



Department for
Digital, Culture,
Media & Sport

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Tim Davie
Director General
BBC

Sir David Clementi
Chairman
BBC

10th INT2020/24463/DC
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Dear Sir David and Tim,

Preparations for 2022 Licence Fee Settlement

I am writing to confirm the scope and timing of the next Licence Fee settlement, which will start on 1 April 2022 and cover at least five years. The BBC is a world-class broadcaster, trusted and recognised across the globe. Its value has once again been highlighted in the vital role it is playing in keeping the nation unified, entertained and informed throughout the Coronavirus pandemic.

It is essential that the BBC delivers for the whole nation and upholds the very highest standards of impartiality. These are challenges I have set out previously, alongside the need for the BBC to modernise and embrace change in order to remain sustainable and relevant. The media landscape is evolving rapidly, and much has changed since the Licence Fee was last set in 2017. Improving technology and greater consumer choice means that Public Service Broadcasters face bigger challenges than ever, with the growth in streaming services and significant increases in content from commercial broadcasters. As the nation's premier broadcaster the BBC needs to evolve. The fiscal backdrop has changed dramatically over the last year as a result of the Coronavirus pandemic, and many families will not have the same level of disposable income. The Licence Fee Settlement is an opportunity for the BBC to consider how it can deliver the best value for money for everyone across the UK.

The Royal Charter (article 43.5) requires the BBC to submit such information as I may reasonably require in connection with my determination of the funding settlement. As set out in the 2016 White Paper, I have agreed to consider estimates of Household Growth, Commercial Revenues, Evasion Rates and Industry Costs as part of my determination.

By this letter, I am formally requesting financial information covering the duration of the Charter period, both historical and future, from 2017-2027. It should be presented in terms of 'sources' and 'uses'.

Your **'sources'** should include Licence Fee income, Commercial Income and Other Government Grants in order for you to deliver estimates of overall income. To aid you in your calculations for Licence Fee income, you should - for illustrative purposes - assume a flat cash baseline for the period 2022-27, to be set in consultation with my officials.

For Commercial revenues, I ask you to provide detailed information on all income derived and the corresponding activities to which it relates. Bearing in mind the economic impact of Covid-19, you should also include base, best and worst case estimations of your commercial income for the settlement period. My officials will continue to work directly with your team to set the detailed format in which this information should be presented.

The **'uses'** of this income should be presented and prioritised as far as possible using the five Public Purposes outlined in the Charter as a framework. So I am asking the BBC to outline expenditure around: 1) impartial news and information; 2) learning for all ages; 3) creative, high quality and distinctive output and services; 4) serving the diverse communities of all the UK's nations and regions; 5) reflecting the UK to the world. I would also like the spending within each Public Purpose to be prioritised as far as possible, while also accepting this is a very new way for the BBC to organise its financial, accounting and budgetary information. With respect to point 4) 'diverse communities', this should be interpreted comprehensively, for example considering geographic and economic diversity. It is clear that in recent years this is one of the challenges that the BBC has faced.

I have also identified a number of priority areas where I require further information and narrative in order to make my determination. I would be grateful if you could carefully consider and address the following as part of your presentation of 'uses';

- Greater exploitation of commercial opportunities: in addition to clear budgetary breakdowns of revenue streams and existing and planned commercial activities and spending, an assessment of the new opportunities the BBC sees which might increase commercial revenues during the settlement period.
- The global reach of the BBC: including an explanation of how BBC World Service products and services will adapt to a post-Covid and interconnected world and promote the UK to the world.
- Support for the creative industries: information on how the BBC would spend the licence fee over the settlement period to support the recovery and development of the UK creative industries - particularly out of London, in the nations and regions and for freelancers.
- The distinctively BBC offer: an assessment as to what the BBC considers the core requirement of products and services to fulfill its Mission and Public Purposes, and what wider BBC products and services the BBC wishes to continue to pursue or introduce as well as those it may discontinue or reduce.
- Initial workforce and pay bill plans: an assessment of pay and workforce pressures and reforms over the licence fee period. Plans should anticipate staffing needs going forward, including possible skill shortages, and efforts to modernise your workforce.
- A continued savings programme: proposed savings plans for the next settlement period in particular around talent pay levels, and overall pay bill costs, together with efficiencies, technological substitution and

rationalisation. This should also include reforms which can drive growth and relieve pressures elsewhere.

This process is an opportunity to set a licence fee that delivers the best value for money for the licence fee payer. Therefore I would also welcome your assessment of the impact of the licence fee for those on the lowest income, including details of any further plans to support those in vulnerable groups, including the elderly.

Finally, I have agreed that for the purposes of this exercise the BBC and S4C will submit separate information returns. This settlement will be the first under which S4C is fully funded by the licence fee, and this decision reflects their unique position as the only Welsh Language broadcaster, and their differing model.

A response is required by Friday 26th February 2021. The information we receive will aid my initial determination and inform further consultations later in the year. My officials will be in touch to confirm the format and parameters required for each request. I am grateful for your team's continued cooperation with my department on this matter.

I look forward to working with you in the coming months to prepare for the Licence Fee Settlement. My officials are on hand to answer any questions you have on the contents of this letter

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Oliver Dowden', written in a cursive style.

Rt Hon Oliver Dowden CBE MP
Secretary of State for Digital, Culture, Media and Sport