



# **VLV REPORT INTO BBC FUNDING**

**2010/11 – 2023/24**

**21 October 2024**

VLV has conducted research which shows that the BBC's real (inflation-adjusted) public funding for services aimed at UK audiences has been slashed by nearly 40% since 2010. Government raids on BBC licence fee income since 2010 mean that licence fee payers are getting significantly less value for money from the TV licence since 2010.

This has come about because the 2010 Government negotiated a financial settlement with the BBC which led to TV Licence income being used to pay for services which had previously been funded by central government, such as the BBC World Service, BBC Monitoring, S4C and Local TV. Since 2010 further cuts have been agreed in behind-closed-doors negotiations between the BBC and government. This has led to further reductions in the income the BBC receives for its services which aim to specifically benefit UK audiences.

The reduction in public funding has come during a period when the competition for audiences has increased with the explosion in the choice of viewing platforms, streaming and online. If this trend in the reduction of BBC public funding continues, along with the growing popularity of other platforms, VLV is concerned this could mean an end to the BBC.

Until now the BBC has managed to absorb the cuts in its income without closing any channels, largely through efficiency savings and reducing costs on content, although there has been a reduction in more than 1,000 hours of content a year.

VLV has long argued that the process for setting the BBC's funding should not be conducted between the BBC and government behind closed doors. VLV proposes that an independent body should be established to recommend a level of funding for the BBC and that no decision should be reached until there has been Parliamentary debate. This would provide greater transparency and reinforce the independence of the BBC, including protection from political decisions by the Government of the day. This proposal has had the support of Select Committees in both the House of Commons and the House of Lords, as well as that of the BBC. This research comes at a time when the BBC is under mounting financial pressure.

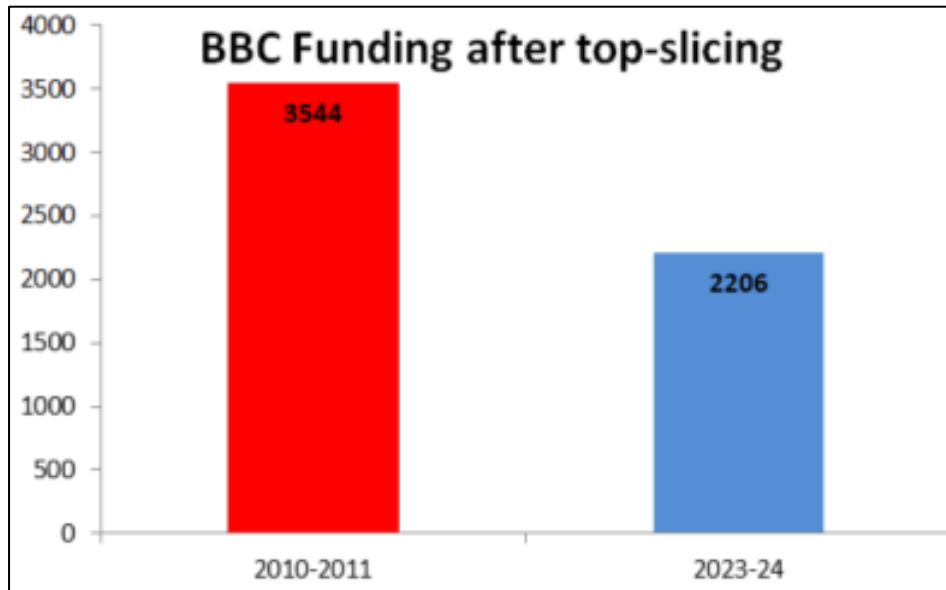
## **Summary**

- VLV analysis of BBC Annual Reports shows that there has been a 38% drop in public funding for the BBC since 2010 when inflation is taken into account.
- At the same time inflation in production costs has risen significantly. Inflation varies according to the genre being produced but it ranges from 9% to 35% for drama, partly due to intense competition from streaming services.
- Emerging financial threats include campaigns to defund the BBC, encouraged by the continuing debate about decriminalisation of non-payment of the TV licence, a decline in Licence Fee payers and further potentially inadequate funding settlements for the BBC.
- VLV recommends that the process for the BBC to negotiate its funding should be fully reformed so it is more transparent and accountable to Parliament and the therefore the citizens of the UK.

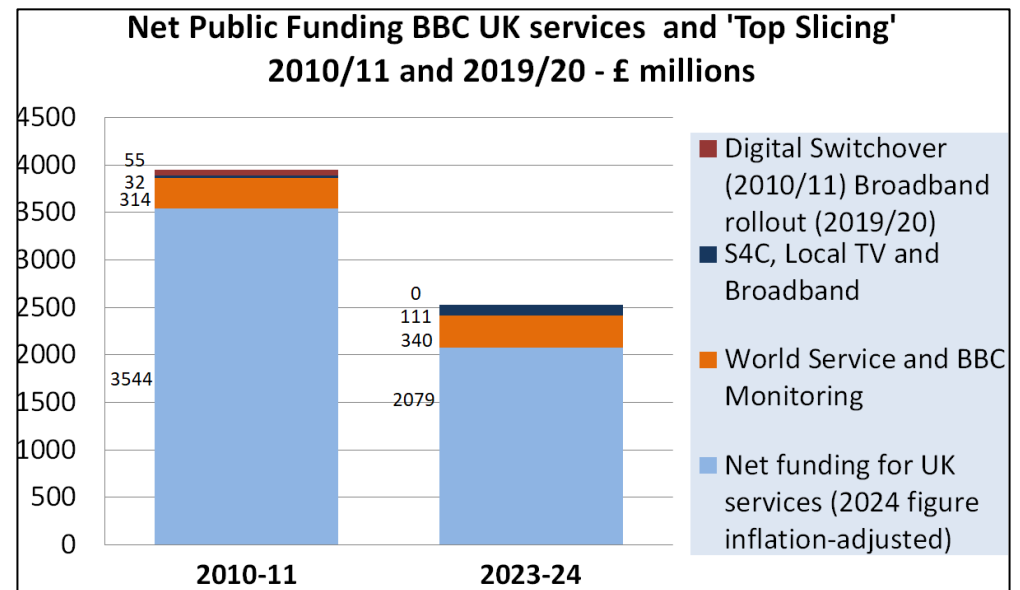
# Analysis

This analysis is of net public funding for content (Licence Fee income plus government grants minus the costs of additional burdens put on the BBC since 2010); it excludes income paid to the BBC public service which derives from the BBC's commercial income. The focus is on public funding available for UK services because this is the content which most benefits the licence fee payers who fund the BBC.

In 2010/11 BBC total public funding income for the BBC from the TV Licence and government grants to cover licences for the over 75s and the World Service was £3,544 million. In 2023/4 total public funding income for the BBC (inflation adjusted) was £2,206 million. Since 2010 the Government has stopped funding free TV Licences for the over 75s and the majority of World Service costs; in addition it has made the BBC pay for additional services such as broadband rollout costs, Local TV and the cost of running Welsh public service broadcaster S4C.



**Figure 1: Funding to spend on UK services (inflation adjusted)**



**Figure 2: Amounts deducted from TV Licence income to fund projects other than BBC services aimed at UK Licence Fee payers**

The reduction in BBC public funding over the past 14 years has left the corporation with annual deficits which it has balanced with annual savings and income from commercial activities. According to the NAO the BBC has exceeded its original target of £800 in annual savings<sup>1</sup>. Two years ago the BBC announced it needed to make a further £500 million of annual savings between 2022 and 2024<sup>2</sup>; it now estimates that further annual savings of £200 million per annum are required until 2027/28. The most recent cuts were announced earlier this month: a net reduction of 130 roles in news and current affairs, ending interview programme *Hardtalk*, tech show *Click* and the Asian Network's bespoke news service. These are part of a broader plan to create a total of £700m in annual savings relative to 2022.

What this means for audiences is that services and programmes are being either reduced or will have to be cut – it's estimated that about 1,000 hours of programming have already been cut from BBC schedules<sup>3</sup>.

VLV, which represents citizen interests in broadcasting, is concerned that under such financial pressure the BBC is being forced to increase its commercial income by selling its programmes to other countries so it can plug the financial gap. This means it is likely to focus on commissioning content which is more commercially attractive to the international market which could undermine the BBC's delivery of UK-specific public service content which benefits British society.

## Why public funding?

VLV analysis is of **PUBLIC FUNDING** for the BBC which has been adjusted to take into account inflation. Our focus is on public funding because we are concerned that licence fee payers are not aware that since 2010 a significant proportion of TV Licence income has been diverted to fund other projects.

There are problems with this approach.

- It reduces the direct connection between the TV Licence and funding BBC output for the benefit of the audiences who pay for it (although the TV Licence is not specified in law to fund the BBC).
- If the BBC's priority shifts to generating commercial income this is likely to undermine its mission which is to provide a wide range of content which fulfils its Public Purposes. Some BBC public service content might be considered of niche interest and not be commercially viable, but it is societally valuable.
- It makes the process and system of funding the BBC more opaque.
- If the BBC is forced to make cuts, this will affect all UK households, but especially those with only free-to-air TV and radio, who tend to be less well-off and older.

The BBC remains by far the biggest investor in UK public service content as well as the most trusted news source in Britain and around the world. Its defunding, in combination with the market and technology trends (more competition, changing consumption patterns and higher costs), represents the biggest long-term threat to UK PSB, trusted news and much else.

The chart below shows the amount of public funding received by the BBC each year between 2010 – 2024 and how much has been deducted from BBC income for services not aimed at domestic audiences, formerly paid for by central Government.

## BBC PUBLIC FUNDING AND THE COST OF ADDITIONAL RESPONSIBILITIES 2010-2024

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/3	2023/4
<b>Income ( in millions)</b>														
Gross Licence Fee Revenues	3100	3018	3059	3119	3122	3121	3157	3175	3222	3267	3747	3800 <sup>4</sup>	3740 <sup>5</sup>	3660 <sup>6</sup>
Funding Monitoring/WS	266	279	269	245	3.2	4.1	39	88	89	92	88	98 <sup>7</sup>	108 <sup>8</sup>	101 <sup>9</sup>
Over 75s	579	588	597	607	613	621	630	655	468	253	3	0	0	0
<b>Gross Income</b>	<b>3945</b>	<b>3885</b>	<b>3925</b>	<b>3971</b>	<b>3738</b>	<b>3746</b>	<b>3826</b>	<b>3918</b>	<b>3779</b>	<b>3612</b>	<b>3838</b>	<b>3898</b>	<b>3848</b>	<b>3761</b>
<b>Additional responsibilities (in millions)</b>														
BBC World service	314	278	307	272	243	261	269	285	363	315	302	340 <sup>10</sup>	352 <sup>11</sup>	334 <sup>12</sup>
BBC Monitoring					16	5.8	6	6	6	5	4 <sup>13</sup>	4 <sup>14</sup>	6 <sup>15</sup>	6 <sup>16</sup>
S4C	32	29	30	105	107	110	110	107	116 <sup>17</sup>	105 <sup>18</sup>	96 <sup>19</sup>	99 <sup>20</sup>	111 <sup>21</sup>	111 <sup>22</sup>
Local TV				16	3	4	4	5	0	0	0	0	0	0
Broadband Rollout	55			150	150	150	150	80	0	0	0	0	0	0
<b>Total spent</b>	<b>401</b>	<b>307</b>	<b>337</b>	<b>543</b>	<b>519</b>	<b>530</b>	<b>539</b>	<b>483</b>	<b>485</b>	<b>425</b>	<b>402</b>	<b>443</b>	<b>469</b>	<b>451</b>
<b>Balance to spend on UK Services (in millions)</b>														
Balance to spend on services	<b>3544</b>	<b>3578</b>	<b>3588</b>	<b>3428</b>	<b>3219</b>	<b>3216</b>	<b>3287</b>	<b>3435</b>	<b>3294</b>	<b>3187</b>	<b>3436</b>	<b>3455</b>	<b>3379</b>	<b>3310</b>
% of budget compared with 2010 - not inflation adjusted	100	1.01	1.01	0.97	0.91	0.91	0.93	0.97	0.93	0.90	0.97	0.97	0.95	0.93
Inflation adjusted income at relevant rates										<b>2466</b>	<b>2659</b>	<b>2674<sup>23</sup></b>	<b>2347<sup>24</sup></b>	<b>2206<sup>25</sup></b>
% of budget compared with 2010 - inflation adjusted										89.92	75.04	75.46	66.22	62.27
BBC Commercial Dividend to public services										3 <sup>26</sup>	73 <sup>27</sup>	144 <sup>28</sup>	368 <sup>29</sup>	325 <sup>30</sup>

# Notes

The details of income can generally be found in the Notes to the Accounts pages in the BBC Annual Report

The details of expenditure can be found in the section 'Group Expenditure by Service'

Inflation calculated using the Bank of England inflation calculator <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>

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<sup>1</sup> <https://www.nao.org.uk/reports/bbc-savings-and-reform/>

<sup>2</sup> <https://www.bbc.co.uk/mediacentre/2023/bbc-news-announces-savings-and-digital-reinvestment-plans/>

<sup>3</sup> <https://www.bbc.co.uk/news/entertainment-arts-65129480>

<sup>4</sup> *BBC Annual Plan 2021-2*, page 179. There were 24.81m TV Licences on 31/3/22.

<sup>5</sup> *BBC Annual Report 2022-3*, page 179. There were 24.37m TV licences on 31/3/23 which was 437,000 fewer than 31/3/22.

<sup>6</sup> *BBC Annual Report 2023-4*, page 171. There were 22.73m licences on 31/3/24 which was 1.64m fewer than in 2023

<sup>7</sup> BBC World Service Foreign Office Funding £94m plus an additional £4m for Ukraine coverage

<sup>8</sup> Government confirmed an additional £94.4m per annum for the World Service from 2022-25 plus additional funding for Ukraine £4m March 2022 and an additional one off grant of £20m for Language Services in March 2023 for 2 years.

<sup>9</sup> *BBC Annual Report 2023-4*, page 56

<sup>10</sup> *BBC Annual Report 2021-2*, page 58

<sup>11</sup> *BBC Annual Report 2022-3*, page 53. Tim Davie speech May 2022. £103m World Service Grant and £249m World Service Operating Licence

<sup>12</sup> *BBC Annual Report 2023-4*, page 58

<sup>13</sup> *BBC Annual Report 2021-2*, page 54

<sup>14</sup> *BBC Annual Report 2022-3*, page 53

<sup>15</sup> *BBC Annual Report 2022-3*, page 53

<sup>16</sup> *BBC Annual Report 2023-4*, page 56

<sup>17</sup> *BBC Annual Report 2018-9*: S4C spend + S4C costs + Broadband rollout costs

<sup>18</sup> *BBC Annual Report 2019-20*: S4C spend + S4C costs + Broadband rollout costs

<sup>19</sup> *BBC Annual Report 2021-2*, page 54: 75 S4C, 21 S4C service spend. No reference to broadband rollout costs.

<sup>20</sup> *BBC Annual Report 2022-3*: 75 S4C, 24 S4C service spend

<sup>21</sup> *BBC Annual Report 2023-4*, page 53: 89 S4C, 22 S4C service spend

<sup>22</sup> *BBC Annual Report 2021-2*, page 146 - 22m, page 56 - 89m

<sup>23</sup> inflation figure 1.292

<sup>24</sup> inflation figure 1.44

<sup>25</sup> inflation figure 1.5

<sup>26</sup> *BBC Annual Report 2019-20*, page 46

<sup>27</sup> *BBC Annual Report 2020-21*, page 47

<sup>28</sup> *BBC Annual Report 2021-22*, page 56

<sup>29</sup> *BBC Annual Report 2022-23*, page 52

<sup>30</sup> *BBC Annual Report 2023-24*, page 54