



Annual Review 2006/07

Contents

- 3 Foreword
- 4 What TV Licensing does
- 6 Maximising licence fee revenue
- 8 Information and enforcement
- 10 Customer service
- 11 We'd like to hear from you

Did you know, TV Licensing:

- Uses a database of **29.5m addresses**
- Last year received **1.3m items of written correspondence**, 22.5% of which were emails; and took **11.7m phone calls**
- Catches an average of **1,000 evaders** a day
- Has launched a **new handheld detector** which is approximately 21cm long and can make **3,000 visits** before its battery needs changing

Foreword

The past year has seen some major developments in how TV Licensing administers the collection and enforcement of the TV licence fee and I am pleased to detail the progress in this Annual Review.

TV Licensing collected over £3.2bn in licence fee revenue last year, an increase of £139m on the previous year. As an organisation TV Licensing aims to be as cost effective as possible and last year we reduced the annual cost of collection from 4.9% to 4.1% of the total revenue collected.

Switching to the PayPoint network for all over-the-counter TV Licensing services means that licence fee payers can now buy a TV licence in more local outlets, which are generally open late. Managing the migration of around nine million licence fee payers to a new way to pay was a major change for TV Licensing. I am pleased to report that with an average of around 2.5m TV Licensing transactions made each month at PayPoint outlets the new services are working well for the vast majority of people. However, we do recognise that change is difficult for some people which is why we are keen to engage with the public on how best to ensure the service works for them. PayPoint is responding by opening additional outlets where they are most needed.

Last year we began sending licences out by email, increasing convenience for licence payers and reducing postage, paper and printing costs. We are planning to extend the online communications we offer, for example, by offering email reminders. Embracing new technologies is at the heart of TV Licensing's drive to provide convenient and cost effective services to the public and we will continue to develop these initiatives.

Estimated licence fee evasion has increased slightly this year from 4.7% to 5.1%. This is partly due to recent population growth in primarily urban areas and multi-occupancy housing, where evasion is higher and populations are more transient.

We always prefer people to pay rather than be prosecuted, but we will pursue evaders who refuse to pay. An average of 1,000 evaders were caught every day last year. The honest majority do pay and the number of licences in force reached record levels during the year. We are constantly developing new technology to combat TV licence evasion and regularly investigate ways of ensuring that the database of addresses is as accurate as possible.

There have been some changes to the regulations under which TV Licensing operates. Most notably, anyone can now use cash payment schemes, which were previously only available to those on income-related state benefits. We have worked with money advisers and community groups to ensure that information on these changes reaches those who might be interested in this payment method.

Our innovative communication and marketing campaigns continue to receive marketing industry recognition. The student campaign, "It's Not Funny", again won several awards. Accolades such as these recognise TV Licensing's success in communicating with the public in the most appropriate and effective way.

TV Licensing is in a strong position to move forward in a constantly changing environment, as the BBC commences its new Charter and new ways of watching television evolve. We provide a cost efficient service, maximising revenue for BBC programmes and services, while helping more people to become properly licensed.

I hope you find this review informative and useful. We welcome your views on how TV Licensing operates and details on how to contact us are included on page 11 of this review.

Pipa Doubtfire

Head of Revenue Management, BBC TV Licensing

"...last year we reduced the annual cost of collection from 4.9% to 4.1% of the total revenue collected."

Award winning "It's Not Funny" student campaign

To build on students' engagement with TV Licensing the "It's Not Funny" campaign included new and imaginative opportunities offered by digital media to reinforce understanding among students about the need to buy a TV licence. This included a website encouraging students to download funny clips and jokes and send them on to fellow students and friends. The site was part of TV Licensing's integrated marketing campaign, which used the combined impact of over 30 different elements, including letters to students and public and community relations, to drive TV licence sales among students.

TV Licensing won the top prize at the 2007 Institute of Direct Marketing awards for the campaign. The programme was judged to have made "the most outstanding strategic contribution to overall business success in 2007". This is in addition to the campaign winning the top honours at the Marketing Communications Consultants Association (MCCA) Awards and also being voted Best Integrated Communications Campaign for its "superb combination of creativity, media and outstanding results".

What TV Licensing does

"TV Licensing" is a trading name used by agents contracted by the Licensing Authority (the BBC) to administer the collection of television licence fees and enforcement of the television licensing system. The majority of the administration of TV Licensing is contracted to Capita Business Services Ltd, with the administration of cash payment schemes contracted to Revenues Management Services Ltd, and marketing and public relations activities contracted to the AMV Consortium. This consortium is made up of the following four companies: Abbott Mead Vickers BBDO Ltd, Fishburn Hedges Boys Williams Ltd, PHD Media Ltd and Proximity London Ltd. The BBC is a public authority in respect of its television licensing functions and retains overall responsibility.

The TV licence currently costs £135.50 for colour television and £45.50 for black and white. TV Licensing informs people of the need to buy a TV licence. It sends reminders to renew licences and processes queries, applications and payments. Maintaining our database is also key, using the technology to identify and visit people who may be using a TV without a valid licence. There are around 25m TV licences in force, which include 3.9m free over 75 TV licences and approximately 40,000 licences for people receiving a 50% blind concession. TV Licensing aims to maximise licence fee revenue by collecting the fee in the most cost efficient way.

Typically, several letters are sent to an unlicensed address, reminding occupants of the importance of being properly licensed and giving information on the many ways they can pay. A property may also be contacted by phone to enquire whether a TV licence is needed there. If there is no response, the address will be selected for a visit from an enquiry officer. On average around 1,000 evaders are caught daily. Visits also provide TV Licensing with information on whether an address is unoccupied or derelict and whether there is no TV on the premises.

Detection equipment is only used to identify evaders when other, more cost effective routes have been exhausted.

Changes to TV Licensing

The following changes took place to the way TV Licensing administers the licence fee as a result of new regulations which came into force from April 2007:

Cash Easy Entry scheme:

The Cash Easy Entry scheme, under which the licence fee can be paid by cash instalments, was previously only available to people in receipt of one or more income-related state benefits and it is now open to anyone.

Set top boxes:

Viewers who use a digital set top box with a black and white TV will now only have to pay for a black and white licence (this will not apply to set top boxes that are able to record television programmes).

If you do not use TV receiving equipment you will not need a licence; for example, if you use a digital set top box or television receiving equipment with a hi fi system or some other device that can only produce or record sounds.

Accommodation for Residential Care concession:

The cost of a television licence for residential and nursing homes and sheltered housing under the Accommodation for Residential Care (ARC) scheme has risen from £5.00 to £7.50 a year per unit of accommodation. This is the first rise since 1988 and the charge now covers the cost of administering the concession.

People on short term respite care visits to nursing or residential care homes which benefit from the ARC scheme will also be able to benefit from the concession, which was previously available only to full time residents.*

* To be eligible for the ARC concessionary TV licence, a person must live in a qualifying accommodation scheme and be retired and aged over 60 or disabled.

Blind concession:

The new regulations add, as a recognised proof of entitlement, a certificate or document issued by or on behalf of a Health and Social Services trust in Northern Ireland. In addition, the regulations remove the current requirement for people to produce proof of entitlement every five years, provided the BBC is satisfied that the proof initially provided is sufficient.

TV licence fee beyond 2007

The current licence fee is £135.50 for a colour licence and £45.50 for a black and white licence. The Government has announced that the licence fee will increase annually by 3% for the first two years of the new settlement and 2% in years three, four and five. There will be an increase in the sixth year (2012-13) of up to 2%, depending on a further review nearer the time.

European picture

Many other European countries have a public broadcasting system, in addition to privately owned radio and TV stations. The BBC is a member of the Broadcasting Fees Association, founded in 2006, made up of organisations across Europe which collect and enforce the licence fee in their individual countries. Each licensing regulatory structure is different; for example the unemployed do not pay for a TV licence in Germany. But of course, there are similarities between the various countries including the need to manage evasion.

European picture

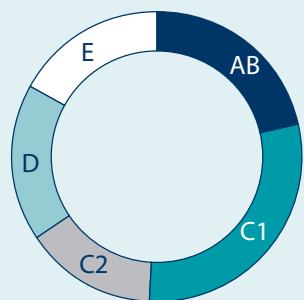
Evasion rates and licence fees (in euros) across Europe (source: Broadcasting Fee Association, latest available figures, dates vary)

Country	Estimated Evasion Rate %	Licence Fees €
Austria	3.0	243.84*
Czech Republic	6.0	72.00*
Denmark	6.2	288.49*
Finland	8.9	208.15
Germany	8.0	204.36*
Italy	23.0	99.60*
Ireland	15.1	158.04
Norway	11.5	254.79
Sweden	11.0	211.56
Switzerland	4.1	285.00
UK	5.1	199.20

* Indicates combined TV and radio licence

Social grade distribution of licensable UK properties

Distribution by social grade of 25.9m properties that required a licence on 31 March 2007



AB	21.5%
C1	29.4%
C2	14.9%
D	17.4%
E	16.8%

Maximising licence fee revenue

TV Licensing works to ensure that as much licence fee revenue as possible is collected. This is done through a combination of keeping the cost of collection low and continuing to look for new and innovative ways to reduce evasion. The combined cost of collection and evasion is at its lowest ever level.

Evasion is up from 4.7% at March 2006 to 5.1% at March 2007. This increase is the equivalent of £14m income foregone and is partly due to demographic factors. Recent population growth has been primarily in urban areas and multi-occupancy housing where evasion is higher and populations more transient.

Evasion rate and collection costs

	02/03	03/04	04/05	05/06	06/07
	%	%	%	%	%
Evasion Rate*	5.7	5.0	4.6	4.7	5.1
Collection Costs	5.5	5.4	5.2	4.9	4.1
Total	11.2	10.4	9.8	9.6	9.2

* Historical evasion, restated using latest assumptions

Cost of collection

Collection costs in 2006/07 were £132.6m which is a reduction as a percentage of income of 0.8% (down from 4.9% in 2005/06 to 4.1% in 2006/07). Most of the reduction has been achieved through savings in over-the-counter services and marketing costs, showing improved efficiency and value for money. This is a significant result considering that in 1991, when the BBC took over the responsibility of collection of the licence fee, the costs as a proportion of income were 6.2% and the volume of licences in force is up by 25% over the same period (19.6m to 24.5m).

TV Licensing costs of collection

	2007	
	£m	%
Collection costs including call centres, field force, detection and over-the-counter services	98.9	74.6
Depreciation of new systems	0.8	0.6
Communications including reminders and information campaigns	19.0	14.3
Postage	10.7	8.1
Administration and contract management	3.2	2.4
Total	132.6	100

Payment schemes

TV Licensing aims to make it easy for people to pay and offers a number of payment schemes and outlets. Direct Debit payments continue to grow.

Last year TV Licensing introduced the TV Licensing savings card, which replaced TV Licensing savings stamps. Savings towards the cost of a licence can be made by simply taking a savings card to any PayPoint outlet to add to payments by cash or debit card. The card is more secure than stamps as a record of the savings is stored on TV Licensing's central computer system. Unlike stamps, if the card is lost the savings are not.

Over the year 1.2m licences were sold using the web, which represented 13.3% of sales (excluding Direct Debit Renewals and over 75 sales) compared to the previous year's sales of 659,000 (6.6% of sales).

% of licences collected by payment channel (excluding over 75s)

	02/03	03/04	04/05	05/06	06/07
Direct Debit*	52.9	55.7	58.2	60.9	64.7
Credit Cards including Goldfish	4.1	3.9	4.2	4.3	7.0
Cheque/Cash:					
– Post	5.2	4.7	4.3	4.0	6.7
– Post Office Counter Limited including savings stamps	31.8	29.3	26.7	24.0	5.4
– Savings card (introduced May 2006)**					2.6
– PayPoint	0.1	0.1	0.1	0.2	7.0
– Cash Easy Entry and Monthly Cash Plan	5.8	6.1	6.3	6.4	6.4
– Home banking	0.1	0.2	0.2	0.2	0.2
	100.0	100.0	100.0	100.0	100.0

* Annual, quarterly, monthly. Monthly is paid 6 months in advance and 6 months in arrears, so people buy 1.5 licences in the first 12 months.

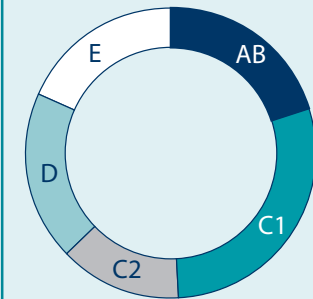
** The TV Licensing savings card replaced saving stamps. It was not possible to collect the data in previous years when savings stamps were in use.

Who are the evaders?

Evasion is spread across all socio-economic groups:

TV Licensing evader profile

Distribution by social grade of 1.3m properties that were not licensed on 31 March 2007



AB 20.1%

C1 29.1%

C2 13.6%

D 18.9%

E 18.3%

According to the Broadcasters' Audience Research Board (BARB), 98% of households currently own TVs.

Anne Kinghorn,
YMCA, Asylum Support, Glasgow

"I welcome TV Licensing's work in producing multi-lingual materials. Scotland is increasingly characterised by a diverse mix of nationalities and it is important that this is taken in account when public service materials are being produced."

Kevin Higgins,
Head of Policy, Advice NI

"We welcome TV Licensing's initiatives to provide clear information to customers on their payment options, and we hope the text message reminder service will help those in Northern Ireland paying weekly to stay licensed on a scheme which allows them to pay in a way which best suits their circumstances."

Information and enforcement

There are several approaches used to communicate the need to be licensed, the ways to pay and the consequences if those requiring a licence do not meet their obligations:

Marketing and advertising

- TV Licensing uses a variety of media to communicate, such as letters, posters, advertising on the Internet and trails on radio and TV. This allows communication with a wide range of people from payers to evaders.
- Some licence fee payers will only make payment when they are reminded of the legal requirement to be properly licensed and the penalties they might face if they are caught evading. BBC research shows that nine out of 10 people think it is appropriate for TV Licensing to highlight anti-evasion messages. The tone of marketing messages is consistent with that used by other organisations which have similar aims such as cutting down on road tax evasion and benefit fraud.
- These messages are balanced by a range of communications to the public which are focused on raising the awareness of the availability and ease of payment methods such as Direct Debit.
- The response to all communications is carefully monitored to ensure they are effective and appropriate and demonstrate a positive return on the investment made.

Social inclusion and education programmes

- Working closely with stakeholder organisations to promote the need to have a licence and to advise on easy payment schemes is key. TV Licensing worked with 40 umbrella organisations across the year including:

Institute of Money Advisers, Citizens Advice, Money Advice Scotland, Advice NI, National Asylum Support Service, British Federation of Race Equality Councils, NI Housing Executive, RNIB, Age Concern and Help the Aged.

- TV Licensing achieved 23 endorsements from stakeholder organisations, secured copy in 17 of their newsletters and websites and attended four national conferences. Through distributing over 100,000 items of literature TV Licensing generated over 1,180 calls via the dedicated Social Inclusion call-centre number.
- A dedicated contact programme is run by TV Licensing for magistrates, courts staff and relevant organisations. This informs courts about the various campaigns which educate people about the many ways to pay so that they are only prosecuted as a last resort.
- The community relations newsletter "In Brief" is sent out quarterly to all stakeholder contacts, with updates on TV Licensing activity.
- TV Licensing is multi-lingual. It produces literature in 21 different languages and has a translation service enabling callers to communicate in 150 languages.

Enforcement and detection

- Visiting is a critical part of sales and enforcement and 3.5m visits were made last year, compared to 2.9m visits in 2005/06.

When visiting, enquiry officers will:

- always prove their identity by showing an identity card and, on request, provide a telephone number to confirm this
- be polite and courteous at all times
- state why they are visiting
- only enter a property when given permission. If refused access, they may use detector vans or apply to court to obtain a search warrant
- conduct enquiries firmly and fairly and in the least intrusive way possible
- never threaten or intimidate
- stop the enquiry if asked to leave
- when necessary, take a statement in accordance with the law and ask the interviewee to sign it as an accurate account of the interview
- make sure the interviewee knows the consequences of a statement being taken

- Detection equipment is expensive to deploy and is used selectively when other routes (which are more cost effective) are exhausted. Equipment is mainly used at properties that have declared that they have no TV set and households that have refused entry to an enquiry officer.

The use of detection equipment is strictly regulated through the Regulation of Investigatory Powers Act 2000.

- TV Licensing has no right of entry and officials will only enter a household with the consent of the occupier. The only exception is when TV Licensing has obtained a search warrant. These are used in rare cases if we have evidence of evasion and the customer refuses entry.

Why does TV Licensing assume that everyone needs a licence when some households do not use television? Surely there is a better way to manage this rather than the 'guilty until proven innocent' approach?

When someone informs us that they either do not have a TV, or that they do not use it to receive broadcast signals, we do visit in order to verify this.

The purpose of a visit is to identify genuine non-users of television so that we can minimise future contact with them. This practice, which is carried out sensitively and professionally, is in the interests of all parties. Once we have verified our records, we will cease our enquiries for a number of years for those who genuinely do not require a licence.

Research conducted by the BBC showed that over 80% of those surveyed who were not using TV and who had received a confirmatory visit from TV Licensing felt it was reasonable to visit to confirm a television was not in use.*

Last year, over 40% of people who claimed not to have a television were found to be using one, and therefore required a licence, when we entered the premises.

* DONT (Declaration of no television) research, Summer 2005

David Sinclair,
Help the Aged Policy Manager

“We work with thousands of the most disadvantaged elderly people every year, many of whom are struggling to make ends meet on a very limited income. In this context the free TV licence for over 75s is a very welcome concession and we fully support TV Licensing’s efforts to raise awareness of it.”

Rene Kinzett,
Swansea Councillor

“We are pleased to be working with TV Licensing to remind all Swansea residents of their legal requirements for a licence. We would encourage anyone evading the licence fee to get one before they get a knock on the door.”



Handheld detectors in use.

Customer service

Award-winning call centres

Both Capita TV Licensing call centres in Darwen and Bristol have retained their Customer Contact Association (CCA) accreditation last year. In addition to this, the Darwen call centre won industry recognition for "Best Practice to Address Diversity" and call centre agent John Foster won the CCA "Call Agent of the Year".

Calls in a foreign language

Percentage of calls by language other than English in the six months up to 31 March 2007 (total 1,042 calls)

Language	%
Polish	26.0
Portuguese	8.3
Urdu	7.6
Punjabi	6.8
Bengali	6.6
Turkish	5.7
French	4.1
Somali	3.6
Spanish	3.0
Russian	2.8
Others	25.5

In our dealings with the public we will:

- be courteous at all times
- answer all communications quickly and politely, aiming to get it right first time
- uphold the principles of the Data Protection Act 1998
- act fairly, equitably and consistently towards all people within the terms of the Communications Act 2003 and the Communications (Television Licensing) Regulations 2004
- process complaints quickly and fairly and undertake thorough and fair investigations
- where practicable, communicate in the language and format of a customer's choice
- inform people of their most appropriate method of payment
- constantly seek to improve and maintain the quality of our activities

Customer satisfaction remained high throughout the year with the combined average "satisfied" and "very satisfied" figures of those surveyed sitting at 88%.

Capita TV Licensing call centres handled 11.7m calls last year compared to 9.2m the year before, which is an increase of 27%. Of the calls answered, 6.9m (59%) were taken by a customer service adviser and 4.8m (41%) were via the various self help services such as touch-tone and voice recognition telephone services (compared with 27% in 2005/2006).

Complaints

We take complaints very seriously and always try to resolve them at the first opportunity.

- There were 31,390 complaints in the last year, which is an annual increase of 8,065 (35%). This period included the migration of around 9m existing Post Office customers to PayPoint outlets or alternative payment methods.

This is 0.016% of the total number of licences in force and compares well with similar organisations.*

Complying with equality legislation

To ensure TV Licensing meets its legal obligations in relation to the duties specified in the BBC Race, Gender and Disability Equality Schemes, action plans for TV Licensing have been developed and are regularly monitored.

The plans enable TV Licensing to identify, share and promote best practice and awareness regarding current and forthcoming equality issues. The progress on implementation of the action plans is reported through the BBC Diversity Unit to the BBC Trust. The schemes are available from: www.bbc.co.uk/info/policies/diversity.shtml

Online

Last year the TV Licensing website was improved to make it easier to use. The freshly designed website has contributed to a 53% annual increase to sales online.

OneVu Bill Manager was also introduced last year allowing people to pay via online banking.

Licence by email

273,000 people signed up to receive their licence online last year. Instead of waiting for the licence to be printed and posted it can now be received by email and details of how to do this can be found online at www.tvlicensing.co.uk

The next phase of development will extend the types of communication available on email, for example payment reminders, to further save costs and extend take up.

* For the water industry, the figure is an average of 0.62% of the total customer base.

We'd like to hear from you

We want to hear any views you might have on this annual review or of TV Licensing in general.

If you are a member of the public, please either call 0844 800 6790 or write to TV Licensing, Bristol, BS98 1TL.

If you are contacting TV Licensing on behalf of an organisation or in a professional capacity, please go through the Campaign Office on 020 7544 3116 or email campaignoffice@tvlicensing.info

Please note, the Campaign Office is unable to deal with enquiries from individual customers.

Copies of this review are available in other formats by calling 0844 800 6790 or our minicom facility for the deaf or hard of hearing on 0844 800 6778.

What your licence provides

The BBC is paid for directly through each household TV licence. This allows it to run a wide range of popular public services for everyone, independent of advertisers, shareholders or political interests. 92.5% of the UK population used the BBC every month in 2006/2007.

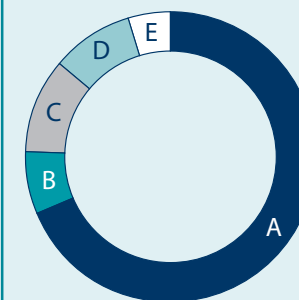
The BBC provides eight TV channels, 10 radio stations, more than 50 local TV and radio services, bbc.co.uk and launched its on-demand TV service, the BBC iPlayer, in July 2007.

For more information please go to: www.bbc.co.uk/annualreport/

How your licence fee is spent

Each household's colour TV licence cost £10.96 every month in 2006/2007. On average this is how the BBC used your money:

Average monthly licence fee spend



A Eight national TV channels plus regional programming £7.54

B Forty local radio stations 75p

C Ten national radio stations £1.17

D Broadcasting and TV licence collection costs £1.01

E Over 240 websites on bbc.co.uk 49p

Source: www.bbc.co.uk/info/licencefee

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