

**Cardiff University and PEC – supplementary evidence**  
**House of Lords Communications and Digital Select Committee inquiry on BBC future funding**

We are grateful for this opportunity to provide additional evidence to the Committee in response to these three follow-up questions. This contribution is further to Professor Stuart Allan's oral evidence on 8 March 2022, and our co-written evidence submitted on 11 March 2022. We would be pleased to assist with any further queries you may wish to pose in future.

**Are the principles underpinning the existing BBC funding model the right ones?**

1. Yes, we believe the BBC funding model's current principles are appropriate in the main, albeit with scope for further improvement. Critical here, in our view, are the following three terms:

2. **Universality** – the current requirements governing a household's liability to pay the TV licence fee are intended to ensure that everyone able to contribute to the funding of the BBC's public services is obliged to do so. As detailed in our main inquiry submission,<sup>1</sup> this principle of universal funding reflects the collective benefits that the entire UK public gains from BBC services. Having a universal funding model also places a duty on the BBC to make its content and services available to all, guaranteeing that as many viewers and/or listeners have access to high-quality British public service media as possible, irrespective of the devices they use or where they live in the UK.

3. **Equality** – because every household pays the same amount for the TV licence fee, every audience member shares a stake in the BBC as a publicly-owned broadcaster responsive to their needs in information, education and entertainment. This equality of personal investment emboldens the duty on the BBC to engage with its audiences on equal terms, rather than unduly prioritising programming on the basis of popularity or related ratings-driven criteria. As detailed below, however, we recommend an alternative model, which incorporates a fairer logic to determine appropriate concessions and mitigations.

4. **Value for money** – the TV licence fee spreads the cost of the BBC's content and services across a broad (and relatively predictable) income base, which enables the Corporation to confidently envision its strategic planning aims and objectives. Services – including specialist genres with creative risk – that are otherwise expensive to produce in the market are made more affordable because of this broad income base, ensuring greater value for money from licence fee payers' 43 pence per day. Revenues generated by the BBC are reinvested in more public service content, further helping to keep the cost of the licence fee suitably modest for this level of provision. BBC analysis suggests that a private subscription package offering the same level of TV, radio and online media services as those funded by the licence fee would cost over £450 a year.<sup>2</sup>

5. We consider these three principles to be appropriate and effective for ensuring the BBC's funding model supports its public service obligations, engendering unique public value for UK audiences. However, there are several issues with how the TV licence fee model is currently implemented that risk either diminishing the BBC's creation of public value or, more worryingly, may be having a negative impact on licence fee payers' support for contributing to a funding model.

6. The TV licence fee appears increasingly outmoded in the contemporary media ecology, with a household's liability to pay based solely on whether they watch live or recorded programmes (whether through a television or online) or download content from iPlayer. These conditions are likely to grow further out of step with audiences' media consumption habits, and already do not encompass the full range of ways in which individuals access and benefit from BBC services. Audiences who only listen

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<sup>1</sup> See also Chivers and Allan (2022) [What is the Public Value of Public Service Broadcasting? Exploring challenges and opportunities in evolving media environments](#). Creative Industries Policy and Evidence Centre, Cardiff University.

<sup>2</sup> BBC (2021) Value for Audiences, pg. 31.

to BBC radio or access non-broadcast services such as BBC news, for example, are not currently required to contribute to BBC funding.

7. The 2015 Perry Review's assessment of the TV licencing collection regime presents it as the 'least-worst option' for supporting the funding model under current circumstances. However there remain reasonable concerns that the TV licence fee is a regressive system enforced by a sanctions scheme. Although prosecutions have fallen steadily since 2015, 76% of the 52,000 people convicted for licence fee evasion in 2020 were women.<sup>3</sup> Fines issued for evasion (£170 on average in 2013, but potentially up to a maximum of £1,000) may be disproportionately impactful for households on lower incomes. It is unclear if TV Licencing or magistrates' sentencing guidelines have adopted wider public interest mitigations when deciding to prosecute, as the Perry Review recommended.

8. The process for setting the level of BBC funding has been shown to be susceptible to political priorities and perceived economic pressures. Since 2010 governments have diverted licence fee income for spending commitments beyond the BBC's responsibility, limiting the income available for the BBC to invest in its principal public service obligations. Almost 10% of total licence fee income is currently top-sliced for funding the World Service and BBC Monitoring (previously funded by the Foreign Office), S4C and the broadband rollout.<sup>4</sup> The patterns of secretive bartering and politicised demands typifying recent licence fee negotiations<sup>5</sup> have invited public perceptions that decisions on BBC funding may not be fully representing the long-term interests of British audiences.

9. Each of these issues, if left unresolved, threatens to undermine public confidence in – and support for – the BBC's funding model, as well as the UK's wider public service broadcasting ecology. Considering this, we elaborate three additional principles which, in our view, may inform future policy decisions on BBC funding to advantage:

10. **Modernisation** – To better reflect how UK audiences find, access and consume media content, household liability for contributing to BBC funding should ideally encompass the range of modern technologies used for accessing analogue and digital services (that is, not restricted to whether a household views live television or uses specific online streaming services, as is currently the case). As we suggest in our main written submission, a reformed funding model might involve requiring all households pay a licence fee or broadcasting levy irrespective of the devices or services they use. Such a requirement would embolden the universal purpose of the BBC to serve and benefit all audiences, including those who may not consume any BBC programmes or services yet nonetheless benefit collectively from the public value it creates. Increasing the 'catchment' of BBC funding to all households would also expand the BBC's base of income, allowing for a reduction in the per-household contribution while maintaining the same overall level of funding.

11. **Fairness** – A reformed TV licence fee regime or alternative funding system should provide a wider range of discounts or exemptions for households whose circumstances may make paying the full licence/levy more difficult. Such conditions could mirror those currently implemented for council tax, such as single occupants, people with disabilities, households in receipt of welfare and pensioners. While a case could be made for a 'progressive' funding model, where contributions increase in line with combined household income or council tax property bands, we would caution against any model in which the BBC may be expected to orient its programmes and services to the benefit of audiences who 'contribute more'. The scope and value of household concessions should be determined by Parliament or an independent funding commission (see below), with the corresponding amount of 'lost' income refunded to the BBC by the Treasury (as was the case with the over-75s free licences provided by the Department of Work and Pensions).

12. **Democratisation** – Decisions on the value of the TV licence fee — or on any BBC funding through whichever future mechanism is in place — should be set independently of government, including

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<sup>3</sup> House of Commons Library (2022) [TV Licence Fee Statistics, briefing 8101](#) pg. 11.

<sup>4</sup> VLV (2021) [BBC Public Funding and Top Slicing 2010-2021](#), July 2021.

<sup>5</sup> See Snoddy (2015) How BBC warnings of financial meltdown brought government to negotiating table, in Mair et al. (eds.) *The BBC Today: Future Uncertain*. pgs. 19-27.

providing for a much greater role for direct public approval and Parliamentary oversight. In the short term, the process of BBC funding negotiations should be formalised to require meaningful public consultation and published official analysis of a proposed deal's financial impact on BBC services. In the longer term, we recommend that government establish an independent public service media commission which would have statutory authority to set the level of BBC funding. A primary purpose of this commission would be to work in close, constant consultation with audience councils and conduct research on both the public value of BBC services and public attitudes to BBC funding (a role previously fulfilled by the BBC Trust). This work would inform its funding decisions, which would also be made in consultation with the BBC and scrutinised by Parliament. A public service media commission could also take responsibility for managing contestable public service funds (the recent Young Audiences Content Fund being a model), able to allocate funding to production companies or other broadcasters in coordination with councils and local civil society groups. Such reforms would not only improve the accountability and independence of BBC funding decisions, but also expand democratic participation in the governance and organisation of the BBC.

### **Should anything be changed around the notion of universal access, and everyone paying the same?**

13. Given the abundance of competing subscription media services, many of which offer predominantly United States-based content aimed at US and international audiences,<sup>6</sup> maintaining British audiences' universal access to public service media is more vital than ever. Without the wide range of free-to-air television channels, radio stations and online media provided by the BBC and the UK's PSBs, audiences would find a significant proportion of the programmes and services they want to use gated behind private subscription platforms. Universal access is essential to ensuring that all audiences can receive the full benefits of their investment in public news, education, culture and entertainment, and that these benefits are not restricted by location, technological access or additional payment requirements.

14. Current prominence regulations – including analogue and digital broadcast spectrum allocation, electronic programme guide (EPG) laws and “must-carry” obligations for cable and satellite providers – are an important foundation in ensuring that PSBs are fully and widely accessible for UK audiences. However, these regulations will require reforms and adjustments to ensure that PSB content and services remain accessible and prominent in the evolving media landscape. Government should implement Ofcom's recommendations<sup>7</sup> on updating EPG regulations to include SVoD platforms and smart TVs' proprietary content listings, so that audiences can continue to easily find and benefit from original UK PSB content.

15. The requirement that BBC funding is met by everyone able to contribute is another fundamental principle in ensuring that the Corporation prioritises the needs and interests of all audiences equally. A tiered BBC funding model may mean that certain audiences would come to expect a greater level of service to correspond with their increased payments, undermining the universality of the BBC's offer to all audiences on an equitable basis over time.

16. Similarly, placing all or part of the BBC's services behind a subscription payment wall or gate would severely impoverish the degree of public value as currently achieved with the licence fee. The BBC's income model would become oriented around serving the largest or most profitable subscriber base, reducing its investment in socially and culturally significant merit content, not least education, local news and current affairs, minority language services and children's programming. Either the provision of these services would drop dramatically, undermining the public value of the UK's entire

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<sup>6</sup> Enders Analysis (2021) [Outsourcing culture: When British shows aren't 'British'](#); Ofcom (2021) Media Nations 2021, pg. 76.

<sup>7</sup> Ofcom (2019) [Review of prominence for public service broadcasting](#).

PSB ecology, or such programming would demand a prohibitive subscription price due to their relatively limited appeal and high production costs.

### **To what extent should one of the BBC's primary objectives be to provide a form of 'national glue' that binds different sections of society together?**

17. Since its inception, the BBC has been valued by the public as a progressive force for national cohesion. This commitment would warrant formal expression as a primary objective, in our view. The BBC's fourth Public Purpose under its current Royal Charter requires the Corporation to "bring people together for shared experiences and help contribute to the social cohesion and wellbeing of the United Kingdom". Throughout its history the BBC has served as a centrepiece of British society, cultural expression and the democratic process, bringing the public together as a national community with a shared sense of purpose. In facilitating the national conversation, the BBC interweaves local, regional, national and global points of connectivity that would not otherwise be widely available to the public outside of subscription or pay-per-view providers.

18. We would also highlight a second feature of the BBC's success as a 'national glue'. The BBC's fourth Public Purpose specifies its duty to "reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions," empowering it to provide a range of programmes and services that both foster a collective national identity. As we evidence elsewhere,<sup>8</sup> fulfilling this Public Purpose creates an important *representational value* for the public, ensuring that all voices and identities of the UK's multi-cultural, multi-racial society — not just those from the largest or traditionally dominant groups — are reflected in the national conversation over time, and have a genuine role in its expression. Although there is considerable scope for further improvements to be made, both in how the BBC articulates a shared British identity and in how it serves under-represented groups, the fundamental purpose of providing a form of 'national glue' has been pivotal to the BBC's popularity throughout its history, and should remain a core priority in its future.

### **Information about Cardiff University and the PEC**

19. This submission is co-authored by Dr Tom Chivers ([ChiversT@cardiff.ac.uk](mailto:ChiversT@cardiff.ac.uk)) and Professor Stuart Allan ([AllanS@Cardiff.ac.uk](mailto:AllanS@Cardiff.ac.uk)) on behalf of the 'Arts, Culture and Public Service Broadcasting' workstrand at Cardiff University, a workstrand for the Nesta-led Creative Industries Policy and Evidence Centre (PEC).

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

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<sup>8</sup> Chivers and Allan (2022)