



Response to the House of Lord Communications and Digital Committee Inquiry into the Future Funding of the BBC

Introduction and summary:

The [Children's Media Foundation](#) is an audience advocacy body seeking the best possible media choices for children and young people in the UK.

This submission will focus on the need to maintain regular public funding for the BBC while considering how the public service alternatives to the BBC may change over time and how funding for public service plurality needs to be addressed in future.

Audience migration, public service provision and the long-term implications for funding:

Ofcom research over several years highlights the migration of children and young adults to on-demand platforms and social media where public service has no foothold.

The migration risks an entire generation reaching adulthood with little appreciation of public service purposes and very little concern about how public service media is funded or made. The existing public service providers could be marginalised in a future when content is algorithmically recommended, consumed on mobile devices, in social media contexts and immersive. The public service brands may no longer resonate as platforms to deliver trusted and loved content.

More and more young people are seeking their content from on-demand services. Either the hugely well-funded streaming platforms such as Netflix and Disney+ or the authentic and endlessly eclectic YouTube. Many are also regularly using screen time to socialise around gaming or viewing and when this is an immersive experience, we are only a few steps away from the Metaverse.

The contribution the BBC currently makes to UK culture and society is of immense value. It still has an impact on the lives of some young people, from the hugely loved CBeebies channel for the very young to BBC Bitesize, Radio One and Radio One Extra for older children and teens. However, there is diminishing recognition amongst the young of the BBC as their source of valued content, and consequently decreasing loyalty to the concept of public service media.

The Children's Media Foundation believes these trends must be taken into account when considering the future of funding for public service media - especially the BBC. Currently none of the bodies considering change - including Ofcom, the Parliamentary Committees,

the DCMS Advisory Group or the Ministers responsible - appear to be exploring the far-reaching implications of these new (and not so new) audience behaviours. It is not a radical side issue but the real question facing the future of public service.

Funding in the future will need to be based on something more wide-ranging and inclusive than television consumption. It could be a composite of revenues from public, government, and commercial levies. It could be distributed to content creators rather than platforms. In this way public service content could be made universally accessible through wide distribution to the devices, platforms and providers where people (particularly young people) are consuming, sharing and in some cases re-shaping content. It could also extend the range of what constitutes public service content to include games, social media content, and media in the Metaverse. It's even possible to conceive of a public service algorithm as worthy of funding. All of the above are essential components of young people's media consumption.

The Children's Media Foundation recently published a [Report into the Future of Public Service Media for children and young people](#). A number of articles considered future funding models, including a thought provoking piece on reacting to change by [Lord Vaizey](#), and an article on the Metaverse and young people by media strategist [David Kleeman](#). Senior animation executive [Tom Van Waveren](#) considers the implications of funding producers rather than platforms and [Greg Childs](#), Director of the Children's Media Foundation, draws together a number of innovative ideas on the future of distribution and financing of public service content.

We recommend that a high-level investigation be launched by government and its advisors into this "further future" of public service content funding and provision. The current discussion around the future of the licence fee and the short-term attitude that led to closure of the YACF are indications that the government is taking only a partial view of ensuring continuity for the UK's invaluable public service provision into the decades ahead.

The Children's Media Foundation would welcome the opportunity to give evidence to the Select Committee about these longer-term ideas and to recommend witnesses with special expertise in young audiences' migration and its implications.

Medium term - transitional arrangements:

More immediately - as the House of Lords Communications and Digital Committee reflects in this Inquiry - there are decisions to be taken on the future of the television licence fee and funding the BBC. We would add that there is also a need to consider how plurality in public service provision is to be funded going forward. This is particularly relevant as the government evaluates the outcomes of the three-year Young Audiences Content Fund pilot.

We recommend a holistic approach to the near future of funding that maintains plural public service provision while the broader changes outlined in the previous section of this submission are explored.

1. It is vital that assured public funding for the BBC be maintained and public-service purposes be upheld.
2. It would be advisable to continue providing alternative sources of public service content funding to ensure healthy competition to the BBC. This is particularly important for the children's and youth audiences where "market failure" in the provision of public service content has been identified by Ofcom on more than one occasion.

The BBC does not need to make itself more commercial to please governments intent upon keeping the cost to the public down. The cost of the licence fee is lower than most subscription services. What is needed is a more equitable system of collection to avoid those least able to pay carrying too great a burden.

This would not be achieved with a subscription-based system. There seems little doubt that replacing the licence fee with subscription would mean the BBC would lose a key attribute of public service media provision - being universally accessible.

It is important that the BBC continues with its broad public service purpose and that it be sufficiently financed in a way that ensures provision for all - including the digitally deprived in lower income households.

It is equally important that Britain's unique system of public service plurality be made more accessible to the young by being fit for purpose in the digital age.

The complex rules around who is liable to pay for a television licence and who is not - reflecting the use of on-demand and catch-up services and viewing on multiple platforms - are vindication that the time is past when a charge for possessing a device capable of receiving television signals is an appropriate way to fund public service content.

The licence fee makes no sense to younger users and only serves to alienate them further from the public service provider associated with what they see as an arbitrary imposition.

A household levy would be preferable if it could be progressively applied and shown to be fair.

Considering plurality, the commercial public service broadcasters are in the case of children and teens less and less willing to fund the content needed to retain audience loyalty. The "market failure" identified in Ofcom research since 2007 is now acute.

The Young Audiences Content Fund was intended to address this by providing up to 50% of the funding needed to pay for content that would not otherwise have been commissioned. It achieved considerable success in its first two years of operation, funding 55 projects and providing 144 development grants. The children's media industry reacted with huge disappointment when the Fund was summarily closed at the end of its three-year pilot despite its apparent success and before a final evaluation has been carried out.

The source of finance for the Fund is a matter of some contention. The government have been keen to characterise it as funding taken from the licence fee. But the initial £60m was an underspend on predicated licence fee revenue intended to pay for broadband rollout and returned to the DCMS - not taken directly from revenue that would have otherwise been allocated to the BBC.

As part of the current settlement the Secretary of State informed the BBC she would not take contestable funding from licence fee revenue for the next five years. We believe this is the logic behind the closure of the Young Audiences Content Fund. The government cannot conceive of a mechanism which does not rely upon money raised by the licence fee. However, there are other methods of sourcing a sufficient sum to produce a competitive, attractive public service alternative for children and young people - which could in future be applied to other audiences. A levy on the streaming services is one possibility (c.f. the French system which has just produced €200m+ to fund Netflix production of French content). The Lottery Cultural Fund is another potential source. It is also possible to consider more "hands off" actions such as a significantly enhanced tax break and recoupable funding.

Over 1,000 industry practitioners, teachers, parents and academics have signed an [Open Letter](#) to the Secretary of State calling for a three year "stay of execution" for the Young Audiences Content Fund. They recognise, as does the Children's Media Foundation, that the YACF represents a new way of thinking about public service funding in which producers receive public money to fulfil public service purposes as defined by the Funder and in partnership with a platform provider. In this case the platforms are the commercial PSBs.

The longer-term reason to retain the YACF is that during the transitional period, a fund of this type can host experimentation in the sourcing and disbursement of finance - including extending the platforms on which public service content might find its way to audience and diversifying the nature of the content being supported.

As stated above the Children's Media Foundation believes that work should be done to explore these possibilities in more detail. In the meantime, it is important to ensure continuity of the UK's valuable and essential public service system.

The government have taken the first steps by guaranteeing BBC funding for the next 5 years. Beyond that it would be a mistake to cause the BBC to become a purely commercial organisation through the introduction of subscription or privatisation.

Going forward the BBC should be assured of a transparent process by which a more equitable form of publicly raised funding is assured for the long term. The BBC should be free to use this funding to serve young people not just on traditional channels and websites, but on the platforms and through the media-types that older children and teens regularly access and share.

This will ensure a central core of public service content for all.

At the same time a revived Young Audiences Content Fund (or an equivalent with scope to serve wider audience demographics) should be financed by a mix of levies and Lottery

funding to stimulate producers to make content that has public service purposes but finds its way to the audiences through multiple outlets. In this way the Fund would be supporting public service content rather than public service platforms.

This will ensure plurality of supply and distribution.

The two purposes - maintaining the BBC and ensuring plurality by reviving the Young Audiences Content Fund - will ensure both continuity and a healthy environment for experimentation during the transition. The ultimate purpose being to ensure public service remains relevant and accessible for young people to ensure that children growing up during this transition do not lose an important part of their childhood.

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The Children's Media Foundation

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