

Make the BBC Mostly Subscription Funded
TWOP.ORG.UK; POLICY BANK
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The BBC's Royal Charter expires in 2027. Preparations within the BBC and the Department for Culture, Media and Sport have been under way for some time, but public debate has remained oddly constricted: orbiting almost entirely around a binary question of whether the licence fee should be retained or replaced with a subscription model.

That framing is misleading. The real choice facing government is not between preservation and abolition, but between managed reform and unmanaged decay. The licence fee is becoming progressively harder to defend, harder to enforce and less aligned with how audiences now consume media. Charter renewal in 2027 therefore represents the last plausible moment for a deliberate transition to a new funding settlement.

Without structural reform the default outcome is drift: a shrinking licence base, periodic freezes, political rows over enforcement and slow erosion of public legitimacy.

The Licence Fee has Acute Structural Weaknesses

The Licence Fee is regressive. A flat household charge bears no relation to income or usage and sits uneasily alongside a tax and benefits system that otherwise attempts progressive distribution.

"Licensing" is not aligned with consumption. Linear television viewing has declined sharply, particularly among younger audiences, while digital, on-demand and mobile consumption now dominate. A funding model tied to television ownership increasingly resembles a historical artefact.

Enforcement has become politically indefensible. Criminal penalties for non-payment are widely regarded as disproportionate, particularly given the expansion of alternative content providers that operate on voluntary subscription models.

None of these problems are new. What has changed is that they are now converging.

The BBC is already a hybrid organisation

The BBC's 2024-25 accounts show total income of approximately £5.9bn, of which around £3.8bn derives from licence fees paid by roughly 22.8m households. The remaining £2.1bn comes from "other income", including production services, overseas subscriptions, content sales and advertising on international platforms.

Nearly 40 per cent of BBC income is therefore non-licence fee. This matters, because it undermines the argument that introducing subscription or advertising would represent a fundamental break with the BBC's nature. That break has already occurred, incrementally and largely without controversy.

The accounts also show a modest overspend of around £112m. This is not an aberration. It reflects inflationary pressures, rising production costs and a licence base that is no longer growing. Financial strain is structural, not accidental.

Further Anomaly: over-75s Licences

Since 2020, the BBC has carried the cost of providing free television licences to pensioners over 75 in receipt of Pension Credit, at a cost of approximately £175m per year.

This arrangement makes little policy sense. If free provision for older people is to continue, it should be funded transparently through general taxation and administered as part of the social security system, not absorbed into the BBC's operating budget. Retaining this responsibility distorts the BBC's finances and muddies accountability.

Principles for Reform

Any new settlement should be guided by a small number of clear principles:

Universal access to news: BBC news should remain freely and universally available as a public good.

Editorial independence: Funding reform must not increase day-to-day political leverage over editorial decisions.

No criminalisation of consumption: Media consumption should not be policed through the criminal law.

Financial sustainability: The BBC should be funded in a way that reflects actual usage and future audience behaviour.

Proposed model: Hybrid BBC

TWOP advocates a hybrid funding model, moving the BBC to a mostly subscription-funded basis, while retaining universal access where public value is strongest.

Television

Most television output to be subscription-based, organised around clear packages (for example: sport, first-run entertainment, archive and classics).

One free-to-air television channel to remain, offering time-shifted programming, repeats and selected content, functioning both as a public service and as an on-ramp to subscription services.

News

Dedicated BBC news channels on television and radio to remain free and universally available.

Costs of news provision to be cross-subsidised from subscription revenues and advertising on digital platforms.

Radio

All radio services to remain free at point of use.

Funding to be supplemented through advertising and optional, non-mandatory membership schemes.

This recognises radio's continued importance for older, rural and lower-income audiences.

Digital

BBC websites, apps and other digital platforms to carry advertising.

Premium digital content to sit behind subscription login where appropriate.

Implementation and Transition

This model would require a managed transition over a period of three to five years.

Key elements would include:

Mandatory user logins for subscription content.

Geo-blocking for overseas access, building on existing BBC practices.

A shift toward IP-based delivery for live television, potentially integrated with platforms such as Freely.

Formal abolition of criminal penalties for non-payment of the licence fee.

Throughout the transition, editorial independence must be protected through governance arrangements insulated from short-term political pressure.

Risks and Objections

A subscription model may weaken shared cultural experience, particularly if content fragments excessively. Digital exclusion remains a concern in some communities.

Advertising introduces commercial pressures that must be managed carefully.

Transition costs would be real and politically sensitive.

However, these risks must be weighed against the risks of inaction: declining legitimacy, shrinking revenue and a BBC gradually hollowed out by drift rather than reshaped by choice.

CONCLUSION

The licence fee is not being preserved by delay. It is being allowed to decay.

Charter renewal in 2027 presents a choice: continue defending a funding model that no longer fits the media landscape, or acknowledge reality and design a settlement that protects what matters most about the BBC while making it financially and politically sustainable.

Moving the BBC to a mostly subscription-funded model is not an attack on public service broadcasting. It is an attempt to ensure that it survives in recognisable form.