



Department for
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21 January 2022

Tim Davie CBE
Director General
BBC

Richard Sharp
Chair
BBC

Our Ref:
MC2022/00957/HG

Dear Tim and Richard,

Final determination of the 2022 Licence Fee Settlement

In accordance with Article 43 of the BBC Charter, after consultations between my Department and the BBC over recent months and having considered the information you have provided, I am writing to you to convey my decision on the second funding settlement under the current Charter, to begin on 1 April 2022. Henceforth this will be referred to as my Final Determination.

As set out by my predecessor, the government remains of the view that any settlement must take into account both the BBC's ability to effectively deliver on its Mission and Public Purposes, and the financial pressures currently being felt across the nation and by individual households. These pressures are growing as a result of the changing economic data, and it remains the case that tough decisions are required.

The Final Determination for the BBC and S4C

My Final Determination provides the BBC with the certainty of a six year settlement and retains the profile outlined in the Initial Determination set out in July last year. For the first two years of the settlement period (i.e. 2022-23 and 2023-24) the current level of the Licence Fee (£159) will be maintained in cash terms. From the third year of the settlement period (i.e. from 1 April 2024 and for each subsequent year of the period until 31 March 2028), the Licence Fee will then increase annually in line with CPI inflation.

My Final Determination also includes my decision on the funding of S4C. I have similarly decided to retain the profile set out in the Initial Determination. This means that S4C will see the consolidation of its current Licence Fee funding (£74.5 million per annum) together with the current level of DCMS grant income (£6.85 million per annum). I also confirm my intention to award S4C a further £7.5 million per annum from the Licence Fee to support its digital development, which is now necessary for the continuation of the service in the modern media landscape. In total, this will provide S4C with approximately £88.85 million in Licence Fee funding from 1 April 2022. This figure will stay fixed in cash terms for the first two years of the settlement, before similarly rising with CPI inflation for the subsequent four years. I have informed S4C of this determination, in parallel to this letter.



I have decided not to top-slice the Licence Fee for the purpose of Contestable Funding. Over the course of the settlement period, this will return close to £100m back to general Licence Fee income.

Additional considerations

This remains a crucial juncture for the BBC, when the Corporation needs to balance an ambitious agenda and pursue long-term sustainability in a highly-competitive and rapidly-evolving domestic and international market. Similarly, given the nature and requirements of the Licence Fee, it is important that the BBC ensures it is as focused as possible on securing and maintaining the trust of those who pay it.

I expect the BBC to continue to deliver for all audiences across the UK and to truly compete on the global stage. In determining a six-year rather than five-year settlement, I have acknowledged your request for certainty of funding over the course of this settlement period.

As the Director General said in his introductory speech, the BBC must be a “simpler, leaner organisation” that offers “better value” to Licence Fee Payers. I am aware of the arguments you have made concerning the impacts of this settlement profile on your organisation, including in light of economic data that have emerged since the Initial Determination was made in July last year. Nevertheless, I am equally clear that the BBC must do its part to support the licence fee payer at a time when households are struggling in the face of mounting pressures on the cost of living. I believe the Corporation can meet the challenges ahead as it continues to effectively deliver on its Mission and Public Purposes, pursuing appropriate efficiencies and commercial opportunities as you do so.

I would also like to recognise the vital role that the BBC World Service plays. Over the rest of the Charter period the BBC should continue to make substantive investment from the licence fee into the World Service to ensure that it continues to effectively reflect the United Kingdom, its culture and values to the world in English and through its language services. As set out in the Framework Agreement the BBC should continue to agree objectives, priorities and targets for the World Service with the Foreign Secretary, as well as the languages in which the World Service is to be provided, and any changes to these matters. This includes the provision of new language services or where a language is no longer provided for at all.

With regard to the BBC’s commercial operations, I also hope we can swiftly conclude discussions on the details around oversight arrangements for the additional borrowing limits that were announced as part of the 2021 Budget. I look forward to the BBC being able to take advantage of the opportunities afforded by increased access to private finance.

Beyond the Licence Fee Settlement

In addition to the Licence Fee Settlement and building on the discussions we have also had recently, I expect the BBC to do everything possible to follow-through with your ten-point ‘Action Plan’ on impartiality and editorial standards. The Serota Review identified a ‘culture of defensiveness’ at the BBC and reluctance to accept or acknowledge mistakes, and I welcome the BBC’s commitment to implementing its recommendations in full. It is now crucial that the BBC delivers on those plans and demonstrates progress to the public regularly and transparently.

We will start discussions on the Terms of Reference for the Mid-Term Review of the Charter shortly, and I would view it as appropriate that any review of the BBC’s governance and regulation would include an evaluation of the BBC’s performance against that Action Plan.

In addition, and as I have said previously, while the funding model of the BBC is set for the remainder of this Charter period, there is a need to review the Licence Fee model before Charter review. 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. However, it is clear to me that rapidly evolving distribution technologies and changing consumer behaviour means that the current Licence Fee funding model is facing challenges to its sustainability and appropriateness. This is something we will need formally to start to consider in the near future, and I hope the BBC is ready to contribute to that consideration.

Finally, I note you and the BBC Pension Trustees have outlined concerns around how the BBC's liabilities to the BBC Pension Scheme can continue to be managed prudently and responsibly, including over the longer term. My officials will hold further discussions with you on this issue ahead of the triennial valuation later this year.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Minister for Media and Data, and my Permanent Secretary.

Yours sincerely,



Rt Hon Nadine Dorries MP
Secretary of State for Digital, Culture, Media and Sport