



# INITIAL EQUALITY IMPACT ASSESSMENT

Public Sector Equality Duty:

BBC Decision-making in Relation to Age-Related  
Concession for TV Licences

## 1. General

### Decision to be made

Today, all households with someone aged over 75 are entitled to receive free TV licences. The cost of this scheme has been paid for by the UK Government. In 2020 the current scheme is set to come to an end, along with the Government funding for it. Any new scheme from June 2020 to provide concessions relating to TV licences for older age groups will be for the BBC to consult on, decide and then pay for.<sup>1</sup>

The question that now faces the BBC is: what, if any, concession should be in place for older people from June 2020?

This decision is the responsibility of the BBC's Board.

The Board also has the responsibility to ensure the BBC delivers its mission and public purposes for everyone.

This Equality Impact Assessment ("EIA") is published alongside our consultation document: *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018).<sup>2</sup> Once people have had their say, the Board expects to make a decision for the UK.<sup>3</sup> Our current aim is to make a decision by June 2019.

### The Public Sector Equality Duty and the BBC

The Public Sector Equality Duty applies to the BBC when it is making decisions about age-related TV licence concessions, because it is to be regarded as a public authority for that purpose. The duty is contained in section 149 of the Equality Act 2010; subsection (1) requires that—

*"A public authority must, in the exercise of its functions, have due regard to the need to—*

*(a) eliminate discrimination, harassment, victimisation and any other*

<sup>1</sup> The responsibility for the BBC to make the decision about whether to have a concessionary older-age TV licence was made by an Act of Parliament: the Digital Economy Act 2017, which amended Part 4 of the Communications Act 2003, the main source of statute law about the licence fee. Specifically, section 89(7) of the Digital Economy Act 2017 amended the Communications Act 2003 to add a new section 365A.

<sup>2</sup> <https://www.bbc.co.uk/yoursay/consultation.pdf>

<sup>3</sup> The BBC Board will take a decision that affects the UK. We envisage exploring separately the potential implications for the Crown Dependencies.

*conduct that is prohibited by or under this Act;*  
*(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*  
*(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.”*

The relevant protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation; and in relation to (a), marriage and civil partnership too<sup>4</sup>.

#### The purpose of this EIA

This EIA explains the BBC’s initial thinking on the likely equality impacts of different ways forward. Our intention is to ensure that we ask the right questions, that we take due account of equality issues as part of this decision, and that we have the information we need in order to do so. The EIA must be read with the consultation document, where the context and our wider current thinking are explained in full.<sup>5</sup> Both the consultation document and this EIA are also informed by work commissioned from and published by Frontier Economics, an external economics consultancy: *Discussion Paper: Concessionary TV licences and the landscape of intergenerational fairness* (October 2018)<sup>6</sup> and *Review of over-75s funding* (November 2018).<sup>7</sup>

The EIA also addresses the way in which the BBC is consulting. This is to help ensure that our consultation is accessible to all. Again, we want to ensure that through the consultation we have all the information that we need, and that we give it proper consideration, to fulfil our Public Sector Equality Duty.

The BBC will review this analysis and take all potential impacts into account in its decision-making, subject to and informed by any feedback received during the consultation process.

#### Policy context

For nearly 80 years from the establishment of the BBC in the 1920s, 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.

<sup>4</sup> As a matter of law, the Duty applies only in England, Wales and Scotland, but as a matter of policy we have looked at potential equality impacts in Northern Ireland in the same way.

<sup>5</sup> <https://www.bbc.co.uk/yoursay/consultation.pdf>

<sup>6</sup> <http://downloads.bbc.co.uk/mediacentre/frontier-discussion-paper.pdf>

<sup>7</sup> <https://downloads.bbc.co.uk/mediacentre/frontier-economics-review-of-over-75s-funding.pdf>

Then in 2000 the UK Government decided to fund free TV licences for households with someone aged over 75 to help reduce poverty among pensioners.<sup>8</sup> The BBC was paid money direct from Government funds, to replace the licence fee income lost from free TV licences.

In 2015, the UK Government decided that it would no longer pay for this licence fee concession. The Government funding is being abolished in stages and will end in March 2020.

In 2017, the UK Parliament passed a law 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.<sup>9</sup>

The implications of the BBC's decision are now different from the one the UK Government took in 2000. That decision was accompanied by Government funding which protected the BBC, its public service mission and its programmes and services from any reduction in funding. Currently, virtually all the TV licence fee goes to fund programmes, services and related activities. From 2020, any new concession would reduce the money available for programmes and services. The BBC's decision now needs to take into account that this would have an impact on all licence fee payers.

#### Policy options

The consultation document sets out the BBC's initial thinking.<sup>10</sup> The main options discussed there are to:

- copy the existing concession, or
- restore a universal licence fee, and not have any age-targeted concession, or
- reform the concession.

With the help of Frontier Economics, we have identified three particular ways which our initial thinking indicates could be ways of designing a new concession for the older age group. These are:

1. **Discounting the cost of a licence fee** – We could require those in an older age group to pay a licence fee, but at a reduced rate;

<sup>8</sup> Frontier Economics, *Review of over-75s funding* (November 2018) p.17.

<sup>9</sup> The law does not give the BBC the power to decide to grant concessions based *solely* on grounds other than age (e.g. any person with limited means), but if the BBC creates a concession based on age it can add further, different, grounds as well (e.g. any person over 75 who also has limited means).

<sup>10</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018).

2. **Raising the age threshold for the concession** – We could raise the age threshold from 75;
3. **Means-testing the concession for older people** – We could provide the concession only to those in greater financial need, for instance by linking free licences to one of the Government’s measures of pensioner income, for example Pension Credit.

This EIA considers the potential impact of each of these reform options and also the potential impact of copying the current concession, or of not having a concession at all. As noted above, the consultation document asks consultees for their views, including whether they have any comments on this EIA, and the BBC will consider policy options in the light of responses to that consultation, including responses on equality issues.

#### Which people are likely to be affected?

As the BBC is allowed to grant only concessions which are primarily age-based,<sup>11</sup> age is the protected characteristic on the basis of which individuals will be most directly affected by the BBC’s decision. So here, we have primarily considered the age-related equality impacts to which various policy options may give rise.

We have also considered the potential equality impacts of these options on groups sharing other protected characteristics. In particular, the decision may indirectly have a disproportionate impact on groups who share characteristics such as sex or disability, because of the composition of the age groups primarily affected.

#### How are people likely to be affected?

At the moment, an over-75’s household does not have to pay for their TV licence. From June 2020, if the BBC copies the current concession they will experience no change; but if the BBC decides to restore the universal licence fee or reform the concession, and such a household wants to carry on using a TV, they may have to pay for a licence in full or in part.

People may also experience greater complexity in applying for a concessionary licence, e.g. in proving entitlement if the concession were subject to further criteria, including means-testing.

We explain above that, if the BBC decides to have any form of concession from

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<sup>11</sup> See footnotes 1 and 9.

June 2020, it will have a financial impact on the BBC, so all actual or potential users of BBC services, of any age, may experience a reduction in services, while paying the same or (if previously they had a free licence) more. The BBC would have less money for programmes and services than if the current concession were reformed or not replaced at all. Depending on the option chosen, this could involve the BBC making less costly programmes, or reducing programming and increasing repeats, or closing services. We believe doing this would mean a worse BBC for everybody, and for over-75s disproportionately (as they use the BBC more<sup>12</sup>). We also believe doing this would make the BBC's value for money significantly worse for households who are continuing to pay the licence fee. They would be paying the same for a reduced service.

A different approach would be for the Government to consider increasing the cost of a TV licence for every other household. This is not in the BBC's control and is not something that we are proposing. A licence fee increase is hypothetical, so we have disregarded that possibility for the purposes of this EIA.

## **2. Consultation Process**

In order to engage the public, we will run a public information campaign using a range of the BBC's outlets to raise awareness of the consultation and ways of responding to it.

We have asked the public to use the online questionnaire (in English and Welsh) at <https://www.bbc.co.uk/yoursay> wherever possible to respond to this consultation. This is because we want to be able, as effectively as possible, to conduct analysis of the potentially large number of individual responses as part of this consultation, and using the online questionnaire will support this.

If that is not possible, we have also provided a free hotline for people to request paper copies of this document and questionnaire with a freepost envelope to take part. Paper copies are also available in different formats – in Braille and Welsh – and there is an audio version.

We have also provided an address for people to write to if they are unable to use a questionnaire.

We will accept responses in Welsh, and in any reasonable formats.

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<sup>12</sup> On average, over 75s consume the most BBC TV and radio per week (over 33 hours) more than 16 to 34s (less than 8 hours) or 35 to 54s (15 hours). Frontier Economics, *Review of over-75s funding* (2018) pp.13 – 14 and Figure 2.

We have therefore designed the consultation process to be accessible to all sections of the community. Initial analysis of Office for National Statistics and Joseph Rowntree Foundation data<sup>13</sup> led us to the view that, when designing the consultation process, our thinking should reflect the following factors related to the most directly affected demographic, over 75s. We have sought in the following ways to make the consultation process accessible to all those who may wish to respond:

- Internet usage – older adults (in particular women) are less likely to use/ have access to the internet. *We have made a phone line available allowing people to request paper copies of the consultation documents and questionnaire. We will accept responses in any reasonable formats.*
- Disability – older adults are more likely to have a disability, particularly sight loss. *We will provide upon request Braille and audio versions of the consultation documents and questionnaire. Our online questionnaire will be fully accessible, according to the BBC's accessibility standards. We will accept responses in any reasonable formats.*
- Socio-economics – some pensioners have relatively low incomes. *Our phone lines are therefore free and post will be free of charge to respondents to receive documents and send back the questionnaire.*

As well as directly engaging with the public, we will engage with a range of organisations and those we see as stakeholders (including interested organisations, academics and industry representatives).

### **3. Potential Equality Impacts of Policy Options**

**Potential impacts related to age** - A person who is of a particular age (e.g. 75 years) or falls within a range of ages (e.g. 65 years of age and over)

#### **Background**

Both the current concession and the BBC's powers to grant a concession in future are age-related. By definition, any age-related concession treats people of different ages differently. When the Government introduced the concession, it focused on a rationale of alleviating pensioner poverty. The current concession and the BBC's powers in relation to a future concession are economic in nature. While socio-economic status is not itself a protected characteristic under the

<sup>13</sup> JRF report: *UK Poverty 2017* (December 2017) <https://www.jrf.org.uk/report/uk-poverty-2017>.

2010 Act, we believe that the relative financial impact of any changes to the current licence fee concession is an important aspect of the equalities impact of the decision the BBC has to make.

The concession is available in relation to the primary residence of a person aged over 75. We note that, while the current concession is defined by age, where a household contains anyone of the relevant age, the whole household benefits regardless of age.

However, only 26% of households entitled to the concession contain someone under the age of 75 too. Of those, the youngest household member is aged 65-74 around half the time, and aged 0-34 in only 1 in 10 occasions<sup>14</sup>. Thus, a relatively small number of intergenerational households benefit from the current concession. Where household-level data is readily available we have therefore sought to include it. However, our analysis in this section – and throughout – looks primarily at the impact of the decision the BBC will have to make upon the *individuals* who are currently or may in future be entitled to receive the concession.

Finally, a concession would mean younger age groups who use the BBC much less would be contributing to older age groups, who use the BBC much more. If we copied the current concession, both young and old could lose out:

- given how much copying the current concession would cost, it would not be possible to avoid cutting current programmes and services in a way that would severely affect older audiences, reducing the value the BBC provides to them. This is because of their very high use of the BBC across a large number of services;
- funding taken from programmes and services by any concession for older age groups could prevent the development of new programmes for other groups. It could be argued that each paying household would be missing out on programmes and services worth £34 from their licence fee;
- if we copied the concession, older audiences would lose programmes and services and the great majority of licence fee payers would get less from the BBC.

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<sup>14</sup> Frontier Economics, *Review of over-75s funding* (November 2018), analysis of Family Resource Survey (figure 12, p.30).

## Policy options discussed in the consultation document<sup>15</sup>

### ***Option 1 – Copy the current concession***

If the BBC copies the current concession, there would be no direct financial impact on people aged 75 or over (and members of their household, whatever their age), because they would see no change in their entitlement to a free licence.

But the BBC would have less money to make programmes and services. The financial burden on the BBC of copying the current concession (which is rising), as estimated by Frontier<sup>16</sup> is that —

- the number of households receiving a free TV licence will rise from 4.6 million in 2021/22 to around 5.7 million by 2030<sup>17</sup>
- by 2021/22 the current concession would cost an estimated £745 million<sup>18</sup>
- the cost would rise every year to reach an estimated £1 billion a year by 2029/30.

£745m would be the equivalent of around a fifth of the BBC's budget. This is around the same amount of money that the BBC currently spends on all of BBC Two, BBC Three, BBC Four, the BBC News Channel, and the children's channels CBBC and CBeebies.

We recognise that there is an argument for copying the current concession, which was introduced to help relieve pensioner poverty. That is still an issue for some older people. Moreover, we also recognise that older people tend to watch more TV,<sup>19</sup> and Frontier reported that there is evidence that access to television can be especially important for people in older age groups, for reasons set out in more detail below.

<sup>15</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018).

<sup>16</sup> Based on BBC estimates on the basis of ONS projections: ONS (2017), Table A1-1, Principal projection – UK summary.

(<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/tablea11principalprojectionuksummary>) and ONS (2018 C), Household projections for England

(<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/householdprojectionsforengland>). See also Frontier Economics, *Review of over-75s funding* (November 2018) figure 52, p.85.

<sup>17</sup> Frontier Economics, *Review of over-75s funding* (November 2018) figure 52 p.85.

<sup>18</sup> Frontier Economics explain that this figure represents the full value of licence fee revenue forgone, but if there is no concession, the BBC's net income will not rise by this amount as there will be implementation costs and compliance issues. Also, some individuals currently receiving the concession may choose to stop watching television. See Frontier Economics, *Review of over-75s funding* (November 2018) figure 18 p.40.

<sup>19</sup> BBC analysis for BARB data for financial year 2017/18 (based on week 14 2017 to week 13 2018 for BARB).

But Frontier have explained that, today, the income of households with someone over 75 is much closer to the average household income than it was in 2000 when the Government decided to fund free TV licences.<sup>20</sup> Far fewer people over 75 are poor now than in 2000. Frontier identifies considerable debate around the changing economic opportunities and circumstances among younger people, compared with older people.<sup>21</sup>

Overall our initial thinking is that, while copying the concession would protect over-75s from direct financial impact, older audiences would be amongst those who would lose out if the BBC was forced to make less costly programmes, reduce programming, increase repeats and/ or close services. Along with other licence fee payers, older audiences would get less from the BBC. In addition, as this is a rising cost<sup>22</sup> as the proportion of over 75 households grows and because of inflation, this situation would get worse over time.

In the consultation document, we set out our concern that, today, we can see that achieving our mission is at risk for younger generations. Older audiences consume much more of the BBC's programmes and services than younger ones. For younger audiences we need to reinvent the BBC for the digital age to meet their expectations and provide them with better services.<sup>23</sup> At the same time, they would not benefit financially from any concession. We believe this raises inter-generational issues<sup>24</sup> as to fairness, or perceptions of fairness, between different age groups, and we are required to have due regard to these by section 149 (1)(c) of the 2010 Act.

#### **Options 2 – 5: Restore the universal licence fee, or reform the current concession: general background on impact**

To reform or not to replace the current concession would mean that some people who today receive a free licence would have to pay all or part of the licence fee (depending on the nature of the reform). That would be an extra cost for the

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<sup>20</sup> The average income of households headed by someone aged over 75 has increased from 56% to 80% of the average for working-age families: Frontier Economics, *Review of over-75s funding* (November 2018) p.19.

<sup>21</sup> Frontier Economics, *Discussion Paper: Concessionary TV licences and the landscape of intergenerational fairness* (October 2018) and *Review of over-75s funding* (November 2018).

<sup>22</sup> Frontier Economics, *Review of over-75s funding* (November 2018), page 15.

<sup>23</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018), section 4.3, citing Ofcom, *Ofcom's annual report on the BBC*, 2018, p.26-27

<sup>24</sup> Of a kind identified by Frontier Economics: see their *Discussion Paper: Concessionary TV licences and the landscape of intergenerational fairness* (October 2018).

over-75 households affected; some might choose not to pay, or may be unable to afford a licence, and so be unable to use TV services in future.<sup>25</sup>

We recognise that losing access to TV services due to being unable to afford a TV licence may have a greater qualitative effect on older people than on younger groups: they watch more television, and Frontier Economics found evidence that, on average, older groups are at higher risk of social isolation, and that it is credible that television can be a form of companionship.<sup>26</sup>

However, Frontier Economics said that studies offer no “rigorous evidence that television viewing is associated with improved health outcomes through improved social inclusion or otherwise”. Thus they conclude—

“...while it is credible that television can be a form of companionship and help reduce feelings of isolation, as reflected by the comments made by a number of stakeholders, there is as yet little compelling evidence that there are significant external benefits which would support a case for a universal concession for over-75s. This does not mean that television does not help promote improved quality of life or well-being for those who rely on it, and being older (over 75 or particularly over 80) appears to be an imperfect proxy for relying on television. Of course, other groups vulnerable to social isolation, such as younger people with disabilities, do not benefit from a concessionary licence.”<sup>27</sup>

We have considered whether opportunities for social inclusion might indirectly be lost if a household bought a TV licence but was then unable to participate in some other social activities by reason of cost, but ascertaining what, if any, trade-offs licence holders might make in response to having to pay for all or some of a licence fee is hard to speculate on.

Frontier found that losses would be spread equally across over-75s, but would represent a larger proportion of the income of poorer households than richer ones. For example, today, it would represent on average 2.3% of income for the poorest 10% of over-75s, but only 0.3% for the richest 10%. They conclude that the reform would be regressive but losses would be “relatively small on average”, though larger than those associated with retaining a 50% discount for over-75s.<sup>28</sup>

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<sup>25</sup> It is a criminal offence to watch or record any TV services as they are being broadcast, or watch or download BBC programmes from iPlayer, without a TV licence: Communications Act 2003, s.363.

<sup>26</sup> Frontier Economics, *Review of over-75s funding* (November 2018) pp.21 – 22.

<sup>27</sup> Frontier Economics, *Review of over-75s funding* (November 2018) p.22.

<sup>28</sup> Frontier Economics, *Review of over-75s funding* (November 2018) p.40.

These factors form the background to the discussion, below, of different policy options considered in the consultation document.

### ***Option 2 – Restore the universal licence fee***

If there were no age-related concession, the requirement to pay to receive TV services would again be universal, with no different treatment of any group according to age.

The ending of the concession without replacement, however, would have a direct and adverse financial impact on over-75s.

Over-75 households which currently receive free TV licences (of which there are projected to be 4.6m in 2021/22<sup>29</sup>) would have to pay to continue to receive television services. This would cost the poorest 10% of over-75s by income 2.3% of their income. The remarks above in respect of the potential impact of being required to pay for a licence apply: we recognise that losing access to TV services due to being unable to afford a licence may have a greater qualitative effect on older people than on younger groups, because they watch more television and because, on average, older groups are at higher risk of social isolation, and Frontier found evidence that television can be a form of companionship.

Frontier also found, however, that the equity rationale for the current concession has weakened since it was introduced in 2000.<sup>30</sup>

As set out in the Frontier Economics report,<sup>31</sup> there would be some cost to the BBC of this option. Frontier explain that if the TV licence was not free of charge, some households might not choose to pay for one. There would also be administrative costs associated with collecting the licence fee from newly eligible households. The effect of this is that there would be costs of around £72m in the first year of implementation, with the costs going down after that.<sup>32</sup> While there would be residual costs of restoring the universal licence fee, we think the overall result of taking this option would be no significant cuts to BBC programmes and services.

### ***Option 3 – Discounting the concession for over 75s***

The age group which currently enjoys a licence fee concession would still do so,

<sup>29</sup> Frontier Economics, *Review of over-75s Funding* (November 2018) figure 52 p.85.

<sup>30</sup> Frontier Economics, *Review of over-75s funding*, (November 2018) p.39.

<sup>31</sup> Frontier Economics, *Review of over-75s funding*, (November 2018) pp.39 – 40.

<sup>32</sup> Frontier Economics, *Review of over-75s funding*, (November 2018) pp.39 – 40 and figure 18.

though at a lower rate. They would be paying for something they previously received for free, representing a negative impact on members of that age group, particularly affecting those who are poor. Frontier set out that:

“Reducing the concession size by 50% does not improve the targeting of the concession. Every household in the over 75 population will lose a fixed cash amount (£75.25 per year at present). In cash terms, then, the associated losses will be spread equally across over-75 households.

However, as a proportion of income losses are larger for poorer households. Implemented today, this option costs on average 1.1% of income in the poorest decile of over-75s, compared with 0.2% for the richest 10%. The reform would be regressive, but the losses would be relatively small on average [...] and smaller than those associated with not introducing any replacement for the concession at all...”<sup>33</sup>.

Of course, that age group would still pay less for a licence than under-75s: all over-75 households would pay for a TV licence at half the price of everyone else.

The BBC would have less money to make programmes and services than if there was no concession. The financial burden on the BBC of a 50% reduction would be £415 million per year<sup>34</sup>. We explain this would be equivalent to a tenth of the BBC’s budget, or close to the cost of, for instance, BBC Two; or the cost of Radio 1, Radio 2, Radio 3, Radio 4, Radio 5live, Radio Scotland, Radio Wales, Radio Cymru and Radio Ulster.<sup>35</sup>

For that reason this option could have less of an impact than copying the current concession for older people and also for younger (full fee-paying) licence holders and therefore on inter-generational fairness issues (see above). This option would go some way to restoring universality – every household pays something and every household receives value.

#### ***Option 4 – Raising the age threshold, for example to 80***

If the age threshold for the concession were raised, the oldest pensioners would continue to receive free television licences, which would be a benefit for them;

<sup>33</sup> Frontier Economics, *Review of over-75s funding* (November 2018) pp.44 – 45. We note in this regard that the income gap between the older and younger segments of the population (which was the original primary justification for the introduction of a licence fee concession) has closed in recent years, and there is evidence that incomes for older households have grown faster than those of working-age households.

<sup>34</sup> Frontier Economics, *Review of over-75s funding* (November 2018) figure 21 p.44.

<sup>35</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018), section 6.1.

and these also tend to be the poorest pensioners. On the other hand, households containing 75 – 79 year olds would have to pay to continue to receive TV services (until the age of 80). Frontier say<sup>36</sup> the impact would be regressive but the impacts are, on average, relatively small:

“the poorest 10% of over-75 households would lose 0.8% of income on average, compared with 0.1% for the richest 10% [...].

“On average, slightly more households in the bottom half of the over-75s income distribution would retain the concession under this reform than in the top half [...], but there would not be a significant improvement in targeting the concession on poorer households. 36% of households in the poorest income decile would lose the concession under this reform were it implemented today, compared with 45% in the richest decile and 39% overall. However there is variation across deciles – for example, 43% of those in the *second* poorest decile would lose it.”<sup>37</sup>

The BBC would have less money to make programmes and services than if there was no concession. Raising the age for the concession to 80 would mean the financial burden on the BBC would be £481 million per year.<sup>38</sup> This would be equivalent to a little over a tenth of the BBC’s budget, or roughly equivalent to the cost of, for instance, BBC Two and BBC Four; or the cost of Radio 1, Radio 2, Radio 3, Radio 4, Radio 5live, and all of BBC local radio in England.<sup>39</sup>

But this is a smaller financial cost than if we copied the existing concession. For that reason it could have less of an impact for older people and also for younger (full fee-paying) licence holders and therefore on inter-generational fairness issues (see above). Raising the age threshold will tend also to focus help on poorer pensioners and also those more likely to be in need of the companionship and social inclusion effects of television (e.g. due to being housebound). The older the threshold is set, the more the concession would target those most likely to live alone<sup>40</sup> and use the BBC the most.<sup>41</sup>

#### ***Option 5 – Means-test the concession, for example using Pension Credit at age 75***

Based on Frontier’s calculations we estimate that 900,000 households would

<sup>36</sup> Frontier Economics, *Review of over-75s funding* (November 2018) pp.49 – 50.

<sup>37</sup> Frontier Economics, *Review of over-75s funding* (November 2018), p.50.

<sup>38</sup> Frontier Economics, *Review of over-75s funding* (November 2018), p.49, figure 28.

<sup>39</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018), section 6.2.

<sup>40</sup> Frontier Economics, *Review of over-75s funding* (November 2018), p.21

<sup>41</sup> On average, over 75s consume the most BBC TV and radio per week (over 33 hours) more than 16 to 34s (less than 8 hours) or 35 to 54s (15 hours). Frontier Economics, *Review of over-75s funding* (November 2018) pp.13 – 14 and Figure 2.

receive a means-tested concession based on eligibility for Pension Credit. Thus, poorer people in the relevant age group would continue to receive a concession. But 3.75m over-75s would have to pay to continue to receive TV services.<sup>42</sup>

Frontier analysed the distributional effects of means-testing at 75 on the bases of income and of expenditure,<sup>43</sup> finding—

- by income, average losses of 2.1% of income among the poorest decile of over-75s compared with 0.3% in the richest decile
- such an approach would be regressive, with much larger losses in the bottom decile than any other decile; but measured on an expenditure basis (which is sometimes more reliable) this is mitigated: the poorest decile by spending would lose around 1.4% of income on average compared with 0.6% for the richest decile
- overall, the approach is less regressive than not replacing the concession: on an income basis, 37% of households in the second-poorest income decile would retain the concession under means-testing compared with just 3% in the richest decile and 16% overall, but only 11% would retain the concession in the poorest income decile
- but on a household spending basis, 26% of households in the poorest expenditure decile retain the concession compared with just 2% of those in the richest decile.<sup>44</sup>

In this connection, here we infer that in general, means-testing would be likely to ensure that the concession goes to those most in financial need, while the people not entitled to it are the ones most likely to be able to afford a TV licence.

However, we are aware that not all those entitled to Pension Credit claim it, with non-take up estimated at around 40%.<sup>45</sup> Also, while it is possible that entitlement to a free TV licence could help increase Pension Credit uptake, such an effect is difficult to predict; and poorer households which do not take up Pension Credit when they are entitled to could be expected to suffer a relatively greater financial impact if the BBC decides to reform or not replace the current concession.

The BBC would have less money to make programmes and services than if there

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<sup>42</sup> Frontier Economics, *Review of over-75s funding* (November 2018), pp. 52 – 60; *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018), section 6.3.

<sup>43</sup> Frontier Economics note, however, that their sources understate the numbers of Pension Credit recipients, so more are likely to retain the concession across all deciles than their analysis suggests and, due to misreporting, additional retention would tend to be concentrated in the poorest deciles – but it is very difficult to quantify this effect precisely.

<sup>44</sup> Frontier Economics, *Review of over-75s funding* (November 2018), pp.56 – 57.

<sup>45</sup> Frontier Economics, *Review of over-75s funding* (November 2018), pp.55.

was no concession. Means-testing the concession would mean that the financial burden on the BBC would be around £209 million a year.<sup>46</sup> This would be equivalent to around 5% of the BBC's budget, or roughly equivalent to the cost of, for instance, BBC Four, CBBC and the BBC News Channel; or the cost of Radio 1, Radio 2, Radio 3, and Radio 5live.<sup>47</sup>

But this is a smaller financial cost than if we copied the existing concession, or discounted it, or raised the age threshold to 80. For that reason it could have less of an impact for older people and also for younger (full fee-paying) licence holders and therefore on inter-generational fairness issues (see above).

## Potential impacts related to other protected characteristics

### Background

As noted above, age is the protected characteristic on the basis of which individuals will be most directly affected by the BBC's decision. The relevant age group(s) comprise over 65s, over 75s, or those between 75 and 79, depending on which proposal is under consideration. We recognise that—

- if these have a different demographic makeup to the rest of the population, there could be a disproportionate indirect effect on individuals sharing other protected characteristics, and
- to the extent that some of the options under consideration would result in some age groups being required to begin to pay (in full or part) for a television licence, the impact of this may be greater for individuals within that group who share other protected characteristics.

The effects could be quantitative (greater numbers of particular groups affected) or qualitative (greater impact on enjoyment of the benefit of BBC services or TV services generally, and quality of life), or both.

We have considered these indirect effects, as we currently understand them based on the information and evidence available to us at this stage, below.

<sup>46</sup> Frontier Economics, *Review of over-75s funding* (November 2018), pp.55 – 56 and figure 32.

<sup>47</sup> *Age-Related TV Licence Policy: Public Consultation* (BBC, November 2018), section 6.3.

## Potential equality impacts relevant to age, gender, disability

Data suggests that, as compared with the rest of the population, individuals over 75 are more likely to be (amongst other characteristics) female<sup>48</sup> and/ or disabled.<sup>49</sup> The result is that, if older individuals were affected by (in particular) any decision to reform or remove the current concession, then numerically, more women and disabled people would be affected too.

To the extent that this impact is numerical, it is a necessary corollary of the fact that the existing concession is age-based and that the BBC's power to grant any future concession is similarly restricted.<sup>50</sup> Subject to any feedback received during the consultation process, we do not therefore consider this numerical disparity to raise separate equalities issues to those already discussed.

However, we note that—

- single female pensioners are likely to be on a lower income than single male pensioners,<sup>51</sup> and
- it seems likely that among this group, BAME individuals will on average also have lower incomes.<sup>52</sup>

We consider this to be relevant because, for the reasons given above, some of

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<sup>48</sup> The greater life expectancy of women means that at pensionable age, there are more women than men. Women represent 58.2% of over 75s. The greater life expectancy (which is around two years but is slightly narrowing) also means that women are likely to benefit from the concession for longer than men.

<sup>49</sup> There is a 45% reported rate among those of pensionable age, contrasted with 19% at working age, and 8% for children: Family Resources Survey 16/17 datasheet:

<https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617>. Among over-80s individuals, almost two-thirds have a disability: Age UK/ Centre for Policy on Ageing *Rapid review* (2016), citing FRS data for 2013/14 [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/equality-and-human-rights/rb\\_may16\\_cpa\\_rapid\\_review\\_diversity\\_in\\_older\\_age\\_disability.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/equality-and-human-rights/rb_may16_cpa_rapid_review_diversity_in_older_age_disability.pdf)

<sup>50</sup> See footnote 9.

<sup>51</sup> Single female pensioners are likely to be on a lower income than single male pensioners (in 2016/17 £206 average weekly income vs. £233 according to the Pensioners' Income Series published by DWP on 22 March 2018) and in receipt of less State Pension (while on average receiving more State Pension income over their lifetime than men with comparable National Insurance contributions): see Pensions Act 2011 EIA of state pension age: summarised at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181461/pensions-bill-2011-summary-of-impacts.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/181461/pensions-bill-2011-summary-of-impacts.pdf). Indeed, overall there is a 31% gender pension gap between male and female pensioners: Pensionbee: <https://www.pensionbee.com/press/women-have-a-smaller-pension-than-men-in-every-uk-region>

<sup>52</sup> *Households Below Average Income 2016/17*, DWP, 2018 (both for before and for after housing costs). Table 6.5bd. See [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/691917/households-below-average-income-1994-1995-2016-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/691917/households-below-average-income-1994-1995-2016-2017.pdf)

the options under consideration would be likely to have a more significant impact on those of more limited financial means – and poorer members of the directly affected groups appear more likely to be female or BAME. We note Frontier’s conclusions about the distributional effects of the various reform options, and their impact on household income in the poorer deciles.<sup>53</sup>

Moreover, older people are more likely to be disabled than younger people, and disabled people are more likely to be housebound than non-disabled people and so to depend more on television for companionship and a sense of social inclusion.

Frontier also considered the option of needs-testing but did not consider it appropriate to progress to a detailed review.<sup>54</sup> Our current thinking, looking at what Frontier have said, is that means-testing would be a better option than needs-testing.

There may be a risk that a more complex means of proving eligibility for any reformed concession could disadvantage those potentially eligible who have a disability, especially a learning disability. Were a self-verification model used by the BBC, this would be mitigated by the way the proof of entitlement was designed – for example, simply through showing receipt of Pension Credit – and the means and methods used to communicate these changes. However, this risk could be best mitigated were the Government to use an existing power to make secondary legislation to allow the BBC to link to a DWP database which would afford direct access to Pension Credit data (which the BBC does not currently receive).

#### **4. Assessment of policy options against statutory equality objectives to which the BBC must have due regard**

##### **Eliminate discrimination, harassment & victimisation**

The BBC must have due regard to the need to eliminate unlawful discrimination in the performance of its functions. (Harassment and victimisation are not relevant in this context.)

For the reasons outlined above, any option other than copying the current

<sup>53</sup> Frontier Economics, *Review of over-75s funding* (November 2018) pp.17, 24 – 25, 40, 44 – 45, 46, 49 – 50, 56 – 57 and 61 – 62.

<sup>54</sup> Frontier Economics, *Review of over-75s funding* (November 2018) p32-34, 38.

concession would create a financial detriment for those who currently receive free licences, which Frontier's report states would be likely to have a bigger impact in the case of poorer households than richer ones.<sup>55</sup>

Those affected are predominantly over-75s (but could be younger people in the same household as an over-75), so any such option would create a financial detriment for older age groups, and also (indirectly) have a potentially more significant impact on groups sharing other protected characteristics, in particular sex or disability.

If the financial effect on individuals in these groups meant they could no longer afford a TV licence and so lost access to TV services, those individuals would also suffer a qualitative detriment, in that such individuals tend to use TV services (and other BBC services) more, and may rely on them for social inclusion and companionship.

If there is a concession (including a discount), BBC programmes and services would be paid for in full by only some licence holders. Frontier Economics explain in their report that the potential economic effect could be seen as in effect an indirect subsidy,<sup>56</sup> and that the equity rationale for the current concession has weakened since it was introduced in 2000.<sup>57</sup> Further, there are many younger people who are poor who will still have to pay (and the BBC has no power to create a concession for people on a low income, unrelated to age).<sup>58</sup>

In addition, over-75s are likely to use BBC services more than younger age groups.<sup>59</sup> To the extent that a concession reduces the funds available for BBC programmes and services, cuts would impact everyone, and perhaps over-75s disproportionately. Conversely, reforming the concession in a way that reduces the financial burden on the BBC could have some positive effects for older and younger licence holders.

The BBC's need to eliminate unlawful direct or indirect discrimination will be carefully considered in the decision-making process.

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<sup>55</sup> Frontier Economics, *Review of over-75s funding* (November 2018) pp.17, 24 – 25, 40, 44 – 45, 46, 49 – 50, 56 – 57 and 61 – 62.

<sup>56</sup> Frontier Economics, *Review of over-75s funding*, 2018, pp.6 – 7.

<sup>57</sup> Frontier Economics, *Review of over-75s funding*, 2018, p.39.

<sup>58</sup> Frontier Economics, *Review of over-75s funding*, 2018, pp.17 – 19.

<sup>59</sup> On average, over 75s consume the most BBC TV and radio per week (over 33 hours) more than 16 to 34s (less than 8 hours) or 35 to 54s (15 hours). Frontier Economics, *Review of over-75s funding* (2018) pp.13 – 14 and Figure 2.

### **Advance equality of opportunity**

**The BBC must have due regard to the need to advance equality of opportunity between members of different protected equality groups, especially – in this context – on grounds of age.**

The BBC will have due regard to the fact that any option other than maintaining the current concession would result in at least some over 75s households having to pay at least something for a television licence when currently they do not, and that this could result in no licence being purchased. Such an effect could have implications for equality of opportunity given the general importance of access to good-quality TV services, and in particular the potential role television plays in connecting people in this group to the world around them.

As noted above, this could be more likely for people within the cohort who share other protected characteristics (e.g. disabled people and women) than others who do not.

### **Fostering good relations between groups**

**The BBC must have due regard to the need to foster good relations between members of different protected equality groups, especially – in this context – on grounds of age.**

We have noted that, if the existing concession were copied, some licence holders would be paying for BBC programmes and services which all enjoy.<sup>60</sup> The BBC is funded directly by the public which means the public pays for it and it belongs to the British people. It is a unifying force in UK society. The principle of a universal licence fee supports that, and restoring or partly restoring the principle of universal payment could be helpful to a sense of intergenerational fairness, which is relevant to one of the needs to which the BBC has to give due regard as part of the public sector equality duty.

### **Data or other evidence on which our analysis is based**

The BBC has considered the likely equality effects of the current principal policy options in the light of data it already has. In reaching a final decision, it will review its analysis and take into account relevant consultation responses received.

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<sup>60</sup> Frontier Economics, *Review of over-75s funding* (2018) p. 6-7.

**Data and evidence upon which the current analysis is based includes:**

BBC analysis of BARB (Broadcasters Audience Research Board) and Radio Joint Audience Research (RAJAR) data.

Frontier Economics analysis of Family Resources Survey data (an annual report from the DWP providing facts and figures about the incomes and living circumstances of households and families in the UK). This divided all households in the survey into ten equally sized deciles, according to equivalised household income from all sources net of direct tax and housing costs.

DWP Pensioner Income Series on real median annual income (after housing costs).

IFS (Hood & Waters 2017) showing pensioner households are now the least likely group to be in both relative & absolute income poverty.

IFS (Cribb et al, 2018) noting that looking forward, prospects for pensioner incomes were more favourable for working age adults.

Living Costs and Food Survey (ONS, 2017) which provides household expenditure data.