

# BBC future funding: how should the BBC be funded in the future to deliver what is needed from a national public service broadcaster?

Submission by Bectu to the House of Lords Communications and Digital Committee

11 March 2022

[www.bectu.org.uk](http://www.bectu.org.uk)

Bectu submission for inquiry into the future funding of the BBC

Page 1

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## Summary

Bectu, a sector of Prospect, is the largest trade union in the BBC. We represent thousands of members across production, filming, technical, research and administration roles and our members are critical to delivering the UK's unrivalled public service broadcasting offer. We welcome the Committee's timely inquiry into the BBC's funding model and believe the model is critical to the BBC's future as a world-leading national public service broadcaster.

Bectu is concerned that the Government's freezing of the licence fee – and threat to abolish it – will fundamentally weaken the UK's public service broadcasting offering, which is currently the envy of the world.

For a century, the BBC has been an essential part of the British national story and a globally renowned broadcaster. Its unique funding model allows it to be a true public service broadcaster that commissions innovative content and invests in creative talent and public service content across the country. The BBC provides 10 TV channels, BBC iPlayer, 10 UK radio stations, over 40 national and local stations, BBC Sounds and one of the UK's most popular websites, all for just 43p a day<sup>1</sup>.

The contribution it makes is not just cultural. The BBC provides a gross value add of £4.9 billion to the UK economy each year<sup>2</sup>.

Every £1 of the BBC's direct economic activity generates a total of £2.63 in the economy, and 50% of the BBC's economic impact is outside London, compared to a broadcasting sector average of 20%<sup>3</sup>. Its services and investment in the nations and regions have a multiplier effect on local economies – investing in skills and talent outside of the capital demonstrates a commitment to levelling-up the UK's regional economies and creating content that reflects every community across the country.

The BBC has made this enormous contribution to the UK's culture and economy despite having been forced to make significant savings in recent years: more than £890 million since 2016/17 and, with recurring savings projected to rise above £950 million in 2021/22<sup>4</sup>. The Government's recent decision to freeze the licence fee for two years will require further cuts of £285 million<sup>5</sup>.

The BBC has also modernised as consumer habits have evolved, constantly developing its streaming on demand offer as consumers move away from linear programming. 2021 broke records for its online streaming service BBC iPlayer, which hit 163 million streams in a week, and 652 million in a month<sup>6</sup>. The BBC remains the most used and most trusted media brand in the UK, with the public using BBC services 250 million times a day<sup>7</sup>.

Severe funding cuts have been followed by a pledge to review the BBC's current licence fee funding model, with the Culture Secretary having threatened to remove it altogether. This threat is the latest assault on the BBC's impartiality from figures across the political spectrum who are unwilling to be held to account by the nation's leading public service broadcaster.

Proponents of alternative funding models have thus far failed to demonstrate how the BBC would fulfil its unique and essential role under direct government grant, or via a subscription or advertising model. Each of these alternative models threatens the BBC's impartiality, its ability to provide local services, and its massive contribution to regional and national economies across the UK.

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<sup>1</sup> [Licence fee settlement: Letter from the Chairman and Director-General to Secretary of State for Digital, Culture, Media and Sport, Rt Hon Nadine Dorries MP - Media Centre \(bbc.co.uk\)](#)

<sup>2</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>3</sup> [2020-21.pdf \(bbc.co.uk\)](#) p.18

<sup>4</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 45

<sup>5</sup> [Licence fee freeze to cost BBC £285million, says director general - Global Circulate](#)

<sup>6</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>7</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 2

[BBC most trusted news source 2020 | Ipsos](#)

Suggestions that the BBC should directly compete with the streaming giants fail to recognise the impact that would have on critical local and quintessentially British output, which subscription-based models do not provide financial incentive to produce. Combined with proposals to privatise Channel 4, abolishing the licence fee risks choking off the explosion in investment in cultural production outside of the capital.

The BBC is more than a licence fee: it has been the world's finest public service broadcaster for a century. To ensure it remains so for another century, the Government must retain the licence fee with a sustainable funding settlement that recognises the outstanding contribution the BBC makes at home and around the world.

For more information, please contact [georgina.kinsella@prospect.org.uk](mailto:georgina.kinsella@prospect.org.uk)

## **How will new technologies and consumer habits change the future broadcasting landscape?**

Changes in consumer habits and the rise of new technologies have already changed the broadcasting landscape, with the growth of streaming giants such as Netflix and Amazon threatening traditional public service broadcasters and linear broadcasting models. However, the BBC has proven time and time again that it can adapt to meet the evolving broadcasting environment and the challenges posed by new technologies and changing consumer habits.

Despite the explosion in broadcasting competition, the BBC remains the most used media brand in the UK, with the BBC Annual Report 2020/21 finding that 90% of UK adults and 80% of young adults used BBC services every week.<sup>8</sup> 100% of adults use the BBC each month, with an average 5 million members of the public choosing to access the BBC's TV, radio and online services every minute<sup>9</sup>.

Additionally, approximately 8 million UK adults use Amazon's Prime Video, compared to 94% of UK households that are licensable<sup>10</sup>. 80% of 18- to 34-year-olds in the UK have access to a Netflix subscription<sup>11</sup>, yet 90% of UK adults use the BBC each week<sup>12</sup> These figures demonstrate that the popularity of and demand for the BBC's services remains incredibly strong across the country, amongst people of all ages.

Consumer habits continue to move towards streaming on demand and online services, but the BBC has demonstrated the ability to adapt to this changing context. January 2021 saw BBC iPlayer break records, with 163 million streams in a week and 652 million streams in a month<sup>13</sup> and 2020/21 saw 6.1 billion requests to stream programmes, up 28% on the year before<sup>14</sup>. The online streaming service is particularly popular with young people, with 3.2 million under 35-year-olds signing into BBC iPlayer each week<sup>15</sup>. The same year recorded close to 1.3 billion plays of radio, music and podcasts on the BBC Sounds app, with 900,000 additional younger people using the service for the first time in the six months to March 2021<sup>16</sup>.

These figures clearly demonstrate that the BBC has already adapted to the changes in the broadcasting landscape and that consumers are making use of the BBC's newer media products.

There is, however, still a place for linear programming, as demonstrated by the viewing figures for smash hit weekly dramas like Line of Duty, where 12.8 million people across the country tuned in simultaneously to the final episode to discover the identity of corrupt police officer "H".

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<sup>8</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 2

<sup>9</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 2

<sup>10</sup> [Licences facts and figures - TV Licensing™ Amazon in the United Kingdom \(UK\) - Statistics & Facts | Statista](#)

<sup>11</sup> [Netflix to court older viewers as flow of young fans slows down | Netflix | The Guardian](#)

<sup>12</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>13</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>14</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>15</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 29

<sup>16</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 14

## What is the purpose of a national broadcaster?

The purpose of a national broadcaster is to inform, educate and entertain. No other broadcaster or streaming giant fulfils this service in the way the BBC does. It is an immensely successful incubator of British talent, producing innovative and imaginative programming that is distinctly British, and a provider of impartial news and educational services across radio, TV and online channels.

### *Inform*

One of the core purposes of the BBC is to provide impartial news and information to help people understand and engage with the world around them<sup>17</sup>. BBC News is the most popular news provider in the UK, with a 2021 Statista survey finding that 79% of respondents reported that BBC One was the TV channel they most used for news<sup>18</sup>. 80% of UK adults think the BBC is effective at informing people in the UK<sup>19</sup> and requests for news on iPlayer grew by 87% between 2019 and 2020<sup>20</sup>. During the initial months of the pandemic, 84% of adults relied on the BBC for updates every day, rendering it the number one source for information about the pandemic, with over 19 million BBC News online users per week<sup>21</sup>.

Since pioneering the broadcasting of General Elections and party-political broadcasts on both radio and TV, in 1922 and 1950 respectively, BBC News has remained a trusted source for election coverage, with a total of 26.5 million viewers tuning in for its 2019 General Election programming, and a record 27.3 million browsers of BBC News<sup>22</sup>. Its overnight election coverage, which announced the results, maintained its place at the top of TV ratings, with 4.7 million viewers<sup>23</sup>. When comparing this to ITV's record of 1.4 million viewers, it is evident that the BBC is the leading broadcaster for election coverage.

In a world of fake news and misinformation, BBC News is an essential soft power asset, providing accurate and reliable news to a global audience of 489 million a week and promoting British values abroad<sup>24</sup>.

The current crisis in Ukraine has demonstrated the value of a strong British public service broadcaster. Upon learning that a Russian missile had damaged Kyiv's television tower, knocking out transmission and internet services, the BBC immediately stepped up to broadcast shortwave transmissions so that anyone with a transistor radio in Ukraine, Russia or Belarus could listen to reliable, impartial updates about the conflict.

In the first week of the conflict, the audience of the BBC's Russian language news site has increased from 3.1 million to 10.7 million, demonstrating the BBC's status as a trusted source of impartial news in a country dominated by state-owned channels broadcasting regime propaganda<sup>25</sup>. In 2019, responding to internet censorship by repressive regimes across the world, the BBC made its international news website available via the Tor network, ensuring safe access to a reliable, independent news source<sup>26</sup>.

An alternative funding model reliant on subscriptions or advertising would not incentivise such an essential service promoting the British values of truth, democracy and freedom abroad.

### *Educate*

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<sup>17</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 20

<sup>18</sup> [• Leading TV news sources used in the UK 2021 | Statista](#)

<sup>19</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 5

<sup>20</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 5

<sup>21</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 5

<sup>22</sup> [4.7m watch BBC election coverage led by Huw Edwards as Channel 4 audience halves - Press Gazette](#)

<sup>23</sup> [4.7m watch BBC election coverage led by Huw Edwards as Channel 4 audience halves - Press Gazette](#)

<sup>24</sup> [BBC on track to reach half a billion people globally ahead of its centenary in 2022 - Media Centre](#)

<sup>25</sup> [Millions of Russians turn to BBC News - Media Centre](#)

<sup>26</sup> [BBC News launches 'dark web' Tor mirror - BBC News](#)

Another core purpose of the BBC is to support learning for people of all ages<sup>27</sup>. The BBC has long been a trusted educational provider, with BBC Bitesize acting as a popular classroom resource aiding pupils in primary and secondary schools since 1998.

When parents across the country had to become teachers overnight during the pandemic, the BBC stepped up and became Britain's largest classroom: commissioning special programmes and resources to ensure children didn't fall behind because schools were closed<sup>28</sup>. 67% of primary school students and 77% of secondary school pupils used Bitesize educational resources during lockdowns, and 1.54 million 5–16-year-olds watched Lockdown Learning content on CBBC or BBC2<sup>29</sup>. 2.7 million school pupils who visited the website each week kept their education on track, with 80% stating that the materials helped them improve their understanding of the subject matter<sup>30</sup>.

The first week of school closures in January 2021 saw almost 1 million iPlayer requests for educational content<sup>31</sup> and 4.5 million responses to help children gain access to online learning through the 'make a difference: give a laptop' campaign<sup>32</sup>. The campaign raised more than £917,000 to provide children with home schooling technology, with over 116,000 devices handed out<sup>33</sup>. These commendable services are something that could only be provided by a public service broadcaster like the BBC and would not easily be continued should its funding model change.

BBC Skillswise provides worksheets and videos to assist adult learning in English and Maths, as well as resources for developing skills for the workplace for the private and public sector and self-employment<sup>34</sup>. The BBC also broadcasts a host of educational programming, such as famous documentary series like David Attenborough's Blue Planet, and programmes like People's Century that explore periods of history. BBC Radio and BBC Sounds also produce educational content for adults, broadcasting miniseries such as 6 Minute Grammar and teaching English through its BBC Learning English channel<sup>35</sup>. BBC Radio hosts the BBC Academy Podcast, essential listening for anyone working in broadcast media, and series that explore music and economics, such as In Living Memory and Money 101 on BBC Sounds.

### *Entertain*

The UK's public service broadcasters currently produce around 32,000 hours of new British content a year – 160 times the 200 hours of UK-produced content produced by streaming giants such as Netflix and Amazon<sup>36</sup>. The BBC provides 10 TV services, BBC iPlayer, 10 UK radio stations, over 40 national and local radio stations, BBC Sounds and one of the country's most popular websites, all for just 43p a day. Over 28 million people in the UK utilise this plethora of services for evening entertainment on an average day, finding escapism in the endless genres and variety of shows and podcasts that the BBC provides<sup>37</sup>. In 2020/21, the BBC recorded 1.3 billion plays on BBC Sounds and 900,000 more accounts made by 16–34-year-olds in the six months up to March 2021<sup>38</sup>. 2020 saw a record of 5.7 million watching the Premier League on the BBC, and 8.4 million streamer requests for the first episode of the most recent season of Line of Duty<sup>39</sup>. The BBC also provided full coverage of the 2021 Euros, with 20.6 million tuning in to see England beat Germany on BBC1 and 5.6 million watching the match via BBC iPlayer, setting a

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<sup>27</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 22

<sup>28</sup> 5.8 million browsers on BBC Bitesize during lockdown - [2020-21.pdf \(bbc.co.uk\)](#) p. 7

<sup>29</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 7

<sup>30</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 23

<sup>31</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 7

<sup>32</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 7

<sup>33</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 7.

<sup>34</sup> [Skillswise - BBC Teach](#)

<sup>35</sup> [BBC - Programmes categorised as Learning: Adults - Available now](#)

<sup>36</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 18

<sup>37</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>38</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

<sup>39</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 9

live viewing record<sup>40</sup>. BBC1's coverage of the final attracted 31 million viewers and 6.9 million streaming requests<sup>41</sup>.

The funding model and remit of the UK's public service broadcasters allows them to take a risk and commission quintessentially British content, often resulting in big successes domestically and abroad. The BBC is home to diverse programming and hit TV shows such as Killing Eve, Fleabag, I May Destroy You, Alan Partridge, Peaky Blinders and Line of Duty, all written by some of the country's finest creative minds from across the UK's nations and regions. Each of these shows offers a reflection on British life and culture, and many of them may not have made it past the pitch stage at a commercial broadcaster entirely focused on driving up subscriptions or generating advertising revenue. The BBC's diverse, entertaining and unique programming reflect the fourth and fifth purposes stated in its annual report; to show creative and distinctive output and services, to represent the diverse communities of all the UK's nations and regions and reflect the UK's culture and value to the world<sup>42</sup>.

The UK has a world-leading film and TV sector, and our public service broadcasters are a vital part of that ecosystem, complementing their private sector counterparts. We are the leading European country in terms of pay TV revenues and TV advertising expenditure, and Europe's leading international hub for global media groups, housing more channels than any other EU country<sup>43</sup>. In 2020, the UK's TV industry revenues amounted to roughly £16.27 billion<sup>44</sup>, and the film industry was estimated to contribute over £4.6 billion to UK GDP<sup>45</sup>. These impressive figures demonstrate why the UK's film and TV industries are the envy of the world. The UK has one of the most highly skilled and versatile workforces in the industry, who create some of the most renowned programmes in the world, commissioned and streamed by our public service broadcasters. This world class reputation in TV and film production plays an important role in promoting Global Britain abroad, demonstrating a thriving and confident creative industries sector in the UK, and contributes towards the government's levelling up agenda. Scrapping the BBC licence fee would threaten the success of this thriving sector.

#### *Contrast with streaming giants*

Suggestions from some politicians that the BBC should be forced to directly compete with Amazon Prime and Netflix by operating under a subscription or advertising-based funding model misunderstand the role and purpose of a national broadcaster – or seek to erode it.

The BBC's licence fee model is what allows it to fulfil its purpose of informing, educating and entertaining the nation with a diverse range of programming output.

The funding models of the global streaming giants do not provide financial incentive to produce some of the BBC's unique and valuable output. For example, whilst the BBC established hyper-local news stations for British cities in lockdown during the pandemic, and built the world's biggest classroom through Bitesize, no such offering was forthcoming from the streaming giants.

Drastic changes to the BBC's funding model would result in a complete reorienting of its output to meet the demands of a new business model, jeopardising regional production investment, vital local news services and the willingness to take a risk on innovative British programming. Funding the BBC like a streaming giant will force it to behave like one – with a great reduction in choice and variety for audiences here in the UK, and a greater emphasis on shows that appeal to international audiences – rather than programming that reflects and caters to communities across the UK's nations and regions.

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<sup>40</sup> [England's historic victory over Germany achieves highest rating of year so far | What to Watch](#)

<sup>41</sup> [Euro 2020 final attracts estimated 31 million TV audience in UK | TV ratings | The Guardian](#)

<sup>42</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 24-41.

<sup>43</sup> [Television industry in the United Kingdom - statistics & facts | Statista](#)

<sup>44</sup> [• UK: TV industry revenue by source 2020 | Statista](#)

<sup>45</sup> [TV & Film: Why the UK? - The Creative Industries](#)



## **What principles and priorities should inform the choice of the BBC's funding model? And how would any alternative funding models affect what the BBC can provide?**

The current funding model allows the BBC to contribute to the UK's national and regional economies to provide educational and informative services, connect people across the country, employ thousands of people across the country and invest in skills and talent across the UK. Other funding models risk hampering the BBC's ability to provide such functions and would prevent the BBC from upholding its core principles of impartiality, editorial independence and providing local services. Retaining the licence fee model and allowing it to increase in line with inflation is the only way to enable the BBC to continue to provide its diverse and much-used range of online and local services and its wide variety of programming output.

### ***Subscription service***

Replacing the licence fee with a subscription service would likely change the BBC's programming choices, as the corporation would focus on services and content of appeal to those with the highest willingness to pay, therefore prioritising some audiences over others. Programmes would be far less varied as the BBC would have to compete with other subscription services, serving consumer demand over the needs of citizens. Additionally, the cost of operating a subscription service would be significantly greater than those of collecting the licence fee, therefore reducing the money at the BBC's disposal for content investment and in turn further limiting choices.

Local TV and radio services would be difficult to place behind a paywall that was a standard rate across the country. For example, someone signing up for a subscription in Manchester would not want to pay for local radio and services in Cornwall. Similarly, some users may not necessarily use local services and be reluctant to pay for them in their city. Consideration of whether certain areas would have to pay for their own local services or for others through a subscription service is something that the Government needs to address.

### ***Advertising***

Introducing adverts in BBC programming could help fund BBC services but may inhibit viewing numbers. In a world saturated with advertisements on TV and social media, people are drawn to the BBC because of its advert free programming. To make up for the loss that introducing adverts would incur, the BBC would be more inclined to consider programmes that draw in more viewers, and subsequently reduce the unique nature and diversity of its content. Additionally, impartiality from advertisers is not guaranteed and would threaten the BBC's editorial independence.

It is unlikely that advertising alone would be enough to sustain the BBC's current range of services, thus leading to cuts across the board. There isn't enough big advertising revenue to cover the BBC along with Channel 4 and ITV, meaning that an advertising model for the BBC would limit the choice of other big players, weakening the overall public service broadcasting landscape. TV advertising investment in the UK increased by over £1 billion in 2021 to reach a total of £5.46 billion, accounting for an increase of 24% on 2020<sup>46</sup>. The demand for advertising is only increasing and including the BBC in the competition for advertisements would be unsustainable for the broadcasting industry.

### ***Government grants***

Another alternative model proposed for funding the BBC is using government grants, such as the model for Australia's national broadcaster The Australian Broadcasting Corporation. The UK government would give the corporation a set amount of funding for the year for the BBC to run its services. However, this seriously threatens the BBC as an independent and impartial broadcaster, a principle at the heart of the corporation. Receiving funding directly from the government would jeopardise the BBC's editorial independence – or at least give such a perception – and likely make news programme editors think twice before running stories particularly critical of the government, no matter which party makes up the government of the day.

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<sup>46</sup> [Data: Record year for UK TV advertising | \(advanced-television.com\)](https://www.advanced-television.com/data-record-year-for-uk-tv-advertising/)

How much funding the BBC would receive could be increased or reduced depending on the government of the day and the wider political context, introducing high levels of bias in the BBC's reporting.

### ***Licence fee model***

When considering priorities that should inform the choice of the BBC's funding model, it is important to consider the contribution the BBC makes to the British economy at a national and local level, its investment in British cultural talent, and the unique public service programming it provides.

#### *Contribution to the UK's national and regional economies*

KPMG research shows that every £1 of the BBC's direct economic activity generates a total of £2.63 in the economy<sup>47</sup>. The same report found that the BBC contributed £4.9 billion to the UK economy in 2019/20, and its activity supported a total of 53,600 full time equivalent jobs in the UK economy – for every job created by the BBC, a further 1.7 jobs were created in the wider economy<sup>48</sup>.

The BBC's Across the UK plan will ensure this economic benefit is spread across the country, setting a target to spend an additional £700 million outside London by 2027/2028, which will not only boost the regional production jobs outside of London but also generate an additional £850 million in the UK economy<sup>49</sup>. 50% of the BBC's economic impact is outside of London, compared to a sector average of 20%<sup>50</sup>. BBC services in the nations and regions have a multiplier effect on local economies, bringing jobs, investment, skills, local reporting, education and creativity to local areas.

The development of Media City in Salford through the move of BBC offices and ITV Granada, has led to a surge of creativity in the North of England and thousands of employment opportunities, both within Salford and the wider Manchester area. KPMG research found that the BBC has contributed to the development of a creative and digital cluster around Media city, with employment in the creative and digital sector in the area seeing growth of 142% since 2010 and the number of digital or creative businesses growing by 70%<sup>51</sup>. The move instilled confidence in northern productions and demonstrated that talent is just as rife in the north as in London. It created 4,600 jobs between 2011 and 2016, equivalent to a 43% increase in creative employment, and sparked filming outside of London of some of the BBC's biggest shows, such as *Peaky Blinders*, *Poldark*, *Countryfile* and *Doctor Who*<sup>52</sup>.

Similarly, the relocation of the BBC Wales Broadcasting Centre HQ to Cardiff is expected to add £1.1 billion to the Gross Value Added (GVA) to the local economy and 1,900 jobs over its first 10 years<sup>53</sup>. Its wider impact has identified a further £85.5 million in additional GVA for the Welsh economy and a £7.1 million GVA impact from the expenditure in Wales from its corporate operational activities<sup>54</sup>. This investment results in jobs and creative excellence being spread across the UK. Half of the BBC's directly employed staff are based outside of London, with the national broadcaster providing 10,000 creative jobs outside of the nation's capital. An alternative funding model would not have the revenue to be able to commit so strongly to investment in the nations and regions, and local services are difficult to provide behind a paywall, risking all of the work that the BBC has done to strengthen towns and cities outside of London.

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<sup>47</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 15

<sup>48</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>49</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 15

<sup>50</sup> [the-bbc-across-the-uk.pdf](#) p. 3

<sup>51</sup> [BBC provides significant positive economic impact across the UK - Media Centre](#)

<sup>52</sup> [Get out of town – The UK Film and TV Industry outside London | News | Mad Dog 2020 \(maddog2020casting.com\)](#)

<sup>53</sup> [The huge impact of Bad Wolf on the Welsh economy - Business Live \(business-live.co.uk\)](#)

<sup>54</sup> [The huge impact of Bad Wolf on the Welsh economy - Business Live \(business-live.co.uk\)](#)



The BBC is a truly national broadcaster, providing over 40 national and local radio stations across the UK's nations and regions, and beaming local news into homes across the country from its 12 English regional television centres and its national centres in the devolved nations. The BBC employs 1,306 people in Scotland, with 88% of adults in Scotland using BBC TV/iPlayer, BBC Radio or BBC online each week<sup>55</sup>. In 2020, the BBC Scotland channel collected a prestigious RTS Judges Award for its achievements during its first year of broadcasting<sup>56</sup> and BBC Alba announced its forthcoming SpeakGaelic initiative on its TV and YouTube channel<sup>57</sup>.

In Northern Ireland, the BBC employs 665 people, with 88% of adults using BBC services each week<sup>58</sup>. The BBC renewed its successful partnership with Northern Ireland Screen, which underpins BBC programming in Irish and Ulster-Scots and worked with Libraries NI to deliver a range of programmes and events for Book Week in Northern Ireland<sup>59</sup>. BBC Newsline's audience increased throughout the pandemic, and Evening Extra facilitated live coverage of Ministerial briefings at Stormont<sup>60</sup>.

### *Value for money*

The BBC's commercial income is on track to deliver its five year returns target of £1.3 billion by the end of the next financial year, amounting to an increase of 18% on the previous five years<sup>61</sup>. The corporation has set a new, higher target of £1.5 billion for the five years from 2022/23, growing this target by 30%<sup>62</sup>.

The BBC has maintained its overhead rate at 5%, placing it in the top quartile of comparators<sup>63</sup>. The corporation has exceeded its saving goals set in 2015, predicted to have saved more than £950 million, £150 million ahead of the original forecast<sup>64</sup>. This has led to the BBC holding group cash reserves of £471 million with £227 million group surplus at the end of 2020/21 financial year, with the surplus being committed to content spend that was deferred<sup>65</sup>. 95% of public spend is directed to content and its delivery, allowing for the hit TV programmes that the British public know and love<sup>66</sup>. A KPMG assessment of the economic impact of the BBC for the financial year 2019/20 found that the BBC was by far the highest spending commissioner of new IP among UK broadcasters, spending around £235 million on new external commissions, and working with over 350 producers<sup>67</sup>.

In its annual report, the BBC states that the licence fee model places responsibilities on the organisation, to maximise funding from other sources and to provide value for money by focusing expenditure on the programmes and services that the public want<sup>68</sup>. This responsibility would not be ensured through another funding model. Allowing the TV licence to increase by 4.4% in line with general inflation, would be equivalent to just 13.4p a week from 2022<sup>69</sup>, a much cheaper cost than alternative options.

### *Investing in British cultural talent*

The BBC makes an incredible social contribution to the UK, particularly to the creative industries, investing over £100 million in skills and training over the last four years and organising

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<sup>55</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 119

<sup>56</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 33

<sup>57</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 119

<sup>58</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 34

<sup>59</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 34

<sup>60</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 34

<sup>61</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 14

<sup>62</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 14

<sup>63</sup> [the-bbc-across-the-uk.pdf](#) p. 18

<sup>64</sup> [VLV-Briefing-note-BBC-Funding-Settlement-final-17-January-2022.pdf](#) p. 1

<sup>65</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 45

<sup>66</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 46

<sup>67</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>68</sup> [2020-21.pdf \(bbc.co.uk\)](#) p. 46

<sup>69</sup> [VLV-Briefing-note-BBC-Funding-Settlement-final-17-January-2022.pdf](#) p. 3

partnerships with Screenskills to develop apprenticeships or young creatives<sup>70</sup>. The BBC plays an essential role in investing in future talent, contributing to Britain's world leading status in the creative industries. By 2025, the BBC expects to employ 1,000 apprentices as part of its £100 million investment in skills and training<sup>71</sup>. Between financial year 2016/17 and 2019/20, the BBC invested a total of £70 million in research and development, which generated a range of economic and social benefits including cost savings, productivity improvements and knowledge and technological spill overs to the creative and digital sector and wider UK economy<sup>72</sup>.

### *Unique public service broadcasting*

Throughout the pandemic, the BBC's local presence provided essential public health updates during an unparalleled and unprecedented global crisis. 34.6 million people tuned in each week to Radio live programming, and hyper-local radio stations were set up such as BBC Burnley and BBC Wolverhampton to keep people informed, producing extra local content and interactivity with listeners, alleviating some of the loneliness that the lockdowns inflicted. The BBC launched the Make a Difference campaign in March 2020, which connected listeners who needed help throughout the pandemic, allowing locals to drop food off for clinically vulnerable people. One example included a mechanic ringing BBC Radio Devon when a frontline NHS worker's car had broken down and fixing it for her when she was at work<sup>73</sup>. The campaign had the biggest response ever received through BBC local radio, delivering an invaluable service that streaming giants could never offer<sup>74</sup>.

## **How should the BBC change over the next five years to adapt to evolving consumer habits and needs – and what does the Corporation need to do to prepare for the future in the longer term?**

As noted above, the BBC has already adapted to evolving consumer habits and needs, with the remarkable growth of iPlayer demonstrating that consumers still turn to the BBC for programming. The BBC must continue to monitor changes in consumer behaviour and viewing habits and continue to adapt its online presence to meet their needs.

In recent years, the BBC has formed innovative partnerships with international broadcasters such as HBO to create hit TV shows His Dark Materials and Industry. These collaborations were hugely popular and have been commissioned for a third and second series respectively. In an era of ballooning budgets for television dramas – but increasing funding pressures for the BBC – these hit shows are an example of the BBC working with the private sector to create high-quality programming. The BBC should continue to explore these kinds of partnerships that combine the best of British creative ingenuity with the level of funding that can create highly polished blockbusters with domestic and global appeal.

However, to be able to continue to adapt to changing consumer habits and needs, the BBC needs a funding settlement that allows it to invest in new technology and programming. The freezing of the licence fee – creating a £285 million funding gap – will impact on the BBC's ability to engage in such partnerships and invest in iPlayer<sup>75</sup>. The BBC's Director General Tim Davie has made clear that frontline output and services will have to be cut in order to meet the costs of the freeze<sup>76</sup>.

## **What actions and consultations are needed from the government to inform its future BBC funding plan?**

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<sup>70</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>71</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>72</sup> [kmpg-economic-impact.pdf \(bbc.co.uk\)](#) p. 2

<sup>73</sup> ['Local radio is there for you' says BBC Director-General - Media Centre](#)

<sup>74</sup> ['Local radio is there for you' says BBC Director-General - Media Centre](#)

<sup>75</sup> [Licence fee freeze will cost BBC £285m and hit programmes, says director general - BBC News](#)

<sup>76</sup> [Licence fee freeze will hit programmes, BBC director general says - BBC News](#)

Any consultation on a potential future funding model for the BBC must rigorously test alternative models against the unique role and purpose of the broadcaster, the principles that underpin it, and the growing contribution the BBC makes to regional creative industries.

The current licence fee model has allowed the BBC to generate the most diverse and wide-ranging broadcasting output of any public service broadcaster in the world. It allows the BBC to act as an impartial provider of news locally, nationally and internationally; to educate the nation; and to take a punt on British talent and creativity – resulting in entertaining content cherished by people across the country. It ensures investment in regional creative industries outside of London and the South East, and allows the stories of communities from all of our regions to be told.

Despite numerous attempts to undermine the licence fee, no one has yet proposed a different funding model that would safeguard the BBC's critical contribution to the country's economy and cultural landscape. There are no compelling arguments that make clear that the BBC will be able to fulfil its mission of impartially informing, entertaining and educating the nation if it is made reliant on subscription or advertising revenue.

The BBC has been the bedrock of British culture for a century. Any changes to a funding model that has created and sustained this great British success story must be properly tested against the existing licence fee model – and shown to be better placed to support the next century of broadcasting by the world's leading public service broadcaster.