



## **Extracts from the DCMS BBC Charter Review Green Paper – 16<sup>th</sup> July 2015**

*Page 55*

### **Protected uses of licence fee funds**

**There are two key issues when discussing what the licence fee funds. Firstly, what areas of activity it should fund and secondly, whether any of these activities should have their level of funding protected. Both will need to be considered in the BBC's funding settlement.**

The BBC has previously agreed to the use of the licence fee beyond the direct delivery of its services and channels, for a range of projects and programmes in support of public purposes. The 2010 licence fee settlement agreed a range of activities that the licence fee would fund including: the World Service, BBC Monitoring, S4C (the Welsh language Public Service Broadcaster), local television infrastructure roll-out and content, and the roll-out of superfast Broadband through Broadband Delivery UK. Most recently, the BBC agreed to fund the cost of free TV licences for the over 75s at the 2015 Summer Budget. The BBC will also take on responsibility for how this concession should be set in the next parliament. Through the course of Charter Review we will need to consider the practical steps needed to transfer this responsibility, including appropriate governance arrangements.

These, and other previous uses of the licence fee have, for example, supported the roll-out of digital infrastructure, the uptake of new technologies such as digital switchover, and public policy objectives such as helping more people to 'get online' and the provision of regional news and content. This Government is committed to continuing to fund the initiatives that will allow the media industry to grow and innovate and believes that it is appropriate for the licence fee (or an alternative funding model) to fund such commitments. Through Charter Review we want to discuss how the BBC's public policy objectives might continue to be supported in this way, (for example by supporting digital radio switchover or regional news and content).

*Page 56*

In previous licence fee settlements the Government has also asked the BBC to commit to funding some things at a specific level (a ringfenced amount) to ensure the ongoing protection of funding for that service. Most recently this has included funding for S4C, local television

and the World Service. While flexibility is an advantage for managing budgets, in some instances there is a particular reason to ensure a minimum level of funding to ensure certain services are protected. In the next funding settlement the Government will need to consider what services should be protected and we welcome views on this issue as part of this consultation.

*Page 57*

## **Contestable funding**

Currently the vast majority of licence fee income is spent on BBC services. In a world with increasing provision and diversity of media services, and with other broadcasters providing content and services with public service characteristics (for example, UK originated news, drama, documentaries, arts, and children's programming), the Charter Review should consider whether there is a case for alternative providers to be able to access an element of this funding. For example, children's programming is an area in which the BBC has a near monopoly, as highlighted in the most recent Ofcom PSB Review, and a small amount of contestable funding could introduce greater diversity of providers and greater plurality in public services provision. The principle of contestable funding was previously recommended by the Burns Panel, which advised the previous Charter Review process.

This money could still be available to the BBC to compete for, or could be solely for other providers, including via a match-funding arrangement. In either circumstance an alternative organisation would need to be identified to oversee the administration and governance of such a funding pot. This could be the BBC's regulator or an alternative organisation.

### **Advantages**

- introduces an element of competition, pushing the BBC and other PSBs to be more efficient;
- could improve plurality of supply for key genres; and
- could help sustain the broader public service broadcasting ecosystem.

### **Disadvantages**

- adds an element of uncertainty into the BBC's funding which may weaken its stability;
- may be costly and complex to administer;
- and the extra accountability measures associated with public money may reduce demand from other broadcasters.

## **Question 12**

**Should the level of funding for certain services or programmes be protected?  
Should some funding be made available to other providers to deliver public service content?**