

VLV BRIEFING NOTE

March 2020

The VLV is concerned that only three years into its Charter, the BBC may be facing an existential crisis. The government appears to be considering a full-scale review of how the corporation is funded.

To understand the challenge the BBC faces, VLV has analysed BBC funding and found that in real, inflation-adjusted terms, public funding available for BBC UK TV, radio and online services has dropped by 30% since 2010. This analysis examines only public funding (the licence fee plus government grants); it excludes the BBC's commercial income. The focus is on funding available for UK services because this is the content which most benefits the licence fee payers who fund the BBC. Government raids on BBC licence fee income since 2010 mean that licence fee payers are getting significantly less value for money from the TV licence since 2010.

This research comes at a time when the BBC is under mounting political pressure from the government over the licence fee. The government is currently consulting again whether to decriminalise non-payment of the TV licence, having decided against it in 2015 and is suggesting the BBC could become a subscription service.

Public Funding 2010/11 – 2019/10

[VLV's research data](#) shows that public funding for the BBC in 2010/11 was £3.95bn, with £3.54bn of that spent on services for UK audiences. In 2019/20 the BBC's public funding will be £3.65bn, with £3.2bn for UK services. The BBC Annual Report will confirm the 2019/20 figures, but the BBC has said that VLV's figures are in line with expectations. Once inflation is taken into account, 2019/20 net public funding is equivalent to £2.48bn in 2010 money – just 70% of the 2010/11 budget during a time when production and distribution costs have risen considerably.

The fall in funding for UK services is due to a combination of factors: the TV licence fee was frozen between 2010 and 2017; in 2013, a number of new obligations were imposed on the licence fee: paying for broadband rollout, S4C, Local TV and BBC Monitoring (which between them cost as much as £250m per annum); from 2014 the BBC began paying for the World Service, which was previously funded by the Foreign Office; and since 2018 the DWP has gradually removed funding for free TV licences for the over 75s. Although the BBC stopped paying for Local TV in 2017 and the broadband rollout subsidy comes to an end this year, the other obligations remain. Once income figures are inflation-adjusted, it can be seen that the net value of public funding for the BBC's UK TV, radio and online services has declined by 30% between 2010/11 and 2019/20.

The BBC has mitigated declines in funding through its commercial success and efficiency measures, but if commercial success becomes a primary driver this could undermine the BBC's public service remit and any further cuts are likely to undermine the quality of its services.

VLV's objective is to ensure that UK audiences continue to have low-cost access to content which informs them about the world, broadens their horizons, engages them with a wide range of subjects, entertains them and enriches their lives. We are concerned that if there are more cuts, in addition to the £800m a year cuts the BBC has had to make since 2016, leading to the recent 450 job cuts in news, this will undermine the BBC's ability to deliver the range and quality of programmes audiences currently enjoy.

The BBC has mitigated declines in funding until now through its commercial success and efficiency measures, but if commercial success becomes a primary motivation this could undermine the BBC's public service remit and VLV considers that any further cuts are likely to undermine the quality of its services.

Cuts so far have led to more repeats, especially in daytime, a narrowing news agenda and fewer current affairs and news investigations. Reductions are most likely in genres which are less popular (drama and entertainment) because they cause less public outrage, but this means public service programming suffers disproportionately. BBC chairman Sir David Clementi made it clear in February that if further cuts are made, crucial public services such as the BBC's children's channels will have to be scrapped.

The VLV identifies three principal threats to the BBC:

Decriminalisation of licence fee evasion: The 2015 Perry review concluded that if non-payment of the TV licence became a civil offence, fines for non-payers and the number of offenders would rise and the cost to enforce the number of offenders would rise and the cost to enforce the new system would also increase. Although the government decided to retain the existing system, it is now consulting on this again. If decriminalisation goes ahead, the cost to the BBC could spiral – by at least £200m per year but we believe the cost to the BBC could be far higher.

Subscription: The government is reported to be considering turning the BBC into a subscription service. This would end the BBC's century-old role as a civic institution devoted to public service rather than commercial gain and, crucially, would undermine its universality. VLV strongly opposes subscription and considers the universality of the BBC to be fundamental to its remit. The value of BBC services goes far beyond that of any other subscription services, which are commercially driven and are mostly designed to provide entertainment.

Political pressure: The BBC is governed by its Charter with multi-year financial settlements that aim to minimise interference from government in its day to day operations. The current debate exposes a weakness in the system. The VLV has long argued that the negotiation of BBC funding settlements should be more transparent and subject to parliamentary scrutiny.

The BBC now faces a tough three years:

- The government is currently consulting on the decriminalisation of evasion; if this goes ahead, changes are likely in 2022.
- New BBC funding negotiations are due in 2021 for a settlement starting in April 2022. The

VLV fears that the BBC may be forced to re-instate free TV licences for all over 75s, which would mean a further £500m reduction in income.

- From 2022, a 'mid-term' review of the BBC, set out in the Charter, could take place. This review was intended to focus on BBC governance arrangements and not its funding model. It has been reported that the review will be led by John Whittingdale MP, the former culture secretary who has recently returned to office as a DCMS minister, and who has previously been a supporter of contestable funding for public service content.

VLV would not support a full review of the BBC's funding methods before the next Charter Review period. Such a review could completely destabilise one of our national assets at a time when the UK is facing such great challenges in establishing new relationships with the wider world. In this context trusted information and high quality content relevant to UK concerns is crucial.

Ultimately the future of the BBC is in our hands. We need to ensure that any changes to the BBC funding model are properly debated in a public and transparent way. Whatever the outcome of current deliberations, we need to ensure the BBC remains relevant to the UK population and is sustainable so that future generations can benefit from it in the way we have benefitted throughout our lives.

These issues will be discussed in detail at the VLV Spring Conference will take place from 10.30 to 16.00 on Thursday April 30 2020 at the Geological Society, Piccadilly, London W1J 0BG. You can book tickets for the conference [here](#).