



**THE RESPONSE BY THE BOARD OF GOVERNORS OF THE BBC TO THE
SECRETARY OF STATE'S REVIEW OF BBC.CO.UK
CONDUCTED BY PHILIP GRAF**

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1. Summary

This paper sets out the Governors' response to the independent review of the BBC's online service by Philip Graf, as requested by the Secretary of State in her letter of 16th June to the Chairman. It provides:

- a revised remit, which provides stronger direction and tighter boundaries for the BBC's use of the internet medium and changes in the way that the organisation approaches investment decisions with greater consideration given to their potential market impact (Section 2)
- a new approach towards external providers, aiming to source at least 25% of eligible content spend by the end of 2006/07, and proposing better linking with other websites and partnerships with other providers (Section 3)
- a stronger, more transparent and objective system of governance, with
 - Governors' independence from management reinforced with analytical support and external expertise
 - Formal application of a Public Value Test to significant new investments by the Board of Governors
 - A process for handling any complaints that the BBC's service is operating beyond its remit (Section 4).

Together, these proposals address the principal concerns raised in Philip Graf's review, all of which relate to the way in which the BBC conducts itself in delivering its public purposes. Graf's concerns can be summed up as the need for:

- Greater clarity and communication of the purpose and strategic direction of the service
- A more systematic approach to partnerships with the industry, in areas from external commissioning through to content linking
- More systematic consideration of potential market impact when making investment decisions
- More effective oversight of the way in which the service addresses its purposes (e.g. Governance).

The Governors believe that the new remit, the new initiatives and policies, and the strengthened model for Governors' oversight, will ensure that management delivers an online service more focused on delivering the BBC's public purposes.

2. The remit for the BBC's online service

2.1. Introduction

The internet has proved to be a powerful and flexible third medium for the BBC to serve its licence fee payers alongside television and radio. The online service has grown from providing supplementary information on television and radio programmes to being an information and entertainment destination in its own right, attracting over 10 million regular users, providing them with over 2 million pages of text, graphics, and audio visual content. bbc.co.uk has created new relationships with the audience, from simple interactions to complex conversations facilitated by the BBC for its many diverse audiences. As a powerful third medium, the BBC's online service continues to provide opportunities to create public value for our audiences.

However, the extent to which the BBC could successfully create public value through this new medium was less apparent in 1998, when the original online consent was agreed. The drafting of the consent reflected this uncertainty, in the very broad nature of the objectives set for the BBC's online service:

- *To act as an essential resource offering wide-ranging, unique **content***
- *To use the Internet to forge a **new relationship** with licence fee payers and strengthen accountability*
- *To provide a home for licence fee payers on the Internet and act as a **trusted guide** to the new media environment*

Although each of these three objectives was further elaborated, the emphasis then was on encouraging the BBC's use of the new medium, rather than setting definitive boundaries for its use.

2.2. The revised remit for the BBC's online service

Given the development of the market it is now appropriate that a clearer and stronger boundary be put around the BBC's online activities in a new remit. This new remit has been informed by the BBC's experiences to date in serving licence payers' online needs, as well as reflecting Philip Graf's conclusions. It comprises four distinct elements, or cornerstones, of the service. Three of these relate to the objectives defined in the original consent, but which have been updated and expanded to reflect the development of the market and to provide more clarity and focus. The fourth

element reflects the BBC's more cautious approach to investment which will at all times weigh up the potential to create public value against the impact on the market.

The four elements, or cornerstones, of the new remit are:

1. Serving the BBC's five public purposes through the provision of innovative and distinctive online content, available to all
2. Promoting and using the Internet to develop a deeper relationship with licence fee payers and strengthen accountability
3. Providing a starting point on the Internet from which licence fee payers can develop their use of the new medium, and acting as a trusted guide to the new media environment
4. At all times balancing the potential for public value against the risk of negative market impact.

These four elements should be read in conjunction with the detailed account of how bbc.co.uk will use these to deliver public value in sections 2.2.1-2.2.4, below.

2.2.1. Serving the BBC's public purposes through provision of innovative and distinctive online content, available to all

The new remit focuses on tasking bbc.co.uk to deliver the BBC's five public purposes:

- *Democratic value*: supporting civic life and national debate by providing trusted and impartial news and information that helps citizens make sense of the world and encourages them to engage with it
- *Cultural and creative value*: enriching the UK's cultural life by bringing talent and audiences together to break new ground, to celebrate our cultural heritage, and to broaden the national conversation
- *Educational value*: offering audiences of every age a world of formal and informal educational opportunity in every medium, to help build a society strong in knowledge and skills
- *Social and community value*: enabling the UK's many communities to see what they hold in common and how they differ, to build social cohesion and tolerance through greater understanding

- *Global value*: supporting the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience.

The online service will contribute to all five sources of public value created by the BBC – democratic value, cultural and creative value, educational value, social and community value, and global value – but using the characteristics and capabilities of the new medium to align the type of content investment with the specific public purpose.

Based on the BBC's experience to date, delivering democratic value and educational value will be the priority purposes for bbc.co.uk. This also reflects Philip Graf's conclusion that:

"the BBC... should prioritise news, current affairs, information of value to the citizen, and education"

Content with a high informational element has proved particularly effective in the delivery of *democratic and educational value* online. In these areas, the publishing model of original journalism, text, graphics, audio and video plays a vital and complementary role to the BBC's delivery of these purposes on radio and television.

In delivering *cultural* and *social* value, however, BBC published content – original journalism, text, graphics, audio and video - has proved less effective than other online or broadcast media, except in providing support for television and radio programmes. The BBC will, therefore, reduce the volume of published content created specifically for the online service where bbc.co.uk is clearly not delivering either *democratic* or *educational* value, or offering programme support, though the BBC will still offer published content including text which it creates as a natural consequence of television or radio production.

To maximise public value, however, the BBC also aims to make its content available to the widest possible audience – wherever or whenever they require it.

To deliver innovative and distinctive content and achieve this element of the new remit, the BBC will:

- Provide a news and information online service aimed primarily at creating *democratic value* and civic engagement and consisting primarily of text, images,

graphics, audio and video clips. This will complement the BBC's broadcast news coverage across all subject areas, including sports and local news

- Invest in content that creates *educational value* for schools, children, parents and teachers and for adults pursuing both formal and informal learning, using text, images, graphics, audio and video clips, interactive applications and user-generated content
- Encourage user-generated content, with a priority for material which creates *democratic, educational, social and community value*. This will involve the provision of a network of local information and factual content to facilitate local community building. Further, the BBC will foster a 'learning curve' of interactive engagement, encouraging audiences to move from passive consumption to active participation online while reassuring them of the privacy and safety of their contributions. This is especially important for vulnerable audiences such as children
- Continue to develop, as a key priority, a comprehensive service for children, to ensure availability of British content for children on the internet, directed towards learning outcomes and promoting safer use of the wider internet
- Offer on demand access to BBC television and radio programming, past and present, potentially delivering against all five purposes but most likely to provide *cultural and creative value*
- Explore new ways of exploiting the unique characteristics of the internet medium to provide innovative and distinctive entertainment content and services, originated specifically for the internet and delivering *cultural and creative value*
- Create networks of content – aggregating text, images, graphics, audio, video, as well as interactivity and user-generated context – to support major initiatives such as WW2 Peoples War or Fat Nation. The BBC will continue to develop cross-media propositions with television/radio and online aspects, which contribute to all five sources of public value
- Increase investment in the provision of *context* for all of the content on offer (programmes *and* original online material). The context will include navigation, portal pages, links to other content and other web sites, ways of ordering content, filters, search engines and tools, recommendation services, tools to enable sorting, saving, adding and other data manipulation
- Provide content based directly on original TV and radio programmes (content-rich online factsheets)

- Contribute to the BBC's creation of *global value*:
 - As a global content platform – most significantly for the international-facing News service, paid for by the World Service, but also by attracting the international audiences who come to our UK-targeted offering beyond News (though the BBC is also seeking to recover distribution costs from those users).
 - As a global platform for engagement – stimulating a global debate about the issues of most significance in the lives of our global audience, from the evolution of the relationship between the Islamic world and the West, to global and local approaches to the HIV/Aids pandemic or to international trade.

2.2.2. Promoting and using the Internet to develop a deeper relationship with licence fee payers and strengthen accountability

Philip Graf noted that online is not yet perceived as a satisfactory medium for feedback and the Governors agree that this should remain a key element of bbc.co.uk's remit.

A goal of the online service is to allow licence fee payers to feed back their views to the BBC on current and future programmes, services, and strategy. Publishing the resulting dialogue between the BBC and its audiences helps to improve the BBC's accountability and responsiveness to audience concerns.

In addition, the service aims to develop a deeper relationship with BBC audiences, by enabling communication, exchange of ideas and experience within communities and between those with shared passions and interests, and by letting audiences access and contribute content.

A key barrier in achieving more accountability is the extent to which audiences feel comfortable using online tools – message boards, e-mail, chat – in offering feedback to the BBC. Building media literacy and providing more inclusive, easy-to-use feedback options are, therefore, immediate priorities.

A more inclusive approach targeting increased media literacy will also promote the aim of deeper relationships around community and content.

The priorities under this element of the remit can therefore be summarised as follows:

- *A more inclusive, simpler approach:* Until there is a higher degree of media literacy across much of the online audience, the BBC will not solely rely on complex and advanced community tools such as message boards. Instead, it will find simpler ways to capture and reflect user feedback - for example in the form of one-click interactions, such as voting on a news or current affairs issue or rating the content on an entertainment site. In parallel, the BBC will develop a 'learning curve' of interactive engagement to increase media literacy amongst our audiences, and prepare them for a future re-emphasis on message boards, chat rooms and other complex interactive tools
- *More open access to content:* The BBC will foster more openness in its relationship with the audience, by opening up content archives for creative manipulation, production and distribution. The provision of a Creative Archive will encourage the development of a new generation of media innovators. The BBC has historically been a major training resource for the UK media industry, but this can extend beyond the workforce of the corporation itself and to our audiences
- *More support for user communities:* The BBC will support social innovation by encouraging users' efforts to build sites and projects that meet their needs and those of their communities. Where market impact considerations allow, BBC management will provide access to core infrastructure applications, like the postcode database at the heart of iCan, which can in turn become the core of new social applications created by our users, for our users. This is exemplified through plans for *Backstage*, a public site for the BBC's in-house development teams to share development plans with their peers and audiences. In a similar way to Google's Labs test-site, this will be a place to demonstrate work in progress, share expertise and invite contributions and collaboration with expert users. The BBC will also be committed to using open standards that will enable users to find and repurpose BBC content in more flexible ways
- *More formal feedback options to Governors:* Governors are committed to making greater use of bbc.co.uk as a key part of the Board's commitment to a stronger connection with licence payers. A dedicated website will allow Governors to give a more open account of how they have acted in the interest of licence payers. But it will do more than this: it will be a dynamic site, helping Governors to engage directly with audiences in order to take greater account of their views on a wide range of topics and issues. The introduction of online surgeries where people can

engage directly with Governors will also enable the Governors to be held to account by a wider group of the BBC's stakeholders.

The BBC will continue to explore the potential of the internet to form the primary conduit for audience feedback and dialogue with the BBC. For many, the telephone is still considered a more appropriate route for complaints and comments. For some, e-mail is gradually becoming accepted. Longer term, the broad range of community tools may become the primary vehicles for communicating with the BBC, creating a stronger sense of BBC accountability and responsiveness to audience feedback.

2.2.3. Providing a starting point on the Internet from which licence fee payers can develop their use of the new medium, and acting as a trusted guide to the new media environment

The BBC's aims under the third objective of the original consent had been stated as being to:

- Inform users about the implications of new media capabilities for them and arm users with the tools which will enable them to make the most of them
- Offer an independent and trusted guide to the Internet, and to
- Enable users to develop the skills, confidence and understanding they need.

The Governors wish to express more clearly how this element of the remit will be achieved: The BBC will support and encourage the licence fee payer in the online environment through three areas of investment or activity:

- Ensuring that the BBC's own content is as widely available and as easy to navigate as possible, with consistent branding and navigation templates
- Acting as a trusted guide by offering more frequent and more consistent linking to content and services provided by others on the internet, through our search engine and through the provision of links throughout our own service
- Increasing efforts to raise levels of media literacy among the UK population, helping audiences get online and, once online, helping them learn them how to judge the accuracy and value of internet content

Creating a consistent, easy to use experience across all our services

Journeys around the BBC site should be easy to learn, use and remember, and content should be accessible quickly to as many people as possible, regardless of hardware, software, location, disability or circumstance.

To achieve this, the BBC must ensure that its content is accessible from an increasing array of devices - on mobile phones and TV set-top boxes, on games consoles and on all varieties of internet-connected devices.

Better integration with services outside the BBC

In its role as trusted guide, bbc.co.uk will direct audiences to content and services provided by others. This will be achieved in part through the continued provision of a web search service which protects users from inappropriate or offensive sites and material while enabling them to find precisely what they are looking for quickly and efficiently. The service currently incorporates 12,000 recommended sites, and the BBC will continue to monitor and recommend appropriate external sites.

Section 3.2, below, sets out a change in bbc.co.uk's policy on linking – in summary, the Governors intend that the BBC provide a more open internet service, directing audiences to high quality external content and services wherever they exist.

Increasing Media Literacy

The BBC will also invest in media literacy projects to help people understand how to judge the quality and integrity of internet content. By linking with the best of the internet, bbc.co.uk will point users towards a trusted network of content, and will provide extra support for those online audiences who need it. bbc.co.uk has recently launched a children's search service to provide a safe environment for the young and vulnerable to explore the web.

Driving Digital UK

The BBC's online service will be tasked with making a substantial contribution towards 100% digital UK. This entails a continued emphasis on direct contribution towards online take-up, such as:

- Investment in services like the Open Centres and Community Buses which take online access directly to the audience

- The *Webwise* cross-media campaigns and learning resource which encourages audiences to get online

However, it will also entail exploration into new and perhaps more indirect ways through which the BBC's online service can contribute to this goal. As the BBC said in *Building Public Value*, the organisation is committed to working with others to make online and broadband more affordable and accessible. Examples of such partnerships could be:

- Working with educational institutions and libraries to give people access to BBC content via their computing facilities
- Working with manufacturers to create a standard for cheap PCs and cheap broadband set-top boxes which can receive all BBC services – television, radio and online

In setting priorities for our work in this area, the BBC will be particularly focused on those audiences who risk being stranded on the wrong side of the digital divide.

Finally, and perhaps most important, the BBC will drive online and broadband take up through investment in the distinctive services outlined above in section 2.2.1.

2.2.4 At all times balancing the potential for public value against the risk of negative market impact

Philip Graf concluded that it was not possible to prove or disprove that bbc.co.uk had had an adverse market impact. The Governors are committed to ensuring that the organisation at all times takes account of, and balances, the potential for public value against the risk of negative impact on other players in the market.

As a part of the evaluation of its future role expressed in *Building Public Value*, the BBC has given careful thought to the way it will ensure its services create public value. In that document, BBC management proposed the application by the Board of Governors of a Public Value Test (PVT) to its services, which is described below in Section 4: *Governance*.

The Governors believe the BBC must take particular care over the areas of online activity in which it invests because the internet is a developing medium; the respective roles of public and private investment are still not clear, the number of potential providers is increasing and the market impact of the BBC's activities is

particularly hard to identify.

While it will be the Board of Governors which applies the full, formal Public Value Test to new services or significant changes to existing services, a public value framework will be adopted across the organisation to influence investment decisions more widely. As part of this, BBC management will make its own public value assessments of each new development planned, such as the launch of a new site or a significant extension to an existing site, and will regularly review the ongoing service, to ensure the balance is still right between public value and any potential market impact.

The second aspect of BBC management's new public value-based approach to investment is its continued commitment to delivering efficiency and value for money. The BBC has always aimed to ensure that its online activities reflect industry best practice. Two initiatives will help deliver improved performance in this area. First, increased external commissioning (see section 3.1) will help the BBC benchmark its internal production operations, setting a baseline for efficiency. Second, more detailed performance reporting to Governors and to the market will enable better external scrutiny, and create greater pressure to improve efficiency. A central element of this will be targeting continued improvements in the key value-for-money benchmarks, including cost per user.

Building on steps already taken

BBC management has already been examining its online proposition using the principles of the test. At an aggregate level, the online service clearly creates public value. However, in light of the difficulty of assessing market impact, the Governors have determined that the BBC should seek to reduce the potential negative impact of its online activity through some significant changes in the way the organisation works with the market. These are described in section 3.

In addition, Governors asked that management examines BBC investment in individual elements of the online service, through a comparative assessment of over ninety individual areas of online activity. This analysis compares the BBC's provision and the services offered by commercial operators, focusing on the ways in which the BBC's services are distinctive and on identification of areas where the market impact of the BBC's services might be high. The outcome of this process will be changes to individual elements of the current online proposition.

The review has already resulted in the closure of some sites, because they were either too similar to non-BBC sites, or because their value to audiences was believed insufficient relative to the risk of negative market impact:

- Fantasy Football (at the end of the current Premiership season)

- Surfing portal - /surfing

- Listings portal - /events

- Games portal - /games

- Pure Soap soap opera site - /puresoap

Significant cutbacks have also been made to BBC investment in Music, Gardening, Science and Nature, Antiques and Motoring. In the Lifestyle area, the BBC's service is focusing more on the provision of content which is closely linked to programmes. Investment in non-educational games has also been cut. Further closures and reductions, which BBC management will announce before Christmas this year, will take the total cuts to bbc.co.uk to around 10% of the online content budget. The funds released will be re-invested in projects more closely aligned to the purposes of the BBC as set out in *Building Public Value*.

In addition to the process of cutbacks, some sites/genres have been tasked with becoming more clearly distinctive. The Films site is now focused on educating people about the creative process of film-making and on enabling audiences to share their own films and film-related content. Over the past 6 months, the site has launched "One Minute Movies" which showcases audience-contributed short films.

There will also be changes in the way that the BBC's network of local Where I Live sites operate. Where I Live sites will work more effectively with other local news and information providers, sourcing or sharing content and reducing duplication where there are areas of overlap such as local listings.

3. Working Better with the New Media Industry

In addition to the new public value-based approach to bbc.co.uk's investment plans described above, three further initiatives will aim to improve the BBC's relationships with the internet market. Together, they will improve the contribution the BBC makes to a vibrant UK internet market, as well as creating value for licence fee payers. These initiatives are:

- Raising the proportion of the BBC's eligible online content which is sourced from outside the organisation to a minimum level of 25% by value, by 2006/07
- A new, more systematic model for linking from BBC content to third parties, placing more emphasis on bbc.co.uk as a starting point for the audience's online journey
- A new approach to partnership in the internet environment, intended to deliver greater public value to licence fee payers and to position the BBC as an open resource for other organisations, helping them to achieve their goals.

3.1 External Commissioning

The majority of the BBC's internet service investment goes to BBC in-house production capacity. The most significant single element of external spend is on technical services – hosting and distribution activities which are now outsourced.

In future, the Governors will set a clear target for the external commissioning of content and services for the internet, and thereby:

- Draw on a wider range of creative and technical talent for the benefit of the BBC's audiences
- Deliver greater efficiency, through greater competition for BBC investment
- Contribute to the development of the wider new media production sector

3.1.1 Overall targets

The BBC will source at least 25% of eligible online content from outside the BBC by financial year 2006/07. This means an overall investment of around £12m in 2006/07, up 70% from the current figure of £7m. 2005/06 will be a transitional year,

with the external spend rate reaching at least 25% by year-end. The Governors will report on performance against this target annually.

3.1.2 Eligible Spend and Eligible Commissions

Online is still a young medium compared to television or radio, in terms of the development of the underlying technologies and in the way that content is specified and delivered by developers or producers – the common language and standards of the television market do not yet exist. The creative market for online is also different in that it spans a broad range of types of supplier, and includes a deep pool of highly talented and influential individuals who work on their own.

Despite these differences, the benefits to the BBC and to the licence fee payer of external commissioning are still clearly available. However, the BBC proposes to adopt a different approach to external supply than that suggested by the television model.

First, the proposed definition of investment that counts as external will include both:

- Distinct editorial propositions – editorial propositions which are commissioned in their entirety from external providers
- Creative inputs to the production of web products and services, including editorial content, design and technical effort (but clearly excluding elements such as travel or telephony)

Second, there are some exclusions from the online budget, to which the quota will not apply. BBC spend on web hosting and distribution is not a part of the investment to which a quota applies (though it is of course 100% outsourced, to Siemens).

In the case of television, News is not subject to the independent production quota, because a single operation is necessary to ensure the delivery of BBC News values of trust, impartiality, and because there are clear economies of scale that apply to the creation of TV News. The same compelling arguments of scale and of scope for a single, integrated source for our News services apply equally to online, and the BBC therefore will also exclude News and News-related content (Sports News, local News) from the quota.

After these exclusions, the total eligible activity to which our quota will apply is around £45m, of which £7m is already spent outside the BBC. The 25% target for

2006/07 therefore means an increase of £4-5m. Within that budget, the BBC aims to put out to tender a number of substantial elements of the service.

3.1.3 Challenges and Timetable

BBC management is currently consulting industry players, PACT and other representative organisations, to establish how it can work together to achieve the target for external spend. In the course of this process, management has identified a number of challenges which must be overcome:

- The BBC internet platform has evolved over the lifetime of the service and is highly complex – integrating third party content and applications can be difficult and costly
- The BBC does not have bedded down systems and processes to facilitate external commissioning – to communicate its requirements and to enable technical and editorial compliance from its suppliers
- The BBC's approach to contracting in the online space needs to become more simple and flexible, and there is work to do on the rights arrangements.

BBC management will publish an agreed framework by Christmas which will cover all aspects of the commissioning process, technical and editorial guidance, means of contact between content creators and the BBC, and some outstanding rights issues. It will include the appointment of a BBC vendor/relationship manager to represent external suppliers in their dealings with the BBC.

3.2 Linking

As the revised remit specifies, bbc.co.uk is tasked with guiding audiences to the best content provided by others on the internet as well as creating its own content. In future, editorially-relevant links and direction to others' resources will be a much more significant focus for the BBC than they have been in the past. The key to achieving this will be a more systematic and transparent approach to linking:

- BBC management has recently clarified its Online Guidelines for linking to external sites. The Guidelines now provide many more examples of appropriate links to external sites (though the BBC must nevertheless always consider the need for impartiality and for high quality standards in linking to external sites)

- BBC management will publish criteria for the selection of external links, based on editorial relevance and trustworthiness; each site editor will review the links they offer every six months. This will make the process of selection transparent to both audiences and also to external providers, and means that new non-BBC sites will have the chance to be assessed as they are launched
- bbc.co.uk will promote its external web search as an element of the online service to encourage people to search for external resources. Where it is difficult to present the full range of appropriate links on a single BBC web page, bbc.co.uk will direct people to its search engine to help them find the most appropriate site
- News and Sport are trialling a service to link to alternative news/information providers to provide a range of perspectives on news stories
- BBC management will try new ways of presenting external links to audiences to encourage them to travel beyond bbc.co.uk. This includes exploring ways for audiences to submit their favourite links to the BBC, and for all audiences to rate bbc.co.uk's links according to their usefulness.

Finally, as part of the performance management process, the BBC management will set targets for the audiences' use of external links from each area of bbc.co.uk, and performance will be reviewed by Governors. This will encourage editors and producers to direct audiences from the BBC into the wider web. Governors will audit and publish the numbers of external links to help demonstrate how effectively the BBC is acting as a trusted guide to the web.

3.3 Partnership

In *Building Public Value* the BBC makes a commitment to becoming a better partner. In the internet environment there is a particularly broad range of opportunities for partnerships which create value for licence fee payers and for the BBC's partners. These span relationships within the online industry, such as the BBC's sharing of content with other providers, and relationships outside the industry, including with the UK Film Council which will lead to bbc.co.uk's online showcase of short films.

The Graf Review also drew attention to the difficulty that third party organisations experience in engaging with the BBC. To address this issue, BBC management proposes to adopt a new approach to partnerships for the online service, set out below. The approach includes:

- An account of the types of partnerships the BBC is interested in developing, which clarifies BBC objectives and expectations
- Some principles and standards which the BBC will bring to any partnership – a Partnership Code, which will be published later this year

A partnership is defined as a strategic collaboration between the BBC and one or more public or private sector organisations which aims to deliver, over a sustained period, mutually beneficial “added value” outcomes for the BBC, its partner and the public. The Partnership Code is not primarily designed to cover any relationships whereby the BBC or its subsidiaries procures or sells or commercially exploits goods, materials, services or rights – though these types of relationship, and fair dealings in them, are also critical to our success.

3.3.1 Partnership activity

“The BBC’s new digital mission will depend more than any previous BBC undertaking on a network of successful partnerships. Because digital technology can open up content and assets to be shared more widely by other organisations, the multiplier benefit of the BBC in the wider community is growing”

Building Public Value, 2004

New Media management is now focused on identifying partnerships which can assist in the delivery of its public value vision, and will prioritise projects which:

- Ensure the widest access to BBC content across platforms;
- Connect BBC audiences to the widest range of UK talent and creativity; and
- Support innovation and growth in the UK online market.

Set out below is an account of these objectives, providing examples to illustrate what the BBC might expect from partners and what it might offer.

Ensuring the widest access to BBC content

The BBC needs to work with the industry to ensure that the widest possible audience has access to its content, through syndicating and distributing our content to other websites, broadband service providers and mobile portals. The BBC’s approach

involves working with the industry as a whole through the provision of open content feeds, and through partnering with those companies with shared objectives.

Looking forward, the BBC will expand the library of content which is available for use on third party websites and will further simplify the processes required for others to use BBC material. In addition to this open content-sharing, selected partnerships can deliver greater audience access to our content – for example in the BBC’s relationship with AOL:

Model for partnership: Content Distribution with AOL

AOL users are very loyal to AOL and are relatively low users of BBC content. We worked with AOL to identify areas of our site which match their audience – and their users now have direct access to the BBC’s Radio Player, Gardening Magazine, Kids games, Top Of The Pops, and News Analysis.

Through this partnership, the BBC is able to assess the impact of new services on the market. BBC management’s understanding of AOL’s commercial imperatives has improved, ensuring that the BBC complements AOL’s other content suppliers rather than competing directly. For example, the BBC now provides a feed of links to the background and analysis content on BBC News which complements their core news feed from PA.

Connecting BBC audiences to the widest range of UK talent and creativity

There are also opportunities to work with other websites or public organisations as content allies to widen access to valuable or innovative content not otherwise available online.

Model for partnership: New Cinema Fund Collaboration

BBC New Media and the UK Film Council are planning to work together to develop a unique site to support the UK film industry. The site will be a platform for the UK Film Council’s library of shorts, around which the BBC aims to develop a community site, supporting the UK film industry. Through this collaboration, the UK will have a site dedicated to the distribution of short films, which would otherwise lack access to an audience. The BBC will play an active role in promoting the film industry, while the content itself will clearly demonstrate the benefit of broadband.

This project exemplifies the ways in which the BBC’s online capability can to bring a wide variety of creative content to the UK public. The Film Council lacks the resource

to develop a site dedicated to the display of these shorts, but through collaboration with the BBC, is able to offer them to a wider audience.

Support innovation and growth in the UK online market

Placing digital services at the centre of the BBC's activities demands an innovative approach to content, and to the technologies designed to deliver these services. The market (and Philip Graf) expect the BBC to promote innovation, and partnerships can play a significant role in delivering this objective:

- Partnering to trial new content and technology services - the BBC can work with the industry to offer innovative services to our audiences
- Ensuring BBC learning is shared – the BBC can encourage others to innovate through joint working on the development of new products.

Model for partnerships: iMP (interactive media player) technical trial partnership

The BBC aims to create consumer value by offering audiences on demand access to its television and radio content. To do so, BBC management is developing the iMP, an innovative technology which could be of value not just to the BBC but the wider broadcast and new media markets.

However, the iMP's success depends on partnerships with internet network operators – and a trial partnership has been established with a group of these companies to review their reaction to the service and include them in the BBC's learning.

Five partner operators are involved in the BBC's technical trial of the iMP. Each partner will receive an analysis of user habits, likes and dislikes. The BBC and its partners will be able to better understand the impact of this kind of service on the network and on service quality. Closer relationships of this nature improve the BBC's understanding of market impact and provide relevant information for the Governors' application of the Public Value Test to innovative services.

3.3.2 Partnership Code

Feedback from the industry and the Graf review clearly indicates that the BBC needs to change its partnership practices. At a pan-BBC level a Partnership Code is in the

process of being drafted which will shape how the organisation partners in the future. The Code will cover five areas:

- *Sharing commitment and values* – the common purpose will be to build public value for the people of the UK and the BBC values will underpin all our partner activity;
- *Opening up the BBC* – communicating the BBC's strategy and providing timely information on partnering opportunities;
- *Working together* – the BBC will be professional, transparent and timely in all of its partnership communication and will provide the internal resources to deliver this commitment
- *Limits of partnership* – BBC airtime is not for sale and editorial integrity cannot be cast into doubt;
- *Redress* – if the BBC does not honour these commitments, there will be a formal channel for complaint.

Based on lessons from existing dealings with the industry, BBC New Media will make the following commitments, following the broad BBC Partnership Code:

- Regular and timely communication – informing partners of plans, providing legitimate channels for feedback and a timely response to enquiries
- Consistent BBC contact – providing a consistent representative within New Media across all partnerships, and account managers where the scale of project warrants it.
- Clarity in objectives - both internally and with the partner, the project objective should be clear and agreed from the onset.
- Understand their business – educating the BBC about the business motivation of partners and valuing the outcome in partners' terms, not just the BBC's.
- Formalised partnership process – documenting and tracking meetings prior to contractual sign off to clarify commitments and deliverables on both sides.
- Set realistic expectations – starting small to prove success and building to more ambitious projects.
- Limit bureaucracy – reviewing legal requirements to create documentation in line with the market.

The Partnership Code sets out three areas of activity which are off limits:

- The BBC will not under any circumstances accept money or other services in exchange for broadcast coverage or publicity
- The BBC cannot agree or give on-air promotion to an outside organisation or publication in return for their promotion of the BBC or a BBC programme or BBC service.
- The BBC will not enter into partnership with organisations with whom a relationship may lead to doubts about the editorial integrity of the BBC's output.

4. Governance

In Chapter 10 of his report, Philip Graf recommends that:

“The Board of Governors should become more independent from senior executive management. Whilst the Governors should be responsible for addressing this requirement, the following measures are suggested for consideration:

- *Develop more extensive analytical resources, fully independent from senior management, for the assessment of BBC Online’s services and to ensure compliance with competition policy*
- *Develop expertise on the Board of Governors in the Internet sector*
- *Establish transparent processes for Board of Governors validation and communication of BBC Online’s strategy and for the assessment of performance against this strategy”.*

These recommendations are then echoed in the Executive Summary but there the recommendations more specifically suggest that Governors with specialist new media experience and competition law expertise should be appointed and that

“the governors should have access to independent analytical advice on specifically new media matters in order, for example, to evaluate strategy for investment in new services and to understand market impact. Any advice should be published.”

This section outlines how Governors plan to respond to these recommendations.

4.1 Independent analytical advice

Governors have already outlined a number of changes to the BBC’s Governance system which will ensure that the Board of Governors acts independently of management and is resourced to enable it to do so effectively.

Building Public Value outlines how the Chairman and Governors will be supported by a dedicated unit, comprising staff with a wide range of skills and expertise working solely for the Board. The Director of the new Governance Unit has now taken up his post and one of his first tasks will be to determine what skills and expertise are needed in the Unit to complement those on the Board.

The Unit's role will be to provide advice to Governors, independent of management, that is based on a combination of further analysis of management's data and externally commissioned insight. Where the Unit deems further advice necessary, it will commission it from external industry figures. Indeed, Governors have already received independent advice from an external new media expert in determining the new remit for bbc.co.uk and of the proposed target for external spend.

The BBC's compliance with competition policy will also be monitored by the Fair Trading Compliance Committee with advice from external experts as necessary.

4.2 Access to specialist industry knowledge

Appointments to the Board are a matter for Ministers and the DCMS but Governors caution against too much specialisation. The broad range of skills and expertise brought to the Board by its current membership of 12 is critical for the extensive business for which it has responsibility. Given the changes set out in *Building Public Value* which are intended to strengthen the expertise available to the Board and establish clear independence from management, Governors are not in agreement with Graf's recommendation that specific positions on the Board should be explicitly allocated to specialists in particular fields. Instead, the new Governance Unit will provide all Governors with specialist industry knowledge and support as needed, and will be resourced to commission additional external advice commissioned as necessary.

This does not, of course, mean that experts in new media or competition law should be excluded from joining the Board. Indeed, the recently appointed Vice Chairman Anthony Salz, brings competition law and governance experience which will be utilised in his role as Chairman of the Fair Trading Compliance Committee.

4.3 Transparency of governance processes

Governors have already recognised the need to make their role, and the scrutiny they apply to both the BBC's performance and its strategy, more objective and transparent. In order to achieve this, a new framework for publicly scrutinising the BBC's activities was announced in *Building Public Value*. This framework will be applied to bbc.co.uk along with all other services. It consists of three new elements:

- One or more service licences will specify how bbc.co.uk will serve the public interest

- A comprehensive independent review of bbc.co.uk will take place at least every 5 years, supplemented with a mid-term review after three which recognises the particular challenges presented by the rate of development in the online market
- A public value test will be applied by the Governors when BBC management proposes any significant changes to bbc.co.uk

Service licences

As with all other BBC services, bbc.co.uk will be subject to one or more service licences issued by the Governors which will define its budget, remit, conditions and objectives. Governors will use service licences to ensure that each BBC service is focused on serving the public interest.

The service licence(s) will make bbc.co.uk's purpose and its performance against commitments more transparent to Governors and the public. Because the licence(s) will run for a number of years it will also offer greater predictability and accountability to commercial services which are potentially affected by the BBC's online activities. The terms of a service licence will only be subject to change if a review indicates the need for change in order to deliver greater public value (see Independent Reviews, below) or if management proposes a significant change to bbc.co.uk. Such a proposal would be subject to the public value test (see below).

The new remit which Governors have agreed for bbc.co.uk and which is set out in this submission will form the basis for the specification of its service licence(s). Service licences will be a key responsibility of the Governance Unit.

The annual Statements of Programme Policy will be based on service licences, and will set out shorter-term commitments for services. Governors will report on bbc.co.uk's performance against its Statement of Programme Policy in each annual report.

A transparent process is being put in place as part of the introduction of service licences which will enable Governors independently to investigate allegations that bbc.co.uk is operating beyond the terms of its remit. While complaints will be addressed by management in the first instance, there will be a right of appeal to the Governors, which will be administered by the Governance Unit on the Governors' behalf. The Unit will be empowered to seek external advice as necessary.

Independent reviews

Governors will commission a major review of bbc.co.uk as a whole every five years, supplemented by a mid-term review after three. The mid-term review reflects the particular nature and the rapid rate of development of the online market. The aim of the review is for Governors to assess how effectively bbc.co.uk is performing against the terms of its service licence(s) and delivering public value, and will take account of the current state of the market.

The reviews will be informed by detailed audience research and consultation which will evaluate the public value of the service as well as its market impact. The results of this review will be published, and will be used to inform any changes to the terms of the service licence. Where Governors choose not to act on the views expressed during this consultation, Governors will explain clearly the reasons for their decisions.

Public Value Test

Building Public Value details a new public value framework which will be adopted across the organisation to ensure that public value is the main consideration in all decision-making. As part of this, Governors will formally apply the Public Value Test to assess management proposals for new services or major changes to existing services, such as iCan and the proposed Interactive Media Player (iMP). The test will weigh up the consumer (individual) and citizen benefits of a proposal against its costs. As part of this, Governors will commission an independent assessment of its likely market impact - a key element of this evaluation process. The test aims to make Governors' consideration of management proposals more transparent, consistent and comprehensive.

Any proposed significant changes to bbc.co.uk's output which demand major investment or have significant implications for commercial competitors will be subject to this test before approval. Governors will similarly apply the Public Value Test if management proposes any major changes to its service licence(s). No proposal will be approved unless it passes the test – it must indicate that the public value outweighs any negative impact. The results of the test will be published.

While Governors are responsible for setting bbc.co.uk's budget and its Statement of Programme Policy, and in future will determine its service licence(s), the bulk of decisions about what sites bbc.co.uk operates, or how it allocates its budget rest with management. The public value framework of which the Public Value Test is a part is therefore critical in ensuring that management makes these operational decisions in

the public interest. Once Governors have approved the test, management will be charged with ensuring that the public value framework is adopted across the organisation as the basis on which all decisions must be made.

Measurement

In *Building Public Value* the BBC has already announced a new measurement framework against which both Governors and management will assess performance. This framework is intended to address Philip Graf's concern that there should be a consistent approach to the oversight of the online service running from the Board of Governors, through the Executive and down to the level of day-to-day management.

The framework is focused on public value. The main indicators are:

- Reach
- Impact, as measured by usage and impact beyond immediate consumption
- Quality, ie audience appreciation
- Value for money.

The Governors will review performance using this framework for the whole of the online service and for each major element of the service, such as News and Children's content. Among the measures on which Governors will report will be performance against the target for external spend, and the success of bbc.co.uk's linking strategy which aims to direct users of bbc.co.uk out into the wider Internet.

As online measurement becomes more sophisticated, Governors will seek indicators that increasingly reflect the BBC's objectives. Philip Graf's report recognised that the measurement and performance process was improving over time and Governors will ensure that this trend continues. The new Governance Unit will support Governors in ensuring that they receive appropriate and relevant reports from management, and by providing its own independent analysis and expert opinion, externally commissioned as necessary.