

THE BBC WORLD SERVICE

STATEMENT OF POLICY FOR SOURCES OF FINANCE OTHER THAN THE LICENCE FEE

("ALTERNATIVE FINANCE")

Introduction

1. This document constitutes a revised version of the statement of policy, approved by the BBC Trust and the Secretary of State for Culture, Media and Sport ("the Secretary of State"), addressing the use by the BBC to a limited degree of alternative sources of finance¹ to supplement the television licence fee ("the licence fee") in the funding of the BBC World Service, as from 1st April 2014.² This revised version contains appropriate references to the terms of a new BBC Agreement with the Secretary of State³ ("the BBC Agreement") made under the 2016 Charter which revokes and replaces the 2006 Agreement under which this statement of policy was initially approved. Those sources of finance are referred to here as "alternative finance". References to "content" are references to content for broadcast and items for inclusion in online services.
2. Although this policy is not directly applicable to the BBC's other international public services (BBC World News and bbc.com/news), because they are commercially-funded, the BBC intends to adopt a more uniform approach to external funding, consistent with this policy, across all these services.

Background

3. Clause 33 of the BBC Agreement requires the BBC to provide the World Service, and defines it as a service consisting of—

"the broadcast or other distribution of programmes and the delivery of services in English and other languages, aimed primarily at users outside the UK."
4. Prior to April 2014, the World Service was funded principally by grant-in-aid provided by the Foreign and Commonwealth Office, and accordingly, the BBC was prohibited from using the licence fee to fund it. However, under the licence fee settlement reached between the BBC and the UK Government in October 2010, it was agreed that the World Service would be funded directly from the licence fee from 1 April 2014. The 2006 Agreement was amended to reflect this and to introduce changes to the governance of the World Service including, in particular,

¹ The World Service was mandated by the FCO in the Comprehensive Spending Review (2010) to generate £3m of income by end of the financial year 2013 – 2014, with a clear understanding that that was to include commercial income.

² This policy recognises that some forms of funding from which the World Service was permitted to benefit when funded by grant-in-aid, as mandated and approved by the Secretary of State for Foreign and Commonwealth Affairs, would not have been available under licence fee funding because they were not covered by exceptions under clause 75(5) of the 2006 Agreement.

³ The BBC Agreement is made under the BBC's Royal Charter on 7 November 2016 and was presented to Parliament in December 2016 (CM 9366).

the issuing by the BBC Trust of an “Operating Licence”. The Operating Licence is due to be succeeded by a Licence for the World Service which will be set and published by the BBC as required by sub-clause 34(1) of the BBC Agreement.

5. Thus, it was then open to the BBC to use the licence fee to fund the World Service, but this also meant that the funding of the World Service became subject to the same constraints as applied to other licence fee-funded services. Some existing sources of additional finance previously approved when the World Service was funded by grant-in-aid and already available to the World Service would no longer be available under the 2006 Charter and Agreement provisions governing the licence fee. In particular, the BBC could not⁴ use the licence fee to fund any activity carried on for the purposes of—

(a) any Commercial Service;⁵ or

(b) a television, radio or online service which is wholly or partly funded by—

- (i) advertisements,
- (ii) subscription,
- (iii) sponsorship,
- (iv) pay-per-view system, or
- (v) any other alternative means of finance,

unless the Secretary of State had given prior written approval.

6. In addition, should the BBC have wished to include sponsored material⁶ in the World Service, or to provide any subscription service⁷ as part of the World Service, the prior approval of the Secretary of State for Foreign and Commonwealth Affairs (“the Foreign Secretary”) would also have been required.

7. Certain sources of funding, listed in the BBC Agreement⁸, are considered not to be “alternative finance”. These comprise funds derived from—

- (a) the commercial activities;
- (b) voluntary payments of the licence fee, legacies or other donations;
- (c) the Open University;
- (d) co-production arrangements;
- (e) any not for profit cultural, arts, sports, educational and science bodies or other similar organisations (where compatible with a statement of policy published by the BBC);
- (f) co-funding by not for profit bodies for output in minority languages and other limited circumstances (where compatible with a statement of policy published by the BBC);
- (g) competition prizes and other awards made available or funded or provided by one or more third parties (where compatible with a statement of policy published by the BBC);

⁴ By virtue of clause 75(2) of the 2006 Agreement.

⁵ As defined in clause 101 of the 2006 Agreement.

⁶ As defined in clause 76(2) of the 2006 Agreement.

⁷ As defined in clause 76(2) of the 2006 Agreement.

⁸ See clause 49(4).

- (h) the BBC recovering from ticket sales the costs of various live events listed under sub-clause 49(4)(h) or similar live events where compatible with a statement of policy agreed with the Secretary of State; or
- (i) from activities, facilities or events featured in BBC output or used to support the creation of BBC output and carried on or provided with third parties (where compatible with a statement of policy published by the BBC).

8. Those sources of funding are available to the World Service to the same extent as they are available to any other licence fee-funded service of the BBC. The policies mentioned in subparagraphs (e) to (i) of paragraph 7 apply to the World Service if to any extent the funding in question is not covered by the terms of this policy.

Approval of alternative finance for the World Service

9. The Trust, the Secretary of State and the Foreign Secretary recognised that it was appropriate and expedient for the BBC to use certain alternative sources of finance for the funding of the World Service. This would enable the World Service to better perform its remit by making resources available to supplement the funding of the World Service from the licence fee. It also reflected an ambition expressed by the BBC Trust⁹ and shared by the Government that, where appropriate and consistent with the BBC's editorial principles, the ability of all BBC international news services to benefit from third party sources of funding, including commercial funding, should be continued and enhanced. Such funding for the World Service must be reasonable and proportionate and comply with the rules on state aid.
10. Accordingly, as required under clause 49 of the BBC Agreement, the BBC and the Secretary of State have approved the alternative finance set out in this policy, so long as it is conducted in compliance with the provisions of the policy.
11. The Foreign Secretary approves the inclusion of sponsored material in the World Service, as required under clause 50 of the BBC Agreement and as specified in paragraph 15 below.

General principles

12. All alternative finance for the World Service must comply with all regulatory requirements, including the BBC's Royal Charter and the BBC Agreement, and the general law including the Audiovisual Media Services Directive (to the extent it is applicable to the World Service)¹⁰ and state aid law. In particular, any arrangements for alternative finance (and where applicable any content funded by such means) must comply with the following—

- (a) Clause 23 of the BBC Agreement, regarding the organisational and structural separation of the BBC and its commercial subsidiaries;

⁹ BBC World Service: A licence fee funded service (June 2013): see at http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/consult/wsol/wsol_positioning.pdf

¹⁰ Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010.

- (b) the BBC's *Editorial Guidelines*, and in particular the *Editorial Guidelines for the BBC World Service Group on External Relationships and Funding*;
- (c) Global News Compliance Procedures;
- (d) such specific rules or conditions (if any) as may be imposed by the Board of the BBC .

Approval for specific forms of alternative finance

13. The following forms of alternative finance are approved, subject to compliance with the general principles set out above and the specific rules (if any) referred to in paragraph 12(d).
14. The BBC may include paid-for advertising in services provided by the World Service which are not targeted at audiences in the UK; such advertising must comply with the BBC's *Advertising and Sponsorship Guidelines for BBC Commercial Services*, and must take account of the likely expectations of target audiences, regulatory requirements and local market norms in the relevant territory.
15. The BBC may include sponsored content on the World Service.¹¹ Sponsored content may be—
 - (a) sponsored content commissioned or acquired by the World Service (i.e. the sponsor may provide funding to the World Service directly);
 - (b) sponsored content that has been broadcast previously on other services provided by the BBC or BBC companies;
 - (c) sponsored content funded via the charity BBC Media Action¹² (i.e. the sponsor may provide funding to BBC Media Action which then provides the content to the World Service).
16. Current affairs content may be not be financed by external funders, except that the BBC may include for broadcast on the World Service democratic governance content¹³ financed by external funders, including content dealing with current affairs, provided that it is consistent with the policy on appropriate funders set out in the *Editorial Guidelines for BBC World Service Group on External Relationships and Funding*.

¹¹ Sponsorship of news or current affairs content is not permitted.

¹² BBC Media Action is the BBC's international charity. BBC Media Action works in developing and transitional countries. It trains local broadcasters and journalists. It also makes content (often in partnership with others), that provides information about key areas such as health, economic empowerment and humanitarian assistance and provides audiences with opportunities to explore ideas and question politicians and leaders. The World Service is the natural broadcasting outlet for Media Action. Media Action also works with other broadcasting partners around the world to give voice to programming promoting those aims.

¹³ "Democratic governance" content is a specific type of current affairs content that is aimed at improving democratic accountability by building greater understanding of the political process and institutions and by holding those in power to account. This is through citizens' access to information and the ability to challenge or debate with holders of public office. It frequently gives citizens information about public institutions and how they operate, and the opportunity to question those holding power through formats such as debate, panel discussions, call-in shows or events where leaders are held to account. Democratic governance content is targeted at audiences outside the UK.

17. The BBC may include in the World Service other externally funded content which is not sponsored content such as is permitted by paragraph 15 but which is either—

- (a) funded by BBC Media Action, provided that any relevant external funding provided to Media Action for the purpose by external funders has been approved in accordance with the applicable compliance procedures in accordance with BBC Media Action's constitution, or
- (b) externally funded by other appropriate external funders, provided that it is consistent with the policy on appropriate funders set out in the *Editorial Guidelines for BBC World Service Group on External Relationships and Funding*.

18. In order to comply with state aid rules, the BBC must keep under review the total amount received by way of alternative finance, and ensure that it does not exceed an amount appearing to the BBC to be proportionate to the cost of fulfilling the public service remit of the World Service, having regard to the licence fee funding also available to the World Service.

Dated 1 February 2017