

A photograph of a diverse group of people at an outdoor event. In the foreground, a man with grey hair and a light blue shirt is smiling and clapping his hands. To his left, a woman wearing a black hijab and a red top is also smiling and clapping. To his right, a woman with short blonde hair wearing a blue floral patterned top is clapping. In the background, other people are visible, including a man in a blue shirt and a woman in a red top. The scene is bright and cheerful, suggesting a community or celebratory gathering.

B B C

BBC Annual Report
and Accounts 2015/16

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



BBC Annual Report and Accounts 2015/16

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

Extended versions of the financial statements provided in Part Two of this report
were also laid before Parliament on 12 July 2016 and are available online at bbc.co.uk/annualreport

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The BBC exists to serve the public, and its mission is to inform, educate and entertain.

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Our role and purpose

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

- the BBC exists to serve the public and its mission is to inform, educate and entertain. Within the overall public purposes, the Trust sets the strategic framework for the BBC. The Executive, led by the Director-General, delivers the BBC's services and creative output
- the following pages outline the strategic objectives agreed by the Trust and the Executive and provide some highlights illustrating how the BBC has worked to achieve them

The BBC's public purposes:



Sustaining citizenship and civil society
Providing high quality news, current affairs and factual programming to engage its viewers, listeners and users in important current and political issues.



Promoting education and learning
Supporting formal education in schools and colleges and informal knowledge and skills building.



Stimulating creativity and cultural excellence
Encouraging interest, engagement and participation in cultural, creative and sporting activities across the UK.



Representing the UK, its nations, regions and communities
BBC viewers, listeners and users can rely on the BBC to reflect the many communities that exist in the UK.



Bringing the UK to the world and the world to the UK
Building a global understanding of international issues and broaden UK audiences' experience of different cultures.



Delivering to the public the benefit of emerging communications, technologies and services
Assisting UK residents to get the best out of emerging media technologies now and in the future.

This year in summary

Serving everybody

With a range of great content delivered in new ways.

Reaching new audiences

Audience reach

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

96%

2014/15: 97%

Total time spent

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

18.3hrs

2014/15: 18.3hrs

General impression (mean average)

Audience's general impression of the BBC.

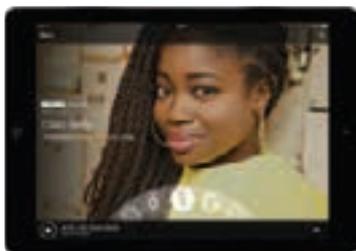
7/10

2014/15: 7/10

Leading the way with digital content

iPlayer Radio app

There were over one million downloads of radio programmes via the BBC iPlayer Radio app in less than a month after its launch, with Radio 4 drama proving the most popular.



General Election

Mobile was the preferred screen to access BBC News Online during the election. Over 76.1m unique browsers globally used BBC News Online and in the UK, the BBC's coverage across all platforms reached 89% of all adults and 84% of 18 to 34s in results week.



Apps

18.3 million individual stories have been downloaded to the CBeebies Storytime app so far.

Content highlights



Biggest non-sport programme

The final of *The Great British Bake Off* reached more than 15 million people, making it the most watched programme in 2015.

More news analysis

We're now giving audiences even more news analysis and explanation of the day's biggest local, national and international stories, by extending the BBC's *News at Ten* by an extra 15 minutes from Monday to Friday.



Biggest music audience

A clip from the world-exclusive *Adele at the BBC* has become the most watched clip on the BBC YouTube Channel with over 48 million views.

Value for money

Cost per household

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

Per day

40p

2014/15: 40p

Ongoing savings

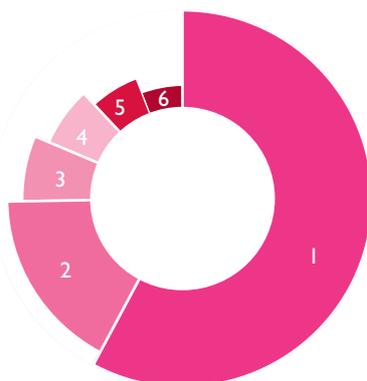
2015/16 was the penultimate year of the 'Delivering Quality First' (DQF) savings programme, which has delivered £621m sustainable savings by 31 March '16. The programme remains on track to deliver a total of £700m in annual recurrent savings by 31 March '17.

£621m

2014/15: £484m

How your monthly licence fee is spent 2015/16 £12.13 per household

1. Television **£7.02**
(2014/15: £7.27)
2. Radio **£2.06**
(2014/15: £1.94)
3. BBC World Service **£0.83**
(2014/15: £0.73)
4. Other services and production costs **£0.79**
(2014/15: £0.73)
5. Online **£0.76**
(2014/15: £0.61)
6. Licence fee collection and pension deficit costs **£0.67**
(2014/15: £0.85)



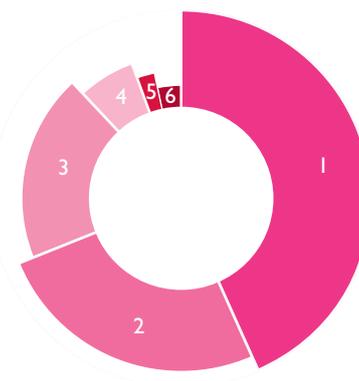
	2015/16		2014/15	
	Spend per year £m	% of licence fee	Spend per year £m	% of licence fee
Television Nine channels	2,201	58	2,366	60
Radio 15 network stations and Local Radio	642	17	652	16
Online BBC Online and BBC iPlayer	238	6	201	5
BBC World Service	261	7	253	6
Other services and production costs	247	6	248	6
Licence fee collection and pension deficit costs	210	6	290	7

The above analysis corresponds to UK PSB Group content expenditure on page 108, although the costs incurred to generate other income are excluded as they are not funded from the licence fee.

The BBC has reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated to make the prior year classification consistent with the current year.

BBC spend in the external creative economy 2015/16 Total of £1.1bn

1. Independent programmes transmitted **£460m**
(2014/15: £455m*)
2. Artists, contributors and copyright **£272m**
(2014/15: £280m)
3. External programme facilities and resources **£203m**
(2014/15: £216m*)
4. Acquired programmes transmitted **£67m**
(2014/15: £66m)
5. External online expenditure **£33m**
(2014/15: £22m)
6. BBC performing groups **£24m**
(2014/15: £25m)



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

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

* The prior year balance has been updated following an adjustment to the data that has allowed a more accurate analysis.

The BBC at a glance

The BBC's objectives

The BBC has an enduring mission: to inform, educate and entertain. We provide high quality, distinctive programmes and services to audiences across the UK. This year we have aimed to deliver four strategic objectives:

Make distinctive, world-class content

- developing our portfolio of programmes, services and partnerships to bring the most BBC content to the most people
- ensuring services deliver a range of creative highlights, engaging all audiences with high quality programmes and services
- better reflecting the diversity of the UK across our programmes and services



Transform our offer for younger audiences

- transforming mainstream services to better appeal to younger audiences
- further develop existing services for younger audiences
- innovating online to respond to the changing media world



Develop a more personal BBC

- developing more personal, audience-focused content across our portfolio of programmes and services
- getting more people to 'sign in' to gain a better, more personal, experience from the BBC
- making the BBC a more open and collaborative organisation



Demonstrate value for money in every area of our work

- delivering savings plans so that we can reinvest in strategic priorities
- making the BBC a simpler and better place to work
- delivering a comprehensive 'compete or compare' plan for the whole organisation by July 2015





The BBC Trust's review and assessment

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

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Chairman's foreword

While the Trust has continued to focus on assessing the performance of the BBC on behalf of licence fee payers, this year we have also devoted a great deal of energy to looking ahead to ensure the BBC can enjoy a bold and creative future.

The Trust and the BBC's performance in 2015/16

During the last year the BBC maintained near-universal reach, with 96% of UK adults using the BBC every week – a remarkable performance given the proliferation of new media, devices and other platforms competing for people's attention.

This performance appears to be underpinned by the quality and breadth of programmes and services. Our Purpose Remit Survey has tracked the public's perceptions of the BBC since 2008 and shows that public appreciation of the BBC's services remains very high, and indeed long-term impressions of the BBC have improved still further.

We supplement our UK-wide audience research with in-depth and regular reviews of every individual BBC service. The Trust has conducted 20 such reviews and covered every service twice in the last ten years. In each case, we have set actions for the BBC to deliver, to improve services and to produce continuing improvements for audiences. For example, we have asked for even greater ambition and variety in drama on BBC One and we, and audiences, have been impressed by a whole range of critically-acclaimed productions such as *The Night Manager*, *War and Peace* and *The A Word*.

In March 2016, we published the conclusions of our review of BBC Local Radio and local news and current affairs in England. The review confirmed that audiences see the BBC's local services as high quality, trustworthy and reliable, with nothing comparable in the commercial sector. We also identified challenges for the BBC to address, including a demand for greater explanation of local political and policy issues, and to improve the online offering. We will monitor progress over the remainder of the year.

The Trust's final service review will be of news and radio services in Scotland, Wales and Northern Ireland, and will be published in the summer.

This year we have also entered into commitments to allow greater accountability to the Scottish Parliament, Welsh Assembly and Northern Ireland Assembly. We will formally lay this annual report before these administrations from this year, and we

will answer questions about the BBC's performance from their relevant scrutiny committees.

Better serving younger and black, Asian and minority ethnic (BAME) adults remains a key challenge for the BBC, which has been addressed but not yet resolved. The Trust approved a new diversity and inclusion strategy this year. The BBC's services aimed at younger adults were also transformed when we gave approval for BBC Three to move online.

This was a difficult decision and not one that the Trust took lightly. There is clear evidence of growth in online consumption and moving the service online will help the BBC prepare for an online future. However, in response to issues raised around accessibility to broadband and the potential impact on younger audiences, we have required the BBC to show all BBC Three long-form programmes on BBC One or BBC Two as well as online.

While these are early days, the channel has enjoyed successes with *Murdered by my Father*, *Thirteen* and *Life and Death Row* since its move online. We have committed the BBC to a full review of the change within 18 months of our decision to assess how the service is performing.

As part of the same process the Trust approved an extension to CBBC's broadcast hours but rejected a proposal to create a BBC One +1 channel because it was felt this would have delivered only limited public value.

During the year the Trust also reviewed the BBC's supply arrangements for television, radio and online. We concluded the 50% television in-house guarantee should be reduced to ensure the best creative decisions can continue to be made. We also concluded that BBC Studios, the BBC's proposal to turn its in-house production into a commercial venture, would be likely to best serve the interests of audiences. Final proposals for BBC Studios remain subject to a full regulatory assessment.

For radio, the BBC has proposed significantly increasing the number of eligible radio hours available to independent producers. The Trust believes that mixed supply, allowing BBC audiences access to the most creative ideas, is the best approach. However, the Trust has cautioned that this can only work where there

is sufficient capacity in the market, otherwise it risks failing to achieve value for money for licence fee payers.

Spending public money wisely

This year, the BBC has continued to focus on achieving a leaner organisation and meeting the stretching efficiency targets set in 2011. Audiences tell us that value for money is one of their top priorities – 87% of people think it is either important or very important.

This was the penultimate year of the Delivering Quality First programme, designed to reduce the BBC's cost base by £700 million, and all savings are expected to be achieved. The Trust recognises how tough those savings have been to make, especially in a market where most of the BBC's competitors are growing their income and driving a rise in the cost of the entire creative sector.

Senior manager headcount has reduced by 109 individuals and the paybill by over £10 million since 2011. The pay of performers and presenters has continued to fall – since the Trust's first review of talent pay, overall talent spend has fallen significantly.

The BBC's new funding settlement will now require even harder spending decisions in order to save a further £800 million per year by 2022, while its main competitors' incomes are growing. This is to address the cost of free television licences for the over 75s, fund inflationary cost increases in areas like drama and sport, and to meet increasing audience expectations of the breadth and quality of BBC services, particularly online. It is clear that tough decisions lie ahead, and the priority for the BBC Board will be to minimise the impact on audiences while reducing costs to meet the budget.

In 2015/16, the National Audit Office (NAO) conducted two value for money studies – a review of how the BBC manages its most important projects, which was published in May, and an examination of how the BBC has managed the World Service transition from grant-in-aid to licence fee funding, which was published in June.

The NAO work has been an important part of the risk control framework and has helped the Trust satisfy its responsibility to ensure the licence fee is spent wisely and effectively.



“It is clear that there is no public appetite for fundamental change to the BBC’s scale and scope.”

Rona Fairhead

The focus of the Trust has been on what the public – who pay for the BBC – want from it, and ensuring their views are heard.

Dame Janet Smith

This year, the BBC has also had to address darker aspects of its past. In February, Dame Janet Smith’s review into the BBC’s culture and practices during the years Jimmy Savile and Stuart Hall were at the organisation, was published. Her report made very troubling reading. Both I and the Director-General offered our heartfelt apologies to the victims – or survivors as many like to be known – and our thanks for the enormous courage they have shown. We will ensure everything possible is done to prevent this happening again.

Since the report was published, the BBC has been acting on Dame Janet’s recommendations to deliver substantial and permanent cultural change. The Trust has received monthly updates from the Director-General on progress. We are confident he and the Executive team are absolutely committed

to a BBC which is a safe and supportive place to work and does not tolerate abuse of power. In establishing changes to the BBC’s governance structure, it is even more important that impetus is not lost.

Charter Review

In a year when the BBC’s very existence has been widely debated, the focus of the Trust has been on what the public – who pay for the BBC – want from it, and on ensuring their views are heard by government as it drafts the next BBC Charter.

We had 50,000 responses to our Charter consultations; and we undertook extensive UK-wide polling, focus groups and face to face seminars across the four Nations.

The Government’s own consultation received the second largest response ever to a public consultation.

Chairman's foreword

It is clear from both that there is no public appetite for fundamental change to the BBC's scale and scope.

85% of the public still believe the mission of the BBC should be to inform, educate and entertain. 80% of respondents to the Government's consultation said the BBC serves audiences well or very well. There is no public demand for a narrower BBC – in fact 56% of respondents want the BBC to provide more.

The Government's White Paper sets out three important principles that are firmly rooted in what the public want:

- a BBC that serves all audiences, free at the point of use, on a wide range of devices and platforms
- a BBC with the same mission and scope, delivering bold, distinctive programmes and services
- and a BBC that is independent of political and commercial influence

We are working with the Government, on behalf of licence fee payers, to ensure that in the drafting of the Charter there are sufficient guarantees of these principles.

On a personal note, it is a real privilege to have been asked to take on the role as the first Chairman, and to oversee the establishment of the inaugural BBC Unitary Board. I am working closely with the Government, Director-General and Ofcom to get the details right and deliver a clear and effective new structure.

I would like to conclude with my sincerest thanks to my fellow Trustees for their dedicated service. And on behalf of all the Trustees who have been members of the Trust over the past ten years I want to pay tribute to our staff at the Trust Unit, who have acted with great skill and professionalism – no more so than over the recent months of uncertainty about the Trust's future – and have worked tirelessly to ensure that the BBC delivers the best possible service to licence fee payers.



Rona Fairhead
Chairman
16 June 2016

Tough decisions lie ahead and the priority for the BBC Board will be to minimise the impact on audiences.

Charter Review – Listening to audiences

The Royal Charter is the constitutional basis for the BBC. It sets out the BBC's public purposes, guarantees the BBC's independence and outlines the duties of the Trust and the Executive Board. In July 2015, the Government began the process for the review and renewal of the Charter.

Charter review

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The Royal Charter is the constitutional basis for the BBC. It sets out the BBC's public purposes, guarantees the BBC's independence and outlines the duties of the Trust and the Executive Board. Last summer, the Government began the process for the review and renewal of the Charter, the current iteration of which expires at the end of 2016.

We have been clear from the start of this process that the audience's voice should be absolutely central to discussions about the BBC's future. This is why, to help inform the Government's decision-making, the Trust has undertaken a programme of widespread public engagement – in our Charter Review consultations, we had over 50,000 responses – and drawn on nine years of detailed research and analysis. What is overwhelmingly clear from this work is that there is no public appetite for fundamental change of the BBC's scale and scope and we are encouraged that the Government's White Paper, *A BBC for the Future*, published on 12 May, recognises this.

Mission, purpose and values

One of the areas of focus for the Government in its consultation was the BBC's mission, purpose and values. The Government wanted to explore whether the original rationale for the BBC – to inform, educate and entertain –

Principles of 'distinctiveness'

Over this Charter, the Trust has pushed the BBC to make sure it delivers content that has high creative and editorial ambitions, standards and services that provide a varied range and depth of output. This 'distinctiveness' is an essential part of how the BBC delivers its public purposes and justifies the use of funding from the licence fee, which gives the BBC greater freedom to take risks and be more innovative than others who may be constrained by market forces. We believe it is a mistake to look at distinctiveness through the lens of 'market failure' as the effective delivery of the public purposes can only be done through output that is popular and has wide appeal, as well as that which no other broadcaster would produce.

We welcome the Government's intention to recognise the importance of distinctiveness in the BBC's mission and in its Operating Licences. However, it is important that the measurement and assessment should remain at a service level and be sufficiently flexible to avoid stifling risk-taking, innovation and creativity.

was still appropriate in a changing media landscape. We think that these three words continue to remain relevant and capture the essence of the BBC. Our research found that, overwhelmingly (85%), the public believe that the central mission of the BBC should remain unchanged. The Government's White Paper has endorsed this position and we welcome the reinforcement of the BBC's enduring mission with a wide range of services and

content, popular as well as distinctive. Alongside this central mission, the current Charter establishes six public purposes for the BBC (these are set out at the front of this report on page 2 and covered in more detail on pages 18 & 19). Our consultation and research explored the effectiveness of these purposes and understanding of them among licence fee payers. As a result of this extensive testing and consultation the Trust believes that



Chairman Rona Fairhead at the BBC Trust's Charter Review seminar in Cardiff



Case study

The Trust's Charter Review seminar series

In autumn 2015, the Trust ran a series of public seminars which debated a range of issues. These included:

- how the BBC should be governed and regulated in the future
- future funding options for the organisation
- the BBC's mission, scale and scope

The seminars, which featured panels of academics and industry experts, were held across the UK in Belfast, Birmingham, Cardiff, Glasgow, London and Sunderland.

Videos of the discussions are available to stream on the BBC Trust website.

clarification and simplification of the BBC's current public purposes would be helpful. We proposed to government some revisions to ensure the purposes set out more clearly what the BBC is there to achieve and how they could be measured. The Government agreed that the public purposes should be updated and clarified and its White Paper builds on the Trust's suggestions.

The Government also questioned whether, in addition to the purposes, a set of values for the BBC should be formally established and what they might be. Our consultation

therefore asked respondents to rank a series of values in terms of importance to the BBC. This found that the BBC having the 'highest quality/highest editorial standards' was top at 92%, with being 'impartial' (90%) and 'independent' (88%), second and third. Although the Government has not set out in its White Paper a separate set of values for the BBC, we think that the inclusion of many of these in the mission and the public purposes is appropriate.

Scale and scope

The second area of focus for the Government in Charter Review was around the scale and scope of the BBC. The public have been clear that they want high quality programmes and services and a BBC that delivers something for everyone. For example, our consultation and research findings indicate that there is no public demand for a narrower BBC. We found that over half (56%) of respondents wanted the BBC to provide more, and only 7% thought the BBC should provide less.

50,000



responses were received to the BBC Trust's Charter Review consultation

Principles of 'universality'

The Trust's view is that 'universality' is made up of a number of components:

- ensuring that BBC services are within easy reach for all audiences, by making content available, free at the point of use, on a wide range of platforms
- providing a range of content and services that reflect the varied interests of the whole UK population
- reflecting the diversity of the UK and bringing it together for key events and moments
- ensuring that services and content provide a social good to the UK. Providing both popular and niche output that is high quality, ensuring that the BBC provides licence fee payers with something they value

Charter review – Listening to audiences

We also found that the majority of audiences were happy with the quality of the content provided by the BBC. Our quantitative research found that 73% of the public think the BBC offers content and programmes which are high quality and 60% say its content is distinctive.

Linked to the BBC's scope is the theme of 'universality'. Our research indicated that 58% of the public positively support a BBC which provides something for everyone who pays the licence fee, with only 8% disagreeing.

While the White Paper does not settle on one definition of universality, it does support the principle of providing something for everyone by specifying in the BBC's mission that it must 'serve all audiences'. We are clear that the new Charter needs to capture all the aspects of universality we have identified.

Governance and regulation

A further area of focus for the Government was reform of the governance and regulation of the BBC. Since early 2015, the Trust has called for the current model of governance to be reformed in the future. The Chairman outlined this position in her speech to the Oxford Media Convention in March that year, explaining that, as a minimum, the Trust should be reformed, but that preferably the future regulation of the BBC would be taken on by a bespoke external regulator.

To look into this issue further, the Government commissioned Sir David Clementi to conduct a review of the regulation and governance of the BBC. The BBC Trust engaged fully with Sir David's review, including running a series of seminars to explain the Trust's current work. Sir David's report made a number of key recommendations including a new Unitary Board for the BBC and external regulation by the communications regulator Ofcom. The Government's White Paper endorsed Sir David's recommendations and announced that the Trust's current Chairman, Rona Fairhead, would become the first Chairman of the new Unitary Board.

To be truly effective this new structure will need absolute clarity on the relationships between the various parties – government, Ofcom, and the BBC.



The BBC Trust's Charter Review seminar series provided an opportunity to hear directly from the audience about the future of the BBC

Getting the detail right in this area will be essential, not only in ensuring the future regulator of the BBC has the confidence of the industry and the public, but also in ensuring the BBC has a system of bespoke regulation that recognises its unique role in the UK broadcasting sector and that it continues to meet the highest editorial standards.

The new arrangements set out in the White Paper would mean that the Trust would no longer be needed and the implications for Trust Unit staff are still being considered. While we welcome the intention to create a clearer model of the governance and regulation of the BBC, we are proud of the high quality and thorough work that the Trust has undertaken over the last ten years, such as the development and assessment of service licences, detailed and thorough handling of editorial complaints, and work on assessing the public value of proposals from the BBC. We hope that these strengths and positive aspects can be built upon in the future system – both by the new Board and by Ofcom as the new regulator.

Future funding

The final area of focus in the Government's Green Paper was the mechanism for funding the BBC. The Green Paper proposed a number of possible approaches in the future, including a modernised licence fee, a household levy, and elements of subscription.

In our quantitative research into these options, fewer than a quarter of respondents favoured a part-subscription model and nearly 60% favoured a universal style fee (either the existing licence fee updated or a household levy). Similarly, the results from our consultation found that modernising the existing television licence fee system (so that it also applies to catch-up services) had the highest support of any option to fund the BBC for the next five years.

An area that both the public and the Trust have voiced concern over is the way that the level of the BBC's funding is determined. While we welcome the commitment from government in the July 2015 Budget to provide a financial framework for the BBC for the next five years – including increasing the licence fee in line with inflation over the whole Charter period – the lack of transparency in the process that was followed by the Government in reaching its decisions was very concerning. We therefore proposed to the Government that any future Charter and Framework Agreement should set out a clear and public process for determining the appropriate level of funding (and therefore the level of the licence fee) for the BBC. We believe that the Government's proposals in its White Paper are a step in the right direction.

In its White Paper, the Government has confirmed the funding for the BBC for the next five years. The BBC will be able to make use of all the licence fee and the 'iPlayer loophole' will be closed. We support the White Paper's suggestion that the BBC should continue to maximise its commercial revenue where it can.

81%



of consultation respondents felt the BBC should be independent from politicians

Principles of independence

The independence of the BBC from government, politicians, commercial and vested interests is vital. This is recognised by the Government, ensuring that the BBC is a public broadcaster and not a state broadcaster.

There are two essential elements of the BBC's independence:

- editorial and creative independence, with no scope for interference or improper influence over the BBC's output, especially in editorial decision-making
- financial independence, ensuring that the BBC has certain and stable funding,

including the ability to generate its own income, and autonomy about how it is spent, so that government decisions on funding cannot be used to influence the BBC's decision-making

However, as the BBC is in receipt of licence fee payers' money and exists to fulfil a mission to inform, educate and entertain the public, it is important that it is accountable for how it spends their money.

It is this accountability that ensures that the BBC cannot use its valued independence to further self-interests within the organisation.

Strengthening the independence of the BBC

Central to the Trust's work with government on Charter Review has been the need to ensure continued protection of the BBC's independence, both from politicians and from vested interests. This is a crucial issue for the BBC and for the public – nearly 90% of consultation respondents say the BBC's independence is important to them and independence was the dominant theme in responses from the public to the Government's own consultation.

We are therefore reassured that the Government's White Paper recognises that the independence of the BBC is vital. There are a number of ways in which the White Paper seeks to achieve this. One step towards ensuring independence is the commitment to implementing an 11-year Charter, separating the process from electoral cycles. Another is that an unambiguous duty will be placed on the new BBC directors to uphold the BBC's independence. However, there remains work to do, in the detail and drafting of the Charter and Agreement, to ensure the independence of the BBC.

Next steps

We await the draft Charter and Agreement that will implement the White Paper proposals and we welcome the Government's commitment to debates in Parliament. The existing Charter ends on 31 December and we will work until then to ensure a smooth transition to the new arrangements.

It is vital that the final Charter and Agreement deliver a strong, independent system of governance that attracts wide support and can deliver what licence fee payers want now and over the coming 11 years.

Case study

Understanding the audience in Charter Review

The Trust commissioned a range of independent research to inform the debate:

- ICM Unlimited conducted interviews in 2014 and 2015 with a representative sample of adults, looking at the BBC's services, funding, accountability, values and independence
- MTM held 18 extended group discussions around the UK, looking at a range of issues including the BBC's role, values and funding model
- PwC conducted independent work looking into BBC efficiency, comparing the BBC's overheads against public and private sector benchmarks
- KPMG undertook independent analysis to provide evidence about the BBC's market impact (further information can be found on page 40 of this report)
- The Policy Institute at King's College London explored ways to better protect the BBC's financial independence, alongside complementary reports from Dr Xenia Dassiou and Dieter Helm CBE, which looked at the role that independent regulators play in determining funding requirements in other sectors



Setting strategy and assessing performance

Reporting on the BBC's progress against its four strategic objectives; make distinctive, world-class content; transform the offer for younger audiences; develop a more personal BBC; and demonstrate value for money in every area of its work.

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Delivering the public purposes

The BBC's public purposes are set out by the Royal Charter and Agreement. These purposes underpin the values the BBC holds when striving to achieve its mission to inform, educate and entertain.

The public purposes have been central to the work which the Trust has carried out during this Charter period and they will remain crucial as the BBC begins the new Charter. The public purposes were evaluated in the work the Trust conducted during Charter Review. Our consultation and research showed that updating and clarifying the public purposes for the audience would be beneficial and we welcome the endorsement of this in the Government's White Paper (you can read more about this in the *Charter Review – Listening to audiences* chapter of this report).

Since 2008, the Trust has assessed each year how well the BBC is performing against its six public purposes and in our annual Purpose Remit Survey we ask UK licence fee payers for their views on the BBC's performance on a number of statements which cover the purposes and their remits, as well as how important each statement is personally to them. These two measures, performance and importance, allow us to gauge a 'performance gap'. We use this data to help set the BBC's strategic objectives in line with the public's expectations.

The survey also asks licence fee payers for their overall impression of the BBC. The average score¹ for the BBC is 7.3, which is consistent with the scores seen over the last three years (7.4 in 2014, 7.3 in 2013 and 7.3 in 2012) and is also above the long-term average of 6.7.

Below is a summary of the results for each of the six public purposes in 2015/16.

Stimulating creativity and cultural excellence

Licence fee payers believe that creativity is important for the BBC and its performance in delivering this purpose overall remains relatively high. The average performance score across all statements is 61% and has increased gradually from 55% in 2008.

Providing a wide range of entertaining and enjoyable content continues to be a strength of the BBC. This year, 76% of the public felt

BBC programmes were of high quality – the second highest result of all questions asked in the survey. It has received the same score since its introduction in 2012.

An important part of demonstrating creativity is having 'fresh and new' ideas in order to create distinctive content. Again, the public has high expectations of the BBC for this – with 75% thinking that it is important. In terms of performance, three in five (60%) people agree that the BBC has lots of 'fresh and new' ideas. This figure has been stable over the last three years following an improvement in 2013. This supports the Trust's view that increasing distinctiveness should continue to be a key strategic objective for the BBC and we acknowledge that this is a theme outlined in the White Paper. As a result of reviewing part of the new service licence for BBC Three online, the Trust has also set a requirement for the service licences for BBC One and Two to ensure there is creative risk-taking and experimenting with new talent and ideas.

Sustaining citizenship and civil society

This purpose continues to be a priority for audiences, with an average importance score of 69%, and has steadily increased from 65% in 2008. The average performance score for this purpose is 63%, which has been consistent over previous years.

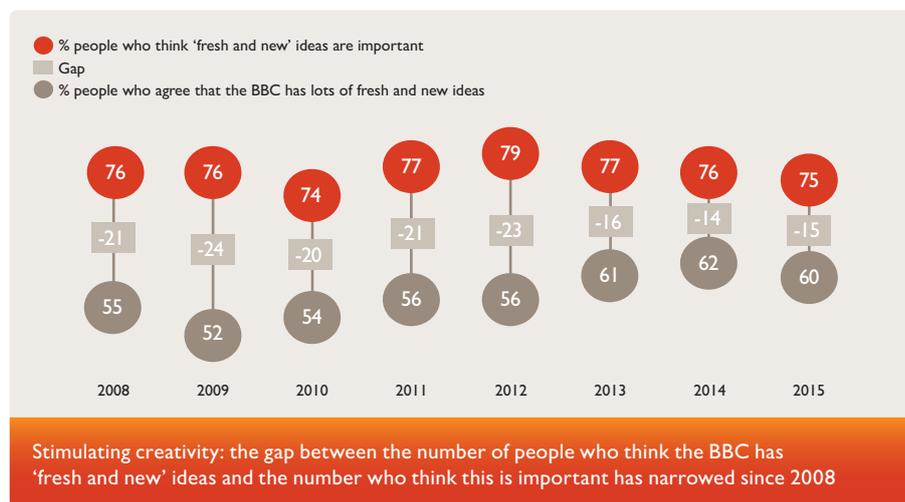
The score for 'offering high quality independent journalism' remains the same for 2015 as last year at 65%, although this score has decreased from 70% in 2008. For those in Scotland, the BBC 'helping me to understand politics in Scotland' has continued the improvement that was seen last year (59% in 2015 vs 55% in 2014), although it has not yet returned to its pre-referendum score.

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

The BBC received the highest rating for this purpose, with an average performance score of 71% (vs an average of 73% since 2008).

The statement, 'the BBC helps me understand what is going on in the wider world' scored highest of all statements in the survey, at 77%. However, there was a slight decline seen in terms of 'the BBC being good at presenting a positive image of the UK to the rest of the world' which is down to 65%, from 69% in the previous year.

One of the ways the BBC delivers the global purpose is through the World Service, which recently received a funding boost from the Government. They will provide £34 million in 2016/17 and £85 million a year for the following three years, to help enhance World Service television, radio and digital services.



¹ This average score is calculated by asking respondents the following question: Thinking about the BBC generally, what is your overall impression on a scale of 1 to 10, where 1 means extremely unfavourable and 10 means extremely favourable?



The BBC has continued to improve on helping viewers to understand politics in Scotland



This year, 76% of the public felt BBC programmes were high quality

Representing the UK, its nations, regions and communities

The nations, regions and communities purpose remains challenging, although average performance scores (51% vs 44% in 2008) and importance scores (62% vs 58% in 2008) have improved since the first Purpose Remit Survey in 2008. The gap between the importance placed on this purpose and its performance has also narrowed, indicating progress made by the BBC in this area.

There were some declines seen for 'content that is for people like me' (59% vs 64% last year), 'representation of my nation/region in drama' (55% vs 59% last year) and 'representing my nation/region in news' (54% vs 59%). These scores have been particularly driven by declines seen in England and Northern Ireland. Despite editorial improvements, in the Trust's review of BBC Local Radio and local news and current affairs in England, we recommended to the BBC that it give greater explanation of local political and policy issues on its local services and continue to work collaboratively with other local news providers.

Promoting education and learning

People see education as a critical role for the BBC and continue to score this, along with 'Bringing the UK to the world and the world to the UK', as the BBC's most important public purpose. It received the second highest performance rating of all questions in the survey, with an average score of 68%, although this has decreased from 76% in 2008.

Although slightly lower than the previous year (74%), 'I have learned new things from the BBC' scored 71%, while almost two thirds (64%) agree that 'the BBC helps children/teenagers with what they learn at school/college'.

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

The BBC's digital provision remains highly regarded, although the average performance score is lower than the previous year at 56% (down from 59% in 2014). However, since 2008 it has markedly improved from 35% due to various innovations such as the BBC iPlayer.

This year's drop in performance may be as a result of a lack of significant technological advancement since the launch of iPlayer. However, we saw in our Charter Review research that the public's expectation of the BBC is not necessarily as a pioneer in the technology space, but there is a strong desire for the BBC to keep pace with the technological change necessary to deliver its content and services in a convenient and flexible way across a variety of platforms and devices. This is reflected in the small performance gap for this purpose which shows that the BBC is generally meeting people's needs.

Members of the audience between the ages of 25 and 44 and those who are users of the BBC website, BBC iPlayer, BBC apps and access BBC content on social media are markedly more positive about the BBC's performance against the digital purpose.

Setting strategy

How the BBC meets its public purposes is defined in its objectives. The Trust agreed four strategic objectives with the BBC for this year and we have assessed its performance in delivering these.

Make distinctive, world-class content

Objective

The BBC aimed to:

- develop a portfolio of programmes, services and partnerships to bring the most BBC content to the most people
- ensure services deliver a range of creative highlights, engaging all audiences with high quality programmes and services
- reflect better the diversity of the UK across its programmes and services

Assessment

The Trust notes that audience perceptions of the BBC's content remain high this year and there has been a further slight increase in the audience's perception that BBC television is 'fresh and new'. Through our extensive audience engagement as part of the Charter Review process, we have seen plenty of evidence of how valued the BBC and its programmes and content are.

The Trust has focused much of its work on the issue of distinctiveness, including making sure the notion is defined and understood – it does not mean that the BBC should retreat to 'market failure' programming or that it should not make popular programmes. We are pleased to see evidence this year that this ambition to be distinctive is now embedded firmly within the BBC.

With regard to diversity, the Trust has approved a new BBC diversity and inclusion strategy this year. This has set new and ambitious on and off-screen targets to be met by 2020. The Trust is very aware that monitoring success of the strategy will be vital and the Creative Diversity Network's project to set up on-screen monitoring for all broadcasters will be an important part of this. The Trust is pleased that its proposal to include diversity in the BBC's public purposes for the first time ever was accepted by the Government in the White Paper.

Transform the offer for younger audiences

Objective

The BBC aimed to:

- transform mainstream services to better appeal to younger audiences
- develop existing services for younger audiences
- innovate online to respond to the changing media world

Assessment

The BBC has faced a long-term challenge in seeking to serve young adults as well as it does older ones. This has become tougher as young people are at the forefront of adoption of online services and their overall consumption of TV and radio is falling. However, contrary to some reports, we know that young people do still want TV and radio. From our audience engagement activity and from the data we see on their habits, we know that they want both mainstream programming which appeals to them and programming that is made specifically for them.

We have highlighted in our service reviews the challenges facing the BBC's mainstream services, particularly BBC One and Two, and the trend in viewing of these channels by young people this year shows that the challenge remains. Our view is that these services must remain relevant to a broad audience as they are critical to how well the BBC delivers its public purposes. So finding ways to appeal to younger viewers is an important strategic challenge.

The BBC's services targeted at younger adults were transformed this year as we gave approval for BBC Three to move online. Its long-form programmes remain available on BBC One and Two and early signs are that this dual strategy is working well. Radio 1 remains a powerful way for the BBC to get public service content to young people and we welcome its increasing success at doing so online.

Develop a more personal BBC

Objective

The BBC aimed to:

- develop more personal, audience-focused content across its programmes and services
- get more people to 'sign in' online to gain a better more personal experience from the BBC
- make the BBC a more open and collaborative organisation

Assessment

The BBC is increasingly enabling people to personalise its online services in tailoring news to topics they are most interested in and being given recommendations of programmes they may enjoy on iPlayer. It is clear that this adds greatly to people's enjoyment and value of these services. As people's use of online for news, information and entertainment grows, this will become increasingly important. For this reason, we strongly support the work which the BBC is undertaking to enable greater personalisation.

Transforming the BBC's online offer has been a major technical and operational project for the BBC and, as a critical strategic project, the Trust has been monitoring its implementation. By April 2016 the BBC had registered over six million 'signed in' users of its online services and the project had already delivered a number of benefits for audiences including the personalised BBC Sport app. Nevertheless, a significant amount of further work is required if the BBC is to complete the project successfully by the 31 March 2017 target completion date.

The Trust has been clear about the challenge facing the BBC in collaborating and partnering effectively with external organisations. We have been keen to see improvements in this area.

This year we are pleased to see the number and scale of some of the BBC's partnerships: from cultural partnerships around the Shakespeare anniversary, to powerful technology initiatives, such as the micro:bit – coding devices given free to pupils in year 7 or equivalent, on which the BBC worked with 29 other organisations.

Demonstrate value for money in every area of its work

Objective

The BBC aimed to:

- deliver its savings plans in order to reinvest in strategic priorities
- make the BBC a simpler and better place to work
- deliver a comprehensive 'compete or compare' plan

Assessment

As a public service broadcaster in receipt of £3.7 billion of public money each year, the BBC must aim to provide value for money in everything that it does.

To become more efficient, the BBC has embarked on a £700 million, five year cost saving programme – Delivering Quality First. Four years in, this has already delivered a permanent £621 million reduction in the BBC's annual cost. The National Audit Office concluded last year that the programme had delivered value for money and since then the programme's savings have continued to be delivered in line with plans.

To build on cost reductions, and to embed a culture of continuous improvement, the BBC established a programme of work called 'compete or compare'. This programme involves ensuring that all costs are either challenged in the marketplace or benchmarked against it. This helps the BBC to assess whether value for money has been secured, and provides valuable insights which enable the BBC to reduce costs further. Last summer, PwC reviewed the programme and found that the BBC had assessed 87% of controllable spend. PwC also carried out an independent review of the BBC's overheads and concluded that these compare well to public and private sector benchmarks. PwC found that overhead costs were 7.6% of total costs, well below the public sector average of 11.2% and the regulated industry average of 8.8%. They also found that the BBC had plans in place to reduce these costs further by the end of the current Charter.

As the BBC moves into the next Charter period, it will need to continue to apply the discipline established by 'compete or compare' to meet the challenging savings required by the new funding settlement. The BBC estimates that this settlement, taking into account the need to set aside funds to reinvest in new initiatives, will require it to save a further £800 million a year by 2022.

One area where the BBC has more work to do is in making the organisation a simpler place to work. The BBC's aspiration is to reduce the number of layers and reporting structures across the organisation. The Trust has encouraged this but recognises the challenges it entails. We are supportive of the BBC's plans to get the structure right and ensure robust plans are in place before implementing this major organisational change.

Reviewing service performance

The BBC's reach has remained near-universal throughout this Charter period, despite the growing choice of other media available to audiences.

Overview

The Trust has been reporting annually on the performance of the BBC's services since 2007. During this time there have been some significant changes in the broadcasting landscape. Digital television switchover took place in 2012, listening to digital radio has grown and home internet access has increased from 64% in 2007 to 86% at the start of 2016¹.

In the past few years the rapid take up of smartphones and tablets has transformed how people use the internet. This has raised challenges for some of the BBC's linear television and radio services and opportunities for the BBC to deliver its public purposes in new ways.

Amid all of these changes, weekly reach of the BBC remains very high at 96%. We think it a great achievement that the BBC's reach has remained near-universal despite the proliferation of other choices for news and entertainment.

¹ Source: Ofcom Communications Market Report 2015 and Ofcom Technology Tracker, H1 2016

Wide usage of the BBC's programmes and services is no doubt linked to the fact that they continue to be rated highly by the public – their appreciation of BBC services and their general impression remains high. Our Purpose Remit Survey shows that over the long-term the public's overall impression of the BBC has improved and that the public remains much more likely to miss the BBC if it wasn't there than they would any other broadcaster.

The Trust has had a duty to review each of the BBC's services every five years and we have now nearly completed two reviews of each service during this Charter period. The reviews have been founded on strong evidence to show what the public thinks. This evidence has shown consistently that audiences value the BBC's services and rate their quality highly.

In each review we have set actions for the BBC which will further improve the services for licence fee payers. This includes ensuring that each service focuses on serving

The BBC, more than any other broadcaster, would be missed by the public if it were no longer there.

any stated target audience and that they serve younger audiences and those from black, Asian and minority ethnic (BAME) backgrounds who might not find their programmes relevant. We have also focused on examining whether each BBC service is sufficiently distinctive. We recommend that these areas should continue to be priorities for the BBC in the next Charter period.

Through our work this year, we have seen clear evidence of growth in online consumption and anticipate that this trend will continue. We are clear that the BBC needs to transform its broadcast offer to reflect these changes,



This year there was an increase in viewers' perceptions of drama being 'fresh and new', such as BBC One's *Undercover*

Performance summary

Television – audience appreciation

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

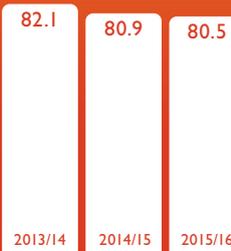


Fresh and new

Audience perceptions of whether the BBC offers something 'fresh and new' have remained strong.

How the BBC measures up

Source: BBC Pulse Survey



Next steps

- the BBC should aim to increase audience appreciation scores. These will remain important indicators of BBC performance

How the BBC measures up

Source: BBC Pulse Survey



Next steps

- the BBC should increase further the distinctiveness of its offer and report publicly on its performance in this respect

Radio – audience appreciation

Audience appreciation of BBC radio remains high, and has increased slightly this year.



How the BBC measures up

Source: BBC Pulse Survey



Next steps

- the BBC should continue to offer high quality content to radio audiences

Online – audience appreciation

Audience appreciation of BBC Online has fallen again, affected by relaunches of the Homepage and News sites.



How the BBC measures up

Source: Online Quality Survey by eDigital



Next steps

- the BBC should aim for higher audience appreciation of BBC Online

Setting strategy and assessing performance

particularly to continue delivering its public purposes to younger audiences.

Last year, the BBC took an important step in that direction by submitting to us a proposal to move BBC Three online. The Trust examined the public value of the proposal and its likely market impact and approved it in November. We considered that the move online would help the BBC prepare for an online future. However, in recognition of the fact that not everyone has reliable or unlimited access to online content, we required that the BBC show all BBC Three long-form programmes on BBC One and Two as well as online.

The Trust committed that there should be a public review of the performance of BBC Three online within 18 months of its decision. This review will look at reach among a young and diverse audience, the level of creative risk-taking, the use of new talent, the performance of BBC Three programmes on BBC One and Two and the level of accessibility for those with auditory and sensory impairments.

Television

The last ten years have seen some significant changes to the television market: the UK completed its switchover to digital television, meaning all television households now have access to a much larger range of channels; the availability and take up of internet connected television as well as high definition (HD) television, has grown and television screen

sizes have increased, all contributing to changes in viewing experiences. Use of on demand services is growing and recently there has been a rise in subscription video on demand services – at the end of 2015 almost a quarter of UK households subscribed to Netflix, Amazon Video or Sky's Now TV².

In a changing market, BBC television remains very popular with the vast majority of adults (84%) watching for at least 15 minutes each week. This fell just slightly, from 85% last year, but has been quite resilient over the past ten years in the face of greater choice of television channels and, more recently, other forms of online entertainment which can be viewed on the television.

Last year we noted that the BBC was serving younger and black, Asian and minority ethnic (BAME) viewers less well and, in our last review of BBC television in July 2014, we asked the BBC to improve appeal among these audiences. The challenge remains: for younger audiences, both reach and time spent with BBC television has fallen by more than average, and the average (median) age of viewer of BBC television has risen again. However, this year BBC television's reach was broadly stable among BAME viewers although it remains much lower than among all adults at 72%. Better serving younger and BAME adults remains a key performance challenge for the BBC.

² Source: BARB Establishment Survey

We have also consistently asked the Executive to increase the distinctiveness of BBC television and to address perceptions among lighter viewers that it tends to play safe with programmes and scheduling.

We have seen some improvement: those viewing BBC television are increasingly rating it as 'fresh and new'. However, there remains a performance gap in the public's broader view of the BBC in this respect and qualitative research we undertook for Charter Review suggests that there is still a public appetite for the BBC to take more risks in its programming and offer more original and innovative content. With the closure of BBC Three as a linear channel, which had a strong track record in creative risk-taking and innovation, we strengthened the regulatory requirements on BBC One and Two in this area.

BBC One

BBC One remains the most watched channel in the UK, as 72% of people tune in each week, down marginally from 73% last year and from 78% at the start of the Charter in 2006/07.

BBC One programmes continue to bring very large audiences together: *The Great British Bake Off*, *Strictly Come Dancing* and *Sherlock* all achieved audiences of more than 10 million.

BBC One viewers continue to believe that the quality of its programmes is high, and audience ratings show the clear majority of programmes are regarded as fresh and new.



There was a strong performance for new drama, such as *The Night Manager*

This year there has been a strong performance for some new dramas such as *Undercover*, *The Night Manager* and *Doctor Foster*, and returning series including *Happy Valley* and *Call the Midwife* and there was an increase in viewers' perceptions of BBC One drama being 'fresh and new'. There was also a strong performance for some factual and comedy programmes, such as *Countryfile*, *DIY SOS* and *Peter Kay's Car Share*.

BBC Two

This year BBC Two was watched by 46% of people each week, down just slightly, from 47% last year, but by a greater extent during this Charter period from 57% in 2006/07.

Audience perceptions of BBC Two remain high, with an average appreciation score of 82, and 77% of programmes are rated as 'fresh and new'. Its drama, documentary and factual output continues to be rated highly with highlights this year including dramas such as *Line of Duty* and *The Last Kingdom* to factual and entertainment programmes like *Back in Time for the Weekend*, *Masterchef: The Professionals*, and comedies including *We're Doomed!*, *The Dad's Army Story*, and *Cradle to Grave*.

BBC Three

Following Trust approval, BBC Three moved online in February. The new offer aims to build on areas where BBC Three performance is strong such as comedy, drama, factual and current affairs.

Since moving online, BBC Three has shown some successful programmes, including dramas such as *Thirteen* and *Murdered by my Father* and comedy series *Cuckoo*. Overall it is too early to assess its performance and we have committed the BBC to a full review of the change within 18 months of our final decision to assess how the service is performing.

BBC Four

BBC Four continues to be very highly rated by its viewers with an average appreciation score of 83 and with 84% of viewers agreeing programmes are 'fresh and new', the highest for any BBC channel, and up from 82% last year.

Popular programmes this year included acquired dramas *The Bridge*, *Trapped* and *The Young Montalbano*, factual series such as *Empire of the Tsars: Romanov Russia with Lucy Worsley* and comedy *Detectorists*. And the channel's *Goes Slow* programmes, inspired by the concept of slow TV where events are filmed in real time, proved popular among audiences.

Children's

The BBC continues to be the only broadcaster to offer a high volume and broad range of new UK programmes for children. This distinctive approach continues to make its two channels the most popular among their age groups, despite the huge range of other programming and online content aimed at children.

The BBC's services are highly rated for their quality but how older children in particular use these services is changing – the number of iPlayer requests for CBBC content is increasing while those watching the CBBC channel has continued to fall. CBBC has the highest proportion of iPlayer viewing of any BBC television channel while use of CBBC online has grown to almost one million unique browsers per week, from around 750,000 per week last year. The Go CBBC app, which launched in December 2014 and provides access to programmes, clips and games, has now been downloaded almost 500,000 times.

This year the Trust approved an extension to CBBC's broadcast hours and it now runs until 9pm every night. We considered the proposal would help to sustain CBBC viewing by offering greater choice at a time when children do watch television and that extended hours may also help to support the transition of younger viewers to CBBC by serving them when CBeebies closes at 7pm.

CBeebies' reach among its target audience remains very high, at around 46% among children aged six and below. It remains by far the most watched pre-school channel and the number of iPlayer requests for its programmes has also continued to grow. The number of unique browsers using CBeebies online has fallen just slightly to around 1.2 million each week. The CBeebies Playtime app has now been downloaded 5.9 million times, and its Storytime app has been downloaded 1.8 million times.

Radio

Listening to the radio remains extremely popular – around 90% of adults tune in to some radio each week. This has remained consistently high over the course of this Charter, despite the growing range of choice of other media activities. This year the amount of time people spent listening to the radio was stable, with listeners tuning in for more than 21 hours per week on average, although this has fallen from almost 23 hours in 2007. This has no doubt been driven by the fact that listeners now have access to music from a much wider range of sources, including digital music downloads, online streaming services, as well as through sites such as YouTube.

These changes affected younger audiences in particular, as their time spent with the radio has fallen by more than average. Research suggests that radio makes up a much smaller share of audio listening among younger audiences: 15 to 24 year-olds' time spent with live radio is 49% of their total; this rises to 57% among 25 to 34 year-olds, 81% among 35 to 54 year-olds and 89% among those aged over 55³.

Within this context, BBC radio continues to reach a large number of people: 65% of adults tune in each week, broadly stable compared with the previous year. The BBC's reach is lower among young adults (15 to 24 year-olds) at 55% and this has fallen just slightly, from 56% last year.

BBC radio continues to be rated highly by its listeners: the average audience appreciation index (AI) score is high, at 81, and this has grown slightly from 80 last year. Three quarters of listeners have a positive general impression of BBC radio stations.

Our service review of the BBC's music radio stations (published March 2015) found that they provide significant value to their audiences, and perceptions of quality of the stations are high. The review underlined the critical importance of the BBC to the music sector, and found that the high level of support given by its stations to new, UK and live music makes them distinctive.

In August 2015, we published a service review of Radio 4, Radio 5 live and their sister digital stations. We found that audiences consider the stations to be high quality and distinctive and that they appreciate the range of programming on each station. Many stakeholders agreed with this and said that Radio 4 and 5 live both demonstrate public service broadcasting at its best.

We found that, while Radio 4 and 5 live have both aimed to improve their ability to reflect the diversity of the UK, they will need to continue this as the diversity of their core audience grows. In the past year, the stations have focused on developing presenter, expert and guest diversity; providing a wider range of news and programmes which reflect the diversity of a changing UK; and, for 5 live, showing some improvement in the proportion of female and BAME callers during phone-ins.

Following up the review this year, we have seen that these efforts to make the output more representative of a diverse UK continue but that it will take time for this to be reflected in the profile of listeners. We view this as a long-term challenge for the BBC as a whole during the next Charter period.

³ Source: RAJAR MIDAS Survey, Spring 2016

Many stakeholders said that Radio 4 and 5 live demonstrate public service broadcasting at its best.

Radio 1 and IExtra

Radio 1 continues to reach a very large proportion of its young target audience: this year, 37% of 15 to 29 year-olds listened each week, although this has fallen slightly, from 38% last year, and is down further in the longer term.

Our service review, published in March 2015, concluded that Radio 1 is clearly focused on serving a young audience and discussions we have had with the BBC this year confirm that this remains the case.

Our review also found that Radio 1's daytime speech output helps deliver the BBC's public purposes to a large audience within its entertainment programmes, but that it could do even better. This year the BBC has informed us of a number of changes it has made to address this challenge, including

extending its focus on key messages and campaigns, such as its volunteering month, and through broadcasting a number of impactful one-off moments, such as *Newsbeat's* special on the migrant crisis and a special documentary and debate *ISIS: Young, British and Radicalised*, following the Paris attacks. We think Radio 1 has made good progress in this area, but we will continue to monitor progress against this action.

IExtra continued to perform well, listened to by 6% of its target audience of 15 to 24 year-olds each week. It continues to meet its remit to serve young listeners with distinctive music and speech programmes.

Radio 2 and 6 Music

Radio 2 remains the UK's most listened to radio station with 29% of adults listening each week. Among its target audience of adults aged 35 and over, reach is higher still, at 35%. Listeners' perceptions of the station's quality remain high.

Our service review in 2015 found that Radio 2 reaches considerably fewer than average BAME listeners in its target group of over 35s, so we asked the BBC to find ways to address this disparity. We have noted Radio 2's plans for a range of editorial and other initiatives designed to address this challenge, although this year the station continued to have much

lower reach among BAME listeners aged 35+ at 11% compared to 37% for white listeners of this age. While we understand that some changes may need time to take effect we expect the BBC to move as rapidly as possible to ensure that this key mainstream service has broad appeal across all the UK's ethnic groups.

6 Music's audience grew again this year and it is now listened to by 4% of adults each week, or more than two million people. It remains the BBC's highest reaching digital radio station, and the amount of time listeners spend with the station also increased. Our music radio review last year revealed a very strong and loyal following; this year its listeners continued to rate the station very highly.

Asian Network

This year, BBC Asian Network's audience has remained broadly stable at around 595,000 people each week. We note that listener numbers for Asian Network are not growing. In line with its service licence remit to appeal to British Asians, the station reached 14% of British Asians each week, who account for the vast majority (86%) of its audience.

Radio 3

Radio 3's performance has been strong this year: its weekly audience is around two million people and it continues to be rated very highly by its listeners for quality.



The Trust's service review of Radio 4 found that the station sets the standard for high quality, intelligent speech radio programming



The Trust's service review gathered evidence that social media is growing rapidly as a way the audience access BBC News



BBC Asian Network's audience figures remained stable, reaching 14% of British Asians each week

During our service review in 2015 we looked in some detail at its music and programming, and concluded that the station is very distinctive and that it should maximise that distinctiveness across the schedule. This year the station has made some small changes which have helped underline its distinctiveness at key times of listening, such as breakfast. It has also run some innovative programming seasons, such as *New Year New Music*, and *Northern Lights*.

Radio 4 and 4 Extra

Radio 4 delivers the BBC's public purposes to nearly 11 million listeners, who tune in on average for over 11 hours each week. Our review found that Radio 4 sets the standard for high quality, intelligent speech radio programming. It is highly thought of by its audience, many of whom regard it as a 'national institution'. It creates a great deal of public value by producing news, drama, comedy and factual programming on a range of topics. In our service review, we asked the station to find ways to appeal to BAME listeners, as successfully as it does to white listeners. Our assessment of progress shows that this remains a challenge for the station and we consider it an ongoing priority.

Radio 4 Extra is highly regarded by its listeners, and this year increased its audience to an average two million per week. Its audience has grown in size despite cuts to its originated programmes.

Radio 5 live and 5 live Sports Extra

Radio 5 live is listened to by 5.5 million people each week who value its high quality live news and sport. Listening has declined in recent years, particularly among younger people.

5 live's breaking news and live sports coverage both face competition from many 'live' online sources of information. 5 live is responding to these changes in audience habits by evolving its own broadcast and online offer and changing the way it positions itself as more than an outlet for breaking news.

In our service review, we asked the BBC to consider how it promotes Radio 5 live, and to give greater emphasis to its news remit so that its reputation can strengthen in this area alongside its reputation for high quality sports coverage. 5 live has since undertaken a number of initiatives to raise awareness of news on the station including a major marketing campaign and developing its digital offer.

We also asked 5 live to continue to find ways to appeal to women and BAME listeners, particularly within news programmes and to improve participation from women in phone-ins and as expert contributors. The station has made some good progress since our review with many editorial initiatives and changes, and we are pleased to see a positive outcome from this - listening among BAME audiences has grown strongly this year.

5 live Sports Extra is valued by listeners for bringing them a greater choice of live sport. This year it reached an audience of 1.5 million each week, this has increased strongly since last year, although listening figures tend to fluctuate due to its variable schedule. Having considered the potential impact on audiences and on the radio market, we did not approve an expansion of 5 live Sports Extra's remit to allow it to offer more than overspill sports. We think the part-time station continues to offer value to listeners in its current form.

News and current affairs

Our Purpose Remit Survey showed that the majority of UK adults continue to believe that the BBC offers high quality and independent journalism, although perceptions of trust in BBC News have not returned to the record levels of 2012. Perceptions of accuracy and impartiality were again fairly stable overall this year.

This year claimed weekly reach of BBC News and current affairs programmes fell to 77% of UK adults across television, radio and online. BBC television news is watched by 65% of adults each week, while 53% listen to news programmes on UK-wide BBC radio stations, and 26% use BBC News online a week. However, these figures do not completely capture people who consume BBC News on social media. Through our service reviews this year, we have gathered evidence that this is growing rapidly as a way of people finding BBC News, particularly those who might not seek out the BBC's own website and apps.

We continue to expect the BBC to implement the findings from our review of network news and current affairs, in terms of developing greater diversity in its workforce, both on and off-air and increasing the impact of current affairs output. We are pleased to note a number of important and impactful current affairs programmes this year, among them *Panorama's* exposé of physical abuse in a Young Offenders' Institution.

World Service

This year, the BBC World Service reached 246 million people across the globe a week. This is a substantial increase from 210 million

Setting strategy and assessing performance

a week in the previous year. With the continued development of local media markets offering more choice to audiences, this increase reflects the quality of the output and the respect and affection people around the world have for the World Service.

Radio is still the way that most people access the World Service, either in English or via one of its language services, with reach increasing by 10% to 145 million. However, among the language services only, television viewing is almost equal to radio and growing at a faster rate. Here, partnerships with local media organisations in each country are hugely important to the World Service with half the total reach of the service delivered in this way.

Social media is also a growth area for the World Service, particularly in South America and Asia, although the BBC's own websites have not seen the same increase in usage. Additional government funding will enable the World Service to focus on enhancing its digital media offer as well as supporting new language services.

Online

This year BBC Online was used by around 51% of UK adults a week, just up from 50% last year. Audience appreciation (AI) scores for BBC Online declined slightly again this year to a level of 73 from 76 last year, due to reactions to relaunches of the BBC News site

for desktop computers and of its mobile homepage. Appreciation scores have begun to recover as people get used to the changes but remain lower than we would like to see.

Our review of BBC Local Radio and news and current affairs in England asked the BBC to improve its local web offer further. We found that audience expectations are still not being met in this area despite improvements such as the introduction of Local Live feeds, which provide more dynamic and up-to-date local news by combining short news updates with links to longer form content from the BBC and other local news providers. The BBC will need to continue to improve the speed of its local news reporting and flex the ways in which stories are made available in order to meet changing audience expectations.

The number of people using BBC iPlayer has grown this year, although it remains less universal than BBC One and BBC Two. We have discussed the challenge of increasing use of BBC Online with the BBC through the year and agreed that it is an issue that will need to remain a longer-term focus for the organisation. As part of making iPlayer an online destination for more than just catch-up, we approved a proposal from the BBC this year to offer selected third party content and to premiere some BBC programmes online.

The BBC has aimed to enable users to 'click-through' to external sites more easily

The BBC is increasingly using social media as a platform for its content – a powerful way to reach younger audiences.

in order to allow them to find relevant content, and we set the service a condition that it should increase the number of click-throughs each year in order to increase this role. However this year, the number of click-throughs did not grow but remained stable at an average 17.8 million per month. We are awaiting an explanation for this from the BBC. We remain clear that, if the BBC continues to play an important role as a platform for access to content from third parties, it should be able to achieve growth in this area.

We have also noted this year how the BBC is increasingly using social media as a platform for its news and other content. These platforms are a powerful way for the BBC to reach younger audiences who may not choose to come to the BBC's own website or apps, but they raise challenges for the BBC in maintaining editorial control over its content and being able to measure its use.



The BBC World Service reached almost 250 million people across the globe in the last year

Upholding editorial standards

As in previous years, the overwhelming majority of the BBC's content complies with the demanding standards set by the BBC's Editorial Guidelines.

The BBC is expected to demonstrate the highest editorial standards at all times. The public rightly expects the BBC to display a stricter level of impartiality than other broadcasters, as well as the highest standards of fairness, integrity and accuracy. The Trust sets and polices these standards and seeks to ensure that lessons are learned when the BBC makes mistakes.

In 2016 there were elections in Northern Ireland, Scotland and Wales, and local elections in England. A referendum on the UK's membership of the EU will be held in June. In preparation for these significant political events the Trust consulted on and then approved Election Guidelines and Referendum Guidelines. It also approved allocation criteria for Party Political Broadcasts, Party Election Broadcasts and Referendum Campaign Broadcasts.

Impartiality

The BBC continues to be viewed as the UK's most impartial broadcaster. When asked to identify the one provider they would turn to first for impartial news coverage, 50% of the public name BBC News. BBC News is also perceived to be the most trusted and accurate broadcaster, according to 58% of those asked.

In this Charter period the Trust has undertaken seven reviews of the impartiality

and accuracy of the BBC's output. These have been important pieces of work which have not only maintained but also improved standards. The Trust considers these reviews should continue to be commissioned by the BBC's new board to safeguard the BBC's impartiality and accuracy in the future.

The impartiality and accuracy of the BBC's coverage of statistics

The Trust commissioned an independent Panel to examine the reporting of statistics in news and current affairs programming. Dame Jill Matheson, the former UK National Statistician, alongside Paul Johnson and Sir Peter Stothard, with advice from Sir David Spiegelhalter, received evidence from individuals and organisations on how well the BBC uses statistics. Their findings were supported by separately commissioned content analysis by Cardiff University and audience research by Oxygen Brand Consulting. The review will be published in summer 2016.

BBC network news coverage of the nations – impartiality review follow-up

In 2008 the Trust examined BBC network news and current affairs coverage of the four UK nations. The report found that the BBC's coverage was impartial and valued by the majority of its audience, but identified

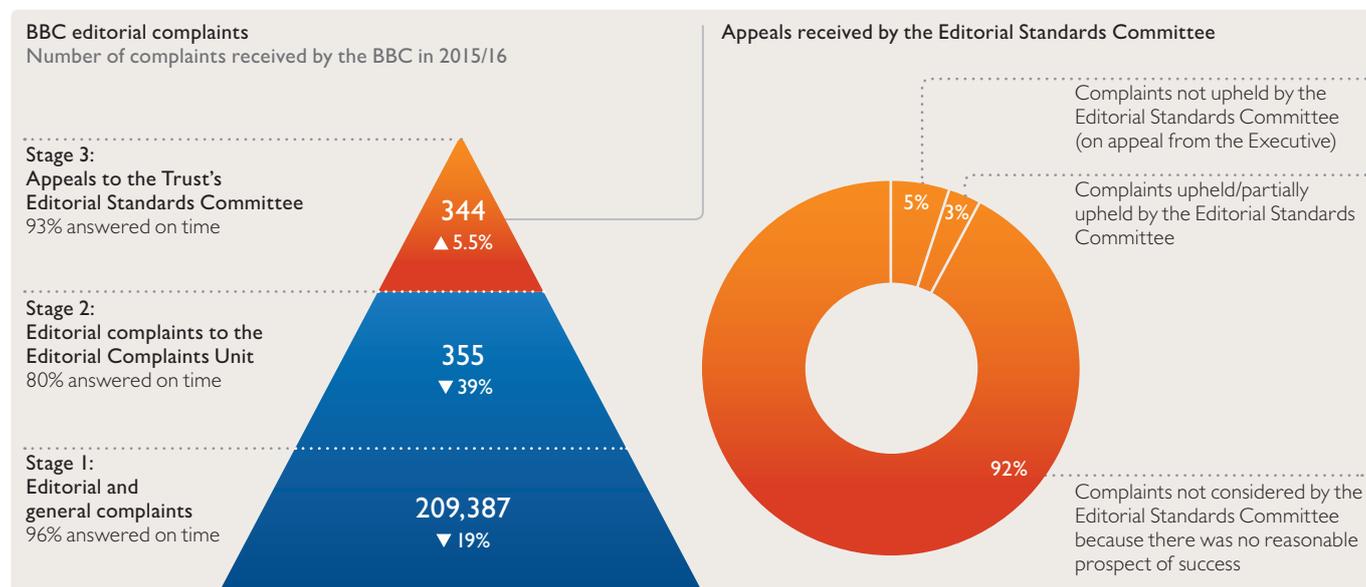
deficiencies and called for action to address them. In 2010, the Trust published a follow-up review, which found a marked improvement in coverage, although still with some concerns. In 2015 the Trust decided to commission a further follow-up review, with content analysis from Cardiff University. This follow-up will be published in summer 2016.

Editorial complaints

Through our Editorial Standards Committee we uphold the BBC's standards by considering editorial complaints and reports about serious editorial breaches. Here we report on the serious breaches this year:

Human Planet – 'Deserts: Life in the Furnace', BBC One

It emerged in 2015 that this programme, broadcast in 2011, contained misleading footage. The programme featured a tribesman shooting at a wolf that had been circling the encampment near his enclosure. However, the animal in question was actually a semi-domesticated wolf-dog hybrid belonging to one of the tribesmen and the tribesman shot to miss. This sequence misled the programme's audience and was a serious breach of the Editorial Guidelines. The Natural History Unit began a review of the *Human Planet* series to ensure there were no other potential breaches of Editorial



Setting strategy and assessing performance



When asked to identify the one provider they would turn to first for impartial news coverage, 50% of the public name BBC News

Guidelines. The sequence was edited out of the episode and BBC training has since been updated in order to prevent further breaches of this sort.

What's the Point of... the Met Office?, BBC Radio 4

What's the Point of...? takes British institutions and queries, in a humorous and mildly provocative tone, what purpose they serve. The edition on 5 August 2015 considered the Met Office and included a number of references to climate change and the Met Office's work in this area. It indicated the Met Office's position on climate change was controversial and did not make clear that its work – which used evidence-based observations alongside computer modelling – was in line with prevailing scientific thought. The Executive reported the output to the Editorial Standards Committee as being in breach of the Editorial Guidelines. Trustees considered audience expectations for this programme would have afforded the presenter a good deal of leeway to assess the Met Office's work in a way that was opinionated and humorous. However they considered that the audience would not have expected the programme to take a stance on climate science that differed from the prevailing scientific opinion without making that clear to audiences.

The Committee considered this was a serious breach of the Editorial Guidelines for impartiality and accuracy. The Executive assured the Trust that the programme would not be re-broadcast and would not be available online.

Patagonia: Earth's Secret Paradise – 'Fire and Ice', BBC Two

This programme, broadcast on 25 September 2015, included a 30 second sequence purportedly showing the eruption of a 'dirty thunderstorm'. The footage in question was a composite shot, comprising more than one piece of footage edited together to create a single shot. The shot used footage taken from different volcanic eruptions and thunderstorms, photographic images and contemporaneous footage gathered from a number of sources. Lightning flashes had been filmed in 2011 and superimposed on the Calbuco volcanic eruption filmed in 2015. This sequence misled the programme's audience and was a serious breach of the Editorial Guidelines. A number of actions were taken, including an online blog written by the Series Producer explaining the origins of the clip, and the clip was removed by the BBC News website, iPlayer and BBC Store.

Breakfast Show, BBC Three Counties Radio

The episode on 3 November 2015 reported on the case of a former worker and volunteer preacher at a prison who was taking a case to an employment tribunal. He had cited verses from the Bible which listed homosexuality among a list of sins and had resigned when he was told he would be disciplined. The show included live interviews with a representative from the legal group that was representing the former worker and, later in the same broadcast, with the former worker himself. The presenter expressed his views forcibly. The Executive informed the Trust they considered there had been a serious breach

of the Editorial Guidelines. Trustees appreciated there was a clear editorial justification for addressing the subject and for robustly challenging the interviewees.

Trustees considered that listeners would be likely to have strong – and conflicting – views on the subject. They considered that, in both interviews, the interviewees were not treated with due respect but instead faced significant personal criticism and challenge and that, overall, the tone of the interviews was inappropriate. The Committee considered this was a serious breach of the Editorial Guidelines for Impartiality.

This breach of impartiality followed a small number of occasions when other local radio presenters, while endeavouring to engage with audiences, had voiced personal opinions, in breach of the Editorial Guidelines. Trustees noted that the Executive was also concerned about this and had produced a face to face training programme for presenters and their programme teams that would be rolled out across the BBC's Local Radio services in the first quarter of 2016.

Don't Make me Laugh, BBC Radio 4

The edition on 21 April 2016 of this comedy panel show was broadcast at 6.30pm on the Queen's birthday. Contestants are given a topic to discuss but must try not to make the audience laugh. If the audience laugh the topic is passed to another contestant. In this case the subject was 'the Queen must have had sex at least four times'. Following a significant number of complaints the BBC declared a serious breach to the Trust.

Trustees recognised that comedy can shock and that Radio 4 commissions innovative comedy and takes risks. However, they agreed that the humour was humiliating and crude. This was beyond the expectations of the programme's audience and of generally accepted standards. It was a breach of the Editorial Guidelines for Harm and Offence. The offence was compounded by the date of the broadcast. There had been a failure of judgement and compliance as the compliance form had been completed incorrectly. Trustees agreed that timely action had been taken by the BBC in: apologising on the day of broadcast; removing the programme from iPlayer; moving the rest of the series to 11pm; writing to the Executive Producer at the production company concerned; and issuing a new version of the compliance form.

Demonstrating value for money

This year the BBC has delivered £621 million as part of its five year, £700 million savings programme. The outline funding settlement means the BBC will have to develop further ambitious plans to save £800 million by 2022.

Audiences tell us that value for money is one of their top priorities for the BBC. Our research shows that 87% of people think it is either important or very important, and that audiences rate its importance as highly as other key objectives such as providing impartial news and current affairs, and high quality programmes and online content.

For this reason, we carried out research to establish how audience perceptions of value for money of the BBC compare with the four biggest pay TV providers. Using a representative ICM survey we found that the proportion of people who believe the BBC is very good value is twice as high as the proportion for any of the pay TV providers.

Savings now and in the future

To continue to meet these expectations of value for money the BBC developed Delivering Quality First, a programme of savings designed to deliver a permanent £700 million reduction in the BBC's cost base. We are now entering the final year of this programme, and all savings are expected to be achieved. The £700 million of savings from Delivering Quality First, most of which have already been delivered, form part of the wider £1.6 billion step change in efficiency and value for money which the BBC will have delivered by the end of this Charter period.

Looking forward to the first five years of the next Charter, the BBC has agreed an outline funding settlement with the Government.

The Trust cannot endorse the way this settlement was reached without any input from those who pay for the BBC and use its services. Nevertheless, the financial framework does give certainty to allow the BBC to plan for the long term.

Planning for the next Charter, and the savings that the funding settlement will require, has already begun. The BBC will need to save £800 million a year by 2022 to fund the £400 million impact of the funding settlement, the £150 million drop in income as a result of falling TV penetration, the £150 million cost of new Charter proposals, as well as the estimated £100 million required to fund superinflation in areas such as sport and drama.

Savings have already begun to be identified across all BBC divisions, but tough choices lie ahead as these substantial savings figures are translated into deliverable plans.

The settlement agreed with the Government means tough decisions on services are inevitable.

Nick Prettejohn, BBC Trustee

Public opinion

Almost three in five respondents (57%) to the Trust's annual Purpose Remit Survey feel that their household gets 'very good' or 'fairly good' value for money from the licence fee. This is an important benchmark which has remained relatively stable since 2008. Given the resilience of this measure, the Trust wanted to better understand what drives the public's opinions about the value for money of the BBC, so we made it the focus of one of the Trust's public seminars held last autumn.



Audiences tell us that value for money is one of their top priorities for the BBC



In 2015, the BBC announced the sale and sublet of its Media Village site in West London

Performance summary

Savings

The BBC's savings programme – Delivering Quality First – is on track to deliver a £700 million permanent reduction in the BBC's cost base by the end of next year.

How the BBC measures up

£621m

Sustainable savings this year

Next steps

- we will continue to monitor the savings programme to ensure the remaining savings are delivered while minimising the impact on audiences

Reducing the pay gap

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

How the BBC measures up



Next steps

- we will continue to monitor other comparable organisations in order to assess performance

Reducing the number of senior managers

Five years ago, the BBC committed to continuing to reduce the total number of senior managers and their overall cost.

Senior management paybill and headcount



Next steps

- the strategy has been extended until autumn 2016. The Trust will look to ensure the BBC's good work in this area is continued

Compete or compare

We expect to be able to assess 90% of our cost base through either direct competition or rigorous comparison and benchmarking.

How the BBC measures up

Source: PwC efficiency report

The BBC aims to assess 90% of its cost base

90%

Actual amount of cost base assessed

87%

Next steps

- we will continue to challenge the BBC to maximise the proportion of expenditure which is subject to compete or compare and publish the proportion of spend which is shown to be efficient

A free, impartial and editorially independent BBC is vital not only to our media market but also to news provision and plurality.

*John Whittingdale MP,
Secretary of State for Culture, Media and Sport*

The first seminar focused on who governs the BBC, and the second on funding and value for money. Across both seminars, participants observed that the BBC's independence is intrinsically linked to its funding and that damage to the licence fee model risks reducing the BBC's independence. Our audience research echoes this concern.

Other participants at the funding seminar questioned why the BBC was not taking the opportunity of Charter Review to reform the licence fee fundamentally for the digital age. Responses to our public consultation were more mixed on this point, with the majority of respondents expressing a preference for less radical change. Most respondents felt positively towards the licence fee (updated so it applies to catch-up services such as iPlayer). But most respondents felt negatively towards a licence fee system topped up by BBC subscription services available at additional

cost. What came across strongly in both the research and seminars, was the importance of a funding system which would support the BBC as a universal service, free to all at the point of use. The universal remit of the BBC is something which audiences care about deeply and want to see retained.

It is reassuring that the Government did not seek to alter either the core tenets of the funding system or the universal nature of the BBC in the White Paper.

The role of the NAO

The Trust has a responsibility under the Charter to ensure that the licence fee is spent efficiently and effectively. Value for money reviews conducted by the NAO are an integral part of the governance framework which the Trust uses to fulfil this responsibility. These reviews, along with other reviews commissioned by the Trust, help us to hold the Executive to account and provide practical recommendations to improve processes and controls.

Under the Charter and Agreement the NAO have the freedom to conduct reviews whenever they wish, on whatever subject they wish. They also have access to all information they need to support their work, although, to protect the BBC's editorial freedom and independence, they are restricted from questioning the merits of editorial decisions and creative judgements. The strength of the current arrangement is demonstrated by the number of comprehensive and impactful reviews which have taken place in the last Charter period, including subjects like the BBC's move to Salford, the Digital Media

Initiative (DMI) project and Delivering Quality First – the BBC's savings programme.

The Trust is reassured that the Government's White Paper has proposed that this access and the important work of the NAO continue in the next Charter period as part of a well governed and regulated BBC. As negotiations with the Government proceed, it is important that establishing the right level of access seeks to balance the NAO's close relationship to parliament against the 81% of people who believe it is important that the BBC is independent from government and MPs. To achieve this, existing editorial protections will need to be maintained and additional protections covering commercial interest and confidentiality will need to be incorporated.

NAO reviews

This year, the NAO reviewed how the BBC manages its most important projects. The review is a timely moment to reflect on the project management changes that have been made, the impact they have had, and the opportunities there are to further improve the delivery of the BBC's critical projects, three years after the failure of the Digital Media Initiative (DMI) IT project.

The NAO reviewed the new assurance arrangements which have been implemented since 2013. They found that introducing a single point of accountability and an integrated approvals and assurance plan for each project (which sets out the approvals and reviews that will take place) had worked well in the majority of cases. The NAO concluded that the BBC has strengthened its oversight by reporting more quickly and more frequently on project



During this Charter period, the NAO has reviewed several major BBC projects, such as the move of a number of key departments to Salford



The NAO found that the BBC World Service has delivered efficiencies by investing in new television and digital services

Setting strategy and assessing performance

performance. In turn, this has brought the Executive Board's attention to problems more quickly than before, enabling a more timely response.

The Trust and the NAO agree however, that there is scope for the Executive Board to play a greater role in the management of the portfolio. Specifically, more consistent portfolio-level information on costs, benefits, and how projects contribute to strategic objectives would help the Executive Board to better manage the delivery of all critical projects.

The NAO has also reviewed the World Service, examining performance since 2010. They found that the World Service has successfully delivered much of what it sets out to do. It has invested in new digital and television services, integrated its services more closely with the rest of the BBC and, in doing so, delivered efficiencies while reaching an estimated 246 million people in 2015/16.

The NAO has concluded that this transformation has delivered value for money but has also made recommendations to improve the Service's approach to target setting and performance reporting.

Other major projects

The Trust has approved a number of other major projects this year, including re-procurement of the Playout contract (under which digital media files are managed and deployed at the point of broadcast) and in-sourcing of the BBC's Media Control Rooms (which manage the movement of broadcast media into, around and out of the BBC). Both projects deliver significant savings to the BBC which will be reinvested into content and services for audiences to enjoy.

Also this year, the BBC completed the planned move of staff from its estate in West London. This has enabled it to sub-let three of the five buildings previously occupied at Media Village. The site will now be redeveloped, with the proceeds being reinvested in new programmes and services.

Pay

During the year, the Trust and the Executive Board agreed an extension of the existing senior manager pay strategy until autumn 2016, when work on the BBC's organisational structure will be sufficiently advanced to be able to set meaningful new targets. This work includes: reducing the number of layers within the BBC; ensuring clear reporting lines; and standardising job titles, roles, and responsibilities within the organisation. These actions will help to further reduce the number of senior managers required to deliver the BBC's mission.

The BBC has reduced the senior manager headcount by 109 individuals and the payroll by over £10 million since 2011. Against a backdrop of increasing competition and inflation in the broadcasting industry, these are very significant achievements but two targets have not yet been achieved. These are the target that senior managers should form no more than 1% of the workforce and the target to reduce the number of those earning more than £150,000 by 20%. Progress has been made against the 1% target in the last 12 months but it is unlikely it will be met before a new strategy is put in place, as it is dependent on further fundamental changes to the BBC's internal management structures.

Senior manager pay restraint is also evident at the top of the BBC; the Director-General has not received a pay rise since he joined the BBC in 2013, and is paid significantly less than the chief executives of ITV, Channel 4, and Sky. The pay multiple has fallen again this year to 10.4 times the median earnings of BBC staff.

Talent costs are another area of expenditure where the Trust has responded to public concern by instigating greater transparency and assessing whether the BBC is getting value for money. Since our first review of talent pay in 2008, the BBC has been more open about how many on-screen and on-air talent are employed and at what cost. Over the last eight years, overall talent spend has fallen by 12.7% and the volume of performers and presenters engaged has fallen by 29%.

Serving audiences across the UK

The BBC must aim to serve all audiences in Wales, Scotland, Northern Ireland and England with something of value, in order to deliver its public purposes. Together with our advisory bodies, the Audience Councils, the Trust has assessed how well the BBC has performed across the UK this year.

We consider it a great achievement that nearly everyone in the UK still finds something that is relevant to them from the BBC. This year the BBC has maintained its near-universal reach, with 96% of UK adults watching, listening to, or accessing its content each week.

However, the BBC must continue to work hard to remain relevant when the diversity of its audience is growing and their needs changing. At the outset of this Charter, the Trust agreed objectives with the BBC that more of its network television programming would be produced from out of London, with a proportion made in the devolved nations in line with the population there. This shift has been a major change and has improved the BBC's ability to represent people from across the UK. Levels fell a little this year, but the BBC remains on track to achieve the targets agreed for 2016.

This year we have also entered into commitments to allow greater accountability to the Scottish Parliament, Welsh Assembly and Northern Ireland Assembly. This report will be laid in those legislatures and we will answer questions about the BBC's performance from their relevant scrutiny committees. We are committed to greater engagement with the respective nations, providing relevant information about the BBC's operations so that our performance

can be scrutinised effectively. This year's report marks a step towards that, but the new BBC Board will need to ensure that next year's report goes further.

Wales Trust assessment

The BBC has historically performed well in Wales. While BBC television performs better in Wales than any other UK nation (and better than the UK overall), there was a slightly larger drop in weekly reach than in other parts of the UK, from 85% to 83%. Audience appreciation of BBC television in Wales has fallen slightly but remains high.

Television opts remain popular and BBC Wales is keen to broaden the range of content produced for Welsh audiences and to strengthen the on-screen portrayal of Wales, while taking into account funding constraints. This is a challenge given the BBC funding constraints.

BBC radio performs better in Wales than in the other UK nations both in terms of audience reach and their perceptions of its quality. Radio 1 and Radio 2 perform particularly strongly while Radio Wales and Radio Cymru both lost some audience reach and share.

Audience Council Wales assessment

In its extensive outreach work this year, Audience Council Wales has heard a lot about the high regard for the BBC among audiences in Wales and the key role which they see the BBC playing in Wales' national life, with both its English and Welsh language programming.

The Council has heard concerns from the audience about the low volume of BBC Cymru Wales' high quality programmes made for Welsh audiences, especially dramas and comedies. Audiences want the BBC to be able to portray the Welsh nation to itself both in programming for Wales and that made for the whole UK.

The Council noted some significant improvements in BBC News offering a comparison of policy positions and legislation across the UK's nations, but audiences wish to see more of this. The Council has also heard younger people in Wales this year express a more sceptical view of the independence of the BBC's news and this appears to be affecting the perceived relevance of the BBC to them.

Audiences in Wales continue to value the BBC as an informer and educator in its English and Welsh language programming and in its educational offers, such as Bitesize.



The Trust's Audience Councils assess how well the BBC performs across the UK

Performance summary

Reach of BBC services

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

How the BBC measures up

Source: BBC Pulse Survey

96%



2014/15: 97%

Next steps

- the BBC must continue to work hard to remain relevant when the diversity of its audience is growing and their needs changing

Out of London % of network spend

The Trust set the BBC the target of 50% of network spend to come from out of London by 2016.

How the BBC measures up



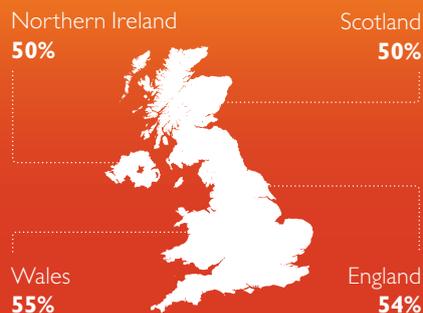
Next steps

- making content out of London is an important way in which the BBC can do more to represent and reflect audiences across the UK. We expect this target to continue

Representing the nations and regions

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

How the BBC measures up



Next steps

- providing output that represents the whole of the UK remains a key challenge which we will continue to monitor for the rest of the year

The Council's full assessment can be found on the Trust website.

Scotland

Trust assessment

After 2014, which brought large audiences to BBC coverage of two major events in Scotland – the Commonwealth Games in Glasgow and the Scottish Independence Referendum – it is impressive to see that BBC television reach in 2015/16 remained strong, with a smaller decline than across the UK overall. BBC Scotland's opt-out programmes on BBC One and Two performed strongly and continued to play an important role in boosting Scottish representation and portrayal on BBC television.

Weekly reach for BBC radio in Scotland grew slightly during the year, although it is still below the UK average. Some growth from Radio Scotland contributed to this strong performance. The station saw growth in listening across its schedule which was changed in 2014.

The Gaelic services remained popular among Gaelic speakers and learners. Radio nan Gàidheal appeared to stem its decline in reach and BBC Alba was watched by 73.6% of Gaelic speakers each week, just a small increase from the previous year.

In Scotland, the audiences' general impression of the BBC has remained lower than the UK overall since the Referendum, and dipped further during the UK General Election.

Approval scores for BBC news have remained broadly stable compared to last year, but down on two years ago. We encourage the BBC to ensure that the news and current affairs offer in Scotland is appropriate to the changing needs of its audiences.

Audience Council Scotland assessment

The BBC's network television programming continued to perform well in Scotland in the wake of a strong 2014 and there was top quality Scottish drama on BBC One which demonstrated an audience appetite for representation of contemporary Scotland. This is also true in BBC news. BBC Scotland offered more content for younger audiences in Scotland and established a significant presence on social media.

Radio Scotland performed well as changes to the station in recent years came together in a schedule that was seen as consistent in quality and tone. The BBC's own and joint venture Gaelic services performed steadily but remain seriously under-resourced in the Council's view.

Due to the UK Government's Charter Review process, there was more public debate about the BBC in Scotland than ever before, but the Council noted that audiences' overall perception of it remain weaker than elsewhere in the UK.

Audience Council Scotland believes that there are still important deficits in representation of

Scotland in BBC news and drama and that the public discussions around changes to BBC news provision and the potential for more television commissioning power to be based in Scotland could lead to improvements. The Council believes that, above all, BBC Scotland needs more authority to influence outcomes for audiences in Scotland.

The Council's full assessment can be found on the Trust website.

Northern Ireland

Trust assessment

The BBC has traditionally performed less strongly in Northern Ireland in some respects, however, we see this changing and improving with BBC television in particular. Appreciation of BBC television is higher in Northern Ireland than across the rest of the UK and reach of BBC television remains similar to the rest of the UK. BBC Northern Ireland's opt-out local programming on BBC One and Two remains popular, reaching around a third of adults each week.

Reach of BBC radio has fallen slightly, mainly due to the weaker performance of Radio 1 in Northern Ireland this year. Appreciation of BBC radio remains a little lower than the UK average. However, Radio Ulster/Foyle remains one of the BBC's most popular radio stations, reaching 36% of adults each week. Alongside this, BBC Northern Ireland's online offer is relatively undeveloped and the BBC



BBC Northern Ireland produces *Line of Duty* for the BBC



BBC Scotland produced *The Story of Scottish Art* for BBC Two



Case study Local radio, news and current affairs review

Our review of the BBC's Local Radio, news and current affairs in England, concluded that the local services are a very important part of the BBC's overall news and radio offer to licence fee payers and that they deliver the BBC's public purposes to a large number of people who value the services and see them as high quality, informative and trustworthy.

We are very clear that the BBC services play a different role to commercial and other local media, and we consider that BBC Local Radio and regional current affairs are unique within UK public service broadcasting.

We stated in the review that increasing political and fiscal devolution within England means the BBC's services have more responsibility to keep audiences informed about local matters that may affect them, and audience expectations are not entirely being met in this area.

The BBC will therefore need to consider how it can address a growing need for information about local politics as regional devolution continues.

We also found that use of the BBC's local and regional TV and radio services is much lower than average among black, Asian and minority ethnic (BAME) audiences. So we have asked the BBC to improve the appeal of its regional and local content to a wider range of audiences, particularly BAME adults.

acknowledges that developing this will need to be a focus in the coming years in order to keep up with audience expectations of fast and comprehensive online content.

The Northern Ireland population's general impression of the BBC remains lower than the UK average. For this reason, we encourage the BBC to find new ways in its network and local output to ensure it is seen as relevant to the audience in Northern Ireland.

Audience Council Northern Ireland assessment
Audience Council Northern Ireland believes

that BBC television's strong performance in Northern Ireland this year underscored the importance of the quality and range of local programming, alongside network programmes that reflect the tastes and interests of viewers in Northern Ireland.

Feedback shows that audiences want to see themselves and their communities more fully and authentically reflected on the BBC's UK-wide services, whether through events like *Sports Personality of the Year*, which was staged in Belfast, or programmes produced and set in Northern Ireland.

The Council notes that Radio Ulster/Foyle continued to reach a large and appreciative audience with a wide range of programmes and interaction with its listeners. Audiences in Northern Ireland would like to see BBC news do more to reflect how society has changed and to find new ways into public policy matters beyond the political lens, with a wider range of topics and voices. They want the BBC's local news web pages to be more up to date, especially at weekends, and they feel that network news should do more to compare policy differences in the devolved nations.

As we approach a new Charter period, the Council believes the BBC must transform its offer for young audiences, work to close the divide between those with full access to digital services and those without, and find innovative ways to build on how it listens to its diverse audiences.

The Council's full assessment can be found on the Trust website.

England

Trust assessment

The BBC's performance in England broadly reflects that of the UK overall – the audiences' general impression and their perceptions of the quality of content are high. As with the UK overall, reach of BBC television fell slightly further this year, and audience appreciation scores were also down slightly. Reach of BBC radio remained stable – 66% of adults in England listen each week, and perceptions of quality are high.

In common with trends for the UK overall, in England there remains a wide disparity in usage of BBC services among different audience groups. In particular, reach and time spent with BBC television and radio remains lower among younger and BAME audiences.

Across the BBC's 12 English Regions there continues to be variation in usage and perceptions of BBC services. Usage of BBC television and radio is generally lower in London, the Midlands and the North of

England; while the audiences' general impression of the BBC remains lower than average in the North of England.

BBC Local Radio is listened to by 6.5 million listeners each week, including 23% of its target audience of adults aged 50 and over. While remaining high, its audience reach has declined again this year. In response, the BBC aims to make Local Radio, around its core offer of local news and issues, more engaging for listeners through presenters showing greater warmth and personality. We are satisfied that this does not reduce the stations' focus on news, nor does it imply any change to the remit of BBC Local Radio.

In England, the BBC's regional news on television continues to reach a very large number of people and audience perceptions are very positive. It is watched by 45% of adults in England each week and the weekday 6.30pm programme is the BBC's most watched news programme. Its reach has fallen slightly in the last few years, but this reflects broader viewing trends. Our service review found that regional current affairs in England is highly valued and is now a unique part of UK public service broadcasting, as there is no comparable offer from other UK broadcasters.

Audience Council England assessment

Audience Council England finds that audiences in England generally have a positive perception of the BBC and appreciate its high quality content.

The Council finds that the BBC's mission to inform, educate and entertain remains important to audiences. And, while there are differences across the English Regions, the BBC continues to be the broadcaster most likely to be missed by audiences, with praise for the range and originality of much of its television and radio content. However, the Council think that the BBC might do more to appeal to younger audiences.

The Council found substantial audience appreciation for the BBC's informative and trusted regional news and current affairs, and for BBC Local Radio. We encourage the BBC to sustain the unique role of BBC Local Radio even as audience habits change and listening to radio may be at a lower level.

The audience believes it is vital that the BBC innovates in new services and content in the evolving digital media market. However, this needs careful planning in order to ensure that some licence fee payers are not super-served while others cannot access BBC services.

We welcome the BBC's diversity initiatives and encourage consistent action to achieve enduring change and address the disparity of usage among different audience groups in England. Serving the diverse audience in England must remain a priority for the BBC.

The Council's full assessment can be found on the Trust website.



Huw Stephens broadcasts live from Cardiff Castle for BBC Radio 1

The BBC and the wider market

The BBC's market impact

The Government's Green Paper raised two questions about the market impact of the BBC. It asked whether the evidence suggests that the BBC has a positive or negative wider impact on the market and also whether the BBC was crowding out commercial competition.

The Trust commissioned KPMG to conduct independent analysis to help answer these questions. This analysis found no clear evidence of any negative market impact and, in particular areas that KPMG focused on, their report also found that the BBC has had a positive impact on the market.

Clearly, market developments also impact on the BBC's ability to deliver the services and content that licence fee payers expect. In particular, increasing globalisation and consolidation, as well as strong new entrants such as Netflix and Amazon Video, mean that the BBC faces more competition now than ever before.

We recognise that any specific new area of BBC spending or activity does have the potential to affect adversely other interested parties, so it is vital that these proposals are carefully regulated by the Trust and Ofcom to provide sufficient protection and assurance to the market.

Fair trading

The Trust has a Charter duty to consider the competitive impact of the BBC's activities on the wider market. It sets the policy framework to ensure that the BBC trades fairly and holds it to account for compliance with this framework through regular audits and reviews, and through its role as appeal body for fair trading complaints.

The fair trading policy and procedures ensure that the BBC takes account of, and seeks to minimise, any negative impact that its activities have on the wider market. It also ensures proper separation between the BBC's publicly funded and commercially funded activities, such that the BBC's commercial services do not receive any unfair advantage and do not distort the market.

In February the Trust published its second three-yearly review of the operation of the BBC's fair trading controls. The review, which took evidence from a wide range of contributors, was conducted for the Trust by Fingleton Associates Ltd. and we published their report along with our own conclusions and actions.

Overall, we found the fair trading arrangements to be operating well. We found no evidence of any fundamental problem in the design or operation of the fair trading arrangements.

Our review process did identify some areas where there was scope for some improvement. We concluded that there should be some re-balancing from BBC self-assessment to more independent oversight from a regulator, that there should be closer scrutiny of the separation and transfer pricing arrangements between the BBC and its commercial service subsidiaries, and that the Trust should engage with the market to assess the impact of BBC ideas prior to approval more often than in the past. The Trust has already acted to address these and other issues identified. In particular, it will shortly conclude and publish the findings from a comprehensive review of transfer pricing conducted by EY.

We also required the BBC to obtain a more thorough account of the detailed work performed as part of the fair trading audit this year, with a greater focus on identifying the appropriateness of fair trading outcomes for individual cases, as well as whether processes have been followed correctly.

As well as examining the overall control environment, the auditors conducted a risk-based analysis to identify those aspects of the BBC's fair trading control regime that represent the most significant fair trading risk and focused their more detailed audit examination on those areas.

More than 50 individual cases were selected from the BBC's fair trading log for review. In each of these cases the auditors examined written records and interviewed relevant parties to reach a view both on the operation of the control systems but also on the appropriateness of the outcome. Cases examined, and the areas of significant risk around which the work was focused, covered all three of the BBC's commercial service subsidiaries and included examination of transfer pricing and separation arrangements, use of and payment for the BBC brand, and the application of the Trust's requirement that, subject to fulfilling the public purposes, the BBC should minimise any negative market impact (the Competitive Impact Principle).

Following this work the auditors were able to issue an unmodified opinion, confirming their view that '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 under review'. The auditor's opinion and the Executive Fair Trading Committee's response to the findings are published in Part Two of this annual report.

No fair trading appeals were made to the Trust during 2015/16.

The BBC Studios proposal is one of the biggest proposed changes to BBC TV production in its history. Our early conclusions are that the opening up of more programming to competition could deliver real benefits both for audiences and the creative market.

Rona Fairhead, Chairman, BBC Trust

Competition for programme supply

Licence fee payers expect the BBC to make the most distinctive, high quality output available on screen, on air and online. To meet these expectations the BBC needs to be organised in a way that allows it to pursue the best ideas, whatever their source. The Trust firmly believe that the BBC's content supply arrangements should therefore be open to a wide range of sources, including the BBC's own producers and independent producers, and promote creative competition between them. This should foster an environment where the best programme and content ideas are available to the BBC's commissioners.

In 2015, the Trust undertook a major review of the ways that programmes and content are made and supplied to the BBC across television, radio and online and, at the start of 2016, we published advice to the Government on the possible reform of these arrangements in the next Charter period¹.

Television supply

Currently the BBC's supply arrangements for television content require that it commission 50% of network programme hours from BBC in-house production, 25% from qualifying independents and the remaining 25% from any supplier, through the Window of Creative Competition (WoCC). In 2015/16, the BBC sourced 54% of its programmes from BBC production and 46% from the wider market, spending over £443 million with external suppliers.



The Trust expects the BBC to commission 25% of its eligible online spend for content and services from independent suppliers

The Trust's review found that these arrangements had been successful in helping change the BBC's commissioning culture and opening up supply to competition for the best ideas. However, in the light of the strong performance of external producers in winning contestable commissions as well as wider market developments, we also found that the current system was becoming unsustainable. In 2015/16, external producers won 83% of the WoCC hours available and BBC in-house 17% (76% and 24% respectively in 2014/15).

We concluded that there was a strong case for a change to arrangements by at least reducing the 50% in-house guarantee. Otherwise we identified an increasing risk that BBC commissioners will struggle to make the best creative decisions on behalf of licence fee payers as they are likely to be forced to prioritise meeting the quotas.

Within our overarching concerns to secure the best ideas and value for money for audiences, the Trust also expects the BBC to draw on the capacity and skills of the whole UK in sourcing its network television production. Pursuant to this, the Trust has set the BBC a target to ensure that 50% of network television production spend will come from outside London by 2016 and, within this, the

BBC should source at least 17% of this spend from Scotland, Wales and Northern Ireland. In 2015 it commissioned 48.1% of television network spend outside of London, with 16.6% coming from the Nations. Our review found that the BBC's strategic approach to network supply generally had contributed to increased plurality of the supply base as well as to the growth of production skills around the UK. However, building on this performance to achieve sustainable local ecologies and providing output that represents the whole of the UK remain key industry challenges.

As part of the Charter Review process, in September the Government asked for the Trust's views on options for reforming the current system namely changes to the quotas, directly scaling back BBC in-house production and the BBC Executive's own proposal to remove the in-house guarantee in most genres and allow BBC in-house production to operate commercially as BBC Studios, a wholly owned subsidiary of the Corporation.

Following consultation on these options, in February we published our advice to the Government¹.

¹ BBC Trust, Options for changes to the supply arrangements for the production of the BBC's television content, radio content and online content and services: BBC Charter Review Submission to the Secretary of State for Culture, Media and Sport, February 2016

In our advice, we concluded that creating BBC Studios and opening up BBC supply to more competition would be likely to best serve the interests of audiences compared with the alternatives. On the available evidence, from the options presented, BBC Studios is forecast to be best placed to revitalise BBC in-house production and we believe such capacity is vital to ensure the continuation of the mixed model of supply that has served audiences across the UK well to date, as well as to safeguard the BBC's ability to deliver the public purposes in the future. In the White Paper, the Government gave its in-principle support to BBC Studios proceeding, but the final proposals will be subject to a full regulatory assessment to ensure the commercial subsidiary will be set up to trade fairly and without advantage from the licence fee.

Radio supply

The Trust expects BBC radio to commission at least 10% of its eligible radio hours from independent suppliers and a further 10% is open to competition across the networks as a WoCC. Our review found that independent producers won the majority of contestable commissions to date and that it was the right time to consider whether changes to both the radio WoCC and quota might better meet the needs of licence fee payers and help support market development.

Setting strategy and assessing performance

For Radio, the BBC has proposed significantly increasing the amount of eligible radio hours available to independent producers, from the current 20% to 60% over the course of the next Charter. The White Paper now states that the new Charter will require the BBC to make a minimum of 60% of eligible radio hours available to independent producers by 2022. The Trust believes that mixed supply, allowing BBC audiences access to the most creative ideas, is the best approach. However, the Trust has cautioned that this can only work where there is sufficient capacity in the market, otherwise it risks failing to achieve value for money for licence fee payers.

Online supply

The Trust expects the BBC to commission 25% of its eligible online spend for content and services from independent suppliers. While the BBC is consistently meeting this quota our review noted that production of online content will only increase in importance for the BBC over the next decade and, like television and radio, we also judged it timely to re-consider the BBC's approach to the supply of ideas in this area.

Following on from the BBC's own proposals for reform to introduce greater competition, the White Paper has proposed that all the BBC's non-news online content should be fully competed by the end of the next Charter period. As with the other proposals the details will need to be worked through to ensure the interests of licence fee payers are protected.

Distribution Framework principles

The Trust Distribution Framework principles designed to uphold the interests of audiences:

- services should be universally accessible and free at the point of use
- distribution arrangements should represent value for money for licence fee payers
- the BBC should be open and transparent over decisions about where its services should or should not be made available
- BBC services and content should be easy to find on the platforms and devices they are distributed through
- distribution arrangements should facilitate direct relationships between the BBC and its audiences
- the BBC should have sufficient control over its content when distributed through third parties

Working with partners to make the BBC's services widely available

To be able to fulfil the public purposes, the BBC must have in place adequate arrangements for making its services widely available to audiences through a range of convenient and cost effective ways. In October we published a Distribution Framework which sets out the principles that the BBC should follow to maximise public value when working with partner organisations. It aims to provide industry with a clear and fair basis for engaging with the BBC in this area.

As confirmed by our audience research, most people want the BBC to continue providing its services on newer platforms and devices.

Accordingly, the Framework requires the BBC to keep pace with the technological progress by pursuing a hybrid strategy that makes best use of both broadcast and IP infrastructure and also by supporting opportunities to innovate.

The Framework further confirms the Trust view that, over the internet, licence fee payers interests continue to be best served in most cases by offering platform operators and others access to the full range of BBC content within a BBC environment via a standard product, currently the BBC iPlayer.



The Trust expects the BBC to make available at least 20% of eligible radio hours – for programmes such as *Kermode and Mayo's Film Review* on 5 live – to independent suppliers

Overseeing other activities

S4C

The BBC Trust oversees the funding from the licence fee received by S4C and reviews, with the S4C Authority, the performance of the channel each year.

There is further evidence this year of the benefit of the BBC and S4C's partnership: the agreement to locate part of both organisations in a new building in central Cardiff and the decision that S4C should continue as a channel on BBC iPlayer, are both examples which show how the two organisations can work together effectively to benefit Welsh speakers.

The Trust and S4C Authority have agreed a level of S4C funding for the year 2017/18 which follows the end of the current Operating Agreement. We have begun to discuss with S4C how the changes to BBC governance in the next Charter period may be translated through to the two organisations' strategic relationship.

In terms of S4C performance this year, we are again pleased to see that audience perceptions of the quality of S4C's programmes remain high. We have noted in the Charter Review process how important S4C is to people in Wales.

The channel faces the same challenges as most broadcasters, as it competes for its audiences' attention alongside a growing number of other sources of information and entertainment. In this context, it is encouraging to see that S4C's reach across the UK has risen and that consumption of its programmes on demand and of its children's service *Cyw* is growing. However, reach within Wales continues to fall.

We are pleased to hear that S4C has been working to understand more about the Welsh speaking population and their needs and is adjusting its programming strategy accordingly with a growing focus on high-impact programmes which will have appeal on demand as well as when broadcast. The success of S4C-BBC co-produced drama *Hinterland* demonstrated the benefits that can come with this approach.

BBC Monitoring

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

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

Commercial services

The Trust is responsible for ensuring that the BBC's commercial services (BBC Worldwide Ltd., BBC Global News Ltd., and BBC Studioworks Ltd.) fit with the public purposes of the BBC, do not damage its brand or reputation, do not distort the market and are commercially efficient. It sets the framework for commercial service approvals and requires each commercial service to assess its compliance with these criteria and publish its findings annually.

No commercial services have required Trust approval during 2015/16.

In April 2015 a new framework came into effect to bring the BBC Trust's oversight of the BBC's commercial services into line with the way that the licence fee-funded services are overseen.

The framework set four principles for the commercial services, governing:

- strategic alignment between the licence fee-funded and commercial services
- how, where, and when commercial business can be conducted
- how commercial performance will be assessed and how market distortion will be prevented, and
- how the necessary financial and operational separation between the publicly funded and commercial BBC activity will be maintained

When the framework was launched the Trust also announced an independent review of the transfer pricing arrangements in place between the BBC and its commercial services to assess whether the necessary controls and procedures were being applied to ensure that fair market rates were being paid. We will shortly conclude and publish the findings from the review conducted by Ernst & Young LLP (EY).

The Trust also monitors the commercial efficiency of the BBC's commercial services, considering whether each is performing sufficiently to avoid any market distortion. Each service should generate a long-term return on investment to the BBC appropriate to the market it is operating in. The Trust reviews the annual performance, budget and borrowing proposals and evidence from the BBC's auditors to assess whether this requirement is met.



The Trust ensures the BBC's commercial services, such as BBC Global News Ltd., fit with the public purposes of the BBC



Inside the Trust

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

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BBC Trustees

Getting the best out of the BBC for licence fee payers. Trustees are part time and come from a variety of backgrounds, bringing a wide range of experience to the BBC.



Rona Fairhead, Chairman

Chairs Trust Management Group and Dame Janet Smith Review Committee.

Other roles

Non-executive Director, PepsiCo Inc; Honorary Fellow and Member of Development Fund Committee, St Catharine's College, Cambridge; Member, Business Ambassadors Forum, Royal Air Force Centenary Project.



Sir Roger Carr, Vice-Chairman

Member of Value for Money Committee, Trust Management Group and Dame Janet Smith Review Committee.

Other roles

Chairman, BAE Systems Ltd; Senior Adviser, KKR (includes Advisory Board role on Trainline.com); Mentor, CMi; Mentor, Mentore; Trustee, Laundau Forte Academy Trust; Visiting Fellow, Saïd Business School, University of Oxford; Senior Adviser, Agilitas Private Equity.



Sonita Alleyne OBE

Lead Trustee on diversity and equality. Deputy Chair of Complaints and Appeals Board. Member of Editorial Standards Committee, Value for Money Committee and Dame Janet Smith Review Committee.

Other roles

Founder, Yes Programme Ltd; Non-executive Director, Cultural Capital Fund Ltd; Member, British Board of Film Classification; Member, London Legacy Development Corporation; Adviser, Creative MBA programme, Ashridge Business School.



Richard Ayre

Chairs Editorial Standards Committee. Lead Trustee on transparency issues and the complaints framework.



Mark Damazer CBE

Member of Editorial Standards Committee and Services Committee.

Other roles

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



Mark Florman

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

Other roles

Chairman, Time Partners; Chairman, Spayne Lindsay LLP; Senior Adviser, MCF Corporate Finance; Honorary President, B Labs (UK); Chairman of Patrons, Build Africa; Trustee, Foundation for FutureLondon; Trustee, the Swedish Chamber of Commerce; Trustee, the Commonwealth Education Trust Ltd; International Advisory Committee member, Paleontological Scientific Trust.



Bill Matthews

Trustee for Scotland (chairs Audience Council Scotland). Chairs Complaints and Appeals Board. Member of Editorials Standards Committee and Dame Janet Smith Review Committee. Chairman, BBC Pensions Trust.

Other roles

Deputy Chair/Board member for Scotland, Security Industry Authority; Chairman, Hub West Scotland; Member for Scotland, British Transport Police Authority; Non-executive Adviser, Criminal Injuries Compensation Authority; Non-executive Director, National Records of Scotland.



Aideen McGinley OBE

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

Other roles

Commissioner, Liverpool Mayoral Commission on Creativity and Innovation; Trustee, Carnegie UK Trust; Co-Chair, Carnegie Trust Roundtable on Wellbeing in Northern Ireland; Jury Member, UK City of Culture 2017; Trustee, Fermanagh Trust; Governor, St Michael's College, Enniskillen; Director, The Aisling Centre; Associate, Future Search Associates; Member, Mencap Advisory Group.



Nick Prettejohn

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

Other roles

Chairman, Scottish Widows; Non-executive Director, Lloyds Banking Group plc; Chairman, Britten-Pears Foundation; Chairman, Royal Northern College of Music; Chair of Financial Advice Working Group.



Elan Closs Stephens CBE

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

Other roles

Emeritus Professor, Aberystwyth University; Non-executive Director and Chair of Audit and Risk, Welsh Government; Chair of Audit and Risk, Member of Personnel and Complaints Committees, S4C Authority; Non-executive director, IMAX (Waterloo) and Monitor, HLF Award on Unlocking Film Heritage, BFI; Member, National Museums of Wales Development Board; Honorary Fellow, Coleg Cymraeg Cenedlaethol.



Suzanna Taverne

Chairs Services Committee. Member of Value for Money Committee.

Other roles

Non-executive Director, Ford Credit Europe; Trustee, StepChange Debt Charity.



Lord Williams of Baglan

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

Other roles

Distinguished Visiting Fellow, Chatham House; Member of governing board, School of Oriental and African Studies; Member, Swansea University Council; Chairman, Mines Advisory Group; Honorary Life Member, British Society for Middle Eastern Studies.

Governance

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

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

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

Our regular business is undertaken in monthly meetings of the full Trust and some sub-committees. At these meetings we make decisions relating to our duties and responsibilities and consider proposals from the Executive Board.

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

Trustee changes during the year

The Trustees listed on pages 46 and 47 reflect the membership of the Trust as at 31 March 2016. On 1 April 2015, Mark Florman joined as Trust member for England and Mark Damazer as a Trust member. Diane Coyle stepped down on 30 April 2015. Sir Roger Carr joined as Vice-Chairman on 1 May 2015.

Trustees' attendance at Trust meetings (1 April 2015 – 31 March 2016)

Chairman	
Rona Fairhead	19/19
Vice-Chairman	
Diane Coyle*	1/1
Vice-Chairman	
Sir Roger Carr**	15/18
National Trustees	
Mark Florman	19/19
Bill Matthews	15/19
Aideen McGinley	18/19
Elan Closs Stephens	19/19
Trustees	
Sonita Alleyne	17/19
Richard Ayre	19/19
Mark Damazer	18/19
Nick Prettejohn	15/19
Suzanna Taverne	18/19
Lord Williams	17/19

* Diane Coyle's term of office ended on 30 April 2015.

** Sir Roger Carr joined as Vice-Chairman on 1 May 2015.

Assessing our own performance

In the Trust's Standing Orders, we set ourselves a commitment to evaluate the performance of the Trust and its committees, and to publish the results in the Annual Report.

The quick assimilation of three new members in March 2015 brought the Board back up to full strength and we have worked cohesively as a group. Over the year we have focused increasingly on Charter Review, communicating our view on priorities for tomorrow's BBC. At the same time, we have also continued working to secure the best possible service and value from today's BBC for licence fee payers, handling complex issues such as the BBC Three move online.

As we move towards a new Charter period, we reflected on the Trust's work over the last ten years; areas where we felt it was most successful included ensuring the voice of the licence fee payer is heard and holding the BBC to account by consistently assessing performance. We believe that the structural changes proposed to the governance of the BBC will provide an opportunity to improve accountability further.

The Trust Unit

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

Register of interests

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

Trust committees

We do much of our work through committees, which can make certain decisions on behalf of the Trust as a whole. The members of each committee and their attendance during 2015/16 are shown below. The terms of reference for committees can be found on our website.

Complaints and Appeals Board

Chair: Bill Matthews

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

Meeting attendance (1 April 2015 – 31 March 2016)

Trustee	Attendance
Bill Matthews	9/11
Sonita Alleyne*	11/11
Other Trustees attended the following number of panel meetings	
Sir Roger Carr	1
Richard Ayre	3
Mark Damazer	2
Mark Florman	1
Aideen McGinley	1
Nick Prettejohn	3
Suzanna Taverne	1
Lord Williams	1
Diane Coyle*	1

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between 1 April 2015 and 31 March 2016 she attended one CAB meeting.

* Committee membership changes: Sonita Alleyne became Deputy-Chair on 1 May 2015. Diane Coyle's term of office ended on 30 April 2015.

Editorial Standards Committee

Chair: Richard Ayre

The Editorial Standards Committee (ESC) is responsible, on behalf of the Trust, for establishing the BBC's editorial standards. The ESC commissions the BBC's Editorial Guidelines and monitors the Executive Board's compliance with these guidelines.

As the final stage of the BBC's complaints process, the ESC considers appeals relating to breaches of the Editorial Guidelines as well as related complaints handling issues. It also has functions in relation to election and referendum coverage, party political broadcasts, party election broadcasts and referendum campaign broadcasts. In addition, the committee manages the Trust's programme of impartiality reviews and seminars.

Meeting attendance (1 April 2015 – 31 March 2016)

Trustee	Attendance
Richard Ayre	14/14
Sonita Alleyne	14/14
Mark Damazer*	12/12
Bill Matthews	12/14
Nick Prettejohn	13/14
Aideen McGinley	2/2
Diane Coyle*	1/1
Mark Florman	1/1

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between 1 April 2015 and 31 March 2016 she attended seven ESC meetings.

* Committee membership changes: Mark Damazer joined the committee on 1 May 2015. Diane Coyle's term of office ended on 30 April 2015.

Trust Management Group

Chair: Rona Fairhead

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

Meeting attendance of TMG (1 April 2015 – 31 March 2016)

Trustee	Attendance
Rona Fairhead	3/3
Diane Coyle*	0/1
Sir Roger Carr*	1/2
Aideen McGinley	3/3
Nick Prettejohn	3/3
Elan Closs Stephens	3/3
Lord Williams	2/3
Sonita Alleyne, Richard Ayre and Bill Matthews all attended one meeting but did not vote	1/1

* Committee membership changes: Sir Roger Carr joined the committee on 1 May 2015. Diane Coyle's term of office ended on 30 April 2015.

Services Committee

Chair: Suzanna Taverne

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

Meeting attendance (1 April 2015 – 31 March 2016)

Trustee	Attendance
Suzanna Taverne	10/10
Diane Coyle*	1/1
Aideen McGinley	9/10
Lord Williams	8/10
Richard Ayre*	8/9
Elan Closs Stephens*	8/9
Mark Damazer*	1/1

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between 1 April 2015 and 31 March 2016 she attended three SC meetings.

* Committee membership changes: Diane Coyle's term of office ended on 30 April 2015. Elan Closs Stephens joined the committee in May 2015. Richard Ayre stood down in December 2015. Mark Damazer joined the committee in January 2016.

Value for Money Committee

Chair: Nick Prettejohn

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

Meeting attendance (1 April 2015 – 31 March 2016)

Trustee	Attendance
Nick Prettejohn	9/9
Sonita Alleyne	9/9
Suzanna Taverne	8/9
Mark Florman	6/7
Sir Roger Carr	4/7

Rona Fairhead, Chairman of the Trust, is entitled to attend any meetings of the committee and between 1 April 2015 and 31 March 2016 she attended three VFM meetings.

* Committee membership changes: Diane Coyle stood down from the committee in March 2015 and her term of office ended on 30 April 2015. Mark Florman joined the committee on 1 April 2015. Sir Roger Carr joined the committee on 1 May 2015.

Dame Janet Smith Review Committee

This ad hoc committee of the Trust met to review the Report of the Dame Janet Smith Review; to consider the Executive's response to the Report; to prepare the Trust's response to the Report and to the Executive's response; and to make recommendations to the Trust. Its members were Rona Fairhead (Chair), Sir Roger Carr, Sonita Alleyne and Bill Matthews.

Inside the Trust

Trustees' remuneration

Fees

Trustees' fees are determined by the Secretary of State for Culture, Media and Sport. In September 2010, Trustees took a voluntary 8.3% pay cut (equivalent to a month's salary), in parallel with the then-Director-General and other Executive Board members. The reduced fees for Trustees will remain in effect until 31 December 2016 and are reflected in the table below. Trustees do not receive severance pay or other compensation for loss of office.

Expenses

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

Chairman's benefits

Rona Fairhead is not eligible to receive any benefits other than her fee but does make use of a BBC driver when required for BBC business.

Trustees' remuneration

	Fees ¹ £000	Taxable benefits £000	Total 2015/16 £000	Total 2014/15 £000	Appointment term start date	Appointment term end date
Chairman and Vice-Chairman						
Rona Fairhead ⁴	110	6	116	55	9 Oct 14	8 Oct 18
Sir Roger Carr ²	65	–	65	–	1 May 15	30 Apr 19
Diane Coyle ³	6	–	6	87	1 Nov 06	30 Apr 15
Lord Patten ⁴	–	–	–	11	1 May 11	6 May 14
National Trustees						
Mark Florman	38	–	38	–	1 April 15	31 Mar 19
Bill Matthews ⁵	38	–	38	38	1 Jan 11	31 Dec 16
Aideen McGinley	38	–	38	38	1 Nov 12	31 Oct 16
Elan Closs Stephens	38	–	38	38	1 Nov 10	31 Oct 18
Alison Hastings ⁶	–	–	–	22	1 Nov 06	31 Oct 14
David Liddiment ⁷	–	–	–	19	1 Nov 06	31 Oct 14
Trustees						
Sonita Alleyne	33	–	33	33	1 Nov 12	31 Oct 16
Richard Ayre	33	–	33	33	1 Aug 10	31 Jul 18
Mark Damazer ⁸	30	–	30	–	1 April 15	31 Mar 19
Nick Prettejohn	33	–	33	33	1 Jan 14	31 Dec 17
Suzanna Taverne	33	–	33	33	1 Jan 12	31 Dec 19
Lord Williams	33	–	33	33	1 Dec 11	30 Nov 17
Total Trustees	528	6	534	473		

Notes

1 Trustees took an 8.3% voluntary reduction in pay, in parallel with the then Director-General and Executive Board, in September 2010. This will remain in effect until 31 December 2016.

2 Sir Roger Carr began his appointment on 1 May 2015; accordingly his fees for 2015/16 relate only to his time in office and do not cover the full year.

3 Diane Coyle ended her appointment on 30 April 2015; accordingly her fees for 2015/16 relate only to her time in office and do not cover the full year.

4 Lord Patten's term ended on 6 May 2014.

5 Bill Matthews is the Chairman of the Board of the BBC Pension Trust Ltd., the corporate trustee of the BBC Pension Scheme. He is separately remunerated for this role. Further details are available in the BBC Pension Scheme Annual Report and Accounts.

6 Alison Hastings' term ended on 31 October 2014.

7 David Liddiment's term ended on 31 October 2014.

8 Mark Damazer requested not to be paid for his first month in office (April 2015); accordingly his fees for 2015/16 reflect this.

A Rona Fairhead is not eligible to receive any benefits other than her fee but does make use of a BBC driver when required for BBC business.

Trust finances

We run our operations as efficiently as possible and our direct expenditure for 2015/16 was well below that for the previous year.

In line with the rest of the BBC, we are committed to making savings. Specifically, we are committed to keeping our direct expenditure below 0.31% of total licence fee income. This year, direct expenditure represented less than 0.2% of total licence fee income (2014/15 0.21%).

Director and senior management remuneration

Jon Zeff, formerly Director, BBC Trust, stepped down from his role on 19 April 2015 but continued in an advisory capacity for the remainder of his notice period at his previous salary. Alex Towers, previously Deputy Director, was appointed Director on a permanent basis on 20 April 2015.

The aggregate emoluments and base pay for the position during 2015/16 were: Alex Towers £178,008 (of which £148,814 was base pay) and Jon Zeff £10,469 (£9,500 base pay). In 2014/15 Jon Zeff's emoluments and base pay were £154,103 and £127,742 respectively, and Alex Towers' emoluments and base pay during his period as acting Director were £18,301 and £16,254 respectively. The position holder is a member of the BBC Pension Scheme.

Over 2015/16 the Trust Unit had six senior managers in addition to the Director, and our website provides an analysis of their remuneration split into £5,000 salary bands.

Reporting regulations

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

EY's report and the statement of Trust responsibilities can be found on pages 52 and 53. The BBC is exempt from the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and those of the Financial Conduct Authority but, where relevant, we have prepared this report as if those requirements apply.

Trust expenditure statement

	Note	2015/16 £000	2014/15 £000
Trustee remuneration	1	588	521
Staff costs	2	4,218	4,002
Other operating costs	3	2,216	3,183
Direct Trust expenditure	4,5	7,022	7,706
Ofcom regulatory fees	6	2,425	2,204
Ofcom Market Impact Assessment fees	7	445	332
Total Ofcom fees payable by Trust		2,870	2,536
Total Trust expenditure		9,892	10,242

Notes

- The remuneration received by each Trustee is shown in the table on page 50. The figure in the table above includes social security costs. The 2015/16 total reflects the filling of vacancies which had arisen during 2014/15.
- Staff costs include wages and salaries, social security costs and employer's pension contributions.
- Operating costs include direct expenditure on activities such as research, legal advice, other specialist advisory services and the Trust's consultation activities and stakeholder events.
- This represents direct external spend by the Trust. The Trust also made use of shared services, which included property provision, finance, HR and information services that were provided by the BBC public services.
- Of direct Trust expenditure, £826,823 (2014/15: £731,245) relates to spend on Trust activities in the four nations.
- Ofcom allocates its costs of television and radio regulation to the BBC and the other UK broadcasting channels. The Trust pays the BBC's share of that allocation.
- Ofcom Market Impact Assessment (MIA) fees cover Ofcom's direct and indirect costs in undertaking the MIA for public value tests.

Trust people

Average for year	2015/16	2014/15
Trustees	11.9	11.8
Trust Unit staff (EFT) ¹	63.0	61.8

Note

¹ Trust Unit staff are those employed directly by the Trust Unit. Of the 63.0 average equivalent full-time (EFT) Trust Unit staff for 2015/16, 13.7% EFTs were based outside London and supported the work the Trust undertakes in Wales, Scotland, Northern Ireland and England (2014/15: 13). 8.7% came from a BAME background (2014/15: 10.2%); 4.8% are disabled (2014/15: 5.3%) and 69.8% are women (2014/15: 70%).

Report of Ernst & Young LLP to the BBC Trust

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

1. Agree Trustees' remuneration to confirmation from the Department for Culture, Media and Sport (DCMS).

2. Agree that the expenditure as shown in the Trust Expenditure Statement has been accurately extracted from the books and records of the Trust on the basis of the notes to the Trust Expenditure Statement.

We report our findings below:

A. With respect to item 1 we found that all Trustees' remuneration was confirmed by the DCMS.

B. With respect to item 2 we found that the expenditure as shown in the Trust Expenditure Statement has been accurately extracted from the books and records of the Trust on the basis of the notes to the Trust Expenditure Statement.

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

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

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

Richard Wilson
For and on behalf of
Ernst & Young LLP
1 More London Place
London SE1 2AF
16 June 2016

Statement of responsibilities in respect of the Annual Report and Accounts

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

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

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

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

Statement of disclosure of information to auditors

The Trustees who held office at the date of approval of this Annual Report and Accounts confirm that, so far as each is aware, there is no relevant audit information of which the BBC's auditors are unaware; and each Trustee has taken all the steps that he or she ought to have taken as a Trustee to make himself or herself aware of any relevant audit information and to establish that the BBC's auditors are aware of that information. This statement was approved by the Trust on 16 June 2016.

Rona Fairhead
Chairman
16 June 2016



The BBC Executive's review and assessment

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

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The magic of broadcasting

Above the noise and debate of the last 12 months, I'm convinced that it's the quality of our programmes and services that people care about most. It's our creativity and editorial ambition on-screen and on-air that make the case for the BBC.

We're here for one simple reason and that's to bring the best to everyone: to showcase great British drama, sport and events that bring us all together; to produce news and analysis people can trust; to deepen our understanding of the world; to broaden our minds and make us laugh too. That's my starting point for every conversation about this great organisation. And that's why we can look to the future with confidence.

When I returned to the BBC, I wanted to do something more for our country's great writers, directors, actors and producers. That's why we've invested in drama as distinctive as *War and Peace*, *Sherlock*, *The Night Manager*, *Happy Valley*, *The Dresser*, *Line of Duty* and *Doctor Foster*. They've given us all many hours of unforgettable storytelling this year.

There have been moments of high political drama too – our Question Time election special; our online General Election coverage, attracting more than 19 million unique browsers globally the day after the election; plus an extraordinary year of international news. Let's also not forget the essential role our local radio stations played in keeping their listeners and the whole country informed about the floods. And they do so much more besides.

This year BBC Radio has done a lot to be proud of. I applaud the way our stations back new artists and promote British talent the

world over. That is why Adele chose to work with us for her comeback. And it's why world-leading artists like Coldplay return to the BBC time and again. We also produce the biggest and best classical music season you will find anywhere in the world, with every concert, every day on Radio 3. And *The Archers* deserves special mention for setting the agenda and bringing the issues around domestic violence to the fore in an extraordinary slow burn story that gripped the country.

I've talked about the BBC working much more closely with others, and this year's Shakespeare season has been a revelation. We've collaborated like never before, we've been open to new ideas and partnered with some of our country's most creative and playful minds. The Royal Shakespeare Company produced a unique celebration on BBC Two, Sam Mendes and his team produced a stunning series of *The Hollow Crown*, Russell T Davies brought the magic of *A Midsummer Night's Dream* to BBC One. And we shaped an international festival online with the British Council and cultural organisations across the UK, including Shakespeare's Globe, the Shakespeare Birthplace Trust, the Royal Opera House, the British Film Institute and the Glasgow School of Art. For the first time, we opened up iPlayer to some of our country's finest institutions so everybody could join in their events.

Programmes and events that bring people together will always be at the heart of what we do. From Radio 1's *Big Weekend*, to *Bake Off*, the BBC has helped to entertain families, communities and nations throughout the last year. But alongside these shared moments, audiences are also making use of technology in new and innovative ways, particularly on the internet.

This year we have been responding to these changes. BBC Three is an exemplar of this. The channel launched online in February 2016 and I'm delighted by what the team has been doing. The channel offers short form, long form and new forms of content, not just on the web but as part of the web, woven into the social media conversations of its young audience.

Alongside our creative success this year we now also have certainty over the BBC's future. The debate about the renewal of the BBC's Charter has taken place over this year and the result has been a Government White Paper, published in May 2016, that backs a strong, world-class BBC. The Government has agreed to provide the BBC with a new Charter for the next 11 years, which will provide a stable basis upon which we can continue to surprise and delight audiences.

I strongly believe that the BBC's best days are ahead of us, and that's what I've been fighting for throughout the year.



BAFTA award-winning *Strictly Come Dancing* continued its annual seaside special at Blackpool Tower



CBeebies' production of *A Midsummer Night's Dream* was performed as part of the BBC's Shakespeare season



“In the next Charter period we want to become Britain’s creative partner. We want to continue acting as a catalyst for new ideas and collaborations, bringing together partners from universities and museums, to theatres and festivals.”

Tony Hall

A more open BBC means a leaner, more transparent organisation.

Of course, now we have a lot more to do – we have to continue to reform the BBC. In the coming year we will be reshaping the organisation to make it simpler, more creative and more open. We need to respond to the new ways audiences find and consume our content, and to make the savings necessary to live within our means.

A more open BBC means a leaner, more transparent organisation – with fewer divisions and simpler structures. This is not just to cut costs and live within the new licence fee settlement, but also to create a place where creativity can flourish.

It will not be easy to create an open BBC. It will mean unpicking structures and ways of working that have built up over generations; in many ways, an open BBC is a new BBC.

We have made good progress on achieving this – and have more to do.

However, our reform agenda is not just about the organisation – it’s also about the content we produce and how we produce it. In the next Charter period we want to become Britain’s creative partner. We want to continue acting as a catalyst for new ideas and collaborations, bringing together partners from universities and museums, to theatres and festivals. We can provide a lot of support: mass audiences from day one, a trusted guide, and deep editorial and technical expertise.

And if we are to be a truly open BBC then we have to be able to expose ourselves to scrutiny and accept responsibility for our failures as well as our successes. This year we saw the publication of Dame Janet Smith’s

Director-General's introduction



Professor Stephen Hawking delivered this year's BBC Reith Lectures on black holes



BAFTA award-winning BBC One comedy *Car Share*

Review into the cultures and practices of the BBC in the years that Stuart Hall and Jimmy Savile worked here. The events covered by the Review represent some of the worst betrayals of trust in the BBC's history. I have already said that the BBC failed the survivors of abuse when it should have protected them. And I want to express again our gratitude to those who came forward to tell their stories to the Review.

We must also do all we can to ensure that we learn the lessons of Dame Janet's Review. We have already committed to take forward the actions it recommends and are publishing, alongside this Annual Report, a progress report, setting out where we are now and what we plan to do in the coming months to ensure those lessons are learned and acted upon. We will take action, and we will be stronger for it.

It's also been a year where we have lost some icons of the broadcasting world, not least Sir Terry Wogan, who has left an extraordinary legacy which continues to inspire us all.

And we've had a chance to celebrate someone who stands for everything that is great about the BBC – Sir David Attenborough. In his 90th birthday year, he is still as curious, as pioneering and engaging as ever – perhaps more so. He's travelled around the globe and brought the wonder of the world to millions on the BBC.

To him, we all owe a huge debt of gratitude. But I also want to say thank you to everyone who has contributed to a successful year, working for us and with us. It's been a great team effort – on-screen, on-air, backstage and across a range of crucial supporting roles. Their contribution makes the BBC what it is.



Tony Hall
Director-General
16 June 2016

The debate about the renewal of the BBC's Charter has taken place over this year and the result has been a Government White Paper, that backs a strong, world-class BBC.

Delivering our strategy

Our achievements for the year and how we've delivered our strategy in 2015/16.



CBBC presenters (L-R) Lauren Layfield, Hacker, Katie Thistleton, Dodge and Karim Zeroual

Creative highlights

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



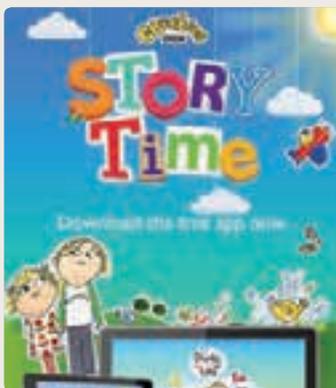
The Night Manager

The Night Manager was enjoyed by an average of 8.4 million across the series and achieved the highest distinctiveness score of any BBC drama series of the year.



500 WORDS

123,436 children were inspired to enter Radio 2's 500 WORDS short story competition for children aged 13 and under.



Cbeebies

18.3 million individual stories have been downloaded to the Cbeebies Storytime app so far.



Ten Pieces

Ten Pieces is a groundbreaking campaign to introduce children to classical music. We extended the initiative to secondary schools, building on the success of Ten Pieces Primary – which has already engaged more than half of UK primary schools.



The Proms season

In addition to BBC Radio, 29 Proms were broadcast across BBC television, representing the biggest commitment to classical music on mixed-genre channels anywhere in the world.



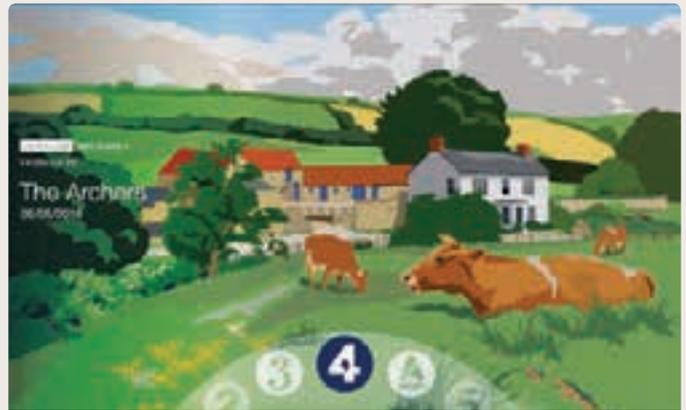
BBC World Service

The World Service audience has seen significant growth in the past year and reaches a record 246m people a week globally. A key part of this growth has come from the new language TV services launched, collectively reaching almost 20 million people every week.



The Great British Bake Off

The final of *The Great British Bake Off* reached more than 15 million people, making it the most watched programme in 2015.



iPlayer Radio app

There were over one million downloads of radio programmes via the BBC iPlayer Radio app in less than a month after its launch, with Radio 4 drama proving the most popular.



News

We're now giving audiences even more news, analysis and explanation of the day's biggest local, national and international stories, by extending the BBC's *News at Ten* by an extra 15 minutes from Monday to Friday.



Sport

Over 50 million people – 87% of the UK population – watched sport on BBC television during 2015; higher than any other broadcaster.



Music

A clip from the world-exclusive *Adele at the BBC* has become the most watched clip on the BBC YouTube Channel, with over 48 million views.



Sherlock

Sherlock: The Abominable Bride was the most watched programme across all channels over the Christmas period, with 11.6 million viewers.



Stick Man

Stick Man was watched by more children aged 4 to 15 than any other programme on any channel over the festive period.



Weather

1 July 2015 saw a new summer record of 7.3 million UK unique browsers coming to BBC Weather, as the UK basked in sun on the hottest July day ever recorded.



Strictly Come Dancing

The final of 2015's *Strictly Come Dancing* was watched by 12.3 million viewers and across the series was watched by more than 50% of all television viewers.



General Election

Mobile was the preferred screen to access BBC News Online during the election. Over 76.1m unique browsers globally used BBC News Online and in the UK, the BBC's coverage across all platforms reached 89% of all adults and 84% of 18 to 34s in results week.



School Report

This year marked 10 years of BBC School Report in which more than 400,000 school reporters from years one to nine have already taken part.



World at One

Radio 4's *World at One* celebrated 50 years on air. The first broadcast was on the Home Service in October 1965 and was presented by William Hardcastle.

Corporate achievements

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



Digital

The BBC Academy launched the BBC Make it Digital traineeship for up to 5,000 young unemployed people, in partnership with the Department for Work and Pensions and Skills Funding Agency.

Overhead costs

In 2015/16, 94% of the BBC's controllable spend was focused on content and delivery, with just 6% spent on running the organisation. This focus on reducing our costs ensures we are investing as much money as possible directly into content for licence fee payers.

6%



micro:bit

In the BBC's most ambitious education initiative for 30 years, every 11 or 12 year-old child across the country (year 7 or equivalent) has been given a micro:bit – a pocket-sized, codeable computer unveiled by the BBC and partners, that allows children to get creative with technology.



Sound Women

BBC Radio launched a mentoring scheme with Sound Women, offering 20 women the chance to be mentored by experienced radio production staff, in order to build their experience with the ultimate aim of increasing the number of women in senior roles in the radio industry.



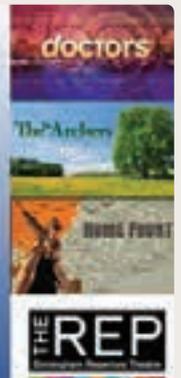
Children in Need

Children in Need raised £37.1 million; the highest ever on the night total. The final overall total will be announced this summer.

Birmingham

Writer
in
Residence

BBC
writers
room



Digital and writing talent

BBC Birmingham took centre stage as a hub for digital and writing talent, building on its role as the centre for skills and talent for the whole of the BBC.

Delivering our strategy

Our mission is to inform, educate and entertain, to bring the best to everyone. We have a very simple purpose: to make great programmes and to offer outstanding, distinctive services – to enhance the lives of everyone in the UK, to fire the imagination and the curiosity of our audiences.

The BBC improves the lives of everyone in the UK in more ways than ever before and more frequently than ever before. Across the next decade we want to maintain that role at the heart of British life, to remain Britain's greatest cultural institution.

The unique way the BBC is funded places particular obligations on us.

Because the BBC's funding is independent, that gives us creative freedom. That means a BBC that must be more prepared than ever to take risks; more open than ever to partnerships and collaborations; open to working with the best ideas and talent wherever they come from. In other words, the licence fee gives us the freedom and the obligation to be distinctive and original.

Because the BBC is funded by the licence fee, our mission is universal. Universality does not mean doing everything for everyone. It means reaching everyone with good things, things of real value, of public value to them, but of personal value to them as well: whoever they are; however wealthy they are; whatever age group they are in; whatever background they come from; and whatever part of the UK.

As we inform, educate and entertain the public, the BBC must meet these three aims: quality, universality and distinctiveness. While distinctiveness is important, it must be balanced against the public's desire for a BBC of the highest quality and a universal BBC that meets their needs. We do not want or need

to reach all audiences as an end in itself, we want and need to reach all audiences with high quality and relevant public service content that informs, educates and entertains. That is how we fulfil our mission. For 2015/16, we set four strategic objectives, to focus the organisation on delivering our strategy, these were:

- to make distinctive, world-class content
- to transform our offer for younger audiences
- to develop a more personal BBC
- to demonstrate value for money in every area of our work

In this report we outline what the organisation has done to deliver these objectives throughout the year.

Making distinctive, world-class content

In the last year, we have brought our audiences more outstanding content across all of our platforms, from world-class dramas such as *Dickensian*, *Doctor Foster*, *And Then There Were None*, *War and Peace*, *The Night Manager* and *Capital*, to the return of the *Clangers* on CBeebies and the women's football World Cup in Canada. We tackled sensitive, challenging and controversial topics in a range of programmes, with domestic abuse in Radio 4's *The Archers*, honour killing in BBC Three's *Murdered by my Father* and hard-hitting *Panorama* investigations on BBC One. BBC News covered major global

events, providing insight into the Paris climate agreement and the European migrant crisis, uncovering corruption in sport and bringing the latest verified updates as terrorists attacks unfolded in Tunisia, Paris and Brussels. We celebrated national moments with *Stargazing's* awe-inspiring coverage of the launch into space of British astronaut Tim Peake and the build-up and results of the General Election, which reached 89% of all adults, with 19 million people watching BBC Television coverage on results night.

This year, we have reached new milestones, celebrating the 25th anniversary of BBC Films, transferring BBC Three online in a global-first move from linear, and reaching more people around the globe than ever before by expanding the BBC World Service. This year, BBC Introducing alone has discovered 27 artists that have gone on to sign for major record labels, and the Ten Pieces initiative, introducing children to classical music, has been extended to secondary schools.

We pride ourselves on distinctive services and outstanding programmes such as *Strictly Come Dancing* and *The Great British Bake Off* that have become global phenomena, loved by audiences at home and abroad, and we are focused on modernising and developing our services for the digital age. We have just completed a creative review of BBC Online. Our ambition is to provide a distinctive public service that informs, educates and entertains. We will do



This year's BBC Radio 6 Music Festival took place in music venues across Bristol



BBC Two's BAFTA award-winning *Britain's Forgotten Slave Owners* presented by David Olusoga



BBC One family drama *The A Word* challenged perceptions of living with autism

this online by focusing our energy and creativity on six flagship areas:

1. Trusted, impartial and accurate news – BBC News.
2. The best in live sports coverage and sports news – BBC Sport.
3. Where UK children come to learn and play in safety – iPlay and BBC Bitesize.
4. High-quality entertainment that enriches our lives – BBC iPlayer and BBC iPlayer Radio.
5. The best of arts and culture, history and science – the Ideas Service.
6. Historic moments, national events – BBC Live.

As part of the review and our overall savings plans, we will also be making changes to current sites, including closing the iWonder service. We will focus on distinctive long-form journalism online under a current affairs banner and close the online News Magazine, the separate Newsbeat site and app, and the Travel site. We will also stop running local news index web pages, offering instead an open stream on our rolling guide to BBC and local news provider stories, Local Live.

We want to open the BBC to become a resource for others, the engine room for the UK's creative industries, so that the investment in the licence fee is not just an investment in the BBC. KPMG's report in

summer 2015 shows that the BBC plays a valuable role in supporting the creative economy with £2.2 billion of licence fee income invested into UK creative industries. We announced plans in the autumn to work closely with creative partners to serve audiences in new and exciting ways.

Build partnerships

There is real value in working in partnership with others. Combining our expertise and resources with those of partners outside the BBC allows us to support the wider creative industry and to deliver greater value to everyone. The BBC's community archive, which is made possible as a result of our partnership with national museums and galleries in Northern Ireland, is one example of a strategic partnership with wide-reaching benefits. We seek to run partnerships that support and showcase the best of our content and that bring the best ideas and innovation to the screen and airwaves. Our long-standing partnership with MG ALBA brings the best Gaelic content to the widest possible audience.

2016 commemorates 400 years since the death of William Shakespeare and the BBC is celebrating his works, with content for all audiences across our platforms, as part of the BBC Shakespeare Festival. We worked with the Royal Shakespeare Company on *Shakespeare Live!*, a televised celebration to mark the 400th anniversary of the bard's death, in April 2016. We have announced plans

for a new partnership with local libraries and, together with the British Library, launched a website – Shakespeare on Tour – to build a digital picture of the way Shakespeare's works shaped the country.

Get Creative is a year-long celebration of British arts, culture and creativity, in partnership with cultural movement What Next? as well as a huge range of arts, cultural and voluntary organisations across the UK. The idea is to boost creativity in the UK, as well as celebrating the millions of people already doing something artistic and creative every day.

In Get Creative, we're working closely with a huge number of external organisations including Culture at King's, Voluntary Arts, 64 Million Artists, Fun Palaces, Cultural Learning Alliance, and Arts Council England, as well as Culture 24, the Royal Shakespeare Company, the BFI, the Roundhouse, Sadler's Wells, the Young Vic, National Theatre Wales, Arts Council Wales and many more. It's the first time amateur and professional arts organisations have come together on a national project of this scale.

At Easter, we began the rollout of the micro:bit, a pocket-sized, codeable, computer with motion detection, a built-in compass and Bluetooth technology, to every child in year 7 or equivalent across the UK. Working with 29 partners, the micro:bit is the BBC's most ambitious education initiative in 30 years.

Make it Digital traineeships, produced with partners including Job Centres and the Skills Funding Agency, gave opportunities to over 1,000 unemployed young people in 2015/16 and will continue next year.

In news, we have announced the creation of a new partnership with local news providers, to strengthen and enhance local journalism, and the crucial role it plays in holding local authorities to account, while maintaining the healthy competition between different news sources which is so important in a democracy.

Transforming our offer for younger audiences

When BBC Three launched in 2003, Facebook, BBC iPlayer, BuzzFeed, Apple's iPhone, Spotify and many other products that have revolutionised media did not exist. Young people today are as familiar with accessing content on a phone as they are on a television, and expect to be able to access content on a range of devices at a time of their choosing. Over the past year BBC Three has continued its journey to ensure that the service meets the needs of young people today, and innovates with new ways to create and deliver

content that keeps pace with young people's lives in the future. So in February this year, after 18 months of consultation with stakeholders including young people, and following a Public Value Test by the BBC Trust, BBC Three became the first television channel in the world to switch online, and embraced the shift in how BBC Three's 16 to 34 year-old audience consumes media today.

The content on BBC Three is made for young people and covers issues relevant to young people's lives. It is available on-demand via connected televisions, games consoles, set top boxes, native apps, streaming devices and browsers through BBC Three on iPlayer, and The Daily Drop is a mobile first stream of stories and content from the BBC and across the web that keeps young people informed throughout the day.

We're also changing how we deliver content to our youngest audiences. BBC Children's continues to be at the forefront of creating public service content suited to how young audiences wish to consume it. A key step has been in the creating of a safe on-demand space with the launch of iPlayer Kids. Other

digital-first developments include CBBC's online drama *Dixi*, and the ongoing development of the CBeebies Storytime and Playtime apps.

An astonishing 18.3 million individual stories have been downloaded to the CBeebies Storytime app so far, and in the BBC's most ambitious education initiative for 30 years, our engagement with schools has seen BBC School Report celebrate its 10th year, with more than 400,000 school reporters from years 1 to 9 already taking part. Ten Pieces, the groundbreaking campaign to introduce children to classical music, has been extended to secondary schools, building on the success of Ten Pieces primary – which has already engaged more than half of UK primary schools, and an incredible 123,436 children were inspired to enter Radio 2's 500 WORDS short story competition for children aged 13 and under.

Radio 1's #1millionhours campaign encouraged young listeners to volunteer for good causes with four national charities, while Radio 1Xtra partnered with Arts Council England and the Roundhouse in its spoken



Distinctiveness and the BBC audience

Helen Boaden
Director
Radio and BBC England

Distinctiveness is not a term that often comes up in daily conversation, but it is one that we use with some regularity. That's because it's a fundamental characteristic of the BBC and our services, and something we are focused on in everything we do.

Most media companies aim to be different, and some other Public Service Broadcasters have a formal requirement to be distinctive, but no other broadcaster has the same commitment to being distinctive in so many areas.

On radio, two-thirds of the music on Radio 1 is new, 1,100 hours of music a year on Radio 2 is from specialist genres like jazz, folk and country, and the remaining stations from Radio 4 to Nan Gàidheal are utterly unique. On television, the BBC is the UK's only significant provider of natural history shows. And for children, CBeebies and CBBC provide more than 85% of all first-run UK originated television programming.

These three examples show what distinctiveness is – and what isn't. CBeebies and CBBC are unlike other channels, but they are also immensely popular, with CBeebies reaching 46% of its target audience. Radio 2 is eclectic and surprising, but also the biggest UK-wide radio station in the country.

Distinctive doesn't mean niche, market failure broadcasting. Channels like BBC ALBA and BBC Four are obviously different from anything else on television but it's arguable that our most distinctive service is BBC One. Thirty years ago, a fifth of BBC One's peak time schedule consisted of foreign series like *Dallas*, *The Rockford Files* and *Kojak*. Today, it is zero.

From *Happy Valley* on BBC One to *Slow TV* on BBC Four, the BBC's services and programmes have never been more distinctive. In the next Charter period we will make sure that, like the Corporation itself, they continue to be something unique and precious, for everyone.

word season, and Radio 1's YouTube channel reached three million subscribers.

Of course, young audiences still consume and enjoy a wide range of content from across the BBC but our focus on transforming our offer for younger audiences continues to be a key objective for the coming year.

Developing a more personal BBC

The BBC has been at the forefront of digital innovation for the past 20 years, combining our editorial and digital expertise to help change how, when and where we read stories, listen to programmes or catch up on our favourite shows. Now we aim to put audiences in the driving seat with the functionality to personalise our services. We are creating personal experiences, utilising our unique blend of creative and technological expertise, and an unmatched breadth of content.

Over the past six months, we have been steadily introducing a range of features to key areas of the BBC. From the My News section in the BBC News app to My Programmes in BBC iPlayer, recommendations on the homepage to notifications from BBC Sport,



and tailored newsletters across the BBC, we are making it even easier and more convenient for audiences to find, read, watch and listen to the content they care about.

We are starting to see that the combination of the new features we have launched are really improving the experience of users. 6.4 million have signed in to the BBC – with over 2 million



Connecting the UK through events

Charlotte Moore
Controller
TV Channels and iPlayer

Every Christmas, the BBC brings the whole family and the whole nation together. This year, eight out of the top ten programmes over Christmas were from the BBC, with a cast of characters including a Victorian detective, a 1950s midwife, and an animated stick.

The BBC can unite the nation in joy and celebration, but will also stand with it in grief. The Corporation is the go-to broadcaster for events like Remembrance Day, and the guide where audiences turn to understand horrific events like last year's Paris attacks.

Year in, year out, the BBC both covers and creates the events that matter most to the people of the United Kingdom.

Viewers come to the BBC for the Olympics and elections, but also for baking, business and ballroom dancing, transformed by the BBC into moments that everyone can experience and enjoy. Shows like *The Great British Bake Off*, *The Apprentice* and *Strictly Come Dancing* don't just entertain and educate, they create a national conversation and strengthen the threads that hold society together.

The BBC has always played this role. Families who would have huddled around the wireless in the 1940s, or gathered in front of the Coronation in the 1950s, can now watch on myriad devices and at the place and time that they choose.

Technology changes, and audiences have more choice and control than ever, but the BBC remains the broadcaster that brings us together.

The rise of technology and timeshifting doesn't mean that broadcasting can no longer unite us. Initial audience figures for the BBC's Christmas schedule were lower than in previous years, but as results for timeshifted viewing were added in, programmes like *Call the Midwife*, *Mrs Brown's Boys* and *Sherlock* gained over three million viewers, becoming some of the most timeshifted programmes on record, and equalling the performance of Christmases past.

signed-in users on BBC sites in any given month. Since this time last year, 1.6 billion BBC programmes have been recommended; 1.4 billion personalised alerts have been sent via the BBC Sport app; in the last few months, 1.7 million users have personalised the My News section on the BBC News app and website – selecting over 12 million topics to track; and there has been an increase of 400% in the number signing up to our pan-BBC newsletters, which are increasingly more relevant to users' tastes and preferences.

We also want more of our audience to be involved in shaping the future direction of the BBC and with the changing governance arrangements under the next Charter, we have reviewed how people interact with the BBC itself. We are developing Our BBC where the public feels more connected and has more tangible ownership of the BBC. We want to initiate a two-way conversation with our audiences, making it easier to feed back their comments, ideas, praise and

criticism, and to receive a response. We are looking into how we can be more open with our data, making more available and easily digestible. We want to share as much as possible while being mindful that we operate in a commercial and journalistic environment, in which sensitive information cannot be made available.

Demonstrating value for money in every area of our work

All of this was made possible by a major programme of reform. Over the past 20 years, the BBC has transformed its efficiency and productivity, delivering more services for less, and is now as efficient as comparable organisations. Our efficiency record is significantly ahead of the public sector even when the cost of making the changes is taken into account. 94% of controllable spend is now spent on content, distribution and related support.

Efficiency is a process and not a destination. We continue to pursue and deliver efficiency savings in order to manage inflation in our existing cost base and fund normal levels of investment in capital expenditure. PricewaterhouseCoopers' (PwC) BBC Efficiency Review, published in September 2015, advised that productive efficiency saving will require major restructuring and significant changes to working practices. Since the publication of that document, the BBC has been working to identify and implement new efficiency savings. In November 2015, we announced £150 million of savings to address the shortfall in funding, largely caused by falls in the percentage of households owning a television. We are delivering these savings by creating a simpler, leaner BBC with fewer divisions and senior managers in content areas, cutting 1,000 posts by 2017, which includes restructuring back office and support services and merging technology and digital divisions.



The World Service and international expansion

James Harding
Director
News and Current Affairs

The task of BBC News is to make sense of the world. In 2015, it was needed more than ever. It was a year that shocked and surprised. One crisis fed into another.

People rallied to the cause of free speech when the Charlie Hebdo journalists were murdered. Just as Europe seemed to have settled the Euro crisis in Greece, it was rocked by the largest wave of migration since World War II. China's growth engine sputtered; oil prices tanked; India had a new spring in its step; Fifa imploded. Robots and artificial intelligence started moving, noticeably, beyond our imaginations and into our lives. The US buried the hatchet with Iran and Cuba. Russia entrenched in Ukraine, weighed-in in Syria. In Nigeria and Myanmar, the elections surprised those sceptics who had doubted that a peaceful transfer of power, so long in coming, would ever arrive. And in the UK, the voters confounded the pollsters: David Cameron's Conservative Party won an overall majority.

In a noisy world, where so much information is partial and shrill, people came to the BBC to be reliably informed. In 2015, the Government committed a further £290 million to invest in the BBC World Service. It will enable the BBC to provide independent, impartial, intelligent news reporting to millions more people in North Korea and Russia, India and Africa. It is an endorsement of what the BBC does. And it will enable the BBC, more than ever, to make sense of the world for people around the world.

£35 million will be saved from the BBC's television sports rights budget. Meeting this savings target is tough, particularly given the high levels of inflation in the market. We have already made some tough choices leading to the loss of some existing rights and events, which have contributed to the savings, for instance around the Open Golf and ending our contract for the Formula 1 racing coverage three years early. This move is a reflection of the current financial constraints but does not represent a diminishing commitment to sports coverage. We have recently secured a series of important rights – including Wimbledon, Premier League highlights, the FA Cup, live coverage of Euro 2016 and 2020 football championships, the Olympics shared with Discovery, and Six Nations rugby shared with ITV.

We remain committed to maximising the amount we spend on content. There is radical change taking place at the BBC. By the end of the next Charter, all our output will either

be open to competition in the market or compared against the best. We will use competition where possible, and comparison where not. The key driver of Compete or Compare is to secure the best value for licence fee payers – ensuring we deliver the best output for the lowest cost. Subject to final approval from the BBC Trust or its successor, we will launch BBC Studios alongside the removal of the in-house guarantees that have protected television non-news production.

Programme making is the very heart of the BBC and we want to ensure that the very best content is available to our audiences. In launching BBC Studios we ensure that the BBC gets the best quality and value for money for licence fee payers. BBC Studios was launched as a division of the BBC on 29 April 2016 and is proposed to become a separate subsidiary in April 2017. Greater competition will give commissioners more freedom and creative choice.

In radio, we are looking into ways to increase the opportunities for independent producers to create content, opening up competition in all areas where there are creative or economic benefits. These proposals, which are also subject to approval, would lead to competition for around 60% of eligible network radio hours. Putting around 60% of eligible hours up for competition would offer indies more opportunities to make programmes across the BBC network radio portfolio.

Online, 100% of the BBC's non-news online content will be open to full competition by the end of the Charter period.

Through the rest of 2016, we will be working on our longer-term savings plan to meet the financial challenge of the first half of the new Charter. We have estimated that we will need to find a total of around £800 million of recurring savings by 2021/22.



Showcasing UK creativity

Tim Davie
CEO

BBC Worldwide and Director, Global

Against a backdrop of industry consolidation, new players in the market and drama budget inflation, I believe BBC Worldwide has an important role to play in discovering, nurturing and showcasing the best of UK creativity.

This year we had the 40th anniversary of BBC Worldwide Showcase, the world's biggest television export fair by a single distributor and a unique platform for British content. Held in Liverpool for the fifth year, we welcomed over 700 buyers from all over the world, who watched and bought the latest titles from the BBC and independent producers. The delegates reflect changes I've seen in the wider market – we now have increasing numbers of buyers from global and regional digital platforms alongside the traditional television broadcasters.

In a UK landscape where 50% of indies are owned by a larger group, according to Broadcast's Indie Survey 2016, I'm pleased that BBC Worldwide is able to offer indies a UK-owned distributor of scale. Moreover, the continuing appetite for English-language premium drama – the revenues of the UK's top five drama indies rose by a third last year according to Broadcast – means multiple partners are increasingly needed to meet the rising cost of production. As an active creative partner, we have built co-development and distribution partnerships with producers and bring international co-finance to the table.

Great content is at the heart of everything BBC Worldwide does and I'm proud to be able to fly the flag globally for the unmissable, world-class content made by the BBC and the best of the UK's creative industries.



Charter Review and the BBC's response to the White Paper

James Purnell
Director
Strategy and External Affairs

The BBC's current Royal Charter runs to the end of December 2016. The Department for Culture, Media and Sport (DCMS) has responsibility for renewing the Charter and the BBC has negotiated with Ministers and officials to shape the future of the BBC. The process officially began when the Government published and consulted on a Green Paper in July 2015. Over the summer this consultation received an unprecedented response from the public, with around 190,000 submissions, demonstrating the support and engagement that the public feels towards the BBC. Throughout the autumn of 2015, BBC executives participated in BBC Trust seminars across the UK, listening and responding to questions from members of the public and putting forward the BBC's vision.

The Government's White Paper in May 2016 was a significant milestone on the way to renewing the BBC's Royal Charter. Fundamentally, it affirms the importance of the BBC to the public and to the creative industries. It delivered three important proposals that should ensure a secure and independent future. Firstly, it proposed an 11 year Charter period to remove the coincidence of General Elections and BBC Charter negotiations. Secondly, it has cemented the licence fee as the way the BBC

will be funded for the next 11 years. Thirdly, it ensured that the scale and scope of the BBC is maintained. In total, these measures should provide long-term stability and a strong foundation for the BBC.

It is now of vital importance that we are able to ensure that the positive intentions of the White Paper are clearly transferred to the new Royal Charter and Agreement. The BBC looks forward to continuing to work with Government to ensure this happens. We will also continue discussions in the remaining areas where we are in disagreement.

Whilst doing this we will, of course, continue preparations to ensure that the BBC is set up properly to address future challenges, including changing audience behaviours and shifts in the competitive landscape. In September 2015, we set out an ambitious reform programme for the BBC called British, Bold, Creative – aiming to make the BBC more open, more creative, more distinctive and more personalised than ever before. We have already started work on delivering this behind the scenes and are confident that, with a new Charter in place, it will result in a BBC that can look forward with confidence to the future.



The series finale of new drama *Doctor Foster* reached more than 10 million viewers

Our plans for next year

For the next year the BBC has set itself four strategic objectives – all within our overall mission to provide distinctive, world-class content and services. We will be focusing on: creating an open BBC, and working with partners; delivering a more personal, more digital BBC; making the BBC simpler and even more creative; and transforming what we do for younger audiences.

Create an open BBC, working with partners

In 2016/17 our aims are to:

- build on existing relationships
- develop new partnership projects
- explore new ways of working and curating content
- expand third-party content on BBC platforms such as iPlayer

The new Charter and Agreement will be supported by a new partnership framework to articulate and simplify the BBC's approach, so partnership and collaboration can proceed as a priority, while keeping within the BBC regulatory framework.

We will pave the way towards the Ideas Service with pathway projects, for example New Age of Wonder, which will launch in 2017 with partners from across the science sector.

BBC Arts will deliver an Arts Council England/ BBC partnership around live arts, building on Live from Television Centre.

Arts Online will pioneer new ways of working and run a pathfinder project for third-party content on iPlayer through its many partnerships for the Shakespeare Festival.

Get Reading will work with key partners to celebrate great authors and get the nation reading and sharing the books they love.

Working with Hull City of Culture 2017, we will explore further uses of digital technology to increase public access to culture, ideas and the arts.

The Space will continue to create more open commissioning and production models for content in partnership with the arts sector.

Elsewhere, World War One on the BBC will continue with partners to bring fresh insights for audiences to the battles of Jutland and the Somme.

On television, *A Black History of Britain* will explore the relationship between the British Isles and the people of Africa, working with heritage organisations to inspire community activities and research.

Radio 4 and the British Museum are planning a new collaboration focusing on faith and society, through objects from deep history to the present day.

Radio 1 will continue its #1millionhours volunteering campaign in partnership with UK charity partners.



Sunderland acapella group Dodici Voce performed as part of Hadrian's Wall of Sound for BBC Music Day



Produced by BBC Scotland, the *Mrs Brown's Boys Christmas Special* was watched by 6.5 million viewers on the day itself



BBC Three's *The World's Worst Place To Be Disabled?* was part of a collection of programmes capturing the lives of young disabled people

BBC Music will work with a range of partners from over 250 organisations across the UK to deliver another Ten Pieces to UK primary and secondary schools, and to deliver the annual BBC Music Day. Both initiatives will be supported by the BBC's performing groups.

Radio 3 will be building on existing music partnerships and seek new partners including venues and ensembles up and down the country to reach new audiences.

In news, the creation of a new partnership with local news providers, will strengthen and enhance local journalism, and the crucial role it plays in holding local authorities to account. More coverage and content from councils will be more widely distributed ensuring greater accountability and transparency in an ever more devolved Britain.

These plans are not just a milestone in the relationship between the BBC and the local press. They will enhance local journalism, ensure greater accountability of people in public life and enable BBC audiences and newspaper readers to get better coverage of what is really happening in their communities.

Our partnership initiatives include the establishment of a shared data journalism unit, enhancing a vital new area of digital journalism. We will create a video news bank, enabling BBC local video and audio news content to be accessed by news media websites, enhancing their online offers and making BBC news output more accessible to audiences online. We will establish a local public sector reporting service to cover local authorities and public services. The BBC will fund 150 journalists from 2017, who will be employed by local newspapers and other qualifying providers of local news.

Around the UK

Make it Digital has delivered up to one million BBC micro:bits to Year 7 or equivalent across the UK and will work in partnership with libraries to build digital skills.

Local radio stations will develop collaborations with the libraries sector. The Arts Task Force will report on working with local organisations around the UK.

English Regions also aims to develop more effective partnerships with other local news organisations.

With Scottish writing and performing talent, BBC Scotland will offer representative drama and celebrate the nation's rich and diverse cultural and musical heritage. It will also work with devolved institutions, local press and journalism colleges to deliver relevant news and collaborate with educational experts and students to support the learning offer and continue to work in partnership with MG ALBA to deliver BBC ALBA.

Research and Development

The Data Research Partnership will be an ambitious new partnership between R&D and several academic institutions. The partnership will explore new ways to capture and analyse vast amounts of data – and then use this data to improve our services. For example, through creating more personal experiences; through reducing the cost of operating our services; or through creating completely new media experiences.

R&D will partner in other ways too. For example, working with the Advanced Media Workflow Association to develop common standards for new IP production technology that enables producers to capture, edit and distribute content over the internet. This will

make it easier for everyone to develop new services that all work in a similar way and can be easily joined up. R&D will also work with JANET (the high speed research network) to provide institutions and cultural organisations with the bandwidth (100mb+) they need to work with us to take advantage of these new IP production technologies.

Deliver a more personal, more digital BBC

Building on the success of this year we will continue to enhance existing ways in which our audience experience becomes much more personalised – tailored around their individual interests and passions.

myBBC

We will continue to improve our online offering to help more of our audiences find content we know they value, and to make it available to watch, listen to or read in ways that are more convenient to their lives.

By improving and simplifying our BBC ID system, we'll be giving the audience easy access to control what content they see and what we recommend to them. We will put them more in control of the things we learn about their BBC online activities and how we use it to improve their experience. We will introduce features that help us to learn more about a user's signed in activity. By watching, listening, reading and adding content they like to their own profile, we will learn about what each person loves. This lets us offer personalise emails, deliver online notifications when content becomes available from an ever-increasing range of areas and to recommend other relevant programming at the end of playback in iPlayer and other digital products.

We're also helping content makers to increase audience interaction, through commenting, votes, contact us, more ways to get involved – which will help to inform our future content-making discussions.

Race to Rio

London 2012 delivered a step change in how audiences consume live sport on the BBC. We called it the first 'digital Olympics' with 39 million UK unique browsers to BBC Sport Online over the course of the games – a record at the time. We are going to offer all that and more for Rio 2016. Audiences will be able to personalise their Rio 2016 experience by adding an Olympics stream of content to their personal My Sport page along with content streams from their favourite Olympic disciplines. BBC Sport app users will also be able to activate personalised alerts by adding medal alerts for their country and also Olympics news alerts to ensure that they don't miss breaking news stories and key highlights direct from Rio.

Our BBC

As well as learning about individual preferences, new technology will be key to enabling a deeper relationship with our audiences as citizens as well as consumers. We will bring BBC decision-making closer to audiences encouraging them to share their insights with us and each other, inviting them to collaborate on building new content, and informing them about how the BBC is run and our resources managed.

Make the BBC simpler and even more creative

We are in the middle of a process to make the BBC simpler and leaner – to not only modernise the way the BBC works, but also improve how it works.

We announced proposals in July 2015 that will save £50 million from changes that cut duplication, complexity and cost. The proposals will:

- simplify and standardise a unified 'one BBC' approach in professional and support areas – marketing and communications, finance, HR, IT support and legal – saving around £25 million
- reduce the number of divisions, saving around £15 million
- reduce the number of management layers from the top to the bottom, saving around £10 million

This will establish a BBC with fewer divisions, fewer management layers and less costly business support. The work is now well underway with progress in every area. The professional services changes are now expected to achieve £30 million in staff cost savings.

Overheads have now fallen to 6% of total costs, against a public sector average of 11.2% and the regulated industry average of 8.8%. Accountants PwC independently verified both our historic BBC savings and our overhead bill. They found that not only had we delivered over £1.6 billion in annual savings in the last five years, but that our overhead percentage put us amongst the most efficient

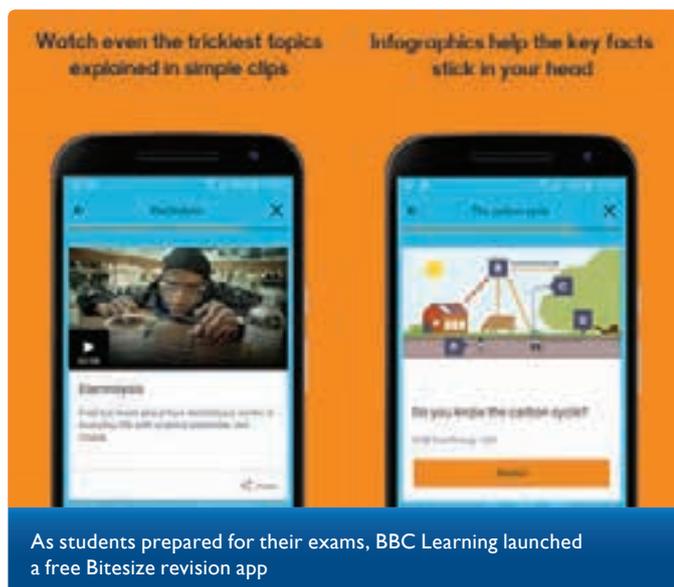
regulated organisations – better than most of government and above a typical media company.

The cost and size of senior management has been reduced. When we began our current reforms there were as many as 10 layers between the Director-General and staff. All BBC divisions have reviewed their structures in order to reduce this – leading to management layers already falling to eight, and we are on track to achieve a target to further reduce layers. In March we exceeded a 2012 pledge to cut the senior manager pay bill by £9 million and we are now on track to save a further £10 million. As examples of these changes, a single controller across BBC television channels and iPlayer was announced in January, and in April, Technology, Engineering and Digital became a single division.

Further tough choices lie ahead with changes to programmes and services inevitable. However, working towards a simpler and leaner BBC will continue to ensure that we minimise the impact of such cuts to services.

Transform what we do for younger audiences

The BBC's unwavering commitment to universality and belief in providing a rich mix of content for all age groups means that we need to regularly evolve our youth offer to ensure that it is still appealing to audiences. Young audiences are at the vanguard of behavioural change; they adopt new technologies before other age groups, and use these technologies in groundbreaking ways. Despite this, they continue to love broadcast



Strategic report – Delivering our strategy

content, consuming radio and television content in huge numbers. The BBC then, needs to offer a range of content experiences across all platforms, to this sophisticated group of consumers. This means providing specialist services that directly target young audiences, such as the new BBC Three and Radio 1/1Xtra; but also ensuring that our broad popular services, such as BBC One, continue to offer content that appeals to young audiences.

The newly launched BBC Three will build on its success and continue to innovate with new content, new talent and new platforms. Future highlights include the return of BAFTA nominated *People Just Do Nothing*, *Class* – the young adult *Doctor Who* spin-off, documentary seasons on race, disability and religion, and *Unsolved*, which will use multiple formats to tell the story of the real-life disappearance of a teenager 20 years ago. Native apps for mobile will launch in 2016.

Radio 1 and 1Xtra will continue to engage with young audiences through a strategy of Listen, Watch and Share. Our distinctive on-air programmes will be complemented by online activity on appropriate platforms, together

with a varied on-demand offering via Radio 1 on iPlayer. In line with Radio 1's ambition to be a force for good in the lives of young people in the UK, our volunteering campaign, #1millionhours, will continue throughout 2016. This will encourage listeners to donate a million hours of their time to help others via a series of key charity partners. We will also increase the impact of Radio 1's documentary output offering complementary visual content and using social media to effectively promote programmes.

BBC Learning will continue to support and educate young learners. The next year will see the transformation of Bitesize, the BBC's curriculum-linked education resource that supports children and young people with their studies outside the classroom. BBC Bitesize is used by nine out of ten 15 and 16 year-olds during the summer term. Thanks to the development of myBBC, users will in future sign in to Bitesize and enter information about their education, enabling personalised content, progression and reward. BBC Learning will also undertake a bold, ambitious, curriculum-linked science campaign. The campaign will

inspire primary school children through exciting, innovative and accessible mass-participation experiments.

Our core services, such as BBC One, will deliver distinctive mainstream content that holds great appeal to young audiences. For example, *EastEnders* remains a favourite with young audiences, with just over 1.5 million 16 to 34 year-olds viewing each episode in 2016 so far on average. The return of factual entertainment programmes such as *The Great British Bake Off* and *Strictly Come Dancing* will likely delight and inform a significant young audience, following on from attracting 3.1 million and 1.1 million young viewers on average, respectively, every week in 2015. Drama is also important to this audience group, so the return of *Sherlock*, *Doctor Who* and *Our Girl* will bring young audiences to the channel throughout the year. The forthcoming summer of sport, with both Euro 2016 and the Rio Olympics, will draw in young audiences – based on past tournaments, we can expect around one quarter of the audience to be aged 16 to 34.



BBC Radio 1's *Big Weekend* is Europe's largest free ticketed festival



Performance

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

BBC One's BAFTA-winning drama series *Happy Valley*

Television

The BBC had some notable successes on television this year, despite continuing declines in audience reach and time spent across the industry as a whole.

BBC One's power to unite us through things we share was clearly evident again this year.

The final of *The Great British Bake Off* reached more than 15 million people, making it the most watched programme in 2015. In drama, the second series of *Happy Valley* attracted larger audiences than the award-winning first series, and new commission *Doctor Foster* captivated audiences – reaching more than 10 million people with the final episode. The BBC also continued its tradition of bringing audiences comedies with the best of British talent, with a successful launch of Peter Kay's *Car Share* (which premiered on BBC iPlayer before being broadcast on BBC One), and the return of *Still Open All Hours* with Sir David Jason.

The BBC, like all major public service portfolios, experienced declines in television viewing in recent years, particularly amongst the young. Audience share (all individuals) declined slightly year-on-year from 32.9% to 32.3%, as a result of small losses across the channels.

Our factual programming bucked the prevailing market trends, growing reach overall, particularly amongst black and minority ethnic viewers. New launches on BBC One and BBC Two drove this strong performance such as *Hugh's War on Waste*, *Back in Time for the Weekend* and *The Real Marigold Hotel*. Natural History demonstrated its enduring audience appeal with *Attenborough*

and *the Giant Dinosaur* on BBC One (which achieved an audience of 8.1 million) and *Fake or Fortune* demonstrated arts formats can deliver large audiences, becoming the BBC's top performing arts series since 2004.

BBC Three and Four also played distinct roles in delivering factual content to our audience. BBC Three's factual seasons covering disability, race and gender included a documentary fronted by Professor Green on male suicide, which is now being shown by teachers in schools. BBC Four's *Go Slow* season struck a distinct chord with audiences looking for something different and distinctive – in fact the *Handmade: Wood* documentary achieved the BBC's highest ever 'Fresh & New' score for an origination.

Innovation, experimentation and support of new talent on BBC Three continued in the lead up to February's online launch. New offerings like *The Fear*, *Murder In Successville* and *Asian Provocateur*, with rising star Romesh Ranganathan, demonstrated the channel's commitment to launching bold new formats with exciting new talent.

Our children's channels boldly went where no others had before – CBBC sent a *Blue Peter* badge into space with Tim Peake, and documented a Syrian child's life inside a refugee camp in *Boy on the Bicycle*; while CBeebies brought its audience standout events like the *Tortoise and the Hare* ballet, and pioneering dramas such as *Topsy & Tim*.

The final of *The Great British Bake Off* reached more than

15m

15 million people, making it the most watched programme in 2015

If you want to read more about the BBC's spending in each of the Nations, please see page 93 in the BBC's Full Financial Statements.



BBC Four's *Handmade: Wood* achieved the BBC's highest ever 'Fresh & New' score for an origination



The Real Marigold Hotel raised some big questions about the way we live the later part of our lives

Television performance by service

	Content (£m) We spent a total of £1,648.3 million on these services last year	Reach (%) UK population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average viewer spent each week with the channel	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour (p) How much it costs to deliver each service to individual users
 <p>BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres that includes news and current affairs, drama, comedy, entertainment and factual.</p>	£1,052.5m 2014/15: £1,110.0m	 71.8% 2014/15: 73.3%	 07:34 2014/15: 07:39	 80.0 2014/15: 80.4	6.3p 2014/15: 6.5p
 <p>BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.</p>	£399.0m 2014/15: £404.8m	 46.1% 2014/15: 47.3%	 03:06 2014/15: 03:08	 81.9 2014/15: 82.2	9.0p 2014/15: 9.0p
 <p>BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.</p>	£52.9m* 2014/15: £82.0m	 17.1%** 2014/15: 18.4%	 01:44 2014/15: 01:49	 82.4 2014/15: 82.8	6.7p 2014/15: 8.1p
 <p>BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.</p>	£44.2m 2014/15: £46.0m	 12.8% 2014/15: 13.6%	 01:43 2014/15: 01:42	 83.4 2014/15: 84.0	6.5p 2014/15: 6.6p
 <p>The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.</p>	£70.6m 2014/15: £72.2m	 4.6%† 2014/15: 4.9%	 02:31 2014/15: 02:34	n/a 2014/15: n/a	19.8p 2014/15: 18.8p
 <p>CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.</p>	£29.1m 2014/15: £27.7m	 7.9%‡ 2014/15: 8.2%	 04:21 2014/15: 04:04	n/a 2014/15: n/a	2.7p 2014/15: 2.7p

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

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

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

N.B. BARB data measures TV set viewing only at present, meaning that iPlayer viewing on other devices is not included in any of the above figures. iPlayer viewing is growing, especially for young-skewed services such as CBBC where iPlayer accounts for over one-fifth of viewing in 2015/16.

* BBC Three as a linear service closed in March 2016, being replaced with an online service from February 2016. Spend on BBC Three Online formed part of the BBC Online & Red button service from that point onwards.

** BBC Three: among its target group of 16- to 34-year-olds reach was 22.0% and time spent was 02:09. Owing to the channel moving online, BBC Three BARB data to 14/02/2016; BBC Three Appreciation Index data to 15/02/2016.

† CBBC: among its target audience of 6- to 12-year-olds reach was 21.3% and time spent per viewer was 02:57 (based on 15+ min reach). Based on 3+ minute reach, reach was 25.8% of 6- to 12-year-olds and time spent per viewer was 02:27.

‡ 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 40.3% and time spent was 05:01 (based on 15+ min reach).

Based on 3+ minute reach, reach was 46.2% of 0- to 6-year-olds and time spent per viewer was 04:23.

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

Radio

In the face of increasing digital competition and changing audience habits, radio across the BBC maintained reach and hours by focusing on high-quality, distinctive programming, creative partnerships and digital innovation.

Radio 1's #1millionhours campaign encouraged young listeners to volunteer for good causes with four national charities, while Radio 1Xtra partnered with Arts Council England and the Roundhouse in its spoken word season. Radio 1's YouTube channel reached three million subscribers.

Radio 2 broadcast the 500 Words final from St James's Palace after record entries and commemorated the 75th anniversary of the Battle of Britain. A series from Shilpa Shetty celebrated India, alongside a live music simulcast with the Asian Network, while Radio 6 Music is the biggest digital-only station.

Radio 3 brought listeners remarkable music and culture through seasons like Northern Lights and Why Music? with the Wellcome Collection, broadcasting a record-breaking composition by Max Richter called *Sleep*. The BBC Proms celebrated its 120th anniversary with a focus on the piano and new regular Sunday Matinees aimed at families.

Professor Stephen Hawking's Reith Lectures and Glenda Jackson in Zola's Blood, Sex and Money featured on Radio 4, where Andrew Marr also explored British identity through poetry and national borders were debated in *The Global Philosopher*. Radio 4 extra's audience peaked at 2.2 million.

Radio 5 live broadcast a heart transplant in real time, came live from 20 marginal seats during the election campaign, and went behind the scenes at RAF Akrotiri, the British base for operations in Syria.

We launched a BBC Music app and a number of DAB pop-up stations, including a temporary jazz service in partnership with Jazz FM. We offered a download function for BBC iPlayer Radio and our short-form audio collections received record audiences online.

We outlined a proposal to open up BBC Radio to more competition from independent producers and continued to deliver savings, whilst remaining focused on the quality of our output and the unique role BBC Radio plays in people's daily lives.

Radio 1's YouTube channel reached three million subscribers



If you want to read more about the BBC's spending in each of the Nations please see page 93 in the BBC's Full Financial Statements



Asian Network presenter Bobby Friction and Radio 2 presenter Jo Whiley teamed up for a celebration of Indian music simulcast across both stations



Radio 5 live presenters Tony Livesey and Anna Foster present the 5 live Drive programme

Radio performance by service

	Content (£m) We spent a total of £277.3 million on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour (p) How much it costs to deliver each service to individual users
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.	£36.2m 2014/15: £40.5m	19.3%* 2014/15: 19.4%	06:11 2014/15: 06:37	78.9 2014/15: 77.3	1.1p 2014/15: 1.1p
BBC RADIO 1Xtra BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	£4.6m 2014/15: £6.2m	1.9%‡ 2014/15: 1.9%	04:56 2014/15: 05:11	82.4 2014/15: 79.2	1.7p 2014/15: 2.3p
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 bringing social action campaigns to over 14 million listeners.	£44.6m 2014/15: £46.2m	28.5%† 2014/15: 28.4%	11:53 2014/15: 11:49	82.2 2014/15: 81.4	0.5p 2014/15: 0.5p
BBC RADIO 3 BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	£37.7m 2014/15: £38.4m	3.8% 2014/15: 3.7%	06:21 2014/15: 05:49	82.0 2014/15: 82.1	5.5p 2014/15: 6.4p
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.	£88.6m 2014/15: £87.8m	20.0% 2014/15: 20.1%	11:30 2014/15: 11:30	80.6 2014/15: 80.4	1.4p 2014/15: 1.4p
BBC RADIO 4extra Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	£3.1m 2014/15: £3.9m	3.7% 2014/15: 3.3%	05:48 2014/15: 05:47	77.4 2014/15: 77.1	0.5p 2014/15: 0.7p
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.	£45.5m 2014/15: £49.1m	10.3% 2014/15: 10.9%	06:35 2014/15: 06:35	78.8 2014/15: 78.3	2.4p 2014/15: 2.5p
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.	£2.5m 2014/15: £2.5m	2.7% 2014/15: 1.9%	03:19 2014/15: 03:31	85.4 2014/15: 83.0	1.0p 2014/15: 1.3p

Radio performance by service

	Content (£m) We spent a total of £277.3 million on these services last year	Reach (%) UK population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user hour (p) How much it costs to deliver each service to individual users
Network radio  <p>BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music, news and documentaries.</p>	<p>£7.9m</p> <p>2014/15: £8.0m</p>	 <p>4.0%</p> <p>2014/15: 3.8%</p>	 <p>09:09</p> <p>2014/15: 08:38</p>	 <p>82.4</p> <p>2014/15: 82.5</p>	<p>0.7p</p> <p>2014/15: 0.9p</p>
 <p>BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.</p>	<p>£6.6m</p> <p>2014/15: £6.2m</p>	 <p>1.1%[§]</p> <p>2014/15: 1.1%</p>	 <p>05:52</p> <p>2014/15: 06:29</p>	 <p>80.1</p> <p>2014/15: 74.4</p>	<p>3.5p</p> <p>2014/15: 3.1p</p>

Reach definition: 15+ minutes for all stations and audiences aged 15+.
 Sources: RAJAR (Radio reach and time spent). Appreciation Index: Pulse panel of 20,000 UK adults 16+ by GfK.
 n/a Data does not currently exist for this measure.
 Excludes programme 'Coming up on 5 live sports extra'.
 * Radio 1: among its target group of 15-29 year-olds reach was 37.1% and time spent was 06:16.
 † Radio 2: among its target group of 35+ year-olds reach was 34.9% and time spent was 12:53.
 ‡ 1Xtra: among 15-24 year-olds reach was 6.3% and time spent was 04:08.
 § Asian Network: among its target group of British Asians under 35 reach was 13.8% and time spent was 05:44.
 Arrows denote whether there has been a change of +/- 1.1-2.4% or =+/-2.5% from the previous year's AI.

News

BBC News brings the world to the UK and the UK to the world.

Our reach is unparalleled. Last year 320 million people worldwide watched and listened on television, radio, online and mobile. In the UK 77% of adults consumed BBC News weekly. The range of coverage spanned the terror attacks in Paris, Brussels, Tunisia, Beirut and the Sinai desert, in-depth investigation into an economically stalling China, the political paralysis in Brazil, the resurgence of India, a new government in Nigeria, and our commitment to reporting the continuing war in Syria and understanding the renewal of diplomatic relations with both Iran and Cuba. Above all, 2015 was the year that the issues of global economic inequality and the fear of violence spilled across Europe in the form of millions of migrants arriving by boat or on foot. When something important happened, the BBC was there.

We are the most trusted, accurate and impartial source of news in the UK. 2015 was the year of the UK General Election and there were three stand-out moments for our audience: David Cameron's BBC interview in which he told the country he wouldn't stand for a third term; the BBC Question Time in Leeds when the politicians and the public really locked horns for the first time; and the moment when David Dimbleby announced the outcome of the exit poll, the poll that defied all others. It was also the year that local and regional coverage played a vital role during the series of storms and floods that swept the UK.

We are at the front line of online and mobile news. 2015 saw audiences in the UK and around the world accessing news more and more on their mobiles. BBC Breaking News Twitter followers increased to over 21 million. Video posts helped BBC News become the biggest news provider on Facebook with more than 28 million 'likes'.

We are reaching record numbers of people across the world. Last year 320 million people worldwide, or one in every 16 adults, used the BBC's international news services, now available in 30 languages including English. This is a 13% increase since last year and puts us well on track to meet the Director-General's target of a 500 million overall global audience by our centenary in 2022. We've introduced new TV news bulletins in languages other than English, which have hugely boosted our growth. All platforms – radio, television and online – have larger audiences than last year. We are shortly to begin the biggest expansion of the World Service since the 1940s, thanks to additional funding from the UK Government. This will help us reach even more people, especially those in countries where media freedom is under threat.

320m



people worldwide watched and listened to BBC News on television, radio, online and mobile

If you want to read more about the BBC's spending in each of the Nations, please see page 93 in the BBC's Full Financial Statements.



Last year 77% of UK adults weekly watched and listened to BBC News on television, radio, online and mobile



This World, Outbreak: The Truth About Ebola won the BAFTA award for Current Affairs for its investigation into the epidemic

News performance by service

	Content (£m) We spent a total of £48.5 million on content for these services last year	Reach (%) UK population who use the service each week	Time spent watching or listening to a service each week (h:m) Length of time the average viewer or listener spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost 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>£46.6m</p> <p>2014/15: £46.2m</p>	 <p>10.3%</p> <p>2014/15: 10.2%</p>	 <p>02:41</p> <p>2014/15: 02:34</p>	<p>n/a</p> <p>2014/15: n/a</p>	<p>5.5p</p> <p>2014/15: 5.8p</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</p> <p>2014/15: £1.7m</p>	 <p>0.6%</p> <p>2014/15: 0.5%</p>	 <p>02:12</p> <p>2014/15: 01:46</p>	<p>n/a</p> <p>2014/15: n/a</p>	<p>7.0p</p> <p>2014/15: 6.3p</p>

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

Source: reach and time spent BARB (TV).

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 14.8% and 1.3% respectively (16.5% and 1.5% among 16+ population).

News performance by service

Global performance

The BBC World Service Group is the global division of BBC News and includes the World Service, World News, bbc.com and Media Action. BBC World Service is an international

multimedia broadcaster, delivering a wide range of language and regional services on radio, TV, online and via mobile. BBC World News and bbc.com, the BBC's commercially funded international 24-hour news and

information platforms, are operated by BBC Global News Ltd, a member of the BBC's commercial group of companies.



Audience by service (m)	2015/16	2014/15	Year on year change (%)
World Service Group (Total Global News audience)	320.3	282.6	13.3
BBC World Service	246.3	209.8	17.4
World Service Television	90.6	74.2	22.1
World Service Radio	144.6	131.6	9.9
World Service Online	41.6	24.0	73.4
BBC World News channel	83.5	84.8	-1.5
bbc.com and social media	39.2	33.3	17.7
BBC World Service reach across all platforms by language service			
World Service English	65.8	52.1	26.3
Arabic	36.7	36.3	1.2
Azeri	0.13	0.08	55.5
Bengali	6.2	7.7	-20.4
Brasil	7.4	3.9	88.3
Burmese	6.0	6.9	13.3
Chinese	0.82	0.47	73.1
French	14.8	12.7	16.8
Great Lakes	3.2	3.2	0.8
Hausa	23.3	18.1	28.7
Hindi	6.3	10.8	-41.9*

News performance by service

BBC WORLD SERVICE GROUP		2015/16	2014/15	Year on year change (%)
Audience by service (m)				
BBC World Service reach across all platforms by language service continued				
 Indonesian	4.7	4.1	13.0	
 Kyrgyz	3.0	0.1	2,808.7	
 Mundo	6.9	3.9	78.2	
 Nepali	5.3	4.6	14.1	
 Pashto	6.6	6.5	1.7	
 Persian	17.9	17.7	1.5	
 Russian	4.4	5.6	-20.4	
 Sinhala	0.89	0.89	0.0	
 Somali	3.6	3.5	3.3	
 Swahili	17.2	16.6	3.6	
 Tamil	9.6	1.4	591.3	
 Thai	1.2	0.16	666.9	
 Turkish	1.7	0.84	107.4	
 Ukrainian	2.9	3.0	-3.4	
 Urdu	11.9	11.5	3.2	
 Uzbek	0.59	0.58	1.0	
 Vietnamese	1.5	0.42	260.1	

* Existing WS Hindi TV reach was removed from GAM 2016 due to a change in format; the new format has not yet been measured.

Please note that the total World Service audience reach is less than the sum of the individual World Service language services. This is because we de-duplicate audiences and report unique user figures. For example, people using multiple platforms to access our content, or multiple services or languages, are counted only once. This has the net effect of lowering – and thereby making more accurate – the total World Service reach figure.

Source: BBC Global Audience Measure (GAM). The GAM is a snapshot of the BBC's global news weekly audience using the latest data available as of May 2016, covering 238 countries and territories. Data is compiled from a combination of market surveys, syndicated audience ratings data and web analytics. UK domestic news is excluded from the calculation. The 2015/16 numbers have included social media (Facebook and YouTube) for the first time, in addition to television, radio and online.

Digital

This year more people came to BBC Online. We have started to deliver more personalised experiences and world class innovation, whilst delivering more to audiences around the world.

2015/16 saw BBC Online's reach increase from 51.4%, up from 50.2% in 2014/15.

During the General Election over 76.1 million unique browsers globally used BBC News Online. It has also been rated the most trusted online news source in the UK. BBC Online is consistently in the top five highest reaching sites in the UK. It is the only British service to rank in that top five - all the others are based in the US¹. BBC Online continues to be mobile first: it is the biggest screen in terms of traffic for BBC Online.

In 2015/16 we continued to personalise BBC Online, with over six million people signing in to use our personalised features over the last year. Highlights include rapid sport and news notifications; alerts to most loved personalised iPlayer content; and tailored recommendations.

We created a body of distinctive content and launched a series of innovative experiences: an interactive episode of *Casualty* was one of over 100 pilots launched this year on our testing platform BBC Taster. These pilots are successfully informing commissioning strategies.

BBC Online also became more open and collaborative. We partnered with the industry on Make it Digital, a major initiative which aims to inspire today's generation of schoolchildren to learn coding skills. Additionally, we jointly launched BBC Store with BBC Worldwide, which enables audiences to enjoy a comprehensive collection of programmes from our archive.

We have continued to transform our offer for youth audiences with BBC Three moving from a linear broadcast channel to an online first destination – the first broadcaster in the world to do this. BBC Three online shows long and short form content tailored to platforms such as YouTube, Facebook and Twitter, ensuring that the new BBC Three isn't just in the digital world, but that it is of the digital world.

Our focus next year will be to open up the BBC's digital capabilities to the UK creative sector; working on turning the Ideas Service into practice as outlined in our Charter proposals; and to bring the BBC's best content to our online audiences. Internally, the BBC is bringing together all of its public service and commercial technology functions to help ensure the organisation will continue to build on its rich tradition of innovation as it enters into its next Charter period.

During the General Election



more than 76.1 million unique browsers globally used BBC News Online

If you want to read more about the BBC's spending in each of the Nations, please see page 93 in the BBC's Full Financial Statements.

¹ Source: comScore, MMX Multi-Platform, July 2014 – March 2016, top five based on Unique Visitors, Top 100 Properties



The reinvented BBC Three offers television shows to stream and download through our new home *The Best Of* and publishes daily content through its mobile-first platform *The Daily Drop*

Digital performance by service

	Content (£m) We spent a total of £153.3 million on content for these services last year	Reach (%) UK population who use the service each week	Time spent with each service each week (h:m) Length of time the average user spent each week with the service	Appreciation Index by service Aggregate of how people rated individual programmes, expressed as a number out of 100	Cost per user reached per week (p) How much it costs to deliver each service to individual users
 <p>BBC Online comprises the BBC's portfolio of online products on desktop, TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge and Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer. BBC Red Button and Red Button+ deliver interactive services and content to digital television viewers, including up-to-the-minute content and information across news, sport, weather, entertainment, interactive programming and major events.</p>	<p>£153.3m 2014/15: £124.6m</p>	 <p>63.1%* 2014/15: 63.6%</p>	<p>n/a 2014/15: n/a</p>	<p>n/a 2014/15: n/a</p>	<p>9.4p 2014/15: 7.6p</p>

Reach definition: 3+ mins for both services, and on adults aged 16+.

Sources: Reach: Cross-Media Insight Survey by GfK for the BBC, 16+.

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

The prior year balance has been updated following an adjustment to the data that has allowed a more accurate analysis.

* Note that the service reach listed in the performance table relates to BBC Online and Red Button reach, this consequently includes additional audiences reached by the BBC's Red Button services who may not use BBC Online.

N.B. The 2014/15 cost per user reached figure is different from that in the 2014/15 Annual Report owing to an error in the calculation in 2014/15.

Performance by reach

Television

Weekly reach



BBC network television versus main commercial groups	80.3% 2014/15: 82.0%	88.5%* 2014/15: 89.4%	68.4% 2014/15: 70.5%	60.7%† 2014/15: 61.9%	42.4% 2014/15: 42.6%	40.5% 2014/15: 41.6%
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Source: BARB, Based on 4+. Reach condition = 15+ mins consecutive.

* Reach of all TV channels apart from the BBC TV portfolio.

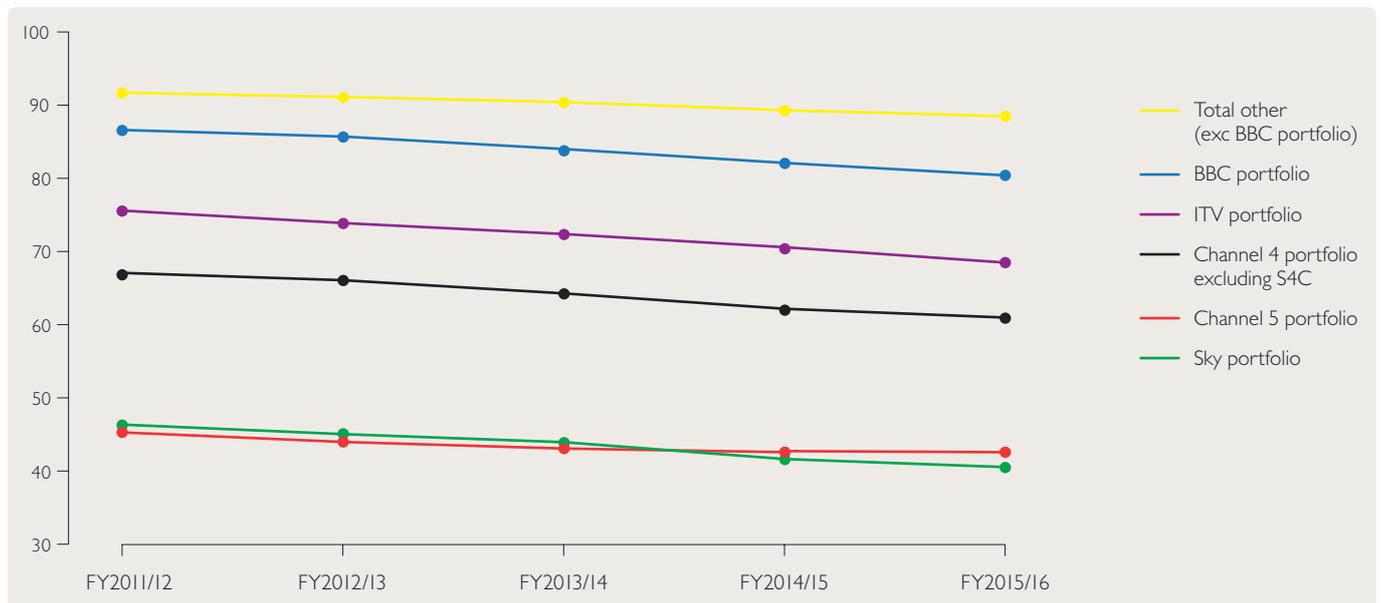
† Excludes S4C.

Sky portfolio – includes Flextech from week 1 2011 and excludes Flextech in 2010.

ITV and Channel 4 portfolio figures do not match 2012/13 figures in the Annual Report owing to TechEdge reach methodology change that was implemented at the end of 2013.

All data run prior to TechEdge reach methodology change in May 2016 except for 'Total Other (excluding BBC portfolio)' which was run after this change. For comparability, the figures for earlier financial years were rerun for this category so do not match the figures in the 2014/15 Annual Report.

Weekly television reach



Source: BARB / TRP Research.

Based on inds 4+.

Reach condition = 15+ mins cons.

Sky portfolio – includes Flextech from week 1 2011 and excludes Flextech in 2010.

ITV and Channel 4 portfolio figures do not match 2012/13 figures in the Annual Report due to TechEdge reach methodology change that was implemented at the end of 2013.

Radio

Weekly reach



BBC Radio compared to commercial stations	65.2% 2014/15: 65.3%	64.7% 2014/15: 63.8%	59.7% 2014/15: 59.6%	33.9% 2014/15: 31.8%	16.2% 2014/15: 16.6%	50.8% 2014/15: 50.6%
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Source: RAJAR, 15+, 15-minute reach.

Performance by genre

Network hours of output by genre					
News and Weather	3,385 hrs 2014/15: 3,256 hrs	819 hrs 2014/15: 409 hrs	30 hrs 2014/15: 34 hrs	6 hrs 2014/15: 6 hrs	11,543 hrs 2014/15: 11,391 hrs
Current Affairs	184 hrs 2014/15: 197 hrs	343 hrs 2014/15: 443 hrs	123 hrs 2014/15: 166 hrs	113 hrs 2014/15: 111 hrs	1,645 hrs 2014/15: 1,668 hrs
Factual	2,264 hrs 2014/15: 2,102 hrs	3,382 hrs 2014/15: 3,356 hrs	1,007 hrs 2014/15: 971 hrs	1,311 hrs 2014/15: 1,196 hrs	3,476 hrs 2014/15: 3,318 hrs
Music and Arts	51 hrs 2014/15: 44 hrs	282 hrs 2014/15: 286 hrs	30 hrs 2014/15: 48 hrs	1,425 hrs 2014/15: 1,434 hrs	42,236 hrs 2014/15: 42,024 hrs
Religion	92 hrs 2014/15: 86 hrs	50 hrs 2014/15: 50 hrs	n/a 2014/15: n/a	24 hrs 2014/15: 21 hrs	573 hrs 2014/15: 592 hrs
Drama	576 hrs 2014/15: 643 hrs	278 hrs 2014/15: 242 hrs	169 hrs 2014/15: 282 hrs	106 hrs 2014/15: 177 hrs	4,632 hrs 2014/15: 4,280 hrs
Film	359 hrs 2014/15: 356 hrs	788 hrs 2014/15: 783 hrs	197 hrs 2014/15: 190 hrs	101 hrs 2014/15: 129 hrs	n/a 2014/15: n/a
Entertainment	575 hrs 2014/15: 579 hrs	317 hrs 2014/15: 314 hrs	91 hrs 2014/15: 197 hrs	27 hrs 2014/15: 28 hrs	7,385 hrs 2014/15: 7,490 hrs
Comedy	177 hrs 2014/15: 161 hrs	294 hrs 2014/15: 252 hrs	1,088 hrs 2014/15: 1,208 hrs	28 hrs 2014/15: 49 hrs	n/a hrs** 2014/15: n/a
Schools/ Formal Education	n/a 2014/15: n/a	95 hrs 2014/15: 309 hrs	n/a 2014/15: 1 hr	n/a 2014/15: 1 hr	104 hrs 2014/15: 112 hrs
Sport	604 hrs 2014/15: 819 hrs	1,034 hrs 2014/15: 1,087 hrs	44 hrs 2014/15: 167 hrs	2 hrs 2014/15: n/a	5,483 hrs 2014/15: 5,166 hrs

* BBC Three became an online-only channel on 16 February 2016. Therefore hours of output on network linear TV are only shown until 15/02/2016 and do not include online programming. The comparison with 2014/15 is not like-for-like.

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

Network hours of output by genre					
Children's	2 hrs 2014/15: 1 hr	8 hrs 2014/15: 21 hrs	n/a 2014/15: n/a	4,090 hrs 2014/15: 4,076 hrs	4,393 hrs 2014/15: 4,355 hrs

Education (formal) includes education for children, Open University and BBC Learning Zone. CBBC and CBeebies programming moved from BBC One and BBC Two, to transmit only on its digital channels from December 2012.

Network supply

Almost half of network television production is in the nations and regions, with more than 48.1% from outside London and more than 16% from Scotland, Wales and Northern Ireland.

Network TV programming spend by region as a percentage of eligible spend

	2015	2014
London	51.9%	46.7%
Scotland	7.7%	9.2%
Wales	7.1%	6.5%
Northern Ireland	1.8%	2.5%
Total nations	16.6%	18.1%
Midlands	1.8%	1.7%
North of England	17.4%	23.1%
South of England	9.3%	7.6%
Multi-region*	3.0%	2.8%
Total regions	31.6%	35.2%
Total nations and regions	48.1%	53.3%
Grand total	100%	100%

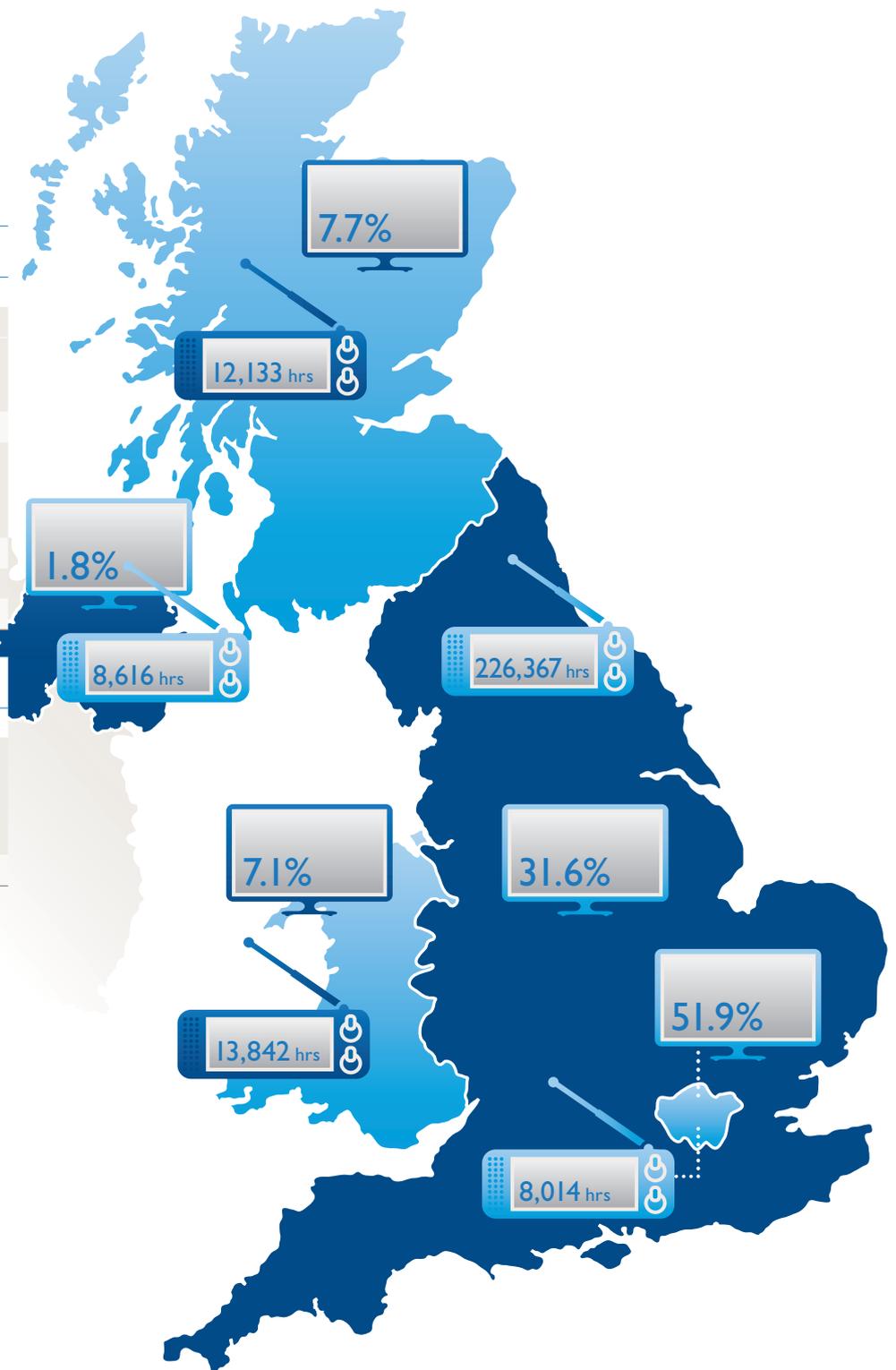
BBC Local Radio** and nations radio hours of output

	2015	2014
London	8,014	8,260
England (ex London)	226,367	225,084
Scotland	12,133	12,494
Wales	13,842	13,784
Northern Ireland	8,616	8,722
Total	268,972	268,344

Network television spend based on Ofcom definitions by calendar year.

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

** The BBC Local Radio and nations radio hours of output only includes BBC original programmes and excludes any repeat programmes.



The BBC in Wales

In a year marked by the Rugby World Cup, the 150th anniversary of the Welsh settlers' voyage to Patagonia, and a General Election, the BBC performed strongly in Wales with an average 19 hours of BBC content consumed per adult each week.

The audience performance of both BBC Television and Radio continued to be the highest of all four UK nations, driven by the strong performance of BBC One Wales, Radio 1 and Radio 2.

Local television programming produced for BBC One Wales and BBC Two Wales attracted 870,000 viewers each week (31% of adults), while the audience share for local output remained ahead of comparable measures for BBC network output in Wales.

The success of home-grown content was marked; and a rich and diverse crop of factual programming included the award-winning *Life After April*, a revealing portrait of the lives and passions of a new generation in *Young, Welsh and Pretty Skint*, and a frank account of one region's struggle to preserve its identity in *Welsh Heartland*. At the lighter end of life, *Rhod Gilbert's Work Experience* and *Max's World Cup Warm-Up* were a hit with both Welsh and UK audiences.

The year also saw significant growth in BBC iPlayer usage in Wales, blurring the traditional boundaries between live channels and on-demand services. For example, there were over one million requests to view *Young, Welsh and Pretty Skint*, which debuted on BBC Three.

Television drama production in Wales continued to excel. Peter Capaldi's second series of *Doctor Who* drew six million viewers in the UK, while BBC Wales' production of *War and Peace* – adapted by Andrew Davies – attracted more than seven million viewers in January. The second series of *Hinterland* (an S4C/BBC co-production) cemented its position as BBC Wales' most successful locally-commissioned drama series in recent history, while the return of BBC One's *Sherlock*

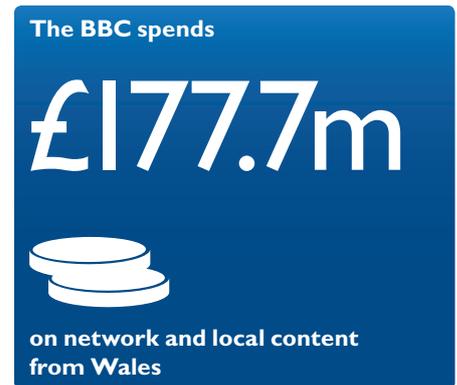
on New Year's Day provided the UK's favourite holiday viewing, with 11.6 million viewers across the UK welcoming the return of Benedict Cumberbatch and Martin Freeman over the Christmas period.

Across drama, factual and music, network television production spend in Wales represented 7.1% of total BBC investment, with *Crimewatch*, *Bargain Hunt*, *Casualty*, *BBC Cardiff Singer of the World* and *Coast* at the heart of the provision.

BBC Radio Wales and Radio Cymru provided extensive coverage of the 2015 Rugby World Cup, Wales' qualification for Euro 2016 and the General Election, though overall audience reach was down year-on-year. In parallel, usage of social media services and mobile continued to grow strongly – and both stations saw listening via podcasts and interactive content rise.

The 150th anniversary of the Welsh settlers reaching Patagonia was marked with a range of programming, including a landmark documentary with Huw Edwards, produced in Welsh and English. To mark the historic occasion, the BBC National Orchestra of Wales (BBC NOW) became the first professional symphony orchestra to visit the region, delivering a range of music workshops at local schools and community centres. The tour culminated with two gala concerts in a specially converted warehouse in Chubut, the province's capital, attracting thousands of local residents of all ages to their first orchestral concert.

BBC programming for S4C continued to play a vital role at the heart of the channel's schedule, with the popular drama *Pobol y Cwm* returning to its regular five-nights-a-week pattern in the autumn. The introduction of S4C to BBC iPlayer also performed well, with over 100,000 requests to view content each week on average. Alongside this success, BBC Cymru Fyw – the Welsh language online and mobile service – provided a vibrant and innovative service to users, attracting almost 45,000 unique browsers each week.



If you want to read more about the BBC's spending in Wales, please see page 94 in the BBC's Full Financial Statements.

Performance by service

Content (£m)
We spent a total of £29.3 million on content for these dedicated services last year

Reach (%)
Wales' population who use the service each week

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

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

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

Dedicated services

	<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>	 £15.1m 2014/15: £15.5m	 14.8% 2014/15: 16.2%	 08:15 2014/15: 09:22	 82.5 2014/15: 83.0	 9.0p 2014/15: 7.6p
	<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>	 £14.2m 2014/15: £14.1m	 4.3% 2014/15: 4.6%	 10:47 2014/15: 10:49	 77.0 2014/15: 78.1	 22.3p 2014/15: 21.1p

Reach definition: 15+ minutes and audiences aged 15+. Sources: RAJAR (Radio reach and time spent), Appreciation Index: From Pulse panel of 20,000 UK adults 16+ by GfK. BBC Radio Wales, BBC Radio Cymru: data based on their Total Survey Area (TSA). Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI. BBC Radio Cymru reaches 18.9% of the 15+ Welsh-speaking population in Wales a week, who use the service for 12:07 a week on average. Welsh-speaking listeners give it an average Appreciation Index score of 76.5. The prior year balance has been updated following an adjustment to the data that has allowed a more accurate analysis.

Reaching our audiences

Audience reach

Percentage of adults in Wales who use BBC TV, radio or online each week in 2015

97%

2014: 97%



Total time spent

Length of time these audiences spend with the BBC each week in 2015.

19.5hrs



General impression

General impression of the BBC.

7/10

2014/15: 7/10



Performance by platform

Weekly reach of BBC Television

83%

2014/15: 85%



Weekly reach of dedicated news services on television

48%

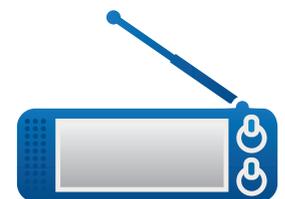
2014/15: 49%



Weekly reach of BBC Radio

72%

2014/15: 76%



The BBC in Scotland

With award-winning investigations and drama, to cutting edge documentaries and events coverage, BBC Scotland reflected Scotland in all its rich diversity across 2015/16.

The third series of crime thriller, *Shetland*, drew an average network audience of 5.8 million.

BBC Scotland's General Election coverage was both comprehensive and authoritative and, for the first time, our results programme broadcast live from all 32 count locations across Scotland.

Illegal puppy farming, fracking and the Glasgow bin lorry tragedy were just some of the subjects covered by our Investigations team, whose work on serious allegations of doping in world athletics had global repercussions. *Catch Me If You Can* subsequently scooped the Sport Story of the Year Award at the 2015 British Journalism Awards.

In drama, a third series of Ann Cleeves' acclaimed crime thriller, *Shetland*, drew an average network audience of 5.8 million across its six parts. Other highlights included Iain Banks' *Stonemouth* and *Murder* on BBC Two in March. The introduction of fresh faces and compelling storylines helped *River City* continue to be the most appreciated 'soap' in Scotland and, working alongside the Children's Hospice Association, our drama team delivered one of the year's most poignant pieces of television in telling the story of the death of a baby.

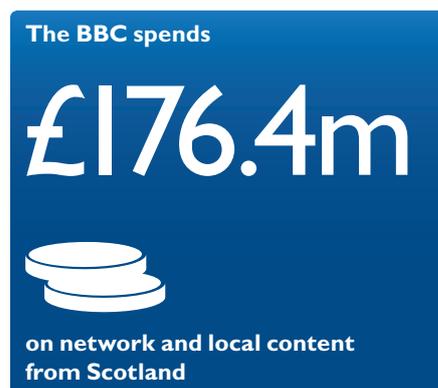
A rich and varied crop of documentaries included thought-provoking insights into life in modern Scotland, with subjects such as *Transplant Tales*, *Teenage Millionaire* and *Transsexual Stories*. The deeply moving story of those still touched by a tragedy that shook the world 20 years ago was told in *Dunblane: Our Story*.

What Do Artists Do All Day?, the *BBC Goes Pop* season on BBC Four and the four-part *Story of Scottish Art* put the spotlight on art and artists from Scotland and beyond. And rural life was very much to the fore, with *The Mart*, *Bothy Life*, *Lady Lairds*, *The Mountain* and the much acclaimed 12-part *This Farming Life*, for BBC Two.

Mrs Brown's Boys was, once again, at the heart of the BBC's festive television schedule and the new comedy spoof *Scot Squad* drew an average Scotland audience share of 20% across its six-part run.

BBC One Saturday night lottery show favourites *Who Dares Wins*, *In It To Win It* and *Win Your Wish List* were all shot at BBC Scotland's headquarters in Glasgow and our outside broadcast crews brought extensive festival coverage from across the country, from The Proms and Celtic Connections, to the World Pipe Band Championships and T in the Park.

Children's output continued to delight and surprise, with *Katie Morag* and other well-established favourites joined by innovative new formats such as *Lifefabable*.



If you want to read more about the BBC's spending in Scotland, please see page 99 in the BBC's Full Financial Statements.

BBC ALBA retained its loyal audience, reaching 660,000 viewers each week, and the much-acclaimed drama, *Bannan*, returned to our screens during the year.

Changes to the Radio Scotland schedules brought extended *Kaye Adams* and *Newsdrive* programmes, with *Good Morning Scotland* now on-air seven days a week. The addition of the new topical comedy quiz *Breaking the News*, the weekly magazine *Out for the Weekend* and *Quay Sessions*, showcasing the best of home-grown and international music talent, helped the station go from strength to strength in 2015.

Social media is becoming increasingly important as a means to connect with our audiences. The average weekly reach on the BBC Scotland Facebook page increased from 260,000 (October 2014 – March 2015) to 1.68 million in 2015/16. One sketch, from *Scot Squad*, reached 16.1million unique users.

Performance by service

Content (£m)

We spent a total of £32.3 million on these services last year

Reach (%)

Scotland adult population who use the service each week

Time spent watching a channel each week (h:m)

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

Appreciation Index by service

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

Cost per user hour (p)

How much it costs to deliver each service to individual users

Dedicated services



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

£5.5m

2014/15: £6.0m



15.0%

2014/15: 16.2%



01:59

2014/15: 01:56

n/a

2014/15: n/a

7.8p

2014/15: 8.3p

Performance by service

Content (£m)
We spent a total of £32.3 million on content for these dedicated services last year

Reach (%)
Scotland population who use the service each week

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

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

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

Dedicated services

 <p>BBC Radio Scotland is a speech-led service for adults. Mixed-genre programming reflects the diversity of Scottish culture and covers national and international issues and events relevant to listeners across the country.</p>	<p>£22.9m 2014/15: £21.7m</p>	<p>21.0% 2014/15: 20.0%</p>	<p>06:55 2014/15: 07:09</p>	<p>76.0 2014/15: 75.6</p>	<p>6.6p 2014/15: 6.5p</p>
 <p>BBC Radio nan Gàidheal offers a comprehensive speech and music radio service for Gaelic speakers. Mixed-genre programming reflects the diversity of Scottish culture and, from a Gaelic perspective and through the medium of the Gaelic language, covers national and international issues and events relevant to listeners across the country.</p>	<p>£3.9m 2014/15: £3.7m</p>	<p>69.0%* 2014/15: 63.3%</p>	<p>08:27 2014/15: 07:40</p>	<p>n/a 2014/15: n/a</p>	<p>16.3p 2014/15: 18.9p</p>

RAJAR reach definition: 15+ minutes and audiences aged 15+. Sources: RAJAR (radio reach and time spent). Appreciation index: From Pulse panel of 20,000 UK adults 16+ by GfK. BBC Radio Scotland: data based on its Total Service Area (TSA).
* TRP Panel: Gaelic-speaking 16+ population in Scotland. Arrows denote whether there has been a change of +/-1.1-2.4% or +/-2.5% from the previous year's AI.

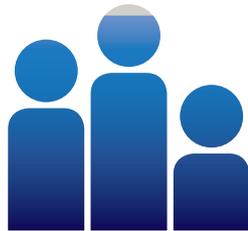
Reaching our audiences

Audience reach

Percentage of adults in Scotland who use BBC TV, radio or online each week in 2015.

95%

2014: 95%



Total time spent

Length of time these audiences spend with the BBC each week in 2015.

18.4hrs

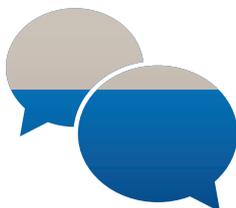


General impression

General impression of the BBC.

6/10

2014/15: 6/10



Performance by platform

Weekly reach of BBC Television

83%

2014/15: 83%



Weekly reach of dedicated news services on television

51%

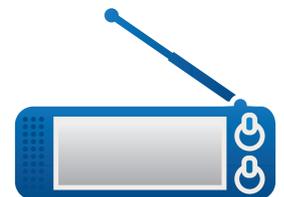
2014/15: 51%



Weekly reach of BBC Radio

59%

2014/15: 57%



The BBC in Northern Ireland

We had a remarkable year of BBC programmes and events in Northern Ireland during 2015/16.

BBC Radio Ulster's 40th birthday was marked by a series of outside broadcasts and special initiatives, including a Gala Concert from the Ulster Hall.

We also engaged record numbers of people in BBC events as part of Tall Ships Belfast and our annual *Proms in the Park*. And we were delighted to bring the spectacle of *BBC Sports Personality of the Year* to Belfast for the first time. It was a proud moment for local BBC staff, audiences and sport, and prompted some of the best feedback we've ever received.

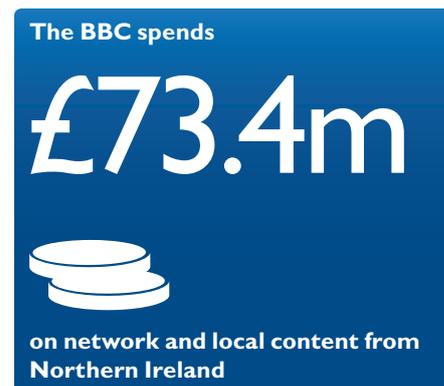
Our news and current affairs output covered the Westminster election, providing in-depth and sustained coverage across radio, television and online. We also explained and analysed developments at Stormont and gave BBC audiences an important forum for debate. *Spotlight* continued its award-winning run of investigations; *Nolan Live* included a unique and ambitious collaboration with RTÉ looking at views and attitudes on both sides of the border; and *BBC Newsline* benefited from new investment to upgrade our studio facilities in Broadcasting House – a development which enhanced the look and impact of our output.

We built upon our success in creating high-quality network television drama, with commissions for returning series of *The Fall* and *Line of Duty*, and a new period drama set in the west of Northern Ireland. All of this work has important benefits for our creative industries and the diversity of the BBC's network schedules. It is complemented by a developing range and volume of other locally-produced output for UK-wide audiences, including radio documentaries, dramas and readings, current affairs investigations, including *Panorama*, and the established, and much valued, place that the Ulster Orchestra has within BBC Radio 3's schedules.

Local musical talent and diversity were showcased to great effect as part of BBC Music Day. And we celebrated Van Morrison's 70th birthday with a concert broadcast from Cyprus Avenue and a week of special programming on BBC Radio Ulster. Sir James Galway also made a welcome return to our airwaves and was profiled in a lyrical documentary, *Being James Galway*. Emerging musical talent also found its place on the BBC stage through our new *School Choir of the Year* competition.

Technical innovation underpins all of BBC Northern Ireland's editorial ambitions. Our local teams have been doing some ground-breaking work in making the BBC's archives more accessible as part of the BBC Rewind project – achievements that we want to consolidate and grow over the next period. Addressing the technical and other requirements on which our broadcasting future depends has also been a priority, and work continues on the BBC's property needs in Northern Ireland.

Our linguistic and cultural heritage was reflected in different ways across our local services. Mary McAleese wrote and presented a compelling documentary *Columbanus: The Man Who Saved Europe*, which was also broadcast in Irish. And Ulster-Scots themes were explored in series including *Imagining Ulster*. Much of this programming is only made possible by the support that we receive from NI Screen – a partnership that is also helping to give strategic direction and impetus to the sector's development more generally.



If you want to read more about the BBC's spending in Northern Ireland, please see page 104 in the BBC's Full Financial Statements.

Performance by service

Content (£m)
We spent a total of £17.7 million on content for these dedicated services last year

Reach (%)
Northern Ireland's population who use the service each week

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

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

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

Dedicated services



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.



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.

£17.7m
2014/15: £17.3m



36.2%
2014/15: 35.6%



10:47
2014/15: 10:02



74.2
2014/15: 77.9

5.7p
2014/15: 6.3p

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

Reaching our audiences

Audience reach

Percentage of adults in Northern Ireland who use BBC TV, radio or online each week in 2015.

96%

2014: 95%



Total time spent

Length of time these audiences spend with the BBC each week in 2015.

17.0hrs

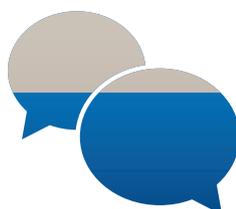


General impression

General impression of the BBC.

6/10

2014/15: 7/10



Performance by platform

Weekly reach of BBC Television

80%

2014/15: 82%



Weekly reach of dedicated news services on television

53%

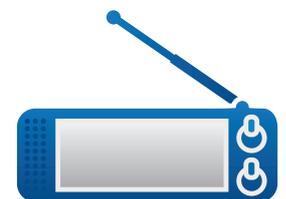
2014/15: 55%



Weekly reach of BBC Radio

60%

2014/15: 61%



The BBC in England

It has been another strong year for the BBC across England, attributable to a powerful mixture of appealing content, big news stories, unique live events and continued investment in our sites across the country.

From *Poldark* to *Happy Valley*, the English countryside provided a magnificent setting for some of our most powerful dramas, proving a hit with audiences across the country and helping to drive international sales and the BBC's global reputation for high-quality drama.

The urban environment of Greater Manchester was the backdrop for Peter Kay's popular comedy *Car Share*. The sitcom premiered on iPlayer and, with 2.8 million requests, became one of the most requested programmes ever, before going on to become a BBC One favourite. Another notable success was *Boy Meets Girl*; set in Newcastle and the product of a specific search for scripts with positive portrayals of transgender characters, this was the first BBC comedy to prominently feature transgender issues. In March 2016 *The A Word*, focusing on a young boy with autism growing up in the Lake District, took to our screens, demonstrating our ongoing desire to widen the diversity of stories and representation in peak time slots.

A range of live events across the country helped us to get even closer to audiences in England; The 6 Music Festival and accompanying fringe event were held in Bristol to the delight of the region's music fans, while Birmingham played host to the second BBC Music Awards. BBC Sport's Cue Sheffield saw a number of network programmes such as *The One Show* and *Woman's Hour*

visit the city during the Snooker World Championships. In Salford, 5 live and BBC Sport hosted a marathon five-a-side football match, which saw hundreds of amateur players take to a specially constructed pitch in the MediaCity piazza alongside Alan Shearer and Robbie Savage to raise over £370,000 for Sport Relief.

CBBC Live & Digital took the BBC's Make it Digital project to 25,000 visitors in Hull, while in Leeds, CBeebies filmed its third collaboration with Northern Ballet – a performance of *Elves and the Shoemaker*. CBBC's commitment to the North East remains strong with two of the network's most popular drama series, continuing to film in the Newcastle area. These series, taken together with all the department's other production activities, give rise to an out of London spend by BBC Children's of 83%.

The BBC's relationship with Birmingham was further renewed with the completion of the process to move an additional 300 jobs to the base, with the BBC Academy at the heart of a new centre for skills, training and recruitment. Approximately 250 more roles were also moved to Salford, enabling us to continue to build our presence outside the South East and reduce the cost of the London estate.

BBC Local Radio once again demonstrated its vital role in a crisis during successive floods in the North of England. Stations in York, Cumbria, Lancashire, Manchester and Leeds all stayed on the air and provided online updates around the clock to keep the public in touch with the rapidly unfolding events. Many staff left their families to work during the Christmas break, even though their own homes were being flooded.

On television, the early evening BBC One regional programmes collectively remain the most watched TV news programming in England, with an average audience of 4.3 million adults. In January the late bulletins at 22.30 were permanently extended by three minutes, allowing more live updates from different communities around England.

4.3m

The early evening BBC One regional programmes collectively remain the most watched news service in England, with an average audience of 4.3 million adults

Performance by service

Content (£m)
We spent a total of £119.8 million on content for these dedicated services last year

Reach (%)
England's population who use the service each week

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

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

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

Dedicated services



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

£119.8m
2014/15: £115.6m



15.0%
2014/15: 15.5%



08:51
2014/15: 08:44



82.4
2014/15: 81.2

3.9p
2014/15: 3.8p

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

Reaching our audiences

Audience reach

Percentage of adults in England who use BBC TV, radio or online each week in 2015.

96%

2014: 96%



Performance by platform

Weekly reach of BBC Television

80%

2014/15: 82%



Total time spent

Length of time these audiences spend with the BBC each week in 2015.

18.4hrs



Weekly reach of dedicated news services on television

45%

2014/15: 45%



General impression

General impression of the BBC.

7/10

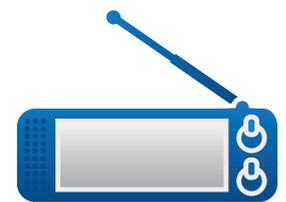
2014/15: 7/10



Weekly reach of BBC Radio

65%

2014/15: 65%



Local Radio

BBC Local Radio is the BBC's regional radio service for England and the Channel Islands, consisting of 40 stations. Launched with BBC Radio Leicester in 1967, it has expanded to serve the whole country, providing a local news-based service, complemented by music.



Finance

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



BBC One's *Attenborough at 90* celebrated Sir David's extraordinary career in natural history

Review of the Managing Director, BBC Finance and Operations



“As we reach the end of the current Charter, the BBC is undergoing a substantial period of change and uncertainty alongside delivery of the final year of the DQF programme. We have plans in place to ensure the financial stability of the BBC.”

Anne Bulford

Continued drive on efficiencies as we enter the final year of DQF

This year we have continued to build on our impressive track record of delivering efficiencies.

2015/16 was the penultimate year of the BBC's 'Delivering Quality First' (DQF) savings programme, which has delivered £621 million sustainable savings by 31 March 2016. The programme remains on track to deliver an annual total of £700 million in annual recurring savings by 31 March 2017. The focus of the efficiencies has been on people, property and procurement:

- **people:** pay restraint and headcount reductions has delivered over £150 million a year in reduced costs and a reduction of more than 2,000 employees over the past nine years. Senior manager pay bill has also fallen by more than £31 million since 2009, the equivalent of 40%
- **property** has significantly reduced since 2010, saving the BBC £75 million a year by 2016/17

- **procurement** is helping us make savings from contract negotiations. The past seven major procurements delivered a total of £649 million in savings over the life of the contracts

In 2015, the National Audit Office (NAO) and PricewaterhouseCoopers (PwC) independently verified the BBC's progress against its efficiency targets. The NAO examined the progress of the DQF programme, while PwC confirmed that the BBC will hit £1.6 billion of recurring cost efficiencies in 2016/17, more than 40% of the BBC's addressable costs. This has been possible in part due to the introduction of a new efficiency strategy known as Compete or Compare. This ensures that all costs are either challenged in the market or rated against it, helping establish a culture of continuous efficiency within the BBC. The key driver of Compete or Compare is to secure the best value for licence fee payers at every opportunity. PwC found that 87% of the current cost base controlled by the BBC has now been tested, up from around 80% in 2014. In 2016/17, we expect 90% of these controllable costs to be tested under Compete or Compare.

In July 2015, PwC also reviewed the calculation of the BBC overheads and compared our overhead ratio against industry benchmarks. In 2015/16, 94% of the BBC's controllable spend was focused on content and delivery, with just 6% spent on running the organisation. This places us in the top 25% of regulated organisations, against a public sector average of 11% and a regulated industry average of 9%. This focus on reducing our running costs ensures we are investing as much money as possible into content for licence fee payers.

When we began the DQF programme in 2011, the BBC set out the savings needed based on future licence fee income forecasts. During 2015, the BBC announced that forecast licence fee income in 2016/17 would be £150 million lower than the previous DQF forecast. This represents approximately one million fewer homes paying the licence fee. As more people rely on BBC iPlayer, mobiles and online catch-up, the percentage of households owning televisions is falling faster than previously predicted, and a loophole means that households watching only on-demand television are not subject to the licence fee. We welcome the Government's commitment

to close the iPlayer loophole by bringing BBC on-demand programme services into the legislation.

In the meantime, the BBC must find savings to make up this £150 million shortfall that will arise by the end of the current licence fee period. The Director-General has set out a package of proposals to save £50 million by making the BBC simpler and leaner. These will reduce the number of divisions, reduce the number of layers from the top to the bottom of the organisation and simplify and standardise procedures across the BBC. This work is now well under way. The remaining £100 million in savings will come from a mix of content savings and other pan-BBC initiatives. The BBC's sports rights budget will contribute £35 million of the savings, which has already been achieved from changes, including Open Golf coverage and the move of Formula 1 to Channel 4.

The 2015 licence fee settlement effectively requires the BBC to absorb inflation in the cost base equivalent to £400 million a year by 2021/22 and self fund any investment in new services. In addition, we face superinflation of costs of around £100 million a year by

2021/22 in areas such as sports and drama. The BBC cannot stand still and this investment in new services for audiences will require an additional £150 million by 2021/22. This means a total saving target of £800 million a year is required by 2021/22, representing over 20% of expected 2016/17 spend, or an average annual savings target of around 4% a year over the next five years.

This means that tough decisions will have to be made and we cannot rule out an impact on services and scope in the long term.

Valued partnerships

In a typical year, the BBC spends £1.4 billion on goods and services using 12,000 suppliers (excluding freelancers and independent programme commissions). We are committed to working with our suppliers to find ways to reduce cost whilst preserving quality and timeliness. About half of the annual spend is on 11 major service contracts like technology (Atos); facilities management (Interserve); and transmission (Arqiva). The other half covers purchasing of regular goods and services associated with running the business, ranging from costumes and travel to cameras and

lighting. We are very grateful to our suppliers – they are an important part of our service delivery and we would not be able to meet our saving targets without their help.

During the year, the BBC brought its recruitment services back in-house to unify its HR function, bringing its 10-year contract with Capita to an end. This is expected to deliver a 20% saving. Capita continues to work with us in other areas, including our successful partnership for licence fee collection.

The repurchase of the BBC's Business Process Outsourcing (BPO) services for finance, accounting, payroll and associated technology completed recently with the contract being awarded to IBM. The new partnership with IBM will deliver significant savings to the BBC through a simplified and innovative approach. IBM will replace Sopra Steria from 1 November 2016.

We would like to thank both Capita and Sopra Steria for their valuable support over the past decade.

From April 2017, the BBC will move to a new IT service model, which will be delivered by a number of suppliers. As part of this, BT has

Use of the licence fee*

	2016			2015 [^]		
	Content, distribution and its support £m	General support £m	Total £m	Content, distribution and its support £m	General support £m	Total £m
Television	2,059.4	141.8	2,201.2	2,186.0	180.4	2,366.4
Radio	608.2	33.9	642.1	611.0	41.4	652.4
BBC Online	224.8	13.2	238.0	187.8	13.1	200.9
Spend by service licence	2,892.4	188.9	3,081.3	2,984.8	234.9	3,219.7
Orchestras and performing groups	26.2	2.1	28.3	29.7	2.8	32.5
S4C**	32.3	2.4	34.7	28.5	2.5	31.0
Development spend***	81.2	6.4	87.6	75.6	7.1	82.7
BBC World Service operating licence	246.2	15.0	261.2	236.2	17.2	253.4
Total service spend	3,278.3	214.8	3,493.1	3,354.8	264.5	3,619.3
% spend	94%	6%	100%	93%	7%	100%

[^] The BBC has reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated this view to make the prior year classification consistent with the current year.

* The licence fee after collection costs is also used to fund the BBC's obligations to broadband rollout and S4C as well as its pension deficit payments.

** £34.7 million spent with S4C is the cost of content provided to S4C over and above the £75 million new obligation.

*** Development costs fund the near-term development of new platforms and services particularly for BBC Online and Red Button. This is primarily focused on new features for existing services, their related support and overhead costs. It is distinct from research costs which is focused on longer-term research of new technology and standards that benefit the BBC and the rest of the industry.

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been appointed as its broadcast network provider. This contract will also deliver considerable savings and is expected to pave the way for future digital innovation.

Looking forward

The current Charter expires on 31 December 2016, with the new Charter in place from 1 January 2017. With that in mind, we welcome the recent publication of the Government's White Paper and the clarity it provides on the future of the BBC. The key things to note from the White Paper, from a financial and governance perspective, are:

- the next Charter will be an 11-year period, taking us up to 31 December 2027
- the licence fee has been secured for the Charter period and will increase in line with inflation for the first five years of the new Charter, which is the first increase in nearly a decade
- subject to regulatory approvals, we can now press ahead with plans to create BBC Studios as a commercial subsidiary – allowing us, for the first time, to make programmes for others, removing the in-house guarantees that have protected television production to date
- for the first time, we'll have a strong unitary board with an external regulator: Ofcom

We will hold conversations with the Government over the coming months to discuss the recommendations in the White Paper, specifically around the independence of the new Board and the exact role of the NAO. It is vital that the final Charter and Agreement delivers a strong independent system of governance that attracts wide support and ensures value for licence fee payers over the coming 11 years.

The current strong financial position of the BBC, along with the successful delivery of current saving plans, leaves us in a good position to meet our future obligations and continue delivering world-class content to our audiences.



Anne Bulford
Managing Director,
BBC Finance and Operations

16 June 2016



BBC Radio 3's new regular jazz slot *Jazz Now*



Popular crime drama *Silent Witness* returned for a 19th series

Financial achievements



Rationalising the BBC estate

There has been a particular focus on rationalising and modernising the BBC estate. We have exited both Television Centre and parts of White City and continue to move more of our business outside of London. During the year we successfully completed the sale of four acres of freehold land in London W12 alongside the sublease of six BBC Media Village buildings, recording a profit on sale of £96 million and annual recurring savings of £33 million. 55% of our employees are now based outside of the M25, an increase of 1% on last year.



Senior manager remuneration

We have continued to reduce the number of senior managers and their cost. The senior manager paybill is now £47.0 million as compared to £78.5 million on 1 August 2009. The total number of senior managers is 356, 45 fewer than last year and 279 fewer than 2009.

DELIVERING QUALITY FIRST

Ongoing savings

The Delivering Quality First savings programme delivered £621 million sustainable savings by 31 March 2016. The programme remains on track to deliver an annual total of £700 million in annual recurring savings by 31 March 2017.



Prioritising spend on content

In 2015/16, 94% of our core controllable spend is now spent on content, distribution and related support with only 6% spent on running the organisation. This focus on reducing our costs ensures we are investing as much money as possible directly into content for licence fee payers.



Talent spend

Total talent spend of £200 million in 2015/16 represents 12% (2014/15: 12.2%) of internal spend on content and has reduced by £8.4 million (4%) on the prior year. We remain committed to keeping spend on on-screen and on-air talent to no more than 15% of overall internal spend on content (with a 1% tolerance).

Financial overview

How we use the licence fee

The way in which the BBC is funded places significant responsibilities on it as an organisation:

- to provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC
- to ensure that the output is then delivered as cost efficiently as possible
- to ensure effective and efficient collection of the licence fee
- to maximise funding from other sources, most significantly BBC Worldwide, the BBC's commercial trading operation, in a manner consistent with the terms of its Charter and other obligations

Results for the year

Our results for this year once again show that we have successfully managed the financial challenges facing us, giving a sound base to meet our future commitments and deliver our strategic ambitions. A reduction in operating costs through our efficiency programmes, along with a significant gain on the West London Media Village property transaction, have resulted in a group surplus of £59 million for the year (2015: deficit of £125 million).

The table below provides a summary of the income statement.

Income

Total licence fee income increased by 0.2% or £8 million from £3,735 million to £3,743 million due to improved collection plans and modest household growth.

Licence fee collection

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

This is the third year of the new licence fee contract and total cost savings of £220 million are expected to be delivered over the eight years of the contract, releasing more funding to be spent on our programmes and services. This is a huge achievement that has only been possible due to the strong relationship with Capita, our outsourced provider for collection of licence fee monies.

Summary consolidated income statement

For year ended 31 March 2016

Income statement classification	What is it?	2016 £m	2015 £m	What has happened this year?
Licence fee income	The total of licence fees collected	3,743	3,735	0.2% increase reflects limited net growth in the number of households acquiring a licence
Other income and revenue	Commercial (mainly BBC Worldwide) income	1,084	1,070	
Total income		4,827	4,805	
Operating costs	The cost of producing all content and of running the BBC	(4,776)	(4,903)	Decrease due to major sporting events in 2014/15 such as the Commonwealth Games and FIFA World Cup
Restructuring costs	Sums provided to fund future efficiency initiatives	(21)	(11)	Costs to deliver DQF savings and reorganisation costs within BBC Worldwide
Total operating costs		(4,797)	(4,914)	
Share of results of associates and joint ventures	Our share of the profit of the businesses where we control 50% or less	40	33	Increase in 2015/16 reflects a full year share of the new BBC AMERICA associate following partial sale during 2014/15
Gain on sale of operations	Profit on disposal of operations	–	116	2014/15 reflects the gain on the partial sale of BBC AMERICA
Gain on disposal of fixed assets	Profit on disposal of fixed assets	96	8	Gain recorded on the sale of freehold land from the West London Media Village site
Net financing costs	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	(107)	(143)	Lower accounting charge for the BBC pension plan liabilities
Taxation charge	The net tax liability of the BBC on its taxable profits	–	(30)	Tax charge arises on commercial activities. An overprovision in previous years has been used to reduce this year's tax charge
Group surplus/(deficit) for the year		59	(125)	

Licence fee statement

As in previous years, the BBC prepares a licence fee revenue statement audited by the NAO. This account sets out the amounts we collected in the year and paid over to HM Government. Alongside their audit work, the NAO examines our collection arrangements and reports on them to Parliament. More on the licence fee revenue statement can be found on our website: bbc.co.uk/aboutthebbc

Commercial trading

The licence fee is supplemented by income from the commercial exploitation of licence fee funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC Global News and BBC Studioworks (previously BBC Studios and Post Production).

BBC Worldwide

BBC Worldwide exists to support the BBC public service mission and to maximise income to the Group on its behalf. It returned £222 million to the BBC in 2015/16, well above £200 million for a second year running (2014/15: £227 million). Last year's record returns were boosted by the BBC AMERICA part sale proceeds, as were this year's returns to a lesser extent. After adjusting for disposal proceeds from both years, this year's return showed a 18% year-on-year improvement.

This contribution is increasingly important for the funding of programmes commissioned by the public service BBC.

In an increasingly complex world of multiple content producers and platforms, BBC Worldwide plays a vital role in supporting and showcasing the best of British creativity, from both the BBC and the wider UK creative industries. 2015/16 was another strong year for BBC Worldwide. It delivered headline sales of £1,029 million (2014/15: £1,002 million), a 3% increase from prior year and 7% in terms of underlying growth. It achieved this by growing its position as an active creative partner and driving forward its growth strategy. The key drivers of the revenue increase were healthy sales to third parties such as Netflix, which operates Subscription Video On Demand (SVOD) services, and UKTV. Headline profit of £134 million was £5 million lower than prior year (2014/15: £139 million) due to the full year impact of

the part-disposal of BBC AMERICA in October 2014, significant investment in new channel brands and the rising cost of content. Removing the BBC AMERICA effect, headline profit growth was 4%.

BBC Worldwide has delivered progress on each of the three pillars of its strategy: premium content; global brands; and gradual transformation to digital products and services.

Premium content

World-class content remains at the heart of what the company does. In 2015/16, it invested £162 million in content (2014/15: £181 million), which was a reduction from the previous year due to the part-disposal of BBC AMERICA during 2014. Investment in BBC commissioned content remained fairly stable at £93 million (2014/15: £94 million), supporting on-screen programmes across the BBC's channels. BBC Worldwide also continued to build relationships with the independent sector,

	Headline sales		Headline profit	
	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m
UK PSB Group	181	192	n/a	n/a
BBC Worldwide	1,029	1,002	134	139
Global News	101	93	0	(5)
BBC Studioworks (Previously S&PP)	22	29	2	(1)



Global brand *Dancing with the Stars* retained its position as a Top 10 most watched entertainment programme in the USA



New CBeebies 3D animation *Go Jetters* rated well in the UK and internationally



© Silverback films/Jason Roberts

Almost three-quarters of Silverback Films' *The Hunt* was commercially funded via BBC Worldwide, including co-production deals with BBC AMERICA, CCTV-9 and NDR

returning £116 million during the year (2014/15: £113 million) by working with over 250 UK independent producers. 2015/16 also saw BBC Worldwide take equity stakes in Amazing Productions, Mighty Productions, Red Planet Pictures (Entertainment) and Greenbird Media. These deeper indie relationships, along with a close strategic partnership with BBC Studios, are expected to support the development of UK-owned intellectual property and secure BBC Worldwide's future pipeline of world-class content.

Global brands

Key global brands continued to perform well during 2015/16. BBC Worldwide continued to build its channel genre brands this year, resulting in 12 of BBC Worldwide's 33 international channel feeds carrying its new channel brands by 31 March 2016. New channel brands were launched during the year in Poland, the Nordics, South Africa and Latin America and most of the other thematic BBC channels are expected to re-brand during 2016/17. BBC Earth and BBC First are now available in at least 40 countries with BBC Brit available in 61 countries.

Dancing with the Stars retained its position as a Top 10 most watched entertainment programme in the USA and *Sherlock: The Abominable Bride* was sold to 216 territories and also screened in cinemas in over 20 countries. In natural history, BBC Earth Films and Shanghai Media Group signed the first deal under the landmark Sino-UK Film Co-Production Treaty to co-produce a new documentary feature film for cinematic release in 2017.

Digital products and services

Progress on BBC Worldwide's 'direct to consumer' offering included the launch of BBC Store in November 2015. With over 7,000 hours of contemporary and classic content at the time of launch, BBC Store allows viewers in the UK to buy and keep programmes they want to enjoy beyond the 30-day licence fee-funded BBC iPlayer window. Work continued on plans for Over The Top (OTT) services in selected markets outside the UK, with BBC Player announced just after year-end and expected to launch in Singapore later this year. The new authenticated multi-genre SVOD service will be available to Starhub customers in Singapore and offer audiences a wealth of BBC titles.

Highlights from BBC Worldwide's four business regions in the year included: growth in content sales; the best year to date for BBC AMERICA viewership and a significant *Doctor Who* SVOD deal signed with Amazon in North America; a strong first full year for BBC First and an exceptional year for CBeebies in Australia and New Zealand; and strong format licensing sales and the launch or relaunch of 11 new channel feeds in global markets.

In a challenging operating environment, BBC Worldwide continues to transform the way it works in order to build a world-class company that attracts and retains the best talent, while being run in an efficient way. To that end, an active programme of efficiencies was developed during 2015/16 to reduce operating costs and reduce the workforce by 11%. Nonetheless, a focus on company culture, training and engagement meant

BBC Worldwide's staff engagement score was 70% this year, well above the global market norm of 55%.

This commitment to running a world-class media company, investing in content, and delivering on its strategy puts BBC Worldwide in a good place to meet its target of returning £1.2 billion to the BBC over the first five years of the new Charter, as well as continuing to support the UK's creative industries during this time.

BBC Global News

BBC Global News operates the BBC's two commercially-funded international news services: BBC World News, the 24-hour global news TV channel, and the digital platform BBC.com (including the BBC.com website, a News app and a Sport app). BBC Global News' mission is to be the best and most trusted international news provider in the world, while growing the BBC's international news audiences and operating as a commercially efficient business.





In 2015/16, BBC World News' global footprint expanded significantly, up 11% from previous year. The channel's distribution increased to a record 441 million households (up from 398 million in 2014/15).

Trends in the World News channel viewing figures varied by region. In Europe, viewing of news channels increased in 2015, bucking the trend of recent years, with World News gaining audience reach for the first time since 2008 and continuing to close the gap on CNN. In Asia, viewing of news channels continued to grow but at a slower pace than the previous year, with World News narrowing the gap on CNN. In the US, World News maintained consistent viewing figures in 2015/16, outranking Bloomberg TV by the end of the year.

Audience growth for BBC.com was on target in 2015/16, helped by strong performance in the US. BBC.com attracted, on average, over 89 million monthly unique browsers, up 4% from 2014/15. Total page views across all platforms (website, apps and IPTV) averaged 1.1 billion per month, down 7% from the previous year due to the ongoing shift in browsing habits from desktop to mobile.

Video continued on its trajectory of rapid growth, averaging 53 million video views per month (up 44% from 2014/15).

Digital innovation throughout the year delivered several enhancements to the BBC.com proposition. The BBC.com website saw numerous improvements to the video viewing experience and a major re-design of the News app more than doubled the number of videos viewed on it. In October 2015, a new Japanese-language edition of BBC.com was launched to serve strong demand in this major market.

Beyond BBC.com, off-platform consumption of BBC content is playing an increasingly important role in the Global News content distribution strategy. In 2015/16, Global News continued its successful partnerships with MSN, Yahoo!, AOL, Google, LinkedIn, Flipboard, Facebook and Apple, and entered into new agreements with Spotify and Smartnews.

On social media, BBC News has nearly 30 million Facebook fans globally and the BBC continues to be the world's most shared news source on Twitter.

In 2015/16, Global News maintained its position as the most trusted international news provider. It was recognised for the excellence of its journalism with a number of awards, including a Peabody for coverage of the European Migrant Crisis, and an award from ENBA India for the best news coverage by an international news channel in India, for the second year running. The redesigned BBC News app also won the People's Voice Webby Award for the best mobile site or app in the News category.

Global News achieved break-even in 2015/16, one year ahead of its five-year plan target, returning an operating profit of £0.2 million (2014/15: loss of £4.6 million). Year-on-year sales growth was coupled with a significant cost reduction exercise.

BBC Studioworks (Previously BBC Studios and Post Production)

BBC Studioworks is a wholly-owned commercial subsidiary of the BBC serving both the BBC and external clients. Until May 2016, the company traded as BBC Studios and Post Production. Following the year end, the company undertook a full rebranding exercise, which included changing its name to BBC Studioworks Limited.

The company has historically been divided into two operating divisions; Studios and Post Production Services (S&PP) and Digital Media Services (DMS). At year end, the Digital Media Services division was closed as part of a refocusing exercise, allowing the company to concentrate on its core strengths in delivering studios, post production and related services. These remaining core areas have returned an underlying operating profit over each of the last two years.

In the year ended 31 March 2016, the company returned an underlying operating profit of £1.3 million, representing profit growth of 33% since 2014/15 on the same basis. Underlying operating profits exclude DMS and are stated before the deduction of non-trading items such as contributions to the BBC pension deficit.

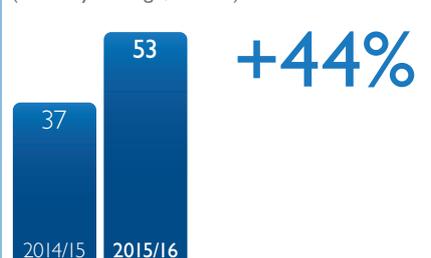
During the year, S&PP delivered an impressive range of creative projects for numerous broadcasters, media companies and content owners – including:

- many elements of the BBC's General Election broadcasting in May 2015. Elections broadcasting represents one of the most technically demanding studio productions to host due to the mix of virtual and augmented reality technologies employed as well as managing a complex connectivity arrangement
- a range of studios and post production technical services to the BBC's multi award-winning continuing drama, *EastEnders*

World News distribution – full and part-time households (million)



Video views – all platform (monthly average, million)



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— post production services for a number of broadcasters including ITV's game show, *Keep it in the Family*, and the BBC's consistent ratings winner, *Strictly Come Dancing*

— other successful studio productions including Sky's *A League of their Own*, Channel 5's *Lip Sync Battle UK*, BBC's *The Voice UK* live shows, BBC's *Strictly Come Dancing* as well as comedy panel quiz shows such as E4's *Virtually Famous* and ITV's *Celebrity Juice*

During 2015/16, the company has been overseeing the refurbishment of its studios on the Television Centre site in West London. The structural work has been completed and the technical fit-out is now under way in anticipation of three Television Centre studios reopening in 2017.

Results for the year

UK Public Service Broadcasting (UK PSB) Group expenditure

2016 Service	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One	1,052.5	35.8	154.1	88.0	1,330.4
BBC Two	399.0	20.2	60.2	34.1	513.5
BBC Three	52.9	7.7	13.5	4.4	78.5
BBC Four	44.2	4.1	7.7	3.8	59.8
CBBC	70.6	7.7	12.4	6.1	96.8
CBeebies	29.1	4.1	6.6	2.5	42.3
BBC ALBA	5.5	0.9	0.9	0.5	7.8
BBC News channel*	46.6	7.0	6.5	2.2	62.3
BBC Parliament	1.9	6.3	1.4	0.2	9.8
Television	1,702.3	93.8	263.3	141.8	2,201.2
BBC Radio 1	36.2	6.0	5.2	1.3	48.7
BBC Radio 2	44.6	6.0	4.8	2.1	57.5
BBC Radio 3	37.7	6.0	6.3	3.1	53.1
BBC Radio 4	88.6	6.4	13.2	6.6	114.8
BBC Radio 5 Live	45.5	4.4	7.0	3.6	60.5
BBC Radio 5 Live Sports Extra	2.5	1.6	1.3	0.2	5.6
BBC iXtra	4.6	1.7	3.0	0.3	9.6
BBC 6Music	7.9	1.7	2.4	0.6	12.6
BBC 4 Extra	3.1	1.7	1.4	0.2	6.4
BBC Asian Network	6.6	2.1	1.8	0.5	11.0
BBC Local Radio	119.8	14.8	15.0	9.3	158.9
BBC Radio Scotland	22.9	2.9	4.3	1.9	32.0
BBC Radio nan Gàidheal	3.9	1.3	0.7	0.3	6.2
BBC Radio Wales	15.1	1.6	3.0	1.2	20.9
BBC Radio Cymru	14.2	1.5	2.9	1.2	19.8
BBC Radio Ulster/BBC Radio Foyle	17.7	1.8	3.5	1.5	24.5
Radio	470.9	61.5	75.8	33.9	642.1
BBC Online and Red Button**	153.3	37.9	33.6	13.2	238.0
Spend regulated by service licence	2,326.5	193.2	372.7	188.9	3,081.3
Orchestras and performing groups	23.2	—	3.0	2.1	28.3
S4C (service spend)	28.0	—	4.3	2.4	34.7
Development spend*****	72.0	—	9.2	6.4	87.6
BBC World Service operating licence***	224.3	—	21.9	15.0	261.2
Other service spend	347.5	—	38.4	25.9	411.8
Total service spend	2,674.0	193.2	411.1	214.8	3,493.1

	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
2016 Service					
Licence fee collection costs					114.6
S4C (direct funding)					75.3
Monitoring					5.8
PSB Group pension deficit reduction payment					95.8
Costs incurred to generate intra-group income					64.5
Costs incurred to generate third-party income					71.3
Restructuring costs					15.1
Total PSB Group content expenditure					3,935.5
Local TV****					3.5
Broadband rollout*****					150.0
Total PSB Group expenditure					4,089.0
Lease reclassification*****					(78.3)
PSB Group expenditure					4,010.7

* Included within BBC News channel are production costs of £24.7 million, Newsgathering costs of £21.3 million and other costs of £0.6 million (2015: production costs of £23.5 million, Newsgathering costs of £22.1 million and other costs of £0.6 million).

** BBC Online and Red Button spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service and overheads. The spend for each annexe was: News, Travel & Weather £50.9 million (2015: £43.5 million), Sport, £16.7 million (2015: £17.2 million), Children's £9.4 million (2015: £9.0 million), BBC Three £10.4 million (2015: nil), Knowledge & Learning £18.6 million (2015: £15.5 million), TV & iPlayer £16.3 million (2015: £13.7 million) and Radio & Music £13.5 million (2015: £14.1 million), giving a total annexe spend of £135.8 million (2015: £113.0 million). Non-annexe spend was £17.5 million (2015: £11.6 million).

*** The BBC World Service operating licence includes distribution spend of £36.6 million. Total Grant-in-aid funding equivalent spend on BBC World Service was £240.2 million.

**** Under the terms of the latest licence fee agreement, the BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels.

***** In order to reflect the full cost of the PSB Group expenditure by service, finance lease interest is included, although it is not included in the Group operating expenditure.

***** Development costs fund the near-term development of new platforms and services particularly for BBC Online and Red Button. This is primarily focused on new features for existing services, their related support and overhead costs. It is distinct from research costs which is focused on longer-term research of new technology and standards that benefit the whole industry.

PSB support costs include the following

	Content and distribution support £m	General support £m	2016 £m	Content and distribution support £m	General support [^] £m	2015 £m
Property	68.3	43.3	111.6	69.5	92.1	161.6
HR and training	14.0	31.5	45.5	16.5	26.6	43.1
Policy and strategy	–	9.5	9.5	–	6.6	6.6
Finance and operations	10.7	49.1	59.8	19.7	65.4	85.1
Marketing, audiences and communication	86.8	–	86.8	79.6	–	79.6
Total central costs	179.8	133.4	313.2	185.3	190.7	376.0
Technology	106.6	59.8	166.4	115.6	55.2	170.8
Libraries, learning support and community events	28.5	–	28.5	33.0	–	33.0
Production and digital support	25.0	–	25.0	28.3	–	28.3
Research department	17.9	–	17.9	17.0	–	17.0
Contribution to JVs and spend in other PSB entities	28.3	–	28.3	26.1	–	26.1
BBC Trust Unit (excluding restructuring)	–	9.9	9.9	–	10.2	10.2
Other	25.0	11.7	36.7	11.2	8.4	19.6
Total support costs	411.1	214.8	625.9	416.5	264.5	681.0

[^]The BBC has reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated this view to make the prior year classification consistent with the current year.

BBC World Service

In 2014/15, BBC World Service became licence fee funded again and, as a result, an operating licence was established for the service. The operating licence sets out the remit and scope of BBC World Service, its annual budget and its main commitments. The Trust regularly reviews the performance of the service against its licence, in the same way as it does for the other BBC services.

The current operating licence sets out a target for total cash spend of at least £245 million per annum. This year, the total BBC World Service spend of £240 million was £5 million lower than the target owing to a reduction in discretionary and business development spend and a drive for efficiencies in areas such as network News. This is a 1% reduction in spend from prior year. Total expenditure including depreciation, support costs and other charges was £260 million.

During this year, it was announced that the BBC World Service will receive new grant funding from the Government from 2016/17 to 2019/20 to meet the cost of additional services. Details are still being finalised but the expectation is to receive a grant of £34 million in 2016/17 and £85 million a year from 2017/18. This new funding is the single biggest increase in the World Service budget ever committed by any Government. The funding will be spent on digital, television and radio services around the world to build the global reach of the World Service and increase access to news and information.

Delivering efficiencies

2015/16 was the penultimate year of the BBC's DQF programme that delivered another £157 million of annual savings, bringing the total of savings to £641 million (of which £621 million are sustainable savings). The BBC's annual savings achievement is reviewed by our auditors, Ernst & Young LLP. The BBC remains on track to achieve the full savings target of £700 million per annum by 31 March 2017.

During 2014, the Compete or Compare framework was introduced by the Director-General, announcing that the BBC would formalise market testing and benchmarking activity through applying a rigorous comparison across all areas of expenditure. The aim is to extend competition wherever it can bring greater choice, value for money or innovation. The BBC has now established a strong culture of market testing and benchmarking activities and an independent study undertaken by PwC during the year concluded that 87% of BBC controllable spend satisfied the Compete or Compare criteria. The BBC expects to cover nearly 90% of its cost base by the end of this Charter period, either through direct competition or rigorous comparison and benchmarking.

The PwC study concluded that the BBC was amongst the most efficient organisations in the public sector and regulated industries in terms of managing overheads. In 2015/16, 94% of the BBC's controllable spend was focused on content and delivery, with just 6% spent on running the organisation. This is well below both the public sector average of 11%, and the regulated industry average of 9%.

During the year, the Director-General announced proposals for modernisation at the BBC, introducing the idea of creating an open BBC for the internet age. This investment is expected to cost £150 million a year by 2021/22. Delivering this, at the same time as financing a £550 million funding gap, will be a significant challenge.

The BBC is committed to protecting programmes and services and making the BBC simpler, leaner and more effective. The total required savings of £800 million per annum will be partially funded by reprioritisation, changes to services, as well as commercial income and policy changes. New saving measures will also be introduced such as streamlining back office functions, cutting management and management layers and reducing historic levels of BBC bureaucracy. 1,000 posts are targeted to close by 2017.



BBC Arabic filmmaker Safa Al Ahmad on the front line with anti-Houthi militias in Taiz – Under Siege

Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content and its delivery to audiences and users, and the essential infrastructure to support this. Year-on-year spend can vary significantly because of the cycle of major sports events. Total content spend reduced by 2% to £2,674 million (2014/15: £2,728 million) this year,

which was largely due to additional investment in our coverage of the Commonwealth Games and FIFA World Cup in 2014/15.

No service licences spent above or below the regulated baseline threshold during 2015/16.

Following a detailed and rigorous public value assessment, BBC Three closed as a linear television channel in February 2016 and was

reinvented as an online-only service.

BBC Three Online offers news and sport in collaboration with other parts of the BBC. It also collaborates with other BBC services to provide an editorial perspective on major sporting events and festivals, and with Radio 1 to develop new talent, cross-commission and produce short-form content.

Summary consolidated balance sheet

For year ended 31 March 2016

Balance sheet classification	What is it?	2016 £m	2015 £m	What has happened this year?
Non-current assets	Mainly the BBC's property, plant, equipment and investments	1,807	1,750	Increase in the interest in associates in respect of BBC AMERICA along with increased long-term receivables in BBCW
Current assets	Programme and other stocks and amounts to be received in the next 12 months	2,025	2,096	Reduction in cash due to planned pension deficit payment is partially offset by increased other receivables
Current liabilities	Amounts to be paid in the next 12 months	(1,158)	(1,186)	Decrease in accruals and deferred income at the year end
Non-current liabilities (excluding pension liabilities)	Amounts to be paid after the next 12 months	(1,112)	(1,126)	Broadly consistent with prior year
Net assets (excluding pension liabilities)		1,562	1,534	
Net pension liabilities	The net deficit of the BBC's pension scheme	(1,011)	(948)	Increase reflecting changes in financial assumptions
Net assets		551	586	
Represented by:				
BBC reserves	The net resources available to the BBC for future use	551	586	

Balance sheet

The high-level property strategy through to 2020 (the 2020 Vision) agreed by the BBC Executive Board in 1998 included a financial target that the cost of its property estate would be no greater in real terms by 2010 than it was in 1998. The 2020 Vision was designed to allow the BBC to continue to modernise older buildings to meet its digital innovation aims as well as improving its spaces and facilities, fostering the BBC's creative ambitions at the same time as reducing costs, striking the right balance between efficiency and creativity.

Exiting the Media Centre and Garden House buildings within the West London Media Village was a significant part of the property rationalisation required to deliver this strategy as well as delivering a significant element of the DQF savings. As a result £74 million was re-categorised within non-current assets, from Land and Buildings to Investment Properties.

The BBC's cash balance at the end of the year is £335 million which is a £71 million reduction from prior year (2014/15: £406 million) including a £100 million planned pension deficit payment. The reduction in cash has been partly offset within current assets by a £67 million receivable in respect of the West London Media Village sale.

Pension costs

At 31 March 2016, the accounting pension deficit (as defined by IAS 19) had increased by 7% to £1,011 million compared to £948 million a year ago. The increase during the current year was due to a net loss from changes in the valuation assumptions of £93 million, an annual operating charge of £160 million and net finance costs of £30 million, offset by contributions paid of £220 million.

This accounting valuation is only a 'snapshot' at a particular date in time, and is therefore sensitive to short-term market fluctuations. It also has no immediate impact on the cash cost of paying down the current pension

scheme deficit which is reviewed at triennial actuarial valuations.

The most recent actuarial valuation was completed in 2013 and showed a funding shortfall of £2,054 million. The next formal actuarial valuation of the Scheme is underway and will present a valuation as at 1 April 2016. The valuation will be agreed with the pension scheme Trustees later this year in advance of the statutory deadline of 30 June 2017. We intend on finalising the valuation by 1 April 2017, in line with the next scheduled pension deficit payment. The current repayment plan, agreed between the BBC and the pension scheme Trustees in 2013, continues to be followed. It is considered to represent a sensible and affordable plan to address the deficit, without compromising programmes or pension scheme members. The BBC will continue to work with the pension scheme's Trustees to ensure the Scheme delivers the best value to both members and licence fee payers.

Summary consolidated cash flow statement

For year ended 31 March 2016

Cash flow classification	What is it?	2016 £m	2015 £m	What has happened this year?
Net cash inflow from operating activities	Surplus of the BBC's income over its operating costs	182	147	Increase reflecting the Income and Expenditure surplus this year
Net cash used in investing activities	Cash invested in property, plant and equipment	(174)	(205)	Reduced spend on programme rights this year
Net cash used in financing activities	Proceeds and repayments from borrowings and net interest paid on the BBC's borrowings	(80)	(66)	Repayment of loans
Net decrease in cash and cash equivalents		(72)	(124)	
Cash and cash equivalents at the beginning of the year	The BBC's cash balance at the beginning of the year	406	526	
Effect of foreign exchange rate changes on cash and cash equivalents	The impact of foreign exchange rates on the BBC's cash	1	4	Positive movements in exchange rates impacting the sterling value of our cash
Cash and cash equivalents at the end of the year	The BBC's cash at the end of the year	335	406	

Cash

The BBC's cash balance at the end of the year of £335 million will be used to fund new obligations, strategic initiatives and the pension deficit repayment plan. The cash position is forecast to fall into an overdraft position in 2017/18, whilst remaining within our DCMS borrowing limits. The BBC will need to successfully deliver efficiency saving schemes in order for the cash flow to return to a long-term positive position and fund future investment plans.

Tax

The BBC is a committed and prudent tax payer in all the countries in which it operates. Its commercial operations undertake appropriate and legitimate tax planning measures in accordance with the spirit and intention of all laws and regulations.



BBC One's 20 part drama *Dickensian* set within the fictional realms of Charles Dickens' critically acclaimed novels

Summary financial statement

The summary financial information comprises the BBC's summary income statement on page 104, summary balance sheet on page 111 and summary cash flow statement on page 112. These include the key headline data from the full annual financial statements which are available online in the download centre at: bbc.co.uk/annualreport

The summary financial information presented within Part Two of the BBC's Annual Report does not constitute the full financial statements of the BBC for the financial years ended 31 March 2016 and 2015 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the BBC as the full annual financial statements.

The independent auditor of the BBC, Ernst and Young LLP, has issued an unqualified audit opinion on the full financial statements for the year ended 31 March 2016 and 2015.

Statement of the Executive Board's responsibilities in respect of Part Two of the BBC's Annual Report and summary financial information

The Executive Board has accepted responsibility for preparing Part Two of the BBC's Annual Report and the summary financial information included therein. The summary financial information is intended by the Board to be consistent with the full annual financial statements of the Corporation.

In considering the consistency of the summary financial information with the full annual financial statements, the Executive Board has elected to:

- use headings and sub-totals in the summary income statement, summary balance sheet and summary cash flow statement that include, as a minimum, the headings and sub-totals shown in bold type in the corresponding primary statements in the full annual financial statements
- include a brief description of the respective headings
- ensure that the amounts reported in the summary financial information agree with the corresponding amounts reported in the full annual financial statements
- include the comparative amount for the immediately preceding financial year for all amounts reported in the summary financial information
- include an explanation of 'what has happened in the year' reflecting the main transactions and events reported in the full annual financial statements as they affect the respective heading
- include any other information necessary to ensure that the summary financial information is consistent with the full annual financial statements for the financial year in question

The summary financial information, the Strategic report and Governance and finance report (including Executive remuneration report) was approved by the Executive Board and signed on its behalf on 16 June 2016 by:



Tony Hall
Director-General



Anne Bulford
Managing Director,
BBC Finance and Operations

Auditor's report

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

We have examined the summary financial information for the year ended 31 March 2016, which comprises the Consolidated income statement on page 104, the Consolidated balance sheet on page 111 and the Consolidated cash flow statement on page 112 of Part Two of the BBC's Annual Report.

This report is made solely to the Trustees of the British Broadcasting Corporation (the 'Corporation'), as a body, in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our work, for this report, or the opinion we have formed.

Respective responsibilities of the Executive Board and the auditor

The Executive Board is responsible for preparing the summarised financial information so that it is consistent with the full annual financial statements of the Corporation.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, with the full annual financial statements and the Remuneration Report.

We also read the other information contained in Part Two of the BBC's Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial information.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Corporation's full annual financial statements describes the basis of our opinion on those financial statements and on the Directors' Remuneration Report.

Opinion

In our opinion the summary financial information is consistent with the full financial statements and Directors' Remuneration Report of the Corporation for the year ended 31 March 2016.

♦ ♦

Richard Wilson
(Senior statutory auditor)
for and on behalf of
Ernst & Young LLP,
Statutory Auditor

London
16 June 2016

Operations

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

Idris Elba filming BBC One crime drama series *Luther*

Our people

Continuing our work towards a more efficient BBC.

This year we have continued to deliver outstanding programmes and services to our audiences whilst achieving substantial organisational change and preparing for more with the launch of two new divisions – Studios, and Design and Engineering, which occurred in April 2016. Throughout the year we have reviewed many parts of the organisation and taken opportunities to simplify structures to reduce costs and enable more efficient and effective working practices.

Our workforce

Over the course of a year the scale and profile of the BBC's overall workforce is affected by the mix between in-house and independent programme and content supply; changes to our insourcing/outsourcing service model; the launch of new audience facing initiatives as well as headcount reductions arising from savings programmes. In 2015/16, our average annual headcount was 18,920 equivalent full time staff, compared to 18,974 last year.

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

Year	Total
2011/12	19,054
2012/13	18,683
2013/14	18,647
2014/15	18,974
2015/16	18,920

We are committed to controlling the level of our workforce and ensuring value for money across the BBC. During the year we closed 437 posts as a result of our savings programmes, including:

- 278 posts as part of our DQF programme (Delivering Quality First), which originally started in October 2012. This programme continues and ongoing savings have been made, at the same time as we have continued to invest in the digital skills that are required to build the BBC of the future
- during the year the Director-General announced a programme of simplification to deliver £50 million savings in addition to DQF. This is expected to result in some 1,000 post closures, including some roles in BBC Worldwide. We remain on track to achieve our goal of 1,000 post closures by April 2017. By the year end 105 of these

roles had closed in the public service, with BBC Worldwide ending the year with 176 fewer employees than 12 months previously, a reduction of some 9%. Since the end of the financial year further roles have closed and hundreds more are in progress. As a result further reduction will be reflected in future years' published average headcount figures

Following procurement processes we also decided to make savings by bringing in-house some activities such as transactional HR administration and creative services roles which were previously contracted out. Some 175 roles were established or transferred from insourcing and significant financial savings to the BBC will result.

Other notable headcount moves during the year included:

- the creation of 39 more apprentices, trainee and graduate trainee roles in the BBC Academy and in digital teams
- further development of myBBC and iPlayer, which created 110 more roles with specific digital skills
- investment in information security and other technical skills, accounting for 56 new roles

In addition, following the increased Government funding for the BBC World Service as part of the 2015 licence fee settlement, we have also begun to recruit additional roles into our News division.

At year end there were also reductions in staff in key production areas, partially as a result of timing of activity.

Together these changes led to a net reduction of over 200 roles in our year end EFT numbers compared to 31 March 2015, although due to the timing of the changes this is not fully reflected in the average numbers presented in Table 1, above.

The BBC remains committed to locating at least 50% of employees outside of London and 55% of our employees are now based outside of the M25, an increase of 1% on last year. The total number of staff employed by the BBC in each of the devolved nations is disclosed in the Full Financial Statements.

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

	31 Mar 2016	31 Mar 2015	31 Mar 2014	31 Mar 2013
England (excl London)	36	34	33	32
London	45	46	47	48
Scotland	7	7	8	7
Wales	8	8	8	8
Northern Ireland	4	4	4	4

Our new creative vision for BBC Birmingham was unveiled in 2013 and in 2015 we completed the relocation of BBC Academy, HR, internal communications and diversity teams to the Mailbox. This transformation of the BBC in Birmingham was the single largest move of staff in this current year and we are now operating that base at near capacity.

Senior managers

Throughout the year we continued to reduce the number of senior managers, in line with our commitments in the 2009 and 2011 reward strategies.

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

Band	2015/16	2014/15
Under £70,000	0	7
£70,000-£99,999	123	137
£100,000-£129,999	91	107
£130,000-£159,999	80	76
£160,000-£189,999	31	40
£190,000-£219,999	17	16
£220,000-£249,999	8	11
£250,000-£279,999	0	2
£280,000-£309,999	5	2
£310,000-£339,999	1	2
£340,000-£369,999	0	0
£370,000-£399,999	0	1
Total**	356	401

* As at 31 March each year

** Total excludes Executive Board members

The senior manager payroll is now £47.0 million compared to £78.5 million in 2009, and the total number of senior managers is 356 (or 361 when Executive Board members are included). This compares to 640 in 2009 and represents a reduction of 279. Over the last year senior manager numbers have decreased by 45.

Severance Payments 2014/15 and 2015/16: all staff (including senior management)*

Payment Band	1 April 2015- 31 March 2016		1 April 2014- 31 March 2015	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £10k	286	45	69	11
£10k<£50k	5,675	189	4,183	141
£50k<£75k	5,104	81	3,571	58
£75k<£100k	5,036	58	3,259	39
£100k<£150k	9,809	75	6,952	54
Over £150k	0	0	0	0
Total	25,909	448	18,034	303

* Excluding on-air talent

Payments in lieu of notice 2014/15 and 2015/16: all staff (including senior management)

Payment Band	1 April 2015- 31 March 2016		1 April 2014- 31 March 2015	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £5k	0	0	2	1
£5k<£10k	0	0	0	0
£10k<£20k	0	0	0	0
£20k<£30k	0	0	0	0
£30k<£50k	0	0	0	0
Over £50k	0	0	0	0
Total	0	0	2	1

Severance Payments 2014/15 and 2015/16: senior management staff only*

Payment Band	1 April 2015- 31 March 2016		1 April 2014- 31 March 2015	
	Spend £000s	Volumes	Spend £000s	Volumes
Under £10k	0	0	0	0
£10k<£50k	58	2	50	1
£50k<£75k	124	2	154	3
£75k<£100k	756	9	161	2
£100k<£150k	3,885	27	1,311	9
Over £150k	0	0	0	0
Total	4,823	40	1,676	15

* Excluding on-air talent

Severance

Driving efficiencies across the BBC has an inevitable impact on jobs. We continue to be fully committed to managing job losses through redeployment and retraining wherever possible and throughout the year have streamlined our processes to more effectively assess employee suitability and skills match to job vacancies.

Our current severance policy is:

- one month's pay for each year of service up to a maximum of 12 months' pay. For those employees who joined before January 2013 the maximum is higher at 24 months' pay
- a cap on redundancy payments of £150,000
- the maximum length of notice period is six months

We are currently awaiting further clarification on the Government's proposed cap on redundancy which received Royal Assent on 4 May 2016.

Where redundancy severance is paid:

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

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

There were no instances where employees received payment in lieu of notice in addition to a severance payment.

There have been no instances, outside of policy, of people returning to the BBC following receipt of a redundancy/severance payment.

Talent

	2015/2016		2014/15		Variance £000s
	Spend £000s	Volumes	Spend £000s	Volumes	
Under £50k	98,522	46,946	100,009	46,809	(1,487)
£50k-£100k	45,608	695	50,957	774	(5,349)
£100k-£150k	18,338	152	15,914	134	2,424
£150k-£250k	11,907	64	14,591	77	(2,684)
£250k-£500k	13,425	38	11,414	34	2,011
£500k-£750k	2,847		2,928		(81)
£750k-£1m	0	7*	836	9*	(836)
£1m-£5m	3,794		5,139		(1,345)
Organisations**	5,580	1,853	6,621	2,495	(1,041)
Total	200,021	49,755	208,409	50,332	(8,388)

* The number of individuals in the £500,000+ categories has been aggregated in order to protect the personal information of those individuals, in line with data protection best practice.
 ** Organisations are groups of individuals contracted as one – for example external orchestra – so it is not possible to list numbers of individuals against this spend.
 The format of the BBC's reporting of on-air and on-screen talent spend may change in future.

On-screen talent

We want the BBC to be the place where the best artists want to work to deliver great programmes. Across radio, television and our digital services, our audiences expect us to offer the best range of most-loved, creative, engaging, authoritative and diverse talent in British broadcasting.

We remain committed to keeping spend on on-screen and on-air talent to no more than 15% of overall internal spend on content (with a 1% tolerance). This approach has been endorsed by independent consultants Oliver & Ohlbaum as an appropriate response to changing market conditions.

In 2015, total talent spend of £200 million represents 12% of the BBC's internal spend

on content. This internal spend on content includes the BBC World Service.

Staff remuneration, engaging and getting the best from our people

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

In August 2015, we processed the final stage increase of a two-year pay deal for all staff in grades 2-11. This two year pay deal was offered and accepted in 2014 and comprised

three stages. The first was in August 2014 and the following two stages were in January 2015 and August 2015.

In autumn 2015, we ran our BBC-wide annual staff survey. 54% of staff participated and our overall employee engagement score increased to 67% (from 66% in 2014). This compares favourably against the Ipsos MORI UK norm of 55%.

Of particular note were 93% of employees agreeing with the statement "I am proud to work for the BBC". Many areas showed improving scores such as those statements linked to team communications, line managers addressing performance and questions relating to respect at work. Action plans are in place across the organisation to address the areas that the survey results identified as requiring improvements.

We continue to work closely with our unions and are committed to building positive and constructive relationships with all our people and their representatives. During 2015/16, there were two days where the BBC was impacted by small scale strike action involving 25 members of staff.

Supporting our staff

Following the Respect at Work Review by Dinah Rose QC in 2013, we have made considerable progress on two-way communications with our employees, to help us understand how they are feeling and where problems may lie. Recommendations that included a review of the Bullying and Harassment policy, an online training module for all employees, an enhanced mediation service and a confidential internal advice line, have all been implemented.



90% of BBC employees agreed with the statement "I am proud to work for the BBC"



The BBC's Global Women in News network supports female staff across the whole of news, wherever they are based

Diversity: percentage of total staff

Employee group	March 2016	March 2015	2017 Target
BAME – all staff	13.4%	13.1%	14.2%
BAME – wider leadership*	9.2%	9.2%	10%
Disabled – all staff	3.6%	3.8%	5.3%
Disabled – wider leadership*	2.8%	3.0%	5%
Women – all staff	48.7%	48.4%	
Women – wider leadership*	41.4%	41.3%	

* Wider leadership includes grades 10, 11 and senior managers

In February 2016, Dame Janet Smith published her report into the cultures and practices of the BBC during the years that Jimmy Savile and Stuart Hall worked here. The report set out in detail the horrific events that took place during that time, which was a truly dark chapter for the BBC. We owe a great debt of gratitude to those survivors who came forward to tell their stories as part of the Review.

In her report, Dame Janet made a number of recommendations, all of which we have accepted and on all of which work is currently underway. This includes a thorough review of our policies and processes relating to bullying and harassment, child protection and whistle-blowing, to ensure they reflect best practice. We will also be looking in detail at the culture of the BBC, to ensure employees feel comfortable speaking out.

We are committed to doing all we can to ensure nothing like the events described by Dame Janet can ever happen again. A full progress report on our work is being published alongside the Annual Report and

we will provide our final response to her recommendations in the autumn. The progress report is published on the BBC's corporate website.

Human rights

The BBC takes human rights seriously; at home in the UK, and across the globe.

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

Diversity and inclusion

In order to be a truly creative organisation, the BBC needs to embrace the UK in its entirety. Our audiences, our people and our suppliers expect it and the more diverse our content and workforce are, the better we can reflect our audiences in our content. Diversity is looked at across the entire supply chain – from commissioning and production through to the sourcing of talent and on-air portrayal.

In 2014, the BBC Director-General announced measures to broaden the range of voices and backgrounds across the BBC, and since then we have made good progress against a series of measures and 2017 targets for staff and onscreen:

At 13.4%, the proportion of black, Asian and ethnic minority (BAME) employees has never been higher and we are on track to meet our 2017 goal of 14.2%, but we recognise that there is more to be done in some areas.

Almost half of our employees are women, and at leadership grades, 41.4%. Half of BBC Local Radio breakfast shows now have a female presenter, meeting the ambition set by the Director-General and half of our news correspondents are now women.

An aim for 1% of the BBC's workforce to be apprentices by the end of the current licence fee period has been met based on the October 2015 apprenticeship figures. 45% of the 2015 Television Production apprentices are black, Asian and ethnic minority with 64% coming from families where neither parent attended university. Across our 2015 Digital Journalism apprentices 50% are black, Asian and ethnic minority with 60% coming from families where neither parent attended university.



BBC Radio Bristol Breakfast Show presenter Emma Britton



The Creative Access traineeship aims to provide opportunities to under-represented groups



The Local Apprentices were hired on every BBC Local and Nations Radio station

Development opportunities for under-represented groups at all levels continue to be progressed through initiatives including the Senior Leadership Development Programme and Creative Access Graduate Trainees. Across the organisation, we also support numerous staff networks, including Pride for lesbian, gay, bisexual and transgender (LGBT) staff, the BBC Black and Asian Forum, Ability for disabled employees and Global Women in News.

External collaborations are with partners including the Shaw Trust, the Stephen Lawrence Charitable Trust and the Mama Youth Project. We also work extensively with the wider industry and are an active member of the Creative Diversity Network, playing a key role in pan-industry initiatives such as DIAMOND, a diversity monitoring tool.

Two onscreen 2017 targets are in place. A 5% target for onscreen disability, and a 15% target for onscreen BAME. When the onscreen monitoring tool (DIAMOND) is launched later this year, we will be able to measure our progress against these.

To help us make sure we are heading in the right direction the Independent Diversity Action Panel continues to advise, support and challenge us. Members include Baroness Tanni Grey-Thompson, Sir Lenny Henry, Heather Rabbatts CBE, George Mpanga, Daniel Oudkerk, Tanya Motie, Jason Roberts MBE, Nihal Arthanayake and Baroness Floella Benjamin OBE. They have supported us in the development of a new diversity and inclusion strategy which will take us through to 2020.

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

Developing new talent and skills

Get in, gets skills, get on

The BBC Academy delivers apprenticeships, graduate entry schemes, and professional development for BBC staff, people embarking on media careers, freelancers and the wider UK industry. This is done through online and face-to-face training, work experience and apprenticeships, and professional skills development for BBC staff and the wider industry, and is a requirement of the BBC's Charter.

In 2015, BBC Academy moved to its new home at BBC Birmingham, where it's now established as our skills and talent centre for the whole of the UK.

New talent, skills and apprenticeships

In 2013, the Director-General set a target for 1% of the BBC's workforce to be apprentices by the end of the licence fee period. We met this target in November 2014, and we're continuing to expand the opportunities available to people wanting the skills to enter the media industry.

In October 2015, the BBC hired 187 non-graduate apprentices and 146 graduate-level trainees across our Production, Journalism, Engineering, Digital, Business and Legal departments. We are especially proud of our Local Apprenticeship which saw us hire an apprentice on every BBC Local and Nations

Radio station, providing opportunities in towns and cities right across the UK.

We are committed to offering opportunities at the BBC to everyone. We offer degree-level apprentice opportunities in Business Management and Broadcast Engineering, providing alternatives for those who choose not to go to university.

This year, the BBC Make it Digital traineeship has given opportunities to 1,200+ unemployed young people across the UK, made possible through a partnership including Job Centres across the UK, the Skills Funding Agency, Scottish and Welsh Government and the Northern Ireland Assembly.

Innovative and flexible training

The Academy continues to adapt its training to meet the needs of a fast-changing BBC. Our journalism training team has developed online training, Reporting on the EU Referendum, to inform EU-related coverage ahead of the Referendum in June. The course is mandatory for staff and freelancers working in the News division and for some others involved in factual output. Face-to-face briefings, also covering the UK national and local elections in May, have been delivered to more than 1,300 staff across the UK.

A new Birmingham-based Investigative Hub, set up in collaboration with BBC English Regions

teams in Birmingham, has provided a new resource for those working on BBC investigations. There have already been some notable on-air successes including the unveiling of a would-be so-called Islamic State recruiter by an undercover reporter in Leeds.

A major training initiative for BBC Local Radio is part of our drive to offer training using innovative techniques. It's reached all 39 stations and 250 staff, using live streamed events as well as face-to-face sessions.

The Academy is closely involved in the plans to expand the World Service, 'World 2020'. This will involve the recruitment of additional staff to support new or expanded services, all of whom will need a significant amount of training. Training is expected to start in September 2016.

Around 100 BBC staff are participating in the Academy's MSc programme in Software Engineering and Internet Architecture. This has been running since 2011 in collaboration with the universities of Bournemouth, Bradford and Lancaster.

In partnership with the BBC Weather Centre we provided a three day presentation training opportunity to eight men and women with disabilities. Two of those trained were subsequently offered longer training attachments with English Regions, with a view to one day making a network appearance.



The BBC is committed to offering a range of training and development opportunities that are open to everyone



The Academy continues to adapt its training to meet the needs of a fast-changing BBC



The Academy offers a range of production and technology courses

The Academy's Expert Voices initiative, which had great success in bringing new diverse contributors to BBC output, was nominated again at the European Diversity Awards, having won the EDA prize the previous year.

The range and scope of our technology training has been boosted by the acquisition of licences from third-party providers, offering access to more than 5,000 online courses and modules and 15,000 professional training books and videos. This is part of our drive to deliver more training to more people at lower cost.

The Academy took significant steps into its digital future with the release of the Digital Storytelling Massive Open Online Course (MOOC) in partnership with the University of Birmingham. 28,000 people signed up to study this introduction to the principles and practice of making great video for the web. A truly global project it reached learners across the world and was repeated in March, May and July 2016.

Bringing new skills to the BBC and the industry

Following a successful pilot, Digital Seasons were rolled out in London, Bristol and Salford offering staff practical workshops and masterclasses to develop skills in content-making, new platforms and understanding online audiences.

The Academy's 'Fusion' project helps build a workforce equipped with technical and editorial skills, sharing innovations and success stories to enhance creativity and save resources. More than 65 events were delivered across divisions on subjects ranging from immersive virtual reality, ultra high definition, filming with drones and the future of mobile and social media. The project reached more than 4000 delegates.

As part of our commitment to train and support the wider broadcast industry we continue to support the National Film & Television School to deliver a series of co-branded craft and production courses focussed around drama and entertainment production.

The BBC continues to be the largest contributor to Creative Skillset's Television Skills Fund, which allows the Academy to train the industry with a number of initiatives addressing current and future skills gaps across the UK.

The Academy is an active participant in the European Broadcasting Union's training Academy, and with the National Council for the Training of Journalists and Broadcasting Journalism Training Council.

After the publication of the Academy's English Regions Skills review, a number of external-facing training initiatives were announced, working in partnership with Creative Skillset and other UK Broadcasters. These include Digital Cities skills events and training workshops in Bristol, Birmingham, the North and Nations; a UK-wide 12-month Series Producer Scheme designed to help grow the next generation of senior creative content makers and a new Production Management training initiative to help support this key area in production.

The Academy is working in partnership with the Birmingham-based digital arts project The Space to build digital skills and knowledge in the arts sector and will be developing a series of large-scale training events and smaller focused workshops aimed at arts organisations across the UK over the next two years.

Apprentices

A look at some of the new talent trained by BBC Apprenticeship schemes over the last 12 months.



Digital Journalist

Rachel Coburn

I was working in a betting shop in Glasgow when I applied for the digital journalist apprenticeship. I started with BBC Scotland Online and one of my first jobs was to source the family of a boy stabbed in school and give the details to the television Newsdesk. Within three months of joining I produced a TV package for *Reporting Scotland* with a piece to camera.



Production Apprentice

Shaquille Robinson

Being a BBC apprentice has literally changed my life and put me on a path that I never thought I'd ever be on.

I was always in that small minority of kids saying that I never wanted to go university but I never knew exactly how I'd get my foot in the door of the industry that I'm now a part of.



Local Apprentice

Talisha Johnson

My apprentice journey has taken me from working as an assistant on my local radio station to presenting television for CBBC. My 15-month apprenticeship consisted of on the job training, work experience, a formal qualification and the chance to network. It was a fantastic combination that surpassed anything I could have been offered if I had gone to university.



Broadcast Engineering Apprentice

Tobi Ajala

Before joining the BBC Technology Apprenticeship Scheme I was working for Apple in one of their stores as a Family Room Specialist. Once I visited the BBC at their London open day I was attracted by how they were going to combine the use of employment, higher education and in-house training to give young people the opportunity to become engineers. It was everything I was looking for, and more.



BBC Scotland Apprentice

Ross Whyatt

I was 18 years old when I began this apprenticeship with BBC Scotland in Glasgow. When I was younger, I worked as an extra on various television programmes and was constantly creating my own short films and radio podcasts. Throughout school and college, I knew that I wanted to jump straight into the media industry and discovered that an apprenticeship would be the best way of doing that.



BBC Wales Apprentice

Lois Roberts

Towards the end of my A-levels, I decided that I needed a break from exams so going to University straight after sixth form was not an option for me. Instead of writing my personal statement like the rest of my friends, I was looking for apprenticeships. I came across the BBC Multiplatform Sport apprentice and I immediately thought that this was perfect for me as I have an interest in both sport and media.

Outreach

On-screen and on-air the BBC offers creative, diverse and hugely varied content. Our Outreach activity supports this content by engaging the groups the BBC serves least well, through face-to-face work, community support and staff volunteering.

Our aim is to enhance our broadcasting through projects that touch the lives of our audiences as well as making BBC programmes that are relevant and accessible to all now and in the future.

In 2015, BBC Outreach built on the Community Doorway programme established in 2014. It's through this initiative that charities and community groups get to work with BBC volunteers on one-off projects. This year we brought together BBC programmes and over 1,000 staff to work with nearly 100 local partner organisations on projects ranging from first time voters in Birmingham and Bristol, to drama story-lining in Hertsmere; from health and well-being in Glasgow, to online safety with BBC Learning; each project giving our audience the opportunity to meet the BBC, to shape our content and discover careers within the media.

Social inclusion

This year, in partnership with the Royal Television Society, The Joseph Rowntree Foundation and the National Council for Voluntary Organisations, BBC Outreach ran a conference, 'Who Benefits: Television & Poverty'. We looked at recent and upcoming programmes connected to poverty as well as new audience research. For the programme makers present, it was a chance to find new stories and different ways of making programmes. For charities and the people they support, it was an opportunity to hear about the way television programmes are commissioned, and how programme choices are made.

Working with and for communities

This year BBC programmes worked with many different communities – locally and nationally.

Hadrian's Wall of Sound was a truly unique project that celebrated both the beauty of the surrounding countryside and the passion of musicians living in the very north of England, through a 13-hour relay of live music to mark the first BBC Music Day. Hadrian's Wall runs for 73 miles, from Bowness in Solway on the west coast of Cumbria, to Wallsend, on the banks for the River Tyne in North Tyneside, much of it through very remote countryside.

The project was enjoyed by an audience of over 30 million people across both regional and network TV, radio and digital platforms. Hadrian's Wall of Sound included over 650 performers from 45 different musical groups.

The event was produced in partnership with a large number of external agencies and organisations, including English Heritage, the Northumberland National Parks Authority and The Arts Council.

Launched on *The One Show* and across weather, news and nations and regions in November 2015, BBC Weather Watchers is a new online crowd-sourcing weather club for people who want to join in the nation's favourite conversation, and help tell the story of our famously unpredictable weather.

Weather Watchers sign in through BBC ID and create digital report cards, 'now casts'. Their reports can be geolocated to their exact location, allowing other Weather Watchers and broadcasters across the BBC access to a unique, dynamic map of the UK's current weather conditions.

As of March 2016, we had nearly 100,000 Weather Watchers, who have posted around half-a-million weather reports from throughout the country; from Shetland to the Channel Islands. Hundreds of Weather Watchers have seen their photos and observations used to tell the weather story on BBC Weather, BBC News, on Local Radio and Regional TV, online and on social media.

In December 2015, Radio 1 and iXtra launched #1millionhours, one of the stations' most ambitious social action campaigns to date, working with charities Oxfam, Barnardo's, Age UK and Cancer Research UK. Listeners are asked to volunteer their time with these charities or others of their own choosing. Opportunities include helping out in AgeUK shops, day centres or at events, being a stock room or retail assistant for Barnardo's and being an Oxfam steward at a summer festival.

By the end of March, and after only one major push on-air, just short of 300,000 hours have been pledged. Ben Cooper, Controller of Radio 1 and iXtra said, "I want BBC Radio 1 and iXtra to be a force for good in the UK and magnify all the positive work that young people do for others, so we're very proud to be working alongside some of the most experienced organisations in the country to reach one million hours of volunteering."

Encouraging young talent

A key part of the BBC's outreach work is its commitment to new skills and talent development for children and young people.

School Report

This year marked ten years of the BBC's flagship schools journalism project School Report. On 10 March, students from more than 1,000 schools across the UK turned their classrooms into newsrooms to join the BBC in a unique interactive news broadcast, when 11 to 16 year-olds report on all the news and sport that's important to them in 2016. There was coverage throughout the day on local, regional and national BBC news programmes and services, plus 12 hours of continuous live coverage entirely dedicated to School Reporters on: bbc.co.uk/schoolreport.

Journalist Huw Edwards said: "I look forward to this day every year. I've seen first-hand how much can be learnt from work-shops in schools when we give students real journalistic deadlines and standards to adhere to. I'm involved because I want to give young people the chance to make the news themselves, and I want to share the principles of good journalism with them."

This year, School Report stories included: BBC Radio 5 live – a school of over 1,000 pupils and teachers live without social media for a week featuring 5 live presenters; BBC Radio 4 – young people's take on the EU referendum; News at Six – a school taking part in a scientific study into sleep deprivation, and from BBC World Service – seven special radio reports from young people around the world.

Bristol's Talent Ticket Roadshow

Over 1,500 Bristol secondary school pupils took part in the BBC's Talent Ticket Roadshow in March 2016. Choosing from workshops in foley, film production, animation, set design, open electronics and prosthetic makeup, the 14 to 15 year-olds got hands-on experience using industry equipment. Over 40 BBC volunteers were involved in taking the project out to some of the most disadvantaged and ethnically diverse schools in the city.

The project is part of a partnership between the BBC, 12 Bristol secondary schools and the University of the West of England. It aims to encourage young people to discover their creativity, develop their confidence and discover careers within the creative industries. The programme also offers work experience in Year 10 and a three-day film-making camp for students in Year 12.

As of March 2016, we had nearly

100,000

Weather Watchers, who have posted around half-a-million weather reports from throughout the country

Partnerships

This year, innovative partnerships, new and ongoing, have thrived across the BBC as we have focussed on working towards our vision to deliver an open BBC, as Britain's creative partner, which we set out in autumn 2015's British Bold Creative document.

Arts

Early in 2016, we announced plans for the BBC Shakespeare Festival, partnering with the Royal Shakespeare Company (RSC) on several projects, including an exclusive live event on BBC Two. Internationally, *Shakespeare Lives*, co-curated with the British Council, is bringing Shakespeare to global digital audiences from the Royal Opera House, Shakespeare's Globe, the British Film Institute (BFI), RSC, Hay Festival and many others.

Continuing to build digital skills and knowledge, in partnership with the BBC Academy, The Space has become a development and commissioning organisation for arts bodies to produce content they otherwise couldn't. It has a new independent board with senior figures from BFI, UK City of Culture, NESTA and Royal Welsh College of Music.

Our ongoing partnership with Arts Council England focused on two projects this year. *Words First* with the Roundhouse showcased young spoken word poets on Radio 1 and iXtra. *Live from Television Centre* commissioned Battersea Arts Centre to host an evening of independent theatre companies on BBC Four and iPlayer.

On television, *Face of Britain* was a partnership with the National Portrait Gallery, where Simon Schama explored the history of British portraiture and the galleries' curators put together five collections following the themes of the programme.

Music

BBC Radio 3 has multiple partnerships with the wider cultural world, this year these included Wellcome Collection, Cut n' Splice Festival, EFG London Jazz Festival, WOMAD Festival, Celtic Connections, BASCA, The Arts and Humanities Research Council and PRS For Music Foundation.

In classical music, Ten Pieces has reached almost half of all UK school children. The collaboration between BBC Learning and BBC Music has fostered partnership with the ABRSM, Arts Council England, Arts Council Wales, Arts Council Northern Ireland, Creative Scotland, Music Mark, Youth Music, ABO, ISM and Into Film.

Science

The BBC partnered with major space agencies, NASA, ESA, RosCosmos and UKSA, as well as public institutions such as the Science Museum, to capture highlights of British astronaut Tim Peake's space mission.

Back on earth, Radio 4's 25-part series *Natural Histories* was produced in partnership with the Natural History Museum.

Make it Digital

As part of our Make it Digital initiative, the BBC and 31 partners have given a BBC micro:bit, a pocket-sized codeable computer, to every child in year 7 or equivalent across the UK.

The Make it Digital traineeships, produced with partners including Job Centres and Skills Funding Agency, gave opportunities to over 1000 unemployed young people in this year, and will support thousands more next year.

Libraries

The BBC agreed a new Memorandum of Understanding (MOU) with the Society of Chief Librarians for England, Wales and in parallel with Northern Ireland. They are championing Make it Digital projects including BBC Weather Watchers, an online weather reporting tool developed in partnership with the Royal Meteorological Society, which is now a core part of the daily weather forecasts across BBC output.

We have also announced LovetoRead to celebrate reading for pleasure through a wide range of programming in the summer and autumn of 2016. To deliver this campaign, we are working with Society of Chief Librarians, Scottish Libraries and Information Council, and reading charities including, Scottish Book Trust, Book Trust, Reading Agency and National Literacy Trust.



Radio iXtra's DJ Target at *Words First* which showcased young spoken word poets



Stargazing Live: Brit in Space followed the action as astronaut Tim Peake docked with the International Space Station

City Partnerships

We have renewed our support for the creative industries in Bristol by signing a new MOU with the Bristol City partnership and also signed an MOU to support the Hull City Partnership for the 2017 City of Culture celebrations.

BBC Research and Development

We are expanding the scale and scope of our Research and Development (R&D) partnerships activity. Over the last year, we've collaborated with 20 universities and 30 commercial organisations, supporting long-term strategic research, medium-term industry impact projects, and short-term tactical collaborations for skills development, such as hosting PhD student internships.

Notably, this year we won funding from the European Commission for four projects, working with Fraunhofer, BT and Cisco and small businesses that are expert in niche fields. The outcomes will have international economic impact including new services for media monitoring, audio, UHD content and multi-screen experiences.

In addition to promoting 60 pilot ideas on BBC Taster, in 2015 BBC R&D's Connected Studio has worked with 288 people from small creative companies using an IP-agnostic and open process. 170 submissions were made for the Future of Content pilot programme alone, with a number slated for further development.

Nations

In Wales, our strategic partnership with S4C has produced more innovative programming, including bi-lingual drama *Hinterland/Y Gwyll*.

BBC Wales founded Creative Cardiff with Cardiff University, Wales Millennium Centre and Cardiff Council to support Wales' creative economy.

BBC Wales and Arts Council of Wales continued to promote new Welsh music through their joint Horizons project, and marked a new three year partnership with a Get Creative weekend.

Across the year, BBC Scotland maintained and refreshed a number of strategic creative collaborations and partnerships, including those with Creative Scotland, the Royal Conservatoire of Scotland, STV and with MG ALBA, with whom we partner in the operation of the Gaelic language television service, BBC ALBA.

The partnership with NI Screen brought benefits across BBC output and the creative industries in Northern Ireland. Strategic links and co-operation were also to the fore in developing programme materials about the events and legacies of 1916 in Northern Ireland.



BBC Radio 4's *Save the Rhino* appeal worked to conserve populations of endangered rhinos in Africa and Asia



BBC Media Action works to improve dialogue and debate between the public and those in power in Nepal

Charities

We have been broadcasting and supporting charity appeals since 1923 and our appeals have become a vital part of our remit – and value – as a public service broadcaster. Over the past decade, our appeals and telethons have raised over £1 billion; benefiting individuals, communities and organisations across the UK and around the world. Alongside support for our corporate charities – BBC Children in Need and BBC Media Action – and our partnership with Comic Relief, we also make appeals for a broad range of charities, helping to raise vital funds and awareness. During 2015/16, £95 million has been raised and the information below sets out some of the main charitable achievements that we have made over the last year.

BBC Children in Need

Highlighting the realities of life for disadvantaged children and young people across the UK, the live *Children in Need* programme in November raised a record-breaking £37.1 million on the night, with the final total to be announced this summer.

The BBC rallied the public's support with programming across multiple channels. *The One Show's* Rickshaw Challenge returned, with six young people pedalling from Land's End to the East End. Elsewhere, Radio 2 gave listeners fun ways to get involved, *Countryfile* viewers went on rambles, and Tom Jones and Rob Brydon hosted *One Big Night*, encouraging viewers to donate. Across the UK, BBC presenters also undertook fantastic fundraising activities, from rowing canoes down canals to mad marathons.

But these activities were just the tip of the iceberg. Central to all our activities are the stories of the young people supported by Children in Need, showing how every penny donated makes a difference. We fund around 2,400 projects and, in the last year, we helped change the lives of 480,000 children and young people across the UK. These fantastic achievements are only made possible by the incredible generosity of the British public.

BBC Media Action

The BBC's international development charity uses media and communication to transform lives, working with partners

to reach more than 200 million people in more than 30 countries.

Original television, radio and online dramas and discussion programmes help improve health, share innovation and inform people about their rights. Mentoring media professionals helps to raise journalism standards, and Lifeline programmes – broadcast before and after disasters – help save lives.

Within hours of the devastating earthquake in Nepal in April 2015, BBC Media Action was sharing information with survivors via BBC Nepali and local radio stations. The Lifeline radio programme *Milijuli Nepal (Together Nepal)* offered people reassurance, as well as advice on staying safe, protecting children and looking after their health in unsanitary conditions.

In Afghanistan, Nepal, Tanzania and South Sudan, BBC Media Action's teams contributed debates and discussion to the BBC's 100 Women season. In Tanzania the four debates – each attended by 100 women from all walks of life – were captured by the country's first all-female production crew.



BBC Children in Need's Life President, Sir Terry Wogan, passed away in January this year. Sir Terry hosted every Appeal Show from 1980 to 2015 and as the face – and heart – of the charity, he helped raise well over £800 million to change the lives of disadvantaged children and young people across the UK.

We shall all miss him enormously, but his legacy lives on in the young lives he has helped improve. We know that the BBC, colleagues, supporters, and the public will all work hard to continue to build on that legacy for years to come.

Sir Terry Wogan presents
Weekend Wogan

In 2015/16, BBC Media Action's 90 projects were supported by a range of funders including the UK's Department for International Development, the Foreign and Commonwealth Office, the Bill and Melinda Gates Foundation, UNICEF and USAID. Total income for 2015/16 was £44 million.

The charity published a number of reports in 2015/6 – including research on humanitarian programming and an analysis of media in politically unstable environments. To read these or for more information about BBC Media Action please visit: bbc.co.uk/mediaaction

Broadcast Appeals

During the year, the BBC broadcast 49 appeals on Radio 4 and 11 BBC One Lifeline appeals. These raised over £800,000 and are a vital means by which smaller charities can reach a wide audience. For example, the charity Save the Rhino was still receiving cheques two months after their appeal and have raised over £20,000 in total. Cathy Dean, Director of the organisation, called their appeal on Radio 4: "The appeal that just keeps giving!" The ability to reach a wider audience is a key factor in the importance of our appeals. Breast Cancer Now said of their BBC Lifeline Appeal: "It reached millions of people we would not have been able to otherwise reach – for secondary breast cancer this awareness is vital."

There is a separate selection process for broadcast appeals on BBC television and radio in Northern Ireland, which last year broadcast 13 appeals as well as a special Christmas-time appeal. The BBC Radio 4 Christmas appeal with St Martin-in-the-Fields, in its 89th year, raised £2,500,050. Two BBC Local Radio stations ran appeals. Radio Cambridgeshire

ran a Raising the Roof appeal with Sue Ryder, who were building a new hospice. Radio Derby's breakfast presenter Colin Bloomfield launched the station's Melanoma Appeal shortly before his death aged 33, from skin cancer. Working with the charity Skcin and Derby Telegraph the appeal raised £174,746. This paid for two sun shades and two sun meters in local parks, skin cancer checks for hundreds of people and education about sun safety for more than 50,000 schoolchildren.

In April the BBC broadcast a Disasters Emergency Committee appeal for the victims of the Nepal earthquake, which helped towards a final DEC appeal total of £87,240,000.

Any charity that meets the relevant criteria can apply for an appeal on the BBC and more information on this can be found at: bbc.co.uk/charityappeals/

Sport Relief

In 2016, the BBC helped Sport Relief to capture the imagination of the public with a season of programmes dedicated to inspiring the public to walk, run, swim and cycle themselves proud. The campaign included iconic moments, from Jo Brand's 'Hell of a Walk' across the country, to Greg James' five triathlons in five days and Eddie Izzard's staggering attempt to run 27 marathons in 27 days across South Africa, which BBC Three covered exclusively.

A dedicated night of television on Friday 18 March included unforgettable sport and entertainment, interspersed with films highlighting work funded by Sport Relief. A record £55 million was raised on the night. This was followed, on Sunday 20 March, by the Sport Relief Games, in which people across

the UK took part at flagship venues in London, Glasgow, Belfast, Sheffield and Norwich – alongside many more local events – with the total raised reaching over £65 million by the end of April 2016.

Thanks to the enormous generosity of the British public, Sport Relief has raised more than £328 million since its first campaign in 2002, funding projects that help transform the lives of people in the world's poorest communities and here in the UK. This wouldn't have been possible without the enduring support of the BBC.

BBC Performing Arts Fund

The BBC Performing Arts Fund, one of the BBC's three corporate charities, closed in May 2016 after 13 years. Since its inception as The Fame Academy Bursary, the charity awarded over £5 million in funding to individuals and groups involved in the performing arts, with beneficiaries including artist Adele, composer Mark Simpson and Radio 2 Folk Awards Musician of the Year, Sam Sweeney. Hundreds of choirs, bands, orchestras, dance and theatre groups from across the UK also received funding to train and develop and thousands of people benefitted from the Fund's work.



Idris Elba and Lenny Henry film a comedy sketch of *Luther* for Sport Relief 2016



Jo Brand meets Age UK, Barnsley Allsorts Group in Wombwell as part of Brand's *Hell of a Walk* for Sport Relief 2016

Environmental sustainability

Environmental issues have long been reflected and documented in the programmes we make and it is important to us that consideration for the environment is also embedded in the way we operate and run the BBC.

We have continued to reduce the CO₂ emissions and energy consumption associated with use of our buildings, significantly exceeding our target.

We have also significantly beaten our 2016/17 targets for other environmental measures. This includes an 86% reduction in waste to landfill per person and nearly halving our water use per person.

Last year, we reported on our sustainable production scheme, *albert+*, for the first time. This year, 55 productions including *BBC Breakfast*, *Blue Peter* and *The One Show* have all achieved certification and displayed

the *albert+* mark in their end credits – almost double what we reported last year. We have found that typically, productions going through the *albert+* process reduce their carbon emissions by about 15% and save £6,000, bringing both environmental and financial savings.

While good progress is being made, the unpredictable nature of the global events we bring to our audience means that sustained reductions in emissions from travel continue to be challenging. Our Carbon Literacy course was developed as a partnership between BBC Sustainability, BBC Academy and several external partners mainly based at MediaCity

UK, Salford, including ITV. Around 350 people have taken the course so far, across almost all the BBC's major production bases. The partners have also shared the course with the BAFTA Albert Consortium, a group of UK broadcasters and independent production companies working together to promote and develop sustainable working practices within the industry. This means the course has now reached hundreds more people outside the BBC.

We are proud of what we have achieved so far but are aware that there is a long way to go in this critical area of the BBC's work. You can read more at: bbc.co.uk/responsibility/environment

BBC Environmental target performance summary

BBC environment targets		Target 2016/17	2015/16 Performance against baseline
	Absolute reduction in energy consumption	-20%	-38%
	Absolute reduction in CO ₂ emissions from buildings	-20%	-33%
	Reduction in water use (per person)	-25%	-48%
	Reduction in waste (tonnes) to landfill (per person) Amount of waste recycled	-25% 70%	-86% 64%
	Reduction in transport CO ₂ emissions (per BBC user)	-20%	0%
Greenhouse Gas emissions			
Greenhouse Gas emissions (tonnes CO ₂ emissions, scopes 1 & 2):			100,552
Carbon intensity (tonnes CO ₂ emissions/Total Group Income £m):			20.8

Notes on table

Greenhouse Gas data is for UK-based and representative World Service bureaux; detailed information and explanatory notes can be found online at: bbc.co.uk/responsibility/environment.

Sustainable production		Target 2016/17	Performance 2015/16
	In-house Children's and TV to use <i>albert</i> to carbon footprint production	100% on track	83% on track
	BBC average carbon footprint for TV production per production hour	N/A	10.7 tonnes CO ₂
	BBC productions to complete <i>albert+</i> sustainable production certification process	25 productions	55 productions

Notes

albert is a carbon calculator which helps production teams across the broadcasting industry calculate the carbon emissions associated with TV production.

albert+ is a certification scheme which helps productions take steps to reduce environmental impacts. Successful productions are awarded a one, two or three star rating and may display a badge on programme credits. Productions which have completed the process have progressed to the audit stage.

For more information see: bbc.co.uk/responsibility/environment

Governance

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

Tom Hiddleston filming *The Night Manager*

Executive Board

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

Executive directors



Tony Hall, Lord Hall of Birkenhead CBE
Director-General and Chairman,
BBC Executive Board



Helen Boaden
Director, Radio and BBC England



Anne Bulford OBE
Managing Director, Finance and Operations



Tim Davie
CEO, BBC Worldwide and Director, Global



James Harding
Director, News and Current Affairs



Mark Linsey
Director, BBC Studios



James Purnell
Director, Strategy and External Affairs

Non-executive directors



Dame Fiona Reynolds DBE

Senior Independent Director; Chairman of the Remuneration Committee, Fair Trading Committee, and Nominations Committee for non-executive appointments; member of the Audit Committee



Simon Burke

Chairman of the Audit Committee



Alice Perkins CB

Member of the Remuneration and Fair Trading Committees



Sir Howard Stringer

Member of the Fair Trading Committee



Dharmash Mistry

Member of the Audit and Remuneration Committees

This is the membership of the Executive Board as at April 2016. Throughout the reporting year membership has changed. Please refer to pages 135 and 139 for further details.

Charlotte Moore attended the Executive Board in her capacity as Acting Director, Television.

Further information about Executive Board members is available online: bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement

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

Audit Committee

The Audit Committee oversees financial reporting, internal control and risk management. The committee is made up of three non-executive directors. The Director-General, Managing Director, Finance & Operations, BBC Group General Counsel, Director of Risk and Assurance, and external audit representatives may 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. The Managing Director, Finance & Operations, BBC Group General Counsel, Director of Risk and Assurance, and external audit representatives may 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 oversees the BBC's Senior Management Reward Strategy and decides the individual remuneration arrangements for BBC executive directors and the BBC Worldwide Executive Team. It is made up of three non-executive directors. The Director-General, Managing Director, Finance and Operations and Director of HR may also attend.

Report of the Senior Independent Director



“Alongside the Charter Review process we had an exceptionally creative and productive year.”

Dame Fiona Reynolds

2015/16 is the last financial year of this Charter period. By 1 January 2017 a new Charter will be in place and our roles will certainly have changed. This is a chance, then, to reflect on a vitally important year for the BBC and its future.

Alongside the Charter Review process we had an exceptionally creative and productive year. Highlights of our output included *War and Peace*, *The Great British Bake Off*, *Doctor Foster* and *Countryfile*, which reached its largest audiences and highest ratings ever. We also reached new audiences in new ways: 50,000 people attended Radio 1's *Big Weekend* in Norwich, the World Service reached its highest ever global weekly audience, 246 million, and one third of the UK's population tuned into BBC's coverage of the Glastonbury Festival.

For the Executive Board, our overwhelming focus was to ensure the BBC is ready for its new Charter. We prepared our vision for the future, which we published as *British, Bold and Creative* in September 2015. This set out how we see the BBC shifting from a broadcaster to an open platform, where creative partnerships thrive; and also how we will make the substantial savings that are required under the budget settlement we agreed with the UK Government in July 2015. As non-executive directors we contributed directly to Sir David Clementi's review of governance, emphasising the vital importance of the BBC's independence, our public service mission, and the ability to move quickly and decisively to respond to new challenges and opportunities including those posed by the fast-changing digital world.

Thus we also spent much time this year making sure that the BBC is equipped to face these challenges. We had robust debates on BBC Three's digital future; the new relationships we seek with our audiences, represented by myBBC; and securing the right framework for BBC Studios so that it will continue to reflect public service values as it enhances the volume and quality of home-grown production. We continued our focus on simplicity, cutting overhead costs and supporting our staff to give their best.

And of course we received the report and conclusions reached by Dame Janet Smith, whose review of the Savile years, which I commissioned three and a half years ago, examined in detail one of the darkest chapters in the BBC's history.

We would like formally to express our sympathy to the victims, our gratitude for their courage in coming forward to give evidence, and our determination that the BBC should never again be in a position where crimes like those committed by Jimmy Savile and Stuart Hall can take place. We have begun the detailed work of reviewing the BBC's culture and processes in response to Dame Janet's recommendations to ensure that everyone who comes into contact with the BBC, for whatever purpose, is treated with

professionalism and respect. This work will be helped by our plans to create a simpler, open, and less hierarchical BBC.

This is my last report from the Executive Board in its current form. I'd like to thank all our colleagues: the BBC Trust; all the members of the Executive Board, past and present, executive and non-executive; and all of the BBC's staff here and throughout the world, led by Tony Hall. The last few years have not been easy but we all remain passionately committed to excellence, inspired by our mission and its possibilities, and excited by the future of the BBC under a new Charter.

Dame Fiona Reynolds Senior Independent Director

16 June 2016

Executive Board and Committee attendance

	Executive Board	Audit Committee Member	Audit Committee Attendee	Fair Trading Committee Member	Fair Trading Committee Attendee	Nominations Committee Member	Remuneration Committee Member	Remuneration Committee Attendee
Number of meetings for the period	12	5		4		2	6	
Executives								
Tony Hall	11		4			2		5
Helen Boaden	11							
Anne Bulford	12		5		4	2		5
Danny Cohen*	4/7							
Tim Davie	11							
James Harding	10							
James Purnell	11							
Peter Salmon**	5/5							
Non-executives								
Simon Burke	11	5						
Nicholas Hytner***	5/8							
Dharmash Mistry	12	5						6
Alice Perkins	11			4				5
Fiona Reynolds	12	5		4		2		6
Howard Stringer	10			1		2		

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

* Danny Cohen left the BBC on 20 November 2015. He ceased being a member of the Executive Board on 12 November 2015. ** Peter Salmon joined the Board on 13 October 2015. He ceased to be a member on 1 March 2016. *** Nick Hytner left the BBC on 31 December 2015.

Governance report

Good governance is about leadership, accountability and openness.

BBC Corporate Governance Framework

The BBC's corporate governance framework is defined in its Royal Charter and the accompanying Framework Agreement. You can find the Charter and Agreement on the BBC Trust's website at: bbc.co.uk/bbctrust/governance/regulatory_framework/charter_agreement/

The BBC's Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. Although the BBC is not a listed company, it has opted to adopt best practice and follow the provisions of the Financial Conduct Authority's Listing Rules and the Financial Reporting Council's 2014 UK Corporate Governance Code, where appropriate, in order to deliver the same governance standards as companies quoted on an EU regulated stock market.

The Executive Board has complied with the requirements of the Charter and has also substantially complied with the UK Corporate Governance Code. There are a number of components of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where compliance with the BBC's Charter or Agreement overrides compliance with the UK Corporate Governance Code. There are also two areas where the BBC did not fully comply with the specific requirements of the Code; all of these are set out below.

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

Make up of remuneration (UK Corporate Governance Code principle D.1.1): The BBC sets levels for executive remuneration that should be sufficient to attract, retain and motivate directors of the quality required to run the organisation successfully, in line with this principle. However, this principle also requires aligning executive remuneration to the notion of enhancing shareholder value by making performance-related elements of remuneration a significant proportion of total remuneration. By virtue of the BBC's licence

fee funding and its status as a public corporation, the Executive Board has determined that the amount of variable (or performance-related) remuneration that may be earned by staff within the public service should be limited. There is no variable pay for any BBC Public Service executive director and bonuses have been stopped. Tim Davie receives an element of performance-related pay in his role as Chief Executive Officer of BBC Worldwide, the BBC's wholly-owned commercial subsidiary.

Interaction with shareholders (UK Corporate Governance Code principles B.7.1, B.7.2, D.2.4 and section E):

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

Areas where compliance with the BBC's Charter overrides the UK Corporate Governance Code:

Division of responsibilities between Chairman and Chief Executive (UK Corporate Governance Code principle A.2.1 and A.3.1): As permitted by the BBC's Charter, the Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC. This does not comply with the UK Corporate Governance Code which requires a clear division of responsibilities at the head of the company between the running of the Board and the executive responsible for the running of the business. No one individual should have unfettered powers of decision. Whilst the Director-General acts as both Chairman and Chief Executive of the BBC Executive Board, the strategic oversight of the Corporation by the BBC Trust ensures that no single individual has unfettered powers.

Evaluation of the Chairman (UK Corporate Governance Code principle B6.3): The Director-General of the BBC, being the Chairman of the Board, has his performance evaluated by the Chairman of the BBC Trust as opposed to the Senior Independent Director, as required in the UK Corporate Governance Code.

Make up of Board (UK Corporate Governance Code principle B.1.2): The BBC Charter requires non-executive directors to be not less than one-third and not equal to or more than one-half. The number of non-executive directors is less than half of the Board's Members, however it is not less than one-third.

Areas of non-compliance with the UK Corporate Governance Code:

External evaluation of the Board (UK Corporate Governance Code principle B.6.2): In 2013 the BBC Trust and Executive Board undertook an extensive review of its governance procedures and the results were published. The Executive Board also undertook an internal evaluation of its operations during 2014/15. However, the last external evaluation of the Board was completed in 2009, therefore not within the last three years as required by the UK Corporate Governance Code. Given the activities undertaken in 2014/15 the Executive Board believes that non-compliance in this area has not compromised the quality of the governance arrangements in place during 2015/16 or the execution of the Executive Board's responsibilities.

Cost of compliance

In 2015/16, the BBC incurred costs estimated at £14.2 million (2014/15: £11.7 million) to ensure that we complied with all relevant legislation. This includes the BBC's annual £2.6 million regulatory fee to Ofcom. During the year a number of enquiries continued, the costs incurred during 2015/16 on these enquiries were £0.9 million (2014/15: £1.2 million).

The BBC Executive Board

The Executive Board, its sub-committees and other groups to which it delegates responsibility are responsible for the delivery of BBC services and day-to-day operations across the organisation. The BBC Trust is responsible for setting the overall strategic direction of the BBC and for exercising general oversight of the work of the Executive Board.

Nominations Committee

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

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

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

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/

Induction, performance and development

All new directors receive an induction programme including Board procedures and directors' responsibilities. All directors have access to external independent advice as necessary through the Company Secretary.

The BBC Trust formally assesses the performance of the BBC's services against the terms of the licences it issues for each BBC service. The BBC Trust's review and assessment for 2015/16 can be found in Part One of this Annual Report.

All the executive directors have their own personal and divisional objectives, and their performance against them is reviewed by their line manager.

Board appointments

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

Peter Salmon, Director BBC Studios, was appointed to the Executive Board, effective 13 October 2015; he stood down from the Board on 1 March 2016 and left the BBC shortly afterwards.

Following approval from the BBC Trust, the Nominations Committee appointed Nicholas Serota as a new non-executive director; this will be effective from 1 August 2016. External search consultants Egon Zehnder were used for this appointment, the BBC has no connection with the company.

Executive Remuneration Committee

We also need to ensure we have simpler and more efficient organisational structures to help our staff to deliver.

Dame Fiona Reynolds

Annual Statement of the Chair of the Executive Remuneration Committee

The BBC is living through a time of enormous change. Some of the pressure to change is externally driven: the broadcasting environment is becoming increasingly competitive, and we need to be ever better at embracing the digital challenge, engaging with our audiences and attracting the best employees with the right skills for the future. Some is internally driven as we strive for ever greater creativity, efficiency and simplification.

In line with these themes the Executive Remuneration Committee's role is to develop strategy and practices around remuneration that support and drive appropriate change, and that help us attract and retain the senior staff with the skills and qualities we need. At the same time we must be open and transparent to all our audiences.

Our goal to simplify the BBC has already resulted in the reduction in the number of management layers and reduced duplication in central BBC roles. As a result of this we are well on track to reduce our headcount by the targeted 1,000 posts, saving £50 million per annum. We have also created BBC Studios to give a boost to production, and combined our technology functions under one leader with the new Design and Engineering division leading the way in all our digital output.

We have significantly over-achieved the targets set by the BBC Trust to reduce our management numbers. The cost of senior management pay has been reduced by 40% since we set the goals in 2009, with a closing paybill in March 2016 of £47.0 million as compared to £78.5 million on 1 August 2009. In 2009 senior manager roles numbered 640. Today the figure stands at 361, a 43% reduction. 52 of these roles were lost in the last year.

We are acutely aware that we also need to pay enough to attract and retain talent and inspiring leaders, and we are concerned that it is becoming increasingly difficult for the BBC to compete in today's fast-expanding media market. As Tony Hall describes in his foreword to this report, the challenge for the next Charter period is to create an open and distinctive BBC for the internet age. To deliver this we need to attract, retain and motivate talented people who are able to lead the BBC with vision and cutting edge creative, technical and professional skills. We will also continue the process of creating a simpler and more efficient organisational structure to help our staff deliver.

We will spend the rest of 2016 preparing for the new Charter, and this will include further organisational and cultural change. We have agreed with the Trust that we will publish a new senior reward strategy once this work is substantially complete. In the meantime our focus is on continuing to deliver the current pay and reward strategy, and motivating our senior staff to deliver the ambitious goals the BBC set out in our Charter vision.

**Dame Fiona Reynolds
Chairman**

16 June 2016

This report sets out the BBC's remuneration policy and details the annual remuneration received by the staff members of the Executive Board (the executive directors) for the 2015/16 financial year. It has been prepared on the basis that the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 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, labelled as audited, have been audited by EY, the BBC's statutory auditors.

Overview

The significant achievements in our Senior Management Pay strategy can be seen in our 2015/16 performance with a Senior Management pay bill reduction of 9.7% and headcount reductions of 12% in year. These reductions have been achieved through combining roles so that our best people stretch their expertise across new and broader responsibilities. We also continue to measure ratios between board salaries and median employee earnings and these have shown further improvement this year.

Cost management is underpinned by discounting salaries wherever possible and not paying Senior Management bonuses. This is challenging in an increasingly competitive market for strong talent and leadership in media.

Our Executive Board has seen some changes both in structure and incumbents. The post of Director, BBC Studios was added to the Board with Peter Salmon initially filling the role. Mark Linsey has now taken over this role, and joined the Board in April 2016. Other changes include Danny Cohen, Director of Television, leaving the Board and Nick Hytner leaving his role as non-executive director in December 2015, having made a significant contribution to the BBC. Sir Nicholas Serota who joins the Board as non-executive director from August 2016 brings a wealth of experience in the arts world.

The remuneration policy for executive directors

1. Remuneration Committees: constitution and operation

The BBC Trust is responsible for setting the remuneration strategy for the Executive Board and for all aspects of the remuneration of the Director-General and the non-executive directors.

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

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

The Executive Remuneration Committee established the Senior Manager Remuneration Committee (SMRC) in September 2012, giving it responsibility for aligning the operational needs of the BBC within the strategic framework set by the Trust and implemented by the ERC.

2. Executive Board membership and structure

As at 31 March 2016 the Executive Board comprised six executive directors employed in the public service; the CEO BBC Worldwide, employed by BBC Worldwide; and six non-executive directors. Details of the Executive Board membership and full remuneration are provided in this report.

3. Executive director pay components

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

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

When reviewing the pay for the executive directors, the Committee considers each component of the total remuneration package broken down as set out in the table overleaf.

Executive Director pay components

Component	Purpose and link to strategy	Operation	Maximum opportunity
Base pay	<p>Base pay is aligned to the market median for total direct remuneration (salary, annual bonus and annualised long-term incentive).</p> <p>A discount of 50-80% against total direct remuneration in the commercial sector is applied to executive director roles.</p>	<p>Three factors are used to determine the level of base pay set for an executive director or senior manager:</p> <ul style="list-style-type: none"> — would the rate be consistent with the discounted market rate for the job? — does the personal performance of the executive justify the level of base pay? — is the level affordable to the BBC and not deemed excessive? 	<p>There is no prescribed maximum salary or maximum increase.</p>
Variable pay	<p>Executive directors employed in the BBC's commercial businesses are contractually entitled to a performance related annual bonus funded by the commercial business and not the licence fee. It is reward for the achievement of short-term strategic goals and profit growth.</p>	<p>Executive directors in public service are no longer entitled to receive a performance bonus.</p> <p>Payment of contractual bonus in the BBC's commercial businesses is subject to the achievement of an overall headline profit for their business.</p>	<p>No executive director in the public service has received a bonus since 2008.</p> <p>The maximum bonus payable to an executive director employed in a BBC commercial business is 70% of salary where target bonus is 50% of salary.</p>
Benefits	<p>Pensions are offered in accordance with the all employee pension arrangements.</p> <p>In addition to pensions, the other main contractual benefit is life assurance.</p>	<p>Directors can elect to join the defined contribution scheme LifePlan.</p> <p>The BBC's defined benefit scheme is closed for new joiners.</p>	<p>Current policy provides a defined contribution scheme with no salary cap and a maximum employer contribution of 10% of salary.</p> <p>Existing members of a defined benefit pension scheme are capped at the maximum salary for their pension scheme or are subject to a cap in pensionable salary growth.</p> <p>Executive directors are provided with death in service life assurance cover of two times their basic salary.</p> <p>Employees who are members of either the BBC Pension Scheme or LifePlan (the BBC's defined contribution plan) are provided with death in service life assurance cover of four times their basic salary.</p>

Component	Purpose and link to strategy	Operation	Maximum opportunity
Benefits	In April 2012, the BBC removed the car allowance benefit for all new executive directors and senior managers to ensure that future policy aligns with arrangements for all BBC employees.	<p>Executive directors who were already in receipt of a car allowance have retained it.</p> <p>Executive directors who received a car allowance payment in 2015/16 were: Helen Boaden, Danny Cohen and Peter Salmon. The car allowance is frozen on promotion to the Executive Board.</p> <p>The Director-General is entitled to a car and driver but has no entitlement to a personal car allowance or fuel allowance.</p> <p>During 2015/16 all other executive directors have had shared access to a car and driver, which is also used by the Chairman of the BBC Trust for business purposes.</p>	The maximum car allowance benefit received by any executive director is £12,900 per annum. This is a historical benefit.
Benefits	In April 2011, the BBC removed private health care benefit for all new executive directors and senior managers to ensure that future policy aligns with arrangements for all BBC employees.	<p>Executive directors who were already entitled to funded private medical insurance have retained it.</p> <p>Executive directors who elected to take up funded private medical insurance in 2015/16 were: Helen Boaden, Tim Davie, Peter Salmon and Danny Cohen.</p>	The maximum level of cover offered is family cover. This is a historical benefit.
Employment contracts and severance	Employment contracts of executive directors have a maximum notice period of six months, but are subject to earlier termination for cause.	There is no contractual entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.	In the event of redundancy, all executive directors are entitled to payments equal to one month per year served up to maximum payment of £150,000.
Other remuneration	There is no entitlement to any other remuneration.	Consideration is given to the reputational risks to the BBC and the level of payment is agreed by the Executive Remuneration Committee on a case-by-case basis.	There is no prescribed maximum.

Governance and finance report – Governance

Pension

Executive directors who joined the BBC before 1 December 2010 are eligible to participate in the BBC Pension Scheme (the Scheme), which provides for pension benefits on a defined benefit basis. Executive directors who joined the BBC on or after 1 December 2010 are eligible to join LifePlan which is the BBC's defined contribution arrangement. The BBC pays matching contributions to LifePlan for employee contributions between 4% and 5%. Employee contributions between 6% and

7% are matched plus an additional 1%. Employee contributions of 8% or more receive the maximum employer contribution of 10%. There is no maximum pensionable salary for contributions to LifePlan.

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

earnings to NEST. Individuals can choose to opt out of this.

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

Features of the BBC's pension arrangements that our Executive directors participate in alongside other BBC employees are provided in the table below.

Details of the BBC Pension Scheme are available at: bbc.co.uk/mypension/

Scheme	'Old' benefits defined benefit	'New' benefits defined benefit	CAB 2006 defined benefit	CAB 2011 defined benefit	LifePlan defined contribution	National Employment Savings Trust (NEST) defined contribution (auto enrolment arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60ths accrual	60ths accrual	1.67% accrual adjusted in line with inflation	1.67% accrual adjusted in line with CPI	BBC will contribute a maximum of 10% of salary if employee contributes 8% with lower sliding scale	BBC will contribute 1% of qualifying earnings
Salary	Final pensionable	Final pensionable	Career average revalued earnings	Career average revalued earnings		
Normal pensionable age	60	60	65	65	N/A	N/A
Earnings cap	Date of joining before 1 June 1989 uncapped, capped otherwise £149,400	Capped at £149,400	Capped at £149,400	Capped at £144,000	Uncapped	Minimum earnings £5,824 p.a. Maximum earnings £42,384 p.a.
Pensionable salary growth before the earnings cap is applied	Limited at 1% p.a.	Limited at 1% p.a.	Limited at 1% p.a.	No restriction	N/A	N/A
Employee contribution (% of pensionable salary)	7.5%	7.5%	4%	6%	Minimum employee contribution is 4%	1% of qualifying earnings

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

Bonuses have not been paid to executive directors in the public service since 2008 and the BBC is moving away from the previous two-tier benefit structure by phasing out private medical insurance and car allowances. No new executive director or senior manager has received these benefits since August 2011 and April 2012 respectively. These changes have simplified and equalised pay arrangements across our employee population. A full range of benefits can now be purchased by all staff at all levels of the organisation under our flexible benefits arrangements.

Executive directors and senior managers are not entitled to the annual pay review agreed with the National Joint Council of Trade Unions and are not automatically entitled to any form of annual increment or progression payment. A cost of living increase of 2.5% was applied to the senior management population, excluding the Executive Board, Executive Team and those earning more than £150,000, in August 2015. This was in line with what was awarded to other eligible BBC staff and recognised the impact that previous pay freezes have had on pay. Senior salaries are discounted against the remuneration of equivalent roles in commercial organisations and remuneration for senior employees is increasingly aligned to public sector organisations with commercial sector activities.

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

5. The Executive Pay Strategy and Policy for 2015/16 – progressing towards greater consistency and transparency

Throughout 2015/16, the ERC worked to manage and reduce both senior managers' pay bill and numbers by ensuring compliance with the BBC Executive and Senior Management Pay Strategy. This was agreed with the Trust in July 2011 with targets to be delivered by the end of 2015. Since January 2012 the BBC has reduced by 123 senior managers against a target of c.70 and by £10.37 million against a target of c. £9 million.

In the last year we have reduced our executive and senior manager pay bill by 9.7% or £4.5 million and senior manager heads have mirrored this with a reduction of 12% or 52 heads since March 2015.

The BBC continues the practice of discounting BBC executive directors' pay against the commercial sector and has maintained the freeze in pay of executive directors. The agreed discount remains at between 50% and 80% below commercial sector comparisons. In order to ensure that levels of pay are consistent with the agreed strategy the committee obtains and reviews external market pay data via an independent advisor. This information was reported to the Trust and provided assurance of our continued delivery against the policy. On average we currently discount against comparable commercial sector executive roles by 68% for our executive directors in the public service. This discount reflects the substantial additional amounts of variable pay (including bonus and long-term incentives) provided in the commercial sector that are not available to executive directors working for the public service BBC.

The 2011 pay strategy was also focused on reducing the number of larger senior manager roles i.e. those on a salary of £150,000 or more, by 20% from 90 to 72. Adjusting the 2011 target salary measure of £150,000 for inflation and benefits harmonisation gives a level of £170,000, and at this level we have achieved the target with 61 senior managers paid above this level.

Delivering the strategy in 2016/17

The ERC will continue to consider all potential executive director appointments and severance cases to ensure alignment with BBC policy and strategy. Monitoring of senior management pay and numbers will continue. A new remuneration strategy will be developed when the current restructuring programme is complete.

6. Consideration of BBC Trust views

The ERC consults the Trust on all matters relating to the executive director pay strategy to ensure alignment with licence fee payers' expectations. The ERC provides updates to the Trust outlining progress against our strategy and seeks feedback from the Trust.

The ERC provides an annual assurance report (covering executive director pay, benefits and terms and conditions) to the Trust for consideration and feedback. It was noted there had been no 'in role' salary increases for executive directors and that the discount factor against remuneration of commercial sector competitors was within the range agreed by the Trust.

Executive Board annual remuneration report

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

Table I provides full details of the remuneration received by all Executive Board members and the total remuneration for Trustees for 2015/16 compared to previous year.

Table I: Remuneration received

	2015/16					Total remuneration £000
	Fee/ base pay £000 (Note 2)	Taxable benefits £000 (Note 3)	Performance- related remuneration £000 (Note 4)	Compensation for loss of office £000	Pension- related single figure £000 (Note 5)	
Executive directors						
<i>Executive directors as at 31 March 2016</i>						
Tony Hall	450	15	–	–	–	465
Helen Boaden	340	15	–	–	40	395
Anne Bulford	395	–	–	–	–	395
Tim Davie (Note 1)	400	2	224	–	38	664
James Harding	340	–	–	–	34	374
James Purnell	295	–	–	–	30	325
Total Executive directors as at 31 March 2016	2,220	32	224	–	142	2,618
<i>Former executive directors serving on the Executive Board in 2015/16</i>						
Peter Salmon	146	6	–	–	10	162
Danny Cohen	172	4	–	–	27	203
Total former executive directors serving on the Executive Board in 2015/16	318	10	–	–	37	365
Total executive directors	2,538	42	224	–	179	2,983
Non-executive directors						
<i>Non-executive directors as at 31 March 2016</i>						
Simon Burke	37	–	–	–	–	37
Dharmash Mistry	33	–	–	–	–	33
Alice Perkins	33	–	–	–	–	33
Dame Fiona Reynolds	47	–	–	–	–	47
Howard Stringer	33	–	–	–	–	33
Total non-executive directors as at 31 March 2016	183	–	–	–	–	183
<i>Former non-executive directors serving on the Executive Board in 2015/16</i>						
Nicholas Hytner	25	–	–	–	–	25
Total former non-executive directors serving on the Executive Board in 2015/16	25	–	–	–	–	25
<i>Former non-executive directors on the Executive Board prior to 2015/16</i>						
Total former non-executive directors on the Executive Board prior to 2015/16	–	–	–	–	–	–
Total non-executive directors	208	–	–	–	–	208
Total Executive Board	2,746	42	224	–	179	3,191
Total Trustees	528	6	–	–	–	534
Total	3,274	48	224	–	179	3,725

2014/15							
Fee/base pay £000	Taxable benefits £000	Performance-related remuneration £000	Compensation for loss of office £000	Pension-related single figure £000	Total remuneration £000		
450	16	–	–	–	466	Appointed 2 April 2013	
340	15	–	–	65	420	Current appointment from 15 April 2013	
395	–	–	–	–	395	Appointed 21 June 2013	
400	2	201	–	37	640	Current appointment from 1 April 2014	
340	–	–	–	14	354	Appointed 12 August 2013	
295	–	–	–	30	325	Appointed 19 March 2013	
2,220	33	201	–	146	2,600		
–	–	–	–	–	–	Appointed on 13 October 2015 and stood down on 1 March 2016	
320	10	–	–	42	372	Appointed on 7 May 2013 and stood down on 12 November 2015	
320	10	–	–	42	372		
2,540	43	201	–	188	2,972		
37	–	–	–	–	37	Appointed 1 January 2011, current term expires 31 December 2016	
19	–	–	–	–	19	Appointed 1 September 2014, term expires 31 August 2017	
33	–	–	–	–	33	Appointed 1 April 2014, term expires 31 March 2017	
47	–	–	–	–	47	Appointed 1 January 2012, current term expires 31 December 2016	
33	–	–	–	–	33	Appointed 1 January 2014, term expires 31 December 2016	
169	–	–	–	–	169		
33	–	–	–	–	33	Appointed 1 April 2014 and stood down on 31 December 2015	
33	–	–	–	–	33		
202	–	–	–	–	202		
2,742	43	201	–	188	3,174		
471	–	–	–	–	471		
3,213	43	201	–	188	3,645		

Governance and finance report – Governance

Notes to Table 1: Executive Board remuneration

Note 1: Tim Davie

Tim Davie's role as the CEO of BBC Worldwide is funded entirely by the BBC's commercial operations and is not paid for or subsidised by the licence fee.

Note 2: Fee Base Pay – Pensions

Employee pension contributions are ordinarily made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect

the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced.

Note 3: Taxable Benefits

Taxable Benefits are : car allowance, private medical insurance and taxable expenses.

Note 4: Performance-related remuneration
Tim Davie as CEO of Worldwide is contractually entitled to a bonus, it is funded entirely by the BBC's commercial operations and is not paid for or subsidised by the licence fee. Payment of the bonus is subject to the achievement of an overall headline profit for

that business. The performance-related remuneration for Tim Davie related to amounts earned in the year ending 31 March 2016.

The ERC has ceased payment of bonuses to all executive directors in the public service.

Note 5: Pension related single figure

This is generally calculated at 20 times the increase in the accrued pension over the year net of inflation, less the directors' defined benefit contributions, plus the employer's defined contributions.

Table 2: Defined benefit entitlements (audited)

Details of defined benefit entitlements are shown below.

Executive directors	Age as at 31 March 2016	Section	Accrued pension 31 March 2016 (or retirement/ leaving the Board if earlier)	Accrued pension 31 March 2015 (or joining the Board if after)	Director defined benefit contributions (via salary sacrifice) 2015/16	Pension-related single figure
			£000	£000	£000	£000
Helen Boaden	60	Old Benefits	84	80	13	40
Danny Cohen	42	CAB 2006	20	18	4	27
Peter Salmon	59	New Benefits	23	22	5	10
Tim Davie	48	CAB 2011	10	8	9	38

1 Tim Davie became an active member of the CAB 2011 section as at 1 January 2012 and retains a deferred pension in the new benefits section for service up to that date.

The accrued pension shown relates to CAB 2011 only

2 Directors' defined-benefit contributions are made via a salary sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like-for-like comparison with prior years before salary sacrifice was introduced.

To avoid double-counting, the salary sacrifice contribution is treated as a contribution from the director for the purpose of calculating the pension-related single figure

3 The pension-related single figure has been calculated on a pro rata basis to reflect the period each director has served as a member of the Board

4 Tony Hall and Anne Bulford are not currently contributing to a BBC pension arrangement and do not receive any payments-in-lieu of pension-related benefits in respect of their current period of employment

5 James Harding and James Purnell are active members of LifePlan. In 2015/16 the employer contributions to this scheme were £34,000 and £29,500 respectively

6 The accrued pension shown for Peter Salmon includes the period of his current employment before he was appointed a director.

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

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

The table below provides a summary of the Director-General to BBC staff median earnings and executive directors' to median earnings figures since 2011. The Director-General multiple has reduced again from 10.7 to 10.4. (audited)

	2016	2015	2014	2013	2012	2011
Director-General earnings	10.4	10.7	10.9	11.0	16.5	16.8
Executive directors' median earnings	8.2	8.2	8.2	8.1	8.7	8.9

Earnings calculation includes: basic pay, bonus, continuing allowances, overtime, and other non-continuing allowances. Median earnings figures are calculated using Director-General and Executive Board annual salaries. These figures exclude the CEO, BBC Worldwide whose role is funded entirely by the BBC's commercial operations.

The table provides a summary of the changes to the Director-General's cash earnings for 2015/2016 versus the change in pan BBC median earnings over the same period. This demonstrates a positive increase in median earnings across the BBC while there has been no change in the earnings of the Director-General.

	2015/16	Change from 2014/15
Director-General earnings	450	0.0%
Pan-BBC median earnings	43	2.3%

	2015/16		2014/15	
	Salary and allowance costs £m	Percentage of paybill	Salary and allowance costs £m	Percentage of paybill
Executive director cash earnings*	1.83	0.2%	2.16	0.2%
Senior manager cash earnings	45.2	5.5%	51.53	5.9%
All other BBC staff cash earnings	773.82	94.3%	815.09	93.8%
Total	820.85		868.78	

* As the data is representative of public service broadcasting, Tim Davie, CEO BBC Worldwide has been excluded.

Severance

No severance was paid to executive directors during the year ended 31 March 2016.

Changes to Director-General remuneration

In the past three years, there have been no changes to the Director-General's Remuneration.

Outside interests

With the prior agreement of the Director-General, executive members of the Executive Board may hold remunerated external directorships. The prime purpose of the external directorship should be to support personal and career development and thereby give back to the BBC. Remuneration which arises from external directorships may be retained by the individual. Executive directors may also hold non-remunerated posts outside the BBC. No more than one to two days per month are permitted to fulfil all external duties.

During the year one executive director held another remunerated external directorship. Anne Bulford is a non-executive member of the Executive Committee of the Army Board. The fee for this role is donated in full and directly by the Army to the Army Benevolent Fund. To see the Executive Board's register of interests visit: bbc.co.uk/corporate2/insidethebbc/managementstructure/seniormanagement

The BBC's commercial businesses

The BBC has staff employed with three commercial subsidiaries:

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

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

Remuneration within the commercial subsidiaries is not governed by the BBC's remuneration policy but is subject to the BBC's governance and approval.

Variable remuneration in 2015/16 for BBC Worldwide

The earnings of the CEO, BBC Worldwide for the year are outlined below:

- the minimum – a base salary of £400,000, pension related single figure of £38,000 and taxable benefits of £2,000
- target: the minimum payment plus a bonus of 50% of base salary (£200,000)
- maximum: the minimum payment plus a bonus of 70% of base salary (£280,000)

Audit Committee report



“During all of our activities we endeavour to pay attention to audience priorities and value for money.”

Simon Burke

Report of the Chairman of the Executive Audit Committee

Overview

Throughout my tenure as Executive Audit Committee Chair, I have sought to maintain the focus of the Committee on ensuring that Licence Fee payers' money is properly controlled and accounted for; that management decisions are based on robust and accurate information, that our reporting to the external world is fair and complete, and that the Corporation can understand the key risks that need to be considered in a wide range of decisions.

This year, important challenges for us have included:

- monitoring the risk landscape as Charter discussions progressed
- ensuring that a good control framework is maintained in the context of widespread and major change in the BBC
- achieving the right level of assurance over several complex proposals or initiatives
- following up the recommendations of some of the high profile reviews carried out at the BBC over the past two to three years

We met five times in the year, covering strategic issues, regular topics and items of particular focus, as well as the approval of financial statements and the review of the effectiveness of the external auditor.

We enjoy strong support from the most senior executives in the BBC and this has been reflected in the calibre of executive attendance and the high quality of debate. The agenda and papers for the committee have been well considered and insightful, drawing from the knowledge of both BBC and external experts.

Topics for the Committee's attention this year have included all the key risk areas as well as some specific presentations, including:

- BBC Worldwide's risk management and control environment
- Information Security
- Crisis Management
- TV Licence fee collection

We evaluate our performance annually and did not note any significant issues at the last review. During all of our activities we endeavour to pay attention to audience priorities and value for money. I am satisfied that the Committee has discharged its responsibilities effectively during the year.

Simon Burke
Chairman of the Executive Audit Committee

16 June 2016

Role

The main purpose of the Executive Audit Committee (EAC) is to review and maintain oversight of the BBC's corporate governance particularly with respect to financial reporting, internal control and risk management. In order to gain this assurance, the EAC has responsibility for:

- monitoring and reviewing the integrity of the financial statements of the BBC and the significant reporting judgments contained within them
- reviewing the effectiveness of the BBC's system of internal control
- reviewing the process for the identification, management and reporting of key BBC strategic and operational risks
- reviewing the assurance processes in place to test and monitor the operation of controls designed to manage key risks
- monitoring and reviewing the effectiveness and resourcing of the internal audit function
- reviewing the performance of the external auditor, including auditor independence and objectivity, scope of work, the provision of non-audit services, fees, appointment and re-tendering of the external audit contract
- reviewing the BBC's systems for the detection and prevention of fraud, bribery and money laundering

- reviewing arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting, illegality or other matters

The EAC's standing orders set out in more detail our responsibilities. These are reviewed regularly and were last updated in September 2015. They can be read on our website: downloads.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcommittee/pdf/executive_audit_committee_standing_orders_2013.pdf

Membership

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

Simon Burke (Chair)
Fiona Reynolds
Dharmash Mistry

We consider that Simon Burke, our Committee chairman, has significant, recent and relevant financial experience. In addition, all of the members of the committee are individuals who hold or have held senior

positions in similar sized organisations and have the experience and skills to properly fulfil their responsibilities. When appropriate, we augment the skills and experiences of our members with advice from internal and external professionals – for example on matters such as developments in financial reporting.

Our meetings are also attended by the Director-General, the Managing Director Finance and Operations, the BBC's Legal Counsel, the Director of Risk and Assurance and senior representatives from internal audit, risk management, finance and the external auditors. We also meet privately, without any member of management present, with both Internal Audit and the external auditors on a regular basis.

Meetings

We held five meetings during 2015/16, at key times in the reporting and audit calendar.

Minutes from our meetings are made available to the Executive Board and to the BBC Trust. Additionally the Chairman of our committee reports back to the Board after each meeting on any issues where action or improvement is required. We also produce a formal report to the Board each year and provide our views on

the integrity of the financial statements before the Annual Report is approved by the Board as a whole.

We spent our time on the following areas:

Integrity of financial reporting

We reviewed the integrity of the financial statements of the BBC:

- we identified through discussion with both management and the external auditor the key risks of misstatement within the BBC's financial statements, including those areas where significant financial judgements were required and which have influenced the financial statements
- we discussed these risks with the auditor at the time we reviewed and agreed the external auditors' audit plan and also at the conclusion of the audit of the financial statements
- we reviewed, discussed and challenged detailed papers received from management on those areas requiring significant financial judgement, taking account of the views of the auditor

We set out below how we satisfied ourselves that the key areas of judgement have been appropriately addressed.

Area of judgement

Pension scheme – assumptions impacting the pension deficit

The financial statements include a significant deficit on the balance sheet of £1,010.7 million for the BBC's defined benefit pension scheme.

Judgements are required regarding the underlying assumptions used by the actuaries in calculating the pension deficit. Changes in these assumptions can result in large swings in the final numbers disclosed.

Our response

We took advice from independent actuaries on the appropriateness of the assumptions used, including how these compare with those used by other organisations. We focused in particular on the assumptions used regarding discount rates, inflation rates and mortality/life expectancy and obtained an understanding of how changes in these assumptions would affect the financial statements. We also considered any movements in these from prior years. We considered the external auditors views on the assumptions used.

We are satisfied that the assumptions used in the financial statements are reasonable, appropriate to the BBC and supported by independent actuarial specialists.

Property – accounting treatment of BBC buildings

The BBC holds a significant property portfolio, which continues to be rationalised in order to reduce costs. The estate includes freehold properties as well as properties held under finance and operating leases. Buildings which have been sublet or are available for sublet are classified as investment properties. Judgements are required regarding the future intentions for vacant buildings and the related timescales. This impacts the accounting treatment and carrying value of the properties on the balance sheet.

We reviewed detailed reports from management which explained the treatment for the most significant buildings, including the projected timescales for future activity and rationale for treatment.

We also considered the auditors' views on the accounting treatment for these buildings. We are satisfied that the treatment of these properties within the financial statements is consistent with management intention and is in line with accepted accounting standards.

Area of judgement	Our response
<p>Projects – capitalisation/impairment of capital projects The BBC undertakes multiple capital projects at any one time. If a material capital project cannot be completed on time, or will not derive future benefit to the BBC, this could trigger an impairment charge.</p> <p>Decisions on whether it is appropriate to capitalise project costs are made in line with current accounting standards.</p>	<p>We reviewed reports from management which explained the status of major capital projects and the approach taken to assess whether any impairment charge was required. We also considered the auditors' views.</p> <p>We are satisfied with the treatment of project costs, and the underlying systems that record and monitor these, and gain assurance from the work of external and internal audit in this area.</p>
<p>Revenue recognition There is an inherent financial risk around revenue recognition relating to timing of recognition of income. The nature of the risk varies between the licence fee income in the public services and the commercial income. In both cases the underlying risk is around year end cut-off.</p>	<p>We consider that the BBC's existing financial control systems should ensure that income is properly treated in the financial statements. We are confident that management understand the risks in this area and have suitable controls in place.</p> <p>We have discussed the external auditors' findings and opinions and also rely upon internal audit's work in this area. We are satisfied that the systems are working as intended and are suitably scrutinised.</p>
<p>Provisions and accruals The financial statements include of £26.7 million as part of the BBC's programme of restructuring and £37.2 million in respect of property dilapidations. Judgements in these areas are largely related to the timing of recognition of these provisions and the amounts to be recognised.</p> <p>Other less significant provisions totalling £43.1 million require judgements regarding the assumptions used in quantifying the BBC's exposure to claims from various parties, and the likelihood of success of those claims.</p>	<p>We reviewed and discussed the level of provisions with management. This included consideration of new provisions and any release and utilisation of existing provisions. Management confirmed to us that they have applied a consistent approach to the recognition and release of provisions across the BBC Group. We also considered the views of the external auditors in respect of the provisions and associated disclosures in the accounts. We concluded that we were satisfied with the level of provisions carried at 31 March 2016 and the disclosure in respect of those provisions within the financial statements.</p>
<p>Service licences – cost cut off and allocation between service licences Service licences are used by the BBC Trust to regulate the licence fee-funded services. They include an agreed and authorised budget with a 10% tolerance threshold. Service budgets include costs taken from a number of different divisions and consequently judgements are required in the allocation of direct costs and overheads across the various services.</p>	<p>We reviewed the out-turn against the service licence budgets. Management confirmed to us that the basis of cost allocation was the same as in previous years.</p> <p>We also considered the views of the external auditors who performed testing on the cost allocation, which included cut off testing around the year-end along with testing assumptions used in spend allocations across the divisions. We are satisfied that the costs have been appropriately classified during the year and in a consistent way to prior years.</p>

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

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

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

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

Effectiveness of internal controls and risk management framework

Internal controls assurance

We reviewed the effectiveness of the system of internal controls, taking account of the findings from internal and external audit reports and other assurance activity. We considered a number of specific areas during the year:

- we reviewed the trends and themes from Internal Audit activity and questioned representatives of Internal Audit on the outcomes of their work. A summary of every internal audit, including key findings and rating (where appropriate) is reviewed by the Committee
- actions arising from independent assurance activity, including internal and external audit, NAO and BBC Trust reviews are monitored by the Committee for completion. This is an area we follow up at every meeting to ensure that agreed actions in respect of any weaknesses found are being properly addressed
- for areas which are considered high profile or have received a lot of attention such as freelance tax arrangements and the management of major projects, we ensure there is suitable follow up and scrutiny over the completion of any improvement plans or agreed actions
- we reviewed the assurance plans and findings for major project and change activity in the BBC, this includes assurance provided by the BBC project management office, internal audit and external specialists
- we also reviewed the levels of fraud and theft reported and detected and arrangements in place to prevent, minimise and detect fraud and bribery. We are pleased to note that there have been no significant frauds detected in the past year

- the findings and progress of actions from the audits of BBC commercial subsidiaries are considered. The CFO of BBC Worldwide attended to provide an update on the BBC Worldwide control environment and management of risk
- in addition, we receive an Annual Report from the Director of Risk and Assurance providing an overview of the strength of the BBC's control environment. This report did not identify any significant weaknesses in control and the mitigation of risk

Risk management

We considered the processes for managing significant risks within the BBC. This work is influenced by the assessment of the BBC's principal risks set out on page 153. There is a regular committee agenda item where changes to the risk profile are reviewed and the effectiveness of the risk management process is assessed.

During the year, we also reviewed and approved an action plan from management in response to the Trust review of the effectiveness of risk management in the BBC and will monitor completion of those actions.

We continue to have a focus on ensuring that assurance resource and activity is aligned to the principal risks facing the BBC and the outputs of this support the committee in assessing how well risks are being managed.

During the year the Committee examined the requirements of the revised UK Corporate Governance Code in relation to the assessment and reporting of longer-term viability, risk management and internal control. The committee looked at key elements of the BBC's risk management process, including the reporting and categorisation of risk across the group and examined what might constitute a significant failing or weakness in the system of internal control.

Effectiveness of Internal Audit

We oversee the work of Internal Audit. This is a regular item at each of our meetings at which the Head of Internal Audit also attends. During the year we have:

- approved the plan of work for the coming year, ensuring that it is risk based and strikes a balance between providing assurance over core business processes and areas of significant strategic risk
- considered the findings from audit activity, focusing on audits with unsatisfactory outcomes and management's plans to address these
- considered the resource requirements for Internal Audit and its capability

During the year, the committee reviewed and approved a plan to restructure the internal audit function from a largely in-house resourced team to one primarily resourced from an approved external provider. This transition is underway and the committee will continue to monitor its implementation and effectiveness.

The EAC Chairman also meets with the Director of Risk and Assurance before each Audit Committee meeting without management present, to provide the opportunity for open discussions.

Independence and effectiveness of our external auditors

Appointment of our external auditors

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

In 2014 the BBC appointed Ernst & Young LLP (EY) as the BBC's external auditors after a formal tender process. Their appointment is for a period of three years from 2014/15 with the option to extend this for a further two years. This is the second year of EY's appointment.

Relationship with external auditors

We oversee the relationship with EY, including the scope and approach to their work, their fees, their performance and independence (including the approval and compliance with policy on non-audit work). Specific areas of focus this year have included:

- audit risk identification and alignment of this with management risk assessment
- our challenge to the auditors on how they addressed these audit risks
- our private discussions with the auditors without management present

The Committee has conducted a review of the performance of the external auditors and the effectiveness of the external audit process for the year ended 31 March 2016. Based on this review, the Committee was satisfied with the performance of the auditors and the effectiveness of the audit process.

Non-audit services

As one of our safeguards over the independence of the external auditors, the Committee has developed, and oversees, the BBC's policy on the commissioning of the auditors to provide non-audit services.

This policy defines the types of services which the external auditors can and cannot provide. Additionally it includes thresholds above which any proposed non-audit work to be carried out by the external auditors must be approved in advance by the EAC. It also defines when work must be submitted for competitive tender.

EY is not considered for work which might compromise its ability to give independent opinion on the BBC's financial statements. Recruitment from EY into any senior management position in the BBC requires the prior approval of the EAC.

The external auditors have confirmed their independence and compliance with the policy on auditor independence to the Committee.

Risks and opportunities

Risks and opportunities affect the ability of the BBC to fulfil its Charter obligations and public purposes. Our approach to risk needs to reflect the unique nature of the BBC. To deliver our objectives we must continue to take creative risks. We must also take seriously our regulatory and statutory responsibilities. Just as taking risk is core to fulfilling our purposes, rigorous risk assessment and mitigation is the foundation of delivering what we do.

During the next financial year we expect renewal of our Charter to be completed. The BBC acknowledges the challenges of evolving audience needs and the opportunities this offers for the Corporation for the next 11 years. Throughout the Corporation, careful consideration of risks and opportunities contributes to the quality of our programmes, the excellence of the service we provide, and so our ability to serve our audiences. Our principal strategic and operational risks and opportunities are set out below.

Key to risk movement: Anticipated movement in risk over next 12 months

-  Risk increasing
-  No risk movement
-  Risk decreasing

Public purposes

- 1 Sustaining citizenship and civil society
- 2 Promoting education and learning
- 3 Stimulating creativity and cultural excellence
- 4 Representing the UK, its nations, regions and communities
- 5 Bringing the UK to the world and the world to the UK
- 6 In promoting its other Purposes, help to deliver to the public the benefit of emerging communications, technologies and services.

Strategic risks and opportunities

Principal risks and opportunities

Risk movement Key mitigations

1. Meeting audience needs

- 1
- 2
- 3
- 4
- 5
- 6

The media landscape is changing significantly, as are the habits and tastes of our audiences. We face the risk that we fail to evolve our offer and drive innovation, to meet the needs of our audience, particularly the young and underserved groups.



- regular re-evaluation of our audience strategy, informed by a constant monitoring of audience performance and market and competitor trends

2. Securing programme supply

- 2
- 3
- 4
- 5

Retaining a diverse range of suppliers is important for the BBC. This ensures the BBC can continue to deliver the best range of British content for the UK audience at affordable prices. The changing media market could put this at risk.



- the launch of BBC Studios is designed to secure the long-term supply of the best quality content for UK audiences
- ongoing dialogue with the independent production community and stakeholders to inform our supply strategy

Principal risks and opportunities	Risk movement	Key mitigations
<p>3. Attracting and retaining talent 3</p> <p>The ability to attract, develop and retain the best creative talent across all disciplines and crafts impacts on the quality of our output and our contribution to creative and digital economies.</p>		<ul style="list-style-type: none"> — regular re-evaluation of employment, staff engagement and on-air talent strategies — nurturing entry level talent via outreach activity
<p>4. Charter review 1 2 3 4 5 6</p> <p>The Government published its White Paper on 12th May, setting out its policy position in relation to the BBC. The White Paper provides the BBC with long-term stability and a strong foundation to continue to inform, educate and entertain the British public.</p>		<ul style="list-style-type: none"> — ongoing dialogue with Government to finalise Royal Charter and Agreement and to resolve outstanding issues
<p>5. Change at the BBC 6</p> <p>The BBC is in the midst of a significant period of operational, organisational and cultural change. The consequent strain on the organisation could affect our ability to respond quickly to new challenges, or impact on our delivery of creative and strategic priorities.</p>		<ul style="list-style-type: none"> — continuing work on reducing complexity and cost through organisational simplicity, ensuring key activity and timings are aligned — corporate Project Management Office overseeing delivery of major projects, providing delivery confidence assessment — continuing leadership team emphasis on building an open culture where everyone feels confident to raise issues
<p>6. Maintaining the BBC's reputation 4 5</p> <p>The BBC brand could be damaged as a result of perceived management failures, or through an inability to respond swiftly, reasonably and proportionately to significant events.</p>		<ul style="list-style-type: none"> — monitoring perceptions of the BBC's reputation amongst all audiences on a continuous basis, responding as needed
<p>7. Maintaining the BBC's market position 4 5</p> <p>The BBC is operating in a fiercely competitive and global market. This creates a number of linked risks:</p> <ul style="list-style-type: none"> — Funding constraints may affect our ability to compete for talent and resources affecting our ability to remain relevant to our audiences — Our production business could fail to secure commissions leading to a reduction in IP owned and reduced secondary revenue streams for the BBC — Our commercial subsidiaries could fail to respond to market challenges 		<ul style="list-style-type: none"> — the BBC Studios proposal is designed to support a long term pipeline of fully owned content for the BBC — ongoing assessment of our resource allocation informed by audience insight and performance — proven delivery by commercial subsidiary of sustainable financial returns, successfully promoting the BBC globally, showcasing UK creativity and innovation, and achieving strong business, editorial and creative relationships

Operational risks and opportunities

Principal risks and opportunities	Risk movement	Key mitigations
<p>1. Business continuity Technical failure, infrastructure interdependencies, the actions of third parties (e.g. disruption to or denial of services by cyber-attack, supplier action or failure) could lead to interruption of broadcast services, with consequent impact on audiences leading to reputation damage.</p>		<ul style="list-style-type: none"> — strong business continuity policies and practices aligned to the international standard — monitoring of cyber-attacks, ensuring fast response — active involvement in UK and global industry security forums — regular in-depth risk reviews of potential system vulnerabilities and process weaknesses
<p>2. Editorial compliance Failure to uphold our editorial values and standards in all our content could affect our ability to maintain high levels of audience trust, damage our brand or lead to legal exposure.</p>		<ul style="list-style-type: none"> — long-established and effective editorial compliance processes supported by appropriate training — strong referral procedures and monitoring of high-risk programmes — widely distributed Editorial Standards and Guidance
<p>3. Child protection Failure to protect children on BBC premises or when participating in BBC activities would have a consequent impact on the individuals, and could lead to reputational damage and legal challenge for the BBC.</p>		<ul style="list-style-type: none"> — positive outcome from independent audit of BBC policies and processes published in July 2015. To be followed up in response to recommendations from Dame Janet Smith report — safe recruitment practices followed; DBS/PVG check requirement linked with mandatory Child Protection and Working with Children training — formal, accredited or recognised training for chaperones continues in partnership with PACT and other industry partners — process for escalation and resolution of potential issues
<p>4. Data security Compromises to BBC data and services, through hacking, other internal or external attack, or error could lead to disruption to services or disclosure of confidential data, including sensitive editorial material or sensitive personal data, with consequent reputational damage and possible financial penalties.</p>		<ul style="list-style-type: none"> — data protection policies and practices — investment in technical capability including range of monitoring and defence walls against hacking, malware and other attacks — global staff awareness and education campaigns carrying key security messages
<p>5. Health, safety and security Failure to meet corporate responsibility for the health, safety, well-being and security of staff, freelancers, contributors and audiences could result in impact on the individuals and their families, legal and financial exposure, reputational damage and loss of trust.</p>		<ul style="list-style-type: none"> — robust health and safety training in the UK and overseas; specialist equipment and bespoke high risk processes and procedures for activities in designated hostile environments — proactive response to changing threats, with tailored advice and guidance from specialist safety teams — close liaison with UK security authorities over UK security threat level — standardising approach to international bureaux physical safety and security — working with media safety and security forums and other broadcasters to raise standards in the industry as a whole
<p>6. Liquidity and savings As we transition to the new licence fee settlement, including new commitments, a failure to achieve new and very stretching savings targets could impact services and damage our reputation and our relationship with audiences and stakeholders.</p>		<ul style="list-style-type: none"> — strong governance and frameworks around implementation of our change programmes to enable the delivery of our strategic vision within available funding
<p>7. Regulatory compliance Failure to comply with the broad range of legal and other regulatory requirements, or to keep pace with changes, may result in legal or regulatory challenge, a threat to services or financial penalties.</p>		<ul style="list-style-type: none"> — regular monitoring of compliance requirements — training and communication plans regularly refreshed to ensure good awareness of need for compliance with newly introduced legislation — continuing to review and plan for impacts of new legislation, including working with the industry to monitor and develop best practice solutions for achieving effective compliance

The BBC's accountability and internal control processes

The Executive Board is responsible for the operational management of the BBC (excluding the BBC Trust). 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 coordinates 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 2016 and up to the date of approval of this BBC Annual Report and Accounts. Risk management mechanisms are concentrated within divisions and business units, with supporting processes in place to manage project risks and cross cutting issues such as editorial standards and safety. Additionally the Executive Board receives regular briefings and holds discussions on risk exposure, appetite and mitigation, focusing on the key strategic and operational risks.

Strategy and financial reporting: the Executive Board approve a business plan that aims to deliver the Trust-approved BBC strategy. Comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Executive Board, include financial monitoring against plan, regular reforecasting, analysis of variances and performance reviews tracking achievements against business plan and strategy.

Policies: formal policies and procedures are in place for all material control activities to ensure compliance with all applicable laws and regulations, that costs are well managed, and risks are mitigated.

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

Authorisation procedures: clearly stated formal delegated authorities, authorisation limits and control processes cover all financial transactions and commitments.

Major project governance: the Project Sponsor is responsible for ensuring that assurance is sufficient for the project throughout its life cycle, with independent review and challenge provided by the BBC Programme Management Office and Internal Audit. Monthly status reports on major projects are provided to the Executive Board.

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

Independent assurance: the Internal Audit function maintains an independent reporting line into the Chair of the Audit Committee and conducts a programme of audits, aligned to principal risks facing the BBC. The findings of the audits are reported to Senior Management and the Audit Committee with remediating actions tracked for completion.

Whistle-blowing: a protected disclosure policy is in place. We provide a 'whistle-blowing' hotline administered by an independent external company to ensure anonymity. In addition, the Senior Independent Director is named on the policy as a contact for the raising of the most serious level of concerns.

Fair trading report

Membership and remit of the Executive Fair Trading Committee

The key function of the Executive Fair Trading Committee (EFTC) is to oversee the BBC Executive's compliance with our Fair Trading obligations. The EFTC comprises three non-executive directors: Dame Fiona Reynolds (Chair), Alice Perkins and Sir Howard Stringer. The EFTC meetings are also attended by the Managing Director, Finance & Operations, Group General Counsel, Assistant General Counsel, Head of Fair Trading & Competition Law and the Director of Risk and Assurance. The attendance record for each director is available on page 135.

Responsibilities of the EFTC include:

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

The BBC has a detailed operational Fair Trading framework which applies to all our activities and is outlined in our Fair Trading

Guidelines, found at: bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html

These arrangements are subject to annual audit by independent auditors and separately have been accredited with the ISO 9001:2008 quality standard. The Auditor's report is set out on page 159.

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 Executive Fair Trading Committee is satisfied that all commercial services have met the above criteria for the period 1 April 2015 to 31 March 2016.

The BBC has a published Fair Trading complaints and appeals process, which can be found at: bbc.co.uk/bbctrust/governance/complaints_framework/fair_trading.html

The BBC received two Fair Trading complaints during the year. Details of these complaints, and of previous Fair Trading complaints and

those that went to appeal to the BBC Trust can be found in our Fair Trading Bulletin at: bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading/complaints_bulletins.html and the BBC Trust's Complaints and Appeals Board page: bbc.co.uk/bbctrust/our_work/complaints_and_appeals/cab.html



Sir David Attenborough celebrating his 90th birthday, pictured with former BBC Nature documentary film makers



Countryfile achieved record ratings in 2016 so far with a consolidated average audience of 7.0 million (33% share)

Report of the Chairman of the Executive Fair Trading Committee

As a public service broadcaster, funded by the licence fee, the BBC has a responsibility to ensure that we trade fairly and pay regard to the impact of our activities on the wider market. To achieve this we have a well-established Fair Trading regime which is subject to both internal and external scrutiny.

The Fair Trading and Competition Law team works closely with staff throughout the BBC to ensure that new internal processes, projects and initiatives comply with Fair Trading requirements. The team also manages a targeted training programme for staff likely to encounter Fair Trading issues. The Fair Trading Committee oversees these processes and monitors compliance with them.

This work is particularly important at a time when the BBC is undergoing structural changes to streamline the way we deliver services to licence fee payers, and is in the process of Charter Review. This year, the Fair Trading team has provided advice on a wide range of issues, with the year dominated by engagement with the requirements under state aid and the Fair Trading Guidelines for the proposed creation of our new commercial production arm, BBC Studios. The team also considered and advised on a number of fair trading issues for key BBC projects such as myBBC and BBC Store.

Another important component of our regime is the Fair Trading Complaints process and this year saw two complaints, both of which have been handled in line with our published procedures.

The BBC Trust published this year its new Strategic Framework for Commercial Services and undertook a review of transfer pricing between the BBC and its Commercial Services. The Fair Trading and Competition Law team liaised with the Trust's external consultants to assist this review and will engage with the Trust on any recommendations that it makes in the light of its findings.

The work of the Fair Trading regime is also audited externally, and once again has demonstrated its effective operation with an unqualified audit opinion. The Committee will continue to ensure that the BBC's regulatory requirements are adhered to through our approach to compliance that is robust, efficient and proportionate. Fair Trading will also be kept high on the Executive Board's agenda. All stakeholders, including licence fee payers and those who might be affected by the BBC's activities, can be confident that the BBC remains committed to, and compliant with, our Fair Trading obligations.

Dame Fiona Reynolds Chairman of the Executive Fair Trading Committee

16 June 2016



Have I Got News For You won the BAFTA for best Comedy and Comedy Entertainment programme



Line of Duty returned for a third series, produced by BBC Northern Ireland

Independent Fair Trading Auditor's Report to the BBC for the year ended 31 March 2016

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 2016 ('the Fair Trading Arrangements').

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

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

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

The Executive is charged by the Trust with establishing and operating a system of internal controls designed to ensure compliance with the BBC's Fair Trading Arrangements for the year ended 31 March 2016, 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 2016. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as this is necessary to form an opinion on the application of the system of internal controls. We have also reviewed whether the Trust's statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls and we report if it does not.

Our opinion has been prepared for and only for the BBC in accordance with our instructions which were agreed with the EFTC on behalf of the BBC. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person other than the Trust or the Executive to whom this report is shown or in to whose hands it may come, and no other person shall be entitled to rely on our opinion, save where expressly agreed by our prior consent in writing.

Our approach

We have performed a reasonable assurance engagement as defined in ISAE 3000.

The objective of a reasonable assurance engagement is to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion on the BBC's compliance with its Fair Trading Arrangements for the year ended 31 March 2016.

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 conducted a risk-based analysis to identify those aspects of the BBC's fair trading control regime that represents the most significant fair trading risk, and focused our detailed testing on those areas. Individual cases were selected from the BBC's fair trading log for review. In each case we examined written records and interviewed relevant parties to provide us with reasonable assurance that the system of internal control had been applied, and the appropriateness of the outcome. Cases examined, and the areas of significant risk around which the work was focused, covered all three of the BBC's commercial service subsidiaries and included examination of transfer pricing and separation arrangements, use of and payment for the BBC brand, and the application of the Trust's requirement that, subject to fulfilling the public purposes, the BBC should minimise any negative market impact.

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 2016. 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 2016.

Deloitte LLP Chartered Accountants London

16 June 2016

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Executive Board has assessed the prospect of the Corporation over a longer period than the twelve months required by the 'Going Concern' provision. The Executive Board considers annually and on a rolling-basis a three year plan for the business. The latest three year plan was approved in February 2016 and covers the period to 31 March 2019.

A three year horizon is considered appropriate as this is in line with the BBC's budgeting process, and it is noted that the latest three year plan goes beyond the 31 March 2017 date when the BBC Group's current £200 million borrowing facility matures; this is maintained to allow the BBC to manage fluctuations in the Group's cash flows and liquidity.

The three year plan considers cash flows as well as the financial covenants which the credit facility requires compliance with. Key assumptions underpinning the three year plan, and the associated cash flow forecast, are that the Charter will be renewed in line with the recently issued White Paper and borrowing facilities will remain unchanged.

The Executive Board has conducted a robust assessment of the principal risks facing the Corporation, as described in pages 153-155, including those that would threaten its business model, future performance, solvency or liquidity. Sensitivity analysis is applied to the cash flow to model the potential effects should principal risks actually occur, individually or in unison. Three stress points were identified when a combination of severe but plausible risks were modelled, with one breaching the borrowing limits without considering any benefit of mitigating actions. By implementing identified measures to mitigate these risks cash flows remain within borrowing limits.

Taking account of the Group's current position, principal risks and the aforementioned sensitivity analysis, the Executive Board has a reasonable expectation that the Corporation will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

Glossary

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

Acquired programmes

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

Appreciation Index or AI

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

Audience Councils

The BBC *Audience Councils* are advisory bodies of the BBC Trust, the governing body of the BBC. There are four Audience Councils – for England, Northern Ireland, Scotland and Wales.

BARB

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

Cost per user hour

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

Creative economy

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

Delivering Quality First (DQF)

DQF is the BBC's current efficiency programme, launched in 2011 following the licence fee agreement with Government in 2010, which froze the level of the licence fee until 2017.

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.

Overall impression

Favourability towards the BBC which is calculated by asking the following question: "Thinking about the BBC generally, what is your *overall impression* on a scale from 1 to 10, where 1 means extremely unfavourable and 10 means extremely favourable".

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.

Purpose Remit Survey

The BBC *Purpose Remit Survey* (PRS) is a quantitative tracking survey which aims to help the BBC Trust to understand the public's views of the BBC's performance against its public purposes.

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/browsers

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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Contacts

Contact us

If you have a comment, appreciation or complaint about BBC programmes and service, contact: bbc.co.uk/feedback or write to:

BBC Audience services, PO Box 1922, Darlington DL3 0UR

Comment line telephone: 03700 100 222

Other queries telephone: 03700 100 123

Textphone: 03700 100 212

BBC Trust

1st floor, 180 Great Portland Street, London W1W 5QZ

Email: trust.enquiries@bbc.co.uk

Website: bbc.co.uk/bbctrust

BBC information line: 03700 103 100

Textphone: 03700 100 212

More information

If you wish to find out more about the BBC's full-year performance to March 2016 – including full financial statements and each service's performance against its quotas and targets, as well as other public commitments, please visit: bbc.co.uk/annualreport. The Annual Report is also published in Welsh. An accessible PDF is available online.

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