

VLV Briefing on BBC Funding Settlements May 2019

The VLV believes the method of negotiating BBC funding settlements should be reformed. The current process is not subject to any public or Parliamentary scrutiny and has led to settlements in 2010 and 2015 which have reduced the BBC's budget by an estimated 37%. Both sets of negotiations were conducted hastily behind closed doors between senior BBC and BBC Trust staff and members of the Government and both have diverted money from BBC budgets, undermined the BBC's independence from government and compromised its ability to deliver its mission.

The table below sets out VLV estimates of BBC income and additional responsibilities imposed by the Government since the 2010 BBC funding settlement. All figures are based on data from BBC Annual Reports. These estimates do not include the benefits of closing the 'iPlayer loophole' because this information is not in the public domain.

BBC Income and additional responsibilities since 2010											
Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Income											
Gross Licence Fee Revenues	3513	3606	3656	3726	3735	3743	3787	3830	3175	3251.6	3326.0
Funding Monitoring/WS	296	277	264.7	238	0		291				
Over 75s evasion								0			
Estimated CPI allowance									76.6	74.4	71.5
Gross Income	3809	3883	3920.7	3964	3735	3743	4078	3830	3719.6	3573.0	3397.5
Additional responsibilities											
BBC World service/monitoring	318	278	307	272							
BBC World service					243	261	269	268	268	268.0	268.0
BBC World Service grant								70	70	70.0	70.0
BBC Monitoring					16	5.8	6	5.5	7.2	7.2	7.2
S4C	32.2	29.2	30	105	107	110	110	107	105.4	105.4	105.4
Local TV				16	2.9	3.5	3.9	4.7	0	0.0	0.0
Broadband Rollout over 75's				150	150	150	150	80	20	10.0	0.0
									182	403.0	745.0
Total spent	350.2	307.2	337	543	518.9	530.3	538.9	535.2	652.6	863.6	1195.6
Balance to spend on services	3458.8	3575.8	3583.7	3421	3216.1	3212.7	3539.1	3294.8	3067	2709.4	2201.9
% of budget compared with 2010	100	103.38	103.61	98.91	92.98	92.88	102.32	95.26	88.67	78.33	63.66

There is no better articulation of the inadequate nature of the past two licence fee negotiations than that expressed in the Culture, Media and Sport Committee report *The Future of the BBC*, published in February 2015. The Committee was chaired at the time the report was published by John Whittingdale MP, who then went on to be the Secretary of State for Culture, Media and Sport and was responsible for the 2015 BBC funding settlement. The report said,

'We believe that the current means of setting the licence fee is unsatisfactory. The 2010 settlement demonstrated that the BBC's independence can be compromised by negotiations with the government of the day that lack transparency and public consultation... No future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers

must be consulted and Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities. We recommend that the independent panel and Charter Review process consider the appropriate length of licence fee settlements and the period in which they should be reviewed and changes made.¹

Within six months of the publication of this report Mr Whittingdale led negotiations with the BBC, as Secretary of State for Culture, Media and Sport, which followed exactly the process which his own Committee had been so critical of.

VLV considers that the current method of determining the level of BBC funding potentially undermines the independence of the BBC and risks giving the government undue influence, especially when negotiations are conducted in the run up to Charter Review. It is notable that the next negotiations of BBC funding are due in 2020 just prior to the Government's mid-term review of the BBC Charter in 2021/22. VLV believes that the timing of these negotiations will put undue pressure on the BBC to agree to a settlement that is not in the interests of licence fee payers in order to avoid fallout which might impact on the mid-term BBC Review.

In place of the current method of negotiating BBC funding settlements, VLV proposes a Licence Fee Body should be set up. This Body would be responsible for recommending the level of income the BBC receives and also be responsible for determining the methods to collect the TV licence, so that this should not be an issue for politicians to decide. This body would comprise a Chairman and other members who have the requisite expertise and knowledge, are independent of government, of the BBC and other media organisations; the chair and members would be appointed by the Secretary of State who would have a duty in making these appointments to consult with the BBC board and Ofcom. The Licence Fee Body would consult with the public and recommend a level for the licence fee. The Secretary of State would have a duty to lay this recommendation before the Parliaments of the UK.

¹ *Future of the BBC*, Culture, Media and Sport Committee, February 2015, Para 246,255, 256, 92.