[GB] Government Approves New BBC Licence Fee Financial Settlement

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The BBC does not carry advertising on any of its public service broadcasting channels and so relies on funding by licence fee. The funding level is set for several years in advance by the government, and the latest settlement has just been announced. The BBC had sought a generous settlement to include the costs of digital switchover, the development of new services, and the moving of key departments to Salford, in the North West of England. It thus applied for a settlement of inflation plus two point three percent over the next ten years. This was widely perceived as having been unrealistic, and the settlement is much lower. Although the initial stages of the review were carried out through public consultation, the final outcome was determined by private negotiations within government, in which the main actor was the Treasury, the UK ministry of finance.

The settlement, as finally announced by the Secretary of State for Culture, Media and Sport, will be for six years, with annual increases in the licence fee of three per cent for each of the first two years and two percent in years three, four and five. In year six there will be an increase of up to two percent, depending on a further review nearer the time; this review will form the basis for the next settlement. As a result the price of the annual colour television licence will rise from its current level of GBP 131.50 (EUR 199) to GBP 151.50 (EUR 229) in 2012. This increase will be close to the forecast rate of inflation. The settlement assumes that the BBC will be able to make up to three percent cash-releasing savings annually from 2008. The funds include GBP 600 million for helping elderly and disabled people to switch to digital broadcasting, and GBP 200 million for a public communications campaign run by Digital UK to ensure that viewers are properly informed regarding the digital switchover. According to the Secretary of State, these responsibilities will not impact on the BBC's core budgets and services, and its borrowing capacity will be increased by 12.5% (it had asked for an increase of 100%). According to the BBC, however, it is now left with a funding shortage of over GBP two billion over the next six years.

Oral Statement on Licence Fee by the Secretary of State, 18 January 2007

http://www.culture.gov.uk/Reference_library/Press_notices/archive_2007/dcmstjspeech_18jan07.htm

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Background and other relevant documents

http://www.bbccharterreview.org.uk/home/future_licencefee.html

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