

BBC Trust

Review of BBC

Governance

July 2011



Getting the best out of the BBC for licence fee payers

BBC | **Trust**

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Foreword

During the process that led to my appointment as Chairman of the BBC Trust, I undertook to conduct a review to establish whether the BBC's governance system could be improved within the framework of the current Royal Charter. I have now done so with the help of my colleagues on the Trust, and this document sets out our conclusions.



Our aim in this exercise has been to simplify and clarify the BBC's governance arrangements. Together, we want to see a strong BBC – one that, at all levels, commands the trust of the public and has the self-confidence to make best use of the skills and expertise that exist both within and outside the organisation. Most importantly, we want to ensure that the governance of the BBC will continue to guarantee the organisation's independence and that the BBC continues to deliver output of value to audiences in line with its public purposes.

I doubt whether there was ever a golden age of BBC governance. The current system is, unsurprisingly, not perfect. But it is workable, generally effective and provides benefits to licence fee payers as well as the wider communications industry. Where there are weaknesses, we are attempting to address them as far as possible through the conclusions of this review.

The 2007 Royal Charter provided for the BBC Trust to replace the Board of Governors as the governing body of the Corporation, with more substantial powers to make decisions in the best interests of licence fee payers. The benefits of this change have been significant. For example, the Trust has established service licences within the BBC – clear statements about what licence fee payers can expect from each of the BBC's services. These are at the heart of the BBC's governance and they clearly outline to licence fee payers what their money is spent on. Our reviews of these licences, and the public value test that we apply when wanting to make significant changes to them, have been helpful in gaining the trust of both licence fee payers and the industry.

We have also found areas where we believe improvements could be made, and as a result of this review we will do the following:

- be clearer about the roles and responsibilities of the BBC Trust and the Executive Board, including the interaction between both boards;
- build on our existing relationship with Ofcom, particularly in providing advice about the wider communications market;
- address the complaints and compliance systems within the BBC, to make them faster, simpler and more transparent; and
- implement a simpler and easier-to-understand process for governing the BBC's services.

I believe that the improvements outlined in this document will provide greater clarity and certainty to audiences, as well as our stakeholders and colleagues in the wider media industry.

Although the debate around the BBC's governance will no doubt continue, it is our intention to focus our efforts on re-shaping the BBC for the future and on ensuring that it delivers high quality and distinctive services within a constrained funding environment. We would expect that the next time we substantively consider issues of governance will be in the lead up to the renewal of the BBC's Charter in 2016.

As we were undertaking this review the House of Lords Select Committee on Communications, chaired by Lord Inglewood, was undertaking its own review of BBC governance and regulation. I am grateful to Lord Inglewood and his committee for their report, which has helped guide our own thinking on this matter.

Lord Patten of Barnes CH
Chairman, BBC Trust

July 2011

Review of BBC Governance

Introduction

The BBC is a unique organisation. Funded by licence fee payers and providing high quality and distinctive services across television, radio and online, the BBC reflects the diversity of the British population and provides services locally, across the United Kingdom and around the world.

There is much to be proud of in this institution, which has been established in the service of those who pay for it.

Given its place in public life, it is no surprise that the governance of the BBC is a matter that is debated and discussed regularly. It is not a topic that has ever commanded particular consensus. However, because it is the means by which we guarantee the organisation's independence and ensure that it is delivering its mission, it helps to have maximum certainty and security about how it is going to work.

This review of the governance of the BBC was instigated by the new Chairman of the BBC Trust, Lord Patten of Barnes, and has been carried out within the Trust. It has been informed by the work of the House of Lords Communications Committee, who recently published their own report on this topic.

Our overall conclusion is that the Trust is able to govern the BBC effectively and robustly and that there are clear strengths from the governance arrangements that have been in place since 2007 under the current Royal Charter. The BBC Trust has the benefit of a broad set of powers, the strength of independent advice, and a clear understanding of the scope of our duties. For the first time, a formal Executive Board including Non-Executive Directors operates within the BBC with its own set of duties and powers. We believe that this governance system provides benefits to licence fee payers as well as the wider communications industry.

There are, however, some areas where improvements can be made and as a result of this review we have made conclusions in the following four areas:

1. Clearer responsibilities for the Trust and the Executive Board
2. A wider market impact role for Ofcom
3. An improved editorial complaints and compliance system, and regular impartiality reviews
4. Simpler governance of the BBC's services

The actions we outline in this document – set out under the four headings listed above – can be achieved within the constraints imposed by the BBC's Royal Charter. This ten-year Charter, which is the basis of the BBC's governance, was established from 2007 after a lengthy public debate and we do not believe that there would be any benefit in reopening this debate until it is due to expire.

Clearer responsibilities for the Trust and the Executive Board

The BBC Trust is the governing body of the BBC; it is the guardian of the licence fee and of the public interest in the Corporation.

It is the Trust's role to set the strategic direction of the BBC, in the interests of those who pay for it.

It is the responsibility of the BBC Executive Board to deliver the BBC's services and lead the editorial and creative direction of the organisation within the strategy set by the Trust.

Working together, the Trust and the Executive Board ensure that the BBC is delivering its public purposes.

The Trust will, where possible, leave operational matters to the Executive Board, and will more clearly define the role of the Non-Executive Directors on it.

New Charter, new responsibilities

The BBC's Royal Charter sets out the public purposes of the BBC, and the roles and responsibilities of the Trust and the Executive Board. It is the basis of the BBC's governance arrangements.

The current Charter – which took effect in 2007 – established the BBC Trust as the Corporation's governing body, and also created a formal Executive Board. Under these arrangements it is the role of the Trust to set the strategic direction of the BBC, in the interests of licence-fee payers. The BBC Executive Board has the responsibility of delivering the BBC's services and leading the editorial and creative direction of the organisation, within the strategy set by the Trust. These arrangements represented a significant change to the governance of the BBC.

As the organisation has moved to implement these new arrangements, and build on arrangements developed under the former Board of Governors, it has not always been as clear as it might be where the responsibilities of the Trust and the Executive Board start and finish. We therefore propose to modify aspects of how the Trust and Executive Board work – and how they work together – to make their roles clearer, to avoid duplication as far as possible, and to ensure best use of the skills and resources available.

Defining the roles of the Trust and the Executive Board more clearly

The Trust is the governing body of the BBC. It is the guardian of the licence fee and of the public interest in the BBC. It is responsible for the stewardship of licence fee revenue and other resources; for upholding the public interest within the BBC, particularly the

interests of licence fee payers; and for securing effective promotion of the public purposes. It safeguards the independence of the BBC.

As the governing body, the Trust's role is to set the strategic direction for the BBC, to determine the level of resources required to undertake that strategy and to measure performance. It also has some specific regulatory functions. The BBC Trust is the sovereign body within the Corporation.

The Executive Board is the executive body of the BBC. It is responsible for delivery of the BBC's services in accordance with the framework and priorities set by the Trust, for the direction of editorial and creative output, for operational management, for compliance and for the conduct of the BBC's operational financial affairs.

We believe that we could be clearer about these different roles and responsibilities.

We have also concluded that the Trust should, as far as possible, step back from operational issues to focus on its primary role, and should look to the Executive to lead on such issues, reporting to the Trust on progress.

As examples, there are some functions – such as the audit of the BBC's fair trading arrangements – which are currently undertaken by the Trust for largely historical reasons. We believe that it is right that these now transfer to the Executive Board, and will make arrangements to do so. We also believe that it is correct to cut back on the number of routine reports that the Trust and its committees receive where these do not touch on strategic matters. Instead, the Trust will focus its efforts in this area on consideration of strategic and significant projects. These arrangements will require amending the protocols that govern the duties of Trust and Executive.

Actions

The Trust will more clearly assert and explain its role as the strategic governing body of the BBC. It will focus its efforts on setting the strategic direction for the BBC, determining the level of resource required to undertake that strategy, and measuring performance.

Wherever possible the Trust will leave operational matters to the Executive Board, who will provide assurance to the Trust as appropriate.

Non-Executive members of the Executive Board

The Charter provides for Non-Executive Directors on the Executive Board, to advise and support the Director-General and his executive colleagues. These roles are an important and integral part of the Charter.

The Charter also enables, at the discretion of the Trust, one of these Non-Executive Directors to be appointed as the Chairman of the Executive Board. We have considered whether it would be beneficial to take advantage of this option and have concluded that it would not.

It is the Trust's view that the Executive Board should continue to be chaired by the Director-General, in order to reinforce the Executive Board's operational role and for reasons of clarity and accountability.

However, as part of the Trust's decision to distance itself from operational matters, we would like to develop and make more transparent the role of the Non-Executive Directors within the collective Executive Board in overseeing the delivery of key elements of the BBC's operations.

We have agreed with the Director-General, and with the Non-Executive Directors, that in future they will take on a clearer oversight and assurance role within the Executive Board in the following areas:

- establishing remuneration packages for the most senior BBC executives, within a strategy set by the Trust;
- ensuring value for money, including in large financial transactions;
- oversight of the audit and fair trading functions;
- oversight of the BBC's commercial activity; and
- ensuring that the Executive Board take due notice of complaints and associated feedback on editorial and operational issues from audiences and other stakeholders.

As part of this, we look forward to developing relations between the Trust and the Non-Executive Directors in support of the Executive Directors, particularly in areas where the Non-Executive Directors have a specific oversight responsibility. We will invite the senior Non-Executive Director to be a regular attendee at Trust meetings and we will invite individual Non-Executives to play a fuller part in briefing Trust committees alongside their Executive colleagues on those matters that fall within their area of particular interest. We will also undertake more regular, informal contact with the Non-Executive Directors, to benefit from their insights.

We see these steps as part of a wider process to ensure that the Trust is fully sighted on Executive analysis and the thinking that lies behind it, but without encroaching on operational matters.

Where the Charter requires a clearer separation of responsibilities between the Trust and the Executive Board we will, of course, maintain that separation.

The Nominations Committee of the Executive Board proposes new appointments of Non-Executive Directors. We have agreed with the senior Non-Executive Director and the Director-General that future appointments to the group of Non-Executive Directors should ensure a good balance of relevant experience, including candidates from the public and third sectors alongside senior business figures when vacancies occur.

Actions

The Trust will more clearly define the role of Non-Executive Directors on the Executive Board.

The Trust will undertake more regular contact with Non-Executive Directors, alongside the Executive Directors, to benefit from their insights.

Candidates from the public and third sectors will be encouraged to apply for future Non-Executive Director posts on the BBC's Executive Board.

Evolving to meet new responsibilities

We have also assessed whether changes are required to the structure of the Trust and its Committees to ensure that we are best placed to undertake some of the new responsibilities arising from the recent licence fee settlement.

As an immediate step, we have agreed with the Secretary of State that he should conduct a process leading to the appointment of a BBC Trustee with a specific responsibility for the BBC's international public services, including oversight of the BBC World Service. We hope that there will be appointment to this role in the Autumn.

We will establish a specific committee of the Trust to oversee the BBC's international public services, including the BBC World Service, which will be chaired by the BBC's new International Trustee.

We do not believe that any further changes are necessary to the structure of the Trust to ensure appropriate governance of the new responsibilities that the Trust will take on during the remainder of this Charter period.

Action

The Trust will establish a committee of the Trust to oversee the BBC's international public services, including the BBC World Service. This committee will be chaired by the BBC's new International Trustee, who will be appointed in the Autumn.

Contributing to the debate on public service broadcasting

The BBC is the largest single intervention in the UK broadcasting market and as such is well placed to contribute to the debate about public service broadcasting in this country. Within the Trust our focus to date has been on establishing the governance framework and fulfilling our responsibilities, for example through service reviews and consideration of proposals from the Executive Board.

We believe that we could do more to explore the issues that face public service broadcasting in the UK and in other markets, and use the evidence that we have gained from our work to inform this debate.

We will facilitate conferences on public service broadcasting in the UK to consider and debate the future of our industry. We will aim to undertake this in partnership with other broadcasters and organisations and will use it as an opportunity to inform our own thinking about the future of the BBC's services.

Action

The Trust will facilitate conferences on public service broadcasting in the UK to consider and debate the future of our industry.

Explaining ourselves better

Finally, it is important to us that in representing the interests of licence fee payers we have appropriate ways of understanding their views and priorities. One way that we do this is through the network of Audience Councils across the UK that advise us. We want to make fuller use of these advisory bodies and also ensure that our own direct engagement with audiences, stakeholders and staff continues to inform our decisions about the future of the BBC.

Action

When the Trust consults with audiences and stakeholders, it will do more to explain how the evidence gathered has informed its decisions.

A wider market impact role for Ofcom

The Trust will expand its relationship with Ofcom, to take full advantage of Ofcom's understanding of the wider media market.

As the communications regulator within the UK, Ofcom has a unique understanding of the media market. The Trust will make more use of Ofcom's expertise when assessing proposals from the BBC Executive.

Informed by advice from Ofcom, the Trust will continue to determine the public interest in the BBC's activities.

Making more use of Ofcom's expertise

Ofcom is the communications regulator and the BBC is regulated by Ofcom alongside other broadcasters. In order to ensure its independence the Trust undertakes some functions in relation to the BBC that Ofcom undertakes in relation to the commercial media sector. However, this should not stop us making best use of Ofcom's expertise, particularly in its understanding of the wider media market.

The Trust has an important role in determining the public interest in the BBC's activities, including where these activities impact on the rest of the market. We also have a duty to be appropriately transparent about how we undertake our role. There have been some concerns that our assessments of market impact lack transparency and an independent perspective. We want to address those concerns and make more use of Ofcom's market expertise and understanding in doing so.

The most marked change we will undertake is when determining whether proposals from the BBC Executive are to be determined as 'significant' and therefore require the level of in-depth scrutiny that the full Public Value Test delivers.

The Public Value Test is one of the strengths of the current governance arrangements. It is the test we use to determine whether the public value of a proposal is outweighed by any negative market impact that may arise from it. It is a formal part of the BBC's governance arrangements, and the market impact assessment that forms part of it is conducted independently of the BBC by Ofcom.

Before undertaking a Public Value Test, the BBC needs to determine whether a proposal is 'significant' or not. It is for the BBC Executive to determine in the first instance the likely significance of proposals and to refer cases to the Trust if they appear potentially significant. The Trust also has powers to consider other cases and conduct its own assessment.

When considering proposals from the Executive the Trust is required to assess significance with reference to four considerations:

- the impact of proposals on audiences and 'others';

- financial implications;
- novelty; and
- duration.

In practice we have found that that most of our analysis has focused on impact and we have tended to focus in particular on the impact on audiences and on 'others' – including others in the market.

Although we have ensured that Ofcom has been kept abreast of our assessments on an informal basis, we would now like to include them in a more formal role – committing to seek guidance from them concerning potential impacts on the market in all such cases. We will work with Ofcom to develop these procedures.

Action

The Trust will invite Ofcom to provide an assessment of market impact on all 'significance' tests undertaken by the Trust.

Ending the distinction between 'services' and 'non-services'

Until now, the Trust has used a range of different approval processes to take different decisions, as the Charter and Agreement allow. So we have undertaken a formal Public Value Test to assess significant changes to services and a similar test to assess so-called 'non-services', as defined in the BBC Agreement. The main difference is that in the case of Public Value Tests, the assessment of market impact has been conducted by Ofcom; in the case of 'non services', the assessment has been made by the Trust Unit. (Previous examples of a 'non-service' are Freesat, and the Canvas proposal – now known as YouView.)

This difference has caused some external confusion which has not been helpful. In the case of non-services there has been a disproportionate focus on the classification of an activity as either a service or a non service. Some stakeholders have argued that classifying an activity as a non-service leads to a lower level of scrutiny from the Trust than if the activity had been treated as a service and made subject to a Public Value Test. We do not accept that this has been the case, but nevertheless think that there would be benefit in terms of clarity and understanding in ending the distinction. So we have concluded that the Public Value Test should be applied to any proposal from the Executive that is deemed to be significant, regardless of whether it is classified as a service or a non-service. The practical effect is that we would initiate a full Public Value Test for non-service cases and Ofcom would have an involvement in providing market impact analysis in these cases too.

We therefore believe that it is appropriate to remove the distinction between the assessment of service and 'non-service' proposals and apply the same two tests when we consider proposals from the Executive:

- First, the test of 'significance' – determining if the proposal is a 'significant change'
- Secondly, where a change is significant, we would apply the Public Value Test.

Action

The Trust will submit all significant changes to the BBC's activities to a full Public Value Test, including a market impact assessment by Ofcom, ending the distinction between procedures for assessing 'service' and so-called 'non-service' proposals.

Fair trading at the BBC

We also considered, with Ofcom, whether there could be a role for Ofcom in advising on 'fair trading' matters at the BBC; however, Ofcom have concluded that such a role would not be compatible with their wider competition duties.

An improved editorial complaints and compliance system, and regular impartiality reviews

The BBC's complaints system needs to be faster, simpler and easier to understand.

The Trust is, and will remain, the final arbiter on whether the BBC's editorial standards – and licence fee payers' expectations – are being met.

The Director-General will appoint a senior editorial figure to oversee the complaints system on behalf of the Executive Board.

The BBC will be clearer about how complaints are handled throughout the organisation and where corrections have been made.

Standing up for audiences

Audience concerns are at the heart of the BBC's work. It is the Trust's role to set the editorial standards that match audience expectations; to ensure that the Executive complies with those standards; and to determine if they are being met. As part of this, the Trust must ensure that the BBC has an appropriate way to listen to the views of the audience and consider their feedback. On the occasions where the BBC gets things wrong it needs to apologise quickly and respond appropriately to the issues raised.

The BBC's complaints system has improved in recent years, however we believe that there is further to go to make it faster, simpler and easier to understand. As a result, we are seeking a further step change in how complaints are dealt with across the BBC. We believe that improvements can be made so that making contact with the BBC is a better experience for licence fee payers.

Improving the BBC's complaints system

The Trust is responsible for the framework within which complaints are dealt with at the BBC. We have heard the concerns of licence fee payers that the current system is too complicated and sometimes too slow.

We have recently tested the BBC's complaints processes from the perspective of the audience. We undertook a mystery shopping exercise to see what happens to a normal complaint when it enters the BBC system. The conclusions from this work are disappointing as there is still a minority of complaints that are not being dealt with properly within the system. Although the majority of complaints are being answered on time, some are not.

As a first step, we believe that there needs to be greater coordination in the handling of complaints that are sent to programme makers and the BBC's central contact point, Audience Services. The complaints system needs to ensure that the BBC can respond quickly to legitimate complaints. When things go wrong and individuals make the wrong

decision – as they will from time to time – it is important to the Trust that the BBC quickly admits error and learns from the mistake.

We have discussed this with the Director-General and he has agreed to create a new position of 'Chief Complaints Editor' within the BBC to coordinate the existing complaints handling activity across the BBC Executive. This person will be a senior editorial figure, with a direct line to the Director-General who will oversee complaints on behalf of the Executive and ensure that the process is quicker, simpler and easier to understand.

Action

The Director-General will create a new position of 'Chief Complaints Editor' within the BBC to coordinate complaints handling activity across the BBC Executive.

The Lords Committee raised concerns about the level of transparency around the BBC's handling of complaints and this is an issue that some licence fee payers have also raised with us. We agree, and as part of our wider objective for the BBC to 'set new standards of openness and transparency', we would like to see progress in the area of complaints.

First, we believe that it should be much easier to understand where to go when you want to complain about the BBC's programmes or services. This includes when an external regulator might have a remit to consider a complaint.

So we support the recommendation of the Lords Communications Committee that the BBC should publish a single page guide explaining where complainants should go to complain about BBC broadcast content or services. We will work with Ofcom to ensure we have common language in the guide to explain in what circumstances complainants may complain to Ofcom.

Action

The Trust will progress the recommendation of the Lords Communications Committee to publish a single page guide explaining where complainants should go to complain about BBC broadcast content or services.

Second, we have asked the Executive to address the perception that the BBC is not transparent in responding to complaints that it receives. Some progress has been made on this front already through the use of BBC blogs and website corrections, but we believe more could be done.

We have accordingly agreed with the Director-General that the Executive will establish a corrections page on the website, outlining when corrections have been made or apologies

issued. This will demonstrate the organisation's responsiveness to complaints and provide an easy way to answer regular queries.

Action

The BBC Executive will establish a corrections page on the website, outlining when significant editorial corrections have been made or apologies issued.

The Trust's role in setting and protecting editorial standards

Our own work in the area of editorial standards will focus on ensuring the BBC has set and achieved appropriate standards which reflect the public service nature of the organisation and the expectations of licence fee payers.

We will look to streamline the appeals process – the stage where complainants reach the Trust – and be clearer about the test that appeals will be considered against when complaints reach this stage.

We believe that a final right of appeal to the Trust should continue to exist within the BBC, however we would hope that our appeal function will become less necessary if complaints can be more effectively dealt with at a lower level within the organisation.

Action

The Trust will ensure that the test the Trust will apply to assess appeals is clearer to complainants.

Proportionate compliance

The BBC should never apologise for having high editorial standards. Achieving those standards is always going to be a judgement call made by individuals throughout the organisation. As a creative organisation it is essential that our internal processes support individuals to make the right call, and do not impede their ability to deliver the quality and distinctive programming that licence fee payers demand.

There has been some debate within the organisation – and externally – about whether the current editorial compliance procedures are too restrictive. The Executive is currently piloting a different approach, which will see the current internal editorial compliance procedures simplified while maintaining their integrity. The aim is to create a more proportionate, risk-based approach that places trust in individuals to make decisions in line with the BBC's values.

We would expect to see simpler forms and processes, fewer layers of checking, more empowerment – as well as more responsibility and accountability – for front-line programme-makers.

Action

The Trust has agreed with the Director-General that the editorial compliance processes can be simplified, while maintaining integrity.

Regular impartiality reviews

The BBC's reputation for impartiality is central to its credibility. It is also fundamental to the editorial standards that we have set for the BBC. We must do everything we can to ensure that this core standard is being met, and is being seen to be met.

We will continue our work in this area and strengthen it through committing to annual reviews of the impartiality of the BBC's output. The topic for our next impartiality review will be the impartiality of the BBC's coverage of conflicts, with particular reference to the Arab Spring.

We will also introduce impartiality seminars that look at emerging and current topics. Unlike a full impartiality review they will not be based on reviews of output. Instead they will enable the BBC to consider how to approach current issues which pose difficulties for programme makers with due impartiality.

Action

The Trust will continue and strengthen its impartiality work through committing to annual reviews of the impartiality of the BBC's output. The Trust will also introduce impartiality seminars, led by the Trust, to look at emerging and current topics.

Simpler governance of the BBC's services

The governance of the BBC's services can be explained in simpler terms to audiences and stakeholders.

The core of the BBC's governance system are the licences that the Trust sets for each BBC service – it is these licences that provide certainty for audiences and stakeholders as to what each BBC service should be providing.

In the future, the Trust's governance functions will focus primarily on the service licences, the Trust's regular reviews of these licences and the 'public value test', which is used to assess significant proposals to change the service mix.

Governance of the BBC's services

The current governance system provides much greater clarity about the services that the BBC provides and puts significantly more information about these services in the public domain. This allows licence fee payers and the wider communications industry to understand better how the licence fee is being spent.

Our oversight of the BBC's services is via a set of tools that are specified in the Charter and Agreement, consisting of Purpose Remits, Purpose Plans, Service Licences and Statements of Programme Policy, as well as the Public Value Test. After four years of operation, we have learned that the Service Licences that we establish for each service, and the Public Value Test that assesses proposals we deem significant, are the core tools. The other tools – whilst useful in establishing the framework – are of much less value in active governance terms and there is scope to simplify them significantly and to make the system as a whole more effective and easier to understand.

Reforming the governance framework

We have already agreed with the Executive a shorter and more useful way of expressing the annual priorities for each service through revised Statements of Programme Policy. These are now published as part of the BBC Executive's annual work plan, published for the first time this year

We also plan to reduce the number of 'priorities' prescribed to each Purpose Remit when we review these in 2012; this can't be done straight away as the Agreement requires a public consultation before any changes are made in this area. In addition, we will remove the requirement for the Executive to produce 'Purpose Plans', which we believe are no longer necessary.

Actions

The Trust will simplify 'purpose remits' and reduce the number of priorities specified within them.

The Trust will not re-commission 'purpose plans' when these expire in 2012.

Focus on service licences

The focus of our governance will therefore be on the service licences. We will ensure that these are easy to understand for licence fee payers, as well as the industry. We will also ensure our reviews of the BBC's services continue to engage widely with those who pay for them.

By 2012 we will have undertaken a full review of each of the BBC's services. We believe that these reviews have placed the Trust in a better position to determine the value to licence fee payers of the services the BBC provides. Before embarking on the next round of service reviews, as we are required to do, we will ensure that each of the licences we have established is fit for the future. As part of this we will review whether the number and breadth of the designated 'key characteristics' in each licence is optimal, given the regulatory process needed to make any change to these.

We will also review the 'conditions' and quotas included in each licence. We see these conditions as being useful in some areas to guarantee minimum levels of output in key public service areas for TV and radio. However, we also recognise that such quotas can be a crude tool of governance and we do not want to insist on quotas for quotas' sake. We will consider the role played by quotas when we review service licences and remove any which we do not feel are necessary.

At this point we will also look at how the current system of service licences reflects the provision in each Nation of the UK, ensuring that it is clearer to all licence fee payers what the BBC provides in each part of the country.

It will be our aim to re-issue the service licences in 2012 to last for the remainder of the Charter period. We will need to consult on any proposed changes in this area.

Action

In 2012 the Trust will re-issue service licences, ensuring that they are easy to understand for licence fee payers and the industry, including reviewing the key characteristics, conditions and quotas contained within the licences.

Conclusion

The governance of the BBC is working well, but could be more effective.

The BBC's Royal Charter and Framework Agreement are detailed and prescriptive – these documents are the BBC's constitution and fundamental change is neither desirable nor necessary.

There is, however, room for improvement within the terms of the Charter and Agreement and the Trust and the BBC Executive Board will be implementing these changes in order to provide greater clarity for licence fee payers and the industry.

We have noted through this review – and our work more generally – that the complexity of the BBC's governance system can be confusing for audiences, our stakeholders and BBC staff. It is our responsibility to explain ourselves as clearly as we can, and we need to improve our ability to do this.

One part of this involves continuing to explain fully the decisions we have taken and the evidence on which those decisions are based. The Trust's accountability to licence fee payers is the basis on which the Corporation's governance system works and through which we continue to hold the trust and confidence of those who pay for the BBC.

We believe that changes outlined in this document are a sensible set of amendments to the current governance arrangements and that they will provide greater clarity to licence fee payers and the industry.

Where possible the changes outlined above will be implemented immediately. In many areas the Charter provides for limited discretion in how we undertake our role. It also mandates extensive consultation if we are to change some aspects of the BBC's governance arrangements. If there is a requirement to consult on any of the changes outlined above then we will do so at the most appropriate time.

The Trust and the BBC Executive Board are united in wanting to deliver the BBC's mission – to inform, educate and entertain audiences across the UK, and around the world. Our aim is to do that in the most simple way possible, providing greater clarity to licence fee payers and the industry.

BBC Trust
July 2011

Summary of actions

Clearer responsibilities for the Trust and the Executive Board

1. The Trust will more clearly assert its role as the strategic governing body of the BBC. It will focus its efforts on setting the strategic direction for the BBC, determining the level of resource required to undertake that strategy, and measuring performance.
2. Wherever possible the Trust will leave operational matters to the Executive Board, who will provide assurance to the Trust as appropriate.
3. The Trust will more clearly define the role of the Non-Executive Directors on the Executive Board.
4. The Trust will undertake more regular contact with Non-Executive Directors, alongside the Executive Directors, to benefit from their insights.
5. Candidates from the public and third sectors will be encouraged to apply for future Non-Executive Director posts on the BBC's Executive Board.
6. The Trust will establish a committee of the Trust to oversee the BBC's international public services, including the BBC World Service. This committee will be chaired by the BBC's new International Trustee, who will be appointed in the Autumn.
7. The Trust will initiate conferences on public service broadcasting in the UK to consider and debate the future of our industry
8. When the Trust consults with audiences and stakeholders, it will do more to explain how the evidence gathered has informed its decisions.

A wider market impact role for Ofcom

9. The Trust will invite Ofcom to provide an assessment of market impact on all 'significance' tests undertaken by the Trust.
10. The Trust will submit all significant changes to the BBC's activities to a full Public Value Test, including a market impact assessment by Ofcom, ending the distinction between procedures for assessing 'service' and so-called 'non-service' proposals.

An improved editorial complaints and compliance system, and regular impartiality reviews

11. The Director-General will create a new position of 'Chief Complaints Editor' within the BBC to coordinate complaints handling activity across the BBC Executive.
12. The Trust will progress the recommendation of the Lords Communications Committee to publish a single page guide explaining where complainants should go to complain about BBC broadcast content or services.

13. The BBC Executive will establish a corrections page on the website, outlining when significant editorial corrections have been made or apologies issued.
14. The Trust will ensure that the test the Trust will apply to assess appeals is clearer to complainants.
15. The Trust has agreed with the Director-General that the editorial compliance processes can be simplified, while maintaining integrity.
16. The Trust will continue and strengthen its impartiality work through committing to annual reviews of the impartiality of the BBC's output. The Trust will also introduce impartiality seminars, led by the Trust, to look at emerging and current topics.

Simpler governance of the BBC's services

17. The Trust will simplify 'purpose remits' and reduce the number of priorities specified within them.
18. The Trust will not re-commission 'purpose plans' when these expire in 2012.
19. In 2012 the Trust will re-issue service licences, ensuring that they are easy to understand for licence fee payers and the industry, including reviewing the key characteristics, conditions and quotas contained within the licences.