Cardiff University and PEC – written evidence

On behalf of the 'Arts, Culture and Public Service Broadcasting' workstrand

Creative Industries Policy & Evidence Centre (PEC, led by Nesta)

House of Lords Communications and Digital Select Committee inquiry on BBC future funding

Executive Summary

1. The BBC is the centrepiece of the UK's cultural institutions. Every week in 2020/21, approximately 90% of UK adults engaged with the BBC, the majority of whom relying on BBC services for trusted and accurate news.[1] In 2020 the Corporation produced over 20,000 hours of original UK content, compared to just 571 hours produced by subscription video on-demand services (SVoDs).[2] At the same time, 41% of all independent television productions made outside of London were commissioned by the BBC.[3]

2. At a household cost of 43 pence a day, the BBC's universal public funding via the licence fee enables it to deliver significant public value. More than half of the £4.9bn of added economic value created by the BBC in 2019/20 was generated outside of London.[4] However, major shifts in audience behaviours, market conditions and media technologies are changing how the public is accessing, consuming and valuing public service media content in their everyday lives. While the core purposes of the BBC remain as popular as they are vital, these challenges require an in-depth evaluation of how policy and regulation can ensure that the BBC – and the UK's wider public service broadcasting (PSB) ecology – continues to create public value into the future. As the BBC reaches its 100th year of informing, educating and entertaining audiences at home and around the world, we consider how the BBC can improve its public service delivery in vital areas while adapting its funding and core purposes in a globalising new media environment.

Based on the evidence and analysis presented in our answers below, Cardiff University and the PEC recommends:

3. ***The government should inform its decisions on the future funding of the BBC through employing a typology of public values.*** Evaluating and assessing the range of benefits that the BBC creates – understood, we propose, in terms of the social, cultural, economic, industrial, representational and civic value of PSB – is essential for ensuring that policy and regulation continues to deliver the maximum value for audiences, creative industries and the UK as a whole.[5]

4. ***The BBC should do more to appeal to and serve younger audiences, and address the concerns of groups who feel underserved by its content.*** As under-30s lead the shift from 'linear' to 'non-linear' consumption, the BBC will need to continue developing its services and technologies to mirror their media habits while still providing them with distinctive public service content. Similarly, tackling the BBC's satisfaction 'gap' with ethnic minority groups and audiences from lower socio-economic backgrounds is pivotal to sustaining future audiences' loyalty and trust in the BBC and PSB.

5. The BBC's funding model should preserve the essential principles of universality and equality to ensure that all audiences continue to benefit from BBC services. Because the BBC is paid for and owned by everyone, it has both the means and the duty to provide for all audiences, interests and genres, rather than just catering to the largest or most commercially profitable groups. Providing nationwide access to news, education and entertainment is of immense democratic and social value

[1] BBC (2021) Group Annual Report and Accounts 2020/21, pg. 21-25.
[2] Ofcom (2021) Media Nations 2021, pg. 69.
[3] Oliver & Ohlbaum (2021) UK Television Production Survey: Nations and Regions annex, pg. 7.
[4] KPMG (2021) An Assessment of the Economic Impact of the BBC, pg. 25
[5] Chivers and Allan (2022) What is the Public Value of Public Service Broadcasting? Exploring challenges and opportunities in evolving media contexts. Creative Industries Policy & Evidence Centre, Cardiff University.

to the UK public, and should remain a central feature of any proposed changes to the BBC funding model.

6. ***The government – in cooperation with the public, the BBC and Parliament – should investigate the feasibility of replacing the TV licence fee, possibly with a household levy.*** Similar to the German model, this levy would be paid by all households with the value set by an independent commission, in consultation with levy payers. Such income could be topped up with a tax on digital media platforms, made available as contestable funding for additional public service media content. This scoping-out process should begin immediately to allow for full public debate and technical evaluation, rather than waiting until the end of the current Charter period.

7. ***The government should immediately review its two-year freeze of the TV licence fee, taking into account the potential impact of funding decreases on the ability of the BBC – and thus UK PSB as a whole – to deliver on its public policy objectives and contribute to the 'Levelling Up' agenda.*** Since 2010 the BBC's public funding has been cut by 25% in real terms,[6] leading to severe cuts in key public service areas, such as local news and children's programming. With the government rightly focused on improving employment and productivity across the UK, it should carefully consider how further funding restrictions will damage the BBC's historic contributions to skills, training and infrastructure in the Nations and Regions.

Information about Cardiff University and the PEC

8. This submission is co-authored by Dr Tom Chivers (ChiversT@cardiff.ac.uk) and Professor Stuart Allan (AllanS@Cardiff.ac.uk) on behalf of the 'Arts, Culture and Public Service Broadcasting' workstrand at Cardiff University, as part of the larger Creative Industries Policy & Evidence Centre.

Tom Chivers is a Research Associate with Cardiff University, working with the Policy and Evidence Centre's 'Public Value in Arts, Culture and Public Service Broadcasting' workstrand. He holds a doctorate in Media and Communications from Goldsmiths, University of London.

Stuart Allan is Professor of Journalism and Communication in the School of Journalism, Media and Culture at Cardiff University. He is the lead on the 'Arts, Culture and Public Service Broadcasting' workstrand for the Cultural Industries Policy & Evidence Centre.

The PEC is led by Nesta, the innovation foundation, and involves a UK-wide consortium of universities. Contact: Eliza Easton – Eliza.Easton@Nesta.org.uk

Introduction

9. Cardiff University and the PEC welcomes this opportunity to respond to the Committee's inquiry on the future of BBC funding. We are pleased the Committee recognises the importance of debating evidence and arguments about the purposes of PSB as a pre-requisite to any potential changes in BBC funding. Any debate on the future of the BBC, we respectfully suggest, needs to consider how the public uses and values BBC services, the wide-ranging benefits these services create, and how the collective benefits of the UK's PSB ecology will be affected (positively or negatively) by changes to the UK's principal institution in the creative sector.

10. Our submission centres on the notion of 'public value' as a means of defining and assessing the benefits the BBC, and the wider UK PSB ecology, create for the UK public. Our recently published discussion paper, '*What is the Public Value of Public Service Broadcasting?*', examines the challenges and opportunities currently facing the UK's unique PSB model.[7] Across the breadth of regulatory interventions and policy principles, we have identified six distinct types of public value –

[6] VLV (2021) BBC Public Funding and Top Slicing: Briefing Note, July 2021.
[7] Chivers and Allan (2022)

social, cultural, economic, industrial, representational and civic – encompassing the objectives and purposes UK PSB seeks to fulfil.

11. All five of the UK's PSBs – the BBC, Channel 4, ITV, Channel 5 and S4C – contribute to some or all of these values, reflecting the considerable public value this mixed model of publicly-funded, not-for-profit and commercial broadcasting generates. Both quantitatively and qualitatively, the BBC contributes the most public value in each of these categories and, in many cases, complements and amplifies the benefits provided by the other broadcasters. We address examples of the BBC's contribution to public value in our answers below. Further, we consider how changes in the media landscape are likely to impact on the BBC's ability to continue creating these values for its audiences, how perceptions of the value of PSB are likely to evolve in these contexts, and what implications these developments may have for the feasibility of the BBC's current public funding model.

Response to inquiry questions

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

12. The BBC, together with the other PSBs, multi-channel broadcasters, pay-TV and commercial radio providers, is in the midst of evolutionary changes in an increasingly globalised environment. Shifting audience behaviours, unpredictable market pressures and the rise of new media platforms have heightened competition over its transitioning terrain. Moreover, the ongoing fragmentation of audiovisual content across numerous subscription services, together with the greater use of content customisation and recommendation algorithms, are fundamentally recasting how, when and where audiences discover, access and view media content.

13. Between 2017 and 2020, UK adults' total time spent viewing any audiovisual content rose by 13% (an extra 39 minutes per day), yet the proportion of this time spent viewing broadcast content (live TV, recorded playback and broadcaster video-on-demand or 'BVoD') shrank from 71% to 61%. SVoDs, YouTube and other online media formats have progressively taken up a growing share of daily viewing as smartphones, tablets and 'Smart TVs' have become more common in UK households. Streaming services, in particular, have benefitted from a rapid take-up, with 60% of households subscribed to at least one SVoD service in 2020 compared to 14% in 2014.[8]

14. This shift is even more pronounced in younger audience demographics, whose share of viewing via broadcast content decreased from 46% in 2017 to 32% in 2020. 16- to 34-year-olds spend almost equal amounts of time between YouTube, streaming services and broadcast content, with live TV making up just one-fifth of their viewing per day compared to almost half for UK adults.[9]

15. Decreases in public funding from the licence fee (analysed below), falling TV advertising revenues and inflationary production costs are similarly tilting the UK's media market into uncertain territory. As total UK advertising spend has grown, spend on TV spot advertising has fallen by over 30% since 2015 (a trend accelerated by the Covid-19 pandemic), with social media advertising soon to overtake TV as the largest source of all advertising expenditure.[10]

16. As subscription streaming services expand their own production studios to attract an ever-larger customer base, the increasing competition in leading programme genres like drama, comedy and documentaries has led to a rapid rise in production costs. Streaming giants like Amazon, Netflix and Disney+ can vastly outspend traditional broadcasters for high-end productions, causing the cost-per-title of original programme-making to grow from £13.3m in 2016 to £22.1m in 2020. In this same period, PSBs' spend on original UK programming has slumped by a quarter from £2.8bn to £2bn.[11]

---

[8] Ofcom Media Nations reports: 2018, pg. 21; 2021, pg. 6 & 22.
[9] Ibid.
[10] Ofcom (2021) Media Nations 2021, pg. 54-56.
[11] Ibid., pg. 73-75.

17. Despite new audience viewing habits, the ubiquity of online media sources and the extensive content catalogues of global streaming services, the BBC and the other PSBs remain both important to audiences and central to how they regularly access and use media content. The handful of PSB channels account for 57% of all TV viewing amongst a constellation of hundreds of multichannel services, and BBC radio similarly attracts half of all UK radio listeners.[12] Television remains the most used platform for UK news for a majority of audiences, and the BBC is the most popular source of news amongst all UK broadcasters, newspapers and online intermediary platforms, used by 83% of UK adults.[13]

18. Though increasingly popular and prominent in everyday media consumption, services like Netflix and Amazon Prime Video do not offer the types of content that meet the core public service expectations of UK audiences. From extensive catalogues of (primarily United States produced) original series, movies and entertainment boxsets, none of these platforms provide – nor are likely to provide in the future at the same scale or scope – national and local news services, educational programming or content that reflects the identities and experiences of the UK's many diverse communities.

19. As the UK market becomes further saturated with competing on-demand services, and as these services scramble to acquire the largest collections of content rights, consumers are likely to find that more and more of the programmes they want to watch are gated behind multiple different online subscriptions (each costing at least £5 a month).[14] While 86% of UK adults use the internet, full-fibre broadband connectivity is available to only 18% of homes and 190,000 homes cannot afford a fixed or wireless broadband connection at all.[15] A significant number of consumers, especially those on lower incomes or in less connected regions, may find the new online-only multi-streaming landscape to be prohibitively expensive. Free-to-air public service TV and radio services (alongside their BVoD offers) will remain an important source of entertainment, education and social connectedness.

20. Based on these ranging trends, we identify two possible scenarios for how the broadcasting landscape may change in the short-to-medium term. The first is a 'tipping point' situation where domestic linear broadcasting becomes significantly less important or even irrelevant to most audiences, while SVoDs and online platforms consolidate dominant shares of users and revenues. All 'traditional' broadcasters – the BBC, commercial PSBs, multi-channels and pay-TV operators – will either radically revise their business strategies to carve out niches of expensive, merit content, or be pushed out of markets altogether. We would note that variations of this case have been argued for many decades now – beginning with the introduction of satellite and cable TV in the 1980s, through terrestrial multichannel and now into the internet age – typically as an argument for reduced public intervention in growing media markets. As outlined above, such a dramatic scenario has not yet emerged, primarily because of the enduring public esteem for the quality, range and value of PSBs, but it is nonetheless a possibility that the BBC, UK PSBs, Ofcom and policymakers must consider.

21. The second scenario would see a gradual drift towards 'equilibrium', where national broadcasters and online services acquire broadly the same share of audiences' daily media consumption, albeit used for different purposes and in different ways. In these circumstances, it can be envisioned PSBs and larger commercial providers will adopt more of the techniques and delivery methods of their online competitors, while SVoDs may produce (and tentatively apply for the regulatory benefits of) limited content in public service genres. This scenario would in part reflect the already emerging generational shift in consumers habits, as younger digital-natives progress into adulthood and comprise the main audience body each of the varying media services will seek to attract.

22. In both scenarios, the important question is how PSBs can continue to deliver public value, while also seeking to attract and maintain the loyalty of these younger audiences whose media use habits

[12] Ibid., pg. 10; RAJAR Quarterly Listening, all individuals 15+ for period ending December 2021.
[13] Ofcom (2021) News Consumption Survey, pg. 21 & 25.
[14] Ampere Analysis (2019) The UK VoD market: current status and future developments. Ten different subscription services (including those provided by UK PSBs) have over 5% UK market penetration: Ofcom (2021) Media Nations, pg. 16.
[15] Ofcom (2021) Online Nation, pg. 11; Ofcom (2021) Connected Nation, pg. 5.

are slowly shifting away from traditional broadcasting. As recent extensive panel research and opinion polling indicates, people across the younger age groups (16-24s and 25-49s) still view PSBs as important and value the underlying social and cultural goals, yet these audiences are increasingly orienting themselves to non-linear digital sources without significant public service media content.[16]

23. As we set out below, we argue that the principal challenge facing PSBs is one of provision and not of purpose. PSBs are already adapting to the realities of the new media environment and moving (albeit slowly) to meet audiences' expectations. Live, linear TV will for the foreseeable future remain an essential space for shared national conversations, collective cultural experiences and civic expression. Ensuring that all audiences continue to receive the full benefits of PSB, in whichever format or setting suits their preferences, is essential for building the connection and loyalty of future audiences, on whom the funding and ideals that make PSB possible depend.

What is the purpose of a national broadcaster?

24. As the Committee is aware, the formal mission of the BBC, set out in its current Royal Charter, is to "act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain". The Royal Charter additionally specifies the five 'Public Purposes' that the BBC must promote: providing impartial news and information; supporting learning for people of all ages; providing creative, high-quality and distinctive output and services; to reflect, represent and serve the diverse communities of the UK; and reflect the country's culture and values to the world.

25. Ofcom (drawing on statutory criteria in the 2003 Communications Act) further defines the purposes of public service broadcasting as: dealing with a wide range of subject matter; meeting the needs and interests of as many audiences as possible; offering services which are properly balanced in nature; and maintaining high general standards in content, equality and editorial direction.[17]

26. These definitions serve as an essential grounding for the core measurable outcomes that the BBC and other PSBs should achieve. They also highlight the wide-ranging contributions of the UK's collective system of PSB interventions to important public policy objectives. The current licence fee, it is frequently pointed out, underwrites the BBC's unique responsibility to maximise the public value of its services and deliver benefits above and beyond what can be reasonably expected of commercial PSBs and the wider market. However, what is often overlooked in debates about these purposes is the deeper meaning and normative rationale for such interventions beyond market constraints and deficits. That is, the public benefits to be attained from organising broadcasting media in this fashion are often understated.

27. Drawing on our own analysis, we believe the purposes of the BBC may be expressed in relation to the distinct yet inter-related types of value it creates for the public. Specifically, our typology identifies six values – social, cultural, economic, industrial, representational and civic – the BBC creates for different stakeholders, including producers, employees, commercial broadcasters and the wider creative industries. At the same time, it also highlights the diverse, often overlapping needs and interests of the public as viewers and listeners, as consumers, as individuals and as citizens.

28. ***The first purpose of the BBC is to create social value as a universal and accessible national broadcaster, providing the public with programmes and services that cater to and reflect the needs and interests of all audiences large and small.*** This goal reflects the distinct humanising and democratising potential of broadcasting as a medium: opening individuals to a universe of viewpoints and experiences, inviting the public to share in a national identity and dialogue, and drawing audiences across new and different kinds of programming broadening cultural horizons. Even as technologies change, this philosophy should remain at the heart of the BBC's purpose.

[16] Jigsaw Research (2020) [An exploration of people's relationship with PSB](#).
[17] Ofcom (2020) Small Screen, Big Debate, pg. 8.

29. ***The second purpose of the BBC is to create cultural value as a producer of high-quality original UK programming across a full range of formats and genres.*** Due to the funding and market position afforded to it, the BBC is able to invest at scale in content and services that audiences value and expect to see, but which are not provided sufficiently or sustainably by commercial broadcasters – including local and regional news, science, arts, religion and ethics, educational and children's programming. By providing audiences with popular genres of content as well, the BBC extends the cultural value of its services as a broadcaster by appealing to all audience tastes, rather than limiting its appeal to the specialist or 'worthy' content of the narrowcaster.

30. ***The third purpose of the BBC is to generate economic value, providing value for money to licence fee payers and contributing to the growth of the UK economy.*** As a result of BBC cuts and efficiency savings since 2010, each hour of BBC TV watched by a household costs less (9p) than equivalent SVoD content (15p) or pay-TV services (50p). The BBC estimates that a subscription media package providing the same range of TV, radio, news and online services would cost over £400 a year compared to the current £159 licence fee.[18] KPMG also calculates that for every £1 of BBC spending in 2019/20, it generated an additional £1.63 of indirect economic activity, and more than half of the £4.9bn 'gross value added' by the BBC was generated outside of London.

31. ***The fourth purpose of the BBC is to produce industrial value, investing in skills, infrastructure and technological innovation that support the independent production sector and shape new markets in the UK's creative industries.*** In 2020, 41% of all UK independent productions outside of London were commissioned by the BBC, accounting for £885m worth of productions out of £2.16bn total commissioning value across the wider market.[19] BBC investment in creative clusters in Cardiff, Salford and Glasgow has created thousands of high-skilled jobs across the Nations and Regions, while historic contributions to R&D in broadcasting have produced significant spillover benefits for UK audiences and the wider industry.[20]

32. ***The fifth purpose of the BBC is to create representational value, ensuring that all voices and identities – not just those from the largest or traditionally dominant groups – are reflected and included in the national conversation.*** The essential goal of serving all audiences on an equitable basis depends crucially on serving the tastes and needs of minority groups, and the BBC's range of services for ethnic communities (e.g., BBC Asian Network), minority language audiences (e.g., BBC Alba) and UK regions aim at ensuring people from all backgrounds see themselves, and people like them, reflected in its provision. The BBC's 50:20:12 employment strategy for women, BAME and people with disabilities similarly aims to create a more diverse culture at the BBC, in part by ensuring its staffing profile, both on-air and behind the scenes, is appropriately inclusive.

33. ***The sixth purpose of the BBC is to provide civic value through accurate, trusted and impartial news and information services, fostering opportunities for its audiences to enrich their engagement with one another.*** In a climate where overall trust in journalism is falling, PSBs - the BBC, together with ITV and Channel 4 - earn the largest net positive trust scores of all major UK newsbrands.[21] This role has been especially important in recent years, as millions of viewers and readers have tuned into BBC services for timely and reliable news and information about the Covid-19 pandemic. The BBC's Royal Charter and licence fee also provides civic value in constituting the BBC as an independent, accountable and publicly-owned media institution. Together these features promote individuals' democratic citizenship and their active participation in civic life.

34. In light of discussions already emerging from the Committee's inquiry, we wish to briefly highlight three pertinent debates on specific aspects of the BBC's purposes and public value:

[18] BBC (2021) Value for Audiences, pg. 31.
[19] Oliver & Ohlbaum (2021) UK Television Production Survey, Nations & Regions Annex.
[20] Mazzucato et al. (2020) Creating and measuring dynamic public value at the BBC. Institute for Innovation and Public Purpose.
[21] Reuters Institute for the Study of Journalism (2020) Digital News Report.

35. ***Social value and the BBC as part of the 'national glue'*** – its commitments to universality and accessibility enable the BBC to project a distinct social value of national community, such as by providing news coverage of major events, or relaying cultural experiences from across its Nations and Regions. Throughout its history the BBC has broadcast defining moments of world history, including King George V's first radio broadcast to the British Empire in 1932 and the Apollo 11 moon landing in 1969. In 2021 BBC One provided 18m viewers with live coverage of the UEFA European Championship final between England and Italy, and BBC news programming broadcast vital information and government announcements relating to the Covid-19 pandemic. In times of conflict and crisis, the public consistently turns to the BBC first and foremost, recognising its unique qualities to bring the nation together in a shared sense of purpose.

36. ***Economic value and the BBC's 'market impact'*** – In recent policy debates, some competing broadcasters, policymakers and analysts have argued that the BBC produces a negative market impact, crowding out private investment with indistinct content in popular services or genres where commercial companies seek to attract profitable audiences.[22] In light of the proliferation of choice made possible by new media formats and expanded commercial operations, these critics suggest that the BBC's public funding and universal mission to provide 'something for everyone' give it an unfair advantage in areas where there is no market failure.

37. While it is clearly important that the BBC takes sufficient care to avoid damaging fair market competition, we caution against taking any renewed claims of the BBC 'crowding out' at face value. Despite the significant attention paid to market impact during the last BBC Charter review process, evidence suggests that the BBC was not having any discernible negative effect on the commercial success of its rivals in either primetime entertainment or news publishing.[23] Since then, commercial broadcasters' revenues continued to grow (the fall in TV advertising spend offset by new income from online sources)[24] while BBC income has fallen sharply. Nevertheless, evidence of the BBC's positive market impact and its effect of 'crowding in' private investment has grown substantially, demonstrating how the licence fee enables the BBC to take creative risks and innovate for public benefit in areas where commercial providers would not see any immediate return.[25]

38. The 'market impact' argument is also questionable in principle, particularly when it is suggested the BBC should not seek to provide popular content or offer services in areas where a commercially profitable audience appeal may arise. As the independent producers' trade association Pact argued during the previous BBC Charter review, "genres such as drama, entertainment and comedy are part of this country's cultural heritage [and deliver] on what licence fee payers expect to see on-screen."[26] Were the BBC to stop producing content in these genres, this would substantially reduce the public value proposition for its services, almost inevitably resulting in a perception the licence fee does not deliver value for money.

39. ***Representational value and the BBC as 'soft power'*** – By providing accurate and impartial news content around the world, together with distributing high-quality original UK content to international markets, the BBC helps to build and sustain the UK's global cultural and diplomatic reputation. This 'soft power' is widely regarded as a unique source of public value that brings long-term benefits to trade, tourism and Britain's global standing.[27] The BBC World Service, BBC Monitoring and BBC Studios create representational value for UK audiences by promoting the creativity and diversity of the UK's creative industries, while also benefitting international audiences

[22] See ITV (2015) BBC Charter review submission and Guardian Media Group (2015) Written evidence to Commons Select Committee BBC Charter review inquiry, BCR0062.
[23] KPMG (2015) An economic review of the extent to which the BBC crowds out private sector activity. Report for the BBC Trust; Sehl et al. (2020) Crowding out: Is there evidence that public service media harm markets? in *European Journal of Communication*, 35(4):389-490.
[24] Ofcom (2021) Media Nations, pg. 51-60.
[25] Mazzucato et al. (2020) Creating and measuring dynamic public value at the BBC. Institute for Innovation and Public Purpose, pg. 31-34.
[26] Pact (2015) Submission to DCMS Green Paper on BBC Charter Renewal.
[27] Future of TV (2016) A report on the future of public service television in the UK in the 21st century. Goldsmiths, University of London.

who gain access to independent journalism that strives to be impartial. Coverage of the Russian invasion of Ukraine provides a telling demonstration of the BBC's status in this regard, and its importance for distant audiences – not least those in Russia – lacking access to independent reporting.

40. However, 'soft power' should not be viewed as a one-way street. During the last Charter review, the government formalised the value of the BBC's World Service reporting as providing new coverage that puts "the UK in a world context, aiding understanding of all parts of the UK" for international audiences.[28] This reflects a valuable contribution the BBC makes in communicating the UK to the world, yet the representational value of the BBC can be further enriched by also communicating the diverse experiences of other nations and cultures to UK audiences. The removal of the BBC's former Public Purpose to "bring the world to the UK" risks limiting UK audiences' access to world cultures and depriving them of an informed perspective on international affairs when greater understanding and solidarity between peoples becomes ever more imperative.

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 long term?

41. Any debate on how the BBC should evolve benefits from including viewpoints alert to the implications engendered by the substantial decrease in funding for BBC services caused by extensive cuts and savings. Analysis by the Voice of the Listener and Viewer suggests that the BBC's public income has been cut by 25% in real terms since 2010 because of the six-year freeze in the value of the licence fee and over £1.6bn of top-sliced costs imposed by government.[29] The material impact of these cuts is only now starting to emerge, and will almost certainly get worse: 500 jobs lost in BBC local news; a 12% reduction in spend on original content since 2016/17; repeats and acquired content comprising a growing share in hours broadcast of 'at-risk' genres such as music, arts and children's programming.[30]

42. The National Audit Office notes that 52% of the £971m in annual savings the BBC is forecast to make in 2021/22 will come from cuts to content and services, meaning licence fee payers will get 'less bang for their buck' despite the government's announcement of another two-year freeze until 2024.

43. Our own analysis suggests that in the final year of the 2027/28 Charter period, the BBC will receive approximately £1.7bn less in public funding (30% of its total licence fee income for that year) than it would have earned if the licence fee had continued to rise with inflation from 2010. For an equivalent 'saving' to licence fee payers of just 13 pence a day, the BBC on its current funding course risks being severely undermined in its ability to fulfil its public service remit for UK audiences.

44. In assessing how the BBC should change over the next five years, including with respect to enhancing its future viability, we focus on three priorities for its delivery of public value.

45. Firstly, the BBC should do more to serve people under the age of 30 as a matter of urgent priority in (a) maximising the public value of BBC services for all audiences (b) evolving its content delivery to meet the new market and technological realities and (c) securing the relevance of PSB content for future audiences. Currently the BBC reaches around the same share of young people as Netflix (7 in 10), with some indications the surge of interest the latter gained during the pandemic is beginning to decline. Ofcom research suggests under-30s seek out and value genres traditionally associated with the PSB 'compact' – educational documentaries, content that represents their own lives, impartial news and distinctive entertainment – much of which falling outside Netflix-like parameters. However, the absence of a sustained BBC offer to teenagers and young adults (epitomised by the on-then-off-

[28] DCMS (2016) A BBC for the future: a broadcaster of distinction. CM 9242.
[29] VLV (2021) BBC Public Funding and Top Slicing: Briefing Note, July 2021.
[30] National Audit Office (2021) BBC savings and reform, pg. 8; Ofcom (2021) Annual Report on the BBC, pg. 48.

then-on-again cycle of the BBC Three television channel) is leading these audiences to see the BBC brand as less and less relevant in their choice of media services used daily.[31]

46. As under-30s lead the shift from 'linear' to 'non-linear' consumption, the BBC will need to continue developing its services and technologies to mirror their media habits while still providing them with distinctive public service content. The BBC should look to enhance and widen current and previous opportunities for young audiences to get involved directly in the commissioning and production of PSM content, such as the BBC Scotland NEXT initiative for those aged between 14 and 25.[32]

47. In addition government should implement Ofcom's recommendations on updating the prominence guidelines for electronic programming guides (EPG), ensuring that BBC and other PSB services remain prominently visible and accessible across SVoD platforms and on different manufacturers' service listings.[33]

48. Secondly, the BBC should tackle the growing 'satisfaction gap' in how audiences from lower socio-economic backgrounds and ethnic minorities use and value its core services. The Reuters Institute has identified educational inequalities in how PSM services across Europe are serving audiences with offline and online news content.[34] Ofcom's annual review of the BBC has similarly found that less than half of people from DE socioeconomic households positively rate the BBC's effectiveness in representing the lives of people like them in its content.[35]

49. Thirdly, the BBC must undertake further work to rectify the diminishing provision of education and news programming for children. Currently the BBC – through CBBC and CBeebies – is the only channel providing public service children's programming. Since the revision of commercial PSB quotas in 2003, PSB investment in children's content fell from £116m in 2006 to £70m in 2017. Hours of BBC children's content in the same period also shrank from 1,276 hours to just 496 hours.[36]

50. Commercial PSBs have voluntarily increased their commitments to providing content for children, such as ITV's return to commissioning new programming. However, the recent abolition of the Young Audiences Content Fund (YACF) removed the only additional source of public funding for producing original and culturally relevant programming for children. The YACF fund of £55m was collected from 'leftover' licence fee monies previously ring-fenced by government: with the fund's closure, licence fee payers are effectively seeing the tangible economic and cultural value of their investment fade just as it was gaining traction.

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

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?

51. Multiple inquiries and reviews since 2015 have examined in close detail the future of BBC funding and potential avenues for reform: the Perry Review on enforcement and decriminalisation of the licence fee in 2015; House of Commons DCMS Select Committee reports on the future of the BBC, BBC Charter review and the future of PSB in 2015, 2016 and 2021 respectively; House of Lords Communications Committee reports on the BBC Charter review and public service broadcasting in 2016 and 2019; the BBC Trust's consultation and polling of alternative funding models in 2015; the

[31] Jigsaw Research (2020) An exploration of people's relationship with PSB, research commissioned by Ofcom.
[32] BBC Scotland NEXT.
[33] Ofcom (2019) Review of prominence for public service broadcasting.
[34] Reuters Institute for the Study of Journalism (2019) Old, Educated and Politically Diverse: The Audience for Public Service News, pg. 20.
[35] Ofcom (2021) Annual Report on the BBC, pg. 19 & 47.
[36] Ofcom (2018) Children's content review, pg. 26.

Independent 'Future of TV Inquiry' chaired by Lord Puttnam in 2016; and the government's DCMS Green Paper consultation and White Paper on Charter review in 2015 and 2016.

52. Across this wide variety of investigations and competing recommendations, one finding has attracted a clear consensus: the BBC's funding model via the licence fee is in urgent need of reform, both to separate its income from political interference and to guarantee the sustainability of universal public service broadcasting in a rapidly changing media landscape. A full and open public consultation to meaningfully consider the principles, practicalities and impact of changing the BBC's funding, model is to be strongly encouraged. To ensure any recalibration of this model continues to prioritise public value, we respectfully recommend the government consider adopting the following actions as soon as possible:

53. First, undertake a full review of the recently announced BBC funding settlement. At stake is the need to assess the potential impact of the two-year freeze in the licence fee and the growing real-terms gap in BBC funding on the ability of the Corporation to fulfil the core public mission assigned to it by government. Particular emphasis should be given to identifying and evaluating the wider economic and industrial effects changes to the licence fee model would have on the availability of funding for vital public service content, funding for the UK's independent production sector, and investment in the creative industries in the Nations and Regions.

54. This work would also benefit from international comparative research, contrasting the BBC's strengths and limitations with other national PSBs through the lens of the typology of public value (social, cultural, economic, industrial, representational and civic) outlined above.[37]

55. Second, instigate a pilot project for testing proposed alternatives to the licence fee model, such as the possibility of a household levy to modernise the BBC's funding, secure the delivery of its public services into the future, and enrich the unique democratic connections between the BBC and its audiences. Similar to the German *rundfunkbeitrag* model, this levy could be paid by all households via a precept on council tax, with the value set by an independent commission in consultation with levy payers. Levy income could also be topped up with a tax on digital media platforms, with these monies made available as contestable funding for additional public service media content.

56. The household levy embodies a set of core principles to govern how the BBC is funded as a national public service broadcaster: it protects the universality of services by ensuring that everybody benefits because everybody pays; it guarantees the fairness of public funding by allowing discounts that take account of household circumstances, particularly for people with disabilities, those in receipt of unemployment or welfare benefit, single occupants and pensioners; it modernises funding by reflecting the universal reach and benefits of the BBC's services across offline and online platforms; and it further democratises the BBC's funding by protecting decisions from government interference, ensuring that decisions are set independently in consultation with the public and Parliament.

57. We wish to express our gratitude to the Committee for this opportunity to contribute to its inquiry into how the BBC should be funded in future.

Contact information

Dr Tom Chivers – ChiversT@Cardiff.ac.uk

Professor Stuart Allan – AllanS@Cardiff.ac.uk

[37] Chivers and Allan (2022)