



On 15 September 2016 the government published a draft Royal Charter and Framework Agreement. This is one in a series of information sheets, explaining some of the key policies contained in the drafts in more detail.

Background

Revenue from the TV licence fee is used to fund the BBC (as well as other services such as Welsh broadcaster S4C and infrastructure projects such as the delivery of superfast broadband). The BBC received £3.7 billion of public funding from the TV licence fee in 2015-16.

The government's policy

The White Paper outlined a number of commitments made by the BBC and Government to ensure that the BBC has a sustainable funding model that is fair, accountable and fit for the future.

The licence fee will rise with inflation over five years from 2017/18 and this will provide the BBC with the funding it needs to thrive and deliver against its updated mission and purposes. The BBC must, however, continue to deliver value for the licence fee payer.

The government is clear that the licence fee, despite some drawbacks, is the best way of funding the BBC for the next Charter period. In line with the recommendations of the TV Licence Fee Enforcement (Perry) Review, while the current licence fee collection system is in operation, the current system of criminal deterrence and prosecution should be maintained. However, the licence fee needs to be fairer and easier to pay for those on lower incomes and for all licence fee payers.

The provisions in the Charter and Agreement

Charter

- **Articles 36-39** set out the specification for the BBC's Annual Reports and Accounts, including the financial audit powers of the National Audit Office.
- **Article 43** sets out the process for future funding settlements. This will enhance the BBC's independence from government by introducing a new regularised licence fee settlement process once every five years.

For more information, please visit www.gov.uk/government/collections/bbc-charter-review.
If you would like to discuss the contents of this information sheet, please contact enquiries@culture.gov.uk

For media enquiries, please contact DCMS News and Comms team on 020 7211 2210

Agreement

- **Clauses 33 and 34** secures protected funding for the World Service, which is one of the BBC's most distinctive services. It is hugely valued by audiences and its reach and reputation help to project UK's cultural and democratic values to more than 246 million people worldwide. Funding of at least £254m a year must be provided for the length of the Charter.
- **Clause 39** sets out the partnership and funding model for S4C, the Welsh language service. This includes the £74.5 million of funding from the Licence Fee until 2020/2021; funding beyond this will be subject to a review. The UK Government has committed to a comprehensive review of S4C in 2017 - following the Charter Review - which will look at a range of issues including funding arrangements, remit, accountability and governance.
- **Clauses 43 and 48** confirm that the government will provide greater freedom for the BBC to manage its own budgets by phasing out protected funding for broadband (£150 million a year) and local television (£5 million a year) although the BBC will continue to work in partnership with local television stations.
- **Clause 49** sets out the terms of licence fee funding and grants from Government Departments. This includes providing additional support for BBC finances by allowing those aged 75 and over to make voluntary payments if they choose to, while continuing to protect the licence fee concession for those aged 75 and over during this Parliament.
- **Clause 50** empowers the BBC to pilot some elements of subscription in addition to their current services, with the approval of the Secretary of State.
- **Clause 52** sets out the terms of compensation for free television licences for those aged 75 and over. The BBC agreed last year to take on the cost of these concessionary licences from government, and the government agreed that this cost will be phased in over three years, to allow the BBC to prepare for the removal of government funding. The BBC also requested that responsibility for the policy be transferred to them in 2020/21, which is being taken forward through the **Digital Economy Bill**, as it requires changes to primary legislation.
- **Clause 53** sets out the terms of BBC borrowing.

Other legislative activity

As mentioned above, the Digital Economy Bill includes a clause to manage the transfer of policy responsibility for the TV licence fee concession for those aged 75 and over. This was requested by the BBC as part of the summer 2015 budget agreement. The Secretary of State will retain the power to make provision for all other concessions as set out in the 2003 Communications Act.

In addition to this a number of measures will be taken forward through secondary legislation in the next year. This includes:

- modernising the licence fee system to make it fairer, by closing the 'iPlayer loophole' (which came into force 1 September 2016);
- increasing the level of the licence fee which will rise with inflation over five years from 2017/18; and
- introducing a trial of flexible payment plans for those on lower incomes.