio Scotland played a key role, along with BBC Scotland's TV and radio news, in keeping audiences well informed during the Scottish referendum, and its reach remained stable at 20%. These services will be integral to keeping Scotland informed, and we will be considering their performance later this year in a service review of all nations radio and news services.

**The BBC's radio stations in the nations and across the English regions perform a very important role in serving listeners' interests in a way that pan-UK services cannot.**

BBC Local Radio in England continued its long period of gradual decline, reaching 16% of audiences this year. Nonetheless, it has a key role in delivering programmes for the over 50s and others with a strong interest in local issues, and we will be examining this as part of our service review. We will look also at the role of local news online and of regional TV news and current affairs in order to get a picture of how audiences are served with local programmes across all the BBC's services.

#### News and current affairs

The BBC is highly regarded internationally for the quality and trustworthiness of its journalism. Licence fee payers expect the BBC to set the very highest standards of fairness and independence, as well as of impartiality and accuracy. The BBC's lack of any commercial or state influence is the bedrock of its trustworthiness amongst its audiences. Our Purpose Remit Survey showed that the majority of UK adults continued to believe that the BBC offers high quality and independent journalism, while three-quarters of the public believed that this is a very important role for the BBC.

BBC news and current affairs programmes and content reach more than 80% of UK adults each week across TV, radio and

online. TV and radio remain the most popular source of news, but more and more people are using the BBC's online service to access it. Our review of the BBC's news and current affairs stated that the BBC must continue to develop the content and delivery of online and digital news so that it remains relevant for all audiences. Since then, the Executive has made major changes to the BBC's News app, Newsbeat website and main site. They have evolved the services to meet users' more personalised interests better with, for example, options to choose a relevant local news feed alongside UK and international news.

Last year we said that we would monitor perceptions of accuracy and impartiality, which fell a little in 2013. This year perceptions were fairly stable overall, although audiences in Scotland showed how challenging it was for the BBC to satisfy all parts of the audience with its referendum coverage. Audiences continued to rate BBC News much more highly than other news providers, although perceptions of trust in BBC News have not returned to the record levels of 2012.

#### BBC World Service

This year the World Service reached 210 million people across the globe, going above 200 million for the first time. Reach increased across all platforms and although radio is still the way that most people access the World Service, TV and digital are growing at a much faster rate.

Whilst the World Service has continued to grow around the globe, of particular importance for UK audiences has been the increased contribution the World Service and bilingual reporters have made to coverage on domestic news, particularly around the Ebola crisis, Islamic State and the coverage of the Malaysian passenger airliner disaster in the Ukraine.

People around the world have respect and affection for the BBC – Kofi Annan called the World Service 'Britain's greatest gift to the world'. This has tangible knock-on benefits for the UK, encouraging people to do business, visit and study here. The respect people have for the World Service also helps the BBC to make programmes in other parts of the world and attract global talent.



The BBC World Service reaches over 200 million adults around the globe

# ★ Quality and distinctiveness

## Editorial standards

The public quite rightly expect far higher standards from the BBC than from any other broadcaster. The BBC's independence is central to these standards, and is valued by the public as a guarantee of the integrity and impartiality of news and factual programmes – the BBC is regarded as a gold standard of broadcasting around the world.

The BBC is the UK's most trusted broadcaster, but in the last few years that level of trust has fallen slightly and we have emphasised to the Executive the importance of regaining the public's confidence. Trust in the BBC has not increased and the BBC must continue to find ways to build public trust and confidence further in it as an organisation, as well as in its programmes.

The Trust's role in holding the Executive to high editorial standards, including acting on complaints from the public, is essential to that endeavour.

### Impartiality

Divisive events at home and abroad – shocking violence in the Middle East, extremism in the UK, an independence referendum in Scotland, and the run-up to the most hard fought general election in living memory – all put a premium on the BBC's commitment to impartiality.

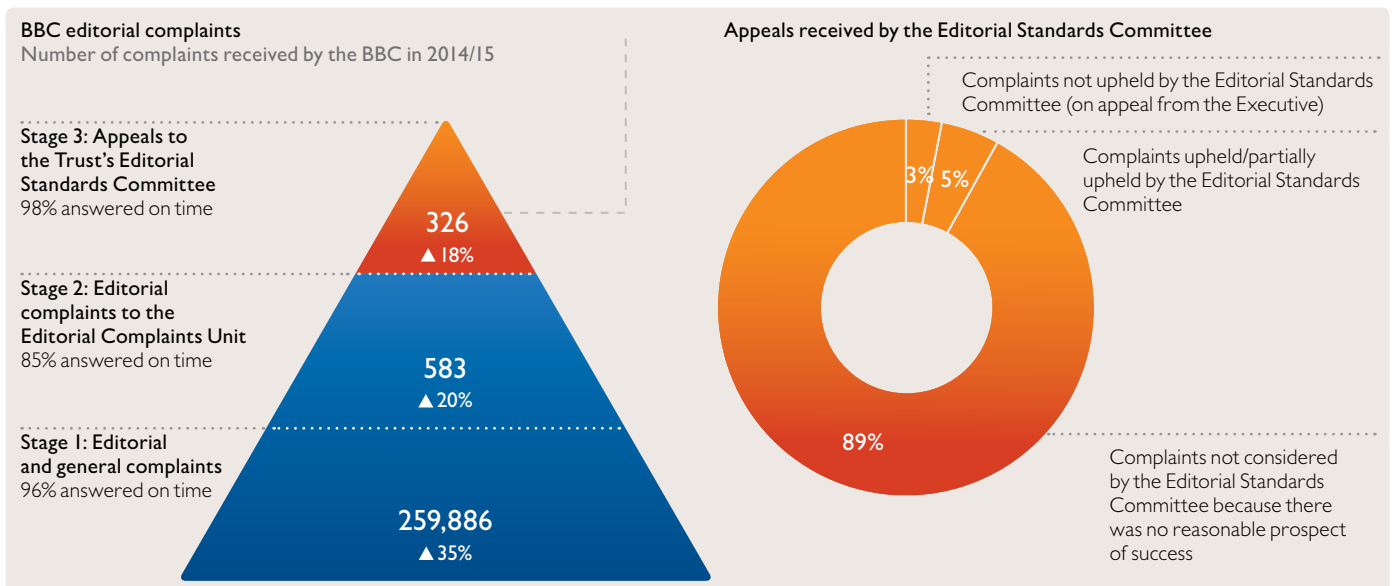
Each year, the BBC runs a survey of perceptions of the trustworthiness and impartiality of BBC News compared with other media. This year, BBC News continued to far outstrip its closest rival as the most trusted news provider – 57% compared with just 11% – while 53% said that they were most likely to turn to the BBC for impartial news. However, as sources of news proliferate, broadcasters including the BBC have seen a dip in the number of people who rate them highly for impartiality.

With impartiality at the heart of the BBC's mission, we will monitor this closely in the coming months to ensure we understand fully the factors driving this change.

Impartiality in programmes requires content to reflect a broad range of opinion and perspectives – this is also important if the BBC is to serve all its increasingly diverse audiences. In 2013, we commissioned an independent review of breadth of opinion in BBC News, and in December 2014, BBC News reported back to us on measures it had taken to implement the review's findings. We welcomed the progress being made, but re-emphasised the necessity of reflecting the broadest possible range of opinions and experiences, if the BBC is to serve all audiences in an increasingly diverse society.

In advance of the 2015 General Election, we consulted on the Election Guidelines that BBC programme makers must comply with in the coverage of both local and general elections, and published them in March. We heard an appeal from the Democratic Unionist Party because they were not included in the proposed televised UK leaders' debates. We judged that the BBC's editorial decision had been reasonable and was in line with the Guidelines.

We also consulted on and approved allocation criteria for Party Election Broadcasts which were published in March.





**Editorial Guidelines**

The BBC's Editorial Guidelines reflect the values and standards we expect of all BBC content. Set by the Trust, they are tougher and far more detailed than the requirements placed on any other broadcaster. The Trust's Editorial Standards Committee is the final court of appeal when complainants believe the Guidelines have been breached.

**Handling complaints**

In the past year, we received 326 editorial complaints on appeal. In most cases the BBC had complied with the Guidelines, but not in all.

There were two particularly concerning breaches this year, one in a Newsbeat report in June 2014, and the other during BBC Radio 1's Big Weekend in May 2014, both of which were brought to our attention by the Executive, although we received no complaints from the public about them. When these breaches were identified and following the publication of our findings, we required the directors of the divisions concerned to appear and explain how lessons had been learned.

The Newsbeat report breached the Guidelines on harm and offence and impartiality. This was because it included an interview with a British extremist fighting with ISIS recorded by a non-BBC journalist and the BBC report did not challenge the claims the extremist was making, while the online report did not include any context about the conflict. The broadcast report was also the subject of a complaint to Ofcom which was upheld. Following the complaint, the online report was significantly rewritten to include more context and challenge to the claims that were being made, while the Executive introduced tighter editorial processes for Newsbeat.

Radio 1's Big Weekend also breached the Guidelines on harm and offence, because the coverage included seven instances of offensive language by two artists broadcast between 5.30pm and 7pm. We were particularly concerned because this issue had come up before during previous Big Weekends and in other live outdoor music events. The Executive have since drawn up new guidance, putting in place tighter editorial controls.

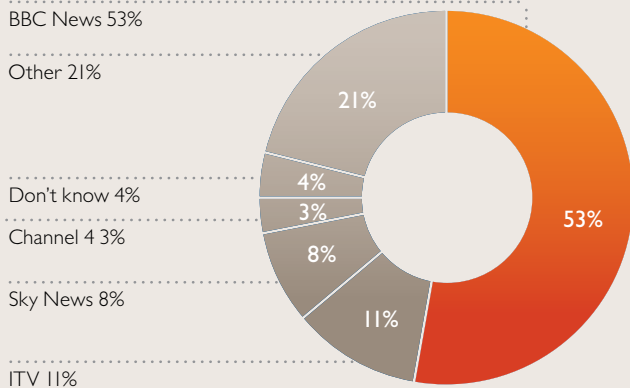
**Ensuring the BBC's independence**

We know that audiences expect the BBC to be held to the highest standards, and they also strongly support its editorial independence – an independence guaranteed by the Royal Charter. We will be diligent in discharging our duty to defend the BBC's right to make its own editorial decisions within the bounds of the Editorial Guidelines as the BBC enters into discussions about the new Charter.

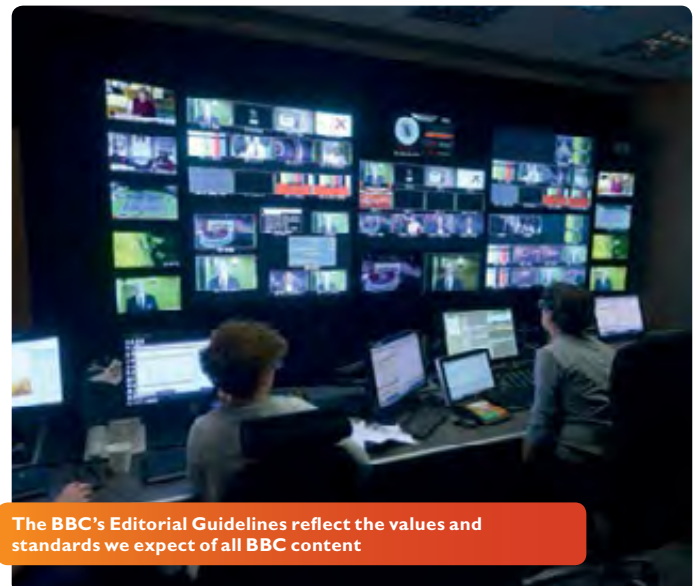
Independent research carried out for the Trust and published earlier this year found very little support for any government intervention in the BBC. People see a need for independent scrutiny and regulation, but they prefer this to be done by a separate body representing licence fee payers, not by government or MPs. While the BBC rightly attends Parliamentary committee hearings, the number of these hearings has been on an overall upward trend in recent years, with increasing evidence that some committees want to question the BBC on its editorial coverage and decision making. It is an important principle that the BBC makes editorial decisions free from Parliamentary and Government pressure and interference. We believe that appropriate boundaries should be set to define more clearly the BBC's relationship with the state to protect the BBC's editorial independence.

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

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



Source: Ipsos MORI, 2015



The BBC's Editorial Guidelines reflect the values and standards we expect of all BBC content

## £ Value for money

**We all pay for the BBC and we should all get good value from it. This year the BBC has delivered £484 million of savings as part of its five-year savings programme.**

### A leaner, more efficient organisation

In the past 12 months the BBC has continued to implement its cost savings programme, Delivering Quality First (DQF). This programme is designed to insulate audiences from the combined effects of the flat licence fee and the additional funding responsibilities that the BBC was handed in 2010.

The DQF programme is made up of efficiency savings, a number of scope cuts to services, and additional income from the BBC's commercial subsidiaries. Three years into the programme, DQF is on track to deliver a permanent £700 million reduction in the BBC's cost base by 2016/17. We have been tracking the impact of these savings on audiences and so far we are content that they have been achieved without a significant effect on the reach or quality of the BBC's services.

The National Audit Office (NAO) conducted a review of DQF this year. It found that, to date, the BBC has offered value for money to licence fee payers. The BBC has delivered savings broadly in line with targets, and the savings exceed implementation costs and have only had a limited impact on performance. However, the NAO also noted that, since most readily identifiable efficiencies have now been achieved, future savings will be more challenging to identify and deliver, since they will require increasingly more disruptive and risky changes to structures and ways of working.

In November 2014 the BBC published the results of an efficiency review, which was based on current and existing work the Corporation has undertaken either to subject its expenditure to commercial competition or to benchmark it against comparator organisations. This 'compete or compare' framework – using competition wherever possible, and external comparisons where available, to identify how to increase quality and reduce costs – is an ongoing part of the BBC's plans to continuously improve the efficiency of the organisation and the value that licence fee payers receive. We support this process and will monitor the Executive's progress closely.

### Getting the best value from property

The BBC has conducted a number of recent property moves designed to upgrade and rationalise its estate, including the exit and sale of Television Centre and the move to MediaCityUK in Salford. These developments have also enabled the BBC to achieve its target of half its staff working outside London a year early. By positioning the BBC closer to a broader range of audiences, the Corporation can ensure it is more in tune with all licence fee payers.

The NAO's review of property this year supported these moves – it found that the BBC has made good progress in rationalising and upgrading its estate, but noted that future value for money will depend upon making better use of its space and maintaining flexibility. To this end, the BBC has already reduced the size of its estate by 29%, and set ambitious space utilisation targets. These targets will be met, in part, by the BBC subletting much of the Media Village site in West London. This will unlock the value wrapped up in these buildings, enabling it to be reinvested in services and content.



A number of BBC departments have moved to MediaCityUK in Salford

## Performance summary

### Savings

Three years into the programme, DQF is on track to deliver a permanent £700 million reduction in the BBC's cost base by 2016/17.

#### How the BBC measures up

£484m

Savings this year

#### Next steps

- The BBC will continue the DQF efficiency programme to deliver the remaining savings required.

### Perceptions of value for money

Perceptions of value for money fell slightly on last year's score of 58%.

#### How the BBC measures up



Source: Purpose Remit Survey

#### Next steps

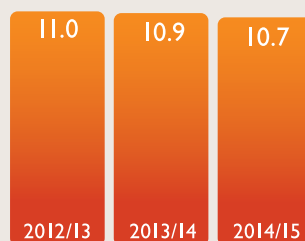
- We will continue to ask the Executive to make savings and improve the way the BBC is run.

### Reducing the pay gap

The pay multiple shows the ratio between the median earnings of BBC staff and the Director-General.

The multiple has again remained level with the previous two years.

#### How the BBC measures up



#### Next steps

- As more public sector organisations begin to publish their pay multiple, we will be able to see how the BBC multiple compares with the public sector trend.

## £ Value for money

During the year the Trust's Value for Money Committee also approved the relocation of Wales Broadcasting House from Llandaff to Cardiff city centre. A key driver for the move was the outdated and unreliable technology available at Llandaff. The new facilities in Cardiff will enable BBC Wales to keep pace with audience expectations – whether creating programmes for iPlayer, producing content for BBC apps, or simply using technology to broadcast in the most efficient way. The new headquarters will also be half the size, cost less to run than the current facilities, and will bring business into the vicinity, helping to regenerate the area, as well as allow greater engagement with audiences.

### How the NAO supports value for money

Value for money reviews for the BBC Trust, including those undertaken by the National Audit Office (NAO), assess whether licence fee payers are getting good value. The NAO may conduct reviews of any aspects of the BBC it chooses, at any time, with the exception of editorial decisions – this is to safeguard the BBC's editorial independence. It has access to all necessary information to conduct its reviews. This year the NAO conducted two reviews – one on DQF and one on property. In 2015/16 it will conduct one on the BBC's major programmes and projects, and one on the World Service.

### Improving project delivery and risk management

We have asked the Executive to examine the lessons identified from recent reviews of project management to ensure they have been incorporated into the planning and management of the BBC's existing projects.

The Trust also continues to monitor major projects through quarterly reporting from the Executive. These reports update Trustees on the status of projects which have previously come before the Trust's Value for Money Committee for approval, as well as other significant or strategic projects.

Separately, we also commissioned a value for money review of how effectively the Executive manage risk, from the professional services firm Alvarez & Marsal. The review, which we publish alongside this Annual Report and Accounts, found that the BBC's approach to risk management is well considered, offers robust support to the organisation and is on a par with the average UK or American blue chip company. The report also made recommendations, for example, to better define and communicate the level of risk the BBC is prepared to take on.

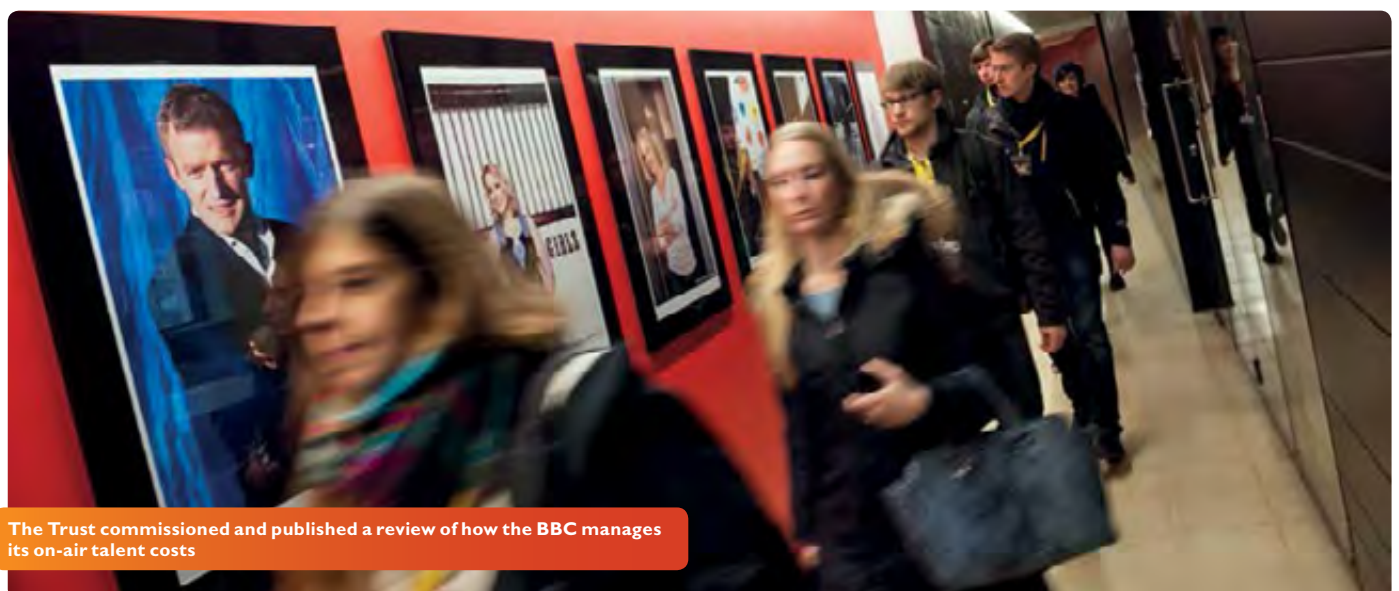
### Reducing the cost of on-air talent

The BBC's on-air talent is central to its success and this year we commissioned a review of how the BBC manages the costs of on-air talent from media consultancy Oliver & Ohlbaum. The review found that since we imposed a cap on talent costs, the Executive have reduced spending in this area by 15%, with this reduction driven disproportionately by lowering the cost of the highest-paid performers. Critically, the review also found that there has been a considerable cultural change at the BBC since 2008 – both in terms of learning when to let talent go, and also applying greater and more consistent scrutiny to deals. Oliver & Ohlbaum went on to conclude that the positive impact of this change should not be underestimated.

The review also found that the BBC's processes for managing and developing talent were consistent with industry best practice, if not better. Nonetheless, pressure on talent fees continues to rise as the media industry becomes more competitive; the Trust is clear that in order to minimise future cost increases, the Executive need to do more – both in terms of consistency of processes and in taking a more formal approach to bringing on new talent.

**“We believe that the BBC's controls around talent costs are at least as thorough as commercial rivals and, while there is some scope for improvement, they are consistent with industry best practice, if not better.”**

*Oliver & Ohlbaum's report into the BBC's management of on-air talent*



The Trust commissioned and published a review of how the BBC manages its on-air talent costs

### Value for money in commercial partnerships

The BBC's commitment to value for money extends also to its commercial services, which exist primarily to generate profit which may be used to supplement the licence fee. The Trust considers this important in maximising the benefits that can be delivered for licence fee payers. In some cases this involves BBC Worldwide (the BBC's main commercial subsidiary) working in partnership with others. The Trust supports this approach wherever it serves the interest of licence fee payers.

For example, in 2014/15 the Trust approved a partnership under which AMC Networks Inc took a 49.9% equity stake in the cable channel BBC AMERICA. Our assessment of the proposal included consideration of whether the partnership would deliver a better return for the BBC and for licence fee payers, as well as whether necessary protections for the BBC's brand and reputation were in place. The Trust's duties in overseeing the BBC's commercial activities are looked at in more detail on page 29.

### Senior Executive pay

This year the Director-General's base pay was £450,000 per annum with no entitlement to a performance bonus. This remuneration is significantly lower than equivalent positions in other UK public service broadcasters.

The pay multiple between the Director-General and the median average of BBC staff is 10.7.

In response to public concern in recent years, the BBC has worked with HMRC to develop specific guidance on how to determine whether individuals should be engaged on employment or self employment contracts for tax purposes. This year, we asked the Executive Board to commission a follow-up review based on the work of internal audit, to ensure this new guidance and Deloitte's recommendations in this area have been fully implemented. We will publish the findings when it is complete.

### Bringing down the number of senior managers

In 2011 the BBC Trust and Executive agreed a strategy for senior manager pay and numbers, covering the period to December 2015.

Since then the number of senior managers employed by the BBC has fallen by 71 to 413, a 15% reduction. As a consequence, the senior management pay bill has also reduced by 13% in real terms.

These are significant reductions but two of the targets which the BBC set have not yet been achieved – a 20% reduction in the number of senior managers earning over £150k and a senior manager population that is 1% of the workforce.

The Executive continues to work towards these objectives and the Trust will continue to monitor progress. However, meeting the targets before the end of the year will be challenging. Therefore we will engage with the Executive on a set of objectives to ensure that continued momentum towards a more streamlined, more efficient management structure is achieved.

### The public's view – the BBC offers good value for money

The Trust is the champion of licence fee payers' interests, not least when it comes to ensuring value for money, and we frequently seek their views on this subject. In a recent survey, some 56% of people told us they believe the BBC offers value for money. Unsurprisingly, audiences' perceptions of value for money increase significantly the more time people spend accessing the BBC's content and services.

Creativity is also a key driver of audience perception – people want something in return for their licence fee that they can't get anywhere else. Those who value the BBC's creative output, be it fresh programmes or new writers and artists, are more likely to believe the BBC offers value for money. Distinctiveness therefore continues to be a key priority for the Trust.

### Ensuring licence fee payers have their say

The BBC belongs to the public so it follows that the public should have the biggest say in its future. As we approach the Charter Review, and the BBC's financial plans develop, we will consult with the public to ensure that their voice is heard in the debate about where the BBC should focus its resources in the years ahead.



New Broadcasting House is the BBC's central hub in London



The audience participates in a recording of the Victoria Derbyshire Show

## Serving all audiences

### Serving all audiences is at the very heart of the BBC's mission and the BBC is well placed to achieve this, with 97% of UK adults using the BBC each week.

As the champion of licence fee payers, we are particularly pleased that nearly everyone is finding something that is relevant to them through the BBC. However, the UK is changing fast, and the BBC has a challenge in representing the increasingly diverse political and cultural views of the population, as well as providing content across the many different platforms in the many different forms that people want to access it today. This is particularly the case for younger and BAME audiences who are watching less television and listening to less radio than before. To remain relevant to all licence fee payers, the BBC must represent the whole of the UK in a number of ways – in its programmes; in how and where it makes them; and in terms of the people it employs.

#### Representing the population in programmes

Looking at the public's feedback on how they are represented in BBC programmes, the BBC overall is doing quite well – 64% feel that the BBC provides programmes or content 'for people like me', which is up slightly from the previous year. However, there is still a gap between performance and expectation, and certain segments of society are clearly being underserved, particularly BAME audiences.

Moreover, while there is huge interest in and involvement with national events in the UK, British identity is complex and evolving, not least in terms of people's identification with the devolved nations. For example, the referendum on Scottish independence raised many interesting questions on devolution and what it means for public service broadcasting. These issues will need to be explored further in the context of the Charter Review.

The BBC has a key role to play in ensuring it represents the nations in news, drama and entertainment, and our research shows that over half feel that the BBC represents their nation or region in its content, and supports minority languages. Nonetheless there is still some way to go, particularly in Scotland,

where only around 50% of the audience feel that their nation is effectively represented.

The BBC needs to do more to represent the changing face of the nation, and already has targets, set in 2012, to increase the diversity of talent on screen by 2017 – with 15% for BAME people (against 10.4% in 2012) and 5% for disabled people, which is quadruple the 2012 level of 1.2%.

We welcome the establishment of a cross-industry measurement system for workforce and on-screen diversity developed by the Creative Diversity Network and look forward to receiving robust on-screen data. As well as ethnicity, this will help the BBC to monitor how well women are represented in its programmes. Improving the representation of women on-air remains a priority.

#### Making programmes across the UK

Producing more network TV content out of London and in the devolved nations has been a priority for some time, and the BBC continues to exceed its 2016 target of 50% out of London with 17% spent in Scotland, Wales and Northern Ireland. This is important because it brings economic benefits to the whole of the UK, and we have seen encouraging progress in creating sustainable creative economies outside London. For example, in Northern Ireland production of major dramas for commercial broadcasters is helping the BBC's own efforts in building a base of skills and infrastructure.

#### Representing the diversity of the UK within the BBC

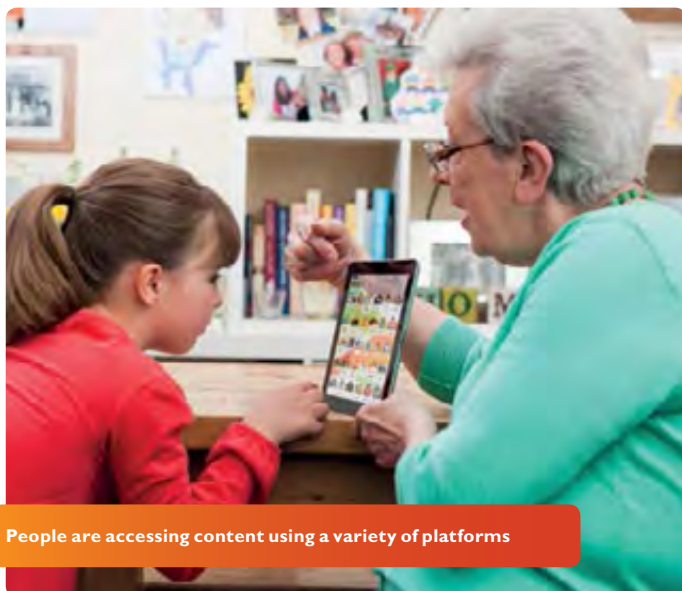
Within the BBC itself, ensuring the organisation reflects the diversity of audiences remains challenging.

The Executive have worked hard to address this issue and we are pleased to see that the number of BAME staff is at an all-time high this year, although at just 13.1% there is clearly more to do. BAME staff are also represented in greater numbers at senior management and wider leadership level. Similarly, we are pleased that the proportion of women at senior management level has risen again this year, as has the number at wider leadership levels.

Disappointingly, the BBC has done less well with regards to disabled staff. The number of disabled staff overall has remained at 3.8% and, again, there are fewer disabled senior managers.

#### A new framework for distributing content

This year we have also been working to develop a clearer framework for overseeing how the BBC distributes content. Building on the Trust's existing syndication policy for on-demand content, the framework will set clear principles to guide the BBC and give clarity to the industry and provide value for money. For audiences, the framework requires that BBC content is universally accessible, free to use and is easy to find. For the industry, the framework requires openness and transparency, and a fair and non-discriminatory approach to making BBC content available. A public consultation on the proposed framework is currently under way.



People are accessing content using a variety of platforms

## Performance summary

### Reach of BBC services

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

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

### How the BBC measures up

# 97%

2013/14: 96%

Source: BBC Cross Media Insight Survey

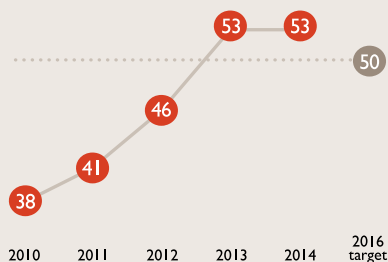
### Next steps

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

### Out of London – % of network spend

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

### How the BBC measures up



### Next steps

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

### Representing the nations and regions

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

### How the BBC measures up

59% of UK adults believe the BBC performs well in representing their nation or region.



Source: Purpose Remit Survey

### Next steps

- We will continue to monitor through audience research how BBC programmes reflect the UK as a whole.

## Innovating online

### The Trust wants to enable the BBC to innovate quickly and enhance people's personal connection to the BBC.

People today, particularly younger audiences, are increasingly accessing content online. Gradually viewers are accessing TV programmes on demand, outside the confines of TV schedules.

This general shift of focus online is a great opportunity for the BBC, since it has been able to lead the way in acting as a catalyst to change audiences' behaviour, as it has, for example, with iPlayer and catch-up TV viewing. In this year's Purpose Remit Survey, the BBC met or exceeded expectations for providing quality content online, on mobile phones and tablets, and on digital radio, with scores especially high from younger respondents. The BBC is also helping to educate young people by getting them involved in online coding.

But new technology is evolving constantly, and the BBC must keep pace and adapt to new market realities, in particular giving younger audiences more personal and portable access to services.

This is a challenge for all broadcasters – how to reach their audiences when and how they want – but it's a particular challenge for the BBC because of its remit to serve all licence fee payers, and there are still some homes which, for a variety of reasons, do not have good access to high-speed broadband. Where the BBC can help people get online, it is doing so, for example by contributing £150 million a year until April 2017 to developing infrastructure in areas that can't access broadband.

#### Performance of BBC Online

This year, while the number of devices (measured as 'unique browsers') accessing BBC Online continued to rise, the number of people using the service remained stable at around 50% of UK adults, and the audience appreciation score for BBC Online also declined slightly. As well as developing its role as a means to access BBC TV and radio programmes, the BBC will need to develop new online content to attract a wider range of users and become a more universal platform over the course of the next Charter.

The BBC has also been developing a more personalised online service to help meet the diverse needs of its users, but sign-in levels remain quite low and new approaches will be needed to accelerate this.

**Around 50% of the UK adult population access BBC Online each week.**

In our last service review, we asked BBC Online to enable users to navigate more easily across the site, and we set a service licence condition that the service should each year increase the number of 'click-throughs' to external sites, to allow people to find relevant content beyond BBC Online. This year the number rose to 17.8 million click-throughs per month (up from 16.7 million in 2013/14). We continue to encourage the BBC to look for new ways to increase the traffic to third-party sites, as this helps ensure the BBC creates wider public value and supports a diversity of news providers.

#### Broadening appeal to younger audiences

In September, having assessed the Executive's proposals and taken advice on market effects from Ofcom, we approved the launch of a BBC Radio 1 channel on iPlayer, bringing together a curated selection of Radio 1 video content to appeal to younger audiences. The channel also extended the time for which catch-up content is available on iPlayer from seven to 30 days.

In March, we published our review of the BBC's six music radio services. We found that many people still listen to music on the radio, although younger audiences increasingly listen to music online. We found that the BBC has developed the online presence of its stations, but must consider how it can play a distinctive role online, just as it has in radio, both to meet audiences' needs and to continue to support UK music. We will be monitoring developments in this area in the coming year.

#### Developing more personalised services

Following the launch of Playlister in October 2013, enabling listeners to build their own personal music collection, this year the BBC extended the concept to its news services, enabling people to get news on the subjects of particular interest to them.

The BBC will continue to develop plans for new ways to allow people to sign in for a different and more personalised experience.

#### Consulting on the BBC's online proposals

In January, we launched the first of two public consultations about the BBC's plans to move BBC Three online, enhance the iPlayer by making selected programmes available there ahead of the scheduled time for broadcast ('premiering'), and making some content from third parties available. (The plan also included proposals for other services, including the launch of a 'plus one' version of BBC One and extending the broadcast hours for CBBC). Working with Ofcom, we are conducting a public value test to assess both the public value and the market impact of the package of proposals. Once this assessment is completed, we will consult again on our provisional conclusions before reaching a final decision later this year.



# **Overseeing commercial and other activities**

**While the BBC is principally a non-commercial organisation, the content it produces is a valuable asset that can generate financial returns to be reinvested in further high-quality content for licence fee payers.**

One of our roles is to oversee the relationship between the BBC's commercial services (currently BBC Worldwide, BBC Global News Ltd and BBC Studios and Post Production) and licence fee-funded services, ensuring they are similarly aligned with the public purposes.

## **A new framework governing commercial services**

This year, following a review and public consultation, including input from the industry, we introduced a new framework for the BBC's commercial services, enhancing our oversight with much clearer requirements. These new arrangements set out the requirements, boundaries and expectations for the operation of the BBC's commercial services under four principles governing:

- strategic alignment between licence fee-funded and commercial services
- how, where, and when commercial business may be conducted
- how we will assess commercial performance and prevent any distortion of the market
- how we will maintain the necessary financial and operational separation between publicly funded and commercial activity.

In line with how we assess BBC TV, radio and online services, we will assess the performance of the commercial services against this framework every five years.

As part of the new framework, the Trust sets out how it will decide whether each commercial service is performing sufficiently to avoid any market distortion. Each service must generate a long-term return on investment to the BBC appropriate to the market it is operating in and must demonstrate to the Trust that it is not distorting the market. The Trust will review the annual performance, budget proposals and market evidence for each commercial service to ensure that this requirement is being met.

When we published the framework, we also announced that we would commission an independent review of separation and transfer pricing practices, covering the levels of transparency and compliance when the BBC's commercial services buy rights to BBC content or pay to use its premises or services. The review, to be conducted in 2015, will assess whether the necessary controls and procedures are being applied to ensure that fair market rates are being paid.

## **Fair trading**

Also this year, we began our third review of the operation of the BBC's fair trading policy, as required under the BBC Agreement. The aim of the policy is to establish a clear framework for ensuring that the BBC conducts its activities fairly and avoids distorting the market.

We are considering whether any changes are required to the framework for it to continue to meet this goal, and, as part of our review, we commissioned Fingleton Associates Ltd to undertake fieldwork and make recommendations as to how the policy framework and code might be refined in light of experience and of changing market factors. Following completion of this work, we will launch a public consultation on the policy in the summer.

## **S4C**

This year was the second in which S4C, the Welsh language broadcaster, was funded substantially from the licence fee. As part of the operating agreement, and to oversee the use of the licence fee for S4C, the Trust undertakes an annual performance assessment of S4C. This is published alongside the S4C Annual Report.

S4C and the BBC continue to develop their collaborative relationship at both operational and board levels. The availability of all S4C programmes on iPlayer this year, which has led to a substantial increase in online viewing, is a powerful example of that partnership. While there are some positive signs of increased consumption of S4C programmes online and outside Wales, we are concerned to see that the weekly reach of S4C within Wales has declined again this year from 383,000 to 360,000. The impact of budget cuts may well be a factor in this, but, mindful of our duty to oversee licence fee funding to the broadcaster, we hope to see performance becoming more stable in future years.

## **BBC Monitoring**

BBC Monitoring, which is part of BBC Global News, tracks open source media across the world and collates material for the Government, the BBC and commercial clients to help them understand the current issues, trends and developments in locations of interest to them.

Since April 2013, BBC Monitoring has been operating under a new funding and governance regime set out in an amendment to the BBC Agreement, in which it is now funded by the licence fee. The new regime includes regular reviews by users of the service both in government and within the BBC, which are then reported to the Trust.

## **Dame Janet Smith Review**

The Dame Janet Smith Review was established in October 2012 by the BBC to conduct an impartial, thorough and independent review of the culture and practices of the BBC during the years that Jimmy Savile worked at the Corporation. As of 1 May 2015, the Review's Report was finished. However, the Metropolitan Police has told the Review that it is concerned that publication of the Report at this stage could prejudice its ongoing investigations into sexual abuse. As a result, Dame Janet has taken the decision that publication of the Report (and its delivery to the BBC) should be delayed. We accept this decision and note that publication will take place as soon as possible. While Dame Janet's review has been ongoing, the BBC has already taken steps to ensure its whistle-blowing policies are robust and has undertaken a review into its child protection policies and practices.





## Understanding audiences

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

# Listening to licence fee payers

**The BBC belongs to everybody and it must be responsive to the public who pay for it.**

The BBC Trust's role is to represent the interests of licence fee payers. Listening to audiences and reflecting their needs in the decisions we make has always been our priority, and it is more important than ever today, as the Royal Charter comes up for review in 2016.

We need to understand what people want from the BBC, both as consumers of its content, and as citizens who pay for it. We use a variety of methods to do so, from public consultation (which is open to anyone who wishes to take part), to targeted research, both qualitative and quantitative.

## What does the public want from the BBC?

To ensure the public's voice is heard in the Charter Review debate, we have embarked on an extensive programme of research, which will use a range of methodologies to uncover what licence fee payers think the BBC of the future should look like, and what they are willing to pay for it. We began this process in 2014/15 with our first survey using our new online panel.

Our survey indicated people felt strongly that the BBC's mission to inform, educate and entertain was still highly relevant, while impartiality and value for money were the most important areas for the BBC to focus on in the future. Ensuring the BBC is independent from government and MPs was also an important priority, alongside providing high-quality programmes and

independent journalism. Most people also felt that the BBC should continue to pursue the existing six public purposes (set out on page 2), while providing relevant content at many levels – internationally, at a UK level, within nations and regions, and locally.

We also asked people to tell us how they thought the BBC should be governed. We gave panellists a list of the different ways the BBC could be held to account, and asked them which body(ies), if any, should be responsible for each function. Overwhelmingly, people felt that government or MPs should not be involved in governing the BBC; rather, for most of the functions, they would prefer an independent body that represents the views of licence fee payers. This work has informed the Trust's position on the future governance arrangements for the BBC.

## Purpose Remit Survey

One of the main ways we gather audiences' views is through our annual Purpose Remit Survey. This gathers the public's views on how well the BBC is meeting its six public purposes by asking people how far they agree with 34 statements, and how important each statement is to them. These two measures allows us to analyse a 'performance gap', and we use this data to help set the BBC's strategic objectives in line with the public's expectations. We have commissioned this survey every year and now have valuable trend data going back eight years.



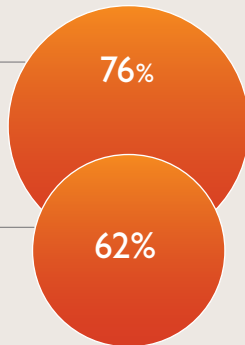
Representing licence fee payers is central to the Trust's role

### Stimulating creativity

The gap between the number of people that think the BBC has 'fresh and new' ideas and the number who think this is important has narrowed.

76% of audiences thought that 'fresh and new' ideas were important.

But 62% of audiences thought that the BBC had lots of 'fresh and new' ideas.



**-14%** ▲  
2013/14: -16%

In general, the public's views of the BBC remained very stable this year. The proportion who felt the licence fee offers good value for money (56%), and the proportion who said that they would miss the BBC if it wasn't there (78%), have not changed significantly since last year. There have been improvements in four out of 34 individual statements, and no decreases. Performance scores for the statement 'the BBC has lots of fresh and new ideas' have continued to improve, as have scores related to the digital purpose. Statements related to the nations, regions and communities purpose continued to show the largest performance gaps, and so remain an area of focus for the Trust.

### Over 23,000 people shared their views with us in our public consultation on proposed changes to BBC Three.

#### Public value test on BBC Three and related proposals

We carry out a public consultation when the BBC proposes closing or making substantial changes to one of its services. As we expected, the Executive's proposal to close BBC Three as a linear channel and to reinvent it online; to launch a BBC One +1 channel; to extend CBBC hours; and to have more online first and third-party content on iPlayer attracted a large number of responses from the public. We received over 23,000 responses to the consultation, while 271,000 people signed a petition to retain BBC Three as a linear channel.

### Audience Councils

Audience Councils – one for each UK nation, and chaired by the Trustee for that nation – bring licence fee payers' views to the work of the Trust. Members gather audience insight from sources ranging from surveys to face-to-face meetings, helping to inform their discussions.

#### Informing the work of the Trust

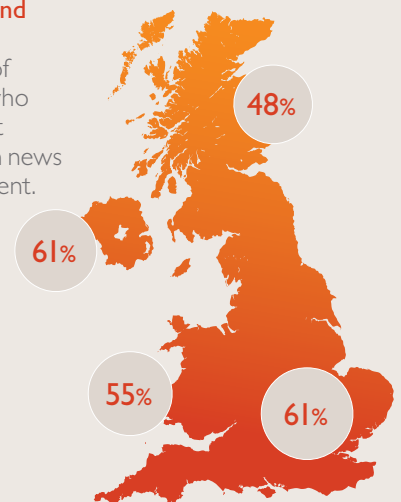
This year Councils contributed to our service reviews of BBC music and speech radio. Members concluded that these services delivered the BBC's public purposes and, overall, served their audiences well, but should do more to appeal to the increasingly diverse audience groups across the UK. Councils sought the views of younger audiences on the proposal to move BBC Three online.

#### How the BBC performed

Councils reported strong appreciation for locally produced TV output in Scotland, Wales and Northern Ireland, and in the English regions, welcomed investment and innovation in high-quality journalism regional current affairs and digital services. Members noted unprecedented BBC activity in Scotland for the Commonwealth Games and the independence referendum, increasing the overall audience for BBC output. Audience Council Scotland commended BBC coverage of the referendum debate, but believed network news coverage came too late, and noted significant concern among a section of the audience about perceptions of impartiality. Councils in Wales, Scotland and Northern Ireland said audiences would welcome more coverage of their affairs on network TV news.

### Representing life in Scotland, Wales, Northern Ireland and England

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



# Understanding audiences

## Representing audiences

The need for authentic portrayal across the UK was a theme common to all Councils. Audience Council England noted the value and continuing importance of BBC local radio for the English heartland audience, while observing variations in the performance of the individual stations. Audience Council Wales welcomed the fact that new BBC apps now usually include Welsh language and nations' content from the outset, but believed further steps are required, such as greater prominence for Welsh language content on the CBeebies website. All Councils were concerned that too many licence fee payers remain excluded from some of the BBC's services because of lack of digital access including DAB, the availability of FM and, for some, issues beyond the availability of infrastructure such as affordability.

## Priorities for the future

Audience Council Northern Ireland recommended a strategic focus on the BBC's offer for young people. Audience Council Wales wanted to see more English language TV produced in Wales for audiences there, and Audience Council England wanted the BBC to focus on providing programmes and services which routinely represent the diverse population and audience in England. In the aftermath of the referendum, Audience Council Scotland suggested that the Trust consider ways to strengthen accountability to licence fee payers in the nations of the UK.

## Reaching more people online – our new Audience Panel

This year we set up a new BBC Trust Audience Panel to carry out quantitative surveys in a more cost-effective way. The panel is operated online, and consists of 10,000 people, aged 16 years and over, who live throughout the UK. Overall, the group reflects the UK's demographic profile by age, gender, socio-economic grade, region, nation and ethnicity. The number of panellists in the devolved nations is boosted further to ensure the views of the nations are fully represented.

The panel will support our audience research when we carry out service reviews, public value tests, the Purpose Remit Survey, and impartiality reviews, and it may also supplement the work of the Audience Councils. We expect to use the panel extensively in our Charter Review research programme.



Overwhelmingly, audiences have told us that government should not be involved in governing the BBC



BBC

Trust

g the best out of the BBC for licence fee payers

**Inside the Trust**  
Who we are, how we operate  
and how much it costs

Part One: Inside the Trust

# BBC Trustees

## Getting the best out of the BBC for licence fee payers

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



**Rona Fairhead CBE, Chairman**

Chairs Trust Management Group.

**Other roles**

Non-executive director, HSBC Holdings plc and PepsiCo Inc; non-executive Chairman, HSBC Northern American Holdings Inc; UK Trade and Investment Business Ambassador.



**Sir Roger Carr, Vice-Chairman (appointed 1 May 2015)**

Member of Value for Money Committee and Trust Management Group.

**Other roles**

Chairman, BAE Systems Ltd; senior adviser, KKR; trustee, Landau Forte Trust Academy Schools; mentor, Chairman Mentoring International; member, Prime Minister's Business Advisory Group.



**Sonita Alleyne OBE**

Lead Trustee on diversity and equality. Member of Editorial Standards Committee and Value for Money Committee.

**Other roles**

Founder, Yes Programme Ltd; non-executive director, Archant and Cultural Capital Fund; member, British Board of Film Classification; member, London Legacy Development Corporation; member, St Ville Charitable Trust.



**Richard Ayre**

Chairs Editorial Standards Committee. Lead Trustee on transparency issues. Member of Services Committee.



**Mark Damazer CBE (appointed 1 April 2015)**

Member of Editorial Standards Committee.

**Other roles**

Master, St. Peter's College Oxford; trustee, Victoria and Albert Museum; Honorary Fellow of Gonville and Caius College, Cambridge.



**Mark Florman (appointed 1 April 2015)**

Trustee for England (chairs Audience Council England). Member of Value for Money Committee.

**Other roles**

Chairman, Centre for Social Justice; Chairman, Spayne Lindsay LLP; trustee, Swedish Chamber of Commerce; trustee, Foundation for Future London; Chairman, Time Partners Ltd; strategic adviser, Early Intervention Foundation.





**Bill Matthews**

Chairs Complaints and Appeals Board. Trustee for Scotland (chairs Audience Council Scotland), Chairman, BBC Pensions Trust. Member of Editorial Standards Committee.

**Other roles**

Director, M2M2 Limited; Deputy Chair/Board member for Scotland, Security Industry Authority; Chairman, Hub West Scotland; Member for Scotland, British Transport Police Authority; non-executive adviser, Criminal Injuries Compensation Authority; Ambassador, Royal Edinburgh Military Tattoo.



**Aideen McGinley OBE**

Trustee for Northern Ireland (chairs Audience Council Northern Ireland). Member of Services Committee and Trust Management Group.

**Other roles**

Commissioner, Liverpool Mayoral Commission on Creativity and Innovation; Co-Chair, Carnegie Trust Roundtable on Wellbeing in Northern Ireland; jury member, UK City of Culture 2017; trustee, Fermanagh Trust; governor, St Michael's College, Enniskillen; Director, The Aisling Centre; associate, Future Search Associates.



**Nick Prettejohn**

Chairs Value for Money Committee. Lead Trustee on value for money reviews. Member of Editorial Standards Committee and Trust Management Group.

**Other roles**

Chairman, Scottish Widows; non-executive director, Lloyds Banking Group plc; Chairman, Britten-Pears Foundation; Chairman, Royal Northern College of Music.



**Elan Closs Stephens CBE**

Trustee for Wales (chairs Audience Council Wales). Member of Services Committee and Trust Management Group.

**Other roles**

Emeritus Professor, Aberystwyth University; non-executive director and Chair, Corporate Governance, Welsh Government; member, S4C Authority; non-executive director, IMAX Waterloo (BFI); member, National Museums of Wales Development Board.



**Suzanna Taverne**

Chairs Services Committee. Member of Value for Money Committee.

**Other roles**

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



**Lord Williams of Baglan**

Lead Trustee on international services. Member of Services Committee and Trust Management Group.

**Other roles**

Distinguished Visiting Fellow, Chatham House; member of the international advisory board, Toledo CITPAX, Toledo International Centre for Peace; member of governing board, SOAS; member, Swansea University Council; Chairman, Mines Advisory Group; Honorary Life Member, British Society for Middle Eastern Studies.

# Governance

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

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

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

The Trust does much of its detailed business through regular meetings of its committees, and the full Trust comes together for two days each month to make major decisions, to consider proposals from the Executive, and to question them about performance issues.

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

## Trustee changes during the year

The Trustees listed on pages 36 and 37 reflect the membership of the Trust as at 1 May 2015. Lord Patten stepped down on 6 May 2014. Diane Coyle became Acting Chairman on 6 May 2014, until 8 October 2014. Rona Fairhead joined as Chairman on 9 October 2014. Alison Hastings and David Liddiment's terms as Trustees ended on 31 October 2014. Diane Coyle's term as Vice-Chairman ended on 30 April 2015.

Trustees' attendance at Trust meetings (1 April 2014 – 31 March 2015)	
<b>Chairman</b>	
Lord Patten (left 6 May 2014)	1/1
<b>Chairman</b>	
Rona Fairhead (joined 9 October 2014)	6/6
<b>Vice-Chairman</b>	
Diane Coyle	11/11
<b>National Trustees</b>	
Alison Hastings (left 31 October 2014)	6/6
Bill Matthews	10/11
Aideen McGinley	10/11
Elan Closs Stephens	11/11
<b>Trustees</b>	
Sonita Alleyne	9/11
Richard Ayre	10/11
David Liddiment (left 31 October 2014)	6/6
Nick Prettejohn	8/11
Suzanna Taverne	10/11
Lord Williams	11/11

## Assessing our own performance

Every year we review the performance of the Trust and its committees, and publish the results in the Annual Report. This is a commitment we set ourselves in the Trust's Standing Orders.

This has been a year of change for the Trust, with a new Chairman and the loss of two long-standing Trustees meaning that we were below full strength in numbers for much of the year; however, following the 2013 Governance Review, we have been clearer about the respective roles and responsibilities of the Trust and the Executive, and the two bodies have worked together to agree the BBC's strategic objectives.

A new system of quarterly reviews has enabled us to apply greater consistency and structure when holding the Executive to account. Over the next year, we will be increasingly involved in the Charter Review process with the Government, including discussing the best governance structure for the BBC in the future. However, we will continue to concentrate on our core functions of setting the Corporation's strategic direction and overseeing the work of the Executive Board on behalf of licence fee payers.

## The Trust Unit

We are supported in our work by the Trust Unit, which provides independent and objective advice, calling on outside experts when necessary. The Unit is made up of BBC staff who are independent of the Executive and report directly to us. It includes professional staff with expertise across a range of disciplines, including corporate governance, editorial standards, policy development, audience research, financial and performance analysis, economics and law. The Unit advises us on our duties, manages the Trust's supervisory and regulatory functions, and provides the Trust with independent assessments of proposals from the Executive Board. Most Unit staff are based in London; others are based in offices in Belfast, Birmingham, Cardiff and Glasgow.

## Register of interests

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

### Trust committees

We do much of our work through committees, which can make certain decisions on behalf of the Trust as a whole. The members of each committee and their attendance during 2014/15 are shown below. The terms of reference for these committees can be found on our website.

### Complaints and Appeals Board

Chair: Bill Matthews

The Complaints and Appeals Board (CAB) handles appeals and complaints to the BBC relating to fair trading, Television Licensing, and other general matters which are not editorial. All Trustees are members of the CAB. The duties of the committee are conducted by panels consisting of at least three Trustees including the CAB Chairman.

Meeting attendance (1 April 2014 – 31 March 2015)	
Trustee	Attendance
Bill Matthews*	10/10
Richard Ayre*	7/7
Other Trustees attended the following number of panel meetings	
Sonita Alleyne	3
Diane Coyle	1
David Liddiment	1
Aideen McGinley	3
Nick Prettejohn	4
Elan Closs Stephens	1
Suzanna Taverne	3
Lord Williams	1

\* Committee membership changes: Richard Ayre was Chairman until October 2014; Bill Matthews took over in November 2014.

### Editorial Standards Committee

Chair: Richard Ayre

The Editorial Standards Committee (ESC) is responsible, on behalf of the Trust, for establishing the BBC's editorial standards. The ESC commissions the BBC's Editorial Guidelines and monitors the Executive Board's compliance with these Guidelines. As the final stage of the BBC's complaints process, the ESC considers appeals relating to breaches of the Editorial Guidelines as well as related complaints-handling issues. It also has functions in relation to election and referendum coverage, party political broadcasts, party election broadcasts and referendum campaign broadcasts. In addition, the committee manages the Trust's programme of impartiality reviews and seminars.

#### Meeting attendance (1 April 2014 – 31 March 2015)

Trustee	Attendance
Richard Ayre*	13/14
Alison Hastings*	7/7
Sonita Alleyne	12/14
Diane Coyle*	4/4
Bill Matthews	11/14
Nicholas Prettejohn	11/14
David Liddiment*	6/7

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee, and between October 2014 and March 2015 she attended three Editorial Standards Committee meetings.

\* Committee membership changes: Alison Hastings and David Liddiment stood down in October 2014. Richard Ayre took over as Chair from November 2014 and Diane Coyle joined in November 2014.

## Trust Management Group

Chair: Rona Fairhead

The Trust Management Group approves Trust Unit staff remuneration and severance payments over £75,000 and oversees Trustee expenses, conflicts of interest and hospitality, and the Trust Code of Practice.

Meeting attendance (1 April 2014 – 31 March 2015)	
Trustee	Attendance
Rona Fairhead*	1/1
Diane Coyle*	3/3
Aideen McGinley	3/3
Nick Prettejohn	2/3
Elan Closs Stephens	3/3
Lord Williams	3/3

\* Committee membership changes: Diane Coyle was Chair from May 2014 to October 2014. Rona Fairhead became Chair in October 2014.

## Services Committee

Chair: Suzanna Taverne

The Services Committee ensures that the BBC's public services, together with its distribution and commercial activities, are delivered in line with the licences and frameworks set by the Trust. This includes oversight of Trust reviews and regulatory matters.

Meeting attendance (1 April 2014 – 31 March 2015)	
Trustee	Attendance
Suzanna Taverne	10/10
Diane Coyle	9/10
Alison Hastings*	5/5
David Liddiment*	3/5
Aideen McGinley	9/10
Lord Williams	7/10
Richard Ayre*	5/5

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between October 2014 and March 2015 she attended three Services Committee meetings.

\* Committee membership changes: Alison Hastings and David Liddiment stood down in October 2014. Richard Ayre joined in November 2014.

## Value for Money Committee

Chair: Nick Prettejohn

The Value for Money Committee oversees the budget, financial approvals and value for money processes at the Trust.

Meeting attendance (1 April 2014 – 31 March 2015)	
Trustee	Attendance
Nick Prettejohn	11/11
Sonita Alleyne	11/11
Diane Coyle*	6/7
Elan Closs Stephens	10/11
Suzanna Taverne	11/11

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between October 2014 and March 2015 she attended two Value for Money Committee meetings.

\* Committee membership changes: Diane Coyle left the committee in November 2014.

## Trustees' remuneration

### Fees

Our fees as Trustees are determined by the Secretary of State for Culture, Media and Sport. In September 2010 Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the then Director-General and other Executive Board members. The reduced fees for Trustees will remain in effect until 31 August 2015 and are reflected in the table below. The one exception to this is the Chairman, whose level of fees was reduced by 23% in 2010, and therefore a further discount has not been applied. Trustees do not receive severance pay or other compensation for loss of office.

### Expenses

We are reimbursed for expenses incurred on BBC business, which include travel, accommodation, work-related meals and hospitality. Trustee expenses are governed by the Trust's Code of Practice, which is published on our website. Every six months we publish a full list of all expenses incurred by each Trustee, as well as the services booked centrally for Trustees by the Trust Unit. Some of our expenses and support services are classed as taxable benefits by HM Revenue & Customs, and this figure is published in the remuneration table; any tax arising on expenses incurred is settled by the BBC, except in the case of Rona Fairhead who has elected to settle her own tax liability.

### Chairman's benefits

Rona Fairhead is not eligible to receive any benefits other than her fee but has part-time access to a BBC driver and car when on BBC business.

## Trustees' remuneration table

	Fees <sup>1</sup> £000	Taxable benefits £000	Total 2014/15 £000	Total 2013/14 £000	Appointment term start date	Appointment term end date
<b>Chairman and Vice-Chairman</b>						
Rona Fairhead <sup>2**</sup>	53	2	55	–	9 Oct 14	8 Oct 18
Lord Patten <sup>3*</sup>	11	–	11	111	1 May 11	6 May 14
Diane Coyle <sup>4*</sup>	87	–	87	71	1 Nov 06	30 April 15
<b>National Trustees</b>						
Alison Hastings <sup>5</sup>	22	–	22	38	1 Nov 06	31 Oct 14
Bill Matthews <sup>6*</sup>	38	–	38	38	1 Jan 11	31 Dec 16
Aideen McGinley	38	–	38	38	1 Nov 12	31 Oct 16
Elan Closs Stephens	38	–	38	38	1 Nov 10	31 Oct 18
<b>Trustees</b>						
Sonita Alleyne	33	–	33	33	1 Nov 12	31 Oct 16
Richard Ayre	33	–	33	33	1 Aug 10	31 Jul 18
Anthony Fry <sup>7</sup>	–	–	–	19	1 Nov 08	31 Oct 13
David Liddiment <sup>5</sup>	19	–	19	33	1 Nov 06	31 Oct 14
Nick Prettejohn	33	–	33	8	1 Jan 14	31 Dec 17
Suzanna Taverne	33	–	33	33	1 Jan 12	31 Dec 15
Lord Williams	33	–	33	33	1 Dec 11	30 Nov 15
<b>Total Trustees</b>	<b>471</b>	<b>2</b>	<b>473</b>	<b>526</b>		

### Notes

- Trustees took an 8.3% voluntary reduction in pay, in parallel with the then Director-General and Executive Board, in September 2010. This will remain in effect until 31 August 2015.
- Rona Fairhead began her appointment on 9 October 2014; accordingly her fees for 2014/15 only relate to her time in office and do not cover the full year.
- Lord Patten ended his appointment on 6 May 2014; accordingly his fees for 2014/15 only relate to his time in office and do not cover the full year.
- Diane Coyle was Acting Chairman from 6 May 2014 until 8 October 2014; accordingly her fees include her salary increase during this time.
- Alison Hastings and David Liddiment ended their appointments on 31 October 2014; accordingly their fees only relate to their time in office and do not cover the full year.
- Bill Matthews is the Chairman of the Board of the BBC Pension Trust Ltd, the corporate trustee of the BBC Pension Scheme. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.
- Anthony Fry ended his appointment on 31 October 2013; accordingly his fees for 2013/14 only relate to his time in office and do not cover the full year.

\* These Trustees all had taxable benefits less than £1,000 which have been rounded to nil. The total amount incurred by these Trustees was £126.63.

\*\*Rona Fairhead is not eligible to receive any benefits other than her fee but has part-time access to a BBC driver and car when on BBC business.

# Trust finances

**We run our operations as efficiently as possible and our direct expenditure for 2014/15 was well below that for the previous year.**

In line with the rest of the BBC, we are committed to making savings. Specifically, we are committed to keeping our direct expenditure below 0.31% of total licence fee income. This year, direct expenditure represented 0.21% of total licence fee income (2013/14: 0.25%).

### Director and senior management remuneration

Nicholas Kroll, previously Director, BBC Trust, stepped down from his role on 20 June 2014. After a short period when the Deputy Director, Alex Towers, acted as Director, Jon Zeff was appointed to the role on 16 July 2014. Jon stepped down on 19 April 2015 and has been replaced by Alex Towers on a permanent basis.

The aggregate emoluments and base pay for the position during 2014/15 were: Nicholas Kroll £54,773 (of which £53,040 was base pay), Alex Towers £18,301 (£16,254 base pay) and Jon Zeff £154,103 (£127,742 base pay). In 2013/14 Nicholas Kroll's emoluments and base pay was £246,480 (£238,680 base pay).

The position holder is a member of the BBC Pension Scheme.

Over 2014/15 the Trust Unit had five senior managers as well as the Director, and our website provides an analysis of their remuneration split into £5,000 salary bands.

See page 41 for Trustees' remuneration which is audited.

### Reporting regulations

The Royal Charter requires the Annual Report and Accounts to be externally audited. We asked Ernst & Young LLP (EY) to confirm that we have accurately presented the Trust's expenditure, including Trustees' remuneration, in Part One.

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

### Trust expenditure statement

	Note	2014/15 £000	2013/14 £000
Trustee remuneration	1	521	583
Staff costs	2	4,002	4,203
Other operating costs	3	3,183	4,534
<b>Direct Trust expenditure</b>	4, 5	<b>7,706</b>	9,320
Ofcom regulatory fees	6	2,204	2,666
Ofcom Market Impact Assessment fees	7	332	–
Ofcom Significance Test fees	8	–	–
<b>Total Ofcom fees payable by Trust</b>		<b>2,536</b>	2,666
<b>Total Trust expenditure</b>		<b>10,242</b>	11,986

#### Notes

- The remuneration received by each Trustee is shown in the table on page 41. The figure in the table above includes social security costs.
- Staff costs include wages and salaries, social security costs and employer's pension contributions.
- Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's consultation activities and stakeholder events.
- This represents direct external spend by the Trust. The Trust also made use of shared services, which included property provision, finance, HR and information services that were provided by the BBC public services.
- Of direct Trust expenditure, £731,245 relates to spend on Trust activities in the four nations (2013/14: £952,153).
- Ofcom allocates its costs of television and radio regulation to the BBC and the other UK broadcasting channels. The Trust pays the BBC's share of that allocation.
- Ofcom Market Impact Assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking the MIA for public value tests.
- Ofcom Significance Test fees cover Ofcom's direct and indirect costs in undertaking work to input to the Trust's significance tests.

### Trust people

Average for year	2014/15	2013/14
Trustees	11.8	11.8
Trust Unit staff (EFT) <sup>1</sup>	61.8	61.8

#### Note

<sup>1</sup> Trust Unit staff are those employed directly by the Trust Unit. Of the 61.8 average equivalent full-time (EFT) Trust Unit staff for 2014/15, 13 EFTs were based outside London and supported the work the Trust undertakes in Wales, Scotland, Northern Ireland and England (2013/14: 14). 10.2% come from a black, Asian or minority ethnic background (2013/14: 12%); 5.3% are disabled (2013/14: 5.7%); and 70% are women (2013/14: 65.9%).

### Report of Ernst & Young LLP to the BBC Trust

We have performed the procedures agreed with you and set out below with respect to the Trust expenditure statement. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The procedures were performed for the purpose of meeting the obligations of the Trust under the Royal Charter dated October 2006 and are as follows:

1. Agree Trustees' remuneration to confirmation from the Department for Culture, Media and Sport (DCMS).
2. Agree that the expenditure as shown in the Trust expenditure statement has been accurately extracted from the books and records of the Trust on the basis of the notes to the Trust expenditure statement.

We report our findings below:

- A. With respect to item 1 we found that all Trustees' remuneration was confirmed by the DCMS.
- B. With respect to item 2 we found that the expenditure as shown in the Trust expenditure statement has been accurately extracted from the books and records of the Trust on the basis of the notes to the Trust expenditure statement.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the Trust expenditure statement.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing (UK and Ireland) or International Standards on Review Engagements, we might have identified other issues that would be of relevance to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used or relied upon by any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of the British Broadcasting Corporation, taken as a whole. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the Trustees of the British Broadcasting Corporation for this report.



**Richard Wilson**  
For and on behalf of Ernst & Young LLP

1 More London Place  
London SE1 2AF  
16 June 2015

### Statement of responsibilities in respect of the Annual Report and Accounts

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

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

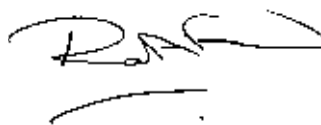
In order to comply with those requirements, the Annual Report must include disclosures on the governance arrangements of the Trust as well as those of the Executive Board. These disclosures are the responsibility of the Trust, and are included in Part One of this Annual Report.

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

### Statement of disclosure of information to auditors

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

This statement was approved by the Trust on 16 June 2015.



**Rona Fairhead**  
Chairman  
16 June 2015



Filming on location for BBC One's *Poldark*





## Part Two

# The BBC Executive's review and assessment

The Executive is responsible for the operational delivery of BBC services and the direction of BBC editorial and creative output in line with the framework set by the Trust

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# Creative excellence

In June 2014 I visited Barrington Court, a Tudor manor house in Somerset, to watch the filming of *Wolf Hall*. I was expecting to see brilliant performances from world-class actors and that's what I saw, as viewers themselves did when the show was broadcast on BBC Two. But as well as the obvious talent on-screen and in the director's chair, I was struck by the breadth of skills across all aspects of the production, from lighting and set-design down to the craft skills involved in the creation of costumes.

The ability to support such a variety of skills is one of the unique strengths of the BBC and one of the benefits that it brings to the UK's creative economy. It also underpins our offer to audiences, allowing us to produce amazing content in genres as different from each other as historical drama and natural history, and in forms ranging from TV programmes to mobile apps.

A world away from Somerset, David Attenborough's series *Life Story* presented the BBC with a very different production challenge. To make this landmark natural history series the crew visited six continents, walked 1,035 kilometres through the Congo rainforest, consumed over 2,000 malaria pills, spent 297 nights in tents and hired two skidoos. The final programme that was aired on BBC One couldn't have been more different from *Wolf Hall*, but, like all of our output in 2014/15, these shows had two things in common: a commitment to creative excellence and a sense of public service.



**“This fantastic programming, across all genres from drama to natural history, underlines the single point that I make most often. The case for the BBC doesn't rest on ideological arguments or debates between economists. It rests on what we do. On our programmes and services.”**

*Tony Hall, Director-General*

These values apply to our regular programming as much as to one-off natural history or drama landmarks. For the 30th birthday week of *EastEnders* the team took the incredibly bold decision to broadcast live. It was a decision that paid off, with more than 21 million people watching the shows and the climactic episodes generating over one million tweets – the most ever for a UK drama.

BBC Radio showed similar creative success in everything from daily breakfast shows to iconic annual events, with this year's Reith lectures exploring the extraordinary progress – and fallibility – of medicine, and the Chris Evans Breakfast show on Radio 2 becoming the biggest and most listened to radio show on UK radio.

I'd like to thank all of our staff for the hard work which has made this content possible. This fantastic programming, across all genres from drama to natural history, underlines the single point that I make most often. The case for the BBC doesn't rest on ideological arguments or debates between economists. It rests on what we do. On our programmes and services.



Damian Lewis plays Henry VIII in BBC Two's *Wolf Hall*



Filming Natural History Unit series *Life Story*



Raymond Blanc and Kate Humble present *Kew on a Plate*

## New kinds of content

The BBC tells each story in whatever way works best. Often this will be as a traditional TV or radio show, but increasingly it will be in an interactive or immersive form, like the new formats we are trying on BBC Taster.

This year the BBC created many new types of content and new ways of bringing it to our audience. The BBC Weather app moved the forecast beyond a linear, scheduled slot to real-time, localised information; Playlister made it easier than ever to find and share music played by the BBC; our iWonder guides helped people to learn in new ways and Red Button+ vastly increased the content and choices available to TV viewers.

Our existing online services were also strengthened this year, with our relaunched News app and iPlayer making our programmes even more unmissable by moving from seven to 30 day catch-up. We will continue to bring digital skills and staff into the BBC in future years to make sure that we remain a technological pioneer.

## Partnerships

The quality of the BBC's output depends not just on the talent and dedication of the Corporation's own staff but also on a huge range of partners. In the last year we have worked with the Arts Council, the British Film Institute, Russell Group universities, the city councils of Bristol, Glasgow and Birmingham, and cultural or scientific institutions including the British Museum and Kew Gardens.

In Birmingham, BBC Radio 1Xtra partnered with the City Council, Birmingham City University and many others to produce a month of events including MC workshops, a school visit where children were taught how to DJ, and a Q&A with artists held in a local barbershop.

The benefits of these partnerships are many and varied. Our 1Xtra partnership in Birmingham built up to 1Xtra Live, where some of the best UK and international acts played in the city, our collaboration with the commercial subsidiary of the Open University led to the BBC's first massive open online course (MOOC), and our work with Kew Gardens resulted in the *Kew on a Plate* series on BBC Two, in which Kate Humble and Raymond Blanc grew, and then ate, heritage vegetables at Kew.

## Bringing the nation together

Coverage of major events has always been a central part of what we do. No other broadcaster is as successful as the BBC in bringing the family and the nation together to watch history being made, whether that's in music, politics or sport.

In 2014/15 we set ourselves the objective of providing exceptional coverage of the World War One Centenary, the 800th anniversary of the Magna Carta, the FA Cup, and the Glasgow Commonwealth Games. The response from our audience demonstrated how successfully this objective was achieved.

As well as covering events, the BBC also creates them. Highlights from this year included the BBC Music Awards, the 6 Music Festival and a spectacular Radio 1 Big Weekend from Glasgow; alongside game-changing national campaigns to boost digital skills and to increase participation in the arts.

## Director-General's introduction

In our 'Make it Digital' initiative the BBC is working with partners including BT, Google, Microsoft, Technology Will Save Us, Samsung and ARM and will put almost a million programmable devices into schools up and down the country – one for every child aged 11 and 12 (those in year 7 in England and Wales, S1 in Scotland and year 8 in Northern Ireland). We're also working with the Skills Funding Agency, the Department for Work and Pensions' Job Centres and a host of UK training suppliers to reach up to 5,000 unemployed young people around the country and help them boost their digital skills and get a foot on the job ladder.

### Championing the arts

Our arts campaign is equally ambitious. 'Get Creative' is a year-long celebration of British arts, culture and creativity which aims not just to increase the appreciation and understanding of art, but to inspire the public to create art for themselves. It encompasses the whole range of creative expression, be that through painting or music, tap dance or knitting, and is being made possible by partnerships with more than 100 arts organisations, including the Royal Shakespeare Company, National Theatre Wales and Voluntary Arts.

'Get Creative' is just one example of our commitment to arts and music. Radio 3 and Radio 4 have been central to the BBC's arts coverage this year, through their regular concerts and programmes and also through one-off seasons and serials like the Dylan Thomas Centenary, the Decameron and the Literary Proms on Radio 3; and *War and Peace*, Melvyn Bragg's *History of Ideas* and Neil MacGregor's *Germany: Memories of a Nation* on Radio 4.

We've also launched both BBC Arts and BBC Music as online destinations; created a successful new arts slot on Saturday nights on BBC Two (with shows about Simon Rattle, Hockney and Hampton Court); inspired school children to play classical music through the Ten Pieces project; brought TV and radio services together for the Hay and Edinburgh festivals, and created the BBC Music Awards.

This work has strengthened the BBC's position as one of the country's main arts institutions and as a cornerstone of the UK's global success in music.

### The creative economy

Finding and training entry-level talent is just one of the ways in which the BBC strives to make the UK the world's most creative nation. The BBC also works with – and creates employment in – thousands of creative suppliers; invests £2.2 billion a year in the creative industries; and provides a global shop window of British creativity through BBC Worldwide.

From television to music, writing to filming, the BBC is a huge part of why the UK is such a great exporter of creativity – and why over a sustained period the creative industries have grown much faster than the wider UK economy.



The main stage at Radio 1's Big Weekend in Glasgow



Television still of Jeremy Bowen interviewing Syrian President Bashar-al-Assad in February 2015

## A trusted guide

In the internet age it is easy to find information, but harder to know whether to trust it. There are many small online communities representing particular world views and interests, but fewer impartial, universal sources of information and knowledge. This makes the BBC's ability to both get its facts right and provide in-depth analysis more necessary than ever. The BBC is the place where audiences go to find out what's really happening and why.

This is particularly important when the issues are complex and contested, or when stories are breaking.

The Scottish Referendum was a major event in 2014/15 and in the history of the UK. This was a contentious topic, particularly in the final weeks leading up to the poll, and our coverage of it was unequalled in its depth.

The conflicts in the Middle East remained a critical news story in 2014/15 and the BBC brought an unparalleled level of expertise and access to its reporting from the region. Jeremy Bowen secured an interview with Syrian President Bashar al-Assad that was covered in all BBC News bulletins and picked up externally.

For breaking stories, our new 'BBC Live' technology now brings together the best of the BBC's output and the best of social media to provide an interactive, immersive experience. Since its creation it has been used for 40 major events and stories and has generated over a billion page views.

Outside the UK the World Service has also found new, more agile ways to tell stories, moving a long way from its shortwave-only roots to provide news in TV bulletins and on social media. This flexibility is vital in a rapidly changing world, as was tested and proven by this year's pop-up service for Thailand and television bulletins for the Ukraine.

Through the World Service and BBC Worldwide, the BBC remains an instantly recognisable global brand and mark of quality, reaching more than 308 million people each week. To ensure this success continues, BBC Worldwide partnered with AMC Networks in the USA this year. This commercial joint venture with an American operator will help BBC AMERICA to reach more people – and bring a wealth of new titles to UK and global audiences.

## The best of the BBC

As well as explaining the world the BBC can also act as a guide in another sense, leading people to the best of our own output and at the same time helping them to find stories, experiences and content created by other organisations and individuals.

I believe that this creates a bigger opportunity for the BBC than for any other broadcaster – because we produce such a wide range of content. The more we know about what our audience want and like, across all genres and platforms, the more we can point them to the great things that we're doing.

In 2014/15, we put in place the building blocks, making it possible to collate and analyse sign-in data. In the next financial year we will start to deliver new services, providing personalised recommendations on iPlayer and the BBC homepage, recommending News and Sport stories.

By doing this the BBC will reinvent public service broadcasting through data, helping people to find their way to the best of our shared culture.

### For everyone

In a democracy everyone should have the right to share in this common culture, so the BBC will provide great British programmes and services, and be a trusted guide, for everyone.

The Corporation is uniquely placed to both bring the country together and reflect its differences because it has no commercial imperative. It can serve all of the nations, demographics and local communities that make up the UK, not just those that can generate a profit.

Young people are particularly important. They are using linear channels less than their parents did, and as they increasingly discover and watch video online the BBC must do more to bring its programmes and services to them.

The creation of iPlayer earlier in this Charter period played a huge role in making online, on-demand television mainstream. In the next financial year we propose to go further and bring an entire channel online. The proposal to make BBC Three digital-led will help the BBC to create new types of content shaped around the needs of younger audiences, and also to learn the tools and techniques required to flourish in a future where most of its content will be accessed through the internet.

The BBC's dedication to all audiences is underpinned by the universal licence fee. I welcome the recommendations on the licence fee in the Culture, Media and Sport Select Committee's *Future of the BBC* report. In particular, I'm heartened by the Committee's support for a ten-year Charter period and its endorsement of our proposal to require people to pay the licence fee even if they only catch up on iPlayer.

The Committee has suggested another route to modernising the licence fee – a universal household levy. Both proposals aim to ensure that the licence fee remains truly universal in the internet age. This is vital. Because everyone pays for the BBC, each household pays less – only 40p per day – and the BBC is able to provide content for all.

### A mission for the internet age

Our mission for the internet age is to provide world-class programmes and services, and be a trusted guide, for everyone.

Delivering this mission during a time of unprecedented change is a difficult task, which will require technical expertise and teamwork. As I joined the *Stargazing Live* team to watch the sun fade and brighten at the solar eclipse in March, saw the amazing aerial shots that the team had produced from above the clouds in the Faroe Islands, heard the lessons going out live to schools across the country and even joined our audience in a search for new supernovae, it was clear to me that the BBC has both of these qualities, but also the bravery and ambition required to reshape itself once again.



Tony Hall  
Director-General  
16 June 2015



Filming *The Great British Bake Off* with Mary Berry



Actor Toby Jones plays Neil Baldwin in BAFTA award-winning drama *Marvellous*

## Delivering our strategy

Our achievements for the year and how we've delivered our strategy in 2014/15

# Content highlights

We brought stand-out content, big moments and the benefit of new technologies to audiences.



### Wolf Hall

The series attracted six million viewers at its launch and became BBC Two's highest-rated drama series since at least 2002.



### Partnerships

Neil MacGregor's *Germany: Memories of a Nation* built on the success of the *History of the World in 100 Objects* to tell the fascinating and complex story of 600 years of German history through a Radio 4 series and a linked exhibition at the British Museum. Other partnerships in 2014/15 included the Make it Digital initiative with ARM, Barclays, BT, Google, Microsoft and Samsung, and the Food season with Kew Gardens.



### The Chris Evans Breakfast Show

The Chris Evans Breakfast Show on Radio 2 became the biggest and most listened to radio show on UK radio.



### BBC News app

We relaunched the app to offer a more personalised experience, with users able to add specialised news feeds of their choice.



### World War One Centenary

The BBC broadcast a year of content across television, radio and online to mark the centenary of WWI. This informative and moving coverage has now been collated at: [bbc.co.uk/ww1](http://bbc.co.uk/ww1)



### Scottish Referendum

The Salmond/Darling clash was the most-watched political debate ever in Scotland and the day of the result was at the time, the second busiest day ever for BBC News online with 23.4 million unique browsers globally.





**BBC Weather app**

Reached five million downloads within eight months of relaunch (an average of 15 downloads per minute).



**Global News**

A record 283 million people accessed the BBC's Global News services per week.



**iPlayer**

The iPlayer window has been extended from seven to 30 days, giving audiences more time to watch and listen to the BBC content they love. In January 2015 iPlayer enjoyed its best month on record with 343 million requests.



**School Report**

More than 1,000 schools across the UK took part in this year's BBC News School Report. 30,000 11- to 16-year-old students became journalists for the day and made their own news reports for a real audience.



**Digital radio**

6 Music is the first digital-only radio station to reach two million weekly listeners. And Radio 4 Extra has now achieved a weekly audience of over two million listeners.



**EastEnders**

The 30th anniversary was watched by over 21 million people – 37% of the UK population – across the week and generated the highest ever AI scores for the show.



**Peter Pan**

Our screening of JM Barrie's classic tale achieved the biggest CBeebies audience of the year.



**World Cup Final**

The match attracted 15 million viewers on BBC One, four times our nearest competitor.



**Commonwealth Games**

Audiences were highly appreciative of the Commonwealth Games on the BBC with four in five saying coverage was high-quality and captured the mood of the occasion.



**Get Creative**

More than 750 organisations across the country joined Get Creative, our year-long campaign to drive participation in British arts, culture and creativity.



**BBC Sport Online**

Events over the summer including the World Cup, Wimbledon, the British Grand Prix and The Open drew 77.5 million unique browsers globally to the site in June, beating the previous record of 73.6 million set during the London 2012 Olympics.



**Dylan Thomas Season**

To mark the centenary of Dylan Thomas' birth, the BBC produced a season of programmes, animations and readings across TV, radio and online, including a performance of *Under Milk Wood* featuring a host of Welsh stars.

# Corporate achievements

We continued the journey of changing the BBC to make sure we are more efficient, representative, fair and innovative.



### BBC World Service

The World Service was successfully integrated into BBC News and its £245 million costs are now paid from the licence fee.



### Out-of-London

For the first time, the majority of BBC staff are based outside London, in the nations and regions, meaning that the Corporation has hit its 12-year target one year early.



### Comic Relief

The charity has now raised a total of over £1 billion in partnership with the BBC.

### Prioritising spend on content

92% of controllable spend is now spent on content, distribution and related support.

# 92%

### Savings

Almost £1.6 billion per annum of cumulative annual savings will have been delivered by the end of the Charter period.

# £1.6 billion



### Digital Trainees

Our Make it Digital Traineeship will offer up to 5,000 young unemployed people short-term BBC traineeships to help them boost their digital skills and get a foot on the job ladder. This is the largest traineeship of its kind in the UK.

# New faces

New stories, new voices, new images and new ideas are the lifeblood of the BBC. The freshness and originality of our programmes, and their ability to inspire and delight, depend on finding new artists, presenters, writers, musicians, actors and athletes and bringing them to a mass audience. Here are some of the new faces of 2014/15.

### Nikki Fox

In June 2014 Nikki Fox became the new disability correspondent for BBC News.



### Oxford University Women's Boat Club

For the first time, the female crews in the Boat Race were competing on the same course, the same day, and the same BBC TV channel as the men. Oxford won.



### Carrie Gracie

Carrie Gracie is BBC News' first editor for China, based in Beijing.



### Aidan Turner

Aidan's first lead role was in the hugely popular Cornish saga *Poldark*.



### George Ezra

George debuted on the BBC Introducing stage at Glastonbury 2013; his first album *Wanted on Voyage* reached number one in the UK a year later.



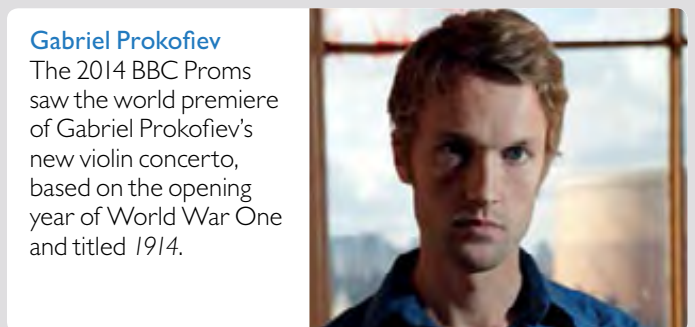
### Marvin Humes

This former member of the boyband JLS is now hosting *The Voice* alongside Emma Willis.



### George the Poet

George the Poet was the face of the Radio 1 Hackney Weekend in 2012 and was nominated for BBC Sound of 2015.



### Gabriel Prokofiev

The 2014 BBC Proms saw the world premiere of Gabriel Prokofiev's new violin concerto, based on the opening year of World War One and titled *1914*.



### Jermaine Jenas

Jermaine retired from Queen's Park Rangers in 2014 to become a pundit on *Match of the Day* and Radio 5 Live.



### Maggie Aderin-Pocock

This UCL space scientist took her first regular presenting role on the *The Sky at Night* in February 2014, having previously presented *Do We Really Need the Moon?* and *In Orbit: How Satellites Rule Our World* on BBC Two.



### Emma Barnett

Emma Barnett is the women's editor of *The Telegraph* and presents 5 Live's *Hit List*, a rundown of the top 40 news, sport, politics and showbiz stories of the week.



### Atul Gawande

Surgeon and writer Atul Gawande gave last year's Reith Lectures, describing the future and the limits of medicine.

### Sam Smith

Cambridgeshire singer Sam Smith was the BBC Sound of 2014 and performed at Radio 1's Big Weekend in Glasgow the same year.



### Annabelle Davis

Annabelle stars in top-rated CBBC Drama *The Dumping Ground*.



### Clara Amfo

Clara began her career with CBBC and then IExtra, and became the host of *The Official Chart* on Radio 1 in 2015.



# Delivering our strategy in 2014/15

## The BBC has a mission to inform, educate and entertain

The BBC has never been rooted in a technology but in an idea: its mission to inform, educate and entertain. This mission remains as relevant today as it was when the Corporation was founded by wireless manufacturers almost a century ago. It was written into the first Royal Charter in 1927 and has continued to shape the BBC's output through the development of television in the forties, the first experiments with colour TV in the fifties, the launch of BBC Online in the nineties, and the creation of iPlayer in the 21st century.

### The internet age has created new opportunities for the BBC to deliver its Reithian mission

For the past 20 years, broadcasting has been in the digital era but, until recently, it was relatively unaffected by the growth of the internet. In the next 10 years that will change.

As this Annual Report describes, the shifts in audience behaviour and the media market that were seen in 2014/15 exemplify three internet-driven trends that have been developing throughout the Charter period and that bring new opportunities for the BBC to inform, educate and entertain the UK.

The first of these trends is the fragmentation of the audience and the proliferation of digital platforms and providers bringing them entertainment and information. People have never had such amazing choice and access to content, but this increased choice means that there are fewer places and moments where the UK comes together in a shared conversation. It is easier to find small communities, but harder for the nation to speak to itself and to the world.

The BBC is the place where the UK can come together; a daily companion and a vital connection to the rest of the world. It exists not only to enhance individual lives but also to enhance

our collective and national life. The BBC produces the only British website in the UK's top ten, has over seven million fans discussing BBC Sport on Facebook and has over 15 million followers on Twitter for BBC Breaking. It's where the population of the UK celebrates together and shares moments of crisis; where they join in debate and argument, where they agree and agree to differ.

The second trend that has been accelerating throughout this Charter period is the use of aggregators and social media as sources of news. As the distinction between fact and rumour blurs online, there is a greater opportunity and role for the BBC in providing impartial and independent news.

The internet makes new journalistic tools possible – like the Explainers on News Online, or the blogs from the BBC's expert correspondents – but the Corporation's journalism will always rely on reporters on the ground, where it matters. In a world where trust is at a premium, the BBC guarantees news that is trusted and gets its facts right.

The third trend is the rise of powerful global media companies. Ten years ago, the BBC and Apple had the same global revenues; today, Apple is over 20 times bigger. The increasing power of global media players creates a greater need for high-quality British programming, both to reflect our licence fee payers' lives on-screen and to represent the UK to the world. The BBC is uniquely placed to produce this content, and by doing so it helps to support the wider UK creative economy, with £2.2 billion of direct investment a year.

These three trends – the fragmentation of audiences and content providers, the clamour of competing facts and opinions online, and the rise of global media providers – present new opportunities for the BBC to deliver its mission even more effectively, but also show how critical this mission remains to the cultural and economic health of the nation.



BBC iPlayer Original Comedy Short, *Funny Valentines: Music Lovers*



Filming BBC One's BAFTA award-winning drama *Happy Valley*



James Nesbitt in BBC One's *The Missing*



Lacey Turner with cast and crew members filming *Our Girl*

## The BBC has fulfilled its mission in 2014/15

The BBC has successfully delivered its mission, both in this Charter period and in this financial year.

The Corporation's strategy for 2014/15 set out three aims: to be the best place for creativity, to make our channels even better and to innovate online.

But this creative success could only happen if the BBC was also successful in other ways, by saving money, boosting productivity, meeting its public commitments and stimulating the creative economy. These operational achievements underpin the creative excellence that viewers experience across the BBC.

## The best place for creativity

The ambition to become the best place for creativity is about changing what the BBC does for its audience, so the main measure of whether it has been achieved is the number of people that the BBC has reached, the amount of content that they have consumed, and whether that content inspired and delighted them.

Some services have seen declines in consumption in recent years, highlighting the increased competition for our audience's time and attention and the need for continued investment, but overall audience measures have improved across the Charter period.

The BBC now reaches 97% of UK adults every week, and between 2007/08 and 2014/15 overall impressions of the BBC rose from 6.6 out of ten to 7.0. Despite far greater media choice, support for the licence fee as a means of funding the BBC has increased over the last decade.

Behind these numbers are millions of individual moments when our audiences have been inspired, informed or amused by BBC content, across all platforms from TV to mobile and in genres as varied as drama, news, music and arts.

### World-class drama

At the beginning of the year, the BBC set itself the goal of enhancing the breadth of its drama content and investing in more high-quality drama on BBC One.

Dramas on BBC One this year included the gritty tour of duty in Afghanistan depicted in *Our Girl*; Richard Curtis' *Esio Trot*, a beautiful reworking of a Roald Dahl story for Christmas 2014; the critically acclaimed crime drama *Happy Valley*; the Cornish period drama *Poldark*; and the hauntingly brilliant *The Missing*.

The quality and range of dramas across all BBC channels means that the proportion of the UK population watching BBC drama landmarks is higher than the proportion of the American population watching comparable dramas in the United States.

*Wolf Hall* was the highest rating drama on BBC Two for a decade, but the channel also carried contemporary political drama in the form of *The Honourable Woman*; and quirkier shows like *Marvellous*, which told the inspirational and incredible story of Neil Baldwin. Part biography, part fantasy, part musical, this film about a man with learning difficulties achieved one of the BBC's highest audience appreciation scores of the year.

### Impartial, high-quality journalism

In 2014/15 the Corporation aimed to bolster its reputation as the most respected news organisation in the UK and the world, to develop new ways to explore and explain society, and to increase its global audience.

### Stewardship of public money

Anne Bulford  
Managing Director,  
BBC Finance and Operations



I am confident we offered great value from the licence fee in 2014/15. The BBC today is leaner and better run.

A key BBC objective for the year was to 'improve value for money through a more efficient and open BBC'.

In November a progress review found that since 2007 we have reached cumulative annual savings of £1.25 billion, putting us on track to deliver almost £1.6 billion per annum by 2016/17. This has been achieved through property, most notably in 2014/15 sales in West London; savings from technology procurement deals; reducing the cost of our people and other initiatives around the BBC.

In February the Select Committee for Culture Media and Sport concluded this achievement was commendable given the small impact on audiences and services. Delivering Quality First and our property strategy were positively reviewed by the NAO this year for their efficiency gains.

92% of controllable spend is now spent on content and distribution and their related support. The remainder goes on the professional support needed to run the BBC. Overall, we calculate that the BBC has cut the proportion spent on overheads by almost a third over five years.

We continue to manage budgets within the constraints of a flat licence fee and the other obligations such as funding the World Service and broadband rollout. This is achievable because Delivering Quality First is now producing £484 million annual recurring savings. However, the need for scope cuts is increasing as we enter the programme's final years.

We have a good track record. With increased competition and benchmarking, we will identify more opportunities to reduce costs and improve the business. We won't stop pushing for more efficiency so the licence fee goes into the programming and services that people love, but maintaining the current range is becoming increasingly challenging.

The BBC remains the nation's most respected guide to what is happening in the world, with impartiality and trust scores far higher than those of any other broadcaster. More than 50% of UK adults name the BBC as the news provider that they would turn to first for impartial news coverage, compared to just 11% for the nearest competitor.

BBC News continues to find innovative ways to bring facts and analysis to its audience, particularly online, where an explosion of information and misinformation has increased the need for a trusted guide. A new app was launched for BBC News in 2014/15, with the BBC Weather app becoming the fastest-growing BBC mobile product.

In the next Charter period, BBC News will focus on engaging younger audiences, developing formats and content specifically for mobile platforms, and producing more data journalism and analysis to give audiences the background and context that they need to understand a story.

2014/15 was also the year when the World Service was successfully brought into the BBC News fold and funded from the licence fee for the first time.

Working as part of a wider BBC News division has helped the World Service to find new ways of reaching a global audience. Listeners who once clustered around short-wave radios can now be reached individually through social media and collectively through television. This was the first year in which the World Service Group reached more people through its TV content than through its radio broadcasts, and also the first year in which its English language audience rose above 50 million people per week. BBC Worldwide's global channels and services also reach millions of people across the world, bringing the BBC's total global weekly audience to over 308 million.

#### A leading voice in music and the arts

In music, Brian Wilson, Kylie Minogue, One Direction, Pharrell Williams and 26 other artists launched the new BBC Music site with the extraordinary and beautiful 'God Only Knows' trail.

This was part of the Corporation's commitment to reinforce its role as the leading supporter of British music, a commitment that was bolstered by the BBC Music Awards in December 2014, the Ten Pieces initiative to inspire schoolchildren with classical music and the launch of the digital music discovery tool Playlister.

The Proms remain a centrepiece of music on BBC Radio, with this year's Proms including a focus on Sir Harrison Birtwistle, Sir Peter Maxwell Davies, William Walton and Richard Strauss, the premiere of the first violin concerto '1914' by Gabriel Prokofiev and 'Requiem Fragments' by John Tavener and a CBeebies prom for younger children. More than 100,000 tickets for the live BBC Proms concerts were sold in the first day of ticket sales.

The BBC also set out to achieve a breakthrough in its confidence, commitment and investment in arts in 2014/15. At the core of this is a series of creative partnerships, for example, working with the



British Museum to tell the story of German history through an exhibition and a Radio 4 series, and with the Royal Shakespeare Company on the forthcoming Shakespeare season. This year also saw the launch of BBC Arts as an online hub for arts coverage and the creation of a new arts slot on Saturday nights on BBC Two.

This year also saw the launch of Get Creative, a celebration of British art, culture and creativity that aims to inspire participation in all forms of art. Get Creative is led by the BBC and the What Next? arts movement and will promote all forms of creativity from design to ballet, culminating in a celebratory weekend in February 2016.

#### A central role for education

The BBC has committed to launching a project on the scale of Get Creative every year. The campaign for 2015 is Make it Digital, which aims to capture the spirit of the BBC Micro in the eighties and teach the nation to code by giving programmable devices to almost a million children in the UK, with partners including ARM, Microsoft, Samsung and Technology Will Save Us.

This will be followed by a campaign to mark the 400th anniversary of Shakespeare's death in 2016.

### Making our channels even better

The BBC aimed to improve its channels in 2014/15 by investing in BBC One and BBC Two to make sure that they continue to thrive, by reimagining the way that live events are covered, by proposing the establishment of BBC One +1 and by launching a 'Connected Red Button' service.

The new technology for covering live events, called BBC Live, has been transformative, combining text, social media and video to provide an immersive, enthralling experience of the biggest sports, news and cultural events in the calendar.

The proposal for BBC One +1 is currently being considered by the BBC Trust and is focused on ensuring that our audience get more access to the programmes that they have already paid for.

Connected Red Button has been successfully launched, under the name Red Button +, and enables viewers to bring TV, online and iPlayer together on their main television screens. It improves audiences' experience of our channels by offering them far more content to enjoy than the original red button service, and at the same time acts as a test-bed and pilot for a future in which a greater proportion of television will be delivered via the internet.

These technological innovations build on the foundations provided by Freeview, which helped to drive digital switchover earlier in the Charter period; and YouView, a free-to-air internet television service created by the BBC and six other broadcasters and telecommunications operators.

On radio, 6 Music became the first digital-only station to reach over two million listeners a week.

### Creative economy and partnerships

Tim Davie  
CEO, BBC Worldwide  
and Director, Global



The creative industries are a major success story for the UK, generating almost £77 billion Gross Value Added, £17 billion service exports and 1.7 million jobs per year and growing faster than the rest of the UK economy.

The BBC plays a key role in supporting and partnering with the UK's creative industries and helps to create the conditions – in terms of investment, competition, skills and training, and innovation – for a high-growth creative economy.

The BBC directly invested c.£2.2 billion in the UK's creative industries in 2013/14, through investment in intellectual property, purchases from 2,700 creative suppliers and spending on employment and skills. To highlight just one, the BBC Make it Digital Traineeship will help 5,000 young unemployed people boost their digital skills.

The BBC's activity also results in positive spillover effects, generated from nurturing of creative talent, training and devolution of significant activities outside London and the South East. MediaCityUK in Salford alone – with around 200 firms and 4,400 jobs – has become one of the largest media clusters in Europe.

BBC Worldwide acts as a showcase for the UK's creative industries overseas, as the largest TV programme distributor outside the US major studios, operator of BBC channels in over 120 territories and by building the BBC and British creativity brands around the world.

BBC Worldwide represents over 250 British indies, returned £113 million to the independent production sector in 2014/15 and supports a number of creative industries export initiatives such as UKTI's Sector Advisory Group, GREAT Festivals and the Technology Innovators Forum (TIF-In).

### Getting you the best from the BBC

James Purnell  
Director of Strategy  
and Digital



In 2014, we laid the foundations for a more personal BBC based on asking audiences to sign into our services. This will allow us to take a profound step towards a BBC that organises itself around its audience as individuals.

In the next financial year we will start this journey by delivering new services that place audiences firmly at the centre of a BBC experience. We have already started to rollout the ability to rate programmes, have iPlayer favourites follow you across all your devices and get personalised content recommendations in the BBC homepage. Later this year, we'll add more personalised recommendations in areas like news and iPlayer. We'll also start to offer audiences personalised notifications – for example to notify them when their favourite programmes are due to end on iPlayer or a new series is due to start. Over time this will extend to include sports matches, interviews, road traffic updates and breaking news. These new features will all be available wherever our audiences are, on whatever device they are using.

Beyond these early developments, our online teams are already using these new capabilities to design imaginative new versions of our key products for learners, music fans and children. These will allow our audiences to take personal journeys to gain a new skill, discover new music and learn whilst being entertained. The insight that we gain from a closer relationship with audiences will also help our creative teams commission and make even better content for all who use the BBC.

And all of this is building towards our vision for a truly personalised BBC that will allow us to reinvent public service broadcasting itself in a way that not only helps audiences discover brilliant content, but links them with other institutions, helps them become more active, or taps into their own creativity.

### Innovating online

The BBC has always approached technological change without fear, helping the sector to innovate with advances like colour television, Ceefax and news online. This has continued throughout this Charter period and in 2014/15.

The revolutionary technology of the current Charter period was BBC iPlayer, which has had a huge influence on the growth and normalisation of online TV viewing. In January 2015, a record-breaking 264 million TV iPlayer requests were made.

In 2014/15 the BBC set itself the objective of improving iPlayer by moving from seven to 30 days catch up and launching a Radio 1 video channel, and creating a BBC Store, allowing viewers to buy and keep digital programmes they love. These objectives have all been achieved, with BBC Store due to launch later this year.

The BBC has also introduced a new digital live experience across its websites that combines the best video, audio, text and statistics with the BBC's world-class digital journalism, bringing people together around live events – from the World Cup to the Commonwealth Games and Scottish Referendum.

The next stage in the BBC's online transformation will be to change how our audiences watch, listen to and use content from across the BBC, by introducing new features that will recommend programmes and services, and personalise and tailor the BBC.

This year, the BBC has already put in place a heart icon, which allows people to highlight and share the content that they love. In 2015/16 many more features will launch, revolutionising online broadcasting and reshaping the BBC's programming around the needs and interests of its audience.

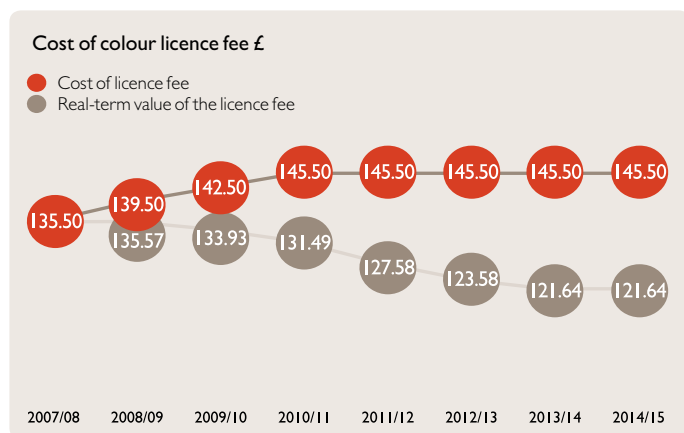
### The BBC has cut costs and increased efficiency

The creative successes and online innovations of 2014/15, and the entire Charter period, have been achieved at the same time as cuts in costs and increases in productivity.

Around £1.6 billion per annum of cumulative annual savings will have been delivered by the end of the Charter, and cuts in overheads mean that 92% of controllable spend is now spent on content and distribution and their related support. At the same time the BBC has absorbed some major additional costs, in particular the World Service, broadband ring fence and S4C.

As well as cutting costs and taking on additional obligations, the BBC continually strives to be as efficient as possible in all areas of its work. This is done by ensuring that controllable spend is either subject to market competition or compared to the market and internal benchmarks. Over 70% of BBC costs are already treated in this way – more than for other public sector organisations – and the BBC intends to go even further, reaching over 85% of spend by the end of this Charter in 2017 and continuing to increase into the next Charter period.

Outside these efficiency programmes, most of the BBC's savings have been one-off changes related to people, property or procurement. This means that further cuts in real-term funding might be more likely to have an impact on the consumption of BBC services.

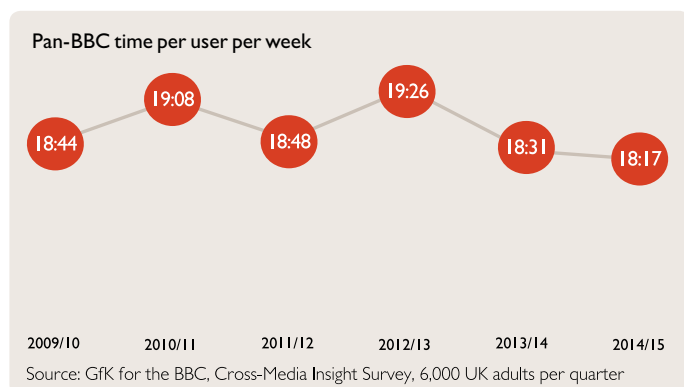


### Productivity has increased

BBC productivity has increased enormously. Twenty years ago the licence fee cost £147.44 in current prices and the BBC had two network television channels and five radio stations, in addition to local and nations output. Now the licence fee costs slightly less – £145.50 – and the BBC offers nine television channels, 11 radio stations, local and nations output, and a wealth of online and mobile services, including iPlayer and bbc.co.uk, as well as a range of additional obligations.

We have been able to maintain this range of services and content in recent years, even though the funding available for the BBC's UK Public Services will be 26% lower in real terms by 2016/17 than it otherwise would have been and the proportion of households owning a television has declined.

Productivity has increased in terms of the number of services, and in spite of hugely increased competition from new platforms and providers, the time that the average person spends with the BBC remains at the same high level today as it was 20 years ago.



### The BBC as witness to the nation's story



James Harding  
Director of News

The BBC has told the story of British life, home and abroad, for almost a century. If it happened and it mattered, the BBC was there to tell the tale.

When kings have died or princes and princesses have been born, war has been declared or peace proclaimed, the British public has heard about it first on the BBC. Governments form and dissolve under the BBC's impartial eye.

And where once families gathered around the wireless, then the television, now they can also receive news on a growing range of mobile devices. At home, at work, or on the move, people can connect to British history as it unfolds.

The story that the BBC began telling in 1922 has continued into 2015. The BBC marked, as no one else could, the hundredth anniversary of the start of the First World War, culminating in dazzling coverage of the moat of poppies at the Tower of London.

If the BBC was there when the people of the United Kingdom came together, it was also there when they were divided. The referendum on Scottish independence polarised and energised political debate, and the BBC's coverage of it was watched by more than half of the population of Scotland.

Beyond national borders, the need for clear, impartial reporting of events grows ever greater amid the dissonance and clamour of an increasingly connected world. The BBC World Service provides a voice, broadcast in 28 languages, which can be heard by those who have no other reliable source of information. For the distressed, the oppressed or merely the curious, that voice can be a precious gift.

As history unfolds, wherever it leads, the BBC will be there to tell the real story.

## The BBC's role in society



Danny Cohen  
Director of Television

Broadcasting has enormous power, not just to entertain and delight people but also to change their lives.

This year the BBC used its ability to speak to the whole UK to raise money for Comic Relief and for Children in Need. Red Nose Day in March took the total amount of money raised by Comic Relief and the BBC to over a billion pounds and Children in Need raised more than £32 million on the night of the appeal, the highest total since the telethon began in 1980.

To retain its ability to grip and inspire the UK audience, the BBC needs to continue to get the best talent and the best ideas, wherever they are to be found.

Nurturing entry-level talent is the main aim of the BBC's outreach activity, from long-running initiatives like the Writersroom to annual events like School Report, when the BBC opens its doors to 30,000 schoolchildren, teaches them how news is made, and lets them produce and broadcast their own reports.

This year we launched a new diversity access scheme, providing 20 fully paid traineeships for ethnic minority graduates across all genres of programme making, and also created a month of events in Birmingham around the IExtra Live festival to give young people the practical skills to build on their talent as DJs, singers and dancers.

This work doesn't just help the BBC to find new on, and off-screen talent; it also helps the Corporation to understand and reflect its rapidly changing audience so that we can continue to inform, educate and entertain the whole UK.

## Public commitments have been fulfilled

As well as delivering strong audience performance and cutting costs, the BBC also met all of the public commitments made in the last Charter. Particular successes in the Charter period were digital switchover, the use of a 'Window of Creative Competition' to increase access for independent producers in television, the launch of iPlayer, the establishment of BBC Alba, the BBC's support for DAB and Freesat, and the creation of BBC North in Salford.

BBC North was audited by the National Audit Office in 2013 and given a clean bill of health, and work has now started on the creation of a creative hub and centre of excellence for training in Birmingham.

## The BBC has supported the UK creative economy

Producing high-quality British content is not just good for the BBC's audience. It also helps to represent the UK to the world, reflect and strengthen British culture, and support the creative economy.

The BBC has been the cornerstone of the public service broadcasting system and an engine of investment in British content, critical to keeping the UK a world-class creative nation.

In addition to direct investment in the creative industries the BBC creates jobs in other organisations – for example in its 2,700 creative suppliers – and provides a pipeline of talent to fill them through its training, apprenticeship and outreach schemes.

Nurturing entry-level talent is an important part of this, and in 2014/15 all of this activity was brought into the BBC Academy. Grassroots initiatives like the Writersroom and BBC Introducing continue to flourish, and this year the BBC announced a scheme to create up to 5,000 digital traineeships for unemployed young people.

The British media sector has historically been concentrated in London, but the BBC has been uniquely successful in devolving funding and production to other parts of the UK. MediaCityUK in Salford hosts over 3,000 BBC staff and as a result of this has become the biggest media cluster outside London, with around 200 other firms employing a further 4,400 people.

## Great content and a trusted guide, for everyone

At the beginning of the year the BBC said it would aim to be the best place for creativity, make its channels even better, and innovate online. Individual BBC television channels and radio stations face greater competition for audiences, so some of them have seen declines in consumption this year, as is the case across the television and radio industries. However, the BBC's continued strong performance on total reach and the public's overall opinion of the BBC demonstrate that these objectives have been met.

This creative success is the real measure of the BBC's performance in 2014/15, as ultimately what matters is what viewers see on air. But this is underpinned by operational achievements that have helped to prepare the BBC for the next Charter period by cutting costs, increasing efficiency and supporting the creativity of the UK.

In spite of these creative and operational successes, the BBC needs to change. The next Charter will be a challenging period of transition, in which broadcasting will move towards an internet-first future. The BBC can give audiences even more in that future, but only if it continues to be a pioneer and find new ways of delivering its mission. To do this the BBC will focus on three things in the next Charter period.

The first of these is great content. The value of the BBC rests on what it does; on creating brilliant, world-class programming that informs, educates, entertains and delights its audience. Creativity will remain the cornerstone of the BBC, in everything from a drama on BBC One to a mobile app or a symphony orchestra.

The second is acting as a trusted guide. The BBC is the most impartial and most shared news provider. But it is not just in news where trust matters. The internet makes it easier than ever to explore new topics and interests, but audiences need a trusted place to start, a place to inspire them and nurture their interest. The BBC will provide this through its programming on science, health, art, cooking, sport, history, music and a wealth of other topics, as well as through major annual campaigns like Get Creative and Make it Digital.

All viewers and listeners deserve the best content, and in a democracy all citizens need a guide that they can trust. For this reason the third focus for the next Charter period is universality. The BBC welcomes the debate around the future of the licence fee and the support that has been shown for modernising it so that it remains truly universal even as ownership of television sets declines.

## Changing world



Helen Boaden  
Director of Radio

Audience expectations are changing dramatically as digital technology offers a wide range of new media experiences.

Responding to this change – and staying at the forefront of digital innovation – has never been more important.

That's why we've created online destinations for BBC Music and BBC Arts, enhanced iPlayer with 30-day catch-up and launched a new weather app that became our fastest growing BBC app ever. We offered the Proms in HD Sound online and celebrated a billion downloads of our podcasts.

Change is particularly acute amongst young audiences. Teenagers are still listening to services like Radio 1 in huge numbers – the station reaches over a third of the country's 16-24-year-olds every week – but on new devices, and they also expect video and social media to be part of it. So we offer Radio 1 on Facebook, on YouTube – where the station has become the most successful radio station globally – and through the newly launched iPlayer video channel.

These digital-first behaviours are why we plan to move BBC Three online next year, creating new kinds of content – especially short, shareable films – which fit with the powerful documentaries and comedies we know BBC Three audiences love.

Plans are also under way for a much more personalised BBC experience. Every audience member will be able to sign in online and immediately have the services they want at their fingertips, receive a range of recommendations to other content and be able to play back seamlessly across their mobile, PC or tablet.

## Audience reach

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

# 97%

2013/14: 96%

The BBC's requirement to serve all audiences is particularly important as the population becomes more diverse. A broadcaster free from commercial constraint is better able to serve all of the audiences that make up the UK, regardless of where they are or what they earn.

Serving everyone also requires the BBC to continue to change with its audience. The BBC reaches more young people than any other broadcaster, but their media behaviour is changing faster than that of older audiences, particularly online. The Corporation needs to anticipate these changes by creating new forms of content and bringing them to young people in new ways.

The reinvention of BBC Three as the UK's first online channel will be central to this (if approved) and will act as a template for BBC services in a future where more television and radio content is accessed through the internet.

Providing great content and a trusted guide, for everyone, is the BBC's mission for the internet age. It is an ambitious aim and there is no guarantee of success, but if this mission can be delivered the Corporation would become a personalised, internet-first service, while remaining a creative beacon to the UK and the world.

The BBC will celebrate its hundredth birthday during the next Charter, but will still have its best days ahead of it.

## The big choice

The BBC is loved by millions of people, in millions of different ways. Every day, viewers are enthralled by the BBC's dramas, families are brought together around its comedies, fans are thrilled by its sports coverage, teenagers dance to its music, and children are lulled to sleep by its bedtime stories. At £2.80 a week, it is great value for money.

The BBC is one of the great things about Britain. It's Britain's voice in the world. It's the biggest single investor in our creative economy. It helps connect the family of nations that is the United Kingdom.

But as we approach the BBC's hundredth birthday in 2022, we face the biggest choice about its future for a generation. The media we use is changing dramatically and our competition is global. The BBC will carry on making TV and radio but must also prepare the way for a time where everything is delivered through the internet. The BBC has been a pioneer and innovator in the past but now needs to be far more radical than it has ever been.

To make that transition, the BBC will need support and investment. And if we make the right choices about its future, the BBC could have as much impact in its second century as in its first.



Camera overlooking Wimbledon tennis courts



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## Performance

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

Peter Capaldi filming BBC One's Doctor Who

# Television

**BBC Television had a strong year in a challenging environment for broadcasters, in which audience reach and time spent with all the major public service portfolios once again declined.**

The BBC's channels were no different, and as it did for the industry as a whole, our reach fell quicker among underserved audiences – particularly young and black and minority ethnic viewers.

Our overall audience share (including our News and Children's channels) increased slightly from 32.8% to 32.9%. This was driven by the success of BBC One, which grew 0.7% points to enjoy an all-hours share of 21.9%. Share to BBC Two and BBC Three declined slightly – the former principally because the previous year included the Winter Olympics. BBC Four remained stable.

There were many occasions across the year where the UK came together through BBC One – more people watched the World Cup on the BBC than on any other channel, the final of *The Great British Bake Off* was the most viewed non-sporting event of the year with 13.5 million viewers, and the New Year's Fireworks were watched by 12.5 million. In February, *EastEnders* celebrated its 30th anniversary in style, with the week of special programmes reaching over 21 million viewers and prompting over one million tweets over the course of the night when Lucy Beale's killer was revealed – the highest ever for a UK soap.

*EastEnders'* 30th anniversary celebrations reached over

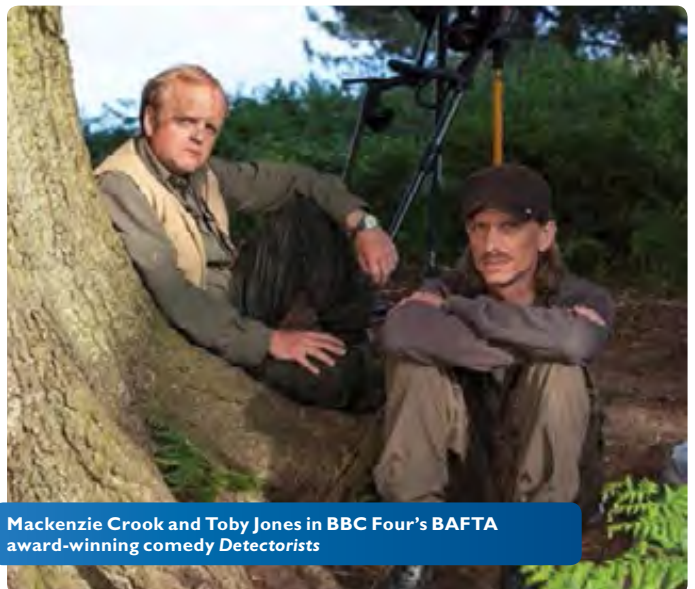
# 21 million

viewers prompting over one million tweets

Drama performed strongly. *Wolf Hall* became BBC Two's highest rating original drama series in over a decade, and the likes of *Happy Valley* and *The Missing* drew critical acclaim as well as impressive viewing figures. A number of important contemporary factual pieces including *Baby P: The Untold Story*, *Murdered By My Boyfriend* and *India's Daughter* sat alongside *Life Story* and *The First Georgians*. Titles such as CBeebies' *Peter Pan Christmas* show, *Topsy and Tim* and *Wolfblood* continued our success in delivering British-made content to children. *Strictly Come Dancing* and *The Voice UK* welcomed new talent, and our rich comedy offering ranged from *Mrs Brown's Boys* to *Detectorists*.



























**BAFTA award-winner Georgina Campbell in *Murdered By My Boyfriend***



**Mackenzie Crook and Toby Jones in BBC Four's BAFTA award-winning comedy *Detectorists***



# Television performance by service

	Content (£m) We spent a total of £1,748.7 million on these services last year	Reach (%) UK population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average viewer spent each week with the channel	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour (p) How much it costs to deliver each service to individual users
 <p>BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres that includes news and current affairs, drama, comedy, entertainment and factual.</p>	<b>£1,110.0m</b> 2013/14: £1,024m	 <b>73.3%</b> 2013/14: 74.9%	 <b>07:39</b> 2013/14: 07:30	 <b>80.4</b> 2013/14: 81.5	<b>6.5p</b> 2013/14: 6.0p
 <p>BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.</p>	<b>£404.8m</b> 2013/14: £400.0m	 <b>47.3%</b> 2013/14: 50.3%	 <b>03:08</b> 2013/14: 03:13	 <b>82.2</b> 2013/14: 83.9	<b>9.0p</b> 2013/14: 8.2p
 <p>BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.</p>	<b>£82.0m</b> 2013/14: £81.0m	 <b>18.4%*</b> 2013/14: 20.5%	 <b>01:49</b> 2013/14: 01:55	 <b>82.8</b> 2013/14: 83.0	<b>8.1p</b> 2013/14: 6.9p
 <p>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.</p>	<b>£46.0m</b> 2013/14: £48.9m	 <b>13.6%</b> 2013/14: 14.0%	 <b>01:42</b> 2013/14: 01:43	 <b>84.0</b> 2013/14: 85.1	<b>6.6p</b> 2013/14: 6.7p
 <p>The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.</p>	<b>£72.2m</b> 2013/14: £76.1m	 <b>4.9%†</b> 2013/14: 5.7%	 <b>02:34</b> 2013/14: 02:54	<b>n/a</b> 2013/14: n/a	<b>18.8p</b> 2013/14: 15.4p
 <p>CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.</p>	<b>£27.7m</b> 2013/14: £28.7m	 <b>8.2%‡</b> 2013/14: 8.3%	 <b>04:04</b> 2013/14: 03:59	<b>n/a</b> 2013/14: n/a	<b>2.7p</b> 2013/14: 2.9p
 <p>BBC ALBA offers, to Gaelic speakers and learners, a distinctive range of originated programming that reflects and supports Gaelic culture, identity and heritage.</p>	<b>£6.0m</b> 2013/14: £5.2m	 <b>16.2%§</b> 2013/14: 17.6%	 <b>01:56</b> 2013/14: 01:56	<b>n/a</b> 2013/14: n/a	<b>8.3p</b> 2013/14: 6.4p

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

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

n/a: data does not currently exist for this measure

\* BBC Three: among its target group of 16-34-year-olds reach was 24.0% and time spent was 2:18

† CBBC: among its target audience of 6-12-year-olds reach was 22.8% and time spent per viewer was 2:58 (based on 15+ min reach). Based on 3+ minute reach, reach was 27.6% of 6-12-year-olds and time spent per viewer was 2:27

‡ CBeebies: among its target audience of 0-6-year-olds (measured as children aged 4-6 and housewives with children aged 0-3) reach was 40.0% and time spent was 4:33 (based on 15+ min reach). Based on 3+ minute reach, reach was 45.4% of 0-6-year-olds and time spent per viewer was 4:01

§ Source: TNS Scottish Opinion Survey. Base: All aged 16+ in Scotland. Please note no data was available for Nov 14 due to survey issues at TNS.

Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI. AIs have dipped slightly for all major TV broadcasters partly owing to improved measurement. N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing is not included in any of the above figures. iPlayer viewing is growing, especially for young-skewed services such as CBBC

# Radio

**BBC Radio continued to reach large numbers who valued its programmes, but share of listening and total hours fell in the face of growing digital competition and a consolidated commercial radio sector.**

We have responded to shifts in audience behaviour by driving digital innovation and ensuring we offer high-quality, distinctive content.

Radio 1 launched a video channel in iPlayer and took its Big Weekend – with the Radio 1 Academy – to Glasgow, while iXtra Live came from Birmingham. The stations remained focused on young audiences, whether celebrating *Teen Heroes* or tackling youth anxiety in documentaries like Jameela Jamil's *The Fear*.

Radio 2 offered an unrivalled breadth of music including the Folk Awards, Proms in the Park and a country music 'pop-up' DAB station. The Radio 2 Book Club celebrated the written word across the schedule, whilst Jeremy Vine invited contributors to consider what makes us human.

Alan Davey joined Radio 3 as Controller in January. The station celebrated International Women's Day by focusing on female composers and making an ongoing commitment to representing their work. Earlier in the year the station offered a season on 18th-century music and retold Boccaccio in *Decameron Nights*. It also broadcast in surround sound for the first time during the BBC Proms, in a season that showcased global orchestras and was attended by 300,000 people, including 33,000 newcomers.

Ten Pieces took classical music to more than

# 1.5 million

schoolchildren across the UK

On Radio 4, Dr Atul Gawande's *Reith Lectures* examined the future of medicine, while Neil MacGregor explored 600 years of German history. The station offered ten hours of Tolstoy in *War and Peace* on New Year's Day this year, which was well received by the audience. The network reached a record 19.6 million domestic monthly downloads of its podcasts during March, with *The Archers* daily podcast the most popular individual programme.

Radio 5 live saw a record share of its news and sport output on digital platforms, with its new short-form content now generating over a million monthly hits. In the past year, BBC Radio 5 live and 5 live Sports Extra covered 51 different sports, while documentaries on 5 live have included specials on disability and relationships, gaming and loneliness.

6 Music reached the milestone of two million listeners and took the 6 Music Festival to Tyneside, while the Asian Network broadcast the London Mela and discussion with Amitabh Bachchan.

The launch of BBC Music was marked with the inaugural BBC Music Awards from Earls Court and Ten Pieces, which took classical music to more than 1.5 million schoolchildren across the UK.

This performance was achieved as the division delivered significant savings through a major restructuring programme. In an era of continuous change and digital disruption, BBC Radio still reaches two thirds of the population every week and retains a unique role in British cultural life.



John Hurt stars in Radio 4's *War And Peace*



BBC Asian Network presenter Noreen Khan

# Radio performance by service

		Content (£m) We spent a total of £288.8 million on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour (p) How much it costs to deliver each service to individual users
<b>BBC RADIO 1</b>	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	<b>£40.5m</b> 2013/14: £40.2m	<b>19.4%*</b> 2013/14: 20.3%	<b>06:37</b> 2013/14: 06:23	<b>77.3</b> 2013/14: 75.2	<b>1.1p</b> 2013/14: 1.1p
<b>BBC RADIO 1Xtra</b>	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	<b>£6.2m</b> 2013/14: £5.6m	<b>1.9%†</b> 2013/14: 2.1%	<b>05:11</b> 2013/14: 04:49	<b>79.2</b> 2013/14: 78.1	<b>2.3p</b> 2013/14: 2.0p
<b>BBC RADIO 2</b>	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as bringing social action campaigns to over 14 million listeners.	<b>£46.2m</b> 2013/14: £47.8m	<b>28.4%‡</b> 2013/14: 28.9%	<b>11:49</b> 2013/14: 11:42	<b>81.4</b> 2013/14: 80.9	<b>0.5p</b> 2013/14: 0.5p
<b>BBC RADIO 3</b>	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	<b>£38.4m</b> 2013/14: £40.8m	<b>3.7%</b> 2013/14: 3.8%	<b>05:49</b> 2013/14: 06:08	<b>82.1</b> 2013/14: 81.9	<b>6.4p</b> 2013/14: 6.3p
<b>BBC RADIO 4</b>	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	<b>£87.8m</b> 2013/14: £91.8m	<b>20.1%</b> 2013/14: 20.8%	<b>11:30</b> 2013/14: 11:26	<b>80.4</b> 2013/14: 81.3	<b>1.4p</b> 2013/14: 1.4p
<b>BBC RADIO 4extra</b>	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	<b>£3.9m</b> 2013/14: £4.1m	<b>3.3%</b> 2013/14: 3.1%	<b>05:47</b> 2013/14: 06:11	<b>77.1</b> 2013/14: 79.9	<b>0.7p</b> 2013/14: 0.8p
<b>BBC RADIO 5 live</b>	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	<b>£49.1m</b> 2013/14: £49.2m	<b>10.9%</b> 2013/14: 11.6%	<b>06:35</b> 2013/14: 06:47	<b>78.3</b> 2013/14: 77.4	<b>2.5p</b> 2013/14: 2.3p
<b>BBC RADIO 5 live sports extra</b>	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	<b>£2.5m</b> 2013/14: £2.4m	<b>1.9%</b> 2013/14: 1.9%	<b>03:31</b> 2013/14: 03:59	<b>83.0</b> 2013/14: 83.8	<b>1.3p</b> 2013/14: 1.2p

# Strategic report – Performance

## Radio performance by service



**Content (£m)**  
We spent a total of £288.8 million on these services last year

**Reach (%)**  
UK population who use the service each week

**Time spent listening to a service each week (h:m)**  
Length of time the average listener spent each week with the service

**Appreciation Index by service**  
Aggregate of how people rated individual programmes, expressed as a number out of 100

**Cost per user hour (p)**  
How much it costs to deliver each service to individual users

Service	Description	Content (£m)	Reach (%)	Time spent (h:m)	Appreciation Index	Cost per user hour (p)
	BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.	<b>£8.0m</b> 2013/14: £7.9m	<b>3.8%</b> 2013/14: 3.5%	<b>08:38</b> 2013/14: 08:54	<b>82.5</b> 2013/14: 82.3	<b>0.9p</b> 2013/14: 0.9p
	BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.	<b>£6.2m</b> 2013/14: £6.6m	<b>1.1%<sup>§</sup></b> 2013/14: 1.1%	<b>06:29</b> 2013/14: 06:21	<b>74.4</b> 2013/14: 71.3	<b>3.1p</b> 2013/14: 3.4p

Reach definition: 15+ minutes for all stations and audiences aged 15+  
Sources: RAJAR (Radio reach and time spent). Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK  
Excludes programme 'Coming up on 5 live Sports Extra'  
\* Radio 1: among its target group of 15-29-year-olds reach was 37.5% and time spent was 06:34  
† IExtra: among 15-24-year-olds reach was 6.2% and time spent was 04:12  
‡ Radio 2: among its target group of 35+-year-olds reach was 34.7% and time spent was 12:50  
§ Asian Network: among its target group of British Asians under 35 reach was 14.8% and time spent was 5:07  
Arrows denote whether there has been a change of +/- 1.1-2.4% or +/- 2.5% from the previous year's AI

## BBC News reported on a year of fracturing forces and unifying events, from complex foreign conflicts to the Tower of London poppies, marking the centenary of World War One.

BBC News remained the UK's most important news provider, reaching over 80% of UK adults weekly on all platforms and services, and 283 million people worldwide. We remain by far the most trusted source of news in the UK. We continue to do our best to earn and repay that trust through impartial reporting and analysis.

Each week, 32 million UK adults watched BBC News on television, and over 27 million unique browsers in the UK went to BBC News online each week in the first three months of 2015 (more than 65 million worldwide). In the week of the 'Charlie Hebdo' attacks, a then-record 70.7 million unique browsers came to BBC News online sites and apps globally (just under 30 million in the UK).

While radio reach fell from record levels in 2013, more than half of UK adults still came to BBC Network radio news and current affairs each week in the last quarter of 2014.

BBC News continued to bring the world to the UK and the UK to the world, supported by the integration of the World Service into BBC News Group this year. In Iraq and Syria we tracked the rise of the so-called Islamic State, the fate of hostages and the desperate plight of the Yazidis. Paul Wood came under fire with the Kurdish Peshmerga in Iraq. Jeremy Bowen secured an exclusive interview with President Assad. Global health correspondents Tulip Mazumdar and Andrew Harding produced powerful reports on the Ebola epidemic in West Africa. We reported from both sides of the conflict in Gaza and Ukraine, and the shooting down of Malaysian airliner MH-17.

At home, we followed the course of the Scottish referendum, from multimedia debates on the News Channel to the results programme 'Scotland Decides' which broadcast continued live coverage from Glasgow. For current affairs, Robert Peston examined whether an independent Scotland would be richer or poorer, and Brian Taylor led us through the daily developments. In May we covered the local and European elections, and the rise of UKIP. Investigations into HSBC, Colin Norris and Mazher Mahmood underlined the BBC's commitment to investigative journalism.

We also reported on child sexual exploitation in Rotherham and at Knowl View children's home in Rochdale, and on the death of teacher Ann Maguire, stabbed at a Leeds school.

Over

# 27 million

unique browsers in the UK went to BBC News online each week in the first three months of 2015




Tulip Mazumdar reports from an Ebola virus zone in West Africa


# Strategic report – Performance

## News performance by service


Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Cost per user hour (p)
We spent a total of £47.9 million on content for these services last year	UK population who use the service each week	Length of time the average viewer or listener spent each week with the service	Aggregate of how people rated individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users



The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.




**10.2%\***  
2013/14: 11.2%\*




**02:34**  
2013/14: 02:33

n/a  
2013/14: n/a


**5.8p**  
2013/14: 5.6p



BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.



**0.5%**  
2013/14: 0.5%



**01:46**  
2013/14: 01:50

n/a  
2013/14: n/a

**6.3p**  
2013/14: 7.3p

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

Source: BARB (reach and time spent)

n/a Data does not currently exist for this measure

\* Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 15.2% and 1.2% respectively (16.9% and 1.3% among 16+ population)

### Global performance

The BBC World Service Group is the global division of BBC News and includes the World Service, World News, bbc.com and Media Action. BBC World Service is an international multimedia broadcaster, delivering a wide range of language and regional services on radio, TV, online and via mobile. BBC World News

and bbc.com, the BBC's commercially funded international 24-hour news and information platforms, are owned and operated by BBC Global News Ltd, a member of the BBC's commercial group of companies. BBC Media Action is the BBC's international development charity. It uses media and communication to inform, connect and empower people around the world.



Audience by service (m)	2014/15	2013/14	Year on year change (%)
World Service Group (Total Global News audience)	282.6	265.3	6.5
World Service	209.8	191.4	9.6
WS TV	74.2	58.7	26.4
WS Radio	131.6	127.8	3.0
WS Online	22.0	18.8	17.0
World News	84.8	75.8	11.9
bbc.com	32.3	27.7	16.4

Source: BBC Global Audience Measure (GAM). The GAM is a snapshot of the BBC's global news weekly audience using the latest data available as of May 2015, covering 245 countries and territories. Data is compiled from a combination of market surveys, syndicated audience ratings data and web analytics. UK domestic news is excluded from the calculation. The 2014/15 numbers have included social media (Facebook and YouTube) for the first time, in addition to TV, Radio and Online

# Digital

## 2014/15 was the year the BBC brought the UK together, not just online but increasingly on mobile phones and tablets.

Throughout the year, tablet and mobile combined accounted for most of the visits to BBC online in any given period and we successfully refreshed our News, Travel, iPlayer, CBBC and CBeebies websites so that their new responsive designs provide a consistent experience across all devices. In March, BBC News achieved a then-record average weekly reach of 28.4 million browsers.

To capitalise on major national events – including the World Cup, Commonwealth Games, Glastonbury and Edinburgh Festival – we continued to develop BBC Live, making our coverage more interactive, social and relevant by blending video, audio, text, data and social features across all screens.

Meanwhile, iPlayer extended the catch-up window from seven to 30 days. We offered more exclusive content including Adam Curtis' *Bitter Lake* and introduced new channels including Radio 1

video channel and our first partner channel, S4C. Audiences have endorsed these changes: the iPlayer app has been downloaded 30 million times and in January, 2015 iPlayer enjoyed its best month on record with 343 million requests. In the following month, in the week of its 30th anniversary, episodes of *EastEnders* were requested 8.5 million times.

The year also saw the start of our myBBC programme. This more personalised BBC began with the relaunch of News app's 'my News' section, allowing users to follow updates on over 42,000 topics. Sport introduced personalised alerts for football, cricket and Formula 1. Over one million people are using this service already.

Finally, we launched a new space where we can test new ideas, more quickly. BBC Taster was launched to critical and user acclaim in early 2015. Users are invited to try, rate and share the concepts.

### Performance by service


**Content (£m)**  
We spent a total of £124.6 million on content for these services last year

**Reach (%)**  
UK population who use the service each week

**Time spent with each service each week (h:m)**  
Length of time the average user spent each week with the service

**Appreciation Index by service**  
Aggregate of how people rated individual programmes, expressed as a number out of 100

**Cost per user reached per week (p)**  
How much it costs to deliver each service to individual users

Service	Content (£m)	Reach (%)	Time spent with each service each week (h:m)	Appreciation Index by service	Cost per user reached per week (p)
 <p>BBC Online comprises the BBC's portfolio of online products on desktop, TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge and Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer. BBC Red Button and Red Button+ deliver interactive services and content to digital television viewers, including up-to-the-minute content and information across news, sport, weather, entertainment, interactive programming and major events.</p>	<p><b>£124.6m</b></p> <p>2013/14: £120.0m</p>	<p><b>63.6%</b></p> <p>2013/14: 63.9%</p>	<p><b>n/a</b></p> <p>2013/14: n/a</p>	<p><b>n/a</b></p> <p>2013/14: n/a</p>	<p><b>5.9p</b></p> <p>2013/14: 5.7p</p>

Reach definition: 3+ mins for both services, and on adults aged 16+  
Sources: Reach: CMI/GfK  
n/a Data does not currently exist for this measure

# The BBC in Wales

The BBC was at the heart of national life in Wales throughout 2014/15, providing coverage of the Dylan Thomas centenary celebrations, Wales' success at the Glasgow Commonwealth Games, comprehensive live coverage of the Six Nations and Autumn International matches and wide-ranging analysis of the Scottish referendum and its implications for Wales.

The Dylan Thomas season was the most ambitious cultural season ever produced by BBC Wales. Highlights included a captivating re-telling of *Under Milk Wood*, starring an extraordinary array of Welsh acting talent. Tom Hollander's portrayal of Dylan in *A Poet in New York* drew acclaim from audiences and critics and won the RTS award for best actor.

BBC Radio Wales' coverage included a live performance of *Under Milk Wood* from the New York theatre where the play was first performed, while BBC Radio Cymru broadcast an adaptation of the work featuring the whole cast of the TV series *Pobol y Cwm*. Across the season of programming, more than 800,000 people across Wales followed the BBC's coverage.

The diversity of Wales has inspired our output over the past 12 months. Jamie Baulch's *Looking for my Birth Mum* provided a compelling insight into attitudes to race in Wales, the *Real Families* season revealed different approaches to family and lifestyle across Wales, and Benjamin Zephaniah explored the power of poetry and performance with the people of Townhill in Swansea in *Poet on the Estate*.

Wales continues to provide a major contribution to the BBC's UK television output – with *Doctor Who*, *Casualty*, *Crimewatch*, *Atlantis*, *Hinterland* and *A Poet in New York* broadcast across BBC One, BBC Two and BBC Four. In 2015, total television network production spend in Wales represents 6.5% of network television spending.











BBC Wales continued to develop its online and mobile service – there were 3.5 million weekly unique browsers to BBC Wales content, with news and sport still the key drivers. The number of unique browsers to our Welsh language online service quadrupled over the past three years and BBC Cymru Fyw, the Welsh language online news service, continued to see strong audience growth.

The BBC National Orchestra of Wales was at the heart of BBC Music's *Ten Pieces* campaign – bringing the joy of classical music to tens of thousands of children across the UK in an extraordinary cinema production.

The BBC's television services continue to perform very strongly in Wales for reach, share and viewing hours – which like viewer appreciation scores, are ahead of the UK average. In addition, the performance of the BBC Radio portfolio in Wales is well ahead of the other nations on all measures, due to a combination of Radio 1, Radio 2, Radio Wales and Radio Cymru delivering well for audiences in Wales.

Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Cost per user hour (p)
We spent a total of £26.9 million on content for these services last year	Wales' population who use the service each week	Length of time the average viewer or listener spent each week with the service	Aggregate of how people rated individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users

## Performance by service

 <p>BBC Radio Wales is a speech-led service for adults, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.</p>	 <p><b>£14.1m</b> 2013/14: £13.4m</p>	 <p><b>16.2%</b> 2013/14: 18.1%</p>	 <p><b>09:22</b> 2013/14: 08:29</p>	 <p><b>83.0</b> 2013/14: 84.4</p>	<p><b>7.0p</b> 2013/14: 6.5p</p>
 <p>BBC Radio Cymru is a speech and music radio service for Welsh speakers, which offers a wide range of genres and reflects the issues, events, culture and interests of the people of Wales.</p>	 <p><b>£12.8m</b> 2013/14: £11.7m</p>	 <p><b>4.6%</b> 2013/14: 5.6%</p>	 <p><b>10:49</b> 2013/14: 10:12</p>	 <p><b>78.1</b> 2013/14: 80.6</p>	<p><b>19.2p</b> 2013/14: 15.3p</p>

Reach definition: 15+ minutes and audiences aged 15+  
Sources: RAJAR (Radio reach and time spent). Appreciation Index: From Pulse panel of 20,000 UK adults 16+ by GfK  
BBC Radio Wales, BBC Radio Cymru: data based on their Total Survey Area (TSA)  
Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI



# The BBC in Scotland

The past year was dominated by two major events – the Commonwealth Games in Glasgow and the Scottish Independence Referendum. BBC Scotland provided comprehensive coverage of both.

Record audiences watched the Games unfold on BBC television, with live coverage reaching 78% of the audience in Scotland – 3.7 million people. The opening ceremony was one of the most watched events of the last decade, attracting, at its peak, 1.8 million viewers in Scotland (9.3 million across the UK).

A wide range of cultural content was produced to complement the 11 days of sport, including *Clydebuilt: The Ships That Made the Commonwealth*; *I Belong to Glasgow*; *Commonwealth City* and *Kevin Bridges Live at the Commonwealth*.

Over 160,000 visitors enjoyed dozens of free, live BBC shows and performances at the 'BBC at the Quay' festival, while the BBC Radio 1 Big Weekend Concert at Glasgow Green drew 50,000 fans to the world's largest free festival.

The Scottish Independence Referendum was covered in detail across the BBC's broadcast platforms and programmes. More than 25 themed debates and documentaries were televised, across local and network services, with additional content on radio and online.

A new current affairs programme, *Scotland 2014*, was introduced; the Alex Salmond/Alistair Darling debate, from Kelvingrove Museum on 25 August, attracted 860,000 viewers in Scotland, an audience share of 33%; and the largest ever televised political debate in the UK, in front of 7,500 young voters, came from the SSE Hydro in Glasgow on 11 September.

During the week of the Scottish Independence Referendum vote, 13.2 million UK unique browsers visited the BBC Scotland News Online website – a new weekly record. The average number of weekly browsers in 2014/15 was 4.7 million.

Drama remained a strong performer, from the Commonwealth Games-linked *Glasgow Girls*, to *River City*, still the most appreciated soap among audiences in Scotland. Double BAFTA-winner *Katie Morag* was voted Best New Series 2015 at the international Kidscreen Awards in Miami; *Shetland* was recommissioned for a third series; as was a two-part adaptation of Iain Banks' penultimate novel, *Stonemouth*.

A rich crop of factual programming included the World War One documentary *Pipers of the Trenches*, Ian Stewart's *Planet Oil*, and the hugely popular three-part *What's The Right Diet for You?* Among those programmes most appreciated by audiences in Scotland were *Danny MacAskill – Riding the Ridge* and *From Scotland with Love*, which combined archive film and the music of King Creosote.

As in 2013, *Mrs Brown's Boys* was the UK's most watched Christmas Day programme, with 9.7 million viewers (34% share).

BBC ALBA continued to reach an average of over 700,000 viewers a week, 16.2% of the adult population of Scotland, exceeding the target set for it by the BBC Trust. BBC Radio Scotland's weekly reach, hours of listening and share remained steady. And the BBC Scottish Symphony Orchestra delivered another year of acclaimed performances, with successful tours of India and China.

## Content (£m)

We spent a total of £25.4 million on content for these services last year

## Reach (%)

Scotland's population who use the service each week

## Time spent watching or listening to a service each week (h:m)

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



## Appreciation Index by service

Aggregate of how people rated individual programmes, expressed as a number out of 100

## Cost per user hour (p)

How much it costs to deliver each service to individual users

## Performance by service

Service	Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Cost per user hour (p)
 <p>BBC Radio Scotland is a speech-led service for adults. Mixed-genre programming reflects the diversity of Scottish culture and covers national and international issues and events relevant to listeners across the country.</p>	<p><b>£21.7m</b></p> <p>2013/14: £22.6m</p>	<p><b>20.0%</b></p> <p>2013/14: 20.4%</p>	<p><b>07:09</b></p> <p>2013/14: 07:02</p>	<p><b>75.6</b></p> <p>2013/14: 78.1</p>	<p><b>6.5p</b></p> <p>2013/14: 6.8p</p>
 <p>BBC Radio nan Gàidheal offers a comprehensive speech and music radio service for Gaelic speakers. Mixed-genre programming reflects the diversity of Scottish culture and, from a Gaelic perspective and through the medium of the Gaelic language, covers national and international issues and events relevant to listeners across the country.</p>	<p><b>£3.7m</b></p> <p>2013/14: £3.8m</p>	<p><b>63.3%‡</b></p> <p>2013/14: 64.2%</p>	<p><b>07:40</b></p> <p>2013/14: 07:26</p>	<p><b>n/a</b></p> <p>2013/14: n/a</p>	<p><b>18.9p</b></p> <p>2013/14: 19.6p</p>

RAJAR reach definition: 15+ minutes and audiences aged 15+. Sources: RAJAR (radio reach and time spent)

Appreciation index: From Pulse panel of 20,000 UK adults 16+ by GfK BBC Radio Scotland: data based on its Total Survey Area (TSA)

‡ Source: TRP panel replaced Lèirsinn for the BBC in Jan 15. Average for 14/15 is based on data for both panels. Base: Gaelic-speaking 16+ population

Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI

# BBC in Northern Ireland

We celebrated 90 years of BBC broadcast services in Northern Ireland with a live concert emphasising the central role of the BBC in cultural and community life, and the constantly changing nature of our work. We are always looking for new and better ways of serving BBC audiences, and in 2014/15 we introduced schedule changes on BBC Radio Ulster/Foyle, delivered extensive coverage of major sporting and civic events and brought an increasing amount of local talent and voices to our network services. Editorial and technical innovations were also to the fore in our news programming, including the launch of *Local Live*. A new partnership with NI Screen developed our role in supporting the creative industries and reflected the significant contribution which the local independent sector makes to the BBC's output.








Local programmes and services remain popular with BBC audiences in Northern Ireland – outperforming network averages, or equivalents, for radio and television and helping to drive audience approval. Highlights this year included: several agenda-setting *Spotlight* investigations; news coverage of the local government and European elections and political tensions at Stormont; a range of documentaries and series about Troubles legacies; a remarkable profile of the Dunlop family's involvement with motorcycle road racing in *Road*; and *Major Champions*. We also enhanced our coverage of business issues, secured new broadcast rights for GAA and Ulster Rugby and explored local linguistic traditions and heritage. And we looked at World War One and its impact on communities in Ireland through programmes including *World War One At Home* and *Ireland's Great War*.

Locally produced drama for BBC network television enjoyed considerable success with a returning series of *The Fall*. It was complemented by *6Degrees*, with its lively portrayal of student life and an ambitious portfolio of readings, dramas and single documentaries for BBC network radio. Funding and creative partnerships allowed us to mount our biggest ever *BBC Proms in the Park* event at Titanic Belfast and we introduced new awards for young musicians with support from the Arts Council of Northern Ireland. Musical diversity and excellence was also showcased through performances of the Ulster Orchestra and a *Music City Day* concert from The Guildhall in Londonderry.

We continued to build on the strength of our current affairs programming with a mix of *Panorama* investigations and documentaries for BBC Three. Other programming included: coverage of the Queen's visit to Northern Ireland and the baton relay which preceded the Commonwealth Games; coverage of the Giro d'Italia; *Diversity Week* on BBC Radio Ulster, which explored ethnic and cultural diversity; and *Playing Our Part*, an innovative broadcast appeal on the needs, experiences and contribution of older people.

Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Cost per user hour (p)
We spent a total of £17.3 million on content for these services last year	Northern Ireland's population who use the service each week	Length of time the average viewer or listener spent each week with the service	Aggregate of how people rated individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users

## Performance by service

 <p>BBC Radio Ulster is a speech-led service, providing a mix of programmes that reflect news, events and community life in all its different aspects and diversity.</p>	 <p><b>£17.3m</b> 2013/14: £17.4m</p>	 <p><b>35.6%</b> 2013/14: 36.0%</p>	 <p><b>10:02</b> 2013/14: 10:02</p>	 <p><b>77.9</b> 2013/14: 81.9</p>	 <p><b>6.3p</b> 2013/14: 6.3p</p>
 <p>BBC Radio Foyle is a speech-led service for audiences in the North-West of Northern Ireland. It provides a mix of news and other programming which complements, and contributes to, BBC Radio Ulster's region-wide service.</p>					

Reach definition: 15+ minutes and audiences aged 15+  
Sources: RAJAR (Radio reach and time spent). Appreciation index: from Pulse panel of 20,000 adults 16+ by GfK  
BBC Radio Ulster/Foyle: data based on its Total Survey Area (TSA)  
Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI

# The BBC in England

This year we have increased our impact and connection with audiences across England through fresh content, strengthened bases and renewed partnerships. Network dramas and comedies like *Happy Valley* and *Still Open All Hours* resonated strongly, helping support audience approval and portrayal. Building on our successes at BBC North in Salford, we began to transform the BBC in Birmingham and develop plans for other key hubs.

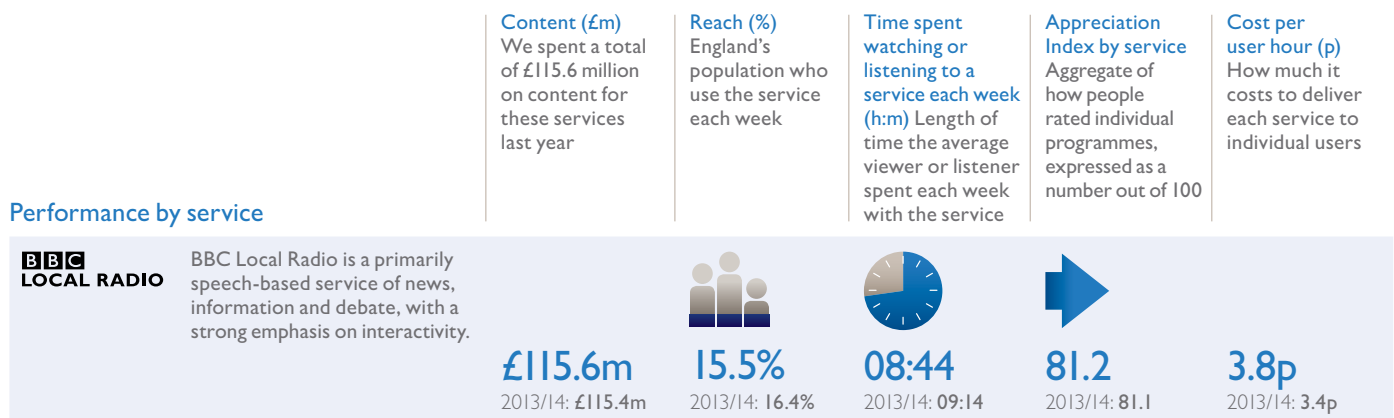
BBC Birmingham is already home to television and radio drama series plus distinctive BBC local and Asian services. We boosted our presence and impact by announcing that 200 new roles will move there, with the BBC Academy at the heart of a new centre for skills, training and recruitment. In the Autumn, Birmingham hosted Radio 1Xtra weekend and we announced that the city would house our partnership with The Space, our initiative with the Arts Council of England.

A significant network focus on the North East resulted in CBBC series *The Dumping Ground*, *Wolfblood*, *Hattie's War*, *World's End* plus BBC One's *Inspector George Gently*, *Football Focus*, *Songs of Praise*, CBBC Live and Radio 6 Music went 'on the road' across the North East, where the BBC was at the heart of the Great North Run in its 30th year. Arts and music provided opportunities for face-to-face activity with local audiences, with projects including Liverpool's Memories of August 1914 and My Bradford, an online partnership with Bradford Film City.

More than 250,000 people visited our live World War One centenary events, while audiences had the opportunity to question local candidates directly on local issues through more than 170 television and radio debates ahead of the general election. Additionally, robust television debates took place at the time of the high profile Clacton-on-Sea and Rochester and Strood by-elections and all regions produced special audience-led programmes examining the subject of English devolution following the Scottish referendum. We have increased the number of specialist political reporters – and are considering adding more, in recognition of the importance of covering local democracy and politics.

In one of the biggest changes to the news schedules for many years, late BBC One regional bulletins were doubled in length in the run-up to the election as part of a trial to respond to the changing viewing habits and demands of the audience. The programmes successfully held a large audience and allowed our teams to deliver in-depth news to many viewers who were unable to see the main regional news offering at 6.30pm.

With an average audience of over four million viewers, the early evening BBC One regional television news bulletins collectively remain the most watched news programme in England. The weekly current affairs series *Inside Out* continues to attract strong audiences and appreciation scores from viewers. BBC Local Radio audience figures are under more pressure although the stations continue to attract nearly seven million listeners every week.



Reach definition: 15+ minutes and audiences aged 15+  
Sources: RAJAR (Radio reach and time spent). Appreciation Index: from Pulse panel of 20,000 adults 16+ by GfK  
BBC Local Radio in England: data based on its Total Survey Area (TSA)  
Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI

# Performance by genre

Network hours of output by genre					
News and Weather	<b>3,256 hrs</b> 2013/14: 3,322 hrs	<b>409 hrs</b> 2013/14: 475 hrs	<b>34 hrs</b> 2013/14: 32 hrs	<b>6 hrs</b> 2013/14: 6 hrs	<b>11,391 hrs</b> 2013/14: 11,617 hrs
Current Affairs	<b>197 hrs</b> 2013/14: 188 hrs	<b>443 hrs</b> 2013/14: 395 hrs	<b>166 hrs</b> 2013/14: 135 hrs	<b>111 hrs</b> 2013/14: 112 hrs	<b>1,668 hrs</b> 2013/14: 1,759 hrs
Factual	<b>2,102 hrs</b> 2013/14: 2,053 hrs	<b>3,356 hrs</b> 2013/14: 3,228 hrs	<b>971 hrs</b> 2013/14: 912 hrs	<b>1,196 hrs</b> 2013/14: 1,157 hrs	<b>3,318 hrs</b> 2013/14: 2,481 hrs
Music and Arts	<b>44 hrs</b> 2013/14: 55 hrs	<b>286 hrs</b> 2013/14: 281 hrs	<b>48 hrs</b> 2013/14: 54 hrs	<b>1,434 hrs</b> 2013/14: 1,429 hrs	<b>42,024 hrs</b> 2013/14: 41,866 hrs
Religion	<b>86 hrs</b> 2013/14: 80 hrs	<b>50 hrs</b> 2013/14: 69 hrs	<b>n/a</b> 2013/14: n/a	<b>21 hrs</b> 2013/14: 21 hrs	<b>592 hrs</b> 2013/14: 611 hrs
Drama	<b>643 hrs</b> 2013/14: 606 hrs	<b>242 hrs</b> 2013/14: 314 hrs	<b>282 hrs</b> 2013/14: 220 hrs	<b>177 hrs</b> 2013/14: 152 hrs	<b>4,280 hrs</b> 2013/14: 4,932 hrs
Film	<b>356 hrs</b> 2013/14: 443 hrs	<b>783 hrs</b> 2013/14: 753 hrs	<b>190 hrs</b> 2013/14: 221 hrs	<b>129 hrs</b> 2013/14: 94 hrs	<b>n/a</b> 2013/14: n/a
Entertainment	<b>579 hrs</b> 2013/14: 631 hrs	<b>314 hrs</b> 2013/14: 316 hrs	<b>197 hrs</b> 2013/14: 294 hrs	<b>28 hrs</b> 2013/14: 59 hrs	<b>7,490 hrs</b> 2013/14: 7,654 hrs
Comedy	<b>161 hrs</b> 2013/14: 216 hrs	<b>252 hrs</b> 2013/14: 273 hrs	<b>1,208 hrs</b> 2013/14: 1,182 hrs	<b>49 hrs</b> 2013/14: 85 hrs	<b>n/a*</b> 2013/14: n/a
Schools/ Formal Education	<b>n/a</b> 2013/14: n/a	<b>309 hrs</b> 2013/14: 335 hrs	<b>n/a</b> 2013/14: n/a	<b>n/a</b> 2013/14: n/a	<b>112 hrs</b> 2013/14: 112 hrs
Sport	<b>819 hrs</b> 2013/14: 636 hrs	<b>1,087 hrs</b> 2013/14: 1,082 hrs	<b>167 hrs</b> 2013/14: 103 hrs	<b>n/a</b> 2013/14: n/a	<b>5,166 hrs</b> 2013/14: 5,144 hrs

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

Network hours of output by genre					
Children's	<b>1 hr</b> 2013/14: 4 hrs	<b>21 hrs</b> 2013/14: n/a	<b>n/a hrs</b> 2013/14: 6 hrs	<b>4,354 hrs</b> 2013/14: 4,360 hrs	<b>4,721 hrs</b> 2013/14: 4,490 hrs

Education (formal) includes education for children, Open University and BBC Learning Zone  
CBBC and CBeebies programming moved from BBC One and BBC Two, to transmit only on its digital channels from Dec-12.

# Performance by reach

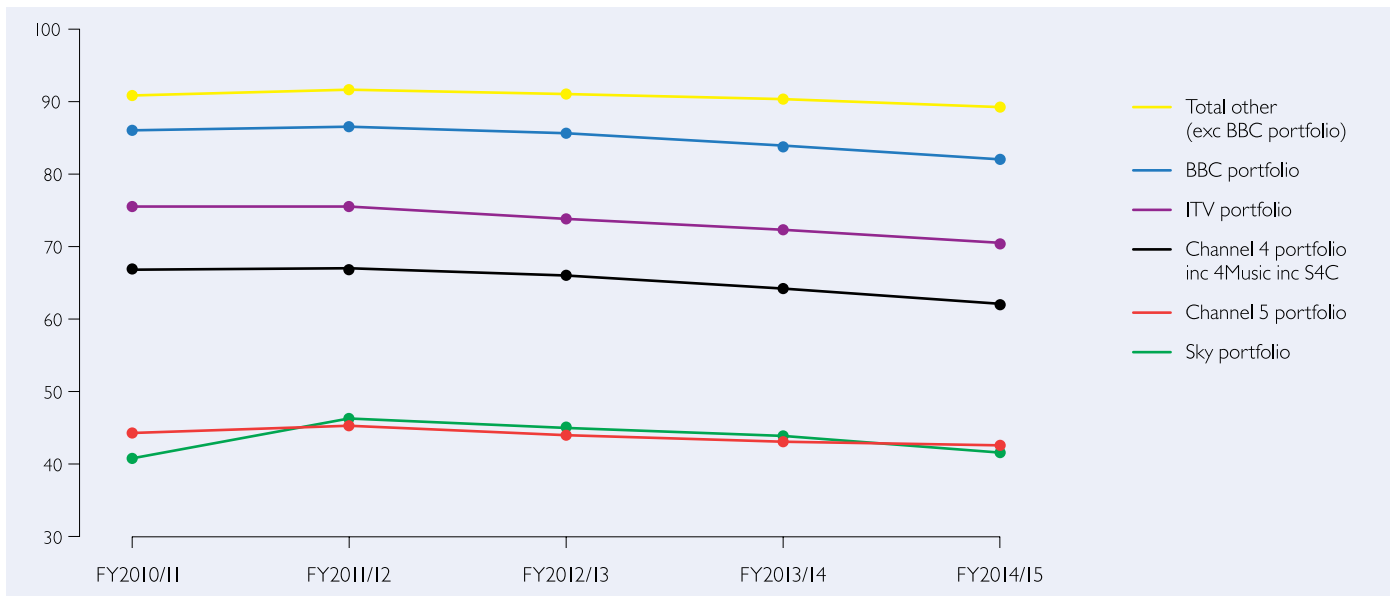
## Television

### Weekly reach

	All BBC Television	Total other channels	All itv television	All 4 television	All 5 television	All sky television
BBC network television versus main commercial groups	<b>82.0%</b> 2013/14: 83.9%	<b>89.2%*</b> 2013/14: 90.3%	<b>70.5%</b> 2013/14: 72.3%	<b>62.1%†</b> 2013/14: 64.2%	<b>42.6%</b> 2013/14: 43.1%	<b>41.6%</b> 2013/14: 43.9%

\* Reach of all TV channels minus the BBC portfolio  
 † Includes S4C  
 Source: BARB, 4+, 15-minute+ reach

### Weekly reach



Source: BARB / TRP Research  
 Based on inds 4+  
 Reach condition = 15+ mins cons  
 Sky portfolio – includes Flextech from week 1 2011 and excludes Flextech in 2010  
 ITV and Channel 4 portfolio figures do not match 2012/13 figures in the Annual Report due to TechEdge reach methodology change that was implemented at the end of 2013

## Radio

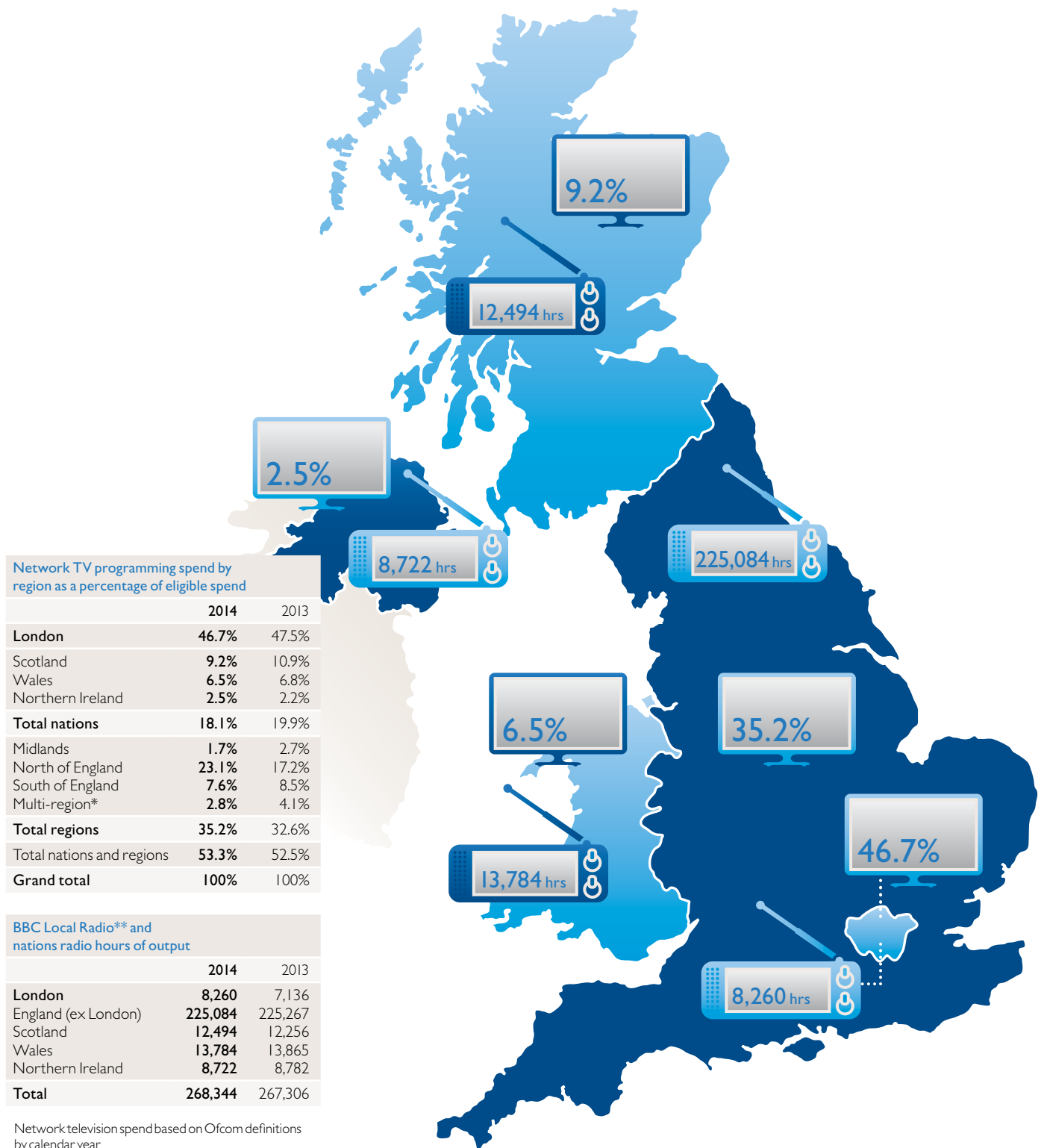
### Weekly reach

	All BBC radio	All commercial radio	All BBC network radio	All national commercial radio	BBC local radio	All local commercial radio
BBC Radio compared to commercial stations	<b>65.3%</b> 2013/14: 67.1%	<b>63.8%</b> 2013/14: 64.9%	<b>59.6%</b> 2013/14: 61.2%	<b>31.8%</b> 2013/14: 32.3%	<b>16.6%</b> 2013/14: 17.6%	<b>50.6%</b> 2013/14: 51.7%

Source: RAJAR, 15+, 15-minute reach

# Network supply

It has been a strong year for network TV production in the Nations and Regions, with more than 53.3% from outside London and more than 18% from Scotland, Wales and Northern Ireland.



Network television spend based on Ofcom definitions by calendar year

\* Multi-region covers programmes made outside London but which cannot be attributed to any one region or nation  
 \*\*The BBC Local Radio and nations radio hours of output only includes BBC original programmes and excludes any repeat programmes



## How we run the BBC

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

The inaugural BBC Music Awards were held in December 2014

# Our people

## Working together for a more efficient BBC

This year we continued to deliver outstanding content to our audiences whilst achieving substantial organisational change.

Our aim is always to concentrate spend on what matters most to our audiences – content and services. 92% of controllable spend is now spent on content and distribution and their related support, with less than 8% on the professional support needed to run the BBC.

A key objective for 2014/15 was to improve value for money through a more efficient and open BBC and this year we published a review of how we spend the licence fee and of the efficiency of the organisation. We are continuing to become more efficient by simplifying our organisation and further streamlining professional support functions.

### Our workforce

At the end of this year, we employed 18,974 full time equivalent staff, compared to 18,647 last year.

This increase is driven by the need to invest in the digital skills that are required to build the BBC of the future. We have recruited a pool of engineering capability in BBC Digital and across the organisation to continue to build broadcast capability in Salford and to work on major strategic projects. These projects include enhancements to the BBC iPlayer, a programme to personalise our relationship with audiences (called myBBC) and the technology to collate the best of BBC content and social media around live events. These investments in people more than offset the staff reductions arising from the delivery of our Delivering Quality First ('DQF') savings programme.

Additional production staff have also been recruited, as the BBC made more hours of programming in 2014/15 than in the previous year.

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

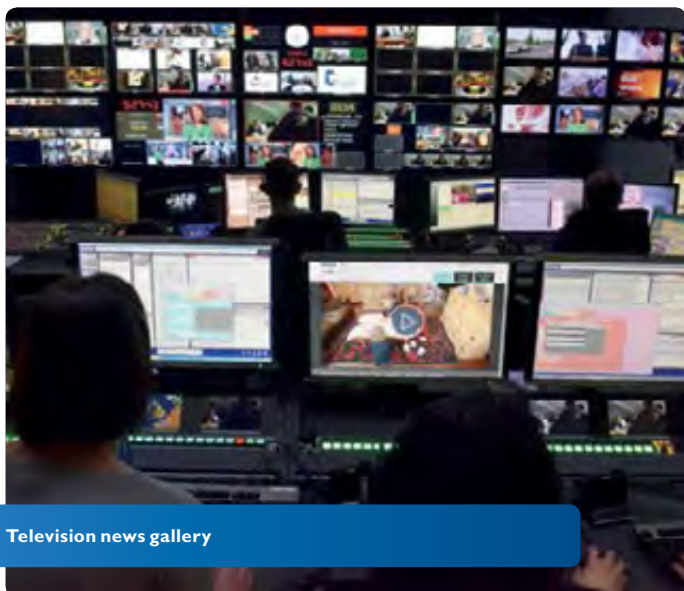
Year	Public Service staff	World Service staff	Total
2010/11	17,242	2,525	19,767
2011/12	16,858	2,196	19,054
2012/13	16,534	2,149	18,683
2013/14	16,672	1,975	18,647
<b>2014/15</b>	<b>17,058</b>	<b>1,916</b>	<b>18,974</b>

The BBC has a commitment to have at least 50% of our employees based outside of London. This year we achieved that goal and now have 53%.

In 2013, we unveiled a new creative vision for BBC Birmingham and a commitment to make England's second city the new home of the teams who deliver entry level training schemes, talent and skills development. This year, around 200 human resources, internal communications and BBC Academy jobs began to be relocated there.

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

	31 Mar 2015	31 Mar 2014	31 Mar 2013	31 Mar 2012
England (excl. London)	34	33	32	33
London	46	47	48	48
Scotland	7	8	7	7
Wales	8	8	8	8
Northern Ireland	4	4	4	4



Television news gallery



## A fair deal

It is our policy to provide remuneration that attracts, motivates and retains the key talent required to lead and to deliver outstanding public service broadcasting, whilst recognising the BBC's status as a publicly funded corporation which must deliver value to the licence fee payer.

In 2014, we agreed a two-year pay deal. All staff in grades 2-11 who are included in the deal will receive three stages of increases to their pay, in August 2014, in January 2015, and in August 2015.

We have continued to reduce the number of senior managers and their cost. The senior manager paybill is now £52 million as compared to £78.5 million on 1 August 2009.

**Table 3: UK PSB senior manager headcount by salary band**

Band	2014/15	2013/14
Under £70,000	7	10
£70,000-£99,999	137	161
£100,000-£129,999	107	93
£130,000-£159,999	76	73
£160,000-£189,999	40	34
£190,000-£219,999	16	17
£220,000-£249,999	11	9
£250,000-£279,999	2	1
£280,000-£309,999	2	2
£310,000-£339,999	2	2
£340,000-£369,999	0	0
£370,000-£399,999	1	1
Total*	401	403

\* Total excludes Executive Board members.

In 2012, the BBC reviewed the use of Personal Service Companies as a means of engaging presenters and contributors. We have continued to apply an employment test, discussed with HM Revenue & Customs, to all workers to ensure they have the appropriate employment status. When deemed appropriate, people have been offered staff employment status as their current contracts expire. This has resulted in a number of presenters moving to employment contracts in the last year.

## On-screen talent

We want the BBC to be the place where the best artists want to work to deliver great programmes. Across radio, television and our digital services, our audiences expect us to offer the best range of most-loved, creative, engaging, authoritative and diverse talent in British broadcasting. It is vital that we continually review and improve our practices and our approach to ensure we attract, retain and develop this talent, whilst also delivering value for money for licence fee payers.

This year, the BBC Trust commissioned a second review of the BBC's management of talent. The report, completed by independent consultants Oliver & Ohlbaum (O&O), found that the BBC attracts talent at competitive rates, leveraging its unique appeal to obtain value from its expenditure on talent. Furthermore, the report endorsed our approach, noting that there had been a significant cultural shift towards stronger cost control, which now represented best practice.

In 2014, we committed to keeping spend on talent to no more than 16% of overall internal spend on content. The O&O review endorsed this approach as an appropriate response to changing market conditions.

Total talent spend of £208 million represents 12.2% of the BBC's internal spend on content (internal spend on content now includes the BBC World Service).

## Talent

	2014/15		2013/14		Variance £000s
	Spend £000s	Volumes	Spend £000s	Volumes	
Under £50k	100,009	46,809	93,202	45,154	6,807
£50k-£100k	50,957	774	44,398	662	6,559
£100k-£150k	15,914	134	14,578	123	1,336
£150k-£250k	14,591	77	15,503	83	(912)
£250k-£500k	11,414	34	8,237	25	3,177
£500k-£750k	2,928		6,598		(3,670)
£750k-£1m	836	9*	787	14*	49
£1m-£5m	5,139		4,215		924
Organisations**	6,621	2,495	6,716	2,229	(95)
<b>Total</b>	<b>208,409</b>	<b>50,332</b>	<b>194,234</b>	<b>48,290</b>	<b>14,175</b>

\* The number of individuals in the £500,000+ categories has been aggregated in order to protect the personal information of those individuals, in line with data protection best practice.

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

## Engaging and getting the best from our people

In Autumn 2014, we ran the first BBC-wide staff survey since summer 2012. 55% of staff participated in the survey – compared with 60% in 2012. The 2014 BBC-wide employee engagement score was 66%, compared with the Ipsos MORI UK norm of 56%.

91% of staff said they felt proud to work for the BBC (compared with 90% in 2012), and 94% said they demonstrate the BBC Values in the way they behave at work (compared to 88% in 2012). The survey results also reported that employees responded positively to the Respect at Work commitments and changes that have been implemented.

The survey identified some areas for improvement, including better communications and stronger leadership. These were incorporated into an action plan which was published in April 2015. An interim survey of 20% of our employees was conducted in April 2015 to enable us to monitor progress. Another full employee survey will be conducted in autumn 2015.

This year we have introduced some enhancements to our performance development review process to ensure that all employees have objectives that align with the overall BBC strategic objectives and values. For team managers, we have also introduced a specific objective focused around getting the best out of team members.

We continue to work closely and constructively with our trade unions. During 2014/15 there were no strikes.

## Supporting our staff

In February 2015, we communicated our enhanced approach and policy to managing bullying and harassment. The range of support for staff raising concerns includes:

- a confidential bullying and harassment line run by an external company
- an internal and external mediation service

- an occupational health service
- an Employee Assistance Programme
- cases being investigated and heard outside the division from which the complaint originated

In the Respect at Work report of May 2013, there were 22 agreed actions to build a more supportive culture at the BBC. We are pleased to confirm that all 22 actions have now been implemented. There were two further recommendations and these are being addressed through team management training.

Additionally, we agreed to publish our case numbers for a two-year period. During 2014/15, the number of bullying and harassment grievance cases reduced from 72 to 46, a reduction of 36% compared to the same period a year ago. There was one sexual harassment grievance case.

On average, the cases in 2014/15 were open for 83 days, a reduction from 85 days in 2013/14. By the last quarter of 2014/15 the average time to close a case was down to 37 days, and we continue to work hard to improve the time taken to deal with all cases.

Cases which were upheld or partially upheld represented 29% of the case outcomes in 2014/15.

For the year 2015/16 we will introduce dedicated internal case managers/investigators and external experts to support managers when hearing cases in their determination of grievance outcomes, further increasing the level of independence in the bullying and harassment grievance process.

We have also conducted a thorough independent review of our child protection and whistleblowing practices to ensure they are robust. The report, by the GoodCorporation, has found that the BBC has strong policies in place, supported by evidence of a clear commitment to the safeguarding and protection of children. The GoodCorporation review was originally commissioned alongside the work of the Dame Janet Smith review into the culture and practices of the BBC during the years when Jimmy Savile worked at the Corporation. Dame Janet's review is now finished but, as announced in May 2015,



'Here's One We Made Earlier' exhibition told the story of BBC Children's broadcasting to 60,000 visitors



BBC One crime drama *Silent Witness*



Children learn about wartime communications at World War One At Home, Woolwich

its delivery to the BBC and publication has been delayed. We continue to develop and improve our child protection and whistleblowing practices, and we are publishing our detailed response to the recommendations made in the GoodCorporation's review alongside this annual report.

## Severance

Driving efficiencies across the BBC has an inevitable impact on jobs. We continue to be fully committed to managing job losses through redeployment and retraining where we can. We continue to provide support to staff at risk of redundancy, including career support, an online toolkit, and workshops to help staff identify development needs and career options.

Since October 2012, when the Delivering Quality First (DQF) programme began, we have accepted 4,429 requests for voluntary redundancy and 1,162 employees have left as a result of compulsory redundancy.

In 2013, the Director-General and the Executive Remuneration Committee made a number of significant changes to the BBC's severance policy:

- for those joining the BBC after January 2013, redundancy entitlement was reduced. Previous entitlement was for one month's pay for each year of service up to a maximum of 24 months' pay. This has been reduced to a maximum of 12 months' pay
- a cap on redundancy payments of £150,000 was introduced for all staff (both new and current)
- notice periods for the executive directors were reduced from 12 to 6 months

It was also agreed that where severance is paid:

- notice will be served and worked in full
- if an individual wishes to leave earlier than the end of their notice period they must waive the remaining notice period and will receive no payment for it
- in exceptional cases, for example when there is a need to protect the confidentiality of sensitive information, individuals may be placed on garden leave during their notice

We publish separately a full report on severance arrangements for this year. This report, from the senior independent director on the Executive Board, Dame Fiona Reynolds, can be found online. The main findings are:

- there have been no severance payments above £150,000
- there have been no payments of pay-in-lieu of notice with severance

All severance payments over £75,000 have been signed off by the Senior Manager Remuneration Committee.

### Severance payments 2013/14 and 2014/15: all staff (including senior management)\*

Payment band	1 April 2014-31 March 2015		1 April 2013-31 March 2014	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £10k	69	11	117	17
£10k<£50k	4,183	141	5,383	186
£50k<£75k	3,571	58	4,160	68
£75k<£100k	3,259	39	6,052	71
£100k-£150k	6,952	54	7,128	59
Over £150k	0	0	2,762	12
<b>Total</b>	<b>18,034</b>	<b>303</b>	<b>25,602</b>	<b>413</b>

\* Excluding on-air talent.

## Payments in lieu of notice 2013/14 and 2014/15: all staff (including senior management)\*

Payment band	1 April 2014-31 March 2015		1 April 2013-31 March 2014	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £5k	2	1	20	7
£5k<£10k	0	0	47	6
£10k<£20k	0	0	51	4
£20k<£30k	0	0	0	0
£30k<£50k	0	0	0	0
Over £50k	0	0	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>118</b>	<b>17</b>

## Severance payments 2013/14 and 2014/15: senior management staff\*

Payment band	1 April 2014-31 March 2015		1 April 2013-31 March 2014	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £10k	0	0	0	0
£10k<£50k	50	1	80	2
£50k<£75k	154	3	0	0
£75k<£100k	161	2	365	4
£100k-£150k	1,311	9	1,084	8
Over £150k	0	0	2,088	8
<b>Total</b>	<b>1,676</b>	<b>15</b>	<b>3,617</b>	<b>22</b>

\* Excluding on-air talent.

## Diversity

We monitor the profile of our workforce to help ensure we look and sound like our UK audiences, and to help us focus our efforts on groups that are underrepresented compared to the wider UK population. This year we announced a new target to increase black and minority ethnic (BAME) senior level staff (grade 10 – SMI) in the most relevant areas of Television and Radio Production, Broadcast Journalism, and Commissioning and Scheduling from 8.3% to 10% by 2017, and then to 15% by 2020. BBC News has also set local targets in London, Birmingham, Manchester and Leicester to reflect the population. The table below shows our progress in staff diversity against set targets over the last 12 months:

### Diversity: percentage of total staff

Employee group	Mar 2015	Mar 2014
<b>BAME – all staff</b>	<b>13.1%</b>	12.6%
<b>BAME – senior managers</b>	<b>7.8%</b>	6.8%
<b>BAME – wider leadership*</b>	<b>9.2%</b>	8.7%
<b>Disabled – all staff</b>	<b>3.8%</b>	3.8%
<b>Disabled – senior managers</b>	<b>2.3%</b>	2.6%
<b>Disabled – wider leadership*</b>	<b>3.0%</b>	3.1%
<b>Women – all staff</b>	<b>48.4%</b>	48.6%
<b>Women – senior managers</b>	<b>38.6%</b>	37.2%
<b>Women – wider leadership*</b>	<b>41.3%</b>	40.9%

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

We are committed to reflecting the diversity of licence fee payers in our content and within our own organisation. We know that sharing diverse perspectives and ideas, and listening to our audiences, results in the very best programming and technology.

Our Independent Diversity Action Group, chaired by the Director-General, advises and supports the BBC on diversity. The panel comprises: Baroness Tanni Grey-Thompson; Lenny Henry CBE; Nihal; Tanya Motie; Daniel Oudkerk QC; George Mpanga; Jason Roberts MBE; and Baroness Floella Benjamin OBE.



World War One drama *The Passing Bells*



CBBC's *Horrible Histories: Magna Carta Special* starring comedian Ben Miller as King John



The Extend Talent Pool offers disabled people the opportunity to gain employment across the BBC

Over the course of this year we developed a number of new initiatives which aim to support the delivery of our diversity commitments:

- we recruited 31 BAME graduate trainee interns from the successful Creative Access Programme
- we started working in partnership with organisations including the Shaw Trust, Leonard Cheshire Disability, and the Royal National Institute for Blind People (RNIB), to open up 150 'non-media' support roles to disabled people
- the Director-General launched a one-year senior leadership development programme for six talented BAME people who are gaining experience working with senior leaders at the BBC and learning from the Executive Team
- we've begun training six potential 'Commissioners of the Future', from BAME backgrounds, in comedy, drama, factual, daytime and children's programming and across BBC Two and BBC Four. The intention is to deepen their understanding of commissioning, and encourage them and others to put themselves forward for commissioning roles at the BBC and elsewhere.

'Elev8', our mentoring scheme for disabled staff, has had 38 participants in the two years it has run. 'RISE', a similar scheme for BAME staff, had 41 participants in its first year.

We believe it is important to continue developing the understanding of diversity amongst our staff and we are currently delivering an extensive programme of training for team managers on how to support disabled staff more effectively. We are also delivering 'Unconscious Bias' training to all hiring managers to raise awareness of the potential for bias when making hiring and development decisions. This is an important part of creating an inclusive workplace where talent can flourish.

More about the BBC's diversity policy can be found at: [bbc.co.uk/diversity](http://bbc.co.uk/diversity)

# Developing new skills and talent

Under the terms of our Charter, we provide apprenticeships, entry-level schemes, and professional development for BBC staff, people embarking on media careers, freelancers and the wider UK industry. Through our outreach activities, opportunities and skills development, we connect the BBC with people from right across the UK.

The BBC Academy is moving to BBC Birmingham during 2015, to be at the heart of our new Skills & Talent Centre, where we can attract the best new talent to the BBC from all over the UK.

## New talent, skills and apprenticeships

In 2013, the Director-General set a target for 1% of the BBC's workforce to be apprentices by the end of the licence fee period. We met this target by 1 November 2014, when the BBC welcomed 177 non-graduate apprentices into roles in TV and radio production, local journalism, technology and business.

We've joined forces with Job Centres around the UK and briefed Job Centre staff on the skills we're looking for, in a bid to reach out to young people who might otherwise never consider working for the BBC. Of our 46 local apprentices, 60% come from families where the parents did not go to university (based on 40/46 responses); 47% of the trainees on our current TV production apprentice scheme are black and minority ethnic (BAME); and our industry-leading graduate level production trainee scheme has 42% BAME trainees.

Also this year the BBC announced a scheme as part of the Make it Digital initiative to create up to 5,000 digital traineeships for unemployed young people, which will offer short-term BBC traineeships to help people boost their digital skills and get a foot on the job ladder. This is the largest scheme of its kind in the UK.

## Reaching more people with our journalism

The decision to make all our content, including video, freely available worldwide has meant our reach has continued to grow. The BBC Academy now has sites in 18 of the World Service languages, all of which provide valuable insights into the practice of impartial, independent and accountable journalism in parts of the world that are hard to reach.

The BBC College of Journalism has supported the World Service Group in reaching new audiences through Mobile and Social First initiatives. This includes training to enable the launch of the Thai 'pop up' Facebook service; the Future Voices programme for bi-lingual students; bi-lingual reporter training; training visits to 12 overseas bureaux and an international version of our acclaimed Editorial Leadership Foundation, visiting Nairobi, Delhi, Cairo and Kathmandu.

## Making online news more responsive

Since the start of 2015 hundreds of online journalists across the UK have been trained by the Academy to work on the new BBC News app and on the responsive design of BBC content for mobile devices.

BBC Academy teams also delivered an innovative training programme to enable the transformation of Newsbeat focusing on digital storytelling and connecting with young audiences.



Local Radio apprentices are working in every BBC radio station in the UK and Channel Islands

### Production skills and diversity

The Academy is helping the BBC build a workforce that better reflects modern Britain. Expert Voices: BAME Talent Days ran in London, Birmingham, Bristol, Salford and Glasgow, training 106 men and women – they have made 11 media appearances so far. Our Mama Youth Project students and Stephen Lawrence Trainees received two weeks of specialist training.

Digital Season Salford was a pilot programme to develop mainstream digital skills through basic and advance teaching of subjects such as online storytelling, coding and software, interacting with the audience, ways of working and connected and converged technologies. There were 74 sessions and masterclasses, reaching 1,193 individuals.

### Leading technology change

The broadcasting industry moved from tape to file delivery for programme playout in 2014. To support this significant shift, the Academy created *The File Delivery Made Real* programme, a comprehensive set of online training resources, which was delivered with staff from ITV, Channel 4 and post-production houses, and has so far been accessed by more than 10,000 users. The sessions were developed in partnership with the Digital Production Partnership and the International Association of Broadcasting Manufacturers, and co-funded by Creative Skillset.

Digital Bristol Week and Digital Birmingham Week brought together the creative industries in the respective cities during 2015, to host a week of activities examining digital innovation and skills. Partners included the University of the West of England, Bristol Media, Bristol City Council, the University of Bristol, the Pervasive Media Studio, Engine Shed, the Creative Skills Hub, Birmingham City University, Creative England, Creative Skillset, the Birmingham Creative City Partnership and Arts Council England. Delegates from the creative industries, joined members of the public to attend themed days to learn and share skills.

### Digital innovation and e-learning

To help the BBC train its staff and the wider industry more efficiently, wherever they are in the UK, we are working hard to develop more innovative e-learning.

In the first two months after it was published, a total of 34,000 people visited the new BBC Academy presence on iTunesU, whilst the College of Production podcast is now downloaded 47,000 times per month, more than some established radio network podcasts. We reached almost a million impressions through live Twitter Q&A sessions. The Academy presence on SoundCloud has more than 300,000 followers.

At the same time, the Academy has increased both reach and engagement on Twitter with the CoJo account attracting 36,000 followers, Academy Trainees 55,000 and the Academy itself 30,000.

### Bringing the BBC closer to our audiences

Our outreach work through face-to-face activity, community support and staff volunteering brings us closer to our audiences, particularly those we've identified as harder to reach. This year, hundreds of BBC staff volunteers worked with groups across the UK, sharing knowledge and skills, whilst gaining insights into key audiences.

One highlight was in October, when 100 young people visited BBC Newsrooms across the country, as part of the Creative Diversity Network's work to increase diversity in news broadcasting. In November, IExtra Live came to Birmingham, and BBC departments including School Report, Radio WM, Children in Need and the Asian Network came together to deliver 30 outreach sessions.

The School Report programme sees schools coming to the BBC or us going out to them to teach how news is made and help students make their own reports. It reaches 30,000 children each year, a great way to open our doors to new people.

# Partnerships

Combining our expertise and resources with those of external partners allows us to support the wider creative industries and to deliver greater value to audiences.

We have a long history of working with partners – the 'British Broadcasting Company' itself was formed in 1922 by a group of wireless manufacturers working together. Since then the BBC has collaborated with countless organisations on television and radio programme projects, promoting education and developing industry technologies and standards.

This year our partnerships have focused on three big areas: BBC Arts, the Centenary of World War One and the Commonwealth Games in Glasgow.

## BBC Arts

BBC Arts Online launched with a celebration of Culture24's *Museums at Night*, supported by over 500 museums, galleries and heritage sites. This was followed by the first year of a new three-year agreement with Hay Festival. Across all platforms, we made our largest commitment to the Edinburgh Festival yet and, in conjunction with Tate Britain, BBC One's *The Big Painting Challenge* launched a search for Britain's most talented amateur artist. Other high profile arts partnerships have included *Get Creative*, a campaign to celebrate the arts and encourage creativity launched with What Next?

Our agreement with Arts Council England continues with a new three-year public value partnership, reflecting shared strategic ambitions around skills, music, performance capture, diversity and writing. Central to this is *The Space*, an innovative online digital arts channel.

## Centenary of World War One

The Centenary of World War One led to the BBC commissioning our most ambitious season of programmes ever. Our partnership with the Imperial War Museums (IWM) supported by the Arts and Humanities Research Council helped to create *World War One At Home*, 1,400 stories of places around the country which still bear traces of war. Working with IWM, we also preserved and digitised the archive rushes of the landmark 1964 series *The Great War*. The British Council and World Service hosted debates on World War One, and we worked with *14/18 Now*, the Centenary cultural programme, for a number of events, culminating in an estimated 16 million people joining the broadcast *Lights Out* moment on 4 August 2014.

## Commonwealth Games in Glasgow

In Glasgow, the BBC worked in partnership with Glasgow Life, DF Concerts, the Glasgow Science Centre, the Glasgow 2014 Organising Committee and the key agencies to deliver the live 16 day cultural programme for the Commonwealth Games. This showcased content from across radio and TV as well as from many external organisations including popular and inclusive initiatives such as *The Big Big Sing*.

## Other partnerships

In Northern Ireland, a new partnership to develop the creative industries has been agreed between the BBC and Northern Ireland Screen.

On radio, our partnership with the British Museum led to Neil MacGregor's acclaimed Radio 4 series *Germany: Memories of a Nation*. The launch of *Ten Pieces* was an innovative educational project representing the BBC's biggest ever investment in music education, working with more than 240 music and arts organisations to open up the world of classical music to a generation of children.

Royal Botanic Gardens, Kew joined Radio 4 for a scientific exploration of *Plants: From Roots to Riches*, whilst on television Raymond Blanc and Kate Humble spent a year at Kew re-establishing the kitchen garden for *Kew on a Plate*. Food was also the inspiration for the first ever *Bristol Food Connections Festival* – over 100 events in partnership with many organisations including the University of the West of England, Bristol University, Bristol City Council, Visit Bristol and numerous food and drinks producers.

Other successful partnerships have been described elsewhere in this report, including our radio partnership with the British Museum; our traineeships collaboration with the Department of Work and Pensions; and *Make it Digital*, a set of more than 50 partnerships to support digital creativity through a number of initiatives including giving a free programmable device to all year 7 children in England and Wales, S1 in Scotland and year 8 in Northern Ireland.



# Supporting good causes

The BBC has been broadcasting appeals for charities since 1923 and they are an important part of our remit as a public service broadcaster. We help a broad range of charities to raise funds and awareness and our audiences are incredibly supportive of these causes helping to raise more than £114 million during the 2014/15 financial year.

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

## BBC Children in Need

In November 2014, people from across the UK came together to raise £32.6 million, the highest ever on-the-night total for BBC Children in Need. A final total will be announced in the summer.

These funds were raised by galvanising the public to get involved at the same time as entertaining the UK through related programming across platforms and the annual, star-studded, *Appeal Show* on BBC One.

There were innovative and fun ways to engage the public through a number of BBC initiatives such as *The One Show's* Rickshaw Challenge which saw six young people power a rickshaw for more than 450 miles across England; Radio 2's phenomenal range of activity; *Gareth Malone's All Star Choir* and wide-ranging coverage across BBC nations and regions.

At the heart of our success was telling the charity's story; making audiences aware that BBC Children in Need helps 480,000 children and young people by funding 2,600 projects that support those facing a range of issues including disability, poverty, deprivation and neglect in communities across the UK.

## BBC Media Action

BBC Media Action is the BBC's international development charity. It uses media and communication to transform lives, working with partner organisations to reach more than 200 million people in more than 30 countries.

Its wide-ranging projects include TV and radio discussion shows, mentoring for journalists covering elections, and radio, TV and web-based dramas that share useful information about issues such as health, rights and skills. The charity also produces 'lifeline' radio programmes and short films which are broadcast before and after emergencies such as earthquakes, floods or conflict.

In 2014, it responded to the Ebola outbreak in West Africa with weekly radio shows and public service announcements in Sierra Leone and Liberia, a radio drama in Liberia, Sierra Leone and Guinea, and training in 10 countries at risk. "People just didn't know who to trust," said radio producer Mustapha Dumbuya, who lost 16 family members to the virus, "People called to thank me saying the public service announcement had saved lives." In Liberia, 90% of phone-survey respondents who had listened to the radio show *Kick Ebola From Liberia* said they had taken steps to prevent the spread of the disease.

In 2014/15, BBC Media Action's 87 projects were supported by a range of funders including the UK's Department for International Development, the Foreign and Commonwealth Office, the Bill and Melinda Gates Foundation and the Paul G. Allen Foundation. Total income for 2014/15 was in excess of £40 million.

For more information about BBC Media Action please visit: [bbc.co.uk/mediaaction](http://bbc.co.uk/mediaaction)



Gareth Malone's All Star Choir for Children in Need

## BBC Performing Arts Fund

The BBC Performing Arts Fund, one of the BBC's corporate charities, announced in May 2015 that it will be closing in early 2016.

In recent years, new forms of technology have changed the pattern of audience voting. These technical developments, enabling audiences to vote online, via smart phones and social media, have meant that the amount of residual revenue available to the Fund has decreased and it is clear that this trend will continue.

Since its inception in 2003 as the *Fame Academy* bursary, the Fund has awarded over £5 million in funding and previous beneficiaries include Adele, composer Mark Simpson, soprano Kathryn Rudge and the 2015 Radio 2 Folk Awards Musician of the Year, Sam Sweeney.

In December 2014, the Fund awarded 32 Fellowships to emerging talent in the performing arts. The bespoke placements offer professional support, training and development opportunities in addition to the PAF grant of £10,000 per organisation, totalling £320,000 in grants. It awarded a further £156,000 in grants to 17 alumni of its previous Fellowships Scheme in May 2015.

The Fund supports a diverse range of new talent across the performing arts sector and this round of grants will benefit choral singing, opera, theatre, dance and music. Legacy grants range from £5,000 to £10,000 with 17 beneficiaries in total.

For more information about the BBC Performing Arts Fund please visit: [bbc.co.uk/performingartsfund](http://bbc.co.uk/performingartsfund)

## Broadcast appeals

BBC appeals are an effective way for charities to engage with the public. We broadcast 49 Radio 4 appeals and 11 BBC One Lifeline appeals, whilst BBC Local Radio stations also run charity partnerships.

Charities that meet the criteria can apply for an appeal: [bbc.co.uk/charityappeals/](http://bbc.co.uk/charityappeals/)

There is a separate selection process for broadcast appeals on BBC television and radio in Northern Ireland, which broadcast 13 appeals last year.

**“I think that the appeal either on radio or on television is a fairly easy way of spreading the word about the smaller charities... this is a very important part of their access to the public.”**

*Michael Palin*

The BBC Radio 4 Christmas appeal with St Martin-in-the-Fields, in its 88th year, raised £2,313,595, a new record whilst three BBC Local Radio stations – Radio Suffolk, Radio York and Radio Cumbria – raised over £642,000 for local charities between them.

Responding to Radio York's announcement that their Good Night's Sleep appeal with a local hospice had reached its target, a father of a severely disabled daughter in York tweeted: “this is what local radio is all about @bbc you should be proud!”

The BBC broadcast two appeals across all its platforms for the Disasters Emergency Committee. This helped towards a final total of £19 million for a Gaza appeal and £37 million for an Ebola appeal.



Michael Parkinson is filmed for a Lifeline charity appeal for prostate cancer

**“The BBC has been a vital part of the Disasters Emergency Committee by helping reach millions of people and raising over a £1 billion for disaster affected communities in the poorest parts of the world.”**

*Clive Jones, CBE – Chair of Trustees, DEC*

### Comic Relief

The BBC and Comic Relief have been partners since the charity was created 30 years ago. Each year we broadcast one of its two alternating appeals, Red Nose Day and Sport Relief.

Red Nose Day 2015 was a special campaign, marking the moment when the total raised by both campaigns reached over £1 billion, with a total to date of £1,047,083,706. The night of television, broadcast this year live from the London Palladium, averaged an audience of eight million and raised a record £78,082,988.

The campaign also saw some extraordinary supporting BBC content, including Operation Health, which raised over £2 million through the cross-BBC support of BBC One, *The One Show*, R1 and R1Xtra; and *The Great Comic Relief Bake Off*, which achieved audiences of up to 8.4 million, raised over £0.5 million and prompted the public to download tens of thousands of fundraising kits.

Since Comic Relief began, projects funded in the UK have touched the lives of over 10 million people, and helped over 40 million people in the world's poorest communities.

## Corporate and social responsibility

We are committed to running the BBC in a way that is responsible and which has a positive impact for our licence fee payers. This applies across every aspect of the organisation, including employment, diversity, our environmental impact and our work with communities.

As an internationally recognised public service broadcaster, we aim to be open and transparent in all that we do. We publish regular corporate responsibility updates, which give more detail on the work that we do. This year we published two new reports – Developing Musical Talent and the BBC and Environmental Sustainability, which can be found here: [bbc.co.uk/responsibility/reports](http://bbc.co.uk/responsibility/reports)

You can also find many and varied examples of the way our corporate responsibility work helps us to deliver our Public Purposes at: [bbc.co.uk/responsibility](http://bbc.co.uk/responsibility)

### Human rights

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



Recording BBC Media Action's family health radio show in Nigeria

## Environmental sustainability






Our strategy, *The Difference*, focuses on targets aimed at reducing the environmental impact of our operations, engaging and inspiring staff, and embedding sustainable practices in our core business of making programmes – sustainable production. This year we are introducing additional information to the table below, which updates on our progress and demonstrates our strong commitment to sustainable production. We report on use by BBC productions of the carbon calculator for television production, *albert*, the average carbon footprint for these productions, and on the number of BBC productions which have participated in the *albert+* sustainable production certification process. We want our audiences to have confidence that teams across the BBC are trying new ways of working, which reduce environmental impacts. We are working with broadcasters and production companies across the industry through our engagement with the BAFTA *albert* Consortium to tackle sustainability together. We continue collectively to promote sustainable production, by providing resources and training to enable and encourage our industry to transition to more sustainable ways of working.



We have recorded a further drop in CO<sub>2</sub> emissions from our buildings and technology, and water use continues to fall in line with our strategy to concentrate operations in fewer, more efficiently run, sites. Recycling rates, reported as an average across the year, increased slightly.

Emissions from travel have reduced, though sustained reductions will always remain a challenge given the unpredictable nature of the global events we communicate to our audiences.

We propose to extend the timeframe for the existing targets to the end of the current Charter period and will introduce new targets after this Charter Review period when there is clarity around the BBC's remit and operations.

You can read more about this area of our work at: [bbc.co.uk/responsibility/environment](http://bbc.co.uk/responsibility/environment)

BBC environment targets		Year 7: 2014/15 Target 2016/17	Performance against baseline
	Absolute reduction in energy consumption	-20%	-33%
	Absolute reduction in CO <sub>2</sub> emissions from buildings	-20%	-24%
	Reduction in water use (per person)	-25%	-49%
	Reduction in waste (tonnes) to landfill (per person)	-25%	-71%
	Amount of waste recycled	70%	66%
	Reduction in transport CO <sub>2</sub> emissions (per BBC user)	-20%	-5%
<b>Greenhouse Gas emissions</b>			
Greenhouse Gas emissions (tonnes CO <sub>2</sub> emissions, scopes 1 & 2):			112,907
Carbon intensity (tonnes CO <sub>2</sub> emissions/Total Group Income £m):			23.5

Sustainable production		Target 2016/17	Performance 2014/15
	In-house Children's and TV to use <i>albert</i> to carbon footprint production	100% on track	87% on track
	BBC average carbon footprint for TV production per production hour	N/A	12.1 tonnes CO <sub>2</sub>
	BBC productions to complete <i>albert+</i> sustainable production certification process	25 productions	26 productions

### Notes

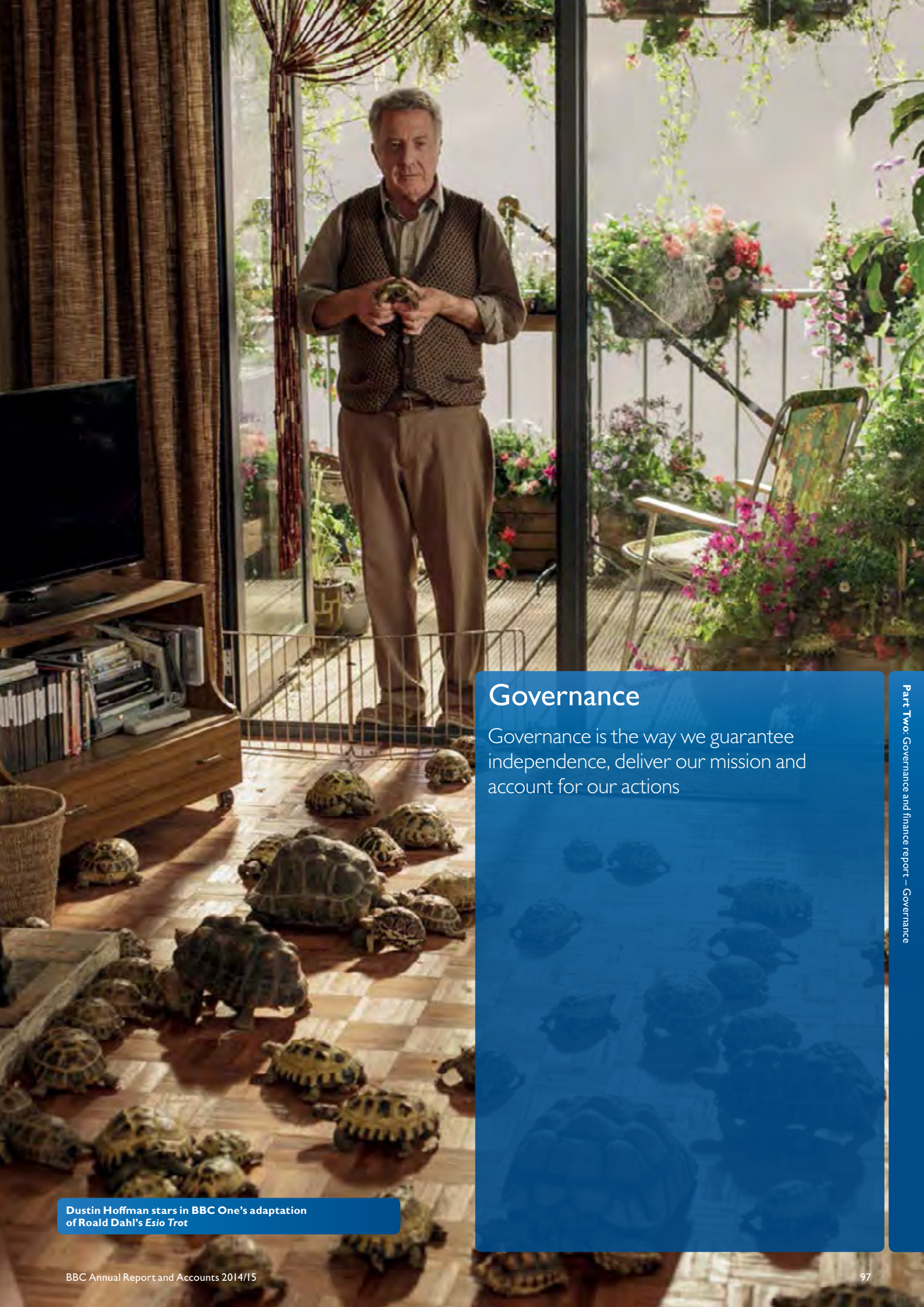
**albert** is a carbon calculator which helps production teams across the broadcasting industry calculate the carbon emissions associated with TV production.

**albert+** is a certification scheme which helps productions take steps to reduce environmental impacts. Successful productions are awarded a one, two or three star rating and may display a badge on programme credits. Productions which have completed the process have progressed to the audit stage.

For more information see: [bbc.co.uk/responsibility/environment](http://bbc.co.uk/responsibility/environment)

### Notes on table

Greenhouse Gas data is for UK-based and representative World Service bureaux; detailed information and explanatory notes can be found online at: [bbc.co.uk/responsibility/environment](http://bbc.co.uk/responsibility/environment).



## Governance

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

Dustin Hoffman stars in BBC One's adaptation of Roald Dahl's *Esio Trot*

# Executive Board

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

## Executive directors



**Tony Hall, Lord Hall of Birkenhead CBE**

Director-General and Chairman,  
BBC Executive Board



**Helen Boaden**

Director, Radio



**Anne Bulford OBE**

Managing Director,  
BBC Finance and Operations



**Danny Cohen**

Director, Television



**Tim Davie**

CEO, BBC Worldwide and Director,  
Global



**James Harding**

Director, News and Current Affairs



**James Purnell**

Director, Strategy and Digital

Non-executive directors



Dame Fiona Reynolds DBE

Senior Independent Director; Chairman of the Remuneration Committee, Fair Trading Committee, and Nominations Committee for non-executive appointments



Simon Burke

Chairman of the Audit Committee



Sir Nicholas Hytner



Alice Perkins CB



Sir Howard Stringer



Dharmash Mistry

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

**Audit Committee**  
The Audit Committee oversees financial reporting, internal control and risk management. The committee is made up of three non-executive directors. The Director-General, Managing Director, Finance & Operations, Director of Risk and Assurance, and external audit representatives also attend.

**Fair Trading Committee**  
The Fair Trading Committee ensures that the BBC complies with its fair trading obligations. It is made up of three non-executive directors, one of whom is nominated as chairperson. Other individuals may be invited to attend all or part of any meeting as and when appropriate. This may include (but not be limited to) the Managing Director, Finance and Operations, BBC Group General Counsel, Head of Fair Trading and Competition Law, external advisers and other relevant BBC members of staff.

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

**Remuneration Committee**  
The Remuneration Committee decides the remuneration of executive members of the Board. It is made up of at least three non-executive directors. The Director-General, Managing Director, Finance and Operations and Director of HR may also attend.

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

This is the membership of the Executive Board as at April 2015. Throughout the reporting year membership has changed. Please refer to pages 110 and 111 for further details.

# Report of the Senior Independent Director



**“Good governance is ultimately about people as much as processes. I am confident that we have the right mix of skills and that the Board is functioning as a strong and coherent group.”**

*Dame Fiona Reynolds*

In March 2015 I visited School Report, the day when 30,000 schoolchildren learn how news reports are made and have their work shown by the BBC.

The children produced and presented a live news bulletin, sitting in the gallery making decisions about which stories to run and how to present them in response to changing events. It was exhilarating to watch.

I was struck by the enormous difference between the governance of the BBC and the production of a live show. The Executive Board makes decisions that last months or years rather than seconds, and is focused on strategy and direction rather than the immediate here and now. But across the BBC the core of our task is the same: to make the best decisions, based on the best information available, in response to our changing world.

As members of the Executive Board, we are acutely conscious of our responsibility for the management and leadership of the world's best public service broadcaster. The structures and processes that underpin our decisions are not ends in themselves, but they are vital in making good decision-making possible.

This year we welcomed two new members to the Executive Board. Dharmash Mistry, a new non-executive director, brings a wealth of digital experience to the Board from his time at Balderton Capital, Emap and LOVEFILM; while Tim Davie, Chief Executive of BBC Worldwide, rejoined the Board.

Tim's appointment reflects the critical importance of BBC Worldwide and our desire to have a single strategy for the public service and commercial elements of the BBC.

Alice Perkins conducted a thorough review of the way the Board works during the autumn of 2014, covering everything from regular reporting to Board members to the way we manage the Board's agenda and deal with the complex matters that come before us.

Following her review, the Board is working more effectively than ever with a renewed focus on strategic decision-making which is so important during this time of change. I'm grateful to all the members of the Board for contributing to her review, and for the time and dedication they have given to the governance of the BBC over the last year.



Our priority this year has been to implement the strategy announced by Tony Hall in October 2013. This has four elements: lifting creativity and distinctiveness, serving all our audiences, innovating online to create a more personal BBC, and becoming simpler and more efficient. The Board monitors progress in each area, supporting and challenging the Executive to deliver our ambitious goals.

We worked with the BBC Trust this year to simplify the way we work together and reduce overlap. Rona Fairhead became Chairman of the Trust in October and she has already built a strong relationship with the Executive Board, based on the Trust's regulatory responsibilities which include holding us accountable for delivering our strategy and challenging the Executive to deliver the best value to our audiences.

Outside the Board, the Audit, Remuneration, Fair Trading and Nominations Committees provide vital oversight and assurance for the BBC. The work of these Committees is described elsewhere in this report.

Good governance is ultimately about people as much as processes. I am confident that we have the right mix of skills and that the Board is functioning as a strong and coherent group under Tony's leadership.

The determination we share to inspire our audiences and provide a secure future for public service broadcasting is given an ever sharper focus as we approach Charter Review and decisions about the future financing of the BBC. The BBC helps us all live fuller and more rewarding lives, and our job is to make sure we combine inspiration with good service, innovation with efficiency, and delight with great value for money.

As I left School Report in March I was shown the BBC's new programmable device that is being given to a million schoolchildren across the UK. What other organisation is capable of teaching the nation to code, or has the audacity to try? The skills that were once the preserve of highly paid professionals are now part of every child's education. It is a privilege to be part of an organisation that is embracing the future with such vigour and enthusiasm.

**Dame Fiona Reynolds**  
Senior Independent Director  
16 June 2015

### Executive Board and Committee attendance

	Executive Board	Audit Committee Member	Audit Committee Attendee	Fair Trading Committee Member	Fair Trading Committee Attendee	Nominations Committee Member	Remuneration Committee Member	Remuneration Committee Attendee
Number of meetings for the period	12		5		3			6
<b>Executives</b>								
Tony Hall	12				4			5
Helen Boaden	11							
Anne Bulford	11				5		3	6
Danny Cohen	11							
James Harding	11							
Tim Davie	12							
James Purnell	11							
<b>Non-executives</b>								
Nicholas Hytner	7							
Simon Burke	11		5					
Fiona Reynolds	12		5		3			6
Alice Perkins	9				3			6
Howard Stringer	11				1/2			
Dharmash Mistry	8/8		2/3					4/4

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

# Governance report

## Good governance is about leadership, accountability and openness

### BBC Corporate Governance Framework

The BBC's corporate governance framework is defined in its Royal Charter and the accompanying Framework Agreement. You can find the Charter and Agreement on the BBC Trust's website at: [bbc.co.uk/bbctrust/about/how\\_we\\_govern/charter\\_and\\_agreement/](http://bbc.co.uk/bbctrust/about/how_we_govern/charter_and_agreement/)

The BBC's Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. Although the BBC is not a listed company, it has opted to adopt best practice and follow the provisions of the Financial Conduct Authority's Listing Rules and the Financial Reporting Council's 2012 UK Corporate Governance Code in order to deliver the same governance standards as companies quoted on an EU regulated stock market.

The Executive Board has complied with the requirements of the Charter and has also substantially complied with the UK Corporate Governance Code. There are a number of components of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where compliance with the BBC's Charter or Agreement overrides compliance with the UK Corporate Governance Code. There are also two areas where the BBC did not fully comply with the specific requirements of the Code. All of these are set out below.

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

- **Make up of remuneration (UK Corporate Governance Code principle D.1.1):** The BBC sets levels for executive remuneration that should be sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, in line with this principle. However, this principle also requires aligning executive remuneration to the notion of enhancing shareholder value by making performance-related elements of remuneration a significant proportion of total remuneration. By virtue of the BBC's licence fee funding and its public purposes, the Executive Board has determined that the amount of variable (or performance-related) remuneration that may be earned by staff within the public service should be limited. There is no variable pay for any BBC Public Service executive director and bonuses have been stopped. Tim Davie receives an element of performance-related pay in his role as Chief Executive Officer of BBC Worldwide, the BBC's wholly-owned commercial subsidiary.
- **Interaction with shareholders (UK Corporate Governance Code principles B.7.1, B.7.2, D.2.4 and section E):** The BBC is not a profit-oriented company with shareholders and so provisions relating to interaction with shareholders 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 this Annual Report and Accounts.

### Areas where compliance with the BBC's Charter overrides the UK Corporate Governance Code:

- **Division of responsibilities between Chairman and Chief Executive (UK Corporate Governance Code principle A.2.1 and A.3.1):** As permitted by the BBC's Charter, the Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC. This does not comply with the UK Corporate Governance Code which requires a clear division of responsibilities at the head of the company between the running of the Board and the executive responsible for the running of the business. No one individual should have unfettered powers of decision. Whilst the Director-General acts as both Chairman and Chief Executive of the BBC Executive Board, the strategic oversight of the Corporation by the BBC Trust ensures that no single individual has unfettered powers.
- **Evaluation of the Chairman (UK Corporate Governance Code principle B6.3):** The Director-General of the BBC, being the Chairman of the Board, has his performance evaluated by the Chairman of the BBC Trust as opposed to the Senior Independent Director, as required in the UK Corporate Governance Code.

### Areas of non-compliance with the UK Corporate Governance Code:

- **External evaluation of the Board (UK Corporate Governance Code principle B.6.2):** In 2013 the BBC Trust and Executive Board undertook an extensive review of its governance procedures and the results were published. The Executive Board also undertook an internal evaluation of its operations during the year. However, the last external evaluation of the Board was completed in 2009, therefore not within the last three years as required by the UK Corporate Governance Code. Given the activities that have been undertaken this year the Executive Board believes that non-compliance in this area has not compromised the quality of the governance arrangements in place during 2014/15 or the execution of the Executive Board's responsibilities.
- **Composition of the Audit and Remuneration Committees (UK Corporate Governance Code principles C.3.1 and D.2.1):** For the first five months of the year both the Audit and Remuneration Committees comprised two members which, despite being quorate, does not comply with the UK Corporate Governance Code; this was due to a lack of available non-executive directors to fulfil these roles. A new non-executive director was appointed as a member of both the Audit and Remuneration Committees in September 2014; therefore the BBC was compliant with these principles for the remainder of the financial year.

# Nominations Committee

## Cost of compliance

In 2014/15, the BBC incurred costs estimated at £11.7 million (2014: £16.2 million) to ensure that we complied with all relevant legislation. This includes the BBC's annual £2.6 million regulatory fee to Ofcom. During the year a number of enquiries continued, the costs incurred during 2014/15 on these enquiries were £1.2 million (2013/14: £2.0 million).

## The BBC Executive Board

The Executive Board, its sub-committees and other groups to which it delegates responsibility are responsible for the delivery of BBC services and day-to-day operations across the organisation. The BBC Trust is responsible for setting the overall strategic direction of the BBC and for exercising general oversight of the work of the Executive Board.

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 of the Board 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 Committee and a framework for reporting and review is established. See: [bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html](http://bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html)

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

## Induction, performance and development

All new directors receive an induction programme including Board procedures and directors' responsibilities. All directors have access to external independent advice as necessary through the Company Secretary.

The BBC Trust formally assesses the performance of the BBC's services against the terms of the licences it issues for each BBC service. The BBC Trust's review and assessment for 2014/15 can be found in Part One of this Annual Report.

All the executive directors have their own personal and divisional objectives, and their performance against them is reviewed by their line manager.

## Board appointments

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

Tim Davie, CEO of BBC Worldwide and Director, Global, was appointed to the Executive Board, effective 1 April 2014.

Following approval from the BBC Trust, the Nominations Committee appointed Dharmash Mistry as a new non-executive director effective 1 September 2014.

# Remuneration report

“Our strategy needs to enable the BBC to continue to attract and retain the very best leaders and highly talented staff.”

*Dame Fiona Reynolds*

## Annual statement of the Chair of the Executive Remuneration Committee

The Executive Remuneration Committee (ERC) recognises the unique way in which the BBC is funded through the licence fee and our obligations to ensure that we operate responsibly and with transparency to deliver the best value for our audiences.

As promised in my 2013/14 report, the Committee has continued to challenge the BBC’s senior management to deliver value and transparency to licence fee payers. A key 2014/15 objective was to deliver the promised increased governance around senior manager remuneration across the BBC. We have done this.

Our task has been helped by the stability of the BBC Executive Board. The CEO BBC Worldwide & Director, Global was reappointed to the Executive Board at the start of the year to ensure greater alignment between public service broadcasting and our commercial operations as part of our vision to create One BBC. There have been no other changes to Executive membership of the Board during the year nor any salary increases.

We have continued to reduce the number of senior managers. The senior manager paybill is now £52 million as compared to £78.5 million on 1 August 2009. There has been no direct impact on the quality of the content we produce as a result of these changes. Our new processes have also ensured that there have been no cases of severance paid above £150,000 and no payments in lieu of notice paid in addition to severance this year. The full report is available here: [bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports](http://bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports)

Throughout the year, the ERC has reviewed the progress against the 2011 BBC Executive and Senior Management Pay Strategy targets and we will continue to do so for the duration of that strategy.

As Tony Hall describes in his foreword, a key challenge for the future is for the BBC to prepare for an internet-led world. To deliver this we need to attract talented people who are able to lead this transformation and have a clear, accountable group of senior leaders. Our reward strategy needs to enable the BBC to continue to attract and retain the very best leaders and highly talented staff through a combination of our extraordinary output, compelling creative position and strong public service ethos.

**Dame Fiona Reynolds**  
**Chairman of the Remuneration Committee**

16 June 2015



Broadcasting House, London

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## Remuneration policy for executive directors

### 1. Remuneration Committees: constitution and operation

The BBC Trust is responsible for setting the remuneration strategy for the Executive Board and for all aspects of the remuneration of the Director-General and the non-executive directors.

The Executive Remuneration Committee (ERC) is responsible for implementing the agreed strategy for all executive members of the Executive Board, with the exception of the Director-General. Its members are non-executive directors: Dame Fiona Reynolds (Chairman), Alice Perkins (from 1 January 2014) and Dharmash Mistry (from 1 September 2014).

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

The ERC established the Senior Manager Remuneration Committee (SMRC) in September 2012, giving it responsibility for aligning the operational needs of the BBC within the strategic framework set by the Trust and implemented by the ERC.

### 2. Executive Board membership and structure

In 2013/2014 the BBC made the latest appointment to the new Executive Board under Tony Hall's leadership. This was the reappointment of the role of CEO, BBC Worldwide & Director, Global to the Board with effect from 1 April 2014.

As at 31 March 2015, the Executive Board comprised six executive directors employed in the public service; the CEO, BBC Worldwide & Director, Global employed by BBC Worldwide and six non-executive directors. Details of the Executive Board membership and full remuneration is provided in Table 1 on page 110.

### 3. Executive director pay components

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

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

When reviewing the pay for the executive directors, the ERC considers each component of the total remuneration package broken down as set out on the table overleaf:

Component	Purpose and link to strategy	Operation	Maximum opportunity
Base pay	<p>Base pay is aligned to the market median for total direct remuneration (salary, annual bonus and annualised long-term incentive).</p> <p>A discount of 50-80% against total direct remuneration in the commercial sector is applied to executive director roles.</p>	<p>Three factors are used to determine the level of base pay set for an executive director or senior manager:</p> <ul style="list-style-type: none"> <li>■ would the rate be consistent with the discounted market rate for the job?</li> <li>■ does the personal performance of the executive director justify the level of base pay?</li> <li>■ is the level affordable and not deemed excessive?</li> </ul>	<p>There is no prescribed maximum salary or maximum increase.</p> <p>No executive director has received an in-role salary increase since 2009.</p>
Variable pay	<p>Executive directors employed in the BBC's commercial businesses are contractually entitled to a performance-related annual bonus funded by the commercial business and not the licence fee to reward the achievement of short-term strategic goals and profit growth.</p>	<p>Executive directors in Public Service are no longer entitled to receive a performance bonus.</p> <p>Payment of contractual bonuses in the BBC's commercial businesses is subject to the achievement of an overall headline profit for the relevant business.</p>	<p>No executive director in Public Service has received a bonus since 2008.</p> <p>The maximum bonus payable to an executive director employed in a BBC commercial business is 70% of salary, where target bonus is 50% of salary.</p>
Benefits – pension and life assurance	<p>Pensions are offered in accordance with the all-employee pension arrangements.</p> <p>In addition to pensions, the other main contractual benefit is life assurance.</p>	<p>Directors can elect to join the defined-contribution scheme LifePlan.</p> <p>The BBC's defined-benefit scheme is closed for new joiners.</p>	<p>Current policy provides a defined contribution scheme with no salary cap, and a maximum employer contribution of 10% of salary.</p> <p>Existing members of a defined-benefit pension scheme are capped at the maximum salary for their pension scheme or are subject to a cap in pensionable salary growth.</p> <p>Executive directors are provided with death-in-service life assurance cover of two times their basic salary.</p> <p>Employees who are members of either the BBC Pension Scheme or LifePlan (the BBC's defined-contribution plan) are provided with death-in-service life assurance cover of four times their basic salary.</p>

Component	Purpose and link to strategy	Operation	Maximum opportunity
Benefits	In April 2012, the BBC removed the car allowance benefit for all new executive directors and senior managers to ensure that future policy aligns with arrangements for all BBC employees.	<p>Executive directors who were already in receipt of a car allowance have retained it.</p> <p>Executive directors who received a car allowance payment in 2014/15 were: Helen Boaden and Danny Cohen.</p> <p>Danny Cohen had his car allowance frozen on promotion to the Executive Board.</p> <p>The Director-General is entitled to a car and driver under earlier arrangements but has no entitlement to a personal car allowance or fuel allowance.</p> <p>During 2014/15 all other executive directors have had access to a car and driver, shared with the Chairman of the BBC Trust.</p>	The maximum car allowance benefit received by any executive director is £12,900 per annum. This is a historical benefit.
Benefits	Entitlement to private health care was removed for all new executive directors with effect from August 2011, to ensure alignment with all other BBC employees.	<p>Executive directors who were already entitled to funded private medical insurance have retained it.</p> <p>Executive directors who elected to take up funded private medical insurance in 2014/15 were: Helen Boaden, Danny Cohen and Tim Davie.</p>	The maximum level of cover offered is family cover. This is a historical benefit.
Employment contracts and severance	Employment contracts of executive directors have a maximum notice period of six months, but are subject to earlier termination for cause.	There is no contractual entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.	In the event of redundancy, all executive directors are entitled to payments equal to one month per year of service up to a maximum payment of £150,000.
Other remuneration	There is no entitlement to any other remuneration.	Consideration is given to the reputational risks to the BBC and the level of payment is agreed by the Executive Remuneration Committee on a case-by-case basis.	There is no prescribed maximum.

**Pension**

Executive directors who joined the BBC before 1 December 2010 are eligible to participate in the BBC Pension Scheme (the Scheme), which provides for pension benefits on a defined-benefit basis. Executive directors who joined the BBC on or after 1 December 2010 are eligible to join LifePlan which is the BBC's defined-contribution arrangement. The BBC pays matching contributions to LifePlan for employee contributions between 4% and 5%. Employee contributions between 6% and 7% are matched plus an additional 1%. Employee contributions of 8% or more receive the maximum employer contribution of 10%. There is no maximum pensionable salary for contributions to LifePlan.

Executive directors who decide not to join LifePlan or are not already an existing member of the Scheme are, subject to meeting

the relevant criteria, automatically enrolled in the National Employment Savings Trust (NEST). The BBC and employees currently pay 1% of qualifying earnings to NEST. Individuals can choose to opt out of this.

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

Features of the BBC's pension arrangements that our executive directors participate in are provided in the table below.

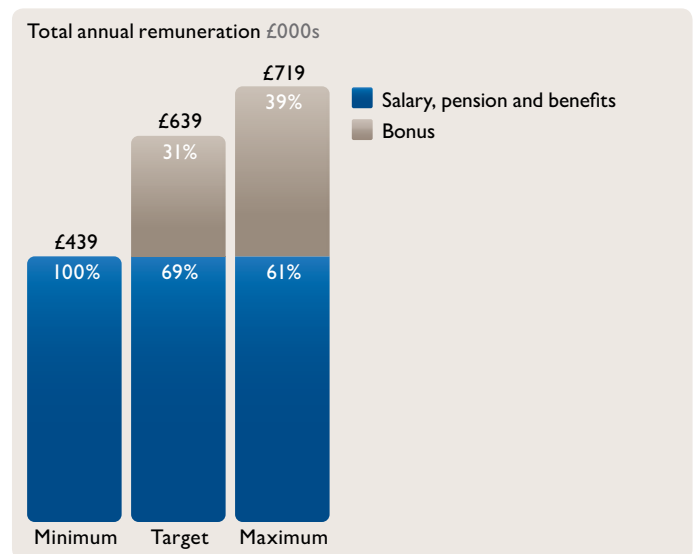
Details of the BBC Pension Scheme are available at: [bbc.co.uk/mypension/](http://bbc.co.uk/mypension/) and details of LifePlan can be found at: [www.friendslife.co.uk/microsite/bbc/](http://www.friendslife.co.uk/microsite/bbc/)

Scheme	'Old' benefits defined benefit	'New' benefits defined benefit	CAB 2006 defined benefit	CAB 2011 defined benefit	LifePlan defined contribution	National Employment Savings Trust (NEST) defined contribution (auto enrolment arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60ths accrual	60ths accrual	1.67% accrual adjusted in line with inflation	1.67% accrual adjusted in line with CPI	BBC will contribute a maximum of 10% of salary if employee contributes 8% with lower sliding scale	BBC will contribute 1% of qualifying earnings
Salary	Final pensionable	Final pensionable	Career average revalued earnings	Career average revalued earnings		
Normal pensionable age	60	60	65	65	N/A	N/A
Earnings cap	Date of joining before 1 June 1989 uncapped, capped otherwise	Capped at £145,800	Capped at £145,800	Capped at £142,200	Uncapped	Minimum earnings £5,772 p.a. Maximum earnings £41,865 p.a.
Pensionable salary growth before the earnings cap is applied	Limited at 1% p.a.	Limited at 1% p.a.	Limited at 1% p.a.	No restriction	N/A	N/A
Employee contribution (% of pensionable salary)	7.5%	7.5%	4%	6%	Minimum employee contribution is 4%	1% of qualifying earnings

**Variable remuneration in 2015/16 for BBC Worldwide**

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

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





#### 4. How does the executive pay policy in the Public Service differ from that for all other BBC employees?

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

Executive directors and senior managers are not entitled to the annual pay review agreed with the National Joint Council of Trade Unions. Executive directors and senior managers are not automatically entitled to any form of annual increment nor are they entitled to any form of progression payment. A cost of living increase was applied to the senior management population, excluding the most senior role and recently recruited employees, in January 2015. This was in line with what was awarded to other eligible BBC staff and was done in recognition of the impact of previous pay freezes has had on pay as this practice cannot be continuously sustained. Senior salaries are discounted against the remuneration of equivalent roles in commercial organisations. The BBC is increasingly aligning senior pay to public sector organisations with commercial sector activities.

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

#### 5. The Executive Pay Strategy and Policy for 2014/15 – progressing towards greater consistency and transparency

Throughout 2014/15, the ERC worked to manage and reduce senior managers by ensuring compliance with the BBC executive and senior management pay strategy. This strategy was agreed with the Trust in July 2011, with targets to be delivered by the end of 2015. Since January 2012 the BBC has reduced overall numbers by 71 senior managers against a target of 70 and paybill by £5.7 million against a target of c£9 million. These reductions will have contributed to nearly £1.6 billion of cumulative savings by the end of the Charter period. Reductions thus far have been achieved without harming the services we provide to our audiences.

The BBC continues the practice of discounting BBC executive directors' pay against the commercial sector and has maintained a pay freeze of executive directors. The agreed discount remains at between 50% and 80% below commercial sector pay. In order to ensure that levels of pay are consistent with the agreed strategy, the ERC obtains and reviews external market pay data via an independent advisor. This information was reported to the Trust and provided assurance of our continued delivery against the policy. Our executive directors in the public service are paid around 70% less than similar executives in the commercial sector. This discount also reflects the substantial additional amounts of variable pay (including bonus and long-term incentives) provided in the commercial sector that are not available to executive directors working for the public service BBC.

The strategy also committed the BBC to two further targets – a 20% reduction in the numbers of senior managers earning over £150,000; and a senior manager population that is c1% of the total workforce. We continue to work towards these targets but they have not yet been achieved. On the first, although we continue to discount our roles in line with policy, due to changes in the external market in which we recruit and the consolidation of a number of our senior manager roles into larger jobs, we have not achieved the reduction in numbers that were proposed in the strategy (at 1 March 2015 numbers were 95, against a target of 72). We have reported this to the Trust and continue to monitor salaries at this level. On the second, we are reviewing options for the definition of our senior leader population in order to give real clarity about the core community who are accountable for leading and running the BBC.

#### 6. Consideration of BBC Trust views

The BBC Trust has specific responsibilities with regard to the remuneration of executive directors – these are set out in Part 1 of this report. More generally, the Trust has agreed the BBC's current executive remuneration strategy. The ERC reports to the Trust against the strategic objectives we have agreed and seeks feedback from the Trust.

The ERC provides an annual assurance report (covers executive director pay, benefits and terms and conditions) to the Trust for consideration and feedback. Members of the Trust have discussed the report. It was noted there had been no 'in role' salary increases for executive directors and that the discount factor against remuneration of commercial sector competitors was within the range agreed by the Trust.

## Executive Board annual remuneration report

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

Table 1 provides full details of the remuneration earned by all Executive Board members and the total remuneration for Trustees for 2014/15 compared to the previous year.

Table 1: Executive Board remuneration

	2014/15					Total remuneration £000
	Fee/ base pay £000 (Note 3)	Taxable benefits £000 (Note 4)	Performance- related remuneration £000 (Note 5)	Compensation for loss of office £000	Pension- related single figure £000 (Note 6)	
<b>Executive directors</b>						
<i>Executive directors as at 31 March 2015</i>						
Tony Hall	450	16	–	–	–	466
Helen Boaden	340	15	–	–	65	420
Anne Bulford	395	–	–	–	–	395
Danny Cohen	320	10	–	–	42	372
Tim Davie (Note 1)	400	2	201	–	37	640
James Harding (Note 2)	340	–	–	–	14	354
James Purnell	295	–	–	–	30	325
<b>Total executive directors as at 31 March 2015</b>	<b>2,540</b>	<b>43</b>	<b>201</b>	<b>–</b>	<b>188</b>	<b>2,972</b>
<i>Total former executive directors on the Executive Board prior to 2014/15</i>						
	–	–	–	–	–	–
<b>Total executive directors</b>	<b>2,540</b>	<b>43</b>	<b>201</b>	<b>–</b>	<b>188</b>	<b>2,972</b>
<b>Non-executive directors</b>						
<i>Non-executive directors as at 31 March 2015</i>						
Simon Burke	37	–	–	–	–	37
Nicholas Hytner	33	–	–	–	–	33
Dharmash Mistry	19	–	–	–	–	19
Alice Perkins	33	–	–	–	–	33
Fiona Reynolds	47	–	–	–	–	47
Howard Stringer	33	–	–	–	–	33
<b>Total non-executive directors as at 31 March 2015</b>	<b>202</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>202</b>
<i>Total former non-executive directors on the Executive Board prior to 2014/15</i>						
	–	–	–	–	–	–
<b>Total non-executive directors</b>	<b>202</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>202</b>
<b>Total Executive Board</b>	<b>2,742</b>	<b>43</b>	<b>201</b>	<b>–</b>	<b>188</b>	<b>3,174</b>
<b>Total Trustees</b>	<b>471</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>471</b>
<b>Total</b>	<b>3,213</b>	<b>43</b>	<b>201</b>	<b>–</b>	<b>188</b>	<b>3,645</b>

2013/14						
Fee/base pay £000	Taxable benefits £000	Performance-related remuneration £000	Compensation for loss of office £000	Pension-related single figure £000	Total remuneration £000	
449	18	–	–	–	467	Appointed to the Board on 2 April 2013
340	15	–	–	59	414	Appointed to the Board in this role on 15 April 2013
304	–	–	–	–	304	Appointed to the Board on 21 June 2013
287	9	–	–	31	327	Appointed to the Board on 7 May 2013
1	–	–	–	–	1	Current membership to the Board commenced on 1 April 2014
217	–	–	–	–	217	Appointed to Executive Board on 12 August 2013
295	–	–	–	22	317	Appointed to the Board on 19 March 2013
<b>1,893</b>	<b>42</b>	<b>–</b>	<b>–</b>	<b>112</b>	<b>2,047</b>	
<b>500</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>42</b>	<b>570</b>	
<b>2,393</b>	<b>70</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>2,617</b>	
37	–	–	–	–	37	Appointed 1 January 2011, current term expires 31 December 2016
–	–	–	–	–	–	Appointed 1 April 2014, term expires 31 March 2017
–	–	–	–	–	–	Appointed 1 September 2014, term expires 31 August 2017
–	–	–	–	–	–	Appointed 1 April 2014, term expires 31 March 2017
47	–	–	–	–	47	Appointed 1 January 2012, current term expires 31 December 2016
8	–	–	–	–	8	Appointed 1 January 2014, term expires 31 December 2016
<b>92</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>92</b>	
<b>61</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>61</b>	
<b>153</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>153</b>	
<b>2,546</b>	<b>70</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>2,770</b>	
525	1	–	–	–	526	
<b>3,071</b>	<b>71</b>	<b>–</b>	<b>–</b>	<b>154</b>	<b>3,296</b>	

## Notes to Table 1: Executive Board remuneration

### Note 1: Tim Davie

Tim Davie temporarily assumed the role of Acting Director-General on 11 November 2012 until Tony Hall assumed the role on a permanent basis on 2 April 2013. Tim was then re-appointed to the Executive Board in his role as CEO, BBC Worldwide & Director, Global with effect from 1 April 2014. This role is funded entirely by the BBC's commercial operations and is not paid for or subsidised by the licence fee. The performance-related remuneration for Tim Davie relates to amounts earned in the year ended 31 March 2015. The equivalent performance-related remuneration earned in the year ended 31 March 2014 was £231,000 and is not included in the table for the prior year as he was not on the Executive Board.

### Note 2: James Harding

James Harding joined the BBC as an executive director on 12 August 2013. He joined LifePlan on 1 November 2014 having previously been enrolled in the National Employment Savings Trust.

### Note 3: Pension

Employee pension contributions are ordinarily made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced.

### Note 4: Taxable benefits

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

### Note 5: Performance-related remuneration

The CEO, BBC Worldwide & Director, Global is contractually entitled to an annual bonus. Payment of the bonus is subject to the achievement of an overall headline profit for that business. This payment is funded entirely by the BBC's commercial operations and not by the licence fee.

The ERC has ceased the payment of bonuses to all executive directors in the Public Service.

### Note 6: Pension-related single figure

This is generally calculated as 20 times the increase in the accrued pension over the year net of inflation, less the directors' defined-benefit contributions, plus the employer's defined contribution.

## Table 2: Defined benefit entitlements

Details of defined benefit entitlements are shown below.

Executive directors	Age as at 31 March 2015	Section	Accrued pension 31 March 2015 (or retirement/ leaving the Board if earlier) £000	Accrued pension 31 March 2014 (or joining the Board if after) £000	Director defined-benefit contributions (via salary sacrifice) 2014/15 £000	Pension-related single figure £000
Helen Boaden	59	Old benefits	80	74	16	65
Danny Cohen	41	CAB 2006	18	15	6	42
Tim Davie	47	CAB 2011	8	5	9	37

1 Tim Davie became an active member of the CAB 2011 section as at 1 January 2012 and retains a deferred pension in the new benefits section for service up to that date. The accrued pension shown relates to CAB 2011 only

2 Directors' defined-benefit contributions are made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced. To avoid double-counting, the salary sacrifice contribution is treated as a contribution from the director for the purpose of calculating the pension-related single figure

3 The pension-related single figure has been calculated on a pro rata basis to reflect the period each director has served as a member of the Board

4 Tony Hall and Anne Bulford are not currently contributing to a BBC pension arrangement and do not receive any payments-in-lieu of pension-related benefits in respect of their current period of employment

5 James Harding and James Purnell are active members of LifePlan. In 2014/15 the employer contributions to this scheme were £14,335 and £29,500 respectively

### Comparative pay across the BBC: how does executive directors' pay compare to that of other BBC employees?

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

The table below provides a summary of the Director-General's to BBC staff's median earnings, and executive directors' to median earnings since 2011. The Director-General to staff multiple has reduced again from 10.9 to 10.7. This demonstrates a positive increase in median earnings across the BBC while there has been no change in the earnings of the Director-General.

	2015	2014	2013	2012	2011
Director-General's earnings	10.7	10.9	11.0	16.5	16.8
Executive directors' median earnings	8.2	8.2	8.1	8.7	8.9

Earnings calculation includes: basic pay, bonus, continuing allowances, overtime, and other non-continuing allowances. Median earnings figures are calculated using Director-General and Executive Board annual salaries.

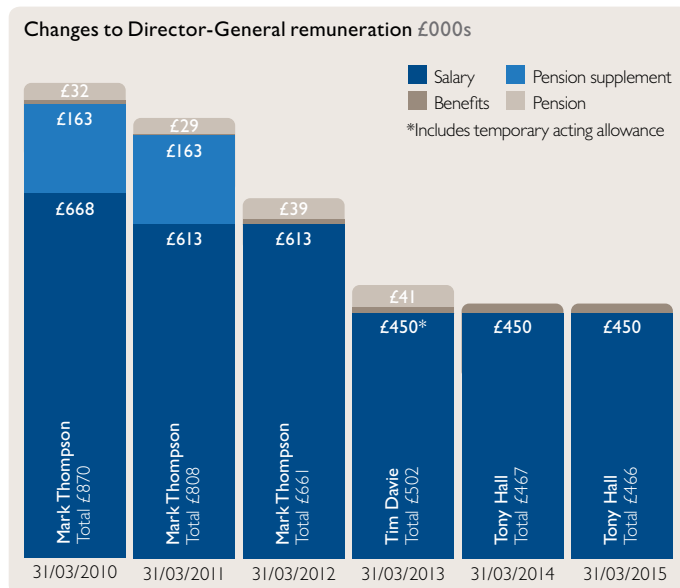
The figure for 2015 excludes the CEO, BBC Worldwide & Director, Global whose role is funded entirely by the BBC's commercial operations.

The following tables provide a summary of the changes to the Director-General's cash earnings for 2014/15 versus the change in pan-BBC median earnings over the same period. In addition, through the BBC Executive and Senior Manager Reduction programme, the BBC has reduced in total cash earnings and earnings as a proportion of total salary costs for BBC executive directors and senior managers.

	2015 £000	Change from 2014
Director-General cash earnings	450	0.0%
Pan-BBC median earnings	42	1.8%

	2015		2014	
	Salary and allowance costs £m	Percentage of paybill	Salary and allowance costs £m	Percentage of paybill
Executive director cash earnings*	2.16	0.2%	2.49	0.3%
Senior manager cash earnings	51.53	5.9%	50.73	6.0%
All other BBC staff cash earnings	815.09	93.8%	786.09	93.7%
Total	868.78		839.32	

\*As the data is representative of Public Service Broadcasting, Tim Davie, CEO BBC Worldwide & Global has been excluded.



### Severance

No severance has been paid to executive directors during the year ended 31 March 2015. A detailed report on severance pay by the Senior Independent Director is available online [www.bbc.co.uk/corporate2/insidethebbc/howwework/reports/bbc\\_review\\_severance\\_payments\\_2014\\_15](http://www.bbc.co.uk/corporate2/insidethebbc/howwework/reports/bbc_review_severance_payments_2014_15).

### **Delivering the strategy in 2015/16**

During 2015/16, the ERC will continue to consider all potential executive director appointments and severance cases to ensure alignment with BBC policy and strategy. The ERC will monitor on an ongoing basis the senior pay strategy agreed in 2011 and will implement a new strategy thereafter.

### **Outside interests**

With the prior agreement of the Director-General, executive members of the Executive Board may hold remunerated external directorships. The prime purpose of the external directorship should be to support personal and career development and thereby give back to the BBC. Remuneration which arises from directorships may be retained by the individual. Executive directors may also hold non-remunerated posts outside the BBC. No more than one to two days per month are permitted to fulfil all external duties.

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

### **The BBC's commercial businesses**

The BBC has staff employed with three commercial subsidiaries:

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

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

Remuneration within the commercial subsidiaries is not governed by the BBC's remuneration policy but is subject to the BBC's governance and approval.

# Audit Committee report



**“Managing risk and assurance in a changing organisation.”**

*Simon Burke*

## Report of the Chairman of the Executive Audit Committee

### Overview

We design the Executive Audit Committee's (EAC) agenda alongside that of the Executive Board, to ensure that all significant areas of risk are considered during the year in an appropriate forum.

As indicated last year, effective identification and mapping of risks has been a key theme for us. We have developed a much more robust process for this and it has enabled us to base our audit plan much more closely on the risk map. In this way, internal audits increasingly form an integral part of the overall assurance and mitigation strategy of the BBC in relation to its risk profiles. I am satisfied with the progress we have made in this area and we will continue to build on it.

We were also pleased to see that the outcome of our programme of internal audit work was a reduction in both the number and gravity of matters raised when compared with the previous year. Our clear-up rate for audit actions also improved. We have been attentive to progress with some of the high-profile issues reported in recent years, including child protection, the treatment of freelancers, and the management of major projects, especially in IT.

Our agenda needs to evolve with the changes in the activity, risks and balance of the BBC. Accordingly we are increasingly focused on the impact of digital developments, cyber security and major technology investment, alongside the continuing work to reduce the BBC's cost base through the DQF programme and other initiatives.

I am satisfied that the activities of the EAC have enabled us to gain a good understanding of the risks and challenges faced by the BBC, and the adequacy and timeliness of the action being taken to address them.

We endeavour at all times to keep audience priorities and value for money at the forefront of our thinking.

No major matters were raised in the annual evaluation of the EAC's performance.

**Simon Burke**  
**Chairman of the Executive Audit Committee**  
16 June 2015

### Role

The main purpose of the EAC is to obtain assurance that the financial statements of the BBC have been prepared with integrity and that the BBC is maintaining and operating a sound system of internal control and risk management. In order to gain this assurance, the EAC has responsibility for:

- monitoring and reviewing the integrity of the financial statements of the BBC and the significant reporting judgements contained within them
- reviewing the effectiveness of the BBC's system of internal control
- reviewing the process for the management of risk
- monitoring and reviewing the effectiveness of the Internal Audit function
- developing and implementing policy on the engagement of the external auditor to supply non-audit services
- reviewing the appropriateness of the BBC's relationship with the external auditor, including auditor independence and objectivity; the provision of non-audit services and fees
- monitoring and reviewing the effectiveness of the external auditor
- making recommendations regarding the appointment of the external auditor
- reviewing arrangements by which staff of the BBC may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters

The EAC's Standing Orders set out in more detail our responsibilities. These are reviewed regularly and were last updated in March 2014. They can be read on our website, [www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html](http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html)

### Membership

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

Simon Burke  
Fiona Reynolds  
Dharmash Mistry (from 1 September 2014)

We consider that Simon Burke, EAC Chairman, has significant, recent and relevant financial experience. When appropriate, we augment the skills and experiences of our members with advice from internal and external audit professionals – for example on matters such as developments in financial reporting.

Our meetings are also attended by the Director-General, the Managing Director Finance and Operations, the BBC's General Counsel, the Director of Risk and Assurance and representatives from internal audit, risk management and the external auditors. We also meet privately, without any member of management present, with both internal audit and the external auditors on a regular basis.

### Meetings

We held five meetings during 2014/15, at key times in the reporting and audit calendar.

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

We spent our time on the following areas:

### Integrity of financial reporting

We reviewed the integrity of the financial statements of the BBC:

- we identified through discussion with both management and the external auditor the key risks of misstatement within the BBC's financial statements, including those areas where significant financial judgements were required and which have influenced the financial statements
- we discussed these risks with the auditor at the time we reviewed and agreed the external auditors' audit plan and also at the conclusion of the audit of the financial statements
- we reviewed, discussed and challenged detailed papers received from management on those areas requiring significant financial judgement, taking account of the views of the auditor

We set out opposite how we satisfied ourselves that the key areas of judgement have been appropriately addressed.



## Key areas of judgement

### Judgemental assumptions impacting pension deficit

The financial statements include a significant deficit on the balance sheet of £948.2 million for the BBC's defined-benefit pension scheme.

Judgements are required regarding the underlying assumptions used by the actuaries in calculating the pension deficit. Changes in these assumptions can result in large swings in the final numbers disclosed.

## Our response

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

### Complexity of accounting for property portfolio

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

We reviewed detailed reports from management which explained the treatment for the most significant buildings, including the projected timescales for future activity and rationale for treatment. We also considered the auditors' views on the accounting treatment for these buildings. We are satisfied that the treatment of these properties within the financial statements is consistent with management's intention, and is in line with accepted accounting standards. This includes the reconsideration of the accounting treatment of Daunus Limited as described in the financial statements.

### Capitalisation/impairment of capital projects

The BBC undertakes multiple capital projects at any one time. If a material capital project cannot be completed on time, or will not derive future benefit to the BBC, this could trigger an impairment charge.

We reviewed reports from management which explained the status of major capital projects and the approach taken to assess whether or not any impairment charge was required. We also considered the auditor's view. We are satisfied with the treatment of capital projects, and with the underlying systems addressing this.

### Inappropriate revenue recognition

There is an inherent financial reporting risk around revenue recognition relating to timing of recognition of income. The nature of the risk varies between the licence fee income which is reliant on accurate processing of transactions in the public services and the commercial income for which the underlying risk is around year-end cut-off.

We consider that the BBC's existing financial control systems should ensure that income is properly treated in the financial statements. We have discussed the external auditor's findings in these areas and also drawn on relevant internal audit work. We are satisfied that the systems are working as intended and cut-off is accurate.

### Judgemental provisions and accruals

The financial statements include provisions in relation to restructuring of £37.1 million as part of the BBC's DQF programme. Judgements in this area are largely related to the timing of recognition of these provisions and the quantum recognised.

Other less significant provisions totalling £80.7 million require judgements regarding the assumptions used in quantifying the BBC's exposure to claims from various parties, and the likelihood of success of those claims.

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

### Cost cut-off and allocation between service licences

Service licences are used by the BBC Trust to regulate the licence fee funded services. They include an agreed and authorised budget with a 10% tolerance threshold. Service budgets include costs taken from a number of different divisions and consequently judgements are required in the allocation of direct costs and overheads across the various services.

We reviewed the outturn against the service licence budgets. Management confirmed to us that the basis of cost allocation was the same as in previous years.

We also considered the views of the external auditors who had performed testing on the cost allocation which included testing the year-end cut-off and testing the assumptions used in spend allocations across divisions. We concluded that we are satisfied that the costs have been appropriately classified during the year and in a way which is consistent with the prior year.

## Integrity of financial reporting (continued)

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

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

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

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

## Effectiveness of internal controls and risk management framework

### Internal controls assurance

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

- we sought assurance from management that control issues identified by Internal Audit are being addressed. This is an area we follow up at every meeting to ensure that agreed actions in respect of any weaknesses found are being properly addressed
- we considered the audit assurance over implementation of actions from a number of recent high-profile independent reviews in areas such as severance pay, freelancer tax treatment, child protection and whistle-blowing arrangements
- we considered the audit assurance over a number of high-profile implementation and change programmes concerning the upgrade of underlying IT systems and introduction of improved financial control processes

## Risk management

We considered the processes for managing significant risks within the BBC. This work is influenced by the assessment of the BBC's principal risks set out on pages 120-122. We considered presentations from management on:

- the BBC's risk appetite in the context of its key strategic and operating risks
- how the BBC is managing its key strategic projects

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

## Effectiveness of Internal Audit

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

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

The EAC Chairman also meets with the Director of Risk and Assurance before each Audit Committee meeting without management present for an open discussion.

## Independence and effectiveness of our external auditors

### Appointment of our external auditors

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

During the previous year, and as described in last year's Annual Report, we carried out an external tender process and appointed Ernst & Young LLP (EY) as the BBC's external auditors. EY took over from KPMG LLP for the current year audit. Their appointment is for a period of three years with the option to extend this for a further two years.

### Relationship with external auditors

We oversaw the relationship with EY, including the scope and approach to their work, their fees, their performance and independence (including the approval of and compliance with our policy on non-audit work). Specific areas of focus this year have included:

- audit risk identification and alignment of this with management's risk assessment
- our challenge to the auditors on how they addressed these audit risks
- our private discussions with the auditors without management present

### Non-audit services

As one of our safeguards over the independence of the external auditors, the EAC has developed, and oversees, the BBC's policy on the commissioning of the auditors to provide non-audit services.

Following the appointment of EY, we reviewed the policy and confirmed that it remained applicable. This policy defines the types of services which the external auditors can and cannot provide. Additionally it includes thresholds above which any proposed non-audit work to be carried out by the external auditors must be approved in advance by the EAC. It also defines when work must be submitted for competitive tender.

EY is not considered for work which might compromise its ability to give an independent opinion on the BBC's financial statements. Recruitment from EY into any senior management position in the BBC requires the prior approval of the EAC.

### Arrangements by which staff can raise concerns

During the year we commissioned a report to review our arrangements by which staff may raise concerns regarding potential impropriety. We are pleased at the progress made by management in acting on the recommendations made by that report, as confirmed to us by Internal Audit.

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

# Risks and opportunities

Risks and opportunities affect the ability of the BBC to fulfil its Charter obligations and public purposes. Our approach to risk needs to reflect the unique nature of the BBC. To deliver our objectives we must continue to take creative risks. We must also take seriously our regulatory and statutory responsibilities. Just as taking risk is core to fulfilling our purposes, rigorous risk assessment and mitigation is the foundation of delivering what we do.

As the start of negotiations on licence fee funding and Charter review approaches, the BBC acknowledges the challenges of

evolving audience needs and the opportunities this offers for the Corporation for the next ten years and beyond. Our careful consideration of both contributes to the quality of our programmes and the excellence of the service we provide, and so to our ability to serve our audiences.

The main risks and opportunities to properly serving our audiences are set out in three categories below, although all are interdependent.

## Audiences

<p>Failure to continue to improve the quality, distinctiveness and innovation of our output in all genres whilst delivering a streamlined BBC could limit our ability to meet audience needs and expectations in an ever more competitive marketplace.</p>	<ul style="list-style-type: none"> <li>■ Detailed monitoring of audience performance and reaction</li> <li>■ Strategic planning focusing on delivery of creative ambition and new audience propositions</li> <li>■ Evaluating options to change the in-house production model to secure the long-term supply of British content for UK audiences</li> <li>■ Ongoing dialogue with the independent producer community to adapt to evolution</li> <li>■ Development of new online products responding to creative and audience opportunities</li> <li>■ Strategies to build long-term value with underserved audiences</li> <li>■ Support for, and partnerships with, the UK's creative industries</li> <li>■ High-impact plans to ensure the BBC reflects the diversity of the UK</li> </ul>
<p>Failure to uphold our editorial values and standards in all our content could affect our ability to maintain high levels of audience trust, damage our brand or lead to legal exposure.</p>	<ul style="list-style-type: none"> <li>■ Effective editorial compliance processes</li> <li>■ Wide-reaching training</li> <li>■ Serious consideration of complaints and their implications</li> <li>■ Strong referral procedures and monitoring of high-risk programmes</li> </ul>
<p>Inability to build an ever more creative, dynamic and cohesive organisation could limit our ability to attract, develop and retain the best creative talent and our contribution to creative and digital economies.</p>	<ul style="list-style-type: none"> <li>■ Proactive articulation of what we offer as an employer to the widest population and most diverse talent in the marketplace</li> <li>■ Developing our leadership population to continue building a creative, innovative and collaborative environment</li> <li>■ Enable managers to recognise and reward significant additional contribution and growth in skill, capability and experience throughout the year</li> <li>■ Nurturing entry level talent via outreach activity</li> <li>■ Actively reviewing and monitoring strategies to attract, develop and retain on-air talent, reflecting current market conditions</li> </ul>
<p>Failure to deliver content when and how it is demanded, or to anticipate the next big trends in technology and content consumption, could threaten our connection with audiences.</p>	<ul style="list-style-type: none"> <li>■ Anticipating long-term trends in audience preferences and industry developments</li> <li>■ Regular evaluation of our product portfolio to ensure the best response to evolving audience demand</li> <li>■ Immersive experience across devices, tailored to different audience needs</li> <li>■ Further development of personalisation, to enhance audience experience</li> </ul>
<p>Inability to respond swiftly, reasonably and proportionately to significant events or criticisms could impact on our brand reputation and our efficient delivery to audiences.</p>	<ul style="list-style-type: none"> <li>■ Audience relationship a key consideration in all strategy development</li> <li>■ Response to major incidents under continual review to ensure alignment with best practice</li> <li>■ Regular review of response protocols, with provision of speedy and appropriate advice to the Director-General to ensure effectiveness of response</li> </ul>

## Delivery

<p>Failure to deliver a flexible and agile management and governance structure could limit our ability to respond quickly to new challenges with consequent impact on delivery of strategic priorities.</p>	<ul style="list-style-type: none"> <li>■ Continuing work on organisational simplicity</li> <li>■ Implementation of single points of accountability and clarity around decision-making routes</li> <li>■ Ongoing work with the Trust to ensure governance arrangements are agile and responsive</li> </ul>
<p>Delayed and ineffective implementation of major projects could compromise the delivery of the BBC's overall ambitions.</p>	<ul style="list-style-type: none"> <li>■ Corporate Project Management Office overseeing delivery of major projects, providing delivery confidence assessment</li> <li>■ Single point of accountability for all major projects</li> <li>■ Integrated assurance and approvals plans offering independent review and 'three lines of defence' across the portfolio of projects</li> <li>■ Active sharing of lessons learnt from previous projects</li> </ul>
<p>Technical failure, infrastructure interdependencies, industrial action or the actions of third parties, including suppliers, could lead to interruption of broadcast services.</p>	<ul style="list-style-type: none"> <li>■ Strong business continuity policies and practices aligned to the international standard, regularly assessed and rehearsed, with horizon scanning, risk assessments and contingency planning</li> <li>■ Good union relationships with regular dialogue</li> <li>■ Focus on resilience in key procurements and major projects</li> <li>■ Exit plans and contingency plans for key suppliers</li> <li>■ Active involvement in UK and global industry and governmental security forums</li> <li>■ In-depth reviews of system vulnerabilities and process weaknesses</li> </ul>
<p>Failure to keep pace with changes to the information security threat could increase our exposure to vulnerabilities, especially in light of advances in technology and content delivery.</p>	<ul style="list-style-type: none"> <li>■ Continuous improvement programmes for security established both in-house and in third-party IT support company</li> <li>■ Global staff awareness and education campaigns carrying key security messages</li> <li>■ Development of effective monitoring and forensic capabilities</li> </ul>
<p>Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation.</p>	<ul style="list-style-type: none"> <li>■ Well developed safety procedures with comprehensive written guidance, supported by expert advisers</li> <li>■ Robust health and safety training in the UK and overseas, including for staff operating in inhospitable locations</li> <li>■ In response to changes to construction safety legislation which will affect the entertainment industry, working with other broadcasters to understand the impact</li> <li>■ Environmental sustainability strategy to reduce impacts from BBC operations</li> <li>■ Working with other broadcasters to raise standards in the industry as a whole</li> </ul>
<p>Failure to comply with the broad range of legal and other regulatory requirements, or to keep pace with changes, may result in penalties.</p>	<ul style="list-style-type: none"> <li>■ Training plans regularly refreshed to ensure compliance with newly introduced legislation</li> <li>■ Continuing to study and plan for impacts of new legislation, including working with the industry to monitor and develop best practice solutions for achieving effective compliance</li> <li>■ Child protection training and guidance strengthened following an independent review</li> </ul>

## Financial

Developments in the UK and global economic situation impact us and all our stakeholders, and could lead to reduced financial flexibility, potentially affecting our ability to meet all our ambitions within our means.

- Contingency planning and business modelling through to 2020, incorporating different funding scenarios, including changes to inflation, obligations and our collection framework
- The above used as the basis for rolling cash flow forecasts and to identify funding pressures and ensure spending plans are realigned where necessary
- Tight management of the implementation of savings programmes to enable the delivery of our strategic vision within available funding
- Introduction of 'compete or compare' to identify further cost reduction opportunities

Competition from powerful global media providers or failure to capitalise on business and partner opportunities could impact commercial revenue, and could reduce our ability to achieve brand visibility internationally and to represent UK creativity to the world.

- Proven delivery by commercial subsidiary of sustainable financial returns, successfully promoting the BBC globally, showcasing UK creativity and innovation, and achieving the right business, editorial and creative relationships
- Global leadership team backed by a regional structure with expertise in local markets and accountability for regional performance
- Commercial subsidiary increasing investment in in-house production to support the UK content pipeline and contribute towards the BBC's public purposes

Inability or failure to plan adequately for the range of potential changes to our funding model could limit our capability to deliver distinctive content to audiences in the future.

- Engagement with the Government's Charter and licence fee review process
- Participation in the Government's review of options regarding licence fee enforcement
- Structured approach to reviewing value for money for licence fee payers

### The BBC's accountability and internal control processes

The Executive Board is responsible for the operational management of the BBC (excluding the Trust Unit). This includes safeguarding its assets and achieving value for money by ensuring there is a process in place for managing significant risks to the BBC.

The Executive Board is responsible for establishing, maintaining and reviewing the effectiveness of the BBC's system of internal control and for ensuring that necessary actions are taken to remedy any significant failings or weaknesses identified. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Our system of control is designed to manage (rather than eliminate) the risk of failure to achieve business objectives and to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised, and material errors or irregularities are either prevented or detected on a timely basis.

Key elements of our system of internal control include:

*Risk identification and management:* The Executive Board co-ordinates and monitors risk management activity within the BBC. Our process for identifying, evaluating and managing significant risks to the BBC, which accords with the Turnbull guidance (Internal Control: Guidance to Directors), has been in place for the year ended 31 March 2015 and up to the date of approval of this Annual Report and Accounts. The key risks and opportunities within the BBC are shown on pages 120 to 122.

*Strategy and financial reporting:* The Executive Board approves a business plan that aims to deliver the Trust-approved BBC strategy. Comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Executive Board, include financial monitoring against the plan, regular reforecasting, analysis of variances, and performance reviews tracking achievements against the business plan and strategy.

*Business policies:* Formal policies and procedures are in place for all material business processes to ensure compliance with all applicable laws and regulations, that risks are managed and that timely, relevant and reliable information is available across the business.

*Cash management:* The BBC undertakes regular treasury and cash reporting, analysing funding requirements and liquidity.

*Authorisation procedures:* Clearly stated formal authorisation limits and processes cover all financial transactions.

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

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

### The BBC's internal audit process

Internal audit, risk management and, until April 2015, investigation services combine to form our Business Assurance function, which is led by the Director of Risk and Assurance. (From April 2015 the investigations services has been realigned with the BBC's security team.) Internal Audit's authority and independence is assured by the Director of Risk and Assurance's independent and direct access to the Director-General and to the EAC.

Internal audit regularly tests the BBC's control systems and core business processes to ensure they are fit for purpose and consistently applied. The work plan, which is based on a continuing assessment of key risks, is agreed annually with the EAC and covers financial, operational and compliance controls, including the exercise of the BBC's right of audit over external suppliers such as 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.

### Whistle-blowing arrangements

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

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

The GoodCorporation review into Child Protection (referred to on page 86 and published alongside this document) also considered the BBC's whistle-blowing arrangements.

# Fair trading report

## Membership and remit of the Executive Fair Trading Committee

The key function of the Executive Fair Trading Committee (EFTC) is to oversee the BBC Executive's compliance with our Fair Trading obligations. The EFTC comprises three non-executive directors: Dame Fiona Reynolds (Chair), Alice Perkins and Sir Howard Stringer. The EFTC meetings are also attended by the Managing Director, Finance and Operations, Group General Counsel, Assistant General Counsel, Head of Fair Trading & Competition Law and the Director of Risk and Assurance. See page 101 for the Executive Board and Committee attendance table.

Responsibilities of the EFTC include:

- keeping under review the BBC's Fair Trading Guidelines
- dealing with Fair Trading complaints against the BBC through the appointment of a Fair Trading Complaints Panel which is chaired by and includes a majority of non-executive directors
- reviewing ongoing compliance with the BBC's four commercial criteria
- commissioning the annual Fair Trading audit by independent auditors

The BBC has a detailed operational Fair Trading framework which applies to all our activities and is outlined in our Fair Trading Guidelines, found at: [bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html](http://bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html)

These arrangements are subject to annual audit by independent auditors and separately have been accredited with the ISO 9001:2008 quality standard. The auditors' report is set out on page 126.

The BBC Agreement requires the Executive to ensure that all our commercial services meet the following criteria. Commercial services must:

- fit with public purposes
- show commercial efficiency
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines, and in particular avoid distorting the market

Having received reports from relevant senior management, the EFTC is satisfied that all commercial services have met the above criteria for the period 1 April 2014 to 31 March 2015. In relation to BBC Studios and Post Production, this assessment has taken account of the review of operations highlighted in last year's report. Based on the conclusions of that review, the EFTC remains satisfied that BBC Studios and Post Production met the criteria for the previous reporting period 1 April 2013 to 31 March 2014.

The BBC has a published Fair Trading complaints and appeals process, which can be found at: [bbc.co.uk/bbctrust/governance/complaints\\_framework/fair\\_trading.html](http://bbc.co.uk/bbctrust/governance/complaints_framework/fair_trading.html)

The BBC has not received any complaints during the year. Details of previous Fair Trading complaints and those that went to appeal to the BBC Trust can be found in our Fair Trading Bulletin at: [bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints\\_bulletins.html](http://bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints_bulletins.html) and the BBC Trust's Complaints and Appeals Board page: [bbc.co.uk/bbctrust/our\\_work/complaints\\_and\\_appeals/cab.html](http://bbc.co.uk/bbctrust/our_work/complaints_and_appeals/cab.html)



**“All stakeholders, including licence fee payers and those who might be affected by the BBC’s activities, can be confident that the BBC remains committed to, and compliant with, our Fair Trading obligations.”**

*Dame Fiona Reynolds*

## Report of the Chairman of the Executive Fair Trading Committee

As a public service broadcaster, funded by the licence fee, the BBC has a responsibility to ensure that we trade fairly and pay regard to the impact of our activities on the wider market. The BBC has a well-established Fair Trading regime which is subject to both internal and external scrutiny.

The Fair Trading team has continued to work closely with staff throughout the BBC to ensure that new internal processes and initiatives comply with Fair Trading requirements. This is complemented by a targeted training programme for staff likely to encounter Fair Trading issues. In addition to this, the Fair Trading team has continued to work to provide advice to major projects to ensure that they are cognisant of the relevant Fair Trading issues and that they are appropriately managed throughout the project life cycle. For example, the Fair Trading team conducted an assessment against the four commercial criteria of BBC Worldwide Limited’s partnership with AMC Networks in the USA for a 49.9% stake in the BBC America channel. This assessment informed the approvals for this partnership given by the Executive Board and the Trust.

The Trust commenced the triennial review of the BBC’s Fair Trading Policies and Framework, appointing an external consultancy to review the BBC’s implementation of the Fair Trading Policies and Framework. The Fair Trading team has worked closely with the Trust in order to assist this review. The Trust also published a new Commercial Framework, setting out publicly the Trust’s requirements, boundaries and expectations for commercial services.

The Fair Trading regime continues to operate effectively with an unqualified audit opinion. The Committee will continue to ensure that the BBC’s regulatory requirements are adhered to through an approach to compliance which is robust, efficient and proportionate. Fair Trading will also be kept high on the Executive Board’s agenda. All stakeholders, including licence fee payers and those who might be affected by the BBC’s activities, can be confident that the BBC remains committed to, and compliant with, our Fair Trading obligations.

**Dame Fiona Reynolds**  
**Chairman of the Executive Fair Trading Committee**  
16 June 2015



Buyers in digiboosts at the BBC Worldwide Showcase 2015

### Independent fair trading auditors' report to the BBC for the year ended 31 March 2015

We have audited, in our role as the BBC's fair trading auditors, the system of internal controls established within the BBC to provide the BBC with reasonable assurance that the BBC Executive ('the Executive') has complied with the requirement of the BBC Trust's Fair Trading Policies and Framework and the Fair Trading Guidelines for the year ended 31 March 2015 ('the Fair Trading Arrangements').

Our instructions for this engagement, including the scope of work to be undertaken, were agreed with the BBC's Executive Fair Trading Committee (the 'EFTC'). These instructions include agreement that our audit should be conducted in accordance with International Standard on Assurance Engagements ('ISAE') 3000, agreement on the limit of our liability in respect of this work and agreement that our duty of care in respect of this work is solely to the BBC. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

#### Respective responsibilities of BBC Trust, BBC Executive and fair trading auditors

The Trust is responsible for ensuring that the Executive trades fairly. It is also responsible for preparing the section within the BBC's Annual Report entitled 'Fair Trading' which includes a statement on fair trading.

The Executive is charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2015, including identifying and assessing risks that could threaten fair trading and designing and implementing responses to such risks.

As the BBC's fair trading auditors, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, a system of internal controls which provide reasonable assurance that it has complied with the requirements of its Fair Trading Arrangements for the year ended 31 March 2015. We have reviewed specific decisions reached by the BBC on fair trading issues only insofar as this is necessary to form an opinion on the application of the system of internal controls. We have also reviewed whether the Trust's statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls and we report if it does not.

Our opinion has been prepared for and only for the BBC in accordance with our instructions which were agreed with the EFTC on behalf of the BBC. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person other than the Trust or the Executive to whom this report is shown or in to whose hands it may come, and no other person shall be entitled to rely on our opinion, save where expressly agreed by our prior consent in writing.

#### Our approach

We have performed a reasonable assurance engagement as defined in ISAE 3000. The objective of a reasonable assurance engagement is to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion on the BBC's compliance with its Fair Trading Arrangements for the year ended 31 March 2015.

Our work consisted of enquiry and testing to enable us to form a view as to whether an appropriate system of internal controls was in place. We also reviewed the processing of a sample of material transactions to provide us with reasonable assurance that the system of internal control had been applied.

#### Inherent limitations

As with any system of control, it is not practicable to ensure that no errors or irregularities have occurred without being detected. Our audit work was designed to give the Executive reasonable assurance as to the adequacy of the system of internal controls which was in place and being applied to deliver compliance with the requirements of its Fair Trading Arrangements for the year ended 31 March 2015. Further, because fair trading issues require judgements which ultimately might be tested in a court of law, competition authority or elsewhere, there is always a risk of challenge even where the system of internal controls has been followed and decisions have been taken with the greatest care.

#### Opinion

Based on the results of our procedures, in our opinion the BBC has established and has applied a system of internal controls that provide reasonable assurance that it has complied with the requirements of the Fair Trading Arrangements for the year ended 31 March 2015.

**Deloitte LLP**  
**Chartered Accountants**  
**London**  
16 June 2015



## Finance and commercial

The BBC must account for how it responsibly uses the licence fee and other income

Maggie Gyllenhaal in BBC Two's *The Honourable Woman*

# Review of the Managing Director, BBC Finance and Operations



**“The focus in 2014/15 was on continuing to deliver efficiencies whilst investing in our output and funding additional new obligations.”**

Anne Bulford

Also as planned, the BBC had an accounting deficit at group level for 2014/15. This group deficit is £125 million (2013/14: surplus £150 million). This arises from an anticipated delivery phasing of planned savings, combined with investment in change, in infrastructure and in systems for the digital future. In particular, revenue investment in online development (including BBC Online, BBC iPlayer and myBBC) increased by £21 million, in line with the BBC's strategic priorities. Commercially funded operators would normally 'capitalise' and spread such costs over a number of years under generally accepted accounting principles but BBC costs are charged to the income statement because of the unique way the BBC is funded.

In addition, there were a number of accounting charges to income and expenditure, with no impact on cash. These include £15 million accelerated depreciation of property and technology assets in the BBC's Media Village in London W12 in anticipation of the sale of land and sublease of buildings after the financial year end. The W12 transaction, completed on 4 June 2015 and not, therefore, reflected in these financial statements, delivered a capital receipt of £87 million and will generate annual recurring savings of £33 million per annum.

Consolidation of £32 million of BBC World Service group support costs, investment in digital services, the accounting adjustments described above and investment in outdated IT systems in Finance and Operations explain a year-on-year increase in group support costs, which are expected to reduce in 2015/16.

## Financial result

Overall, 2014/15 presents a sound financial performance during which the BBC has made strong progress in the successful delivery of a radical programme of savings and reform.

From 2010 the licence fee was held flat in nominal terms for six years and the BBC took on new funding obligations which built up to £472 million per annum (13% of the licence fee) by April 2014. At the start of the 2014/15 financial year, the BBC began funding BBC World Service costs of £243 million which were previously funded by the Foreign & Commonwealth Office. This is in addition to the new obligations the BBC began funding in 2013/14, specifically broadband rollout, S4C and Local TV at a combined cost of £229 million in 2014/15.

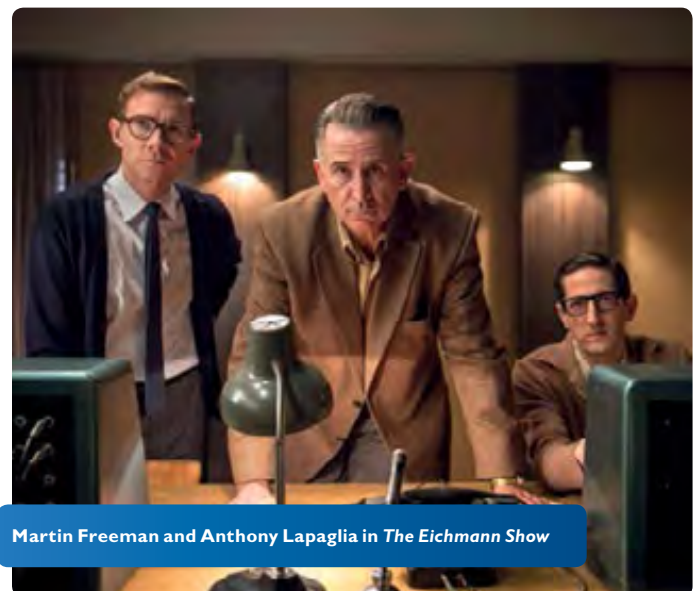
As planned, the BBC drew down on cash reserves built up at the start of 2014/15 to manage the transition to full delivery of the planned annual recurring savings needed to fund new obligations and other cost pressures, including the need for investment and innovation, within a licence fee frozen at £145.50 for six years. The BBC's cash balance at the end of the year reduced to £406 million from the £526 million held at April 2014. 2015/16 is also a year of transition and we anticipate a further planned reduction in cash balances over the year.

The BBC's 'Delivering Quality First' (DQF) savings programme remains on track to deliver annual recurring savings of £700 million by 2016/17. £484 million total savings and £478 million sustainable savings were delivered by April 2015, above the phased target of £475 million. The National Audit Office reported in February 2015 that the BBC has 'so far delivered value for money' from its savings programmes whilst noting the significant challenges ahead.

## The BBC's efficiency challenge and managing running costs more effectively

The BBC has done a lot to become more efficient but we must never stop looking at ways to do more and to concentrate spend on what matters most to audiences – content and services. As a result, a key BBC objective delivered for 2014/15 was to 'improve value for money through a more efficient and open BBC'.

The BBC has consistently improved productivity over the past 20 years, increasing the number of services and range of content we provide for roughly the same price in real terms. While the licence fee was broadly flat in real terms, the BBC was able to



Martin Freeman and Anthony Lapaglia in *The Eichmann Show*

reinvest savings in new types of content and services, like BBC Online and BBC iPlayer, for the benefit of licence fee payers and the UK creative economy. In the current licence fee period however, funding the new obligations, absorbing inflation and finding the investment necessary to stay relevant to audiences in the digital world requires an unprecedented focus on efficiency – by 2016/17 real-term funding for UK Public Services will be 26% lower in real terms than it would otherwise have been. In 2013 we announced plans to reinvest a further £100 million per year strategically on new content and services, which led us to make difficult scope choices to generate savings. Overall, this will mean savings of 30% of the BBC's addressable cost base over this licence fee period.

Following a comprehensive review, the BBC published in November 2014 'Driving Efficiency at the BBC'. This report highlighted the BBC's strong track record in delivering efficiency over the past 20 years. Since the mid-1990s, the BBC has improved productivity by 4.5% per annum whilst the licence fee has been broadly flat in real terms. The BBC has established a strong culture of market testing and benchmarking activity – over 70% of expenditure is already tested through our 'compete and compare' framework and the figure continues to increase as the remainder of DQF is delivered.

The BBC works to manage its cost base through a range of people, property and procurement based saving initiatives such as rationalising the BBC Estate and moving more activity out of London, reducing the pension deficit and improving working capital management. The BBC continues to manage its overheads through the introduction of new ways of working, ensuring best value for money when contracts are renewed and continuing to manage talent costs and top management pay. In 2014/15, initial outlay costs have been incurred to deliver these savings, including the successful delivery of an IT project within Finance and Procurement and a review of the BBC's asset base in light of the rationalisation of the BBC Estate. These costs have been incurred to generate savings in future years. The exit from TVC and W12 forms a significant part of the rationalisation of the BBC Estate.

Overall the proportion of the BBC's spend on content, distribution and related support in 2014/15 was 92% (see table below). This reflects a 25% reduction in the proportion of the licence fee spent on overheads or general support over the past four years.

Although it is challenging to continue to find further savings, we are on track to deliver nearly £1.6 billion of cumulative annual savings by the end of the current charter period in 2016/17. We have already delivered £1.25 billion per year towards this target and the majority of these savings have come from true productivity: doing the same or more for less, particularly in the three areas of people, property or procurement. Significant savings have come from structural or one-off opportunities including reprocurring major contracts, exiting Television Centre and part of the W12 site, investing in new finance systems to reduce headcount, and reprocurring major contracts such as the successful reprocurement of TV playout technology contracts announced shortly after the financial year end.

Since 2011/12, around 30% of the £484 million per annum DQF and Strategic Initiative savings delivered to date have been made through scope reductions. This is expected to rise to almost 50% in the final years of the programme.

The BBC has also sought to maximise the benefits from its commercial subsidiaries both through programme content investment and additional returns to the Public Service Broadcasting (PSB) Group. As explained on page 135 total returns to the PSB Group from BBC Worldwide in 2014/15 significantly increased to £226.5 million (2013/14: £173.8 million). During the year BBC Worldwide formed a commercial joint venture in North America with AMC through the partial sale of BBC AMERICA. This delivered a profit on disposal of £115.9 million, as well as strengthening and securing BBC AMERICA's presence in the US market and further enriching the content 'pipeline' for audiences in the UK.

As we enter the last two years of the current licence fee settlement and Charter we face significant challenges and uncertainties. Continued focus on delivering savings and careful financial management is therefore essential.

### Use of the licence fee\*

	2015			2014		
	Content, distribution and its support £m	General support £m	Total £m	Content, distribution and its support £m	General support £m	Total £m
Television	2,181.1	186.7	2,367.8	2,090.5	185.2	2,275.7
Radio	609.5	43.0	652.5	604.8	44.8	649.6
BBC Online	187.5	13.5	201.0	162.4	12.0	174.4
<b>Spend by service licence</b>	<b>2,978.1</b>	<b>243.2</b>	<b>3,221.3</b>	<b>2,857.7</b>	<b>242.0</b>	<b>3,099.7</b>
Orchestras and performing groups	29.6	2.9	32.5	25.3	2.6	27.9
S4C**	28.4	2.6	31.0	26.5	2.6	29.1
Development spend	75.4	7.4	82.8	50.1	5.1	55.2
BBC World Service operating licence	235.8	17.8	253.6	–	–	–
<b>Total service spend</b>	<b>3,347.3</b>	<b>273.9</b>	<b>3,621.2</b>	<b>2,959.6</b>	<b>252.3</b>	<b>3,211.9</b>
<b>% spend</b>	<b>92%</b>	<b>8%</b>	<b>100%</b>	<b>92%</b>	<b>8%</b>	<b>100%</b>

\* The licence fee after collection costs is also used to fund the BBC's obligations to broadband rollout and S4C as well as its pension deficit payments

\*\* £31 million spent with S4C is the cost of content provided to S4C over and above the £75 million new obligation

# Financial achievements

## Pension deficit reduction

Additional payments under the pension deficit recovery arrangements and a strong performance of the pension scheme assets means the pension deficit has reduced from £1,516 million to £948 million.

**£948m** -37%

2013/14: £1,516m



## Prioritising spend on content

92% of our core controllable spend is now spent on content, distribution and related support.

## Restructuring costs

The introduction of a £150,000 severance cap has, in part, contributed to lower restructuring costs which, at £11 million are £5 million lower than last year.

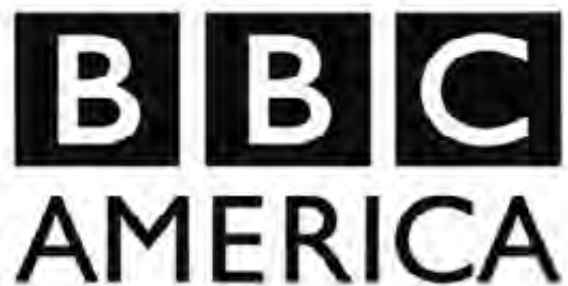
**£11.1m** -33%

2013/14: £16.5m



## Saving licence fee payers money

We are saving licence fee payers £1.25 billion a year thanks to a concerted savings drive. A report by the National Audit Office confirms that the BBC has exceeded its efficiency target up to the end of 2013/14, achieving overall annual savings of £374 million. These savings had increased to £484 million by the end of 2014/15.



## BBC AMERICA disposal

The partial disposal of BBC AMERICA and formation of a partnership with AMC, produced a net profit on disposal of £116 million and provides an improved route to market in the US, helping BBC AMERICA to reach more people and bring a wealth of new titles to UK and global audiences.



**Funding BBC World Service and new obligations**  
 We have successfully integrated BBC World Service and have funded new obligations in line with our plans.



**Rationalising the BBC estate**  
 There has been a particular focus on rationalising and modernising the BBC Estate. We have exited both Television Centre and parts of White City and continue to move more of our business outside of London. After the year end we successfully completed the sale of four acres of freehold land in London W12 alongside the sublease of six BBC Media Village buildings, securing a capital receipt of £87 million and annual recurring savings of £33 million. The BBC Media Village deal will increase the BBC's workforce out of London to 54% next year (Target: 50% by 2016).

**Senior manager remuneration**  
 We have continued to reduce the number of senior managers and their cost. The senior manager paybill is now £52.0 million as compared to £78.5 million on 1 August 2009, or a third smaller.



**Reducing evasion rates**  
 Despite a challenging collection environment we have successfully reduced evasion rates to 5% (2013/14: 5.5%).



**Worldwide investment in content**  
 BBC Worldwide delivered an increase in investment in BBC commissioned content to £94.4 million (2013/14: £88.9 million). Total returns to the BBC PSB Group in 2014/15 were £226.5 million.

### Charter Review and future challenges

The BBC's current Charter ends in 2016 and uncertainty on future income requires even more careful financial management until a new agreement is reached. The impact of external challenges such as the constantly changing media environment and commercial pressures on BBC spend, requires continued financial discipline, prioritisation and management.

To keep pace with technology and changing audience expectations the Director-General announced in October 2013 that the BBC would prioritise three areas over the remaining Charter period:

- innovating online
- strengthening key programme genres and
- making BBC channels work even better

In 2014/15 the BBC has invested in iPlayer+, myBBC, BBC Music and BBC Arts, together with further investment in News and Drama.

As planned, the BBC drew down cash reserves built up at April 2014 in order to maintain the range and quality of content and services ahead of the full delivery of DQF and other savings targets. We also start 2015/16 with sufficient cash reserves to meet our immediate obligations and safeguard our financial sustainability. We remain on track to meet our targets but savings alone will not fund the investments needed and difficult decisions in relation to scope reductions will inevitably arise.

### Looking forward

The BBC produces outstanding programmes and services and everyone at the BBC is dedicated to producing great work. For 3p per hour of output consumed or 40p a day we believe licence fee payers can be confident they are getting good value from an organisation committed to financial rigour and value for money.

The BBC is now operating in the final two years of the existing Charter and the challenges we face in the remaining period are significant. Our strategic context has changed: we must respond to pressures from new global competitors and structural changes in audience behaviour, especially the wide adoption of digital technology and the changing ways audiences access content and services. This is why we are allocating additional funding and staff resource to developing our digital offer.

Changes in audience behaviour are also affecting licence fee income through reduced TV penetration, highlighting that the next Charter should consider licence fee modernisation.

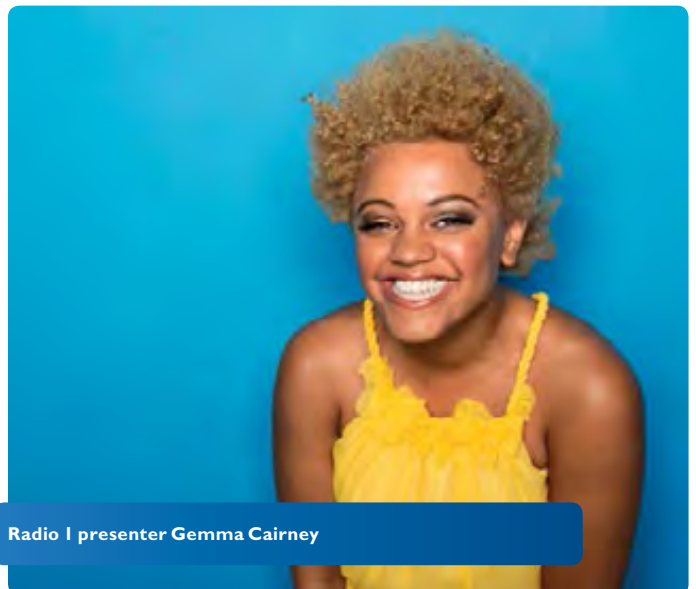
Our track record leaves me with no doubt that the BBC will deliver its strategic ambitions in this Charter period and within our financial means. However, as I stated in my review last year, we must be ever mindful of the constraints and financial risks of operating with a frozen licence fee. Our strategic ambitions cannot be delivered through efficiencies alone and scope reductions are an inevitable consequence in the future. At the time of writing, the outcome of the Charter review is unknown and this represents a significant financial uncertainty beyond 2016/17. I am confident that whatever the outcome, the effective financial stewardship established by our ability to deliver efficiencies, means the BBC is in a strong position to react to changes and make tough choices, to keep producing great content and services and to play our part in growing the UK creative economy and promoting British culture around the world.



**Anne Bulford**  
Managing Director, BBC Finance and Operations  
16 June 2015



BBC Three comedy *Cuckoo*



Radio 1 presenter Gemma Cairney



# Financial overview

## How we use the licence fee

The way in which the BBC is funded places significant responsibilities on it as an organisation:

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

## Results for the year

Our results for this year show that we have successfully managed the financial challenges facing us so as to ensure a sound base for meeting our future commitments and delivering our strategic ambitions.

The partial sale of the BBC AMERICA channel during the year, together with the loss of BBC World Service funding from the Foreign & Commonwealth Office has driven a reduction in total income from £5,066 million to £4,805 million.

Due to careful planning and forecasting and using cash generated in previous years, the fall in income has not jeopardised the delivery of content. Spend on operating costs has increased from £4,738 million to £4,914 million reflecting the costs of major one-off sporting events this year such as the Commonwealth Games in Glasgow and the FIFA World Cup in Rio, revenue investment in technology and accounting adjustments made in anticipation of the London W12 property transaction announced after the financial year end. These movements drive a deficit of £125 million this year compared to a surplus of £150 million last year. A deficit was anticipated at this stage in our plans, as we have taken on the costs of our new obligations ahead of full realisation of the recurrent annual savings needed to fund them permanently. The table below provides a summary of the income statement.

## Summary consolidated income statement For year ended 31 March 2015

Income statement classification	What is it?	2015 £m	2014 £m	What has happened this year?
<b>Licence fee income</b>	The total of licence fees collected	<b>3,735</b>	3,726	Less than 0.3% increase reflects limited net growth in the number of households acquiring a licence and a reduction in evasion
<b>Other income and revenue</b>	Commercial (mainly BBC Worldwide) income and Grant-in-Aid for World Service	<b>1,070</b>	1,340	No grant-in-aid income for BBC World Service this year and a fall in sales in BBC Worldwide through the partial sale of BBC AMERICA part way through the year
<b>Total income</b>		<b>4,805</b>	5,066	
<b>Operating costs</b>	The cost of producing all content and of running the BBC	<b>(4,903)</b>	(4,721)	Increase reflecting major sporting events such as the Commonwealth Games and FIFA World Cup
<b>Restructuring costs</b>	Sums provided to fund future efficiency initiatives	<b>(11)</b>	(17)	Costs to deliver DQF savings
<b>Total operating costs</b>		<b>(4,914)</b>	(4,738)	
<b>Share of results of associates and joint ventures</b>	Our share of the profit of the businesses where we control 50% or less	<b>33</b>	23	Increase in 2014/15 reflects the share of the new BBC AMERICA associate following partial sale
<b>Gain on sale of operations</b>	Profit on disposal of operations	<b>116</b>	4	2014/15 reflects the gain on the partial sale of BBC AMERICA
<b>Gain on disposal of fixed assets</b>	Profit on disposal of fixed assets	<b>8</b>	–	
<b>Other gains and losses</b>	Share of net liabilities of joint ventures	<b>–</b>	(17)	Accounting adjustment in 2013/14 to recognise the BBC's share of the net liabilities of UKTV
<b>Net financing costs</b>	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	<b>(143)</b>	(153)	Lower accounting charge for the BBC pension plan liabilities
<b>Tax and net financing income</b>	The net tax liability of the BBC on its taxable profits	<b>(30)</b>	(35)	Tax charge arises on commercial activities
<b>Group (deficit)/surplus for the year</b>		<b>(125)</b>	150	

## Income

Total licence fee income increased by less than 0.3% or £9 million from £3,726 million to £3,735 million with improved collection plans offsetting declines in the number of households requiring a television (Television Penetration rate or TVP).

## Licence fee collection

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

Collection costs this year of £101 million are marginally lower than last year (£102 million). This is the second year of the new licence fee contract and total cost savings of £220 million are expected to be delivered over the eight years of the contract, releasing more funding to be spent on our programmes and services.

## Licence fee statement

As in previous years, the BBC prepares a licence fee revenue statement audited by the National Audit Office (NAO). This account sets out the amounts we collected in the year and paid over to HM Government. Alongside their audit work, the NAO examines our collection arrangements and reports on them to Parliament. More on the licence fee revenue statement can be found on our website: [bbc.co.uk/aboutthebbc](http://bbc.co.uk/aboutthebbc).

## Commercial trading

The licence fee is supplemented by income from the commercial exploitation of licence fee-funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC Global News and BBC Studios and Post Production (S&PP).

	Headline sales		Headline result	
	2014/15 £m	2013/14* £m	2014/15 £m	2013/14 £m
UK PSB Group	192	516	n/a	n/a
BBC Worldwide	1,002	1,042	139	157
BBC Global News	93	101	(5)	(7)
BBC S&PP	29	29	(1)	(3)

\*Restated to incorporate the results of BBC World Service and BBC Monitoring

## BBC Worldwide

### Achievements

BBC Worldwide operates in a highly competitive global media market and its success depends on securing a strong flow of content from the BBC and independent producers. This challenge is increasing as more independent producers consolidate their own distribution.

In 2014/15 BBC Worldwide debuted three new genre channels: BBC First, BBC Earth and BBC Brit, all of which offer international audiences premium first runs across drama, factual and factual entertainment titles. BBC First's launch in Australia on the Foxtel subscription platform proved the most successful non-sport channel launch since 2006. BBC Earth and BBC Brit made their linear channel debuts in Poland in February and both outperformed established rivals, breaking into the top three in their competitive sets. BBC Earth also became the first genre brand to debut on both BBC.com and BBC.co.uk offering fans of natural history a wealth of topical content. BBC Earth was the first to have a UK presence via BBC.co.uk.



BBC Two's Back In Time For Dinner

BBC Worldwide also delivered the first ever Doctor Who: The World Tour this year, visiting seven countries in 12 days and introducing the 12th Doctor, Peter Capaldi, and his companion Clara, Jenna Coleman, to international fans and strengthening the brand.

BBC Worldwide delivered a solid year of performance, resulting in a very significant uplift in returns to the PSB Group to a record £226.5 million (2013/14: £173.8 million). It took good strides in realising its strategy and transforming the business for the future, maintaining a high level of investment in premium content, launching strong genre channels in key markets to amplify the BBC's brand internationally, entering into a number of key partnerships, and focusing its digital plans. Its carefully executed strategy should underpin profit and shareholder returns in the years ahead, at a time when the BBC is more committed than ever to extracting the maximum future contribution from all its commercial subsidiaries.

Profit on ongoing operations, which includes the benefit of just over five months of BBC AMERICA's contribution as an associate, was £127.2 million (2013/14: £122.2 million), an increase of 4.1%. The business reported headline sales of £1,001.8 million (2013/14: £1,042.3 million), down 3.9%. This principally reflects the formation of a partnership with AMC Networks (AMCN), which saw BBC Worldwide's equity in its BBC AMERICA channel reduce from 100% to 50.1% and difficult trading conditions in some markets, most notably Russia. Headline profit of £138.6 million was down 11.9% on the previous year (2013/14: £157.4 million) due to lower headline sales. Currency movements impacted headline sales by £19.5 million and headline profit by £3.2 million.

The new venture with AMCN saw the coming together of two like-minded content creators to build on previous successful collaborations such as *Top of the Lake* and *The Honourable Woman*.

This partnership to develop and co-produce will not only further enrich the content pipeline for audiences in the UK and internationally but will also strengthen and secure BBC AMERICA's presence in the US market.

Investment in content continued to be the cornerstone of the business. Top-selling shows included *Doctor Who*, *Top Gear*, *Orphan Black* and *Life Hall*, reflecting the appetite from global audiences for British content.

Worldwide delivered an increase in investment in BBC commissioned content to £94.4 million (2013/14: £88.9 million) including much anticipated forthcoming titles such as *War and Peace* and *Dickensian*. Overall content investment declined, partially as a result of the BBC AMERICA deal, to £180.5 million (2013/14: £200.6 million).

The development and trialling of BBC Store, the UK download to own service, has been a priority this year. The service will be available in autumn 2015 and will offer audiences up to 10,000 hours of content including new programmes and previously unavailable gems from the BBC's archive. Outside the UK, digital plans have continued to evolve, with detailed work on proposals for the future under way.

BBC.com, the international version of BBC.co.uk, reached 100.8 million unique browsers for the first time in January. The site achieved 1.3 billion page views across all platforms by the year end. Its international feature sections – BBC Travel, BBC Future, BBC Autos, BBC Culture, BBC Capital and BBC Earth – together attracted 8.3 million unique browsers, up 76.6% (2013/14: 4.7 million). The French production business also had an exceptional year, with revenue up over 50%, and local versions of BBC Production's *Dancing with the Stars*, *Antiques Roadshow*, *The Weakest Link* and Love Production's *Sewing Bee* and *Bake Off* generating a total primetime average audience of 18.4 million.



James Corden and Mathew Baynton in BBC Two's *The Wrong Mans*



Gillian Anderson in *The Fall*

## How BBC Worldwide is supporting the BBC through a time of change

2014/15 witnessed a step change in BBC Worldwide's contribution to the PSB Group, returning £226.5 million (2013/14: £173.8 million), an increase of 30.3%, and equivalent to over 12.6% of the PSB's total TV content spend, up from 10.1% in 2013/14.

BBC Worldwide has continued to contribute to the commissioning of high-quality titles loved by UK audiences. Within the year, this included *Doctor Who* and *Life Story*, the latter welcoming a domestic audience of 6.5 million, with rights to broadcast the series acquired for 151 territories, and with over 70% of the series' funding being made from commercial investment via BBC Worldwide.

## Benefits to the creative economy

Exports are increasingly important to the UK's television industry, with TV trade body PACT reporting total sales of UK television to international markets up 5% to £1,284 million in 2013/14. BBC Worldwide contributed to those exports by attracting over 700 TV buyers from around the world to its Showcase 2015 in Liverpool and an increase of 3.2% to £345.3 million (2013/14: £334.6 million) in TV and digital sales this year.

BBC Worldwide has also brought valuable support to the independent sector with equity stakes in a select number of indies, including Lookout Point and Curve Media, with a purpose to build BBC Worldwide's capabilities and offer indies a creative space to nurture their ideas. Altogether, the company returned £113.1 million to the independent sector, down 2.8% on the previous year (2013/14: £116.4 million).

BBC Worldwide helped give the UK's creative industries a more impactful voice, through the UK Trade & Investment's (UKTI) Sector Advisory Group, chaired by BBC Worldwide CEO Tim Davie, which lead the Creative Industries Council's International work. This year, BBC Worldwide also became a founder supporter of the Creative Industries Federation.

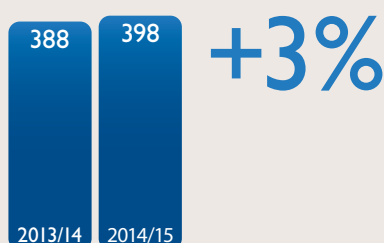
## BBC Global News

BBC Global News operates the BBC's two commercially funded international news services: BBC World News, the 24-hour global news TV channel, and the digital platform BBC.com (including the BBC.com website, a news app and a sport app). BBC Global News' mission is to be the best and most trusted international news provider in the world, while growing the BBC's international news audiences and operating as a commercially sustainable business. BBC Global News' performance is measured in terms of reach, quality and value (PBIT).

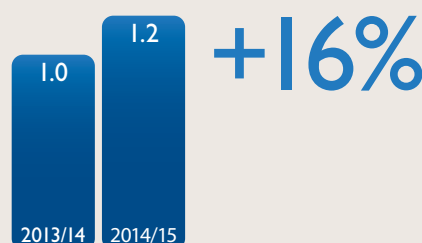
In 2014/15, BBC World News' global footprint continued to grow – the channel distribution expanded to reach 398 million households (2013/14: 388 million). Growth was most notable in the US where the channel is now available in over 40 million homes, significantly up from just five million homes as recently as 2012. The most recent polling (Ipsos Affluent Survey USA) reported BBC World News as the news channel with the biggest audience increase in 2014. Outside the US, BBC World News performed strongly for news channel viewership, ranking #2 on syndicated surveys in all regions with the exception of Europe.

Audience growth for BBC.com exceeded expectations in 2014/15, driven by a continued rapid increase in mobile consumption. BBC.com attracted over 85 million monthly unique browsers on average, up 8% year-on-year, and achieved a record 101 million in January 2015.

World News distribution – full and part-time households (millions)



Total monthly page views – all platforms (billions)



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# 101 million

unique browsers visited BBC.com  
in January 2015

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Total page views across all platforms (website, apps and IPTV) averaged 1.2 billion per month, up 16% year-on-year.

Video is an increasingly important part of the digital news proposition and in 2014/15, video views grew nearly 50% year-on-year.

A number of initiatives were launched to enhance the digital proposition in 2014/15 including investment in regional editions for Africa, India and Australia. During the year the BBC.com website moved to a fully responsive platform which optimises the user experience based on the devices they are using.

Beyond BBC.com, BBC Global News Ltd is extending reach through a growing number of syndication agreements with online partners. In 2014/15, agreements which brought BBC News to new audiences included Flipboard, MSN, LinkedIn and Internet.org, Facebook's initiative to improve internet access in emerging markets.

On social media, World News has over 10 million fans on Facebook while on Twitter, the BBC continues to be the world's most shared news source.

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# #1 Twitter

most shared news source

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In 2014/15, Global News maintained its position as the most trusted international news provider.

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# #1 Provider

most trusted international news

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In addition, Global News was recognised for the excellence of its journalism with a number of awards, including two Emmys and a Peabody for World News America's coverage of Syria and the Central Africa Republic, and an award from ENBA India for the best news coverage by an international news channel in India.

Global News improved its financial performance in 2014/15, returning a 34% reduction in operating loss (ahead of target) of £4.6 million for the year (2013/14: loss of £7.0 million).



### BBC Studios and Post Production

BBC Studios and Post Production ('S&PP') is a wholly-owned commercial subsidiary of the BBC serving both the BBC and external clients. The company is broken down into two operating divisions, Studios and Post Production Services and Digital Media Services.

The last financial year has been a period of significant stabilisation and turnaround for S&PP following its relocation from Television Centre to Elstree and South Ruislip in 2013/14.

S&PP's Studios and Post Production Services division delivered an impressive volume and range of projects for broadcasters, media companies and content owners, with highlights including:

- full studios and post production services for *EastEnders'* 30th anniversary year, including the hugely successful 'live week' which became 'national event' television
- supporting independently produced ITV's *Celebrity Juice*, BBC Three's *Sweat the Small Stuff* and Channel 4's *The Singer Takes It All*
- studio services for Channel 4's *Deal or No Deal* at a custom-built facility in Bristol, and other popular quiz shows such as BBC's *Pointless* and ITV's *The Chase*
- full studios and post production services to some of the BBC's biggest entertainment shows including *Strictly Come Dancing* and *Children in Need*
- hosting many elements of BBC News' local and European elections, employing a mix of cutting edge virtual reality technologies and connecting live feeds from across the nation

The award-winning Digital Media Services division of S&PP also delivered a number of exciting projects during the year, including the digital restoration of murder mystery series, *Miss Marple*, and the restoration of archive footage of Winston Churchill's funeral to mark the 50th anniversary of the event.

The division also worked with a number of clients on storage and media management solutions to unlock the value of their content and preserve it in an accessible medium for years to come.

Most business areas in S&PP have returned to operating profitability during the year, with revenues growing year-on-year by 3%, and some £1.5 million has been removed from the fixed cost base.

This progress is reflected in an 83% reduction in operating loss of £0.5 million (before contributions to the BBC pension deficit and exceptional items), compared to a £3 million loss reported in the previous year. The company was cash positive from its underlying operations for the year when the result was adjusted to exclude non-cash items like depreciation (which is currently high due to the investment associated with its recent relocation).

S&PP's ambition is to continue this trajectory back towards profitable growth, and in doing so, support the BBC public service mission to deliver value to the licence fee payer. To assist this future growth, S&PP has, during the year, enhanced its offer to clients through targeted investment in new equipment, technology and workflows.



2014 cast of *Strictly Come Dancing*

## Results for the year

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

2015 Service	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One	1,110.0	46.2	161.7	115.7	1,433.6
BBC Two	404.8	24.2	61.2	43.2	533.4
BBC Three	82.0	8.3	15.3	8.6	114.2
BBC Four	46.0	4.4	7.7	5.0	63.1
CBBC	72.2	8.3	12.0	7.8	100.3
Cbeebies	27.7	4.4	6.1	2.9	41.1
BBC ALBA	6.0	1.4	0.9	0.7	9.0
BBC News channel*	46.2	7.6	6.6	2.6	63.0
BBC Parliament	1.7	7.0	1.2	0.2	10.1
<b>Television</b>	<b>1,796.6</b>	<b>111.8</b>	<b>272.7</b>	<b>186.7</b>	<b>2,367.8</b>
BBC Radio 1	40.5	6.2	5.5	2.1	54.3
BBC Radio 2	46.2	6.1	5.3	2.8	60.4
BBC Radio 3	38.4	6.1	6.7	3.9	55.1
BBC Radio 4	87.8	6.6	13.1	8.2	115.7
BBC Radio 5 Live	49.1	4.7	7.4	4.9	66.1
BBC Radio 5 Live Sports Extra	2.5	1.5	1.4	0.3	5.7
BBC iXtra	6.2	1.7	2.6	0.6	11.1
BBC 6Music	8.0	1.6	2.2	0.7	12.5
BBC 4 Extra	3.9	1.6	1.6	0.4	7.5
BBC Asian Network	6.2	2.0	1.9	0.6	10.7
BBC Local Radio	115.6	13.0	14.0	11.2	153.8
BBC Radio Scotland	21.7	3.1	4.3	2.3	31.4
BBC Radio nan Gàidhéal	3.7	1.3	0.6	0.4	6.0
BBC Radio Wales	14.1	1.6	2.8	1.4	19.9
BBC Radio Cymru	12.8	1.5	2.6	1.4	18.3
BBC Radio Ulster/BBC Radio Foyle	17.3	1.6	3.3	1.8	24.0
<b>Radio</b>	<b>474.0</b>	<b>60.2</b>	<b>75.3</b>	<b>43.0</b>	<b>652.5</b>
<b>BBC Online and Red Button**</b>	<b>124.6</b>	<b>38.1</b>	<b>24.8</b>	<b>13.5</b>	<b>201.0</b>
<b>Spend regulated by service licence</b>	<b>2,395.2</b>	<b>210.1</b>	<b>372.8</b>	<b>243.2</b>	<b>3,221.3</b>
Orchestras and performing groups	26.3	–	3.3	2.9	32.5
S4C	24.5	–	3.9	2.6	31.0
Development spend	66.9	–	8.5	7.4	82.8
BBC World Service operating licence***	215.3	–	20.5	17.8	253.6
<b>Other service spend</b>	<b>333.0</b>	<b>–</b>	<b>36.2</b>	<b>30.7</b>	<b>399.9</b>
<b>Total service spend</b>	<b>2,728.2</b>	<b>210.1</b>	<b>409.0</b>	<b>273.9</b>	<b>3,621.2</b>

## Governance and finance report – Finance and commercial

2015 Service	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
<b>Total service spend</b>	<b>2,728.2</b>	<b>210.1</b>	<b>409.0</b>	<b>273.9</b>	<b>3,621.2</b>
Licence fee collection costs					101.4
S4C (direct funding)					76.0
PSB Group pension deficit reduction payment					188.4
Costs incurred to generate intra-group income					85.1
Costs incurred to generate third-party income					66.7
Restructuring costs					8.4
<b>Total PSB Group content expenditure</b>					<b>4,147.2</b>
Digital switchover (DSHS Limited)					0.4
Local TV****					2.9
Broadband rollout****					150.0
<b>Total PSB Group expenditure</b>					<b>4,300.5</b>
Lease reclassification*****					(78.6)
<b>PSB Group expenditure</b>					<b>4,221.9</b>

\* Included within BBC News channel are production costs of £23.5 million, newsgathering costs of £22.1 million and other costs of £0.6 million (2014: production costs of £26.8 million, newsgathering costs of £21.2 million and other costs of £0.7 million)

\*\* BBC Online spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC homepage, technologies which operate across the service and overheads. The spend for each annexe was: News, Sport and Weather £60.7 million (2014: £47.8 million), Children's £9.0 million (2014: £9.3 million), Knowledge and Learning £15.5 million (2014: £15.7 million), TV and iPlayer £13.7 million (2014: £11.1 million) and Radio and Music £14.1 million (2014: £11.7 million), giving a total annexe spend of £113.0 million (2014: £95.6 million). Non-annexe spend was £11.6 million (2014: £10.9 million).

\*\*\* The BBC World Service operating licence includes distribution spend of £38.5 million. Total Grant-in-aid funding equivalent spend on BBC World Service was £242.6 million

\*\*\*\* Under the terms of the latest licence fee agreement, the BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels

\*\*\*\*\* In order to reflect the full cost of the PSB Group expenditure by service, finance lease interest is included, although it is not included in the Group operating expenditure

### PSB support costs include the following:

	Content and distribution support*	General support**	Total 2015	Content and distribution support*	Group support**	Total 2014
	£m	£m	£m	£m	£m	£m
Property	68.2	93.5	161.7	49.0	92.3	141.3
HR and training	15.7	25.4	41.1	14.7	23.9	38.6
Policy and strategy	–	6.6	6.6	–	9.1	9.1
Finance and operations	19.7	65.4	85.1	20.2	50.1	70.3
Marketing, audiences and communication	69.8	–	69.8	71.9	–	71.9
<b>Total central costs</b>	<b>173.4</b>	<b>190.9</b>	<b>364.3</b>	<b>155.8</b>	<b>175.4</b>	<b>331.2</b>
Technology	106.4	59.3	165.7	79.0	51.4	130.4
Libraries, learning support and community events	30.6	–	30.6	32.0	–	32.0
Divisional running costs	80.4	4.6	85.0	58.4	4.2	62.6
BBC Trust Unit (excluding restructuring)	–	10.2	10.2	–	12.2	12.2
Other	18.2	8.9	27.1	11.3	9.1	20.4
<b>Total support costs</b>	<b>409.0</b>	<b>273.9</b>	<b>682.9</b>	<b>336.5</b>	<b>252.3</b>	<b>588.8</b>

\* Content and distribution support costs are those costs directly attributable to delivering our content

\*\*General support costs represent the costs of running the BBC which are not directly attributable to content



Total PSB support costs (which are included in the use of the licence fee table on page 129) have increased this year, driven largely by the inclusion of £32 million of BBC World Service costs and £16 million of BBC Monitoring costs, as well as £15 million of accelerated depreciation related to the exit from our W12 buildings.

The short-term increase in Finance and Operations spend reflects the cost of the successful re-implementation of the Finance and Procurement IT system, which will generate future DQF savings. During the year the BBC also invested in updating outdated HR systems to reduce cost and to support more standard process across the BBC, helping to deliver DQF savings. Whilst tangible progress was made, work is ongoing to integrate some components of the new software into existing BBC systems. The BBC has flexed its approach and absorbed some development costs, though most of this was mitigated by our technology providers.

### BBC World Service

BBC World Service became licence fee funded for the first time in 2014/15 and this year its business activities have been increasingly embedded within the BBC UK News operation as we sought to deliver operating efficiencies. In order to regulate spend on BBC World Service, an operating licence was established to cover a total cash spend of at least £245 million. This year, the total BBC World Service spend of £243 million was £2 million lower than the target owing to the deferral of expenditure on decommissioning assets. Year-on-year expenditure was up from £239 million.

### Delivering efficiencies

2014/15 was the third year of the BBC's DQF programme and a further £110 million of recurrent annual savings were delivered to bring the total to £484 million, which is some 2% higher than the targeted figure for this point of £475 million. The BBC remains well on track to achieve the full savings target of £700 million per annum by 2016/17.

The BBC's annual savings achievement is reviewed by our auditors, Ernst & Young LLP. In addition, the National Audit Office recently completed its review of the BBC's DQF efficiency programme and confirmed that the BBC has exceeded its efficiency target up to the end of 2013/14.

In July 2014, the Director-General announced that the BBC would formalise the market testing and benchmarking activity through applying a rigorous 'Compete or Compare' framework across all areas of expenditure. The aim is to extend competition wherever it can bring greater choice, value for money or innovation, and to ensure there is appropriate benchmarking against best practice in the market, or internally across the BBC. In 2014/15, this approach has included the benchmarking and competitive procurement of technology services, the benchmarking of News output against international broadcasters and the announcement of plans to introduce greater competition in the TV production market through the removal of the WoCC and the establishment of BBC Studios (subject to BBC Trust approval). The BBC is confident that the vast majority of its controllable expenditure will have been tested and either sits within, or will sit within market comparator ranges by the end of this Charter period.

### Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content, delivery to audiences and users, and the essential infrastructure to support this. Year-on-year spend can vary significantly because of the cycle of major sports events. Total content spend increased by 13.4% to £2,728 million (2013/14: £2,406 million) reflecting the impact of one-off major sporting events including the Commonwealth Games and FIFA World Cup, together with the embedding of BBC World Service and BBC Monitoring content activities in the PSB Group. Funding has all been prioritised for digital content and infrastructure with myBBC receiving investment of £22.3 million in the year, as well as the deployment of significant in-house resource to the area.

No service licences spent above the regulated baseline threshold during 2014/15. The BBC Parliament and BBC Radio 4 Extra service licences were the only services to underspend by more than 10%, delivering additional efficiency savings without compromising editorial performance.

### Balance sheet

Following the disposal of a 49.9% stake in New Video Channel America LLC (NVCA), formerly a wholly owned subsidiary of BBC Worldwide Americas Inc, a new associate has been formed resulting in a £141 million increase in interests in associates and joint ventures. Other movements in non-current assets include reductions in property, plant and equipment, driven by the rationalisation of the BBC Estate continuing with the exit from White City.

The BBC's cash balance included within current assets at the end of the year was £406 million (2013/14: £526 million) and has reduced since last year as cash reserves built up to manage the transition to full funding of new obligations including BBC World Service are drawn down.

### Pension costs

At 31 March 2015, the accounting pension deficit (as defined by IAS 19) had reduced by 37% to £948 million compared to £1,516 million a year ago. The reduction during the year was due to contributions paid of £328 million and a net return on Scheme assets of £1,673 million being offset by a net loss from changes in the valuation assumptions of £1,182 million, the annual operating charge of £191 million and net finance costs of £60 million.

This accounting valuation is only a 'snapshot' at a particular date in time, and is therefore sensitive to short-term market fluctuations. It also has no immediate impact on the cash cost of paying down the current pension scheme deficit which is reviewed at triennial actuarial valuations.

The most recent actuarial valuation was completed in 2013 and showed a funding shortfall of £2,054 million. A plan was agreed between the BBC and the pension scheme Trustees detailing the additional contribution amounts to be paid by the BBC over a 12-year period commencing in 2014. The next formal actuarial valuation of the Scheme is expected to be performed as at 1 April 2016. The BBC regularly looks at ways to reduce the volatility in the Scheme to provide greater stability for long-term financial planning. The agreed funding plan is considered to be a sensible and affordable means of addressing the deficit, without compromising programmes or pension scheme members. The BBC will continue to work with the pension scheme's Trustees to ensure the Scheme delivers the best value to both members and licence fee payers.

# Governance and finance report – Finance and commercial

## Summary consolidated balance sheet

For year ended 31 March 2015

Balance sheet classification	What is it?	2015 £m	2014 £m	What has happened this year?
Non-current assets	Mainly the BBC's property, plant, equipment and investments	1,750	1,598	Increase in the interest in associates and joint ventures recognising the new BBC AMERICA associate
Current assets	Programme and other stocks and amounts to be received in the next 12 months	2,096	2,258	Reduction in cash balance driven by the operating deficit for the year
Current liabilities	Amounts to be paid in the next 12 months	(1,186)	(1,038)	Increase in trade and other payables around the year end
Non-current liabilities (excluding pension liabilities)	Amounts to be paid after the next 12 months	(1,126)	(1,098)	Small increase in borrowings
<b>Net assets (excluding pension liabilities)</b>		<b>1,534</b>	<b>1,720</b>	
Net pension liabilities	The net deficit of the BBC's pension scheme	(948)	(1,516)	Decrease reflecting improved asset valuations and the pension deficit recovery plan
<b>Net assets</b>		<b>586</b>	<b>204</b>	
Represented by:				
BBC reserves	The net resources available to the BBC for future use	586	204	

## Cash

The BBC's cash balance of £406 million at the end of the year will be used to fund both new obligations and strategic initiatives until recurring annual efficiency savings of £700 million are delivered by 2016/17, and to drive further investment in commercial operations.

## Tax

The BBC is a committed and prudent tax payer in all the countries in which it operates. Its commercial operations undertake appropriate and legitimate tax planning measures in accordance with the spirit and intention of all laws and regulations.

## Summary consolidated cash flow statement

For year ended 31 March 2015

Cash flow classification	What is it?	2015 £m	2014 £m	What has happened this year?
Net cash inflow from operating activities	Surplus of the BBC's income over its operating costs	147	336	Decrease reflecting the income statement deficit this year as we manage the transition to funding new obligations
Net cash used in investing activities	Cash invested in property, plant and equipment	(205)	(243)	Cash has been invested in programme rights and technology infrastructure
Net cash used in financing activities	Proceeds and repayments from borrowings and net interest paid on the BBC's borrowings	(66)	(136)	Net additional borrowings taken out to fund the BBC's commercial activities
<b>Net decrease in cash and cash equivalents</b>		<b>(124)</b>	<b>(43)</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	The BBC's cash balance at the beginning of the year	<b>526</b>	<b>575</b>	
Effect of foreign exchange rate changes on cash and cash equivalents	The impact of foreign exchange rates on the BBC's cash	4	(6)	Positive movements in exchange rates impacting the sterling value of our cash
<b>Cash and cash equivalents at the end of the year</b>	The BBC's cash at the end of the year	<b>406</b>	<b>526</b>	

# Summary financial statement

The summary financial information comprises the BBC's summary income statement on page 133, summary balance sheet on page 142 and summary cash flow statement on page 142. These include the key headline data from the full annual financial statements which are available online in the download centre at: [bbc.co.uk/annualreport](http://bbc.co.uk/annualreport).

The summary financial information presented within Part Two of the BBC's Annual Report does not constitute the full financial statements of the BBC for the financial years ended 31 March 2015 and 2014 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the BBC as the full annual financial statements.

The independent auditor of the BBC, Ernst & Young LLP, has issued an unqualified audit opinion on the full financial statements for the year ended 31 March 2015 as did KPMG LLP for the year ended 31 March 2014.

## Statement of the Executive Board's responsibilities in respect of Part Two of the BBC's Annual Report and summary financial information

The Executive Board has accepted responsibility for preparing Part Two of the BBC's Annual Report and the summary financial information included therein. The summary financial information is intended by the Board to be consistent with the full annual financial statements of the Corporation.


In considering the consistency of the summary financial information with the full annual financial statements, the Executive Board has elected to:

- use headings and subtotals in the summary income statement, summary balance sheet and summary cash flow statement that include, as a minimum, the headings and subtotals shown in bold type in the corresponding primary statements in the full annual financial statements
- include a brief description of the respective headings
- ensure that the amounts reported in the summary financial information agree with the corresponding amounts reported in the full annual financial statements
- include the comparative amount for the immediately preceding financial year for all amounts reported in the summary financial information
- include an explanation of what has happened in the year, reflecting the main transactions and events reported in the full annual financial statements as they affect the respective heading
- include any other information necessary to ensure that the summary financial information is consistent with the full annual financial statements for the financial year in question

The summary financial information, the Strategic report and Governance and finance report (including Executive remuneration report) were approved by the Executive Board and signed on its behalf on 16 June 2015 by:



**Tony Hall**  
Director-General



**Anne Bulford**  
Managing Director, BBC Finance and Operations

# Auditor's report

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

We have examined the summary financial information for the year ended 31 March 2015, which comprises the Summary Consolidated Income Statement on page 133, the Summary Consolidated Balance Sheet on page 142 and the Summary Consolidated Cash flow Statement on page 142 of Part Two of the BBC's Annual Report.

This report is made solely to the Trustees of the British Broadcasting Corporation (the 'Corporation'), as a body, in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our work, for this report, or the opinion we have formed.

### Respective responsibilities of the Executive Board and the auditor

The Executive Board is responsible for preparing the summarised financial information so that it is consistent with the full annual financial statements of the Corporation.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, with the full annual financial statements and the Remuneration Report.

We also read the other information contained in Part Two of the BBC's Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial information

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Corporation's full annual financial statements describes the basis of our opinion on those financial statements and on the Directors' Remuneration Report.

### Opinion

In our opinion the summary financial information is consistent with the full financial statements and Directors' Remuneration Report of the Corporation for the year ended 31 March 2015.



**Richard Wilson (Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London  
16 June 2015

# Glossary

We have used some terms in this report to explain how we run our business, but which might be unfamiliar to our readers. The following list gives definitions for some of the more frequently used terms.

## Acquired programmes

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

## Appreciation Index or AI

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

## BARB

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

## Cost per user hour

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

## Creative economy

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

## Digital switchover

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

## Freesat

*Freesat* is a free-to-air satellite TV service provided by the BBC and ITV, where users pay for the equipment but do not pay a monthly subscription. Visit [freesat.co.uk/](http://freesat.co.uk/). Freesat from Sky is also available for a one-off payment: [freesatfromsky.co.uk](http://freesatfromsky.co.uk)

## Freeview

*Freeview* is the main UK digital terrestrial television service transmitted through an aerial and using a set-top box. No subscription is required. Freeview is the most widely used digital television platform. It has been available in HD since April 2010. See [freeview.co.uk](http://freeview.co.uk)

## HDTV

*HDTV* – or high-definition television – is available via either a set-top box or an integrated digital television, and gives viewers better quality, high-resolution pictures.

## Impact

*Impact* shows how memorable or acclaimed a programme or service is, and can be measured by the number of awards won by a service, or comments (positive and negative) generated in the press.

## Peak time

*Peak-time* hours for the BBC's TV services are 6pm-10.30pm. Radio consumption is very different, and peak time for radio is usually defined as the breakfast and drive-time slots.

## PSB

The UK's Public Service Broadcasters (*PSBs*) are the BBC, ITV, Channel 4, Channel 5 and S4C.

## RAJAR

*RAJAR* (Radio Joint Audience Research) is the official body in charge of measuring radio audiences in the UK. It is jointly owned by the BBC and the RadioCentre on behalf of the commercial sector.

## Reach

*Reach* on television is the number or percentage of an audience group who watch a programme or channel (15 consecutive minutes each week is the usual BBC measure, versus three minutes on commercial TV); and on radio is the number or percentage of people aged 15+ who listen to at least five minutes of radio in a 15-minute period during an average week.

## Share

The *share* of total viewing or listening to a particular programme or service over a set time, expressed as a percentage of total hours of viewing/listening.

## Unique users

*Unique users* or *unique browsers* is a measure for website traffic. It is not a traditional survey of 'people', but is measured automatically using either server logs or by a tag embedded within the web pages.

## WoCC

The Window of Creative Competition (*WoCC*) opens up 25% of eligible TV hours and 10% of eligible radio hours to free competition between BBC in-house production and external producers. *WoCCs* are on top of pre-existing Ofcom and voluntary minimums.

If you want more information or to know more about how the BBC is run, please visit [bbc.co.uk/aboutthebbc](http://bbc.co.uk/aboutthebbc)

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# Contacts

## Contact us

If you have a comment, appreciation or complaint about BBC programmes and service, contact: [bbc.co.uk/feedback](http://bbc.co.uk/feedback) or write to:

BBC Audience services, PO Box 1922, Darlington DL3 0UR

Comment line telephone: 03700 100 222

Other queries telephone: 03700 100 123

Textphone: 03700 100 212

## BBC Trust

1st floor, 180 Great Portland Street, London W1W 5QZ

Email: [trust.enquiries@bbc.co.uk](mailto:trust.enquiries@bbc.co.uk)

Website: [bbc.co.uk/bbctrust](http://bbc.co.uk/bbctrust)

BBC information line: 03700 103 100

Textphone: 03700 100 212

## More information

If you wish to find out more about the BBC's full-year performance to March 2015 – including full financial statements and each service's performance against its Statement of Programme Policy, as well as other public commitments, please visit [bbc.co.uk/annualreport](http://bbc.co.uk/annualreport). The Annual Report is also published in Welsh. An accessible PDF is available online.

### Copyright credits

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**Finance and commercial**

Maggie Gyllenhaal in BBC Two's The Honourable Woman



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