

MINUTES OF THE BBC TRUST MEETING

Held on Thursday 17 November 2011
at BBC North, Salford

Present:	Lord Patten	Chairman
	Diane Coyle	Vice Chairman
	Richard Ayre	Trust member
	Alison Hastings	Trust member for England
	Rotha Johnston	Trust member for Northern Ireland
	David Liddiment	Trust member
	Bill Matthews	Trust member for Scotland
	Mehmuda Mian	Trust member
	Elan Closs Stephens	Trust member for Wales

Apologies:	Anthony Fry	Trust member
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In attendance from the Trust Unit:

	Nicholas Kroll	Director, BBC Trust
	Alex Towers	Deputy Director
	Phil Harrold	Head of Governance
	Kate Atkins	Senior Adviser, Governance
	Fran O'Brien	Head of Editorial Standards
	Hannah Bailey	Deputy Head of Communications
Items 137 – 140	Alison Gold	Head of Public Services Strategy
Items 137 – 140 and 144 – 150	Jon Cowdock	Head of Business Strategy
Item 142	John Balcombe	Finance Analyst, Strategy

**From the
Executive:**

Items 141 - 146	Mark Thompson	Director-General
Items 141 - 146	Caroline Thomson	Chief Operating Officer
Items 141 - 146	Zarin Patel	Chief Financial Officer
Items 141 - 146	Helen Boaden	Director, News Group
Items 141 - 146	Chris Waiting	Chief Adviser to Chief Operating Officer
Item 142	Beverley Tew	Director, Finance, Procurement and Revenue Management
Item 143	Chris Kane	Head of Workplace
Item 144 and 145	Jim Egan	Controller, Strategy and Distribution, Global News

AGENDA

- I37 Minutes and matters arising**
- I38 Committees and Audience Councils**
- I39 Director's report**
- I40 Delivering Quality First**
- I41 Director-General's monthly report**
- I42 BBC Budget 2012-13 to 2013-14**
- I43 Corporate property plan**
- I44 BBC World Service financial plan to 2014**
- I45 BBC World Service alternative funding**
- I46 BBC Worldwide strategy update**
- I47 Other matters**
- I48 Items for noting**
- I49 Business handling and communications**
- I50 Conflicts of interest**

137 MINUTES AND MATTERS ARISING

- 137.1 The Trust approved the minutes of its meeting on 24 October as an accurate record of proceedings, subject to minor drafting changes. The Trust approved the publication of the minutes with no redactions.
- 137.2 The Trust noted the matters arising from previous meetings.

138 COMMITTEES AND AUDIENCE COUNCILS

- 138.1 The Chairman of the Audiences and Performance Committee reported that the Director, Vision had given the committee an overview of his aims for the BBC's four network television channels.
- 138.2 Editorial Standards Committee member Richard Ayre said the committee had discussed the Executive's plans to change the policy on party political broadcasts. A formal proposal would be considered by the committee in December ahead of a public consultation.
- 138.3 The Chairman of the Finance and Compliance Committee reported that the committee had discussed current financial matters with the Chairman of the Executive's Audit Committee. The committee had agreed it would be beneficial for him to attend its meetings on a more regular basis in future.
- 138.4 The Chairman of the Finance and Compliance Committee reported that the committee had considered the procurement of services for the collection, administration and enforcement of the licence fee. The committee had approved the Executive's proposal to award the contract to the Capita Group plc. The committee chairman congratulated the Executive on the handling of the procurement process and noted that the new contract would generate significant savings for the BBC.
- 138.5 The National Trust member for Scotland said Audience Council Scotland, an advisory body to the Trust, had discussed the Executive's proposals on the new BBC strategy, *Delivering Quality First*, including news provision, sport and the future of national variants or "opts" on BBC Two.

139 DIRECTOR'S REPORT

- 139.1 The Chairman reported that Lord Williams of Baglan has been appointed a Trust member with effect from 1 December 2011. He would be the first member to take on an international role as part of his responsibilities. This would reinstate a position on the BBC's governing body with specific oversight of the BBC's international public services. Lord Williams was most recently the United Nations Special Coordinator for Lebanon and an Under Secretary-General of the

United Nations.

- I39.2 The Director, BBC Trust presented his report, which provided an overview of activity undertaken by the Trust and previewed the key issues to be considered by the Trust at the meeting.
- I39.3 The Director, BBC Trust said the Executive was due to publish its latest update on senior management pay within the organisation. Members discussed issues arising from the update in light of the Trust's established policy and new initiatives outlined in the Chairman's speech to the Royal Television Society in July. They agreed that the Chairman should reinforce with the Director-General the need for discipline in this area.

I40 DELIVERING QUALITY FIRST

- I40.1 The Deputy Director, BBC Trust introduced this item which provided an update on the implementation of the new BBC strategy, *Delivering Quality First*, following the publication of the Executive's proposals.
- I40.2 Members discussed some of the early themes arising from responses to the Trust's public consultation. They noted that a Westminster Hall debate on the local radio proposals had been well attended by MPs, many of whom had questioned the impact of proposed cuts on local democracy and information provision. The Deputy Director said work was underway to analyse consultation responses, undertake further research and assess whether the Executive's proposals were in line with the BBC's overall strategy, agreed by the Trust. Discussions about regulatory processes were also taking place with the Executive and Ofcom.
- I40.3 Members agreed to have further discussions on *Delivering Quality First* in December and to aim to provide an early indication of Trust thinking in January, ahead of final conclusions in the spring.

I41 DIRECTOR-GENERAL'S MONTHLY REPORT

- I41.1 The Chairman welcomed the Executive to the meeting and congratulated them on the BBC's successful move to Salford.
- I41.2 The Director-General outlined recent highlights from BBC services, including *Frozen Planet* and *Garrow's Law* on BBC One, *The Choir: Military Wives* on BBC Two, *Russell Howard's Good News* on BBC Three and *Symphony* on BBC Four. He noted Radio 3's *Free Thinking Festival* and Radio 4's decision to extend *The World at One* to 45 minutes.
- I41.3 The Director, News Group outlined key stories covered recently in the BBC's journalism output, including the global financial crisis, the protests in Syria and

claims that UK border controls were relaxed without ministerial agreement. She noted the *Today* programme business lecture by Barclays' chief executive Bob Diamond.

- 141.4 The Director-General updated the Trust on Executive activity following the publication of proposals on the new BBC strategy, *Delivering Quality First (DQF)*. He said the Executive was committed to meeting all the DQF efficiency targets but was also listening to public debate about the proposed changes and considering whether there was any scope to mitigate any of them.
- 141.5 The Director-General informed the Trust that the International Development Secretary Andrew Mitchell had announced a new grant to the BBC World Service Trust worth £90 million over the next five years incorporating some existing grants. The Trust welcomed the grant, and noted that it was considering a number of issues related to the World Service Trust including its governance.

142 BBC BUDGET 2012-13 TO 2013-14

- 142.1 The Chief Financial Officer briefed the Trust on the process for setting the BBC budget for the three years from 2012-13 to 2013-14. The starting point for the budget was the financial plan for the new BBC strategy, *Delivering Quality First (DQF)*.
- 142.2 The Chief Financial Officer set out the key financial issues facing the BBC, including the implementation of DQF, the conclusion of major building projects in Salford and central London, the broadcasting challenges posed by the Olympics and the Diamond Jubilee in 2012, and the delivery of the BBC World Service savings plan. She noted that the current economic environment could potentially have an impact on licence fee collection, trading in commercial subsidiaries and, in the long term, on pension costs.
- 142.3 Trust members welcomed the opportunity to engage with the Executive at an early stage on the budget. They were satisfied that the Executive had presented the issues appropriately but sought further information on how the Executive planned to manage the risk of talent inflation.
- 142.4 Members agreed that the Trust's Finance Committee and the full Trust should have further discussions on the budget in February prior to the Executive seeking Trust approval for the budget in March. The Trust emphasised the importance of the Executive adhering to the agreed budget timetable.

143 CORPORATE PROPERTY PLAN

- 143.1 The Chief Operating Officer briefed the Trust on the BBC's corporate property strategy. The plan was approved by the Trust in 2008 and since then the Trust's Finance and Compliance Committee had received quarterly updates on the BBC's

property portfolio.

- 143.2 Trust members were updated on progress on major projects – Salford was now occupied and “on air”, filming had begun at the Cardiff Drama Village and the technical “fit-out” of new Broadcasting House in London was on course to be completed in early 2012. As part of the *Delivering Quality First* proposals, the BBC was committed to establishing a much smaller property estate and was proceeding with the sale of Television Centre in west London. Members discussed the property plan with the Executive, including the demand for studios and post-production facilities in London.
- 143.3 The Executive sought approval to rebase the proportion of the licence fee spent on the BBC estate from six per cent to eight per cent to take account of the move from a freehold to a more expensive leasehold portfolio. The Trust agreed that its Finance Committee should consider this proposal on receipt of further information from the Executive.

144 BBC WORLD SERVICE FINANCIAL PLAN TO 2014

- 144.1 The Director, News Group presented a draft financial plan for the BBC World Service to 2014, covering the remaining period of grant-in-aid funding from the Foreign and Commonwealth Office. The plan updated the six-year financial plan, approved by the Trust in December 2010, and took account of changes to World Service finances following a Government review of its funding earlier in 2011 and the decision by the Trust to allow reduced pensions deficit contributions and other underspends to support World Service editorial activity.
- 144.2 Members noted that the plan included new funding to mitigate proposed cuts in those services which the Trust had previously endorsed as being important, including the Hindi, Somali and the English services. The Executive had also built in more flexibility regarding closing shortwave transmissions recognising that, despite decreasing audiences, there was still value in maintaining shortwave transmissions in some parts of the world.
- 144.3 The Trust approved the financial plan for the BBC World Service to 2014.

145 BBC WORLD SERVICE ALTERNATIVE FUNDING

- 145.1 The Director, News Group presented proposals for the BBC World Service to generate commercial income to supplement the grant-in-aid funding from the Foreign and Commonwealth Office. This was in response to the Comprehensive Spending Review settlement which set the World Service a target to raise £3 million in commercial income by 2013-14.
- 145.2 The Controller, Strategy and Distribution, Global News outlined two proposals which had been developed in initial response to this target. One involved limited

advertising on some World Service language websites and the other was a year-long pilot to trial advertising around World Service English radio broadcasts on the Berlin FM frequency.

- 145.3 Members considered the proposals, noting that the placing of advertising on the Arabic, Russian and Spanish websites would put the World Service on a par with the BBC's international-facing website, bbc.com, which already carried advertising. However, the proposed year-long pilot to insert advertising into World Service English output on the Berlin FM frequency would extend advertising to BBC radio broadcasts for the first time, albeit in a very limited way. The Executive confirmed that it would bring the results of the pilot back to the Trust in a year's time. Members discussed the issues raised, including the impact on audiences, the likely income generated and the need to increase savings targets, potentially requiring more cuts to services, if these proposals did not go ahead.
- 145.4 The Trust approved the Executive proposals, subject to necessary regulatory processes, noting that permission would also be required from the Foreign Secretary, prior to implementation.

146 BBC WORLDWIDE STRATEGY UPDATE

- 146.1 The Trust noted the agreed conflicts of interest process in place for discussion related to BBC Worldwide (see note at minute 150).
- 146.2 The Chief Operating Officer provided an update on the implementation of the BBC Worldwide strategy which was approved by the Trust in March.
- 146.3 Members noted BBC Worldwide's strong financial performance, despite the economic uncertainty, and progress against the priorities set for BBC America, UKTV, the Global iPlayer and BBC Worldwide Productions. The Executive said that, in response to a request from the Trust's Strategic Approvals Committee, it would be providing further details on programmes that had been "deficit financed" by BBC Worldwide.

147 OTHER MATTERS

- 147.1 BBC One peak time news quota in 2012
The Trust accepted the recommendation of its Audiences and Performance Committee (APC) that the Trust should inform Ofcom of the possibility and circumstances in which BBC One's peak time news quota might not be met in 2012, due to its coverage of the London Olympics and Euro 2012. The Trust agreed, however, that network and regional news should continue to have top priority in scheduling decisions on BBC One and the channel should do all it could to meet the quota without harming audience interests.

147.2 BBC Radio 5 Live Olympics Extra service

Following the Trust's earlier approval of Executive plans to launch a temporary DAB radio service to provide full coverage of the London Olympics, the Trust accepted the recommendation of its Strategic Approvals Committee to approve a service licence. The Trust also agreed that the Chairman should write to the Secretary of State in order that he might consider a procedural veto on the new service, in accordance with the Agreement between the Secretary of State and the BBC.

147.3 Memorandum of Understanding with Ofcom

The Trust accepted the recommendation of its Strategic Approvals Committee to adopt the proposed wording for an Addition to the Memorandum of Understanding with Ofcom with regard to seeking Ofcom's views on the wider market impact of proposals for new activities from the Executive.

148 **ITEMS FOR NOTING**

- 148.1** (a) Minutes from committees and Audience Councils
(b) Documents for sealing
(c) Report of offline approvals

149 **BUSINESS HANDLING AND COMMUNICATIONS**

- 149.1** The Trust discussed the handling and communication of items considered at the meeting.

150 **CONFLICTS OF INTEREST**

- 150.1** For discussion related to BBC Worldwide under item 146, David Liddiment received a redacted version of the paper but did not leave the meeting. Mr Liddiment is a Non Executive Director of All3Media and, as such, is potentially conflicted on matters related to BBC Worldwide. This is declared in Mr Liddiment's register of interests, which is publicly available on the Trust's website.