

VLV Briefing Note BBC Public Funding and Top Slicing 2010-2021 July 2021

VLV updated analysis of BBC public funding between 2010 and 2021 shows that in 2020-21 the BBC received **75%** of the public funding it received in 2021 in real terms while the BBC Annual Report highlights significant inflation in production costs.

The BBC is currently negotiating its funding from 2022-2027 which is likely to be announced in the autumn. It's been estimated that in order to deliver the Director General's strategy the BBC will need a funding settlement 2% higher than current funding, without any additional 'top slicing' to fund other projects, plus a rise in the price of the TV licence in line with inflation.¹ In present circumstances, such an outcome seems unlikely.

In that event, the BBC faces a challenging future and is being forced to increase commercial income to supplement its public funding.

VLV, which represents citizen interests in broadcasting, is concerned that under such financial pressure the BBC is likely to be unable to continue to maintain the range and quality of existing services for UK audiences and is likely to focus on providing content which is more commercially attractive to broadcasters around the world. This would undermine the BBC's delivery of UK-specific public service content which benefits British society.

Summary:

- Updated VLV analysis of public funding shows that public funding for the BBC has declined by 25% since 2010 in real terms while production costs have risen considerably since then.
- The BBC has exceeded its savings goals set in 2015. Since 2016 it's predicted to have saved more than £950m, with the original forecast being £800m.
- The genres and channels which will see reduced investment in 2021/22 and are likely to continue to do so moving forwards are news/current affairs, especially in the regions/local, BBC 2 and BBC 4.
- Inflation in production costs is rising. BBC drama costs were up 35% in 2020/21 due to intense competition from streaming services.
- Emerging financial threats include campaigns to defund the BBC, encouraged by the continuing debate about decriminalisation of non-payment of the TV licence and a potentially inadequate funding settlement for the BBC.
- In this context VLV is very concerned that the BBC is being forced to increase its commercial income which is likely to undermine its public service mission.

Licence Fee Income 2020/21

In 2020/21 BBC public funding increased by 6% to £3.7bn (2019/20 - £3,520). The increase of £230 million was due to two factors: the new policy relating to over-75s which brought in more funding than originally anticipated by the BBC; the annual increase in the cost of a TV licence.

VLV analysis is of **PUBLIC FUNDING** for the BBC since the 2010 licence fee settlement. Our focus is on public funding because we are concerned that licence fee payers are not aware that since 2010 a significant proportion TV Licence income has been diverted to fund other projects (such as broadband rollout).

The problems with this approach for citizens are:

- It reduces the connection between the TV Licence and funding BBC output for the benefit of the audiences who pay for it (although the TV Licence is not specified to fund the BBC).
- It makes the process and system of funding the BBC more opaque.

¹ *BBC licence fee settlement Push outside London will need further support*, Enders Analysis, 4 May 2021

- VLV would like to see a better process instituted to negotiate BBC funding which is more transparent and subject to public and Parliamentary scrutiny.

To compensate for the decline in public funding the BBC has grown its commercial income since 2010 and intends to continue to do so, however there are risks in the BBC being overly dependent on commercial income because this will undermine its public service incentive and encourage less culturally specific UK content which easier to sell to other broadcasters and global platforms.

Year	2010/11	2018/19	2019/20	2020/21
Income				
Licence Fee Revenue	3100 ⁱ	3222 ⁱⁱ	3267 ⁱⁱⁱ	3747 ^{iv}
Government Funding: BBC Monitoring and World Service (FCO)	266 ^v	88 ^{vi}	92 ^{vii}	88 ^{viii}
Government funding: Over 75s TV licences ^{ix} (DWP)	579 ^x	468 ^{xi}	253 ^{xii}	3
Gross Public Funding for BBC before top-slicing	3945.4	3778	3645	3815
Additional (top-sliced) costs imposed by government				
BBC World service	314 ^{xiii}	278 ^{xiv}	223 ^{xv}	214 ^{xvi}
BBC World Service extra services since 2016 ^{xvii}		85 ^{xviii}	92 ^{xix}	88 ^{xx}
BBC Monitoring ^{xxi}		6 ^{xxii}	5 ^{xxiii}	5 ^{xxiv}
S4C/Local TV	32 ^{xxv}	75 ^{xxvi}	75 ^{xxvii}	75 ^{xxviii}
Digital Switchover	55 ^{xxix}			
Broadband Rollout		20 ^{xxx}	8 ^{xxxi}	8
Loss of income due to decriminalisation of Licence Fee				
Total costs additional to BBC public services	401	464	403	381
Balance to spend on UK services after top slicing	3545	3314	3209	3457
% of budget compared with 2010	100	93.5	90.55	97.55
Inflation-adjusted income ^{xxxii} (divided by 1.292)		2565	2483.75	2675.7
% of budget compared with 2010 (inflation-adjusted)		72.4	70	75.5
Commercial Income				
other income (BBC Studios/WorldWide etc)	1479.6 ^{xxxiii}	1110 ^{xxxiv}	1570 ^{xxxv}	1456 ^{xxxvi}

2

Emerging financial risks for the BBC and how well prepared it is for these

Funding Settlement

It remains to be seen how much funding the BBC will receive from 2022-2027.

Decline in those paying for the TV Licence

In 2020/21 the number of TV licences declined from 25.5m to 24.8m. VLV doesn't believe this decline is due to a reduction in quality of BBC output. The decline is more likely due to a greater choice of providers (subscription and online services), the reputational damage of the over 75's having to pay for their TV Licences, campaigns by the press and others, including politicians, to undermine the BBC, the repeated debate about decriminalisation of non-payment of the TV Licence which provides all BBC detractors with opportunities to knock the BBC.

² References to all figures available at: <https://www.vlv.org.uk/wp-content/uploads/VLV-Briefing-note-BBC-Public-Funding-2010-21-and-the-challenge-ahead-references-FINAL.pdf>

The 'Around the UK' strategy

It will be extremely challenging to deliver the BBC's 'Around the UK' strategy announced by Tim Davie in 2020 if the BBC funding settlement is not adequate.

The impact of reduced funding on content

Tim Davie has asked each genre team to examine where it can reduce its output by 20% while maintaining spending at the same level. The idea is to produce fewer but better funded hours, rather than a specific 20% reduction in cost.

It is difficult to know how the cuts in news, current affairs, regions and nations will impact on screen. Drama inflation could continue to rise which will be challenging. If further cuts to content are made this will become more noticeable to audiences (for example, BBC Four becoming a largely archive channel).

In terms of quality, technology is constantly developing to help reduce production costs, however the BBC must be wary of cutting corners in production and post-production because the quality of output will decline. Some would say it has already declined.

Ultimately if the funding settlement is not adequate it is likely that the BBC won't be able to avoid cutting whole services or significant areas of programming.

BBC Studios projections

The BBC has set a £1.5bn returns target for BBC Studios between 2022 and 2027. BBC Studios is also banking on growing BritBox, which is soon to be rolled out to more territories, and fledgling factual streamer BBC Select.

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