

COMMUNITY RADIO FUND PANEL

C/o Ofcom
Riverside House
2a Southwark Bridge House
London SE1 9HA

12 March 2009

Lord Carter
Minister for Communications, Technology
and Broadcasting
DCMS/BERR

Dear Lord Carter

Community Radio Fund Panel response to the Digital Britain interim report

The Community Radio Fund Panel was established by Ofcom to allocate grants to community radio stations. It distributes up to £500,000 of funding per year from DCMS and has just completed its fourth year of operation.

Community radio legislation

The Panel supports the proposed legislation to allow Ofcom to grant 5-year licence extensions to existing community radio licensees, subject to services continuing to satisfy the community radio legislative requirements. We also support the suggestion that the rule restricting stations to a maximum of 50% of their annual funding from one source be removed.

Existing community radio legislation includes both positive and negative regulation. The positive regulation determines what community radio is for and how it is different from commercial radio, for example. It says that stations must deliver defined 'social gain' objectives, invite access and participation in the service, and are accountable to their target communities.

On the negative side however, the funding restrictions and rules put in place to protect commercial radio stations place an unnecessary burden on this sector. It is the Panel's view that legislation should concentrate on the desired outputs of the sector, such as social gain provision, and not seek to dictate the inputs, such as where funding comes from.

Therefore we would ask that government considers removing the restriction that forbids any advertising and sponsorship income for services that overlap with a small commercial service (one that has 50,000-150,000 adults in its measured coverage area) and also removes the restriction that prevents Ofcom from licensing services in some areas (where there is a commercial service with fewer than 50,000 adults in its measured coverage area). We consider that removing these restrictions is particularly appropriate in light of calls for the relaxation of regulation on the

commercial radio sector. We believe that the general rule that allows up to 50% revenue per year from the sale of advertising and sponsorship ensures that community radio is funded from a number of sources and should remain in place. Last year Ofcom allowed stations to count volunteer time as 'income'. This change has given stations the flexibility, should they need it, to increase their overall income, and therefore the amount they seek from advertising and sponsorship. It should be noted that Ofcom's most recent data shows that in 2007-08 18% of the sector's income was from advertising and sponsorship. The largest source of income was grants (45%).

The Community Radio Fund

It is important to acknowledge that the small size of the current Fund severely dilutes its effectiveness in supporting the sector properly. £500,000 has been allocated by DCMS, but it is important to note that in 2008/09 the funding available was less than that because £45,000 was 'top-sliced' by DCMS for other community media projects (we expect similar amounts to be top-sliced from the Fund in the next two years). The size of the fund was barely adequate when the sector was just beginning, but has remained the same despite the exciting growth in the number of stations licensed.

Ofcom has so far granted licences to 191 groups (132 broadcasting, 50 preparing to launch, and nine that will not go ahead). This number is growing as Ofcom continues to consider applications in its second round of licensing. The Fund is targeted at supporting core station costs (staff and expertise, rather than utilities), and the Panel favours supporting roles that will actively seek to source further funding for a station. In the grant reports we receive from recipients we have evidence that on the whole Fund grants help generate further revenue for stations. The Panel has taken the view that giving lots of little grants would not have this desired effect, and therefore tends to give a small number of slightly larger grants to support individual posts. In 2008/9 a total of 33 grants were awarded, averaging £14,600 (a further 76 applications were considered, but rejected). Due to the size of the Fund no continuing support can be offered to stations, and many stations may only ever receive one grant from the Fund.

At a time when public service broadcasting is under the spotlight and the question of how much local output commercial radio stations should be required to carry is under consideration, it is important to recognise the emerging role of community radio stations. They are very local; they target underserved communities; they have strong community links and partnerships with local organisations (education, local councils, charities etc); they are an alternative source of information, comment and news; they are independently owned and operated; and they train people: they provide a real public service to their communities. Their growing contribution to the life of communities throughout the UK deserves recognition and better financial support. The Panel urges government to consider more financial assistance, via the Community Radio Fund, for these services.

The Panel believes that it should be able to consider awarding grants of:

- around £30,000 to each station in its first year to fully fund one core post;

- support five consortia projects per year at around £60,000 each (see below); and
- have at its disposal a further £3-400,000 for second and subsequent year grants to ensure the continuing viability of the sector, and to support appropriate innovative and groundbreaking projects.

At current licensing levels this would mean an appropriate level for the Fund would be £1.75million. It should be noted that the Everitt¹ report recommended the Fund should be set at around £2m per year initially, and grow with the number of stations licensed. The Panel also recommends that when the Fund is reviewed (every three years) it should be increased in proportion with the number of licensed services.

With regard to the operation of the Community Radio Fund, the Panel would welcome some additional flexibility. The Communications Act 2003 restricts the Panel to making awards to community radio licensees. The sector would benefit, in our view, if grants could be awarded to consortia rather than single stations, or to supporting activities that benefit a number of stations, for example stations operating in the same region. For example, these might be for joint training, joint marketing, or joint production projects - indeed any activity that does not bring neighbouring stations into competition. Such grants reduce the unit cost per station. Lifting the restriction on grants being available to licensees only would also allow us to considering making grants to the CMA and other bodies to avoid the current anomalous situation. In addition the Panel sees benefits in being able to fund specialist help (for example financial or legal expertise) to offer specific advice to stations that require it.

Yours sincerely

Kevin Carey
Chairman
Community Radio Fund Panel

¹ 'New Voices: an evaluation of 15 Access Radio projects' an independent report published by the Radio Authority in 2003. The report helped set the framework for the sector and was drawn on by government when drafting the community radio legislation.