



Annual Report and Accounts

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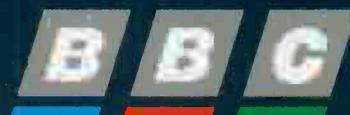


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FROM THE DIRECTOR OF CORPORATE AFFAIRS

Tuesday 8th July 1997

*BRITISH BROADCASTING CORPORATION
BROADCASTING HOUSE
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Dr Richard Collins
London School of Economics
Dept of Social Psychology
Houghton Street
LONDON
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Dear Dr Collins

BBC ANNUAL REPORT AND ACCOUNTS, 1996/7

I have pleasure in enclosing a copy of the BBC's latest Annual Report and Accounts. It provides an in-depth assessment of our performance in 1996/7, and outlines the many challenges that face the BBC in the years ahead.

As the Report shows, the BBC's achievements have been substantial. Over the last year: our programmes have earned both critical acclaim and popular success; improvements in our efficiency have been independently scrutinised and endorsed; and the BBC has been honouring the commitments that it made in last year's Annual Report.

Above all, the BBC is proud to have provided its licence fee-payers with programmes of a range, quality and distinctiveness that no other broadcaster has been able to match.

The Annual Report provides details of these - and other - achievements, and sets out the areas in which we need to improve our performance over the coming year.

Looking to the future, the Annual Report also explains how the BBC will be adapting to the new, digital age of broadcasting.

For the BBC, and its licence fee-payers, the prospects are exciting. We will be able to provide a number of new services, further increase the value of the licence fee, and make better use of our programme assets.



The BBC can look forward to the digital age as a whole with confidence because, as the Annual Report shows, we now have firm foundations on which to build. As it approaches its 75th birthday, the BBC has a clear strategy for building on its traditional strengths and values to take public service broadcasting into the digital future.

I hope that you will enjoy reading the Report.

Yours sincerely

A handwritten signature in cursive script that reads "Colin Browne". The signature is written in dark ink and is positioned below the typed name.

Colin Browne

Faint, illegible text visible in the top right corner of the page.

Annual Report and Accounts 1996/97

Introduction

The BBC's primary purpose as a public service broadcaster is to provide a comprehensive range of distinctive programmes and services. This role is made possible by a unique form of funding – the licence fee. In December 1996, the government announced a settlement that decides the level of the licence fee until the year 2002. This settlement will help the BBC to enhance its existing services and to fund the transition to the age of digital broadcasting.

The Governors of the BBC, as trustees for the public interest, have a responsibility to ensure that the licence payer receives the best value from the licence fee. Through the Board of Governors, the BBC is accountable to licence payers and to Parliament. The Board attaches great importance to an Annual Report which gives a full and candid assessment of the BBC's performance, highlighting both strengths and weaknesses. The Annual Report and Accounts reflect the outcome of a rigorous process of performance review, carried out across all areas of BBC activity, culminating in a joint conference of the Board of Governors and the senior management of the BBC led by the Director-General. This Annual Report incorporates both the Director-General's review of 1996/97 and the Governors' assessment of the BBC's performance.

A year of programme
excellence
Animal Hospital
The Archers
The Asian Network
Ballykissangel
Birding with Bill Oddie
Black Britain
Can't Cook Won't Cook
Children in Need
Comic Relief
The Crow Road
EastEnders
Election 97
Euro 96
EWS
Fermat's Last Theorem
File on Four
Friday Night Armistice
Harry Enfield and Chums
Have I Got News For You
The History of British Art
Horizon
Live Et Kicking
Men Behaving Badly
The Missing Postman
Modern Times
The Natural World
Oasis at Knebworth
Only Fools and Horses
Panorama
The Poisoned Chalice
Private Passions
The Proms
Radio 5 Live
Rick Stein's Fruits of the Sea
This Scepter'd Isle
Saunders the Century
Spoonface Steinberg
Steve Wright's Sunday
Love Songs
The System
Talkback
The Tenant of Wildfell Hall
Testament
This Life
Today
Wales Today
The World Service

The BBC Year

1996/97 was a year of award-winning programmes across every genre. Throughout the year, the BBC put audiences at the centre of all it did.

25p per day

Licence fee

The licence fee offers viewers and listeners real value for money. The new, five-year settlement for the licence fee will enable the BBC to lead the way into the digital era, launching new services and making existing ones even better.



Summer of sport

Major events

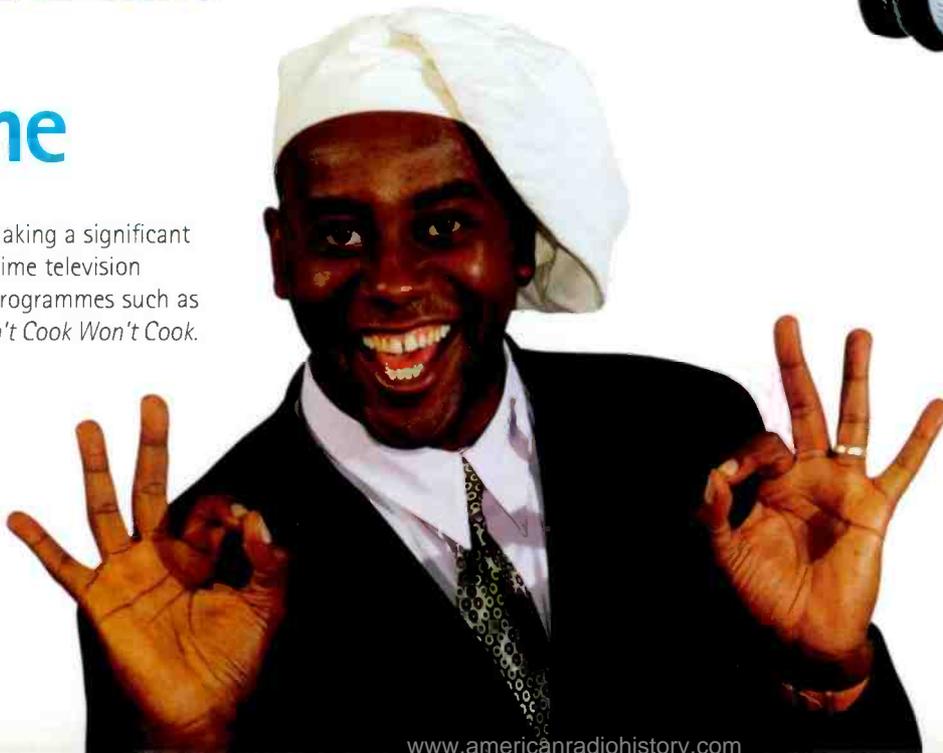
The BBC remains Britain's first choice for major sporting events. From Euro 96 and the Atlanta Olympics to Test Cricket and Wimbledon, it was a great summer of sport.



Daytime

New schedule

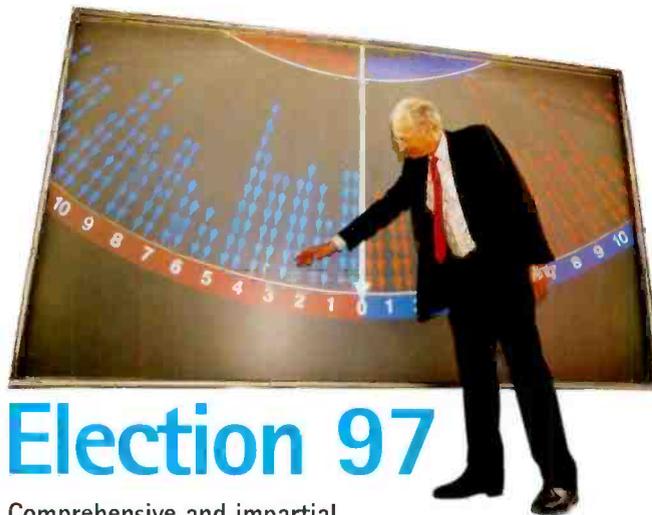
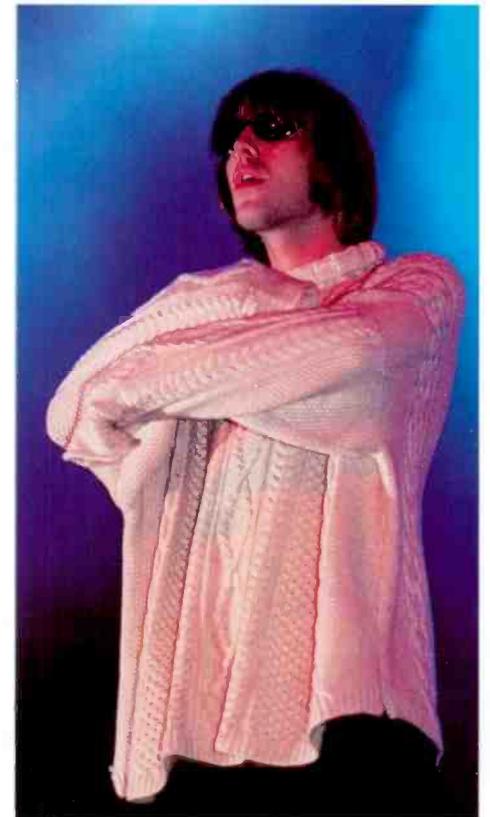
The BBC succeeded in making a significant improvement to its daytime television schedule with original programmes such as *Style Challenge* and *Can't Cook Won't Cook*.





Promises

Our commitment to you
The BBC demonstrated its accountability to licence payers by publishing *Our commitment to you* – a range of promises to viewers and listeners that marked a new and closer relationship with audiences.



Election 97

Comprehensive and impartial
BBC News is committed to giving viewers and listeners the most comprehensive and authoritative coverage of news, as it unfolds. During the year, British politics was dominated by the run-up to the General Election.

Performance

Live music
From the Oasis concert at Knebworth to the Proms, whether in the concert hall or in the park, the BBC maintained its commitment to live music-making.

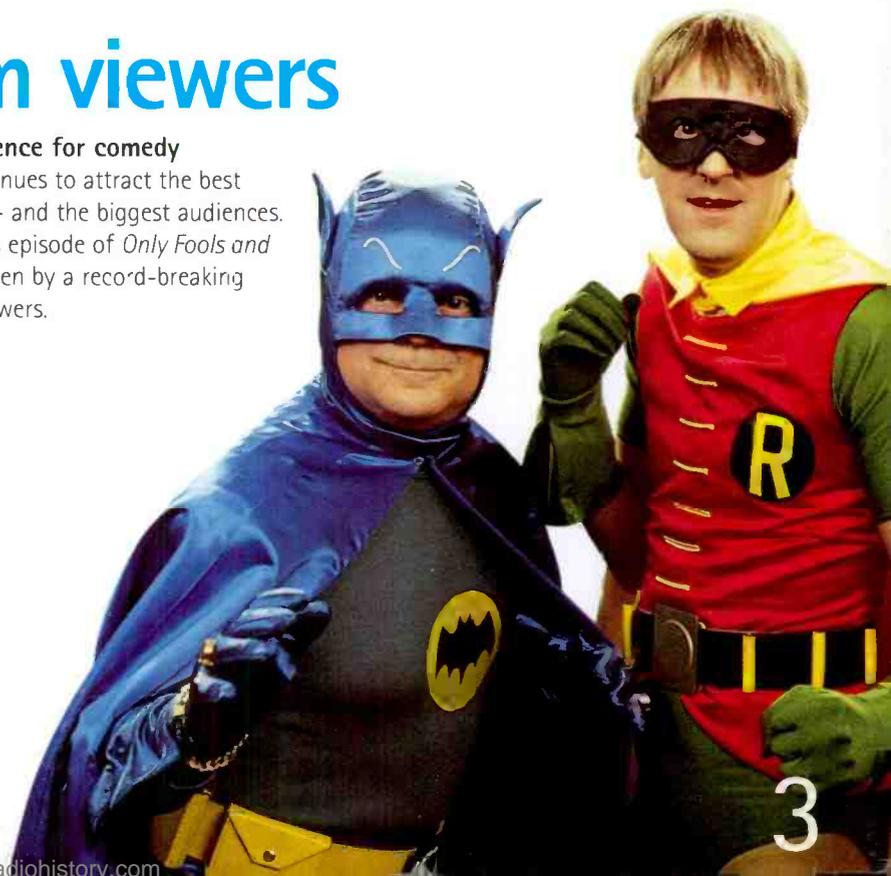


24m viewers

Record audience for comedy
The BBC continues to attract the best comic talent – and the biggest audiences. The Christmas episode of *Only Fools and Horses* was seen by a record-breaking 24 million viewers.

Quality

Excellence and diversity in factual programmes
The BBC's reputation for compelling and intelligent documentaries was enhanced this year with a flow of remarkable programmes on contemporary themes, history, the natural world, science and the arts.



The Braxton Report

'We believe that the BBC has advanced considerably as an organisation since our last review and has made major steps forward in delivering new services and improved output, while also reducing borrowings. These achievements have been financed largely by efficiency savings.'

How We Spent the Licence Fee

	1996/97 £m	1995/96 £m
Television		
BBC1	652.5	648.4
BBC2	346.8	327.5
Regional	161.1	154.4
	1,160.4	1,130.3
Radio		
Radio 1	37.7	37.3
Radio 2	42.0	39.0
Radio 3	58.8	56.6
Radio 4	79.2	79.7
Radio 5 Live	46.3	45.8
Regional	48.9	46.6
Local	75.6	76.0
	388.5	381.0
Non-Broadcast		
Licence fee collection	96.9	95.0
Restructuring costs	81.7	35.2
Corporate Centre, including Governance	55.6	53.5
Resources, transmission and services net surplus	(15.3)	(1.3)
Other	86.9	62.8
	305.8	245.2
Total	1,854.7	1,756.5
Gross operating expenditure	1,910.4	1,813.1
less funded from external income	(55.7)	(56.6)
	1,854.7	1,756.5

The BBC licence fee income of £1,915 million (1995/96 £1,820 million) funded services with operating expenditure of £1,855 million (1995/96 £1,757 million).

¹ Corporate Centre includes Corporate Finance, Personnel, Policy & Planning, Corporate Affairs, Legal Adviser, Research and Development and expenditure which cannot be meaningfully charged against directorates.

² Other includes corporate provisions and accounting adjustments.

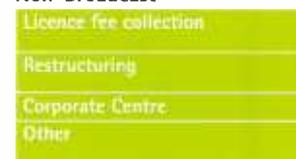
Television



Radio



Non-Broadcast



Chairman's Statement



Sir Christopher Bland

In this Annual Report, the BBC accounts for a year in which it has demonstrated its commitment to public service broadcasting and the excellent value of the licence fee. The BBC has achieved this through the quality, range and distinctiveness of its programmes – recognised both by our audiences and by the broadcasting industry. BBC television improved its audience share despite growing competition, BBC radio held its own against its commercial rivals and BBC World Service listenership grew from 140 million to 143 million. The BBC won an unprecedented number of broadcasting industry awards. The BBC still stands for excellence and public service, and will continue to do so in the changing world of digital broadcasting.

The BBC's editorial standards are of the highest and, with rare exceptions, these standards were maintained in 1996/97. Complaints were effectively dealt with and, where the programme makers or schedulers were at fault, the BBC apologised and lessons were learned for the future.

At home, the news was dominated by politics in the pre-election period. When the general election finally arrived, the campaign was fully and impartially covered by the BBC. The election provided an important test for the BBC which it passed with distinction.

The value for money given by the BBC was independently validated in another forum. Following a satisfactory report by Braxton Associates, the consultants appointed by the government to inquire into BBC efficiency, the government announced a five-year licence fee settlement. This gives the BBC the certainty it needs to plan ahead for a period of great change – the coming of digital broadcasting.

The digital revolution will not find the BBC unprepared. Governors and management together have adopted a strategic approach which will pay dividends in the period ahead, both creatively and commercially. To put the BBC in the best position to respond to the digital challenges, the Corporation was restructured along functional and bi-media lines, replacing the traditional departmental and service boundaries. This restructuring is being successfully implemented. Some alarm was expressed about the likely impact on the World Service; in the event, careful steps were taken to safeguard the service and ensure that it benefits fully from the restructuring.

As the BBC enters the digital age, some fear that it may lose sight of its core purposes amid the excitement of new services and commercial ventures. Let me be clear. Despite all the changes and challenges of digital broadcasting, the BBC is, and will remain, a public service broadcaster. Of course we have to get best value from our programme assets and make a success of commercial ventures. But we must never forget why we are doing it – to benefit the licence fee payer

and to continue to make and broadcast the best television and radio programmes as a public service which informs, educates and entertains.

This report covers the first year of the new Royal Charter under which the BBC is governed and managed. This has also been my first year as Chairman of the BBC. Under the terms of the Charter, the Governors of the BBC have assumed new responsibilities for overall strategy and for regulation, as trustees for the public interest. The Governors report on their responsibilities later in this publication. I have recently suggested that the National Heritage Select Committee could provide an appropriate forum for this Annual Report to be considered in Parliament as a basis for reviewing the BBC's accountability.

I think that this Annual Report demonstrates that the BBC, over which the Governors preside, is soundly organised, confident and performing well. My conclusion, at the end of my first year as Chairman, is that the current system of regulation of the BBC by a Board of Governors provides the best means of combining proper accountability to the public and to Parliament with the independence which makes for programme excellence. My colleagues and I are satisfied that our regulatory effectiveness should be judged by the contents of this report.

A handwritten signature in blue ink that reads "Christopher Bland". The signature is written in a cursive style and is underlined.

Sir Christopher Bland
Chairman

The Governors

The Governors are appointed under the Royal Charter to oversee the BBC as trustees for the public interest. In addition they have important regulatory and compliance functions. The Governors' Assessment of the BBC's performance may be found in the section which begins on page 54.

Sir Christopher Bland

Chairman of the BBC from April 1996. Chairman of NFC plc since 1994. Deputy Chairman of the Independent Broadcasting Authority 1972-1979 and Chairman of London Weekend Television 1983-1994.

Lord Cocks of Hartcliffe

Vice-Chairman of the BBC since 1993. Government Chief Whip 1976-1979. Elevated to the House of Lords in 1987. Deputy Chairman of the Docklands Development Corporation since 1988.

Sir Kenneth Bloomfield KCB

National Governor for Northern Ireland since 1991. Head of the Northern Ireland Civil Service 1984-1991.

The Rev Norman Drummond

National Governor for Scotland since 1994. Ordained into the Church of Scotland in 1976. Parish minister on Skye. Headmaster of Loretto 1984-1994.

Roger Jones OBE

National Governor for Wales since January 1997. Managing Director of a pharmaceuticals company, a member of the Powys Health Care Trust and Chairman of the Council of the Welsh Training and Enterprise Councils.

Bill Jordan CBE

Governor since 1988. General Secretary of the International Confederation of Free Trade Unions since 1995. President of the Amalgamated Engineering Union 1986-1995.

Lord Nicholas Gordon Lennox KCMG KCVO

Governor since 1990. A former diplomat with postings in Washington, Santiago and Paris. Ambassador to Spain 1984-1990.

Margaret Spurr OBE

Governor since 1993 and Chairman of the English National Forum. Headmistress of Bolton School Girls' Division 1979-1994.

Janet Cohen

Governor since 1994. A director of Charterhouse Bank since 1988 and a board member of the Sheffield Development Corporation.

Sir David Scholey CBE

Governor March 1994-February 1995 and from November 1995. Chairman of SG Warburg Group plc 1984-1995. A director of the Bank of England.

Sir Richard Eyre CBE

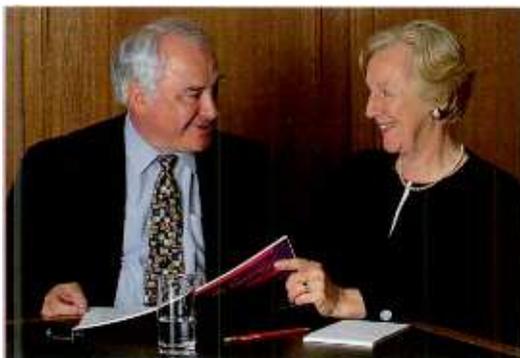
Governor since November 1995. Director of the Royal National Theatre since 1988. Former BBC television drama producer.

Adrian White CBE

Governor since November 1995. Chairman of Biwater plc which he founded in 1968. Former Chairman of the Epsom Health Care NHS Trust. Chairman of British Water.

From left to right

- 1 Sir Christopher Bland
- 2 Sir Kenneth Bloomfield
- 3 Lord Nicholas Gordon Lennox
- 4 Lord Cocks of Hartcliffe
- 5 The Rev Norman Drummond
- 6 Janet Cohen
- 7 Sir David Scholey
- 8 Sir Richard Eyre
- 9 Roger Jones
- 10 Margaret Spurr
- 11 Adrian White
- 12 Bill Jordan



Executive Committee

1 John Birt

Director-General since 1992. Joined the BBC in 1987 as Deputy Director-General. Previously Director of Programmes at London Weekend Television.

2 Bob Phillis

Deputy Director-General since joining the BBC in April 1993. Also Chairman of BBC Worldwide since May 1994 and Chief Executive, BBC Worldwide, since June 1996. Formerly Chief Executive of ITN.

3 Ronald Neil

Chief Executive, BBC Production. Formerly Managing Director, Regional Broadcasting, from 1989 to 1996. Previously Director of News and Current Affairs. Joined the BBC in 1967 as a reporter in Scotland.

4 Will Wyatt

Chief Executive, BBC Broadcast. Formerly the Managing Director, Network Television, from 1991 to 1996. Previously Assistant Managing Director and Head of Features and Documentaries, Network Television. Joined the BBC in 1965.

5 Tony Hall

Chief Executive, BBC News. Formerly Managing Director, News and Current Affairs, from 1993 to 1996. Former programme producer and editor. Joined the BBC in 1973 as a trainee journalist.



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6 Rod Lynch

Chief Executive, BBC Resources. Formerly Managing Director, Resources, from 1993 to 1996. Previous career with British Airways, followed by Forte Hotels, where he was Sales and Marketing Director.

7 Margaret Salmon

Director of Personnel since 1991. Former Group Personnel Director with the Burton Group.

8 Patricia Hodgson

Director of Policy and Planning since January 1993. Former Secretary of the BBC. Joined the BBC in 1970 as a producer for the Open University.

9 Rodney Baker-Bates

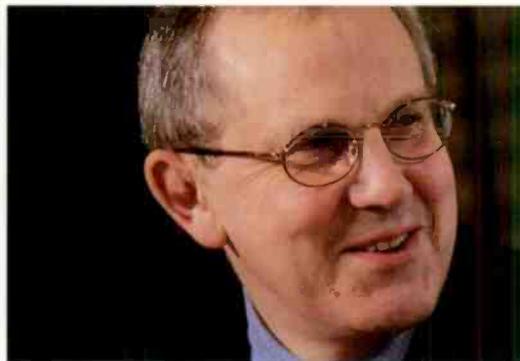
Director of Finance and Information Technology since March 1993. Former Group Financial Control Director of the Midland Bank.

10 Colin Browne

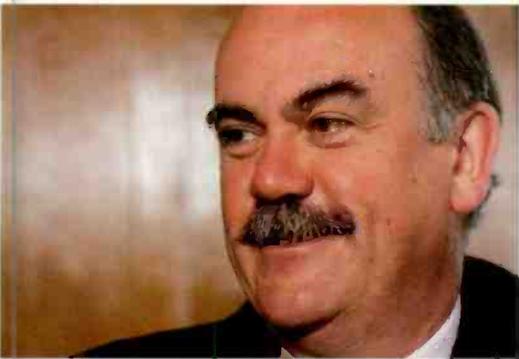
Director of Corporate Affairs since April 1994. Former Director of Corporate Relations at British Telecom.



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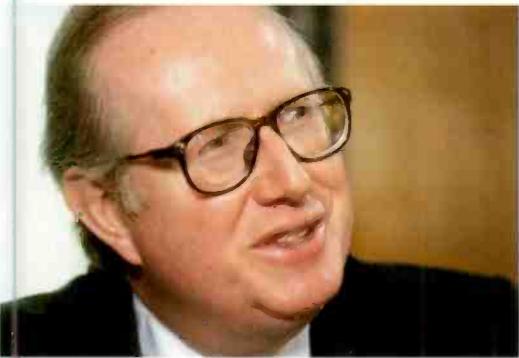
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Director-General's Overview

1996/97 has been a year of great achievement for the BBC. Our programmes have set new standards. Our producers and journalists continue to make excellent programmes which attract big audiences and win broadcasting industry awards in profusion. Our television and radio networks at national and regional level are performing powerfully. And we have started to develop new services. We have created the right organisational structure for the future. Our staff are more professional and creative than ever. And our finances are strong.

Total viewing/listening to BBC services per household per week

1996/97		1995/96	
BBC	Other	BBC	Other
45%	55%	45%	55%
42hrs 37mins	51hrs 18mins	44hrs 18mins	54hrs 24mins

Source: BARB/RAJAR

But 1996/97 has also been a turning point. It has seen the culmination of a long period of modernisation, leading to the renewal of the BBC's Royal Charter a year ago and the settlement of the licence fee formula for the next five years. This has been the first year of our ten year strategy for the digital age. We are now ready to take the next step forward in delivering the new services we have planned during the year and in meeting the new challenges we have anticipated.

So far the signs are good. In the face of vastly increasing competition, we have more than succeeded in maintaining our appeal to audiences. As cable and satellite services proliferate and as the number of commercial radio stations increases, 95 per cent of households still tune into the BBC for at least two hours each week – and this figure has remained constant for three years. In the spring of this year, the premier industry awards turned into a celebration of our programmes. Our editorial health and the competitive shape of our channels and networks have never been stronger. The BBC dominated the BAFTA production and performance awards, winning 12 of the 16 television categories – our best ever performance. We won 14 programme awards from the Royal Television Society. We eclipsed the 1997 Sony Radio Awards, winning 28 of the 35 categories.

On television, we have taken a hard look at our daytime schedule and introduced new programmes. Where our morning schedule looked lacklustre, it now gleams. *Style Challenge*, *Can't Cook Won't Cook*, *Real Rooms* and *The Really Useful Show* have added much to our audience appeal.

Our factual programmes have enjoyed an exceptional year, even by the BBC's own high standards. They have demonstrated that intelligence and skilful programme making can win large audiences. *The System* revealed the hard realities of the welfare system. *The Poisoned Chalice* put the national debate over Britain's role in Europe into an historical perspective. *The History of British Art* stimulated and delighted us in equal measure. Peak-time programmes, such as *Animal Hospital*, took the documentary feature into new territory.

The BBC can boast some of the most talented factual programme makers in broadcasting.

We have remained a powerful magnet for the best comedy writers and performers. BBC2 and Radio 4 have established a tradition for nurturing new talent. Harry Hill, Jeremy Hardy and Armando Iannucci follow a well-trodden path behind Steve Coogan, Paul Merton and Paul Whitehouse. *Comic Relief* combined the celebration of so much talent with a serious purpose, this year raising a record total of over £25 million. It offered a unique showcase for Britain's favourite comedy performers to provide eight hours of entertainment that inspired our audiences to respond as never before.

Traditional entertainment genres have been given a fillip with ingenious formats that breathe new life into tried and trusted approaches. The journey from *What's My Line?* to *Shooting Stars* has been a long one. We now need to apply the same principle to other popular formats – such as the variety show – which would benefit from a similar metamorphosis.

Our drama has remained telling. The triumphs of the last few years – *Pride and Prejudice* and *Our Friends in the North* – have been followed in 1996/97 by new highlights, *The Tenant of Wildfell Hall*, *The Crow Road* and *The Precious Blood*. *Ballykissangel* and *Hamish Macbeth* have continued to be huge popular successes. *EastEnders* has never been stronger. But there were individual disappointments. Achieving consistency of output remains a challenge.

The five radio networks can look back on the year with pride. Each has confirmed that it understands what its listeners expect, by developing individual identities that set our networks apart from their commercial rivals.

Radio 1 is firmly established as the leading exponent of contemporary music. Radio 2 has won new admirers with its weekend schedule, spearheaded by Steve Wright. Radio 3 remains unmatched as a patron of serious music. Radio 4 retains its ability to take the audience by surprise, offering listeners the dramatic challenge of *Spoonface Steinberg* and the intelligent journalism of *Today*. Radio 5 Live displayed its



EastEnders

assurance in a glorious summer of sport – with Euro 96 its apogee – and in its comprehensive coverage of the General Election.

BBC Regional Broadcasting is flourishing across radio and television, at a local and regional level. It won industry recognition, with 12 Sony Radio Awards in May. Our service of regional journalism, in particular, has improved – and audiences have risen. The newly expanded Asian Network in the Midlands improved our offering to minority communities.

BBC News has remained the nation's major source of news. Our news journalists report a greater range of stories on our bulletins than ever. The refugee exodus in Zaire and the events that led to the overthrow of President Mobutu were chronicled by our correspondents with authority and compassion. Such events also demonstrated the advantages of new technology. Viewers and listeners can now take for granted live interviews with frontline correspondents, in superb technical quality.

The General Election brought us an opportunity to serve our licence payers with coverage as comprehensive and astute as one could wish for, informing the electorate and fuelling the democratic process in the best traditions of BBC journalism – with independence, impartiality and integrity.

Underpinning all the achievements on-air has been the BBC's financial and managerial good-health. Our task has been to bring to our audiences the best programmes that the licence fee can deliver, in the most efficient way possible. In this respect, 1996/97 was a watershed. We exceeded the 17 per cent efficiency target set for us three years ago when the government pegged the licence to the rate of inflation. We did this by eliminating duplication of effort or waste arising from surplus capacity or overmanning. Today the BBC is noticeably leaner. The savings it made have been reinvested in programmes and services. Its borrowings have been repaid – and all this has been achieved on licence fee income which has been essentially flat in real terms.

Our efforts were recognised and rewarded. Braxton Associates were commissioned by the Department of National Heritage to prepare an independent assessment of the BBC's efficiency and effectiveness. Here are some of the key points from the report:

'The BBC has substantial achievements to its credit over the last three years. It has made large efficiency savings, generated new output and improved its market positioning whilst reducing its borrowings.'

'The BBC is now well positioned for the dual challenges of delivering public service broadcasting in the digital era and of delivering further efficiency gains.'

'The management team has greater strength in depth than at the time of the last review (with) higher calibre general programming and financial management.'

The outcome was the announcement by the government in December of a new, five-year licence fee formula which gives the BBC its first real increase for over a decade, bringing £180 million of additional revenue over the next five years. This settlement was an historic breakthrough, a vote of confidence in an organisation whose very nature and scope were being fundamentally questioned ten years ago. The government also agreed that the BBC could retain the proceeds from the sale of the Home Services Transmission. This will help considerably as we prepare to provide new services and as we refresh existing ones.

We now have not only a firm financial basis on which to build for the future but – we believe – the right organisational structure. Last summer, we announced radical changes. Responsibility for commissioning and scheduling all our licence-funded services is now vested in a new directorate, BBC Broadcast. This combines a portfolio of services which dwarfs the rest of the television and radio industry. Our creative arm, BBC Production, is now responsible for making programmes across all media: it has the greatest concentration of creative excellence anywhere. And BBC News has become the most comprehensive and powerful broadcast news organisation in the world, unifying our entire domestic and international news operation. The aim of the changes was to focus our skills and energies, to concentrate broadly on the needs of all our audiences, to develop new ways of working and to make the most of the creative opportunities offered by new technology.

But the restructuring was not without its articulate critics, both inside and outside the BBC. The impact on the World Service – whose English language news and general programmes were to be supplied by BBC News and BBC Production – caused particular concerns. We addressed them, working in close co-operation with the Foreign Office. A number of safeguards were agreed to ensure that the integrity and unique character of the World Service continue. The editorial and financial advantages of the restructuring are already becoming evident. A single global newsgathering operation is benefiting the World Service and domestic news outlets, both editorially and through more effective deployment of our correspondents and reporters overseas. These benefits will grow over time.

The restructuring has transferred over 10,000 staff into new departments in what has been a smooth and well managed transition. It will enable us to find further savings.



The Fast Show
The System



The Governors' seminar on The BBC in the Digital World

We will continue to eradicate surplus capacity and reduce overheads. After a long process of staff consultation, BBC Production has reduced the number of departments from 34 to 19. But the main drive for efficiency will come from a detailed review of all our working processes. Investment in digital production technology offers the prospect of sizeable savings over time. It will depend, of course, on our programme staff becoming multi-skilled and mastering the new technologies as they come on stream. Training will be a priority.

So now, with the right structure in place and a sound financial footing, we are poised for entry into what promises to be the highly competitive world of digital broadcasting. Over the past year we have planned, consulted on and developed a core of new services. We shall start to introduce these over the next few months as the means of delivery become available. They include a 24-hour television news channel, BBC1 and BBC2 in widescreen, BBC Choice, which will extend the output on the main television networks, and BBC Inform, a new service of information and data.

These new services will be optional but free to licence payers. Our existing analogue services and programmes will remain our priority. Over the next five years, we plan to spend around nine per cent of our total licence fee income on digital public service broadcasting. Our digital proposition will expand as technology, our financial means and the demands of the audience dictate.

As well as offering new publicly funded services, we will – through our commercial arm, BBC Worldwide Limited, and a joint venture partner, Flextech – begin a number of subscription channels in the UK for those viewers who want ever greater choice. This will enable us for the first time properly to exploit the extraordinary riches of our programme archive – and earn additional commercial income for reinvestment in public service programming. The joint venture will not expose licence fee income to risk and will be managed quite separately from our public services.

The entire broadcasting industry is experiencing massive changes and so far we have seen only the tip of the iceberg. Digital technology will allow choice and encourage competition on an unprecedented scale. Broadcasting will become both more disparate and more global, and certainly more commercial. The BBC cannot live in isolation from these changes. We have repeatedly said that we must adapt or die. We intend to take a leading role in exploiting the new technology, pioneering new services in the future as we have done in the past.

But we are not entering the digital world for its own sake. We are not climbing the mountain simply because it is there. We owe it to licence payers to make the most of the new opportunities in order to ensure that high quality public

service broadcasting survives in the very different world ahead. We are listening carefully to what our audiences tell us they want and taking account of audience tastes – and dislikes – as we develop our plans.

We have learnt how important it is to consult our audiences before introducing change. This spring we launched a formal consultation exercise on our proposed digital services. The responses we received from individual members of the public, from consumer and other groups and from our own advisory bodies are all feeding into the decision-making process.

Last autumn, after wide public consultation, we published a set of promises to our audiences. We said we would report back in this year's Annual Report on our progress in delivering these promises. You will find that response later in this document as part of the Governors' assessment of the BBC's performance (on page 60). We are also taking note of independent voices. In 1996/97 we set up ten independent advice panels to review programmes across various genres and services. The subjects reviewed included sport, daily news, the World Service in English, Radio 2, education programmes for adults, documentaries and daytime television output. The views of the panels are informing the thinking of the Governors, of senior managers and of the actual programme areas.

Later this year, the BBC will celebrate its 75th birthday. As we enter the digital age, we are determined not to lose sight of the principles that have guided us over those 75 years. Our programmes must always stand out for their quality, originality and for the excellence of their production standards. These principles will apply as much in the multi-channel digital age as they do now.

The BBC has already undergone a radical transformation. Yet its programmes have never been more successful nor its programme makers more creative. The restructuring has left us better equipped to exploit our strengths. BBC Broadcast is drawing us ever closer to our audiences. BBC Production is striving to make even better programmes. BBC News is becoming a global force. The period ahead will be even more challenging and, in many ways, uncertain. But we can face the future with confidence as an organisation which is ever lighter on its feet, more aware of the world around it and much readier to seize opportunities as they are presented. The coming years promise to be some of the most exciting in the history of the BBC.

John Birt
Director-General



Television



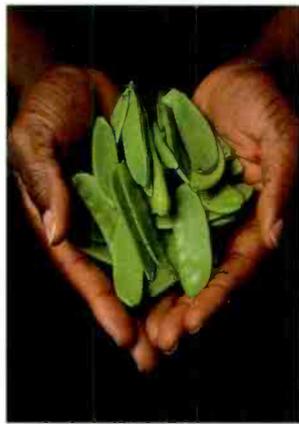
Harry Enfield and Chums

In the year in which BBC Television celebrated its 60th anniversary, it demonstrated that a distinctive public service can also be a popular one. In spite of increasing competition, our two national television networks showed a combined increase in our audience share for the fourth year running, with BBC1 further closing the gap with ITV and BBC2 – aided by the strength of its factual and leisure programmes – gaining new viewers.

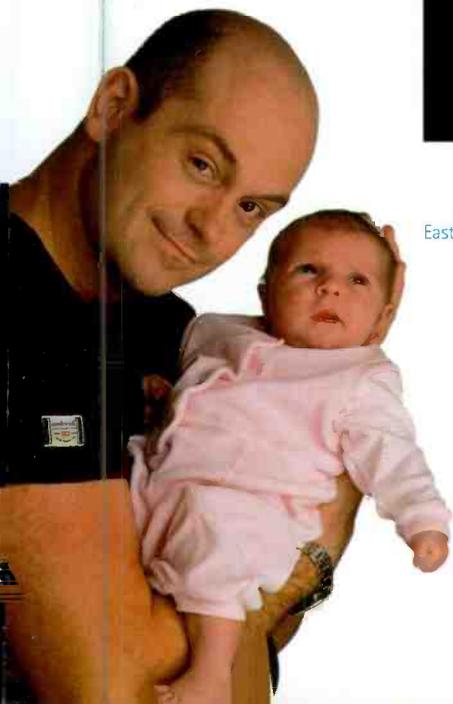
This success was echoed in the BAFTA Awards. The BBC won 12 out of the 16 television awards in 1997, our best ever performance.



Wildlife on One



Modern Times:
Mangetout



EastEnders



Live Et Kicking



Alan Yentob, Director of Television (from 16 June 1997), formerly Director of Programmes

Daytime television

One of the objectives set by the BBC Governors last year was to improve daytime programmes on BBC1. During the year, we have worked hard to learn more about the mood, needs and interests of people who watch television during the day and tried to create a schedule to satisfy their requirements. As a result, a number of new programmes have been introduced. The morning schedule is now refreshingly different.

Kilroy's topical studio discussion is now followed by *Can't Cook Won't Cook* which sets an entertaining culinary challenge. Another success is *Style Challenge*, which shows – with entertaining results – how appearances can be changed by make-up and clothes. One shortfall in the old schedule was the lack of a daily consumer magazine programme. The *Really Useful Show* has filled that gap. Original programming like this – which presents factual information in an entertaining way – has made a positive impression on viewers and audiences have grown. One of the challenges in the coming year will be to look again at the afternoon schedule, to build upon the success of our morning programmes.

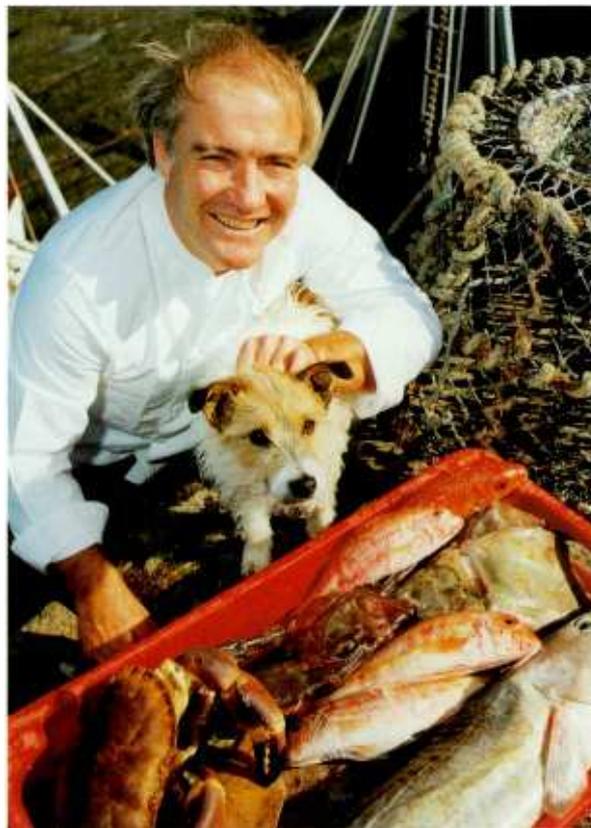
Factual programmes

One of the year's outstanding successes was the quality of factual programmes. These revealed both the breadth of ambition among our factual programme makers and their ability to deliver a real range of popular and innovative work. There is no more difficult task for a documentary programme maker than to tackle a complex topic and give the viewer a wholly fresh understanding of the subject in hand. *The System* was such a series, as serious and balanced an examination of the welfare state as one could wish for. It showed the way in which social security staff have to wrestle with grim reality. One episode, *Misconceptions*, highlighted the difficulties encountered by the Child Support Agency in its first three years, caught between lone mothers and reluctant fathers.

Other programmes of substance and analysis ranged from the *Inside Story* of the Nick Leeson affair to *The Poisoned Chalice*, a timely examination of Britain's changing relationship with its European partners. *People's Century* was an ambitious attempt to explore comprehensively themes of the 20th century. It received much praise at the end of its run.



Airport



Rick Stein's Fruits of the Sea

Modern Times is a popular factual series at the peak of its form, giving revealing insights into contemporary life. The stories it covered ranged from the joys and traumas of a *Jewish Wedding* to *Mangetout*, which unveiled the relationship of dependency between farm-workers and farm-owners in Zimbabwe and one of Britain's leading supermarket chains.

An interesting development in the last year has been the popular documentary that tells a story. We saw this with BBC1's peak-time *Airport*, *X Cars*, *Children's Hospital* and *Vets' School*. All had formats that attracted a mass audience, aided by strong characters and dramatic narrative. In the innovative *Soho Stories*, the form took yet another twist. Night by night, viewers could share the life of Soho's characters, including a highly articulate transvestite seeking success as an entertainer. The use of digital cameras to make the programme demonstrated how high technical quality can be achieved at modest cost.

Our factual programming also includes popular human interest and consumer series. An interesting development has been the spawning of successful spin-off series during the year. *Watchdog*, *The Antiques Roadshow* and *999* not only continued to give a valuable service of information in

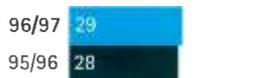
Proportion of factual programmes in peak time*

%

BBC1



ITV



BBC2



C4



Source: BARB

*Includes Documentaries, Features, Music and Arts, National and Regional News and Current Affairs.

themselves but branched out in new directions with series such as *Watchdog Face Value*, *Watchdog – Value for Money*, *The Great Antiques Hunt* and *International 999*. One of the most popular programmes has been *Animal Hospital*, itself a by-product of *QED*. None who saw it will easily forget the story of Blossom, the puppy who was badly injured by being tossed out of a moving car. Not only did Blossom make a full recovery, but she went on to be trained as a hearing dog for the deaf.

Leisure and Lifestyle

The BBC must respond to public needs and interests. Our research had shown that viewers were seeking more sophisticated leisure programmes. Over this year, therefore, we strengthened our leisure and lifestyle programming, following on in the tradition of *Top Gear* and *Food and Drink*. *Two Fat Ladies* and *Rick Stein's Fruits of the Sea* offered very contrasting culinary styles. *Changing Rooms*, in which neighbours each have two days to decorate a room in the other's house with the help of a designer, was a popular vehicle for showing the latest in home decorating techniques. Alan Titchmarsh took over as the regular presenter of *Gardeners' World* after the sad loss of Geoff Hamilton. His final series, *Geoff Hamilton's Cottage Gardens*, was



Watchdog – Value for Money

completed after his death, with the aid of his brother, who recorded the missing sections of commentary.

Entertainment

Original, high quality entertainment has always been central to BBC schedules. Audiences expect it of us, whether their taste runs to *They Think It's All Over*, *Shooting Stars* or *Noel's House Party*. In 1996/97, they were not disappointed. Across both channels, the BBC still retains the most impressive entertainment portfolio on British television. It is an area of traditional strength for the BBC and the last year has seen our reputation enhanced.

BBC1 had a stream of comedy hits, including *The Thin Blue Line*, *The Vicar of Dibley*, *Men Behaving Badly*, *Ab Fab* and *One Foot in the Grave*. *Harry Enfield and Chums* gave us a brilliant portrayal of easily identifiable, contemporary characters from Kevin the Teenager to Wayne and Waynetta Slob. BBC2 confirmed its reputation for innovative comedy with the success of *Friday Night Armistice* and *The Fast Show*.

The BBC continues to attract the most talented performers. Nowhere was this better illustrated than in *Comic Relief* which this year provided a huge entertainment canvas. Reworkings of favourite programmes offered such highlights as *Ballykissdibley* and *Men Behaving Very Badly Indeed* (with Kylie Minogue). Tony Ferrino (aka Steve Coogan) performed an unlikely duet with the Icelandic singer Björk. An added dimension was *Balls to Africa*, a celebrity football tour of some of Africa's poorest countries that carried a sober message within the entertainment. Much of the credit for the success of *Comic Relief* goes to Richard Curtis, the event's talented and dedicated organiser. The outcome was a record total raised of at least £25 million. The 1996 Children in Need Appeal also beat its record, raising over £17 million. Over 3,000 organisations will benefit from the fund this year.

Light entertainment was also the major contributor to the BBC's success with its Christmas schedules. The fortunes of the Trotter family have entertained viewers of *Only Fools and Horses* for years, as Del Boy, Rodney and Uncle Albert look for the main chance. But at the end of the Christmas trilogy, they finally struck gold and over 24 million viewers shared their joy. This was the largest single programme audience on British



Geoff Hamilton (1936–1996)

Geoff Hamilton was a much-loved friend to gardeners everywhere and a powerful champion of organic gardening. He first presented *Gardeners' World* in 1979 and built up the audience from 1.2 to five million. He told the *Radio Times* 'The reason people like what I do is because I'm not very good at it, I'm just an ordinary guy... I love the fact that I can take a yoghurt pot, a toilet roll holder and whatever and knock up a greenhouse.' Geoff Hamilton was, in reality, very good at what he did and will be greatly missed



Shooting Stars

television since measurement of individual viewing began two decades ago, beating a 17-year record held by another BBC classic, *To The Manor Born*.

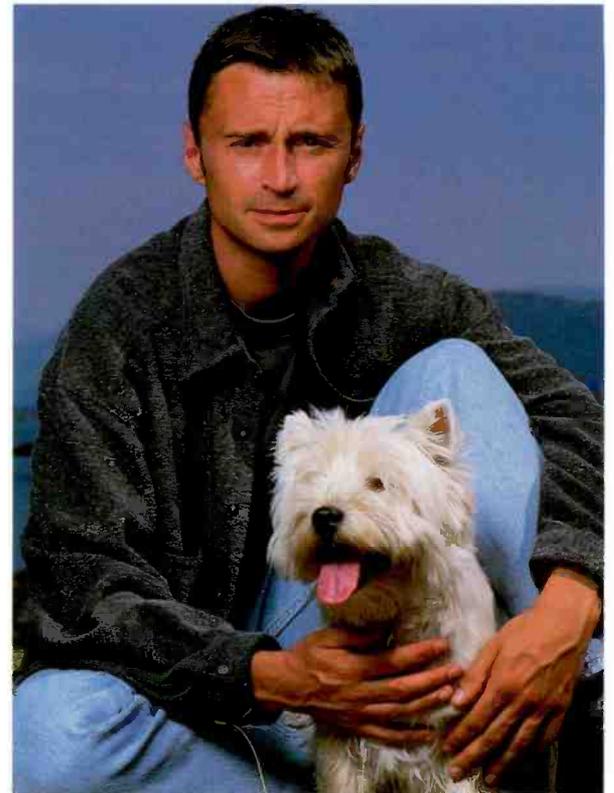
One way in which the BBC has improved its light entertainment is by reinventing traditional formats. The quiz show has been given a new lease of life through *They Think It's All Over*, *Have I Got News For You* and the anarchic *Shooting Stars*. So too has the chat show via *Knowing Me Knowing You*, and the fifties pastiche of *The Mrs Merton Show*.

One of the challenges in the coming year will be to reinvent for the '90s some of the other classic programme genres. We must apply the same innovation to genres like variety and factual entertainment shows as we have to comedy and quiz shows. We aim to continue to serve our viewers with the best in British entertainment, ensuring that BBC1 has a range of shows in its evening schedule to match the strength of our factual programming.

This is already beginning to happen with archive-based entertainment programmes. *Before They Were Famous*, with Angus Deayton, used archive clips of celebrities in their early years and won an audience of 14 million viewers. The archives continue to provide a rich source of material for programme makers. *Auntie's All Time Greats* was another new way of serving viewers with pleasures from the past.

Drama

Television drama has provided some of the highlights of the year. 1996 started strongly with *Ballykissangel*, and the exceptional *Our Friends in the North*, which chronicled the life and times of four friends from Newcastle over more



Hamish Macbeth

than 30 years. This received critical acclaim, won substantial audiences and three BAFTA Awards for Best Drama, for its writer, Peter Flannery, and for Gina McKee, who won the Best Actress Award. *Hamish Macbeth*, a drama series about a laid-back Highland policeman, was a popular fixture on winter Sunday nights.

The BBC's reputation for costume drama and adaptations of classics has never been higher than over the past three years. The successes of *Middlemarch* and of last year's triumph, *Pride and Prejudice*, were followed up this year by the single drama, *The Mill on the Floss*, and the two-part adaptation of *The Tenant of Wildfell Hall*, which carried powerful resonances of contemporary life with its underlying themes of alcoholism and marital abuse. From BBC Scotland *The Crow Road* – Bryan Elsey's adaptation of the Iain Banks' novel – drew the audience into its web with memorable performances from the cast. *This Life* came to BBC2 and developed a strong following, particularly among young adult viewers, depicting, as it does, the intertwining personal and professional lives of a group of young lawyers.

EastEnders went from strength to strength, with its high quality writing, character development and strong storylines – from Bianca's wedding to Tiffany's baby and Dot Cotton's return.



Its audience appeal showed no sign of diminishing – and it became the first soap opera to win the BAFTA Award for Best Drama Series. *Casualty* continues to draw viewers on a Saturday night, reflecting the progress the BBC has made in producing popular drama that can be sustained year after year.

However, not all our drama has been as compelling. There is always a degree of risk incurred in attempting to dramatise the life of a historical figure like *Rhodes*, or in adapting a highly complex novel, such as *Nostromo*. Both proved to be a disappointment. In the coming year, we need to work to improve our success rate in every field of drama. The goal will



This Life

be to serve our audiences with greater consistency. And we will aim to develop more long-running popular drama series that can emulate the ongoing appeal of *Casualty* and *Ballykissangel*.

Natural History

Now 40 years old, the Natural History Unit, which is based in Bristol, continues to be the world leader in its field, using advanced camera technology to realise some of the most ambitious projects ever attempted in this genre. *The Natural World* remains one of BBC2's top ten programmes and *The Really Wild Show* and *Wildlife on One* increased in popularity, while *Cartoon Critters* appealed to younger audiences. *Incredible Journeys* charted the movement of

migrating swallows, ocean-going salmon and a whole range of other creatures.

Science

There is an enormous and growing public appetite for almost every kind of scientific and medical knowledge. It is an appetite which the audience looks to the BBC particularly to satisfy. Our three core science programmes, *Tomorrow's World*, *QED* and *Horizon*, have all been moved to new positions in the schedule this year and have achieved higher audiences. They have also spawned successful spin-off programmes. *Future Fantastic* emerged from *Tomorrow's World* and *Ice Mummies* and *Secrets of Lost Empires* from *Horizon*. The story behind the resolution of *Fermat's Last Theorem* demonstrated what an adventure mathematics can be.

In the year of Comet Hale-Bopp, it was fitting that the nation's favourite astronomer, Patrick Moore, should achieve his own perihelion with *The Sky at Night*. The programme celebrated its 40th anniversary this year and so became television's longest running series with the same presenter. Over these 40 years, Patrick Moore has inspired thousands to take up astronomy and share his sense of wonder.

Arts

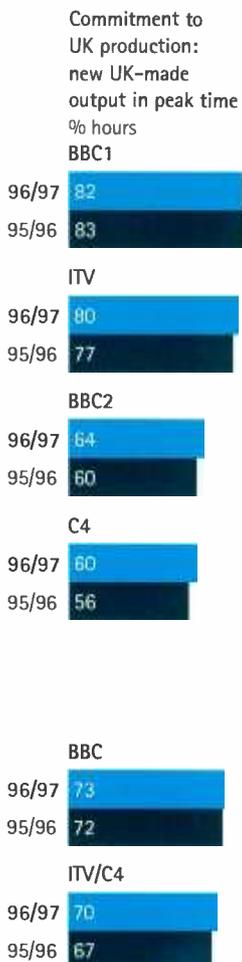
From its beginnings, the BBC has recognised that it is in a unique position to explore and celebrate the whole range of Britain's artistic and cultural life. As a result, the arts have always enjoyed a high profile on BBC television. Arts coverage can range from the discursive documentary to Barry Norman's review of the week's film releases in *Film 97*.



The Sky at Night
QED

The Tenant of Wildfell Hall





Source: BARB



American Visions

The highlight of the year was *The History of British Art*, a comprehensive guide laced with wisdom and wit. Its presenter, Andrew Graham-Dixon, offered a refreshingly bold, affectionate and informative analysis of his subject. The other landmark arts series, *American Visions*, was notable for its superb script by Robert Hughes. It won him the prestigious BAFTA Richard Dimbleby Award for 'the most important personal contribution on the screen in factual television'. *The Bookworm* conveyed a passion for books to a broad audience and its Internet site became one of the most visited on the BBC web pages. In the coming year, we need to ensure that, across all BBC networks and services, the BBC is providing comprehensive coverage of the Arts, serving all our audiences with programmes of weight and impact.

Religion and Community Programmes

Two years ago, the BBC's Programme Strategy Review set specific targets to improve religious and ethnic minority programmes. This year has seen considerable achievement. Our religious broadcasting department, based in Manchester, has continued to make progress in reflecting the full diversity of faith within Britain, while maintaining the centrality of Christianity. *Songs of Praise* has succeeded in experimenting a little without alienating traditional viewers. BBC Religion's



Film 97

achievements were recognised with the award of the International Council of Christians and Jews' highest honour, the Gold Medallion, for the contribution to interfaith understanding and dialogue. New ideas have been explored in programmes for ethnic minorities. *A-Force* made a successful debut with two hours of Afro Caribbean entertainment.

Sport

1996 was a glorious summer of sport on BBC Television. *Euro 96* attracted 19 million viewers for whom Shearer's goals, Seaman's saves and Southgate's missed penalty are indelible images. BBC Sport provided over 300 hours of coverage of the Olympic Games in Atlanta. In addition, the summer of sport included Wimbledon, two Test Cricket series, the British Open Golf championship, Glorious Goodwood and the Formula One Championship. Long running strands such as *Grandstand* and *Match of the Day* continued to perform well and *Dickie Bird - A Rare Species*, a profile of the much-loved cricket umpire, suggested that there is more potential to be developed in making sports features.

The rising cost of securing sports rights remains problematic for the BBC. We have secured some key contracts this year. The renewal of the Premier League contract gives BBC1 *Match of the Day* until 2001. In rugby union, the BBC acquired the rights to the major part of the Five Nations championship for the next three years. The deal includes all home matches played by Scotland, Wales and Ireland and a number of other internationals, but excludes the rights to England's home internationals. In golf, the BBC secured the Open contract until 2001. However, we have lost the Formula One motor racing contract to ITV and we transmitted our last FA Cup Final in May. As costs escalate, we recognise that we cannot always match our competitors pound for pound.



Newsround Extra



Cartoon Critters

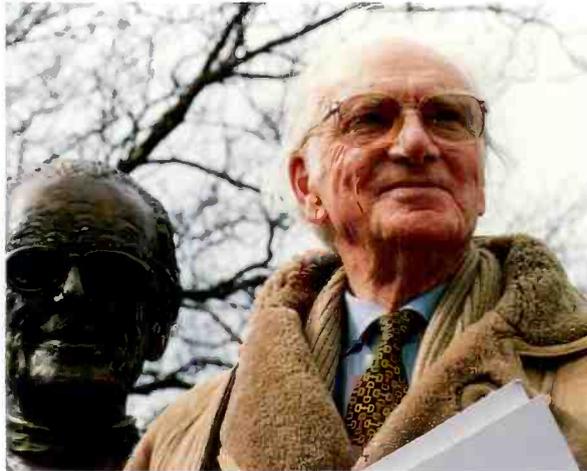
But we will do all we can to maintain the BBC's rich tradition of sports coverage. We have invested substantial extra sums in recent years in sports rights and we will continue to press the government for an approach to regulation which more effectively balances the interests of those who retain sports rights with the interests of viewers and listeners in general.

Peter O'Sullivan

Peter O'Sullivan commentated on his 50th and last Grand National in 1997, an event delayed by two days after disruption by the IRA. For millions of viewers, he had become the voice of horse racing, his knowledge and infectious enthusiasm winning deep admiration and respect. In the Queen's Birthday Honours List, he received a knighthood in recognition of his services to horse racing.

Children's Television

Children's Television is one of the most competitive areas for the BBC and, this year, we have implemented a number of changes. New formats for entertainment and quizzes have been introduced, such as *Out of Tune* and *To Me To You*. *Live Et Kicking* has maintained its popularity with a new presentation team of Zoë Ball and Jamie Theakston. Drama continued to be a strength, with *The Demon Headmaster*,



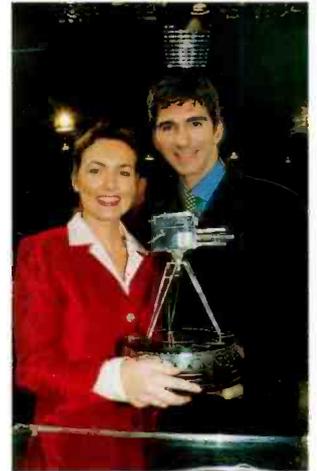
Peter O'Sullivan

The Queen's Nose and *Grange Hill* attracting good audiences, while *The Prince and the Pauper* was in the best tradition of Sunday classics. Younger viewers were well catered for with *Chucklevision* and *Bodger and Badger*, both of which are building up their audience.

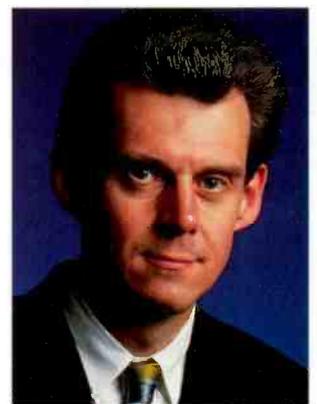
In addition to drama and entertainment, the BBC gives younger viewers their distinctive and authoritative specialist news service. *Newsround* has maintained its reputation for strong journalistic skills and *Newsround Extra* won an International Emmy for its *War Child* programme on Bosnia.

Michael Jackson

Michael Jackson, the former Director of Television and Controller of BBC1, left the BBC in May to take charge at Channel 4. He first joined BBC Music and Arts in 1987, founded BBC2's *The Late Show* two years later and went on, in 1991, to become one of BBC Television's youngest ever department heads. He later moved to the Controller's job at BBC2. His legacy includes such programmes as *Our Friends in the North*, *The Death of Yugoslavia* and *The Mrs Merton Show*.



Damon Hill, BBC Sports Personality of the Year



Michael Jackson



Olympic Gold medal winners, Steven Redgrave and Matthew Pinsent

Radio

The BBC continues to be the only radio broadcaster to invest in drama, comedy, light entertainment, in-depth news and current affairs, crafted documentaries and live and specially recorded music across the whole range of classical and popular work. This sets us apart from commercial broadcasters. This year, BBC Radio has maintained its appeal to its audiences, in the face of increased competition.



Mark Radcliffe and Marc 'Lard' Riley



Proms in the Park



Centennial Park,
Atlanta

Steve Wright



Radio 1

The variety of contemporary music styles in the UK is multiplying and record companies are releasing a wider than ever range of recordings. The BBC has a responsibility to give listeners a music service that keeps up to date with these changes. Over the past three years, Radio 1 has repositioned itself as the UK's leading contemporary music station, targeting an audience of 15-24 year olds. This has meant a number of changes in music policy and in presentation. But it has worked. This year, Radio 1 has consolidated its new position, reaching 45 per cent of all 15-24 year olds each week. It has a total weekly reach of over ten million people, the largest audience of any UK radio station.

The behaviour of audiences has also changed. Some listeners are turning away from the radio to cassettes and CDs. This has driven the BBC to think hard about what its music radio services can offer that is unique and irreplaceable. It has given new impetus to the commitment to live music. Last summer, Radio 1 broadcast six major live concerts, including the high profile Oasis concert at Knebworth. Dance music is increasing in popularity. Over the summer, in addition to its weekly specialist programmes, the network broadcast more than 35 hours of live dance music, including the Tribal Gathering dance event, which attracted 30,000 people, and live broadcasts from clubs on the Spanish island of Ibiza. Other highlights included The Radio 1 Roadshow and coverage of the Phoenix and Reading festivals.



Oasis at Knebworth

Radio 1 is committed to supporting new talent and broadcasting new music by both emerging and established artists, ahead of its competitors. In the last year, the network played more pre-release and indie, dance and rap music than other stations. It also devotes some 2,700 hours of studio time per year to recording up-and-coming bands in special sessions. This allows audiences to experience unique performances and even those without a recording contract to be heard on national radio.

Another way in which Radio 1 serves its listeners is by providing an unmatched range of specialist music. All the most important current genres are played on the station, from dance, hip-hop and R&B to indie, guitar-based bands, reggae and jungle. Three new shows were introduced this year to strengthen Radio 1's specialist music portfolio.

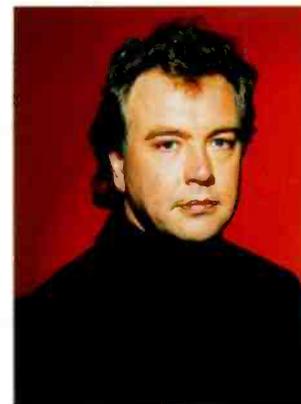
Chris Evans left Radio 1 in January 1997. An innovative broadcaster of great talent, his performance set a new standard for creative presentation on the network. However, his demands for special treatment became impossible to manage. On his departure, the Breakfast Show headed North, and for the first time in its history, now comes on a permanent basis from Manchester, presented by Mark Radcliffe and Marc 'Lard' Riley.

In 1996/97, the network maintained its commitment to news and current affairs, to documentaries about music and popular culture, to social action initiatives and to drama. *Newsbeat* pays special attention to issues of direct relevance to 15-24 year olds. The network also broadcasts information campaigns on topics ranging from racism and drug abuse to health and relationships. Last year, *Student Choice* and *Which Way Now?* offered advice to young people facing tough choices over exams and careers. As a result, over three-quarters of a million listeners called in for special advice booklets.

Many of Radio 1's listeners have access to the Internet. The station maintains its own sophisticated web site which was relaunched this April with state-of-the-art technology. It offers background information about music, interactive games and the chance to make original music mixes. With over 1.8 million page request per month, the Radio 1 Internet site has become one of the most used in the UK.



Jo Whiley



Matthew Bannister is Director, Radio and Controller, Radio 1. The Radio Academy recognised his standing within the industry by honouring him with a Fellowship in April.



One in the Jungle



Jasper Carrott

Radio 2

This has been a rewarding year for Radio 2. Audiences have risen – nearly nine million adults tune in each week – and the station has received much critical acclaim. Throughout the year, the aim has been to bring in slightly younger listeners – the 45 to 54 age group – without upsetting the core audience of those over 55. This has been achieved by introducing gradual changes to the weekend schedule, as well as by addressing the music policy during weekdays.

The very qualities that attract the core of older listeners to Radio 2 in their millions – its friendliness, its warmth and its familiarity – may be factors that deter a younger audience. Last year, Radio 2's Controller, James Moir, set about transforming the perception that the network is solely for older listeners. Key to this has been the arrival of Steve Wright and Michael Parkinson and the introduction of a Saturday comedy hour which commissions work from top comedy talent such as Jasper Carrott and Griff Rhys Jones. Listeners have responded to these changes and in the first three months of 1997, Radio 2 had its highest quarterly figure for the 45 to 54 age group for three years.

Radio 2 is distinguished from its competitors by the range of its music as well as the extent of its speech-based output. It broadcasts documentaries on popular culture as well as

arts and religious programming. Over the year, social action campaigns have featured a broad range of issues relevant to listeners. *The Jimmy Young Show* included a high proportion of news and current affairs, attracted leading politicians, and won the Sony Gold Award this year. The citation described Jimmy Young as a broadcasting legend, whose 'style is disarming – many have been taken off-guard by his penetrating follow-up questions.'

There have been some changes to the presentation line-up during the year. Derek and Ellen Jameson announced their retirement in 1996, having made a distinctive contribution with their late evening show from Glasgow. Richard Allinson replaced them in April 1997. Other new arrivals are Alan Freeman with *Pick of the Pops* and 'whispering' Bob Harris. Hugh Scully and Pam Ayres have joined the established list of star presenters, which includes Sarah Kennedy, Terry Wogan, Ken Bruce, Ed Stewart and John Dunn.

Our listeners tell us that they expect us to give airtime to different genres of music. Radio 2 tries hard to satisfy as many specialist music tastes as it can. As a result, the span has become very wide indeed – jazz, folk, country, brass, light classical and blues, with soul music being a recent addition, particularly aimed at the younger audience. We will continue to monitor the diverse musical tastes of the Radio 2 audience and review our schedule in the light of this, to ensure we achieve the best possible specialist music service.

The network is committed to new talent and live music. Light classical music is carried in *Friday Night Is Music Night* and Saturday Gala concerts, supported by the BBC Concert Orchestra. Over the last year, the network has produced a series of stage musicals, including *Gigi* and *Follies*. In addition, *The Young Tradition Award*, *The Young Musician Award* and *The Choirgirl of the Year Competition* have become established stepping stones to a professional career in music.

In 1997/98, Radio 2 will aim to provide its core listeners with the variety and quality of programmes they have come to enjoy, while continuing to reach out to new audiences. In a period of gradual change, it is important that the station communicates clearly to listeners what it has to offer them: a unique range of mainstream and specialist music combined with more speech content than its competitors.

Sheona White: Radio 2's Young
Musician 1996





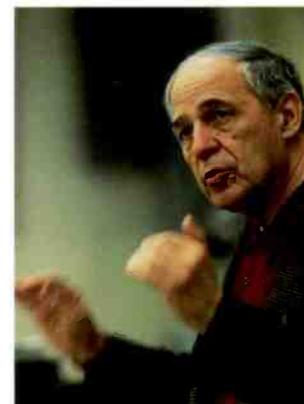
Radio 3

In 1996/97, Radio 3 confirmed its status as the nation's leading patron of classical music. Over half of the music on Radio 3 is live or a recording of a live event. This gives its audience a different experience from that of listening to a solid diet of pre-recorded music played on CDs. During 1996, Radio 3 extended its service to listeners by introducing *Through the Night* and so becoming a 24-hour service. Its achievements were further recognised in May when it won six Sony Awards.

Radio 3 is dedicated to expanding the boundaries of music, to investing in live music-making and to representing musical activity across the whole of the country. All of these aims

come together in *Sounding the Century*, one of the most ambitious musical festivals ever launched by Radio 3. This celebrates the abundant vitality of 20th century music – the familiar classics and the lesser known works – and will run from now until the Millennium. It was launched in February 1997 with an acclaimed Stravinsky concert by Pierre Boulez and the BBC Symphony Orchestra, televised by BBC2.

The BBC Proms has been described as the greatest music festival in the world. The 102nd season, the first under Radio 3's Controller, Nicholas Kenyon, was a huge success with audiences and critics alike. There were more concerts than ever before and the presence of a large number of international orchestras gave the season a particularly high



Pierre Boulez



The BBC orchestras conductors (left to right): Martyn Brabbins, Osmo Vanska, Andrew Davis, Mark Wigglesworth and Yan Pascal Tortelier



The News Quiz

profile. As well as many new commissions, there was a strong focus on works not previously heard at the Proms: almost one-third of the season's repertoire fitted into this category. This year saw the introduction of the Junior Prom for school groups.

The season attracted much favourable press interest, and was highly successful at the box office, with a record number of seats sold. The BBC Proms and Radio 3 as a whole are a showcase for the work of the five BBC Orchestras – the BBC Symphony and Concert Orchestras based in London, the BBC Philharmonic, based in Manchester and the BBC Orchestras in Scotland and Wales, as well as the Ulster Orchestra in Northern Ireland.

For the first time, many of those unable to get a ticket for the *Last Night of the Proms* in the Albert Hall were able to take part through a live event, the *BBC Proms in the Park*. Over 25,000 people came into London's Hyde Park on a sultry September evening, to enjoy an authentic 'Last Night' experience. A live concert in the park, broadcast on Radio 2,

was followed by a relay from the Albert Hall onto giant video screens.

There were some significant changes to the sound of the network. Radio 3 has begun to show a more consistent presentation style, combining warmth with musical knowledge and natural authority. Peter Hobday, Catriona Young and Penny Gore replaced Paul Gambaccini on *Morning Collection* and audiences are now at their highest since the programme began. Programmes like this and the award-winning *Private Passions* have succeeded in drawing in a broader range of listeners interested in classical music.

Radio 3's repertoire extends beyond serious classical music to embrace jazz through *Jazz Notes* and non-western music. One award-winning experimental programme, *Beethoven's Fifth*, in the series *Between The Ears*, made extensive use of music mixes in an innovative way. The network also schedules serious drama, arts and features. In the award-winning feature, *Alexandrias*, John Theocharis returned to the city of his birth, while Nicholas Ward-Jackson offered a personal view of contemporary art in *Private View*. *The Voluptuous Tango* was a captivating radio opera that explored food and seduction in a story revolving around the dancer Isadora Duncan.

September 1996 was the 50th anniversary of Radio 3's predecessor, the Third Programme. *The Third at 50* marked this achievement with a special season of programmes including a new work for orchestra and chorus commissioned for the season, Colin Matthews' *Renewal*, which went on to win the Royal Philharmonic Society's Award for the best large-scale new work of the year. In 1997, Radio 3 will seek to increase its appeal to a broad range of classical music lovers, to concert-goers and to classical CD purchasers, clarifying its schedule without diluting its authority.

Radio 4

In 1996/97, Radio 4 continued to be the home of quality, intelligent speech radio. It serves the licence payer with a unique blend of programmes spanning news and current affairs, comedy, drama, the arts, science, documentaries and magazine programmes. Radio 4 plays a particularly important role in commissioning new writing, and has been the starting point for many talented performers and new formats.

One of the most outstanding programmes of the year was the drama, *Spoonface Steinberg* – a devastating but uplifting monologue from a young girl dying from cancer. This hour-long play, performed by a ten year old primary school actress, turned out to be one of the radio events of the year. It deeply moved listeners and prompted many hundreds of calls after transmission. It was scheduled for an immediate repeat and made available in cassette, selling 8,000 copies within the first weeks of its release. Another success was *This Scepter'd Isle*, a





Dylan Thomas speaking on the Third Programme, November 1948

200-part narration of the history of Britain, broadcast on long wave. Listeners appreciated it greatly and, when it became available on cassette, they bought it in huge numbers. It is the second highest selling BBC radio cassette ever.

The Archers hold their appeal with strong storylines and characterisation: the Grundys' battle against Simon Pemberton to retain their tenancy attracted huge attention. *Five Kinds of Silence*, a demanding play about two sisters who killed their abusive father, was highly rated by the critics and went on to win the Sony Best Drama Award in May.

Several anniversaries were celebrated on air. *Woman's Hour* reached its 50th birthday, enjoying extraordinary publicity and maintaining its reputation for innovation with *The Best of Health* campaign. And *Gardeners' Question Time* marked its 50th birthday at the new National Forest site in Derbyshire, in a unique collaboration with BBC1's *Songs of Praise*. *Gardeners' Question Time* has increased the number of outside broadcasts by 23% in the last year and demand for fact sheets has also risen to over 2,000 per week. After ten years, Nick Ross stepped down from the chair of *Call Nick Ross*, which he had occupied

with considerable distinction. Edward Stourton took over.

Radio 4's journalism sets the nation's agenda throughout the day and through the week. Its spine of news and current affairs output begins with the *Today* programme and is followed by *The World at One*, *PM* and *The World Tonight*. The performance of the daily and weekly news programmes is covered within the BBC News section, later in this report. Elsewhere on Radio 4, news correspondents produced some distinguished contributions. Fergal Keane's *No Man Is An Island*, Gavin Esler's *United States of Anger* and Alan Little's *African Harvest* stand out.

During the coming year, the new Controller of Radio 4, James Boyle, will complete a thorough review of the schedule ensuring that the network continues to develop and be refreshed when appropriate, in step with the changing needs and interests of its audience. His aim will be to maintain Radio 4's position as one of the world's highest quality speech radio networks.



Willie Rushton (1937–1996)
Willie Rushton was a man of extraordinary talent, who delighted viewers and listeners as a writer, raconteur and cartoonist. The 1960s satirical show, *That Was The Week That Was*, provided a platform for the talents that were to go on to grace numerous BBC programmes, most recently *I'm Sorry I Haven't a Clue* on Radio 4.



Five Kinds of Silence

Radio 5 Live



Wimbledon

Radio 5 Live was created to provide listeners with live coverage of news and sport 24 hours a day. Three years after its launch, the network has continued to gain new listeners, with 5.5 million people using the service every week. It also gained further recognition this year by winning three Sony Radio Awards this May, including awards to John Inverdale for UK Broadcaster of the Year and Alan Green for Sports Broadcaster of the Year.

One of the major challenges for the network is to deliver extended live news coverage. It has made good progress during this year, and fully met the considerable demands of the General Election campaign. Through its network of regional journalists and its ability to give time and space to live news events, such as the party news conferences, the station kept its listeners abreast of campaign issues as they emerged. Coverage of the election results, broadcast through the night jointly with Radio 4, continued the day after the election. Radio 5 Live reported on the change of government, with six hours of outside broadcasts.

A challenge for the network in the coming year will be to renew the emphasis on live news coverage, drawing on the

strengths of the BBC's Continuous News operation. It will inject more variety into its journalism and boost its reporting of regional news of national significance. The network must also seek to ensure that Radio 5 Live remains an essential service for younger listeners, who like their news and sport as it happens.

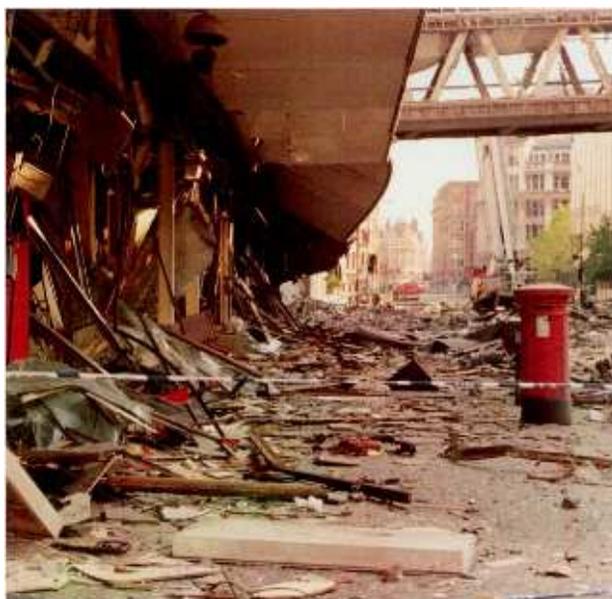
One of the distinguishing features of Radio 5 Live is its ability to provide round-the-clock coverage. Many new stories from the United States emerge during the night in our time. In the case of the Olympic Games, the advantage of news and sports journalists working in unison was demonstrated vividly by coverage of the Centennial Park bombing in Atlanta. The police had closed access to broadcasting facilities, yet the Radio 5 Live team were able to work together to provide continued coverage under difficult circumstances. On the night of President Clinton's re-election, Eddie Mair presented a six-hour programme from Washington, the only such radio programme available to UK listeners.

One of the complexities of scheduling a news and sports network is that sometimes a news event may need to take priority over a sports commentary, just as sports coverage can inevitably displace a regular news programme. An ongoing sports event, such as Wimbledon, might displace a regular news programme for two weeks. The challenge has been to achieve the right balance.

1996/97 was an outstanding year for sport, with Euro 96 and the Olympics followed by an exciting race to win football's Premier League. In addition, Radio 5 Live offered extended coverage of golf's Solheim Cup and of Wimbledon. Apart from its coverage of major international sports events, Radio 5 Live has provided commentary on numerous other sports, including rugby league, horse racing, ice hockey and basketball. Sports contracts remain a key issue for the network. Negotiations for the Premier League, FA Cup and Grand Prix contracts all begin within the next year.

Radio 5 Live's schedule is not exclusively devoted to live news and sports coverage. Programmes like *The Big Byte* provide a service to Internet users and *The Treatment* offers an alternative entertaining look at news topics. *On The Line* has pioneered investigative sports journalism for the network. *Paper Talk*, a weekly look at the world of print, won a Sony Gold Award for Best Magazine Programme.

Race Around the UK was a season of 43 programmes in nine days, dealing with all aspects of race and community relations. It explored the heritage of ethnic minorities, offered portraits of minority communities currently living and working in Britain, and examined issues such as Welsh nationalism and the Cornish identity. The series won critical acclaim for tackling sensitive subjects in a fair and balanced way.



Aftermath of the Manchester bombing



Alan Green (right)

News

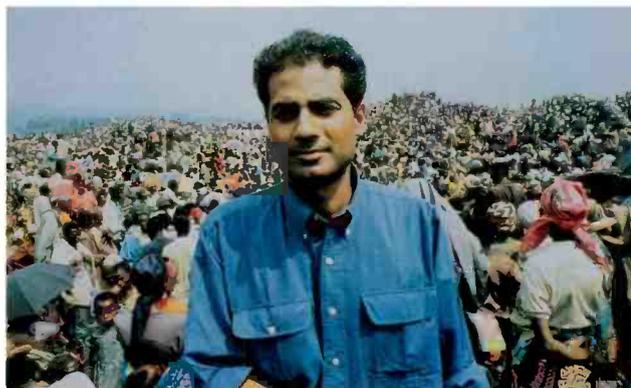
Providing viewers and listeners with expert, regular and reliable news and information is one of the BBC's most important duties. The year leading up to the General Election was a particularly demanding one for BBC News as we sought to provide our audiences with coverage which was in the highest tradition of editorial independence and impartiality.



Election 97



Martyn Lewis



George Alagiah in Rwanda

In 1996/97, the BBC remained the nation's preferred source of broadcast news. Last year, just under two-thirds of all news and current affairs viewing was to the BBC. The *Six O'Clock News* became the most viewed news programme on television. We have strengthened our operation in important respects. We have placed new emphasis on first-hand reporting from the field. We aim to offer audiences a broader agenda and a better insight into the background and context of news. As a result of the restructuring of the BBC, we have created the largest broadcast news organisation in the world with around 2,000 journalists and 42 overseas newsgathering bureaux.

In the past, some viewers and listeners have told us that our political coverage has depended too much upon events at Westminster. This year, we have made good progress in seeking a wider perspective. Lance Price's *On The Road* series for the *Six O'Clock News* explored political issues without reference to politicians. *The Midnight Hour* broadcast nine editions from around the United Kingdom. Our Budget programmes travelled the country to hear from those affected by the Chancellor's decisions. Nearly one-fifth of the coverage from our political unit in Millbank now originates from outside Westminster. In the coming year we will aim to build on this progress and not slip back towards a predominantly Westminster perspective.



The Poisoned Chalice

In our interviewing, we have aimed to be robust but fair. We have worked harder this year on preparing fuller briefing for our interviewees, with good results: the better the brief, the better the interview. We try to treat politicians and representatives of pressure groups with equal rigour. Our audiences tell us that unstructured argument and aggressive interviewing is irritating and adds little to their understanding. On a few occasions, we do overstep the mark or fail to control a discussion adequately. When we have fallen below our own standards, we have said so.

Another issue which has caused concern to audiences and to BBC News alike, is the prevalence of 'soundbites' – the tendency for contributors, particularly politicians, to try to confine an argument to a pithy sentence or short catchphrase designed to attract attention. Over-reliance on the use of 'soundbites' can trivialise and obscure arguments, the very opposite of what our journalism tries to do. To counter this, our political reporting has attempted to resist the 'soundbite' approach and to concentrate more on providing context and substance.

The scale of our coverage of the General Election was unprecedented. The BBC provided the main forum in which the parties fought a long drawn out pre-election and election campaign. We had to ensure that procedures were in place to secure fair representation of all the political parties. We took great care to provide comprehensive coverage, from every part of the UK, demonstrating great technical virtuosity in the process. We made fullest use of our newsgathering and regional journalism strengths, to great advantage. We provided all the main parties with opportunities to explain their policies. We rigorously tested those policies in a fair and balanced way. Voters had a chance to offer their own views and to question those standing as candidates. Each morning, *Election Call* allowed viewers and listeners to test leading politicians. Radio 4's *Today* invited listeners to call in with questions they wanted put, in advance of the interview.

We covered a wide policy agenda, and not just that of the main parties. In our pre-election planning, our political researchers identified key issues, such as education, welfare, devolution and Europe. The intention was not to lose sight of the subjects we felt merited detailed examination during the campaign, nor to be driven solely by a narrower agenda set by the political parties. The *Nine O'Clock News* was extended each night to include background reports on these key issues. Important policy issues which did not always feature prominently in the parties' agendas were the subject of special reports on *Today* and Radio 5 Live and on main news bulletins.



John Simpson in Afghanistan

Our journalists reported events with independence and insight. Outside broadcasts from communities all over Britain on Radio 5 Live, *Breakfast News*, *The World Tonight* and *Newsnight* ensured that we kept closer to the debate across the nation, avoiding a metropolitan bias. The politics of Scotland, Wales and Northern Ireland received appropriate and prominent coverage.

We provided election programming for special groups such as young voters. And we found time to enjoy the campaign and, when it was all over, to give some of Britain's best entertainers a chance to make us laugh. In an average week during the campaign, two-thirds of the population tuned into our daily television coverage. The *Election 97* results programme featured the most advanced computer graphics ever used on BBC News, to record the biggest political upheaval for a generation. At its peak, nearly eight million viewers watched as the drama unfolded. All in all, the BBC helped to facilitate the national debate at the critical moment in the democratic calendar.

Following the change of government, BBC News will need to ensure that it offers programmes of analysis and debate at a time of major policy changes in Britain. It must also consider whether the public's appetite will be for a period of more reflective journalism, after a long period of intense political division and disputation.

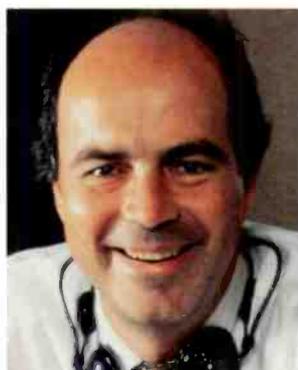
During the year, we also reported on all the key elections that took place overseas – in India, Israel, Pakistan, Russia and the United States. But it was the unfolding of events in Africa where our international coverage came into its own. BBC reporters covered with great distinction the exodus of refugees escaping from the insurrection in Zaire. George Alagiah, Allan Little and Jane Standley produced dispatches memorable for their compassion and understanding. The BBC's investment in new technology made a noticeable difference to the coverage, with the video satellite phone adding immediacy to our reporting.

Some programmes were given a specific brief to report on less well-known international issues and events. John Simpson's series for the *Nine O'Clock News* on the growing influence of the Taliban and their grip on the heroin trade to Britain's inner cities was highly prescient. David Loyn was the only television correspondent in Kabul when the Taliban seized control.

We have worked hard to improve our coverage of Europe this year. *The Poisoned Chalice* delivered a timely examination of Britain's changing relationship with its European partners. *Eurocrats* interviewed Jacques Santer and European Commissioners to provide an insider's view of Europe's future. Daily news programmes explored the European dimension in fresh ways with, for example, the *Nine O'Clock News* series on *Forgotten Europe* and the *Great Europe* debates on Radio 4's *The World Tonight*. Coverage of the European Parliament has been extended through programmes such as *Euronews* and *E-files*. Our reporting could be still more comprehensive and we need to analyse carefully the debate taking place within and among other member states on the single European currency.

Our correspondents in Northern Ireland responded to the violence in Drumcree with lucid analysis which unpicked the various threads within the confrontation. The IRA bomb that destroyed much of Manchester's city centre was a huge setback for hopes of peace. Radio 5 Live abandoned its normal Saturday sports schedule to keep listeners up to date with developments as the scale of the damage emerged.

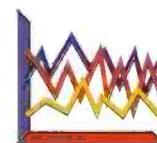
A central purpose of our news and current affairs programmes is the interpretation of events. In this role, *Panorama* had an outstanding year, treating complex issues with great skill. The range of topics was huge, from *Animal Transplants* and Fergal Keane's *Facing up to Genocide*, to *Your Pound in Their Pocket*, which offered a considered analysis by Peter Jay of tax policies. On radio, *Today* set the standard for challenging political interviews. *The World at One*, with Nick Clarke, mounted an innovative series which put 'liberal Britain on trial'. *PM* offered listeners a series on race in American politics. *The World Tonight* continued to develop new formats, with radio essays and in-depth features. *File on Four* produced memorable investigations, including one on phone-tapping.



Nick Clarke



Peter Snow, David Dimbleby and Jeremy Paxman



Polls

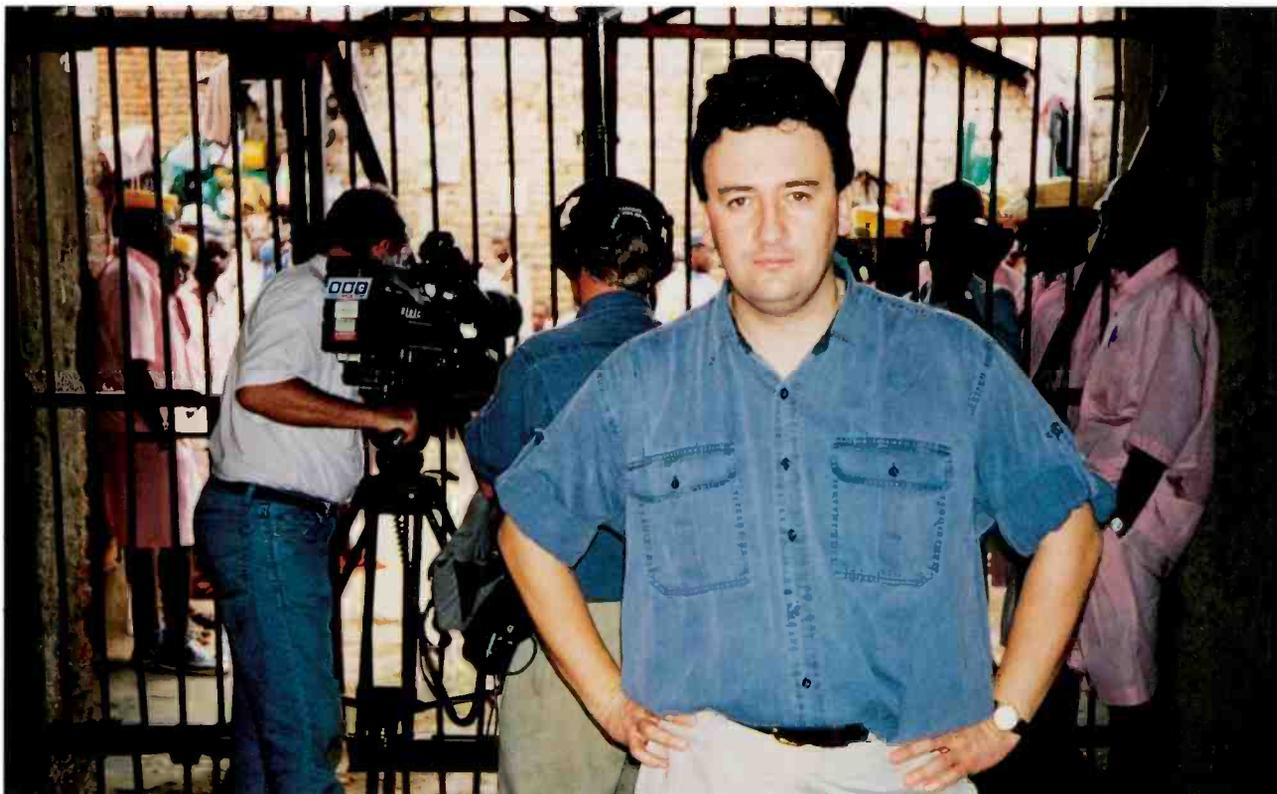


Virtual Election



Election Results

The BBC Election 97 web site



Panorama: Facing up to Genocide

Our weekly programmes took a historical perspective with notable success. *Safe With Us* explained the background to the continuing changes in the National Health Service. *The Purple, the Red and the Blues* offered a lucid assessment of the Church of England's political and moral relationships and a revelation from the former Archbishop of Canterbury, Lord Runcie, that he had knowingly ordained homosexual

clergymen. *Consequences* and *The Great Sell Off* brought new insights into privatisation. *Here and Now* proved to be one of BBC News's major successes of last year, increasing its audience by nearly one-fifth.

One challenge for us is to introduce a wider range of voices and opinions to the airwaves, with for instance a fuller representation of the views of women and of ethnic minorities. *Black Britain* found a younger audience than average for BBC news programmes – almost one-third were under 35 – and a freshness of approach from its presenter, Rianna Scipio. We still have more to do to ensure that representation on air is fair to all groups within British society.

We have made strenuous efforts to improve the quality and range of our coverage of science, with positive results. James Wilkinson's disclosure of new evidence suggesting the existence of life on Mars was one of the most exciting science developments of the year. We worked hard to keep our audiences up to date with the complex unfolding issues in the BSE crisis and the E. coli food poisoning outbreak. Our specialist correspondents performed an important role in explaining what was happening and why. Not surprisingly perhaps, *The Food Chain*, which traced the history of British food production, turned out to be the BBC's most popular special news programme during the year.



The BBC has transformed the quality of its newsgathering over the last decade by investing heavily in specialist journalism. Four units were set up to cover foreign affairs, social affairs, economics and politics. These have helped to bring a consistency and depth of understanding to our reporting. However, our audiences are often concerned that some of the underlying issues need further explanation and context. To meet this need and to achieve greater consistency, BBC News has set up a specialist research unit this year. Its brief is to improve the quality, accessibility and effectiveness of the specialist information provided to BBC journalists.

The BBC's Social Affairs unit had a particularly busy year as education and medical ethics rose towards the top of the political news agenda. A number of issues required particular sensitivity, among them the murder of the headmaster Philip Lawrence, the anniversary of the Dunblane Primary School massacre, the difficulties at Manton and The Ridings schools. The state of education in Britain was well explained in a number of programmes.

In our business programmes, we have aimed both to provide an up-to-the-minute news service and to make the link between economic events and the lives of our audience.



Ceefax

Working Lunch continued to offer original coverage of employment issues while the impact of globalisation was tackled by *The Hollow State*. In 1997 we are reviewing our business coverage to ensure we are giving a clear insight into corporate behaviour and workplace issues.

During the year, the creation of a single multimedia news organisation, responsible for both the BBC's domestic and international news services in English has been a major development. BBC News will maintain the BBC's reputation for accuracy and authority across all its output and aim to

play a leading role in developing new services. Aided by the advent of digital technology, the reorganisation will also provide the opportunity for further efficiency savings, which can be reinvested in putting more reporters into the field, in strengthening existing services and programmes and in introducing new ones.

We plan to launch a 24-hour television news service in 1997/98 to complement the already successful Radio 5 Live, and the BBC's international news channel, *BBC World*. The 24-hour news channel will provide a full news service covering all of the UK, with substantial contributions from BBC regional newsrooms. *BBC News Online* is being developed as a new service for Internet users. Some existing BBC News web sites have proved popular already. The *Election 97* site broke all BBC records, with ten million page requests over the campaign and five million on the election night itself. Users had access to the latest polls, campaign themes and the results as they came in.

Ceefax was given a facelift in November to make it more attractive and easier to navigate. The news pages have been reorganised to improve flexibility and the children's section greatly expanded with more opportunities for participation. Competitions for children are highly popular, attracting one thousand entries a week. A digital Ceefax service is planned and a regional service on analogue Ceefax from the autumn. Our subtitling service – accessible by punching 888 on the teletext hand control unit – has been expanded. Thirty-eight per cent of all BBC output is now subtitled and the target of 50 per cent by 1998 will be achieved.

If BBC News is to continue to meet the expectations of its audiences in an increasingly competitive world, it must ensure that it provides the range of services and programmes that they want. That is why for the first time in ten years we have begun a major strategy review of all news output. It began after the election in May and will inform our thinking in the period ahead.



Rianna Scipio



Jenny Cuffe, one of *File on Four's* presenters

Regional Broadcasting

The BBC aims to satisfy the needs of audiences across the United Kingdom by offering a range of services for Scotland, Wales, Northern Ireland and the English regions from a network of studios. The BBC is the largest regional broadcaster in the United Kingdom. Over 80 per cent of the BBC's programme output in the UK is delivered through Regional Broadcasting – more than 250,000 hours of radio and television each year.



Trip Trap



Gordon Burns, presenter of
Northwest Tonight



The Precious Blood



The Asian Network

The strengthening of regional identity means that demand for local, regional and national regional services is growing and changing. BBC Regional Broadcasting is responding with increased investment in audience research and with greater sensitivity to the changes around us.

There has been a great deal to cheer in the overall performance of the BBC's regional broadcasting in the last year. We have increased the appeal of our regional television news, have raised overall production standards and achieved our highest ever audiences. There is a sharper focus to what we do and how we do it. And our achievements in radio were recognised with Regional Broadcasting winning 12 Sony Radio Awards this year.

The broadcasting environment in the regions is highly competitive and constantly changing. Greater commercial competition is widening the choice for viewers and listeners. The past year has increased the supply of local cable television services to major conurbations. In radio, we have seen further expansion and consolidation of the ownership of commercial local radio – with new region-wide services and local stations. Regional newspaper groups are also developing broadcasting interests. All of this presents us with a formidable challenge to ensure that our own services continue to be distinctive, relevant to our audiences and of high quality.

Journalism

The core activity of the BBC's regional broadcasting is its journalism. It has been a strong year for regional television daily news. Despite the competition, the overall signs are that BBC television news in Scotland, Wales, Northern Ireland and the English regions is not only holding its own but is making real advances. More than 34 million people are now using our regional news services each week – nearly three million up over the year. This reflects our success in the range and quality of the journalism we offer and the expansion into lunch-time, evening and weekend bulletins.

In particular, we have taken steps to widen the appeal of our early evening news programmes. We have extended the range of items we cover and offered viewers more in-depth reporting. Moreover, our annual viewers' survey highlights high quality, trustworthiness, professionalism and use of experts as important and improving characteristics of our output. However, we have more to do to improve the warmth and friendliness of our news programmes.

An independent assessment panel applauded the quality of our daily news journalism in the English regions, but it rightly observed that the style of presentation could be further improved. We also need to develop the content and production of our bulletins outside the main news programmes, particularly at breakfast time.



Drumcree, Northern Ireland – July 1996

It was a busy and challenging year for our regional journalists. Major stories of the year included the confrontation at Drumcree and the Forum elections in Northern Ireland; the E. coli food poisoning outbreak in Scotland; and in Wales, the news broken by our industry correspondent, Miles Fletcher – six weeks in advance of the official announcement – that a huge investment from the Far East would bring 6,000 new jobs to South Wales. This was one of a number of impressive examples of investigative journalism.

An edition of BBC Scotland's *Frontline Scotland, Open to Abuse*, uncovered a horrifying tale of the abuse of children with disabilities and was awarded the Regional Current Affairs Award by the Royal Television Society. In Northern Ireland, *Spotlight* carried out a special investigation into the internal structure of the IRA, naming key decision makers within the organisation. Set against the background of the breaking down of the ceasefire, this was a courageous piece of first class journalism. The new political programme in Northern Ireland, *Hearts and Minds*, has established itself with real confidence. A network showcase for the best current affairs programmes from Scotland, Wales, Northern Ireland and the English regions – *Home Ground* – was launched on BBC2 in mid-May.

In the run-up to the General Election, we provided viewers with coverage that was comprehensive, confident, mature and balanced. With the election over and a new government in power, a key challenge for us in the coming year will be



Mark Byford
Director, Regional Broadcasting



Sony Award winner, Owen Money

to plan and respond appropriately to political developments arising from the new Labour government. The first task will be to ensure that we provide authoritative coverage of this autumn's referendums on devolution in Scotland and Wales. Viewers will look to us to explain the issues clearly.

Throughout the year, we have taken care to listen to our audiences' concerns. For example, last summer we introduced *Out and About*, a new series of leisure programmes across the English regions and we are expanding this in 1997. Our research has shown that viewers are often irritated by a regional news programme repeating an item they have seen on the preceding network news bulletin. We are trying to ensure that this happens less frequently. We are also aware that our regional news services may not always feel sufficiently 'local'. We intend to widen the deployment of our journalists, basing them more in communities, less in our main studio centres. A special sub opt-out service from Cambridge, introduced in January, is already increasing audiences.

We are now able to respond more speedily to news events as they arise. We are regularly mobilising live location vehicles based in all our regional centres. This year, we plan to use them more ambitiously.

General television programmes

For general television programming in Scotland, Wales and Northern Ireland, it was a year in which we set out to broaden the output and to operate within a new scheduling framework, agreed with the UK networks. We worked more closely with network planners, scheduling relevant programmes in identified slots. We have made good progress in broadening the range of our output and have lightened the schedules, giving new impetus to entertainment.

Scotland enjoyed a strong year, with a spectacular performance at Hogmanay as a highlight. The overall quality is high with many programmes building on the network's share of the audience as well as improving their own performance. *ExS* is one of the BBC's most vibrant arts programmes. A new local drama series, *Mind the Gap*, was successfully introduced in Scotland in the spring. *The Star*, an edition from the *Tartan Shorts* series, won the Royal Television Society Regional Programme Award. And the Gaelic



Ballykissangel

current affairs programme *Eorpa*, which reports on European issues, won the BT Scottish Press and Broadcast Award for Best Current Affairs programme of the year.

The English language output in Wales was stronger in terms of programme range and quality, but had mixed success in terms of audience performance. A new comedy series, *Satellite City*, made a confident debut, prompting the commissioning of a second series. On St David's Day, *Wales in the West End* was a huge success – the audience of more than half a million was BBC Wales' largest audience ever, rugby matches apart. The Celtic Film Festival Documentary of the Year, *Walking Towards The Light* – a portrait of the Tower Colliery – had a network showing within *Modern Times*. This year we will focus on enhancing further the creativity of the production base and improving audiences to opt-out programmes.

A major disappointment was the loss of the club rugby contract in Wales to a joint higher bid from S4C/HTV. This was a particular frustration for BBC Wales' successful sports department, coming as it did after the audience for its rugby programme, *Scrum V* had doubled. BBC Wales has already announced plans to increase coverage of soccer, including the newly established FAW Invitation Cup tournament, involving leading Welsh soccer clubs.

In the context of the club rugby loss, we will also need to review our relationship with S4C and develop a framework of principles for the future. Given the BBC's historical commitment to Welsh language broadcasting, the BBC is considering how best to continue to meet its statutory

obligation to provide ten hours per week to S4C. This cross-roads in the relationship with S4C comes during a year in which the BBC successfully relaunched news and parliamentary programmes for S4C, and invested substantially in new external production facilities for the daily soap, *Pobol y Cwm*.

BBC Northern Ireland won the Royal Television Society Regional Documentary Award for *Home Truths – A Woman in Twelve*, the story of one courageous woman's battle with breast cancer. Local leisure series, *Room for Improvement* and *Gourmet Ireland*, performed particularly well in their new BBC2 slots. Northern Ireland faced a year of transition for its entertainment programmes following the huge success of *PK Tonight*. We nurtured new talent on *Friday Live* and *Something For The Weekend*. While they had mixed success, we recognise that local entertainment is a critical genre for Northern Ireland. The challenge now is to develop strong new programme formats.

Radio services in Scotland, Wales and Northern Ireland

The BBC's radio services in Scotland, Wales, Northern Ireland and across the English Regions, reached over nine million people a week last year – nearly 20 per cent of the population. Their defining characteristic is a commitment to informative, speech-based programmes. Listeners tell us they value us for keeping them in touch, being good company, having good presenters and broadcasting effective interviews.

At the start of this year, Radio Scotland achieved its best audience figure for two years, despite increasing competition. It won two Sony Gold Awards, both for coverage of events at Dunblane: one for service to the community and the other

to Kate Fawcett as Regional Reporter of the Year. BBC Scotland also expanded its Gaelic service with a new FM frequency. Over 90 per cent of Gaelic speakers are now reached by Radio Nan Gaidheal.

Radio Wales' efforts to refresh its sound and schedule were rewarded with three Sony Gold Awards, including Regional Station of the Year and two awards for one of its presenters, Owen Money. The changes at the station were aimed at broadening its appeal and drawing in a younger audience. With the Sony success under our belts, we will continue to strengthen the schedule and increase audience appeal.

Radio Cymru's performance improved steadily following its major relaunch. It now reaches a younger audience. A survey of 1,200 Welsh speakers suggested that 44 per cent listen to the station. Radio Cymru now needs to build on the progress that has been made in the face of increasing competition from other Welsh language broadcasters.

In Northern Ireland, the Radio Ulster schedule was realigned carefully during the year. The station remains the market leader with a strong and increasing share of the audience. Eight of the ten most listened to programmes in Northern Ireland come from Radio Ulster. The station won three Sony Gold Awards, including Best Response to a News Event for Drumcree, Best Interview and Best Topical Debate for *Talkback*. The audience heartland remains those aged 55 or over, but we recognise that we can also develop a younger listening profile.

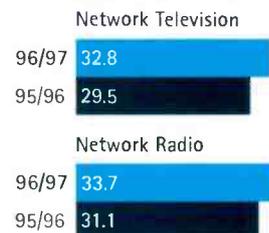
Local Radio in England

In this, its thirtieth anniversary year, English local radio is facing intense competition. Over 40 new local commercial services have been launched in the past three years, with more planned in 1997/98. Between 1994 and 1996 we lost nearly a million listeners, with big city stations, particularly in the North of England, facing the toughest competition. But after a sharp decline last summer, audience levels have been recovering.

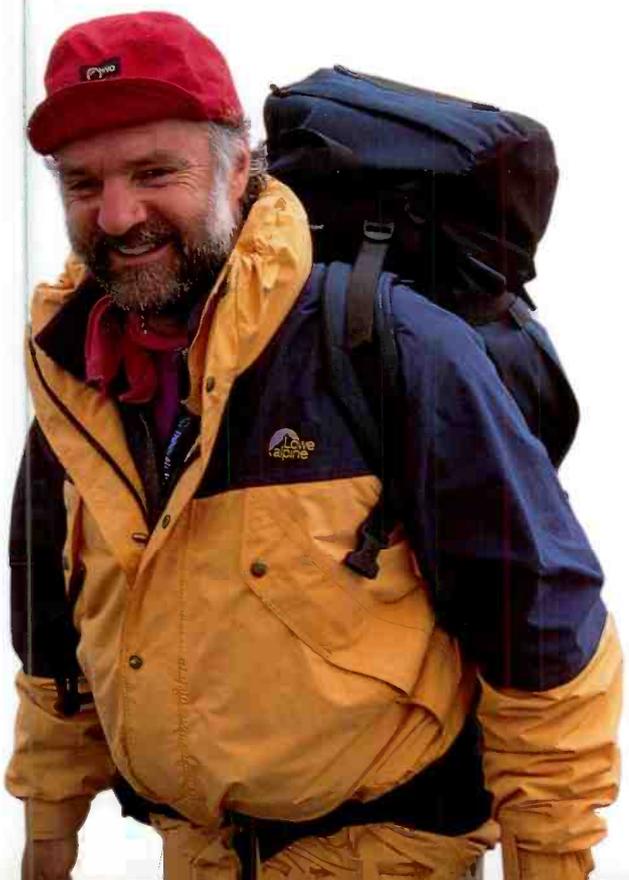
In 1997/98, we will look closely at the style and content of our schedules, to ensure that we have the appropriate balance of programmes to remain popular with our loyal audience but also bring in new listeners. Providing news, information and debate on matters of importance to local communities will

Proportion of network programmes (by value) commissioned from outside London and the South-East*

%
Target in 1997/98
'Broadly a third'



*The figures reflect where commissions have been placed and do not necessarily indicate the locality in which programmes were made. Radio 95/96 has been restated.



Out and About



Radio Cymru roadshow



The return of the Stone of Destiny – November 1996

always be central to our purpose. But we should aim to broaden our schedules and ensure that all facets of local life are reflected. A speech-led programme strategy has, without doubt, secured greater distinctiveness. We also need, however, to develop a more coherent music policy.

We have responded more effectively to the multi-cultural make-up of the population. GLR has set up a special Community Affairs Unit, producing programmes for black Londoners each night as well as relevant material for local radio stations across the country. During the year, we successfully expanded *The Asian Network* for the South Asian community in the West Midlands and the Leicester area. It now broadcasts for 18 hours a day. We look forward to developing a long-term strategy for serving Asian communities across the United Kingdom.

Last year, we started to offer a new public service by bringing all local radio stations together for social action campaigns. All our local radio stations took part in the successful *Talking Health* campaign in the autumn, while a special week of programming support for National Museums Week was successfully co-ordinated last summer.

Radio WM was recognised for outstanding programme achievements at the Sony Awards, both for its breakfast show and for the personality of the mid-morning presenter, Malcolm Boyden. Two other achievements should also be highlighted. Radio Merseyside won the Sandford St Martin premier religious award for an outstanding documentary marking the death of the Roman Catholic Archbishop of Liverpool, Derek Worlock. And Radio Leicester, England's first local radio station, became the first broadcaster to be awarded a Charter Mark for outstanding service to the community – a fitting tribute to a strong station celebrating its thirtieth anniversary later this year.

Network programmes produced in Scotland, Wales and Northern Ireland

The BBC is on target to achieve the goal, set three years ago, of ensuring that one-third of all network programme spending is made outside London by 1997/98.

Scottish drama had an outstanding year. *The Crow Road* was applauded by one critic as 'the best contemporary drama series yet produced by BBC Scotland'. *Hamish Macbeth* has continued its success over three series. *The Missing Postman* was the drama highlight of the Easter weekend. From BBC Northern Ireland came the RTS award winning *Ballykissangel* which continued to enchant Sunday evening audiences in its second series, and a powerful Graham Reid single drama, *The Precious Blood*. However, a comedy drama, *Safe and Sound*, received a disappointing audience. *Trip Trap*, from Wales, was another compelling drama that dealt with the theme of domestic violence and won for Stella Gonet the RTS Award for Best Actress. The key challenge now for Scotland, Wales and Northern Ireland is to strengthen development planning in drama to support long term performance.

Scotland's *Wilderness Walks* was beautifully made and a pleasure to watch. The children's department in Scotland has had a good year with *Fully Booked*, *Activ8* and *Hubbub*. We now need to develop network comedy and entertainment success from Scotland.

From Wales, *The Promised Land* was a powerful series about the migration from the cotton fields of the Deep South to Chicago. Other network successes included *Choir of the Year* and *Testament*, an innovative animation series retelling Bible stories, which was much admired by the critics.

Challenges ahead

BBC Regional Broadcasting will continue to respond to the changing sense of regional identity, particularly as the new political landscape takes shape. The election of the new government in May has brought devolution for Scotland and Wales to the top of the political agenda. Regional Broadcasting will have a major responsibility to its audiences to explain and analyse the issues that are raised.

The start of new digital services, the roll out of new digital production technology and the launch of regional text services are among the many other developments planned for the coming year. Regional and local newsrooms will play a vital role in supporting the proposed 24-hour television news service with coverage reflecting the whole of the UK. Following successful pilots earlier this year, the first comprehensive trial of the BBC's new electronic news production system is being conducted in Bristol before being introduced across the country.

Education

We have made progress with our educational programmes in 1996/97 on a number of fronts. On television, more educational programmes have been seen at peak audience times and our campaigns, on numeracy and on cancer, have generated a significant response from audiences. On radio, the most important change has been to replace the transmission of schools programmes on Radio 3 during the afternoons with an audio-cassette service supplied directly to schools. The transition has been smooth. New programmes have been launched directed at small businesses and BBC Education has moved forward in its preparation for the new opportunities that are being created by digital broadcasting.

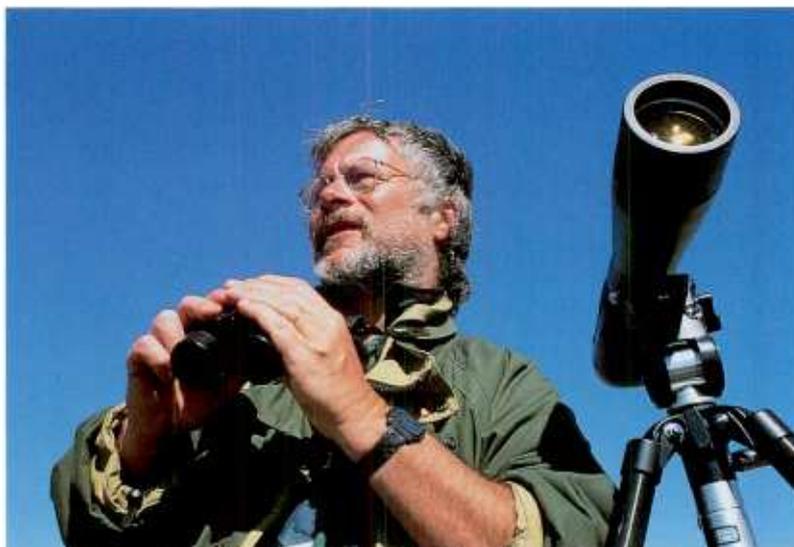
But the world in which BBC Education operates continues to change. The opportunities and challenges presented by digital developments, by growing competition from other providers, by an increasing appetite for educational products and services across the board, and, most recently, from a new government committed to new initiatives in education and training – all these call for a new strategic approach which better analyses priority needs and concentrates resources in meeting them.

Adults at home

In 1996/97, 64 per cent of adult education programmes were shown at peak-times on BBC1 and BBC2, compared to 45 per cent in the previous year, helping us to serve viewers with a range of education programmes designed to appeal to as broad an adult audience as possible. One of the highlights was the series *Making Babies*, which tackled with great sensitivity the stresses of fertility treatment. Six million viewers tuned in,



Shakespeare Shorts



Birding with Bill Oddie

gaining insights into the personal cost to those who undergo such procedures.

Reports on *Watchdog Healthcheck* resulted in 30,000 people joining the organ donor register and 15,000 women registering for ovarian cancer screening. *Birding with Bill Oddie* introduced viewers to the pleasures of bird-watching. Twenty thousand viewers sent off for starter-packs from the Royal Society for the Protection of Birds. And *Crime Beat* attracted over eight million viewers on average, with its practical messages about crime prevention.

We recognise that education is changing. People no longer wish just to sit and receive what we broadcast – they expect some kind of interchange. At the same time, some audience groups, particularly younger viewers and listeners, present a major challenge for a public service broadcaster. We also need to find imaginative ways to serve the needs of those people whose experience of formal education may not have been positive and may not normally seek out educational programmes.

Campaigns can be an effective way of reaching our audiences. *Count Me In* was an ambitious and imaginative campaign aimed specifically at people who experience difficulty with numeracy. It was given a high profile on popular programmes such as *How Do They Do That?* and generated 200,000 calls for further help. *The Big C* dealt with the subject of cancer. Half a million leaflets produced and funded by the Macmillan Fund were distributed after the screening of two documentaries. In May this year, we launched *Computers Don't Bite*, a three-year computer literacy campaign. We aim to reach those needing help with IT skills via libraries, colleges, businesses and shopping centres.

In general, BBC Education has improved its service of providing viewers and listeners with material in support of programmes. For example, 40,000 viewers of the 999



Jane Drabble, Director of Education

programme have purchased an instructional video pack on safety while over 21,000 people have requested *Beginners' Guide to Successful Investing*.

This approach – of using popular programmes with broad appeal to deliver educational content – does involve some potential pitfalls. We have had to be on our guard to ensure that the aim of making our programmes accessible and effective does not in any way compromise the educational value or content. We have worked hard to identify the educational purpose at the outset, so that it is not eroded during the programme making process.

Adults learning for work

This year, BBC Education has continued to target a number of key audiences in the world of work. Peak-time television programmes raise awareness of work-related issues among a broad audience. At the same time, we are working in partnership with industry to produce more specialist programmes appropriate for small businesses. These are transmitted at night during *The Learning Zone*.

On BBC2, *Trouble at the Top* vividly tackled a number of business problems, such as breaking into new markets or managing risk. Many firms requested copies for training



Alvin Hall's Successful Guide to Investing

purposes. *When Rover Met BMW* followed the more painful experience of Britain's leading car maker as it came under new ownership. However, we still need to do more to appeal to women and younger viewers at work. *BBC for Business*, which produces training videos, has improved its financial performance this year. After two difficult years, it is now in profit.

During the year, an independent advice panel of outside experts reviewed our programming for adults learning for work. The panel found that the quality of the individual programmes was generally high, but it raised a number of questions about the clarity with which objectives had been developed and carried through in the programmes and about the targeting of output to the audience. The panel felt that the BBC needed to ascertain what it can do that is unique and adds value to education and to work – and to act upon this. The BBC needs to think through what its contribution should be in this vital field.

Adults in formal education

Significant numbers of people seek to continue their education in their adult years. They represent an important educational sector with a wide variety of needs. Adult students range from those who have just left school at 16 to the retired. They may attend full or part-time daytime courses or evening classes, which may be academic or vocational or related to business or leisure interests.

Our main service to adults in formal education is provided by *The Learning Zone* on BBC2, which enables viewers to record programmes during the night to watch in their own time. Now in its second year, it has broadened its range of programmes and is attracting around 700,000 viewers a week.

For further education colleges, the BBC provides specialist programming at night via FETV, which is broadcast as part of *The Learning Zone*. We have concentrated on cross-curricular themes, such as key skills, and on vocational themes, such as business and management. In order to improve the effectiveness of this service, we are developing a closer understanding of the attitudes and requirements of college lecturers. We need to make FETV more widely known. This will be a priority for us in 1997/98. As the advent of new technology makes 'distance learning' more easily available,



When Rover Met BMW



Teletubbies

over the longer-term we will increasingly be offering resources directly to students.

BBC Education's partnership with the Open University continues to flourish. One of the key developments this year has been the restructuring of the Open University Production Centre. The Centre introduced a similar structure to that of the BBC as a whole, with separate commissioning, production and resource units, each reporting to the relevant parent BBC directorate. This will bring benefits to both the BBC and the Open University. The production centre has also introduced a quality framework to establish clear objectives for each programme at the design stage and to track the performance of programmes against the objectives throughout the programme making process.

Children and teachers at school

In the past year, our programmes have been used in 93 per cent of primary and 88 per cent of secondary schools. Schools Radio reaches 84 per cent of primary schools. The most important change has been the transition from daytime broadcasts on Radio 3 – which created difficulties both for schools and for the network – to the provision of programmes directly to schools on audio cassettes. The change has been well received.

We have continued to respond directly to the demands of the school curriculum and have developed some new projects. In primary schools, our programmes for English, mathematics, history, geography and science have been particularly well

received. In secondary schools, English, geography and history programmes have been widely used. *Shakespeare Shorts* won the BAFTA Children's Award. *Special Needs Scrapbook* was an innovative approach for those with learning difficulties. It enabled schools to tailor video extracts to the needs of the individual pupils.

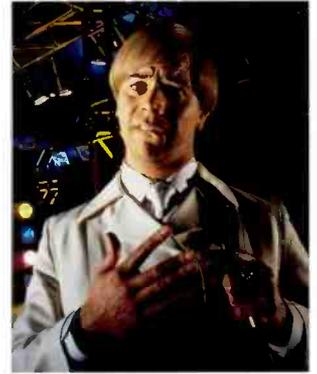
Our experience with commercial CD-ROMs has been mixed, reflecting a downturn in the marketplace. The exception to the trend has been the three Shakespeare titles published by BBC Educational Publishing (with another three to follow). These have done well, assisted by having a joint venture partner and an export market in the USA.

Pre-school children

Broadcasting for the under fives has attracted growing interest. They and their parents or carers account for one in six of the population. Our programmes aim to present very young children with positive models of behaviour. In April 1997, BBC Education launched a new learning series for children under three, *Teletubbies*, a joint venture with Children's Television and Worldwide Publishing. This is aimed at a younger age group than we have concentrated upon in the past. The introduction of the series has generated considerable public interest and some controversy. We will monitor its progress.

The future

In a changing educational environment, the BBC has an important role to play. We will seek to contribute to the government's educational initiatives, in particular the proposed University for Industry. We will play a prominent part in the BBC's new digital services. A main task will be to articulate an overall strategy for BBC Education in the digital era, one that serves the specific needs of our audiences and that identifies areas where the BBC can make a real difference.



Count Me In



The Big C

Broadcast and Production



In June 1996, the restructuring of the BBC was announced and on 1 April 1997, it came into operation. Underlying the reorganisation is the central idea of creating a structure appropriate to the digital age. Our hallmark will remain programme excellence but our showcase will be a potential myriad of channels and services. The impact of the restructuring is to separate the function of commissioning and scheduling – BBC Broadcast – from that of creative programme making – BBC Production.

It means that, for the first time in our 75-year history, the BBC can apply a clear focus to the needs of every group within the audience. BBC Broadcast will commission and schedule the best programmes available, with the interests of the viewer and listener paramount. It will do this by drawing upon its pool of expertise from television, radio, education, regional broadcasting and from the new media. It will allow us to concentrate on finding the best way of serving the BBC's many audiences and to take an overview of the service we provide in every programme genre – whether it be drama, arts, leisure, sport, science or religion.

The relationship between the broadcaster and the audience is changing and, when BT connects the television in the home to the telecom network, it will change even more. One of Broadcast's roles next year will be to assess the implications of these changes. It opens up new possibilities for interactivity, allowing the viewer at home options over what they watch and when they watch it. It enables the broadcaster to offer viewers a wider choice than ever before, with new services that supplement and complement our existing networks.

BBC Production brings together our entire programme making talent from Network Television and Radio, the English regional centres in Birmingham, Bristol and Manchester, Education and the English language production departments of the World Service. With over 4,000 staff under an executive of only six people, it is the greatest concentration of programme excellence in the world. In the past year, in spite of the changes within the BBC, its programme makers have delivered a succession of triumphs, attracting much critical acclaim and dozens of awards. In sport, BBC-made programmes continue to set worldwide standards; our natural history is unmatched for editorial and technical innovation; in science, our programme makers demonstrate extraordinary skill and originality – shown to best advantage in *Science Week*. Reorganisation has not dented the BBC's creativity. In fact, the coming together of people from previously separate programme areas is encouraging the sharing of skills and ideas.

BBC Production faces formidable challenges. It must introduce new digital technologies, produce new programmes for digital services and its staff must learn new skills. In the short-term, BBC Production must ensure greater confidence



and consistency in its drama output and develop new and original early evening entertainment.

BBC Production must also live with growing competition. A fully-fledged internal market means that BBC Broadcast – and BBC World Service – will be free to buy programmes from wherever they choose. The independent production sector has grown rapidly and, indeed, the BBC is now obliged by law to commission 25 per cent of its television programmes from independent producers. In the past year, it has exceeded this target by 3.9 per cent. In radio, where there is no statutory obligation, the voluntary target of ten per cent for the whole service has been exceeded by 1.4 per cent.

But the creation of BBC Production emphasises our determination to maintain the breadth and quality of the BBC's in-house programme making. We do not intend to become merely a commissioning house. We have always had a vital role in developing and supporting production talent. We will continue to play to our historic strengths in programme making in the digital age.

Editorial Policy

The BBC makes every effort to ensure that its programmes are fair and accurate and meet the highest standards of good taste and decency. In November, we published a new set of *Producers' Guidelines*, incorporating a number of changes in response to the concerns of viewers and listeners.

The Guidelines now include a stronger Impartiality Code, as required by the BBC's Royal Charter and Agreement. Much of this embodies what has long been normal practice in BBC programme making, but there are some new provisions. These include guidance on maintaining impartiality over a series of programmes on controversial topics and in programmes where a personal view is expressed. We have also introduced new procedures to ensure that impartiality issues are identified at an earlier stage of programme making.

Special vigilance was needed in the year leading up to the General Election. Every effort was made to give even-handed treatment and fair representation of all political parties. We believe that, in general, we maintained the highest standards throughout. The allocation of party political and party election broadcasts continued to remain a matter of contention. We were involved in long negotiations over the proposed leadership debate on television. In the event, the parties failed to reach agreement.

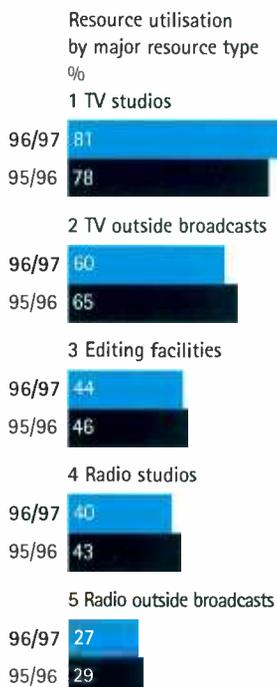
During 1996/97, we have recognised the importance of the different political patterns and priorities in Scotland and Wales. We have tried to ensure that we treat all the parties in Scotland and Wales fairly. In Northern Ireland, the Representation of the People Act was suspended for the first time for the 1996 summer elections for the proposed Northern Ireland forum because of the different voting system used.

The issue of privacy has been less problematic in the last year, following the introduction of stricter guidelines. These have helped to bring greater clarity, although there are still some occasions when we overstep the line between what is acceptable and what is intrusive.

Violence, taste and decency continue to be important issues for broadcasters and this is reflected in the expanded guidance given in the revised *Producers' Guidelines*. The stricter implementation of the 9 pm watershed on television has been effective. Complaints from viewers have diminished. The use of strong or profane language and of religious names as expletives continue to be a cause of complaint. New guidance is given in the *Producers' Guidelines*.

In the year ahead, editorial issues may be raised by the increasing number of BBC commercial initiatives. However, commercial ventures operate within the same strict BBC editorial guidelines as our public service programming. New guidance will soon be issued for all online activities.

Resources



Definitions:

1: Days in production and preparation (excluding refurbishment and statutory maintenance). 95/96 has been restated.

2: Days in production, rigging/derigging and travel (excluding statutory maintenance).

3: Edit suites and general purpose cubicles. Hours in production (versus 16 hours per week, seven days per week). The classification has changed since 95/96 and consequently last year's figure has been restated.

4: Hours in production (versus 16 hours per week, seven days per week).

5: Days in production, rigging/derigging and travel (excluding statutory maintenance). 95/96 has been restated.

Four years ago, the BBC's technical, craft, design and support services were brought together in BBC Resources. With around 7,000 staff, it is still the BBC's largest division. It operates fully as a trading unit within the BBC's internal market and derives its income from the services it sells, mainly to BBC programme makers but also to outside customers. It aims to continue to be the most successful provider of facilities and services within the broadcasting industry, enabling the BBC to maintain and develop its world-class standing. Plans for developing BBC Resources' business - with possible incorporation as a wholly-owned subsidiary - are currently under consideration.

Last year, we reported that Resources had made a small surplus, held its share of BBC business steady and seen a growth in external trade, while reducing its cost base. In 1996/97, BBC Resources ended the year with an overall trading surplus of £15 million, a figure which includes transmission (which has since been sold). Significant efficiency savings were also achieved. It was necessary, regrettably, to close the loss-making London-based scenic, make-up and costume design department.

We remain the biggest provider of television and radio facilities in Britain, with a 22 per cent share of the market. In spite of increasing competition, BBC Resources has retained 78 per cent of BBC business, a dip of two per cent on last year. But this has to be seen against the background of a more efficient BBC, which has reduced its spending on programme resources and other facilities from £404 million to £367 million over the last two years. BBC Resources is, therefore, winning a slightly declining share of a declining market.

To compensate for this, however, the directorate did win some significant new business during the year. It will provide resources for the Grand Prix for ITV, and the FA Cup for BSkyB. All in all, £26 million of external business has been generated, an increase of one quarter on last year. But BBC Resources attracted only 20 per cent of the £70 million spent by independent companies on making programmes for the BBC. The total independent production market is worth £600 million, and we attracted only a three per cent share of that market. So there is clearly room for growth.

During the year, BBC Resources has looked more closely at the needs of its programme making customers, carrying out a



Election 97 studio

survey to identify areas of relative strength and opportunities for improvement. We were encouraged by the perception of our technical competence, creative input and understanding of our programme makers' needs. We have introduced a number of measures to improve our service. In 1997/98, we will introduce a quarterly survey to keep closer track of customer views across all areas of our operations.

BBC Resources has improved management information systems and also put considerable effort into training in the last year. The effectiveness of this training is closely monitored through the BBC's system of individual performance appraisal. Our conference centre at Wood Norton Hall achieved recognition as an Investor in People.

But, amid continuing change and uncertainty, it is not surprising that morale has been tested. During 1996/97, the number of staff was reduced by around one-fifth, without industrial action or major difficulties. This takes account of the transfer of some business units to other parts of the BBC and of the sale of transmission. It also reflects a longer-term, underlying reduction in staff numbers from more than 11,000 four years ago to around 6,800 now.

There are a number of contributory factors to this fall in staff numbers. Increased efficiency in the way we work has played an important part, for instance, in reducing surplus capacity. We have closed down under-utilised studios and



now deploy our staff more efficiently. Multi-skilling has also contributed to the reduction in staff numbers. Technical staff are beginning to develop production skills, while desktop digital editing has enabled many programme makers to take on tasks that were previously firmly within the technical domain.

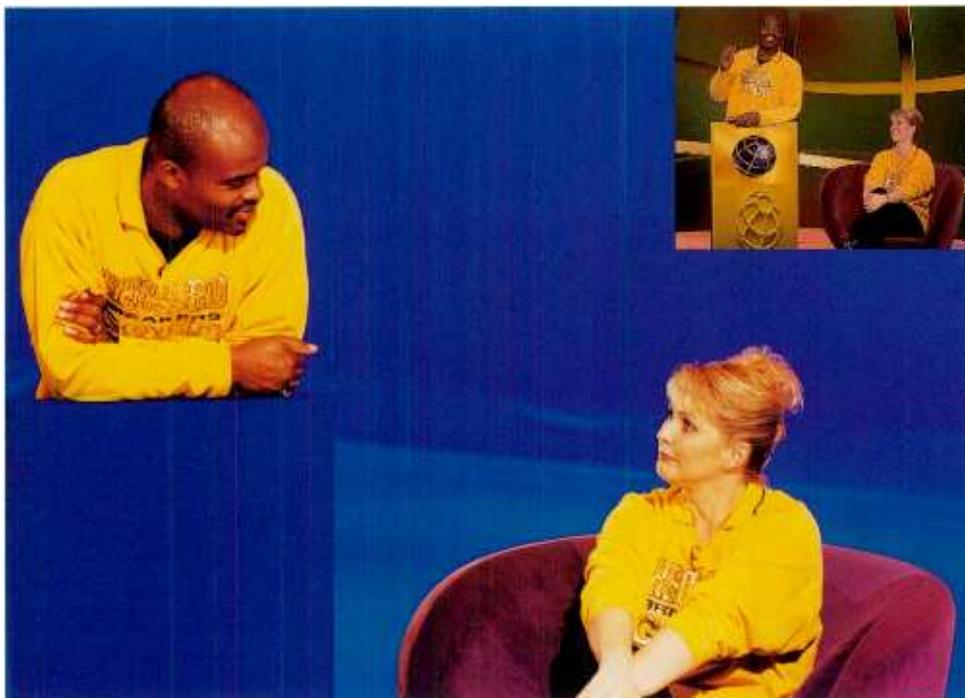
Resources has made considerable progress in areas of technical innovation during 1996/97 and in a number of major projects. These include the creation of virtual studios, a new bi-media centre at Bristol, video conferencing, digital programme making and widescreen technology. We have made some important strides in increasing our use of lightweight digital video cameras and desktop editing.

Resources is also collaborating closely with BBC Production, in supporting programme makers as they begin to use digital equipment, some for the first time. A new support centre offers advice on selecting cameras, and post-production facilities, as well as 'hands-on' assistance.

A major task for the BBC has been the rationalisation of the BBC's property strategy. A number of major projects have been completed during 1996/97. In London, the reception area of the Stage 6 extension to Television Centre is now complete and preparations have begun for the move of radio news programmes out of Broadcasting House.

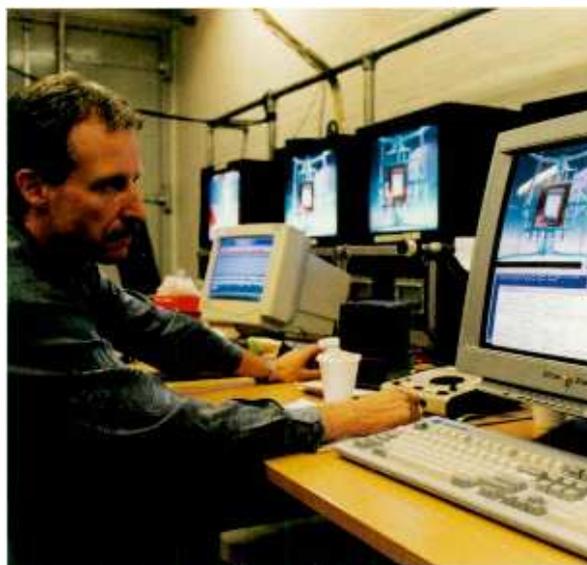
But we also need to look further ahead. The architecture of many BBC buildings reflects the mood of the times in which they were built, from the majestic art deco elegance of Broadcasting House to the design-and-build feel of White City. It also reflects the technologies and programme making methods of an era when most live broadcasting was studio-based. Now, as the BBC moves into the digital era, we need to undertake a full review of our current premises. In the coming year, each directorate will set out its vision of what is needed. We must ensure that our buildings are fit for the purpose of modern broadcasting, are designed to take full advantage of new technologies, make efficient use of space, are appropriately located and are attractive places in which to work.

In the coming year, BBC Resources needs to build on its existing strengths and to achieve further operational efficiency and effectiveness. It must continue to develop its business from outside the BBC - within fair trading constraints. There



Record Breakers - virtual studio

is a wider issue, too. There is over-capacity in the entire UK facility sector at a time when it faces major investment in a new generation of digital production technologies. In the year ahead, BBC Resources will take a view of the impact of the changes likely to take place within the sector, and of how such changes might benefit both the industry as a whole and the BBC.



Finance and Efficiency

Cash comprises:

	1997 £m	1996 £m
at 31 March		
Cash at bank and in hand (including the World Service)	234	103
Short term investments	294	15
Licence saving stamps and direct debit instalments	(163)	(153)
Total cash/ (borrowings)	365	(35)

In the financial realm, the last year has been one of historic achievement for the BBC. We have continued our progress from a position of some uncertainty a few years ago to one of real financial strength today. On all key measures, the BBC performed better than the budget in 1996/97. Our approach has been reviewed and endorsed by the independent consultants, Braxton Associates, recruited by the Department of National Heritage to advise it on the licence fee settlement. Braxton concluded that:

'The BBC has substantial achievements to its credit over the last three years. It has made large efficiency savings, generated new output and improved its market positioning whilst reducing its borrowings. The BBC is now well-positioned for the dual challenges of delivering public service broadcasting in the digital era and of delivering further efficiency gains.'

(Braxton Associates Report, October 1996 – reproduced with permission.)

For a number of years, the BBC has faced the difficulty of living within a broadly flat income while many of our costs have been rising faster than inflation. Some expenses are not within our control. The cost to the BBC of securing the most talented broadcasters and performers, the cost of sports rights and of independent productions have all outstripped inflation. But, following the Braxton Report, the government announced in December a licence fee settlement to cover the next five years. This was the first increase in the licence fee for the BBC in real terms for a decade – a historic gain and due recognition of the BBC's achievements. As a result, the BBC is able to enhance its services for all viewers and listeners and prepare to enter broadcasting's digital age.

In the course of 1996/97, the transformation of our financial effectiveness was clear. Firstly, we have repaid our borrowings ahead of schedule and ended the year with a substantial cash surplus. Secondly, the drive to control our costs and to improve efficiency has reaped a dividend. Braxton reported that efficiency savings of 18.9 per cent had been achieved in the three year period starting in 1994/95. This exceeded by two per cent the target set for us. This has been reinvested in programmes and the creation of successful new services such as Radio 5 Live. Thirdly, the BBC's domestic

services' transmission business was sold. This provides cash which will help fund new digital services. Fourthly, the fundamental restructuring of our finance support systems is underway. These achievements, taken together, give us a firm platform for the future.

Borrowings repaid

For the past four years, we have worked strenuously to reduce our borrowings to zero, to fulfil undertakings we made after the 1993 licence fee settlement. Our target then was to eliminate £190 million of accumulated borrowings by the end of 1996/97. This we achieved ahead of schedule. As a result of the successful licence fee negotiations, the borrowings limit has been reinstated with a £200 million limit. This gives the BBC flexibility in our operating finances and will assist us in investing in the new technology that will shape our future.

Funding the cost of sports and programme rights, of key talent and of our enhanced services, has been accomplished by an immense assault on waste and inefficient practices. This was the culmination of a considerable amount of hard work across the BBC. We are now operating at, or ahead of, market levels within the broadcasting industry, in terms of efficiency in production and the use of facilities and support services. The drive towards cost-cutting reduced surplus capacity but did not harm our programmes.

Progress towards a more efficient BBC

Braxton reported that the BBC had made substantial efficiency savings of £281 million in the last three years since 1994/95, which amounted to 18.9 per cent of the BBC's programme making costs. These savings provided the BBC with new and enhanced programmes and services to the value of £233 million. Compared to three years ago, in 1996/97 the BBC has broadcast:

- 2,000 additional hours on BBC1 and BBC2
- 400 fewer hours of TV repeats
- 4,700 additional hours on Network Radio
- 6,200 extra hours on Local Radio
- 5,200 additional hours of news and current affairs
- 250 more hours of first transmission in regional television.

This has resulted in a wide range of changes, including:

- more original programmes on BBC television
- all five radio networks on air 24 hours a day, compared to only two in 1993
- brand new services, including Radio 5 Live and the BBC Helpline
- investment in major drama productions and more live newsgathering.

Efficiency savings have been achieved by tighter staff scheduling, through advances in technology, by better use of skills, by reducing surplus capacity and by cutting overheads.

The licence fee

The BBC is overwhelmingly dependent on the licence fee. Licence fee income in 1996/97 was £1,915 million, compared to £1,820 million in 1995/96. Over a period of several years, we have succeeded in reducing evasion by offering licence fee payers a choice of ways to pay, including a Monthly Budget Plan (allowing payment in monthly instalments) and a Cash Easy Entry Scheme pilot (with payment by cash instalments) for viewers with low incomes.

Reducing licence fee evasion has produced some growth in our income and there has been marginal growth in the number of households with televisions, combined with a significant reduction in the cost of undiscovered evasion. In the coming year, the Licence Fee Unit will continue to develop a fuller understanding of the causes of evasion.

From April 1997, the licence fee became £91.50 for colour sets and £30.50 for black and white. The increase, in line with inflation, marked the start of a complex five-year formula which gives the BBC extra income in the early years to help fund the transition to digital broadcasting. The rise will enable the BBC to enter the digital age.

However, the reductions announced for later years will be challenging for the BBC. This will affect our ability to sustain those services as the digital world develops. The BBC will do everything it can further to improve efficiency and to build commercial revenues. But it will still look to the government to ensure that new digital services can be maintained and developed into the next century.

Additional income

The BBC's commercial arm, BBC Worldwide Limited, has continued to contribute to BBC revenue – we are Europe's biggest exporter in broadcasting. BBC Worldwide's activities generate income which is reinvested in the BBC's public services. But BBC Worldwide's net benefit still only amounts to four per cent of licence fee funds. We aim to increase our commercial income.

Transmission sold

In November 1995, the government announced that the BBC should sell off its domestic and World Service Transmission businesses. In February this year, the BBC completed the sale of the UK networks' transmission business to Castle Transmission Services (Holdings) Ltd. The price agreed was £244 million – higher than originally expected. The BBC has been allowed to keep the proceeds, to invest in preparing for the digital age. The sale has resulted in the immediate transfer to Castle of around 500 staff. The interests of the BBC and the licence payer are protected with guarantees on both quality and cost.

The sale marks the end of an era for BBC Transmission which began operations in November 1922 from a single transmitting station on the roof of Selfridges' store in London's Oxford Street. Indeed, the Oxford Street masts became a familiar mark on the London skyline. They were superseded in time by transmitters in such places as Crystal Palace and Daventry. All transmitters are now monitored automatically by Castle, on behalf of the BBC.

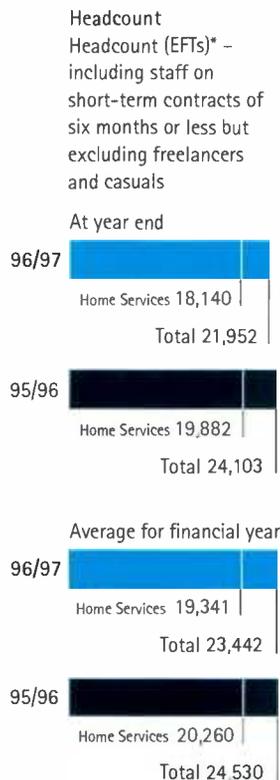
BBC Transmission was honoured with a Royal Television Society innovation award for its new digital distribution network. For 75 years it has played a pioneering role, setting the standards for other broadcasters and leading the way in the development of new technology – including the development of the first digital transmission of radio (DAB) in September 1995. Castle has inherited BBC engineers with considerable expertise and dedication. The BBC owes much to its transmission staff.

In March, the BBC World Service successfully completed the sale of its transmission business to Merlin Communications International, a management and employee buy-out team. The proceeds of £17 million are being returned to the Treasury. Just over 200 BBC staff are transferring to the new company.

A poetic tribute to Daventry

*You shall hear their lightest tone
Stealing through your walls of stone;
Till your loneliest valleys hear
The far cathedral's whispered prayer
Daventry calling . . . Daventry calling . . .
Daventry calling . . .
Dark and still
The tree of memory stands like a sentry
Over the graves on the silent hill.*

Alfred Noyes, Reproduced
from The BBC Handbook, 1928



The difference between the Total figure and Home Services shows the headcount for World Service, Subsidiaries and OUPC.

*Equivalent Full-Time

Information technology

As the BBC enters the digital age, the delivery of effective information technology is of critical importance. For programme makers, new technology is the key to reducing costs while simultaneously improving quality. For business processes, it is essential to ensure that we achieve the efficiency savings we seek and match the best business standards elsewhere.

During 1996/97, we created a new department called Information Systems and Technology, as part of the BBC restructuring. It brought together the strategic, delivery, personnel and financial functions for information and technology. Its role will be to co-ordinate the introduction of new technology across the BBC. It must also ensure that each part of the BBC understands fully the role that systems and technology can play. This will be a major task in the coming year.

A standard BBC desktop is being introduced to support all the new systems throughout the BBC. The scale of the task is daunting. It must cope with:

- over one million e-mails sent each week
- over 9,000 desktop personal computers in London alone
- preparations for the Year 2000 date change.

Important progress has been made in a number of key projects. In 1996/97, we began the process of out-sourcing all our financial processing functions. In February, we signed a ten year contract with Media Accounting Services (MedAs), jointly owned by Coopers & Lybrand and EDS for a new finance support system to be run by MedAS. This involved the transfer on 1 March of around 90 IT staff.

The MARLIN Project is enabling our Archive to manage, record and exploit programme and talent rights more effectively. The BBC has signed a contract with Associated Press to develop a new computer system designed specifically for broadcast journalism. The Electronic News Production System combines the key journalistic production tools of digital editing, data retrieval, script-writing and programme structuring within a single desktop PC. Pilots have been completed and the rollout is underway. Other broadcasters are watching the project closely as BBC News pioneers this technology.

The future

We can look ahead to the millennium from a position of real financial strength. The foundations are solid. We have the right financial systems in place. We have the flexibility to handle the unexpected.

We will continue both to make consistently high quality programmes on all our networks and to prepare to launch new services. Over the next five years we will be spending around nine per cent of our total licence fee income on digital development, all the time continuing to invest in improving our existing analogue services. Although we continue to face formidable challenges – increasing competition, ongoing digital investment, the drive for further efficiencies – we do so with confidence and from a strong financial position.

Organisation and Management

The restructuring of the BBC has been the most significant organisational change of recent years, affecting almost every part of the corporation. It has been successfully implemented without disturbing the output or the identities of any of the BBC's services, and without any disruption. When the reorganisation came fully into operation on 1 April 1997, more than 10,000 staff had been transferred into new directorates. A further 800 were affected by the contracting out of finance processes and the sale of transmission.

The combined impact of these changes, and of the drive towards greater efficiency, reduced the BBC's overall workforce by eight per cent between March 1996 and March 1997. There are now over 1,700 fewer staff in the domestic services than a year ago. However, the proportion of programme makers has increased as overall numbers decline.

The old divisions between production and craft skills are disappearing as BBC staff become increasingly multi-skilled and as they learn to work in more flexible ways. The need for staff training has never been greater. In January, six separate training departments were integrated into a single unit, with the aim of developing skills which will meet the BBC's long-term needs. Overall spending on staff training is approximately three per cent of the paybill. The BBC has continued to play a leading role industry-wide, collaborating with other broadcasters to train the next generation of programme makers. We have continued our work with Skillset to develop National Vocational Qualifications for broadcasting.

Last year, nearly three-quarters of BBC managers received some form of training and over 250 attended Leadership Network events enabling them to meet senior managers from other organisations and so keep abreast of current thinking. In the last four years, 444 staff have embarked upon MBA, diploma or open modular courses run for the BBC by Bradford University. The first MBAs graduated in January, with 60 per cent achieving distinctions.

However, we have more to do in strengthening the relationship with our staff. The BBC's annual survey shows that most staff are proud to work for the organisation and are generally satisfied with it as an employer. But more of our employees have become dissatisfied with the way managers communicate with them. In 1995, 75 per cent of staff thought

that internal communication was getting better or staying the same. The figure has since dropped to 59 per cent. We will improve our efforts this year to ensure that staff have regular and effective meetings with managers.

We have made more advances in the last year in increasing the diversity of our workforce. The progress towards our gender and ethnicity targets remains good. Women now comprise 35 per cent of our middle managers and 27 per cent of our senior managers, against a target of 40 per cent and 30 per cent respectively. In addition, we will continue to monitor progress across the whole of the BBC, using the Commission for Racial Equality's guide to best practice.

A fundamental review of recruitment processes has taken place. Every year we receive about 32,000 unsolicited enquiries for job opportunities. To improve and rationalise the service we are able to offer, we have introduced an Internet site, *BBC World of Opportunity*, for advertising all job vacancies. It can be found on <http://www.bbc.co.uk/jobs>.

We have continued to strengthen our employment policies in 1996/97. There are now fewer short-term and more continuing contracts. We have one of the most flexible benefits packages in the UK, enabling employees and their families to take advantage of a range of benefits negotiated by the BBC with outside providers. A rigorous system of individual appraisal has helped our staff work to clear objectives and enabled us to widen the use of performance related pay.

During the year we have continued to work on improving our health and safety systems. A new head of risk management was appointed in January to help establish a uniform approach across the BBC. Whilst the general level of accidents is in line with the average for the industry, we have been concerned by a small number of serious accidents in the past two years. Two of these occurred on location and two at BBC premises. All were investigated fully and steps have been taken to prevent similar accidents recurring. It is a priority to ensure that staff, freelancers and contractors are aware of our safety procedures and put them into practice.

World Service



*Does not include Burma, Iraq, Iran, Cuba and a number of other countries. Includes only a small part of China, Vietnam and Somalia.

The BBC World Service has emerged from a challenging and difficult year with renewed energy and an ambitious strategy for the future. It has seen a further increase in overall listening and won widespread support for the restoration of a planned cut of £5 million in the grant-in-aid from the Foreign Office. In the last government's November budget, the funding was restored. The World Service is already seeing benefits from the BBC-wide restructuring, which has opened the way to significant economies and encouraged a new focus on the needs of audiences. During the year, its transmission services were sold to a management buy-out company.

Overall editorial performance this year has been of a high standard – with strong coverage of events such as the US and Russian elections, the seizure of Kabul by the Taliban, the hostage-taking in Lima and the continuing crises in the Middle East and in central Africa. Jane Standley of the World Service was named the 1997 Sony UK Radio Reporter of the Year for her moving reports on the fighting on the Zaire border and the exodus of refugees into Rwanda. The death of Deng Xiaoping received major coverage across the World Service, with live coverage from China and special programmes on the Mandarin and Cantonese services.

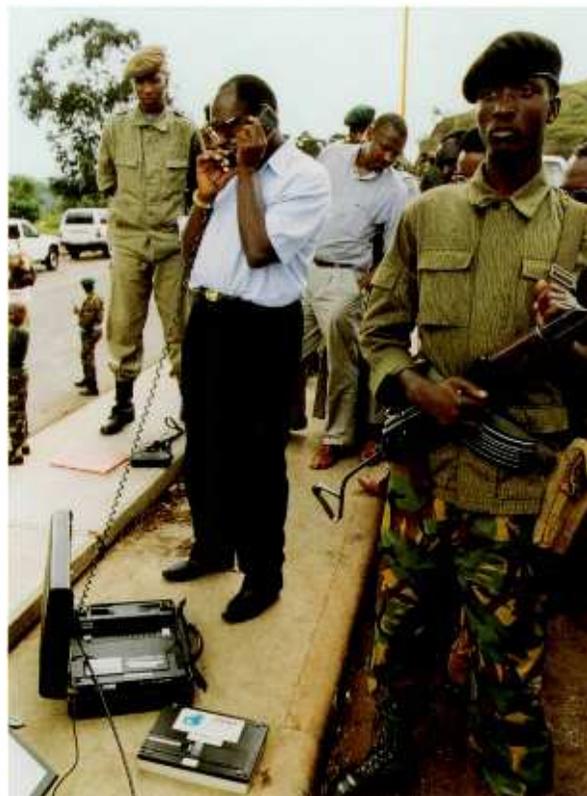
The World Service faces great challenges to its traditional market leadership from increasing competition both from local and international broadcasters, from satellite television and from the development of new online services. At the same time, audience habits and needs are changing. Over a number of years, the World Service's income and funding for capital investment from the Foreign Office grant-in-aid have been under pressure from government spending cuts.

Under these circumstances, it was essential for the World Service to concentrate on the changing needs and tastes of audiences in the different markets of the world, safeguarding its future while, at the same time, achieving significant efficiency savings.

The effect of the split between the activities of production and of commissioning and scheduling across the BBC has been to enable the World Service to adapt to the demands of a fast changing world and benefit from opportunities for greater efficiency.



Sam Younger, Managing Director
World Service



President Bizimungu of Rwanda

In order to address some initial concerns raised after the restructuring was first announced in June 1996, the Chairman of the BBC and the then Foreign Secretary agreed to set up a joint working party. The report of the working party (made up of BBC representatives, Foreign Office officials and a panel of independent advisers) was published in October. It specified 20 points for action, did much to satisfy external concerns and helped to ease internal worries. The change was effectively implemented on schedule on 1 April 1997 and is yielding benefits – strategic, editorial and financial. It will continue to do so in the months and years ahead.

As part of its regular monitoring of programmes and services, the BBC Governors asked an independent advice panel of outside experts to review the output of the World Service in English. The panel listened to programmes serving four regions – the Americas, Europe, Africa and South Asia. It concluded that the World Service was 'thoroughly British, distinctively BBC, authoritative, broad-ranging, essential ... a vital source of information and learning'. However, the panel also expressed the view that the World Service in English was at times too sober and bland. Its journalism should continue to be measured, straightforward and unbiased, but should add more passion and character. The panel considered the mix of

science, arts, music, drama and features to be a huge strength, but hoped that even more might be achieved to reflect particular audience interests.

The new structure enables the World Service to focus more effectively on the needs of listeners. It must now develop a more detailed understanding of its changing markets, listening to its audiences in different parts of the world, monitoring the competition and so developing a region-by-region strategy.

Since the reorganisation, the World Service has been responsible for the commissioning and scheduling of all its programmes. In addition, it continues to be responsible for the production of the language services. The new structure gives the World Service access to the best ideas and most creative talent available, either from within the BBC or from the independent sector. Another advantage of the restructuring is that the World Service is now more easily able to draw upon the whole of the BBC's newsgathering operation.

In the past year, the World Service has won new listeners. Its estimated global audience has risen from 140 to 143 million weekly listeners. These figures are based on research in nearly 140 countries including, for the first time, parts of China. Fifteen per cent of the audience now listen via local rebroadcasting of World Service programmes. This offers better quality sound than the vagaries of short wave reception. The French service for Africa has gained new audiences as a result of local broadcasts on FM and research has recorded growing audiences in Bangladesh. In Poland, rebroadcasts have attracted new listeners from the commercial and public broadcasters. Set against this were decreases in Nigeria and Kenya, although audiences remain relatively high in these countries. In some countries, reliable research is not possible, so the audience total does not include listeners in Burma, Cuba, Iran and most of China.

The BBC Monitoring Service, based in Caversham, continues to follow the output of foreign broadcasters. This is a useful additional source of news information for programme makers within the BBC, for other broadcasters, government departments and academics. Responsibility for the sale of monitoring reports and publications has been transferred to BBC Worldwide Limited. The commercial income generated exceeded targets. BBC Monitoring must now assess the



Jane Standley

opportunities arising from new distribution and production technologies.

Just before Easter, the World Service's transmission business was sold to Merlin Communications International Limited, a management and employee buy-out team. Merlin has a contract to provide transmission services for BBC World Service for a minimum of ten years, with guaranteed levels of revenue for the first five years. The sale of transmission was required by the former government. Proceeds from the sale of these assets will go to the Treasury, because they were provided by grant-in-aid from the Foreign Office.

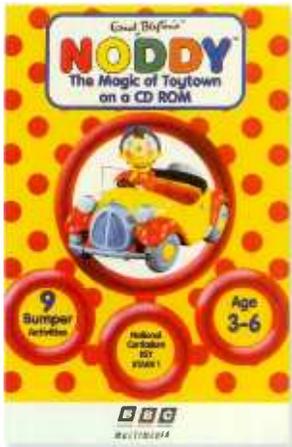
Challenges

The World Service has developed a detailed strategy for the next five years, for discussion with government. We will continue to make the case for adequate long-term funding, including investment in new delivery systems. The strategy envisages a continuous news and information service in English to be delivered alongside the existing broad mix of English language programmes. We will also continue to explore how to make best use of the opportunities afforded by the digital age.



Chinese Service staff

BBC Worldwide Limited



BBC Worldwide Limited was formed three years ago to bring together all our international and commercial activities. These generate significant revenues to supplement the licence fee. This additional income is reinvested in programmes for the core public services and in the development of new commercial projects which will yield increased returns in the longer-term. The commercial divisions together trade as BBC Worldwide Limited.

The last year has been one of significant progress. The major established businesses have performed strongly. BBC Worldwide Limited built the circulation of its magazines, sold more programmes around the world and brought a sharper commercial focus to its book and video businesses. Above all, the objectives for Worldwide set out in *Extending Choice in the Digital Age* have been substantially achieved, with the development of joint ventures with commercial partners. The most important of these will provide subscription television channels in the UK.

In 1996/97, BBC Worldwide Limited's sales stood at £354 million, four per cent higher than in 1995/96. Net benefit – a key measure of the overall investment by Worldwide in BBC programmes and services – was £73.5 million, better than the budgeted figure but four per cent lower than the exceptional figure achieved last year. The company made an operating profit of £9 million – £4 million lower than last year, reflecting the high level of investment in new services.

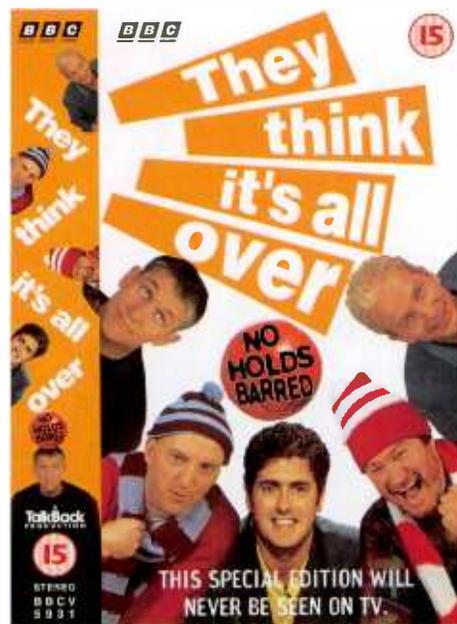
New partnerships

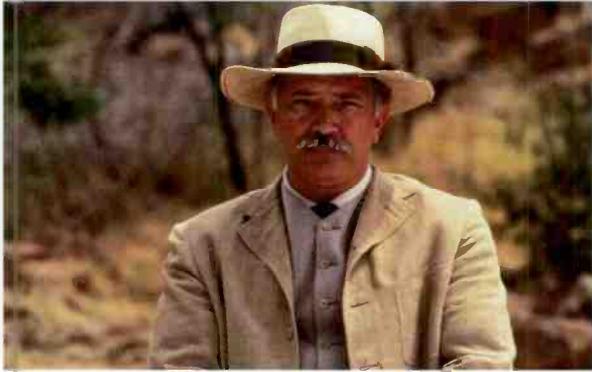
The most exciting development of the past year has been the historic agreement with the media group, Flextech plc, to develop subscription channels for the UK. The joint venture hopes to launch four channels before the end of 1997/98, although the pattern of distribution – whether cable, satellite or terrestrial – will depend on the terms available. The new services will generate significant income for the BBC. Eight digital channel concepts are being developed. Three will be launched in the first phase, alongside *UK Gold*. They are:

- *Horizon* (factual programmes)
- *Arena* (music and arts)
- *Style* (leisure)

On 5 June, BBC Worldwide's new Internet service was launched. Entitled *beeb@thebbc*, the venture is a commercial web service which aims to harness the creative skills of the BBC to the systems expertise of our partners, ICL. This follows the signing of a significant three-year agreement with ICL, which is owned by the Japanese conglomerate, Fujitsu. The agreement gives the BBC access to external commercial funding in what is a high risk market and to ICL's technical and marketing skills. Initially, *beeb* features three main sites. One is based around *Top Gear*, which includes a *Fantasy Formula One* competition. *The Score* covers major sports, with results, news and reviews, and a *Radio Times* site offers listings and a chance to discuss programmes.

BBC Worldwide has also been in negotiation with Discovery Communications Inc over a major international joint venture. If the negotiation is successfully concluded, it will create and distribute channels showing factual programmes, giving the BBC additional outlets for its programmes in international markets and creating valuable future assets. An additional element of the proposed venture is the opportunity to





Rhodes

establish a drama and entertainment channel for the US market. The channel – BBC America – would be the first channel owned and operated by the BBC in the US.

Income from the new channels will strengthen the BBC's production base. Although primarily dependent on archive material, there will be scope to modify existing material to help give each channel its own identity. There will also be some opportunities – initially limited – for new commissions. All the new commercial channels will share the editorial values of our public service programming.

A number of existing channel ventures are continuing to build up their audiences, enabling them to generate advertising income in the longer term. BBC World, the commercial television news service, now reaches over 45 million homes across the world, 30 million of them in Europe. This performance is close to that of CNN in Asia and the Middle East but trails behind it in Europe. The challenge now is to make the channel a truly global one by securing distribution in the United States and increasing advertising revenues. BBC World will benefit from its working partnership with the domestic 24-hour news service, when the latter is launched in the autumn.

BBC Prime, the subscription entertainment channel marketed in Europe with our partners, Pearson and Cox Communications, reached four million subscribers, many of them in Scandinavia. Another joint venture with Pearson and with Foxtel saw the launch of an entertainment channel, UKTV, in Australia. Early

signs are encouraging, with 130,000 homes already reached. It is operating ahead of budget and audience targets.

Magazines

BBC Magazines had an excellent year, with sales increasing by 13 per cent to £118 million and profits up by 41 per cent. This is the fifth year in succession that profits have grown. *Radio Times* remains the UK's biggest and most profitable magazine. Circulation is relatively stable at around 1.4 million, in spite of the increasing competition from other magazines and newspaper supplements.

Other Worldwide magazines have performed well. *Top Gear*, now three years old, is the UK's best selling general interest motoring magazine. Its circulation has increased by ten per cent in the last year and moved firmly into profit. *Top of the Pops* achieved a rewarding circulation increase of 140 per cent and has become profitable only two years after being launched. *Girl Talk*, aimed at six to ten year old girls, is well established and has become a weekly magazine. Other strong performers include *Gardeners' World* and *Homes and Antiques*. *Match of the Day* did not meet expectations and was relaunched as a monthly publication in April 1997.

International programme distribution

The BBC's television programme sales and distribution business for 1996/97 has grown by 20 per cent in the past year. Programme exports to all major regions showed a healthy growth in both sales and profits, with the largest contributions continuing to come from America and Europe, the Middle East and Africa.

The most successful programme, in terms of total sales revenue, was the factual documentary series, *People's Century*. Other best-selling BBC programmes included the rock and roll history, *Dancing in the Street*, the epic dramas *Rhodes* and *Nostramo*, the thriller, *Silent Witness*, and, for children, *The Genie from Down Under*. Natural history programmes continued to perform well. *The Private Life of Plants* generated significant sales, as did *Nightmares of Nature* and *Alien Empire*. A further 29 hours of television for international distribution was produced through Wildvision – a commercial venture which draws upon the BBC's extensive natural history archive.

Benefit from commercial activities (Worldwide only) £ million

96/97	Benefit	
	Net	73.5
	Gross	92.5
95/96	Benefit	
	Net	76.7
	Gross	86.9



During the year, the business was realigned to improve our performance in international regions and in different programme genres and this has yielded dividends. Nevertheless, some areas of programme distribution, including News and Current Affairs and Sport, did not meet expectations, and these will be priorities for improvement in the coming year.

Consumer Publishing

Consumer Publishing, which brings together our video, books and spoken word businesses, had a demanding year – overall sales were down by five per cent. However, it was always likely to be difficult to match 1995/96, which was marked by the phenomenal success of *Delia Smith's Winter Collection*. A policy of releasing fewer titles, and giving these stronger marketing support, is yielding results and performance in the second half of the year was encouraging.

The main video successes of the year were *They Think It's All Over*, followed by *Bottom Fluff* and *Shooting Stars*. BBC Books continued to perform strongly. The six best sellers were all cookery titles: *Open Rhodes Around Britain*, followed by the *Delia Smith Winter Collection*, Antonio Carluccio's *Italian Feast*, the *Delia Smith Summer Collection*, Rick Stein's *Fruits of the Sea* and Ken Hom's *Hot Wok*.

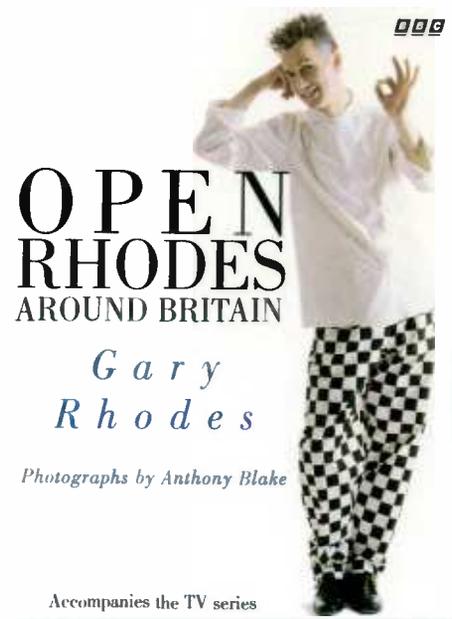
BBC Spoken Word, which produces and markets 'talking books', continues to fight to maintain its lead in an increasingly crowded market. *This Scepter'd Isle* proved particularly successful this year, but significant growth in sales is proving hard to achieve.

The CD-ROM market has flattered to deceive for some publishers, given the overall downturn in this sector. However, during the year, BBC Worldwide launched four titles and three of them have done well. *Wallace and Gromit* was a best seller with almost 60,000 sales. *Noddy* and *Animals of Farthing Wood* are also performing well. Despite critical acclaim, the *Mastermind* CD-ROM was disappointing in terms of the numbers sold.

In November, we launched BBC Worldwide Music Publishing, with the aim of developing fully the commercial potential of the enormous range of music the BBC commissions and produces. A key to the future success of all these publishing

businesses will be the development of innovative ways of reaching the consumer. BBC Worldwide is currently working with leading High Street retailers on the distribution, presentation and marketing of its products.

This coming year promises to be the most significant and challenging yet for BBC Worldwide, as it works with new partners to bring a wider range of BBC programmes, products and services to a global audience in the digital era. We will develop a five year strategy for each area, aiming overall to become a high growth, high return business, skilled at exploiting powerful BBC brands across all media.



New Services



Digital technology is dramatically altering the face of broadcasting. Within the next ten years, households will have a choice of hundreds of channels. There will be new ways of viewing and listening. Audiences will gain greater control over what they receive and when they receive it. And they will be able to interact with the broadcaster.

All of this will enable the BBC to improve its offering to audiences in two key ways. Firstly, it will permit us to serve an even greater range of demands and interests. Secondly, it will enable us to offer entirely new types of programmes and services. We have devised our plans on the basis of extensive audience research. Earlier this year, we also conducted a formal public consultation exercise which revealed overall support for our proposition but raised a number of particular concerns which we are addressing. This was launched after a Governors' seminar on *The BBC in the Digital World*. We have been quite clear that we intend to maintain absolutely the quality and editorial integrity of BBC programmes.

In the next year, the BBC will introduce a range of new services. The entire offering will evolve, with new services and features being added over time. We will broadcast the new channels in widescreen with CD-quality sound.

The new services will comprise:

- *BBC Choice* – a supplementary service to enrich and deepen the viewer's experience of watching great programmes on our main networks. *Sports Choice* will offer live, uninterrupted sports events which the networks cover but cannot stay with – events such as Wimbledon – in widescreen. Theme night packages will add greater depth to the output of BBC1 and BBC2. *Choice* will offer something unique for Scotland, Wales and Northern Ireland. *Learning Choice* will appeal to a broad range of learning needs and will be linked to an online service.
- *BBC 24-Hour News*, which will extend our national and international news coverage, will deploy teams of journalists

in all 13 regional newsrooms, enabling us to broadcast live from across the UK. A partnership with BBC World will give UK viewers access to the fastest growing news channel in Europe.

- *BBC Inform* which will bring high quality Internet content to users, under their direct control. Available initially for PCs, *Inform* will bring the latest news and information, including sports, weather and local travel.

Although viewers will have to ensure that they have the necessary receiving equipment, all these services will be available to licence payers free-to-air. Different households will choose different means of receiving digital television – terrestrial, satellite or cable. Because of that, we intend to introduce our new services on all digital delivery systems – as each system becomes available.

In addition to our digital television proposals, we have taken a lead in the development of Digital Audio Broadcasting (DAB), which offers CD-quality, interference-free sound and the prospect of many more radio services on the spectrum. The BBC has been piloting DAB services since September 1995. They include Radio 5 Live Sports Plus – offering an alternative sports commentary to that available on Radio 5 Live, continuous coverage of Parliament, and BBC Now, a frequently updated news and information service. We are working closely with set manufacturers, a number of whom are expected to launch the first DAB car radios in the autumn.

We will also introduce a range of themed subscription channels showing BBC programmes (these are described elsewhere on page 50). They will not draw on licence fee funds but will generate extra money for reinvestment in our public services.



Digital Audio Broadcasting

Governors' Assessment

The Governors have monitored the performance of the BBC in 1996/97 and assessed its progress against the objectives they set a year ago. Overall, our conclusion is that the BBC has enjoyed a further year of success in both creative and artistic as well as financial and managerial terms. The objectives we agreed for the BBC for 1996/97 have broadly been met.

Governors' role

The Board of Governors is not appointed to manage the BBC, but to ensure that the BBC is properly managed. The Governors, who are appointed by the Queen on the advice of the Prime Minister, are trustees for the public interest in broadcasting. We appoint the Director-General and, with him, the most senior management of the BBC. Working with the senior management, it is our role to determine the BBC's strategy and to set objectives for the way ahead. It is also our role to assess performance, measured against objectives and the public interest, to be responsible for the BBC's compliance with programme standards which we lay down and to ensure that the BBC meets its statutory and other external obligations.

We believe that this system, recently confirmed and strengthened in the new Royal Charter, is an effective mechanism for securing public accountability in a creative organisation such as the BBC. In our Assessment for 1996/97, and in the sections which follow on Promises and compliance, we account for our stewardship of the BBC in accordance with the duties laid upon us in the Charter and by Parliament.

We deal first with our responsibilities for strategy and then with our regulatory responsibilities.

Strategy

During the year we have worked closely with the Director-General and his senior management colleagues on the major challenges facing the BBC.

The BBC has developed a more strategic approach to finance. We have approved a new investment policy which imposes a tight discipline on big spending decisions, sets clear rates of return and provides for post-investment review. Final decisions on all investments of £10 million and more are now specifically reserved to the Board. We approve the BBC's annual budget and review the management accounts on a monthly basis. The BBC has redeemed its undertaking to repay its borrowings. Its finances are strong and able to support the move forward into digital broadcasting.

This was the first year of the BBC's ten year digital strategy, publicly set out in May 1996 in *Extending Choice in the Digital Age*. Throughout the year, we considered different aspects of the BBC's move into the digital world. We have

been concerned to provide access to new services for the licence fee payer and to secure benefits to the BBC from emerging commercial opportunities, while at the same time not allowing the commercial tail to wag the public service dog. Joint venture agreements with commercial partners are, first and foremost, designed to secure value for the licence fee payer's investment in programmes. We undertook the BBC's first formal public consultation (a Charter requirement where significant changes to the licence fee proposition are concerned) on the BBC's public service digital television plans. We recently published the results; these were generally favourable to the BBC's approach, but suggested modifications which those developing the services are taking into account.

The restructuring of the BBC along bi-media lines, separating the activities of the commissioning and scheduling of programmes from the production process itself, was revolutionary. Traditional boundaries and structures are being swept away. We were convinced that the BBC had to change in order to safeguard its unique contribution in the digital era ahead and we superintended the implementation of the changes during the year. In last year's Annual Report, we asked management to maximise the benefits of the new structure while retaining the identities of the different services. We have been, and will remain, determined to ensure that nothing which makes BBC programmes so distinctive is lost. We congratulate management and the staff on carrying through a monumental reorganisation successfully and effectively.

Public concern was expressed initially at the potential impact of restructuring on the BBC World Service. Steps have been taken to address this concern. We report more fully below.

Programme Strategy Review

Programmes are always our priority. The BBC is systematically reviewing its programme strategy to ensure that programmes and services meet the needs of audiences. The work of this Programme Strategy Review continued. During the course of the year, the Board considered and endorsed key challenges for programme makers, commissioners and schedulers, in the fields of consumer programmes, social action and business programmes.

In programmes about consumer affairs, the BBC sees its role as an extension of public service, acting as a source of independent, disinterested advice on goods and services – including public services – on which the consumer can rely. This is an area of programming where the highest editorial standards are required.

Social action in support of programmes also extends the BBC's public service role. Programme makers are urged to consider the link between their programmes and back up

information which can be made available by the Helpline and, increasingly, through online services.

A review of business programmes was carried out to ensure that programming is available at appropriate hours and in accessible formats for those who need it. Such programmes should not be narrowly focused on City news alone, but should deal comprehensively with the world of business, industry and employment.

Regulation

We report on our responsibilities as regulators more formally on pages 65–69. Here we give our assessment of the strengths and weakness of BBC activities as monitored by the Board during the year. In doing so, we reflect the new BBC structure of Broadcast, Production, News, Worldwide and Resources.

Broadcast

The Governors welcome the creation of BBC Broadcast which allows the business of the commissioning and scheduling of programmes to focus on identifying and meeting audience needs.

Television

A year of strong programme performance was rewarded with record success at the BAFTA and Royal Television Society awards. We would highlight successful factual series such as *The System* and *The History of British Art*; in comedy, *Comic Relief* and *Harry Enfield and Chums*; in drama, *EastEnders* and distinguished productions such as *The Tenant of Wildfell Hall* and *The Mill on the Floss*; and, in sport, the coverage of the Olympics and Euro 96. But we were concerned about some expensive failures in drama. *Rhodes* and *Nostromo* were both disappointing. We also feel that the BBC's coverage of individual sports needs constantly to develop if rights to broadcast important events are to be retained.

To have maintained audience share despite growing competition from satellite and cable is encouraging. To have done so without lowering standards or narrowing programme range is a matter for congratulation. It would be a mistake to seek to win new audiences at the cost of alienating the BBC's 'heartland' viewers.

In last year's Annual Report, we called for improved early evening entertainment and daytime programmes. A good start has been made on the daytime objective with an innovative and intelligent morning schedule. There is more to be done to improve mainstream entertainment and this must be a priority for the year ahead.

We were pleased to see continued progress towards the target of 'broadly one third' of network commissions being made in the regions.

Radio

The Sony Awards, at which the BBC swept the board, were witness to the strength of BBC Radio. Radio 1 is now demonstrably a successful music and culture station for the 15–24 age group. Radio 2 needs to draw in the threshold audience of '40 somethings' without alienating its loyal listeners.

Radio 3 is excellent and distinctive. Last year's Proms season was another triumph, and the successful development of *Proms in the Park* was a symbol of the BBC's commitment to making the best accessible to a wider audience. Nevertheless, overall listenership is modest and Radio 3 still has some way to go before it can claim to be reaching the larger constituency of serious and aspiring classical music lovers which must be its target audience.

Radio 4 had some notable successes in programmes with the impact of *Spoonface Steinberg* and the characteristic appeal of *This Scepter'd Isle*. Radio 4 has a new Controller. The Governors wish to place on record their thanks to Michael Green, who retired in 1996. Under his successor, the service will continue to evolve but Governors will ensure that changes are properly considered.

Radio 5 Live is increasingly becoming an essential service for sports lovers as sports events are bought up by satellite television and for pay per view. Its news service is refreshing and intelligent and was at its 'first and live' best in covering the General Election.

Regional Broadcasting

Generally, regional broadcasting is in good shape. The early evening news programmes are performing well, a verdict supported by the independent advice panel in England. The panel also commended the depth and range of the journalism, although panel members were less complimentary about some aspects of presentation. Radio Scotland and Radio Ulster are doing well – again a view supported by independent panels – but there are concerns that Radio Wales may not be doing as well against the competition. Governors praised drama from Scotland and Northern Ireland, including *The Crow Road*, *The Missing Postman* and *The Precious Blood*. Although targets for network production are being met, with the continued success of series such as *Ballykissangel* and *Hamish Macbeth*, there are concerns about what comes next. The Governors also wish to see Wales succeed in selling more to the network on both television and radio.

Governors continue to believe in the importance of BBC Local Radio which must remain distinctive in comparison with its commercial competitors. We are determined that the potential of digital broadcasting is exploited for improved regional coverage.

The Governors value their partnership with the Broadcasting Councils in Scotland, Wales and Northern Ireland. In the light of proposals for devolution in Scotland and Wales, the Governors see this continued partnership as vital for the future success of the BBC, as a broadcaster to the whole United Kingdom but one which reflects the contributions and needs of the different nations and regions within it.

In Wales, the Governors were disappointed that the Welsh Fourth Channel Authority (S4C) decided to bid against the BBC for coverage of Welsh club rugby. This competition between two public authorities is not in the financial interests of either licence payers or tax payers, and the need now to replace the hours which BBC Wales is obliged to deliver to S4C with other programming will impinge on the ability of BBC Wales to serve local audiences, whether in English or Welsh.

Education

Governors commend a number of successes by BBC Education in the past year. The switch from schools broadcasts to supplying tapes direct to schools was well handled and well received. The reorganisation of the Open University Production Centre was another well managed development. It separated the activity of commissioning and scheduling from production, as in the rest of the BBC. Editorially, we commend the success of BBC Education in making programmes, in mounting campaigns which are accessible to peak audiences, and in its continuing co-operation with the world of education.

The Governors see education as a key BBC activity. Traditionally, the BBC does it well. The appetite for top quality education programmes and products is growing – and so are the opportunities to supply them. But so too is the competition. The Governors believe it essential that the BBC exploits to the fullest extent, an area of traditional strength in the new circumstances of digital broadcasting.

Online

Governors welcome developments in online services. We want the BBC to provide high quality services on the Internet. The General Election service was an important and successful venture by BBC News. We also welcome the inauguration of *beeb@the bbc*, the commercial online site developed jointly with ICL-Fujitsu.

Production

Governors congratulate management on building a new bi-media directorate, BBC Production, dedicated to excellence in programme making, for BBC television and radio, for the World Service and for the new digital channels. We are determined that the BBC should maintain a strong in-house production base. We have asked management to give priority to the

leadership and development of a strengthened BBC drama department and we were pleased to note the recent appointment of a new Controller of Drama Production.

News

We are pleased with the BBC news service overall and proud of the election coverage in particular. This displayed great sure-footedness. The BBC was right to cover the election campaign in depth. To provide such coverage is one of the BBC's fundamental purposes. We are satisfied that BBC News achieves impartiality, but would emphasise that political interviewing can and should be penetrating and analytical without ever becoming disparaging, overly aggressive or disdainful. The post-election period offers the opportunity to focus coverage on the development of policy in a changed political landscape.

Governors commend the comprehensive review of news output which is now under way. We are committed to an approach to news which tackles a broad and serious agenda, reports significant developments at home and abroad, avoids tabloid sensationalism, offers political debate which generates light and not just heat – and is accessible to different audiences. BBC News must deliver to the World Service a service of world news which is truly global in its outlook. We look forward to the launch of a BBC 24-hour television news service which makes the most of effective co-operation with BBC World and which broadens and strengthens the BBC's authoritative news coverage from home and abroad. We also welcome the relaunch of the Ceefax service and the prospect of a new regional service in the autumn.

World Service

The World Service remains a jewel in the BBC's crown – a jewel to be treasured and safeguarded – but also a service with a future as exciting as its past has been distinguished. The Governors appreciate the importance of the World Service and take pride in its achievement, particularly its growing audience at a time of increasing competition. High points included the coverage of events in Albania, Afghanistan and the Middle East. The coverage of the situation in Zaire was especially impressive.

Governors welcome the financial respite won in the autumn Budget with the reversal of threatened cuts in World Service funding but note that the squeeze on capital investment continues. The Board endorsed a challenging strategy for the World Service which has to adapt to the fast-changing world of satellite and the Internet. We approve the emphasis being placed on the need to develop an ever-improving understanding of audiences across all services.

The Governors believe that the World Service will gain from the restructuring of the BBC which separated programme production from the activities of commissioning and scheduling. The World Service will be better placed to respond to the challenges of increased competition and the digital age and will benefit from the increased efficiencies which will result. When the changes were first announced, they prompted opposition which was deeply and sincerely felt. Looking back, we believe that the impact of these changes on the World Service could have been better explained and better understood at the outset.

We were glad to co-operate in a joint working party where the BBC and the Foreign Office were able to reach agreement on a series of measures to safeguard the World Service. We have put in place procedures to oversee the contracts between the World Service and BBC production departments which must avoid cross-subsidy. A Governors' World Service Consultative Group, which will start work in the autumn, will oversee the independent review of World Service output.

Worldwide

BBC Worldwide, the BBC's commercial and international arm, exists to exploit BBC programmes in domestic and world markets to the benefit of the licence fee-funded services. The year saw considerable progress towards ground-breaking agreements with commercial partners for the successful exploitation of the BBC's programme archive and programme making skills in the digital future. The joint venture with Flextech holds out the exciting prospect of new BBC commercial channels for the United Kingdom. We are also in discussion with Discovery International with the aim of establishing a similar joint venture for international channels. The licence fee payer deserves a good return on the BBC's unrivalled archive and historic investment in quality programmes, but we will ensure that these developments are kept in perspective. Public service will always come first.

In last year's Annual Report, we called on management to improve the performance of BBC Worldwide's commercial operations. In 1996/97, BBC Worldwide met its key budgetary targets. Governors want to see a clear overall strategy, focusing on key products and markets, supported by first-class management information systems, budgeting and forecasting. We welcome the proposed partnership between BBC World and the new domestic 24-hour news channel. We commend the decision of BBC Worldwide to hold to its principles, even at the cost of losing revenue from the Arabic television service. The BBC's journalistic integrity is not for sale.

Resources

As Governors, we are proud of the tradition of excellence in all aspects of BBC production and broadcasting. We are proud of our technical and production staff, organised as BBC Resources. With the sales of our transmitters we said farewell to some 700 BBC staff who now work for other employers. We thank them and their predecessors for their contribution to the success of the BBC over many years. We are sure they will continue to deliver the highest standards of engineering quality for the benefit of viewers and listeners.

The Governors are determined to protect the tradition of technical production excellence at the BBC. But we recognise that the world of broadcasting resources is changing. Trading conditions are difficult. BBC Resources needs to be able to compete for a fair share of the technical resources market. That is the only effective guarantor of its future viability. The Governors have endorsed a strategy for BBC Resources. We are now seeking the right organisational mechanism which will safeguard the interests of the licence payer, the BBC and its staff. We expect to reach a decision on proposals in the autumn.

Value for money

The Governors are charged with ensuring that the licence fee payer receives value for money from the BBC. The verdict of Braxton Associates, the government's consultants, vindicated our judgement that the BBC is becoming ever more efficient. Having repaid its debts, the BBC is now in a position to invest significantly in the digital future. The Audit Committee has overseen the work of the BBC's own internal audit function and considered regular reports on the management of internal control. Governors approved the establishment of a shared service centre to drive efficiencies in the BBC's financial systems.

Personnel

People are the BBC's greatest asset. In last year's Annual Report, we asked management to continue to strengthen the relationship with the staff. We also asked them to plan a further step change in efficiency. It is perhaps not surprising that staff are sometimes confused and unsettled by the huge changes taking place both in the broadcasting world in general and in the BBC itself as it adapts to meet these changes. The Governors are eager to ensure that BBC management takes the staff with it in the changes which are ahead, explains why these changes are necessary and listens to staff concerns. We want BBC staff to feel as proud of the BBC as we are of them. We have asked management at all levels to seek to improve staff involvement across the BBC.

Communication

The Governors are determined to ensure that the BBC explains itself better to the public and that it constantly seeks the best means of doing this. We believe BBC public events are becoming better focused and more useful to those who attend them. We commend the corporate television trails on the theme, 'The BBC: you make it what it is'. Throughout the BBC, marketing in all its aspects is being taken more seriously and we welcome this. The *BBC Statement of Promises to Viewers and Listeners* was a major step forward in communicating with the public. The BBC should avoid jargon in its communications, both internal and external; and the BBC as an organisation needs to present a better face to the public. We welcome the new emphasis on listening and responding to our audiences and on customer care generally.

In 1996, BBC television marked the 60th anniversary of the inauguration of the first television service in the United Kingdom. This autumn the BBC will have much to celebrate on the 75th anniversary of the first radio broadcasts – by the then British Broadcasting Company.

Editorial standards

A revised edition of the *Producers' Guidelines* was published, including a Code on Impartiality and Accuracy as provided for in the new Charter and Agreement.

Questions of taste and decency remain of concern to many viewers and listeners. Responsible scheduling, sufficient labelling and signposting of difficult material and respect for the 9pm watershed are vital. The BBC has joined the Independent Television Commission and the Broadcasting Standards Commission in a joint working party on violence to consider a number of difficult questions about the classification and monitoring of broadcast violence.

Commercial Policy

One of the new obligations placed on the Governors by the Charter is a specific duty to ensure that the BBC trades fairly and does not allow licence fee income to subsidise any commercial activities. The Governors remain vigilant on this front, which is of increasing importance as the BBC's legitimate commercial interests take wing. We are satisfied that procedures are in place for avoiding breaches of the fair trading rules. But as well as fair trading concerns, the Governors have to ensure that the BBC's brand and its public service mission are not compromised by ill-judged commercial forays. It was a matter of concern to us that the highly successful *Proms in the Park* event so nearly misfired because of inappropriate commercial promotion activity, inadequately supervised by the BBC.

Accountability

The Governors appreciate the importance of effective accountability to viewers and listeners and to Parliament. The new Royal Charter incorporated the approach first outlined by the BBC itself in *An Accountable BBC* in 1993. This year has seen the completion of the framework of accountability reforms which we then set out. The challenge now for the BBC is to make a reality of the accountability mechanisms which have been put in place and to demonstrate their effectiveness. The BBC published its first *Statement of Promises to Viewers and Listeners* last November, following widespread public consultation on the standards licence payers expected to see upheld. In the section which follows this Assessment, we summarise the BBC's performance against the Promises. Later this year, the BBC will publish a full report on the Promises, including objectives for the year ahead.

Programme complaints

The BBC sets itself high editorial standards, but sometimes mistakes are made. When programme makers get things wrong they should apologise speedily and put things right. Then the lessons should be learned for the future.

The BBC has a Programme Complaints Unit, independent of the programme makers, to investigate and adjudicate on the most serious complaints. The PCU demonstrates high standards of judgement and integrity, but we are concerned at the time it sometimes takes the BBC to respond to complaints. We note that the Unit did not meet its own performance target for the time taken to resolve complaints. While we are aware that the Unit's case load has been greatly increased by the demands for statements from the reinvigorated complaints function of the new Broadcasting Standards Commission, the BBC will have to respond more speedily to complaints from viewers and listeners in future.

A Complaints Bulletin was published quarterly, setting out the findings of the Programme Complaints Unit, the follow-up action which resulted and the outcome of appeals to the Governors' Programme Complaints Appeals Committee.

Independent advice

The programme of independent expert advice was expanded to cover six network genres, three network services and BBC World Service in English. In addition, Scotland, Wales and Northern Ireland each commissioned panels to consider Radio Scotland, Radio Wales and Radio Ulster and to review local sports coverage. A further panel considered the nightly regional news programmes in England. Altogether 50 outside experts were involved in reviewing BBC programmes and services and offering their advice in 1996/97.

At network level, the services examined this year were Daytime Television, Radio 2 and Ceefax. The programme genres considered were Sport, Entertainment, Documentaries, both specialist and general, Education for Adults for Work and Daily News.

The Listening Strategy

In addition to the system of independent expert advice, we have developed a Listening Strategy designed to cover in a systematic way all programme genres and broadcast services over a four-year period. We have done this to ensure that we meet our obligation under the Charter to listen to what our audiences are telling us. Our aim is to align independent expert advice, audience research and public events and so build a comprehensive picture of audience attitudes for discussion by the Board. In the past year, we piloted this approach with Listening Strategy audience reports on Daytime Television, Radio 2 and Ceefax, complementing the independent panel reports on the same subjects.

General Advisory Council

The way in which the Governors receive external advice about the BBC is changing. Advice is now more focused and less general. Since 1935, the Governors of the BBC have been assisted by a General Advisory Council (GAC), with a membership drawn from outside the BBC and across the United Kingdom. Most recently, the GAC had been overseeing the introduction of the new system of independent advice panels. As both the Board of Governors and the Broadcasting Councils have adopted a more strategic remit, the GAC appeared to have lost a distinctive role. The new Charter omitted provision for a GAC, and, following consultation, the Governors decided to discontinue the Council in January 1997. The last meeting of the GAC was held on 30 October 1996. The Governors intend to use the model of the independent panels to commission, as necessary, more focused external advice on other issues. The Governors are grateful to the members of the GAC for their contribution to the work of governance and, in particular, for their supervision of the new accountability measures.

Governing the BBC

It is more than three years since the Governors published *An Accountable BBC*, setting out our ideas for making the BBC more accountable. The programme of reforms has now been implemented successfully. Following this and the introduction of the new Charter with its more specific provisions relating to the Governors, we intend to publish in the autumn a new statement of our approach to accountability. This will underscore our determination to demonstrate and deepen

the BBC's accountability, through the Board of Governors, to licence payers and Parliament.

Our advisers

The Board is assisted in its work of strategic oversight and regulatory review by a structure of standing and ad hoc advisory bodies. These include the regional and local councils which represent licence payers in the different parts of the United Kingdom and the specialist bodies such as the Educational Advisory Councils, the Religious Advisory Councils and the Appeals Advisory Councils. To them, and to all who have served on the various independent advice panels, we express our thanks.

The Governors work most closely with the Broadcasting Councils for Scotland, Wales and Northern Ireland and with the English National Forum. The Board has consulted the Councils on the objectives it has set for local programmes and services. The Councils have been briefed on the allocation of local programme budgets between different genres and services. The Councils have also been kept informed of developments concerning the future strategy of BBC Resources.

Objectives 1997/98

The Governors have endorsed the following key objectives for the BBC in 1997/98:

- introduce new digital services of high quality which extend choice for audiences while maintaining the highest standards in existing programming
- seek to secure effective and non-discriminatory regulation, which would guarantee licence fee payers continued full and direct access to BBC programmes on all digital distribution systems
- within BBC Production, build a strong drama department which is effectively and creatively led
- ensure the BBC makes an appropriate programme response to proposals for devolution in Scotland and Wales
- involve everyone at the BBC in helping to understand and meet the challenges faced by their department and by the BBC as a whole
- ensure the BBC has a coherent strategy for introducing and integrating the new distribution, production and information technologies
- train staff in the skills they need for the new technologies
- devise long-term strategies for every department, in line with the BBC's overall plans
- begin to achieve the next generation of major efficiency savings.

Performance against Promises

Under the terms of the Royal Charter and Agreement, the BBC is obliged to publish an annual Statement of Promises setting out the services and standards viewers and listeners can expect to receive from the BBC. The Governors are required to report on performance against Promises in the Annual Report.

In November last year, the BBC published the first such Statement of Promises, *Our commitment to you*. The Statement described the BBC's services across the United Kingdom, on both television and radio. The published standards reflected our established policy and guidelines, but also reflected the subjects on which our viewers and listeners particularly wanted reassurance. The document was shaped in a process of public consultation with interested bodies and consumer organisations, with the assistance of the BBC's network of national and regional advisory councils. The BBC made more than 200 promises, grouped into five broad areas.

We promised:

- to provide something for everyone
- to be fair, accurate and impartial
- to provide value for money
- to improve access to BBC services
- to be accountable and responsive.

The BBC's performance against the Promises was monitored during the year and complaints and challenges were noted and investigated. Performance was assessed in each part of the BBC during the annual performance review process.

Throughout this Annual Report, the BBC details performance against key aims and objectives. The BBC has kept its Promises to viewers and listeners constantly in mind. The Statement of Promises contained 230 detailed pledges. The BBC has met 221 of them in full and a further nine in part.

The Governors wish to highlight areas of particular success, but also to note some areas of activity where improvement is necessary.

Providing something for everyone

We promised to – and we did:

- *provide more factual programming during peak time on television than other broadcasters.* Fifty-one per cent of programming on BBC2 in peak time is factual (compared with 49 per cent on Channel 4). On BBC1 the figure is 46 per cent (compared with 29 per cent on ITV).
- *develop a new morning television schedule taking account of audience needs.* The emphasis has been on entertaining programmes with an information core, such as *Style Challenge* and *The Really Useful Show*. Audiences have increased.
- *monitor audience reaction to what we are doing on Radio 4*

and take that into account in our plans. An extensive review of audience responses to current output has been undertaken. The findings will influence future decisions.

- *move towards our target of making broadly one third of our programmes for our national services outside London and the South East by 1998.* The figures in 1996/97 were 32.8 per cent by value on television and 33.7 per cent on radio. Both were an increase on the previous year.
- *provide programmes of particular interest to ethnic minority audiences.* Programmes and services included *The A Force*, *Black Britain and East*, on Television, The Asian Network in the Midlands and GLR's Community Affairs Unit.

But the BBC needs to do more to:

- *strengthen the mix of programmes attractive to young people on BBC2.* Despite programmes such as *This Life*, the Friday night *Comedy Zone*, *Shooting Stars* and *The Fast Show*, reach among 16-24 year olds has fallen a little year on year (as it also has for Channel 4).

Being fair, accurate and impartial

We promised to – and we did:

- *publish a new edition of the Producers' Guidelines.* A new and extensively revised edition was published in November 1996. Copies were made available to the public. All programme makers were made familiar with the Guidelines.
- *observe the detailed rules of the BBC's Code on Impartiality and Accuracy.* The Programme Complaints Unit monitored compliance. There were 231 complaints about lack of impartiality – not a high number in relation to the volume of output. Only three complaints were upheld. While we regret these breaches, we conclude that overall the BBC's output was impartial.
- *warn you, through publicity and trails, when a programme will contain material that might be offensive.* BBC Television made 152 presentation announcements about strong language and 20 about violence. There were a further 79 warnings about other matters which could cause offence.
- *balance the need to know, when reporting human tragedy, pain, suffering, violence or grief, against the risk of causing unnecessary distress or anxiety.* No breaches were reported. The BBC was praised for the sensitivity of its coverage of Dunblane.

But, in a few individual instances, the BBC fell somewhat short of its target to:

- *observe the 9 pm 'watershed.'* Although the BBC has improved its performance in this important area, the Programme Complaints Unit upheld 11 complaints about inappropriate scheduling. This should be seen in the context

of the 4,000 television programmes which are scheduled between 6 pm and 9 pm in the course of a year. Steps were taken during the year to tighten up further on scheduling procedures.

- *deal fairly with individuals and organisations who are the subject of strong, damaging criticism.* Nine complaints were upheld by the Programme Complaints Unit during the year.

Giving value for money

We promised to – and we did:

- *keep up our attack on costs.* We have demonstrated efficiency savings of around 19 per cent over the three years 1994/95 to 1996/97.
- *pilot a 'cash easy entry scheme' for paying the licence fee by small instalments.* The scheme was introduced in August 1996 and there are now 30,000 members, 40 per cent of whom were previously unlicensed.

But the BBC fell short of its target to:

- *maximise licence fee income by keeping down the cost of collection and encouraging everyone to pay.* Evasion and collection costs, at approximately 13 per cent of licence fee income, showed virtually no reduction on previous years.

Improving access to BBC services

We promised to – and we did:

- *ensure that four out of every ten programmes will be subtitled. This means that you can expect an average of at least 20 hours of subtitled programmes each day.* BBC Television now subtitles more than 20 hours a day. Thirty-eight per cent of all BBC television output is now subtitled.
- *improve arrangements for disabled people who attend television shows.* The new Television Centre reception areas and the forthcoming Broadcasting House Visitors' Centre both incorporate better access. Improvements to access have also been made at Pebble Mill and Cardiff.

Being accountable and responsive

We promised to – and we did:

- *consult audiences likely to be affected by major changes to services.* The BBC consulted widely on its proposals for new licence fee-funded digital services.

The BBC met in part its promise to:

- *ensure that the Viewer and Listener Information department replies to all written comments, inquiries and complaints within ten working days.* Eighty-eight per cent of letters were answered within the deadline.

But, the BBC missed its target to:

- *provide a full response to complaints considered by the Programme Complaints Unit within 20 working days.*

In fact, the share of complaints resolved within the deadline was only 35.5 per cent. The BBC's speed of turnaround in handling serious complaints is unacceptably low and must be accelerated.

We are reviewing the lessons of this first year of Promises in order to ensure that the BBC publishes the key information that licence payers need and tracks performance in more measurable ways. We shall publish our Statement of Promises for 1997/98 in September, describing the BBC's services, standards and objectives for the year ahead.

Reports to the Board of Governors

The National Broadcasting Councils have responsibilities under the Royal Charter to advise the Governors on programmes and services in Scotland, Wales and Northern Ireland – on behalf of the licence payers. The Governors, in turn, have a duty under the Charter to consult the Councils on issues relating to the output in the three National Regions, including the setting of objectives. The Councils ensure that they are well-informed on the views, needs and interests of licence payers in the National Regions by carrying out a range of activities to monitor public opinion. They meet viewers and listeners in a variety of public forums, have access to audience research and correspondence, and receive focused advice from independent panels. At the end of each year, they report to the Governors on the performance of BBC Scotland, BBC Wales and BBC Northern Ireland. Their reports for 1996/97 follow.

The Broadcasting Council for Scotland

The Council believes that 1996/97 has been a year of considerable success and innovation, with critical and audience acclaim for a range of output, a record level of programmes delivered to network television and BBC Scotland's radio and television journalism strong.

There have been a number of ground breaking stories in the award-winning *Frontline Scotland*, among them reports on child abuse and the regulation of private paramedic companies. *Good Morning Scotland* made another significant contribution to the life of Scotland through the quality of its journalism. It has also been heartening to see *Reporting Scotland* closing the audience gap with its competitors.

Sport had a testing but rewarding year with the inaugural Loch Lomond Invitational Golf Championship, the Olympic Games in Atlanta and coverage of Euro 96.

Drama went from strength to strength. Among the commissions for the network, *The Crow Road* won audience and critical acclaim while *Hamish Macbeth* finished its third series on a strong note. *Mind the Gap* was a new collection of short dramas for Scottish audiences. The department has played a crucial role in encouraging new Scottish talent.

The Council is delighted that Children's programming has had another strong year with *Fully Booked* and *Activ8* among the highlights.

Science and Education deserve particular mention. Among the most notable programmes were *Companion To The Cosmos* for Radio 4 and *It Couldn't Happen Here* which won a silver award in the Medical Journalists' Association competition.

In Gaelic, the European current affairs programme, *Eorpa*, collected a well deserved BT award for Best Scottish Current Affairs programme.

Radio Scotland has had a highly productive and innovative year with the introduction of themed weeks and social action

campaigns. The Council was pleased to see Radio Scotland's international relationships develop in the form of a 13-week series of co-produced programmes which included output from several European countries.

The station's special relationship with its audience was recognised in the Sony Awards this year when Kate Fawcett won the Local/Regional Radio Reporter of the Year award for her work on the Dunblane tragedy and the aftermath. Radio Scotland was also awarded a gold prize for service to the community in recognition of its sensitive treatment of Dunblane. Across BBC Scotland output, the Broadcasting Council felt that the coverage had been well judged. It also commended the comprehensive and authoritative coverage of the BSE crisis.

The year saw the biggest management change in BBC Scotland's 74-year history, with the separation of Broadcast and Production and the launch of a new chapter in programme making and commissioning. As part of the changes, the introduction of a Talent Pool offers staff new career opportunities and greater flexibility. The Broadcasting Council supports the changes and looks forward to building on the programme success of 1996/97. It also looks for the development of a programme strategy benefiting from more detailed audience research. The need for this is underlined by the intensely competitive environment in Scotland. Whilst the Council believes that it would be counter-productive to devise a strategy which is wholly audience-led, a better understanding of demand is needed.

The year ahead is one of testing transition. The Council believes the objectives set for BBC Scotland are rigorous and realistic. An increase in network radio commissions and the launch of successful series in Arts and Entertainment are among the key challenges.

The Broadcasting Council for Wales

The last year has witnessed some dramatic changes to the broadcasting environment in Wales, with increasing competition on all fronts. However, the quality of output which has been assessed by the Broadcasting Council has more than sustained the appeal of most parts of BBC Wales' services. This success is attributable to a talented team of programme makers who have been able to implement the programme strategies set out at the beginning of the year.

In television, *Wales Today* deservedly increased its audience, whilst the Welsh language news programme, *Newyddion*, and *Manifesto*, the parliamentary programme, were successfully redesigned, the latter doubling its audience. At the same time, new initiatives in comedy and light entertainment yielded pleasingly large dividends.

It is reassuring that quality production values – as evidenced in the dramas, *Streetlife* and *Trip Trap*, and the documentary, *Walking Towards the Light* – have been sustained on all fronts within tight budgetary constraints. It is also encouraging that this quality has been recognised in the shape of a much higher volume of network commissions in radio and television.

There continues to be creative production from BBC Wales Arts and Music, notably in *The Slate*, and inspirational performance by the BBC National Orchestra of Wales. The foundations for a network centre of excellence in Music are well established, and the Council looks forward to the early realisation of this production centre.

Some points of concern remain. Despite the success of network radio drama and, in Welsh for S4C, of *Pobol y Cwm*, the drama department has yet to achieve the necessary focus to allow it consistently to penetrate the BBC1 market. There are, however, positive signs in the form of series to be screened during 1997.

Over the past 15 years, BBC Wales has enjoyed a close collaboration with S4C, founded on the provision by the BBC of Welsh language news, sport, popular drama, and other programmes. These have been funded entirely by the BBC. The Council is, therefore, very concerned that S4C – a public service broadcaster – should have mounted a bid against the BBC to secure the Welsh club rugby contract. This move does not seem to be in the best public interest and has far reaching implications for the BBC, for broadcasting in Wales and for non-Welsh speaking audiences. These implications are now being explored.

Along with the much broader BBC proposition for the UK as a whole, the Council welcomes the opportunities that are in prospect for BBC Wales with the introduction of digital technology, having always believed that regional/national services should be a major beneficiary of the new technology. The Council looks forward to the evolution of this service. The strategy will ensure that public service broadcasting in the UK and in Wales in particular will remain a powerful force.

The Broadcasting Council for Northern Ireland

The Broadcasting Council is pleased to report on a year of considerable success for BBC Northern Ireland and is particularly proud of its three Sony Gold Awards and two Royal Television Society awards. We are aware that this success has been achieved against the backdrop of a constantly changing news agenda. We also recognise the difficulties and dangers of broadcasting in a divided community and of the daily struggle to serve our audiences with balance and fairness.

We are delighted that Radio Ulster remains the market leader with its share increased to its highest level for two

years. We would particularly note the strong performance of the Saturday morning schedule, a higher profile and more consistent coverage for arts, and the impact of the youth programme, *Across the Line*, in nurturing new talent. *The Y Zone* – a day in which young people contributed across the whole of the output – enlivened the schedule and introduced the next generation to the joys of speech radio. Council also commends the strategy of nurturing on radio comedy talent which will transfer to television. We would wish to see Northern Ireland win a secure place for Radio Drama within the network schedules in the coming year.

Improvement in production and craft skills in *Newsline 6.30* – together with stronger audience figures – provides an improved base for continuing development in the coming months. Particular praise is due for the balance, accuracy and integrity of coverage of the Forum and General Elections, the widespread civil disorder surrounding the Drumcree stand-off, and the crisis in the beef industry following the export ban prompted by fears over BSE. In the coming year, we would wish to see development of business coverage, along with more effective scheduling and promotions.

Council is delighted at the continuing success of network television drama, notably *Ballykissangel* and *The Precious Blood*, Graham Reid's powerful film about a woman who discovers the awful truth about who killed her husband 12 years before. *Out of the Deep Pan*, Tim Loane's and Kieron Walsh's colourful and funny film, is also worthy of note, as is *Loving*, an original slant on relationships between staff and employers in a large country house. However, ensuring that the cultural life of Northern Ireland is adequately reflected to the UK audience through arts and factual programmes is also a priority for the coming year.

Our review has been conducted through a series of genre reports from editorial staff during the year, the use of audience research, qualitative feedback from public forums and reports from independent assessors. We believe that the objectives for BBC Northern Ireland, which were set by the Board of Governors last year and agreed by us, have been addressed and real change has taken place as a result. Discussions with the Board of Governors indicate that a number of the objectives for the coming year have been formulated with thoughts of technological developments very much in mind. This is an exciting and challenging time for broadcasting and, as we move into the new digital era, we believe that BBC Northern Ireland is well positioned to take full advantage of the opportunities it will present.

In England, the ten Regional Advisory Councils and 39 Local Advisory Councils monitor regional and local programmes. Like the National Broadcasting Councils, the English Councils carry out a range of activities to gauge public opinion in order to ensure that they are well-informed on the needs of licence payers in their areas. The chairs of the Regional Advisory Councils come together as the English National Forum which, at the end of each year, reports to the Governors on performance in the English regions. Its report for 1996/97 follows.

English National Forum

The English National Forum believes that BBC regional programmes are one of the best arguments for public service broadcasting funded by a universal licence fee.

Over the year, the response to major news stories has been authoritative and trustworthy. The Forum singles out for special praise the coverage of the aftermath of the Manchester bomb, which avoided sensationalism and intrusiveness and which provided clear and accurate public information over a long period of disruption. There is praise, too, for the West Midlands' sensitive handling of the machete attack at a Wolverhampton school and for BBC East's coverage of the loss and death of the Loughlin children.

Overall, objectives have been achieved and services have operated to a high standard, although, in places, regional television presentation lacks flair and some programmes need to give a greater sense of being rooted in the community. The agenda sometimes follows rather than leads.

The *Look East* sub-opt from Cambridge has made a confident start and there is a demand for similar sub-opts elsewhere. In London and the South East, the difficulty of providing a service from Oxford to Kent which also serves London adequately is a particular concern.

Home Ground provides a valuable network showcase for the best regional current affairs programmes although, scheduled against *EastEnders*, it has yet to attract the audience it deserves. Mindful of the BBC's investment in regional journalism, the Forum would welcome a review of the way in which specialist correspondents are used.

In local radio, a distinctive, speech-led service is the hallmark of BBC stations. Music has a role, however, and greater thought needs to be given to an appropriate policy. A strong demand for truly local services continues to be voiced by Advisory Councils and at public meetings, and the English National Forum would not wish to see any extension of the use of programme sharing among different radio stations.

There was regret in some areas that BBC local radio had not observed the unofficial two minute silence on 11 November. Views on appropriate observance vary, but policy needs to be examined.

One of the year's welcome events was the launch of the 24-hour Asian Network in the Midlands, with programming based on extensive research and consultation about the needs of different racial, language and religious groups. The Forum will monitor its performance and is keen that the success of this service should not reduce coverage of matters of interest to the Asian community in other output.

Issues relating to the BBC and children have been widely debated following the Governors' seminar on this subject last year. The Forum asks for a new partnership with parents, educators and children and suggests a termly digest of issues to be covered in soap operas and drama, a review of the scheduling of soap operas and provision of alternative programmes for children on BBC2.

There is widespread support for the BBC's digital plans and the Forum asks the Governors to ensure that the English regions benefit from them.

Finally, the Forum emphasises that licence payers expect high standards from the BBC. They need to be reassured that the new *Producers' Guidelines* – and especially the watershed – will be enforced rigorously.

Report on Compliance

The Board of Governors is charged by the Royal Charter and accompanying Agreement with a number of specific, regulatory functions. The Governors must ensure compliance with: high standards of corporate governance; legal and contractual obligations including Acts of Parliament, the terms of Department of National Heritage (DNH) Approvals for commercial ventures and European Union directives; separate funding of commercial and public services; and fair trading.

The Governors report on these matters over the following five pages. There are also reports from the BBC's auditors on fair trading and compliance with the Cadbury Code of Corporate Governance.

Legal and contractual obligations

Programme quotas

The Office of Fair Trading (OFT) reported in November 1996 that 28.1 per cent of the BBC's qualifying television programming was made by independent producers in the year ending 31 March 1996, thus exceeding the specified quota of 25 per cent. The OFT also reported that the BBC had broadly ensured that these independent productions were of a satisfactory range and diversity.

The BBC also exceeded EU quotas in the calendar year 1996 for the proportion of television output represented by programmes of European origin and programmes produced by European independents. Eighty-five per cent of the eligible output was of European origin (as against a minimum requirement of 50 per cent) and 10.5 per cent was made by European independent producers (as against a minimum of ten per cent).

Programme information

The BBC is required by law to make advance information about television and radio programmes available to publishers in the UK. This duty has been discharged by Broadcasting Data Services Limited, a subsidiary of BBC Worldwide Limited.

Sale of transmission

The 1996 Broadcasting Act gave the BBC powers to make transfer schemes relating to the sale of its transmission network, provided that the scheme was approved by DNH. The transfer scheme for the Home Service network was approved by the Secretary of State for National Heritage on 28 February 1997. The transfer scheme for the World Service was approved by the Foreign Secretary, after consultation with the Heritage Secretary, on 26 March 1997.

Employment and Equal Opportunities

The BBC complies with the requirements of employment and equal opportunities law and has Managers' Guidelines in place

which are revised regularly to reflect changes in UK and European law. Training is carried out regularly. During the year, the Guidelines were amended to reflect the requirements on employers of two new Acts of Parliament, the Disability Discrimination Act and the Asylum and Immigration Act.

Health, safety and the environment

The BBC has policies in place for the preservation of safety and the protection of health and of the environment. It has taken steps to audit safety performance across the Corporation to ensure adequate compliance. It is also ensuring compliance with recent legislation on the protection of young people and consultation with employees.

Editorial compliance

The BBC complied with requirements on impartiality and taste and decency. The *Producers' Guidelines*, revised and reissued in November 1996, contain a code on impartiality and accuracy, as required by the Charter and Agreement, and a section on taste and decency, reflecting the requirements of the 1990 Broadcasting Act. Everyone who makes programmes for the BBC is contractually obliged to follow the Guidelines. In March 1997, the Controller of Editorial Policy reported to the Governors that no major breaches of the impartiality code had occurred and reviewed comprehensively issues of taste and decency.

Complaints

During 1996, the BBC received 30 notifications of complaints from the Broadcasting Complaints Commission. In the same period, 22 complaints were upheld or partly upheld, although some of these related to earlier years. The BBC received 655 notifications from the Broadcasting Standards Council, of which 132 were withdrawn. In the same period, 48 complaints were upheld and eight partly upheld. Again, some of these related to earlier years.

The BBC complied with all directions given to it by both bodies.

The BBC's own Programme Complaints Unit also investigates complaints about programmes where there may have been a serious breach of standards. Its findings are subject to review by the Governors' Programme Complaints Appeals Committee. In the year to 31 March 1997, the Programme Complaints Unit dealt with 1,124 complaints, of which 200 complaints (18 per cent) were wholly or partly upheld. The Governors require further action to be specified where a complaint is upheld or partly upheld.

In the same period, the Governors' Programme Complaints Appeals Committee considered 25 appeals against decisions by the Head of Programme Complaints. The Committee agreed to entertain 18 of the 25. Of these, one appeal was upheld in part.

Independent output (on BBC Television)
Independent output as a proportion of all 'qualifying' output (using OFT definitions)
%



*This figure is an estimate based on the information available to the BBC. The OFT will publish its own assessment later in 1997.

Note: Radio 11.4% (10.5% 1995/96 – restated)

Performance against EU targets for the calendar year 1996
%



*The definition differs from that used under UK legislation. Under Article 5 of the Television without Frontiers directive, it is calculated as a proportion of total European hours broadcast and excludes sports events, game shows, news programmes, teletext services, and non-transmission times when the channels are off the air or the test card is being displayed.

The members of the Committee during the year were Lord Cocks, the Rev Norman Drummond and Janet Cohen.

Compliance with DNH approval for European Channel Broadcasting Ltd

The DNH Approval dated 11 December 1994 set out three main conditions on which the BBC should provide the BBC World and the BBC Prime satellite channel services in Europe:

- arm's length trading relationships
- provision of the services for reception in mainland Europe, not the United Kingdom
- compliance with the relevant Independent Television Commission (ITC) codes.

The BBC's Fair Trading policy was applied and the services operated on an arm's length trading basis. The services continue to be marketed only within mainland Europe.

In addition to compliance with the relevant ITC Codes, the BBC-made programmes shown on the channels were produced in accordance with the BBC *Producers' Guidelines* whilst the programmes made by Thames Television were produced in accordance with the ITC Codes. During the course of the year, a customer relations manager was appointed to assist the compliance officer and so strengthen the compliance role. The complaints process was reviewed, both to formalise the internal referral system and to ensure that the recording process for viewer comments enabled compliance issues to be better identified.

The two channels received 19 compliance related complaints during the year in the following categories:

Factual inaccuracy	7
Intrusiveness	1
Bias	5
Racism	5
Sexism	1

All complaints were investigated and answered. One bias complaint was partly upheld and the one intrusiveness complaint was upheld and apologies were made.

Fair Trading

Fair Trading Commitment

The BBC's Royal Charter and the accompanying Agreement require the Governors to oversee the provision of commercial services in such a way as to ensure that they are funded, operated and accounted for separately from the public services. The Charter and Agreement also require that arrangements are in place to ensure the avoidance of cross-subsidies between public and commercial services, including the absence of any guarantee or underwriting of commercial services by the BBC.

The BBC has established and published its Fair Trading Commitment, which reflects these requirements and explains how the BBC will fulfil its responsibilities to licence payers, customers and competitors. It does so by identifying three main objectives:

- clear criteria established for all our commercial activities
- fair competition
- no risk to the licence payer.

The Fair Trading Commitment requires arm's length relationships between commercial activities and the rest of the BBC, supported by transparent contracts and fair prices for resources, services and programmes provided by the public services to the commercial services. The Executive Committee is responsible for implementing a system of procedures and controls to give effect to the BBC's Fair Trading Commitment.

Fair Trading Audit Committee

The Fair Trading Audit Committee was established by the Governors to monitor and review the compliance with and effectiveness of the controls and procedures implemented throughout the BBC to give reasonable assurance of achieving the objectives of the Fair Trading Commitment and to ensure that management's response to fair trading issues is appropriate.

The members of the Committee are Lord Nicholas Gordon Lennox, Lord Cocks and Janet Cohen. The Committee met periodically during the year to consider reports from both internal and external audit and BBC's management. The Committee now offers the following review.

Review of Fair Trading

The BBC's Fair Trading Commitment forms the foundation for the framework of procedures established throughout the BBC. In discharging its responsibility to the Governors, the Fair Trading Audit Committee receives regular reports from the Fair Trading Representatives in each directorate and from the Chief Adviser, Commercial Policy, who is responsible for co-ordinating their work and for ensuring that both policy and procedures are properly disseminated throughout the BBC and then kept under regular review.

In addition, the Committee receives regular reports from both internal auditors and external auditors on the results of work they have carried out according to a plan approved by the Committee, in order to monitor on a sample basis the operation of those procedures. Where their work results in recommendations for changes or improvements in the procedures, the Committee discusses them with management and, where appropriate, agrees on the timing and method of implementation.

Governors' Statement on Fair Trading

The Governors consider that:

- the policies contained in the BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement
- those policies have been fully adopted and procedures to ensure their implementation have continued progressively to be put in place during the year
- the fair trading framework is fully in place and has been adapted to the structural changes effected within the BBC during the year
- procedures and controls to ensure the proper recording and reporting of all relevant transactions have been in force during the year and
- wherever possible, relevant costs have been identified or external benchmarking carried out to give reasonable assurance that internal transfer prices are appropriate.

The above procedures have been monitored during the year by the Fair Trading Audit Committee and we have thereby gained reasonable assurance that the above procedures are being applied effectively throughout the BBC.

Report by KPMG to the BBC on Fair Trading

We have been requested by the Governors to undertake an independent review of the development and implementation of and compliance with the procedures and controls within the BBC designed to give reasonable assurance of achieving the objectives of the BBC's published Fair Trading Commitment.

The Governors' responsibility, through the Fair Trading Audit Committee, is set out on page 66 under the heading 'Fair Trading Audit Committee'. The Executive Committee is responsible for implementing a system of procedures and controls to give reasonable assurance of achieving the objectives of the Fair Trading Commitment.

Our responsibility is to provide periodic reports to the Fair Trading Audit Committee on the development and implementation of and compliance with such procedures and controls to assist the Committee in its role, and to express an opinion on the Governors' Statement on Fair Trading (see above).

We have performed a detailed programme of work to review the BBC's Fair Trading procedures and controls. Our review was not performed with any specific transaction in mind and it should not be relied upon for any such purpose. Because of the limitations of any system of control, errors or irregularities may occur and not be detected.

Our work primarily comprised enquiry and assessment to establish the procedures and controls in place, together with tests of samples of material transactions to give reasonable assurance that the procedures and controls have been applied.

In our opinion, the Governors' statement on page 67 appropriately reflects the BBC's compliance with its Fair Trading Commitment.

KPMG
Chartered Accountants
London

26 June 1997

Corporate governance

Remuneration Committee

During the year, the Executive Committee was established and members of the Committee were appointed by the Board of Governors. The remuneration of the Executive Committee is to be determined by the Board of Governors which is advised by the Remuneration Committee.

The main objective of the BBC's executive remuneration policy is to enable the BBC to attract, retain and motivate members of the Executive Committee and to pay them fairly for their individual contributions. The Remuneration Committee is responsible for recommending to the Board of Governors:

- the BBC's executive remuneration policy and its relationship with appropriate external comparators
- individual remuneration packages for each member of the Executive Committee
- the relationship that should exist between the remuneration of members of the Executive Committee and that of other employees.

The BBC operates within a highly competitive market for high calibre executives, and needs to be in a position to recruit from outside the BBC directly onto the Executive Committee. For this reason, understanding remuneration in a broad range of comparator organisations is an essential part of determining executive remuneration in the BBC.

Market levels are established with reference to annual surveys conducted by external consulting firms. In addition, an appropriate comparator group of companies has been established which includes other companies involved in broadcasting, some major public limited companies and central government agencies. The BBC seeks to maintain a total cash (basic salary plus annual bonus payment) position around the median for this group, taking into account the relative size of jobs.

During the year, several members of the Executive Committee assumed additional responsibilities following the reorganisation and this was taken into account in making changes to remuneration.

The members of the Committee during the financial year were Sir Christopher Bland, Lord Cocks, Lord Nicholas Gordon Lennox and Sir David Scholey.

Standards in Public Life

The Board of Governors and the Executive Committee have endorsed the Seven Principles of Public Life as set out in the report of Lord Nolan's Committee on Standards in Public Life. The Governors and the Executive Committee maintain registers of interests which may be inspected on written application to the Secretary. Procedures for the avoidance of conflicts of interest for members of BBC staff are governed by Cadbury procedures which have been in place for some years.

The Board is currently amending its Standing Orders to bring procedures for the declaration of interests at meetings of the Board into line with the government's recommended Code of Practice for Board Members of Public Bodies and to address other changes consequent on the new Royal Charter.

Audit Committee

During the course of the year, the Committee reviewed the effectiveness of internal financial control, approved and monitored the Internal Audit workplan, considered issues arising from Internal Audit's work, reviewed the quality of management's response to internal control issues, approved the external audit fee, considered the external audit strategy and plans, reviewed the external auditors' reports, and reviewed and approved the annual accounts.

The members of the Committee are Sir Kenneth Bloomfield (chair), Bill Jordan, Adrian White and Roger Jones (from March 1997).

Governors' Statement of Compliance with the Cadbury Code of Best Practice

The Governors have reviewed the Corporation's compliance with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. Although the BBC is not required to comply with the Code, it wishes to demonstrate high standards of corporate governance through voluntary compliance. The Governors believe that during the financial year the Corporation fully complied with the Code insofar as it is relevant to its constitution and structure.

In contrast to listed companies, the BBC does not have a unitary board structure. The Board of Governors are the Members of the Corporation. They act as trustees in the public

interest whilst BBC Management takes responsibility for day-to-day operations. The Governors have important responsibilities under the new Charter to ensure that the BBC complies with requirements as to programmes, management and direction, as well as its legal and contractual obligations.

The requirements of the Code can be applied to the BBC with two exceptions. Firstly, those relating to the appointment of non-executive directors are inapplicable since Governors are appointed by the Queen in Council and their remuneration is set by the Secretary of State for National Heritage. Secondly, those relating to shareholders can only be applied to the BBC insofar as the BBC is accountable to the public, rather than to shareholders, through the stewardship of the Governors.

Going concern

After making enquiries, the Governors and the Executive Committee have the expectation that the BBC has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal financial control

No system of internal financial control can provide absolute assurance against material misstatement or loss. The Corporation's system of internal financial control is designed to provide reasonable assurance against material misstatement or loss.

The responsibilities of the Governors and the Executive Committee in relation to internal financial control are clearly defined. The Governors are ultimately accountable for the proper use of public money. The Audit Committee, which meets at least three times a year, is charged with: reviewing the Report and Accounts and Auditors' Report; reviewing the effectiveness of internal financial control; and ensuring that management's response to internal financial control issues is appropriate. The Governors' Remuneration Committee advises the Governors on the remuneration which is appropriate for members of the Executive Committee. The Governors' Fair Trading Audit Committee monitors the effectiveness of procedures in place to achieve compliance with the Fair Trading commitment.

The Executive Committee is responsible for the system of internal financial control. The Management of Internal Control Committee meets quarterly to monitor the effectiveness of the system of internal control across the Corporation. The Committee comprises two members of the Executive Committee, the Secretary of the BBC, the BBC's Legal Adviser, the Head of Internal Audit and a representative from external audit. The Committee advises the Executive Committee and reports quarterly to the Audit Committee. The Chief Executive

of each directorate is required to report quarterly to this Committee.

There are established systems for monitoring and reporting the Corporation's financial performance, identifying future business risks and addressing internal control issues. Annually, each directorate prepares a capital, revenue and cash budget for the next financial year and an outline rolling business plan for the following four years will be prepared. Directorates prepare detailed monthly management accounts and consolidated management accounts are reviewed by the Executive Committee and the Governors. Actual results are compared against budget and appropriate action is taken. Annually, the Director-General undertakes a comprehensive review of directorate performance, including financial performance.

There are clearly defined authorisation procedures which ensure that significant decisions are considered by the Governors and the Executive Committee. The effectiveness of the internal financial control system is reviewed by Internal Audit which reports to the Audit Committee and the Director-General.

Report by the Auditors to the Corporation on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Governors' statement on pages 68 and 69 on the Corporation's compliance with the paragraphs of the Code of Best Practice insofar as it relates to paragraphs 1.4, 1.5, 2.3, 2.4, 3.1, 3.2, 3.3, 4.3, 4.4 and 4.5 of the Code and their statement in accordance with paragraph 4.6 of the Code regarding adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of our opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the Corporation's system of internal financial control or corporate governance procedures, or on the ability of the Corporation to continue in operational existence.

Opinion

With respect to the Governors' statements on internal financial control on pages 68 to 69 and going concern on page 68, in our opinion the Governors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements. Based on enquiry of certain Governors and officers of the Corporation, and examination of relevant documents, in our opinion the Governors' statement on pages 68 to 69 appropriately reflects the Corporation's compliance with the other paragraphs of the Code specified for our review.

KPMG
Chartered Accountants
London

26 June 1997

Report of the Governors and Executive Committee for the year ended 31 March 1997

The Governors and members of the Executive Committee present their annual report and the audited financial statements for the year ended 31 March 1997.

Principal activities

The British Broadcasting Corporation ('BBC') is a broadcasting corporation set up by Royal Charter. Its object is to provide a public service of broadcasting at home and overseas.

The Home Services and the World Service both receive income voted by Parliament, the former derived from the sale of television broadcast receiving licences, the latter from Grants-in-Aid. The Open University Production Centre receives a grant from the Open University.

The BBC has a remit to pursue its commercial objectives within the framework established by its Royal Charter and an Agreement with the Secretary of State for National Heritage.

Review of business and results

The Director-General's Review and Governors' Assessment on pages 10 to 53 and 54 to 59 provide information on the development of the BBC's activities during the year and the outlook for the future.

Details of the results for the year and transfers to reserves of the Home Services Group and the World Service are set out in the statements of income and expenditure on pages 74 and 87 respectively and in the notes to the financial statements.

Sale of transmission business

On 27 November 1995 the then Secretary of State for National Heritage announced that the transmission businesses of the BBC would be sold. As a result the BBC sold the Home Services' transmission business to Castle Transmission Services (Holdings) Limited on 28 February 1997. Details of the sale are disclosed in note 5 to the Home Services Group financial statements.

On 27 March 1997 the BBC sold the World Service's transmission business to Merlin Communications International Limited. Details of the sale are disclosed in note 4 to the World Service financial statements.

Members of the Board of Governors and Executive Committee

The present Governors and members of the Executive Committee are listed on pages 7 to 9.

On 1 April 1996 Sir Christopher Bland was appointed as Chairman of the BBC. The previous Chairman, Lord Hussey of North Bradley, retired on 31 March 1996. Dr Gwyn Jones retired from the Board of Governors on 31 December 1996 and Roger Jones was appointed on 1 January 1997.

The Executive Committee was established in September 1996, following the introduction of the BBC's new management structure. The Executive Committee is supported by the Board of Management which has wider membership.

No Governors or members of the Executive Committee have any shareholdings or other beneficial interests in any of the subsidiary companies of the BBC.

Research and development

During the year the BBC spent £9.6m (1995/96 £6.2m) on engineering research and development; in addition, the BBC incurs expenditure on the development of programme scripts.

Creditor payment policy

It is the BBC's policy to comply with the CBI prompt payment code in relation to the payment of suppliers. The BBC monitors compliance against the terms of this code.

Employee participation

Internal communication and employee participation are described in the Organisation and Management section of the Director-General's Review.

Regular meetings are held with the recognised trade unions BECTU, NUJ and AEEU.

Equal opportunities

The BBC is committed to equal opportunities for all, irrespective of race, colour, creed, ethnic or national origin, gender, marital status, sexuality, disability or age.

The BBC is committed to promoting equal opportunities. Recruitment, training and promotion procedures are based on the requirements of the job. Ethnic and gender targets have been set and are supported by a number of equal opportunities initiatives.

Training

Training initiatives are described in the Organisation and Management section of the Director-General's Review.

Disabled persons

BBC procedures are designed to facilitate the employment of disabled persons. Disabled persons, whether registered as such or not, are fully and fairly considered for vacancies arising within the BBC and are given equal opportunities with other staff in relation to training, career development and promotion.

Existing employees who become disabled are retained in the BBC's employment wherever possible, after the provision of any necessary rehabilitation or training.

Donations

The BBC does not make political donations.

Charitable appeals are broadcast regularly on television and radio. The BBC presents special evening schedules in support of Children in Need (every year) and Comic Relief (every other year).

Auditors

KPMG were appointed as auditors for the five year period commencing 1 April 1995.

By order of the Governors and Executive Committee.

Christopher Graham

The Secretary of the BBC
London

26 June 1997

Financial Statements 1996/97

Statement of Responsibility

Statement of Governors and Executive Committee responsibility for the preparation of the financial statements

The Governors and Executive Committee are required by the BBC's Charter and Agreement to prepare Statements of Accounts (financial statements) for each financial year.

The financial statements are prepared on a going concern basis to give a true and fair view of the state of affairs of the BBC as at the end of the financial year and of its income and expenditure for the year then ended and to comply with applicable accounting standards.

The Governors and Executive Committee confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements.

In addition, the Governors and Executive Committee are responsible for maintaining adequate accounting records, and taking such steps as are reasonably open to them to safeguard the assets of the BBC, and to prevent and detect fraud and other irregularities.

Auditors' Report

Report of the Auditors to the members of the British Broadcasting Corporation ('BBC')

We have audited the financial statements on pages 72 to 93 which comprise the financial statements of the Home Services Group and the World Service and which are prepared on the basis set out in the statement of accounting policies on pages 72 to 73.

Respective responsibilities of the Governors and Executive Committee and Auditors

As described on page 71 the Governors and Executive Committee are responsible for preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors and Executive Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the BBC's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Home Services Group, the Home Services and the World Service as at 31 March 1997 and of the surplus of the Home Services Group and the deficit of the World Service for the year then ended.

KPMG

Chartered Accountants
Registered Auditors
London

26 June 1997

Statement of Accounting Policies

The principal accounting policies of the British Broadcasting Corporation ('BBC') are set out below.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the BBC's Charter and Agreement, with applicable accounting standards consistently applied and, in so far as they are appropriate to the BBC's activities, with the accounting and disclosure provisions of the Companies Act 1985. They are presented under the historical cost convention as modified by the revaluation of plant and machinery in the Home Services and the World Service and furniture and fittings in the World Service.

The cash flow statements have been presented in line with the requirements of Financial Reporting Standard 1 (Revised 1996), Cash Flow Statements.

Basis of consolidation

The BBC comprises the Home Services Group and the World Service. The Home Services Group comprises the Home Services, its subsidiaries, and the Open University Production Centre.

Consolidated financial statements of the Home Services Group are presented on pages 74 to 86. A separate statement of income and expenditure for the Home Services is not presented.

Separate financial statements for the World Service are presented on pages 87 to 93. The World Service receives Grants-in-Aid funding which is not available to fund other BBC activities. The World Service does not produce consolidated financial statements as its subsidiary and associated undertakings are not material.

Income

(a) Home Services Group

Income derived from television broadcast receiving licences, received from the Department of National Heritage, represents the value of licences issued in the year. The amount which can be paid to the BBC for any year cannot exceed the total amount voted by Parliament for that year, and variations between income collected and the vote are allowed for either in the current or the following year. The Open University Production Centre receives an annual grant from the Open University.

Other income is accounted for on an accruals basis.
Income is disclosed net of value added tax.

(b) World Service

Income derived from Grants-in-Aid from the Foreign and Commonwealth Office cannot exceed the total amount voted by Parliament for the year. Sums received are intended to meet estimated expenditure but unexpended receipts for the

year are not liable to surrender.

Other income is accounted for on an accruals basis.
Income is disclosed net of value added tax.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March or at forward rates where related hedging contracts are in place. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading activities, are included in the statement of income and expenditure.

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates for the year. Exchange differences arising on consolidation are taken directly to the operating reserve.

Pension costs

The regular pension cost of the BBC's defined benefit scheme, reduced by the amortisation of any scheme surplus over the average remaining service lives of employees in the scheme, is charged to the statement of income and expenditure.

The cost of other funded and unfunded pensions is charged as incurred.

Research and development

Research and development expenditure is written off as incurred.

Operating leases

Operating lease rentals are charged to the statement of income and expenditure on a straight line basis over the term of the lease.

Goodwill

Goodwill arising on investment in subsidiaries represents the excess of the fair value of the purchase consideration over the fair value attributable to their net assets on acquisition and is deducted from the operating reserve in the year of acquisition. On disposal, goodwill previously written off against reserves is transferred to the statement of income and expenditure for the year.

Tangible fixed assets

Expenditure on fixed assets and internal costs incurred on capital projects are capitalised.

Depreciation is calculated so as to write off the cost or valuation less residual value of fixed assets on a straight line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service. Freehold land is not depreciated.

The BBC's useful lives for depreciation purposes for the principal categories of assets are:

Land and buildings

Freehold and long leasehold buildings	- 40 to 50 years
Freehold and long leasehold building improvements	- 15 years
Short leasehold land and buildings	- unexpired term of the lease

Plant and machinery

Transmitters and power plant	- 20 to 25 years
Electrical and mechanical infrastructure	- 10 to 20 years
Other	- 3 to 10 years

Furniture and fittings - 3 to 10 years

Home Services' plant and machinery is stated at the estimated current replacement cost of the assets, adjusted for service potential, as at 31 March 1993, or cost if acquired subsequently, less accumulated depreciation.

As at 1 April 1996 the World Services' plant and machinery and furniture and fittings were revalued. These categories of fixed assets are stated at the estimated current replacement cost of the assets, as adjusted for service potential, as at 1 April 1996, or cost if acquired subsequently, less accumulated depreciation.

Investment in programmes for future sale

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged against income over the average marketable life which generally is estimated to be five years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by the original cost of programmes over five years old.

Originated programme stocks and work in progress

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at the lower of cost and net realisable value, after deducting contributions from co-producers. With the exception of the costs of prepaid repeats of independent programmes, the full stock value is charged to operating expenditure on first transmission.

Cost includes all direct costs and a proportion of production and other attributable overheads calculated at standard rates based on normal levels of activity.

Net realisable value is based upon arm's length contract prices negotiated between the channel controllers and programme makers.

Acquired programmes and film stocks

The costs of acquired programmes and film stocks are charged on first transmission except to the extent that further showings are likely in the foreseeable future when they are written off over their expected transmission profile. A typical write-off profile is 70% on first transmission, 20% on second transmission and 10% on third transmission.

Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period; whichever is earlier. Agreements for the future purchase of programmes whose licence period has not commenced at the balance sheet date are disclosed as purchase commitments.

Other stocks

Raw materials and other stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is computed under the liability method. Provision is made in respect of timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

Capital and revaluation reserve

The value of the capital reserve is equivalent to the historical cost net book value of the fixed assets of the Home Services and the World Service.

Each year an amount equivalent to the costs incurred by the Home Services and the World Service on fixed assets over and above historical cost depreciation, adjusted for disposals, is transferred between the capital reserve and the operating reserve.

In addition the difference between depreciation calculated on a revalued basis, adjusted for disposals, and on an historical cost basis is transferred between the revaluation reserve and the operating reserve.

Home Services Group

Consolidated Statement of Income and Expenditure for the year ended 31 March

	Note	1997 £m	1996 £m
Income	1	2,334.5	2,226.9
Operating expenditure	1, 2	(2,266.5)	(2,151.6)
Income from interests in associated undertakings		1.1	1.2
Operating surplus	1, 3	69.1	76.5
Profit on sale of transmission business	5	25.6	-
Surplus before interest and taxation		94.7	76.5
Net interest	6	11.6	3.4
Surplus before taxation		106.3	79.9
Taxation	7	(12.2)	(7.1)
Surplus for the financial year	15	94.1	72.8
Transfer from/(to) capital reserve:			
Sale of transmission business	15	187.0	-
Other	15	31.3	(17.1)
Surplus for the year transferred to operating reserve	15	312.4	55.7

The above results are derived from continuing operations.

Balance Sheets at 31 March

	Note	Group 1997 £m	Group 1996 £m	Home Services 1997 £m	Home Services 1996 £m
Fixed Assets					
Tangible fixed assets	8	630.2	884.9	618.4	866.3
Investment in programmes for future sale	9	88.3	73.6	–	–
Investments in subsidiaries	10	–	–	0.3	0.3
Other investments, including associated undertakings	10	0.9	1.2	0.3	0.1
		719.4	959.7	619.0	866.7
Current assets					
Stocks	11	312.2	320.5	302.2	308.2
Current debtors	12	343.9	320.0	262.2	251.9
Long term debtors	12	36.8	25.0	62.9	41.2
Short term investments		293.8	15.0	293.8	15.0
Cash at bank and in hand		226.4	97.2	210.6	81.9
		1,213.1	777.7	1,131.7	698.2
Creditors – amounts falling due within one year	13	(652.4)	(593.7)	(529.1)	(477.4)
Net current assets		560.7	184.0	602.6	220.8
Total assets less current liabilities		1,280.1	1,143.7	1,221.6	1,087.5
Creditors – amounts falling due after more than one year	13	(22.4)	(19.3)	(22.4)	(19.3)
Provisions for liabilities and charges	14	(80.2)	(39.9)	(80.2)	(39.9)
		1,177.5	1,084.5	1,119.0	1,028.3
Represented by					
Capital reserve	15	617.7	836.0	617.7	836.0
Revaluation reserve	15	1.3	30.7	1.3	30.7
Operating reserve	15	558.5	217.8	500.0	161.6
		1,177.5	1,084.5	1,119.0	1,028.3

The financial statements were approved by the Governors and Executive Committee on 26 June 1997 and signed on their behalf by:

Sir Christopher Bland

Chairman of the BBC

John Birt

Director-General

Rodney Baker-Bates

Director of Finance and Information Technology

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March

	1997 £m	1996 £m
Surplus for the financial year	94.1	72.8
Translation differences on foreign currency net investments	(0.9)	0.7
Total recognised gains and losses relating to the year	93.2	73.5

Note of Consolidated Historical Cost Surpluses for the year ended 31 March

	1997 £m	1996 £m
Surplus before taxation	106.3	79.9
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued assets	6.9	7.4
Revaluation surplus realised on sale of transmission business	22.5	-
Historical cost surplus before taxation	135.7	87.3
Historical cost surplus for the financial year	123.5	80.2

Reconciliation of Movement in Consolidated Net Assets for the year ended 31 March

	1997 £m	1996 £m
Surplus for the financial year	94.1	72.8
Other recognised gains and losses relating to the year	(0.9)	0.7
Goodwill on acquisition	(0.2)	-
Increase in net assets	93.0	73.5
Opening net assets	1,084.5	1,011.0
Closing net assets	1,177.5	1,084.5

Consolidated Cash Flow Statement for the year ended 31 March

	Note	1997 £m	1996 restated £m
Net cash inflow from operating activities	16	326.2	200.6
Return on investments and servicing of finance			
Interest received		9.3	5.3
Interest paid		(1.2)	(0.2)
Net cash inflow from return on investments and servicing of finance		8.1	5.1
Taxation			
Taxation paid		(12.8)	(6.4)
Capital expenditure			
Purchase of tangible fixed assets		(104.9)	(136.5)
Investment in programmes for future sale		(58.0)	(49.4)
Proceeds from the sale of tangible fixed assets		3.7	22.0
Proceeds from the sale of investments		1.6	-
Proceeds from the sale of transmission business	5	233.3	-
Net cash inflow/(outflow) from capital expenditure		75.7	(163.9)
Acquisitions and disposals			
Purchase of fixed asset investments		(0.7)	(0.5)
Management of liquid resources			
Net cash (placed)/withdrawn from deposit		(205.1)	17.8
Purchase of other liquid resources		(303.8)	(27.1)
Proceeds from the redemption of other liquid resources		25.0	47.7
Net cash (outflow)/inflow from management of liquid resources		(483.9)	38.4
(Decrease)/increase in cash	17, 18	(87.4)	73.3

Liquid resources comprise bank deposits not repayable on demand and other short term investments which include gilts, certificates of deposit and floating rate notes.

The prior year comparatives have been restated to comply with the requirements of Financial Reporting Standard 1 (Revised 1996), Cash Flow Statements.

Notes to the Financial Statements for the year ended 31 March

1 Income

1a Income by nature of activity

1997	Note	Home Services £m	BBC Worldwide Commercial Activities £m	Other Activities £m	Total £m
Licence fee	1b	1,915.2	-	-	1,915.2
Open University					
Production Centre		-	-	9.8	9.8
Commercial turnover	1c	-	353.8	-	353.8
Other income	1d	55.7	-	-	55.7
Total external income		1,970.9	353.8	9.8	2,334.5
Operating expenditure	2	(1,910.4)	(346.3)	(9.8)	(2,266.5)
Income from interests in associated undertakings		-	1.1	-	1.1
Operating surplus		60.5	8.6	-	69.1
Net assets/(liabilities)		1,135.9	57.7	(16.1)	1,177.5

1996	Note	Home Services £m	BBC Worldwide Commercial Activities £m	Other Activities £m	Total £m
Licence fee	1b	1,819.7	-	-	1,819.7
Open University					
Production Centre		-	-	11.9	11.9
Commercial turnover	1c	-	338.4	-	338.4
Other income	1d	56.6	-	0.3	56.9
Total external income		1,876.3	338.4	12.2	2,226.9
Operating expenditure	2	(1,813.1)	(326.9)	(11.6)	(2,151.6)
Income from interests in associated undertakings		-	1.2	-	1.2
Operating surplus		63.2	12.7	0.6	76.5
Net assets/(liabilities)		1,045.4	55.2	(16.1)	1,084.5

The net assets in the Home Services' balance sheet shown on page 75 include provisions of £16.9m (1996 £17.1m) which are eliminated on consolidation.

BBC Worldwide Commercial Activities comprises BBC Worldwide Limited and its subsidiaries.

Other Activities comprise the Open University Production Centre, BBC Subscription Television Limited and BBC Investments Limited.

1b Licence fee

	1997 £m	1996 £m
Licence fee income		
Colour	1,861.6	1,773.3
Monochrome	15.0	17.1
Concessionary	3.5	3.0
Total	1,880.1	1,793.4
Quarterly payment scheme premium	16.5	17.0
Other income and adjustments	18.6	9.3
Total	1,915.2	1,819.7

	1997 £	1996 £
Licence fee		
Colour	89.50	86.50
Monochrome	30.00	28.50
Concessionary	5.00	5.00

	1997 Number m	1996 Number m
Licences in force		
Colour	20.8	20.5
Monochrome	0.5	0.6
Concessionary	0.7	0.6
Total	22.0	21.7

Licences in force represent current television licences held at 31 March.

During the year 3.3m (1995/96 3.4m) colour licences were issued under the quarterly payment scheme at a premium of £5.00 each (1995/96 £5.00). In addition 3.2m (1995/96 2.3m) colour licences were issued under the monthly payment scheme, without a premium.

Other income and adjustments include the year on year impact of licences issued in the year but not in force at 31 March either through late or early renewals or through refunds.

1c Commercial turnover (BBC Worldwide Commercial Activities)

	1997 £m	1996 £m
Television programme sales	142.7	140.8
Magazine and other publishing	198.1	186.7
Other activities	13.0	10.9
	353.8	338.4

1 Other income (Home Services and Other Activities)

	1997 £m	1996 £m
Hire of facilities	21.8	17.8
Rents receivable	7.6	7.4
Other	26.3	31.7
	55.7	56.9

Other income is derived primarily from the sale of surplus transmission capacity and of secondary acquired programme rights.

1 Analysis of commercial turnover and income from other activities by geographic segment

1997	BBC Worldwide Commercial Activities £m	Other Activities £m
Turnover by destination		
United Kingdom	213.9	9.8
Rest of the World	139.9	-
	353.8	9.8

1996	BBC Worldwide Commercial Activities £m	Other Activities £m
Turnover by destination		
United Kingdom	213.5	12.2
Rest of the World	124.9	-
	338.4	12.2

All turnover originates from within the United Kingdom.

2 Operating expenditure

2a Home Services

	1997 £m	1996 £m
Funded from the licence fee:		
Television	1,160.4	1,130.3
Radio	388.5	381.0
Licence fee collection costs	96.9	95.0
Restructuring costs	81.7	35.2
Other	127.2	115.0
	1,854.7	1,756.5
Funded from external income	55.7	56.6
	1,910.4	1,813.1

Other includes the cost of operating the corporate centre, including governance, and corporately managed expenditure.

2b BBC Worldwide Commercial Activities

	1997 £m	1996 £m
Cost of sales	198.6	198.5
Distribution costs	75.0	63.3
Administrative and other costs	28.1	33.7
Amortisation of programme investment (note 9)	44.6	31.4
	346.3	326.9

3 Operating surplus

Operating surplus is stated after charging/(crediting) the following items:

	1997 £m	1996 £m
Payments under operating leases:		
Land and buildings	11.6	11.9
Plant and machinery	10.3	13.4
Other	5.0	3.1
Research and development	9.6	6.2
Depreciation:		
Regular charge for the year	107.1	108.7
Accelerated charge for the year (note 8a)	18.1	-
Restructuring costs	81.7	35.2
Amortisation of investment in programmes for future sale	44.6	31.4
Loss/(profit) on disposal of tangible fixed assets	9.5	(0.7)
Own work capitalised	(17.7)	(18.8)
Auditors' remuneration:		
Home Services	0.4	0.4
Subsidiary undertakings	0.1	0.1

Other fees paid to the auditors totalled £1.2m in the year (1995/96 £1.2m) and comprised consultancy and advisory fees.

Notes to the Financial Statements (continued)

4 Employees and remuneration

4a Persons employed

The number of persons employed in the year at their full-time equivalent was:

	Average for the year		At 31 March	
	1997 Number	1996 Number	1997 Number	1996 Number
Programme Directorates Resources, Transmission, Services and Corporate Centre	10,422	10,734	10,307	10,571
Total Home Services	19,341	20,260	18,140	19,882
BBC Worldwide				
Commercial Activities	1,188	1,120	1,178	1,149
Other Activities	205	221	199	217
	20,734	21,601	19,517	21,248

Within the averages above, 1,173 (1995/96 1,095) part-time employees have been included at their full-time equivalent of 697 (1995/96 656).

In addition to the above, the Home Services Group employed an average full-time equivalent of 875 (1995/96 774) persons on a casual basis. Their payroll costs are included in note 4b.

4b Staff costs

	1997 £m	1996 £m
Salaries and wages (excluding redundancy costs)	605.5	613.7
Social security costs	51.7	53.8
Other pension costs – principal scheme	19.9	32.1
– other schemes	0.4	0.5
	677.5	700.1
Comprising:		
Home Services	627.6	655.7
BBC Worldwide Commercial Activities	44.0	37.7
Other Activities	5.9	6.7
	677.5	700.1

4c Pensions

The principal pension scheme of the BBC, the BBC Pension Scheme, provides salary related pension benefits on a defined benefit basis. The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions which, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent actuarial valuation of the scheme was prepared as at 1 April 1996, using the projected unit method.

The main long-term assumptions of the most recent valuation were that the annual rate of return on investments would exceed increases in earnings by 1.9% and exceed pension increases by 3.8%.

At the date of the most recent actuarial valuation, the market value of the assets of the scheme was £4,642m and the actuarial value of the assets was sufficient to cover 120% of the benefits due to members, after allowing for expected future increases in earnings. The previous actuarial valuation was prepared as at 1 April 1993 when the market value of the assets of the scheme was £3,436m. The employer and employees continue to contribute at a rate of

4.5% of pensionable earnings. This maintains the scheme surplus within the parameters of the Inland Revenue guidelines.

The scheme surplus is being amortised over 12 years, the expected average remaining service lives of the employees.

In the Home Services Group an amount of £18.3m (1996 £20.4m) is included in prepayments, representing the cumulative net excess contributions to the pension fund. The pension charge for the year was £19.9m (1995/96 £32.1m).

4d Governors

Governors are appointed by the Queen in Council to serve for periods not exceeding five years.

The remuneration of the Board of Governors is determined by the Secretary of State for National Heritage with the approval of the Minister for the Civil Service. In addition, Governors are reimbursed for expenses incurred on BBC business. The increase in annual remuneration notified for 1996/97 was 3%.

The remuneration received by each Governor was:

	Fees £000	Benefits £000	Total 1997 £000	Total 1996 £000	Pensions 1997 £000	Pensions 1996 £000
Sir Christopher Bland (Chairman)	66	3	69	-	3	-
Lord Hussey of North Bradley (Chairman)	-	-	-	88	-	3
Lord Cocks of Hartcliffe	17	1	18	18	-	-
Sir Kenneth Bloomfield	17	2	19	21	-	-
Janet Cohen	8	1	9	9	-	-
The Rev Norman Drummond	17	2	19	24	-	-
Sir Richard Eyre	8	-	8	3	-	-
Dr Jane Glover	-	-	-	1	-	-
Dr Gwyn Jones	13	2	15	21	-	-
Roger Jones	4	1	5	-	-	-
Bill Jordan	8	6	14	12	-	-
Lord Nicholas Gordon Lennox	8	3	11	12	-	-
Shahwar Sadeque	-	-	-	1	-	-
Sir David Scholey	8	-	8	3	-	-
Margaret Spurr	13	2	15	13	-	-
Adrian White	8	3	11	3	-	-
	195	26	221	229	3	3

The pension figures given in the above table represent pension contributions paid.

The Chairman who was appointed on 1 April 1996 was the highest paid Governor. Retirement benefits are accruing to the Chairman under a defined benefit scheme.

The Chairman received the following remuneration:

	1997 £000
Aggregate emoluments, excluding pension contributions	69
Defined benefit pension scheme:	
Accrued pension at the end of the year	1

An amount of £20,000 per annum was provided in both years to meet the BBC's pension obligations under the Charter to former Chairmen and their surviving spouses.

4 Executive Committee

The Executive Committee was established in September 1996 and members of the Executive Committee were appointed by the Governors.

The remuneration received by each member of the Executive Committee during the year, including amounts received prior to the establishment of the Executive Committee, was:

	Salary and annual bonus £000	Benefits £000	Total 1997 £000	Total 1996 £000	Pensions 1997 £000	Pensions 1996 £000
John Birt	339	15	354	299	44	30
Bob Phillis	233	20	253	241	78	75
Rodney Baker-Bates	174	21	195	184	7	7
Colin Browne	170	15	185	177	7	7
Tony Hall	178	19	197	167	7	6
Patricia Hodgson	170	10	180	154	9	9
Rod Lynch	190	12	202	195	8	7
Ronald Neil	209	17	226	162	8	6
Margaret Salmon	185	15	200	185	7	7
Will Wyatt	216	15	231	182	9	7
	2,064	159	2,223	1,946	184	161

The pension figures given in the above table represent pension contributions paid in respect of defined benefit and money purchase schemes.

The aggregate annual emoluments received by members of the Executive Committee was £2,310,144 (1995/96 £2,008,714), including pension contributions to money purchase schemes.

The pension contributions paid in respect of the highest paid member of the Executive Committee were as follows:

	1997 £000	1996 £000
Pension contributions to:		
BBC Pension Scheme	34	30
Money purchase schemes	10	-
	44	30

At the end of the year his accrued pension under defined benefit pension schemes amounted to £77,566.

The typical remuneration arrangements for Executive Committee in the BBC include basic salary; opportunity for annual variable bonus awards based on performance; post-retirement benefits and other benefits. The following briefly describe these remuneration elements:

Basic Salary

Salaries are reviewed in August each year, taking into account external market levels and internal relativities. Increases (if any) are awarded on the basis of individual performance and recommended increases are submitted for approval to the Board of Governors by the Remuneration Committee. On appointment to the Executive Committee, basic salary is settled through discussions with the individual concerned, subject to ratification by the Remuneration Committee and Board of Governors.

Annual Bonus

All members of the Executive Committee were eligible to receive a bonus of up to 20% of basic salary for meeting certain performance targets in respect of 1996/97. Qualitative and quantitative objectives were set for each individual at the beginning of the financial year and performance was reviewed at the year end. All bonuses awarded to Executive Committee are recommended by the Remuneration Committee to the Board of Governors for their approval. Bonuses are generally reflected on a paid basis, other than in respect of bonuses accrued for members of the Executive Committee who leave during the year.

Post-Retirement Benefits

Post-retirement benefits are accruing to nine members of the Executive Committee under defined benefit pension schemes. Most members of the Executive Committee participate in the principal BBC employee pension scheme, the BBC Pension Scheme, which provides salary related pension benefits on a defined benefit basis, providing an accrual of 1/60th of final salary per year of service subject to the Inland Revenue earnings cap. Pensionable salary is defined as basic salary only. A variety of special arrangements have been made for those individuals who have joined the BBC late in their careers. These include funded and unfunded arrangements outside the BBC Pension Scheme for those individuals earning in excess of the approved pensions cap. Money purchase scheme arrangements have been made for two members of the Executive Committee. Within the BBC Pension Scheme there is a provision for early retirement on medical grounds and life insurance cover of four times salary, subject to the Inland Revenue earnings cap.

Other Benefits

Members of the Executive Committee are eligible for the following benefits: a chauffeur driven car for business use, a company car and free petrol for private use, medical insurance covering the executive and family and telephone rental.

Contracts

Service contracts for members of the Executive Committee have been individually determined. It is normal policy for Executive Committee members to have rolling or fixed term service contracts with a maximum of one year's notice of termination by the BBC or the individual executive. The following are exceptions:

- John Birt has a rolling contract whereby the BBC is required to give two years' notice until December 1997, and thereafter one year's notice.
- Bob Phillis has a five year minimum fixed term contract to 1 April 1998 with a one year notice period thereafter.

Notes to the Financial Statements (continued)

5 Profit on sale of transmission business

On 28 February 1997 the BBC sold its Home Services' transmission business to Castle Transmission Services (Holdings) Limited. The net assets disposed of and consideration received comprised:

	1997 £m
Net sale proceeds	233.3
Less net assets disposed of:	
Tangible fixed assets	(209.5)
Net current liabilities	1.8
Profit on sale of transmission business	25.6

The Home Services has entered into a contract with Castle Transmission International Limited for a minimum period of ten years for the provision of transmission services. The level of future transmission contract payments reflect agreed cost savings.

The sale of transmission is exempt from corporation tax.

6 Net interest

	1997 £m	1996 £m
Interest receivable	12.4	3.9
Interest payable on bank loans and overdrafts repayable within five years	(0.8)	(0.5)
	11.6	3.4

7 Taxation

The Home Services Group is only liable to taxation on profits derived from those activities carried on with a view to profit and on rent, royalties and interest receivable.

The charge for the year, based on a rate of corporation tax of 33% (1995/96 33%), comprised:

	1997 £m	1996 £m
Current year:		
Corporation tax	11.5	11.0
Deferred taxation	(3.8)	(3.1)
Double taxation relief	(2.1)	(1.1)
	5.6	6.8
Overseas taxation	5.5	3.1
Share of associated undertakings' tax	0.6	-
	11.7	9.9
Prior year:		
Corporation tax	-	(4.6)
Deferred taxation	3.8	1.8
Group relief payable	(3.3)	-
	0.5	(2.8)
	12.2	7.1

8 Tangible fixed assets

8a Home Services Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1996	530.7	929.9	40.1	94.2	1,594.9
Additions	6.5	43.1	3.6	40.0	93.2
Brought into service	5.6	51.4	3.0	(60.0)	-
Disposals	(42.0)	(587.5)	(2.1)	(21.8)	(653.4)
At 31 March 1997	500.8	436.9	44.6	52.4	1,034.7
Comprising:					
Cost	500.8	274.8	44.6	52.4	872.6
Valuation at 31 March 1993	-	162.1	-	-	162.1
	500.8	436.9	44.6	52.4	1,034.7
Depreciation					
At 1 April 1996	128.4	562.2	19.4	-	710.0
Charge for the year	27.3	91.9	6.0	-	125.2
Elimination in respect of disposals	(11.7)	(418.0)	(1.0)	-	(430.7)
At 31 March 1997	144.0	236.1	24.4	-	404.5
Net book value					
At 31 March 1997	356.8	200.8	20.2	52.4	630.2
At 31 March 1996	402.3	367.7	20.7	94.2	884.9

Home Services' plant and machinery was revalued at 31 March 1993 based on the estimated current replacement cost of the assets, adjusted for service potential.

On 28 February 1997 the transmission business of the Home Services was sold. The net book value of assets sold was £209.5m (note 5).

Included in the depreciation charge for the year is an amount of £18.1m representing accelerated depreciation in respect of certain Home Services' analogue equipment.

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	1997 £m	1996 £m
Plant and machinery		
Cost	340.0	784.5
Depreciation	140.5	447.5
Net book value	199.5	337.0

8b Home Services

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1996	524.2	896.9	29.6	94.2	1,544.9
Additions	10.1	40.1	2.2	40.0	92.4
Brought into service	5.6	51.4	3.0	(60.0)	-
Disposals	(41.7)	(583.8)	(1.2)	(21.8)	(648.5)
At 31 March 1997	498.2	404.6	33.6	52.4	988.8
Comprising:					
Cost	498.2	242.5	33.6	52.4	826.7
Valuation at 31 March 1993	-	162.1	-	-	162.1
	498.2	404.6	33.6	52.4	988.8
Depreciation					
At 1 April 1996	126.3	542.0	10.3	-	678.6
Charge for the year	27.2	85.5	5.0	-	117.7
Elimination in respect of disposals	(11.4)	(414.0)	(0.5)	-	(425.9)
At 31 March 1997	142.1	213.5	14.8	-	370.4
Net book value					
At 31 March 1997	356.1	191.1	18.8	52.4	618.4
At 31 March 1996	397.9	354.9	19.3	94.2	866.3

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	1997 £m	1996 £m
Plant and machinery		
Cost	307.7	751.5
Depreciation	117.9	427.3
Net book value	189.8	324.2

8c Land and buildings at net book value comprise:

	Group 1997 £m	Group 1996 £m	Home Services 1997 £m	Home Services 1996 £m
Freeholds	321.7	353.6	321.7	353.6
Long leaseholds	3.9	13.3	3.9	9.5
Short leaseholds	31.2	35.4	30.5	34.8
	356.8	402.3	356.1	397.9

The Governors and members of the Executive Committee have reviewed the valuation of freehold properties prepared by the BBC's surveyors and are satisfied that there has been no permanent diminution in their carrying values at the balance sheet date.

Land and buildings in the Home Services Group and the Home Services include freehold land at a cost of £40.6m (1996 £42.2m) which is not depreciated.

9 Investment in programmes for future sale

	Group £m
Cost	
At 1 April 1996	141.4
Exchange adjustment	(2.9)
Additions	58.0
Written off during the year	(4.3)
Elimination of programmes fully amortised	(14.3)
Transfer from work in progress	4.9
At 31 March 1997	182.8
Amortisation	
At 1 April 1996	67.8
Exchange adjustment	(2.1)
Charge for the year	44.6
Elimination in respect of programmes written off during the year	(4.3)
Elimination in respect of programmes fully amortised	(14.3)
Transfer from work in progress	2.8
At 31 March 1997	94.5
Net book value	
At 31 March 1997	88.3
At 31 March 1996	73.6

Notes to the Financial Statements (continued)

10 Investments

10a The Home Services own 100% of the issued ordinary share capital of the following companies which are incorporated in Great Britain and registered in England and Wales:

	1997 £m	1996 £m
Cost		
BBC Worldwide Limited	0.3	0.3
BBC Subscription Television Limited	–	–
BBC Investments Limited	–	–
	0.3	0.3

The principal subsidiary, BBC Worldwide Limited, co-produces and subsequently licences television programmes worldwide, publishes magazines and books and distributes videos, tapes and programme related products.

The following significant investments are also held in companies incorporated in Great Britain and registered in England and Wales:

	Holding of issued ordinary shares %
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	50
RAJAR (Radio Joint Audience Research) Limited	50

10b BBC Worldwide Limited holds the following significant interests in companies which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales:

	Holding of issued ordinary shares %
Subsidiaries	
BBC Worldwide Americas Inc. (registered in Delaware, USA)	100
Woodlands Publishing Limited	100
BBC World Service Television Limited	100
BBC Worldwide (France) SARL (incorporated in France)	100
BBC Worldwide (Germany) GMBH (incorporated in Germany)	100
BBC Worldwide Investments Limited	100
European Channel Broadcasting Limited	75

Associates

Audio International Limited	50
Galleon Limited	50
BBC Haymarket Exhibitions Limited	50
European Channel Management Limited	45
Frontline Limited	23
UK TV Pty (incorporated in Australia)	20

Investments

UK Gold Television Limited	20
Satellite News Corporation Limited	20

BBC Worldwide Limited does not have an obligation to provide European Channel Management Limited with financial support under the investment agreement. As a result, BBC Worldwide Limited's share of post-tax losses for the year of £4.5m (1995/96 £6.3m) and net liabilities at 31 March of £15.0m (1996 £10.1m) have not been included within these financial statements.

On 25 April 1997, BBC Worldwide Investments Limited disposed of its entire shareholding in UK Gold Television Limited. The shares were acquired by Flextech plc in exchange for the issue to BBC Worldwide Investments Limited of 5,443,548 new ordinary shares in Flextech plc. The new shares received by BBC Worldwide Investments Limited are quoted on the London Stock Exchange.

11 Stocks

	Group 1997 £m	Group 1996 restated £m	Home Services 1997 £m	Home Services 1996 restated £m
Raw materials	5.1	5.7	2.9	2.9
Work in progress:				
Originated programmes	162.3	152.6	162.3	152.6
Other	2.0	9.1	0.3	4.0
Finished programmes:				
Acquired programmes and films	86.3	84.6	86.3	84.6
Originated programmes	49.1	63.6	49.1	63.6
Other	7.4	4.9	1.3	0.5
	312.2	320.5	302.2	308.2

Payments on account have been re-categorised this year and are now included within debtors rather than stock. The prior year comparatives have been restated accordingly.

12 Debtors

	Group 1997 £m	Group 1996 restated £m	Home Services 1997 £m	Home Services 1996 restated £m
Receivable within one year				
Trade debtors	78.3	77.8	15.2	17.7
Amounts owed by associated undertakings	18.6	18.7	–	–
Department of National Heritage licence fee debtors	129.4	109.0	129.4	109.0
VAT recoverable	24.4	16.8	19.5	16.8
Amounts owed by subsidiaries	–	–	22.6	24.7
Other debtors	36.9	24.2	21.8	18.6
Prepayments	56.3	73.5	53.7	65.1
	343.9	320.0	262.2	251.9
Receivable after more than one year				
Trade debtors	1.0	0.5	0.2	0.2
Amounts owed by subsidiaries	–	–	27.3	17.1
Other debtors	0.6	–	0.6	–
Prepayments	16.9	4.1	16.9	4.1
Prepaid pension contributions	18.3	20.4	17.9	19.8
	36.8	25.0	62.9	41.2
	380.7	345.0	325.1	293.1

Payments on account have been re-categorised this year and are now included within prepayments rather than stock. The prior year comparatives have been restated accordingly.

The amount owed by subsidiaries receivable after more than one year represents the drawn down element of an unsecured £55m interest bearing facility provided to BBC Worldwide Limited which is repayable within five years.

13 Creditors

	Group 1997 £m	Group 1996 £m	Home Services 1997 £m	Home Services 1996 £m
Amounts falling due within one year				
Unpresented cheques	60.7	49.2	53.1	43.6
Trade creditors				
Programme creditors	62.5	56.5	61.4	56.5
Programme acquisitions	37.8	26.4	37.8	26.4
Salaries and wages	55.0	58.3	54.0	57.4
Residual copyright payments	32.5	33.1	-	-
Licence fee collection creditors	0.5	2.8	0.5	2.8
Other trade creditors	140.5	105.4	96.7	76.9
	328.8	282.5	250.4	220.0
Other creditors				
Fixed asset creditors	15.7	27.4	15.7	27.4
Corporation tax	5.8	9.9	4.4	4.9
Amounts owed to World Service	3.0	3.7	1.8	0.4
Amounts owed to associated undertakings	0.2	-	-	-
	24.7	41.0	21.9	32.7
Accruals and deferred income	75.2	67.8	40.7	27.9
Licence saving stamps and direct debit instalments	163.0	153.2	163.0	153.2
	238.2	221.0	203.7	181.1
	652.4	593.7	529.1	477.4
Amounts falling due after more than one year				
Programme acquisitions	22.2	19.0	22.2	19.0
Other	0.2	0.3	0.2	0.3
	22.4	19.3	22.4	19.3

Creditors falling due after more than one year are all repayable within five years.

14 Provisions for liabilities and charges

	Restructuring £m	Litigation and insurance £m	Other £m	Total £m
Group and Home Services				
At 1 April 1996	16.3	12.2	11.4	39.9
Expenditure during the year	(7.1)	(7.6)	(0.6)	(15.3)
Charge for the year	34.2	17.6	3.8	55.6
	43.4	22.2	14.6	80.2
At 31 March 1997	43.4	22.2	14.6	80.2

15 Reserves

	Capital reserve £m	Revaluation reserve £m	Operating reserve £m	Total £m
Group				
At 1 April 1996	836.0	30.7	217.8	1,084.5
Exchange differences	-	-	(0.9)	(0.9)
Surplus for the financial year	-	-	94.1	94.1
Revaluation reserve transfer	-	(6.9)	6.9	-
Capital reserve transfer	(31.3)	-	31.3	-
Sale of transmission business	(187.0)	(22.5)	209.5	-
Goodwill on acquisition	-	-	(0.2)	(0.2)
	617.7	1.3	558.5	1,177.5
At 31 March 1997	617.7	1.3	558.5	1,177.5
Home Services				
At 1 April 1996	836.0	30.7	161.6	1,028.3
Surplus for the financial year	-	-	90.7	90.7
Revaluation reserve transfer	-	(6.9)	6.9	-
Capital reserve transfer	(31.3)	-	31.3	-
Sale of transmission business	(187.0)	(22.5)	209.5	-
	617.7	1.3	500.0	1,119.0
At 31 March 1997	617.7	1.3	500.0	1,119.0

The cumulative goodwill arising on acquisition previously written off to reserves is £5.0m (1996 £4.8m).

16 Reconciliation of operating surplus to net cash inflow from operating activities

	1997 £m	1996 restated £m
Operating surplus	69.1	76.5
Profit of associates less dividends received	-	0.6
Exchange differences	(0.1)	(0.4)
Gain on sale of short term investments	-	(1.2)
Depreciation and amortisation	169.8	140.1
Loss/(profit) on disposal of tangible fixed assets	9.5	(0.7)
Profit on disposal of fixed asset investments	(1.5)	-
Decrease in stocks	4.7	40.5
Increase in debtors	(34.6)	(14.6)
Increase/(decrease) in creditors	68.9	(22.6)
Increase/(decrease) in provisions	40.3	(17.7)
Provision for diminution in value of investments	0.1	0.1
	326.2	200.6
Net cash inflow from operating activities	326.2	200.6

Included within the operating surplus above is a charge of £81.7m (1995/96 £35.2m) for restructuring. The cash flows relating to these items are shown below:

	1997 £m	1996 £m
Restructuring charge	(81.7)	(35.2)
Increase in creditors	4.4	2.3
Increase/(decrease) in provisions	27.1	(21.8)
	(50.2)	(54.7)
Cash outflow from restructuring	(50.2)	(54.7)

Notes to the Financial Statements (continued)

17 Reconciliation of net cash flow to movement in net funds

	1997 £m
Decrease in cash in the year	(87.4)
Net cash inflow from management of liquid resources	483.9
Change in net funds	396.5
Net funds at 1 April 1996	63.0
Net funds at 31 March 1997	459.5

18 Analysis of changes in net funds

	At 1 April 1996 £m	Cash flows £m	At 31 March 1997 £m
Cash at bank and in hand (excluding deposits not repayable on demand)	97.2	(75.9)	21.3
Unpresented cheques	(49.2)	(11.5)	(60.7)
	48.0	(87.4)	(39.4)
Short term investments	15.0	278.8	293.8
Deposits not repayable on demand	-	205.1	205.1
	15.0	483.9	498.9
	63.0	396.5	459.5

19 Commitments

19a Purchases

	Group 1997 £m	Group 1996 £m	Home Services 1997 £m	Home Services 1996 £m
Contracted but not provided:				
Fixed asset additions	34.7	14.8	34.7	14.8
Programme acquisition and sports rights	340.4	294.5	338.1	294.5
Independent programmes	51.9	66.0	51.9	66.0
	427.0	375.3	424.7	375.3

19b Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection.

The Home Services has entered into a contract with Castle Transmission International Limited for a minimum period of ten years for the provision of transmission services (note 5). The charge for the first full year of the contract commencing 1 April 1997 will be £46.7m. Charges for the subsequent years will be reduced by cost savings set out in the contract, adjusted for inflation.

19c Operating leases

Operating lease commitments payable in the following year analysed according to the period in which the lease expires:

	Land and buildings 1997 £m	Land and buildings 1996 £m	Other 1997 £m	Other 1996 £m
Group				
Within one year	4.6	1.3	3.1	1.4
In two to five years	0.9	1.5	14.8	12.3
After five years	6.8	9.0	0.2	-
	12.3	11.8	18.1	13.7
Home Services				
Within one year	4.6	1.3	2.8	1.3
In two to five years	0.9	1.2	13.9	11.2
After five years	6.2	8.3	0.2	-
	11.7	10.8	16.9	12.5

20 Contingent liabilities

At 31 March 1997 the Home Services Group had unprovided contingent liabilities estimated to be £7.5m (1996 £5.6m).

The Home Services Group also has a number of contingent liabilities arising from litigation. The BBC makes specific provision against an estimate of any damages and costs which may be awarded.

21 Related party transactions

The related party transactions of the Home Services Group have been presented in accordance with Financial Reporting Standard 8, Related Party Disclosures.

21a Transactions with associated undertakings

Included in the income and expenditure account are net charges from associated undertakings of £18.7m. The charges relate to the distribution of BBC Worldwide Limited's television channels, BBC World and BBC Prime, and its magazines. Terms of trade were negotiated on an arm's length basis.

Amounts owed by/(to) associated undertakings at the year end are disclosed within notes 12 and 13.

21b Other

During the year the Home Services charged the World Service net costs of £142.9m. This comprised recharges in respect of operating costs of £124.3m and capital costs of £18.6m.

During the year the World Service charged BBC Worldwide Limited an amount of £14.0m in respect of a contract to provide television news programming.

At the year end the Home Services Group owed the World Service an amount of £3.0m.

The Home Services recharges the BBC Pension Scheme with the costs of administration and independent advisers borne by the BBC. The total amount recharged in the year was £2.0m.

22 Other transactions

Sir Christopher Bland, the Chairman of the BBC, is a minority shareholder and Chairman of NFC plc. NFC plc owns Exel Logistics Limited which have a distribution contract with BBC Worldwide Limited. Throughout the year Exel Logistics Limited has traded with BBC Worldwide Limited under the same terms as those available to other customers in the ordinary course of business.

Statement of Income and Expenditure for the year ended 31 March

	Note	1997 £m	1996 £m
Grants-in-Aid		174.6	180.6
Other income		11.6	11.9
Total income	1	186.2	192.5
Operating expenditure		(179.4)	(189.9)
Operating surplus	1, 2	6.8	2.6
Sale of transmission business	4	(13.4)	-
(Deficit)/surplus before interest and taxation		(6.6)	2.6
Interest receivable		0.3	0.3
(Deficit)/surplus before taxation		(6.3)	2.9
Taxation	5	(0.6)	(0.4)
(Deficit)/surplus for the financial year	11	(6.9)	2.5
Transfer to HM Treasury	11	(16.7)	-
Transfer from/(to) capital reserve:			
Sale of transmission business	11	29.6	-
Other	11	(1.2)	(5.9)
Surplus/(deficit) for the year transferred to operating reserve	11	4.8	(3.4)

The above results are derived from continuing operations.

Balance Sheet at 31 March

	Note	1997 £m	1996 £m
Fixed assets			
Tangible fixed assets	6, 7	125.6	143.6
Current assets			
Stocks	8	0.7	0.9
Current debtors	9	14.3	9.8
Long term debtors	9	2.9	3.2
Cash at bank and in hand		7.8	6.2
		25.7	20.1
Creditors - amounts falling due within one year	10	(18.2)	(17.5)
Net current assets		7.5	2.6
Total assets less current liabilities		133.1	146.2
Represented by			
Capital reserve	11	115.2	143.6
Revaluation reserve	11	10.4	-
Operating reserve	11	7.5	2.6
		133.1	146.2

The financial statements were approved by the Governors and Executive Committee on 26 June 1997 and signed on their behalf by:

Sir Christopher Bland

Chairman of the BBC

John Birt

Director-General

Rodney Baker-Bates

Director of Finance and Information Technology

Statement of Total Recognised Gains and Losses for the year ended 31 March

	1997 £m	1996 £m
(Deficit)/surplus for the financial year	(6.9)	2.5
Surplus on revaluation of tangible fixed assets	10.5	-
Total recognised gains and losses relating to the year	3.6	2.5

Note of Historical Cost (Deficits)/Surpluses for the year ended 31 March

	1997 £m	1996 £m
(Deficit)/surplus before taxation	(6.3)	2.9
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued assets	0.1	-
Historical cost (deficit)/surplus before taxation	(6.2)	2.9
Historical cost (deficit)/surplus for the financial year	(6.8)	2.5

Reconciliation of Movement in Net Assets for the year ended 31 March

	1997 £m	1996 £m
(Deficit)/surplus for the financial year	(6.9)	2.5
Other recognised gains and losses relating to the year	10.5	-
Transfer to HM Treasury	(16.7)	-
(Decrease)/increase in net assets	(13.1)	2.5
Opening net assets	146.2	143.7
Closing net assets	133.1	146.2

Cash Flow Statement for the year ended 31 March

	Note	1997 £m	1996 £m
Net cash inflow from operating activities	12	21.6	28.4
Return on investments and servicing of finance			
Interest received		0.3	0.3
Taxation			
Taxation paid		(0.6)	(0.3)
Capital expenditure			
Purchase of tangible fixed assets		(21.5)	(28.4)
Decrease in cash	13,14	(0.2)	-

The sale of the World Service transmission business has no cash impact (note 4).

Notes to the Financial Statements for the year ended 31 March

1 Operating surplus by nature of activity

1997	Broadcasting £m	Monitoring £m	Total £m
Grants-in-Aid	155.5	19.1	174.6
Other income	11.3	0.3	11.6
Total income	166.8	19.4	186.2
Operating expenditure	(162.3)	(17.1)	(179.4)
Operating surplus	4.5	2.3	6.8

1996	Broadcasting £m	Monitoring £m	Total £m
Grants-in-Aid	163.1	17.5	180.6
Other income	10.6	1.3	11.9
Total income	173.7	18.8	192.5
Operating expenditure	(171.5)	(18.4)	(189.9)
Operating surplus	2.2	0.4	2.6

The Broadcasting arm of the World Service provides radio services in English and 44 other languages. Monitoring reports on and monitors the output of international media.

Other income is derived primarily from programme sales, transmission contracts and the sale of educational material and listings magazines.

2 Operating surplus

Operating surplus is stated after charging/(crediting) the following items:

	1997 £m	1996 £m
Payments under operating leases:		
Land and buildings	7.5	7.5
Other	0.2	0.2
Depreciation	18.7	19.7
Redundancy costs	5.3	3.3
Amounts written off tangible fixed assets	0.5	3.6
Own work capitalised	(2.5)	(3.3)

Operating expenditure includes £35,000 (1995/96 £30,000) in respect of auditors' remuneration. In addition, £0.2m of non audit fees were paid to the auditors in the year (1995/96 £Nil).

3 Employees and remuneration

3a Persons employed

The number of persons employed in the year at their full-time equivalent was:

	Average for the year		At 31 March	
	1997 Number	1996 Number	1997 Number	1996 Number
Broadcasting	2,083	2,243	1,858	2,157
Monitoring	461	474	431	470
Other Activities (including self-funding)	164	212	146	228
	2,708	2,929	2,435	2,855

Within the averages above, 185 (1995/96 197) part-time employees have been included at their full-time equivalent of 109 (1995/96 113).

In addition to the above, the World Service employed an average full-time equivalent of 111 (1995/96 149) persons on a casual basis. Their salary costs are included in note 3b below.

3b Staff costs

	1997 £m	1996 £m
Salaries and wages (excluding redundancy costs)	74.5	76.0
Social security costs	6.2	6.4
Other pension costs	2.4	4.1
	83.1	86.5

Staff costs in relation to staff employed on self-funding activities are excluded from the analysis above as these are fully recovered from third parties.

3c Pensions

Most World Service employees are members of the BBC Pension Scheme, the principal scheme of the BBC. The funding of the scheme is described in note 4c to the Home Services Group financial statements. In the World Service an amount of £2.9m (1996 £3.2m) is included in prepayments, representing the cumulative net excess contributions to the pension fund. The pension charge for the World Service for the year was £2.4m (1995/96 £4.1m).

3d Governors and Executive Committee

The remuneration of the Governors and members of the Executive Committee is charged to the Home Services. Disclosure of remuneration is included in note 4d and note 4e to the Home Services Group financial statements.

4 Sale of transmission business

	1997 £m
Net sale proceeds	16.7
Less net assets disposed of:	
Tangible fixed assets (historic cost)	(29.6)
Net current assets	(0.5)
Net sale proceeds less depreciated historic cost of transmission assets sold	(13.4)
Net sale proceeds	16.7
Cash consideration directly remitted to HM Treasury	(16.7)
Net cash effect	-

On 27 March 1997 World Service disposed of its transmission business to Merlin Communications International Limited ('Merlin'), in a management and employee buyout. The disposal followed a competitive tendering process during which bids were received from a number of shortlisted parties. The sale was carried out in full consultation with the Foreign and Commonwealth Office and HM Treasury.

Included within the sale were assets of the World Service UK transmission sites. World Service retains ownership of assets at the overseas sites. World Service has entered into contracts with Merlin for a minimum period of ten years for the provision of transmission services. The level of future transmission contract payments reflects agreed cost savings.

As at 1 April 1996, World Service revalued tangible fixed assets subsequently included in the transmission sale as part of a revaluation of all its fixed assets (excluding land and buildings). The revaluation surplus arising on the assets later included in the transmission sale was £23.8m. World Service consider that it is appropriate to compare the disposal proceeds of World Service transmission with depreciated historic cost rather than the recently revalued amounts.

5 Taxation

The World Service taxation charge is based on profits derived from rent, interest receivable and sale of transmission capacity. The charge for the year, based on a rate of corporation tax of 33% (1995/96 33%), comprised:

	1997 £m	1996 £m
Current year:		
Corporation tax	0.6	0.7
Prior year:		
Corporation tax	-	(0.3)
	0.6	0.4

6 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1996	59.7	143.7	4.2	33.4	241.0
Revaluation adjustments	-	(42.3)	(2.7)	-	(45.0)
Adjustment consequent on disposal of UK sites	-	(13.7)	0.8	-	(12.9)
Additions	1.7	6.8	0.1	11.2	19.8
Brought into service	5.2	17.9	0.6	(23.7)	-
Disposals	(12.6)	(26.4)	(0.8)	(5.5)	(45.3)
At 31 March 1997	54.0	86.0	2.2	15.4	157.6
Comprising:					
Cost	54.0	24.7	0.7	15.4	94.8
Valuation at 1 April 1996	-	61.3	1.5	-	62.8
	54.0	86.0	2.2	15.4	157.6
Depreciation					
At 1 April 1996	18.1	76.3	3.0	-	97.4
Revaluation adjustments	-	(76.3)	(3.0)	-	(79.3)
Adjustment consequent on disposal of UK sites	-	10.1	0.8	-	10.9
Charge for the year	3.1	14.8	0.8	-	18.7
Elimination in respect of disposals	(3.4)	(11.5)	(0.8)	-	(15.7)
At 31 March 1997	17.8	13.4	0.8	-	32.0
Net book value					
At 31 March 1997	36.2	72.6	1.4	15.4	125.6
At 31 March 1996	41.6	67.4	1.2	33.4	143.6

World Services' plant and machinery and furniture and fittings were revalued as at 1 April 1996 based on the estimated current replacement cost of the assets, adjusted for service potential. The revaluation was undertaken by the BBC's engineers or Messrs Frank G. Bowen Limited, external valuers.

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	Plant and machinery 1997 £m	Plant and machinery 1996 £m	Furniture and fittings 1997 £m	Furniture and fittings 1996 £m
Cost	140.7	143.7	4.9	4.2
Depreciation	78.5	76.3	3.5	3.0
Net book value	62.2	67.4	1.4	1.2

On 27 March 1997 the transmission business of the World Service was sold. The depreciated historic cost of assets sold was £29.6m (note 4).

Included within fixed assets is a balance of £23.8m relating to a relay station in Thailand. The station is now operational and these assets will be transferred to the Royal Thai Government in 1997/98 for the payment of a nominal sum. The BBC retains the rights to repurchase the assets, should the operation cease, for a similar nominal sum. World Service's use of these assets is not affected by this transaction and so will continue to be carried at cost less attributable depreciation.

Land and buildings at net book value comprise:

	1997 £m	1996 £m
Freeholds	16.2	22.1
Short leaseholds	20.0	19.5
	36.2	41.6

Land and buildings include freehold land at a cost of £3.9m (1996 £0.2m) which is not depreciated.

7 Investments

Included in fixed assets are the following investments at nominal value:

	Holding of issued ordinary shares %
Subsidiaries	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) OLLC (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) Limited (incorporated in Hungary)	100
BBC Radiocom (Romania) SRL (incorporated in Romania)	100
BBC Radiocom (Slovakia) Limited (incorporated in the Slovak Republic)	100
Associates	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited (incorporated in Great Britain and registered in England and Wales)	50

8 Stocks

	1997 £m	1996 £m
Raw materials	0.3	0.4
Work in progress - programmes	0.4	0.5
	0.7	0.9

Notes to the Financial Statements (continued)

9 Debtors

	1997 £m	1996 £m
Receivable within one year		
Trade debtors	6.5	3.1
Amounts owed by Home Services Group	3.0	3.7
Amounts owed by associated undertakings	0.4	0.1
VAT recoverable	0.5	0.4
Other debtors	1.2	0.6
Prepayments	2.7	1.9
	14.3	9.8
Receivable after more than one year		
Prepaid pension contributions	2.9	3.2
	17.2	13.0

10 Creditors

	1997 £m	1996 £m
Amounts falling due within one year		
Unpresented cheques	5.9	4.1
Trade creditors		
Programme creditors	0.9	0.8
Salaries and wages	1.2	1.2
Other trade creditors	4.8	6.1
	6.9	8.1
Other creditors		
Fixed asset creditors	0.5	1.7
Corporation tax	0.7	0.7
Other	4.2	2.9
	5.4	5.3
	18.2	17.5

11 Reserves

	Capital reserve £m	Revaluation reserve £m	Operating reserve £m	Total £m
At 1 April 1996	143.6	-	2.6	146.2
Deficit for the financial year	-	-	(6.9)	(6.9)
Surplus arising from revaluation of tangible fixed assets	-	10.5	-	10.5
Revaluation reserve transfer	-	(0.1)	0.1	-
Capital reserve transfer	1.2	-	(1.2)	-
Depreciated historic cost of transmission assets sold	(29.6)	-	29.6	-
Transfer to HM Treasury	-	-	(16.7)	(16.7)
At 31 March 1997	115.2	10.4	7.5	133.1

12 Reconciliation of operating surplus to net cash inflow from operating activities

	1997 £m	1996 £m
Operating surplus	6.8	2.6
Amounts written off fixed assets	0.5	3.6
Depreciation	18.7	19.7
Decrease in stocks	0.2	0.4
(Increase)/decrease in debtors	(4.3)	2.7
Decrease in creditors	(0.3)	(0.6)
Net cash inflow from operating activities	21.6	28.4

13 Reconciliation of net funds

	1997 £m
Decrease in cash in the year	(0.2)
Change in net funds	(0.2)
Net funds at 1 April 1996	2.1
Net funds at 31 March 1997	1.9

14 Analysis of changes in net funds

	At 1 April 1996 £m	Cash flows £m	At 31 March 1997 £m
Cash at bank and in hand	6.2	1.6	7.8
Unpresented cheques	(4.1)	(1.8)	(5.9)
	2.1	(0.2)	1.9

15 Commitments

15a Purchases

	1997 £m	1996 £m
Contracted but not provided: Fixed asset additions	2.3	5.0

15b Other financial commitments

World Service has entered into contracts with Merlin Communications International Limited for a minimum period of ten years for the provision of transmission services (note 4). The charge for the first full year of the contract commencing 1 April 1997 will be £31.5m. Charges for subsequent years will be reduced by cost savings set out in the contract, adjusted for inflation and volume change.

15c Operating leases

Operating lease commitments payable in the following year analysed according to the period in which the lease expires:

	Land and buildings 1997 £m	Land and buildings 1996 £m	Other 1997 £m	Other 1996 £m
Within one year	0.1	–	–	–
In two to five years	0.1	0.2	0.2	0.2
After five years	7.2	7.2	–	–
	7.4	7.4	0.2	0.2

16 Contingent liabilities

If the Bush House lease is not renewed in March 2005 or on vacation of the property, a liability to restore the building to its original state will crystallise. It is not possible at this time to determine the liability accurately.

17 Related party transactions

The related party transactions of the World Service have been presented in accordance with Financial Reporting Standard 8, Related Party Disclosures.

17a Transactions with associated undertakings

Included in the income and expenditure account is a charge from the Caribbean Relay Company Limited of £1.1m. At 31 March 1997 the Caribbean Relay Company Limited owed the World Service an amount of £0.4m.

17b Transactions with key management

On 27 March 1997 World Service disposed of its transmission business to Merlin in a management and employee buyout (note 4).

17c Other

Transactions between the Home Services Group and the World Service are disclosed in note 21 to the Home Services Group financial statements.

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3 15 minute weekly reach by service

	96/97	95/96
Television	%	%
BBC1	90.5	91.1
BBC2	74.4	73.4
Radio	%	%
Radio 1	22.2	23.7
Radio 2	16.3	16.0
Radio 3	4.7	4.5
Radio 4	15.3	16.1
Radio 5 Live	9.7	9.7
Local/Regional	16.8	18.0

Source: BARB/RAJAR

4 Comparative price per hour of viewing/listening

Cost per hour in Nominal Pence.

	96/97	95/96
BBC Viewing	5.1p	4.8p
BBC Listening	2.5p	2.3p
All BBC	4.0p	3.7p
Sky Multichoice Package	18p	18p
All Cable Et Satellite	19p	19p
Video Hire	57p	53p

Source: BARB/RAJAR/BBC Corporate Strategy estimates

1 Overall BBC reach

Estimated proportion of all UK households viewing and listening to at least two hours of programming per week.

	96/97	95/96
	%	%
	95	95

Source: BARB, RAJAR and Licence Fee Payers' Database

5 Costs per hour of originated programmes

	96/97	95/96
Television	£K	£K
BBC1	114	117
BBC2	85	86

Television Programme Type

Drama	468	455
Entertainment	204	215
Sport	70	66
Documentaries/Features	124	132
Children's	131	95
Music and Arts	106	110
Daytime	37	40
News Programmes	85	83
Daily NCA Programmes	35	39
Weekly and special NCA programmes	176	175
Westminster	36	31
Schools	136	128
Continuing Education	117	121

Radio	96/97	95/96
Radio 1	2.7	2.7
Radio 2	3.5	3.6
Radio 3	5.4	7.4
Radio 4	9.9	10.5
Radio 5 Live	4.4	4.1 ¹

¹95/96 has been restated. Increases in cost per hour reflect inflation and transmitting a richer mix of programmes within a genre or channel, offset by efficiency improvements.

2 Combined reach by genre

	96/97	95/96
	%	%
Arts/Music	55	62
Children	38	42
Current Affairs	37	33
Documentary/Features	91	88
Drama (non-soap)	82	81
Drama (soaps)	65	67
Films	33	36
LE (comedy)	85	82
LE (variety)	91	87
National news	70	71
Regional news/Local radio	47	46
Sport	52	57

NB. These reach figures are based on age 16+. Source: Licence Fee Payers' Database

6 Transmission coverage

Terrestrial transmission coverage of UK population

	96/97	95/96
	%	%
Analogue Transmission		
Television	99.4	99.4
FM, MW Et LW radio	98.0	98.0
FM radio only	99.1	99.0
Digital Transmission		
DAB (Radio)	34.0	18.0

The analogue transmitter network is approaching maturity, but construction of new FM and television transmitters continued during the year to extend coverage to poorly served communities throughout the UK. Whilst this work is important, the number of people who benefit is a very small percentage of the overall population, and the marginal increase in the published figure for FM radio and the static figure for television, reflect this.

The digital transmitter network continues to evolve. Six new Digital Audio Broadcasting (DAB) transmitters were constructed during the year, extending DAB coverage to Central Southern England and the Midlands, with further transmitters planned for 1997/98. Pilot Digital Television (DTT) transmissions were made from transmitters in the North East and the South.

The BBC's transmitter network was sold in February 1997. Castle Transmission International Ltd won the contract to provide the BBC's Transmission services for the next ten years.

7
Range of peak time UK-made programmes

Number of UK-produced genres shown for at least half an hour during peak time in a typical week (inc. repeats)

Period Covered 1996/97

Peak Hours

Type	ALL BBC	ITV/C4	BBC1	ITV	BBC2	C4
Single Plays/TV Films						
Drama Series	•	•	•	•		•
UK Originated Serials	•	•	•	•	•	
Long Running Serials	•	•	•	•		•
Sit Com – UK-originated	•	•	•		•	•
Other Comedy	•	•			•	
Variety		•				•
Quiz Et Panel Games	•	•	•	•	•	
Family/People Shows	•	•	•	•		
Sport	•	•	•	•	•	
National News	•	•	•	•		•
Regional News	•	•	•	•		
Current Affairs	•	•	•		•	•
Consumer Affairs	•	•	•	•	•	•
Arts	•				•	
Hobbies Et Leisure Pursuits	•	•	•		•	•
Natural History	•	•			•	•
Science and Medical	•	•	•		•	•
Human Interest	•	•	•	•	•	•
Religious Programmes	•					
Music Progs – Contemporary	•					
Music Progs – Classical	•				•	
Special Events						
Total 1996/97	20	17	14	10	13	11
Total 1995/96	20	18	17	11	12	10

Source: BARB

8
Network television output analysis

Hours of output

General Programmes	BBC1 96/97	BBC1 95/96	BBC2 96/97	BBC2 95/96
Features and documentaries*	950	1,056	821	884
Current affairs	92	88	86	73
Sport	667	492	774	796
Light entertainment	642	567	374	360
Children's	386	419	361	223
Drama	352	385	86	81
Religion	106	110	16	42
Music Et Arts*	25	4	169	39
Weather	53	58	25	21
Subtotal	3,273	3,179	2,712	2,519
Continuing education	91	97	123	119
Schools	0	0	561	540
Subtotal	3,364	3,276	3,396	3,178
News and daily news related programmes	1,289	1,294	398	337
Parliamentary broadcasting	72	68	236	299
Subtotal	4,725	4,638	4,030	3,814
Acquired programmes				
Feature films	1,133	987	845	976
Children's series	285	371	356	242
Overseas sport	196	75	116	113
Teleseries	439	476	473	371
Other (incl presentation)	36	49	253	369
Subtotal	6,814	6,596	6,073	5,885
Continuity	218	240	289	255
Open University			882	798
Night time education			936	533
Total	7,032	6,836	8,180	7,471

*1995/96 restated to reflect a change in categorisation

9
Subtitled output

	96/97 hours	95/96 hours
BBC Television	7,750	6,304
96/97 %	38'	33
97/98 % year end target	50	

The 1996/97 subtitled target was 40%. The actual number of subtitled hours was planned on an estimated total output of 19,500 hours. The actual total was 20,304 hours.

10
Network radio output analysis

Hours of output

	Radio 1		Radio 2		Radio 3		Radio 4		Radio 5 Live		Totals	
	96/97	95/96	96/97	95/96	96/97	95/96	96/97	95/96	96/97	95/96	96/97	95/96
Arts	0	0	301	307	397	379	540	553	42	40	1,280	1,279
Comedy and light entertainment	39	80	143	126	9	13	367	321	197	74	755	614
Drama	4	4	24	15	114	138	1,087	1,085	0	1	1,229	1,243
Knowledge building	15	12	100	110	98	79	1,760	1,767	370	345	2,343	2,313
Leisure	0	0	46	66	0	0	115	95	0	0	161	161
Music	8,199	8,221	6,954	6,813	7,442	5,620	0	0	0	0	22,595	20,654
National debate	0	2	323	438	4	0	601	379	374	374	1,302	1,193
Religion	0	0	187	187	102	71	264	254	0	0	553	512
Sport	38	22	0	0	0	0	435	500	2,196	2,159	2,669	2,681
Multicultural	0	0	0	0	0	0	6	6	0	0	6	6
Presentation and trailing	67	52	203	193	154	140	135	124	0	0	559	509
News	398	391	470	529	27	118	2,218	2,468	5,472	5,657	8,585	9,163
Schools	0	0	9	0	213	220	72	0	109	134	403	354
Total	8,760	8,784	8,760	8,784	8,560	6,778	7,600	7,552	8,760	8,784	42,440	40,682
Open University	0	0	0	0	51	83	52	59	0	0	103	142
Total	8,760	8,784	8,760	8,784	8,611	6,861	7,652	7,611	8,760	8,784	42,543	40,824

11

Television hours of output 1996/97

All figures in hours

First transmissions	England London	England Midlands	England North	England South	Northern Ireland	Scotland	Wales	Total 96/97	Total 95/96
General Programmes									
Network									
Drama, comedy, music and arts	769	119	251	12	11	66	5		
Sport and events	1,424	1	0	3		1			
Education, factual and religion	824	548	189	156	8	31	16		
News Current Affairs	255								
Children's	358			11		56			
Network Total	3,630	668	440	182	19	154	21	5,114	4,571
Regional service		34	57	70	216	362	269	1,008	943
Sub Total	3,630	702	497	252	235	516	290	6,122	5,514
Of which Independents									
Network	839	260	235	33	19	57	4	1,447	1,437
Regional service only		8	13	17	39	84	69	230	225
Sub Total	839	268	248	50	58	141	73	1,677	1,662
News and daily news related programmes									
Network	1,686							1,686	1,631
Regional service only		795	777	1,068	273	276	293	3,482	3,478
Parliamentary broadcasting									
Network	308							308	367
Regional service only		32	48	64	0	32	21	197	223
Acquired programmes									
Feature films	382				2			384	402
Children's series and cartoons	248							248	243
Overseas sport	308							308	180
Teleseries	371	8						379	377
Other	234		13	13		1	4	265	372
Total first transmissions									
Network	7,167	676	452	195	21	155	25	8,691	8,143
Regional service only	0	861	882	1,202	489	670	583	4,687	4,644
Repeats (all sources)									
Network	3,927	44	61	116	7	37	4	4,196	4,337
Regional service only	0	0			43	64	10	117	118
Total repeats	3,927	44	61	116	50	101	14	4,313	4,455
Total hours of broadcasting									
Network	11,094	720	513	311	28	192	29	12,887	12,480
Regional service only	0	861	882	1,202	532	734	593	4,804	4,762
Continuity									
Network	507	0						507	495
Regional service only		3	9	6	97	80	93	288	265
Night-time education								936	533
Open University								882	799
Total hours of broadcasting	11,601	1,584	1,404	1,519	657	1,006	715	20,304	19,334
Regions								5,092	5,027
Open University								882	799
Network								14,330	13,508
Total								20,304	19,334

12

Radio hours of output

All figures in hours

	Network programmes					Total Network	Regional service only	Local Radio	Total 96/97	Total 95/96
	Radio 1	Radio 2	Radio 3	Radio 4	Radio 5 Live					
Programmes produced in London	8,239	5,426	6,679	6,059	8,454	34,857			34,857	33,426
Programmes produced in the regions										
England - Midlands	49	2,608	580	427	62	3,726			3,726	3,548
North	466	254	504	587	112	1,923			1,923	1,799
South	1	22	35	296	15	369			369	376
Northern Ireland		10	145	54	7	216	6,053		6,269	6,054
Scotland	4	422	294	95	106	921	6,487		7,408	7,556
Wales	1	18	323	82	4	428	12,124		12,552	11,125
Community stations							4,218		4,218	3,946
Total programmes produced in the regions	521	3,334	1,881	1,541	306	7,583	28,882		36,465	34,404
Total programmes produced in London and the regions	8,760	8,760	8,560	7,600	8,760	42,440	28,882		71,322	67,830
Local Radio								220,998	220,998	221,364
Open University			51	52		103			103	142
Total hours of broadcasting	8,760	8,760	8,611	7,652	8,760	42,543	28,882	220,998	292,423	289,336

14

Regional television programmes by region by genre 1996/97

	Hours Midlands	Hours North	Hours South	Hours N. Ireland	Hours Scotland	Hours Wales	Hours Total	£000's Total
	Drama, Comedy, Music & Arts				53	23	36	112
Daily and Weekly News and Current Affairs	853	873	1,186	307	336	327	3,882	88,268
Sport and Leisure				74	223	169	466	8,932
Education, Factual and Religion	8	9	16	55	72	51	211	11,798
Children's					16		16	1,179
Total Originations	861	882	1,202	489	670	583	4,687	
Total Costs	18,937	20,752	27,017	15,314	22,171	15,055		119,246

16

Letters and telephone calls and complaints

During 1996/97, Viewer and Listener Information handled 90,629 letters and e-mails, 88% of which were replied to within ten working days, and 602,599 telephone calls.

17

Public meetings and forums

During 1996/97 over 16,000 members of the public participated in over 160 accountability exercises in all six BBC nations and regions.

These included three major public forums, an all day special youth forum in Wales and 20 local open events. Around 90 other meetings were held throughout the country to give members of the public opportunities to put their views directly to programme makers, senior BBC managers and advisory councils. These allowed us to have more targeted events this year, catering for specific sectors of the audience. Finally, audiences were also able to put across their views to BBC programme makers at question and answer sessions before *Question Time* and by completing questionnaires at *Antiques Roadshow* and *Mastermind* recordings.

13

Regional programme deliveries to the networks

	96/97 £m	95/96 £m
Midlands & East	57	61
North	55	61
South	30	35
Scotland	31	26
Wales	11	7
Northern Ireland	9	10

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Local Radio hours of transmission

Station	96/97 hours	95/96 hours	94/95 hours
Berkshire*	119	4,875	4,430
Bristol (inc. Somerset Sound)	8,847	8,980	8,991
Cambridgeshire	5,444	5,350	5,407
Cleveland	5,044	5,019	4,962
Cornwall	5,711	5,499	5,295
Cumbria	5,334	5,584	6,070
CWR	1,966	2,380	5,159
Derby	5,851	5,843	5,521
Devon	5,960	7,737	8,061
Essex	5,534	5,294	5,133
Gloucestershire	5,436	5,328	5,347
GLR	7,160	6,957	6,992
GMR	5,656	5,676	5,747
Guernsey	3,100	3,074	2,884
Hereford and Worcester	5,491	5,181	5,231
Humberside	5,322	5,461	5,476
Jersey	3,870	3,876	3,705
Kent	6,668	6,596	6,570
Lancashire	5,953	6,535	6,716
Leeds	6,508	6,414	6,293
Leicester (inc. Asian Network)	11,324	9,122	8,257
Lincolnshire	5,288	4,644	4,457
Merseyside	5,976	5,897	5,827
Newcastle	6,268	5,601	5,494
Norfolk	5,828	5,607	5,538
Northampton	6,120	5,878	6,008
Nottingham	6,207	5,762	5,651
Oxford*	-	5,923	5,896
Sheffield	5,604	5,446	5,308
Shropshire	5,191	5,180	5,078
Solent (inc. Dorset service)	7,537	6,573	6,556
Southern Counties Radio	6,989	7,235	7,113
Stoke	5,188	4,958	4,936
Suffolk	5,266	5,212	5,112
Thames Valley	7,147	-	-
Three Counties	6,210	5,928	5,887
WM (inc. Asian Network)	8,852	9,615	8,898
Wiltshire Sound	5,871	5,987	6,333
York	5,158	5,137	5,138
Total	220,998	221,364	221,477

*Berkshire and Oxford merged in 1996/97 to form Thames Valley FM

18 Environment

The BBC is running an energy awareness campaign, 'Watts On?' which it is hoped will reduce the CO₂ emissions through reducing energy consumption in all its buildings.

Progress has been made in the reduction of CO₂ emission in the two major areas of energy consumption, BBC London operation and Transmission and a percentage reduction of 12% has been achieved over the five year period 1991/92 to 1996/97.

The BBC has continued to make progress in encouraging greater use of stationery products which conform to independent environmental standards. To date 65% of all photocopier and letterhead paper complies with the parameters laid down by such standards, whilst 85% of all other products contain acceptable levels of recycled fibre. In addition 74% of all laser toner cartridges used throughout the BBC are recycled products.

With the success of Combined Heat and Power at Television Centre we are investigating the viability of a CHP plant at Broadcasting House.

Energy efficiency is an important consideration in the design and refurbishment of our buildings and we are expecting within our main centres to achieve a 'good' classification under the Building Research Establishment Environmental Assessment Method (BREEAM) when they are re-audited.

19 Worldwide trails

The terms of the BBC's undertakings with the Office of Fair Trading in relation to air minutage promoting BBC magazines commits us to not exceeding more than seven minutes as an aggregate across a seven day period; these terms have been met.

The restriction to seven minutes per week applies only to BBC Magazines. The BBC, however, voluntarily applies the spirit of the undertaking to all BBC Worldwide products.

During 1996/97 the weekly total for all BBC Worldwide products has averaged two minutes 55 seconds with an occasional maximum of over four minutes and a minimum of one minute 30 seconds. This is well within the restriction imposed by the OFT agreement – which, as indicated, applies only to magazines.

20 Overheads – corporate management and governance (expressed as a percentage of total operating expenditure)

	96/97 %	95/96 %
	3.0	3.1

Corporate Management includes Corporate Finance, Personnel, Policy and Planning, Legal Adviser, Research and Development and expenditure which cannot meaningfully be charged against directorates.

21 Spending on major areas of creative talent

	96/97 £m	95/96 £m
Artists and contributors	104	97
Copyright (including music copyright)	58	54
House orchestras	18	18

22 Spending on external providers of programmes and resources

Spending	96/97 £m	95/96 £m
Independent producers	201	204
External Resource Use:		
By output directorates	78	77
By resources	41	56
Total	119	133

23 Equal opportunities initiatives

	96/97 Year End	95/96 Year End	Target for the year 2000
Proportion of women in management			
Senior executives	26.7%	21.2%	30%
Senior managers	30.6%	28.1%	40%
Middle management and senior professionals	35.3%	33.3%	40%

Proportion of ethnic minorities London-based Directorates			
Network Television	8.6%	9.2%	8%
Network Radio	5.7%	6.3%	8%
World Service (recruited in UK)	11.4%	13%	8%
News & current affairs	7.1%	7.4%	8%
Education	6.8%	7.2%	8%
London Based Resources	7.9%	6.8%	7%
Policy and Planning	5.6%	6.4%	8%
Legal Adviser	12.3%	7.2%	11%
Corporate Affairs	4.6%	3.2%	8%
Finance	9.0%	12.4%	13%
Personnel	3.2%	3.0%	11%

Proportion of ethnic minorities Regions (including Regional Broadcasting and Regional Resources)			
Scotland	0.8%	1.1%	2%
Wales	1.3%	1.6%	2%
North	3.4%	3.4%	4%
South	3.5%	2.5%	4.7%
Midlands & East	5.7%	5.8%	6%

Major Television Awards in 1996/97

BAFTA Awards

- Best Drama Series**
EastEnders
- Best Drama Serial**
Our Friends in the North
- Best Factual Series**
The House
- Best Light Entertainment**
Shooting Stars
- Best Comedy**
Only Fools and Horses
- Best Children's Programme**
Shakespeare Shorts: Romeo and Juliet
- Best Actress**
Gina McKee for Our Friends in the North
- Best Comedy Performance**
David Jason for Only Fools and Horses
- Best News Coverage**
BSE coverage on BBC Newsnight
- Best Sports/Events Coverage in Real Time**
BBC1 Euro 96 coverage
- Best Talk**
Mrs Merton Christmas Show
- Flaherty Documentary Award**
Horizon: Fermat's Last Theorem
- Best Short Animated Film**
The Old Lady and the Pigeons

BAFTA Cymru Awards

- Best Light Entertainment**
Cris Dafis for O'r Galon
- Best Actuality Crew**
Week In Week Out: Little Devils
- Best Camera (Drama)**
Nina Kellgren for Y Mapiwr
- Best Camera (Factual)**
Jacek Petycki for Sgwarnog Hapus
- Best Lighting Director**
Bernie Davies for Nabucco
- Best Sound**
Jeff Matthews for Trip Trap
- Best Editor**
Chris Lawrence for Sgwarnog Hapus
- Best Documentary/Drama Documentary**
John Alexander for Walking Towards the Light
- Best Magazine Programme**
The Slate

- Best Original Music**
Euros Rhys for Streic
- Best Graphics**
Louise Hillam/Nick Wall for Dim Ond Celf
- Best Actress**
Helen McCrory for Streetlife
- Best Director**
Karl Francis for Streetlife

BAFTA Children's Awards

- Lifetime Achievement**
Anna Home
Head of Children's Programmes, BBC Production
- Schools (Drama)**
Shakespeare Shorts: Romeo and Juliet

BAFTA Craft Awards

- Alan Clarke Award for Outstanding Creative Contribution to Television**
Michael Wearing
- Special Award**
Charles Wheeler
- Best Make Up/Hair**
Jean Speak for The Tenant of Wildfell Hall
- Best Editing (Factual)**
Edward Roberts for The System

RTS Programme Awards

- Situation Comedy and Comedy Drama**
Only Fools and Horses
- Entertainment**
The Fast Show
- Children's Entertainment**
The Ant & Dec Show
Zenith North for BBC Television
- Regional Documentary**
Home Truths - A Woman In Twelve
BBC Northern Ireland
- Documentary Series/Strands**
The System
- Regional Programme**
Tartan Shorts - The Star
Renegade Films for BBC Scotland
- Drama Serial**
Our Friends in the North
BBC Television in association with Primetime

- Drama Series**
Ballykissangel
A Ballykeea Production for World Productions for BBC Television
- Actor Female**
Stella Gonet for Trip Trap
- Actor Male**
David Jason for Only Fools and Horses
- Arts**
Arena - The Burger and The King
- Network Newcomer**
Francesca Joseph, Director, for Picture This - Four Tarts and A Tenor
- Television Performance**
Paul Whitehouse for The Fast Show
- Writer's Award**
Peter Flannery for Our Friends in the North
BBC Television in association with Primetime
- Cyril Bennett Judges' Award**
Tony Garnett

RTS TV Sport and Journalism Awards

- Judges' Award (Journalism)**
Charles Wheeler
- Judges' Award (Sports)**
Peter O'Sullivan
- Regional Current Affairs**
Frontline Scotland: Open to Abuse
- International Current Affairs**
Newsnight for John Simpson's Report on the Taliban
- Interview of the Year**
Newsnight for Jeremy Paxman's interview on the 'cash for questions' affair
- News Technician of the Year**
Darren Conway (freelance for BBC News in South Africa)
- Live Sports Coverage**
BBC TV European Football Championship coverage
- Sports Documentary**
Dickie Bird: A Rare Species

RTS Craft and Design Awards

- Camera (Documentary and Factual)**
Rod Clarke and Kevin Flay for Alien Empire: Hardware
- Costume Design (Drama)**
Les Lansdown for Great Moments in Aviation
- Costume Design (Any other programme)**
Sarah Burns for French and Saunders
- Graphics Design (Programme Content Sequences)**
Andy Royston O'Connor for Newsround
- Graphics Design (Titles)**
John Durrant for Oldie TV, Burrell Durrant Hifle for BBC
- Lighting (Any other programme)**
Peter Greenyear for Purcell Tercentenary Concert, BBC Outside Broadcasts
- Production Design (Any other programme)**
Phil Lewis and Trisha Budd for A Close Shave, Aardman Animations for BBC
- Sound (Any other programme)**
Adrian Rhodes and Paul Hamblin for A Close Shave, Aardman Animations for BBC
- Make Up Design (Drama)**
Deanne Turner for A Royal Scandal
- Music (Original Music)**
Zbigniew Preisner for People's Century, Zbigniew Productions for BBC

Montreux Awards

- Honorary Golden Rose Award**
The BBC
- Silver Rose (Entertainment)**
Tony Ferrino Phenomenon
- Bronze Rose (Variety)**
Friday Night Armistice

Major Radio Awards in 1996/97

Sony Radio Awards 1997

Sports Programme/Programming

Gold: Kickin'
BBC Radio 1

Bronze: Euro 96
BBC Radio 5 Live

Sports Broadcaster of the Year

Gold: Alan Green
BBC Radio 5 Live

Silver: John Rawling
BBC Radio 5 Live

Bronze: Chick Young
BBC Radio Scotland

Response to a News Event

Gold: Drumcree
BBC Radio Ulster

Silver: Apocalypse Cow: Farming Today
BBC Midlands for Radio 4

Bronze: The Manchester Bomb
BBC GMR Talk

News Presentation

Gold: World Service News
BBC World Service

Silver: Radio 2 News Summaries
BBC Radio 2

Bronze: Midday with Mair
BBC Radio 5 Live

News & Current Affairs Programme

Gold: Asia Gold (Lights the Way for Vietnam and Eclipses the West?)
BBC Radio 4

Silver: Eye on Wales
BBC Radio Wales

Bronze: In the News Special Edition
BBC Radio 3

Breakfast Show: Speech Based

Gold: Stuart Linnell Breakfast Show
BBC Radio WM

Silver: Breakfast News
BBC GMR Talk

Bronze: Euro 96 Breakfast
BBC Radio Sheffield

Documentary Feature

Gold: Alexandrias
BBC Radio 3

Silver: Ashes in the Ganges
BBC Radio 3

Bronze: Melanie and Esther's Story
Bite-Back for BBC Radio 4

Radio Reporter of the Year:

Local/Regional

Gold: Kate Fawcett
BBC Radio Scotland

Silver: Gareth Gordon
BBC Radio Ulster

Bronze: Tim Rogers
BBC Radio Wales

Radio Reporter of the Year:

UK

Gold: Jane Standley
BBC World Service

Silver: Stephen Sackur
BBC Radio News

Bronze: Winifred Robinson
BBC Radio 4 'Today'

Daytime Music Sequence Programme

Gold: Owen Money
BBC Radio Wales

Bronze: Steve Wright's Saturday Show
BBC Radio 2

Specialist Music Programme

Gold: Between the Ears: Beethoven's Fifth
BBC Radio 3

Silver: The Essential Mix - Paul Oakenfold
West End Productions for BBC Radio 1

Bronze: One in the Jungle
BBC Radio 1

Themed Music Programme

Joint Gold: You've Got To Hide Your Love Away
BBC GLR

Silver: Christmas Foreverett
Unique Broadcasting for BBC Radio 2

Bronze: The Simon and Garfunkel Story
Howlett Media Productions for BBC Radio 2

Breakfast Show - Music Based

Bronze: Wake Up to Wogan
BBC Radio 2

Phone-in/topical debate

Gold: Talkback
BBC Radio Ulster

Silver: Newstalk
BBC Radio Leeds

Magazine Programme

Gold: Papertalk
BBC Radio 5 Live

Silver: Soundbite
Confederate Broadcasting for BBC Radio 1

Bronze: Liquid Companion
BBC Radio 3

Short Information/Entertainment Feature

Gold: The Taylor: The Afternoon Shift
BBC Radio 4

Silver: Nicky Campbell
BBC Radio 1

Bronze: Ruscoe on 5
BBC Radio 5 Live

Coverage of an Event

Gold: Live from Tanglewood
BBC Radio 3

Silver: Oasis at Knebworth
BBC Radio 1

Arts Programme/Programming

Gold: Private View
Pier Productions for BBC Radio 3

Silver: Night Out
BBC Radio York

Local Involvement

Silver: BBC Radio Shropshire

On Air Contest/Competition

Bronze: Playwriting Competition
BBC World Service

Comedy

Gold: Goodness Gracious Me
BBC Radio 4

Silver: Hold the Front Page
Leisure Time Productions for BBC Radio 5 Live

Joint Bronze: Talking Comedy with Paul O'Grady
Gilmour Broadcasting for BBC Radio 2

Joint Bronze: Booked!
BBC Radio 4

Drama Award

Gold: The Voluptuous Tango
BBC Radio 3

Silver: Arrows of Desire
BBC Radio Scotland for BBC Radio 4

Bronze: Sea Urchins
Catherine Bailey Ltd for BBC Radio 3

Special Commendations:

The Nuremberg Trial
Catherine Bailey Ltd for BBC Radio 3

Man and Superman
BBC Radio 4

Society of Authors' Award for Best Original Drama

Gold: Five Kinds of Silence
BBC Radio 4

Silver: Everybody Comes To Schicklgruber's
BBC Radio 4

Bronze: Wild Belles
BBC North for BBC Radio 4

Best Dramatic Performance

Gold: Kelly Hunter for her performance in 'Transit of Venus'
BBC Wales for BBC Radio 3

Silver: Juliet Stevenson for her performance in 'Volcano'
BBC Radio 4

Bronze: George Parsons for his performance in 'Untitled Play'
BBC Radio 4

Special Commendation

Phil Daniels for his performance in 'Tin Drum'
BBC Radio 4

Service to the Community

Gold: Dunblane
BBC Radio Scotland

Bronze: The Jeff Owen Show: Action Heart
BBC Radio Nottingham

On Air Branding of Station Image

Silver: BBC Radio 1 On Air Branding

Joint Bronze: BBC Radio Wales On Air Branding

Interview of the Year

Gold: Seven Days
BBC Radio Ulster

Joint Silver: On The Ropes: Derek Lewis
BBC South for BBC Radio 4

Bronze: In St Augustine's Chair
BBC Radio 4

Best Personality Based Programme

Gold: Malcolm Boyden's Morning Show
BBC Radio WM

Silver: Steve Wright's Saturday Show
BBC Radio 2

Bronze: Stuart Cosgrove: Off the Ball
BBC Radio Scotland

Broadcaster of the Year:

Local/Regional

Gold: Owen Money
BBC Radio Wales

Silver: Sean Rafferty
BBC Radio Ulster

Bronze: Tony Cartledge
BBC Radio Newcastle

Special Award for outstanding contribution to radio

Michael Green

Regional Station of the Year

BBC Radio Wales

UK Broadcaster of the Year

John Inverdale

Gold Award

Jimmy Young OBE

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For comments, queries or criticism relating to programmes or policy, write to:

BBC Viewer and Listener Correspondence, Room 406,
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All comments or criticism will be drawn to the attention of programme makers. Alternatively you can write directly to the editor of a programme or to a channel or network controller.

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London W5 2PA

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Other enquiries 0990 763 763
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Fraser Steel
Head of Programme Complaints
Programme Complaints Unit
BBC Broadcasting House
London W1A 1AA



Price £10.00

ISBN 0-563-38395-X



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