



British Broadcasting Corporation

**Television Licence Fee Trust Statement for the
Year Ending 31 March 2014**

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Presented to the House of Commons pursuant to section 2 of the Exchequer and Audit Departments Act 1921 as amended by the Government Resources and Accounts Act 2000.

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Foreword by the Director

General

We recognise that improvements in the economy in 2013/14 have not been felt by all Licence Fee payers and that some people are finding it difficult to find the money to pay. We are grateful that people are continuing to make buying their TV Licence a priority.

The BBC's Licence Fee collection performance in 2013/14 reflects the economic conditions. Household growth, a major contributor to overall Licence Fee revenue growth, has also remained lower than in the period before the economic downturn. In 2013/14 overall Licence Fee revenue increased by £16m, including Over 75 licences. The revenue to the consolidated fund, which does not include Over 75 licences, increased by £5m to £3,114m.

Even within this challenging climate, the BBC has kept the level of evasion steady at between 5-6% while continuing to improve services to customers – we are delighted to report that the number of complaints from customers fell by 10% in 2013/14, building on the 43% reduction already achieved over the previous four years.

The new contract arrangements with suppliers which started last year are delivering new capabilities for our collection processes. These capabilities are expected to deliver reductions in evasion over the next few years. At the same time, the new arrangements will further develop the services to improve the convenience and experience for customers.

Annual Report

The Director General as Accounting Officer presents the British Broadcasting Corporation Television Licence Fee Trust Statement (the Trust Statement) for the year ending 31 March 2014.

Strategic Report

Licence Fee Collection

The British Broadcasting Corporation (BBC) has held responsibility for collection of Licence Fees since 1991 when the processes were transferred from the Home Office. The BBC collects Licence Fee revenue from customers and transfers it to the HM Government's Consolidated Fund. The revenue collected is passed back to the BBC as Grant-in-Aid from the Department for Culture, Media and Sport (DCMS).

The processes for the collection of Licence Fee revenue are managed by the BBC which has a number of contractual arrangements covering collection, administration and enforcement of the Licence Fee, marketing, payment channel management and retail networks. 'TV Licensing' is a trade mark of the BBC and is used under licence by companies contracted by the BBC. The majority of administration is contracted to Capita Business Services Ltd under a contract which was signed in December 2011. Over-the-counter services are provided by PayPoint plc in the UK, and by the Post Offices in the Isle of Man and Channel Islands. Marketing and printing services are contracted to Proximity London Ltd. The BBC is a public authority in respect of its television licensing functions and retains overall responsibility.

The BBC has comprehensive governance arrangements with its suppliers to ensure that the processes for collecting Licence Fee revenue are consistent with regulations and policies and offer customers the best options for paying their Licence Fee. The BBC aims to offer a wide range of schemes and payment channels to enable customers to pay quickly and simply.

The Collection Environment

The environment for the collection of Licence Fee revenue has continued to be challenging. Revenue growth has been affected by low household growth, restricted household incomes and changes in customer viewing behaviour.

Household growth

Household growth for 2013/14 has been estimated at 0.44%. There has been no increase in the rate for four years. Analysis of the activity in planning and house building indicates that the rate of household growth is likely to increase slowly over the next two years.

The outlook for household growth will depend on the recovery of the wider economy. However the current year has seen a modest rise in new house completions and the pace of recovery is expected to accelerate over the forecast period as recovery in the UK economy, mortgage finance and property transactions lift private new housing completions.

Household incomes

After nearly six years of falling real wages, rises in weekly earnings have caught up with inflation. Weekly wages, including bonuses, rose by 1.7% in the year to February 2014 whilst Consumer Prices Index (CPI) inflation fell to 1.6% in March 2014 from 1.7% in February 2014. The unemployment rate was 6.9% for December 2013 to February 2014, down from 7.9% for a year earlier¹. However the impact of this has yet to be felt in customer circumstances or sentiment.

¹ONS – Part of Consumer Price Inflation, March 2014 release and Labour Market Statistics, April 2014 release.

The TV Licensing tracker² shows an increase in the number of delayer and evader respondents, from 68% to 79% year on year, indicating they would find it difficult to find the money to pay towards a TV Licence at the present time. This indicates that many customers may begin to de-prioritise payment.

Evasion has been held steady between 5% and 6% during 2013/14 despite the pressures from the collection environment. The BBC's evasion model calculates the level of evasion from the licences in force at 31st March, the number of premises and the proportion of those premises which should be licensed. This can be revised for previous years as better information is received on numbers of premises or other parameters.

Media Consumption

Audiences are embracing new devices to enhance their viewing experiences with particular growth in tablets. For the majority of households these new devices are used as an addition to the traditional television set but there are some households where the television set is being substituted for viewing on other devices. All viewing devices are captured by the regulations and require a licence for linear television viewing.

The Broadcasters' Audience Research Board (BARB) is now providing data on households using non-TV devices to watch television and this data is combined by the BBC with the BARB estimate of TV households to give an overall percentage of households requiring a licence. This has increased the accuracy of the measure of TV penetration for the purposes of Licence Fee collection but this data is relatively immature and the survey's questions on live viewing are directed at the respondent alone, do not recognise mobile phones or internet connected gaming devices which may require a licence and relies on respondents correctly differentiating between on demand and live streaming of programmes.

The most recently published estimate of TV households from BARB shows a fall in the TV penetration rate to 95.8%, from 96.0% at the same point in the previous year. However, including data on households using non-TV devices brings the overall estimate to 97.2%.

Performance for 2013/14

Revenue collection has remained strong with growth keeping pace with the estimated rate of household growth. Evasion has been maintained at about 5%; a positive sign considering the growing pressures on household incomes.

Gross income in the Trust Statement has decreased to £3,240m (2013 £3,243m). Gross income is the value of Licences coming into force in the period excluding free Over 75 Licences. Revocations, deletions and cancellations have fallen to £142m (2013 £151m). Net revenue for the consolidated fund, made up of the gross revenue and deletions plus £16m of premiums on quarterly direct debit has increased to £3,114m (2013 £3,109m).

The increase in net revenue due to the Consolidated Fund is analysed in Table 1

	£m
Net revenue for the Consolidated Fund 2012/13	3,109
Increase in value of the Licence Fee	0
Increase in volume from household growth	14
Other changes	(9)
	<u>3,114</u>

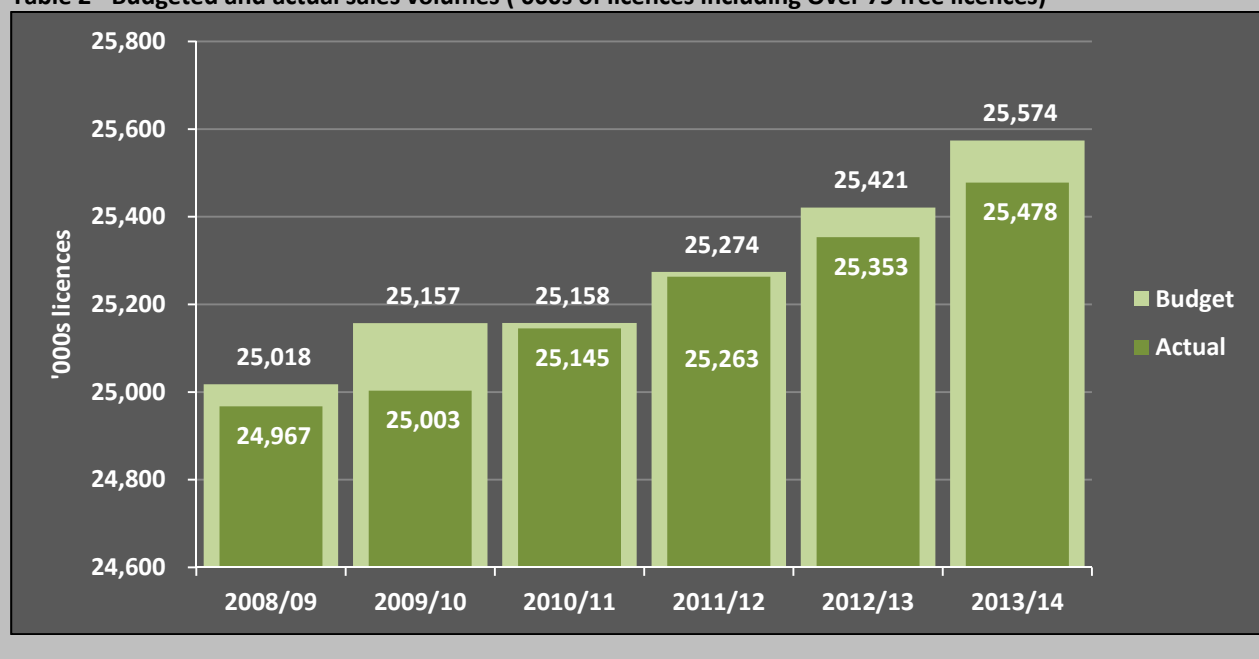
Other changes include customers turning 75 and migrating to the Over 75 scheme.

Budgeting and Forecasting

² TV Licensing Brand and Communications Tracking, January 2014. The tracker has been in place for just over 6 years and is conducted by Harris Interactive.

Table 2 shows the budgeted sales against the actual results for the year for the last six years³.

Table 2 - Budgeted and actual sales volumes ('000s of licences including Over 75 free licences)



Sales volumes for the year were less than budget because the reduction in evasion in the budget was not realised. The result represents a growth rate of 0.49%, in line with the estimated household growth rate of 0.5%. Sales growth in 2013/14 has come entirely from acquisition of household growth.

Bad Debts, Refunds and Cancellations

The value of deletions has fallen to £142m (2013 £151m). There has been a reduction in debts written off for customers who are removed from schemes with instalment balances outstanding on their Licence, this has been in addition to reductions in refunds and other cancellations of licences.

Processes have been changed for some customers to give them longer to get their payments back on track after missing an instalment. There has been a reduction in the volume of licences cancelled, but the average value of debts written off is higher.

Licence Fee Evasion

Licence Fee evasion is measured as the difference between Licences in force and the number of licensable places. Licences in force are identified from the TV Licensing database and the number of licensable places is estimated from statistical sources. Licensable places are made up of households and other non-domestic places requiring a TV Licence.

The BBC makes its own estimate of household growth taking into account estimates published by the Department for Communities and Local Government (DCLG) and prevailing economic conditions such as the increase in the supply of housing. The household growth estimate is applied to the latest information for the number of households published by the DCLG. However, it is becoming more difficult to measure household growth because the economic conditions are more difficult to predict, and therefore the BBC is using multiple sources of information to provide the best estimates of household growth. This includes projections from Glenigan (a construction industry market analysis company) which are based on historic stock data, together with official economic statistics and forecasts and their construction projects database.

³ Licence Fee sales in table 2 include the volumes of Over 75 free licences. 2014 – 4,328,000, 2013- 4,251,000 2012- 4,206,000 2011- 4,156,000; 2010 – 4,088,000; 2009 – 4,000,000; 2008- 3,593,000.

The Broadcasters' Audience Research Board (BARB) publishes its calculation of the number of households with a television set. The ratio of households with a television set to total households is TV penetration. Estimates are made for the number of households which do not have a television set, but still require a licence because they are watching live broadcasts on other licensable devices. This ratio is applied to the BBC's estimate of households to provide the number of licensable households.

Estimates are made for the numbers of other non-domestic places such as businesses, hotels and student halls of residence. Appropriate estimates of TV penetration are applied to each to calculate licensable places.

The aggregate of all licensable places is compared with the number of Licences in force to calculate the evasion percentage.

The data used to estimate the evasion rate does not mature for several years, particularly the information on the number of households. This means that the evasion percentage can be revised after it has been reported because better information has been received.

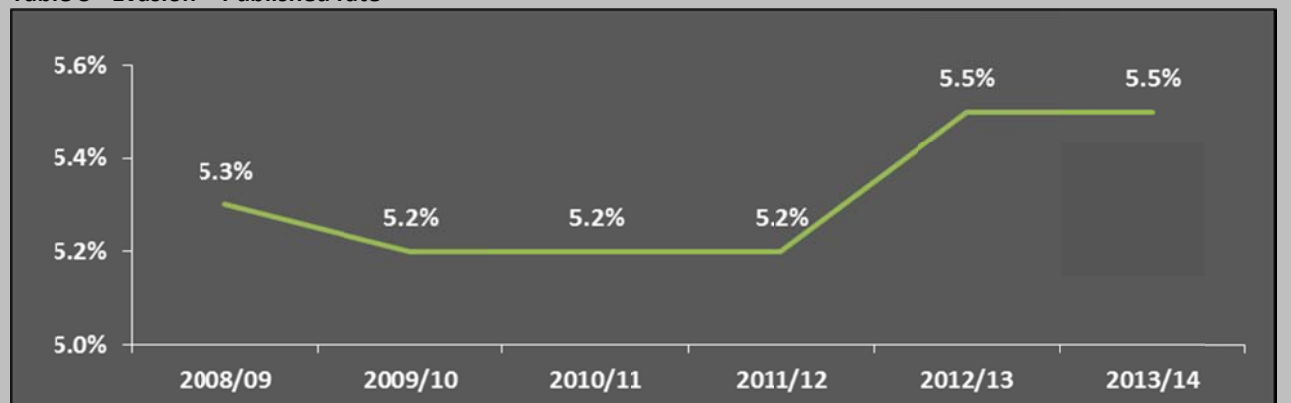
The evasion percentage is reported each year in the BBC's Annual Report and Account. Comparatives in the Annual Report and Accounts have not been changed even though the latest calculation of evasion for that period may be different from that originally reported.

Studies have shown that the evasion percentage is statistically significant to zero decimal places even though the BBC report it to one decimal place in order to show some trend in the rate of evasion. It is not considered possible to improve the accuracy of the reported figure to one decimal place as the input data requires a level of estimation. The changes in the rate of evasion after the reporting date are not statistically significant. A change of one decimal place in the rate of evasion is the equivalent of £3.9m revenue.

The published rate of evasion has remained flat at 5.5% in 2013/14. The BBC has worked to improve its processes to ensure that customers are paying using the schemes that are most appropriate for them and they are encouraged to make up payments quickly if they fall behind.

Whilst this did not produce a reduction in evasion in 2013/14, further progress in managing evasion is expected to come from improvements in the targeting of collection resources enabled by increased use of analytic techniques for deployment of resources.

Table 3 - Evasion – Published rate

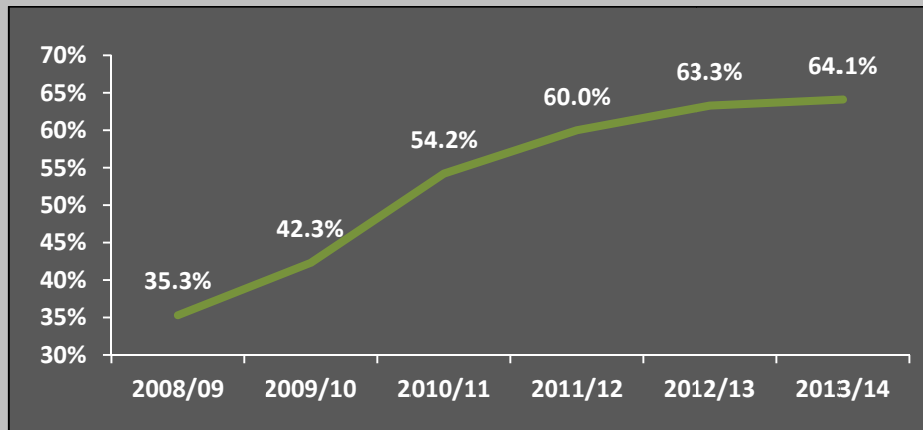


Self-service transactions

The TV Licensing website has continued to grow through 2013/14, delivering 2% more sales than in 2012/13. It has become an invaluable tool for the BBC as both a medium for handling transactions and for communicating with our customers with almost five million transactions completed online in 2013/14.

In 2013/14, 64.1% of all customer initiated transactions were completed through a self-serve channel. Whilst the interactive telephony system (IVR) remains an extremely important customer channel, trends indicate a shift towards self-service via the website.

Table 4 - Self-serve transactions



The TVL website will continue to be developed over the coming year to further improve the experience and convenience for our customers.

Complaints

The total number of complaints has fallen in 2013/14 to 18,337. The level of complaints to Licences in Force has reduced to 0.07% compared with 0.14% five years ago.

Complaints will continue to be monitored to ensure that complaints do not rise above 0.07% of Licences in Force.

Table 5 – Complaints



All operational activities and initiatives are planned and assessed taking into account the impact on reputation. This is one of the key foundations of the arrangements with suppliers. Licence Fee collection strategies need to be balanced between effective revenue collection and the need to maintain the public acceptability of the Licence Fee.

A handwritten signature in black ink, appearing to read 'Anthony Hall', written in a cursive style.

Anthony Hall
Lord Hall of Birkenhead
19th June 2014

Management Commentary

The Trust Statement

The Trust Statement shows the revenue receivable from Licence Fee payers which is due to the Consolidated Fund for the year. The BBC is required to produce the Trust Statement in accordance with the Accounts Direction given by HM Treasury and in accordance with Section 2 of the Exchequer and Audit Departments Act 1921.

The scope of the Trust Statement includes any expenditure deducted from the revenue collected before being passed to the Consolidated Fund. The only expenditure shown in this Trust Statement is the movement on the provision for bad debts. The costs of collecting Licence Fees are paid from the money received from Grant-in-Aid and are consequently outside the scope of the Trust Statement.

The BBC receives Grant-in-Aid from the Department for Work and Pensions and reimbursements from the governments of Guernsey and the Isle of Man for the value of free licences issued to customers over the age of 75 which do not form part of the Trust Statement.

Governance

The BBC is constituted under Royal Charter. The relationship between the BBC and the government is set out in the Charter and the Agreement between the BBC and the DCMS. The BBC is independent from government, but receives its funding through Grant-in-Aid from the DCMS, the Department for Work and Pensions and the Foreign and Commonwealth Office, as well as revenue generated from commercial activities.

The BBC Trust is responsible under the Charter and Agreement for the governance of the BBC on behalf of Licence Fee payers. In respect of Licence Fee collection clause 24 (2) (m) of the Charter says one of the BBC Trust's specific functions is 'ensuring that arrangements for the collection of the Licence Fee are efficient, appropriate and proportionate'.

The Director General is responsible for the operations of the BBC including the collection of the Licence Fee. Further information on how the overall governance of the BBC is managed, including the BBC's objectives and directors' remuneration, can be found in the BBC's Annual Report and Accounts.

Licence Fee collection is part of the BBC's Finance and Business division and is led by the Head of Revenue Management who is responsible for the operations of TV Licensing, the organisation comprising the BBC and the companies contracted to collect the Licence Fee.

Information and Data Security

Keeping information secure continues to be a BBC-wide priority. Our primary concern is that we respect the level of trust placed by the public in TV Licensing, especially when submitting personal information which is held in our databases.

In 2013/14 the BBC continued to ensure its data, information and systems meet business needs in a secure and compliant environment, which is sufficiently flexible to meet our business objectives.

The BBC's policies for information security and data protection are based on industry best practices. The BBC ensures Licence Fee collection suppliers also conform to best practice and provide appropriate levels of information security and data protection.

Basis for the Preparation of the Trust Statement

The HM Treasury accounts direction, issued under Section 2 of the Exchequer and Audit Departments Act 1921, requires the BBC to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and settlements of Licence Fees and the revenue income and expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and

disclosure requirements given in HM Treasury's Financial Reporting Manual and other guidance issued by HM Treasury and the principles underlying International Financial Reporting Standards (IFRS).

The BBC has worked closely with HM Treasury to ensure that the accounting policies that underpin these accounts are comprehensive, appropriate, and supported to a sufficient level of detail by reports from business systems.

Events after the reporting date

There are no events after the reporting date that materially affect these financial statements. These accounts were authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General signed the accounts.

Going Concern and Position of the Business at the End of the Year

After making enquiries, the directors have a reasonable expectation that the Licence Fee collection process has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

Accounting Judgements and Estimates

Impairment of receivables

The value of the impairment of receivables is estimated from the amounts written off for bad debts in the current year and adjusted for growth in the number of licences collected.

Deferred Income

Cash collected from customers renewing their licences who have paid for their licence in full before the licences come into force is accounted for as deferred income.

Auditors

The Comptroller and Auditor General has a statutory duty under the Exchequer and Audit Departments Act 1921 and the Accounts Direction from HM Treasury to audit this Trust Statement.

As far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.



Anthony Hall
Lord Hall of Birkenhead
19th June 2014

Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

Under the Memorandum of Understanding between the BBC and Home Office dated March 1991, the Director General has been deemed as Accounting Officer of the BBC with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Accounting Officer for the BBC is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Accounting Officer is responsible for the fair and efficient collection of Licence Fees, including the collection and proper settlements of revenue.

Under section 2(3) of the Exchequer and Audit Departments Act 1921, the Accounting Officer is responsible for the preparation and submission to the Comptroller and Auditor General of a Trust Statement for the BBC for the financial year 2013/14. In conforming with the Accounts Direction issued by HM Treasury (see page 45 of this Trust Statement), the Trust Statement reports the revenue collected and expenditure in respect of Licence Fees administered by the BBC during the year, together with the net amounts surrendered to the Consolidated Fund.

The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of the BBC, including a Statement of Revenue and Expenditure, a Statement of Financial Position, and a Statement of Cash Flows. The Trust Statement includes a Statement on Corporate Governance which sets out the governance, risk and control arrangements for the BBC. The Statement on Corporate Governance process is firmly and clearly linked to the risk management process in the BBC.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the accounts;
- prepare the Trust Statement on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the BBC's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Corporate Governance

The Corporate Governance Framework

The BBC's corporate governance framework is defined in the Royal Charter (the Charter). You can see the Charter on the BBC Trust's website at

http://www.bbc.co.uk/bbctrust/governance/regulatory_framework/charter_agreement.html

The BBC Trust is responsible under the Charter and Agreement for the governance of the BBC on behalf of Licence Fee payers. In respect of Licence Fee collection clause 24 (2) (m) of the Charter says one of the BBC Trust's specific functions is 'ensuring that arrangements for the collection of the Licence Fee are efficient, appropriate and proportionate'.

The Director General is responsible for the operations of the BBC including the collection of the Licence Fee. Further information on how the overall governance of the BBC is managed, including the BBC's objectives and directors' remuneration, can be found in the BBC's Annual Report and Accounts.

Licence Fee collection is part of the BBC's Finance & Business group and is led by the Head of Revenue Management who is responsible for the operations of TV Licensing, the organisation comprising the BBC and the companies contracted to collect the Licence Fee.

The Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. Although the BBC is not a listed company, it has opted to adopt best practice and follow the provisions of the Financial Services Authority's Listing Rules in accordance with the 2010 Corporate Governance Code and the Financial Reporting Council's 2012 UK Corporate Governance Code in order to deliver the same governance standards as companies quoted on an EU regulated stock market. The BBC also complies with the requirements of the *Government Financial Reporting Manual* issued by HM Treasury (FRoM) and the Corporate Governance Code for Departments.

The Executive Board has complied with the requirements of the Charter which has also secured substantial compliance with the UK Corporate Governance Code. There are, however, a few areas of the UK Corporate Governance Code that are either not appropriate to the circumstances of the BBC or where compliance with the Charter over-rides compliance with the UK Corporate Governance Code.

- The BBC is not a profit-oriented company with shareholders and so provisions relating to interaction with shareholders clearly do not apply.
- As permitted by the Charter, the Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC, this does not comply with the UK Corporate Governance Code. The strategic oversight by the BBC Trust ensures that no single individual has unfettered powers.
- At 31 March 2014, the Executive Board comprised 11 directors, of whom seven are executive directors and four are non-executive directors, this complies with the Charter, but not the UK Corporate Governance Code which requires that at least half the board, excluding the chairman, should be independent non-executive directors.
- The Director General of the BBC, being the Chairman of the Board, has his performance evaluated by the Trust as opposed to the Senior Independent Director, as stated in the UK Corporate Governance Code.

The last external evaluation of the board was completed in 2009; therefore provision B.6.2 of the UK Corporate Governance Code has not been complied with. The BBC did conduct an internal review of governance during the year and it is expected that an externally facilitated evaluation will happen during 2014/15. The Executive Board believes that this does not compromise the quality of the governance arrangements in place during 2013/14 or the execution of the Executive Board's responsibilities.

For the final quarter of the year the Remuneration Committee only comprised two members which, despite being quorate, is non-compliant with principle D.2.1 of the UK Corporate Governance Code. Two new non-executive directors were appointed as members of the Remuneration Committee in early 2014/15, therefore the BBC are now compliant with this principle.

The Executive Board meets monthly (except for August), although additional Board meetings are convened during the year as and when required. Summary minutes of the monthly meetings are available online at

<http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/>

Table 1 – Attendance of directors at the Executive Board

	Executive Board	
	Ordinary	Extra-ordinary
Number of meetings for the period	11	1
Tony Hall (appointed 02 April 2013)	11	1
Lucy Adams	8	0
Helen Boaden	10	1
Anne Bulford (appointed 21 June 2013)	8/9	1
Danny Cohen (appointed 07 May 2013)	10	0
James Harding (appointed 12 August 2013)	6/7	1
Roger Mosey (resigned 06 May 2013)	1/2	0/0
Zarin Patel (resigned 21 June 2013)	3/3	0/0
James Purnell	11	1
Fran Unsworth (resigned 11 August 2013)	4/4	0/0
Non-executive directors:		
Brian McBride	11	1
Simon Burke	11	1
Dame Fiona Reynolds	11	0
Sally Davis (resigned 31 December 2013)	8/8	1
Sir Howard Stringer (appointed 1 January 2014)	2/2	0

Tim Davie resigned 1 April 2013

Graham Ellis resigned 14 April 2013

The Executive Board receives information on the collection strategy for the Licence Fee and the performance of the collection organisation. The Board has found this to be of high quality to identify risks and issues facing the Licence Fee collection operation and accurate to predict the level of Licence Fee income for the year.

The Executive Board delegates some of its responsibility to other managerial groups and, in accordance with the requirements and provisions of the Charter, the following Committees continued to operate last year:

- Audit Committee
- Fair Trading Committee
- Nominations Committee
- Remuneration Committee

Any delegation from the Executive Board is stated in the relevant standing orders for each group and a framework for reporting and review is established. See

<http://www.bbc.co.uk/aboutthebbc/insidethebbc/managementstructure/seniormanagement/subcom.html>

The Executive Audit Committee (EAC) is a sub-committee of the Executive Board made up of non-executive directors. The external auditors and the Director of Risk and Assurance meet independently with the chairman of the EAC during the year.

During 2013/14 the EAC has:

- reviewed the effectiveness of the system of internal controls, including those for financial reporting
- considered reports from management on processes for managing significant risks
- reviewed the BBC's group financial statements and the Trust Statement, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external auditors
- approved the work plan of Internal Audit
- reviewed the fraud detection processes and whistle-blowing arrangements
- monitored the implementation actions required as a result of reviews carried out by the National Audit Office.

The Executive Board and its sub-committees are responsible for the delivery of BBC services and day-to-day operations across the organisation including the collection of the Licence Fee.

The BBC's structure of assurance includes an internal audit and risk management function which combines with Investigation Services to form our Business Assurance function. Internal Audit's authority and independence is assured by the Director of Risk and Assurance's independent and direct access to the Director-General and to the Executive Audit Committee. Internal Audit regularly tests our control systems and core business processes to ensure they are fit for purpose and consistently applied. The work plan, which takes into account a continuing assessment of key risks, is agreed annually with the EAC and covers financial, operational and compliance controls, including the exercise of the BBC's right of audit over external suppliers including Licence Fee collection service providers. Any significant control failings or weaknesses identified are reported to appropriate levels of management; corrective actions and updates are reported back to the EAC.

Key elements of the corporate governance framework specific to Licence Fee collection include:

- the Head of Revenue Management is responsible for identifying and managing the risks facing the Licence Fee collection process, and maintaining a risk register, together with mitigations
- specialist functions oversee the management of certain major areas of risk, such as information security, ensuring appropriate frameworks are in place and effective ownership at a senior level
- the Board receives regular reports and updates on the BBC's risk exposure and mitigation strategies
- audits of the controls over the accounting for receipts from customers
- audits of suppliers' information security controls
- reviews of the risk registers within the BBC department and with suppliers to ensure that risks are documented and that mitigating actions have been completed
- comprehensive monthly, quarterly and annual reporting processes, both within business groups and up to the Board. This includes the system of financial monitoring and reporting to the Board, based on an annual budget, monthly reporting of actual results, regular re-forecasting and analysis of variances and key drivers. It also includes performance reviews tracking achievements against strategy.
- processes to ensure compliance with all applicable laws and regulations
- formal policies and procedures concerning all material business processes, to ensure risks are managed and that timely, relevant and reliable information is available across the business
- processes to ensure that our staff are professional and competent, such as recruitment policies, performance appraisals and training programmes.

The remainder of this Governance Statement considers governance as it relates to the collection of the Licence Fee.

Risk Assessment

The Executive Board is responsible for the operational management of the BBC (excluding the Trust Unit), which includes safeguarding its assets and achieving value for money by ensuring there is a

process in place for managing significant risks to the BBC as well as maintaining an effective system of internal control.

Managing risk within the BBC is integral to the delivery of our business objectives and public purposes. We believe that this is most effectively achieved through the engagement of the entire Executive Board, which is responsible for identifying risks and opportunities that might impact on the BBC's audiences, strategy and operations. External and internal factors – as well as advice from a range of in-house and independent specialists – are taken into account when assessing a business plan and deciding the most appropriate course of action.

The Head of Revenue Management is responsible for maintaining the risk register for the BBC's Licence Fee collection activities. The key risks which are identified and managed relate to the external factors which affect the size of the licensable population and customers' ability to purchase a licence, risks to the reputation of the BBC and TVL brands which may affect customers' willingness to purchase a Licence and risks relating to the relationships and operations of the BBC's key suppliers for the collection of the Licence Fee.

Maintaining Internal Controls with Outsourced Collection Arrangements

The BBC contracts with other companies to provide the majority of the services for collecting the Licence Fee. Each of these organisations has its own internal control responsibilities which are set out in their contracts with the BBC. The Director General, as Accounting Officer, has ultimate responsibility for ensuring that there is an appropriate level of control over all of the BBC's operations whether performed directly or by other organisations.

The internal control and governance structure is embedded in the contract with Capita Business Services Ltd. There are schedules to the contract which relate to the internal controls over the management of funds collected and to the governance of the collection operations and the contract management.

The BBC commissions an annual audit at all the organisations which collect customer money. These audits are designed to ensure that the cash which has been transferred to the consolidated fund and the number and value of licences issued are complete and accurate.

Each year KPMG tests and reports on the internal controls over the main databases which record sales of licences.

Data and Information Security

TV Licensing core functions encompass the management and maintenance of its address databases containing details for over 30 million addresses in the United Kingdom, the Isle of Man and the Channel Islands and payment details for over 25 million licensed customers.

The BBC ensures that responsibilities for data protection and information security are specifically included in contracts with suppliers for the collection of the Licence Fee.

The BBC commissioned a series of reviews of the information security procedures of all the suppliers involved in the collection of the Licence Fee who handle customer data on behalf of the BBC and their major sub-contractors. The reviews were completed by April 2009. The auditors made some recommendations which were resolved by the organisations involved by January 2010.

During 2010, the BBC implemented a new information security management system for its Licence Fee collection suppliers. It is a framework of policies and processes which must be adhered to by the BBC, its suppliers for collection of the Licence Fee, and their subcontractors. It enables all parties to know exactly what is required to ensure the security of TV Licensing data, and to monitor and measure compliance on a formal and on-going basis.

During the year, the BBC ensured that the processes of monitoring and review of the information management system were in place and working effectively. The information security management system has now been used by over 40 organisations working directly and indirectly for the BBC to collect the Licence Fee.

Accreditation to the international best practice information security standard ISO27001 is now a contractual requirement for the main service providers and their relevant subcontractors.

All staff in the BBC receive training in data protection which is monitored to ensure all staff complete it each year. Our Licence Fee collection suppliers also provide their staff with comprehensive data protection training relevant to their role. Training records for BBC staff working on Licence Fee collection and staff working for key suppliers are monitored every six months. The BBC has commissioned the creation of a Data Protection Compliance Framework and Assessment toolset to assist more structured monitoring of our handling of personal information across TV Licensing.

There have not been any significant data losses or breaches of data security during the year.

Fraudulent activity

Our fraud policy establishes a clear framework of controls designed to minimise the risk of fraudulent activity, and assigns responsibility for managing these. All suspected incidents of fraud are investigated.

The key suppliers of Licence Fee collection services have fraud policies in place which are reviewed and updated to reflect changes in processes and risks. Instances of fraudulent behaviour by staff are investigated. Most incidents of fraud identified are carried out by members of the public, for example changing the value of refund cheques. These incidents are reported to the relevant authorities as appropriate.

We have a 'whistle-blowing' (protected disclosure) policy, to facilitate the confidential communication via a number of routes of any incident in which there is a suspicion that the BBC's codes have been breached. Each incident or suspicion reported is independently investigated in a confidential manner, a response is communicated and action is taken as appropriate.

Internal Control Framework

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of controls. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Executive Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

There are no significant control issues relating to the collection of the Licence Fee.



Anthony Hall
Lord Hall of Birkenhead
19th June 2014

Audit Report of the Comptroller and Auditor General to the House of Commons

I have audited the British Broadcasting Corporation Television Licence Fee Trust Statement for the year ended 31 March 2014 under the Exchequer and Audit Departments Act 1921 as amended by the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the British Broadcasting Corporation Television Licence Fee Trust Statement and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Broadcasting Corporation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the British Broadcasting Corporation Television Licence Fee Trust Statement gives a true and fair view of the state of affairs as at 31 March 2014 relating to the collection and settlement of television Licence Fees and of its net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Strategic Report and Management Commentary within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My report on the British Broadcasting Corporation's arrangements for the assessment, collection and proper allocation of revenue is at pages 26 to 44.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157 – 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

30th June 2014

Financial Statements

Statement of Revenue and Expenditure for the Year Ended 31 March 2014

	Note	2014 £m	2013 £m
Income			
Value of Licences	1.3	3,240	3,243
Value of refunds		(68)	(70)
Value of premiums on quarterly direct debit		16	17
Net Revenue		<u>3,188</u>	<u>3,190</u>
Less expenditure			
Bad debt expense	2.2	(74)	(81)
Net Revenue for the Consolidated Fund		<u>3,114</u>	<u>3,109</u>

There were no recognised gains or losses accounted for outside the above Statement of Revenue and Expenditure. The notes at pages 22 to 24 form part of this statement.

Statement of Financial Position as at 31 March 2014

	Note	2014 £m	2013 £m
Current Assets			
Receivables	2.1	395	396
Cash held for customers on savings schemes		27	32
Cash held on behalf of the Consolidated Fund		-	-
Total Assets		422	428
Current Liabilities			
Payables	3	(277)	(278)
Net Assets		145	150
Represented by:			
Balance on Consolidated Fund Account as at 31 March	4	145	150

The notes at pages 22 to 24 form part of this statement



Anthony Hall
Lord Hall of Birkenhead
19th June 2014

Statement of Cash Flows for the Year Ended 31 March 2014

	Note	2014 £m	2013 £m
Net cash inflow from revenue activities	A below	3,114	3,112
Cash paid to the Consolidated Fund	4	(3,119)	(3,122)
(Decrease) in cash in the period		<u>(5)</u>	<u>(10)</u>

Notes to the Cash Flow Statement

A: Reconciliation of Net Cash Flow to Movement in Net Funds

Net Revenue for the Consolidated Fund	3,114	3,109
Decrease in Receivables	1	1
(Decrease) / Increase in Payables	(1)	2
Net Cash Flow from revenue activities	<u>3,114</u>	<u>3,112</u>

B: Analysis of Changes in Net Funds

Decrease in Cash in this Period	(5)	(10)
Net Funds at 1st April (Net Cash at Bank)	32	42
Net Funds at 31st March (Closing Balance)	<u>27</u>	<u>32</u>

The notes on pages 22 to 24 form part of these accounts

Notes to the Trust Statement

1. Statement of Accounting Policies

1.1 Basis of Accounting

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 2(3) of the Exchequer and Audit Departments Act 1921. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the BBC and HM Treasury and have been developed in accordance with the HM Treasury Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context.

1.2 Accounting Convention

The Trust Statement has been prepared on an accruals basis and in accordance with the historical cost convention.

1.3 Revenue Recognition

Revenue derived from television licences is recognised as a receivable from the Licence Fee payer. This represents the value of licences which came into force in the year, subject to deductions for refunds.

Revenue is recognised when a licensable event has occurred and it is probable that the economic benefits from the licensable event will flow to the Exchequer. A licensable event occurs when a licence comes into force. The full value of the licence is counted as revenue in the period in which the licence comes into force.

1.4 Licence Fee Evasion

The value of licences evaded, the difference between the value of licences that could be collected from all licensable addresses and the value actually collected, is out of scope of the financial statements in this Trust Statement. Evasion is discussed more in the annual review. This is referred to as the 'tax gap'.

1.5 Refunds, Revocations and Cancellations

Refunds are given to customers where they can demonstrate that they have paid for a licence which is no longer required. Revocations and cancellations are the value of licences revoked and outstanding instalment payments written off where a customer has not kept up their instalment payments.

The value of outstanding instalment payments written off is shown as an expense in the Statement of Revenue and Expenditure, refunds and other cancellations are shown as a reduction in income.

1.6 Exemptions

There are no exemptions in the legislation and regulations for Licence Fee collection.

1.7 Licence Fee Receivables

Licence Fee receivables represent:

- The amounts receivable from customers on instalment schemes where a licence has been issued, but the full amount of the fee is still outstanding.
- Cash in transit that has been collected from customers for licences in force, but has not been transferred to the HM Government bank account managed by the BBC.

1.8 Impairment of Receivables

The value of the impairment of receivables is estimated based on the value of direct debit cancellations in the previous year. The value of impairments is shown as the bad debt expense in the Statement of Revenue and Expenditure.

1.9 Payables and Deferred Revenue

1.9.1 Licence Fee Payables

Licence Fee payables represent the amounts collected from customers on instalment schemes for licences that have yet to be issued.

1.9.2 Customer savings

Customer savings represents cash collected from customers on savings card or Direct Debit Instalment saving (DDI) schemes for payment towards their next licence. The cash balance is shown with a corresponding payable as the money is not due to the Consolidated Fund until the customer's licence is due for renewal. Timing differences in payments can result in differences between the cash and the payable balance.

Cash collected from customers on the savings stamps scheme is not included in this statement. The scheme is no longer in use and whilst customers can ask for their money to be refunded or transferred to another scheme, it cannot be used to purchase a licence.

1.9.3 Deferred Income

Cash collected from customers renewing their licences who have paid for their licence in full before the licences come into force is accounted for as deferred income.

2. Receivables

2.1 Amounts due at 31st March 2014

	2014	2013
	£m	£m
Licence fee Receivables	423	425
Cash in transit	-	1
Total before estimated impairments	423	426
Less estimated impairments	(28)	(30)
	395	396

Receivables represent the amount due from licensees where demands for payment have been issued but not paid for at 31 March.

2.2 Losses and Write Offs

	2014	2013
	£m	£m
Balance as at 1 April	30	29
Actual amounts written off in the year	(76)	(80)
Bad debt expense	74	81
Balance as at 31 March	28	30

Receivables in the statement of financial position are reported after the deduction of the estimated value of Impairments. This estimate is based on analysis of bad debts made in previous years.

3. Payables and Deferred Revenue

	2014	2013
	£m	£m
Licence fee payables	221	215
Customer savings	26	33
Deferred income	30	30
	<u>277</u>	<u>278</u>

4. Balance on the Consolidated Fund Account

	2014	2013
	£m	£m
Balance on Consolidated Fund Account at 1 April	150	163
Net Revenue for the Consolidated Fund	3,114	3,109
Less amount paid to the Consolidated Fund	<u>(3,119)</u>	<u>(3,122)</u>
Balance on Consolidated Fund Account at 31 March	<u>145</u>	<u>150</u>

5. Related parties

TV Licensing and the BBC have a large number of transactions with related parties. Licences are purchased by the BBC and suppliers involved in collecting the Licence Fee for licensable places which they occupy. BBC directors and staff also purchase Television Licences for their own use.

These transactions are not considered to be material.

None of the directors or other related parties has undertaken any material transactions relating to TV Licensing in the year.

6. Events after the Reporting Period

There are no events after the reporting period that materially affect these financial statements.

The Accounting Officer authorised these financial statements for issue on the date the Comptroller and Auditor General reported on the accounts.

Annex 1 – Reconciliation to the BBC’s Main Annual Report Licence Fee Sales

	2014 £m	2013 £m
Licence fee sales contributing to consolidated fund	3,114	3,109
Add		
Over 75 sales	<u>608</u>	<u>597</u>
BBC Licence Fee Sales in Annual Report and Accounts note A2	<u><u>3,722</u></u>	<u><u>3,706</u></u>

The Comptroller and Auditor General's Report to the House of Commons

Summary

Background

1. The British Broadcasting Corporation (BBC) is responsible for issuing television (TV) licences, enforcing the licensing system and collecting licence fee revenue which is then surrendered to the Exchequer. In 2013-14, £3.1 billion (2012-13: £3.1 billion) of revenue was collected by the BBC, as reported in the Trust Statement, and £3.1 billion (2012-13: £3.1 billion) was paid over to the Exchequer.
2. Section 2 of the Exchequer and Audit Departments Act 1921 requires me to carry out a review of the systems in place to collect TV licence fee revenue payable to the Exchequer and to report my findings to the House of Commons. I am required to ascertain that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection and proper allocation of revenue, and that they are being duly carried out. This report records the outcome of my review and my conclusions as to the adequacy of the systems in place during 2013-14.

Conclusion

3. Whilst recognising that no collection system can ensure that all those who have a liability comply with their obligations, the work of my staff has confirmed that adequate regulations and procedures have been framed to secure an effective check on the assessment, collection and a proper allocation of revenue and that these regulations and procedures are being duly carried out.
4. This report contains recommendations for the BBC to consider, some made previously, which may further enhance the systems in place.

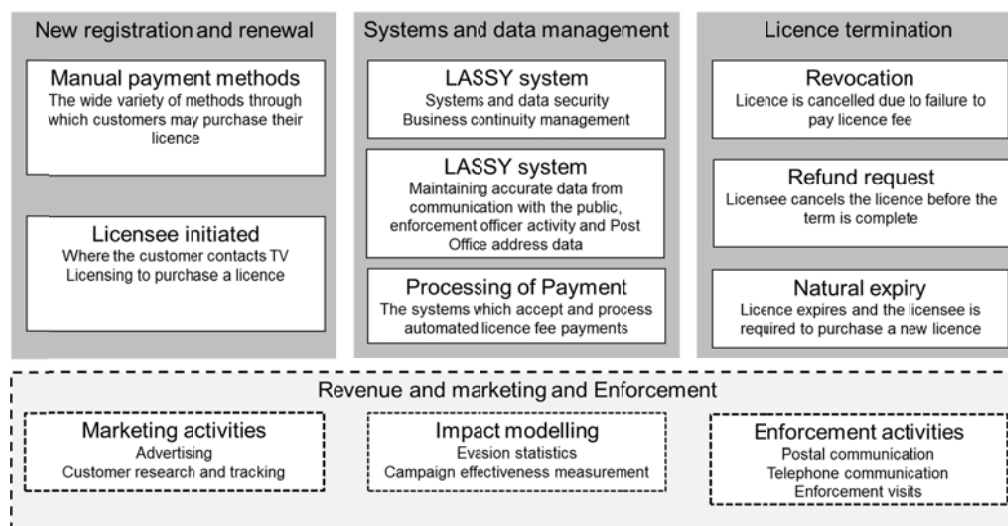
Audit Approach

5. My review of systems and data management and other key elements of the licence fee lifecycle is primarily undertaken as part of my audit of the BBC Licence Fee Trust Statement (the Trust Statement), where I examine the correctness of the sums brought to account and report the results to the House of Commons. I have issued an unqualified opinion on the Trust Statement and no major controls weaknesses were identified during the 2013-14 financial year. A focused review of the other elements of the licence fee lifecycle is undertaken on a rolling basis. This year, 2013-14, is the fourth part of my rolling review. Figure 1 illustrates, at a high level, the systems and processes in place to collect the licence fee and is used to inform the scope and timing of my audit approach.
6. My previous reports on the other elements of the licence fee lifecycle covered:
 - 2010-11: the BBC's licence fee evasion model and on how the 'Tax Gap' – the difference between the licence fee legally due and the licence fee received – is estimated and managed by the BBC. I also examined procedures around the licence initiation (and the dealer notification process, which is no longer undertaken or required).
 - 2011-12: the licence termination processes and how these are undertaken and managed. I reviewed specifically the processes around natural expiry and renewal,

cancellations, refunds and revocation, and the over 75 licence fee concession process.

- 2012-13: in response to the retendering of the main service contract for TV Licensing and its award to Capita during 2011-12, my last year's report provided a landscape review of the new contract and the overarching governance put in place by the BBC to oversee these new contractual arrangements and to manage the risks associated with these changes.

Figure 1 - Overview of the Licence Fee lifecycle



NOTES

1. The box with a dashed outline - Revenue and marketing and Enforcement - indicates the focus of this and future reports, with the focus this year on marketing activities, with some aspects of enforcement activity

Source: National Audit Office

7. This year, my report considers the BBC's marketing activities, which by their nature include aspects of the BBC's enforcement activities, and arrangements in place to deliver the BBC's licence fee collection strategy:
 - Part One reviews how the BBC's Licence Fee Unit (the Unit) manages the delivery of its marketing activity through its commercial partners.

In addition to this:

 - Part Two considers the BBC's model for calculating licence fee evasion, following up on my review in 2010-11; and
 - Part Three follows up on recommendations I made in my 2010-11 and 2011-12 reports.
8. In future years my audits will cover the impact modelling of the BBC's collection and enforcement activities. My work on impact modelling will consider how the BBC uses data to judge the impact and effectiveness of its campaigns, and will also look at the interaction between operational indicators, including the 'Tax Gap', and the Unit's enforcement activities. My review of enforcement activities will cover from a more operational perspective how the BBC conducts its activities to collect licence fee monies due through a mixture of communication with households and enforcement visits.

Part One

Managing the delivery of marketing activity through third parties

Introduction

- 1.1 Collection of the licence fee is managed by the BBC's Licence Fee Unit (the Unit) whose strategic objective is to maximise long term net licence fee revenue in a way which sustains public support for the licence fee. To achieve this, the Unit needs to deliver its licence fee collection strategy and maintain - and enhance where possible - the "TV Licensing" brand. The Unit's approach to licence fee collection seeks to balance the cost of collection with the increase in revenue that reduced evasion yields, whilst ensuring that its relationship with some 25 million licence fee paying households remains open, supportive, respectful and acceptable.
- 1.2 The majority of collection activities and services are delivered through a small group of service providers operating together under the brand name "TV Licensing". The BBC works in tripartite with the two most significant providers, Proximity London (Proximity) and Capita Business Services Ltd (Capita), to deliver the majority of its marketing activities.
- 1.3 Proximity, which provides marketing and print services, is the BBC's key commercial partner for delivering its marketing activities and is the main commercial relationship covered by this report. The BBC's current five year contract with Proximity commenced on 1 April 2010 and includes an option to be extended by a further year which the BBC has exercised. The BBC has a longstanding commercial relationship with Proximity which has delivered a similar set of services under a prior contract since 2002.
- 1.4 My 2012-13 report provided a landscape review of the BBC's contract with Capita and the overarching governance put in place by the BBC to oversee the contract. Capita provides customer services, payment processing, collections of arrears, and enforcement.
- 1.5 The Unit's strategic objective - detailed in its overarching collection strategy - is translated into an operational marketing plan which is implemented by 'tripartite' business units comprised of representatives from the BBC, Proximity and Capita. Since the introduction of the Capita contract in 2012, the BBC has revised its working practices and governance arrangements in order to ensure key commercial providers work together to source solutions and drive improvements in operational efficiency and effectiveness.

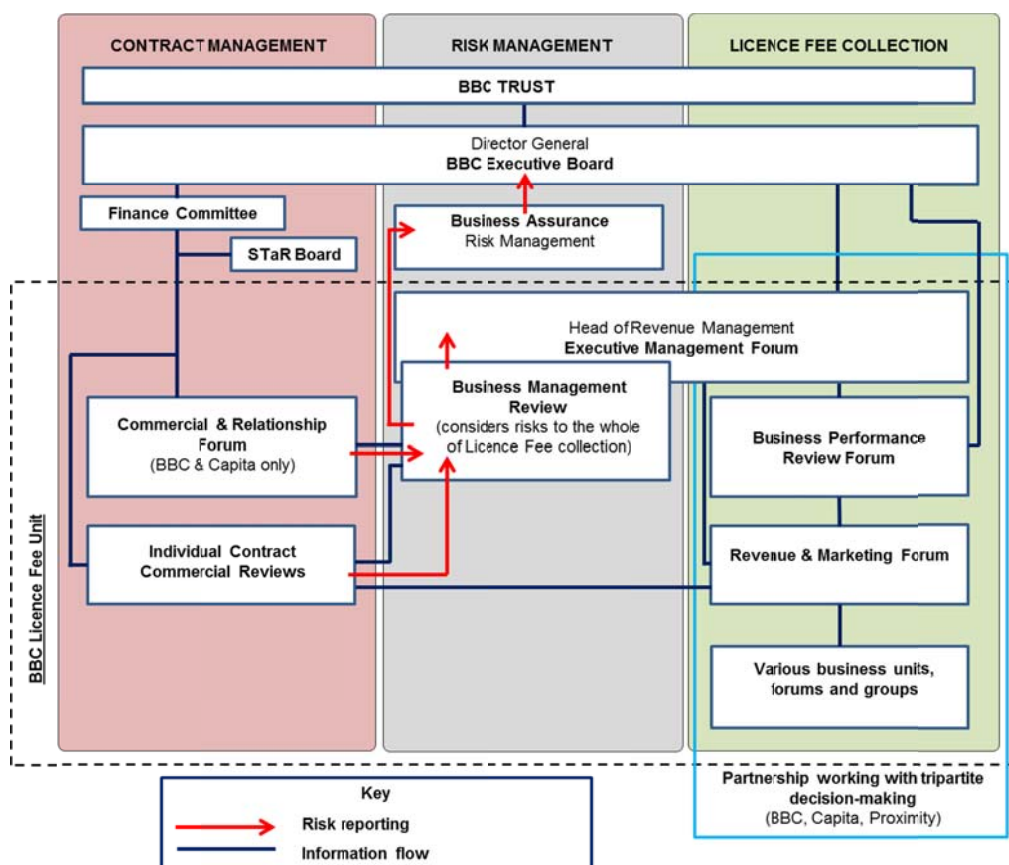
Overarching Governance Arrangements

- 1.6 The BBC Trust is the BBC's governing body. Its role is to set the BBC's overall direction, approve high level strategy and budgets, and assess the Executive Board's performance in managing and delivering the BBC's services and activities. Under the Charter, the BBC Trust also has a specific duty to ensure that the arrangements for licence fee collection are efficient, appropriate and proportionate. The BBC Trust primarily fulfils this function through its review and approval of the licence fee collection strategy each year.
- 1.7 The Executive Board is headed by the Director General, who is appointed by the BBC Trust. The Executive Board has overall responsibility for operational management and for the delivery of BBC services and activities according to the plans that have been agreed with the BBC Trust. The wider BBC is organised into a number of management and operational divisions. Management of the licence fee is undertaken within the Finance and Operations division by the dedicated Licence Fee Unit (the Unit). The Unit is managed by the Head of Revenue Management who reports to the Group Finance Director. The Unit reports high level progress monthly to the Executive Board.

Figure 2 illustrates how the governance arrangements for the Unit's marketing activities fit into the wider BBC governance structure.

Figure 2

Overview of how governance arrangements for marketing activities fit into the wider BBC governance structure



Source: National Audit Office

2. The STaR Board considers annual reports on the BBC's main contracts to check the way performance is reported is consistent and compliant with a standard criteria and format, and that contract management follows good practice.

1.8 The Unit introduced the current governance arrangements for the oversight of TV Licensing when the new Capita contract came into force on 1 July 2012. These arrangements reflect two principles:

- Close partnership working with providers.** The BBC works in close partnership with providers at an operational level to implement the Revenue and Marketing Plan (the Plan) and to refine the overall approach. It also works in partnership with providers at a more senior level to consider performance against the Plan and to develop future years' plans, which inform the BBC's overarching licence fee collection strategy. The main components of these tripartite arrangements are set out in Figure 3.

- **Clear separation of operational oversight from contract management of commercial providers.** Strategic risks to licence fee collection are considered by a BBC-only body which feeds into the BBC-wide risk register reviewed by the BBC Executive Board. Individual contract reviews between the Unit and the individual provider consider whether performance indicators and other contractual obligations are being met by providers. The main components of these arrangements are set out in Figure 4.

Figure 3

Licence Fee Unit’s tripartite governance arrangements for marketing activities

Body	Role	Responsibility	Reporting duties
Executive Management Forum <i>(Considers performance in tripartite, whereas strategic risk is considered by BBC only)</i>	Senior strategic performance and risk oversight	Responsible for the wider strategic issues that face TV Licensing as a whole Reviews and contributes to the departmental risk register (see paragraph 1.21)	Does not report upwardly, however, discussions may inform the Licence Fee Unit’s monthly performance report to the Executive Board
Business Performance Review Forum	Strategic performance oversight	Considers monthly presentations from the Revenue and Marketing Forum on performance, issues and key successes	Discussions inform the Licence Fee Unit’s monthly performance report to the Executive Board Reports to the Executive Management Forum for information purposes only
Revenue and Marketing Forum	Marketing performance oversight	Responsible for the implementation of the Revenue and Marketing Plan and that TV Licensing brand guidelines are adhered to and remain up to date	High level performance is reported monthly to the Executive Management Forum and a similar report goes to the Business Performance Review Forum
Business Units	Operational delivery	Responsible for the day-to-day operational implementation of the Revenue and Marketing Plan	Reports performance to the Revenue and Marketing Forum

NOTES

3. Tripartite refers to the principal participants involved in marketing activities: the BBC, Proximity and Capita

Source: National Audit Office

Figure 4

Licence Fee Unit's governance arrangements for managing contractual and strategic risk

Body	Role	Responsibility	Reporting duties
Business Management Review <i>(BBC only and same BBC membership as the Executive Management Forum)</i>	Strategic risk	Consider risks for the whole of licence fee collection rather than those that relate specifically to objectives	Reports strategic risk to Business Assurance which maintains the BBC-wide risk register
Individual Contract Commercial Reviews <i>(BBC and individual provider)</i>	Contractual risk	Consider whether performance indicators and other contractual obligations are being met by providers	Reports to Business Management Review and supplies information to annual STaR Board reports on major contracts which are submitted to the Finance Committee
Commercial and Relationship Forum <i>(BBC and Capita)</i>	Contractual risk	Similar to Individual Contract Commercial Review	As above

NOTES

4. The Commercial and Relationship Forum was established specifically as part of the governance arrangements associated with the Capita contract.

Source: National Audit Office

Setting the marketing strategy

1.9 The BBC's overarching licence fee collection strategy is formulated and approved annually. It is prepared by the Unit for the Executive Board's consideration and approval for onward submission to the BBC Trust for final approval. The Collection Strategy is underpinned by three strategies: the Revenue and Marketing Plan (the Plan) - which is the focus of this report; the Operations Plan; and the Transition Plan.

1.10 The Plan is annually prepared and agreed by the Revenue and Marketing Forum (the Forum) which involves the three main parties: the BBC, Proximity and Capita. The agreed Plan is submitted to the BBC's Head of Revenue Management, who is a member of the of the Unit's senior management, for BBC approval. Emerging strategic themes from the Plan inform the development of the licence fee collection strategy. The planning process is led by the BBC and involves all service providers. It is a considerable exercise, with the development of the Plan for 2014-15 lasting almost six months. Planning commenced in August 2013 and concluded with the Plan's approval in December 2013, resulting in it being in place in January 2014.

Delivering the strategy

1.11 Once the Plan has been formalised, its aims and objectives are translated into a Status Report which details the projects, actions and activities to be taken forward by the tripartite business units. The Unit applies a "test and learn" methodology across its marketing operations whereby a test campaign will trial a new marketing intervention and the Forum will consider whether the results of the test merit a refinement of the Plan and full roll-out. As part of my review, I looked at two case examples of the Unit's marketing activities in order to illustrate the types of projects that make up the Plan and to evidence how tripartite and BBC-only decision-making processes operate in practice. The first case example considers a test campaign and the second looks at the roll-out of a successful test campaign (Figure 5).

- 1.12 The Unit maintains a hands-on approach to the delivery of the Plan, while involving providers in operational decision-making. As part of my review of case examples, we found clear evidence of key approval points in a project's lifecycle requiring tripartite approval, for example, the initial project brief (which sets out the purpose of the project and how it will be undertaken), final copy and final proofing. However, the BBC retains ultimate responsibility for ensuring materials comply with its brand and messaging guidelines (discussed further at paragraphs 1.15 to 1.17) and providers remain responsible for their contractual performance.
- 1.13 Progress against each project in the Plan is documented in the Unit's business assurance tool, TOMi. The TOMi system is a web based platform that allows the Unit and providers to have visibility over projects and approve progress at certain key points in a project's development. TOMi keeps a record of any documents that are added, comments from providers or BBC officials and approvals for business assurance purposes. Access is tailored to individuals' roles and is only granted if a specific activity is relevant in an individual. My review of case examples demonstrated how TOMi functions in practice to facilitate active involvement of all parties working on a project.

Figure 5

Case examples to illustrate types of marketing projects and how tripartite and BBC-only decision-making processes operate in practice

	Case example 1: test campaign to improve customer data and licence fee collection	Case example 2: roll-out of a change in contract strategy for a customer segment to increase licence fee collection
Summary	<p>This case example reviewed a test campaign to improve data on a specific customer segment and increase licence fee collection. TV Licensing aimed to use third party data to identify addresses classified as "No Licence Needed" where the occupant may have subsequently moved house.</p> <p>The review tracked the development of the test campaign to produce direct mail, the approvals process and how TV Licensing brand and strategy was maintained.</p>	<p>This case example looked at the roll-out of a change in contact strategy for addresses identified by TV Licensing as having a new resident. This followed a series of test campaigns, conducted in a way similar to case example 1, which trialed a range of approaches to find the most effective.</p> <p>The review tracked the approvals process and how TV Licensing brand and strategy was maintained.</p>
Tripartite approval	<p>Formal tripartite approvals at major stages in the project's development, such as the project brief and final proof, are clearly evidenced.</p>	<p>The approval process was followed as outlined in paragraphs 1.12 to 1.13 and there was good visibility of the operation of the tripartite approval arrangements. The implementation timeline clearly highlighted the major approval points, such as the project brief and the final proof.</p>
BBC-only decision-making	<p>Smaller steps, such as approving test data and early iterative changes to copy material, have unilateral approval from the BBC's campaign manager, underscoring the BBC's authority over decision-making.</p>	<p>No specific evidence of BBC-only approval, however, this case example details the roll-out of previously tested changes which had already gone through the full approvals process detailed on TOMi.</p>
Adherence to TV Licensing Brand guidelines	<p>There is evidence that the BBC and their providers actively considered whether activities remained consistent with the TV Licensing brand and the BBC's legal and other obligations as the campaign design developed.</p>	<p>The emphasis on minimising complaints suggests awareness by all parties of the importance of customer service to the stakeholder brand. This case example looked at the roll-out of previously tested changes which had already gone through the full TOMi approvals process to check adherence to brand and messaging guidelines.</p>
Adherence to the Licence Fee Collection Strategy	<p>The project brief sets out how the campaign aligns with the collection strategy.</p>	<p>The project brief linked the objectives of the changes to be rolled-out to the collection strategy</p>

Source: National Audit Office review of BBC documentation

1.14 Over the course of the year, the Plan will undergo frequent modification. Changes can be initiated by any party in a business unit and are submitted to the Forum for tripartite consideration. These arrangements give the BBC sufficient flexibility to refine their plans in response to changing circumstances, for example, changes in legislation, fluctuations in postal costs or unforeseen events which could impact on providers' ability to deliver. This process is distinct from any contractual change, which is covered by a formal change process. Where a contractual change is required, the provider may submit a formal change notice. It will then be

investigated by the BBC Portfolio Contracts Manager and either agreed with any relevant funding allocated, or rejected.

Maintaining the TV Licensing brand

- 1.15 The Unit aims to conduct its activities in a way that sustains public support for the licence fee. The BBC tracks public perception of TV Licensing and uses it as a key performance indicator when reviewing the overall effectiveness of its communications with its customers. It considers public sentiment to be a predictive indicator of the cost of collection for certain customer segments and the number of licence fees ultimately purchased. For example, the cost of collection may rise and the number of licences purchased may fall for certain customer segments if they consider TV Licensing's communication with them to be unhelpful or unfair. These customers may subsequently require additional rounds of contact before a licence is either purchased or the correct status confirmed. Communications that are clear about customers' obligations, helpful about ways to pay and treat people in a way they believe is fair, may encourage swifter engagement and payment.
- 1.16 In order to ensure communications produced by the BBC's providers adhere to the TV Licensing brand and messaging guidelines, the Unit retains control over the content, look and feel of all customer communications. The Unit maintains brand and messaging guidelines and the BBC's Head of Marketing, TV Licensing checks each piece of new content conforms to these prior to release. As marketing content is developed by the tripartite business units, it is the BBC's campaign manager who works within the business unit who is responsible for compliance. Despite formal responsibility resting with the BBC, each party has visibility over production and can highlight at any point whether it believes the material has deviated from BBC guidelines. For example, in my review of case example 1 (Figure 5) we found evidence of a provider noting that a certain action would not comply with guidance as material was in development.
- 1.17 The Unit has established a process to ensure its brand guidelines are maintained, reviewed and, if necessary, modified every six months by the Forum. Business units submit any proposed changes to the Forum for tripartite consideration. Any modifications are approved by the BBC's brand guardian, the Head of Marketing, TV Licensing. Their incorporation into existing marketing content is then considered and tripartite approved before being implemented by business units. All changes to the guidelines are logged within the Unit's business assurance system, TOMi.

Performance and risk reporting

- 1.18 The arrangements that the Unit has established to manage the delivery of its objectives through third parties facilitate BBC oversight and permit BBC intervention when necessary. They provide regular opportunities for discussion of performance with providers based on a broad range of information and data. A key expectation of these arrangements is that where issues are identified by business units, rather than simply escalating problems, there is an onus on providers to seek and present solutions to the Forum for tripartite discussion and approval.
- 1.19 The Status Report, which translates the Plan into projects and activities for business units to take forward, is the Unit's main tool for managing the delivery and performance against the Plan and is considered monthly by the Forum. The Forum is chaired by the BBC's Head of Marketing, TV Licensing and has a broad membership comprising multiple representatives from the BBC and its providers. Providers attend according to whether they are impacted by the agenda items - ordinarily this will include Proximity and Capita. The monthly meeting covers a range of issues such as outcomes not meeting expectations, poor performance or the need to re-evaluate an activity that is proving ineffective. The Forum will also discuss any concerns raised by providers, for example, pressures caused by external changes beyond the provider's control. The volume of data and information used to support the Forum's monthly discussions is considerable and is prepared in advance by a planning team. For example, in addition to performance data, the

Forum considers wider indicators from other parts of the BBC's operations and insight on TV Licensing's customers.

- 1.20 The Unit has put in place clear escalation routes for issues to be reported to BBC senior management. The Forum reports monthly high-level performance to the Executive Management Forum and a similar report goes to the Business Performance Review Forum. Both these forums have senior tripartite representatives. Issues of strategic importance discussed by the Business Performance Review Forum feed into the Unit's monthly report to the Executive Board. Extraordinary issues that can not be resolved by the Forum can be escalated to the Business Management Review for resolution. The Forum also supplies the Individual Contract Commercial Reviews with aspects of contractor performance to inform their assessment of contractual risk.
- 1.21 The Unit has established a clear separation of its risk management arrangements from its oversight of providers' operational delivery. The Unit has developed a joint risk register for managing contractual risk with Proximity. This register is reviewed at the monthly contract management meeting by the BBC Portfolio Contracts Manager and service providers. The register is presented on a quarterly basis to the Unit's senior management, which comprises the senior representatives from Proximity, Capita and the Head of Revenue Management. Any relevant risks identified are promoted to the departmental risk register which is reviewed quarterly and maintained by the Business Management Review and available to Business Assurance as part of its oversight of BBC-wide risk. These departmental risks are also reviewed quarterly by the Executive Management Forum with the aim that risks are visible to and shared amongst all service providers. The Unit's governance arrangements for managing contractual and strategic risk are illustrated in Figure 2 and set out in Figure 4.

Conclusion

- 1.22 The BBC has put in place mature arrangements to manage the third party delivery of marketing activities that support its Licence Fee Collection Strategy, and to protect the TV Licensing brand. These arrangements allow sufficient flexibility for the BBC to respond to changing circumstances and refine its plans. It has established clear routes by which the Unit can escalate issues of performance and risk to the BBC Executive Board if required.
- 1.23 The BBC believes its arrangements strike an appropriate balance between involving commercial providers in the delivery and development of its strategy, and maintaining its authority over decision-making and control over new content. It has also established a clear separation of its risk management arrangements from its operational oversight. The Unit recognises that it takes a hands-on approach to controlling the content of communication with UK households which it sees as fundamental to managing the TV Licensing brand. However, delivery of licence fee operations remains the responsibility of the service providers. By working in close partnership with providers at an operational level, the BBC has maintained visibility over the materials providers produce and awareness of operational challenges. By working with providers to review performance, providers have been encouraged to work collaboratively - with the BBC and with each other - to source solutions to issues, rather than simply report problems.

Part Two

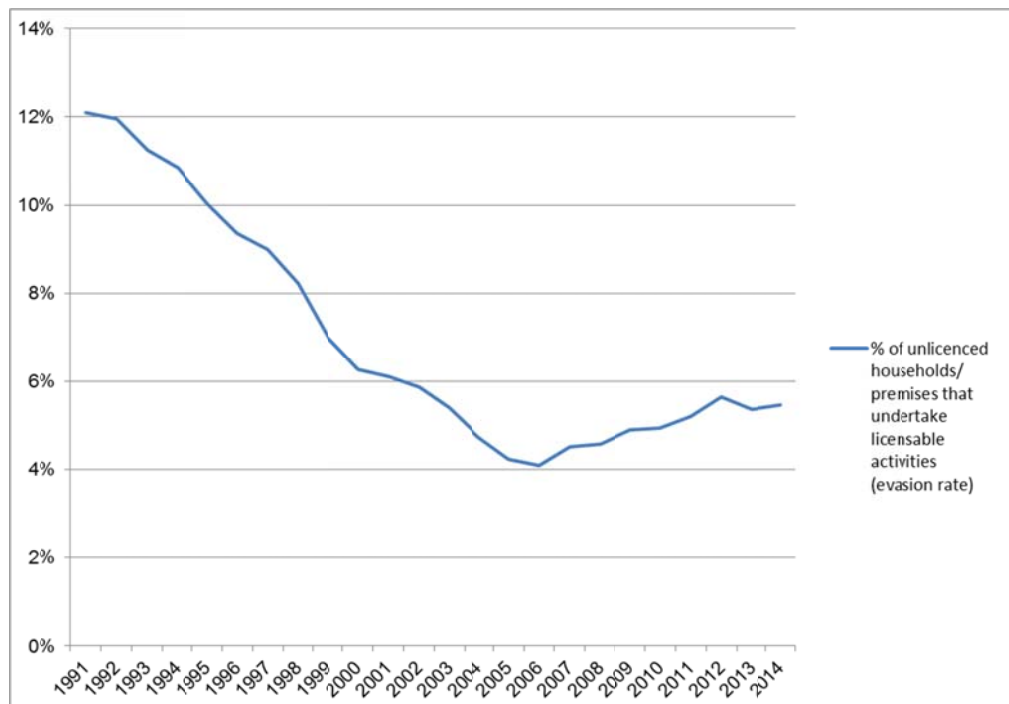
Calculating licence fee evasion – The Tax Gap

Introduction

- 2.1 This year I have revisited the BBC's Licence Fee Unit (the Unit) model for calculating licence fee evasion, following up on my review in my 2010-11 Section 2 report.
- 2.2 The Unit uses a model to estimate the rate of licence fee evasion. This model compares the estimated number of households and non-domestic properties requiring a licence to the actual number of licences issued, or 'licences in force'. This provides an estimate of the number of households and properties requiring a licence for which one is not present.
- 2.3 This evasion model allows the Unit to extrapolate an estimated 'cost of evasion', or 'Tax Gap', through multiplying the estimated number of licences evaded by the current cost of a licence. The evasion rate and the cost of evasion figure are used by the Unit to determine the proportionality of their policy for reducing the licence fee evasion and to provide a high-level means of reviewing the effectiveness of their marketing and enforcement activities. However the model itself does not directly drive operational decision making in the Unit's marketing and enforcement activities.
- 2.4 The Unit reports on fluctuations in the evasion rate in its annual report. Figures generated by the model feed into one of its key performance indicators: the combined cost of collection and evasion as a percentage of the licence fee revenue received. This indicator in particular demonstrates the proportionality of the Unit's response to tackling evasion.
- 2.5 The Unit estimated in March 2014 that 5.5 per cent of properties requiring a TV licence were evading payment. This represented £214 million in lost revenue and an individual cost to licence fee payers of £8.41. Figure 6 presents fluctuation in the evasion rate since 1991.

Figure 6

Historic evasion rates



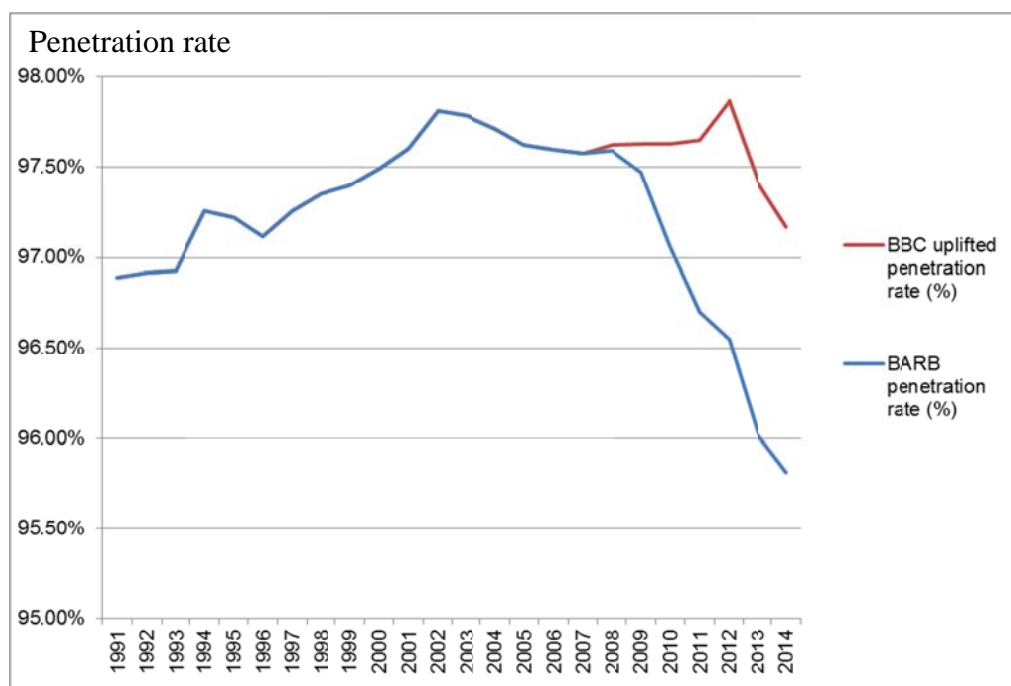
Source: BBC Evasion model

Key figures and assumptions

- 2.6 I have reviewed the key assumptions and data sources of the evasion model and have found that no significant methodological changes have been made since my last review in 2010-11. The model continues to be well designed and the Unit makes use of current available data and applies reasonable assumptions.
- 2.7 However, despite using the most current available data, uncertainties remain in the Unit's approach to accurately estimating the number of viewers who use non-TV devices to watch live streamed TV.
- 2.8 Historically, the penetration rate of televisions into households provided a highly effective proxy for the proportion of households requiring a TV licence. However, the arrival of internet connection speeds sufficient to stream TV programming live has enabled households to easily engage in licensable activities without owning a TV set. Any such activity is not captured by the penetration rate and to improve the accuracy of its estimates, since 2007-08 the Unit has applied an uplift (Figure 7).
- 2.9 The rate of penetration of TV sets into households is estimated using data from the Broadcasters' Audience Research Board (BARB) establishment survey, which collects data from some 53,000 households. This survey is intended to allow BARB to prepare a statistically representative panel of TV viewers, whose viewing habits can be extrapolated to form overnight viewing figures. The survey also provides data on the penetration of TVs into homes.

Figure 7

BARB Establishment Survey TV Penetration rates 1991-2014 and BBC calculated uplift



Source: National Audit Office analysis of BARB establishment survey and BBC data

2.10 To address the live streaming issue, the Unit worked with BARB to introduce the following additional questions to the survey in 2013 to ask of homes in which no TV set is present:

- "How often are any of your computers used to watch TV programmes via the internet at home?"
- "How often do you personally use the internet for watching TV programmes at home?"
- "How often do you personally use the internet for watching TV programmes live (i.e. at the time they are broadcast) at home?"

2.11 The survey results for the last quarter of 2013 showed that 1.63 per cent of households had no TV set but watched TV on a computer (which BARB extrapolated to 443,000 out of 27,252,000 total households) and 0.79 per cent watched TV live on the internet (216,000 out of 27,252,000 total households).

2.12 Whilst the figure of 0.79 per cent appears to be a reasonable estimate for the required uplift to the penetration rate, the Unit has concerns about its accuracy. Firstly, the survey's questions on live viewing are directed at the respondent alone and so do not capture the viewing habits of all those in the household. Secondly, questions do not recognise mobile phones or internet connected gaming devices which could require a licence. Thirdly, the accuracy of the survey's results relies on respondents correctly differentiating between on-demand and streaming of live programme services.

- 2.13 The Unit considers that the balance of these issues is likely to result in the 0.79 per cent figure being an understatement of the proportion of households requiring a licence. By contrast, the 1.63 per cent figure likely represents an upper limit to the size of the uplift.
- 2.14 To determine a suitable figure, the Unit has chosen to take an additional source of data from the TV Licensing systems on households that claim 'No Licence Needed'. This data details the reasons for which households have claimed that they do not require a TV licence. Of the No Licence Needed population, 16.07 per cent claim that they only watch non-live TV programmes and do not require a licence. The Unit has applied the balancing 83.93 per cent to reduce the maximum survey result of 1.63 per cent to arrive at an estimated uplift to the penetration rate of 1.36 per cent.
- 2.15 It is my view that the No Licence Needed population may not be representative of the population of households that have no TV set but watched TV on a computer and that therefore the use of this data is questionable. However, I do accept that the best current data indicate a figure between 0.79% and 1.63%. Figure 8 details the impact of different uplift percentages.

Figure 8

How cost of evasion changes when different uplifts are applied to the penetration rate

Uplift applied	Resultant penetration rate	Resultant evasion rate	Resultant equivalent cost of evasion	Equivalent cost to existing licence fee holders
0.00%	95.81%	4.16%	£160m	£6.31
0.79%	96.60%	4.92%	£191m	£7.53
1.36%	97.17%	5.47%	£214m	£8.41
1.63%	97.44%	5.72%	£224m	£8.83

NOTES

'Equivalent cost to existing licence fee holders' represents the resultant amount of lost revenue divided by the number of licences currently in force

Source: NAO analysis of BBC Evasion Model

Conclusion

- 2.16 I have reviewed the evasion model - its calculations, underlying assumptions and source data - and conclude that it continues to be well designed and prepared for the purpose intended. The Unit takes appropriate steps to ensure that the model remains as robust as possible, despite the evolving habits of television viewers and limitations in available data to capture accurately these habits.
- 2.17 In my report of 2010-11, I concluded that the overall accuracy of the model's evasion estimate - taking into account all assumptions, including the penetration rate, and inputs - was unlikely to have improved upon the figure of ± 1 per cent that had been reached by a 2003 statistical analysis commissioned by the Unit. The uncertainty around the correct figure to apply as an uplift to the penetration rate in respect of live streaming further reduces the model's accuracy. I understand that the Unit expects the 2014 BARB survey to provide additional data around this issue that may be used to further improve the accuracy of the model and I encourage this.

2.18 In my report for 2014-15, I will focus on how the Unit uses data and data analytics in the coordination and assessment of its marketing and enforcement activities. As part of this work I will consider how the evasion model is used operationally.

2.19 Recommendation: In the absence of certainty over the required uplift in the evasion model to account for households that do not own a TV set but engage in licensable activities, and the increasing impact of this issue, the Unit should ensure this uncertainty and its impact, are clearly disclosed.

Part Three

Following up on recommendations made in the 2010-11 and 2011-12 Reports to the House of Commons

Introduction

- 3.1 In the first year of my review, I focused on the Tax Gap and specifically on the accuracy of the licence fee evasion model used by the BBC to manage evaded licence fee revenue. In addition, I looked at the process of short dating whereby the BBC issues a shorter licence to remove the incentive to delay purchasing a licence. I made three recommendations, two of which were not fully addressed at the time of my last report. In the second year of my review I focused on licence termination processes making two recommendations. I made no recommendations as part of my landscape review of 2012-13.
- 3.2 I include an update on prior year recommendations which remain open in Figure 9.

Figure 9

Follow-up on prior-year recommendations

Topic (year recommendation made)	Description	Recommendation	Update
Evasion Model (2010-11)	My review of the evasion model, used by the BBC Licence Fee Unit to estimate the number of households and properties requiring a licence for which one is not present, identified a number of refinements which could be applied to the model to improve its accuracy.	The Unit should further determine the impact of technology on the requirement for the licence and how best to incorporate this into the evasion model. Further BARB data is now available.	As I have detailed in Part Two, further data on live streaming of TV programmes is now available as part of the BARB establishment survey. However there remain some concerns as to the accuracy of the results due to the wording of the questions asked and the size of the sample population. As part of its continuing work to improve the evasion model, the Unit should continue to review the impact of live streaming and search for methodologies that allow it to be more accurately calculated. In the interim, the BBC should disclose the existence of this extra uncertainty.
Short Dating (2010-11)	Where a licence fee payer has delayed purchasing a new licence then the expiry date should be set so that the licence period reflects the actual period of TV usage. Amending the licence expiry date to reflect the period of usage is called shorting dating. We noted that an explicit question was not asked of customers, either online or as part of telephone applications, as to when they needed the licence to start from.	The Unit should consider whether the introduction of an explicit question as to the date of requirement for a licence in both the online and telephone application process, would increase revenue through identifying the requirement to short date a licence.	In 2012-13 I saw that the telephone application process had been amended to include an explicit question as to the date of requirement for a licence. I have now seen that the updated TV Licensing website explicitly seeks the date of requirement for a licence.
Refunds (2011-12)	My review of how repayments for cancelled licences are made identified a number of areas for consideration.	The Unit should review its refunds policy to consider whether it remains appropriate to differentiate between different customer groups whereby refunds to non-concessionary domestic customers are only paid to the nearest quarter rounded down.	A wider review of the refunds policy is currently underway led by Capita. The Unit has given careful consideration to my recommendation but has deferred taking a decision on this single matter until it can be addressed as part of its wider review.

Figure 9 (continued)

<p>Over 75 Licence fee concessions (2011-12)</p>	<p>I identified that the Unit did not actively seek to identify customers over the age of 75 who are still paying for a licence</p>	<p>The Unit should undertake an analysis of the customers who are over 75 and who have not applied for a free concessionary licence to ascertain whether there are a significant number of customers who are over 75 not claiming their entitlement. Dependent on the results of this analysis, a more targeted approach for identifying over 75s who have not applied for a free concessionary licence should be considered.</p>	<p>The BBC reached agreement with the Department for Work and Pensions (DWP) that data provided to it by the DWP could be used to undertake this type of analysis. Through matching the DWP data to their own data, the Unit was able to highlight addresses where an occupant is over 75.</p> <p>The Unit ran two test campaigns, focussing on addresses where an occupant is over 75 and no licence was in place, or an NLN notification was in place.</p> <p>The findings of these campaigns were promising although not conclusive and the Unit plans to rerun the matching process on March 2014 data with a refined methodology.</p> <p>It is hoped that this methodology will result in a greater sample population that will allow a fully controlled test that can form the basis of a decision on whether or not to roll out this new approach.</p>
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Source: National Audit Office

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit office
157-197 Buckingham Palace Road,
Victoria
London
SW1W 9SP

30th June 2014

Accounts Direction Given by HM Treasury

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 2(3) OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921

1. This direction applies to the British Broadcasting Corporation (“the BBC”) for the Television Licence Fee receipts.
2. The BBC shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual* issued by HM Treasury (FReM) which is in force for that financial year.
3. The Statement shall be prepared so as to give a true and fair view of the state of affairs relating to the collection and settlement of the Television Licence Fee at 31 March 2011 and subsequent financial year-ends and of the revenue and expenditure and cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. The BBC shall agree the format of the supporting notes with HM Treasury. The notes shall include: the accounting policies (including the policy for revenue recognition and any estimation and forecasting techniques); breakdowns of income, expenditure assets and liabilities recognised in the primary statements in all cases where users’ understanding would be materially improved by additional detail; disclosure of contingent liabilities; summaries of losses, write-offs and remissions; and post balance sheet events.
6. Regard shall also be given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury. To this extent the Trust Statement shall include: a Foreword by the Director General; a Management Commentary; a Statement of the Director General’s Responsibilities; and a Statement on Internal Control.
7. Evasion is outside the scope of the Trust Statement and shall not be included in the primary statements or notes. This fact should be disclosed in an accounting policy note with reference to the Management Commentary for further disclosure. The disclosures in the Management Commentary shall include discussion of the level of evasion in the year.
8. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.
9. The Trust Statement, together with this direction, and the Report produced by the Comptroller and Auditor General, under section 2(2) of the Exchequer and Audit Departments Act 1921 as amended by the Government Resources and Accounts Act 2000, shall be laid before Parliament at the same time as the BBC’s accounts. c

CHRIS WOBSCHALL

Head, Assurance and Financial Reporting Policy

HM Treasury

10 May 2011

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