

**BBC PROTOCOL
C2 – FINANCIAL REPORTING
AND MONITORING**

January 2007

FINANCIAL REPORTING AND MONITORING

1 Scope

- 1.1 This protocol applies to the financial reporting and monitoring process for the BBC as a whole, including UK Public Service Broadcasting Services, the World Service, non-service activities and the commercial services.

2 Duties of the Trust

- 2.1 Under the Charter, the Trust is the guardian of the licence fee revenue and the public interest in the BBC. The Trust's general duties include representing the interests of licence fee payers and exercising rigorous stewardship of public money (Charter, Articles 23(a) and (d)). As an aspect of the Trust's general duty under Article 23(d) of the Charter, the Trust must keep under review the BBC's financial needs for the purpose of ensuring, through the exercise of the Trust's own functions, that the Executive Board is not authorised to spend, overall, more public money than is needed for the appropriate discharge of the Board's function (Agreement, Clause 77).

- 2.2 The Trust's general functions include assessing the performance of the Executive Board in delivering the BBC's services and activities and holding the Executive Board to account for its performance (Charter, Article 24(1)(c)).

- 2.3 In particular, the Trust has a specific function under the Charter (Article 24(2)(b)) of defining suitable performance criteria and measures against which the effective promotion of the Public Purposes will be judged. Some of these criteria and measures will be non-financial, such as those in service licences (see Protocol B3) – others will be financial.

3 Role of the Executive Board

- 3.1 The Executive Board is responsible under the Charter for the conduct of the BBC's operational financial affairs (except those relating directly to the Trust and the Trust Unit) in a manner designed to ensure value for money (Article 38(1)(h)). It is also responsible for accounting to the Trust for its own performance and the performance of the BBC and its subsidiaries (Charter, Article 38(1)(i)).

4 Approach

- 4.1 The duties imposed by the Charter and Agreement on the Trust in relation to financial reporting and monitoring reflects the general principle that the Trust is the sovereign body within the BBC (Charter, Article 9(2)) but is not, in general, involved in the day-to-day management of the BBC.
- 4.2 The Trust will discharge its duties in respect of financial reporting and monitoring by:
- (i) clearly defining all financial targets in advance of key budgetary planning decisions for any particular year;
 - (ii) agreeing a reporting framework with the Executive Board which sets out the measures to be reported to the Trust and a timetable for that reporting; and
 - (iii) considering whether there is a need for any additional independent review over the achievement of targets.

5 Procedures

Financial targets

- 5.1 The Trust will define appropriate financial targets that reflect the strategic priorities of the Trust. The financial targets set by the Trust will include:
- (i) financial parameters imposed on the BBC by the Secretary of State (for example, under the licence fee settlement);
 - (ii) financial targets in respect of individual services (for example, budgets set within service licences);
 - (iii) high-level financial targets which the Trust perceives as appropriate to the circumstances of the BBC in any particular year (and which the Trust will identify as part of its review and approval of BBC high-level budgets as set out in Protocol C1).

Financial reporting and monitoring

- 5.2 The Executive Board must provide the Trust Unit with the monthly finance report that is prepared for, and submitted to, the Executive Board each month. The Trust Unit will review this and seek further information as appropriate (see Independent review, below).
- 5.3 Without seeking to wholly prescribe the format of these reports, they should contain the minimum information set out in **Annex A** to this protocol. Any changes to the monthly finance report must be notified to the Trust Unit in advance of implementation.

- 5.4 The Trust Unit will set out an appropriate timetable for the submission of these reports.
- 5.5 On a quarterly basis, the Trust's Finance & Strategy Committee will review the BBC's financial performance with the Finance Director and the Director-General. This review will include, but not be constrained to:
- an examination of the BBC's financial performance against key targets/criteria set in the high-level financial strategy and annual budgetary allocations (see Protocol C1) , alongside purpose remits and service licences;
 - the monitoring of efficiency targets, key investments and key projects;
 - consideration of forecasts; and
 - a consideration of the performance of commercial services.

Independent review

- 5.6 The Trust also has discretion to procure an independent review of any aspect of the BBC's performance should it require additional assurance over the performance of the BBC against its targets.
- 5.7 In discharging any of its duties mentioned above, the Trust may seek additional information that it sees fit from any employee of the BBC. All employees shall co-operate with any request made by the Trust in this regard and the Executive Board shall, insofar as necessary, require them to do so.

Minimum Financial Information Contents of Monthly Finance Report

The starting presumption for the submission of financial information to the Trust is that the Trust will receive the same monthly financial data that the Executive Board receives. Further to this, the monthly financial report submitted by the Executive Board to the Trust in accordance with Protocol C2 must include appropriate information to enable the Trust to understand:

- the financial performance of the BBC in the year to date;
- the expected impact of this on:
 - the likely outturn for the year;
 - any key targets and performance indicators.

Without prescribing the overall contents and format of the monthly information flow, which will reflect the Executive Board's judgement on what is relevant to giving an informed view of the financial position and performance of the BBC, the monthly finance report will include:

- performance against key targets and performance indicators;
- opportunities and risks;
- Public Service Broadcasting Group income and expenditure statements;*
- group cash position;*
- group balance sheet;*
- analysis of group expenditure;*
- group capital expenditure (gross);*
- group headcount;*
- programme activity;*
- overview of strategic projects;***
- commercial business performance;*
 - key indicators;
 - revenue, PBIT by business;
 - borrowings;
- details of any significant change in accounting policy or treatment and the financial implications;
- details of any material reconciling item between the management accounts and published statutory accounts (if relevant);
- overview of World Service performance.

* For month, year to date and projected full year, with variances to budget and forecast

** Quarterly as a minimum