



British Broadcasting Corporation

**Television Licence Fee Trust Statement for the
Year Ending 31 March 2022**

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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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Performance Report

Foreword by the Director-General

This report is presented each year to Parliament in order to give a full view of the state of affairs relating to the collection of the licence fee. This year is the first full year of the operation of the new policy for over 75s licences, brought into force during 2020/21. This means that the overall population under consideration has changed from previous years, making direct comparisons year-on-year more complex.

This has been a year of recovery and improvement in licence fee collection. Recovery, as teams have moved out from the restrictions put in place during the pandemic and continued to provide a consistent service. Improvement, as we have continued and stepped up our work to make collection and payment of the licence fee a simpler, fairer and digital first process. Change during the year also saw the closure of the transition scheme for over 75 licence holders, as well as the enactment of the £1.50 increase in the cost of a licence.

I want to pay tribute to the teams in TV Licensing who have continued to provide an exceptional level of customer service during the year. The efforts of all our teams are focused on ensuring we remain relevant and accessible to every household using our content in delivering our Value for All strategy to audiences.

The report below emphasises strong performance in the collection of the fee in 2021/22, with overall numbers of paid-for licences increasing year-on year, despite ongoing pressures from household penetration trends and the reported increase in the evasion rate overall. The evasion rate is established by comparing the number of licences in force to the estimated licensable premises and this year we have seen it increase in large part as a result of the population of over 75 licence fee payers who now make up some of the overall evasion, having previously been in receipt of a free licence with no evasion.

These are trends we know we need to pay close attention to and, during the coming year, we will deepen our efforts to reach customers in the ways that suit them best, including through the extended roll out of the Simple Payment Plan. We will also focus on our engagement with licence fee payers and continue to seek to articulate to households clearly the value they get from the licence fee.

Lastly, the report this year shows an overall increase in net income from the licence fee sales in the year, up 1.4%. This is a welcome fact and one which we do not take lightly – the BBC is fortunate to have the support of many millions of licence fee payers across the UK. They are the foundation of what we do.



Tim Davie
Director-General, BBC
4 July 2022

Management Commentary

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 2022.

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 relates to credit losses. The costs of collecting Licence Fees are funded through the grant paid to the BBC by the Department for Digital, Culture, Media & Sport (DCMS). These costs are outside the scope of the Trust Statement accounts and are included in the BBC Group accounts.

Up until 2019/20 the BBC received a fixed sum Grant from the Department for Work and Pensions (DWP) as a contribution to the cost of free licences issued to customers aged 75 or over and reimbursements from the governments of Guernsey and the Isle of Man for the value of free licences issued to customers aged 75 or over. This Grant has now been phased out and since 2020/21, the BBC has had the responsibility for the full cost of the over 75 concession. From 1 June 2020, the BBC had the responsibility to set the policy for age related concessionary licences and from 1 August 2020, the policy was changed so that anyone aged 75 or over who receives Pension Credit is eligible for a free TV licence paid for by the BBC¹. In 2021/22, the transition to the new policy was completed and licences issued under the new policy were renewed for the first time.

Licence Fee Collection

The BBC collects Licence Fee revenue from customers and transfers it to the Consolidated Fund. The revenue collected is passed back to the BBC as Grant-in-Aid from the DCMS.

The processes for the collection of Licence Fee revenue are managed by the BBC which has a number of contractual arrangements covering customer services, collection, administration and enforcement of the Licence Fee, customer communications, 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. 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. Customer communications and fulfilment services are contracted to RAPP Ltd., whilst administration of the Simple Payment Plan is contracted to Target Group. 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. Recent changes to the schemes available include introduction of the Simple Payment Plan in July 2020. This is targeted at those who find it most difficult to pay and provides the most affordable instalments. A similar scheme, the 75+ Plan which works in a broadly similar way to the Simple Payment Plan, was introduced in August 2020 specifically for those licence holders aged 75 and over who needed to transition from a free licence to a paid-for licence.

¹ Licence holders who are aged 75 and over and resident in a scheme for Accommodation for Residential Care (ARC) are also eligible for a free licence. For the Crown Dependencies, equivalent arrangements were put in place, starting from 1 January 2021, based on local benefits.

Over 75 Licences

From 1 August 2020 the BBC implemented changes to the policy for age related licence fee concessions so that anyone aged 75 or over who receives Pension Credit is eligible for a free TV licence paid for by the BBC and those who are not in receipt of Pension Credit now need to pay for their licence (the over 75 policy).

The BBC managed an extensive programme of work to support customers in the transition to the new arrangements. We anticipated that some people would need up to a year to make adjustments to the new arrangements and the transition was completed in July 2021. By this time more than 9 in 10 over 75 customers had made arrangements for a free or paid licence or updated TV Licensing on a change in their circumstances.

At the end of the transition, we contacted the small number of households we had not yet heard from to confirm the end of the transition arrangements, to outline the support available and the simple steps needed for set-up. As part of the package of support, we provided customer care visits which were carefully designed to provide further help to this group. They were carried out by specially trained staff who explained all the options available to customers based on their individual circumstances, including details of how to spread the cost or how to apply for a free licence if they receive Pension Credit. We continue to give support by providing information on how to get successfully licensed and the options available.

In July 2021, we successfully implemented the first renewal programme for the paid-for and free licences issued under the new policy, achieving high standards of customer service.

The Collection Environment

Licence Fee revenue is impacted by a number of factors including the change in the level of the licence fee, the rate of household growth, the evasion rate, household incomes and changes in audience viewing behaviour.

Household growth

We have estimated household growth for 2021/22 at 0.33%, a marginal decrease from 2020/21 (estimated at 0.55%). We will review our estimates for household growth following publication of further detail of the 2021 Census.

Household incomes

Based on the latest published data^[1], median disposable household income in the UK was £31,400 in the financial year ending (FYE) 2021, which covered the first year of the Covid-19 pandemic (where disposable income is defined by the ONS as “the amount of money that households have available for spending and saving after direct taxes, such as Income Tax, National Insurance and Council Tax, have been accounted for”). The increase in disposable median income in FYE 2020 was 2%, continuing an upward trend since FYE 2011. However, mean disposable household income rose by only 0.6% which the ONS partly attributes to the impact of the financial support programmes during the pandemic. For some households, we expect disposable income will come under pressure in the face of increasing energy prices and other inflation.

Evasion Rate

The BBC’s evasion model calculates the level of evasion from the licences in force, the number of premises and the proportion of those premises which should be licensed. In 2021, the rate could not be estimated with sufficient accuracy because Covid-19 prevented collection of key data needed to make the calculations. For 2021/22, this data collection resumed and the evasion rate has been calculated – further information on how this is done is given below.

^[1] ONS Average household income, UK: financial year ending 2021

Media Consumption

Audiences continue to use various devices as well as television for their viewing experiences. For the majority of households these devices are used to supplement the traditional television set but there are some households where the television set is being substituted for viewing only on other devices. All viewing devices are captured by the regulations and require a licence for linear television viewing or for watching or downloading BBC television programmes on iPlayer.

There are pressures to traditional television viewing as a result of digital disruption and the move to on-demand viewing. While on-demand viewing is growing, linear television viewing remains the predominant way that the majority of audiences spend most of their time watching.

The Broadcasters' Audience Research Board (BARB) provides data on TV households and on households using non-TV devices to watch television. This data is published by BARB each quarter based on its Household Establishment Survey. Adjustments are then made to the overall BARB rate to identify those households that need a licence and to create the television penetration rate (TVP).

The estimated Television Penetration Rate (TVP) rate, based on the most recently published estimate of TV Households from BARB, shows a fall in the estimate of 1.6%pts from 93.8% as at the end of March 2020 to 92.2% in March 2022.

Performance Analysis

Gross revenue in the Trust Statement has increased to £3,939m (2021 £3,856m). Gross revenue is the value of Licences coming into force in the period, including licences purchased by customers who previously held a free over 75 licence. Revenue growth was partly driven by the £1.50 increase in the value of the licence fee.

Refunds, revocations and credit losses have increased to £155m (2021 £125m). This was mainly due to 2020/21 being heavily disrupted by Covid, which reduced the volume of cancellations compared to previous years.

Net revenue for the Consolidated fund (made up of the gross revenue plus £16m of premiums on quarterly direct debit, less refunds, revocations and credit losses), has increased to £3,800m (2021 £3,747m).

Performance measures are centred on customer experience, reputation and the ability to drive revenue through the management and ongoing improvement of communications with TV Licensing customers. These support the key objective of maximising the long term net licence fee revenue in a way which sustains public support for the licence fee.

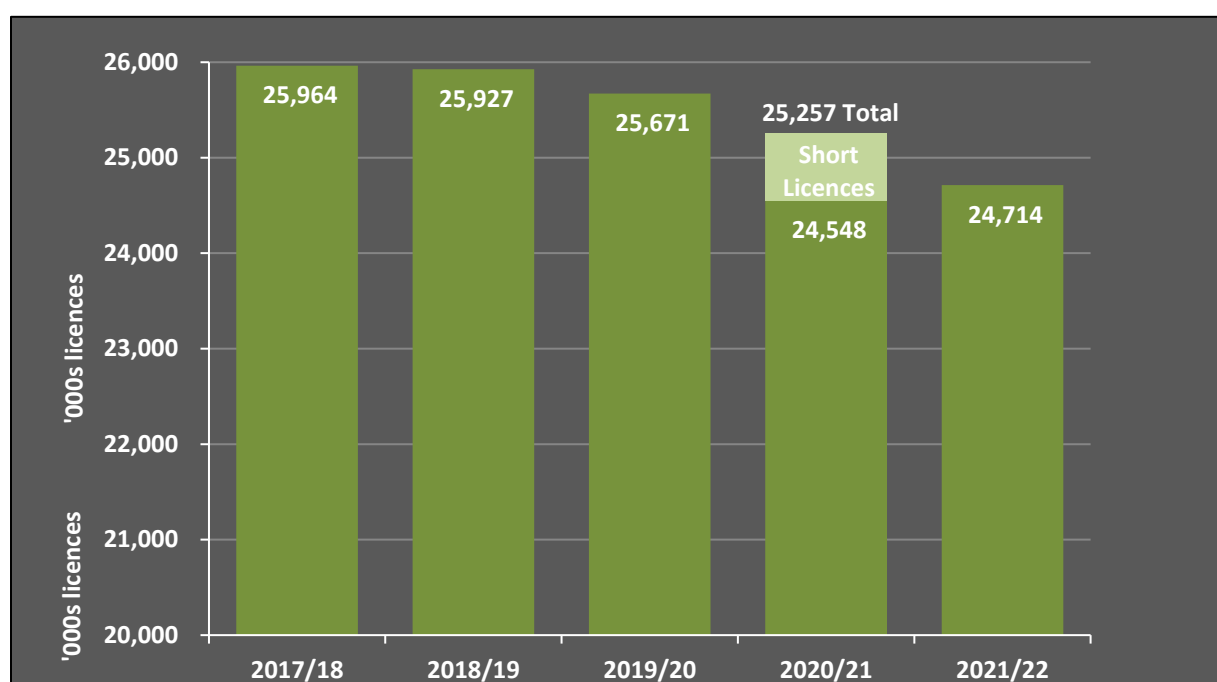
These performance measures are embedded in the contractual arrangements of the companies contracted by the BBC. The governance processes surrounding the operation of the contracts and the effectiveness of day-to-day management of work are reviewed regularly. Strong working relationships exist between all of these companies and the BBC.

In 2020/21 TV Licensing, in common with many businesses, had to quickly adapt its operating model to manage the impact of Covid-19 and there was some disruption to service standards as a result. This in turn led to a higher than usual volume of complaints. In addition, field visiting was disrupted during the whole year in order to comply with government guidance. Throughout 2021/22, however, the revised operating model proved to be robust and service standards for customers were maintained all year with complaint volumes reducing considerably to pre-Covid rates. The only area where we saw continued disruption was in field visiting where we acted to suspend activity when required. TV Licensing continues to analyse complaints data to understand customer experience and identify where there might be systemic experience problems or where processes could be improved.

Sales Volumes

Table 1 shows the sales volumes for the last five years excluding licences for accommodation for residential care (ARC). Paid-for licence sales were 23,924,000 an increase of 144,000. Free licences under the new over 75 policy increased by 73,000 to 790,000. In 2020/21 there were 709,000 over 75 customers who were issued with a short licence (less than 12 months) to take them up to the end of the old over 75 policy ahead of new arrangements they would go on to make under the new policy. This meant that some over 75 customers were issued with more than one licence in that year. The numbers of licences in force at the end of each year are reported in the BBC's Annual Report and Accounts. ARC licences add an additional 319,000 free over 75 licences issued and 137,000 concessionary licences sold.

Table 1 – Sales volumes ('000s of licences including over 75 free licences) ²



² Licence Fee sales in table 1 include the volumes of over 75 free licences. 2022 - 790,000; 2021 - 1,481,000; 2020 - 4,504,000; 2019 - 4,465,000; 2018 - 4,340,000

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 and bespoke research. Licensable places are made up of households and other non-domestic places requiring a TV Licence.

Estimates are made for the numbers of non-domestic places such as businesses, hotels and student halls of residence. Appropriate estimates of TV penetration – to identify which place needs a licence – 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.

A key input to calculation of the evasion percentage is the TVP rate which gives the ratio of households that need a licence. As described in the Media Consumption section above, household TVP is calculated using survey evidence from the quarterly BARB Household Establishment Survey. This is a robust survey conducted in home of c13,600 households every quarter that asks respondents about their TV ownership, viewing device ownership and device usage. The outputs of

this survey enable the BBC to calculate a robust estimate of the TVP rate each quarter. The BARB-reported TVP rate is adjusted by the BBC *upwards* to account for households watching licensable content on non-TV devices, and *downwards* to account for households using a TV to watch non-licensable content only. The updates provided each quarter take the form of a quarterly view and an annualised view reflecting a rolling 12 month period. The evasion model uses the updates from the quarterly view as this gives the most current information.

The recorded level of evasion varies over time for statistical reasons and due to behavioural factors such as changes in the way media is consumed. The evasion model is designed so that changes in evasion resulting from statistical variation can be separated from underlying changes in the rate. The model also identifies behavioural drivers behind changes in evasion.

Evasion is calculated as an estimate over the whole fiscal period (an average evasion rate over the 12 months of that year). This provides the best view of the level of evasion throughout the period because it is less subject to variations in the data. As the input data include a level of estimation, the evasion rate is significant at zero decimal places and the error range is estimated to be +/- 0.5%pt although the calculation is performed to two decimal places to provide trend insight.

The last two years have not been typical. In 2020/21 Covid-19 prevented BARB from completing its surveys which meant there was insufficient information to calculate the TVP rate reliably. This in turn meant it was not possible to make a reliable estimate of the changes in evasion for that year. Covid-19 also prevented the full operation of TV Licensing in 2020/21 while, at the same time, the BBC has managed the impact of taking on the responsibility for funding free licences for over 75 customers and making the transition to the new policy.

In 2021/22 BARB was able to fully resume survey completions. Using econometric analysis and taking into account the TVP trend in 2021/22, we have been able to make an estimate of TVP and therefore evasion for 2020/21. As this has been estimated without the BARB data, the level of estimating error may be greater than the standard error range of +/- 0.5%pt.

For 2020/21, the evasion rate is calculated to be 7.58% compared to 6.95% in 2019/20. The primary driver for this increase in evasion was the significant disruption to licence fee collection services as a result of Covid-19. In the year, call centres were closed until TV Licensing could put in place remote working and field collection services were suspended throughout the whole year. This created a reduction in overall enforcement activity and evasion increased as a result.

For 2021/22 the evasion rate is calculated to be 8.93%. The primary driver for this increase was the change in policy for free licences for the over 75s. In 2021/22, the transition to the new policy for over 75 licences was completed with more than 9 in 10 customers making the change to the new policy arrangements. As we expected, while evasion in over 75 households was zero when licences were free now that the majority of over 75 households need to pay for their licences, evasion in this group is broadly in line with other households that need to pay for their licence. Thus this increase does not reflect high evasion in over 75 households but is simply as a result of the increase in the paying base and a much lower number that now receive their licences for free.



Tim Davie
Director-General, BBC
4 July 2022

Accountability Report

Basis for the Preparation of the Trust Statement

The HM Treasury accounts direction (see page 43 of this Trust Statement), 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.

The revenue and associated expenditure contained in these statements are those flows of funds which we handle on behalf of the Consolidated Fund and where we act as agent rather than as principal. These accounts are prepared on a going concern basis.

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 for each financial year in the form and on the basis set out in the Accounts Direction.

The Accounting Officer is responsible for issue of licences, maintenance of licence records, collection of licence fees, enforcement of the licensing system, payment of licence fee revenues into the Consolidated Fund, determination of refund policy and making refunds.

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 2021/22. In conforming with the Accounts Direction issued by HM Treasury (see page 43 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 relating to the collection and settlement of the Television Licence Fee, 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; and

- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and accounts and the judgements required for determining that it is fair, balanced and understandable.

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 licence fee Trust Statement assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

As far as the Accounting Officer is aware, the Trust Statement as a whole is fair, balanced and understandable.

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.

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. The C&AG's fee for the audit of the 2021-22 Trust Statement was £187,000 (2020-21 £116,000) which is charged on a notional basis. No non-audit work was carried out by the auditors.

Governance Statement

The 2018 UK Corporate Governance Code, issued by the Financial Reporting Council is applied by the BBC Group on a voluntary basis where appropriate. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

BBC Board

The Board is responsible for ensuring the BBC fulfils its mission and public purposes as set out in the Charter. The Board is chaired by Richard Sharp and consists of up to ten non-executive directors – including the Chairman – and four executive directors, including the Director-General.

The Chairman and the four nations' non-executive directors are appointed by HM The Queen on the recommendation of Ministers. The remainder of the Board are appointed by the BBC through the Board's Nominations Committee. During the year, there have been a number of changes to Board membership. Robbie Gibb joined as the non-executive nation member for England in May 2021 and Tom Ilube stepped down from the Board at the end of June 2021. Baroness Tanni Grey-Thompson left the Board in December 2021 and Steve Morrison stepped down in January 2022. Fran Unsworth also left her role as Director, News and Current Affairs in January 2022 and stepped down from the Board on her departure. The Board was joined by three new members – Shumeet Banerji, Sir Damon Buffini and Muriel Gray – in January 2022, and Deborah Turness will join the Board later in 2022, when she takes up her role as CEO, BBC News. There is currently no Board member for Northern Ireland. This appointment is the responsibility of DCMS and requires the involvement of the Northern Ireland Executive. The full membership of all the subcommittees, their minutes and terms of reference can be found at: <http://www.bbc.co.uk/aboutthebbc/insidethebbc/>

Attendance of directors at the Board

	Board Ordinary
Number of meetings for the period	10
Non-executives	
Richard Sharp	10
Shumeet Banerji	2 of 2
Damon Buffini	2 of 2
Shirley Garrood	10
Robbie Gibb	9 of 9
Muriel Gray	2 of 2
Tanni Grey-Thompson	8 of 8
Ian Hargreaves	10
Tom Ilube	3 of 3
Steve Morrison	8 of 8
Nicholas Serota	10
Elan Closs Stephens	10
Executives	
Tim Davie	10
Leigh Tavaziva	10
Charlotte Moore	10
Fran Unsworth	9 of 9

The Board agendas covered several topic areas throughout the year including the extension of the Capita contract for licence fee collection.

Executive Committee

To support and implement the work of the Board, the Director-General chairs an Executive Committee, which is responsible for the day-to-day running of the BBC.

The Executive Committee is responsible for delivering the BBC's services, in accordance with the strategy agreed by the Board, and for all aspects of operational management.

The Executive Committee meets regularly and oversees key strategic projects and proposals of importance to the whole organisation. It takes regular reports on audience and financial performance, including licence fee revenue and collection, as well as maintaining oversight of pan-BBC policy and operational issues. The members at the end of the year were:

Tim Davie, Director-General
Kerris Bright, Chief Customer Officer
Tom Fussell, CEO, BBC Studios
Charlotte Moore, Chief Content Officer
Jonathan Munro, Interim Director, BBC News and Current Affairs
Gautam Rangarajan, Group Director of Strategy and Performance
June Sarpong, Director, Creative Diversity
Rhodri Talfan Davies, Director, Nations
Leigh Tavaziva, Chief Operating Officer

Audit and Risk Committee

The Audit and Risk Committee (ARC) is a sub-committee of the Board. The membership consists of the Chair, Shirley Garrood, Shumeet Banerji who joined the Committee in January 2022 and Elan Closs Stephens who joined from April 2022. Tom Ilube was a member of the Committee until he stepped down from the Board in June 2021. The BBC Chairman, Richard Sharp, sat as a member of the Committee from June until the end of March 2022.

The main purpose of the ARC is to review and maintain oversight of the BBC's corporate governance

particularly with respect to financial reporting, internal control and risk management. In 2021/22 this included: reviewing and assuring the basis for the BBC Group's statements of going concern and viability; overseeing the relationship with the National Audit Office (acting on behalf of our auditor, the Comptroller and Auditor General), including approving their audit plan for the Annual Report and Accounts and this Trust Statement, reviewing their assessment of risk and accounting judgements, receiving updates on progress with their work and monitoring the implementation of actions arising from their statutory audit and value for money reviews; providing oversight on the BBC's strategic and operational risks and the effectiveness of the risk management framework. The framework was further enhanced this year with papers on horizon scanning and the introduction of a compliance dashboard; conducting deep dives into risk areas, including risks relating to: technology, sustainability, operational security, international operations and people and culture; and undertaking reviews of key change and transformation activity. As a standing item, the Committee receives updates from the BBC Project Management Office on all of the BBC's critical projects; monitoring the work of the Internal Audit team and the completion of actions from their work. 38 audits and assurance reviews were completed, as part of a risk-based plan, with 95 improvement actions raised (all improvement actions are tracked to completion by the Committee). There were no overdue actions at the end of the year.

Nominations Committee

The Board Nominations Committee is responsible for making recommendations on appointments to the Board (with the exception of the Chairman and the nations' members) and Board Committees.

The members of the Committee have remained the same this year and it is comprised of the Chairman of the BBC, Richard Sharp, Director-General, Tim Davie, Nicholas Serota, the senior independent director; and, non-executive directors Elan Closs Stephens and Shirley Garrod.

In addition to its responsibility for nominating appointments to the Board, the Committee is also responsible for nominating members to the sub-committees of the Board, and its main commercial subsidiaries. Nominations Committee also considers and reviews the independence of Board members, including any conflicts of interest, which this year it undertook in November. It also ensures compliance with the Board's Code of Practice, which the Committee recommended for review and re-adoption by the Board this year. The Code of Practice was re-affirmed by the Board with no changes at its January meeting. The Committee also assesses the composition of the Board and its associated committees in terms of the balance of skills and experience required, and to develop a succession planning strategy.

This year the Committee's work on appointments focussed on the appointment of two new non-executive Directors to the Board, Damon Buffini and Shumeet Banerji, who were formally appointed at the Board's November meeting. The Committee also recommended the appointment of the new CEO, News and Current Affairs, Deborah Turness, as an executive member of the Board and the re-appointment of the Chief Content Officer, Charlotte Moore as an executive member of the Board for a further two years.

Nominations Committee also considered the governance of the BBC's commercial businesses, which recommended the transfer of governance, assurance and oversight responsibilities from BBC's Commercial Holdings Board to a new non-executive led Commercial Board. A number of changes to the composition and membership of the new Board were also approved, which included transferring the newly appointed non-executive Directors to Commercial Holdings Board, Gunjan Bhow and Bhav Singh to the new Commercial Board along with its existing non-executives and appointing Damon Buffini, non-executive Director on the main Board as its Chair. These changes came into effect on 1 April 2022.

Following the appointment of two new Nations members by the DCMS, Robbie Gibb as the Board member for England, and Muriel Gray, as the Scotland member, the Committee reviewed the membership of the Board's sub-committees. This resulted in a number of changes designed to make effective use of the range of skills and expertise across the Board's membership. The membership of the Board's sub-committees will be re-assessed following the appointment of the Board member for Northern Ireland.

The Nominations Committee supported the implementation of the recommendations of the Serota Review by considering the role description and recruitment of two external editorial advisers to the Editorial Guidelines and Standards Committee, for approval by the Board. The Committee, supported by a member of the Editorial Guidelines and Standards Committee, will be responsible for the assessment and recommendation for appointment of candidates.

In fulfilment of its responsibility for evaluating the performance of the Board and its associated sub-committees, a full survey and assessment was commissioned by the Nominations Committee and undertaken by an independent reviewer this year. The Committee also commissioned a Governance Assessment which would review the overall performance of the new unitary governance structure implemented by the 2016 Charter. The findings from both reviews will go forward to the full Board in the next financial year.

Governance of Licence Fee Collection

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

- the executive 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 joint risk registers 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
- 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 BBC Board is responsible for the operational management of the BBC, 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 BBC 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 executive 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. Each risk is assigned an owner and scored with a risk rating based on severity and likelihood. There are regular meetings to review the risk register, note any mitigating factors and

assign actions where necessary.

The full BBC risk assessment is provided in the BBC's Annual Report and Accounts 2021/22.

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, Target Group and PayPoint plc. There are schedules to the contracts 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 audits the organisations with substantive responsibility for the collection of 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 and include 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 operates an 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.

Conformity with the international best practice information security standard ISO27001 is 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 it is completed by all staff. 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 put in place a Data Protection Compliance Framework to ensure that the key Data Processors work to a common Data Protection Policy for all handling of personal information across TV Licensing.

The BBC places a high value on Information Security and continues to identify areas for improvement across the whole TVL estate by completing reviews, audits and risk assessments. Where the pandemic meant that activities could not be conducted on location— such as audits, risk assessments, location visits and Industry Certifications—these were completed remotely, ensuring that Infosec improvements or risks could continue to be regularly briefed to Senior Stakeholders, as well as the BBC Audit and Risk Committee without interruption.

The BBC ensures that any data breaches or security incidents are recorded, reviewed and investigated, and where a risk to a customer is seen as likely these are notified to the ICO, and sometimes to customers directly, in accordance with the law and best practice.

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

Fraudulent activity

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. All suspected incidents of fraud 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.

Whistleblowing: A protected disclosure policy is in place, supported by a 'whistleblowing' hotline, administered by an independent external company to ensure anonymity. A non-executive director has been named on the policy as the contact for the raising of the most serious concerns.

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 Audit and Risk 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.



Tim Davie
Director-General, BBC
4 July 2022

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I have audited the financial statements of the British Broadcasting Corporation (BBC) Television Licence Fee Trust Statement for the year ended 31 March 2022 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the

- Statement of Revenue and Expenditure for the year ended 31 March 2022;
- Statement of Cash Flows for the year then ended;
- Statement of Financial Position as at 31 March 2022; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of affairs of the collection and settlement of Television Licence Fees as at 31 March 2022 and of the net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the BBC in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the BBC's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the BBC's ability to adopt the going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the BBC Television Licence Fee Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Performance and Accountability Reports, but does not include the financial statements nor my auditor's report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the BBC Television Licence Fee Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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

- I have not received all of the information and explanations I require for my audit; or
- 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
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities in respect of the BBC Television Licence Fee Trust Statement, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the Trust Statement in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Trust Statement as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the preparation of the BBC Television Licence Fee Trust Statement on a going concern basis, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless this becomes inappropriate.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the BBC's accounting policies, key performance indicators and performance incentives;
- Inquiring of management, the BBC's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the BBC's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the BBC's controls relating to the collection and settlement of the television licence fees including the Broadcasting Act 1990, the Communications Act 2003, the Digital Economy Act 2017 and associated regulations, and the Royal Charter for the Continuance of the British Broadcasting Corporation; and

- discussing among the engagement team and involving relevant internal specialists, including IT audit specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the BBC for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, and the estimation of the licence fees receivables recoverability. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the BBC's framework of authority as well as other legal and regulatory frameworks in which the BBC operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations over the collection and settlement of Television licence fees. The key laws and regulations I considered in this context included the Broadcasting Act 1990, the Communications Act 2003, the Digital Economy Act 2017 and associated regulations, and the Royal Charter for the Continuance of the British Broadcasting Corporation, the Exchequer and Audit Departments Act 1921 and Managing Public Money.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of manual adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements. My report, under Section 2 of the Exchequer and Audit Departments Act 1921 on the BBC Television Licence Fee Trust Statement can be found on pages 28 to 42.

Gareth Davies
Comptroller and Auditor General

Date: 4 July 2022

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

Financial Statements

Statement of Revenue and Expenditure for the Year Ended 31 March 2022

	Note	2022 £m	2021 £m
Revenue			
Value of Licences		3,939	3,856
Value of refunds		(37)	(29)
Value of revocations		(46)	(37)
Value of premiums on quarterly direct debit		16	16
Net Revenue		<u>3,872</u>	<u>3,806</u>
Less expenditure			
Credit losses	2.2	(72)	(59)
Net Revenue for the Consolidated Fund		<u><u>3,800</u></u>	<u><u>3,747</u></u>

There were no recognised gains or losses accounted for outside the above Statement of Revenue and Expenditure. All income is from continuing activities. The notes at pages 23 to 26 form part of this statement.

Statement of Financial Position as at 31 March 2022

	Note	2022 £m	2021 £m
Current Assets			
Receivables	2.1	468	494
Cash held for customers on savings schemes		13	14
Total Assets		481	508
Current Liabilities			
Payables	3	(300)	(297)
Total Net Assets		181	211
Represented by:			
Balance on Consolidated Fund Account as at 31 March	4	181	211

The notes at pages 23 to 26 form part of this statement



Tim Davie
Director-General, BBC
4 July 2022

Statement of Cash Flows for the Year Ended 31 March 2022

	Note	2022 £m	2021 £m
Net cash inflow from operating activities	A	3,829	3,664
Cash paid to the Consolidated Fund	4	(3,830)	(3,665)
Increase / (Decrease) in cash in the period		<u>(1)</u>	<u>(1)</u>

Notes to the Cash Flow Statement

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

Net Revenue for the Consolidated Fund	3,800	3,747
Decrease in Receivables	26	(87)
Increase in Payables	3	4
Net Cash Flow from operating activities	<u>3,829</u>	<u>3,664</u>

B: Analysis of Changes in Net Funds (cash held for customers on savings schemes)

Decrease in Cash in this Period	(1)	(1)
Net Funds at 1st April	14	15
Net Funds at 31st March	<u>13</u>	<u>14</u>

Note that the closing balance of Net funds at 31st March above (£13m) is held at a commercial bank.

The notes on pages 23 to 26 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.

The income and associated expenditure contained in these statements are those flows of funds which the BBC receives and surrenders on behalf of the Consolidated Fund and where the BBC is acting as agent rather than as principal.

The financial information contained in the statements and in the notes is rounded to the nearest £m.

1.2 Changes in accounting policy and disclosures

Adoption of new and revised accounting standards

The following new and revised standards and Interpretations have been considered for the first time, as they became effective for this financial year:

- Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements 2018 – 2020
- Classification of Liabilities as Current and Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax related to assets/liabilities arising from a Single Transaction (Amendments to IAS 12)
- Insurance Contracts (Amendments to IFRS 17). The directors do not expect that the adoption of the standards and interpretations above would have a material impact on the financial statements of the group in future periods.

These have been applied where relevant to the Trust Statement.

1.3 Accounting Convention

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

1.4 Revenue Recognition

Revenue derived from television licences is initially recognised in full as a receivable from the Licence Fee payer at the point the licence comes into force. This is gross revenue. Net revenue for the consolidated fund represents the value collected and expected to be collectable after deducting refunds, revocations and credit losses.

1.5 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 outside the scope of the financial statements in this Trust Statement. The level of evasion in the year is discussed in the management commentary.

1.6 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.

1.7 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 has not yet been paid.
- 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 Trust Statement is outside the scope of Accounting Standard IFRS 9 Financial Instruments, as the licence fees are taxes rather than trade receivable financial instruments. However, as required by the FReM, the principles of IFRS 9 are applied to licence fee receivables expected credit loss model, for consistency across government. This impairment value is estimated based on the value of cancellations in the current year, as adjusted to reflect the current and future economic environment. The movement in the year on year impairment balances is included with actual prior year debt written off as credit losses in the Statement of Revenue and Expenditure.

1.9 Payables

Licence Fee Payables

Licence Fee payables represent the amounts collected from customers on instalment schemes for licences that have yet to be issued. Once these licenses have been issued, this money will be paid to the Consolidated Fund.

Customer savings

Customer savings represents cash collected from customers on savings card 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 closed saving stamp scheme is held by the BBC. Though it cannot now be used to buy a licence, it is repayable to those customers on request. The unreturned balance is included within BBC Group accounts rather than the Trust Statement accounts.

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

		2022	2021
	Note	£m	£m
Licence fee Receivables		489	512
Cash in transit		11	14
Total before estimated impairments		500	526
Less estimated impairments	2.3	(32)	(32)
		468	494

Receivables represent the amount due from licensees where at 31 March:

- i) demands for payment have been issued but not paid for; or
- ii) where licensees have outstanding instalments.

All debt will be due to the Consolidated Fund when realised.

2.2 Credit losses

		2022	2021
	Note	£m	£m
Debts written off		(72)	(58)
Change in the value of impairments	2.3	(0)	(2)
		(72)	(60)

Debts are written off when collection activity is formally ceased. These debts are considered to be irrecoverable when all practical means of pursuing the liability have been exhausted.

2.3 Change in the value of impairments

	2022	2021
	£m	£m
Balance as at 1 April	(32)	(30)
Change in estimated value of impairments	(0)	(2)
Balance as at 31 March	(32)	(32)

Receivables in the statement of financial position are reported after the deduction of the estimated value of impairments. This estimate is based on the value of cancellations in the previous year, as adjusted to reflect the current and future economic environment. The movement in the year on year impairment balances is included with actual prior year debt written off as credit losses in the Statement of Revenue and Expenditure.

3. Payables

	2022	2021
	£m	£m
Licence fee payables	260	257
Customer savings	13	14
Deferred income	26	26
	299	297

No payables fall due after one year.

4. Balance on the Consolidated Fund Account

	2022	2021
	£m	£m
Balance on Consolidated Fund Account at 1 April	211	129
Net Revenue for the Consolidated Fund	3,800	3,747
Less amount paid to the Consolidated Fund	(3,830)	(3,665)
Balance on Consolidated Fund Account at 31 March	<u>181</u>	<u>211</u>

The balance largely comprises the net value of licence fee Debtors (those paying in arrears for their TV licence) and licence fee Creditors (those paying in advance). The net debtor position mostly relates to customers paying by Quarterly Direct Debit, but also includes Over 75s using Paygo and customers on Simple Payment Plan.

5. Financial Instruments

On behalf of the Consolidated Fund, the BBC is party to financial instrument arrangements as part of its normal operations. These financial instruments include bank accounts, receivables and payables. IFRS 7, 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the year in creating or changing risks an entity faces in the course of its operations. As the BBC is acting as agent on behalf of the Consolidated Fund and surrendering these funds when received, it cannot incur losses through the Trust Statement. Write-offs and impairment charges disclosed in the Revenue and Expenditure Statement reflect the non-recoverability of gross debt since its obligation to surrender financial penalties is limited to the amount it is able to collect in revenue. The BBC, on behalf of the Consolidated Fund, has no requirement to borrow or invest surplus funds. As such, the BBC, in its capacity as agent, is not exposed to the degrees of financial or market risk facing a business entity acting as principal.

6. 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.

7. 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 Income

	2022 £m	2021 £m
Licence fee sales contributing to Consolidated Fund	3,800	3,747
Add		
Over 75s contribution from DWP	0	3
	<hr/>	<hr/>
BBC Licence Fee Income in Annual Report and Accounts note B2	3,800	3,750
	<hr/>	<hr/>

£0.3m (£3m 2020/21) grant was received from the DWP to cover the cost of refunds that were made to customers relating to a period when they were entitled to a free licence.

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

Summary

1 Everyone in the UK who watches or records television programmes as they are broadcast or who watches or downloads BBC content via iPlayer must be covered by a valid TV licence. The BBC is responsible for issuing TV licences, collecting licence fee revenue and enforcing the licensing system. The BBC Royal Charter¹ requires that the BBC's Board ensures "that arrangements for the collection of the licence fee are efficient, appropriate and proportionate". Collection of the licence fee is managed by the BBC Licence Fee Unit (the Unit) which works together with three principal service providers under the "TV Licensing" trademark (TVL). In addition, the Unit is responsible for calculating an annual estimate of the licence fee evasion rate.

2 In accordance with Section 2 of the Exchequer and Audit Departments Act 1921, the Comptroller and Auditor General (C&AG) is required to assess the adequacy of the BBC's arrangements for assessment, collection and proper allocation of the licence fee. This report is our commentary on the BBC's collection of the licence fee in 2021-22 and sets out our findings and conclusions regarding the sums that the BBC has collected from licence fee payers in the past year, the BBC's estimate of licence fee evasion, and developments in 2021-22. **Figure 1** provides detail of how the BBC reports its collection and use of licence fee income.

Figure 1: Information about the licence fee

The following sources contain relevant information about licence fee income:

BBC Television Licence Fee Trust Statement for the year ending 31 March 2022

The Trust Statement is the BBC's detailed report on the licence fee revenue it collected in 2021-22. It is published at the same time as this report and the information in it has been used in this report.

Under the Exchequer and Audit Departments Act 1921, the Comptroller and Auditor General (C&AG) has certified that:

- the figures in the Trust Statement are true and fair and properly presented; and
- the income and expenditure recorded in the Trust Statement has been used for the purposes Parliament intended.

BBC Group Annual Report and Accounts, 2021-22

The Annual Report and Accounts contains details of how the BBC spent its income in 2021-22, including that derived from the licence fee.

Under the terms of the 2016 Royal Charter, the C&AG has audited the BBC Group's Annual Report and Accounts and certified that:

- the financial statements are true and fair;
 - the financial statements have been properly prepared; and
 - the income and expenditure recorded in the financial statements has been used for the purposes Parliament intended.
-

¹ Paragraph 20 (7) (b) of the BBC Royal Charter -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/577829/57964_CM_9365_Charter_Accessible.pdf

Key findings

Licence fee collection in 2021-22

3 Total licence fee income in 2021-22 increased by £53 million, compared to 2020-21. Licence fee income increased by 1.4% to £3,800 million compared to 2020-21. This was the second year of increase since 2019-20, after two years of decreases from 2017-18 (paragraphs 1.3 and 1.7, and Figure 2).

4 Of this increase in licence fee income, £29 million arose due to the increase in the cost of a TV licence at the start of 2021-22. Between 2017-18 and 2021-22, the cost of a TV licence rose in line with inflation each year. At the start of 2021-22, the cost of a licence fee increased from £157.50 to £159, accounting for £29 million of the increased income of £53 million (paragraph 1.5).

5 Licence sales in 2021-22 also increased, accounting for £24 million of the increase in income. The number of paid-for licences increased by around 150,000, from 23.78 million in 2020-21 to 23.93 million. According to the BBC, sales in 2020-21 had been depressed by the impact of COVID-19 as TVL had been forced to close its contact centres and suspend field visits for parts of the year. Sales in 2021-22 recovered and were also boosted by fewer customers reaching the age of 75 in 2021-22 qualifying for free licences (paragraphs 1.5 and 1.6, and Figure 3).

6 The number of domestic customers declaring that they did not require a licence reached 1.96 million in 2021-22. Despite higher sales, the number of domestic customers who declared that they no longer needed a licence increased by the end of 2021-22 by 270,000, from 1.69 million in 2020-21 (paragraph 1.8).

7 In summer 2021, the BBC handled the first-time renewal of 3.6 million licences for those aged over 75. Of the £3,800 million licence fee income for 2021-22, £424 million was licence renewals by those aged 75 or over on 1 August 2020, previously eligible for a free licence. The majority of renewals of over-75 licences occurred over two months, July and August 2021, necessitating the employment of new temporary staff by TVL and the redeployment of some existing staff to help. In 2021-22, the cost to the BBC of collecting the licence fee reduced to £122 million, reversing recent increases that were mainly due to the costs of implementing the new over-75s policy (paragraphs 1.4, 1.14 to 1.18, and 1.20).

8 TV Licensing had to adapt its operations to the on-going impact of COVID-19. This included the continued need for some home-working and for field visits to comply with COVID-19 restrictions, and higher than normal absence levels due to illness and self-isolation. Despite this, performance against standards recovered in 2021-22, although the total number of visits to people's homes during the year continued to be lower than pre-COVID-19 levels because of the pandemic. TVL has begun to examine what it can learn from changes under COVID-19 to embed those changes that led to improvements into future ways of working (paragraphs 1.10 to 1.13).

Levels of licence fee evasion in 2021-22

9 In 2021-22, the licence fee evasion rate increased to an estimated 8.93%. This average annual evasion rate was higher than the last reported rate of 6.95% for 2019-20. The BBC has identified two main reasons for the increase. The COVID-19 pandemic limited TVL's ability to conduct visits to check whether people had the required TV licence during 2020-21, while the new over-75s policy resulted in the inclusion in the evasion rate calculation of a new cohort of paying customers from August 2021, namely over-75s not in receipt of Pension Credit. Previously, over-75s receiving a free licence were included in the evasion rate but scored as 100% compliant (paragraphs 2.3 and 2.4).

10 Measuring evasion is complex, and the BBC has reviewed its model to better reflect changes in media consumption, the economy and over-75s licences. In 2019-20, the BBC introduced a new model for estimating the evasion rate, which incorporated a number of methodological changes aimed at improving the comparability of the evasion rate over time, based on the most up-to-date evidence. While the new model generated significant insights, the BBC considered it was not keeping up with the rapid pace of changes in media

consumption, the impact of COVID-19 on economic activity and employment and hence on licence fee sales, or the impact of paid over-75s licences. The BBC therefore commissioned an update of the evasion model in 2021-22 to reflect these factors and used this to estimate an evasion rate for 2020-21 and 2021-22 (paragraphs 2.6 to 2.10).

11 The BBC is reviewing options to tackle evasion, based on its analysis of factors leading to the estimated evasion rate. Initial analysis has identified two high level factors behind the change in evasion rate since 2019-20 – COVID-19 and over-75s licences, but more detailed analysis needed to understand the reasons for non-compliance will continue into the Autumn of 2022. The BBC should then be better able to target actions to encourage or enforce compliance with the legal requirement to purchase a licence to watch or record television programmes as they are broadcast, or watch or download BBC content via iPlayer, and assess their impact on evasion (paragraphs 2.4, 2.11 and 2.12).

Developments in 2021-22

12 In January 2022, the Department for Digital, Culture, Media & Sport (DCMS) confirmed the basis of the licence fee through to 2027-28, with no increase to the fee in 2022-23 and 2023-24. In contrast to earlier years, the TV licence fee will not increase in line with inflation and will remain at £159 in these years. It will then rise in line with inflation for the following four years, 2024-25 to 2027-28. According to the BBC, the lack of an increase in the licence fee in 2022-23 and 2023-24 will leave it with a shortfall of £285 million a year in 2027-28 (paragraphs 3.2 and 3.3).

13 The BBC expects licence fee income to decline due to changes in media consumption. It expects its licence fee income will fall, at least in the short- to medium-term, because of cost of living increases since the start of 2022, and the continuing decline in licence sales arising from changes in how audiences view television content (paragraph 3.3).

14 The long-term future of the licence fee is under review and the pace of change in media consumption poses challenges for the BBC's licence fee activities. DCMS confirmed in its April 2022 White Paper "Up Next: The Government's Vision for the Broadcasting Sector" its intention to carry out a review of the licence funding model beyond December 2027. It intends to set out more detailed plans for the review in the coming months. The BBC will work with DCMS on this review (paragraphs 3.4 and 3.5).

15 In 2021-22, the BBC extended two of its main contracts for licence fee collection as it had previously decided not to proceed with their re-procurement. The BBC required Capita's support to deliver the change in over-75s policy, meaning it chose to exercise the option in Capita's contract to extend this contract by five years until June 2027. The BBC was at the same time reviewing its options for delivery of the Simple Payment Plan scheme. After deciding to continue its main contract with Capita, it will go out to tender for provision of the scheme. The BBC has agreed a one-year extension to Target's contract with the option of a further year's extension, if necessary, to allow for this procurement (paragraphs 3.6 to 3.11).

16 The BBC's plans to improve licence fee collection services in 2021-22 have progressed more slowly than planned and will continue into 2022-23. The BBC set three priorities for improving licence fee collection operations for the year:

- the adoption of a new customer value management approach to collection, which demonstrates to the licence fee payer the value that they receive from the services, both BBC and non-BBC, that they can access in return for purchasing a TV licence;
- improving collection services for those that find it most difficult to pay; and
- enhancing the extent and ease with which licence fee services can be conducted online.

In addition, several IT systems are nearing the end of vendor support and are overdue for replacement. However, progress in delivering each of these three priorities and the IT upgrades has been slower than planned. Implementation of these changes will continue into 2022-23 (paragraph 3.12 to 3.17).

Conclusion

17 In fulfilling my statutory duties under the Exchequer and Audit Departments Act 1921, while recognising that no tax collection system can ensure that everyone meets their tax obligations, I conclude that in 2021-22 the BBC had framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of licence fee revenue, and that these regulations and procedures are being duly carried out. This assurance is subject to the observations on specific aspects of the administration of taxes in this report and my other reports to Parliament.

18 In addition to my statutory duties under the Exchequer and Audit Departments Act 1921, I have concluded that, based on the number of paid for licences:

- the figures in the Trust Statement are true and fair; and
- the income and expenditure recorded in the Trust Statement are in line with the purposes Parliament intended and the framework of authorities.

19 The 1921 Act also requires the Comptroller and Auditor General to consider whether the BBC's revenue systems to collect taxes are adequate. I found that the BBC's revenue systems were adequate subject to the observations in this report and my other reports to Parliament.

20 The BBC is facing several challenges in maintaining its licence fee income in future, in particular the freezing of the cost of a TV licence for two years, 2022-23 and 2023-24, and the increasing rate of licence fee evasion. The existence of these challenges makes it important that the collection of licence fee income is as efficient and effective as possible, and that evasion is minimised. The BBC estimates that every percentage point reduction in evasion generates around £42 million of additional revenue. I therefore recommend that the BBC completes its analysis of evasion data to identify causes and target actions to best reduce evasion.

Part One: Licence Fee collection in 2021-22

1.1. Everyone in the UK who watches or records television programmes as they are broadcast or who watches or downloads BBC content via iPlayer must be covered by a valid TV licence. This includes, for example, people in residential households, businesses, hotels, and student accommodation. The BBC is responsible for issuing TV licences, collecting licence fee revenue, and enforcing the licensing system.

1.2. Collection of the licence fee is managed by the BBC's Licence Fee Unit (the Unit) which works together with three principal service providers: RAPP Ltd (previously Proximity London Ltd), which delivers marketing services; Target which manages the Simple Payment Plan scheme for those having most difficulty paying for a TV licence; and Capita Business Services Ltd (Capita), which administers licence fee collection. Together they operate under the "TV Licensing" trademark (TVL). TVL collects the income due which is then paid by the BBC to the Exchequer's Consolidated Fund, with a matching amount paid back to the BBC in grant income by the Department for Digital, Culture, Media & Sport (DCMS).

Licence fee income and sales in 2021-22

1.3. Net income from licence sales totalled £3,800 million in 2021-22. This was £53 million (1.4%) higher than net income from sales of TV licences of £3,747 million in 2020-21 (**Figure 2**).

1.4. Following the policy change in 2020-21 whereby free TV licences are now only available to those aged over 75 and in receipt of Pension Credit, net sales income consisted of:

- £3,376 million related to licence sales to under 75s and those aged 75 or over after 1 August 2020 who did not qualify for a free licence; and
- £424 million related to licence sales to those aged 75 or over on 1 August 2020 and who previously had received a free licence but were no longer eligible for this².

Figure 2: BBC Licence Fee Income from 2017-18 to 2021-22

Licence fee income increased again in 2021-22.

	Net sales income from those charged for a licence ⁽¹⁾ £ million	Net sales income from over- 75s previously receiving free licences ⁽²⁾ £ million	Total net sales income £million	Over-75 Grant ⁽³⁾ £ million	Total net income £ million
2017-18	3,174	-	3,174	656	3,830
2018-19	3,222	-	3,222	468	3,690
2019-20	3,267	-	3,267	253	3,520
Introduction of new policy on free licences for over-75s in August 2020					
2020-21	3,311	436	3,747	3	3,750
2021-22	3,376	424	3,800	0	3,800

Note:

1. Figures for years up to and including 2019-20 do not include any income in respect of those aged 75 and over as all such people were entitled to a free licence, with the costs of these free licences being met separately by a grant from the Department for Work and Pensions (DWP). However, from 2020-21, figures also include income from sales to those who reached the age of 75 after 1 August 2020 and who were not in receipt of Pension Credit and therefore not eligible for a free licence.
2. Figures are for income from licence sales to those aged 75 and over before 1 August 2020 and who were therefore in receipt of a free licence but who, after that date were not in receipt of Pension Credit and therefore no longer eligible for a free licence.
3. Prior to 1 August 2020, free licences for those aged over 75 were funded through a grant from the DWP. Free licences are now funded by the BBC, and the BBC only receives funding from the DWP in respect of licences purchased prior to 1 August 2020 by those who were entitled

² This number includes licence sales to those people who had a free licence before 1 August 2020 and who then bought their first new licence under the new policy between 1 August 2020 and 31 July 2021. Those previously in receipt of a free licence before 1 August 2020 but who did not buy their first new licence until after 31 July 2021 are included in the other licence sales.

to a free licence and who then were subsequently refunded for their purchase on receiving this free licence. In 2021-22 the BBC received £0.3 million (£3 million in 2020-21) funding from the DWP for such refunds

Source: BBC Annual Report and Accounts 2021-22 and BBC Trust Statement 2021-22

1.5. The increase in total sales net income from 2020-21 to 2021-22 of £53m million was due to two key factors:

- The increase at the start of 2021-22 in the cost of a TV licence from £157.50 to £159 in line with inflation, which increased income in the year by £29 million; and
- Increased license sales during the year, which increased income by £24 million.

1.6. The number of paid-for licences increased again in 2021-22 (**Figure 3**) as sales subsequently recovered from the impact of COVID-19, and fewer of those reaching 75 in 2021-22 claimed pension credit, and thus qualified for free licences. In 2020-21, the number of paid-for licences had increased due to the change in policy from 1 August 2020 on who was eligible for a free licence (paragraph 1.4). However, the BBC considers that sales in 2020-21 had also been depressed by the impact of COVID-19 when TVL had been forced to close its contact centres and suspend field visits for parts of the year.

Figure 3: Licence fee numbers from 2017-18 to 2021-22

The total number of purchased licences has increased in the last two years as has the number of those declaring that they no longer need a licence.

	Paid licences ⁽¹⁾ Million	Sales to over 75s previously receiving free licences ⁽²⁾ Million	Total purchased licences Million	Free licences to over 75s ⁽³⁾ Million	Total licences Million	Those declaring that they do not need a licence Million
2017-18	21.62	-	21.62	4.34	25.96	2.0
2018-19	21.46	-	21.46	4.47	25.93	2.2
2019-20	21.17	-	21.17	4.50	25.67	2.4
Introduction of new policy on free licences for over-75s in August 2020						
2020-21	20.99	2.79	23.78	1.48	25.26	2.4
2021-22	21.32	2.61	23.93	0.79	24.72	2.5

Note:

4. Sales figures for years up to and including 2019-20 do not include any sales to those aged 75 and over as all such people were entitled to a free licence. From 2020-21, sales figures also include sales to those who reached the age of 75 after 1 August 2020 and who are not in receipt of Pension Credit and therefore not eligible for a free licence.
5. These figures are for licence sales to those aged 75 and over before 1 August 2020 who were therefore in receipt of a free licence but who, after that date, are not in receipt of Pension Credit and therefore no longer eligible for a free licence.
6. Up to 1 August 2020, all those aged 75 and over were entitled to a free licence. However, from that date, only those aged 75 and over and in receipt of Pension Credit are eligible for a free licence.
7. All figures above exclude licences issued to residential care homes. In 2021-22, these totalled 456,000, consisting of 319,000 free over-75 licences and 137,000 purchased at a concessionary rate of £7.50.

Source: BBC Trust Statement 2021-22

1.7. Previously, the number of paid-for licences had fallen each year, from 2017-18 to 2019-20, due to increasing numbers of older households qualifying for a free over-75 licence under the previous policy. The number also fell due to a decrease in the number of households that require a TV licence because they watch or record broadcast television or access BBC content via iPlayer, and an increase in alternative media consumption methods such as streaming video on demand. According to the BBC, the percentage of total households requiring a licence fell by 1.4% in this period, from 95.15% in 2017-18 to 93.84% in 2019-20. This trend has continued, with the percentage of such households falling even further to 92.2% in 2021-22, a 1.7% reduction on 2019-20. The greater drop in license numbers than households requiring one is explored in Part 2 on licence fee evasion.

1.8. The BBC had originally been forecasting that sales in 2021-22 would fall in line with the long-term trend of viewers switching to non-licensable viewing and its forecasts of COVID-19's impact on the economy. The number of customers who inform TVL that they no longer need a licence and therefore do not purchase one has been increasing over time and, at the end of 2021-22 totalled 2.5 million (**Figure 3**). The great majority of this figure arose from domestic customers declaring they no longer needed a licence, 1.96 million, an increase of approximately 270,000 on 2020-21's figure of 1.69 million. The BBC has estimated that a fall of one percentage point in the number of people requiring a TV licence would result in a loss of income of approximately £36 million.

1.9. In contrast to the increase in the number of paid-for licences (paragraph 1.6), the total number of licences issued reduced by 2.1% in 2021-22, from 25.26 million in 2020-21 to 24.72 million (**Figure 3**). This was due to a significant fall in the number of free licences issued in 2021-22. The change in the policy regarding free licences for over-75s (paragraph 1.6) had resulted in a significant fall in the number of free licences issued in 2020-21, compared to 2019-20. However, the number of free licences issued in 2020-21 is overstated due to the issue of 709,000 short-term free licences that ran until 31 July 2020, and the end of the previous policy, after which all over-75s had to obtain a new licence under the new policy – whether paid or free. As a result of this, some over-75s were issued with more than one licence in 2020-21. In 2021-22, no such double issues occurred, and the number of free licences issued in 2021-22 fell by almost half, from 1.48 million in 2020-21 to 0.79 million. Excluding these double issues, total licences issued in 2021-22 increased compared to 2020-21, from 24.55 million to 24.72 million.

Collection operations in 2021-22

Impact of COVID-19

1.10. In line with many other organisations, TVL had faced unprecedented operational challenges in collecting licence fee income in 2020-21 due to the COVID-19 pandemic. During the year, for the safety of staff and customers, it had closed the call centre and office functions in its Darwen and Bury offices for a time while it introduced hybrid working, and suspended field visits, affecting its ability to communicate with customers and customers' ability to buy or renew a licence. Large backlogs in areas such as refunds and customer queries built up. The operational challenges arising from COVID-19 also meant that service provider performance did not meet agreed standards in many areas. However, by the end of February 2021, most operations had recovered and were meeting the required performance standards, and the backlogs had been cleared.

1.11. In 2021-22, TVL continued to have to deal with operational difficulties arising from COVID-19, such as the continued need for some home-working and higher than normal absence levels due to illness and self-isolation. Despite this, its office operations generally met the required performance standards, for example, answering, on average, over 90% of calls received within required timescales, compared to a target of 80%. Customer satisfaction scores were higher, on average, in 2021-22 than in 2020-21, while the number of customer complaints received was lower. In a couple of instances, performance standards did temporarily dip slightly as staff were redeployed to meet operational priorities elsewhere, such as helping with over-75 renewals.

1.12. During 2020-21, TVL had suspended field visits for significant parts of the year. It resumed such visits in April 2021, but the total number of visits undertaken during the year was still less than that carried out pre-COVID-19 because of the pandemic. TVL also had to undertake these visits in accordance with each nation's COVID-19 regulations, which changed as the response to the pandemic developed during the year.

1.13. In Autumn 2021 TVL began work on examining how it could learn from its experiences during COVID and permanently implement a new operating model based on the hybrid working practices it introduced in response to the pandemic. As part of this, TVL has been examining all its processes to identify, for each process, the areas for improvement through the introduction of hybrid working. Work in this area is continuing into 2022-23.

Over-75 income collection

1.14. In 2021-22, TVL handled, for the first time, the renewal of licences issued to over-75s under the new policy introduced on 1 August 2020.

1.15. The BBC had estimated in August 2020 that 4.2 million over-75 households with free licences at that point would need to transition, under the new policy, to new paid or free licences. Although many people applied for new licences on or around 1 August 2020, others delayed their applications for a licence. However, regardless of when their licence was issued, all new over-75 licences expired on 31 July 2021, as they were deemed to have an effective start of 1 August 2020. As a result, TVL had to process the vast majority of applications for renewing these licences in July and August 2021.

1.16. To ensure the successful renewal of over-75 licences, TVL increased its resource for handling these applications by appointing and training extra temporary staff in May and June 2021, and by redeploying some of its existing staff to help with renewals in July and August 2021.

1.17. The renewal process went well. For example, TVL sent out various renewals' mailings in line with required deadlines to 3.6 million households, while it had the staff in place to handle a large increase in calls in July 2021 from over-75s. However, due to an IT system capacity issue, in July 2021 around 125,000 people, including a large number of over-75s, received late notification that the annual direct debit payment for their renewing licence was about to be taken out of their account. TVL sent apology letters to those affected and introduced controls to guard against a recurrence of the problem.

1.18. On completion of this first round of renewals, TVL scaled down the resources it deployed on over-75 licences, and, in October 2021, merged its separate over-75 operations with its other operations as over-75 transactions became part of its business-as-usual.

1.19. With regard to those previously in receipt of a free licence before 1 August 2020 and who had still not cancelled this licence, bought a new licence or been issued with a new free licence after that date, in July 2021, the BBC formally cancelled their old free licences, requiring them to either apply for a new free licence, or buy a new licence. Previously, the BBC had allowed such unreplaced licences to remain valid and had not undertaken enforcement action. The BBC has committed to taking a supportive and understanding approach towards those over-75 customers affected by this cancellation. For example, in July 2021, it extended the period during which the over-75 pay as you go payment plan could be offered to these customers from 31 July 2021 to 31 January 2022.

Collection costs

1.20. The BBC spent £122 million in 2021-22 on collecting the Licence Fee (**Figure 4**). The costs of collection increased from 2016-17 to 2020-21, mainly due to the costs of introducing the new over-75s policy, including developing and implementing the new systems required, recruiting extra staff, and undertaking a significant programme of communications with all those people affected. Collection costs then fell in 2021-22 as the development and implementation of these new systems was completed.

Figure 4: Licence fee collection costs

The costs of collection decreased in 2021-22.					
	2017-18 £ million	2018-19 £ million	2019-20 £ million	2020-21 £ million	2021-22 £ million
Ongoing costs	94	94	93	88	97
Development costs	7	9	27	48	25
Total costs	91	93	120	136	122
Licence fee income	3,830	3,690	3,520	3,750	3,800
Costs as a percentage of income	2.6%	2.8%	3.4%	3.6%	3.2%
NOTE: 1. All income and costs figures are in cash terms had have been rounded to the nearest £ million.					
Source: National Audit Office analysis of BBC data					

Part Two: Levels of licence fee evasion in 2021-22

2.1. Not everyone who is required to purchase a TV licence does so; some people are either unwilling to or are unable to on grounds of affordability. Combatting licence fee evasion is a key area of focus for the BBC and the level of evasion is a crucial measure of its performance. With changing demographics and continuing threats to revenue from changes in viewing habits, tackling evasion fulfils the BBC's responsibilities to ensure effective collection and supports the funding of the BBC. The BBC estimates that every percentage point reduction in the evasion rate that it can achieve equates to around £42 million of extra revenue.

Levels of licence fee evasion

2.2. Each year, the BBC reports its estimate of the rate of licence fee evasion. The reported evasion rate is based on the difference between the BBC's estimate of the number of households expected to require a licence and the actual number of licences in force. Prior to 2019-20, the BBC only reported the estimated evasion rate as at the end of the financial year. However, from 2019-20, it also reported a second measure, the average evasion rate over the 12 months of that year. The BBC considers this second measure to be a more reliable indicator of the level of evasion over time as it is less subject to monthly variations in the rate's value that can occur from, for example, changes in how people consume media (paragraph 1.7).

2.3. The rate of evasion has been increasing over time (**Figure 5**), mainly due to changes in viewing habits as more people view more content online and therefore do not buy a licence. However, both measures of evasion showed significant increases in 2020-21 and 2021-22, with the average annual rate of evasion significantly higher in 2021-22 than in 2019-20, at 8.93% compared to 6.95% (**Figure 5**).

Figure 5: Reported licence fee evasion levels from 2017-18 to 2021-22

BBC estimates of the level of evasion increased in 2021-22, compared to 2019-20

	Estimated rates of licence fee evasion	
	As at March	Annual average
2017-18	7.04%	Not calculated ¹
2018-19	6.57%	6.69%
2019-20	7.25%	6.95%
2020-21 ²	8.29%	7.58%
2021-22	9.46%	8.93%

Note:

1. The BBC did not calculate the annual average until 2019-20 when it calculated the then current and previous year's figures.

2. The BBC could not report these figures in 2020-21 as it was not able to calculate them until 2021-22 as some of the information that it required to do this in 2020-21 was not available due to COVID-19.

Source: BBC

2.4. According to the BBC, based on an initial analysis of the figures, there were two main reasons for the increase in evasion experienced since 2019-20:

- The impact of COVID-19 including the temporary closure of TVL's call centres early in 2020-21 (paragraph 1.10) and restrictions on TVL's ability in both 2020-21 and 2021-22 to conduct visits to people to check whether they had a TV licence as required (paragraph 1.12).
- The inclusion in the calculation of the estimated evasion rates of a new cohort of paying customers, namely over-75s not in receipt of Pension Credit. In 2019-20 these people would have received a free licence and consequently there would have been no estimated evasion in this cohort. This particularly affected the estimated rate of evasion from August 2021, when free licences issued under the previous policy were formally revoked. According to the BBC, the level of evasion in this new cohort of paying

customers is broadly in line with that among other households who have always needed to pay for their licences.

2.5. Although the BBC endeavours to use the most relevant and up-to-date data sources, the calculated evasion rate is inevitably an estimate and subject to uncertainty. However, there is a greater level of uncertainty attached to the estimate for 2020-21 than for other years. As we reported in our 2020-21 report, the BBC could not calculate the estimated evasion rates for that year as Broadcasters' Audience Research Board (BARB) had been unable to carry out its regular survey of household viewing habits during the year due to COVID-19. The survey is one of the main sources of evidence for calculating how many households require a licence (paragraph 2.6). It was only in 2021-22 that BARB was able to re-commence these surveys on a regular basis and provide the data on TV penetration that the BBC required to estimate the levels of evasion for both 2020-21 and 2021-22. However, when calculating evasion for 2020-21, the BBC had to perform some additional modelling using available 2020-21 and 2021-22 data from BARB to estimate TV penetration for those periods in 2021-22 when it had been unable to carry out its survey.

Assessing evasion

2.6. The calculation of the estimated number of households requiring a licence is complex. The BBC has identified nine different types of household, including students in halls, lodgers and care homes, each with its own third-party source of data for the numbers involved, which vary in how recent they are. For the less up-to-date sources, the BBC has to estimate how the relevant data has changed in the meantime. The BBC then uses survey data from the BARB to estimate how many of each type of household actually require a licence (known as the TV Penetration rate). The percentage of such households has been falling steadily in recent years (paragraph 1.7). The BBC then compares its estimate of the number of households expected to require a licence and the actual number of licences in force, as recorded in TVL's licence database, to calculate the evasion rate.

2.7. In 2019-20, the BBC undertook a number of pieces of research into the evasion rate, including an analysis to develop a better understanding of the changes in the rate over time and the factors behind these changes. This analysis identified that the largest factor driving this trend was changes in people's viewing habits as they watched less licensable content. Other factors included the changes in people's earnings and the price of a TV licence, and TVL's enforcement activities. As part of this analysis, the BBC's model for calculating the evasion rate was also updated to reflect a number of methodological changes and the most up-to-date evidence.

2.8. The BBC's own analysis of 2019-20's evasion data subsequently identified that over half the increase in the evasion rate in 2019-20 could not be explained by the factors identified above. The BBC considered that this large unexplained element reflected an increase in the pace of change in the media market in 2019-20 and the impact of this on how audiences view television content, such as viewers increasingly consuming content via Subscription Video on Demand services.

2.9. The BBC was concerned that the existence of such an element meant that its model, despite its upgrade in 2019-20, had already started to lose some of its ability to identify the reasons for evasion rate changes and to keep up with the rapid pace of market change. It was also concerned that the model would not be able to accurately reflect recent trends in economic activity and employment, such as the impact of COVID-19, or the impact of the introduction of charging some over-75s for their TV licence from 1 August 2020, when calculating evasion rates.

2.10. In response to this, in 2021-22 the BBC commissioned an update of the 2019-20 analysis to identify the latest factors driving changes in the evasion rate and to revise accordingly its model for estimating the evasion rate. By June 2022, the updating of the model to reflect factors, such as the impact of COVID-19 and recent changes in how audiences view television content, had been completed. The BBC then used this model to calculate evasion rates for 2020-21 and 2021-22 (paragraph 2.5). However, as at June 2022, work on a more detailed analysis of the factors driving the increases in evasion was expected to continue into the Autumn of 2022. This analysis will then be available to inform the BBC's efforts to tackle evasion.

Tackling evasion

2.11. The BBC Board is required by the Royal Charter to ensure that ‘arrangements for the collection of the licence fee are efficient, appropriate and proportionate’. The inclusion of a new cohort of licence fee payers presents a new challenge in ensuring the Licence Fee Unit makes an appropriate response to evasion. The BBC continues to explore ways to support licence fee payers by, for example, making payments more affordable through schemes, such as the Simple Payment Plan scheme, and by seeking to explain clearly to households the value they get from the licence fee. There is also scope for it to undertake more visits to households as COVID-19 restrictions have relaxed. Striking the right balance between enforcement and encouragement will ensure that the BBC maximises its income and reduces evasion and that all of those who enjoy the services provided by the BBC contribute to its costs.

2.12. If an individual does not pay for a TV licence that is due, they receive targeted communications encouraging them to do so, and potentially a visit from an enforcement officer. If the licence fee remains unpaid, the individual may be prosecuted and fined up to £1,000. In 2019 there were around 114,000 convictions. The number of these then fell significantly in 2020 to around 52,000 and to around 45,000 in 2021 due to COVID-19. In response to the fact that about three-quarters of those convicted for non-payment of the TV licence fee are women, the BBC announced in February 2022 that it was to undertake a review of the gender disparity in prosecutions for licence fee evasion. This internal review will look at societal factors driving the issue; how TVL conducts investigations and decides whether to prosecute unlicensed households; and whether TVL could do more to support households before enforcement measurements are considered. It will not consider whether licence fee evasion should be decriminalised, the future of the licence fee as a funding model, or licence fee collections of over-75s. The review will gather evidence from a range of stakeholders and the BBC expects it to report by the end of 2022³.

³ [BBC publishes terms of reference and announces Independent Advisor for gender disparity review - Media Centre](#)

Part Three: Developments in 2021-22

3.1 In 2021-22, there were a number of developments in government policy which are likely to have a significant impact on the future of the licence fee. The BBC also had to determine the future of its contracts with two of the companies responsible for collecting the licence fee as part of TVL, while taking forward initiatives with these and other TVL partners to deliver an improved service for licence fee payers.

Policy developments

3.2 Under the 2016 Charter, the existence of the licence fee is guaranteed until the end of the current Charter period in December 2027. In contrast, the arrangements for setting the level of the licence fee, whereby the fee increased each year in line with inflation, were only in place until 31 March 2022. Arrangements beyond that date were to be determined by the Secretary of State for Digital, Culture, Media & Sport. In January 2022, the Secretary of State announced that the TV licence fee would remain at £159 in 2022-23 and 2023-24 and then rise in line with inflation for the following four years, 2024-25 to 2027-28.

3.3 The BBC has estimated that, under these arrangements, by the end of 2027-28 it would generate licence fee income of around £4.2 billion, leaving it with a shortfall of £285 million a year by 2027-28. It also expects that its licence fee income will fall, at least in the short- to medium-term, due to the cost of living increases experienced since the start of 2022, and the continuing decline in licence sales arising from changes in how audiences view television content (paragraph 1.8).

3.4 DCMS also announced in January 2022 that the government would start to review, in the near future, whether the licence fee remained a viable funding model for the BBC beyond the end of the current Charter period. It confirmed this again in April 2022 in the White Paper “Up Next: The Government’s Vision for the Broadcasting Sector”, stating its intention to set out more detailed plans for the review in the coming months.

3.5 The uncertainty around the future funding model, together with changing consumer media consumption (paragraph 1.7) and greater competition from other broadcasters, pose significant challenges for the business of the BBC. The BBC’s Director-General has previously identified that the increasing pace of this market change means that the BBC needs to pick up the pace of its own change in response to these challenges.⁴ Specifically in relation to collection of the licence fee, the BBC’s shorter-term decisions about the future shape of TV licensing activities will need to reflect the impact of the pace of consumer change on licence fee income collectable, while the longer term review of models informs wider operational change.

TVL contracts

3.6 In 2021-22, the BBC extended its contracts with Capita, the main provider of licence fee collection services, and Target, the company running the Simple Payment Plan scheme for customers who have difficulty paying for their TV licences.

Capita

3.7 The initial term of the BBC’s contract with Capita for the collection of the TV licence fee was due to expire in June 2022, although the BBC could also, under the contract, extend this term by up to five further years to June 2027 if it so chose. The BBC had previously decided not to go out to tender for a new contract from July 2022 onwards because it required Capita’s assistance to introduce significant changes to the collection services, including the new over-75s policy.

3.8 At the end of 2020-21, after the new over-75s policy had started to be implemented, the BBC began exploring the option to extend the contract with Capita. After examining a number of options regarding the length of the contract extension, in the context of the upcoming review of the future of the licence fee, in

⁴ NAO report, *BBC’s Strategic Financial Management*, January 2021 paragraphs 16 and 3.7

February 2022 the BBC agreed with Capita to extend the contract by five years, from 1 July 2022 to 30 June 2027.

3.9 To assist it in its negotiations with Capita and gain assurance over the reasonableness of Capita's costs, the BBC commissioned independent benchmarking of key cost elements being proposed by Capita. Under the extension, Capita's provision of existing services will include some operational changes to deliver business process and service improvements, and efficiency savings.

Target

3.10 The BBC's contract with Target for management of the Simple Payment Plan scheme was due to expire on 31 March 2022. The BBC delayed starting the procurement of a replacement contract until February 2022 while it explored the option of including the scheme's management within the scope of the main collection contract, then held by Capita, were it to put this main contract out to tender. As a result of the delayed start, the BBC had to negotiate an extension to Target's contract.

3.11 The BBC extended the existing contract with Target at the end of March 2022 for a period of one year from 1 April 2022, with the option of a further year's extension after that. This should ensure that the BBC has flexibility to allow sufficient time both for the procurement of the new contract and for a period of transition in the run-up to the start of the new contract should a new contractor be appointed. The BBC is planning for an increase in the number of people enrolled on the Simple Payment Plan scheme in the future, as it intends to encourage greater take-up of this scheme by people who are less able to pay for a licence.

Service improvements

3.12 Under the BBC's licence fee collection strategy for 2021-22, approved in March 2021, the BBC set three priorities in terms of improving collection operations:

- Adopting a new customer value management approach;
- Improving collection services for those that find it most difficult to pay; and
- Enhancing digital services.

The BBC has also had to deal with the need to upgrade a number of IT systems which have reached, or are close to reaching, end-of-life vendor support, and therefore pose a risk to the collection of the licence fee should problems occur. However, progress in delivering each of these three priorities and the IT upgrades has been slower than planned, to varying degrees. Implementation in these areas will continue into 2022-23.

Adopting a new customer value management approach

3.13 Under its new customer value management approach, the BBC is examining ways it can demonstrate to the licence fee payer the value that they receive from the services, both BBC and non-BBC, that they access by purchasing a TV licence. The BBC had delayed developing the approach from 2020-21 due to the need to manage the COVID-19 impact on operations. Under the licence fee collection strategy for 2021-22, the BBC intended to develop the approach in the first half of 2021-22 and start testing this with customers in the second half of the year. However, the development and testing of this approach has not gone as quickly as the BBC intended. As at the end of 2021-22, the BBC was still developing its approach, although it had started to undertake some testing. It intends to complete testing, evaluate its success and roll-out the approach as appropriate in 2022-23.

Improving collection services for those that find it most difficult to pay

3.14 The BBC is examining how it can provide more support to those who find it hard to pay for a TV licence. It made some progress with this in 2021-22. For example, TVL started to do more to encourage greater use of the Simple Payment Plan scheme which makes paying for a licence more affordable. Also, in June and July 2021 TVL trialled the use of more empathetic communications with people who had struggled to pay and had subsequently become unlicensed. However, the trial results were not positive, and the encouragement of the

wider use of the Simple Payment Plan scheme has been hampered by COVID-19 restrictions and the consequent lack of field visits where TVL's agents can inform people in person of the advantages of the scheme. Despite these setbacks, the BBC intends to continue with encouraging wider use of the scheme in 2022-23 and using more bespoke communications with those struggling to pay.

Enhancing digital services

3.15 The BBC intends to enhance the extent and ease with which licence fee services can be conducted online. Enhancements include, for example, developing the TVL website and making greater use of digital channels, such as email, SMS, chatbots, and social media, to communicate with customers. The BBC intended to develop a roadmap, and associated plans and business cases, for doing this in the first six months of 2021-22, with implementation to start afterwards. However, development of the roadmap has taken longer than the BBC intended as it undertook a more comprehensive review of its current systems and processes and of customers' requirements than originally planned, in order to identify the areas requiring digital enhancement. As at April 2022, the BBC has identified eight work packages to be delivered in 2022-23, but was still completing the planning for most of these. Other packages will be delivered either as part of, or after, the rebuild of the TVL website, which, as at April 2022, had yet to be contracted for. In total, the whole work programme is likely to take three years to deliver, from 2022-23 to 2024-25.

Upgrading IT

3.16 During 2021-22, the BBC sought to establish a programme of work for the life extension and upgrade of the Campaign Management System and other parts of the licence fee collection IT systems. This was required as the existing technology infrastructure features complex, heavily customised legacy systems, most of which, although stable, are out of support and are challenging to modify.

3.17 These significant IT upgrades are expected to extend across two to three years and will be commissioned through the Capita contract extension. The programme will be implemented and managed by Capita. However, progress in identifying the final system requirements, costings and delivery timetables involved has taken longer than planned. More work has been required than expected due to the complexity of the upgrades needed, the number of different stakeholders involved, and the interdependencies across the various IT systems. As a result, as at April 2022, costings and timescales for some significant elements of the programme were still provisional, and the BBC was not expecting firm costings and milestones until May 2022.

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.

CHRIS WOBSCHALL

Head, Assurance and Financial Reporting Policy

HM Treasury

10 May 2011

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