

SUMMARY

VLV REPORT INTO BBC PUBLIC FUNDING

2010-2014

6 November 2024

VLV research shows that the BBC’s real (inflation-adjusted) public funding for services for UK audiences has been slashed by just under 40% since 2010. Government raids on BBC licence fee income to fund other projects, such as the World Service, mean that licence fee payers have been getting significantly less value for money from the TV licence since 2010.

This has come about as a result of the Government forcing the BBC, in behind-closed-doors negotiations, to accept settlements which VLV believes were not in the best interests Licence Fee payers. VLV has long argued that the process to set the BBC’s funding should not be conducted in this way and should be open to Parliamentary scrutiny.

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 also been a reduction in more than 1,000 hours of content a year.

- 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 – between 9% to 35% depending on the genre - partly due to competition from streaming services.
- Emerging financial threats include campaigns to defund the BBC and continued inadequate funding settlements for the BBC.
- VLV recommends that the process to negotiate BBC funding should be reformed so it is more transparent and accountable to Parliament and therefore to UK citizens.

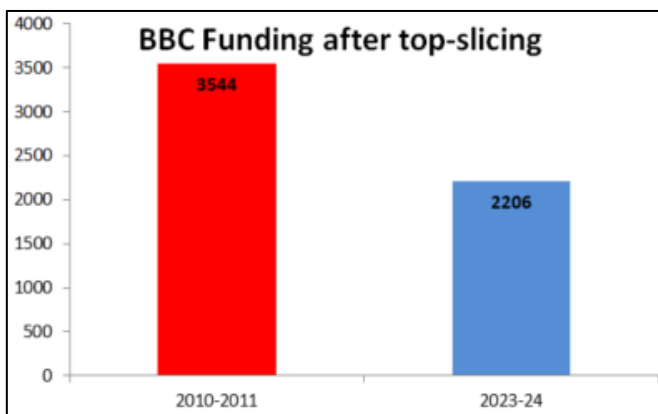


Figure 1: Funding to spend on UK services (inflation adjusted)

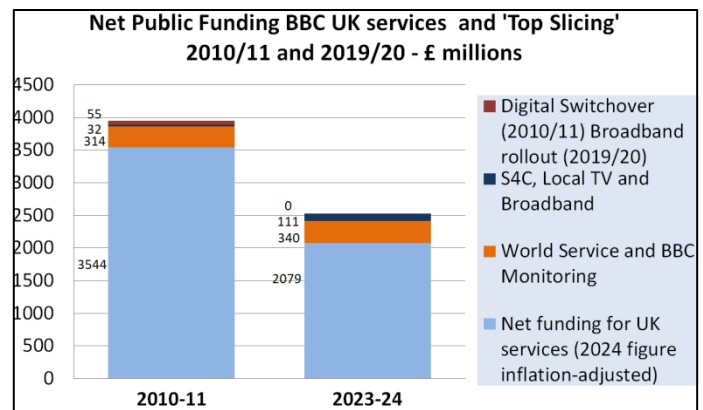


Figure 2: Amounts deducted from TV Licence income to fund projects other than BBC services aimed at UK Licence Fee payers

Analysis

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

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.

The reduction in public funding over the past 14 years has left the BBC with annual deficits which it has balanced with annual savings and income from commercial activities. What this means for audiences is that services and programmes are being either reduced or cut – it's estimated that about 1,000 hours of programming have already been cut from BBC schedules¹.

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 attractive to the international market which could undermine the BBC's delivery of UK-specific public service content which benefits British society.

A longer version of this report is available [here](#). The full chart of income and top slicing is available [here](#). It 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.

¹ <https://www.bbc.co.uk/news/entertainment-arts-65129480>