

Chris Rowsell
BBC
New Broadcasting House
Portland Place
London
W1A 1AA

Siobhan Walsh
Director
Content & Media Policy Group

18 December 2020

Dear Chris,

The BBC's Operating Licence

Thank you for your letter of 29 September 2020 in response to our letter of 14 August 2020 regarding minor changes to the BBC Operating Licence ("Licence").

We note your support for proposals two to five to amend the Licence as set out in our letter.

We have considered your response to proposal one regarding Licence condition 2.66, including your request for this condition to be amended further and the reasoning and the evidence that you set out in support, which we had not been provided with previously. On the basis that amending this quota as requested by the BBC will not result in any changes to the amount Radio 3 spends on programme production outside of London in practice, we propose to vary condition 2.66 as follows:

*2.66 In respect of **Radio 3**, the BBC must ensure that in each Financial Year at least ~~40%~~ **28%** of relevant expenditure is incurred outside the M25 Area. ~~For the purpose of this requirement "relevant expenditure" means expenditure on programme production (not including expenditure on centrally funded costs) and Radio 3's allocation of the central orchestras' subsidy.~~*

We also accept the BBC's explanation of why a consequential amendment regarding the out of London expenditure as a proportion of all UK Public Radio Services is necessary, and the reasoning and evidence provided in support. We therefore propose to vary Licence condition 2.64 as follows:

*2.64 In respect of the UK Public Radio Services which are designed for audiences across the UK, the BBC must ensure that in each Financial Year at least ~~one third~~ **30%** of relevant expenditure is incurred outside the M25 Area. For the purpose of this requirement, "relevant expenditure" means expenditure on programme production (not including expenditure on centrally funded costs).*

Please confirm your agreement to the proposed amendments to the Licence conditions as set out above by 31 January 2021.

As explained in our letter of 14 August 2020, we will then make a decision on all proposed amendments to the Licence. To implement the changes, we will issue a Notice of Variation to the BBC and also send you a hard copy of the amended Licence. We will publish the amended Licence on our website.

In your letter of 29 September 2020, you confirm that the BBC agrees to Ofcom's proposal that these amendments would come into force for the Financial Year 2020/21, provided there is no impact on what the BBC is expected to deliver. On that basis we intend to proceed to implement these changes for Financial Year 2020/21 and will confirm this timing in the Notice of Variation.

We note that the BBC is happy for Ofcom to publish its initial letter of 26 July 2019. As set out in our letter of 14 August 2020, we also intend to publish your letter of 29 September 2020 and any other relevant correspondence, such as your response to this letter. Please inform us by the above date if you consider any aspects of your correspondence are confidential and explain why, and if that is the case, provide us with a non-confidential version of the correspondence for publication.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Siobhan Walsh', followed by a small dot.

Siobhan Walsh