



British Broadcasting Corporation

**Television Licence Fee Trust Statement for the
Year Ending 31 March 2023**

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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 Licence Fee Trust Statement 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, which remains the single largest source of income for the BBC. On average 9 in 10 UK adults use the BBC each week, and each person spends 6 hours and 9 min watching BBC TV/iPlayer. We are grateful that audiences continue to value the BBC and remain committed to paying the licence fee, with 24.4m licences in force at year end.

This year's report shows that 2022/23 has been challenging but, despite this, our teams have performed well in the face of changing market conditions. Whilst there is a freeze in the price of the licence fee, customers around the UK have experienced rises to the cost of living. Also, while the majority of UK viewing time is still spent with broadcast TV, the market continues to see a decline as the share of time spent with video-on-demand and video sharing continues to increase. This, combined with slowing household growth, shrinks our addressable market. Despite this, TV Licensing has delivered a strong performance with a decline in revenue of less than 2%.

The challenges have been met by enhancing an already exceptional level of customer service; demonstrating the relevance and value that the TV licence brings to households; and ensuring operational effectiveness. In addition, TV Licensing continued to work hard to ensure customers in financial difficulty had the support and guidance needed to stay licensed.

Last year the BBC also conducted a forensic review to understand why more women than men are prosecuted for non-payment of the licence fee. The review concluded (in line with previous reviews) that there is no evidence that TVL deliberately discriminates against any group and that the disparity is largely caused by societal factors outside the BBC's control. Despite this, we worked with stakeholders to produce and set in motion a 10-point action plan as a result of our findings.

The estimated evasion rate for 2022/23 is 10.31% compared to the updated rate of 9.38% in the previous year. This increase is likely to represent a continuation of many factors previously observed by the BBC as contributing to increases in the evasion rate, such as an increasing volume of households with lower levels of BBC and/or licensable content consumed, as part of a long term shift in viewing habits.

The current collection method remains fair, effective and good value for money. Our ability to collect the fee is something that we never take for granted. We will continue to deliver value to licence fee payers and ensure they are at the heart of everything we do.



Tim Davie
Director-General, BBC
27 June 2023

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 2023.

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 Culture, Media & Sport (DCMS). These costs are outside the scope of the Trust Statement accounts and are included in the BBC Group accounts.

Licence Fee Collection

A TV licence is required to watch or record television programmes live on any channel, paid-for TV service or foreign channel (via satellite or online streaming), or to watch or stream TV programmes live on an online TV service. A licence is also required to watch live and on demand BBC content and live S4C content on iPlayer. The BBC is responsible for issuing TV licences, collecting licence fee revenue and enforcing the licencing system. Anyone aged 75 or over who receives Pension Credit is eligible for a free TV licence paid for by the BBC¹.

The processes for the collection of Licence Fee revenue are managed by the BBC's Licence Fee Unit (the Unit) 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' (TVL) is a trademark 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, with Target Group providing administration of the Simple Payment Plan scheme for those having the most difficulty paying for a licence. Customer communications and fulfilment services are contracted to RAPP 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. The BBC is a public authority in respect of its television licensing functions and retains overall responsibility.

TVL collects the income due which is then paid to the Exchequer's Consolidated Fund, with a matching amount paid back to the BBC in grant income by the DCMS.

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.

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 are in place.

The Collection Environment

Licence Fee revenue is impacted by a number of factors including the change in the value of the licence fee, the rate of household growth, the evasion rate, changes in audience media consumption (changes to the proportion of media consumption requiring a licence) and household incomes.

2022/23 was a challenging year for licence fee collection. Declines in audience broadcast media consumption combined with a slowing of household growth shrink the addressable market. Furthermore cost of living challenges are putting pressure on household budgets. We have responded to this by developing the value proposition in TVL communications, increasing support for customers who are finding it difficult to pay and taking new approaches to reducing evasion.

Change in value of licence fee

The value of the TV licence was frozen and remained at £159 for 2022/23.

Household growth

We have estimated household growth for 2022/23 at 0.18%, this is based upon the 2021 ONS census releases published in 2022, and projections from AMA Research, a leading research organisation in the construction industry.

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. Estimation of evasion was disrupted in previous years due to Covid-19, however for 2022/23 there was no impact on data collection and the evasion rate has been estimated – further information on how this is done is given below.

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. IPTV-only homes (where the TV content is received through an internet connection rather than a traditional broadcast platform) are increasing and watch dramatically less live/linear Television.

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 average Television Penetration Rate (TVP) based upon TV Household data from BARB, is estimated to be 91.54% for 2022/23. This is a decrease of 0.94% on the average annual rate of 92.48% estimated for 2021/22.

Household incomes

Based on the latest published data², median disposable household income in the UK was £32,300 in the financial year ending (FYE) 2022 (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"). This is a decrease of 0.6% from the prior year and represents a contrast to the average increases of 1.7% per year in the previous 10 years. The ONS suggests that income estimates for 2021 and 2022 have been

affected by the coronavirus (COVID-19) pandemic and the range of financial support measures introduced.

As anticipated, for some households' disposable income has come under increasing pressure from inflation and the median disposable income for the poorest fifth of the population decreased by 3.8% to £14,500 in FYE 2022 in the face of increasing energy prices and other inflation. We expect this pressure to continue into subsequent years.

Performance Analysis

Gross revenue in the Trust Statement has decreased to £3,881m (2022 £3,939m). Gross revenue is the value of Licences coming into force in the period. Refunds, revocations and credit losses were level at £155m (2022 £155m).

Net revenue for the Consolidated fund (made up of the gross revenue plus premiums on quarterly direct debit, less refunds, revocations and credit losses), has declined to £3,741m (2022 £3,800m). This is 1.6% lower than the prior year.

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. TVL services have been resilient in the year with customer service key performance indicators better than target and complaints at the lowest level in ten years.

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.

While the environment for collection is challenging the operational performance of TVL has been effective. Highlights in 2022/23 include:

- Improvements to customer experience with more self-service available through the website
- 77% pay by direct debit
- 64% of direct debit customers have opted for an e-licence (removing paper, and cost)
- Reduction in complaints (0.04% of Licences in force)
- The introduction of a specially trained team, dedicated to helping people stay licenced and providing referral to debt advisory services and pension credit where relevant

² ONS Average household income, UK: financial year ending 2022

Sales Volumes

Table 1 shows the sales volumes for the last five years excluding licences for accommodation for residential care (ARC)³. In 2022/23 licences sold were 24,256,000. Paid-for licence sales were 23,504,000 a decrease of 420,000. Free licences under the new over 75 policy were 759,000 a decrease of 6,000. The numbers of Licences in Force at the end of each year differ from licence sales included here, are reported in the BBC's Group Annual Report and Accounts.

Table 1 – Sales volumes ('000s of licences including over 75 free licences) ⁴



³ ARC licences add an additional 214,000 free over 75 licences issued and 179,000 concessionary licences sold.

⁴ Licence Fee sales in table 1 include the volumes of over 75 free licences. 2023 – 759,000; 2022 – 765,000; 2021 – 1,481,000; 2020 – 4,504,000; 2019 – 4,465,000

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 both in home and online of c13,000 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 in various ways including accounting for households watching licensable content on non-TV devices, removing households using a TV to watch non-licensable content only as well as accounting for the differing licensable content consumption levels

from IPTV households. The updates provided each quarter take the form of a quarterly view and an annualised view reflecting a rolling 12 month period.

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.

Since the last evasion rate was published, the BBC has restated the 2021/22 Licences in Force volumes. In calculating evasion for 2022/23 we became aware that estimates contained within Accommodation for Residential Care (ARC) concessionary licences and BBC Funded ARC licences, had been distorted by covid impacts in the prior years. This affected Licences in Force which is a key component in the estimation of evasion. Having corrected this the evasion rate for 2021/22 is now estimated to be 9.38%⁵

For 2022/23 the evasion rate is estimated to be 10.31%. This is a 0.93%pt increase on the 2021/22 updated evasion estimate. This increase is likely to represent a continuation of many factors previously observed by the BBC as contributing to increases in the evasion rate, such as an increasing volume of Households with lower levels of BBC and/or licensable content consumed, as part of a long term shift in viewing habits.

While the majority of UK viewing time is still spent with broadcast TV, the share of time spent with video-on-demand and video sharing continues to increase. This is particularly marked amongst younger audiences, where around 50% of viewing time is with video sharing. Households where there is a lack of understanding of the breadth and range of services provided by the BBC, and that the licence fee facilitates access to not just BBC content, but all live TV content may contribute to some segments of the audience placing less value on the licence fee than they may otherwise do. The BBC is seeking to address this challenge through its customer communications strategy to ensure that audiences recognise the direct link between the content they enjoy and the licence fee which funds it.

Despite a contraction of the addressable market, the viewing habits of all adults in the UK demonstrate that audiences still derive value from the BBC and spend significant amounts of time consuming its services and content. On average 9 in 10 UK adults use the BBC each week, and each person spends 6 hours and 9 min watching BBC TV/iPlayer – this is more than Netflix, Disney+ and Amazon Prime Video combined.

Following a challenging employment environment emerging from the Covid-19 Pandemic, Capita has witnessed a reduction in the number of Field Officers employed, which in turn is a limiting factor on TVL's ability to collect the licence fee. TVL and Capita are working closely to increase recruitment of Field Officers in 23/24 and beyond.

2022/23 has seen exceptional circumstances impacting the estimation of evasion. The evasion calculation uses TVP estimates which will be higher in quarters that witness to exceptional TV events that draw large nation-wide audiences. These events may only drive increased viewing over a short span of days, and therefore are not reflective of the licence requirements across an entire quarter. The BBC keeps such measurement challenges under review.

Gender Disparity Review

During the year the BBC conducted our second Gender Disparity Review to seek to understand in detail why women are more likely than men to be prosecuted for licence fee evasion. Women are more likely to experience financial hardship than men and this, along with a range of societal and behavioural differences, makes it more likely that women will end up entering the prosecution process. The detailed study was overseen by an independent advisor and included evidence from a

⁵ 8.93% Evasion rate reported in the 21/22 Trust Statement

range of expert stakeholders, an analysis of TVL data and research on social inequality.

The last five years have seen a 66% reduction in TV Licensing prosecutions in England and Wales and as a result the number of women prosecuted has fallen – however they still account for the majority of prosecutions. The BBC remains concerned by the disparity and is committed to doing more to support those in severe financial difficulty. An action plan has been drawn up with many measures a direct result of suggestions made by expert stakeholders and trials are already underway. The intention is to improve support to help individuals stay licenced and reduce the risk of prosecution. We will be working with government to explore the regulatory changes required to increase the availability of the Simple Payment Plan to more households.

A handwritten signature in blue ink, appearing to read 'T. Davie', is positioned above the typed name and title.

Tim Davie
Director-General, BBC
27 June 2023

Accountability Report

Basis for the Preparation of the Trust Statement

The HM Treasury accounts direction (see page 37 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. The basis for collection of the licence fee has been confirmed by the Royal Charter until 2027-28. Given this, 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 2022/23. In conforming with the Accounts Direction issued by HM Treasury (see page 37 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 Trust Statement;

- 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 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 the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the BBC Licence Fee Trust Statement auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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 2022-23 Trust Statement was £194,000 (2021-22 £187,000) 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. The UK Corporate Governance Code is not relevant to this Trust Statement.

BBC Board

The Board is responsible for ensuring the BBC fulfils its mission and public purposes as set out in the Charter. It is also responsible for keeping proper accounting records that are sufficient to show and explain the BBC's transactions and disclose with reasonable accuracy at any time the financial position of the Group.

During the year, the Board was chaired by Richard Sharp, who resigned from the role on 28 April 2023 and stepped down from the Board on 27 June 2023. Elan Closs Stephens took on the role of Acting Chair at that point. The Board consists of up to ten non-executive directors and also includes the Director-General.

The Chairman and the four nations' non-executive directors were appointed by Order in Council on the recommendation of Ministers. The remainder of the Board are appointed by the BBC through the Board's Nominations Committee. Deborah Turness joined the Board on 5 September 2022, as an Executive member. There were no other changes to Board membership in the year. Full biographies of all Board members, including their other roles, can be found on the BBC's website: www.bbc.com/aboutthebbc/howare/bbcboard

The Board agendas covered several topic areas throughout the year including regular updates on the collection of licence fee income.

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
Alan Dickson, Chief Financial Officer
Tom Fussell, CEO, BBC Studios
Alice Macandrew, Group Corporate Affairs Director
Charlotte Moore, Chief Content Officer
Uzair Qadeer, Chief People Officer
Gautam Rangarajan, Group Director of Strategy and Performance
Rhodri Talfan Davies, Director, Nations
Leigh Tavaziva, Chief Operating Officer
Deborah Turness, CEO, BBC News and Current Affairs

Audit and Risk Committee

The Audit and Risk Committee (ARC) is a sub-committee of the Board. The membership consisted of the Chair, Shirley Garrood, Shumeet Banerji and Elan Closs Stephens who joined from April 2022.

The role of the Committee is to assist the Board in providing oversight of corporate governance within the BBC, particularly with respect to financial reporting, internal control and risk management. During the year the Committee sought to fulfil this responsibility by ensuring a wide and relevant Committee agenda, applying thorough review and scrutiny to agenda topics and, where appropriate, seeking the advice of subject matter experts.

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 remained the same this year and it comprised 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 Garrood.

The Committee is responsible for oversight of governance matters relating to the operation of the Board and its sub-committees and commissions an annual evaluation.

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.

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 securing the effective and efficient 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. This is 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 BBC's assessment of principal risks is provided in the BBC's Annual Report and Accounts 2022/23.

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 contracts 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 has the right to audit 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 is committed to ensuring the security and protection of all personal data it processes and to provide a compliant and consistent approach to data protection and information security. It has processes in place to ensure all data processed as part of its TV Licensing functions is done compliantly and securely. This includes:

1. robust contracts, policies and processes in place with all third party suppliers (and their subcontractors) responsible for the collection of the Licence Fee;
2. ensuring suppliers conform with international best practice information security standard ISO27001;
3. having procedures to be followed in the event of a security incident; and
4. implementing controls and measures to ensure ongoing compliance.

All BBC staff are required to complete mandatory Data Protection and Cyber Security training on a two yearly basis. Its Licence Fee third party suppliers also provide their staff with data protection training.

The BBC undertakes compliance monitoring of these third parties to provide assurances in relation to contract provisions, policies, procedures, and training; and to make any necessary improvements where required.

In 2022/23, there were no reportable data incidents, or breaches of data security in relation to the BBC's TV Licensing core functions. Capita Group were subject to a cyber incident in March 2023. Capita have informed the BBC that no BBC or licence fee payer personal data was affected by the incident. The BBC continues to work with Capita with a focus on any necessary actions to reinforce Capita's cyber security environment. The BBC has reported the incident to the ICO for information purposes.

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 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
27 June 2023

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 2023 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise the:

- Statement of Revenue and Expenditure, and Statement of Cash Flows for the year then ended;
- Statement of Financial Position as at 31 March 2023; 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 2023 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 and Regularity of Public Sector Bodies in the United Kingdom* (2022). 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 am independent of the BBC Group 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 continue as a 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 certificate.

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

requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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.

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 parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921;
- 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:

- Adequate accounting records have not been kept by the BBC Television Licence Fee Trust or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the BBC Television Licence Fee Trust Statement from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921;
- ensuring that the annual report is prepared in accordance with HM Treasury directions made under the Exchequer and Audit Departments Act 1921; and
- assessing the BBC Television Licence Fee Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the BBC Television Licence Fee Trust Statement will not continue to be provided in the future.

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, I:

- considered 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.
- inquired 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 on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of 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 2016 Royal Charter for the Continuance of the British Broadcasting Corporation;

- inquired of management, the BBC's Director for Quality, Risk and Assurance and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the 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, posting of unusual journals, complex transactions and bias in management estimates and licence fees receivables recoverability. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the BBC's framework of authority and other legal and regulatory frameworks in which the BBC operates. I focused 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 2016 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of manual adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud 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 expenditure and income 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.

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 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 27 to 36.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

30th June 2023

Financial Statements

Statement of Revenue and Expenditure for the Year Ended 31 March 2023

	Note	2023 £m	2022 £m
Revenue			
Value of Licences		3,881	3,939
Value of refunds		(43)	(37)
Value of revocations		(44)	(46)
Value of premiums on quarterly direct debit		15	16
Net Revenue		<u>3,809</u>	<u>3,872</u>
Less expenditure			
Credit losses	2.2	(68)	(72)
Net Revenue for the Consolidated Fund		<u><u>3,741</u></u>	<u><u>3,800</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 22 to 25 form part of this statement.

Statement of Financial Position as at 31 March 2023

	Note	2023 £m	2022 £m
Current Assets			
Receivables	2.1	455	468
Cash held for customers on savings schemes		13	13
Total Assets		468	481
Current Liabilities			
Payables	3	(295)	(300)
Total Net Assets		173	181
Represented by:			
Balance on Consolidated Fund Account as at 31 March	4	173	181

The notes at pages 22 to 25 form part of this statement



Tim Davie
Director-General, BBC
27 June 2023

Statement of Cash Flows for the Year Ended 31 March 2023

	Note	2023 £m	2022 £m
Net cash inflow from operating activities	A	3,749	3,829
Cash paid to the Consolidated Fund	4	(3,749)	(3,830)
Increase / (Decrease) in cash in the period		<u>0</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	3,741	3,800
Decrease in Receivables	13	26
Increase in Payables	(5)	3
Net Cash Flow from operating activities	<u>3,749</u>	<u>3,829</u>

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

Decrease in Cash in this Period	0	(1)
Net Funds at 1st April	13	14
Net Funds at 31st March	<u>13</u>	<u>13</u>

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

The notes on pages 22 to 25 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 basis for collection of the licence fee has been confirmed by the Royal Charter until 2027-28. Given this, these accounts are prepared on a going concern basis.

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

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

	Note	2023 £m	2022 £m
Licence fee Receivables		477	489
Cash in transit		11	11
Total before estimated impairments		488	500
Less estimated impairments	2.3	(33)	(32)
		455	468

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

	Note	2023 £m	2022 £m
Debts written off		(67)	(72)
Change in the value of impairments	2.3	(1)	(0)
		(68)	(72)

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

	2023 £m	2022 £m
Balance as at 1 April	(32)	(32)
Change in estimated value of impairments	(1)	(0)
Balance as at 31 March	(33)	(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

	2023 £m	2022 £m
Licence fee payables	257	261
Customer savings	13	13
Deferred income	25	26
	295	300

No payables fall due after one year.

4. Balance on the Consolidated Fund Account

	2023	2022
	£m	£m
Balance on Consolidated Fund Account at 1 April	181	211
Net Revenue for the Consolidated Fund	3,741	3,800
Less amount paid to the Consolidated Fund	(3,749)	(3,830)
Balance on Consolidated Fund Account at 31 March	<u>173</u>	<u>181</u>

The balance 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 relates to customers paying by Quarterly Direct Debit, Over 75s using the Paygo scheme and customers on the 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

	2023 £m	2022 £m
Licence fee sales contributing to Consolidated Fund	3,741	3,800
Movement in Deferred Income	(1)	0
BBC Licence Fee Income in Annual Report and Accounts note B1	3,740	3,800

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

Summary

1 Everyone in the UK who watches or records programmes as they are being shown on TV; views live streams via an on-line TV service; or downloads or watches BBC programmes on iPlayer, whether live, via catch up or on demand (licensable content) 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 Charter² 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 2022-23 and sets out our findings and conclusions regarding the sums that the BBC has collected from licence fee payers in the past year and the BBC's estimate of licence fee evasion. **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 2023

The Trust Statement is the BBC's detailed report on the licence fee income it collected in 2022-23. 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, 2022-23

The Annual Report and Accounts contains details of how the BBC spent its income in 2022-23, including that derived from the licence fee.

Under the terms of the 2016 BBC 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.
-

² 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 2022-23

3 Total licence fee income in 2022-23 decreased compared to the prior year. Net income from licence sales totalled £3,741 million in 2022-23. This was £59 million (1.6%) less than net income from sales of TV licences of £3,800 million in 2021-22. This is the first decrease in licence fee income since the reduction in 2019-20 due to the COVID-19 pandemic (paragraph 1.3 and Figure 2).

4 Licence sales in 2022-23 decreased as the number of paid-for licences fell by around 420,000 compared with the prior year. In 2022-23, TVL issued 23.50 million paid-for licences compared with 23.92 million in 2021-22. TVL issued approximately 759,000 free licences to those who are over-75 and on Pension Credit, a decrease compared to 765,000 in 2021-22 (paragraph 1.3 and Figure 2).

5 During 2022-23, the number of customers declaring that they do not need a licence increased by around 360,000 to 2.84 million from 2.48 million in 2021-22. Customers watching less licensable content and a slowing in the growth of the number of households also reduces the potential number of customers who may require a licence. The BBC has assessed that these are the key factors contributing to a fall in licence fee income and paid-for licences (paragraphs 1.4 to 1.6).

6 The costs of collecting the licence fee have increased. In 2022-23 the BBC spent £136.5 million on collecting the licence fee, an increase of £14.3 million compared with the previous year, due to increases in external costs. As a result of these cost increases and the reduction of licence fee income, collection cost as a percentage of income in 2022-23 increased to 3.7%, up from 3.2% in the prior year (paragraphs 1.8 and 1.9 and Figure 3).

7 The BBC, with its delivery partners, is upgrading the operational and IT environment used in collecting the licence fee. These changes aim to improve the customer experience, create efficiencies and ensure stable, supported, and secure IT. As part of this IT modernisation programme, an upgrade of the TVL website began in 2022-23. A revised roadmap for the programme is expected to be agreed in July 2023 (paragraphs 1.11 to 1.13).

8 This year was the first year the licence fee has not increased in line with inflation since 2017-18. In January 2022, the government confirmed the cost of the licence fee for two years and the basis for future uplifts through to 2027-28. The cost of a licence fee was frozen at £159 for two years; 2022-23 and 2023-24. It will then rise in line with inflation for the following four years, 2024-25 to 2027-28. The BBC has estimated that this freeze will lead to a loss of income of £400m over the remainder of the charter period (paragraph 1.15).

Licence Fee evasion in 2022-23

9 The licence fee evasion rate increased to an estimated 10.31 % in 2022-23. This is an increase of 0.93% percentage points from the estimated rate of 9.38% in 2021-22 and is the first time since 1995 that the estimated evasion rate has exceeded 10%. The BBC's licence fee collection strategy identifies that changing viewing habits, slowing of household growth plus cost-of-living challenges increase the risk of evasion. The BBC estimates that every percentage point reduction in the evasion rate that it can achieve equates to around £43 million of extra revenue (paragraphs 2.1 to 2.6 and Figure 4).

10 The number of prosecutions for licence fee evasion has fallen in recent years. BBC research found that lower evasion is associated with an increase in TVL enforcement activities, such as calls, visits and prosecutions. Owing to COVID-19 restrictions, enforcement visits were suspended during 2020 and early 2021. This had an impact on numbers of prosecutions, which fell from around 114,000 in 2019 to 40,220 prosecutions for licence fee evasion in 2022. Enforcement activities – including prosecutions - have been impacted by a shortfall in Field Officers during 2022-23 (paragraphs 2.8 and 2.9).

11 The BBC is seeking to tackle evasion by providing more support to those facing financial hardship. The BBC's analysis of evasion data shows that changes in disposable income and cost-of-living affect licence fee sales. During 2022-23 TVL created a 'payments solutions team' that could assist customers to pay, including referrals to debt charities or increasing awareness of Pension Credit eligibility for those aged over-75 (paragraphs 2.10 to 2.12).

12 Prosecutions disproportionately affect women, who face over 75% of all prosecutions for licence fee evasion. The BBC's Gender Disparity Review found that there was no evidence of discrimination by TVL and the imbalance in prosecutions is due to societal factors such as household composition. The BBC has created a 10-point plan in response to this review, including widening access to the Simple Payment Plan for those facing financial hardship (subject to regulatory changes) (paragraphs 2.13 and 2.14).

13 The BBC expects licence fee income to further decline due to changes in how audiences consume media. During 2022-23, BBC research identified that 79% of BBC content on iPlayer is watched on demand rather than live, with three-quarters of the public using iPlayer, and 30% of iPlayer streams using devices other than a TV set. The BBC's digital first strategy recognises these changes and the challenge to keep pace with them (paragraphs 1.6 and 2.15).

14 To reduce evasion and the change in viewing habits away from licensable content, the BBC plans to demonstrate the benefits provided through the licence fee. During 2022-23, the BBC has trialled targeted communications to demonstrate the value obtained from a licence fee and has clarified what constitutes licensable content on the TVL website and through a dedicated team. It will evaluate the impact of these initiatives during 2023-24 (paragraph 2.15 to 2.18).

15 The long-term future of the licence fee is under review. The Government 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. The Government re-confirmed its intention to review the future of the licence fee in April 2023, but this has not yet commenced (paragraph 1.16).

Conclusion

16 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 2022-23 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.

17 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.

18 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.

19 Licence fee income has fallen as the costs of collection and rates of evasion are increasing. The BBC faces challenges maximising licence fee income to deliver its services, as viewers switch to non-licensable viewing and the cost-of-living increases. For the first time since 1995, the estimated rate of evasion is over 10%, representing around £430 million in lost revenue. These challenges are amplified by uncertainty around the future funding model post-2027. The success of ongoing and planned initiatives to demonstrate the value of a licence and supporting customers to pay will be key to reversing the fall in licences issued.

Part One: Licence Fee collection in 2022-23

- 1.1. Everyone in the UK who watches or records programmes as they are being shown on TV; views live streams via an on-line TV service; or downloads or watches BBC programmes on iPlayer, whether live, via catch up or on demand (licensable content) 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 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, which delivers marketing services; Capita Business Services Ltd (Capita), which administers licence fee collection; and Target, which manages the Simple Payment Plan (SPP) scheme for those having most difficulty paying for a TV licence. Together, the Unit and these contractors operate under the "TV Licensing" trademark (TVL). In addition, 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. TVL collects the Licence Fee income due, which is then paid to the BBC by the Department for Culture, Media and Sport to provide BBC television, radio, digital channels and applications.

Licence fee income and sales in 2022-23

- 1.3 Net income from licence sales totalled £3,741 million in 2022-23. This was £59 million (1.6%) less than net income from sales of TV licences of £3,800 million in 2021-22 (**Figure 2**), and £23 million (0.6%) less than the BBC's forecast of £3,764 million. The number of paid for licences also fell in 2022-23; the BBC issued 23.50 million paid-for licences compared to 23.92 million in the previous year, a decrease of approximately 420,000 (1.8%) (**Figure 2**).

Figure 2: BBC licence fee income and licence fees issued from 2018-19 to 2022-23

Licence fee income decreased in 2022-23

	Total net income	Total purchased licences ¹	Free licences	Total licences	Those declaring they do not need a licence
	(£mn)	(mn)	(mn)	(mn)	(mn)
2018-19	3,690	21.46	4.47	25.93	2.16
2019-20	3,520	21.17	4.50	25.67	2.39
	Introduction of new policy on free licences for over-75s in August 2020 ²				
2020-21	3,750	23.78	1.48	25.26	2.42
2021-22 ³	3,800	23.92	0.77	24.69	2.48
2022-23	3,741	23.50	0.76	24.26	2.84

Notes:

- The figures in the above table relate to licenses sales. These volumes do not include Accommodation for Residential Care (ARC) licences. In 2022-23, the BBC estimates that TVL issued 393,000 ARC licences, consisting of 179,000 purchased at a concessionary rate of £7.50 and 214,000 free over-75 licences. The BBC also reports the number of 'Licences in Force' at the end of the year in the BBC Group Annual Report and Accounts 2022-23. The number of 'Licences in Force' is used by BBC to estimate the level of licence fee evasion, and these numbers differ from the sales volumes reported above and in the BBC Trust Statement 2022-23.
- Following the policy change on licences for over-75 customers from 2020-21, only over-75 customers in receipt of Pension Credit qualify for a free licence. The BBC meets the costs of these free licences.
- 2021-22 sales volumes have been updated based on revised estimates.
- Numbers may not sum due to rounding.

Source: BBC Annual Report and Accounts 2018-19 to 2022-23 and BBC Trust Statement 2018-19 to 2022-23

1.4 The BBC has assessed that the fall in licence fee income and paid-for licences is because of:

- **an increase in the number of households declaring that they do not require a licence** as they are not watching licensable content;
- **a slowing in the growth of overall households** and so a reduction in new households needing a licence; and
- **fewer customers purchasing a licence due to increases to the cost-of-living** and the impact that this has on their bill payments and financial choices.

1.5 The most significant of these factors is the impact of those declaring that they do not need a licence. By the end of 2022-23, 2.84 million customers had informed TVL that they no longer need a licence, an increase of around 360,000 since 2021-22 when 2.48 million customers made this declaration (**Figure 2**). The majority of the increase in customers declaring no licence needed arose from domestic households. Domestic customers declaring no licence needed increased by around 420,000 from 1.95 million in 2021-22 to 2.37 million in 2022-23. This is more than the BBC's 2.28 million forecast at the start of the year. This increase is offset by the number of other non-domestic premises declaring no licence needed decreasing by around 60,000.

1.6 The BBC's forecasts already assume a long-term trend of changing viewing habits. During 2022-23, its research identified that 79% of BBC content on iPlayer is watched on demand rather than live, with three-quarters of the public using iPlayer. There were 7.3 billion streams on iPlayer, an increase of 11 per cent compared to 2021-22, with around 30% of these from devices other than a TV set. Where people move from watching traditional and live TV they may not realise that they still need a licence. The BBC's digital first strategy³ aims to respond to these changes in viewing habits. There is also a slowing in the growth of the number of households and so reduction in new households needing a licence. These factors are reducing the BBC's addressable market and licence fee income.

Collection operations in 2022-23

1.7 The BBC's overall objective for TVL is to "maximise revenue and reputation through creating a nation of willing payers". In 2022-23, TVL focused on improving customer service, supporting customers to pay and demonstrating the value of a TV licence.

Collection costs

1.8 In 2022-23, the BBC spent £136.5 million on collecting the licence fee (**Figure 3**). The BBC's collection cost as a percentage of income in 2022-23 increased to 3.7% from 3.2% in the prior year (**Figure 3**). Although collection costs have increased, they are 7.8% below the BBC's forecast of £148 million at the start of the year.

1.9 The costs of collection increased from 2018-19 to 2020-21, mainly due to the costs of introducing the new over-75s policy. These costs included 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. In 2022-23, collection costs increased by £14.3 million compared to the previous year, due to increases in external contract and postage costs.

³ NAO report, *A digital BBC*, December 2022, Paragraph 3

Figure 3: Licence fee collection costs

The costs of collection increased in 2022-23 after falling in 2021-22					
	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Ongoing costs	94	93	88	97	128
Development costs	9	27	48	25	9
Total costs	103	120	136	122	137
Licence fee income	3,690	3,520	3,750	3,800	3,741
Costs as a percentage of income	2.8%	3.4%	3.6%	3.2%	3.7%
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					

Impact of the coronavirus (COVID-19) pandemic

1.10 In line with many other organisations, TVL faced unprecedented operational challenges in collecting licence fee income between 2020-21 and 2021-22 due to the COVID-19 pandemic. In Autumn 2021 TVL began work on examining how it could learn from its experiences during the pandemic and permanently implement a new operating model based on hybrid working practices. TVL has now embedded a hybrid working approach, including homeworking within teams. Capita is meeting or exceeding targets set by the BBC, which remain at levels set prior to the COVID-19 pandemic.

IT modernisation programme

1.11 Capita is the main provider of licence fee collection services. In July 2022, the BBC signed a 5-year contract extension with Capita until 30 June 2027. The contract extension requires Capita to make operational improvements and IT upgrades to improve the customer experience and create efficiencies.

1.12 The aim of the Capita IT upgrade programme is to enable stable, supported and secure IT systems and reduce the risks associated with legacy infrastructure. The BBC reports that small scale upgrades have been made to some operational systems during 2022-23. Implementation of the programme is behind schedule due to delays experienced during programme set up. The BBC's Chief Technology Officer, Operations Committee and Technology Investment Committee are responsible for monitoring Capita's delivery of the programme and expect a revised roadmap for the programme to be agreed in July 2023.

1.13 An upgrade of the TVL website began in 2022-23. During the year, the BBC and its delivery partners have reviewed and simplified web pages and updated web content to improve how internet search engines filter TVL web pages to help customers find the information that they need. The IT update programme has also introduced new online application forms for refunds and cancellations, which the BBC estimates has reduced telephone agent-handled calls by approximately 21,000 each month. In 2023-24, the BBC plans to continue to improve its website, including a rebrand and a redesign of the customer journey. This will be supported by updating the website to the latest software.

1.14 Capita was subject to a cyber attack in March 2023. Capita has informed BBC that no TVL or licence fee payer data was affected in this attack. The BBC has reviewed Capita's assurances and intends to continue to monitor for breaches. It has made a voluntary declaration to the Information Commissioner's Office, reflected in the Governance Statement on page 13.

Licence fee policy developments

- 1.15 Under the 2016 BBC Royal 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. In January 2022, the Government announced that the TV licence fee would remain at £159 in 2022-23 and 2023-24 and then rise in line with inflation from April 2024 to the end of the Charter in 2027-28. 2022-23 was the first year the licence fee has not increased in line with inflation since 2017-18. The BBC now estimates that this freeze will result in lost income of £400 million over the remainder of the Charter period to 2027-28. During 2022-23 and 2023-24, while the licence fee is frozen, to maintain previous levels of licence fee income the BBC would need customer numbers to remain as they were. To increase licence fee income in 2023-24 the BBC would need to increase the number of customers buying a licence.
- 1.16 The Government announced in January 2022 that it would start to review 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 the April 2022 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. The Secretary of State for Culture, Media and Sport confirmed the review in March 2023, but it has not yet commenced⁴.

⁴ [Statement made by Secretary of State for Culture Media and Sport \(29th March 2023\) on draft Media Bill](#)

Part Two: Licence fee evasion in 2022-23

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 £43 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 premises expected to require a licence and the actual number of licences in force. The estimated licence fee evasion rate for 2022-23 increased to 10.31% or around £430 million, an increase of 0.93 percentage points from 9.38% (restated) in 2021-22 (Figure 4). This is the first time since 1995 that the estimated rate of evasion is over 10%.

Figure 4: Reported licence fee evasion levels from 2018-19 to 2022-23

BBC estimates of the level of evasion increased in 2022-23, compared to 2021-22

Estimated rates of licence fee evasion

2018-19	6.69%
2019-20	6.95%
2020-21 ¹	7.58%
2021-22 ²	9.38%
2022-23	10.31%

Notes:

1. The BBC could not report an evasion estimate in 2020-21 as data on household viewing was not available due to COVID-19 at the time the BBC Television Licence Fee Trust Statement for 2021-22 was prepared. A 2020-21 estimate was prepared during 2021-22 based on modelling using available viewing data from 2020-21 and 2021-22.
2. In July 2022, the BBC reported an estimated evasion rate for 2021-22 of 8.93%. It has now restated this to 9.38% reflecting that the BBC has updated the 2021-22 and 2022-23 number of 'Licences in Force' for revised estimates of Accommodation for Residential Care (ARC) licences, which had been distorted by covid impacts. The number of Licences in Force is a key component in the estimation of evasion.

Source: BBC Television Licence Fee Trust Statement 2018-19, 2019-20, 2021-22 and 2022-23

Assessing evasion

2.3 Licence Fee evasion is estimated as the difference between the number of licences in force and the number of licensable premises. The BBC calculates the evasion rate using an evasion model and the resulting estimate is subject to uncertainty. It identifies the number of licenses in force from the TV Licencing database. In contrast, the calculation of the estimated number of premises requiring a licence is more complex. The BBC has identified nine different types of households and other non-domestic premises, 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 uses data from the quarterly reported Broadcasters' Audience Research Board (BARB) survey of household viewing habits to estimate how many of each type of premise require a licence (known as the TV penetration rate). The BBC has designed its evasion model to enable it to assess the impact of fluctuations in data or changing assumptions on the overall evasion estimate.

2.4 The rate of evasion has been increasing in recent years. Research undertaken by the BBC in 2019-20 identified that the largest factor driving this trend was changes in viewing habits as people watch fewer

traditional TV programmes and less live TV (licensable content). Other factors included affordability, the price of a TV licence and TVL's enforcement activities. When the BBC applied this research to the 2019-20 evasion rate estimate it found that the change in viewing habits accounted for half of the total increase from 2018-19.

- 2.5 Analysis by the BBC in Autumn 2022 showed that the primary driver for the increase in the evasion rate in 2020-21 was the impact of COVID-19, as the pandemic restricted TVL's ability to conduct visits to people to check whether they had a TV licence if watching licensable content. This analysis also confirmed the BBC's hypothesis that the primary driver for the increase in estimated evasion for 2021-22 was the over-75s policy change. For the first time in 2020-21, the calculation of the estimated evasion rate included a new cohort of paying customers, namely those over-75s not in receipt of Pension Credit. Previously these customers would have received a free licence and there would have been no estimated evasion in this cohort. The BBC considers that this population demonstrates the same level of evasion as the under-75 population and that this is responsible for the increase in evasion in 2021-22.
- 2.6 The BBC's licence fee collection strategy identifies that changing viewing habits, slowing of household growth plus cost-of-living challenges increase the risk of evasion, and are reducing the BBC's addressable market (paragraphs 1.4 to 1.6). Fully understanding the drivers of evasion will be essential to focus activities to maximise licence fee collection and meet the target set in March 2022 to restrict increases in evasion to 0.14% annually.

Tackling evasion

- 2.7 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". 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.

Enforcement activities

- 2.8 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. The BBC's analysis of 2021-22 evasion found that an increase in TVL enforcement activities, such as phone calls to the household, visits and prosecutions, can lead to a reduction in evasion.
- 2.9 The numbers of prosecutions have fallen from around 114,000 in 2019 due to the suspension of enforcement visits during COVID-19 restrictions. In 2022 there were 40,220 prosecutions for licence fee evasion. Enforcement activities – including prosecutions - have been impacted by a shortfall in Field Officers during 2022-23.

Making it easier to buy a licence

- 2.10 Licences can be purchased in a number of ways. In addition to purchasing a licence on an annual, quarterly or monthly basis, there are a number of schemes to make payments more affordable. These include the Simple Payment Plan (SPP) scheme launched in 2020 to provide a flexible payment plan for households in financial difficulties or liable to prosecution. As at June 2023 the SPP is only available to new joiners if the household is without a licence and: has had an enforcement visit by TVL; or had a licence cancelled for non-payment; or has sought advice from a not-for-profit debt counselling agency.
- 2.11 In 2022-23, TVL created a dedicated 'Payment Solutions Team' to help eligible customers who are struggling with their payments to stay licenced, offering referral to debt advisory services or increasing awareness of Pension Credit eligibility for those aged over-75. Given the likely continuation of cost-of-living pressures on households in 2023-24 the BBC expects customers to continue to struggle with bill payments and face difficult financial choices.

2.12 The BBC extended its contract with Target to deliver the SPP from 1 April 2023 for one year, with no planned changes to the SPP scheme during 2023-24. The BBC is tendering for a new supplier of SPP services from 1 April 2024, subject to confirmation of the scope of the scheme.

Gender disparity review

2.13 During 2022-23 the BBC conducted a review of the gender disparity in prosecutions for licence fee evasion, to better understand why 75% of those convicted for non-payment of the TV licence fee are women.⁵ The review published in May 2023 found that there is no evidence of direct discrimination by TVL. Societal factors, which are outside of TVL's control, such as household composition and who is at home during inspection field visits, were the significant factors behind the gender disparity.

2.14 Following the review, the BBC set out a 10-point action plan aiming to provide more support for those facing financial hardship and introduce better processes when TVL engages with unlicensed households. Six of the 10 actions in the BBC's plan are intended to support people to stay licensed and reduce the risk of prosecution, including a proposal to make the SPP available to more unlicensed customers struggling to pay for a licence. Changing the availability of SPP will require regulatory changes. The BBC plans to pilot other aspects of the action plan in 2023-24 to assess the impact on prosecution outcomes.

Encouraging customers to buy a licence

2.15 As the number of customers declaring 'no licence needed' increases (paragraph 1.5), the BBC has looked at ways to increase and explain the value of a licence, in terms of the services, both BBC and non-BBC, that can be accessed by purchasing a licence. The BBC's digital first strategy reflects the need to keep pace with changing audience habits and an increasing move to online content. For example, during 2022-23, OFCOM agreed the BBC's expansion of content on iPlayer, and the BBC is looking at how to better personalise iPlayer and other online services to meet users' needs and flag content.

2.16 During 2022-23, to explain the value of a licence, TVL via RAPP Ltd has delivered marketing and communications that are tailored to different audience segments. Initial results from this approach showed that customers' willingness to pay and perceptions of value for money significantly improved for key audiences. The BBC plans, with its delivery partners, to continue to test and evaluate the results of this strategy during 2023-24 to determine if there are longer term impacts on fee income.

2.17 The BBC has also aimed to improve its explanations to customers on when they require a TV licence. During 2022-23, the updated TVL website (paragraph 1.13) and a dedicated team within the TVL service centre explained more precisely what constitutes licensable content to help customers understand when a licence is needed. The changes to these explanations include an enhanced definition of when a licence is needed, providing examples of licensable content, animated videos to support customers in understanding when a 'no licence needed' declaration is appropriate and details of the legal implications of making this declaration.

2.18 The BBC is analysing the impact of these changes and in 2023-24 will continue to consider how best to engage with customers declaring no licence needed. Evaluating the impact of these changes and other activities will identify the most effective options to encourage licence fee take up and deter evasion. The BBC will need to ensure that it continues to explore the drivers of evasion to enable them to effectively measure the impact of the above changes and reduce evasion to maximise revenue.

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30th June 2023

⁵ Gender Disparity Review - [gender-disparity-review.pdf \(bbc.co.uk\)](https://www.bbc.co.uk/presscentre/press-releases/2023/05/gender-disparity-review)

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

