

BBC consultation on age-related TV licence policy (the future of the over-75s concession) – a response from the Welsh Government

February 2019

The Welsh Government welcomes the opportunity to respond to this consultation. It is regrettable that the BBC finds itself in this position, especially as the potential impacts of any changes to the over-75s concession may be felt by some of the most vulnerable or isolated people in our society.

The 2015 financial settlement between the UK Government and the BBC which included the ending of funding for the over-75s concession was agreed without any consultation or scrutiny by Parliament or the devolved administrations. We expressed concern at the time that neither the Welsh Government nor the National Assembly were consulted before this deal was reached and that it was undemocratic that the UK Government and the BBC made decisions behind closed doors and outside of the BBC Charter renewal process.

When this settlement was announced the Director-General stated publicly that the BBC had negotiated a strong financial settlement providing stability, clarity and flat funding for content and services for the first five years of the new charter¹ – which means until the end of 2021. This appears to have been overly-optimistic.

As we said in 2015, the Welsh Government and the National Assembly for Wales expect the BBC to stand by its own public statements that the deal announced on 6 July 2015 between itself and the UK Government on the licence fee will be cash neutral for the BBC and will not affect services.

We note assurances at that time from the BBC's management that this 'cash flat' deal will not therefore, impact on budgets at either BBC Cymru Wales or at S4C – we expect those assurances to be honoured. We would remind the Secretary of State for Digital, Culture, Media and Sport that he has a statutory duty under the Public Bodies Act 2001 to ensure sufficient funding for S4C, so we expect the UK Government to ensure that overall levels of funding for S4C remain unaffected by the BBC board's decision on the licence fee concession - even if this means that the UK Government has to supplement the licence fee funding provided to S4C.

Broadcasting is not devolved and the BBC is independent of government, so it is not for the Welsh Government to tell the BBC whether to continue, to reform or to remove the concession – but we will set out some key points which it should consider.

First and foremost, as a Public Service Broadcaster the BBC has a duty to provide services which are available to all. It is vital that all older people in Wales can continue to access the BBC in Welsh and English, so whatever it decides the BBC must ensure that older people on low incomes are supported as needed to affordably purchase or otherwise be entitled to receive a TV licence.

¹ <https://www.theguardian.com/commentisfree/2015/jul/12/bbc-perfectly-set-up-future-challenges>

We note comments by Frontier Economics, the consultants working with the BBC on this, about the minimal impact that loss of access to BBC services might have on over-75s in terms of social inclusion. In a country with a significant rural population this simply does not ring true. It also ignores the Reithian principles upon which the BBC was founded, especially its duty to inform. This applies to everyone.

Whatever their age and wherever they live in the UK, people expect the BBC to lead in providing information about democracy, current affairs and local news. This is especially important in Wales, where we have a weak print media sector and a slightly higher percentage of people over 75 than any of the other nations of the UK².

On the option of ‘means testing’ any new concession, perhaps by linking it to receipt of Pension Credit, the report acknowledges that it could be possible, subject to further legislation, for the BBC to work with the DWP on a technological solution allowing people on Pension Credit to receive their entitlement to a free or discounted TV licence automatically - without any form filling or loss of dignity. Some technical difficulties would need to overcome, but this is a vitally important point. If such an option is chosen, we would urge the UK Government and the BBC to make every effort to deliver such a mechanism from the outset.

The analysis provided by Frontier Economics identifies the funding gap caused by the loss of the UK Government’s funding, which it says could equate to £745m p.a. in lost licence fee revenue by 2021/22 if nothing is done. However, although the consultation acknowledges other, more positive developments, these do not appear to be factored in when options for the future are considered. They should be.

For example:

- As part of the 2015 financial settlement the UK Government agreed to end the top slice of the licence fee that has been used in recent years to fund broadband rollout, resulting in the restoration of £150m p.a. of licence fee revenue to the BBC by 2020/21. This should be used to offset the loss of funding for the concession.
- The UK Government changed the law in 2017 to ensure that iPlayer-only viewers now have to pay the licence fee as well. This should result in additional licence fee revenue.
- The BBC states that the costs shown in the report assume no licence fee increases, as it doesn’t have the power to raise the licence fee. That is correct, but under the deal reached during Charter negotiations the cost of the licence fee is now linked to inflation - so it should increase slightly over time.

² In Wales 9.2% of people are aged 75 or over, the highest of any nation within the UK, which has an average of 8.2% (Source: Population estimates - local authority based by age band, ONS Crown Copyright Reserved [from Nomis, February 2019]).

- The BBC implemented a £150m programme of efficiency measures after the 2015 financial settlement³ – yet there is no examination of how effectively it could absorb some of the shortfall as a result of its improved efficiency.
- The BBC's commercial activities are increasingly profitable, as demonstrated by its own review of those activities published in December 2018⁴. Our position when we were told that the 2015 financial settlement would not affect BBC services was that this revenue should supplement investment in programming from the licence fee - but clearly that is no longer the case. It can however significantly offset losses from the ending of Government funding for the concession.
- The merger of BBC Studios and Worldwide has reduced overheads and created a single, focussed entity which is set up to return more revenue to the BBC in future. The consultation plays down the potential for Studios to significantly increase returns to the BBC, but the BBC Board seems to think otherwise. Studios has returned at least £200m to the BBC every year for the last four years and the Board has agreed a target for it to return a minimum of £1.2bn to the BBC over the next five. BBC Studioworks and even BBC Global News are also now expected to become profitable, despite concerns about the financial viability of the latter as recently as last year.
- As distribution platforms evolve and consumption models change, this will affect costs into the medium term, potentially positively – yet the report repeatedly cites the current cost of services, without any consideration of how these may reduce over time.

We would expect all these factors to be helpful to the BBC in minimising as far as possible any additional burden on older licence fee payers.

We are concerned by the report's repeated illustration of the cost of various options by comparing these with the current cost of existing services – which seems to imply that the alternative to reforming the concession in some way is for some of these services to be cut, to protect the remainder of the BBC's current service portfolio.

Such 'bottom up' thinking would not be appropriate. If the BBC chooses an option which will leave a genuine funding gap - after efficiencies and other sources of income are factored in - then its starting point for designing a service portfolio for the future should be to go back to the Charter and the BBC's fundamental Public Purposes. The Board should begin by identifying its real priorities under each of these and create, from the 'top down', an affordable portfolio which delivers to the greatest extent possible against these priorities - looking to innovate and partner as needed, and to evolve services as required. It should not be seeking to protect as much of the current portfolio as possible by simply culling some services so that others can be left untouched. This will not result in a BBC that delivers fully and consistently against all of its duties, across the whole of the UK.

³ <https://www.bbc.co.uk/mediacentre/latestnews/2015/bbc-savings>

⁴ <https://www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/commercial-review-2018>