

Schedule 9: Accounting Responsibilities

Introduction

This Schedule sets out the Accounting Responsibilities of the Contractor.

1 Remittance of Licence Fee Revenue by the Contractor to the Relevant Account

1.1 The Contractor shall:

1.1.1 collect the Licence Fee Revenue;

1.1.2 record and account for all Licences issued, Cancelled and Refunded; and

1.1.3 account and pay, to the order of the BBC all Licence Fee Revenue (net of Refunds) to the Relevant Account.

1.2 The Contractor shall account for Licence Fee Receipts and the Licence Fee Savings in accordance with the written instructions from time to time of the BBC as currently detailed in paragraphs 2, 3, 4 and 5 below.

1.3 The Contractor shall ensure that the settlement of Licence Fee Receipts and Licence Fee Savings is carried out in such a manner as to have no cash flow benefit or disbenefit to the Contractor. Where such a benefit or disbenefit can be seen to have occurred, the Contractor shall advise the BBC and shall act to rectify the imbalance within one (1) month from the date of notification.

1.4 The Contractor shall open at least a minimum of four (4) designated bank accounts as follows:

1.4.1 for the Licence Fee Savings (the "**Contractor TVLSC Account**");

1.4.2 for Licence Fee Receipts collected pursuant to the Cash Payment Plan (the "**Contractor Cash Payment Plan Account**");

1.4.3 for Licence Fee Receipts collected pursuant to the DDI Scheme (the "**Contractor DDI Account**"); and

1.4.4 for all other Licence Fee Receipts collected (the "**Contractor Non-DDI Account**");

(together the "**Contractor Accounts**") for the benefit of the BBC in accordance with its powers and obligations pursuant to Part 4 of the Communications Act 2003 (to be held in escrow) of which full details will be provided in writing to the BBC for the receipt of funds from the Network Operator and from Customers directly.

1.5 The Contractor shall ensure that:

1.5.1 the funds in the Contractor Accounts are maintained completely separately from each other and from any other funds for which the Contractor has responsibility; and

- 1.5.2 the funds may only be paid from the Contractor Accounts on the order of the BBC and only either to the BBC TVLSC Account, the Relevant Account or to Customers in respect of monies as described below:
- (a) the Contractor shall pay all Licence Fee Savings into the Contractor TVLSC Account. On demand from the Customer for a reimbursement of Licence Fee Savings, where such reimbursement is due, the Contractor shall make such reimbursement from the Contractor TVLSC Account;
 - (b) the Contractor shall pay all Licence Fee Receipts collected pursuant to the Cash Payment Plan from the Network Operator and directly from Customers into the Contractor Cash Payment Plan Account. Where a Licence is no longer required under the Cash Payment Plan, the Contractor shall make the reimbursement of the Licence Fee Receipts from the Contractor Cash Payment Plan Account;
 - (c) the Contractor shall pay all Licence Fee Receipts collected pursuant to the DDI Scheme into the Contractor DDI Account. Where a Licence is no longer required under the DDI Scheme, the Contractor shall make the reimbursement of the Licence Fee Receipts from the Contractor DDI Account; and
 - (d) the Contractor shall pay all other Licence Fee Receipts into the Contractor Non-DDI Account. Where a non Cash Payment Plan/DDI Scheme Licence is no longer required, the Contractor shall make the reimbursement of the Licence Fee Receipts from the Contractor Non-DDI Account.
- 1.6 The Contractor shall redeem all cash saving stamps which it receives from Customers and shall each month, claim this reimbursed money from the BBC along with appropriate supporting documentation.
- 2 Licence Fee Receipts other than those collected via the Cash Payment Plan or the DDI Scheme**
- 2.1 References to Licence Fee Receipts in this paragraph 2 shall be references to all Licence Fee Receipts other than those collected under the Cash Payment Plan or the DDI Scheme.
- 2.2 In this paragraph 2, "On-Account Payment" shall mean the amount being the forecast of all payments due and payable to the Relevant Account in relation to Licensing calculated in accordance with paragraph 2.4 as adjusted for any under or over payments in any previous remittances.
- 2.3 From the Start Date the Contractor shall make payments into the Relevant Account for Licence Fee Receipts collected during each Collecting Accounting Period.
- 2.4 The total of the On-Account Payments for each Collecting Accounting Period will be calculated using a formula approved by the BBC and will take into account previous years' sales adjusted to reflect changes in the Licence Fee, volume, number of Working Days in the relevant Collecting Accounting Period, payment patterns and such other business factors agreed with the BBC. Where the Contractor reasonably believes that the formula for calculating On-Account Payments is incorrect, it shall notify the BBC of this fact in writing and submit a revised formula for the written approval of the BBC. Where the BBC approves the proposed formula, this

formula shall be used to calculate the subsequent On-Account Payments pursuant to this paragraph 2.4. Where the BBC does not approve the proposed formula, the Contractor shall revise the formula based on the BBC's reasonable proposals and resubmit it for the BBC's written approval. This process shall be repeated until the proposed formula is approved by the BBC. The Contractor shall ensure that the On-Account Payments for each Collecting Accounting Period are within a tolerance of ninety five per cent (95%) of the payments remitted to the Relevant Account in such Collecting Accounting Period.

- 2.5 The Contractor shall not less than five (5) weeks in advance of the first due date for the On-Account Payments in each Collecting Accounting Period notify the BBC in writing of the amount of each On-Account Payment in the Collecting Accounting Period and:
- 2.5.1 provide a copy of the calculation used in accordance with paragraph 2.4; and
- 2.5.2 identify the business factors that have been applied in the calculation.
- 2.6 The BBC shall within five (5) Working Days of receiving the information specified in paragraph 2.5 notify the Contractor of any error in the calculation of the On-Account Payments and the Contractor shall rectify any error notified except where the BBC notice is manifestly incorrect.
- 2.7 In the event that no notice is received within five (5) Working Days of receiving the information specified in paragraph 2.5 notify the Contractor the On-Account Payments shall be deemed agreed.
- 2.8 Subject to paragraphs 2.9 and 2.10, the Contractor shall transfer the On-Account Payments to the Relevant Account in the ratio of eighty per cent (80%) on the first Working Day of the Collecting Accounting Period and twenty per cent (20%) on the fifteenth (15th) day of the Collecting Accounting Period, or in such other number of instalments, dates or ratio as notified to the Contractor by the BBC. For the avoidance of doubt, in the event that the fifteenth (15th) day is a Saturday, Sunday or Bank Holiday the On-Account Payment shall be made on the first Working Day thereafter.
- 2.9 Each Quarter the Contractor shall provide a statement with supporting calculations showing interest, benefit or disbenefit accrued through holding the Licence Fee Receipts on behalf of HM Treasury. In intervals (not less than annually) the Contractor and the BBC shall agree a one-off change to the payment profile referred to in paragraph 2.8 to rectify any interest, benefit or disbenefit. Such disbenefit may include bank charges relating to any overdraft which has arisen solely because of the On-Account Payment mechanism described in paragraph 2.8.
- 2.10 In the event that the ratio described in paragraph 2.8 gives a significant benefit or disbenefit to the Contractor, the Contractor and the BBC shall amend the ratio in paragraph 2.8 within one (1) month of the decision to amend.
- 2.11 After each Collecting Accounting Period the Contractor shall make adjustment in a subsequent On-Account Payment to reflect actual Licence Fee Receipts collected in respect of the relevant earlier Collecting Accounting Period by deduction from or addition to the first On-Account Payment in the first (1st) or, with the agreement of the BBC, subsequent Collecting Accounting Period immediately following that in which the relevant information becomes available.
- 2.12 The Contractor shall notify the BBC in writing at the address and marked for the attention of the person specified by the BBC for this purpose no less than five (5) Working Days in advance of

the transfer of the On-Account Payments in accordance with paragraph 2.8, of the amount of each transfer, the date due and any adjustments that have been brought to account according to paragraph 2.6.

- 2.13 The Contractor shall on each day that a transfer is to be made to the Relevant Account, notify by email to the finance manager responsible for Licence Fee Receipts at the BBC, (or such other person as is notified in writing by the BBC), no later than 10.00 a.m. on that day to inform the BBC of the total amount of the transfer.
- 2.14 The Contractor shall produce and deliver to the BBC on or before 15th April in each Financial Year, in a form approved annually in advance (such approval to be given by no later than 1 February in each year for each forthcoming year) by the BBC a final account and balance statement for Licence Fee Revenue collected in the previous Financial Year. On expiry or termination (for any reason) of the Agreement, the Contractor shall produce and deliver to the BBC a final account and balance statement within three (3) months of the date of expiry or termination.
- 2.15 If any final account and balance statement produced in accordance with paragraph 2.14 identifies that the Licence Fee Revenue paid by the Contractor is less than the Licence Fee Revenue payable during the period covered by the statement, the Contractor shall pay such underpayment into the Relevant Account within two (2) Working Days of delivery to the BBC of the statement. If any final account and balance statement produced in accordance with paragraph 2.14 identifies that the Licence Fee Revenue paid by the Contractor is more than the Licence Fee Revenue payable during the period covered by the statement, the BBC shall pay such overpayment to the Contractor as soon as sufficient funds become available in the Relevant Account.

3 Licence Fee Receipts collected via the Cash Payment Plan

- 3.1 References to Licence Fee Receipts in this paragraph 3 shall be references to Licence Fee Receipts collected pursuant to the Cash Payment Plan.
- 3.2 The Contractor shall make one (1) payment to the Relevant Account each Working Day. Subject to paragraph 3.8, the payment will be the balance held in the Contract Cash Payment Plan Account at close of business on the previous Working Day excluding the payment of the previous Working Day where this has not cleared.
- 3.3 The Contractor shall send notification of the daily amount being transferred to the Relevant Account each Working Day to the BBC, such notification to be sent by email for the attention of such individuals as the BBC shall notify in writing.
- 3.4 The Contractor shall send a summary schedule showing each of the payments made during the week and an aggregation of such payments no later than 4.00p.m on the final Working Day of each week, such schedule to be sent by email for the attention of such person as the BBC shall notify in writing.
- 3.5 The daily transfer of funds to the Relevant Account shall continue throughout the Term or until such time as the BBC notifies the Contractor that an alternative payment arrangement is to be introduced.

- 3.6 Subject to paragraph 3.8, in the event that the Contractor fails to transfer one hundred per cent (100%) of the balance held in the Contractor Cash Payment Plan Account to the Relevant Account on the Working Day following the Working Day on which such funds should have been transferred under paragraph 3.2, the Contractor will remit to the Relevant Account the total amount of any interest earned on such funds between the time at which they should have been transferred to the Relevant Account under paragraph 3.2 and the time at which the actual transfer is made. Any such interest should be remitted to the Relevant Account no later than the first Working Day of the month following the month in which the late transfer is made.
- 3.7 Within three (3) Working Days following the end of each Collecting Accounting Period, the Contractor will reconcile the value of Licences issued in Cash Payment Plan (after deducting Revocations, Refunds and Cancellations) with the total payments transferred into the Relevant Account during the Collecting Accounting Period.
- 3.8 Where the reconciliation in paragraph 3.7 shows that insufficient funds were transferred into the Relevant Account during the Collecting Accounting Period, the outstanding sum will be paid into the Relevant Account on the first Working Day of the month following the Collecting Accounting Period.
- 3.9 Where the reconciliation in paragraph 3.7 shows that excess funds were transferred into the Relevant Account during the Collecting Accounting Period, the Contractor shall be entitled to deduct a sum equal to the excess funds transferred from the Licence Fee Receipts collected on the Working Day following the end of the Collecting Accounting Period.
- 3.10 The Contractor will rectify any error correctly notified by the BBC or any error found by the Contractor as a result of the reconciliation under paragraph 3.7.

4 Licence Fee Receipts collected via the DDI Scheme

- 4.1 All references to Licence Fee Receipts in this paragraph 4 shall be references to Licence Fee Receipts collected pursuant to the DDI Scheme.
- 4.2 From the Start Date, the Contractor shall account to the BBC for Licence Fee Receipts collected under the DDI Scheme.
- 4.3 The amount of payments received by the Contractor on each Working Day under the DDI Scheme:
- 4.3.1 less the amount of Refunds in respect of the DDI Scheme paid on that Working Day; and
 - 4.3.2 any funds received the previous day but not transferred to the Relevant Account pursuant to paragraphs 4.4 or the BBC Account pursuant to paragraph 4.5, whichever is applicable,
- shall be held by the Contractor pending payment to the Relevant Account pursuant to paragraphs 4.4 and 4.5.
- 4.4 The Contractor shall on the first Working Day of each Collecting Accounting Period transfer to the Relevant Account an amount equal to the aggregate face value (less any appropriate

reductions or allowances) of all Licences issued under the DDI Scheme during the immediately preceding Collecting Accounting Period and any adjustments brought to account.

- 4.5 If on the first (1st) Working Day of any Collecting Accounting Period amount held by the Contractor pursuant to paragraph 4.3 during the immediate preceding the Collecting Accounting Period (the "**DDI Scheme Amount**") is greater or less than the amount payable by the Contractor to the Relevant Account on that Working Day pursuant to paragraph 4.3 (the "**DDI Scheme Transfer Amount**") then the Contractor shall by no later than 11.00 a.m. on that Working Day notify the BBC of such difference, whereupon on that Working Day:
- 4.5.1 if the DDI Scheme Amount is greater than the DDI Scheme Transfer Amount the difference shall be paid by the Contractor to the BBC in accordance with paragraph 4.6; or
- 4.5.2 if the DDI Scheme Amount is less than the DDI Scheme Transfer Amount the difference shall be paid by the BBC to the Contractor in accordance with paragraph 4.6.
- 4.6 Payments to be made pursuant to paragraph 4.5 shall be made by same day transfer. Payments to the Contractor shall be made to the Contractor DDI Account and payments to the BBC shall be made to the BBC Account as notified in writing to the Contractor from time to time.
- 4.7 The Contractor shall notify the BBC five (5) Working Days in advance of the transfer specified in paragraph 4.4, by no later than 10 a.m. on such Working Day, that a transfer is to be made specifying the estimated amount of each transfer and the Revocations, Refunds and Cancellations that have been brought to account. Notification shall be to the address and marked for the attention of the person specified by the BBC for this purpose.
- 4.8 To the extent that information giving the actual number and value of Licences issued under the DDI Scheme in each Collecting Accounting Period is not available to make an actual payment into the Relevant Account on the first (1st) Working Day of the subsequent Collecting Accounting Period the payments referred to in paragraphs 4.4 and 4.5 above will be based on estimated figures calculated by a formula approved by the BBC, subject to adjustment to reflect the known value of actual Licences issued in respect of previous estimates by deduction from or addition to the monies next transferred pursuant to paragraphs 4.4 and 4.5 after such information becomes available to the Contractor. The Contractor's cash accounting system shall be able to provide the information referred to in this paragraph 4.8 within five (5) days of payment of the relevant earlier instalment.
- 4.9 The Contractor shall provide to the BBC not less than five (5) Working Days prior to the first Working Day of each calendar month an estimate of the following payments to be made in that and each of the eleven (11) succeeding calendar months:
- 4.9.1 to the Relevant Account pursuant to paragraph 4.4; and
- 4.9.2 from the BBC to the Contractor or from the Contractor to the BBC pursuant to paragraph 4.5.

5 Licence Fee Savings

- 5.1 In relation to the Licence Fee Savings, in the event that reimbursements referred to in paragraph 1.5.2(a) exceed the total Licence Fee Savings collected, the Contractor shall request a transfer of additional funds from the BBC. In the event that the balance on the Contractor's account at the end of any Collecting Accounting Period exceeds one hundred and fifty thousand pounds (£150,000) or such other amount as may be determined by the BBC from time to time, the Contractor shall transfer the surplus to the BBC in accordance with the BBC's instructions.
- 5.2 Within five (5) Working Days following the end of each Collecting Accounting Period, the Contractor shall provide a detailed reconciliation of the value of Licence Fee Savings collected by the Contractor and the Network Operator to the sum of cash held in the Contractor TVLSC Account and the BBC TVLSC Account. The Contractor shall be given read only online access to the BBC TVLSC Account for this purpose.
- 5.3 The Contractor shall rectify any error correctly notified by the BBC or any error found by the Contractor as a result of the reconciliation under paragraph 5.2.

6 Month End Financial Management Reports

- 6.1 The Contractor shall within three (3) Working Days of the end of each Collecting Accounting Period provide a statement to the BBC of net Licences sold during the Collecting Accounting Period and Financial Year to date. The statement shall reflect the method of treating direct debit sales as notified by the BBC and any adjustments to reflect the compensation to the BBC by DWP of Over 75 Licences issued, Refunds given, discount on Short Term Licences and debtors and creditor balances written off and reversal of Short Term Licences issued and non claimable discounts.
- 6.2 The Contractor shall within five (5) Working Days of the end of each Collecting Accounting Period provide a statement to the BBC of DDI Scheme transactions. Each statement shall detail, in respect of that Collecting Accounting Period:
- 6.2.1 the number of colour Licences issued or paid for;
 - 6.2.2 the number of Refunds;
 - 6.2.3 the Statutory Discount given to the blind;
 - 6.2.4 transfers made to the Relevant Account;
 - 6.2.5 transfers to or from the BBC; and
 - 6.2.6 monies held by or owed to the Contractor on the first day and last day of the Collecting Accounting Period.
- This report shall be known as the DDI Scheme reconciliation statement.
- 6.3 The Contractor shall within five (5) Working Days of the end of each Collecting Accounting Period provide a statement to the BBC of all transactions that are not DDI Scheme transactions. Each statement shall detail, in respect of that Collecting Accounting Period:

- 6.3.1 the number of colour, black and white and ARC Licences issued or paid for during that Collecting Accounting Period;
- 6.3.2 the number and value of Refunds, Cancellations, deletions and Revocations;
- 6.3.3 the Statutory Discount given to the blind;
- 6.3.4 transfers made to the Relevant Account;
- 6.3.5 the cash value of the movement in opening and closing debtors and creditors for each payment method; and
- 6.3.6 the cash received and banked by the Contractor during the Collecting Accounting Period adjusted for any balances held at the beginning or end of the Collecting Accounting Period.

This report shall be known as the non-DDI Scheme reconciliation statement.

- 6.4 The Contractor shall within six (6) Working Days of the end of each Collecting Accounting Period provide a report to the BBC of Licences in force, expiries (known as BBC/month/year).
- 6.5 The Contractor shall within five (5) Working Days of the end of each Collecting Accounting Period provide schedules as agreed with the BBC. These reports shall include, in respect of that Collecting Accounting Period:
 - 6.5.1 sales value and volume schedules adjusted to reflect Over 75 Licences and adjustments required to Refunds, Cancellations, Short Term Licences, discount claimable and discount not allowable;
 - 6.5.2 gross and net value and volume of Licence sales by payment channel;
 - 6.5.3 Licences in force overall;
 - 6.5.4 volume / price variance analysis; and
 - 6.5.5 work in progress valuation.
- 6.6 In addition to the reports mentioned in paragraphs 6.1 to 6.5 the Contractor shall within five (5) Working Days of the end of each Collecting Accounting Period provide the electronic files (other than the files referred to in paragraphs 6.6.4 and 6.6.8, which shall be provided by the Contractor within eleven (11) Working Days of the end of each Collecting Accounting Period). The files shall include:
 - 6.6.1 debtor and creditor balances under the BBC method of accounting for the DDI Scheme;
 - 6.6.2 detailed breakdown of Licences in force movement (currently known as LIFSUM);
 - 6.6.3 summary of Licences in force by region, expiries, ARC Licences, Prosecutions and hotel Licences;
 - 6.6.4 direct debit leavers and joiners analysis file (currently known as Chdata);

- 6.6.5 statement of Statutory Discount Licences issued;
 - 6.6.6 valuation of payment scheme Cancellations and Refunds (known as payment);
 - 6.6.7 analysis of phasing of issues for any one (1) month (known as measured); and
 - 6.6.8 visitors file.
- 6.7 In addition to the reports and electronic files mentioned in paragraphs 6.1 to 6.6 the Contractor shall provide within ten (10) Working Days of the end of the Quarter the reports on a Financial Year to date basis. The reports shall include:
- 6.7.1 Licence sales to revenue reconciliation within tolerance levels agreed with the BBC;
 - 6.7.2 Licence sales to Licences in force reconciliation;
 - 6.7.3 ARC Licence revenue statement;
 - 6.7.4 sales of Licences at the old fee;
 - 6.7.5 analysis of Cash Payment Plan sales;
 - 6.7.6 scheme Cancellations and Refund write offs;
 - 6.7.7 quarterly direct debit premium statement;
 - 6.7.8 debtor movement analysis;
 - 6.7.9 work in progress analysis;
 - 6.7.10 monochrome Licences surrendered;
 - 6.7.11 erroneous Licences deleted details; and
 - 6.7.12 details of miscellaneous income.
- 6.8 In addition to the reports and electronic files mentioned in paragraph 6.1 to 6.7 above the Contractor shall provide such other reports or data as may be reasonably requested.

7 Audit Statements and Reports

- 7.1 The Contractor's external auditors shall work in co-operation with BBC Audit Representatives to produce for the BBC, on or before 7 May following each Financial Year end, reports in a form agreed annually in advance of each forthcoming Financial Year end (such agreement to be given by no later than 1 February before the relevant Financial Year end) by the BBC and, where the wording of the audit reports has been agreed by the BBC, consolidated year end statements and year end audit reports signed by the external auditors of the Contractor and the BBC Audit Representatives which shall cover but not be limited to:
- 7.1.1 Licence payment scheme debtor and creditor balances adjusted for Licences not yet in force;

- 7.1.2 monies collected, disbursed and held on behalf of the BBC (excluding DDI Schemes);
- 7.1.3 monies collected, disbursed and held on behalf of the BBC (including DDI Schemes);
- 7.1.4 net value of Licence sales;
- 7.1.5 net value of Licence sales adjusted by Over 75 Licence and Short Term Licence and Statutory Discounts;
- 7.1.6 Gross Licence Sales;
- 7.1.7 total number of net Licences sold;
- 7.1.8 net sales value of Licence sales adjusted by Short Term Licences and discounts and adjusted for direct debit and credit card sales where the licences are not yet in force;
- 7.1.9 Licences in force;
- 7.1.10 Over 75 Licence Fee statement - Great Britain;
- 7.1.11 Over 75 Licence Fee statement - Northern Ireland;
- 7.1.12 Over 75 Licence Fee statement - Isle of Man;
- 7.1.13 Over 75 Licence Fee Statement - Guernsey;
- 7.1.14 Statement of Account;
- 7.1.15 a statement of the Licences issued, cash receipts and disbursements and associated debtor and creditor balances for Cash Payment Plan; and
- 7.1.16 a statement of the Licences issued, cash receipts and disbursements and associated bank reconciliation for TVLSC.

7.2 Bank Account

The Contractor's obligation in this Schedule in relation to the collection, holding and transfers of monies shall be conducted through a designated bank account or accounts maintained by the Contractor at a bank approved by the BBC from time to time (such approval not to be unreasonably withheld or delayed). The charges for overdrawn balances and the rate of interest on accounts in credit will be notified to the BBC in writing and will be consistent with the designated bank's normal commercial banking terms.

7.3 Miscellaneous

- 7.3.1 Any notice to the Contractor of any change in the details of the Relevant Account or the BBC Account shall only be implemented by the Contractor if the notice is in the form specified in writing by the BBC and signed by the requisite number of authorised signatories in the form specified by the BBC in writing. The Contractor shall immediately notify the BBC in writing of receipt of any such notice and shall either confirm that the notice has been actioned or provide details of any discrepancies in the format or signatories of the notice.

- 7.3.2 Any notice to the BBC of any change in details of the Contractor Accounts shall only be implemented by the BBC if the notice is in the form specified in writing by the Contractor and signed by the requisite number of authorised signatories in the form specified by the Contractor. The BBC shall notify the Contractor as soon as reasonably practicable of the receipt of any such notice and confirm that the notice has been actioned or provide details of any discrepancies in the format or signatories of the notice.
- 7.3.3 All accounting information will be supplied in electronic form or as otherwise agreed by the BBC.