



PART TWO

THE BBC EXECUTIVE'S REVIEW AND ASSESSMENT

The BBC 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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DIRECTOR-GENERAL'S INTRODUCTION



The BBC is a remarkable, creative organisation, enriching millions of lives every day, here and the world over. It also provokes strong opinions because people care passionately about it. As I embark on my first year as Director-General I have a very real sense of pride, but also of the responsibility that comes with the role.

The last year has seen the BBC perform at its very best with programmes and services of the highest quality. Equally it was a year when the organisation fell short, and people were let down as a result.

Our Olympics coverage was a milestone in broadcasting, helping to unite the country for a proud moment in our national history. Over 90% of the TV population saw some of the BBC's Olympic programming and the Olympic opening ceremony was watched by a peak audience of 28.7 million. It was also the first truly digital Olympics with 24 streams of events meaning audiences did not have to miss a moment.

Distinctive and original programme-making remains core to the BBC and it was great to see BBC Drama's outstanding year recognised at the BAFTAs – from the *Accused* on BBC One, to the extraordinary *Hollow Crown* on BBC Two. In comedy, *Twenty Twelve* was a huge topical hit, and our enthusiasm for documentaries has not waned with Sir David Attenborough's remarkable *Africa* reaching 25 million viewers.

News is at the heart of the BBC's mission and BBC journalists across the globe have worked tirelessly. From the crisis in the Eurozone to renewed tensions in the Middle East, our teams have continued to show why BBC journalism is internationally respected. Our recent coverage of the death and funeral of Baroness Thatcher also showed the BBC's ability to reflect both respect and context.

It's been a landmark year for radio too with the 90th anniversary of the BBC's first broadcast, and the most ambitious ever Proms. The Hackney Weekend saw the launch of Radio 1's Hackney Academy, its biggest social action programme to date reaching thousands of young people with career master classes, as well as showcasing some of the biggest musical talent in the world, all for free.

We have also faced well documented challenges. Many people understandably felt very let down by the appalling revelations about Jimmy Savile and Stuart Hall – first and foremost the victims of their abuse. We are absolutely determined to learn the lessons to ensure that this can never happen again at the BBC. Equally, as an organisation, we have had to look in the mirror and address our failings in how we handled this issue. There is more to do, but thanks to the hard work across the organisation we have seen some recoveries in public trust. We must never take it for granted.

In my first three months as Director-General, I have made it a priority to visit different parts of the BBC – from Glasgow, Belfast and mid-Wales to Salford, Cardiff and Lincolnshire. The passion, professionalism and commitment of the people I've met give me confidence in the BBC's future. As an organisation we are truly fortunate to have such outstanding staff. We now have a new senior team in place, combining the best from inside and outside the BBC. We have also reconfirmed the importance of a clear commercial proposition for the BBC that supports public service broadcasting. Our challenge now is to ensure we get the most out of our staff in a way that allows all their talents to flourish – and that they in turn get the most out of working for the BBC.

As we move towards our centenary, the BBC should be optimistic about the future. Like any organisation, we face significant challenges but there also great opportunities. As I said on my first day as Director-General, I firmly believe that with imagination and hard work the BBC's best days lie ahead.

A handwritten signature in blue ink that reads "Tony Hall". The signature is written in a cursive, slightly slanted style.

Tony Hall
Director-General
20 June 2013

“As I embark on my first year as Director-General, I have a very real sense of pride, but also the responsibility that comes with the role.”



DELIVERING OUR STRATEGY

In December 2010 the BBC Trust set four strategic objectives for the BBC to 2016

OUR FOUR STRATEGIC OBJECTIVES

Every year, the BBC Executive sets the organisation annual objectives. The primary focus of the last year was to put into place the *Delivering Quality First* (DQF) strategy to meet these objectives and to make the savings required by the 2010 licence fee settlement.

★ QUALITY AND DISTINCTIVENESS

We need to do more than any other broadcaster to make our output innovative and different from what is available elsewhere. Every BBC programme (or piece of online content) should have a distinctive BBC quality, displaying at least one of the following: high editorial standards; creative and editorial ambition; range and depth; and UK-focused content and talent.

The biggest digital broadcast Olympics

The BBC was at the heart of the Olympics with unprecedented and comprehensive coverage of the action in the first truly 'Digital Olympics'. There was live coverage of every Olympic sport from every venue. 52 million viewers watched the BBC's coverage.



How we measure up

Audience appreciation (AI) score out of 100.



What's next

We will continue to create great programmes and services. Upcoming highlights will include:

- programming to mark the anniversary of World War I
- making events like Glastonbury and the Commonwealth Games truly integrated, digital experiences
- providing comprehensive coverage in the build-up to the Scottish referendum

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£ VALUE FOR MONEY

We must demonstrate a continued commitment to providing value for money by using the licence fee effectively. We are doing this by taking advantage of new ways of working to reduce costs; increasing commercial income; and addressing concerns around talent costs and top management pay and expenses.

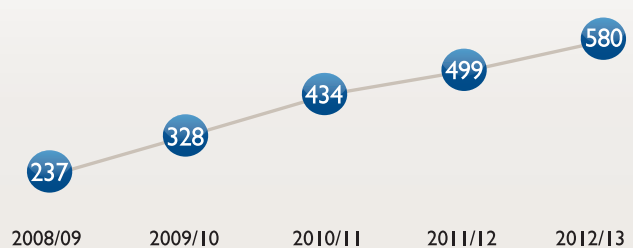
New ways of working

The new Broadcasting House brings together national and international news, network radio stations, television channels and online services for the first time in the BBC's history with 4,000 staff now based in the building.



Annual savings (£m)

£2bn savings in total or 3.7% annual savings across five years.



What's next

We will run the organisation efficiently by:

- implementing the 20% efficiency savings identified in DQF
- developing a new commercial strategy
- delivering partnerships in key strategic areas
- streamlining the BBC's support services
- preparing for the transition of BBC World Service to licence fee funding

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Delivering Quality First

In summary, DQF obliges the BBC to:

- live within its means by making 20% savings by 2016/17
- concentrate on what matters most by focusing investment on quality, key services, genres and the times of day when people most use our services
- transform itself for the future, in part by creating a reinvestment fund for content and digital creativity

At the same time, the BBC plans to deliver an exciting and hugely ambitious year of national events and cultural highlights.

SERVING ALL AUDIENCES

We aim to deliver services of value to everyone in the UK. This means making sure that every household has convenient access to each relevant service, free at the point of use. We must also provide output that serves and represents the UK, its nations, regions and its various diverse communities.

Digital switchover

Digital TV switchover was one of the largest broadcast engineering projects in history. Alongside the upgrade of over 1,000 transmitters, the BBC led the Switchover Help Scheme, which provided expert assistance to the most vulnerable in society, substantially below budget.



How we measure up

Each week we reach 96% of the UK population through our services.

96%

What's next

We will sustain and improve our impact and relationship with audiences by:

- ensuring the BBC's output is delivered to all and take advantage of new internet-based distribution services
- offering audiences the opportunity for greater personalisation of services
- maintaining reach and time audiences spend with the BBC

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OPENNESS AND TRANSPARENCY

Our ambition is to lead the public sector in setting standards of openness and transparency. In particular, we will continue to publish an annual summary work-plan and budget; quarterly audience data; senior manager remuneration and talent costs; and increase openness and engagement with the media industry.

Bringing the audience in-house

Audiences are at the heart of everything we do and we are offering more opportunities for them to see how we work. Radio 1's Access All Areas in February 2013 opened up studios and offices to show how the network is put together.



How we measure up

We aim to go over and above what is expected of us in an open and transparent manner.

Published
in 2012/13

- Talent and senior manager salaries
- Executive Work Plan
- Budget

What's next

We will strive to become more open and transparent by:

- developing a single, easy-to-use portal through which audiences can access a wide range of BBC public documents
- being more proactive in publishing management blogs
- creating more 'Access All Areas' events where licence fee payers can see the BBC at work

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CREATING STAND-OUT CONTENT

2012 was a year of major events including the Olympics – the BBC's biggest ever broadcasting moment – which engaged audiences across all technology platforms.



The opening ceremony of the London 2012 Olympic Games

2012 was a year of major, stand-out events, and the BBC delivered some extraordinarily successful and ground-breaking coverage of the Torch Relay, the Olympics and the Diamond Jubilee, as well as more regular events such as Wimbledon, the European Championships, Children in Need and Comic Relief – the last two raising record amounts for good causes.

More than any other event, the Olympics showed the BBC not just covering the event but at its very heart. The range and breadth of BBC coverage was unprecedented, capturing all the action, providing first-rate analysis and offering unparalleled range and breadth to audiences – not to mention BBC Drama's film of Her Majesty The Queen and James Bond, part of Danny Boyle's opening spectacular. Whether it was Clare Balding interviewing Bert le Clos, or the commentary team reacting to Team GB's outstanding achievements on the field, the BBC's coverage drew audiences in and captured the spirit of every moment. In research carried out just after the event, 96% of the public who consumed the BBC's coverage felt that it met or exceeded their expectations; 95% of the audience agreed that it captured the mood of the occasion; and 95% thought that the BBC's coverage was high quality.

We also provided the most comprehensive coverage ever in the first truly 'Digital Olympics'. Audiences were able to access coverage through multiple platforms including TV, radio, and online across four screens: PC, mobile, tablet and connected TV (including smart TVs and games consoles) and BBC Red Button services. There was live coverage of every Olympic sport from every venue throughout the day. The flagship Olympic channels, BBC One and BBC Three were dedicated to the event. A 24-hour, temporary digital radio station, Radio 5 live Olympics Extra, complemented BBC Radio 5 live and BBC Radio 5 live sports extra. At bbc.co.uk/sport users could watch live HD video coverage, switch between up to 24 live video streams, rewind live coverage and access live data, statistics and information while watching the action. Those 24 HD-quality, live Olympic streams were also made available to cable and satellite providers.

The Queen's Diamond Jubilee was another moment of national celebration, with the BBC broadcasting an unprecedented array of television, radio and online output. This included 14 hours of live programming across the Jubilee weekend itself; a four-and-a-half hour broadcast spanning the river pageant route; the BBC's Diamond Jubilee Concert created, shaped, funded and produced by the BBC in collaboration with Gary Barlow on a stunning stage built in front of Buckingham Palace; full coverage of the Service of Thanksgiving at St Paul's Cathedral, and the Royal Procession and fly-past. Elements of the BBC's coverage proved controversial, with the Jubilee pageant in particular attracting sharp criticism.

The biggest digital broadcast Olympics

The coverage of the 30th summer Olympic Games in London was the biggest outside broadcast ever attempted by the BBC. In addition to BBC One, BBC Two and BBC Three, there were 24 dedicated digital channels via Red Button covering all 26 sports live from 32 venues. Coverage was also available via PC, mobile phone, tablet and internet-connected TV.



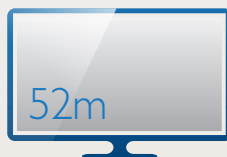
32m unique browsers



of which 8.6m watched on mobile browsers



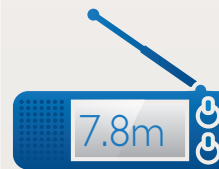
and 2.3m watched on tablets



52m watched on TV and 24m on Red Button



24 dedicated digital television channels



7.8m listened to Radio 5 live and Olympics Extra

The weather and technical difficulties compromised some parts of the event, alongside some inaccuracies in the commentary, but both the pageant and the BBC's coverage across the whole weekend was broadly well-received by audiences. The pageant achieved an average audience of close to 11 million viewers over more than four hours of coverage, with a programme appreciation score (AI) of 82 out of 100. The Jubilee Concert was the highest-rating non-sports programme of the year with over 15 million viewers and an AI of 85.

The BBC also delivered high quality programming throughout the year. Television's *Hollow Crown* series of four Shakespeare plays was an audience highlight, achieving an AI of 88 and the *Shakespeare Unlocked* season as a whole, reached over 14 million viewers. The BBC's Natural History Unit series about Africa reached some 25 million across the series, with an AI of 93. *Mrs Brown's Boys* became one of the most popular comedies in recent years: the latest series achieved an average audience per episode of over nine million viewers (increasing close to 14 million on average with iPlayer and repeat showings) with an AI of 91. In music, we gave away 100,000 free tickets for Radio 1's Hackney Weekend with millions watching and listening on TV and radio. Children's drama was strong this year, with *Wolfblood* and the spin-off from Tracy Beaker *The Dumping Ground* proving particularly popular with younger viewers.

Online, the cycle of refreshing the major parts of the BBC's site was completed in 2012. Tablet and mobile use were the big stories of the year, with BBC Online's browser reach on tablets increasing by almost 200%. The BBC's iPlayer app has been installed more than 16 million times and the BBC News app over nine million times. The BBC launched the Connected Red Button in December 2012 on Virgin's TiVo platform. It allows audiences to access contextual information, catch-up content and text articles via normal TV viewing. Further launches on YouView and other platforms are planned.

BBC News continued to reach over 80% of the UK population every week. Scores for trust in the BBC were, of course, hit by the Savile story and related issues with *Newsnight*, but nevertheless, BBC News remains by far the most trusted source of news in the UK, with 58% of the public picking the BBC as the one source they trust the most, followed by ITV on 14%.

MAKING THE LICENCE FEE WORK HARDER FOR YOU

The BBC is a unique organisation, funded by licence fee payers to provide high-quality and distinctive services in the public interest.

The BBC is entering a challenging period in its history, dealing with a licence fee frozen until December 2016 while taking on new financial commitments: the extra broadcasting-related activities of BBC World Service, BBC Monitoring, an expanded partnership with S4C and support for new local television services, and broadband roll-out. We are determined to rise to this financial challenge while also maintaining or improving the overall performance and audience appreciation of BBC services.

The National Audit Office reviewed the BBC's approach to financial management and concluded that it provides effective support to the business in delivering value for money, with strong financial leadership and governance. They also made a number of recommendations for the BBC to improve its financial and risk reporting arrangements which are being implemented in full.

In 2012/13, we took the following actions to make every pound of the licence fee work as hard as possible.

- we successfully completed the current Continuous Improvement efficiency programme, which has delivered in excess of £2bn of cumulative savings between 2008/9 and 2012/13 with on-going annual savings by 2012/13 of £580million. Over the five years of the programme, the BBC has delivered efficiency savings at a rate of 3.65% a year, exceeding the 3% target set by the BBC Trust.
- we have planned the DQF efficiency targets in detail across all divisions for the next three years and many of these initiatives are already being implemented. Significant early savings have already been released, and by 2016/17 the BBC will make 11% savings across its current operations.
- we are continuing to reduce the cost of the top talent, with overall payments to performers paid more than £500,000 reducing by £4.2million from £16.5million in 2011/12 to £12.3million in 2012/13. Top talent now makes up 6% of our overall talent spend, down from 12% in 2008/09 when the commitment was made. This group is critical to licence fee payers, the great majority of whom agree that the BBC should use the best performers, presenters and artists.



Huw Edwards reading the *10 O'Clock News* from New Broadcasting House

Last Night of the Proms 2012 at the Royal Albert Hall



- we completed the move of BBC News, BBC Television and BBC Global News into Broadcasting House (see opposite). As a result of these moves, we sold BBC Television Centre in West London to a property developer – Stanhope Plc funded by Mitsui Fudosan UK and Alberta Investment Management Corporation. The sale followed a year-long selection process centred around three key objectives: maximising the value of the site for licence fee payers; protecting the legacy of this iconic building; and choosing a buyer that could deliver. The proceeds from the sale, together with the end of running costs for the site, will contribute towards the BBC's target of achieving annual savings in property expenditure of £47million per annum by 2016/17. The listed elements of Television Centre will be retained and enhanced, including the instantly recognisable exterior view.

Digital Media Initiative

Beginning in 2008, our Digital Media Initiative (DMI) set out to move the BBC's production and archive operations to a fully integrated, digital way of working. The BBC has a history of delivering ambitious technology projects, but they do carry a risk of failure and an operational review of DMI, launched in October 2012, found that DMI was not going to deliver on its stated objectives. As a result, the Director-General took the decision to close it with the agreement of the BBC Trust at a cost to the licence fee payer of £98.4million. We must ensure that there can be no repeat of a failure of this scale, and the BBC Trust has launched a wide-ranging independent review to establish just what went wrong. This report will be published in 2013.

Jeremy Vine presents current affairs programme *The Andrew Marr Show*



New Broadcasting House

Broadcasting House has been reinvented as a new and dynamic creative hub in the centre of London. It brings together our national and international BBC News output alongside network radio stations, television channels and online services for the first time in the BBC's history.

The extension of Broadcasting House and the migration of thousands of staff into W1 represented an unprecedented challenge for the BBC. However, the second phase of the BBC's largest ever capital project ended in March 2013 by delivering hundreds of hours of live programmes from the new location on-air, on-schedule and under budget.

The W1 Programme, which organised the move, has identified considerable financial benefits which are made possible by highly efficient flexible working in the open plan space, which enabled the sale of many other BBC buildings across London. Savings have also been made by exploiting the economies of scale which are made possible by having more than 4,000 staff based in one location.

Other substantial costs were avoided by the competitive tender of new digital technology which is now common to all of the teams in W1. This is anticipated to reduce support and training costs and enables the much easier exchange of material between different programmes and platforms.

CREATING DIVERSE CONTENT ON ALL PLATFORMS FOR ALL AGES AND COMMUNITIES

The BBC's mission is to enrich people's lives with programmes and services that inform, educate and entertain – regionally, nationally and internationally.

Reaching the whole British public

In 2012/13, the BBC reached around 96% of the UK population each week and on average each of those people spent nearly 19.5 hours with the BBC – nearly half an hour higher than last year. BBC television was watched by 86% of the population every week; BBC radio was listened to by 66%; BBC Online was used by nearly 50%.

Our continuing strategy is to seek to improve the extent to which BBC services resonate with people in all the UK's nations and regions and from different age groups and communities. In particular, we must ensure that we increasingly reflect the devolved nature of the UK's government, as well as the distinctive character of its constituent parts.

Part of that strategy has been the shift of channels, commissioning power, and major production departments to Salford, which was completed successfully in 2012. One objective behind the move is to have a significant impact on the use of BBC services and perceptions of the BBC in the North-West of England. The challenge for the BBC is to ensure that these benefits are also spread across the whole of the North of England.

Performance in Scotland and Northern Ireland continued to be more mixed with BBC network radio reach and BBC general impression both lower than the UK average. However, strong local services like BBC Radio Ulster and television opt-out programming on BBC One and Two help to compensate, and the BBC's strategy for moving more network production to the three nations by 2016 is underway.

Guaranteeing access to audiences

The BBC seeks to ensure that every household has convenient access to each relevant service, free at the point of use. It must do so in a way that safeguards easy, accessible, open routes to BBC content; sustains quality, free-to-air platforms; represents value for money; secures baseline standards of quality, brand attribution and due prominence; meets legal obligations; and is technically feasible.

In 2012/13, we made significant progress in guaranteeing access to audiences through the following achievements:

- digital switchover was successfully completed (see opposite)
- we launched BBC One HD for Scotland, Wales and Northern Ireland and BBC Two HD (with the closure of the BBC HD channel)
- we completed a three-year build out of the BBC's UK-wide DAB network, extending coverage to 94% of homes
- we successfully launched a new and improved process for diagnosing and resolving reception problems experienced by our viewers and listeners

Reaching the UK

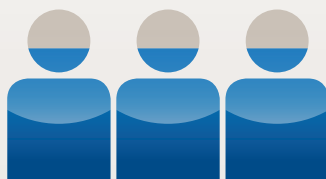
In 2012/13, the BBC reached around **96%** of the UK population



96%
2011/12: 96%

Television

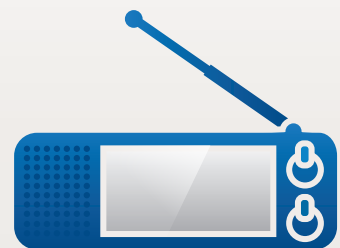
BBC television was watched by **86%** of the population every week



86%
2011/12: 87%

DAB radio

We completed a three-year build out of the BBC's UK-wide DAB network, extending coverage to **94%** of homes



94%
2011/12: 93%



BBC North at MediaCityUK, Salford

The BBC in the North of England

BBC North, based at MediaCityUK, is now the home of BBC Breakfast, CBBC, CBeebies, BBC Learning, BBC Sport, the BBC Philharmonic, BBC Radio 5 live, Future Media departments, Religion and Ethics, and parts of Television Entertainment, Comedy, Current Affairs and Drama, as well as radio programmes from 6 Music, Radio 3 and Radio 4 and regional and local output. Producers and engineers there delivered the record-breaking 24 digital streams for the London Olympics from the state of the art hub.

Already audiences can see an impact: the difference between BBC television viewing in the North West and the UK average has narrowed from a 3.9% gap two years ago to a 1.6% gap. Quality remains high – BBC Radio 5 live won Sony Station of Year and CBBC was named BAFTA Children’s Channel of the Year.

The National Audit Office (NAO) published a report for the BBC Trust in May 2013. It found that BBC North was delivered on time, under budget and with no break in broadcast or business continuity. The report also contained a number of recommendations to ensure value for money, which we will fully implement.



Switchover

Digital switchover

The BBC has been involved with digital TV switchover since the very beginning: technical, operational and strategic planning started more than a decade ago. A programme which has gone so smoothly for viewers masks the extent of the re-engineering which has gone on behind the scenes.

We have worked with our technology and transmission providers to fundamentally reorganise how we get TV programmes from the studios to the home. In doing so, we undertook the largest broadcast engineering project in history – all the while making sure that viewers and listeners could continue to get our services despite the disruption happening at the transmitters.

The BBC led the Switchover Help Scheme: the vital public service that made sure that when it came to digital switchover, no-one would be left behind. Providing assistance to the most vulnerable in society was a hugely complex and important undertaking and we’re proud to have done so expertly and substantially below the budget set.

But the real success of switchover was in the uniting and co-ordination of the public service broadcasters in delivering a uniquely challenging public project.

Digital switchover

Digital TV switchover took place across the UK between 2008-2012 on a region-by-region basis. The Digital Switchover Help Scheme, run by the BBC, helped everyone who was eligible disabled, aged 75 or over, registered blind or partially sighted, or anyone who had lived in a care home for six months or more with everything they needed to switch one TV to digital.

Distribution

1,154
transmitting
stations upgraded

98.5%
of homes receive
digital TV

10m
viewers gain access
to Freeview

Help Scheme

7.1m
households offered help

1.3m
elderly/disabled
customers assisted

95%
customer satisfaction

Marketing

23m
mailings sent to
eligible people

2,000
roadshows provided

OPERATING TRANSPARENTLY, ENGAGING OPENLY

As a licence fee funded organisation, we want to ensure that all licence fee payers across the UK can access information about the BBC and interact with us.

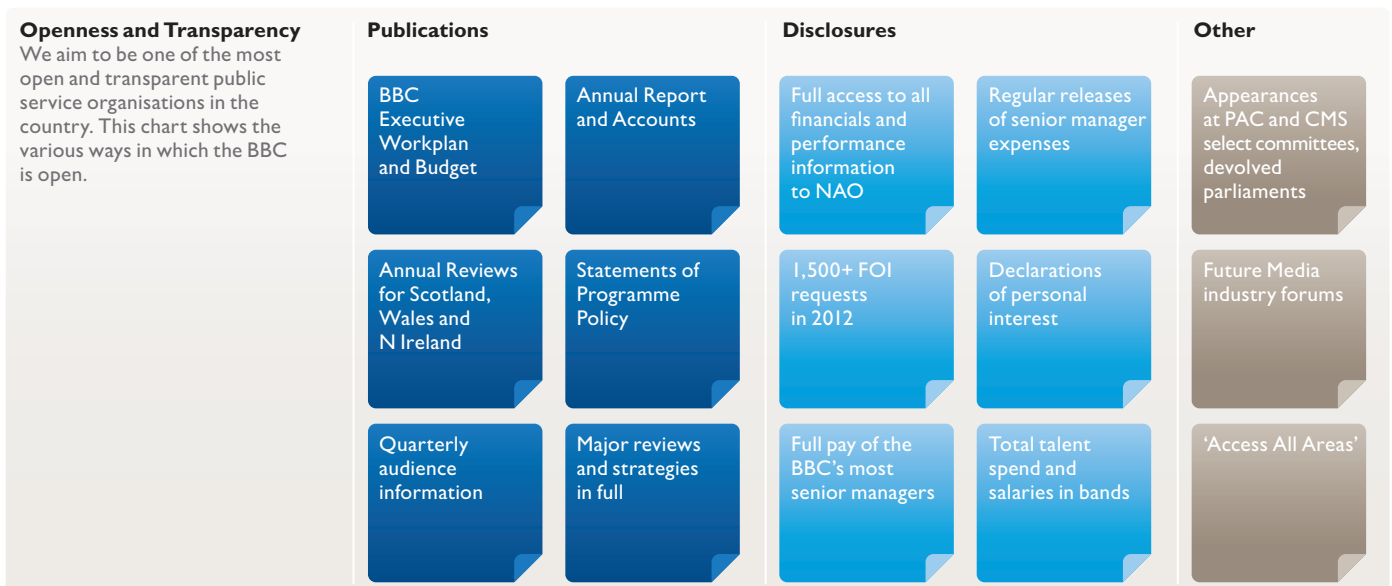
It is the BBC's ambition to be one of the most open and transparent public services in the country. We lead the public sector in publication of senior staff salaries, declarations of personal interest and expenses. We are open about our internal decision-making processes, routinely publishing summary minutes of Executive Board and minutes of Trust meetings, as well as using blogs for topical issues and announcements. Last year, we published more data and information than ever before.

We are also more open with the wider media industry. The BBC Workplan and Budget give clarity on the BBC's major strategic activities for the year; publication of audience data shows how BBC services are performing; and the BBC's major reviews and strategies are published in full. BBC Online continues to engage in open discussion with partners and suppliers, with an industry briefing taking place in May 2012 in the Radio Theatre in Broadcasting House. At this event, BBC Future Media shared some of its thinking and plans for the year ahead with around 200 partners and suppliers from the wider digital industry. All the presentations from the event were videoed and published online, where staff from the BBC's online and technology teams continue to write about our services and the technology and software that make them possible. Other activity included Radio 1's 'Access All Areas', which opens up what the BBC does at Radio 1 and iXtra and the BBC's Director of 2012's blog setting out the BBC's plans for resourcing coverage of the Olympics.

However, sometimes the BBC is not able to give out information. If so, we will be clear about our reasons. This might happen if we genuinely believe providing information would:

- threaten our ability to report the news freely or interfere in the creative process
- cause harm to someone's business, or cause the BBC and licence fee payers financial loss
- interfere with someone's private life, or jeopardize their health and safety
- result in the BBC being unable to collect the licence fee to make programmes

We believe that we can go further than the information we publish today. We are exploring a range of ideas about how to become more open and transparent, including proposals to create a single easy-to-use portal through which audiences can access and navigate the wide range of BBC public documents; more proactive publication of information blogs, and more 'Access All Areas' events for licence fee payers.





PERFORMANCE

PART TWO: PERFORMANCE

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

TELEVISION

“It has been an extraordinary year for BBC Television, with the Olympics at the heart of our endeavours. Looking ahead, we are focused on ensuring that all licence fee payers find plenty to inform, educate and entertain them across our services.”

Uniting the nation

2012 – a year when BBC audiences were united by moments of scale and brilliance: from the genius of Danny Boyle’s Olympic Opening Ceremony, including the BBC-produced film with Her Majesty The Queen and James Bond, to the energy and impact of the Diamond Jubilee Concert, created by BBC Events with Gary Barlow. Viewers also delighted in the latest series of *Strictly Come Dancing*, our most successful to date, comedy hits *Miranda* and *Mrs Brown’s Boys*, and the most ambitious *Sports Personality of the Year* we’ve ever produced. As well as celebrating as a nation, we also bring communities together to make lives better and to support one another in times of reflection. We will, in 2014 for instance, commemorate the centenary of the Great War with stories of individual courage and sacrifice, as well as exploring how the country changed forever.

A true public service

It’s important that BBC One is at the heart of our national life, but it’s equally crucial that we offer something special for everyone. Last summer, alongside the Games, we also embraced the Cultural Olympiad, reflecting the rich arts life of Britain to



Danny Cohen
Director, Television

audiences around the country and across the world. Some of our finest creative talent brilliantly re-created four of Shakespeare’s most acclaimed history plays in *The Hollow Crown* on BBC Two; and there were contributions from BBC music, drama, documentary and film to the London 2012 Festival. The Natural History Unit is a further reminder of world-class BBC production, with Sir David Attenborough’s *Africa* reaching some 25 million, and Professor Brian Cox was centre stage taking a physics lens to natural history in *The Wonders of Life*. It’s also been an exceptional year for documentaries with *Welcome to India* and *The Secret History of our Streets* engrossing viewers on BBC Two; *Our War*, a remarkable series of films on BBC Three; and an unparalleled range and breadth of specialist factual on BBC Four.

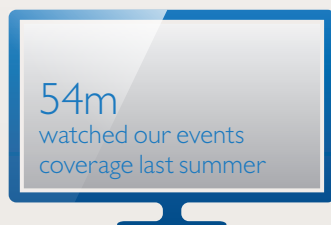
Creative ambition

We are constantly striving to offer audiences programmes with great creative ambition that also contribute to the country’s cultural standing around the world. More than 100 major national and international awards reflect excellence across all programme genres. 2012/13 was a very successful year for BBC drama – with *Call the Midwife* warmly embraced by millions; critical and audience acclaim for Sir Tom Stoppard’s adaptation of the literary classic, *Parade’s End*; as well as memorable characters on display in the shape of *Sherlock*, *Luther* and *Last Tango in Halifax*. With epic dramas like *The White Queen*, Jane Campion’s *Top of the Lake* and a BBC adaptation of Hilary Mantel’s Booker prize-winning novel *Wolf Hall* gracing our screens soon, we’ll be aiming even higher next year.

Strategy in action

SERVING ALL AUDIENCES

- 54m shared in our events coverage last summer, with millions more watching around the world
- 48% growth for BBC One HD, the fastest growing channel in the top 30
- 1.9bn requests to watch TV programmes through iPlayer, with a new record of well over 200m requests in January



QUALITY AND DISTINCTIVENESS

- 23.9m watch original British drama on the BBC each week
- 84% of viewers agree that BBC Four’s content is distinctive and offers something new
- 15 BAFTA awards for our programmes this year and special recognition for some of our most loved and respected presenters



RADIO

“BBC Radio has emerged from its 90th year in robust health and with a firm eye to the future. Our digital stations have shown truly impressive growth and the distinctiveness of our output across all networks continues to strike a chord with our audiences.”

Ambitious content

The 90th anniversary of the BBC's first broadcast was marked in November by a simultaneous broadcast on around 60 BBC radio stations across the UK and around the world. The Diamond Jubilee celebrations saw extensive coverage on Radio 2 and our Olympics coverage featured both sport and culture, from Chris Evans' Breakfast Show in the Olympic Park to Radio 1's *Hackney Weekend* and the related Hackney Academy, its biggest social action programme to date.

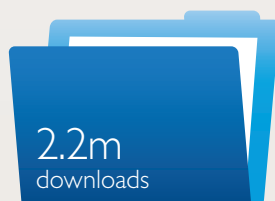
Growth in digital

The BBC's digital-only networks have continued to grow rapidly. The new station 5 live Olympics Extra peaked at just below two million listeners a week during the Olympic Games, 6 Music achieved a record weekly reach of 1.9 million in the period between October and December 2012, and 1Xtra and 4 extra both reached record numbers of listeners in 2012. In 2012, one-third of all hours spent listening to live radio was via a digital platform. The Radio iPlayer app, streaming all BBC Radio content to mobile phones and tablets, was launched in October 2012 on iOS devices and proved an instant hit, with 1.8 million downloads in a matter of months. It was launched for Android devices in April 2013.

Strategy in action

SERVING ALL AUDIENCES

- Radio 6 Music achieved a record weekly reach of 1.9m between October and December 2012
- A third of all hours spent listening to live radio was via a digital platform
- The iPlayer Radio app has been downloaded 2.2m times since its launch in October 2012



Younger Listeners

In response to recommendations from the BBC Trust, Radio 1 reorganised its schedules to try to attract younger listeners. The biggest change was the departure of Chris Moyles from the breakfast show to be replaced by Nick Grimshaw, and a renewed emphasis on music particularly enjoyed by teenagers. Radio 1 led the way in visualising its content and experimented further by hiring Dan and Phil, who have a large internet following, to present a Sunday evening show, and Radio 2 and 6 Music increased the amount of live music visualised.

Strong performance across traditional networks

Radio 2 enjoyed a year of record figures, achieving a weekly reach of 15 million for the first time in the period from October to December 2012. In the same period, the Chris Evans breakfast show topped 9.5 million. Forty seven million adults listen to live radio every week – around 90% of the population – and live radio accounts for over a billion listening hours each week. Overall, BBC radio reached in excess of 35 million people for only the third time in 2012.

QUALITY AND DISTINCTIVENESS

- Digital stations BBC Radio 1Xtra and BBC Radio 4 extra both reached record numbers of listeners in 2012
- By the end of 2012, more than 25m people listened digitally every week



NEWS



“We are still the country’s most trusted news provider despite our well-publicised troubles. This is no cause for complacency, but a reminder that we must justify the audience’s support with the quality of our future editorial decision-making.”

Reaching all audiences

More than 80% of UK adults consumed BBC News each week this year across television, radio and online. With fewer big, breaking stories, reach across TV and radio did not quite match last year, but audiences remained strong overall.

The popularity of the BBC News website continued to grow, with an average of 19.6 million UK weekly browsers and the UK site had a record week in January when snow and the London helicopter crash drew 26.7 million.

Trust

The trust our audiences place in us is based on our sustained commitment to rigorous impartiality, independence, fairness and accuracy. The well-publicised difficulties BBC News faced over its coverage of Jimmy Savile and the separate Newsnight child abuse investigation in Wales, which led to high-profile external and internal inquiries, led to an initial dip in our trust ratings. But BBC News continues to be the most trusted source of news in the UK by a wide margin. We will work hard to justify the continued faith in our journalism.

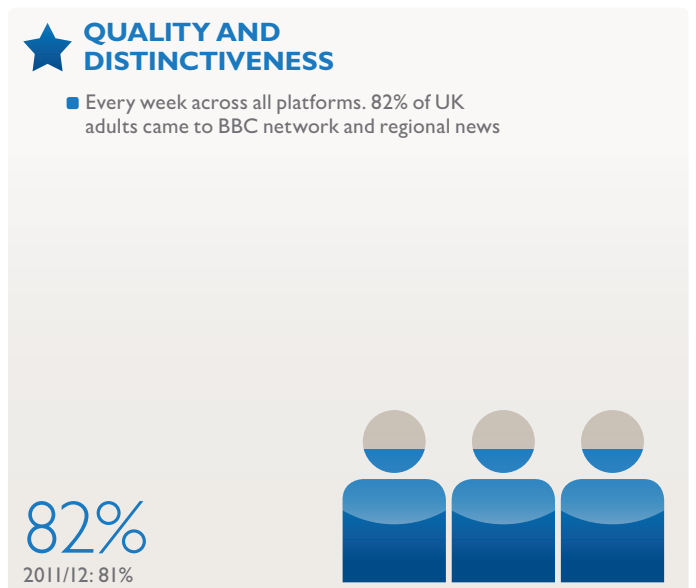
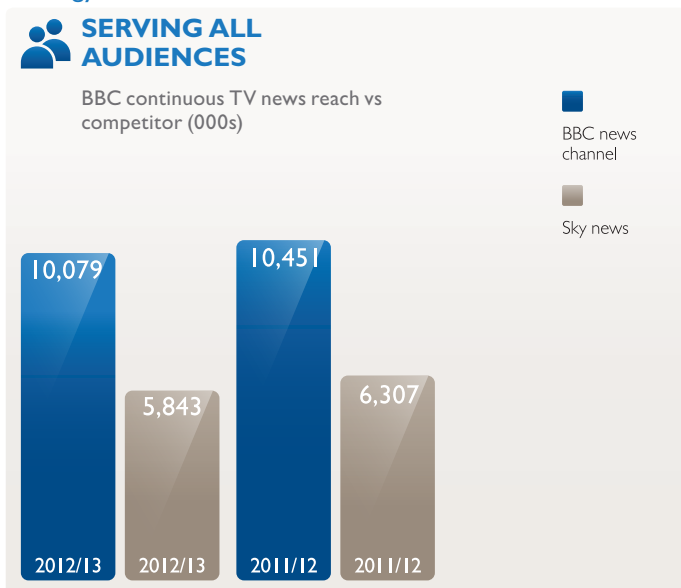
Memorable stories

We covered the continued crisis in the Eurozone from Italy, Greece and Spain; renewed tensions in Egypt; elections in Russia, France, Greece and the USA; and leadership change in China. We won RTS awards for our coverage of the escalating violence in Syria. At home, we tracked the progress of the UK economy. Floods, freezing temperatures and unseasonable sunshine meant UK weather stories became five of the year’s most followed stories. Panorama’s investigation of our own troubles over Jimmy Savile attracted its highest audience since at least 2001. The BBC was a key audience destination for news coverage of Her Majesty The Queen’s Diamond Jubilee and the Olympics.

Working together

We are making good progress towards creating a single, integrated, BBC newsgathering service. BBC News completed the move from Television Centre to New Broadcasting House and the World Service from Bush House, while BBC Breakfast moved to Salford. The English regions and the nations work together more closely than ever before, helping us to share resources and content more effectively across the BBC while investing in distinctive journalism. In this way we aim to meet our savings targets, while delivering the same quality of output for our different audiences.

Strategy in action



FUTURE MEDIA

“This year we delivered the first truly digital Olympics. We need to build on this foundation, using innovation to help deliver the BBC of the future, just as our predecessors have done through radio and TV.”

One service

We want the service that BBC Online provides to be greater than the sum of its parts. In 2011, we created the Connected Strategy to provide rich experiences on mobile, tablet, desktop and connected TVs. 60% of the audience agreed that BBC digital media made their Olympics experience better. We now turn our attention to one service. In 2012 we delivered standardised sign-in procedures that enable richer pan-portfolio recommendations, and shared ‘add to favourites’ technology across the products. Delivering one service in 2013 will mean that across BBC Online all our products will feel familiar, interconnected and recognisably BBC.

Personalisation

The BBC’s digital services are unique in their potential to drive deeper and more direct relationships with audiences. In 2013, we will focus on personalisation of services. By signing-in, it will become easier to get to the programmes, News and Sport you’re interested in. Content will come to you and you’ll be kept up-to-date on more of the things you want – and we’ll make it easy to discover new things, based on people with similar tastes.



The future of the red button

The red button was a success story of the BBC’s coverage of London 2012, as each of the 24 streams of Olympic content was watched by over 100,000 people, allowing us to reach an audience of 24 million. The boundary between TV and online is blurring, and building on this momentum, we launched the Connected Red Button service in December 2012. This brings BBC content into one converged experience – allowing the viewer to move seamlessly from broadcast to broadband; access on-demand content, overlay programme data, ‘favourite’ programmes, or play-along with live TV.

Reaching more licence fee payers

Last year, our strategy aimed to increase accessibility of our content via mobile, tablet, desktop or TV. As a result, the number of browsers connecting to our content each week increased by 20% in a year. However, we still only reach about 50% of the UK population. This year, we will focus on increasing that reach with relevant, high quality and up-to-the minute digital content.

Strategy in action

SERVING ALL AUDIENCES

36.5bn

minutes of viewing through BBC iPlayer in 2012

100m

the equivalent number of DVDs of data delivered by BBC Online in 2012/13

QUALITY AND DISTINCTIVENESS

2,500

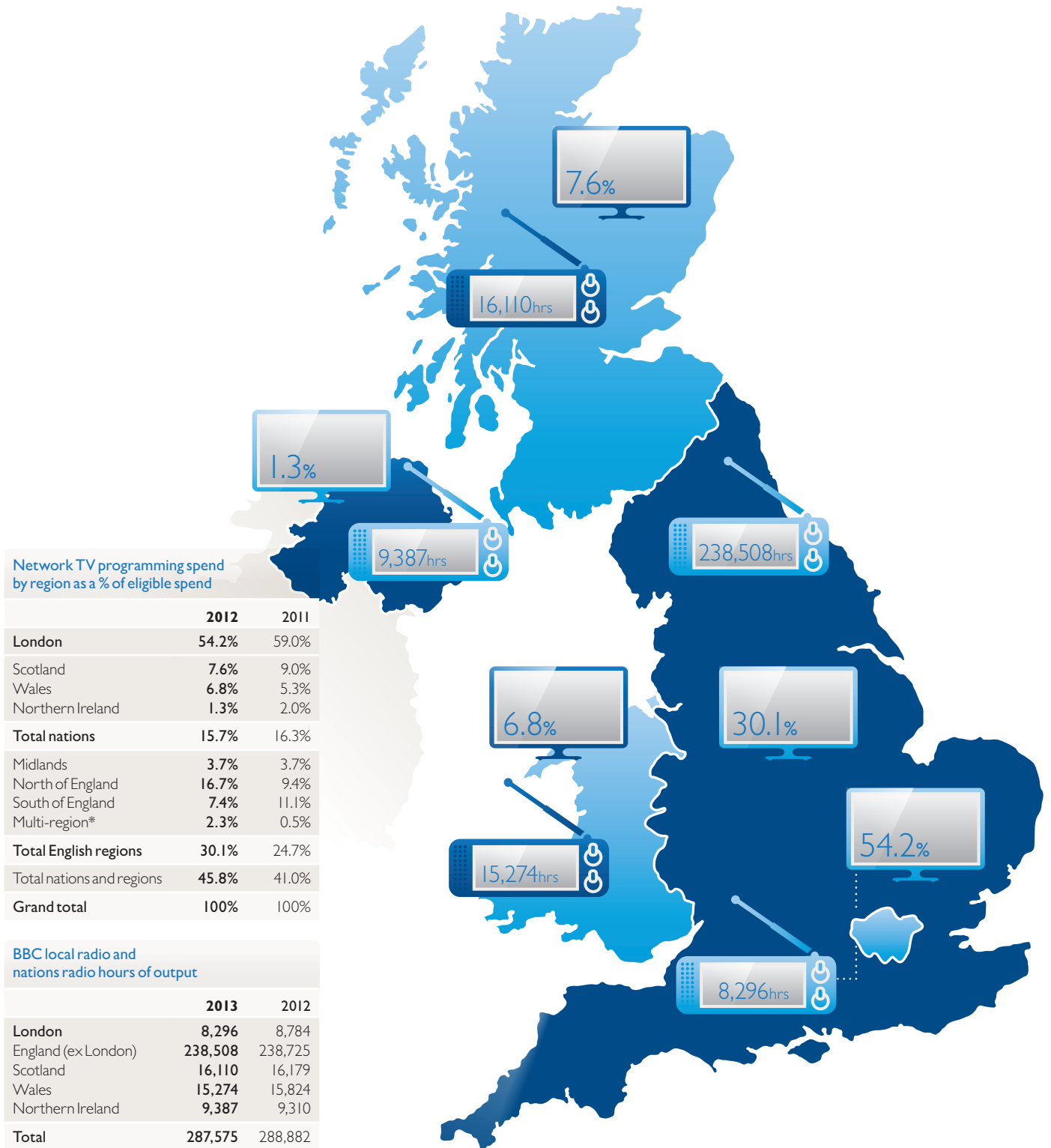
number of hours content delivered by BBC Online during the Olympics

60%

of the audience agreed that BBC digital media made their Olympics’ experience better

NATIONS AND REGIONS

The BBC has committed that, by 2016, 50% of network TV programming spend will be from outside London and 17% from the nations.



Network television spend based on Ofcom definitions by calendar year

* Multi-region covers programmes made outside London but which cannot be attributed to any one region or nation.

England

The focus for English Regions teams this year has been high-quality local output, original journalism and providing a platform for accountability. Our newly appointed political reporters have generated a range of valuable content which has examined key local issues in depth. Regional television, local radio and England Online have been working increasingly closely with their network counterparts to deliver the best value and most powerful journalism possible. Our broadcasts and online content helped the Olympics, and the Torch Relay which preceded it, create a celebration of achievement for the whole country.

Lewis Hamilton with the Olympic torch for BBC Three Counties



Wales

BBC Cymru Wales' English language output on BBC One and BBC Two continued to reach nearly a million viewers every week. The most recent series of *X-Ray*, BBC One Wales' long running consumer show, had its highest average audience for ten years while the investigative current affairs strand *Week In Week Out* had its highest average audience for nine years. Both BBC Radio Wales and BBC Radio Cymru launched a new line-up of weekday programmes. Our online sites showed steady growth attracting 2.7 million unique weekly browsers, with news stories driving most people to our sites.

BBC Wales presenters Oliver Hides, Jason Mohammad and Louise Elliott



Scotland

His Royal Highness Prince Charles turned weather forecaster for the day during his visit to BBC Scotland in May, drawing worldwide interest. Other highlights included prestigious awards including the Foreign Press Association Media Award for Sports Story of the Year for the investigations into Rangers FC. Specialist factual output was particularly strong across the year with *Operation Iceberg*, *Prehistoric Autopsy* and *Afterlife: The Strange Science of Decay*. *Waterloo Road* returned for an eighth series, now relocated to Inverclyde, and *River City* celebrated its tenth anniversary on air. *Mrs Brown's Boys* remained a firm audience favourite. Network TV spend dropped slightly as a result of fewer productions, though Specialist Factual programming increased, and spend is planned to reach c.10% in 2013.

More than 10 million viewers saw *Mrs Brown's Boys*, co-produced by BBC Scotland, over Christmas



Northern Ireland

This has been an important year for BBC Northern Ireland. Digital switchover took place marked by a live simulcast with UTV. BBC One NI HD launched securing an important platform for our future local output. We delivered a rich mix of TV, radio and online covering major anniversaries and events such as the Titanic Centenary, the Olympic Torch Relay and The Queen's Jubilee visit. Large-scale audience events included Proms in the Park and the Sons and Daughters concert opening Derry~Londonderry UK City of Culture 2013. During the period, we produced new documentaries, landmark series and refreshed our politics strand. Work continues on network supply plans with the aim of hitting our 3% target of total network television expenditure in 2016.


























BBC Northern Ireland Proms in the Park



PERFORMANCE BY SERVICE

















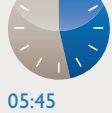







Content (£m)	Reach (%)	Time spent watching a channel each week (h:m)	Appreciation Index by service	Costs per user hour (p)
We spent a total of £1,789.1m on these services last year	UK population who use the service each week	Length of time the average viewer spent each week with the channel	Aggregate of how people rated individual programmes, expressed as a number out of 100	How much it costs to deliver each service to individual users

NETWORK TELEVISION

Service	Description	Content (£m)	Reach (%)	Time spent watching a channel each week (h:m)	Appreciation Index by service	Costs per user hour (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 which includes news and current affairs, drama, comedy and entertainment.	£1,129.2m (£1,041.1m)	 77.6% (78.8%)	 07:51 (07:20)	 82.6 (82.2)	6.2p (6.1p)
	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.	£404.8m (£416.6m)	 50.9% (54.3%)	 03:15 (03:23)	 84.2 (83.5)	8.3p (7.8p)
	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	£89.7m (£83.8m)	 23.2% (23.3%)	 01:58 (01:51)	 84.0 (84.0)	6.6p (7.0p)
	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.	£50.0m (£49.2m)	 14.2% (12.5%)	 01:44 (01:38)	 85.6 (84.8)	6.8p (9.5p)
	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.	£81.6m (£81.9m)	 6.6% (7.4%)	 02:53 (03:00)	n/a n/a	11.1p (9.3p)
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	£28.9m (£29.2m)	 8.7% (9.0%)	 04:00 (04:05)	n/a n/a	2.7p (2.6p)
	BBC ALBA* offers, to Gaelic speakers and learners, a distinctive range of originated programming that reflects and supports Gaelic culture, identity and heritage.	£4.9m (£5.0m)	 15.6%† (11.9%)	 01:53 (n/a)	n/a n/a	7.4p (22.0p)



Source: BARB, GfK (Appreciation Index).
 Reach definition: 15 minutes for all channels and services and on audiences aged 4+.
 HDTV Channel was converted into BBC Two HD on 26 March 2013. The service licence consequently closed on 1 April 2012 with the associate spend transferred to the BBC Two service licence.
 n/a Data does not currently exist for this measure.
 CBBC: among its target audience of 6- to 12-year-olds reach was 30.1% and time spent was 3:23.
 CBeebies: among its target audience of 0- to 6-year-olds (measured as children aged 4-6 and housewives with children aged 0-3) reach was 42.6% and time spent was 4:38.
 * Source: TNS Scottish Opinion Survey. Base: All aged 16+ in Scotland. Among Gaelic-speaking community reach was 75.2% and time spent was 4 hours and 24 minutes (Lèirsinn panel).
 2011/12 figure based on June 2011-March 2012 as service only received full coverage in Scotland on Freeview/cable from June 2011.
 Arrows denote whether there has been a change of +/-2.5% from the previous year's AI.
 (†) Figures in brackets from 2011/12.

NETWORK RADIO

		Content (£m) We spent a total of £302.8m on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
BBC RADIO 1	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	£40.7m (£38.4m)	 20.9% (22.3%)	 07:14 (07:56)	 77.0 (78.7)	1.0p (0.8p)
BBC RADIO 1Xtra	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new UK artists.	£7.5m (£7.2m)	 2.0% (1.9%)	 04:55 (05:03)	 79.8 (81.0)	2.7p (2.8p)
BBC RADIO 2	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	£47.8m (£47.2m)	 28.0% (27.4%)	 11:45 (11:53)	 81.4 (81.0)	0.5p (0.5p)
BBC RADIO 3	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance from across the UK.	£38.3m (£37.8m)	 4.0% (4.0%)	 06:17 (06:06)	 81.6 (83.2)	5.6p (5.6p)
BBC RADIO 4	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	£91.1m (£88.1m)	 20.5% (20.4%)	 11:58 (12:09)	 80.8 (80.9)	1.4p (1.3p)
BBC RADIO 4extra	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	£4.0m (£5.0m)	 3.2% (3.0%)	 05:45 (05:34)	 80.4 (80.6)	0.8p (1.1p)
BBC RADIO 5 live	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	£55.0m (£51.1m)	 11.8% (12.2%)	 07:08 (07:20)	 77.7 (77.8)	2.4p (2.1p)
BBC RADIO 5 live sports extra	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	£2.7m (£2.6m)	 1.8% (1.7%)	 03:18 (03:08)	 83.4 (85.2)	1.7p (1.7p)


PERFORMANCE BY SERVICE

NETWORK RADIO CONTINUED

	Content (£m) We spent a total of £302.8m on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
 <p>BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.</p>	<p>£7.4m (£7.8m)</p>	<p>3.2% (2.6%)</p>	<p>08:32 (07:56)</p>	<p>83.6 (83.5)</p>	<p>1.0p (1.4p)</p>
 <p>BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.</p>	<p>£8.3m (£8.5m)</p>	<p>1.0% (1.0%)</p>	<p>06:14 (06:31)</p>	<p>73.3 (75.6)</p>	<p>4.9p (4.9p)</p>

























Source: RAJAR. GfK (Appreciation Index).
 Reach definition: 15 minutes for all stations and on audiences aged 15+, in line with industry standards.
 Arrows denote whether there has been a change of +/-2.5% from the previous year's AI.
 () Figures in brackets from 2011/12.

FUTURE MEDIA

	Content (£m) We spent a total of £118.6m on content for these services last year	Reach (%) UK population who use the service each week	Time spent with each service each week (h:m) Length of time the average user spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user (p) How much it costs to deliver each service to individual users
 <p>BBC Online comprises the BBC's portfolio of online products on desktop, TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Factual and Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.</p>	<p>£103.0m (£115.3m)</p>	<p>48.1% (42.5%)</p>	<p>n/a (n/a)</p>	<p>77.5% (77)</p>	<p>8.4p (10.8p*)</p>
<p>BBC Red Button delivers interactive services and content to digital television viewers, including up-to-the-minute content and information across news, sport, weather, learning, entertainment, interactive programming and major events.</p>	<p>£15.6m (£13.5m)</p>	<p>34.0% (31.3%)</p>	<p>n/a (n/a)</p>	<p>n/a 76.5% (79†)</p>	<p>1.8p (2.0p)</p>

Sources: CMI/GfK (Online) and Nunwood until Sept 2012 and CMI/GfK thereafter (Red Button). Reach definition: 3+ minutes for both services, and on audiences aged 16+.
 * The basis for calculating CPUH for BBC Online has changed from browsers to people. Comparatives have consequently been restated for consistency.
 Sources: Appreciation Index: eDigital (Online); CMI/GfK (Red Button).
 † Owing to a measurement change, the Red Button appreciation index figure is from October 2012-March 2013 and cannot be compared with 2011/12.
 n/a Data does not currently exist for this measure.
 Arrows denote whether there has been a change of +/-2.5% from the previous year's AI.
 () Figures in brackets from 2011/12.

JOURNALISM, AND NATIONAL AND LOCAL RADIO SERVICES

	Content (£m) We spent a total of £232.2m on content for these services last year	Reach (%) Local population within reach of service who use service each week	Time spent watching or listening to a service each week (h:m) Length of time the average viewer or listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Costs per user hour (p) How much it costs to deliver each service to individual users
 <p>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.</p>	<p>£45.2m (£42.4m)</p>	 <p>11.7%* (12.2%)</p>	 <p>02:33 (02:30)</p>	<p>n/a n/a (n/a)</p>	<p>5.1p (4.7p)</p>
 <p>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.</p>	<p>£1.9m (£2.1m)</p>	 <p>0.5%* (0.5%)</p>	 <p>01:40 (02:04)</p>	<p>n/a n/a (n/a)</p>	<p>7.2p (7.2p)</p>
 <p>BBC Local Radio is a primarily speech-based service of news, information and debate, with a strong emphasis on interactivity.</p>	<p>£114.7m (£112.7m)</p>	 <p>16.4% (17.4%)</p>	 <p>09:26 (09:50)</p>	 <p>81.3 (81.8)</p>	<p>3.4p (3.0p)</p>
 <p>BBC Scotland is a speech-led service for adults. It covers a wide range of genres and reflects the issues, events, culture and interests of the people of Scotland.</p>	<p>£23.2m (£23.2m)</p>	 <p>21.9% (22.6%)</p>	 <p>07:06 (06:51)</p>	 <p>79.3 (79.2)</p>	<p>6.5p (6.6p)</p>
 <p>BBC Radio nan Gàidheal[‡] offers a comprehensive speech and music radio service for Gaelic speakers. It covers a wide range of genres and reflects the issues, events, culture and interests of the people of Scotland from a Gaelic perspective and through the medium of the Gaelic language.</p>	<p>£3.8m (£3.6m)</p>	 <p>68.6% (72.9%[‡])</p>	 <p>07:22 (n/a)</p>	<p>n/a n/a (n/a)</p>	<p>15.6p (12.9p)</p>
 <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>£13.9m (£13.0m)</p>	 <p>18.2% (18.7%)</p>	 <p>09:19 (10:02)</p>	 <p>81.8 (81.8)</p>	<p>6.2p (5.3p)</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>£12.5m (£11.4m)</p>	 <p>5.1% (5.5%)</p>	 <p>09:52 (11:00)</p>	<p>n/a 77.2 (n/a)</p>	<p>19.0p (14.5p)</p>

PERFORMANCE BY SERVICE

JOURNALISM, AND NATIONAL AND LOCAL RADIO SERVICES CONTINUED

Content (£m)	Reach (%)	Time spent watching or listening to a service each week (h:m)	Appreciation Index by service	Costs per user hour (p)
We spent a total of £232.2m on content for these services last year	Local population within reach of service who use service each week	Length of time the average viewer or listener spent each week with the channel	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



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.

£17.0m
(£17.3m)



35.5%
(36.5%)



11:37
(11:20)



81.6
(84.9)

5.4p
(5.5p)



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.

Source: BARB (TV), RAJAR (Radio), GfK (Appreciation Index).

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

BBC Local Radio, BBC Radio Scotland, BBC Radio Wales, BBC Radio Cymru, BBC Radio Ulster/Foyle: data based on their Total Survey Area (TSA).

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











Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 17.5% and 1.2% respectively (19.3% and 1.4% among 16+ population).

‡ Source: Léirsinn for the BBC. Base: Gaelic-speaking 16+ population.

AI data for BBC Radio Cymru available from 27 June 2012.

() Figures in brackets from 2011/12.

PERFORMANCE BY GENRE

NETWORK HOURS OF OUTPUT BY GENRE							
	12/13	11/12					
News and Weather	2,611 hrs (2,456 hrs)	914 hrs (882 hrs)	34 hrs (34 hrs)	6 hrs (6 hrs)	11,317 hrs (11,430 hrs)		
Current Affairs	241 hrs (250 hrs)	292 hrs (273 hrs)	195 hrs (192 hrs)	110 hrs (128 hrs)	1,885 hrs (2,120 hrs)		
Factual	2,222 hrs (2,399 hrs)	2,396 hrs (1,888 hrs)	1,153 hrs (1,430 hrs)	1,207 hrs (1,162 hrs)	2,543 hrs (2,359 hrs)		
Music and Arts	84 hrs (98 hrs)	333 hrs (328 hrs)	50 hrs (79 hrs)	1,354 hrs (1,355 hrs)	41,812 hrs (41,727 hrs)		
Religion	99 hrs (102 hrs)	47 hrs (27 hrs)	n/a (n/a)	5 hrs (53 hrs)	975 hrs (1,211 hrs)		
Drama	665 hrs (690 hrs)	129 hrs (299 hrs)	268 hrs (291 hrs)	232 hrs (305 hrs)	4,971 hrs (4,996 hrs)		
Film	411 hrs (446 hrs)	745 hrs (755 hrs)	220 hrs (211 hrs)	119 hrs (121 hrs)	n/a (n/a)		
Entertainment	457 hrs (482 hrs)	374 hrs (415 hrs)	214 hrs (234 hrs)	54 hrs (74 hrs)	7,796 hrs (8,190 hrs)		
Comedy	237 hrs (228 hrs)	196 hrs (214 hrs)	1,149 hrs (1,134 hrs)	43 hrs (52 hrs)	n/a (n/a)		
Schools/ Formal Education	n/a (n/a)	339 hrs (189 hrs)	n/a (n/a)	n/a (5 hrs)	108 hrs (104 hrs)		
Sport	858 hrs (580 hrs)	783 hrs (763 hrs)	290 hrs (30 hrs)	n/a (2 hrs)	5,550 hrs (4,230 hrs)		
							
Children's	319 hrs (471 hrs)	1,360 hrs (1,788 hrs)	n/a (n/a)	4,366 hrs (4,374 hrs)	4,492 hrs (4,512 hrs)		

PERFORMANCE BY GENRE

AVERAGE AUDIENCES TO NEWS PROGRAMMES



Programme	Period	BBC One	ITV	Channel 4	Channel 5
Breakfast news	12/13	1.5m	0.6m	n/a	n/a
	11/12	(1.5m)	(0.7m)	(n/a)	(n/a)
Lunchtime news	12/13	2.7m	0.9m	n/a	n/a
	11/12	(2.6m)	(0.9m)	(n/a)	(n/a)
Early evening network news	12/13	4.5m	3.3m	0.6m	0.6m
	11/12	(4.3m)	(3.2m)	(0.7m)	(0.7m)
Early evening regional news	12/13	5.5m	3.4m	n/a	n/a
	11/12	(5.4m)	(3.2m)	(n/a)	(n/a)
Late night news (10pm)	12/13	4.4m	2.1m	n/a	n/a
	11/12	(4.4m)	(2.2m)	(n/a)	(n/a)

Source: BARB, 4+

WEEKLY REACH

(BBC network television versus main commercial groups)



Category	Period	All BBC television	Total other channels	All ITV television	All Channel 4 television	All Channel 5 television	All Sky television
Television	12/13	85.6%	88.2%*	73.0%	65.5%	44.0%	45.0%
	11/12	(86.6%)	(87.3%)	(75.6%)	(67.1%)	(45.4%)	(46.4%)

Source: BARB, 4+, 15-minute+ reach. *Reach of all TV channels apart from BBC One, BBC Two, ITV, Channel 4, Channel 5 (their +Is and HD equivalents).

WEEKLY REACH

(BBC radio compared to commercial stations)

All BBC radio

All commercial radio

All BBC network radio

All national commercial radio

BBC local radio

All local commercial radio

Category	Period	All BBC radio	All commercial radio	All BBC network radio	All national commercial radio	BBC local radio	All local commercial radio
Radio	12/13	66.5%	63.5%	60.5%	31.0%	17.6%	50.4%
	11/12	(67.3%)	(64.5%)	(60.9%)	(30.5%)	(18.6%)	(51.7%)

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



WORKING TOGETHER

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

WORKING TOGETHER

SIMPLIFYING AND STREAMLINING FOR A MORE EFFECTIVE OUTPUT

People

This year, our people have continued to deliver outstanding content and services to our audiences, whilst also delivering the organisational change we need to meet our Delivering Quality First (DQF) savings target of 20%.

Delivering successful change

As part of DQF, we have continued to develop more efficient and effective ways of working, which has inevitably led to restructures and redundancies. While we have worked closely with our staff and trade unions to mitigate job losses from these restructures, due to the scale of these changes this has not always been feasible. As a result, although our relationships with our unions remain generally constructive, there have been approximately 2.5 days of strike action over the year.

We remain fully committed to redeploying staff who are at risk of redundancy where possible, and have worked incredibly hard to do so this year. We closed 143 vacant posts this year, a total of 635 voluntary redundancies have been accepted, and we redeployed 250 people into continuing and fixed-term roles. This meant we were left with 153 compulsory redundancies as a result of DQF.

We have continued our move to New Broadcasting House, in Central London. Approximately 4,000 of our people are now based there, with around 3,000 of those moving in over the past 12 months. This includes our Television HQ, Television Commissioning, Music Entertainment TV, Global News Languages Services, Radio Newsroom and Six and Ten O'Clock News teams. Our Salford base, MediaCityUK, has continued to expand, with 200 more people working there than at the end of the previous financial year. Notably, BBC Breakfast migrated during this period and has been broadcasting there successfully since 10 April 2012.



A presenter's desk in one of the new studios in New Broadcasting House



A BBC camera in New Broadcasting House where approximately 4,000 staff are now based

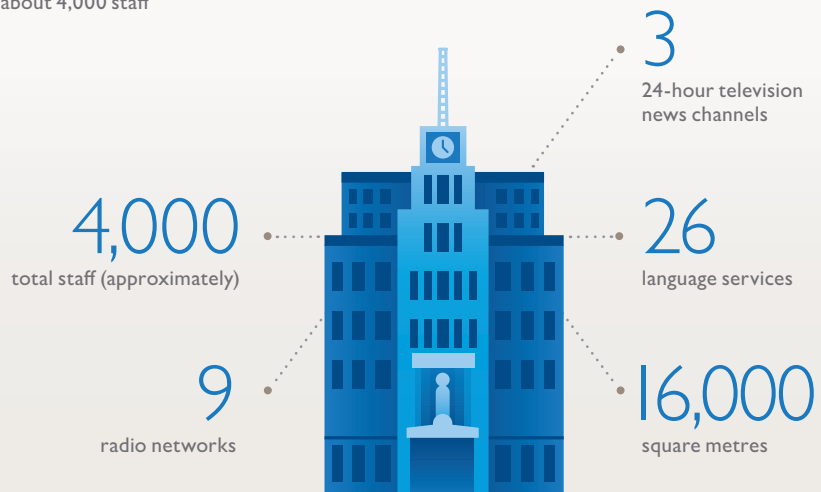
Delivering successful change

3,000 staff have moved into New Broadcasting House this year



New Broadcasting House

Our newest building now houses about 4,000 staff



Engaging our people to perform at their best

We took a fresh approach to measuring staff engagement this year, focusing our attention on the aspects of working life that drive engagement and, as a result, organisational performance. Following receipt of the results, all divisional leadership teams have now begun to implement action plans to improve areas which will make a difference to the engagement of their people and, as a consequence, their services to our audiences. Improvements include better staff communication, better career development and improving management expertise.

The Respect at Work Review was set up in the wake of revelations about sexual abuses by Jimmy Savile to assess the extent to which sexual harassment is an issue in today's BBC, as well as broader issues of behaviour in the BBC workplace. The review was commissioned by the BBC Executive Board under the executive sponsorship of Lucy Adams, Director of Human Resources. Dinah Rose QC, a barrister with expertise in human rights, discrimination and employment law, was engaged to advise throughout, and to offer an independent perspective, and assisted in the authorship of the report and recommendations.

Following an extensive consultation process, the report was published on 2 May 2013. A number of recommendations have been made based on the findings of work undertaken to assess the above points. We have now proactively begun to work with staff, the unions and the wider industry through an extensive series of discussion groups, manager-led sessions and external events, in order to ensure that the conclusions of the report are discussed and understood, and that implementation of the recommendations can begin as soon as possible.

We have continued to focus on leadership engagement and capability in order to enable our managers to deliver the scale of transformation that is currently required of the BBC. We hold regular conference calls with managers to discuss management-related topics. We have also continued to run our wider management group workshops, attended by 520 managers from across the BBC this year.

A fair deal

We are aware that over the past few years, many of our people have been awarded below-inflation pay rises or, in the case of some of our higher earners, a complete pay freeze. However, our pay settlement for 2012/13 was also set against a backdrop of continuing economic difficulties in the UK, which also affected many of our licence fee payers, as well as our continued need to manage pay effectively within our own financial constraints. We felt that it would not be fair to continue a pay freeze for higher earners for another year, and so offered a pay increase of 1% to all staff, but sought to protect lower earners through a £400 guaranteed minimum increase.

As part of our ambition to develop a new contractual deal for staff that aligns with the broadcasting market and delivers greater value to the organisation and to audiences, we implemented a number of reforms for new joiners with effect from 1 January 2013, including: capping redundancy pay to one month's pay for each year of service up to a maximum of 12 months' pay; discontinuation of terminal payments for fixed-term contracts; and discontinuation of additional leave (2.5 days after ten years' service).

Measuring staff engagement

We took a fresh approach to managing staff engagement this year

Engagement action plans

- better staff communication
- better career development
- improving management expertise

The opening day of BBC Radio 1 and 1Xtra's Academy in Hackney



Headcount

We have continued to make significant reductions to the senior management headcount and pay bill, reducing them by 195 (30%) and £24.6million (31%) respectively since August 2009. We plan to reduce the senior management workforce by a further 70 posts by 2015, and want to see the pay bill fall by a further £9million from the levels achieved at the end of December 2011. We have already achieved a reduction of 39 heads and £3.5million towards this target. The bonus freeze for these grades remains in place for the foreseeable future.

Total average Public Service Broadcasting headcount (equivalent full-time)

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

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

	31 Mar 2013	31 Mar 2012
England (ex London)	33	33
London	48	48
Scotland	7	7
Wales	8	8
N Ireland	4	4

Senior manager headcount by salary band

BAND	2012/13	2011/12
Under £70,000	21	30
£70,000-£99,999	171	192
£100,000-£129,999	111	114
£130,000-£159,999	67	70
£160,000-£189,999	31	29
£190,000-£219,999	22	18
£220,000-£249,999	5	5
£250,000-£279,999	3	6
£280,000-£309,999	3	2
£310,000-£339,999	2	3
£340,000-£369,999	0	0
£370,000-£399,999	1	1
Total*	437	470

* Total excludes Executive Board members

Talent

The BBC strives to be the place where the best artists and contributors want to work to deliver great programmes. Our continuing challenge is to appropriately reward the people who make our programmes rich, distinct and diverse for their efforts and creative input, while at the same time drive the best value for licence fee payers. Our talent spend has reduced again this year. Overall, it has reduced by almost £30million since the commitment was made in 2008, and in line with that commitment, our efforts have focused on the top tier, with both the numbers of people and the amount spent on those earning over £500,000 reducing by 36% and 54% respectively.

2012/13 talent spend

	2012/13		2011/12		Variance £000s
	Spend £000s	Volumes	Spend £000s	Volumes	
< £50k	97,350	47,020	97,651	49,341	(301)
£50k – £100k	43,177	645	42,324	637	853
£100k – £150k	15,202	126	15,038	125	164
£150k – £250k	15,966	83	14,209	76	1,757
£250k – £500k	9,366	27	10,617	33	(1,251)
£500k – £750k	5,076	14*	6,011	16*	(935)
£750k – £1m	1,568		823		745
£1m – £5m	5,633		9,696		(4,063)
Organisations†	6,980	2,019	6,685	1,763	295
Total	200,318	49,934	203,054	51,991	(2,736)

* 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 orchestras – so it is not possible to list numbers of individuals against this spend.

Diversity: percentage of total staff

Employee group	Old target to be met by Dec 2012	Actual as at Dec 2012	New target to be met by end 2017	Actual as at March 2013	% point change between March 2012 and March 2013
BME* – all staff	12.5%	12.4%	14.2% (average corporate figure)	12.4%	0.1% up
BME† – senior managers (SM)	7%	6.9%	10% (wider senior leadership group)	6.6%†	0.2% down
Disabled – all staff	5.5%	3.8%	5.4%	3.7%	0.1% up
Disabled – senior manager (SM)	4.5%	3.1%	10% (wider senior leadership group)	3.2%†	0.1% down

*Black and Minority Ethnic

†Based on old senior manager only data

Diversity

Diversity enhances the BBC's originality and distinctiveness. We know that sharing diverse perspectives and ideas, and listening to our audiences, results in the very best in creative and innovative programming and technology.

This year, activity has included work to measure and analyse diverse portrayals across network TV channels as well as a major review of our workforce diversity targets and key employment trends. The BBC also continued to chair the Creative Diversity Network (CDN) during 2012, co-ordinating a range of cross-sector activities, culminating in the CDN Diversity Awards, which showcased new and emerging talent and diversity-focused initiatives.

Divisional activity has included, for example: television's schemes to identify and develop potential disabled presenters and actors and radio's initiative to provide training and mentoring opportunities for disadvantaged young people at the Radio 1 and iXtra's Radio Academy in Hackney, East London.

We routinely monitor the broad profile of our workforce to help ensure we look and sound like the audiences we serve. Specific corporate workforce targets for Black and Minority Ethnic (BME) staff and disabled staff help to focus our efforts on groups that are under-represented compared to the wider UK population. The table above shows progress against previous targets as well as new targets agreed in January 2013.

We hit our 12.5% BME all staff ethnicity target in November 2012 (with an additional 5.9% from Other White backgrounds), though that figure has since slipped to 12.4%. Nevertheless, this represents significant progress from 8.4% representation in December 2002.

We narrowly missed our senior manager BME target of 7% in December 2012, having reached 6.9% (with an additional 6.7% from Other White backgrounds), but that figure has since slipped to 6.6%. To help ensure focused attention across all – but particularly the more senior grades – we have now set stretching new targets for a wider band of senior staff who constitute the BBC's key strategic and operational decision makers. We will report on this wider band in next year's Annual Report.

Disabled staff representation is a key challenge and we remain some way off our targets. We have now set specific divisional targets to make sure that work is focused in the areas that need it most, and a programme of work is underway to help improve disabled staff representation at all levels.

Important areas of focus for 2013/14 are therefore the continuation of activities to address the retention and development of disabled staff. In addition, we will continue to find creative and practical ways to increase the portrayal of women on air/screen and build on existing activity to increase access to the BBC for those from diverse socio-economic backgrounds.

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

Sharing diverse perspectives and ideas, and listening to our audience, results in the very best in creative and innovative programming and technology.



Read this year's equality and diversity report: 'Developing our Story' online bbc.co.uk/diversity/strategy/equalityreport2012

WORKING TOGETHER

Training and Apprenticeships

2012/13 has been an important year for the BBC Academy which provides training to staff across the BBC, with training reaching 98% of BBC staff and 97% of line managers reporting that teams are more effective as a result. Nowhere has this been more important than in supporting the move into the BBC's New Broadcasting House in London. This year, over 6,000 BBC delegates received training in new technology and new ways of working in a digital production environment.

The BBC Academy's 'Safeguarding BBC Values' programme has been rolled out to over 11,000 staff and independent producers. Led by line managers, it has challenged content makers to re-appraise how the BBC's enduring values of truth, accuracy and impartiality are applied in a world of pervasive social media, user-generated content and complex commercial pressures.

Our commitment to investing in new talent sees us hiring apprentices right across the UK – in London, Salford, Bristol, Glasgow and Cardiff. For the first time ever, we've joined forces with other UK broadcasters (Channel 4 and ITV) to address an industry-wide skills shortage around new technology talent. Working with leading universities and media infrastructure companies, we've developed a world-class BBC technology programme in which the BBC hires and trains 100 degree-level apprentices on behalf of the wider broadcasting sector and 60 MSc level trainees. Part funded by co-investment from the Department for Business, Innovation and Skills (BIS), our first recruits will join us in July 2013. In addition, we have continued to offer large numbers of work experience opportunities, bringing in a total of almost 1,400 people over the year to undertake various roles in order to experience what it is like to work at the BBC.

The training programme rolled out by the BBC Academy to arts bodies, as part of Building Digital Capacity, received excellent feedback. High quality training enabled 322 arts organisations to embrace the potential of the digital space to produce, present and distribute arts and cultural content in new ways.

The BBC Academy's 'Expert Women' programme has begun to tackle the industry-wide imbalance of female experts on TV and radio. To date, 60 expert women have received broadcast training from the world of business, politics, science, engineering, architecture and history. As a result, 11 of these women have appeared on air in the last two months. There will be further training events in Salford and around the UK, extending the range of specialisms and reaching up to 180 women.

BBC Radio 5 live Paralympic coverage on a smartphone



Last Tango in Halifax stars Derek Jacobi and Anne Reid



Partnerships

The BBC's partnership activity this year has been notable for the variety and the wealth of content it has enabled – not least our diverse range of partnerships to support the Olympics and the Cultural Olympiad. Core partnership activity has ranged from the City Partnership in Bristol – with plans underway for a similar one in Birmingham – which support digital literacy and artistic endeavour within the community, to the continued evolution of Project Albert, a carbon calculator for content production created in conjunction with BAFTA and a consortium of UK broadcasters and independent producers.

Notable ventures such as YouView and RadioPlayer have continued to evolve. In particular, RadioPlayer now reaches 7 million unique users every month with 330 live stations and 15,000 on-demand items available every day. The partnership has now launched a mobile app version for Android and iOS devices.

Partnership highlights in television include a new alliance between the BBC and the Public Catalogue Foundation which recently celebrated the completion of a joint project to put the entire collection of UK publicly owned oil paintings online. Over 3,300 institutions and 212,000 paintings are now online at bbc.co.uk/yourpaintings. The site also contains significant amounts of BBC archive and biographical information about selected artists. This project is unique in the world and provides an important resource for art lovers, teachers and anyone interested in the most complete pre-photographic record of life in the UK.

Partnerships in the arts have been further celebrated through The Space, a groundbreaking new digital venture between the BBC and Arts Council, England. The Space celebrates the wealth of arts and cultural activity in the UK and is a highly interactive and very experimental digital arts website. It has featured work from around 80 arts organisations across the UK in its first nine months, ranging from Will Self's first Digital Essay to a major project offering access to John Peel's unique record collection and sleeve notes. The Space particularly embraced the incredibly rich mix of arts projects commissioned around the Cultural Olympiad.

In radio, Radio 4 launched 'The Listening Project', an innovative oral history initiative gathering unique regional voices for the BBC network in partnership with the British Library. Radio 1 heralded the Olympics in fine style with Radio 1's Hackney Weekend which involved a range of local partnerships, and our celebration of the Cultural Olympiad led to a further partnership with the British Museum bringing alive Shakespeare's *Restless World*. In the Jubilee year, Radio 4 also turned its first collaboration with the Royal Collection into Jubilee Year series 'The Art of Monarchy'.

The BBC also worked extensively with mobile, TV and social partners in the run-up to the London 2012 Olympic Games to deliver ground-breaking experiences from BBC Sport to audiences across four screens (TV, computer, tablet and mobile). Our partnership with LOCOG also led to the BBC's extensive coverage of the Torch Relay with coverage on BBC television, online and local and network radio. The BBC also worked in partnership with LOCOG to create two films for the celebrated Olympic Opening Ceremony.

Through technology and digital partnerships, we have reached out to connected audiences by extending our partnership activity within the digital media sector. This has involved working with device manufacturers, operator platforms and social networks to deliver BBC Online products and make them accessible to audiences across desktop, mobile, tablet and TV platforms. The BBC continues to play an active role in the Digital Production Partnership with ITV and Channel Four which delivered its first formal published guidance for producers. 'The Bloodless Revolution' sought to help suppliers achieve a smooth transition to digital production and is part of an anticipated £1million investment from the broadcast partners.

Public Catalogue Foundation

A joint project to put the entire collection of UK publicly owned oil paintings online.

3,000+
participating
institutions

100%
of UK publicly
owned oil paintings
is now online

212,000
paintings can be seen at
bbc.co.uk/yourpaintings

The Space celebrates the wealth of arts and cultural activity in the UK, and has featured work from around 80 arts organisations across the UK.



Discover The Space, a partnership between the BBC and Arts Council, England at thespace.org

WORKING TOGETHER

A responsible BBC

Corporate responsibility

We aim to be an industry leader in responsible business management. Our membership of a number of corporate responsibility groups and organisations allows us to share our skills and experience. In 2013, we were again awarded Platinum status in The Corporate Responsibility Index.

Charity appeals

We help a broad range of charities to raise funds and awareness, and this year, our high-profile charity appeals were well supported by BBC audiences. On appeal night, we raised £27million and £75million respectively for BBC Children in Need and Comic Relief, with donations still coming in. We also broadcast 64 appeals via our weekly BBC Radio 4 appeal and the monthly *Lifeline* television appeal. For more information about BBC charity appeals, including details on applying, visit bbc.co.uk/charityappeals. In addition to helping charities to fundraise, we also provided services worth an equivalent of £253,200 (2011: £547,000).

Outreach

Our outreach activity this year focused on large national events, including the Hackney Academy, run by Radio 1 and BBC Learning as part of the One Big Weekend, and the Blue Peter's Big Olympic Tour, which travelled around the country following the Olympic Torch. Stargazing LIVE and BBC News School Report once again helped to bring brands to life by offering face-to-face learning activities to audiences around the country. The BBC Outreach department has continued to run activities in areas where we have large numbers of staff, helping us to reach audiences who live near our sites. The Design an App Challenge, for example, was a technology skills development project for secondary school students in Greater Manchester. Professor Brian Cox presented the winning team with their awards at an event at MediaCityUK.






Environmental sustainability

We want our programmes to have a positive impact on the people and places involved in their creation. Our sustainability strategy, *The Difference*, focuses on embedding sustainable practices in programme-making, working to targets to help to reduce the environmental impacts of our buildings and technology, and inspiring staff to take action. Over 500 BBC productions have engaged in sustainable production through use of our carbon calculator, Albert. We restated our environment targets and introduced a new CO₂ reduction target aligned with our energy reduction target. We have made moderate progress this year in energy and CO₂ reduction, while we continue to run new and outgoing buildings concurrently. As we phase out technology, our move from Television Centre will add to the savings achieved through the exit of Bush House and the White City Building in London.

You can read more about this area of our work in the BBC Corporate Responsibility Review published each summer, and our updates on the BBC sustainability website bbc.co.uk/sustainability

The One Show's Rickshaw Challenge raised money for Children in Need



		Year 5: 2012/13	
		Target	Performance
		2015/16	against
			baseline
	Absolute reduction in energy consumption	-20%	-4%
	Absolute reduction in CO ₂ emissions from buildings	-20%	-6%
	Reduction in water (per person)	-25%	-7%
	Reduction in waste (tonnes) to landfill (per person)	-25%	-81%
	% of waste recycled	70%	65%
	Reduction in transport CO ₂ emissions (per BBC user)	-20%	-5%

Notes on table

CO₂ reduction is a new target which reflects our commitment to meeting best industry practice and cutting CO₂ emissions



GOVERNANCE

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

EXECUTIVE BOARD

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

The Executive Board at April 2013



Tony Hall

Director-General since April 2013. Previously chief executive of the Royal Opera House.



Zarin Patel

Chief Financial Officer since January 2005. Zarin Patel will step down from the Executive Board in June 2013 and leave the BBC in the autumn. Anne Bulford joined the BBC as Managing Director, BBC Finance & Operations in June 2013.



Lucy Adams

Director, Human Resources, BBC Academy and Internal Communications since June 2009. Joined the Executive Board September 2012.



Helen Boaden

Director of Radio since April 2013. Board member since 2011 as Director of BBC News.



Danny Cohen

Director of Television since May 2013. Previously Controller of BBC One.



James Purnell

Director, Strategy and Digital since March 2013. Previously senior producer at Rare Day, and adviser at Boston Consulting Group.



Francesca Unsworth

Acting Director of News since April 2013. Previously Head of Newsgathering since January 2005.

Non-executive directors



Dame Fiona Reynolds

Appointed non-executive director in January 2012. Chairs the BBC Executive Board's Fair Trading Committee. Will take up the post of Master of Emmanuel College, Cambridge in September 2013.



Simon Burke

Appointed non-executive director in January 2011. Chairs the BBC Executive Board's Audit Committee. Chairman of Hobbycraft and Bathstore.com.



Sally Davis

Appointed non-executive director in January 2012. Previously CEO of BT Wholesale, currently a non-executive director of Telenor, Logitech and the Department for Transport.



Brian McBride

Appointed non-executive director in March 2012. Chairman of MX Data, a member of the Advisory Board of Numis PLC and Huawei UK, non-executive director of Computacenter PLC and partner with Scottish Equity Partners.

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

In general, the committees meet four times a year, although this can vary depending on the business to be considered.

Audit Committee

The Audit Committee oversees financial reporting, internal control and risk management. The committee is made up of three non-executive directors. The Director-General, Chief Financial Officer, Head of Business 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 and two executive directors. The Head of Fair Trading and General Counsel also attend.

Nominations Committee

The Nominations Committee oversees the process of proposing, appointing and dismissing members of the Board, except the Chairman, who is appointed by the BBC Trust. Membership of the committee depends on whether non-executive or executive appointments are being made.

Remuneration Committee

The Remuneration Committee decides the remuneration of executive members of the Board. It is made up of at least three non-executive directors, and the Director of HR and Director of Employment may also attend.

RISKS AND OPPORTUNITIES

Risks and opportunities affect the day-to-day running of the BBC. The Executive Board monitors whether we are taking too much risk or failing to capitalise on our opportunities.

The financial and operating implications of the risks and opportunities are crucial. We also focus on their possible impact on our reputation. The BBC's relationship with licence fee payers

is based on trust, so we must take appropriate actions to mitigate risks that may damage this trust.

This year, we were severely challenged on trust and reputation. This led us to review our risk register and management; an on-going process. Summarised below are the main operational risks we have identified.

Risk	Action now	Planned
Audiences		
Failure to further improve the quality and distinctiveness of our programmes whilst delivering a streamlined BBC could limit our ability to deliver the content our audience wants	<ul style="list-style-type: none"> Detailed monitoring of the impacts of <i>Delivering Quality First</i> Monitoring of audience performance and reaction 	<ul style="list-style-type: none"> Reinvestment funding focused on flagship services and areas of transformation Strategy review shaping the future of the BBC
Failure to uphold our editorial values and standards in all our content could impact on maintaining high levels of audience trust and damage our brand	<ul style="list-style-type: none"> Strong editorial values, effective editorial compliance processes, ongoing training and serious consideration of complaints and their implications New senior role leading on major escalated editorial issues 	<ul style="list-style-type: none"> Implement recommendations for clarity and robustness of editorial processes following publication of recent reports
Inability to build an ever more creative and dynamic organisation could limit our ability to attract the best creative talent and our contribution to creative and digital economies	<ul style="list-style-type: none"> Pilot project to streamline and innovate production processes Messaging our employer brand and leader development training to manage and inspire creative teams Strategy to work with a broader range of media and cultural partners 	<ul style="list-style-type: none"> Continue to focus on creativity and innovation, and how we can simplify the organisation Communicate and embed the benefits of being part of the BBC, the expectation of leaders, and how we live our values Recognise value of creative talent through appropriate rewards and the opportunities offered across the BBC

Delivery		
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	<ul style="list-style-type: none"> Reflecting the demands of our audiences for more 'live and alive' experiences Renewed engagement with key industry partners Recently implemented organisational changes reflect the close link of future strategy to developing media technologies 	<ul style="list-style-type: none"> Develop an immersive experience across devices, tailored to different audience needs Anticipate long-term trends in audience preferences and industry developments
Delayed and ineffective implementation of major projects could compromise the delivery of the BBC's overall ambitions	<ul style="list-style-type: none"> Corporate Project Management Office overseeing delivery of major projects Formal programme in place to provide independent assurance over portfolio projects 	<ul style="list-style-type: none"> External review to identify lessons from outcomes of previous projects
Technical failure, infrastructure interdependencies, industrial action or the actions of third parties, including suppliers, could lead to interruption of broadcast services	<ul style="list-style-type: none"> Refreshed business continuity arrangements Foster good union relationships with regular dialogue Exit plans and contingency plans for key suppliers 	<ul style="list-style-type: none"> Resilience a focus in key broadcast supply re-procurements and major projects

Risk

Action now

Planned

Financial

The prolonged UK and global economic situation impacts us and all our stakeholders, and could lead to reduced financial flexibility, potentially impacting on our ability to meet all our ambitions within our means

Risk of reducing our income potential by failing to create, acquire, invest, develop and exploit media content and brands in the global marketplace

- Contingency planning and business modelling
- Pension trustees committed to reducing the scheme's investment risk over the long term; deficit repayment plan agreed
- Commercial strategy to invest in high-quality content with global commercial appeal, and to identify new markets and routes to market

- Tight management of the implementation of phased savings targets
- Planning for new funding responsibilities (e.g. World Service)
- Development of new commercial opportunities, including achieving scale for digital services
- New regional structure to maximise commercial return; more co-ordinated global strategy under new director

Operational

A lack of transparency or the inability to respond swiftly, reasonably and proportionately to significant events or criticisms could impact on our brand reputation and our efficient delivery to audiences

Failure to keep pace with changes to the information security threat could increase our exposure to vulnerabilities

Inadequate controls could endanger the health and safety of individuals, the natural environment and our reputation

- Response to major incidents reviewed and revised; will continue to be reviewed as appropriate ensuring alignment with best practice where appropriate
- Active threat intelligence analysis and vulnerability remediation, focusing on business and technical areas deemed most at risk
- Well-developed safety procedures supported by expert advisers and comprehensive written guidance
- Implementing environmental sustainability strategy to reduce impacts on environment from BBC operations

- Regular rehearsals of response procedures planned
- Increasing investment in monitoring and compliance systems
- Staff information security awareness and education campaign
- Will continue to work to improve our own safety and environmental performance, and work with other broadcasters to raise standards in the industry as a whole

GOOD GOVERNANCE IS ABOUT LEADERSHIP, ACCOUNTABILITY AND OPENNESS

BBC Corporate Governance Framework

The BBC's corporate governance framework is defined in the Royal Charter (the Charter). You can see the Charter on the BBC Trust's website at bbc.co.uk/bbctrust/about/how_we_govern/charter_and_agreement/

The Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. Whilst the BBC is not a listed company, it has nonetheless opted to adopt best practice and follow the provisions of the Financial Services Authority's Listing Rules and the Financial Reporting Council's 2010 UK Corporate Governance Code in order to be consistent with companies quoted on an EU-regulated market.

In September 2012, the Financial Reporting Council issued a new edition of the UK Corporate Governance Code (2012) which is effective for financial years beginning on or after 1 October 2012. The BBC will report on its compliance with this new edition of the Code in its Annual Report and Accounts for 2013/14.

The Executive Board has complied with the requirements of the Charter which has also secured substantial compliance with the UK Corporate Governance Code. There are, however, a few areas of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where

compliance with the Charter overrides compliance with the UK Corporate Governance Code. Non-compliance with a further provision of the UK Corporate Governance Code has arisen during the year, with the last external evaluation of the Board being completed in 2009. As noted below, there have been a number of changes to the Board during the course of the year which has meant it has not been practical to carry out an external evaluation. Following an internal review, a number of changes have been made, however, with the aim of improving governance.

Board structure during 2012/13

There have been a number of changes to Board membership during the year in terms of chairmanship, non-executive representation and acting directorships. The appointment of two Director-Generals in the year, as well as an Acting Director-General for a period, also resulted in a number of acting positions on the Board. Apart from one particular instance when the individual stepped in for a short period, and at short notice, in all cases the appropriate governance procedures were followed, with the Director-General appointments being ratified by the Trust and the terms for the acting and permanent positions being approved by the Executive Remuneration and Nominations Committees as appropriate. Appointments were made in as timely a manner as was practicable and there were no significant

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

Make up of remuneration

(UK Corporate Governance Code principle D.1)

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

Interaction with shareholders

(UK Corporate Governance Code principles B.7.1, B.7.2 and section E)

The BBC is not a profit-oriented company with shareholders, and so provisions relating to interaction with shareholders clearly do not apply. In some circumstances, however, it is possible to consider, by analogy, the way in which the BBC Trust engages with licence fee payers. This is set out in the Trust's review and assessment in Part One of the Annual Report and Accounts.

Areas where compliance with the Charter overrides the UK Corporate Governance Code

Division of responsibilities between Chairman and Chief Executive (UK Corporate Governance Code principle A.2)

As permitted by the Charter, the Chairman of the Executive Board is the Director-General, the chief executive officer

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

Board balance and independence

(UK Corporate Governance Code principle B.1)

At 31 March 2013, the Executive Board comprised 11 directors, of whom seven were executive directors and four non-executive directors – providing a balance of executive and non-executive directors so that no individual or small group of individuals can dominate decision taking. This complies with the Charter which specifies that non-executive directors must not be less than one-third and not equal to or more than one half of the members of the Executive Board. However, this does not comply with the UK Corporate Governance Code which requires that at least half the board, excluding the chairman, should be independent non-executive directors. All non-executive directors are considered independent for the purposes of the UK Corporate Governance Code.

Evaluation of the Chairman

(UK Corporate Governance Code principle B6.3)

The Director-General of the BBC, being the Chairman of the Board, has his performance evaluated by the Trust. This is performed by the Chairman of the Trust as opposed to the Senior Independent Director, as stated in the UK Corporate Governance Code.

NOMINATIONS COMMITTEE

periods where a role was not filled by either a permanent or acting director. All acting positions (including that of the Acting Director-General, who was already a member of the Executive Board) were appointed from within the organisation thereby mitigating risk, ensuring continuity and retention of existing knowledge. The new Senior Independent Director was also drawn from within the existing non-executive membership. Executive Board meetings continued with formal agendas as normal, and additional meetings were convened as and when required to handle extraordinary business. Close interaction with the Trust Unit and Trustees continued throughout the year, as appropriate.

Cost of Compliance

In order to ensure that we complied with all relevant legislation to which the BBC is subject in 2012/13, we incurred compliance costs estimated at £14.9million (2012: £15.6million), which includes the BBC's annual £3.3million subscription to Ofcom. During the year, a number of inquiries were set up; the costs incurred to the 31 March 2013 on these inquiries was £4.9million.

The BBC paid the reasonable legal and related costs of witnesses who gave evidence to the Pollard Review where they sought approval of those costs in advance. Those legal and related costs are included as part of the total cost of inquiries above at a cost of £0.9million which includes three members of the Executive Board who received total legal and related support amounting to £0.3million.

Executive Board

The Executive Board meets monthly (except for August), although additional Board meetings are convened during the year as and when required. Summary minutes of the monthly meetings are available online at bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/

In practice, the Executive Board delegates some of its responsibility to other managerial groups and, in accordance with the requirements and provisions of the Charter, the following Committees continued to operate last year:

- Audit Committee
- Fair Trading Committee
- Nominations Committee
- Remuneration Committee

Any delegation from the Executive Board is stated in the relevant standing orders for each group and a framework for reporting and review is established. See bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom

The Executive Board, its sub-committees and other boards to which it delegates responsibility (e.g. the Management Board) are responsible for the delivery of BBC services and day-to-day operations across the organisation.

Induction, performance and development

All new directors receive an induction programme including Board procedures and directors' responsibilities. All directors have access to external independent advice if they wish.

Board appointments

The Nominations Committee oversees the process of proposing members of the Board. Appointments are made by the Executive Board, with non-executive appointments requiring the approval of the Trust. The only exception is the Chairman, who is appointed by the BBC Trust. Membership of the Nominations Committee is dependent on whether it is dealing with executive or non-executive appointments.

The Nominations Committee oversaw a number of appointments during the year. Three executive appointments were made during the year: James Purnell, Director, Strategy & Digital (effective 20 March 2013); Helen Boaden, Director Radio (effective 15 April 2013); and Anne Bulford, Managing Director, BBC Finance and Operations (effective June 2013).

The terms of office for Senior Independent Director, Marcus Agius, and non-executive director, Mike Lynch, were concluded during the year (as planned). One of the existing non-executive directors, Dame Fiona Reynolds, took on the role of Senior Independent Director on 1 December 2012.



“No-one would expect the report of the Senior Independent Director on the Executive Board of the BBC to be a conventional one this year.”

Dame Fiona Reynolds

Report of the Senior Independent Director

The revelations regarding the activities of Jimmy Savile imposed great pressure on the BBC. There were immediate repercussions for some senior executives, and much of the management focus was diverted into dealing with the crisis.

The role of the non-executives during this time was critical. We had two clear priorities:

- to ensure that the Board continued to function effectively, managing the BBC well and with proper governance
- to see that the matters being raised in relation to the Savile affair were properly investigated, including by supporting and challenging executive members

In addressing the first of these, we did what we felt was right to support the new Director-General, George Entwistle; the Acting Director-General, Tim Davie; and the senior team. In particular, we ensured that key initiatives remained on the agenda and that, as far as possible, momentum was maintained. We also recognised the changes that were needed in the executive team and supported the timely series of appointments made in the first half of 2013.

At the same time, we recognised that serious questions had been raised about the BBC's actions, in both the recent and more distant past, and that these must be confronted. The decision not to proceed with the broadcast of the Newsnight investigation into Jimmy Savile led to my commissioning, on behalf of the Executive Board, a review by Nick Pollard; and simultaneously one by Dame Janet Smith to review the wider aspects of the BBC's culture during the so-called 'Savile years'. More recently we have announced an investigation into Stuart Hall's conduct at the BBC.

Our response to the Pollard Report accepted his recommendations, and also re-stated our commitment to the BBC's public service values. We have begun to make significant changes within News and more widely in response. We will do the same, if needed, in response to Dame Janet Smith's report.

The closure of the Digital Media Initiative project also raised serious concerns for us about the control of major IT projects, and we support the inquiry commissioned by the BBC Trust.

I became Senior Independent Director during the year, taking over from Marcus Agius whose appointment ended in November 2012. Marcus' experience and wisdom were extremely valuable to the BBC and we thank him very much. We also thank Mike Lynch who stood down in December 2012 as a non-executive director.

The remaining non-executive directors on the Board: me, Simon Burke, Sally Davis and Brian McBride each serve on a number of committees, bringing our varied experience to provide constructive challenge to executive members. Our overriding aim is to ensure that the BBC can continue to deliver creative, inspiring programmes to delight and entertain audiences in a way that gives great value for money to licence fee payers.

The high points of 2012/13 give us confidence that we can succeed if we maintain focus on quality, engagement with audiences, and expert delivery. The Olympics is an example of where we get it right, with superb coverage of the sporting events alongside innovation with the new Red Button facility. The move to New Broadcasting House and the launch of the first steps of Delivering Quality First are examples of internal changes being delivered on time and to budget. We have also restated the relationship between the BBC and its commercial arm, BBC Worldwide, to reaffirm the importance of a well-constructed commercial proposition to support public service broadcasting.

As we concluded the year, we gave a warm welcome to the incoming Director-General, Tony Hall. We warmly thank Tim Davie, who stepped into the breach as Acting Director-General with vigour, energy and grip. We acknowledge him and the many others who have helped make this difficult year a reminder that even when the chips are down, we know why we are here and what we need to do.

Dame Fiona Reynolds
Senior Independent Director
20 June 2013

Executive Board and Committee attendance

	Executive Board		Audit Committee Member	Attendee	Fair Trading Committee Member	Attendee	Nominations Committee		Remuneration Committee Member	Attendee
	Ordinary	Extraordinary					Member	Attendee		
Number of meetings for the period	15	4	6		2		2		9	
Lucy Adams*	9/10	1/2								8
Helen Boaden†	11	2								
Tim Davie	15	4		2/2			1/1			3/3
Graham Ellis	8/8	0/0								
George Entwistle	7/7	3		2/2			1/1			3/3
Roger Mosey	10/11	2/2								
Zarin Patel	14	3		6		2/2				2/8
James Purnell‡	0/0	0/0								
Ralph Rivera	13/13	4								
Mark Thompson	5/5	2/2		2/2				0/1		2/3
Caroline Thomson	5/5	2/2				1/1				
Non-executive directors:										
Marcus Agius	7/8	2			2		2		6/6	
Simon Burke	13	4	6						9	
Sally Davis	13	2			2					
Mike Lynch	8/9	2	4/5				1			
Brian McBride	11	2	0/1						9	
Fiona Reynolds	13	4	6		2		1		3/3	

* Lucy Adams rejoined the Board in September 2012.

† Helen Boaden stepped aside from the Board for a short period between November and December 2012. Fran Unsworth was Acting Director, News during this period.

‡ James Purnell joined the Board part way through March 2013.

During 2012/13 a number of conference calls and extraordinary meetings were convened at short notice or included content that prevented some members from attending. This table does not include business conducted offline and update meetings where no formal business was considered.

REMUNERATION REPORT



“2012/13 has been a challenging year for the BBC, and has seen a number of changes to the Executive Board coupled with increased scrutiny of executive pay and contractual terms.”

Sally Davis

Report of the Chairman of the Executive Remuneration Committee (2012/2013)

Dealing with the crisis that followed the allegations regarding Jimmy Savile has made significant demands of the Executive Board and senior managers in the organisation. Nonetheless, the BBC has maintained its focus on reducing senior management pay and headcount, delivering our 2011-2015 Executive Pay Strategy and reforming Executive Board contractual terms.

Having achieved the targets set by the Trust in 2009 for senior manager pay bill and headcount reductions, we are now working towards new targets agreed with the Trust for 2015. At the end of March 2013, the BBC had reduced its senior manager headcount by 195 (30.5%) and pay-bill by £24.7million (31.4%) and is committed to achieving further reductions in the senior manager pay bill of around £5.5million and reductions in headcount of around 30 by 2015.

Furthermore, the BBC has agreed with the Trust to continue with the policy of discounting senior manager salaries against the commercial market by between 20% and 80%.

Over the last 12 months, the implementation of this executive pay strategy has delivered:

- a reduction in executive directors' cash earnings of 8% (£209k) between the future Executive Board and the 2011/12 Executive Board
- an increase in the level of salary discount against the external market; the average discount applied to executive directors' pay was 73% against the commercial sector compared to 70% the previous year; the Director-General's pay is discounted by 83%
- a reduction in the ratio of the median executive director remuneration to the median earnings across the whole BBC. This pay multiple was 8.7 in 2012 and will be 8.3 going forward
- the removal of car allowances and private medical benefits for those joining the Executive Board or taking on a senior manager role for the first time, therefore simplifying executive remuneration, and more closely aligning executive terms to those of the wider the BBC

In September 2012, the Executive Remuneration Committee (ERC) commissioned a review of Executive Board severance and notice terms and practices. Although the results showed that the BBC's severance terms were broadly in line with the public sector, the ERC recognised that in the current economic climate, when licence fee payers are facing tough economic circumstances, the BBC should limit the size of severance payments made to senior staff. The ERC therefore agreed the following reforms:

- reduce notice periods from 12 months to six months for all executive directors
- implement a cap of £150,000 on redundancy and severance pay, bringing the BBC into closer alignment with the Civil Service
- end the practice of paying in lieu of contractual notice for executive directors and senior managers

These changes to contractual terms have been agreed and implemented for all Executive Board members and consultation with other affected staff and senior managers is progressing with a view to implementing the changes from September this year.

There is always more to do, and as the strategy evolves for the BBC under its new leadership team, we will review our approach to remuneration to ensure that it supports the overall BBC strategy, in both delivering value for money for the licence fee payer and attracting the brightest and best talent to the BBC. In January 2013, I took over the chairmanship of the BBC Executive Remuneration Committee from Marcus Agius, and I would like to thank Marcus for his leadership through a challenging period of executive pay reform.

Sally Davis
Chair, Executive Remuneration Committee
20 June 2013

Executive Board Remuneration Report

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

Remuneration Committees: constitution and operation

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

The Executive Remuneration Committee (ERC) is responsible for implementing the agreed strategy for all executive members of the Executive Board, with the exception of the Director-General. Its members are non-executive directors: Sally Davis (Chairman), Dame Fiona Reynolds, and Brian McBride.

Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, HR, who advise on matters relating to other members of the Executive Board, and the overall performance of the BBC. The ERC has access to internal expertise through the BBC's Head of Reward.

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

Remuneration of non-executive directors

Non-executive directors' fees are determined by the Trust. From January 2013, the non-executive directors agreed to a permanent reduction in fees, which was approved by the Trust as an alternative to the voluntary surrender of a month's payment and fees are now as follows:

Non-executive director	2013 fee	2012 fee
Senior Independent Director	£42,000	£45,900
Non-executive director	£32,700	£35,700
Committee chair	Additional £4,700	Additional £5,100

Remuneration of executive directors

Strategy and approach for 2012/13

The strategy set by the Trust is intended to provide remuneration that attracts, motivates and retains the best talent to lead the BBC whilst providing value for the licence fee payer. In July 2011, the ERC agreed, with the Trust, a new 'BBC Executive and Senior Management Pay Strategy' which set out a revised approach to executive and senior management pay for the period 2011 through to 2015. Key principles within that strategy are:

- **fewer senior managers:** as a continuation of our strategy to reduce the numbers and cost of senior managers across the BBC
- **freeze in bonuses:** bonus payments remain withdrawn from executive directors

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- **fairness in the BBC reward structure:** by phasing out funded private medical insurance and car allowances for new executives and senior managers with effect from August 2011 and April 2012 respectively
- **greater transparency:** through the publication of pay multiples (median executive board pay to median BBC pay and Director-General pay to median BBC pay) in the Annual Report

The Trust and ERC also agreed to continue the practice of discounting the BBC executive directors' pay against the commercial sector. As a result, once again this year, the ERC reviewed independently provided market pay data to ensure levels of pay are consistent with the current and agreed strategy. Data obtained for 2012 showed that total direct compensation for our executive directors (base salary plus variable pay), including the Director-General, is discounted by between 59% and 83% of the level paid in the commercial sector. This discount reflects the substantial additional amounts of variable pay (including bonus and long-term incentives) that are provided in the commercial sector.

The ERC conducted a full review of executive directors' severance terms and practices in 2013. The review concluded that current BBC practices were broadly in line with the public sector. Following this review, the ERC has changed the employer notice period for all executive directors from 12 months to six months, aligning it with senior manager notice periods, and implemented a cap on redundancy payments of £150,000. Consultation to implement the £150,000 cap on redundancy and severance pay for all staff and senior managers is progressing with a view to implementation from September 2013. Outplacement support and legal fees for compromise agreements are now capped at £5,000 and £2,000 respectively.

Pay multiples

In 2011, Will Hutton published his review of 'Fair Pay in the Public Sector' in which he recommended that "organisations should track, publish and explain their pay multiples over time". The most appropriate metric being top to median earnings. This ensures organisations delivering public services are accountable for the relationship between the pay of their executives and the wider workforce.

Whilst the BBC was not required to comply with the outcomes of this report, the BBC Executive has agreed with the Trust recommendations to voluntarily publish, track and explain our pay multiples annually so that the public can see exactly how the remuneration of those at the top of the BBC compares to the rest of the organisation. The methodology we use is to compare the median pay of Executive Board members with the median pay across the rest of the BBC.

Over the last year, there have been a number of changes to personnel on the Executive Board that resulted in three of the seven executive director roles being filled on a temporary basis as at 31 March 2013. Although these interim appointments attract a temporary acting allowance, executive directors in an acting capacity tend to be paid significantly less. This has increased the volatility in the multiple, and as at 31 March 2013, has temporarily lowered the multiple to 8.1.

Since February 2013, the Director-General has made a number of new appointments to the Executive Board, and from August 2013 all those appointments will be in role and the new Executive Board will be complete. The multiple of median earnings within the BBC to the median earnings of this new Executive Board 2013 is 8.3 (compared to 8.7 last year).

The multiple of median earnings across the BBC to the Director-General's earnings for 2013 is 11.0 compared to 16.5 last year. This is based on the Director-General's annual salary.

	From August 2013	Mar 2013	Mar 2012	Mar 2011
Director-General median earnings	11.0	11.0	16.5	16.8
Executive Board median earnings	8.3	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.

In addition to taking account of the pay multiples when setting and considering pay for the Executive Board, the ERC consider each component of the total remuneration package of executive directors broken down as follows:

Base pay

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

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

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

Variable pay

Discretionary performance bonuses to a maximum of 10% of base pay have historically been paid to executive directors for achieving efficiency targets and other identified objectives. Under the current pay arrangements, bonuses are not paid and as a result, no discretionary bonuses were paid in 2012/2013. No executive director has received a discretionary bonus in the past six years.

Benefits

In addition to pensions, the other main contractual benefit is life assurance. In April 2012, the BBC removed the car allowance benefit for all new executive directors. Those already in receipt of a car allowance have retained it. The Director-General is entitled to a car and driver under earlier arrangements, but has no entitlement to a personal car allowance or fuel allowance. During 2012/13 all other executive directors have had shared access to a car and driver. Private medical insurance continues to be provided to executive directors who joined the BBC before 1 August 2011; it is no longer offered as a benefit to members of the Executive Board who joined the BBC after this date.

The BBC Trust is the governing body of the BBC. It sets the BBC's strategic direction, monitors the Executive's performance and reports to licence fee payers. The Trust's review and assessment of the Executive's performance in 2012/13 can be found in Part One.

Pension

Members of the Executive Board 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.

For employees who joined the Scheme before 1 November 2006, the accrual rate is 1/60th of final pensionable salary for each year of service. For this group of employees, the normal pension age is 60. For employees who joined the Scheme on/after 1 November 2006 and before 1 December 2010, benefits build up on a career average basis and the accrual rate is 1.67% of pensionable salary for each year of service, adjusted in line with RPI inflation. For this group the normal pension age is 65.

For those who joined the Scheme after 31 May 1989, pensionable salary is subject to a maximum annual limit (£137,400 per annum for 2012/13). No maximum annual limit is applied to those who joined on or before 31 May 1989. The Scheme provides for early retirement on medical grounds and life assurance of four times life cover pensionable salary up to a prescribed limit.

Following the introduction of a 1% annual limit on increases in pensionable salary (before the maximum annual limit under the Scheme is applied) for all employees in the Scheme, from 1 April 2011 the BBC introduced a new section under the Scheme which existing members could join, during a limited period, by opting out of their existing section. There is no 1% annual limit on increases in pensionable salary in this new section. Benefits build up on a career average basis and the accrual rate is 1.67% of pensionable salary for each year of service, ordinarily adjusted in line with CPI inflation up to a maximum of 4% each year. Under this section, the normal pension age is 65. There is also a maximum annual limit on pensionable salary which was £135,000 per annum for 2012/13.

Members of the Executive Board who joined the BBC on or after the 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.

Full details of the BBC Pension Scheme are available on our website bbc.co.uk/mypension

Remuneration received

Table 1 provides a summary comparison of annualised executive director base salary for the future executive directors compared to 2011/12. Table 2 provides full details of the remuneration received by all Executive Board members and the Trustees for 2012/13 compared to previous year.

Table 1: Comparison of future and 2011/12 executive director salaries

Future executive directors		2011/2012 executive directors	
Executive director	Annualised base salary* £000s	Executive director	Annualised base salary* £000s
Tony Hall† Director-General (since 2 April 2013)	450	Mark Thompson Director-General	668
Anne Bulford† Managing Director, Finance & Operations (since 1 June 2013)	395	Zarin Patel Chief Financial Officer	352
Danny Cohen Director, Television (since 7 May 2013)	320	Caroline Thomson Chief Operating Officer	335
Helen Boaden Director, Radio (since 15 April 2013)	340	George Entwistle Director, Vision	270
James Harding† Director, News and Current Affairs (from 12 August 2013)	340	Tim Davie Director, Audio & Music	365
James Purnell† Director, Digital & Strategy	295	Helen Boaden Director, News Group	340
Lucy Adams Director, HR	320	<i>New role</i>	
<i>Role no longer on Executive Board</i>		<i>Role re-joined Executive Board</i>	
Total	2,460	Ralph Rivera Director, Future Media	295
		Total	2,625

* Annualised base salary excluding taxable benefits. Excludes voluntary one-month pay surrender by four executive directors in March 2012.

† No entitlement to car allowance or private medical insurance.

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Table 2: Executive Board remuneration

The remuneration of the Executive Board members and the Trustees during the year is shown below and also compares to remuneration received last year

Remuneration received

		FY 2012/13				FY 2011/12	
		Fee/base pay £000 (Note 14)	Taxable benefits £000	Legal and related costs £000 (Note 15)	Compensation for loss of office £000	Total remuneration 2012/2013 £000	Total remuneration 2011/2012 £000 (Note 13)
Executive directors							
Lucy Adams ^(Note 1)	Re-appointed to Executive Board 18 September 2012	172	9	–	–	181	–
Helen Boaden		340	14	101	–	455	354
Tim Davie ^(Note 2)		397	11	–	–	408	349
Graham Ellis ^(Note 3)	Acting Director from 1 December 2012	74	4	–	–	78	–
George Entwistle ^(Note 4)	Appointed to Executive Board 1 May 2011. Stepped down from Executive Board 10 November 2012	217	8	107	470	802	261
Roger Mosey ^(Note 5)	Acting Director from 20 August 2012	166	6	–	–	172	–
Zarin Patel ^(Note 6)		352	14	–	–	366	337
James Purnell ^(Note 7)	Appointed to Executive Board 19 March 2013	10	–	–	–	10	–
Ralph Rivera ^(Note 8)	Stepped down from Executive Board 18 March 2013	286	14	–	–	300	309
Mark Thompson ^(Note 9)	Stepped down from Executive Board 16 September 2012	410	7	86	–	503	622
Caroline Thomson ^(Note 10)	Stepped down from Executive Board 17 September 2012	168	9	–	683	860	328
Total executive directors		2,592	96	294	1,153	4,135	2,560
Non-executive directors							
Marcus Agius	Left 30 November 2012	34	–	–	–	34	47
Simon Burke		40	–	–	–	40	37
Sally Davis	Joined 1 January 2012	36	–	–	–	36	6
Mike Lynch	Left 31 December 2012	27	–	–	–	27	33
Brian McBride	Joined 1 March 2012	35	–	–	–	35	–
Dame Fiona Reynolds ^(Note 11)	Joined 1 January 2012	43	–	–	–	43	7
Val Gooding	Left 31 December 2011	–	–	–	–	–	31
Robert Webb ^(Note 12)	Left 29 February 2012	–	–	–	–	–	115
Total non-executive directors		215	–	–	–	215	276
Total Executive Board		2,807	96	294	1,153	4,350	2,836
Total Trustees		531	1	–	–	532	492
Total		3,338	97	294	1,153	4,882	3,328

Notes to accompany Table 2: Executive Board remuneration

Note 1: Lucy Adams

Lucy Adams was re-appointed to the Executive Board on 18 September 2012 having stepped down previously on 31 March 2011. The base pay reflects the period for which Lucy was on the Executive Board. Lucy has not received any additional remuneration following her re-appointment to the Executive Board with her annual base salary remaining at £320,000 and her total cash remuneration remaining at £332,900.

Note 2: Tim Davie

Tim Davie was Director, Audio & Music. Following the departure of George Entwistle as Director-General (see note 4), Tim Davie assumed the role of Acting Director-General on 12 November 2012 until Lord Tony Hall assumed the role on a permanent basis on 2 April 2013. Base pay includes a temporary acting allowance equivalent to £50,000 per annum received whilst Acting Director-General.

Note 3: Graham Ellis

Graham Ellis was appointed Acting Director, Audio & Music with effect from 1 December 2012. Base pay includes temporary acting allowance. Graham stepped down from the Executive Board when Helen Boaden assumed the role of Director, Radio on 14 April 2013. The remuneration reflects earnings from 1 December 2012.

Note 4: George Entwistle

George Entwistle was promoted from Director, BBC Vision to Director-General with effect from 17 September 2012. George stepped down from the Executive Board on 10 November 2012 and his employment with the BBC ended with effect from 30 November 2012. The base pay reflects the period up to his last day of employment. Compensation for loss of office includes: £450,000 pay in lieu of notice; legal fees; private medical insurance; communication support.

Note 5: Roger Mosey

Roger Mosey was appointed Acting Director, Vision with effect from 20 August 2012. Base salary includes temporary acting allowance. Roger stepped down from the Executive Board when Danny Cohen assumed the role of Director, Television on 7 May 2013. The remuneration reflects earnings from 20 August 2012.

Note 6: Zarin Patel

Zarin Patel will step down from the Executive Board on 28 June 2013 and will leave the BBC on 31 October 2013.

Note 7: James Purnell

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

Note 8: Ralph Rivera

Ralph Rivera stepped down from the Executive Board on 18 March 2013. The remuneration reflects earnings whilst on the Executive Board. Ralph received a relocation package on appointment to BBC (prior to board appointment). Relocation spend during the 2012/13 year was £11,349. This value is not included in the figures and payment has now ceased.

Note 9: Mark Thompson

Mark Thompson resigned from his role as Director-General on 1 July 2012. Mark stepped down from the Executive Board on 16 September 2012 and his last day of employment was 11 November 2012. The base pay reflects earnings up to his last day of employment.

Note 10: Caroline Thomson

Caroline Thomson's role of Chief Operating Officer was made redundant as part of a restructure of the Executive Board. Caroline stepped down from the Executive Board on 17 September 2012 and her employment with the BBC ended on 30 September 2012. The base pay reflects earnings up to her last day of employment. Caroline's compensation for loss of office includes: £335,000 pay in lieu of notice; £331,400 redundancy pay; £16,800 including VAT for legal fees (including additional legal fees) and outplacement support.

Note 11: Dame Fiona Reynolds

Dame Fiona Reynolds joined the Board on 1 January 2012 as a non-executive director and assumed the role of Senior Independent Director on 1 December 2012.

Note 12: Robert Webb

As well as his non-executive director role Robert Webb was non-executive chairman of both BBC Commercial Holdings Limited and BBC Worldwide Limited. In recognition of these additional responsibilities, he received fees of £82,500 during the 2011/12 financial year. Robert left the BBC in February 2012.

Note 13: Voluntary salary surrender

Tim Davie, Zarin Patel, Mark Thompson and Caroline Thomson voluntarily surrendered one month's salary in March 2012. This only applied to executive directors who had remained in their roles since March 2011. Sally Davis, Brian McBride and Dame Fiona Reynolds voluntarily surrendered one month's fees in March 2012.

Note 14: Pension

Employee pension contributions are ordinarily made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced. The total salary sacrifice by executive directors during the year was £107,993 (2012: £98,178).

Note 15: Legal and Related Costs

The legal and related costs borne by the BBC in respect of those directors that gave evidence to the Pollard Review.

Additional Note: Fran Unsworth

Fran Unsworth was Acting Director, News between 11 November 2012 and 20 December 2012 and also covered this role while Helen Boaden was on leave between 19 March 2013 and 31 March 2013. On both occasions, Fran did not join the Executive Board or receive any additional remuneration and has therefore been excluded from the table this year. Fran was appointed Acting Director, News and Current Affairs, joining the Executive Board, with effect from 1 April 2013. Fran will step down from the Executive Board when James Harding assumes the role of Director, News and Current Affairs on 12 August 2013.

REMUNERATION REPORT

Defined benefit schemes

Details of defined benefit entitlements are shown below.

Executive directors	Age as at 31 March 2013	Section	Increase in accrued pension over year £000	Total accrued pension at 31 March 2013 £000	Transfer value of accrued pension at 31 March 2013 £000	Transfer value of accrued pension at 31 March 2012 £000	Director's contributions (excluding contributions paid via the salary sacrifice arrangement) £000	Increase in transfer value less director's contributions £000
Lucy Adams ⁽¹⁾	48	CAB 2006	2	8	80	53	0	27
Helen Boaden	57	Old Benefits	7	69	1,519	1,213	0	306
Tim Davie ⁽²⁾	45	New Benefits	0	15	200	164	0	36
		CAB 2011	2	3	21	4	0	17
Graham Ellis ⁽³⁾	59	Old Benefits	3	10	243	144	0	99
George Entwistle ⁽⁴⁾	50	Old Benefits	4	63	1,098	877	0	221
Roger Mosey ⁽⁵⁾	55	Old Benefits	4	137	2,815	2,414	0	401
Zarin Patel	52	New Benefits	4	33	567	436	0	131
Mark Thompson ⁽⁶⁾	55	New Benefits	2	19	374	293	0	81
Caroline Thomson ⁽⁷⁾	58	Old Benefits	4	85	1,922	1,713	0	209

Notes

- Lucy Adams was re-appointed as a director on 18 September 2012, although she joined the Scheme on 1 July 2009. The figures shown include the period before she was appointed as a director.
- Tim Davie became an active member of the CAB2011 section as at 1 January 2012 and retains a deferred pension in the New Benefits section for service up to that date. The transfer value as at 31 March 2013 in respect of each section has been shown separately in this table.
- Graham Ellis was temporarily appointed as a director on 1 December 2012. The figures shown include the period of Scheme membership before he was appointed as a director where he continues to build up benefits.
- George Entwistle stepped down from the Executive Board on 10 November 2012 and left the Scheme on 30 November 2012. His accrued pension on leaving the Scheme has been valued as at 31 March 2013.
- Roger Mosey was temporarily appointed as a director on 20 August 2012, although he joined the Scheme on 1 October 1981. The figures shown include the period before he was appointed as a director.
- Mark Thompson stepped down from the Executive Board on 16 September 2012 and left the Scheme on 11 November 2012. His accrued pension on leaving the Scheme has been valued as at 31 March 2013.
- The figures for Caroline Thomson have all been calculated as at her date of retirement, which was 1 October 2012, rather than the date on which she stepped down from the Executive Board. The transfer value shown includes a tax-free cash lump sum of £251,770 in respect of Scheme pension commuted at retirement. The 'total accrued pension at 31 March 2013' is before any reductions for early retirement, commutation of pension for the lump sum of tax charges. Actual early retirement pension put into payment was £61,952 pa (after a deduction of £1,006 pa for the Lifetime Allowance charge which was paid by the Scheme).

Additional notes

Ralph Rivera is a member of the LifePlan defined contribution pension scheme. The total contributions made are currently 25% of base salary. Of this, 10% are the employer contributions and between 1 April 2012 and 31 March 2013 the BBC paid a total of £29,500 to the Scheme. The figures shown exclude any Scheme pensions in payment before the start of the year.

Employment contracts

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.

Outside interests

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

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

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

The BBC's commercial businesses

The BBC has staff employed with three commercial subsidiaries:

- BBC Worldwide
- BBC Studios & 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, annual bonus and the Long Term Incentive Plans are self-funded by the commercial revenues of each subsidiary company and are not subsidised by the licence fee.

Remuneration within the commercial subsidiaries is not governed by the BBC's remuneration policy and governance arrangements.

AUDIT COMMITTEE REPORT



“A number of specific issues dominated the agenda of the Executive Audit Committee during the past year.”

Simon Burke

Report of the Chairman of the Executive Audit Committee

We carried out a special review of the operation and control of the BBC's child protection arrangements in the wake of the Savile scandal.

The BBC was also challenged about the way in which it structures payments to freelancers, and whether these practices were being used to avoid tax or National Insurance contributions. The EAC commissioned a special report by Deloitte into these arrangements, which found that although there was no evidence that the BBC was facilitating tax avoidance, nevertheless we needed to apply our policy more consistently and to review our use of the freelancer model in some cases.

The significant changes to the Executive Board between September 2012 and March 2013 created disruption to the management structure and process of the BBC. We were actively engaged in ensuring that this did not lead to any impairment of the control environment and that key projects such as Delivering Quality First (DQF) remained on course. In this latter respect, we are pleased to report that DQF has started well, in line with expectations.

Elsewhere in this Annual Report are details of the write-down of the BBC's investment in its proposed new Digital Media Initiative (DMI). This project has had a troubled history, and we were very dismayed to learn that it would not now achieve the majority of its objectives despite the huge investment of money, time and management effort. Clearly this outcome raises serious questions for us in terms of the monitoring and control of major IT projects and we are working with the Trust to ensure that the right lessons are learned from this.

In general, this year's audits, including the foregoing, have shown that we still have work to do to reach our desired level of assurance and control in all areas. I will be working with my Board colleagues to see that this is prioritised in coming months.

On a more positive note, we have seen a significant overhaul of risk mapping and assessment at the BBC, which is an important starting point for our assurance process. In addition, we have continued to consider a wide range of issues; review the work of the BBC's Internal Audit team; consult frequently with the external auditors; and in general sought to provide the Executive team with an independent, challenging but supportive view. We endeavour at all times to keep audience priorities and value for money at the forefront of our thinking.

AUDIT COMMITTEE REPORT

Membership and remit of the Executive Audit Committee (EAC)

The main purpose of the EAC is to review and maintain oversight of the BBC's corporate governance, particularly with respect to financial reporting, internal control and risk management.

The EAC comprises three non-executive directors, of whom one must have recent and relevant financial experience.

The members are:

Simon Burke

Fiona Reynolds

Brian McBride (appointed December 2012)

Mike Lynch (until December 2012)

The EAC considers that Simon Burke has significant, recent and relevant financial experience. When appropriate, the EAC augments the skills and experiences of its members with advice from internal and external audit professionals – for example on matters such as developments in financial reporting.

EAC meetings are also attended by the Director-General, the Chief Financial Officer, the Director of Risk and Assurance and representatives from internal audit, risk management and external auditors KPMG LLP. The EAC also meets privately, without any member of management present, with both internal audit and the external auditors on a regular basis.

Minutes from EAC meetings are made available to the Executive Board and to the BBC Trust. Additionally, the Chairman of the EAC reports back to the Board after each meeting of the EAC on any issues where action or improvement is required. The EAC Chairman also produces a formal report to the Board each year.

Key areas of focus for the committee in the past year

The EAC met six times in 2012/13. The key areas of focus were:

Internal controls: the EAC reviewed the effectiveness of the system of internal controls, taking account of the findings from internal and external audit reports. The EAC sought assurance from management that control issues identified are being addressed.

Financial reporting: the EAC reviewed the group financial statements. To assist this review, the EAC considered reports from management and from the external auditors regarding compliance with accounting standards, key judgements made in preparation of the financial statements, and compliance with legal and regulatory requirements.

Risk management: the EAC considered the processes for managing significant risks within the BBC, including presentations from management on how the BBC is managing its information security risks, its key strategic projects, and also the key risks associated with the BBC's global tax exposures. In addition, the EAC received the report into the review carried out into the BBC's child protection arrangements.

Fraud detection processes and whistle-blowing arrangements: the EAC reviewed the levels of fraud and theft reported and detected, and the arrangements in place to prevent, minimise and detect fraud and bribery.

Internal audit workplan: the EAC continued to oversee the work of internal audit. The EAC approved the plan of work for the coming year including specific assurance work on the BBC's major strategic projects. During the year, the EAC extended the plan to include additional work on the BBC's compliance with freelancer contracting policies.

Post-investment reviews: the EAC considered post-investment reviews for major investments.

Relationship with external auditors: the EAC oversaw the relationship with the external auditors, including the scope and approach to their work, their fees, their performance and independence (including the approval and compliance with policy on non-audit work).

The BBC's accountability and internal control processes

The Executive Board is responsible for the operational management of the BBC (excluding the Trust Unit). This includes safeguarding its assets and achieving value for money by ensuring there is a process in place for managing significant risk issues to the BBC.

The Executive Board is responsible for establishing, maintaining and reviewing the effectiveness of the BBC's system of internal control and for ensuring that necessary actions are taken to remedy any significant failings or weaknesses identified. Such systems can only provide reasonable, and not absolute, assurance against material misstatement or loss. Our system of control is designed to manage (rather than eliminate) the risk of failure to achieve business objectives, and to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised, and material errors or irregularities are either prevented or detected on a timely basis.

Key elements of our system of internal control include:

Risk identification and management: the Executive Board co-ordinates and monitors risk management activity within the BBC. Our process for identifying, evaluating and managing significant risks to the BBC, which accords with the Turnbull Guidance (Internal Control: Guidance to Directors), has been in place for the year ended 31 March 2013, and up to the date of approval of this BBC Annual Report and Accounts. The key elements of risk management and oversight activity within the BBC are shown on pages 84 to 85. These include consideration of a wide range of risks including editorial, operational and financial risks.

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 plan, regular reforecasting, analysis of variances and performance reviews tracking achievements against business plan and strategy.

Business policies: formal policies and procedures are in place for all material business processes to ensure compliance with all applicable laws and regulations, that risks are managed, and that timely, relevant and reliable information is available across the business.

Cash management: the BBC undertakes regular treasury and cash reporting, which analyses funding requirements and liquidity.

Authorisation procedures: clearly stated formal authorisation limits and processes cover all financial transactions.

Project governance: the importance of assurance in supporting project governance and, ultimately, successful project delivery is recognised. It is now a requirement of all major projects in the BBC to put in place a robust set of checkpoints and reviews with the aim of providing senior stakeholders with assurance that the project is on track to deliver, and to identify appropriate actions to be taken if the project is off course. The roles and expected interventions of assurance providers (e.g. Internal Audit or independent technical experts), are defined within the overall project plan. The project sponsor is responsible for ensuring that the programme of assurance is sufficient for the project throughout its life cycle, with independent review and challenge provided by Internal Audit and the BBC Programme Management Office.

Staff capability: processes are in place to ensure that our staff are professional and competent. These include recruitment policies, performance appraisals and development programmes.

Business continuity: a specialist unit which is on call 24/7, co-ordinates the BBC's response to emergencies across the country in order to keep the BBC's key services to the public on air and on line. It also sets policy and direction, and provides training advice across the business.

Outsourcing of key business services: processes are in place to manage outsourced contracts (e.g. licence fee collection, finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.

Editorial compliance: policies and procedures are in place to ensure the editorial integrity of output on all platforms, with specialist teams in support.

Health and safety: policies and procedures are in place, supported by specialist teams, to protect all persons employed, service providers and members of the general public from potential health and safety hazards and accidents.

Environmental issues: policies and procedures are in place, supported by a specialist team, to mitigate against potential environmental damage resulting from any BBC activity.

The BBC's internal audit process

Internal Audit, Risk Management and Investigation Services combine to form our Business Assurance function, which is led by the Director of Risk and Assurance. Internal Audit's authority and independence is assured by the Director of Risk and Assurance's independent and direct access to the Director-General and to the EAC.

Internal Audit regularly tests the BBC's control systems and core business processes to ensure they are fit for purpose and consistently applied. The work plan, which is based on a continuing assessment of key risks, is agreed annually with the EAC and covers financial, operational and compliance controls, including the exercise of the BBC's right of audit over external suppliers such as the independent production companies and service providers. Any significant control failings or weaknesses identified are reported to appropriate levels of management. The status of corrective actions is reported back to the EAC.

Independence of the BBC's external auditors

We comply with the Corporate Governance Code guidance on maintaining an appropriate relationship with external auditors. The BBC appointed KPMG LLP as external auditors during 2008 for a period of three years from 2008/09, after a formal tender process. In accordance with the contract terms, in 2011 the EAC approved a two-year extension to this period. In anticipation of the significant changes in the senior management team at the BBC – including forthcoming change in Chief Financial Officer and the integration of BBC World Service in 2013/14 – the EAC decided to extend KPMG LLP's appointment for the further year 2013/14, with the expectation of a formal tender process commencing in 2013 for financial years 2014/15 onwards. Furthermore, recognising the above changes and the ongoing developments of systems, processes, controls and infrastructure, the EAC requested that the mandate of the lead audit partner be extended by two years to 2013/14, to help maintain and enhance audit quality.

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

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, 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.

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; these are Dame Fiona Reynolds (Chair), Sally Davis and one vacant position. The meetings are also attended by the Chief Financial Officer, Controller, Policy & Regulation, General Counsel and the Director of Risk and Assurance. Responsibilities of the EFTC include:

- keeping under review the BBC's Fair Trading Guidelines
- dealing with Fair Trading complaints against the BBC through the appointment of a Fair Trading Complaints Panel which is chaired by and includes a majority of non-executive directors
- reviewing ongoing compliance with the BBC's Four Commercial Criteria
- commissioning the annual Fair Trading audit by independent auditors

The BBC has a detailed operational Fair Trading framework which applies to all our activities and is outlined in our Fair Trading Guidelines, found at bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html

These arrangements are subject to annual audit by independent auditors and have been separately accredited with the ISO 9001:2008 quality standard. The auditor's report is set out on page 102.

The BBC agreement requires the BBC Executive to ensure that all our commercial services meet the following criteria. Commercial services must:

- fit with public purposes
- show commercial efficiency
- not jeopardise the good reputation of the BBC or the value of the BBC brand
- comply with the BBC's Fair Trading Guidelines, and in particular avoid distorting the market

Having received reports from relevant senior management, the BBC Executive is satisfied that all commercial services have met this criteria for the period 1 April 2012 to 31 March 2013.

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

There have been no complaints or appeals 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 and on the BBC Trust's appeals page bbc.co.uk/bbctrust/our_work/complaints_and_appeals/fair_trading.html



“As a publicly funded broadcaster, the BBC has a responsibility to ensure that it trades fairly and has regard to the impact of its activities on the wider market.”

Dame Fiona Reynolds

Report of the Chairman of the Executive Fair Trading Committee

The BBC has a well-established Fair Trading regime which is subject to both internal and external scrutiny. Against a backdrop of change to the media landscape and at the BBC, this year we made some modest changes to the Executive's Fair Trading Guidelines to reflect the Trust's revised Fair Trading Policy. The changes included an extension to the BBC's cross-promotion code to cover on-demand services, and better alignment of the BBC's Editorial Guidelines with the Fair Trading framework.

The Fair Trading regime continues to operate effectively with an unqualified audit opinion, and this year there were no Fair Trading complaints. I will continue to be focused on ensuring that the BBC's regulatory requirements are adhered to and 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, its Fair Trading obligations.

Dame Fiona Reynolds
Chairman of the Executive Fair Trading Committee
20 June 2013

Independent fair trading auditors' report to the BBC for the year ended 31 March 2013

We have audited, in our role as the BBC's fair trading auditors, the system of internal controls established within the BBC to provide the BBC with reasonable assurance that the BBC Executive ('the Executive') has complied with the requirement of the BBC Trust's Fair Trading Policies & Framework and the Fair Trading Guidelines for the year ended 31 March 2013 ('the Fair Trading Arrangements').

Our instructions for this engagement, including the scope of work to be undertaken, were agreed with the BBC's Executive Fair Trading Committee (the 'EFTC'). These instructions include agreement that our audit should be conducted in accordance with International Standard on Assurance Engagements ('ISAE') 3000, agreement on the limit of our liability in respect of this work and agreement that our duty of care in respect of this work is solely to the BBC. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

Respective responsibilities of BBC Trust, BBC Executive and fair trading auditors

The Trust is responsible for ensuring that the Executive trades fairly. It is also responsible for preparing the section within the BBC's annual report entitled 'Trading Fairly' which includes a statement on fair trading.

The Executive is charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2013, 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 2013. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as this is necessary to form an opinion on the application of the system of internal controls. We have also reviewed whether the Trust's statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls and we report if it does not.

Our opinion has been prepared for and only for the BBC in accordance with our instructions which were agreed with the EFTC on behalf of the BBC. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person other than the Trust or the Executive to whom this report is shown or into 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 2013.

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 2013. 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 2013.

Deloitte LLP
Chartered Accountants
London
20 June 2013



MANAGING OUR FINANCES

The BBC must account for how it responsibly uses the licence fee and other income

CHIEF FINANCIAL OFFICER'S REVIEW



"After a year of getting the balance right between current editorial and operational priorities and preparing for imminent financial challenges, the BBC is well positioned to face the future."

Zarin Patel

Striking a financial balance

This is a year when the BBC has struck a balance between putting in place the financial resources and the infrastructure to deliver our major broadcasting and operational priorities and challenges – many of them truly transformative – whilst also being careful to ensure funding plans are in place for our future financial obligations and other pressures. In 2013/14, £278million of new obligations will need to be funded, and in 2014/15, licence fee funding of some £245million is expected to be required to run the BBC World Service.

Delivering our immediate editorial and operational priorities

This has been a year of some major BBC milestones:

- we successfully moved into New Broadcasting House – under-budget – and started to deliver the synergies and other efficiencies from bringing together so many BBC colleagues
- both the operational and financial benefits of our move into MediaCityUK in Salford are now being realised
- Television Centre was sold at a profit of £78million
- digital switchover was completed – over £400million under-budget over the full life of the scheme, most of which has already been paid over to DCMS
- the BBC's efficiency programme, the Continuous Improvement Programme, was successfully delivered, to achieve efficiency savings of 3.7% per annum versus a target of 3.0%. This has provided perpetual annual savings of £580million which we have reinvested in our content and essential infrastructure
- early *Delivering Quality First* savings were also identified to put cash aside to ease the pressure of future savings targets

The third series of sitcom *Miranda* proved popular with audiences



- the ground-breaking coverage of the London 2012 Olympics was broadcast to great acclaim, fulfilling the BBC's commitment to 'Never Miss a Moment' of the games through its innovative digital offering and 24 dedicated channels. Coverage of the Games and surrounding programming and events cost £66million, before rights costs
- some of our spending has been deferred to ensure it delivers maximum audience impact in later years and to avoid a step down in quality post 2012

A year of resolving some major challenges

This year, we reviewed our plans to develop new digital production tools under our Digital Media Initiative (DMI). Having reviewed our progress to date, we decided to close the project in its current form. As much of the software and hardware would only have a value if the project was completed, we are booking a charge of £52million this year. This will bring the total cost of the project to £98.4million.

It is not acceptable to waste licence fee payers' money in this manner. There were clearly mistakes made in the management of this project, and there will now be a full review, led by PwC initially, to identify and learn the lessons to ensure there is no repetition and that future technology projects are better controlled.

The BBC employs a large number of freelancers to deliver the best programmes for our audiences, but we must do so on the right basis. We are pleased that we can demonstrate a high standard of compliance and no evidence of tax avoidance in this area. However, as a public body, the BBC has committed to go further. Therefore, we are working with HMRC to develop a new employment test for our on-air talent, and are reviewing our contractual arrangements with both our on-air talent and off-air production workers, which is expected to result in some changes to contractual arrangements when current contracts expire.

Breakdown of UK PSB Group expenditure 2012/13

	2012/13 £m	%	2011/12 £m	%
Service licences – direct content spend	2,443	64	2,356	61
Other direct content spend	87	2	90	2
Property and technology	357	9	315	8
Distribution	222	6	208	6
Support costs	318	9	304	8
Licence fee collection costs	111	3	126	3
Digital switchover	57	1	131	3
Costs to fund other income	232	6	212	6
Lease cost reclassified	(82)	(2)	(82)	(2)
Restructuring costs	23	1	101	3
Pension deficit payments	49	1	89	2
Total	3,817	100	3,850	100

The trust of the viewing and listening public is at the heart of everything that the BBC does. That is why, in response to the revelations about Jimmy Savile, we commissioned and resourced three reviews so as to ensure that we do not let down licence fee payers again. We have also, in accordance with accounting rules, made appropriate provision for future compensation claims.

Future challenges

We start 2013/14 in a strong place, with enough cash to be able to afford our new obligations, without having to compromise on the quality and range of our output. However, successful delivery of the full £700million of DQF savings will be essential to ensure their funding on a continuing basis. It will also be necessary for the further development of our essential infrastructure, in order to ensure we can continue to deliver successfully and sustainably to licence fee payers.

75p in every £1 (up from 71p) spent directly on content and the property and technology essential for their production...



75p
2011/12: 71p

... and 6p spent on distribution
Total expenditure reduces as digital switchover initiative ends



6p
2011/12: 6p

Cost of licence fee collection falls 11% to 2.9p

3.4p ► 2.9p

HOW WE USE THE LICENCE FEE

The unique financial challenges for the BBC

The way in which the BBC is funded places significant financial responsibilities on the BBC as an organisation. Specifically, it has to:

- maximise licence fee income through its efficient and effective collection
- 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
- provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC
- ensure that our output is then delivered as cost-efficiently as possible

Our results this year show how we have successfully managed these financial challenges and made sound preparations for the future. This is reflected in our Income Statement for the year. Our group surplus for the year was £328million (2011/12: £389million) although the result is inflated this year by profit of £78million on the sale of Television Centre, and was last year by a £95million profit on the sale of Worldwide's Magazines business as well as £45million of exceptional pension income.

Income

Licence fee income increased by £50million this year to £3,656million. Included within licence fee collected is a sum to fund the digital switchover ('DSO') initiative. As savings against this funding are paid over to the Government by the BBC, they are extracted from our income. There was less activity originally scheduled for this year than last year, so the saving was smaller at £50million (2011/12: £92million) which has resulted in the net licence fee income being higher this year.

	2012/13 £m	2011/12 £m
Licence fee collected	3,706	3,698
DSO savings	(50)	(92)
Net licence fee	3,656	3,606

Summary Consolidated Income Statement

For the year ended 31 March 2013

	2013 £m	2012 £m	
Licence fee income	3,656	3,606	Reduced Digital Switchover funding and activity
The total of licence fees collected			
Other income and revenue	1,446	1,480	Sales growth in Global News and in World Service Grant-in-Aid offset by loss of income from sold Magazine business
Commercial (mainly BBC Worldwide) income and Grant-in-Aid for World Service			
Total income	5,102	5,086	
Operating costs	(4,801)	(4,750)	Increases to reflect additional cost of Olympics and technology investment
The cost of producing all content and of running the BBC			
Exceptional pension income	–	45	Finalised benefit from pension reform
One-off significant item			
Exceptional impairment of tangible and intangible assets	(52)	–	The in-year write-off of DMI assets
One-off significant item			
Restructuring costs	(43)	(103)	Relate primarily to Delivering Quality First initiatives
Sums provided to fund future efficiency initiatives			
Total operating costs	(4,896)	(4,808)	
Share of results of associates and joint ventures	23	21	
Our share of the profit of the businesses where we control less than 50%			
Gain on sale of operations and disposal of fixed assets	111	100	Profit results principally from the sale of Television Centre and Lonely Planet this year, and from BBC Worldwide's Magazines business last year
Profit on asset disposals			
Tax and net financing income	(12)	(10)	
The net tax liability of the BBC on its taxable profits and the net interest on the BBC's pension assets and liabilities			
Group surplus for the year	328	389	

Licence fee collection

Despite pressure on household budgets, evasion rates are unchanged. There was a small increase in the total licence fee collected of £8million. As household budgets come under pressure, we are starting to see an increase in licence fee evasion rates over their prior year level. However, this has been more than offset by a reduction in our collection costs, so that the combined total has reduced in the year.

Effective financial management is a key part of the BBC's unique relationship with its audiences. This includes spending the licence fee efficiently, ensuring people get delight and enjoyment from the BBC, and collecting a television licence fee from everyone who is required to buy one.

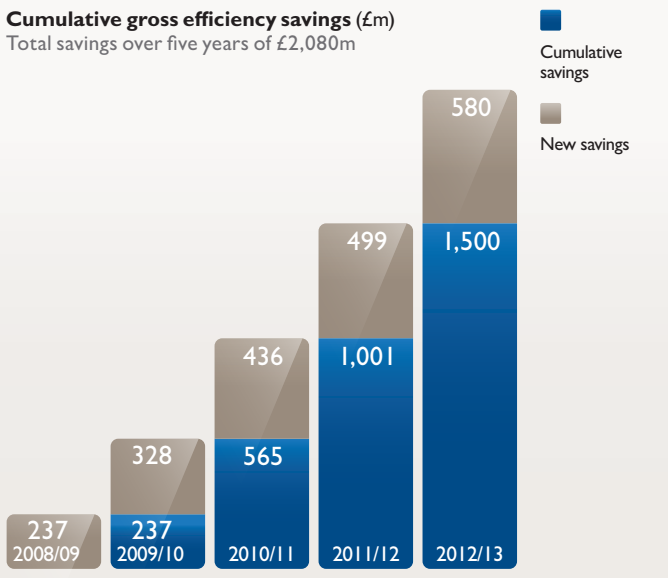
Our new collection contract with Capita started in July 2012 and has already started to deliver savings against the cost of the previous contract. Collection costs were £111million this year, down from £126million last year, and total cost savings of £220million are expected to be delivered over eight years, releasing funding to be spent on our programmes and services. The new contract also contains increased incentives on Capita to reduce evasion and help mitigate the lower increases in the licensable population that we are currently experiencing. Capita have also begun to deliver improvements to our collection processes which will help customers to find the right method of payment for them.

Licence fee statement

This is the third year in which we have prepared a licence fee revenue statement. This account sets out the amounts we collected in the year and paid over to HM Government. The National Audit Office (NAO) audits the statement. 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

Cumulative gross efficiency savings (£m)

Total savings over five years of £2,080m



Sir David Attenborough's *Africa* had a reach of 25 million



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 Ltd and BBC Studios & Post Production (S&PP).

Commercial performance

	Headline sales		Headline result	
	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m
UK PSB Group*	277.1	271.9	n/a	n/a
BBC Worldwide	1,115.8	1,085.0	156.3	154.8
BBC Global News Ltd	91.7	71.0	(0.8)	4.2
S&PP	37.6	52.2	(1.1)	5.0

* UK PSB Group commercial income above includes an element of trading within the BBC. Headlines for the relevant entity include its share of its joint-venture sales and headline result is profit or loss before exceptional items.

BBC Worldwide

BBC Worldwide exists to support the BBC public service mission and to maximise income to the group on its behalf. It returned £156million to the BBC in 2012/13 (compared to £216million in 2011/12) principally through programme and other rights investment and in dividends. The 2011/12 figure reflects increased returns following the disposal of the magazines business. As always, returns from BBC Worldwide to the BBC reflect the need to balance short-term cash returns and investment in long-term growth to protect future benefits to licence fee payers.

Following an overall review of the BBC's commercial activities, BBC Worldwide is undertaking a review of its strategy. The overall commercial strategic focus will be on BBC brands and the promotion of the best of the corporation's output globally. During the year, BBC Worldwide reconfigured its business from divisional to geographical lines of management, moving its profit and loss ownership nearer to its customers. This increased focus on international markets will enable it to capture future growth opportunities around the world.

While its financial contribution supplements the licence fee, BBC Worldwide's business activities raise the profile of the BBC brand internationally, and provide a showcase for British talent. To deliver this, closer working relationships are being developed between our public-service body and our commercial operations. BBC Worldwide is investing in the BBC's brands and high quality British intellectual property for exploitation around the world through a range of activities. These include its own linear channels, branded digital products and services, licensing to third parties, DVD and Download To Own (DTO), local production and consumer products.

In 2012/13, BBC Worldwide delivered a solid performance in the face of incredibly tough trading conditions. Key growth drivers were:

- strong TV sales across all key markets, particularly in France and Germany, and in the UK which included the first full-year impact of new Video On Demand (VOD) services
- growth in BBC Worldwide's branded channel portfolio, particularly higher advertising and affiliate sales for BBC America
- new shows from BBC Worldwide Productions in Los Angeles drove revenue growth, as did the increase in format sales for series like *The Great Bake Off*

This was combined with a focus on delivering cost savings and optimising returns from assets across the business.

In pursuit of BBC Worldwide's strategy to focus on BBC brands and promote the best of our output globally, our shareholding in Lonely Planet was sold to US-based media company NC2 Media, in March 2013. In total, we will receive AU\$75million (£51million) for 100% of the business. AU\$60million (£41million) was paid on completion, and the balance of AU\$15million (£10million), will be paid in 2013/14. During our period of ownership, we recorded unrealised foreign exchange gains of £48million from retranslating Lonely Planet's assets into sterling. As a result of the disposal, these gains became realised and have been reclassified to the income statement. The resulting gain on disposal of £15million reflects this. Despite this accounting gain on disposal, we have made a net cash loss on our investment of £80million.

Lonely Planet was acquired in 2007 when both our strategy and market conditions were quite different. Since then, Lonely Planet has increased its presence in digital, magazine publishing and emerging markets whilst also growing its global market share, despite difficult economic conditions. However, we came to the conclusion that it did not fit with our wider plans to put BBC brands at the heart of our business, and therefore decided to sell the company.

Returns to the BBC rose by 9% this year, after excluding the one-off proceeds from the sale of Magazines in 2011/12. Direct investment into BBC-commissioned programming was slightly lower at £74million (2011/12: £78million) reflecting the normal fluctuations in production cycles. Key titles this year included landmark natural history series *Africa*, which benefited from co-production deals brokered by BBC Worldwide with China's CCTV9, Discovery Channel and France Télévisions. BBC Worldwide continued to invest in BBC brands such as *Strictly Come Dancing*, and the international format, *Dancing with the Stars*, has now sold 46 local versions.

BBC Worldwide also continued to support the UK creative sector, working with 40 independent production companies on a range of development, output and first-look deals. In 2012/13, the business delivered over 130 hours of independent production companies' programming and returned £91million to independent rightsholders through up-front rights investment, profit shares and royalties.

BBC Global News Ltd

During 2012/13, BBC World News and bbc.com were brought under one holding company – BBC Global News Ltd – to oversee the operation of our two commercially funded international news services and to reinvest in the BBC's international journalism by pursuing new television and digital business opportunities. In January 2013, the BBC World News channel was re-launched with additional investment of £4million so that their journalists now sit at the heart of one of the world's largest multimedia, multilingual newsrooms in Broadcasting House. Working alongside BBC World Service, they bring the world's most trusted journalism to a global weekly audience of 256 million people. BBC World News is available in over 360 million households, up 30 million on last year, while 58 million people use bbc.com each month on PCs, tablets and mobile devices. As a result of planned investments such as the newsroom move and increased programme spend, the business returned an operating loss of £0.8million in 2012/13 (2011/12 profit of £4.2million).

Studios & Post Production

A challenging studio production market heavily impacted by the Olympics, the decommissioning of Television Centre, and the first full year since BBC Sports and BBC Children's move to Salford, have all combined to mean BBC Studios & Post Production delivered £38million of sales (2011/12: £52million) and an operating loss of £1million (2101/12: £5million profit) before exceptional items.

BBC Studios & Post Production has successfully delivered a range of creative projects for media companies and other clients during the year, including working on *Strictly Come Dancing*, *Mrs Brown's Boys*, *A League Of Their Own*, World War 1 footage for Imperial War Museums London, David Attenborough's *Trials of Life* and *Life on Earth*, *EastEnders*, *Holby City* and *Deal or No Deal*.

Following the sale of Television Centre and under a new leadership team, the company has restructured and moved its operations to three new sites. BBC Studios & Post Production is now operating successfully from a new studio in Elstree, an efficient digital media facility in South Ruislip, and a new post production house on central London's Charlotte Street. The business is now bedding into these facilities and the sales pipeline is encouraging.

The *Great Bake Off* format has been sold around the world



Character Billy Mitchell, played by Perry Fenwick, carried the Olympic torch in *EastEnders*



Strictly Come Dancing professional dancers



FINANCIAL OVERVIEW

Expenditure

UK Public Service Broadcasting (UK PSB) group expenditure

2013 Service	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	2013 Total £m	2012 Total £m
BBC One	1,129.2	52.9	281.1	–	1,463.2	1,337.6
BBC Two	404.8	31.7	106.6	–	543.1	537.1
BBC Three	89.7	4.6	27.4	–	121.7	112.9
BBC Four	50.0	4.2	16.0	–	70.2	67.8
CBBC	81.6	4.0	23.1	–	108.7	107.3
CBeebies	28.9	4.5	9.6	–	43.0	42.4
BBC HD	–	–	–	–	–	17.8
BBC ALBA	4.9	1.5	1.4	–	7.8	8.0
BBC News Channel*	45.2	7.5	8.8	–	61.5	57.5
BBC Parliament	1.9	7.2	1.4	–	10.5	9.3
BBC Red Button	15.6	22.3	3.9	–	41.8	37.2
Television	1,851.8	140.4	479.3	–	2,471.5	2,334.9
BBC Radio 1	40.7	5.4	8.1	–	54.2	50.6
BBC Radio 2	47.8	5.3	9.0	–	62.1	60.5
BBC Radio 3	38.3	5.3	10.7	–	54.3	52.5
BBC Radio 4	91.1	9.8	21.2	–	122.1	115.9
BBC Radio 5 live	55.0	6.8	14.2	–	76.0	69.3
BBC Radio 5 live sports extra	2.7	1.4	1.5	–	5.6	5.3
BBC 1Xtra	7.5	1.5	2.8	–	11.8	11.1
BBC 6 Music	7.4	1.5	2.6	–	11.5	11.7
BBC 4 extra	4.0	1.5	1.7	–	7.2	8.2
BBC Asian Network	8.3	1.7	3.0	–	13.0	13.0
BBC Local Radio	114.7	9.9	27.9	–	152.5	146.5
BBC Radio Scotland	23.2	3.2	6.3	–	32.7	32.1
BBC Radio nan Gàidhael	3.8	1.4	1.1	–	6.3	6.0
BBC Radio Wales	13.9	1.2	3.7	–	18.8	17.7
BBC Radio Cymru	12.5	1.6	3.5	–	17.6	15.9
BBC Radio Ulster/BBC Radio Foyle	17.0	2.1	4.7	–	23.8	23.8
Radio	487.9	59.6	122.0	–	669.5	640.1
BBC Online†	103.0	21.8	51.8	–	176.6	186.8
Spend regulated by service licence	2,442.7	221.8	653.1	–	3,317.6	3,161.8

* Included within BBC News channel are production costs of £27.2million, news-gathering costs of £17.8million and other costs of £0.2million (2012: production costs of £26.1million, news-gathering costs of £16.1million and other costs of £0.2million).

† BBC Online spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service, and overheads. The spend for each was: News, Sport and Weather £43.8million (2012: £47.7million); Childrens £8.5million (2012: £9.5million); Knowledge and Learning £18.7million (2012: £21.5million); TV and iPlayer £12.2million (2012: £15.3million), Audio and Music £13.3million (2012: £15.3million), giving a total annexe spend of £96.5million (2012: £109.3million). Non-annexe spend was £6.5million (2012: £6.0million).

Total public service broadcasting group expenditure continued

	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	2013 Total £m	2012 Total £m
Spend regulated by service licence	2,442.7	221.8	653.1	–	3,317.6	3,161.8
Licence fee collection costs	–	–	–	111.1	111.1	126.1
Orchestras and performing groups	23.4	–	5.8	–	29.2	29.0
S4C	23.6	–	6.4	–	30.0	29.2
Development spend	40.4	–	10.1	–	50.5	52.5
UK PSB group pension deficit reduction payment	–	–	–	48.6	48.6	89.1
Costs incurred to generate intra-group income	–	–	–	164.8	164.8	156.8
Costs incurred to generate third-party income	–	–	–	67.4	67.4	55.9
Other content-related spend	87.4	–	22.3	391.9	501.6	538.6
Restructuring costs	–	–	–	23.1	23.1	100.6
Total UK public services content expenditure	2,530.1	221.8	675.4	415.0	3,842.3	3,801.0
Digital switchover (Digital UK Limited)	–	–	–	12.5	12.5	40.8
Digital switchover (DSHS Limited)	–	–	–	44.4	44.4	89.7
Total UK PSB group expenditure	2,530.1	221.8	675.4	471.9	3,899.2	3,931.5
Lease reclassification [‡]	–	–	–	(81.9)	(81.9)	(81.7)
UK PSB group expenditure	2,530.1	221.8	675.4	390.0	3,817.3	3,849.8

[‡] In order to reflect the full cost of UK PSB group expenditure by service, finance lease interest is included, although it is not included in the group operating expenditure.

Infrastructure and support costs are made up of:

	2013 £m	2012 £m
Property	181.6	186.9
HR and training	45.4	46.2
Policy and strategy	12.0	12.3
Finance and operations	67.7	56.8
Marketing, audiences and communication	68.7	72.0
Total central costs	375.4	374.2
Technology*	175.1	128.0
Libraries, learning support and community events	33.6	36.1
Divisional running costs	64.5	63.7
BBC Trust Unit (excluding restructuring)	11.9	11.9
Other	14.9	4.5
Total infrastructure support costs	675.4	618.4

*Includes the £51.7million impairment of DMI.

FINANCIAL OVERVIEW

Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content and its delivery to audiences and users, and the essential infrastructure to support this. Total content spend increased by 3.4% in 2012/13 to £2,530million (2010/11: £2,446million), largely due to additional investment in our coverage of the London Olympics.

No service licences spent above the regulated baseline budget threshold during 2012/13, and two services underspent by more than 10%. Both BBC Parliament and BBC Asian Network were able to deliver additional efficiency savings without compromise to their editorial performance.

The BBC's continuing expenditure on its technology and property infrastructure was inflated this year by the write-down of DM1. Underlying costs were lower than last year at £305million (2011/12: £315million). This level of investment is essential to enable the new ways of working required to deliver both enhanced content and the financial efficiency savings of 20% required to fund the BBC's DQF strategy. The production and delivery of multi-channel Olympic content was only possible due to the new technical infrastructure in MediaCityUK and the greater collaboration across Sport and Future Media teams enabled by this facility.

The continuing delivery of efficiency savings and the completion of key projects led to headcount reductions in both our licence fee funded operations and in our commercial subsidiaries. Salaries and wages paid to staff were unchanged this year at £999million. In the UK PSB group, staff numbers reduced by 324 (1.9%) to 16,534 and there was a £93million reduction in pay-bill (mainly due to lower restructuring costs and pension contributions).

The BBC has also commissioned a comprehensive review of our contractual arrangements with our on-air talent and off-air production workers which is expected to result in a number of these individuals being offered employment contracts in the future when their current contracts expire.

World Service funding

The priorities for World Service in 2012/13 were the developing of new television programming and the delivery of the 2012/13 savings targets set by the Foreign & Commonwealth Office in the latest Comprehensive Spending Review. World Service also moved its London office into New Broadcasting House to be co-located with the wider BBC News teams and to mobilise the delivery of operational synergies and other savings.

Its operating cost was £284million in 2012/13 (2011/12: £252million) although this is stated after exceptional costs of £6million for restructuring this year and after £13million of costs for the decommissioning of transmission infrastructure as well as some related asset write-downs.

Efficiency

In 2008/09, the five-year Continuous Improvement (CI) programme commenced as an integral part of the Delivering Creative Future strategy to release the funding necessary to make the BBC fully fit for purpose for the digital age. It set an annual efficiency savings target of 3.0%. We can now confirm that the BBC has delivered savings of 3.7% over the five-year period, not only delivering the funding necessary, but enabling the BBC to go further for its audiences and to have the financial stability to continue to do so over the next few years.

In 2012/13, we delivered another £580million worth of savings, bringing the cumulative total achieved over the life of the programme to £2,080million. This has all been delivered without compromising the quality of our output and whilst delivering record audience appreciation figures.

There has been particular focus on rationalising and modernising our operating estate over the programme, bringing new operating environments into operation in London and Salford, disposing of Television Centre at a significant profit, and vacating our White City building ready for its marketing.

Our annual savings achievement is reviewed by our auditors, KPMG LLP. It was also examined by the NAO last year and their report, issued in November 2011, commended the programme and the way it was being managed. The NAO also made useful recommendations on identifying cross-divisional initiatives and for further improvements to performance tracking. We are applying these findings to the design of Delivering Quality First (DQF).

In addition to the CI savings, savings have been delivered this year under our DQF programme, with a number of initiatives that will continue to realise year-on-year savings through the DQF period. These include significant savings delivered from the exit of Television Centre, a new licence fee collection contract, Formula 1 sports rights negotiations, WI and Access Services. Our confidence is high in the delivery of our savings target for the next two years.

These savings are essential to generate the cash required to continue to develop the BBC's content and distribution, and thus ensure we are able to continue to provide licence fee payers with the quality and the range of services they are entitled to expect from the BBC into the foreseeable future.

Balance sheet

The group has provided £43million of restructuring costs this year, primarily relating to those of our DQF plans which are sufficiently advanced to have been communicated to staff and other key stakeholders. This is essential expenditure for the delivery of our long-term target of £700million of annual savings. Further provisions are expected in 2013/14 as plans are finalised. Additionally, the BBC has provided for the expected costs of the claims against the BBC for past events.

After concentrating on the development of our new buildings in recent years, we are now turning our focus on rationalising the rest of our estate. In the year, we announced the sale of Television Centre at a profit of £78million, and we have also vacated our main White City building, prior to offering it also to the market.

Future pension costs

The IAS 19, or accounting pension deficit, has risen to £1,717million compared to £1,179million a year ago. The most significant reason for the increase has been the continued fall in corporate bond yields, which are used to determine the present value of the pension scheme liabilities. The accounting valuation is only a 'snapshot' at a particular date in time, and is therefore sensitive to short-term market fluctuations.

The next formal actuarial valuation of the Scheme is underway. The final result is not yet known, but is expected to show a larger deficit than the previous valuation at 1 April 2010. The deficit repayment plan agreed at the 1 April 2010 valuation continues to be followed, and any revisions to this plan will need to ensure that the pension scheme is brought back into equilibrium in a way that is fair both to members of the pension scheme and licence fee payers.

In light of the BBC's strategic priorities, the ability for the BBC to afford significant increases in pension cost is constrained. The BBC considers itself to have a strong and enduring brand and covenant and, consequently, has a high degree of confidence in its ability to meet pension liabilities as they fall due. At the same time as we agree a plan with the BBC Pension Scheme Trustees to repair the predicted actuarial deficit in the Scheme, we are continuing to look at ways to reduce the volatility in the scheme to provide greater stability for long-term financial planning.

The increase in the pension deficit has moved the BBC Group into an overall net liability position. As there is an extended time scale for addressing the deficit, this is not regarded as a significant financial risk for the BBC or believed to jeopardise our ability to pay our obligations as they fall due. Current pension contribution levels are provided for within our latest financial plans, and the projected out-turn from the current review of pension funding can also be accommodated.

Summary Consolidated Balance Sheet

For the year ended 31 March 2013

Balance sheet classification	What is it?	2013 £m	2012 £m	What happened this year?
Non-current assets	Mainly the BBC's property, plant equipment and investments	1,783	1,920	Reduced by the DMI write-down, the disposal of Lonely Planet and increased depreciation on new infrastructure
Current assets	Programme and other stocks and amounts to be received in the next 12 months	2,166	2,069	Cash has increased as the BBC prepares for its new funding obligations and DQF savings targets
Current liabilities	Amounts to be paid in the next 12 months	(1,148)	(1,259)	Reduction in sums payable to DCMS from Digital Switchover savings paid over in the year
Non-current liabilities (excluding pension liabilities)	Amounts to be paid after the next 12 months	(1,144)	(1,206)	Reduction in amounts payable to DCMS mainly
Net assets (excluding pension liabilities)		1,657	1,524	
Net pension liabilities	The net deficit on the BBC's pension scheme	(1,717)	(1,179)	Increases to reflect reduction in discount rates used to value future liabilities
Net (liabilities)/assets		(60)	345	
Represented by:				
BBC Reserves	The net resources available to the BBC for future use	(60)	338	The increase in the pension deficit (£538million) offsets the operating surplus (£336million)
Non-controlling interests	The share of businesses that the BBC does not wholly own	-	7	
		(60)	345	

FINANCIAL OVERVIEW

Cash

The BBC's cash balance of £575million at the end of the year will be used to help fund a number of imminent financial pressures which total over £600million:

- the new obligations for S4C, BBC Monitoring, Local TV and Broadband roll-out in 2013/14, budgeted in aggregate at £278million
- implementation costs of £81million necessary to deliver our DQF efficiency savings
- £60million on replacement technology after our exit from Television Centre
- the next annual pension deficit recovery payment (£100million)
- £77million is held within our commercial business for investment in their development
- a final £33million to fund the final costs and savings repayment from the Digital Switchover Scheme. A total of £424million of DSO scheme savings will be paid over by the BBC to DCMS over the life of the scheme

The BBC is a committed and prudent tax payer in all the countries in which it operates, and conducts its tax affairs with integrity. Its commercial activities undertake acceptable tax planning measures in accordance with the spirit and intention of laws and regulations so as to minimise its tax cost, but does not undertake measures purely for tax purposes, and it never knowingly contributes to other companies' tax evasion.

Summary Consolidated Cashflow Statement

For the year ended 31 March 2013

Cash-flow classification	What is it?	2013 £m	2012 £m	What happened this year
Net cash inflow from operating activities	Surplus of the BBC's income over its operating costs	339	266	Reduction in operating surplus in the year in part due to higher depreciation and non-cash pension charges which do not impact cash surplus
Net cash used in investing activities	Cash invested in property, plant and equipment	(41)	(203)	The much smaller outflow in this year reflects the receipt of proceeds from the sale of Television Centre
Net cash used in financing activities	Net interest paid on the BBC's borrowings	(129)	(136)	This is primarily interest on the group's property leases
Net increase/(decrease) in cash and cash equivalents		169	(73)	
Cash and cash equivalents at the beginning of the year	The BBC's cash balance at the beginning of the year	407	513	
Effect of foreign exchange rate changes on cash and cash equivalents	The impact of foreign exchange rates on the BBC's cash	1	(1)	
Movement in cash held as restricted funds	DSO savings to be paid over to DCMS or received for LF stamps	(2)	(32)	Reduced DSO activity means less scope for savings to be paid over to DCMS
Cash and cash equivalents at the end of the year	The BBC's cash at the end of the year	575	407	

LOOKING FORWARD

An important four years ahead

The next years are important years for the BBC as we embark on the delivery of the DQF strategy and head into the Charter renewal process. 2013/14 will be the first full year of DQF and the year in which a significant proportion of the 20% savings target is planned.

It is clear that the UK economy is now set for a slower recovery, and although the BBC is not as exposed to overall economic trends as other broadcasters, we are still seeing pressure on licence fee collection and on our commercial income. It is this pressure that has required us to focus on the value delivered by the licence fee, and validates the recent conservation of cash.

Recent times have been difficult for the BBC, and we are learning the lessons as we move forward. We are regaining trust – something which will always be the most precious commodity for our organisation, and which we must never take for granted.

We shall continue to focus on producing outstanding programmes and services, and on removing the obstacles that get in the way of that ambition. We set ourselves incredibly high standards and at our best we provide a service like no other. Our challenge is to perform at our best all the time.

A strong BBC for the future

This is my final review as Chief Financial Officer of the BBC, and in the nine years, I can reflect on the successful delivery of two efficiency programmes which have released over £900million for reinvestment. It has been particularly important to reduce the costs of running the BBC, so that we can concentrate expenditure on our content, as our licence fee payers would expect.

It is a period in which the operations of the BBC have been transformed with our new premises and ways of working in London, Salford and Glasgow, and in which the digital switchover programme has been delivered, returning over £400million to the Government. The BBC's commercial activities have thrived, to promote the BBC brand globally, and to provide additional funding to develop our offer to our licence fee payers.

Finally, it is a period over which we have simultaneously reduced licence fee evasion and collection costs to record low levels, whilst maintaining positive relations with the licence fee paying British public. There are plans in place to reduce evasion and collection costs further still.

Although there are challenges from the delivery of a 20% savings target, and pressures from the current pension and economic situation, I am confident that the BBC is well positioned to afford these new costs and also continue to “educate, inform and entertain” licence fee payers to the level they are entitled to expect from the BBC.

New Broadcasting House has been reinvented as a new and dynamic creative hub in the centre of London



The technical infrastructure of MediaCityUK made the delivery of multi-channel Olympic content possible



SUMMARY FINANCIAL STATEMENT

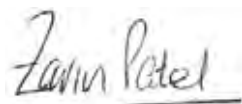
The summary financial statement contains the BBC's Summary Income Statement on page 106, Summary Balance Sheet on page 113 and Summary Cash Flow Statement on page 114. These include the key headline data from the full financial statements which are available online in the download centre at bbc.co.uk/annualreport

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

The summary financial statement, including the Governance report and Executive Remuneration Report, was approved by the Executive Board and signed on its behalf on 20 June 2013 by:



Tony Hall
Director-General



Zarin Patel
Chief Financial Officer

AUDITOR'S REPORT

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

We have examined the summary financial statement for the year ended 31 March 2013 which comprises the Summary Consolidated Income Statement on page 106, the Summary Consolidated Balance Sheet on page 113, the Summary Consolidated Cash Flow Statement on page 114 and Executive Board Remuneration Report on pages 90-96.

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

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

Respective responsibilities of directors, Trustees and auditor

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

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

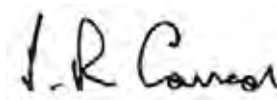
We also read the other information contained in the BBC executive's review and assessment and consider the implications for our report if we become aware of any apparent misstatements of material inconsistencies with the summary financial statement.

Basis of opinion

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

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements and the Executive Board Remuneration Report of the BBC for the year ended 31 March 2013 and complies with the applicable requirements of section 428 of the Companies Act 2006 and the regulations made thereunder as if they applied to the BBC and it were a quoted company.



Scott Cormack
For and on behalf of KPMG LLP, Statutory Auditor
15 Canada Square, London E14 5GL
20 June 2013

We have used some terms in this report to explain how we run our business, but which might be unfamiliar to our readers. The following list gives definitions for some of the more frequently used terms.

Acquired programmes

Acquired programmes are bought in a finished state from another supplier.

Appreciation Index or AI

Appreciation Index or AI is the aggregate of how much people say they enjoyed individual programmes, expressed as a number out of 100.

Creative economy

The UK's *creative economy* includes the organisations and people who work in design and media industries, including independent production companies, actors and writers.

BARB

BARB (Broadcasters Audience Research Board) is the independent organisation responsible for providing the official measurement of UK television audiences.

Cost per user hour

Cost per user hour or *Cost per listener hour* combines service spend and consumption to help inform an assessment of value for money.

Digital switchover

The process of *digital switchover* involved turning off the UK's analogue television broadcasting system which completed in 2012.

Freesat

Freesat is a free-to-air satellite TV service provided by the BBC and ITV, where users pay for the equipment but do not pay a monthly subscription. Visit freesat.co.uk/. Freesat from Sky is also available for a one-off payment: freesatfromsky.co.uk

Freeview

Freeview is the main UK digital terrestrial television service transmitted through an aerial and using a set-top box. No subscription is required. Freeview is the most widely used digital television platform. It has been available in HD since April 2010. See freeview.co.uk

HDTV

HDTV – or high-definition television – is available via either a set-top box or an integrated digital television, and gives viewers better quality, high-resolution pictures.

Impact

Impact shows how memorable or acclaimed a programme or service is, and can be measured by the number of awards won by a service, or comments (positive and negative) generated in the press.

Peak time

Peak-time hours for the BBC's TV services are 6pm-10.30pm. Radio consumption is very different, and peak time for radio is usually defined as the breakfast and drive-time slots.

PSB

The UK's Public Service Broadcasters (*PSBs*) are the BBC, ITV, Channel 4, Channel 5 and S4C.

Rajar

Rajar (Radio Joint Audience Research) is the official body in charge of measuring radio audiences in the UK. It is jointly owned by the BBC and the RadioCentre on behalf of the commercial sector.

Reach

Reach on television is the number or percentage of an audience group who watch a programme or channel (15 consecutive minutes each week is the usual BBC measure, versus three minutes on commercial TV); and on *radio* is the number or percentage of people aged 15+ who listen to at least five minutes of radio in a 15-minute period during an average week.

Share

The *share* of total viewing or listening to a particular programme or service over a set time, expressed as a percentage of total hours of viewing/listening.

Unique users

Unique users or *unique browsers* is a measure for website traffic. It is not a traditional survey of 'people', but is measured automatically using either server logs or by a tag embedded within the web pages.

WoCC

The Window of Creative Competition (*WoCC*) opens up 25% of eligible TV hours and 10% of eligible radio hours to free competition between BBC in-house production and external producers. *WoCCs* are on top of pre-existing Ofcom and voluntary minimums.

If you want more information or to know more about how the BBC is run, please visit bbc.co.uk/aboutthebbc

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