

DCMS Secretary of State's oral statement on the licence fee settlement

With permission, Mr Speaker, I would like to make a statement.

Under Article 43 of the BBC's Royal Charter, I am required to determine a funding settlement for the level of the licence fee for a period of at least five years from 1 April 2022.

I am legally required to make my determination as far in advance of April as possible.

I'd also like to highlight that this year, the licence fee settlement has featured S4C prominently for the first time.

In line with the recommendation from the Independent Review of S4C completed in 2018, the licence fee will be the sole source of public funding for S4C.

Negotiations began back in November 2020, and both I and my predecessor have met with the BBC on several occasions during this period to discuss this settlement.

As part of those negotiations, the Charter requires that I assess both the BBC's commercial income and activities and the level of funding required so that the BBC can effectively fulfil its Mission and Public Purposes.

In addition, this government set out our own relevant factors to consider during the Charter Review in 2015/16:

Evasion. Commercial income. Household growth. And industry costs.

Mr Speaker, as the Prime Minister has said, the BBC is a great institution.

It has a unique place in our cultural heritage.

And, beyond our shores, the BBC broadcasts our values and identities all over the world – reaching hundreds of millions every day.

Likewise, the Welsh broadcaster S4C plays a unique and critical role in promoting the Welsh language, and in supporting our wider public service broadcasting landscape.

However, Mr Speaker, in reaching this settlement, I had to be realistic about the economic situation facing households up and down the country.

The global cost of living is rising – and this Government is committed to supporting families as much as possible during these difficult times.

Given that climate, we had to think very carefully about imposing any potential increase on the TV licence – particularly given that any increase would expose families to the potential threat of bailiffs knocking on their door, or criminal prosecution.

When it comes to monthly bills, this is one of the few direct levers we have in our control as a government.

And in the end, Mr Speaker, we simply could not justify putting extra pressure on the wallets of hard-working households.

Every organisation around the world is facing the challenge of inflation.

I simply do not believe that those responsible for setting household bills should instinctively reach into the pockets of families across the country for just a little more every year to cover those costs.

So today, I am announcing that the Licence Fee will be frozen for the next two years and that it will rise in line with inflation for the following four years.

The BBC wanted the fee to rise to over £180 by the end of this settlement.

Instead, it will remain fixed at £159 until 1 April 2024.

That's more money in the pockets of pensioners; in the pockets of families who are struggling to make ends meet.

Mr Speaker, we are supporting households at a time when they need that support the most.

And this settlement sends an important message about keeping costs down while also giving the BBC what it needs to deliver on its remit.

This approach to funding will be the same for the BBC and for S4C.

However I can also announce that S4C will receive an additional £7.5m per annum in funding from 2022 to support the development of their digital offering.

This is a 9% increase for S4C, following 5 years of frozen funding.

Mr Speaker, we believe that this is a fair settlement for the BBC. It is a fair settlement for S4C and, most importantly, it is a fair settlement for licence fee payers all across the United Kingdom.

And let's not forget: The BBC will continue to receive billions in annual public funding, allowing it to deliver its Mission and Public Purposes, and to continue doing what it does best.

And to support the BBC even further in what is a fast-changing broadcasting landscape, the Government will more than double the borrowing limit of the BBC's commercial arm to £750 million.

This will enable the BBC to access private finance as it pursues an ambitious commercial growth strategy – boosting investment in the creative economy across the UK.

But as Tim Davie said in his first speech as Director General of the Corporation, the BBC “must” be a “simpler, leaner organisation” that offers “better value” to Licence Fee Payers. And we agree with this.

Ultimately, this settlement strikes the right balance: between protecting households and allowing broadcasters to deliver their vital public responsibilities whilst also encouraging them to make further savings and efficiencies.

Mr Speaker, the Licence Fee Settlement is only one step in our roadmap for reform of the BBC.

In the last few months, I’ve made it clear that the BBC needs to address issues around impartiality and groupthink.

Those problems were highlighted definitively by the recent Serota Review.

And the BBC’s own leadership rightly recognised those findings in full, and committed to deliver all of the Review’s recommendations in its 10 Point Action Plan on Impartiality and Editorial Standards.

And I have had constructive discussions with the BBC about these issues in recent months.

But the BBC now needs to put those words into action.

It needs to convince the British public that those changes are in fact being made, and to provide regular and transparent accounts of its progress.

We will shortly begin the Mid-Term Review of the BBC’s Charter, which will consider the overall governance and regulation of the BBC.

And a key part of that review will look at whether the BBC’s ‘Action Plan’ on impartiality has in fact materially contributed to improving the internal governance of the organisation.

But it’s also time to look further into the future.

Mr Speaker, as any serious commentator will tell you, the broadcasting landscape has changed beyond all recognition over the past decade.

We’re living in a world of streaming giants, of on-demand and pay-per-view and smart TVs.

Technology is changing everything.

97% of homes already have superfast broadband. A family in Cumbria can stream five different movies in five different rooms in its house at any one time.

And our gigabit rollout is transforming those networks even further.

Over 65% of UK households now have access to the fastest connection on the planet.

As the tech has changed, so have audience habits – particularly amongst younger viewers.

So it's time to begin asking those really serious questions about the long-term funding model of the BBC, and whether a mandatory Licence Fee with criminal penalties for individual households is still appropriate.

As we have said before, we will therefore undertake a review of the overall Licence Fee model and those discussions will begin shortly.

Mr Speaker, the BBC has been entertaining and informing us for 100 years – and I want it to continue to thrive and be a global beacon for the UK in the decades to come.

But this is 2022, not 1922.

We need a BBC that is forward-looking and ready to meet the challenges of modern broadcasting.

A BBC that can continue to engage the British public, and that commands the support from across the breadth of the UK – not just the London bubble.

A BBC that can thrive alongside Netflix and Amazon Prime and all of its other challengers which attract younger viewers.

This licence fee settlement represents a significant step in that journey, and in our wider reform of the BBC.

I look forward to continuing working with the BBC and others across the industry over the coming years to secure the future of these vital British services.

I commend this Statement to the House.