



House of Commons
Culture, Media and Sport
Committee

The sustainability of local journalism: Government Response to the Committee's Seventh Report

Ninth Special Report of Session
2022–23

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The Culture, Media and Sport Committee

The Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Culture, Media and Sport and its associated public bodies.

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1 Ninth Special Report

The Digital, Culture Media and Sport Committee published its Seventh Report of Session 2022–23, [Sustainability of local journalism](#) (HC 153), on 25 January 2023. The Government response was received on 11 May 2023 and is appended to this report.

Appendix: Government Response

Introduction

The government welcomes the DCMS Select Committee's report on the sustainability of local journalism. The findings and conclusions of the report are a valuable contribution to this important debate, building on the work of the The Cairncross Review: a sustainable future for journalism, published in February 2019; and the House of Lords Communications and Digital Committee's report: *Breaking News? The Future of UK Journalism*, which was published in November 2020. As in our response to those reports, we agree with the overall assessment of the crucial role journalism plays in our society, as well as of the fundamental challenges the sector faces in securing its long-term financial sustainability.

While the local press plays a crucial role in supporting our communities, bringing a host of social, economic, and democratic benefits; it has also proved particularly vulnerable to the impacts of changes in consumer behaviour. As the Committee notes, traditional revenue sources have collapsed as people have moved online where local news is less easily monetised.

Innovation is therefore a necessary step towards ensuring the sector's long-term sustainability. The emerging generation of largely online-only publishers is a welcome addition to the landscape, especially where new titles are able to address declines in coverage, while the larger publishing groups remain key in providing public interest journalism and employing local journalists at scale.

The government has a long-standing commitment to support local and regional newspapers as vital pillars of our communities and local democracy, and will continue to consider all possible options to ensure their long-term sustainability. With this in mind, we have provided a response to each of the Committee's recommendations, where these are directed at the government, below.

Recommendation 1: *The LDRS should be protected under forthcoming Charter negotiations, and we encourage the BBC to explore ways to widen the scope of the service.*

The government welcomes the BBC's commitment to continue to support the LDRS until at least 2027, and we have made clear our support for the scheme in our conversations with the BBC. The LDRS is independently run by the BBC and, while the government would support any further efforts by the BBC to grow the scheme, operational decisions such as these are for the BBC to make.

Recommendation 2: *The Government should build upon the Future News Pilot Fund and create a long-term public interest news fund with a remit to support innovation.*

Nesta's End of Programme Report for the Future News Fund found that 'shoots of a news innovation ecosystem' were forming but that more funding is needed to sustain public interest news. This reflects the Committee's own conclusion that the sector has a variety of innovative businesses, demonstrating the potential for a sustainable future if it is properly supported to adapt to the new realities of the marketplace.

We continue to explore options for additional fiscal measures to support the sector, while mindful of the current financial climate. If we were to provide any further government funding of this nature, it would build on the model set by the Future News Fund and take into account Nesta's evaluation, as well as feedback from the local press and other interested stakeholders. We would want any such funding to have a transformative effect on the sector as a whole.

Recommendation 3: *We recommend that the Government review existing rules and practices for placing statutory notices in local newspapers and whether local councils need guidance on how to measure the reach and audience levels of news publications in a digital age. This should include an assessment of how the revenue stream from statutory notices can be made more easily accessible for new entrants to the local news market. The Government should set out the progress of this review in its response to this report.*

The independent Cairncross Review found that statutory notices are an important source of revenue for local newspapers. We are also conscious of the Review's finding that their sudden withdrawal would seriously damage the sector and are therefore mindful that government intervention has the potential to adversely impact an already fragile industry. Moreover, it is clear that print newspapers still play a role in providing transparent and trusted information to local communities about local government decision making, as illustrated in a government consultation last year on Traffic Regulation Orders reform.

So, while we therefore do not intend to conduct a review of rules and practices for placing statutory notices in local newspapers, we are aware of concerns about the audience reach of these notices and the desire for greater digitalisation. With regard to measurement of these audiences, we would encourage local authorities to use those channels that are able to demonstrate their reach through transparent and ideally industry-approved measurement tools.

More broadly, the sector's Public Notice Portal is a welcome innovation, intended to take advantage of print publishers' growing digital audiences and to provide a centralised resource for all categories of notice. In addition, many local publishers have adopted publishing guidelines designed to better promote statutory notices through regular editorial coverage and clear signposting in print and online. The government is monitoring the progress of the Portal, and the effect that it has alongside the publishing guidelines on the transparency of statutory notices. Noting that the Portal is owned and operated by the News Media Association (NMA), we would also encourage the NMA to ensure that it is made available to all local news publishers who meet the statutory requirements for

publication of statutory notices, regardless of whether or not they are NMA members. Comprehensive coverage across the UK will be key to the success of this important innovation.

Recommendation 4: *We recommend that the Government conducts an audit of public money that supports the local news sector. This should be followed by an analysis of whether this money can be more fairly distributed and better used to promote innovation. We also recommend that the Government considers ways to facilitate improved engagement between smaller local news publishers and private organisations providing support for local journalism. The Government should provide an update on the progress of this work in its response to this report.*

The primary sources of public money that support the local news sector are central government advertising expenditure and local government expenditure on the advertising of statutory notices. This money is distributed according to other policy considerations, related to the audience reach and effectiveness of public information campaigns, and to transparency and accountability in local government decision-making. It would therefore not be appropriate to conduct an analysis of this expenditure with a view to any redistribution according to press sustainability policy goals.

However, with regard to central government advertising, we are always mindful of the need to ensure we are making best use of smaller and emerging advertising channels. The Cabinet Office is currently developing a pilot with Nub News (a network of over 50 small, online-only local news outlets) to test its value as an advertising channel after the local elections, working closely with them to ensure their platform and reporting capability meet the standard necessary for the government to advertise on their platform. More broadly, work is also underway to ensure that we advertise with local media as a whole in the most effective way going forward. Our media buying agency, OmniGOV, is speaking to local publishers to develop best ways of working for future government campaigns.

With regard to engagement between smaller local news providers and private organisations that support the sector, the government is in regular contact with many such organisations and supportive of their efforts. We are keen to ensure that industry support for the local press is complementary and effective, though we do not consider there to be a role for the government in directing support to particular parts of the press sector.

We also note the range of recent examples of industry support already directed at smaller publishers. We welcomed the BBC's 2020 review of the Local Democracy Reporting Service, which explored the market impact of the scheme and how to make it more accessible to smaller players. In the subsequent round of contract allocations, eight new organisations - including a local television station and a number of small, independent outlets - won contracts for the first time, in addition to the ten retaining contracts.

As the Committee notes, the National Council for the Training of Journalists and Meta's Community News Project expanded in 2021. This expansion focused on bringing new partners into the scheme, leading to the inclusion of 14 additional smaller publishers. We hope this valuable scheme can continue to provide much-needed local news coverage in underserved areas, while also making local journalism training and work accessible to people from diverse backgrounds. And more recently, we welcome the announcement in March that the Independent Community News Network has entered into a partnership

with Google to enable 45 smaller, independent titles to participate in Google News Showcase. All of these measures collectively reflect the value that industry has identified in local journalism at all levels.

Recommendation 5: *We recommend that the Government, in its response to us, indicates what options it might consider to make it easier for local news organisations to achieve charitable status. We also recommend that the Government assess ways to encourage more philanthropic donations to local news publishers for whom charitable status would not be appropriate.*

The government examined options regarding charitable status after the publication of the Cairncross Review, including the option of making the advancement of journalism a new charitable purpose. We concluded that the current Charities Act system accommodates appropriate options for public interest news as it is already possible for journalist organisations to register as charities under existing law, but that further work was required to help organisations understand their options in this area. We therefore worked with the Charity Commission, which published a statement on when undertaking or funding public interest journalism might be deemed charitable. That guidance and the published decision regarding the registration of the Public Interest News Foundation are both useful resources for news organisations seeking to pursue this option.

We have since discussed the Committee's recommendation with the Charity Commission and note that there is limited evidence of widespread appetite among publishers for seeking charitable status, despite the awareness-raising work that has been done since 2020.

Charitable status is unlikely to be a suitable model for many news publishers, given that, for example, they would be prohibited from being 'for profit' companies and limited in the types of journalism that they could fund. However, we also note concerns raised by the Committee concerning possible obstacles in the process which may be deterring applicants. We would encourage publishers and other interested parties to bring forward any detailed evidence of this issue. Beyond this, the Charity Commission will continue to monitor this area in line with its usual approach to issues and take action as appropriate.

Recommendation 6: *We recommend that the Government should explore how the expanded Community Radio Fund, as well as other existing journalism support schemes, could be used to help community radio conduct more local journalism.*

As noted in the report of the joint government / industry Digital Radio and Audio Review, the community radio sector has gone from strength to strength since the first stations were licensed in 2002 under the 'Access Radio' pilot scheme. We agree with the Review's conclusions as to the vital local service that the sector provides, and are committed to supporting its continued growth.

While the wider economic context did not, in the light of other competing demands on taxpayer funding, provide scope for an increase to the Community Radio Fund in the most recent Spending Review, targeted uplifts have been applied to the Fund in each of the last three financial years, in reflection of the huge contribution that community radio stations make within their localities.

The Fund has also recently been externally evaluated, with the report (published in March 2022) highlighting the excellent work being done in the sector. That evaluation, in addition to the recommendations of this inquiry, will inform future discussions about the level of the Fund and its priorities in supporting the community radio sector. In addition, Ofcom-licensed community radio stations (as well as commercial and BBC services) will benefit from the provisions in the draft Media Bill supporting UK radio's access to its listeners via smart speakers and other connected audio devices.

Recommendation 8: *We recommend that clear and explicit provisions for ensuring smaller publishers are fairly remunerated be included in the Government's new pro-competition regime.*

The Digital Markets, Competition and Consumers Bill was introduced to Parliament on Tuesday 25 April 2023. This will give new powers to the Digital Markets Unit (DMU) in the CMA to help rebalance the relationship between major platforms and the consumers and businesses who rely on them, including press publishers. This will make an important contribution to the sustainability of the press.

The new measures will be targeted at a small number of firms that exert significant control over digital markets. Those firms will be designated as having 'Strategic Market Status' (SMS) in respect of specific digital activities. The DMU will consider whether the firm has substantial and entrenched market power and holds a position of strategic significance in respect of one or more digital activities.

Once a firm is designated, the DMU will be able to set tailored rules known as conduct requirements for each firm on how they should treat consumers and other businesses in relation to their designated digital activities.

For example, the DMU could introduce conduct requirements on SMS firms to give third parties, such as news publishers, transparency over the algorithms that drive traffic and revenue, or it could oblige designated firms to offer third parties fair and reasonable payment terms for the use of their content. These requirements will vary from case to case, according to the activity and SMS firm that is designated.

Meanwhile, longer-term 'pro-competition interventions' may be introduced to address the underlying causes of market power and open up digital markets to greater competition. For example, they might require designated firms to allow greater interoperability or data access.

There will be a robust toolkit to enforce these interventions, including a backstop tool known as the final offer mechanism (FOM). FOM will be available to resolve particularly complex breaches of conduct requirements that require firms to offer fair and reasonable payment terms. It is designed to allow for, and to incentivise, sincere private negotiations between the two parties, and as such the DMU may only use it where there is sustained non-compliance by an SMS firm and the DMU's other tools are unlikely to resolve the breach in a reasonable timeframe. Like all the DMU's tools, it will be sector-neutral, reflecting the DMU's broad remit to promote competition for the benefit of consumers. In evolving digital markets, we do not know where future payment disputes may arise as a result of bargaining power imbalances.

We are aware that one of the main disadvantages facing smaller parties when dealing with major platforms is their lack of access to key commercial information and the imbalances in bargaining power that result from this. The DMU will be able to impose conduct requirements to require greater transparency and data-sharing from designated firms. In cases where FOM is used, the DMU will require additional information sharing between parties, ensuring all can make properly-informed offers and negotiate on an even footing.

The legislation also explicitly allows for organisations to choose to pursue collective bargaining if they are involved in the FOM process, ensuring smaller parties can negotiate as part of a collective where appropriate.