

**FOREIGN AND COMMONWEALTH OFFICE/BBC WORLD SERVICE  
FINANCIAL MEMORANDUM**

<b>I. INTRODUCTION</b>	<b>4</b>
<b>II. AIMS, OBJECTIVES AND PERFORMANCE ASSESSMENT OF THE BBC WORLD SERVICE</b>	<b>5</b>
<b>III. ROLES AND RESPONSIBILITIES</b>	<b>5</b>
<b>The Role of the BBC Board (the Board)</b>	<b>5</b>
<b>The Role of the Secretary of State for Foreign and Commonwealth Affairs (The Foreign Secretary)</b>	<b>5</b>
<b>The Role of the Departmental Accounting Officer</b>	<b>5</b>
<b>The Role and Responsibilities of the World Service Accounting Officer</b>	<b>6</b>
<b>Public Accounts Committee and Parliamentary Select Committees</b>	<b>6</b>
<b>IV. THE BBCWS'S INCOME AND EXPENDITURE - GENERAL</b>	<b>7</b>
<b>The Departmental Expenditure Limit (DEL)</b>	<b>7</b>
<b>Expenditure not proposed in the budget</b>	<b>7</b>
<b>Procurement</b>	<b>7</b>
<b>Competition</b>	<b>7</b>
<b>Value for money</b>	<b>7</b>
<b>Timeliness in paying bills</b>	<b>8</b>
<b>Novel, contentious or repercussive proposals</b>	<b>8</b>
<b>Risk management</b>	<b>8</b>
<b>Wider markets</b>	<b>8</b>
<b>Fees and charges</b>	<b>9</b>
<b>V. THE BBCWS'S INCOME</b>	
<b>Grant-in-Aid</b>	<b>9</b>
<b>End-year flexibility</b>	<b>9</b>
<b>Receipts from sale of goods or services</b>	<b>10</b>
<b>Interest earned</b>	<b>10</b>
<b>Unforecast changes in in-year income</b>	<b>10</b>
<b>Build-up and draw-down of deposits</b>	<b>10</b>
<b>Proceeds from disposal of assets</b>	<b>10</b>

Gifts and bequests received	11
Receipts from the EU	11
Borrowing	11
Reserves	11
<b>VI. EXPENDITURE ON STAFF</b>	<b>11</b>
Staff costs	11
Pay and conditions of service	12
Pensions; redundancy/compensation	12
<b>VII. NON-STAFF EXPENDITURE</b>	<b>13</b>
Capital expenditure	13
Transfer of funds within budgets	13
Lending, guarantees, indemnities; contingent liabilities; letters of comfort	13
Grant or loan schemes	13
Gifts made, write-offs, losses and other special payments	14
Public/Private Partnerships	14
Subsidiary companies and joint ventures	15
Financial investments	15
Unconventional financing	15
Commercial insurance	15
<b>VIII. MANAGEMENT AND DISPOSAL OF FIXED ASSETS</b>	<b>16</b>
Register of assets	16
Disposal of assets	16
Recovery of grant-financed assets	17
<b>IX. BUDGETING PROCEDURES</b>	<b>17</b>
Corporate Planning Process	17
General conditions for authority to spend	18
Providing monitoring information to the Department	19
<b>X. ACCOUNTING AND AUDITING</b>	<b>19</b>
Accounting Arrangements	19
Auditing Arrangements	20
<b>XI. BANKING</b>	<b>21</b>

<b>Banking arrangements</b>	<b>21</b>
<b>XII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE</b>	<b>22</b>
<b>Relevant documents</b>	<b>22</b>
<b>XIII. AGREEMENT AND REVIEW OF FINANCIAL MEMORANDUM</b>	<b>23</b>
<b>ANNEX A: TIMETABLE FOR KEY FINANCIAL DOCUMENTS &amp; RETURNS</b>	<b>24</b>

## ***I. INTRODUCTION***

1. The BBC World Service (BBCWS) is a constituent part of the BBC. It is funded primarily by Grant-in-Aid provided by the Foreign and Commonwealth Office (the FCO) as the sponsoring Department. The relationship between the FCO and the BBCWS is defined in the joint FCO/BBC World Service Broadcasting Agreement (Broadcasting Agreement).
2. The relationship and responsibilities of the Government and the British Broadcasting Corporation (BBC) are set out in the Royal Charter (CM 3248) and Agreement (CM 3152) with particular reference, concerning the application and administration of the Grant-in-Aid, to Charter Article 3 Sub-paragraph (u), (w), (l), and (x), Charter Article 7 sub-paragraph (1)(b) and paragraphs 16(1), 18(2) and 18(4) and the Agreement sub-clause 10.3, 10.7 and 10.8.
3. For the purposes of this Memorandum:
  - “the Department” is the Foreign and Commonwealth Office
  - “the Secretary of State” means Secretary of State for Foreign and Commonwealth Affairs hereafter referred to as the Foreign Secretary
  - the relationship between the Department and BBC Monitoring is covered by a separate agreement
  - “the Broadcasting Agreement” defines the relationship between the FCO and the BBC World Service, including the aims and objectives of the World Service, its target audiences and provisions for performance assessment.
4. This Financial Memorandum sets out in greater detail certain aspects of the financial framework within which the BBCWS is required to operate. It replaces all previous Financial Memorandums and their amendments between the BBCWS and the FCO. By accepting this Memorandum, the BBCWS does not relinquish any of the powers and obligations vested in its Charter or otherwise by law.
5. This Financial Memorandum must be read in conjunction with the Broadcasting Agreement. It covers the financial and other management controls to be applied by the BBCWS to safeguard public funds. Public funds include all monies that are in law the property of the BBCWS, not only those derived directly from the Exchequer but also from sources such as fees and charges or asset sales.
6. The terms and conditions set out in the combined Broadcasting Agreement and Financial Memorandum may be supplemented by guidelines or directions issued by the Foreign Secretary in respect of the exercise of any individual functions, powers and duties of the BBCWS.

## **II. AIMS, OBJECTIVES AND PERFORMANCE ASSESSMENT OF THE BBC WORLD SERVICE**

7. The aims and objectives of the BBCWS and provisions for performance assessment are set out in the Broadcasting Agreement. This provides the framework for the preparation of the World Service's strategic Three Year Plan.

## **III. ROLES AND RESPONSIBILITIES**

### **The Role of the BBC Board (the Board)**

8. Management of the World Service is vested in the BBC Board of Governors appointed under the Royal Charter. The Board is responsible, among other things, for ensuring that the financial and management controls which apply within the Corporation, including the World Service, are appropriate and sufficient to safeguard public funds, and more generally that these controls conform with the requirements both of propriety and good financial management. One Governor on the Board has a special responsibility for the World Service (the International Governor).

### **The Role of the Secretary of State for Foreign and Commonwealth Affairs (The Foreign Secretary)**

9. The Foreign Secretary is responsible to Parliament for the Government's relationship with the BBCWS. There will be an annual Ministerial meeting with the Chairman of the BBC, the BBC International Governor, the Director, Global News and the Director World Service to review performance against agreed objectives and targets and to consider future audience and strategic priorities. These discussions will inform the strategic Three Year Plan.

### **The Role of the Departmental Accounting Officer**

10. The Permanent Under-Secretary of State for Foreign and Commonwealth Affairs (Permanent Under-Secretary), as Accounting Officer for the FCO, is responsible for ensuring that:
  - the financial relationship between the FCO and the BBC is properly defined (in the Financial Memorandum) and is regularly reviewed
  - the uses made of the Grant-in-Aid fall within the scope of the FCO's Request for Resources (RFR)

- the financial and management controls, including internal audit, are appropriate and adequate for the requirements of propriety and good financial management.
11. The Permanent Under-Secretary will appoint the BBCWS Accounting Officer in accordance with the requirements set out in Government Accounting.

### **The Role and Responsibilities of the World Service Accounting Officer**

12. The Accounting Officer for the BBCWS will:
- ensure that the World Service meets the relevant requirements of Government Accounting (including subsequent amendments and new editions), particularly the conditions set out in the Accounting Officer Memorandum issued by the FCO
  - ensure that the applicable requirements of Resource Accounting and Budgeting are implemented
  - ensure that the World Service implements any relevant guidance issued by the Cabinet Office, HM Treasury, the FCO, the Public Accounts Committee, or other Parliamentary Select Committees or Authorities
  - ensure that full attention is paid to regularity, propriety and value for money as Grant-in-Aid and additional income is used, and to arrangements to safeguard it from loss or misappropriation
  - ensure that Grant-in-Aid and additional income is used for the purposes for which it is intended, maintaining transparent financial separation from activities and assets funded from the Licence Fee and commercial income
  - advise the BBC properly on matters of financial propriety and regularity, and of prudent and economical administration, efficiency and effectiveness as they affect the responsibilities of the BBCWS and the FCO and ensure that BBC internal procedures and/or guidance are not allowed to prevent these criteria being met
  - inform the Permanent Under-Secretary if the BBC is contemplating action which would infringe these requirements.

### **Public Accounts Committee and Parliamentary Select Committees**

13. The Committee of Public Accounts and Parliamentary Select Committees have wide powers to send for persons, papers and records in the conduct of their enquiries. The Accounting Officers of the FCO and the BBCWS and other officials may be called before the Committee of Public Accounts to give evidence on questions arising from the accounts or reports to Parliament by the Comptroller and Auditor General.

## **IV. THE BBCWS'S INCOME AND EXPENDITURE - GENERAL**

### **The Departmental Expenditure Limit (DEL)**

14. The BBCWS is classified as a public corporation for national accounts purposes and the budgetary treatment of a public corporation applies. Specifically the BBCWS's Grant-in-Aid is treated as its resource budget and forms a ring-fenced part of the FCO's resource DEL.

### **Expenditure not proposed in the budget**

15. The BBCWS shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the BBCWS's delegations or which is not provided for in the BBCWS's annual plan as agreed with the FCO.

### **Procurement**

16. The BBCWS's procurement policies shall reflect guidance from the Office of Government Commerce (OGC) including *Procurement Policy Guidelines*. The BBCWS shall also ensure that it complies with any relevant EU or where appropriate other international procurement rules.
17. Procurement projects managed by the BBCWS are subject to Gateway Reviews, carried out by the OGC at key milestones in the procurement process. The requirement applies to projects which procure services, construction/property, IT-enabled business change and procurements utilising framework contracts. The BBCWS shall involve OGC in the procurement process whenever appropriate.
18. Periodically and wherever practicable the BBCWS's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

### **Competition**

19. Contracts shall normally be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.
20. Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority, and the BBCWS shall send to the FCO after each financial year a report for that year explaining any contracts above £250,000 in which competitive tendering was not employed.

### **Value for money**

21. Procurement by the BBCWS of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for

purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

### **Timeliness in paying bills**

22. The BBCWS shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contract or as provided for in Annex 16.2 of Government Accounting.

### **Novel, contentious or repercussive proposals**

23. The BBCWS shall obtain the approval of the FCO before:
- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
  - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the FCO;
  - making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

### **Risk management**

24. The BBCWS shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall maintain a risk management strategy, in accordance with the Treasury guidance *Management of Risk: A Strategic Overview*.
25. The BBCWS shall adopt and implement policies and practices to safeguard itself against fraud and theft, guided by the Treasury's *Managing the Risk of Fraud*.
26. The BBCWS shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or Grant-in-Aid.

### **Wider markets**

27. Subject to the Fees and Charges rules, and in accordance with the wider markets policy, the BBCWS shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with (a) the BBCWS's main functions and (b) its Three Year Plan as agreed with the FCO.

## **Fees and charges**

28. Fees or charges for any products or services supplied by the BBCWS shall be determined in accordance with the Treasury's *Fees and Charges Guide* and with the Freedom of Information Act.

## **V. THE BBCWS'S INCOME**

### **Grant-in-Aid**

29. Grant-in-Aid will normally be paid to the BBCWS in monthly instalments, on the basis of a written application from the BBCWS showing evidence of need. The application shall certify that the conditions applying to the use of Grant-in-Aid have been observed to date and that further Grant-in-Aid is now required for purposes appropriate to the BBCWS's functions.
30. The BBCWS should have regard to the guidance in DAO(GEN)14/01 and to the general principle enshrined in Chapter 9 of *Government Accounting* that it should seek Grant-in-Aid according to need.
31. Cash balances accumulated during the course of the year from Grant-in-Aid or other Exchequer funds shall be kept at the minimum level consistent with the efficient operation of the BBCWS. Grant-in-Aid not drawn down by the end of the year shall lapse. However, where draw-down of Grant-in-Aid is delayed to avoid excess cash balances at year-end, the Department will make available in the next financial year – subject to approval by Parliament of the relevant Estimates provision – any such Grant-in-Aid which is required to meet any liabilities at year-end, such as creditors.
32. The BBCWS may also retain a cash balance, of the maximum amount agreed with the FCO, from the Grant-in-Aid received. Any balance in excess of the agreed amount will be taken into account in the payment of the following year's Grant-in-Aid.

### **End-year flexibility**

33. Within the three year funding arrangements agreed with the Treasury, there is scope for carrying forward underspends from one year to the next.
34. Where the BBCWS has not drawn down the total Grant-in-Aid provision for a financial year, it may apply for End-Year Flexibility (EYF) in the following year based on any underspend of the Resource Budget, and within the ring-fenced provision of BBCWS Grant-in-Aid.

### **Receipts from sale of goods or services**

35. Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in national accounts and are therefore normally offset against the DEL (i.e. they provide additional DEL spending power).
36. If there is any doubt about the correct classification of a receipt the BBCWS shall consult the FCO, who will consult the Treasury as necessary.

### **Interest earned**

37. Any interest earned by the BBCWS on its assets shall score as resource DEL.
38. If the receipts are used to finance additional expenditure by the BBCWS, the FCO will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from Grant-in-Aid or other Exchequer funds shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt and its impact on the BBCWS's cash requirement, it may lead to commensurate reduction of Grant-in-Aid or be required to be surrendered to the Consolidated Fund via the FCO.

### **Unforecast changes in in-year income**

39. If the negative DEL income realised or expected to be realised in the year is significantly (+5%) more than estimated, the BBCWS may apply to the FCO to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to Grant-in-Aid. The FCO shall consider such applications, taking account of competing demands for resources. If an application is refused any Grant-in-Aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the Exchequer via the FCO. (These arrangements are subject to the provisions set out under the heading *Disposal of assets* below.)

### **Build-up and draw-down of deposits**

40. The BBCWS shall comply with the normal budgeting rules for a public corporation.
41. The BBCWS shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

### **Proceeds from disposal of assets**

42. Disposals of land and buildings are dealt with in Section VIII below.

#### **Gifts and bequests received**

43. The BBCWS is free to retain any gifts, bequests or similar donations. These shall be treated as receipts.
44. Before proceeding in this way the BBCWS shall consider if there are any associated costs in doing so or any conflicts of interests arising. The BBCWS shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

#### **Receipts from the EU**

45. Receipts from the European Union (if retained by the Department/BBCWS) do not provide additional DEL spending power for the BBCWS.

#### **Borrowing**

46. The BBCWS shall observe the rules set out in Section 29.5 of *Government Accounting* when undertaking borrowing of any kind. The BBCWS shall seek the approval of the FCO to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium- or long-term private sector or foreign borrowing is subject to the value for money test in *Government Accounting*.
47. Long-term borrowing from the private sector shall not be allowed. Short-term working capital facilities shall be permitted only with FCO and Treasury approval.

#### **Reserves**

48. No grant or Grant-in-Aid shall be paid into any reserve held by the BBCWS. Funds in any reserve may be a factor for consideration when Grant-in-Aid is determined.

### **VI. EXPENDITURE ON STAFF**

#### **Staff costs**

49. Subject to its delegated levels of authority the BBCWS shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

## **Pay and conditions of service**

50. The staff of the BBCWS, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) within the general pay structure as agreed by the BBCWS Management Board.
51. The BBCWS has responsibility for developing and maintaining its pay and grading systems and must ensure that these deliver good value for money, efficient budgetary control of pay costs and an effective link between performance and pay. The BBCWS will consult with the FCO in advance of any significant changes to these systems being agreed.
52. The BBCWS will inform the FCO of its intention to commence annual pay negotiations and report their outcome and any other material changes to its staff remuneration policy.
53. Current terms and conditions for staff of the BBCWS are those set out in its Employee Guidance. The BBCWS shall provide the FCO with a copy of the Guidance and subsequent amendments.
54. The BBCWS shall comply with the EU directive on contract workers ("Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)").

## **Pensions; redundancy/compensation**

55. The BBCWS's staff shall normally be eligible for a pension provided by the BBC Pension Scheme. Membership of the scheme is open to all staff aged between 18 and 59 who are engaged on a continuing full-time or part-time contract of service, provided they join by:
  - the second anniversary of their appointment; or
  - their 25th birthday; whichever date is the later.
56. Staff who are ineligible or who opt out of the occupational pension scheme provided by the BBCWS are entitled to participate in the Group Personal Pension Scheme. The BBCWS will provide a matched contribution, subject to HM Treasury approved terms and conditions, into a money purchase scheme.
57. Any proposal by the BBCWS to move from the existing pension arrangements requires the approval of the FCO.
58. Proposals on severance payments, redundancy or compensation for loss of office must comply with DAO(GEN) 04/02.

## **VII. NON-STAFF EXPENDITURE**

### **Capital expenditure**

59. Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
60. Proposals for large-scale individual capital projects or acquisitions will normally be considered within the BBCWS's corporate planning process. Applications for approval by the FCO shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by the FCO's Investment Committee. Regular reports on the progress of projects shall be submitted to the FCO.
61. Within its approved overall resources limit the BBCWS shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £2 million on any individual capital project or acquisition. Beyond that delegated limit, the FCO's prior authority must be obtained before expenditure on an individual project, acquisition or *new investment* of a non-capital nature is incurred.

### **Transfer of funds within budgets**

62. Unless financial provision is subject to specific FCO or Treasury controls (e.g. where provision is ring-fenced for specific purposes), transfers between budgets **within the total capital budget** or between budgets **within the total revenue budget** do not need FCO approval, but, unless agreed by the Treasury or the FCO, there should not be any transfers from capital budgets to revenue budgets.

### **Lending, guarantees, indemnities; contingent liabilities; letters of comfort**

63. The BBCWS shall not, without the FCO's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Chapter 26 of *Government Accounting*), whether or not in a legally binding form.

### **Grant or loan schemes**

64. Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be

subject to prior approval by the FCO, together with the terms and conditions under which such grant or loan is made. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required. Chapter 29 of Government Accounting refers.

65. The terms and conditions shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the BBCWS, the FCO and the Comptroller and Auditor General.
66. See also below under the heading *Recovery of grant-financed assets*.
67. Loans made to staff under the staff ticket loans scheme or similar schemes are excluded from the above provisions.

### **Gifts made, write-offs, losses and other special payments**

68. The BBCWS may, in accordance with Government Accounting, and without prior reference to the FCO, write off certain losses, make gifts of surplus stores, make special payments, and waive claims, subject to no single item exceeding £50,000. Where the BBCWS is contemplating the write-off of a sum exceeding £250,000 or more it will be necessary to seek the approval of the Public Accounts Committee. The BBCWS will report to the FCO at the end of each financial year the amounts written off etc., in each of the categories detailed in Government Accounting and will include a summary in the published accounts. Please refer to DAO(GEN)04/05.
69. Gifts by management to staff are subject to the requirements of DAO(GEN)13/01 and the associated Cabinet Office guidance on non-pay rewards.

### **Public/Private Partnerships**

70. The BBCWS shall seek opportunities to enter into Public/Private Partnerships where this would offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached the BBCWS shall consult the FCO.
71. Any partnership controlled by the BBCWS shall be treated as part of the BBCWS in accordance with UK GAAP (or International Financial Reporting Standards when adopted) and consolidated with it. Where the judgment over the level of control is a close one the FCO will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

### **Subsidiary companies and joint ventures**

72. The BBCWS shall not establish subsidiary companies or joint ventures without the express approval of the FCO. In judging such proposals the FCO will have regard to its wider strategic aims, objectives and current Public Service Agreement.
73. Any subsidiary company or joint venture controlled or owned by the BBCWS shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes. Where the judgement over the level of control is a close one the FCO will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the FCO and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the Broadcasting Agreement and the Financial Memorandum and to the other provisions set out in the supporting documentation.

### **Financial investments**

74. The BBCWS shall not make any investments in traded financial instruments without the prior written approval of the FCO, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures which further the objectives of the BBCWS shall equally be subject to FCO approval unless covered by a specific delegation.

### **Unconventional financing**

75. Unless otherwise agreed with the FCO, the BBCWS shall not enter into any unconventional financing arrangement.

### **Commercial insurance**

76. The BBCWS shall adhere to the normal criteria governing insurance for public sector bodies, namely that commercial insurance policies shall not normally be taken out unless there is a statutory or contractual requirement to do so. Exceptions are only permissible, with the prior approval of the FCO and the Treasury, where it can be demonstrated that commercial insurance offers better value for money than meeting claims or expenses out of its budgets for administrative expenditure.
77. The World Service may arrange insurance in the following limited cases:
- where it is a statutory or contractual requirement e.g. motor insurance

- where it is necessary to protect staff e.g. personal accident insurance, employer's liability
- where third party liability policies are considered necessary
- where there is an obligation to arrange insurance for shared premises and/or facilities
- where there is agreement between the FCO, the BBCWS and HM Treasury that there should be special arrangements.

## **VIII. MANAGEMENT AND DISPOSAL OF FIXED ASSETS**

### **Register of assets**

78. The BBCWS shall maintain an accurate and up-to-date register of its fixed assets.

### **Disposal of assets**

79. The BBCWS shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets shall be sold by auction or competitive tender unless otherwise agreed by the FCO and in accordance with *Government Accounting*, Chapter 24.
80. The BBCWS may normally retain receipts derived from the sale of assets provided that:
- (i) the FCO and the Treasury are content for the BBCWS to retain these receipts;
  - (ii) they are used to finance other capital spending;
  - (iii) the FCO receives prior notification of individual sales; and
  - (iv) total sales in any financial year do not exceed a specified limit (normally 3% of the BBCWS's Grant-in-Aid (see PES(98)5)).
81. If, notwithstanding the above, the BBCWS disposes of assets which have been purchased, improved or developed with Exchequer funds and the receipts amount to more than £1 million, or where the disposal has unusual features of which Parliament should be aware, Parliamentary approval shall be secured for the receipts to be reinvested. The receipts shall therefore be surrendered to the FCO, which shall then submit an Estimate seeking approval for the receipts to be appropriated in aid by the FCO and for a corresponding increase in the BBCWS's Grant-in-Aid. If the proposed new investment exceeds the BBCWS's relevant delegated authority the FCO's

approval will be needed. If the proposed new investment is novel or contentious the Treasury's approval will be also needed.

82. If the criteria in Paragraph 80 above are not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (Paragraph 39 above).

### **Recovery of grant-financed assets**

83. Where the BBCWS has financed expenditure on capital assets held by a third party, the BBCWS shall make appropriate arrangements to ensure that any such assets above a value of £50,000 are not disposed of by the third party without the BBCWS's prior consent.
84. The BBCWS shall therefore ensure that such conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale, in order that funds may be surrendered to the FCO.
85. The BBCWS shall ensure that if the assets created by grants made by the BBCWS cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the BBCWS for surrender to the FCO. The amounts recoverable under the procedures above shall be calculated by reference to the best possible value of the asset and in proportion to the Exchequer's original investment(s) in the asset.

## ***IX. BUDGETING PROCEDURES***

### **Corporate Planning Process**

86. The BBCWS will prepare a submission in advance of each Spending Review, covering its plans for the coming three years, including any requests for additional funding. The FCO will submit this document alongside its own to the Treasury for consideration in the Spending Review round.
87. Following the outcome of the Review, the FCO will write to the BBCWS informing it of the funds that have been allocated.
88. The BBCWS will then prepare a Three Year Plan for discussion and agreement with the FCO.
89. In years between Spending Review cycles, the Three Year Plan will be updated by the BBCWS, and any significant changes discussed and agreed with the FCO.
90. The Three Year Plan will include:

- The World Service's aims, objectives, priorities, and performance targets and measures for the three years of the plan;
  - Plans for each year of the Spending Review period;
  - Analysis of the operating context, including planning assumptions;
  - Operational priorities and the options for achieving them;
  - The management strategy including risk management, plans to achieve efficiency gains and other actions to control costs;
  - The financial plan, covering forecasts of the income and expenditure including plans for capital expenditure and additional revenue streams.
91. The BBCWS will also produce a detailed operating budget for internal management purposes, and a summary of this data will be shared with the FCO to plan the profile of draw-down.
92. The BBCWS's agreed plans will take account both of its approved funding provision and of any forecast receipts.
93. Any Grant-in-Aid provided for the year in question will be voted in the FCO's Estimate and will be subject to Parliamentary control.

**General conditions for authority to spend**

94. Once the BBCWS's Three Year Plan has been agreed with the FCO and subject to any restrictions imposed by Statute/the Foreign Secretary/this document, the BBCWS shall have authority to incur expenditure approved in the budget without further reference to the FCO, on the following conditions:
- the BBCWS shall comply with the conditions set out in Paragraph 23 above regarding novel, contentious or repercussive proposals;
  - inclusion of any planned and approved expenditure in the BBCWS's budget shall not remove the need to seek formal FCO approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
  - the BBCWS shall provide the FCO with such information about its operations, performance, individual projects or other expenditure as the FCO may reasonably require (Paragraph 95 below).

## **Providing monitoring information to the Department**

95. The BBCWS shall provide the FCO with, as a minimum, information on a regular basis which will enable the satisfactory monitoring by the Department of:
- the BBCWS's cash management;
  - its draw-down of any Grant-in-Aid, including expenditure from the capital baseline;
  - forecast outturn by resource headings;
  - early warning of any issues of an exceptional nature.
96. The BBCWS will ensure that a system exists to measure the efficiency and effectiveness of its Grant-in-Aid related activities, including output and performance targets and measures in a form decided in consultation with the FCO. This will include data required for the FCO's annual Resource Budget and Resource Accounts and the Public Service Agreement (PSA).

## ***X. ACCOUNTING AND AUDITING***

### **Accounting Arrangements**

97. The BBCWS will publish its Annual Review separately from the consolidated BBC Annual Report and Accounts. The Annual Review will include the full set of accounts relating to BBCWS operations and a comprehensive analysis of its financial and operational performance. The Accounts and Annual Review will cover the financial year ending 31 March. The Accounts shall be properly prepared in accordance with the provisions of the BBC Charter and of the Agreement and with the provisions of the Companies Act as if these provisions applied to these accounts. The consolidated BBC Annual Report and Accounts will continue to carry a separate section describing the performance of the BBCWS and will refer readers to the additional information available in the World Service Annual Review. Copies of the World Service Annual Review and of the consolidated BBC Annual Report and Accounts will be sent to the FCO by 31 July each year.
98. The World Service Annual Review will include a report on the previous year's performance against the strategic Three Year Plan, including performance targets and measures.
99. From 2006 the accounts will contain additional disclosure on senior Board Members' emoluments by analysing the number of Management

Board members within bands of £10,000, with a prior year comparator. This is in addition to the current disclosure on total remuneration and pensions for the Management Board and for the highest paid Director. The BBCWS will also publish the number of senior employees (excluding Board Members) who earn in excess of £50,000 in bands of £10,000.

100. The Director BBC World Service (the Accounting Officer), the Director Global News Division and the Chief Operating Officer and Director of Finance will be signatories of the audited accounts published in the World Service Annual Review. The BBCWS Accounts will be incorporated into the consolidated BBC Annual Report and Accounts. It is not necessary for the names of the Director World Service and the Chief Operating Officer of the World Service to appear as signatories to the BBC's consolidated accounts; for this purpose the signatories are currently the Chairman, the Director General and the Director of Finance of the BBC.

### **Auditing Arrangements**

101. In order to provide assurance to the FCO Accounting Officer that the financial and management controls employed by the BBCWS are appropriate and conform with the requirements of propriety and good financial management, the following internal audit conditions will apply:
  - Auditing the Grant-in-Aid and other related World Service income and activity will be a discrete function within both the internal and external BBC audit programmes; and the programmes of the two sets of auditors shall be arranged accordingly;
  - In order to obtain assurance on the comprehensiveness of the World Service internal audit coverage, the FCO Head of Internal Audit will be provided annually with the World Service's Audit Needs Assessment and audit plans. By the end of June each year, the BBCWS shall provide the FCO Head of Internal Audit with a summary of assurances on internal control and key points arising from the BBC Internal Audit reports, covering World Service matters, which were issued in the preceding financial year;
  - FCO Internal Auditors shall have rights of access to specific World Service internal audit reports where they require more information than is included in the World Service's annual summary of key findings;
  - Subject to the necessary approval, the BBCWS will provide a copy of the External Auditors' audit opinion and any Management Letter items regarding the BBCWS contained in the Auditors' report to the BBC.

- The BBCWS will provide an assurance through its annual Statement of Internal Control or equivalent that its control systems have been effectively applied. This statement is usually contained within the Reports on Compliance and Regulatory Matters section in the BBCWS Annual Review.
- For the purpose of discharging his responsibilities to Parliament, the Comptroller and Auditor General has the right, at all reasonable times, to inspect such documents and to make such enquiries as may include an examination of the accounts and records relating to the Grant-in-Aid and other income and receipts used for the provision of BBCWS activities. It may also include, under Section 6 of the National Audit Act 1983, enquiries into the economy, efficiency and effectiveness with which those resources have been used.

## **XI. BANKING**

### **Banking arrangements**

102. The BBCWS's Accounting Officer is responsible for ensuring that the BBCWS's banking arrangements are in accordance with the requirements of *Government Accounting*. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.
103. He/she shall therefore ensure that:
- these arrangements are suitably structured and represent value for money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;
  - sufficient information about banking arrangements is supplied to the Department's Accounting Officer to enable the latter to satisfy his/her own responsibilities;
  - the BBCWS's banking arrangements shall be kept separate and distinct from those of any other person, or organization, except for the BBC. Accounting procedures must be in place to ensure funding is kept separate;
  - adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

## **XII. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE**

### **Relevant documents**

104. The BBCWS shall comply with the following general guidance documents as appropriate:

- this document (both the Broadcasting Agreement and the Financial Memorandum);
- *Government Accounting*, including in particular the Accounting Officer Memorandum for NDPBs (reproduced in Chapter 8 of *Government Accounting*);
- Guidance on Public Corporations;
- *Government Internal Audit Standards*, issued by the Treasury;
- *Managing the Risk of Fraud*, issued by the Treasury;
- Government Financial Reporting Manual (FrM);
- the *Fees and Charges Guide*, issued by the Treasury;
- *Departmental Banking: A Manual for Government Departments*, issued by the Treasury;
- relevant Dear Accounting Officer letters;
- *Regularity and Propriety*, issued by the Treasury;
- the Consolidation Officer Memorandum, issued by the Treasury;
- relevant Dear Consolidation Officer and Dear Consolidation Manager letters;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, which have been accepted by the Government and which are relevant to the BBCWS.

**XIII. AGREEMENT AND REVIEW OF FINANCIAL MEMORANDUM**

- 105. The FCO, in consultation with the BBCWS, will review the terms of this Memorandum as necessary but at least every five years.
- 106. The Treasury will be consulted on any significant variation proposed to this Memorandum and the associated Broadcasting Agreement.
- 107. The arrangements in this Memorandum take effect from the date of signature.

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For and on behalf of  
The Secretary of State  
for Foreign and Commonwealth  
Affairs

Dated .....

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For and on behalf of the  
British Broadcasting  
Corporation

Dated .....

## **ANNEX A: TIMETABLE FOR KEY FINANCIAL DOCUMENTS & RETURNS**

<b>Timetable - to be sent to Department</b>	<b>Document</b>
April	Monthly profile of expenditure and draw-down of Grant-in-Aid for the coming financial year, supported by annual cash flow forecast.
May	Report on grant used for current and capital expenditure List of all projects over £1m approved between January and March
First week of April and of each successive month	Application for Grant-in-Aid for that month Monthly flow of funds statement
May	Final outturn (resource and capital) figures for preceding financial year Results of the Banking Review for the previous year, if applicable
End of May	Report on contingent liabilities Copies of all Audit Committee agenda papers should be copied to the FCO Head of Internal Audit prior to each meeting
June	Annual report on fraud and theft Statement of Internal Control (SIC)
July	Annual report on compensation payments and losses Quarterly financial statement Final accounts List of all projects over £1m approved between April and June BBCWS Annual Review, including the Accounts, and BBC Annual Report and Accounts (when published) External Audit Management Letter (when published) Six monthly update of Top Risk Register
October	Quarterly financial statement List of all projects over £1m approved between July and September Revised/reprioritised list of capital projects reconciled to the annual Capital Plan including information on any major disposals
November/December	Papers for FCO Audit and Risk Committee Copy of Benefits Register for all Projects, Programmes & Investments over £1m
January	Quarterly financial statement List of all projects over £1m approved between October and December Six monthly update of Top Risk Register

March	Internal Audit plan for the following year Corporate Plan for the following year Annual Capital Plan for the following year
Two weeks before the Annual Ministerial meeting or publication, whichever is the earlier	Draft BBCWS Annual Review and Accounts