



AGE-RELATED TV LICENCE POLICY

DECISION DOCUMENT

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Executive Summary

The BBC Board's decision

In 2015, the UK Government decided to stop funding free TV licences for those aged over 75. The UK Parliament then gave the BBC the responsibility under the Digital Economy Act 2017 to decide on the future of that concession from June 2020.

From June 2020, any concession would be funded by the BBC, not by the Government. The money would have to come from the BBC's budget that goes to pay for programmes and services.

The BBC's decision would have an impact on all licence fee payers, as continuing the current concession would make the BBC significantly worse for everyone, as it would cost £745m a year by 2021/22. This is equivalent to around 18% of the BBC's spend on services today. By the end of the next decade, this would rise to over £1 billion a year.

The BBC consulted on a range of options. The BBC Board fully recognises the feedback from the consultation that there is no easy solution that everyone agrees.

The Board considered the issues very carefully. It has had detailed discussions about the advantages and

disadvantages of a range of options using three criteria of fairness, financial impact and feasibility.

The Board also complied with the public sector equality duty by considering the statutory equality needs throughout the decision-making process.

The BBC Board has decided that the fairest decision is to establish a new scheme to focus on the poorest older pensioners. Any household with someone aged over 75 who receives Pension Credit¹ will be eligible for a free TV licence funded by the BBC. The Board believes this is the right policy to implement across the UK from June 2020.

The BBC Board believes that this is the fairest option to help the poorest pensioners; it protects those most in need.

It is also the fairest option for all licence fee payers as this decision will avoid substantial cuts to BBC programmes and services up to 2021/22.

The BBC Board is not making a judgment about poverty. Instead, the BBC Board has decided to use the UK Government's own framework. The Government sets and controls Pension Credit, not the BBC. The BBC Board considers that over 1.5 million households could get free

¹ Those in receipt of either part of Pension Credit - Guarantee Credit or Savings Credit (or both).

TV licences if a member of that household is over 75 and receives Pension Credit.

The new scheme will cost the BBC around £250 million a year by 2021/22, depending on take-up of the scheme and implementation costs.

Finding the resources to meet this cost of around 6% of the BBC's budget will mean difficult choices for the BBC, as this money could have been used for BBC programmes and services. Despite the financial impact on the BBC, the Board believes this decision is the right one.

In reaching its decision the Board compared this proposal to copying the current concession. The impact of copying would require unprecedented closures of services, including BBC Two, BBC Four, the BBC News Channel, the BBC Scotland channel, Radio 5live and 5live Sports Extra, and a number of local radio stations.

The Board believes these closures would profoundly damage the BBC for everyone, especially older people who use the BBC the most. They would have a severe impact on the BBC's ability to deliver its mission to serve all audiences. These cuts would damage the creative economy, particularly in the nations and regions and make the BBC much worse value for money for those who do pay for their TV licence.

This is likely to lead some households to choose not to buy a TV licence, reducing BBC income even more. In the Board's view this could potentially risk a downward spiral of the BBC having to cut more services, which could reduce TV licences still further.

The estimated financial impact of the scheme the Board has decided on is that the BBC will be able to keep overall funding for its UK public services broadly in line with general inflation up to 2021/22, though still substantially reduced compared to 2010.

The acute financial pressures on the BBC are growing in a very competitive, global marketplace where costs in key areas are rising much faster than general inflation. The Board believes this is going to be a significant factor in judgements about the level of the licence fee when it next comes up for review in 2021/22.

The BBC Board considers it is vital that the BBC remains independent of Government.

In the discharge of its legal responsibilities under the Digital Economy Act, the Board has taken what it is satisfied is the right decision, on the basis of all the material it considered.

The BBC Board recognises the strong feelings expressed during the consultation about the Government taking back responsibility and funding the existing concession.

This is not a matter that the BBC can resolve.

The BBC Board's view is that it is a matter for Government whether, in the light of the BBC Board's decision, Government would now wish to pay the additional costs to ensure that all over 75s could continue to receive a free TV licence. Or it could take back responsibility for the over-75s concession in its entirety, and pay for it in full. The Board is satisfied that, in summary, the BBC cannot afford to do this without making the BBC substantially worse for audiences. It has done all it can reasonably to protect the poorest over 75s. The Board has made its decision, in the discharge of its statutory functions.

The Board believes strongly that there needs to be a much more transparent public debate about funding settlements in future, rather than a process behind closed doors which does not involve the public. The BBC will begin to set out its case and consult with audiences in the run-up to the licence fee funding negotiations in 2021/22.

The BBC Board recognises that its decision will now mean changes for around 4.6 million households, consisting of two groups. Around 1.5m of those could be eligible for a free TV licence funded by the BBC, of which 900,000 currently receive Pension Credit. We estimate that up to 3.75 million households will need to pay although this figure would reduce if more people aged over 75 took up

Pension Credit.

The Board considers it important that the BBC and TV Licensing take steps to support people to make this transition simple. This is a significant change for everyone over 75.

So far as implementation is concerned, the BBC Board has decided that those aged over 75 that receive Pension Credit will be able to apply for a free TV licence using a self-verification scheme. And those households that will now have to pay for their TV licence will be able to pay by small instalments.

1 Context

The BBC was founded in the 1920s with a mission to inform, educate and entertain. It is used by nearly everyone in the UK every week. It provides trusted, impartial news, and television, radio and online services and is a highly valued British public service.

The BBC is funded directly by the public to be independent of Government and commercial pressures, and to serve all audiences. The way that the BBC is funded – through the licence fee – means the public pays for it and it belongs to the British people.

For nearly 80 years the principle underpinning the licence fee was that it was universal. It was paid by all households receiving broadcast services, that is, in short, by virtually everyone.

Then in 2000 the UK Government decided to fund free TV licences for those aged over 75. This was to help reduce poverty among the oldest pensioners.²

In 2015, the UK Government decided that it would no longer pay for this licence fee concession as part of the BBC's funding settlement. The funding from the Government to cover the cost of the concession, which

² Frontier Economics, *Review of over-75s funding*, 2018, p.17

had been provided for over 15 years, is being reduced and will end in 2020.

The UK Government decided to pass the responsibility to the BBC to decide what to do next. In 2017, the UK Parliament enacted a provision in the Digital Economy Act 2017³ transferring responsibility to the BBC itself to decide what, if any, age-related concession should be in place for those aged 65 and older, beyond June 2020.

The BBC would therefore have to fund any concession in place after this date, and this would have an impact on all licence fee payers as the money would have to come from the BBC's budget which is used to fund BBC programmes and services for everyone.

Under the powers given to it in this legislation the BBC Board was required to conduct a public consultation. The BBC published a consultation document on 20th November 2018, inviting responses by 12th February 2019.

The remainder of this document describes the BBC's consultation and engagement; the BBC's decision; other options and feedback considered by the Board; implementation; and other implications of the decision.

³ See section 89. This amended Part 4 of the Communications Act 2003, which contains provisions about TV licensing

2 The BBC's consultation and engagement

Consultation and wider engagement process

The BBC Board's aim through its consultation and wider engagement with the public and stakeholders was to hear people's views and ensure there was a wide public debate.

To inform this debate, the BBC commissioned Frontier Economics to provide detailed analysis to help the Board understand the implications of different policy options. Frontier published a discussion paper on 17th October 2018,⁴ discussing the changing landscape since 2000, intergenerational fairness and the financial context. Frontier published their full report with detailed analysis on 1st November 2018.⁵

On 20th November 2018 the BBC launched a 12 week public consultation. In the BBC's consultation document, the BBC outlined a range of possible options including copy (retaining the current concession); restore the universal licence fee (abolish the concession) and reforming the concession.⁶ The reform options included

⁴ Frontier Economics, *Discussion Paper: concessionary TV licences and the landscape of intergenerational fairness*, 2018

⁵ Frontier Economics, *Review of over-75s funding*, 2018

⁶ BBC, *Age-Related TV licence policy. Public Consultation*, 2018.

Available at

<https://www.bbc.com/yoursay/BBC%20consultation%20document.pdf>

discounting, raising the age threshold and linking the concession to Pension Credit.

At the same time, the BBC also published an initial Equality Impact Assessment (EIA) setting out the impacts for a range of policy options, inviting comments that the Board has considered.⁷ That EIA was revised in light of consultation responses and further analysis. The updated draft went to the Board to help inform its thinking before it made its decision.

We are publishing the updated EIA which the Board considered in making its decision. The EIA reflects the careful consideration that the Board has given in making its decision to the needs set out in section 149 of the Equality Act 2010.

We are grateful to over 190,000 people who shared their views with us. This is the biggest response that the BBC has ever received to an exercise of this kind. The BBC Board believes this demonstrates both the strength of feeling about this important issue, and the importance of the BBC.

⁷ BBC, *Initial Equality Impact Assessment*, 2018. See also: BBC, *Age-Related TV licence policy. Public Consultation*, 2018. Q3 p.16 which invites comments on the initial Equality Impact Assessment. Available at <https://www.bbc.com/aboutthebbc/reports/consultation/age-related-tv-licence-policy>

The BBC Board commissioned four reports to analyse all the feedback received. We are publishing these four reports in full:

- A report from Traverse, analysing c85,000 public responses to the BBC's consultation document;
- A BBC stakeholder report, summarising the 115 stakeholder responses to the BBC's consultation and feedback from 15 BBC-hosted roundtable discussions. This included responses passed on from surveys and petitions – for example, a survey by the organisation 38 Degrees was completed by nearly 100,000 people;
- A report from Populus summarising interviews with 115 people representing a range of organisations and interests, including those representing the needs and interests of older people; and
- A report from Ipsos MORI who conducted nationally reflective qualitative research⁸ with over 250 people.

⁸ The BBC consultation document stated that the BBC would conduct '*large-scale nationally representative research with the UK public*'. Having considered the nature of the issues around the age-related TV licence policy, Ipsos MORI recommended undertaking large-scale deliberative research with a nationally reflective sample of the UK adult population. The sample was nationally reflective in that it included different areas of the UK and key demographics overall (including different age groups

During the process of consultation and wider engagement the BBC communicated widely with UK audiences in a variety of ways. The BBC broadcast a short video message informing people how to participate in the consultation on BBC One and BBC Two before programmes like *EastEnders* and *The One Show*. There was a short reminder campaign on the BBC Homepage, which has 2.5 million visits a day.

Information was available on the BBC website and TV Licensing's website. The BBC's consultation website had more than 625,000 hits during the consultation period.

The consultation process was as accessible as possible. This included a telephone request line that took more than 8,000 calls, where people could get a paper, Braille, or audio copy of the consultation document and ask questions. Paper copies were available with freepost return envelopes – more than 3,000 people returned responses by post. There was also a Welsh language version.

In addition, to increase awareness about the process of consultation and wider engagement, the BBC contacted stakeholders. Over one thousand UK stakeholders were contacted, including representatives from older people's groups, charities representing people with dementia and

and, within this, different genders and socio-economic groups) to reflect broadly the profile of the UK adult population

disabilities, media industry, media policy and audience groups across the UK. This also included MPs, members of devolved parliaments and assemblies, devolved governments and some local authority leaders.

Some of those stakeholders were invited to attend a series of 15 BBC roundtable events held around the UK.

Overall feedback from the four reports

The BBC Board carefully considered the four reports, which are available for everyone to read. These are important, but in this document we do not summarise their full content. Instead, this section includes some of the key points raised by respondents during the consultation and wider engagement process.

Respondents expressed a wide range of views, many strongly held. A number of different options were suggested as the right course of action for the BBC Board to take.

From the BBC's consultation questionnaire, Traverse reported that 52% chose some form of change – 37% ranking reform first and 15% calling for the concession to be abolished to restore a universal licence fee. 48% ranked copy as their first option.⁹

Many respondents highlighted pensioner poverty and the importance of TV as a companion for the elderly. Others raised questions about the BBC's ability to fund a concession and continue to offer high-quality services.

Many valued BBC programmes and services, with stakeholders in particular raising concerns about the impact of cuts to BBC services. There was little public appetite for cutting any particular BBC service although some people did make specific suggestions which we outline in section 4.¹⁰

There was considerable support from the public for copying the concession, with Traverse reporting that 48% ranked this as their first choice. In the 38 Degrees survey 39% of respondents ranking copy put it as their favourite

⁹ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.21. There were 71,587 responses to Q1 about overall options in the BBC consultation questionnaire. 66,798 selected a first preference. Traverse percentages are reported out of all first ranks for either Q1, or Q2a.

¹⁰ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.39

option.¹¹ Some said, for instance as reflected in the Ipsos MORI report, that the BBC could fund the concession through greater efficiencies and changing the way that the BBC is funded overall.

The BBC stakeholder report and Populus reported that many older people's groups felt the concession should continue in its current form. Many stakeholders felt very strongly that the UK Government should continue to fund the current concession.¹²

There was a significant level of concern about the BBC being given this responsibility. Indeed, the BBC Board is aware that over 100,000 people in an Age UK petition called on the Government to continue to fully fund the concession.

Many stakeholders whose views are reflected in the Populus report were concerned about the way that the 2015 licence fee settlement was conducted behind closed doors without any public consultation and Parliamentary scrutiny.

¹¹ 38 Degrees, *BBC Age-related TV licence policy consultation: submission from 96,329 members of 38 Degrees*, 2019. p.2.

Quoted percentages are based out of the number of respondents selecting this option i.e. the number of respondents who ranked the option either first, second or third.

¹² See for example: BBC, *Age-Related TV licence policy. Summary of stakeholder responses*, 2019, p.18-19

Overall, supporters of copying believed a full, universal concession was necessary to protect older people from poverty, from loneliness, and from the rising costs common in old age. Some said that older people needed TV more and had earned their concession through contributions to taxes, society or by paying the licence fee over many years. While Traverse reported some support for the BBC extending the concession to a lower age than 75, this received very little support from stakeholders.

In contrast, there was relatively little support for abolishing the current concession and restoring the universal licence fee. Traverse reported that 15% ranked this first.¹³ In the BBC stakeholder report those arguing for this option highlighted the need to protect BBC services from cuts.

There was strong support from many people for reforming the concession.

The BBC Board considered it significant that, across all of the feedback, many felt changing the concession was the right way forward, to help support those most in need, and ensure that the BBC could continue to provide a range of services that served all audiences.

¹³ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.21

For example, Ipsos MORI reported that most participants reached a view that neither copying the current concession nor restoring a universal licence fee was their preference. They wanted to find a way to balance the competing priorities better. The most important of these were being fair to older people by providing some sort of concession, while also protecting the BBC from the most significant cuts that they felt would have an impact on all audiences.¹⁴

Overall, means-testing was preferred to the other reform options, although it was a polarising option, as many raised concerns.

Traverse reported that, out of three possible reform options the BBC had outlined, means-testing was ranked first at 46%.¹⁵

In the BBC's stakeholder report the 38 Degrees survey found that almost 50% ranked means-testing as their favourite reform option.¹⁶

¹⁴ Ipsos MORI, *Age-Related TV Licence Policy: Deliberative Research*, p21

¹⁵ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.56-57. There were 72,310 responses to question 2a about reform options. 47,981 selected a first preference.

¹⁶ 38 Degrees, *BBC Age-related TV Licence Policy consultation: submission from 96,329 members of 38 Degrees*, 2019. p3

Many considered it to be the fairest reform option, helping those older pensioners who were most in need while limiting the cuts required to BBC services which would impact on all licence fee payers. Others felt that some pensioners would be able to pay for a TV licence in full.¹⁷ Some pensioners also said they felt it was only right to give up their concession to ensure those on lower incomes received it.¹⁸

However, many including older people's groups and members of the public strongly opposed means-testing. Many thought copying was the right option, for the reasons discussed above. In addition, they considered means-testing would be difficult and expensive to implement. They raised concerns about relatively low take-up of Pension Credit, and about those just above the Pension Credit threshold saying that some pensioners could unfairly lose out.¹⁹ Other stakeholders whose views are reflected in the BBC stakeholder report raised the possibility that linking a TV licence fee concession to Pension Credit could increase its take-up.

¹⁷ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.99

¹⁸ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.99

¹⁹ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, p104-105; and BBC, *Age-Related TV Licence Policy. Summary of stakeholder responses*, 2019, p.38-39

Other reform options, such as discounting and raising the age threshold, were seen as credible options across the wider consultation but did not attract such strong support.

Traverse reported that 32% ranked discounting as their first choice (out of three reform options).²⁰ Overall, stakeholders saw discounting as more arbitrary than means-testing. Some saw it as the least bad choice. However, many thought it did not address the problem and could impact the poorest pensioners the most, as they would have to pay something towards their licence.

On raising the age threshold Traverse reported that 22% ranked this first (out of three reform options).²¹ Traverse reported 36% of those respondents that provided an age in response to this question, chose 80. 46% said they were not in favour of this reform. There was little support from stakeholders who raised concerns about fairness and cost.²²

²⁰ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.57

²¹ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.57

²² Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.83-84. Of those answering Q2c, 46% said they were not in favour of this reform, and 51% chose an age. Of those choosing an age, 36% said 80.

People from across the UK participated in the process of consultation and engagement, including a number of stakeholders who represent specific communities and interests within the devolved nations and English regions. In the BBC stakeholder report many highlighted the importance of the BBC's investment in the devolved nations, and raised comparative levels of poverty, life expectancy and reliance on BBC services across different parts of the UK.

3 The BBC's decision

The BBC Board has taken a decision after weighing up all the evidence and views submitted.

The BBC Board approached its decision having regard to the BBC's mission and purposes.

The BBC Board recognises, as the consultation feedback demonstrates, that there is no easy solution that everyone agrees. The Board considered the issues very carefully and has had detailed discussions about the advantages and disadvantages of a range of options.

The BBC Board has decided that the fairest thing to do is to establish a new scheme to focus on the poorest older pensioners. Any household with someone aged over 75 who receives Pension Credit will be eligible for a free TV licence funded by the BBC.²³

The BBC Board considers that this is the right policy to implement, across the UK, from June 2020.

The Board is satisfied that this decision best reflects and achieves the BBC's mission and purposes.

²³ Those in receipt of either part of Pension Credit – Guarantee Credit or Savings Credit (or both)

The Board considered it helpful and appropriate to apply three criteria to this decision: fairness, financial impact and feasibility. These were the criteria previously used at an earlier stage and set out in the BBC's consultation document:

- **Fairness** – The impact on older age groups, and the impact on all licence fee payers;
- **Financial impact** – The cost of any concession to the BBC and the possible impact this might have on programming and services; and
- **Feasibility** – The need to be able to implement any concession effectively, clearly and simply.

The BBC Board's reasoning, by reference to these three criteria, and also by reference to the public sector equality duty, is set out below.

Fairness

The BBC Board weighed up which was the fairest option for older people and all licence fee payers.

1. The BBC Board believes that this outcome is the fairest option overall.
2. The Board believes that the fairest thing to do is to safeguard free TV licences for those older people

who are least able to pay; it protects those most in need.

3. The Board thinks it is a fair approach to base the judgement of who is least able to pay on the UK Government's own framework of support to the poorest older pensioners, rather than create a new system. We think granting the concession to those over 75s who receive Pension Credit meets that aim. Frontier Economics advised "any Pension Credit means-test would clearly focus the concession on those older households who are more likely to find it difficult to pay."²⁴
4. The Board recognises the points raised about the level of Pension Credit take-up, but think this is still the right course to take. At the same time, the Board believes it is important that the BBC works with organisations representing older age groups and charities to help raise the visibility of Pension Credit as a way of claiming a free TV licence.
5. The Board recognises the importance of the BBC as a companion to combat loneliness and a source of information and enjoyment for older people. We do not want to put this at risk – either because the poorest older pensioners might not be able to afford a licence fee, or because the BBC has to close or

²⁴ Frontier Economics, *Review of over-75s funding*, 2018, p.64

reduce services that older people value from the BBC.

6. The Board thinks it is fair that those older households who can afford to pay should do so. As Frontier Economics explained, over time older households have generally seen a marked improvement in their living standards. Pensioner poverty rates²⁵ have fallen since 2000, and older households report higher well-being on a range of metrics.²⁶
7. The Board was struck by the fact that some older people in the consultation process said they were happy to pay the TV licence and would support the poorest receiving a benefit instead of them.²⁷

²⁵ In 2000, when the concession was introduced, 28% of pensioners were in poverty, in 2018 the level was 16% (DWP: *Households below average income: 1994/95 to 2017/18*, March 2019). Measures used are 'relative income poverty', where households have less than 60% of contemporary median income, after housing costs

²⁶ Frontier Economics, *Review of over-75s funding*, 2018, p.19 and Frontier Economics, *Discussion Paper*, 2018, p.5

²⁷ Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.99

Traverse reported the most frequent comment in support of means-testing (1,573) was the belief that some older people can afford to pay. Of these, "some respondents who say that they currently receive the concession add that they feel it is only right

8. The Board thinks it is fair to continue to set the age threshold at 75. That was the threshold set by the Government when it introduced the current concession to address pensioner poverty in 2000. This is the group who stands to lose out by a change and is least likely to be able to change their income. The Board does not consider that there is a good reason to change the age threshold.
9. The Board also believes, since it ensures the continuation of a high-quality BBC for everyone, that this option is the fairest option for all licence holders as it will avoid substantial cuts to BBC programmes and services up to 2021/22.

Financial impact

The BBC Board weighed the impact of the costs of a new concession against the impact on BBC content and services from reduced funding. Frontier Economics estimated that copying the concession would cost £745 million in 2021/22. This is equivalent to around 18% of the BBC's spend on services today. By the end of the next decade, this would rise to over £1 billion a year.²⁸ Under some possible policy options, major cuts and closures of BBC services would be necessary.

that they give up the concession to ensure those on lower incomes receive it.”

²⁸ Frontier Economics, *Review of over-75s funding*, 2018, p.5

10. The BBC Board considered that the amount the BBC has available to spend on UK services for licence fee payers has reduced significantly in real terms since the licence fee was first frozen in 2010/11 and additional financial responsibilities were placed on the organisation. Between 2010/11 and 2018/19, the amount the BBC could spend on UK public services was 24% less than if the licence fee had risen with inflation.²⁹

11. The Board believes strongly that the BBC needs to continue to find efficiency savings. It reviewed independent benchmarking that found that the BBC spent less than 6% of its controllable spend on support activities and was within the most efficient 25% of global telecommunications and media companies.³⁰

12. The balance of recent BBC savings has been shifting to cutting programmes and content: around 70% of forecast savings from 2019/20 through to 2021/22 are projected to be cuts to services, compared to around a third between 2011/12 and 2018/19. Some further efficiency savings have already been planned. As the consultation document

²⁹ BBC written evidence to House of Lords Communications Committee: *Public service broadcasting in the age of video on demand*, May 2019

³⁰ EY, *Benchmarking the BBC's overhead rate*, 2018

had indicated, the Board felt that new efficiency savings alone could provide only very limited funding by 2021/22 to help fund a concession.³¹

13. The BBC Board considers that its decision (the option of means-testing for over 75s) would involve an estimated cost to the BBC of around £250m in 2021/22. The precise cost will vary, subject to take-up of Pension Credit and implementation costs taking into account compliance with the new policy.³² Overall, this means there will be less money to spend on programmes and services than if the UK Government were funding a concession or if the Board restored the universal licence fee.

14. Given the reduction in funding of the BBC's UK services since 2010, and the accelerating growth in competition and rapidly rising inflation in the global media market over the same period, any funding allocated towards a new concession is more difficult for the BBC to find.

³¹ BBC: *Age related TV Licence Policy Public Consultation*, November 2018, p.6

³² Frontier Economics, *Review of over-75s funding*, 2018, p.56 Figure 32, provides an estimate of £209 million. The £250 million is an estimate which factors in assumptions for implementation costs including compliance with the new policy and possible increased take-up of Pension Credit

15. However, the Board believes that the costs of around £250 million a year by 2021/22 could be met in a way that avoids substantial cuts to BBC services in that period. The Board is clear that diverting 6% of the BBC's spend on programmes and services risks weakening the delivery of the BBC's mission and purposes, particularly in a much more competitive global market. Therefore, the cost of this new scheme will require difficult choices. The Board considers that it could be done in this way:

- a. £150m a year from the licence fee which has previously been used to support the roll-out of rural broadband – this money would otherwise have been used to develop BBC programmes and services; and
- b. Around £100m a year from planned savings that are part of the current programme of efficiency and cuts. These savings will not now be available to develop BBC programmes and services.

16. The Board found it helpful to compare this proposal to an option where the BBC copied the current concession. The BBC estimates there would be a further cost of around £500m as compared with means-testing for over 75s. To meet that cost, there would need to be cuts to programmes and services, and cancelling of some planned investment. These cuts would be unprecedented both in scale and pace.

In practice, this would mean closures of services: specifically including the closures of BBC Two, BBC Four, the BBC News Channel, the BBC Scotland channel, Radio 5live and 5live Sports Extra, and a number of local radio stations. The Board were not prepared to make this level of cuts to the organisation.

17. The BBC Board believes these closures would profoundly damage the BBC for everyone, especially older people who use the BBC the most. They would have a severe impact on the BBC's ability to deliver its mission to serve all audiences. These cuts would also mean people spending less time with the BBC, making it much worse value for money.
18. This is likely to lead some households to choose not to buy a TV licence, reducing BBC income even more. The Board's view is this could potentially risk a downward spiral of the BBC having to cut more services, which could reduce TV licences still further.
19. These cuts to BBC content would damage the creative economy, particularly in the nations and regions, given that many BBC programmes are made by independent producers. It would also reduce commercial activity, making further cuts necessary.
20. The estimated financial impact of the new scheme is that the BBC will be able to keep overall

funding for its UK public services broadly in line with general inflation from 2017/18 to 2021/22, though still substantially reduced compared to 2010.

21. This decision will ensure that the BBC can contribute at substantially the same level to the creative economy across the UK, including the nations and regions, which were points raised in the consultation.
22. However, the acute financial pressures on the BBC remain in a very competitive, global marketplace where costs in key areas are rising much faster than general inflation. The Board believes that this is going to be a significant factor in judgements about the level of the licence fee when it next comes up for review in 2021/22.³³

Feasibility

The BBC Board considered the feasibility and risks around implementation of a new concession.

23. The Board considered the Government precedent of using Pension Credit as a passport benefit to help people access additional support as an important factor in making this option simpler and

³³ BBC written evidence to House of Lords Communications Committee: *Public service broadcasting in the age of video on demand*, May 2019

easier to understand, as well as being more feasible to implement than originally thought.

24. The BBC Board recognises that implementation of this option represents a significant change both for those people aged over 75 who will continue to qualify for a free TV licence, and for those who will now have to pay.
25. The Board takes the view that granting eligibility to over 75s who receive Pension Credit is the right decision to make.
26. The BBC Board asked the BBC's Licence Fee Unit to consider how a potential option of a new concession linked to Pension Credit for the over 75s might be implemented and communicated. As part of this discussion, the BBC Licence Fee Unit has explored the development of communication and implementation plans for TV Licensing (TVL)³⁴ to design a process for both groups that makes it as easy as possible to transition to the new system. The Board is satisfied that this is achievable.
27. The Board has made specific further decisions as to implementation, namely that from June 2020 TVL will:

³⁴ Collection of the licence fee is overseen by the BBC's Licence Fee Unit operating under the name "TV Licensing" (TVL). TVL also includes some third party contractors who operate on behalf, and under the supervision, of the BBC

- a. Operate a self-verification system to determine eligibility for the concession; and
- b. Set up a new scheme to allow people who no longer qualify for the concession to pay for their licence by instalments to help them with the transition.

The Public Sector Equality Duty

The BBC Board has complied with the public sector equality duty³⁵ throughout the process of reaching its decision. This included giving careful consideration to the need to eliminate discrimination, advance equality of opportunity and encourage good relations between people based on characteristics like age, gender, race and disability.

The BBC consulted on an initial Equality Impact Assessment (EIA) as part of this process.

Today, we have published an updated EIA that sets out the issues the Board considered, including matters raised in the initial assessment, responses to the consultation and wider engagement process and further information.

The BBC Board's view is that this new scheme is the fairest that can be achieved, both to help poorer older pensioners and ensure there is a BBC which benefits

³⁵ See section 149 of the Equality Act 2010

everyone, in particular older people who consume more content than other age groups.

Key matters that the Board took into account in its decision-making included:

- The Board recognised that if groups that currently receive free licences have to pay in future they could lose out financially. If they could not access TV they could lose an important source of information and companionship.
- The Board considered that these potential impacts could be felt by all over 75s, but (as confirmed by respondents) women, those from BAME backgrounds, disabled people and those with long-term illness could be particularly affected because they are more likely to be poor.
- So a concession linked to Pension Credit for over 75s could be a way of mitigating such impacts and supporting those groups by focusing the concession on the poorest, given the BBC cannot afford to continue with the current concession. This is also fairer for the poorest older pensioners compared to any of the other reform options considered.
- Respondents raised real concerns about pensioner poverty and this is an important factor in the Board's decision.³⁶ Pensioner poverty continues to be a

³⁶ See for example; Traverse, *Age-Related TV Licence Policy: Consultation Analysis Report*, 2019, p.29-30; Ipsos MORI, *Age-Related TV Licence Policy: Deliberative Research*, 2019, p.12; BBC,

particular issue for over 75s, given they will probably not be able to change their income. The Board considered that this strengthens the rationale for a concession linked to Pension Credit, which will benefit the poorest over 75s.

- The Board considered that the risk that some over 75s may not feel able to hold a licence and use television services in future would also be reduced substantially by linking eligibility to receipt of Pension Credit, and that improving visibility of Pension Credit could also help.
- Many respondents considered it to be the fairest reform option, helping those older pensioners who were most in need while limiting the cuts required to BBC services which would impact on all licence fee payers. Others felt that some pensioners would be able to pay for a TV licence in full.³⁷ Some pensioners also said they felt it was only right to give up their concession to ensure those on lower incomes received it.³⁸

Age-Related TV licence policy. Summary of stakeholder responses, 2019, p.13-15; and Populus, Age-Related TV Licence Policy: Stakeholder report, 2019, p.10, 18 and 28

³⁷ *Traverse, Age-Related TV Licence Policy: Consultation Analysis Report, 2019, p.99*

³⁸ *Traverse, Age-Related TV Licence Policy: Consultation Analysis Report, 2019, p.99*

- The Board also considered that more women over 75 live alone.³⁹ The Board noted that the majority of Pension Credit claimants are women⁴⁰ and Pension Credit take-up is also higher for single people than couples.⁴¹
- Some respondents pointed out that disabled people have greater living expenses than others.⁴² There is an extra amount of Pension Credit available to those who qualify as severely disabled.⁴³ There are also other disability benefits available to this group, even for those who do not qualify for Pension Credit, so the greater costs for that group are already recognised by the Government to some extent.

³⁹ Frontier Economics, *Review of over-75s funding*, 2018, p.29-30

⁴⁰ DWP Table PC3: Take-up (caseload) of Pension Credit by family type, 2009/10 and 2012/13 to 2016/17, Great Britain only. 57% of Pension Credit claimants were single women, 23% were single men and 20% were couples

⁴¹ DWP Table PC3: Take-up (caseload) of Pension Credit by family type, 2009/10 and 2012/13 to 2016/17, Great Britain only

⁴² Joseph Rowntree Foundation, *Disability and Poverty in Later Life*, August 2016

⁴³ An additional amount for severe disability can be included in an appropriate minimum guarantee if the person: gets Attendance Allowance, the Disability Living Allowance middle or high rate care component or the Personal Independence Payment daily living component; and, no one is paid Carer's Allowance to look after them; and, they live alone, or are treated as living alone

- There is also an extra amount of Pension Credit available for those who are over 75 who receive, or have an underlying entitlement to, Carers Allowance,⁴⁴ so again the greater costs for that group are also recognised by the Government to some extent.
- In addition, some over 75s are likely to be in care homes and will benefit from a substantially reduced licence fee under the Accommodation in Residential Care scheme.⁴⁵
- An option involving severe cuts to BBC programmes and services would make the BBC worse for everyone. The BBC's ability to bring everyone across the UK together would be reduced. Relations between different age groups might be affected if younger people (who might also be poor) were consequently paying for a worse service.

⁴⁴ The additional amount for a carer can be included in an appropriate minimum guarantee if a person or their partner: receives Carer's Allowance, or have claimed Carer's Allowance and fulfil the conditions but cannot be paid it as they get State Pension or another benefit instead. In this case, there is an 'underlying entitlement' to Carer's Allowance

⁴⁵ As at end of March 2018 there were around 428,000 individuals covered by ARC licences of which around 260,000 were over-75 licences. See also: <https://www.tvlicensing.co.uk/check-if-you-need-one/business-and-organisations/residential-care-homes-aud14>

4 Other options and feedback considered by the Board

The BBC Board considered the impact of the other policy options set out in the BBC's consultation document. It did so taking into account all feedback received from respondents involved in the consultation and wider engagement process. It did so, in particular, alongside the BBC's mission and purposes, the three criteria and considered equality needs as required by the public sector equality duty.

This section sets out the BBC's reasoning by reference to those other principal options, and the other main points raised through the consultation and engagement, which the BBC Board considers appropriate for inclusion and response. Not every option, and not every point, is included here.

Copying the current concession

1. Although this option had strong support from many respondents, the BBC Board has rejected it. The Board's reasons can be seen from what has been said above.
2. The BBC Board's view is that the BBC cannot afford to make the level of cuts required.
3. For the same reason the BBC cannot afford to extend the current concession to those aged between 65 and

75, who currently do not qualify for a free TV Licence, as that would cost the BBC even more.

4. Around half of media industry stakeholders rejected copying the existing concession. Some said it was unaffordable for the BBC and others also expressed concern about the damage to the creative sector as a whole, especially in the UK's nations and regions.
5. Assuming the BBC could cover up to £250m a year of costs, the additional cost of c£500m needed to pay for this option would mean cuts to core BBC services and programmes on top of previous cuts in content spend, and cancelling of some planned investment.
6. The BBC Board expect that these cuts would include the closure of all of the following services, after reallocation of shared costs like distribution and technology:⁴⁶
 - a. BBC Two (c£270m savings)
 - b. BBC Four (c£30m savings)
 - c. BBC News Channel (c£20m savings)
 - d. Radio 5live and 5live Sports Extra (c£45m savings)
 - e. BBC Scotland channel (c£30m savings)

⁴⁶ These figures are based on 2021/22 forecasts for estimated transmission costs, which could be saved in the short term following the closure of a service; they do not include allocated costs such as newsgathering, copyright, distribution, and support costs which would take longer to eliminate or reduce

f. Around 10 BBC local radio stations (c£15m savings)

7. The BBC Board thought this option was the least fair to all licence holders. As mentioned above, the Board believes these closures would profoundly damage the BBC for everyone, especially older people who use the BBC the most. They would have a severe impact on the BBC's ability to deliver its mission to serve all audiences. These cuts would also mean people spending less time with the BBC, making it much worse value for money.

Restoring a universal licence fee

8. The BBC Board has rejected this option.

9. The Board had in mind that this option received little public support. The Board's conclusion was that this option was the least fair to the poorest older pensioners. The Board noted the concerns that if all over 75s had to pay a full licence fee this could risk putting around 50,000 pensioners into poverty.⁴⁷

Discounting the concession

10. Discounting was seen by many respondents as a credible option and as clearly better than having no concession. Traverse shows it received the second

⁴⁷ Age UK, *Consultation Response*, 2019, p.9

highest number of first place ranks among reform options (32%), and Ipsos MORI said that it “appealed to many participants”. Some stakeholders thought it was a pragmatic compromise. However, it was not as strongly supported as some of the other reform options.

11. The BBC Board rejected this option.

- It has done so on fairness grounds because of concerns raised about whether the poorest pensioners could afford to pay.
- This option would also lead to substantial reductions to core BBC services which would be unfair for all licence fee payers.

Raising the age threshold to 80

12. Some respondents thought that raising the age threshold to 80 was feasible, although Traverse stated that it was the least-supported reform option. A few in the BBC stakeholder report raised concerns that it was an arbitrary threshold and the age could be raised again.

13. The BBC Board has rejected this reform.

- It has done so because of fairness concerns about poorer pensioners aged between 75 and 79 losing out.

- This option would also mean substantial cuts to core BBC services which would be unfair for all licence fee payers.

Combinations and other proposals

14. There was relatively limited support from respondents for combinations of reform options. Overall, the BBC Board had concerns about the fairness, financial impact and feasibility of combination options, in particular about explaining any new scheme simply.
15. The BBC Board also rejected changing the rules on household composition so that only households where all members were over 75 could qualify, establishing a preserved rights scheme and a voluntary contributions scheme. The BBC Board rejected these options essentially for the reasons set out in the BBC's initial thinking in the consultation document.⁴⁸
16. A few respondents raised whether the concession should be extended to over 65s in some way, including by means-testing. The BBC Board rejected this option. The Board did not consider that an extension to all over 65s was affordable. In addition, the Board also rejected an extension of the Pension Credit option to cover over 65s as it would

⁴⁸ BBC, *Age related TV Licence Policy Public Consultation*, 2018. See Section 6.5

cost the BBC around £350 million a year, based on the estimates provided by Frontier Economics.⁴⁹ This would mean more cuts to services. The Board thinks it is fair to continue to set the age threshold at 75, as discussed above.

17. The BBC's consultation document raised the question of whether there could be a transition period to a new reform option.⁵⁰ The BBC Board has rejected this, as it believes that announcing its decision a year in advance gives people some time to prepare for the new scheme, which is one of the reasons why the BBC has taken this decision in June 2019.

Other points

The BBC Board considered other points raised by respondents in the consultation and wider engagement process that included the following as principal themes.

18. Some respondents raised concerns about the consultation process, including around complexity and accessibility.
 - The BBC Board is satisfied that the BBC has consulted in an appropriate, open and accessible

⁴⁹ Frontier Economics, *Review of over-75s funding*, 2018, p.61

⁵⁰ BBC, *Age related TV Licence Policy Public Consultation*, 2018.

way, setting out a range of possible policy options clearly.

- As outlined above, there were a variety of ways to participate, some of which were specifically tailored to help the over 75s or disabled people.
- Across the overall process, over 190,000 people participated.
- The Board is satisfied that through the consultation and engagement it is in a position to make a fair and informed decision.

19. A few respondents raised questions about the Frontier reports, including whether it was right to include intergenerational fairness as part of the debate. The BBC's Board view is that the Frontier Economics work provided a useful assessment of the issues largely based on their economic analysis. Other stakeholders also felt these issues were important as part of the debate about fairness to all licence fee payers. The Board has also taken into account concerns raised about overall trends in pensioner poverty since 2000⁵¹ and the distributional impacts of the policy options.

⁵¹ In 2000, when the concession was introduced, 28% were in poverty. This fell over time to 13% in 2012. There was a slight rise to 16% by 2016, which has remained steady in the most recent DWP data (DWP: *Households below average income: 1994/95 to 2017/18*, March 2019)

20. Another issue raised was concern for those people who are just above the Pension Credit threshold. The Board's view is that it is for the UK Government to determine where that threshold should sit. The Government sets and controls Pension Credit, not the BBC. Further, Frontier Economics advised that any benefits system always creates cliff edges although the numbers involved in this case would be small⁵² and that the BBC would not practicably be able to implement a system that could take this in to account.⁵³

21. Some also raised the UK Government's recent change to the eligibility for Pension Credit for couples of mixed age, whereby both partners need to be of state pension age to qualify for Pension Credit. The number of over-75 households impacted will be

⁵² Frontier Economics, *Review of over-75s funding*, 2018, p.53. The BBC asked Frontier Economics to provide supporting evidence on the approximate numbers of households with a person over 75 who are just ineligible (based on their income level) for Pension Credit. Frontier looked at the distribution in over-75 household incomes after excluding income related benefits (primarily Pension Credit for this group). Frontier calculated the number of households with a person over 75 with a weekly income up to £2.83 (the weekly cost of a TV licence in 2017) above the weekly Pension Credit thresholds. Frontier concluded that around 16,000 households were within this threshold. This is less than 0.5% of total UK households with a person over 75

⁵³ Frontier Economics, *Review of over-75s funding*, 2018, p.53

very small.⁵⁴ The Board is also clear that Pension Credit policy is a matter for Government.

22. A number of respondents proposed that the BBC could deliver greater efficiencies by spending less on high-profile talent and senior managers. However:

- The BBC Board considers that it is appropriate and commands broad public support for the BBC to use the best talent in its programming. A nationally representative survey found that nearly 4 in 5 UK adults think that the BBC should employ the highest-quality presenters, actors and reporters.⁵⁵
- The BBC Board did not agree that cutting the salaries of all top talent would be enough to cover the cost of copying the current concession. Even if the BBC employed no presenters paid over £150,000 a year, that would save less than £20m a year.⁵⁶ If the BBC reduced pay for senior managers

⁵⁴ Around 80% of the total Pension Credit caseload is composed of single people; and most of those in couples contain two individuals above the state pension age. Frontier Economics note “where an age threshold of 75 is used...almost all eligible couples will be over state pension age”. Frontier Economics, *Review of over-75s funding*, 2018, p.63-64

⁵⁵ Ipsos MORI for the BBC, 1,032 UK adults 18+, July 2017, BBC Presenters, Actors, Reporters Survey

⁵⁶ BBC, *Age-related TV Licence Policy Public Consultation*, November 2018

so that no manager were paid more than £150,000 a year, that would save around £5m a year.⁵⁷

23. Feedback from respondents showed little public appetite for cutting particular BBC services and programmes. However, some suggestions were made. For instance, Traverse reported that some people proposed cutting smaller services such as BBC Three, BBC Four, Radio 1Xtra, Asian Network and Radio 6 Music. Others proposed cutting certain programmes. Populus found that a few stakeholders raised the possibility of closing Radio 2. However:

- The Board considered that these services are important to the BBC in delivering a diverse, distinctive offer to a range of audiences.
- The Board considered that these cuts on their own or taken together would not have come close to covering the costs of copying the current concession.⁵⁸

24. Some respondents proposed that the BBC should raise additional revenue by advertising, sponsorship or subscription. However, under the BBC Framework Agreement the BBC cannot by itself establish new ways of funding through sponsorship or advertising. The Framework Agreement makes

⁵⁷ BBC analysis based on *BBC Annual Report and Accounts*, 2017/18

⁵⁸ *BBC Annual Report and Accounts*, 2017/18, p.194

provision only for a pilot subscription service so this could not be relied upon.⁵⁹

25. Some respondents raised licence fee reform. The BBC's Charter establishes that the licence fee model will fund the BBC until at least 2027.⁶⁰ Nor does the BBC have the power to raise the licence fee, which is a matter for the UK Government.

⁵⁹ BBC Framework Agreement, Clause 49

⁶⁰ BBC Charter, Clause 43

5 Implementation

Determination

The exercise of the statutory decision-making function entrusted to the BBC requires the publication of a formal Determination document, to give effect to the policy decision and associated implementation decisions in a way that is effective and clear.

The BBC Board by this decision has concluded that a Determination giving effect to the decision should be finalised and issued. The BBC Board intends to publish this Determination by the end of June 2019.

Other issues of implementation

The BBC Board recognises that its decision will now mean changes for around 4.6 million households⁶¹ consisting of two groups. Around 1.5m of those could be eligible for a free TV licence funded by the BBC, of which 900,000 currently receive Pension Credit. We estimate that up to 3.75 million households would need to pay although this figure would reduce if more people aged over 75 took up Pension Credit.

⁶¹ BBC, *Age-related TV Licence Policy Public Consultation*, 2018, p.36

The BBC Board has discussed the importance of implementing this policy in a sympathetic and effective way.

The BBC Board has also considered the implementation issues below in the context of the public sector equality duty and the revised Equality Impact Assessment.

Collection of the licence fee is overseen by the BBC's Licence Fee Unit operating under the name "TV Licensing"⁶² (TVL). TVL also includes some third party contractors who operate on behalf, and under the supervision, of the BBC.

TVL will need to provide particular support to both of the directly affected groups of people – those households who will continue to receive a free TV licence and those households who will now need to pay.⁶³

The BBC Board has discussed the importance of TVL developing detailed communication and implementation plans, so that the process makes the transition for everyone over 75 as easy as possible.

⁶² TV Licensing is a trade-mark of the BBC and is used under licence by companies contracted by the BBC to operate the television licensing system. The companies are managed by the Licence Fee Unit, a department within the BBC. In this document, when we say TV Licensing we mean the Licence Fee Unit and TV Licensing companies

⁶³ The TV licence will cover the householder's main home only

These plans remain under development, although TVL's initial thinking is set out below.

TVL plans to write to all over-75 TV licence holders advising them of how the new policy will work and when they need to act.

For some, this could be a simple transaction. For others, including people with cognitive disabilities, this could be more difficult. TVL will therefore approach this transitional period carefully and with respect to those directly affected, aiming to make this change as easy as possible.

TVL's plans are informed by the following principles:

- Ensuring accessibility. TVL recognises that many older people prefer direct contact – face to face or by phone – to using the internet; all communications will meet accessibility needs which we hope will help those who are disabled or have long-term health conditions;
- Simple payment schemes: many older people prefer paying for things in small, regular, instalments;
- TVL will work with older people's groups, charities and voluntary organisations to support this group, designing a bespoke system for this age group which

helps support them through this transition. We will make it as easy as possible for carers and family members to act as representatives;

- TVL will run outreach events and a public information campaign so people know what is changing and what they need to do next; and
- People are only prosecuted as a last resort. The UK has a lower evasion rate than other countries with a similar approach to collecting licence fees.⁶⁴

TVL will not do cold calling for customers and will provide people with the information they need to contact and engage with TVL directly. This should reduce the risk of scamming which has been raised as an issue in the consultation and wider engagement process.

TVL will need more people and resources to support the new policy. The transitional implementation costs of this stage (July 2019 to June 2020) are estimated to be around £38 million, which will be covered by the BBC's current cash balance. The on-going annual costs are estimated to be around £13 million a year from 2021/22. These annual costs have been taken into account in the costs of up to £250m a year of the new scheme as explained above.

⁶⁴ National Audit Office, *TV Licence collection*, 2017, p.22

Pension Credit recipients

A system based on Pension Credit passporting for over 75s means over 1.5 million households could potentially be eligible for a concession, with around 900,000 households likely to apply to qualify from June 2020.⁶⁵

The BBC Board has decided that TVL should develop and operate an independent self-verification system for people to confirm receipt of Pension Credit in a simple and accessible way. This will work by asking customers to provide suitable evidence such as a copy of a letter they receive annually from the Department for Work and Pensions (DWP) – a Pension Credit Award Letter or Uprating Letter to demonstrate receipt of Pension Credit.

The reasons for this are:

- TVL already operates and has experience of a self-verification system for current over 75s claiming a free TV licence who do not have a national insurance number.⁶⁶
- This approach will reduce to a minimum any concerns around data protection and privacy as TVL follows

⁶⁵ BBC, *Age-related TV Licence Policy Public Consultation*, 2018, p.43-44

⁶⁶ These are national insurance numbers that cannot be verified by DWP

very strict guidelines to meet the standards set by data protection legislation.

- The process of using Pension Credit to passport to other benefits already exists. There are a range of models used by parts of the public and private sector – some of which use letters to confirm eligibility. Passporting schemes include the NHS, local authorities and energy companies.⁶⁷

For those people aged over 75 who think they might be eligible for Pension Credit but are not claiming, currently estimated by the DWP at around 650,000 households,⁶⁸ TVL will provide details of how they can apply via the DWP or the Department for Communities in Northern Ireland.⁶⁹ The DWP encourages application by phone to reduce form filling or by paper if people prefer.⁷⁰ TVL will also provide people with details of voluntary organisations who can help people make their applications.

TVL also intends to continue to make interim licences available to people who are 74 and receiving Pension

⁶⁷ <https://www.ageuk.org.uk/information-advice/money-legal/benefits-entitlements/pension-credit/>

⁶⁸ DWP Table PC9: Take-up (caseload) of Pension Credit by family type, 2009/10 and 2012/13 to 2016/17, Great Britain only

⁶⁹ <https://www.nidirect.gov.uk/articles/applying-pension-credit>

⁷⁰ <https://www.gov.uk/pension-credit/how-to-claim>

Credit when they renew their licence but will turn 75 less than 12 months later. They will be required only to pay for the months before their 75th birthday, not for the full year. A self-verification scheme will apply for the reasons set out above.

For households paying for the TV licence

We estimate there will be around 3.75 million households⁷¹ who currently qualify for the concession that will now need to pay although this figure would reduce if more people aged over 75 took up Pension Credit.

The Board has decided that TVL should develop and operate a new “pay as you go” scheme designed specifically for people aged over 75 and currently receiving a free licence, who are moving from a free to a paid licence.

The new scheme will be simple and accessible. It will allow people to pay in instalments using a number of convenient payment methods⁷² – including by cash on a

⁷¹ BBC: *Age-related TV Licence Policy Public Consultation*, 2018, p.44

⁷² TVL has implemented a number of instalment schemes which enable customers to pay in small instalments, once they have been paying for the TV licence for a period of time. It is piloting a Simple Payment Plan where customers can pay in small instalments immediately and the PayGo scheme builds on this

fortnightly or monthly basis. For example, this could be around £6 every fortnight rather than paying the full licence fee in one go.

The reasons for this are:

- The BBC Board recognises that having to pay for a licence will be a big change for many people. The Board wants to support people in transition.
- Some people who have been used to the current concession or have a lower income may struggle to pay for their licence all in one go, or using existing schemes of payment by instalment.

Prosecution policy

The Board appreciates that people will be worried about the possibility of being prosecuted, particularly as they transition to a new system.

Taking anyone to court is always a last resort.⁷³ TVL's prosecution policy already allows for consideration of people's vulnerability and individual circumstances.⁷⁴ It will take steps to support people to pay rather than prosecute them.

⁷³ DCMS, *TV Licence Fee Enforcement Review*, July 2015

⁷⁴ TV Licensing, *Policy for TV Licence Prosecutions*, 2017

In this case, TVL will arrange a customer support visit for those who are struggling to make their application for a concessionary licence or to pay, and it will provide as much advice as needed. This would be an important step before any enforcement action was considered, which in any event would only be a last resort.

TVL's aim is to ensure compliance – there is a long history in this country of everyone paying their licence fee. The UK has a lower evasion rate compared to other countries with a similar approach to collecting licence fees.⁷⁵

⁷⁵ National Audit Office, *TV Licence collection*, 2017, p.22

6 Other implications of this decision

The BBC Board believes it is important to set out some of the context and longer-term implications of the decision it has taken to fund free TV licences to households with someone over 75 who receives Pension Credit.

The BBC's financial context

The amount the BBC has available to spend on services for licence fee payers has reduced significantly since the licence fee was first frozen in 2010 and additional financial responsibilities were placed on the organisation. Between 2010/11 and 2018/19, the amount the BBC has available to spend on UK public services is 24% less than if the licence fee had risen with inflation.

In 2010, the BBC was asked to take on the costs of the World Service, BBC Monitoring, Local TV and S4C – the Welsh language broadcaster – as well as assuming responsibility for funding the roll-out of broadband to rural communities across the UK. The level of the licence fee was frozen and its value therefore reduced with inflation.

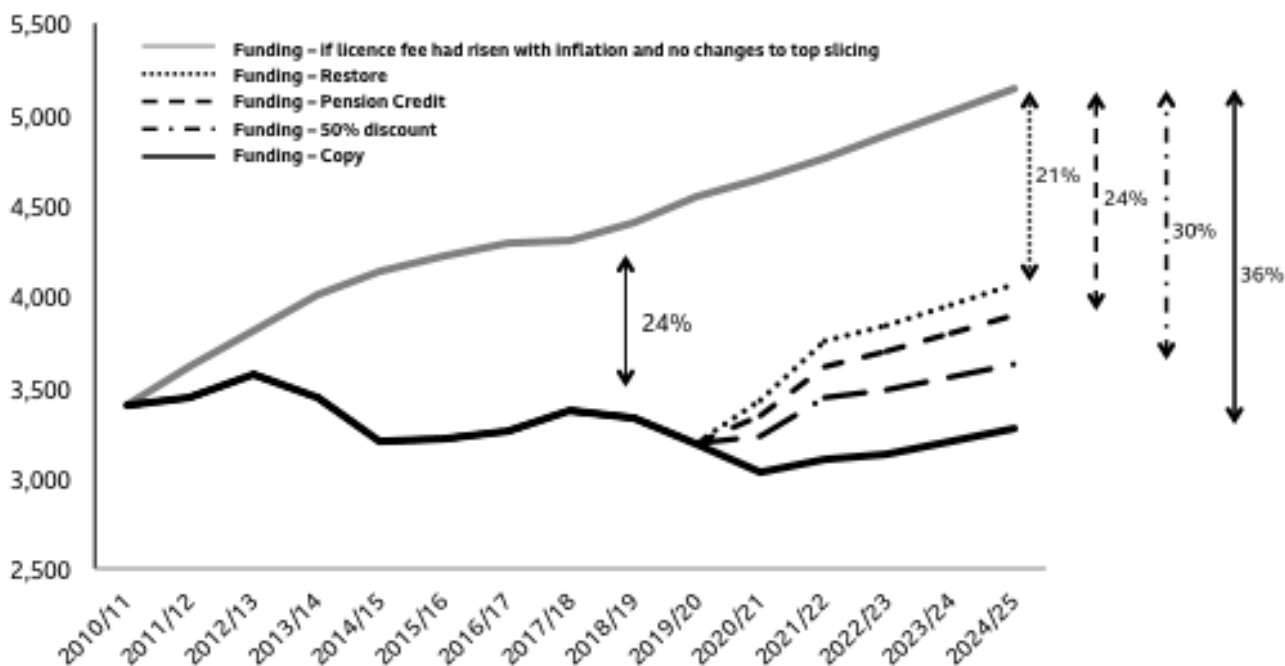
In the 2015 licence fee funding settlement, the responsibility for free TV licences for over 75s passed to the BBC and the BBC's funding of the obligations (except broadband) under the 2010 settlement continued.

The Government took some steps in the 2015 licence fee funding settlement it agreed with the BBC to increase the BBC's income:

- The licence fee was allowed to rise with inflation and that has helped the BBC to keep up with generally rising costs. However, the Board recognised that costs in key areas are rising much faster than general inflation in many parts of the media industry, so this measure does not fully meet even these cost pressures and does not contribute anything towards funding a new concession;
- The TV licence was modernised to include those using iPlayer only. However, the Board recognises that this reform helps to avoid projected falls in income from changing audience behaviour rather than bringing in significant new income. In addition, the expected benefit is less than half that originally projected, driven by the Government decision to include only iPlayer in the reform and not all public service broadcast catch-up TV; and
- The end of the £150m ring-fenced part of the licence fee used for roll-out of broadband. As described above, the BBC Board believes this element of the 2015 settlement can be used to help meet the cost of a new concession. This money will not now be available to develop BBC programmes and services.

Under all the possible options considered by the BBC Board, and even if there were no concession and the universal licence fee were restored, the BBC would still be significantly smaller than if the licence fee had risen with inflation from 2010.

*Licence fee available for BBC UK public services (£m)*⁷⁶

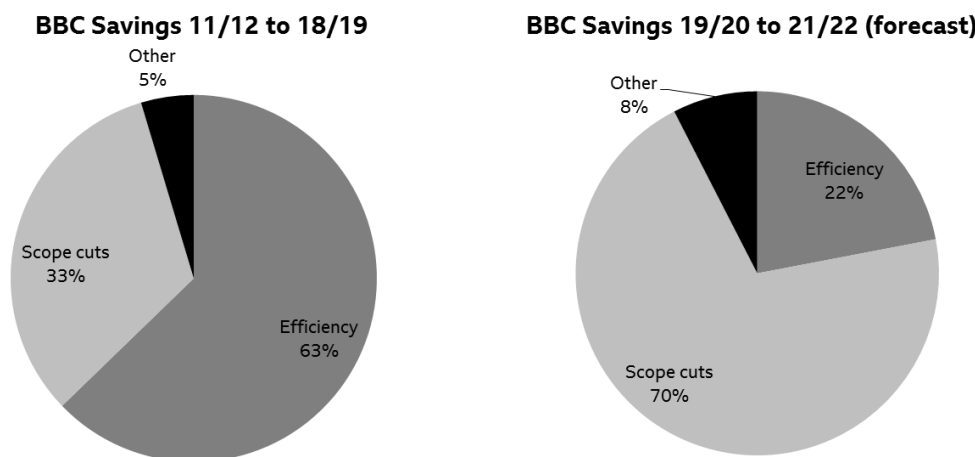


In adjusting to reduced income, the BBC has always aimed to maximise efficiency savings over cuts to services. In 2018, EY independently benchmarked the BBC’s overhead rate against comparable organisations. EY found the BBC spent less than 6% of its controllable spend on support activities and was within the most

⁷⁶ The Board also considered the financial impact of raising the age threshold to 80, which would be similar to the discounting at 50% option, though require slightly more cuts to BBC services than discounting

efficient 25% of global telecommunications and media companies.⁷⁷

Given this, the BBC has increasingly had to implement cuts to services rather than efficiency savings. While savings in the previous Charter were primarily efficiency savings, the balance of recent savings has been shifting to cutting programmes and content. The great majority of savings to come are projected to come from cuts to services.

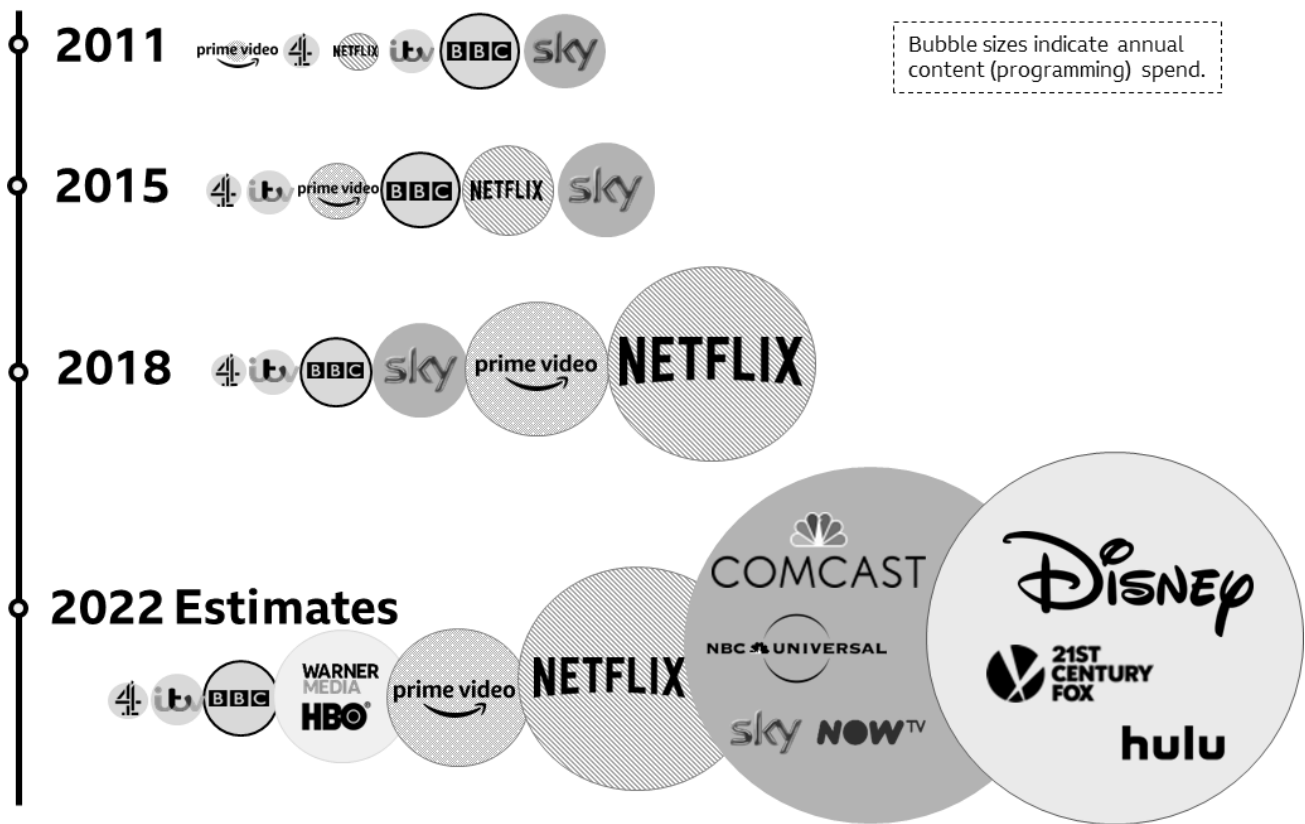


The BBC will need to continue to find new efficiencies and deliver commercial returns. These are already part of the BBC's long-term financial plans.

The cut in funding for UK services since 2010 as explained above has happened at a time when almost every other major media provider in the UK market has grown very quickly and new competitors have launched into the UK.

⁷⁷ EY, *Benchmarking the BBC's overhead rate, 2018*

Content spend for selected video providers⁷⁸



As set out in this document, the BBC Board believes this decision, costing around 6% of the BBC’s budget, means the BBC will need to make difficult choices but can avoid making severe cuts to some of its most important services. The BBC will be better able to continue to deliver its mission and public purposes compared to copying the current concession. However, the acute

⁷⁸ Bubble sizes indicate content (programming) spend only – sizes are indicative but not to exact scale. Disney, Comcast and WarnerMedia have been included in 2022 (and not in previous years) – assumes their global SVoD services become available in the UK. Source: IHS Markit December 2018

financial pressures on the BBC remain in a very competitive, global marketplace where costs are rising much faster than general inflation. The Board believes this is going to be a significant factor in judgements about the level of the licence fee when it next comes up for review in 2021/22.

The role of Government

The BBC Board regards it as vital that the BBC remains independent of Government.

The BBC Board has exercised its legal responsibilities under the Digital Economy Act 2017 with great care. The Board is satisfied that it has taken the right decision in the current circumstances and on the basis of all the material it considered.

The BBC Board recognises the strong feelings expressed by many respondents in its process of consultation and wider engagement about the Government taking responsibility back for the concession and funding it to continue. As the BBC was conducting this process over 100,000 people supported the Age UK petition calling on the Government to pay for the concession in full.

This is not a matter that the BBC can resolve.

The BBC Board's view is that it is a matter for Government whether, in the light of the BBC Board's

decision, Government would now wish to pay the additional costs to ensure that all over 75s could continue to receive a free TV licence. Or it could take back responsibility for the over-75s concession in its entirety and pay for it in full. The Board is satisfied that, in summary, the BBC cannot afford to do this without making the BBC substantially worse for audiences. It has done all it can reasonably to protect the poorest over 75s.

It is also possible that the Government could change the Pension Credit policy or framework at some time in the future. Were there such a change, and in circumstances where the BBC was still responsible for the concession, the BBC Board would need to consider whether any step was appropriate.

The licence fee settlement process

Finally, many stakeholders raised concerns about how the 2015 licence fee funding settlement was conducted – and many were highly critical of the UK Government for making the BBC take on this responsibility in the first place. There were concerns about the lack of transparency and consultation in the way that the licence fee has been set over the last decade.

The BBC Board believes the process of the last two funding settlements has been seriously flawed and failed the transparency test. The settlements, in 2010 and 2015, which have determined the BBC's income for a decade,

have been made with little evidence to support them, with little input from the BBC, and with even less involvement of the public and licence fee payers.

The settlements have been concluded, in each case, in a matter of days, behind closed doors, with little public or Parliamentary scrutiny of the outcome. This cannot be right when setting the budget of an organisation of the scale, importance and complexity of the BBC.

Both settlements have seen major elements of Government expenditure transferred to the BBC.

In 2010 the BBC was asked to take on the costs of the World Service, BBC Monitoring, Local TV and S4C – the Welsh language broadcaster – as well as assuming responsibility for funding the roll-out of broadband to rural communities across the UK. The level of the licence fee was frozen and its value therefore reduced with inflation.

In 2015's licence fee funding settlement, the responsibility to decide the future and funding arrangements for free TV licences for older people passed to the BBC and the BBC's funding of the obligations (except broadband) under the 2010 settlement continued.

Taken together, the previous settlements amounted to a 24% reduction in funding for UK public services between

2010/11 and 2018/19, compared to a scenario where the licence fee had risen with inflation.

The Board believes the BBC should not have its income set through a process that works in this way. Future funding settlements must be informed by a detailed assessment of the cost of delivering the BBC's mission and public purposes, in full knowledge of the state of the changing media environment, and, crucially, informed by what licence fee payers think.

For example, some respondents, including the Voice of the Listener and Viewer, suggested that a Licence Fee Commission could set the level of the licence fee. This is one option that should be discussed together with other ways of making sure the process is more transparent and fair for licence fee payers.

It is important that the BBC and its audiences do not face a UK Government imposed process with no consultation or public debate in the future – and instead that future settlements are fair, open and evidence-based.

The BBC will begin to set out its case and consult with the public in the run-up to the 2021/22 licence fee funding negotiations.