AGE-RELATED TV LICENCE POLICY

Public Consultation

Published: 20 November 2018
Contents

1. Summary ................................................................................................................................................. 3
2. Our questions ........................................................................................................................................... 13
3. The background to this decision ............................................................................................................. 17
4. The BBC – its mission and future ............................................................................................................ 23
5. Initial analysis of options ......................................................................................................................... 31
6. A newly designed concession ................................................................................................................... 40
7. The process for this decision .................................................................................................................... 48
1. Summary

1.1. About the BBC’s decision

The BBC is an important British public service. It is used by nearly everyone in the UK every week. It provides trusted, impartial news, and television, radio and online services that inform, educate and entertain. These services are paid for by households in the UK that buy a television licence.

We are consulting the public to establish what the BBC should do when the UK Government funding of licence fees for over-75 households comes to an end.

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

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

This decision is the responsibility of the BBC’s Board. In taking the decision the Board must ensure that the BBC acts openly and in the public interest. Before the decision is made, the BBC must conduct a fair and open consultation process. This consultation paper sets out the BBC’s initial thinking and we want to hear your views before taking a decision next year.

Alongside this consultation document, we are publishing an Equality Impact Assessment¹ to help ensure that we understand the potential equality impacts of different options.

The responses we receive to this consultation will help the Board decide on the best and fairest solution.

¹ BBC, Application of the public sector equality duty: BBC decision-making in relation to age-related concession for TV licences, 2018, referred to in this consultation as Equality Impact Assessment
1.2. The background to this decision

For nearly 80 years from the establishment of the BBC in the 1920s, the principle underpinning the licence fee was that it was universal. It was paid by all households receiving broadcast services, that is, in short, by virtually everyone.

Then in 2000 the UK Government decided to fund free TV licences for those aged over 75. This was to help reduce poverty among pensioners. The BBC was paid money direct from Government funds, to replace the licence fee income lost from free TV licences.

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

In 2017, the UK Parliament passed a law transferring responsibility to the BBC itself to decide what, if any, age-related concession should be in place for those aged 65 and older, beyond June 2020.

The implications of the BBC’s decision now are different from the one the Government took in 2000. That decision was accompanied by Government funding which protected the BBC, its public service mission and its programmes and services from any reduction in funding.

Currently, virtually all the TV licence fee goes to fund programmes, services and related activities. From 2020, any new concession would reduce the money available for programmes and services. The BBC’s decision now needs to take into account that this would have an impact on all licence fee payers. We explain what we mean by this at 1.4 below.

1.3. The BBC today

It is right that as part of this consultation the BBC should set out how it sees the future of its programmes and services and the overall challenges it faces.

The BBC is different from other media organisations in the UK. We are funded directly by the public to be independent of Government and commercial pressures, and to serve all audiences. The way that the BBC is funded – through the licence fee – means the public pays for it and it belongs to the British people.

___________________________

2 Frontier Economics, Review of over-75s funding, 2018, p.17
Today, our audience surveys show that the BBC’s public service mission to inform, educate and entertain all audiences continues to be important to all parts of the British public. The BBC is expected to provide trusted, impartial news and information about the UK and the world. The BBC has an important role to make programmes and services about British people and British culture, from all parts of the UK. The BBC has a particular duty to do this for everyone, because of the way it is funded, and because in a democracy everyone should have access to the best our culture has to offer.

But in the last ten years, the market for television, radio and online around us has changed beyond recognition. Very large global companies such as Netflix and Amazon have driven up costs across the whole industry which means the BBC needs to spend much more simply to stand still.

At the same time, rapid changes in technology mean that our audiences, particularly younger ones, are increasingly consuming television, radio and news in different ways. As a result, younger audiences are using British services less, and services from abroad much more.

Ofcom – the official regulator that looks after media and broadcasting – has shown that young people in the UK today want to see UK life and culture represented and portrayed on screen. At a time when young adults use many different sources of news – some more trustworthy than others – they want a trusted, reliable source of news and information about what matters in the UK and around the world. Ofcom’s research shows a strong majority of young people support public service broadcasting.

The BBC can continue to play an important role for the country at a critical time. However, to provide the sort of services that we understand our audiences want and need, the BBC will need to continue to adapt to keep pace with its competitors and its audiences:

- We will have to invest more in high-quality, world-class British content because what audiences expect, for instance, from drama, from live sport and from natural history is always rising;

---

3 Walnut Unlimited for the BBC, 2,118 UK adults 18+, September 2018. 82% of UK adults agree and 5% disagree that inform, educate, entertain should continue to be the BBC’s main mission
4 GfK for Ofcom, 4,099 UK adults 16+, October 2017-April 2018, BBC Performance Tracker 2017-18, data tables
5 BBC, *BBC Annual Report and Accounts*, 2018, p.28
6 BDRC Continental for Ofcom, 3,147 UK adults 16+/ 940 UK adults 16-34, June-July and October-November 2017, PSB Tracker, 2017, data tables
7 Jigsaw Research for Ofcom, *News consumption in the UK: 2018*, slide 77
8 BDRC Continental for Ofcom, *op.cit.*
We need to reinvent BBC online services so that they are best in class, and so we can make TV programmes available for much longer than 30 days;

Young audiences use the BBC less than others and we need to do more for them, and we need to provide a safe place online for British children and to invest in learning and education content;

In a world of fake news, we want to make sure that BBC News sets the highest standards for accuracy and trust in the UK and abroad;

We want to do even more to invest outside London to reflect the whole of the UK and all its different parts.

However, the BBC faces difficult financial circumstances, which we have set out recently. Across the last ten years, what the BBC can spend on services for UK licence fee payers has been cut by around 20%. That happened because the licence fee was frozen by the UK Government at a time of rising costs, and because the Government required the BBC to pay for other activities, or things that the Government used to fund.

We have responded to this by becoming more efficient. For the last ten years we have saved over 4% of our costs every single year. We have brought down our overheads – the costs of running the BBC – to levels that lead the industry, less than 6% of our spend. That has meant more of our budget than ever is spent on programmes and services, and as little as possible on activity that does not make it on air or on screen.

All of this has helped the BBC respond to the challenging financial context. But it has not been able to compensate fully. As a result, we have had to cut programmes to save money, and more cuts have been taking place over a far longer period than at any other time in the BBC’s history. Over the last ten years, Ofcom’s data shows that the BBC has had to cut its budget for new TV programmes by £500m a year. BBC Three has been closed as a broadcast channel, and key sporting events like Formula 1 and Six Nations have been shared or lost.

We believe there is more to gain from further efficiency, though a report we commissioned from the consultants PwC has shown that it will be limited to around 1% of our costs a year. We have gone further, and have set a target for efficiency savings of around 1.5% a year of our overall costs, across all divisions (and so we believe we can absorb future costs of around this level before having to make cuts to current services). Because the amount we spend on our overheads is now so low (at less than 6%), even if we cut another fifth from these costs, that would provide no more than around £40m a year. This level of cost is already among the most efficient

9 BBC, A Simpler BBC, 2018
in the industry. And even if, for example, we employed no presenters paid over £150,000 a year, that would save less than £20m.

So while we believe the BBC’s public mission remains very important, we believe the sustainability of what we do is already at risk with the resources we have, even before we do all the things we want to do to adapt with our audiences.

1.4. Future support for older age groups

The BBC asked an external economics consultancy, Frontier Economics, to provide some detailed analysis on possible ways to approach the new decision the BBC has to make on TV licence policy. They have helped us to understand the implications of different options for a concession for older age groups when the BBC is fully responsible for setting the policy.

Frontier Economics published a discussion paper on 17 October 2018, in which they discuss the changing landscape since 2000, intergenerational fairness and the changing financial context. Frontier published their full report with detailed analysis on 1 November 2018.

As we explain in section 3.3, we see a number of different ways to look at who would ‘pay’ for a new concession, if one were to be implemented.

Any new age-related concession would mean the BBC would have less money, which would mean fewer programmes and services, in effect making the BBC worse overall for everybody. The BBC does not have the power to raise the licence fee to cover the costs of a new concession. For example, if the BBC replaced the Government’s funding for free TV licences for households with someone aged over 75, the cost would be £745 million in 2021/22 – money that could not be invested in programmes and services.

A new concession could make the BBC’s value for money significantly worse for those households that are continuing to pay the licence fee. They might be paying the same for a reduced service. For example, if the BBC copied the existing concession, it could

---

10 EY, *Benchmarking the BBC’s overhead rate, 2018*, Chapter 3
11 Frontier Economics, *Discussion Paper: concessionary TV licences and the landscape of intergenerational fairness, 2018*
12 Frontier Economics, *Review of over-75s funding, 2018*
be argued that each paying household would be missing out on programmes and services worth £34 of their licence fee.\textsuperscript{13}

If there is a new concession, BBC programmes and services used by all would be paid for in full by only some. Frontier Economics explain in their report that the potential economic effect can be seen as, in effect, an indirect subsidy. For instance, if the BBC copied the current concession, around 82\% of households would effectively be subsidising BBC programmes and services for the other 18\%.\textsuperscript{14}

As Frontier Economics explain, the strength of the rationale for a concession in its current form has weakened.\textsuperscript{15} Eighteen years on from the original concession, the picture on pensioner living standards and poverty is different. Incomes, wealth and life expectancy of older people have improved significantly, pensioner poverty rates have fallen, and older households report higher well-being on a range of metrics.

At the same time, the UK population is also ageing, which increases the cost of any age-related concession. In 2000, around 7\% of people were aged 75 or over, reaching 8\% by 2016 and projected to reach over 10\% by 2026. That means that by the end of the next decade, together with the impact of inflation, copying the existing concession would cost over £1 billion a year.

1.5. The BBC’s initial thinking

In this section we explain our initial thinking, and the arguments as we see them.

We have used three criteria to help us in our initial thinking:

- **Fairness** – The impact on older age groups, and the impact on all licence fee payers;
- **Financial impact** – The cost of any concession to the BBC and the possible impact this might have on programming and services;
- **Feasibility** – The need to be able to implement any concession effectively, clearly and simply.

We recognise that there are likely to be strong views about all options.

\textsuperscript{13} BBC calculations based on Frontier Economics analysis by dividing the cost of the current concession by the number of forecast non-concessionary households in 2021/22.
\textsuperscript{14} Figures based on BBC and Frontier forecasts: taking 21.7m paying households and 4.64m households with free TV licences in 2021/22.
\textsuperscript{15} Frontier Economics, *Review of over-75s funding*, 2018, p.17-19
One option would be for the BBC to simply copy the existing concession. The concession was introduced to help relieve pensioner poverty which is still an issue for some older people. We also recognise the importance of the BBC for older people as a source of enjoyment and companionship.

But there are also arguments against copying the concession:

- We think copying the concession raises a real question of fairness between different groups of licence fee payers. Around 82% of TV households in the UK would be paying for BBC services that would then be provided free to the remaining households.

- As Frontier Economics explain, 18 years on from the bringing in of the original concession, the picture on poverty has changed. Far fewer people over 75 are poor. Similarly, there are many younger people who are poor who will not benefit from any age-related concession, but will still be paying a full licence fee for programmes and services potentially enjoyed for free by others.

- Assuming the level of the licence fee was not changed as part of this process (and the BBC has no power to change it), the overall effect of the loss of Government funding and copying the concession would be the loss of £745m from the BBC’s budget in 2021/2022. This would be equivalent to:
  
  - Around the amount of money the BBC spends today on all of BBC Two, BBC Three, BBC Four, the BBC News Channel, and the BBC children’s channels CBBC and CBeebies;
  
  - More than the amount the BBC spends today on all its radio services: Radio 1, Radio 2, Radio 3, Radio 4, Radio 5live, BBC Local Radio, digital radio stations like 6 Music and 4 Extra, and radio stations in the Nations like Radio Scotland, Radio Wales and Radio Ulster;
  
  - Around the amount of money the BBC spends today on all its TV sport, drama, entertainment and comedy programmes.

- In order to meet this cost, the BBC would have to make savings, close current services and reduce output substantially. Whichever services were closed, this would be a big reduction in the BBC’s output. It would make the BBC much

---

16 Frontier calls this ‘reinstating the existing concession’: Frontier Economics, Review of over-75s funding, 2018, p.6-7, 15
17 Frontier Economics, Review of over-75s funding, 2018, p.15
18 BBC, BBC Annual Report and Accounts, 2018, p.194
19 Ibid
20 BBC, BBC Annual Report and Accounts, 2018, p.146 and BBC financial analysis
poorer value for money, as it would be providing fewer services for the same amount of money per paying household. As the costs of the concession rise over time, further services would have to be cut.

We think this reduction in the BBC’s budget would fundamentally change the BBC. We think this level of cuts to services would not be consistent with sustaining the BBC’s mission and purposes for all audiences and it would reduce our ability to reinvent the BBC for younger audiences. Our initial thinking is that we cannot afford to copy the existing concession, with its high and rising cost.

Another option would be to **restore** a universal licence fee, and not have any age-targeted concession.\(^{21}\) Our initial thinking is that we can see arguments both for and against this option. It would return to the principle that existed up to 2000 that every household who receives BBC TV services should pay for them. While there would be a cost of around £72m in 2021/22 (and less in the years after that), the efficiency savings the BBC expects it can make mean the overall result would be no significant cuts to BBC services as a result of this option. But we recognise this option would remove the concession from all older households. The concession was introduced to help relieve pensioner poverty, which is still an issue for some older people. We also recognise the significance of BBC programmes and services as an important source of enjoyment and companionship for the elderly.

A further option would be to **reform** the concession. Our initial thinking is that there is a case for this, so that a concession for older age groups would still apply, but in a different way from today. This approach could provide focused support to some in the older age group, and also allow the BBC to continue to deliver popular services that would otherwise have to close.

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

1. **Discounting the cost of a licence fee** – We could require those in an older age group to pay a licence fee, but at a reduced rate;\(^{22}\)

2. **Raising the age threshold for the concession** – We could raise the age threshold from 75;\(^{23}\)

---

\(^{21}\) Frontier calls this a ‘reform’ option ‘do not introduce any replacement for the current concession’ or ‘allowing the current concession to lapse without replacement’: Frontier Economics, *Review of over-75s funding*, 2018, p.8-10, 26

\(^{22}\) Frontier calls this ‘changing the value of the concession’: Frontier Economics, *Review of over-75s funding*, 2018, p.9-10, 27
3. **Means-testing the concession for older people** – We could provide the concession only to those in greater financial need, for instance by linking free licences to one of the Government’s measures of pensioner income, for example Pension Credit.\(^24\)

These options could be combined in different ways as explained later in this document.

### 1.6. The process for this decision

This decision is the responsibility of the BBC’s Board and the Board wants to hear your views.

We want to consult widely and are publicising this consultation on the BBC. The consultation itself is open for 12 weeks from 20 November 2018 to 12 February 2019.

Please read this consultation document before answering our questions, which we set out in this document for your information.\(^25\) This document provides the context for the decision, references and links to relevant materials, and our initial thinking. This includes the reports by Frontier Economics.

We would really welcome your co-operation in using the online questionnaire which is in English and Welsh at [bbc.co.uk/yoursay](http://bbc.co.uk/yoursay) wherever possible to respond to this consultation. This is because we want to be able to analyse the potentially large number of individual responses effectively as part of this consultation and using the online questionnaire will support this.

If that is not possible, please ring 0800 232 1382 to request paper copies of this document and questionnaire with a freepost envelope to take part. Paper copies are also available in different formats, including in Braille, Welsh and in an audio version.

If it is not possible to respond using our questionnaire, you can write to us at Freepost, BBC Consultation.

We will accept responses in any reasonable formats. The public responses to this consultation will be analysed by Traverse, an organisation that specialises in consultation analysis. The BBC Board will publish a summary of responses which may

---

\(^23\) Frontier calls this ‘age threshold’ and ‘changing the age threshold’: Frontier Economics, *Review of over-75s funding*, 2018, p.8-10, 27

\(^24\) Frontier calls this ‘means- or needs- testing’ or ‘means-testing’: Frontier Economics, *Review of over-75s funding*, 2018, p.8-10, 32

\(^25\) The questions are set out in section 2 and repeated in section 7.2 below
include anonymised quotes from individuals. The responses you provide will only be used for decision-making related to the subject of this consultation.

As part of our programme of listening to views, comments and suggestions we will also conduct:

- Large-scale nationally representative research with the UK public;
- Engagement with organisations and those we see as stakeholders (including interested organisations, academics and industry representatives) who can also write to us at Stakeholder.Responses@bbc.co.uk;
- Round-table events with relevant stakeholders.

Once people have had their say, the Board expects to make a decision.26 Our current aim is to make a decision by June 2019.

We are determined to find the best and fairest solution for audiences of all ages and for the country as a whole.

---

26 The BBC Board will take a decision that affects the UK. We envisage exploring separately the potential implications for the Crown Dependencies.
2. Our questions

These questions are set out for your information only. To complete our questionnaire please go to the web link www.bbc.co.uk/yoursay

Question 1. Your views about three overall options

To start with, please read through the three options below: **copying**, **restoring** and **reforming**.

Then please rank them 1, 2, 3 where 1 is your favourite and 3 is your least favourite by writing the numbers 1, 2, 3 in the boxes.

If you wish, you can just identify your favourite as number 1. You will be able to say more about your preference/preferences later on.

☐ The BBC should be **copying** the current concession

_Copied the current concession means that all households with someone over 75 would get a free TV licence. But to allow for the cost of this, we believe the BBC would have to make a large number of cuts to current programmes and services._

☐ The BBC should be **restoring** a universal licence fee

_Restoring a universal licence fee means that there would be no free TV licences for any older age groups. Households with someone over 75 would have to pay the licence fee like other households. Although there is still a cost to the BBC, we believe the overall result would be no significant cuts to BBC services as a result of this option._

☐ The BBC should be **reforming** the concession in some way

_Reforming the concession means that there would still be some kind of licence fee concession for older age groups but it would be different from how it is now. For example, this could involve providing some kind of discount on the cost of the licence to older households, or changing the starting age for free TV licences, or focusing on those older households in greater financial need. We believe each of these options would mean fewer cuts to the BBC’s programmes and services, compared with copying the current concession of free licences for all households with someone over 75._

___________________

☐ Don't know / prefer not to answer.
Copying the existing concession (free TV licences for all over 75s) and restoring the universal licence fee (no free TV licences for older people) have both operated at different times and we know how they work. But reforming the concession (doing something different) would be new and would need to be designed.

If we were reforming the concession …

Question 2a: Your views about three particular reform options

In the consultation document we discuss three possible ways to reform the licence fee concession for older households:

- We could **discount** the cost of the licence fee for older households. This would mean older households would pay something, but not the full amount. In the consultation document we set out a scenario where households with someone over 75 would pay half the cost of a TV licence.
- We could **change the age** at which households receive a free TV licence to any age above 65. In the consultation document we set out a scenario where all households with someone aged over 80 would receive a free TV licence.
- We could **means-test** a licence fee concession for older people. In the consultation document we set out a scenario of providing free TV licences only to households with someone over 75 in greater financial need, by linking free licences to one of the Government’s measures of pensioner income: Pension Credit.

Whatever your answer to question 1, we would still like to have your view on reforming the concession.

Please rank these specific options for reforming the concession as 1, 2, 3 where 1 is your favourite and 3 is your least favourite by writing the numbers 1, 2, 3 in the boxes.

If you wish, you can just identify your favourite as number 1. You will be able to say more about your preference or preferences later on.

- Discounting, where households with someone aged 75 and over pay half the cost of a TV licence.
- Raising the age, where households of those aged 80 and over get a free TV licence.
Means-testing, where households of those aged 75 and over in greater financial need, linked to Pension Credit, receive a free TV licence.

☐ None of these
☐ Don't know / prefer not to answer.

Question 2b. Your views about discounting: what discount?

The BBC has the power to set a discount at any level for older households.

The smaller the amount that older households pay for their TV licence, the more cuts the BBC would have to make to cover the cost of this.

We described a discounting option where households of those aged 75 and over pay 50% of the licence fee (that is, older households pay 50%).

In that option what percentage would you put (that is, older households should pay what % of the licence fee)?

(choose any percentage between 1% and 99%)

☐ Please write a percentage in this box

☐ I’m not in favour of this reform
☐ Don't know / prefer not to answer.

Question 2c. Your views about changing the age: what age?

The BBC has the power to set the age at which households begin to receive a free TV licence at any age from 65 and above.

The lower the age, the more people would receive a free TV licence but the more cuts the BBC would have to make to cover the cost of this.

We described a changing the age option where households of those aged 80 and over get a free TV licence.

In that option what age would you choose?

(choose any age from 65 and above)
□ Please write the age in this box

___________________

□ I’m not in favour of this reform
□ Don't know / prefer not to answer.

Question 2d. Your view on combinations

Thank you for giving your views on ways to reform the concession. In the consultation document we explain that different ways of reforming the concession could be combined.

If we were reforming the concession, which of these features would you favour in combination? You may tick as many or as few as you wish.

□ Discounting so that households with older people pay a percentage of the licence fee.
□ Changing the age threshold from 75, to some other age.
□ Means-testing to focus only on older people in greater financial need.
□ None of these.
□ Don't know / prefer not to answer.

Question 2e. Your preferred combination

Please tell us what your preferred combination would be, if any. (Max 500 words)

Question 3. Any other comments

Finally, here is an opportunity for you to comment generally. You may have something else to say about your overall preferences (Question 1 and 2), or you may have another idea for how to reform the concession. Or you may want to respond to the consultation document or the Equality Impact Assessment, or anything else you think is relevant.

Is there anything else you would like to say? (Unlimited)
The BBC is an important public service. It provides trusted, impartial news and television, radio and online services that inform, educate and entertain. It is used by nearly everyone in the UK every week.\(^{27}\)

<table>
<thead>
<tr>
<th>92%</th>
<th>19 hours</th>
<th>83%</th>
</tr>
</thead>
<tbody>
<tr>
<td>of the UK adult population use the BBC every week</td>
<td>every week is spent with the BBC by the average UK adult</td>
<td>of under 16s use the BBC every week</td>
</tr>
</tbody>
</table>

These services are paid for by households with a television licence.

Today, those aged over 75 receive free TV licences for their main residence. The cost of this scheme has been funded by the UK Government.

In June 2020 this scheme is set to come to an end. Due to UK legislation passed in 2017, any new scheme relating to TV licences for older age groups from June 2020 is for the BBC to consult, decide on and pay for.

The question that now faces the BBC is: what, if any, concession should be in place for the older age group from June 2020? That decision is the responsibility of the BBC’s Board, which runs the organisation.

The Board also has the responsibility to ensure the BBC delivers its mission and public purposes for everyone.\(^{28}\)

In taking the decision the Board must ensure that the BBC acts openly and in the public interest. As part of this, the BBC must conduct a fair and open consultation process. This consultation paper sets out our initial thinking and we want to hear your views.


\(^{28}\) *Royal Charter for the continuance of the British Broadcasting Corporation*, 20. (3)
3.1. The history of the current concession

The licence fee has funded the BBC since it was founded as a public corporation in the 1920s. For the first nearly 80 years of the BBC’s life, all households who received broadcast services paid for it. The nature of the licence changed over the years, from a radio licence to a TV licence, and as technology has changed the definition of ‘television receiver’ has been updated. But, in short, all households paid for the BBC.\(^{29}\)

Then in 2000 the UK Government decided to provide free TV licences for the over 75s. This was said to help reduce poverty among pensioners.\(^ {30}\) The Government’s scheme provided a free television licence for their main home for any household with at least one person aged over 75.

The BBC was paid money direct from UK Government funds to replace the licence fee income lost by making these TV licences free. This payment from Government made sure that audiences did not lose out from this new set of free TV licences, and that other licence payers did not have to pay more to keep their existing services. Any income the BBC might have lost was replaced in full by the Government.

In 2015 the UK Government decided that it would no longer pay for the over-75s licence fee concession. The funding from the Government, which had been provided for over 15 years, is being reduced and will end in 2020.\(^ {31}\)

The UK Government also concluded in 2015 that the BBC should decide whether there should be any age-related free TV licence concession after June 2020, and if so, what it should be and who it should apply to.

In 2017 the UK Parliament passed a law transferring responsibility for the decision on any future concession to the BBC.\(^ {32}\) That law gives the BBC the responsibility to decide

\(^{29}\) Those who are visually impaired or live in residential care homes, supported housing or sheltered accommodation quality for discounts (see Frontier Economics, *Discussion Paper*, 2018 p.6), but still pay for a TV licence. These discounts are policies set by the Government and these kinds of licence are not affected by this consultation. For a period from the 1920s, blind people did not have to pay for a radio licence.

\(^{30}\) HMG, *Stability and Steady Growth For Britain: Pre-Budget Report*, November 1999, 5.46. The rationale has been described in more detail by Frontier: see Frontier Economics, *Discussion Paper*, 2018 p.6, 9; Frontier Economics, Review of over-75s funding, 2018, p.17

\(^{31}\) In preparation for the phasing out of Government funding, and as shown in the BBC’s Annual Report and Accounts for 2016/17 and 2017/18, the BBC has managed spending and saved up some money so it can continue to fund programmes and services until 2020 without having to make major cuts as a result of this reduction in funding. This is not a long-term solution.

\(^{32}\) The responsibility for the BBC to determine whether to have a concessionary older-age TV licence was made by an Act of Parliament: the Digital Economy Act 2017, section 89(7) of which amended the Communications Act 2003 to add a new section 365A which comes into force on 1 June 2020. Section 365A is set out below.
what, if any, age-related concession should be in place for those in older age groups (any group aged 65 or older) beyond June 2020.

For completeness, section 365A was added to the Communications Act 2003 by section 89 of the Digital Economy Act 2017. The amendment comes into force on 1 June 2020. It provides:

**365A TV licence fee concessions by reference to age**

1. For the purposes of section 365(1A) the BBC may determine that a concession in specified terms is to apply.
2. Any concession under this section must include a requirement that the person to whom the TV licence is issued, or another person, is of or above a specified age, which must be 65 or higher, at or before the end of the month in which the licence is issued.
3. A determination under this section—
   - may in particular provide for a concession to apply, subject to subsection (2), in circumstances where a concession has ceased to have effect by virtue of section 365(5A), but
   - may not provide for a concession to apply in the same circumstances as a concession within section 365(5B).
4. A determination under this section may include provision for the means by which an entitlement to a concession must be established.
5. A determination under this section—
   - may make different provision for different cases (including different provision in respect of different areas);
   - may include transitional provision.
6. A determination under this section—
   - must be in writing;
   - must be published in whatever way the BBC considers appropriate.
7. The BBC—
   - may vary a determination by a further determination under this section;
   - may determine that a concession is to cease to apply (and accordingly revoke a determination under this section).
8. Before making, varying or revoking a determination the BBC must consult any persons it considers appropriate.

Much has changed since the scheme was introduced in 2000. Eighteen years on from the original concession, the picture on pensioner living standards and poverty is different. As the recent Frontier Economics reports explain, older households have generally seen a marked improvement in their living standards. Incomes, wealth and life expectancy of older people have improved significantly, pensioner poverty rates have fallen, and older households report higher well-being on a range of metrics.

As Frontier Economics explain, that means the original rationale for free TV licences for over 75s has weakened.

---

34 Frontier Economics, *Review of over-75s funding*, 2018, p.17
There is also a growing debate\textsuperscript{35} around the changing economic opportunities and circumstances among younger people, with a view that younger people have been hardest hit by recent economic events (such as the financial crisis and its aftermath). And at the same time the media landscape around the BBC is very different, with the growth of digital and on-demand services provided from around the world.

### 3.2. The cost of the current concession

In order to have an understanding of what the current concession “costs”, and would cost if the BBC decided to copy it after 2020, the BBC asked the external economics consultancy, Frontier Economics, to provide some detailed analysis.

As Frontier’s analysis explains,\textsuperscript{36} the UK has an ageing population. Frontier’s best estimates are that the number of households including someone aged over 75 will continue to rise relatively quickly for many years. As the older-age population grows, and taking into account the impact of inflation, so does the cost of providing free TV licences for them.

Frontier’s forecasts tell us that copying the current concession would mean that free TV licences, which cost the UK Government £365m in 2001/02, would cost the BBC £745m in 2021/22.\textsuperscript{37} This sum of money is equivalent to around a fifth of what the BBC spends today on all its programmes and services, in the UK and around the world.\textsuperscript{38}

It is worth noting that even if the BBC restored a universal licence fee, there would still be a cost to the BBC, so its income would not increase by the full £745m. Frontier Economics estimates these residual costs\textsuperscript{39} as £72m in the first year, with costs falling in subsequent years.\textsuperscript{40}

At the same time, the UK population is also ageing, which increases the cost of any age-related concession. In 2000, around 7% of people were aged 75 or over. That

\textsuperscript{35} Frontier Economics, \textit{Discussion Paper}, 2018 p.8
\textsuperscript{36} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.15
\textsuperscript{37} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.15
\textsuperscript{38} BBC, \textit{BBC Annual Report and Accounts}, 2018, p.194
\textsuperscript{39} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.39 ("The residual costs fall into the following categories: initial start-up costs of communicating the change and systems changes; costs of contacting over-75s each year to seek payment; costs of handling enquiries; and potential compliance issues as well as certain individuals choosing to no longer watch live television because of the cost").
\textsuperscript{40} Frontier Economics, \textit{Review of over-75s funding}, 2018, pp.39-40 (see Figure 18) and see section 5.3 later on in this document.
figure grew to 8% by 2016 and is projected to reach around 10% by 2026.\footnote{Frontier Economics calculations, based on data from the Office for National Statistics} That means that by the end of the next decade, as Frontier Economics’ report also shows,\footnote{Frontier Economics, \textit{Review of over-75s funding}, 2018, p.15} the cost of the concession will continue to rise rapidly – to over one billion pounds a year by 2030.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{forecast-cost-free-tv-licences-all-households-aged-over-75-2018-2030.png}
\caption{Forecast cost of free TV licences for all households aged over 75 (£ millions)}
\end{figure}

3.3. \textbf{Who would “pay” for the concession?}

One way of thinking about a future concession involves asking who would “pay” for it. We consider this can be looked at in a number of ways.

Any new age-related concession would mean the BBC would have less money to make programmes and services. We think that would mean making the BBC worse overall for everybody. We explain this in more detail in section 5.1. The BBC does not have the power to raise the licence fee to cover those costs.

This would also make the BBC’s value for money significantly worse for those households that are continuing to pay the licence fee. They would be paying the same for a reduced service.

From 2020, when there is no UK Government funding for any concession, a concession means BBC programmes and services could be paid for by only some, while some BBC
users in older age groups would get BBC programmes and services for free (or at a discount).

Frontier Economics explain in their report that this would in effect be an indirect subsidy, which means part of the licence fee of all those who are paying in full would effectively be funding programmes and services for others.

Frontier’s report says this:

‘Any new concession will be funded entirely by the BBC rather than Government. The vast majority of BBC funding is from the licence fee. Therefore the introduction of any new concession would imply that non-concessionary licence fee payers are in effect indirectly subsidising those eligible for a concessionary licence.’

As the UK population ages, this ‘indirect subsidy’ would also increase over time.

---

43 Frontier Economics, *Review of over-75s funding*, 2018, p. 6-7
4. The BBC – its mission and future

In this section we describe the BBC, its public mission and the challenges that it faces, as we have done and will continue to do.

Our mission and public purposes have been set by the BBC’s Royal Charter. Our mission is to act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain.

We have previously described in public how we intend to deliver that mission. It is important that we are clear about how we see what matters about our programmes and services. In a world that is very different from when the BBC was founded, it is also important that we are clear about how we see our future challenges.

Today, surveys of the public show that the BBC’s public mission is important to them, with over 80% supporting our mission to:

- **Inform** – To provide trusted, impartial news and information to help people understand what is happening in the UK and around the world, to combat fake news and misleading information.

- **Educate** – To provide stimulating programmes and education services for children and teenagers like BBC Bitesize, and offer all audiences factual programmes and services that inspire, educate and create national debates like *Blue Planet II*.

- **Entertain** – To make programmes and services about British people and British culture, at a time when money going into British programmes is falling and audiences are switching to programmes made in the US and other countries.

This mission is supported by five public purposes that include serving all parts of the UK and its different nations, regions and communities; and reflecting the UK, its culture and its values to the world.

44 See too Frontier Economics, *Review of over-75s funding*, 2018, p.16-17 (broadcasting landscape and wider financial context)
45 Royal Charter for the continuance of the British Broadcasting Corporation, 4.
46 Walnut Unlimited for the BBC, *op.cit*.
47 An online platform to help students with homework, learning and exam revision.
In today’s world, we have a particular responsibility to deliver this mission for everyone. With more programmes and services provided by others requiring many different subscriptions, we want to continue to make sure that everyone has a front-row, best-value seat for the finest British programmes, key sporting events and most important news.

Today, however, we can see that achieving our mission is now at risk for younger generations. Older audiences consume much more of the BBC’s programmes and services than younger ones. For younger audiences we need to reinvent the BBC for the digital age to meet their expectations and provide them with better services.\(^{48}\)

### 4.1. The BBC is facing significant competition from others

The BBC is one of the reasons why the UK has one of the strongest television and radio industries in the world. The UK’s programmes, services, productions, actors, writers, journalists and musicians are exported around the globe and bring investment back to the UK. We have a rich tradition of programmes made about the UK that truly reflect the lives and passions of British people and exert a powerful cultural influence for the UK worldwide. The BBC, along with ITV, Sky, Channel 4 and 5, Virgin, BT and many others over many decades, has helped to create that strength and is essential to it.

For most of the BBC’s history, it was the largest broadcaster operating in the UK. That has not been true for many years. Today, the BBC is smaller, with fewer financial resources, than many companies now providing TV, radio and news services in the UK.

*Annual income for selected companies providing media services that operate in the UK (\(\text{£bn} 2017\))\(^{49}\)*

\(^{48}\) Ofcom, *Ofcom’s annual report on the BBC*, 2018, p.28-29

\(^{49}\) Company accounts, BBC analysis
As discussed above, we know that the BBC’s public service mission and purposes are very important to the public, but we now face some significant challenges as a result of this changing market.

For example, huge global companies are driving up costs for the whole industry. Broadcasting live sport, especially football, has become very expensive: the annual cost of live Premier League football alone is about the same as what the BBC spends on all television programmes. These kinds of price rises are now affecting drama, comedy and natural history TV programmes. High-quality production now costs millions of pounds for an hour of television. Similar rises in costs are beginning to affect radio and music. That has resulted in the BBC needing to spend significantly more just to stand still.

4.2. The BBC does not serve all audiences evenly

Today, young audiences share with older audiences strong support for public service broadcasting. Young audiences believe in the BBC’s mission. We reach more than 80% of young adults, and we are the media provider with which they spend the most time – they use us for around nine hours a week.

But new competition has meant that the time young audiences spend with the BBC has fallen in recent years. In TV, over the last seven years, their time with the BBC has fallen from well over five hours a week to around three hours. The time that they spend with other uses of the TV set, for instance with video-on-demand services like Netflix, has more than doubled from three hours to over seven in four years.

Similarly in radio, competition from YouTube and music services like Spotify and Apple Music is part of the reason why time with BBC radio has fallen from seven and a half hours a week to around four and a half over the last decade.

---

50 Walnut Unlimited for the BBC, op. cit.; GfK for Ofcom, op. cit.
51 Mediatique, Content market dynamics in the UK: outcomes and implications, November 2017
52 BDRC Continental for Ofcom, op. cit.
53 Walnut Unlimited for the BBC, op. cit. 76% of UK 18-34s agree and 7% disagree that inform, educate, entertain should continue to be the BBC’s main mission
54 Ofcom, Ofcom’s annual report on the BBC, Annex 2: BBC Performance Report, page 9
55 Ofcom, Ofcom’s annual report on the BBC, Annex 2: BBC Performance Report, p.61. The next nearest provider is YouTube with which 16-34s spend c.7 hours a week – Ofcom, Media Nations: UK, 2018, p. 21
56 BARB, 16-34s, 2010/11 compared with 2017/18
57 BBC, BBC Annual Report and Accounts, 2018, p.62
58 RAJAR, 16-34s, 2007/8 compared with 2017/18
We think this matters because Ofcom’s research shows that young people in the UK today want to see UK life and culture represented and portrayed on screen.\textsuperscript{59} At a time when young adults use many different sources of news\textsuperscript{60} – some more trustworthy than others – they will continue to need a trusted, reliable source of news and information about what matters in the UK and around the world.

Ofcom’s research shows that strong majorities of young adults want programmes that are made in the UK, that are about different parts of the UK, and that they want news that is trustworthy.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{Chart shows percentage of 16-34s rating each statement at 7+ out of 10 on a scale where 1 = not at all important, 10 = extremely important}
\end{figure}

### 4.3. Reinventing the BBC

We have identified elsewhere what we think we need to do to keep pace with audiences as they use media in new ways.\textsuperscript{62} These plans would make sure that the UK has a strong BBC for the future – one that can serve all parts of the British public and be a powerful champion for the UK at home and abroad.

Our plans focus on five critical areas which we know audiences expect from us:

1) Invest more in the highest-quality British content. Ofcom has shown that the amount of money going into British programmes is falling.\textsuperscript{63} We want to produce the best-quality programmes, and only British programmes will tell the story of life in all parts of the UK.

\begin{itemize}
\item \textsuperscript{59} BDRC Continental for Ofcom, \textit{op.cit.}
\item \textsuperscript{60} Jigsaw Research for Ofcom, \textit{op.cit.}
\item \textsuperscript{61} BDRC Continental for Ofcom, \textit{op.cit.} Chart shows percentage of 16-34s rating each statement at 7+ out of 10 on a scale where 1 = not at all important, 10 = extremely important
\item \textsuperscript{62} BBC Director-General, \textit{Speech to the 2018 Royal Television Society London Conference}
\item \textsuperscript{63} Ofcom, \textit{Media Nations: UK}, 2018, p.41
\end{itemize}
2) Make TV programmes available on iPlayer for much longer than 30 days, and make it much easier to listen to BBC radio and music programmes online in different ways.

3) Make more programmes and educational content for children and young adults. Services and websites such as CBeebies and CBBC are loved by both children and parents. We want to make sure that there is always a safe place for children to go to online. And we want to make sure that young adults have programmes and services that they value and want to use.

4) Continue to provide news that is trusted, accurate and impartial. Today’s world is full of propaganda, misinformation and fake news. BBC News is trusted around the UK and across the world. Building on this, particularly online, has to be a priority for the UK.

5) Reflect the whole of the UK in our output. Ofcom’s research shows that people in the UK want to see UK life and culture on screen. We already invest more outside London than any other broadcaster. But we want to do more. That will mean more money spent across England and the Nations. And more of our staff will be located outside London.

This is what the BBC can do for the UK: great programmes, that reflect our audiences’ experiences and outlook on life, available and relevant to everyone of all ages; and world-class services, that can help the UK to compete and thrive on the global stage.

4.4. The BBC has much less money for programmes and services

However, funding for the BBC’s UK services has been cut by 20% in real terms over the last ten years. At the same time, many key competitors have grown hugely in size.

That has happened because the licence fee was frozen between 2010 and 2017 at a time of rising costs, and because the UK Government required the BBC to perform certain duties, or to pay for activities that the Government used to fund.

Over the last ten years these other uses for the licence fee have included:

- Digital switchover: the transition from analogue to digital TV;

---

64 BBC, BBC Annual Report and Accounts, 2018, p.21, p.52
65 BDRC Continental for Ofcom, op.cit.
66 BBC, A Simpler BBC, 2018, p.6
• Rural broadband development: funding telecoms companies in the roll-out of online connections in parts of the UK countryside;

• Funding the Welsh-language TV channel S4C;

• Funding the BBC World Service which broadcasts around the world in many different languages;

• Funding the BBC’s overseas monitoring service, which provides information about other countries to Government and the BBC;

• Helping to support journalists employed by local newspapers;

• Funding commercial broadcasters to make children’s programmes or radio programmes.

We have responded to this by becoming more efficient. For the last ten years we have saved over 4% of our costs on average every year. We have brought down our overheads – the costs of running the BBC – to levels that lead the industry, less than 6% of our spend. That has meant more than ever of our budget spent on programmes and services, and as little as possible on general management and activity that does not make it on air or on screen.

We believe there is more to gain from further efficiency, though a report we commissioned from the consultants PwC has shown that it will be limited to around 1% of our overall costs a year. In fact, we have gone further than this and set a future annual efficiency target of at least 1.5% for all divisions, above PwC’s recommendation of 1%. So we expect general efficiency savings would allow us to absorb future costs of up to 1.5% a year before we would have to cut current services.

However, the amount we spend on our overheads is now so low (at less than 6%), even if we cut another fifth from these costs, that would provide no more than around £40m a year. These costs are already among the most efficient in the industry.

67 BBC, A Simpler BBC, 2018, p.3
68 BBC, A Simpler BBC, 2018, p.4
69 EY, Benchmarking the BBC’s overhead rate, 2018, Chapter 3
And even if, for example, we employed no presenters paid over £150,000 a year, that would save less than £20m.\textsuperscript{70} That said, we do not believe that this would be in the interests of audiences. A nationally representative survey showed that nearly 4 in 5 of the British public expects the BBC to have the best presenters, actors and reporters.\textsuperscript{71}

The Government has taken some steps, including linking the licence fee to inflation between 2017 and 2022, changing the law in 2017 to ensure iPlayer-only viewers pay the licence fee and removing the obligation to help fund the roll-out of rural broadband at a cost of around £150 million per year.

The BBC has also increased the profits it has made from its commercial activities in the UK and around the world, which have brought increased funding to its programmes and services. However, we expect that the same changes in the global media market that we outline above in section 4.1 will limit the amount of extra funding we can find from commercial activity.

All of this has helped the BBC respond to the challenging financial context. But it has not been able to compensate fully.

As a result, more cuts have been taking place over a far longer period than any other in the BBC’s history. Over the last ten years, the BBC has had to cut its budget for new TV programmes by £500m a year.\textsuperscript{72} Great programmes have been ended or lost to other broadcasters, purely to meet savings targets. Cuts made to programming and services in light of reduced budgets include:

- The loss of BBC Three as a broadcast channel, and £30m cut from its content budget; and
- The loss of key entertainment programmes – The Voice: UK to ITV and The Great British Bake Off to Channel 4; and
- The loss of key sporting events – Formula 1 coverage from BBC One to Channel 4, sharing the Six Nations tournament with ITV.

One possible response to this challenge would involve the BBC simply doing less and less. But the public do not like cuts to BBC services. When we have proposed closing the radio stations 6 Music and Asian Network, or stopping putting recipes online, the public reaction has been strong and against such proposals.

\textsuperscript{70} BBC, BBC Annual Report and Accounts, 2018, p.76
\textsuperscript{71} Ipsos MORI for the BBC, 1,032 UK adults 18+, July 2017, BBC Presenters, Actors, Reporters Survey
\textsuperscript{72} Ofcom, Media Nations: UK, 2018, p.41
So while we believe the BBC’s public mission remains very important, we believe the sustainability of what we do is already at risk with the resources we have, even before we do all the things we want to do to adapt with our audiences.
5. Initial analysis of options

To help the BBC think about its decision and inform this consultation, we asked Frontier Economics to produce and publish a report based on their own expertise and consideration of the issues. We wanted them to look at, in particular, the implications of copying the existing concession after it ends in 2020, and the key features of a case for reforming the concession, and also whether there were any particular options for reform that Frontier Economics recommends that the BBC should be thinking further about.

Frontier Economics published a discussion paper on 17 October 2018,73 and their full report with detailed analysis on 1 November 2018.74 The full report includes a one-page assessment of options progressed to detailed review.75

We have also conducted and produced an Equality Impact Assessment, which we are publishing with this consultation document. The impact assessment is intended to ensure that we ask the right questions and that we appropriately take into account equality issues as part of this consultation.76

5.1. How we are thinking about possible options beyond 2020

We have used three criteria to help us in our initial thinking about possible options. We address those criteria here.

**Fairness to all licence fee payers**
This involves thinking about what each option would mean for older age groups and for all licence fee payers.

There has been, for a long time, a broad acceptance in the UK that it is society’s duty to provide for older generations.77 We recognise that some older households, particularly those with an individual aged over 80, contain people with very low

73 Frontier Economics, *Discussion Paper*, 2018
74 Frontier Economics, *Review of over-75s funding*, 2018
75 Frontier Economics, *Review of over-75s funding*, 2018, p.11 (also at p.66).
76 BBC, *Application of the public sector equality duty: BBC decision-making in relation to age-related concession for TV licences*, 2018, referred to in this consultation as *Equality Impact Assessment*
77 Intergenerational Commission, *A New Generational Contract*, 2018
incomes. We must consider the impact of potential options on those older audiences that might be eligible.

But we also must take into account that from 2020, when there is no UK Government funding for any concession, a concession means BBC programmes and services could be paid for by only some. BBC users in older age groups could get BBC programmes and services for free (or at a discount).

As Frontier Economics explain, 18 years on from the bringing in of the original concession, the picture on pensioner living standards and poverty is different. Far fewer people over 75 are poor. Similarly, there are many younger people who are poor who would not benefit from any age-related concession, but would still be paying a full licence fee for programmes and services potentially enjoyed for free by others.

As outlined in section 3.3, Frontier Economics explain in their report that a new concession would in effect be an indirect subsidy, in other words part of the licence fee of all those who are paying would effectively fund the programmes and services for others. Some licence holders would be paying for the programmes and services which all enjoy. As we see it, this is equivalent to part of the licence fee of paying households effectively funding the programmes and services for others.

We think it is right to weigh up and balance the likely impact of our decision on all licence fee payers.

Frontier’s work helps us to think about the benefits to older age groups from any concession, and the indirect subsidy from other licence fee payers, which would be the result of a new concession.

Financial impact on the BBC’s programmes and services
This involves thinking about the cost of any concession to the BBC and the possible impact this might have on BBC programmes and services.

---

78 Frontier Economics, *Review of over-75s funding*, 2018, p.19
80 Frontier Economics, *Review of over-75s funding*, 2018, p. 6-7
81 In identifying four categories of approach which the BBC could consider further, Frontier say this: “Each of these options would have different financial impacts on the BBC, compared with the cost of reinstating the current concession, and comes with its own set of trade-offs to consider” (Frontier Economics, *Review of over-75s funding*, 2018, p.5)
82 As Frontier have put it: “the cost of any ... concession will have to be considered against the BBC’s ability to provide high quality public service broadcasting content for all audiences” (Frontier Economics, *Discussion Paper*, 2018 p.4)
Any new age-related concession would mean the BBC would have less money to make programmes and services, than if there was no concession. The BBC does not have the power to raise the licence fee to cover those costs. And we think there are limits to what can done through further efficiencies (see section 4.4). Depending on the option chosen, this could involve the BBC making less costly programmes, or reducing programming and increasing repeats, or closing services.

We believe doing this would mean a worse BBC for everybody.

This would also make the BBC’s value for money significantly worse for those households who are continuing to pay the licence fee. They would be paying the same for a reduced service.

However, whatever the outcome of this consultation, we also recognise that the BBC can meet its financial challenges in a number of ways. Depending on what the Board decides to do, any new concession may or may not contribute to meeting these challenges. The BBC’s overall funding position will be considered at the next funding review in 2021/22.\(^3\)

**Feasibility of implementation**

This involves thinking about whether we could implement any new policy in an effective and efficient manner.

We want any new system to be clear and simple.

Frontier Economics have assessed the feasibility for each option in detail taking into account implementation issues, financial and compliance costs and how easily the issues could be overcome.

TV Licensing administers the current concession using data provided by the Department for Work and Pensions.

We have also thought about how we could determine and verify who is eligible for any new concession, whether any changes to the law are required for data sharing purposes, and how easily we could process and verify licence applications.

These three criteria (fairness, financial implications and feasibility) have helped us with our initial thinking on possible options for the future.

---

\(^3\) *Royal Charter for the continuance of the British Broadcasting Corporation*, 43. (2)
5.2. Copying the current concession beyond 2020

We recognise that one option is to copy the existing concession beyond 2020, and provide free TV licences to all households with someone aged over 75.\(^{84}\)

We know that there will be strong views about this option and we want to take those views into account in this process.

In particular, we understand the significance of BBC programmes and services as an important source of enjoyment and companionship for the elderly. The BBC is an important service for older people who consume many BBC programmes and services,\(^{85}\) and who rely on it for information, education and entertainment.

Fairness to all licence fee payers

When in 2000 the UK Government decided to fund free TV licences for the over 75s, this was to help reduce pensioner poverty,\(^{86}\) which was then significantly higher than for working-age people.

This picture has now changed.

As Frontier have explained, Government figures show that the income of households with someone over 75 today is much closer to the average household income than it was back in 2000.\(^{87}\) This is because average incomes for households with someone over 75 have grown quicker than those of households generally in the last 18 years. The average income of households headed by someone aged over 75 has increased from 56% to 80% of the average for working-age families.\(^{88}\)

As Frontier identify,\(^{89}\) there is considerable debate around the changing economic opportunities and circumstances among younger people, with a view that younger people have been hardest hit by recent economic events (such as the financial crisis and its aftermath) while older people have been relatively protected. Far fewer people over 75 are poor now than in 2000. And at the same time, there are many younger people who are poor who would not benefit from any age-related concession.

\(^{84}\) This option is considered in the accompanying *Equality Impact Assessment* as ‘Option 1’.

\(^{85}\) Frontier Economics, *Review of over-75s funding*, 2018, p.13-14; also p.34 at fn.30 and 31


\(^{89}\) Frontier Economics, *Discussion Paper*, 2018 p.8-18
As the Frontier Economics report explains, the rationale for the current concession is weaker today than it was when the policy was devised in 2000 for older households.\(^{90}\)

We recognise there is an argument in support of copying the current concession. It was introduced to help relieve pensioner poverty, which is still an issue for some older people. Access to television is important for older age groups.

But if we copied the current concession 82\% of TV households in the UK would be paying for BBC services that would then be provided free to the remaining households. \(^{91}\)

One consideration is that younger age groups who use the BBC much less would be contributing to older age groups, who use the BBC much more.\(^{92}\)

If we copied the current concession, both young and old could lose out:

- Given how much copying the current concession would cost, it would not be possible to avoid cutting current programmes and services in a way that would severely affect older audiences, reducing the value the BBC provides to them. This is because of their very high use of the BBC across a large number of services.

- The funding taken from programmes and services to provide any concession for older age groups could prevent the development of new programmes for other groups. It could be argued that each paying household would be missing out on programmes and services worth £34 from their licence fee.\(^{93}\)

- If we copied the concession, older audiences would lose programmes and services and the great majority of licence fee payers would get less from the BBC.

In addition, as this is a rising cost as the proportion of over 75 households grows and because of inflation, this situation would get worse over time.

---

\(^{90}\) Frontier Economics, *Review of over-75s funding*, 2018, p.17

\(^{91}\) BBC calculations based on Frontier Economics analysis by dividing the cost of the current concession by the number of forecast non-concessionary households in 2021/22.

\(^{92}\) Frontier Economics, *Review of over-75s funding*, 2018, p.14

\(^{93}\) Figures based on BBC and Frontier forecasts: taking 21.7m paying households and 4.64m households with free TV licences in 2021/22.
Financial impact on the BBC’s programmes and services

The cost, including the rising cost, of copying the current concession would have a major impact on the BBC’s programmes and services. Frontier project 94 that the number of households receiving a free TV licence would rise from 4.6 million in 2021/22 to around 5.7 million by 2030, as the population gets older. 95

If in 2021/22 the BBC copied the current concession and replaced the UK Government’s funding for free TV licences for all those aged over 75, that would cost an estimated £745 million. That cost would rise every year after 2021/22, reaching an estimated £1 billion a year by 2029/30.

To put this in the context of how the BBC spends its money, this £745 million is a significant part of its budget (around 18%). 96 It is:

- Around the amount of money the BBC spends today on all of BBC Two, BBC Three, BBC Four, the BBC News Channel, and the BBC’s children’s channels CBBC and CBeebies; 97 or
- More than the amount the BBC spends today on all its radio services: Radio 1, Radio 2, Radio 3, Radio 4, Radio 5live, BBC Local Radio, digital radio stations like 6 Music and 4 Extra, and radio stations in the Nations like Radio Scotland, Radio Wales and Radio Ulster; 98 or
- Around the amount of money the BBC spends today on all its TV sport, drama, entertainment and comedy programmes. 99

This level of financial cost therefore would have clear implications for the services we can offer.

The funding needed by the BBC to inform, educate and entertain all audiences is already rising which means that it cannot afford for around a fifth of its budget not to be spent on programmes and services if it is to maintain anything close to its current output.

94 Frontier Economics, Review of over-75s funding, 2018, p.85
95 Note that these forecasts exclude residential care licences (ARC licences), as these would continue as today. See Frontier Economics, Review of over-75s funding, 2018, p.85
96 Frontier Economics, Discussion Paper, 2018 p.19; Frontier Economics, Review of over-75s funding, 2018, p.7 (£745 million representing 18% of current (2017/18) total BBC service spending, more than the £656 million the BBC spent in 2017/18 on all radio services and the £481 million spent on BBC Two in 2017/18)
97 BBC, BBC Annual Report and Accounts, 2018, p.194
98 Ibid
99 BBC, BBC Annual Report and Accounts, 2018, p.146 and BBC financial analysis
We would not be able to find enough money from efficiency, from steps that the Government took, and from commercial income to compensate, as we explained when describing how we see the BBC’s position in section 4 above.

Therefore, even after making what efficiency savings we could, the BBC would have to close current services and reduce output substantially. Whichever services were closed, this would be a big reduction in the BBC’s output. It would make the BBC much poorer value for money, as it would be providing fewer services for the same amount of money per paying household.

**Feasibility of implementation**

Copying the current concession would be easy to implement, as TV Licensing currently operates the scheme on behalf of the UK Government, using data from the Department for Work and Pensions.

**Overall**

Frontier’s view, based on assessment criteria (financial impact, distributional impact, feasibility and economic rationale), is that there is a case for reform of the current over-75s concession.\(^\text{100}\) Our initial thinking is that the BBC cannot afford to copy the existing concession, with its high and rising cost. The level of the burden is too significant, and the financial challenges too great. The reduction in the BBC’s budget would fundamentally change the BBC. The level of cuts to services would not be consistent with sustaining the BBC’s mission and purposes for all audiences and it would reduce our ability to reinvent the BBC for younger audiences. We want to know what you think.

**5.3. Providing no concession beyond 2020**

We recognise that one option is to **restore** a universal licence fee, and not have any age-targeted concession.\(^\text{101}\)

We know that there will be strong views about this option and we want to take those views into account in this process.

**Fairness to all licence fee payers**

All 4.6 million over-75 households would be required to pay the full licence fee.

\(^\text{100}\) Frontier Economics, *Review of over-75s funding*, 2018, p.22

\(^\text{101}\) This option is discussed in the accompanying *Equality Impact Assessment* as ‘Option 2’. 
Providing no age-related concession could be said to restore the universality and fairness of the licence fee: that it is right in principle that everybody who can receive BBC TV services should pay for them. Different age groups would all pay for the BBC and share the cost of delivering it equally. This is the way the system of funding the BBC worked for decades until 2000.\textsuperscript{102}

Frontier Economics’ analysis shows that not all old people are poor, and that many younger people are poor too.\textsuperscript{103} Younger people who are poor too would still have to pay if a concession is made for the old. The BBC does not have the power to make concessions across all age groups,\textsuperscript{104} only for those 65 and over.

Although this option restores the universal nature of the licence fee, we recognise that it would remove the concession from every household over 75, including the poorest pensioner households. The concession was introduced to help relieve pensioner poverty, which is still an issue for some older people.

We also recognise the significance of BBC programmes and services as an important source of enjoyment and companionship for the elderly. We are an important service for older people who consume lots of BBC programmes and services.

**Financial impact on the BBC's programmes and services**

As set out in Frontier Economics' report, there would be some cost to the BBC of this option.\textsuperscript{105} Frontier explain these residual costs: that if the TV licence was not free, some households might not choose to pay for one; and that there are also administrative costs associated with collecting the licence fee from newly eligible households.\textsuperscript{106}

Frontier set out that the effect of this is that there are estimated residual costs to the BBC of around £72m\textsuperscript{107} in the first year, but going down after that. Frontier therefore

\textsuperscript{102} See footnote 29

\textsuperscript{103} Frontier Economics, *Review of over-75s funding*, 2018, p.17-19

\textsuperscript{104} Frontier made a similar point regarding needs-testing and disability: “If elderly disabled individuals were entitled to a concessionary television licence it is unclear why younger disabled individuals would be excluded and the BBC does not have the power to set a concession for under 65s” (Frontier Economics, *Review of over-75s funding*, 2018, p.33)

\textsuperscript{105} It is to be noted that Frontier’s forecast exclude the “very small” number of over 75s entitled to accommodation-related discounted licences which would continue as today (Frontier Economics, *Review of over-75s funding*, 2018, p.85)

\textsuperscript{106} Frontier Economics, *Review of over-75s funding*, 2018, p.39 (“The residual costs fall into the following categories: initial start-up costs of communicating the change and systems changes; costs of contacting over-75s each year to seek payment; costs of handling enquiries; and potential compliance issues as well as certain individuals choosing to no longer watch live television because of the cost”).

\textsuperscript{107} Frontier Economics, *Review of over-75s funding*, 2018, p.40 Figure 18
estimates the net income to the BBC of this option would therefore be £673m in 2021/22, and this figure would increase over time.\textsuperscript{108}

To put these estimated residual costs in the context of how the BBC spends its money, this £72 million would be equivalent to about 2% of the BBC’s estimated budget in 2021/22, or:

- Around the amount of money the BBC spends today on the BBC News Channel and BBC Parliament;\textsuperscript{109} or

- Around the amount of money the BBC spends today on Radio 2 and 6 Music.\textsuperscript{110}

Over the longer term the average residual costs would be around 1.5% of the BBC’s estimated spend. We anticipate that in practice we could absorb this level of cost in the longer run through efficiency savings across all divisions, as described earlier in section 4.4. That would mean achieving our annual 1.5% efficiency savings target, and allocating those savings to cover these residual costs. We think that is achievable.

We therefore think that, in spite of the residual costs of restoring the universal licence fee, the overall result of taking this option would be no significant cuts to BBC programmes and services.

**Feasibility of implementation**
Frontier Economics set out\textsuperscript{111} that implementation would, in principle, be relatively straightforward.

**Overall**
This policy would return to the principle that existed up to 2000 that everybody who receives BBC TV services should pay for them, and while there would be a residual cost, the overall result of taking this option would be no significant cuts to BBC services.

However, we recognise this option would remove the concession from every household over 75, including the poorest pensioner households. If it meant that they did not buy a TV licence, those households could lose out on the constant companionship that television brings to older age groups. Our initial thinking is that we can see arguments both for and against this option. We want to know your views.

\textsuperscript{108} Frontier Economics, *Review of over-75s funding*, 2018, p.40
\textsuperscript{109} BBC, *BBC Annual Report and Accounts*, 2018, p.194
\textsuperscript{110} BBC, *BBC Annual Report and Accounts*, 2018, p.194
\textsuperscript{111} Frontier Economics, *Review of over-75s funding*, 2018, p.41
6. A newly designed concession

We recognise that a further option is reform, to have a newly designed concession.

We know that there will be strong views about this and we want to take those views into account in this process.

Our current thinking is that there is a case for reforming the concession. We want to look at options we could take, involving a new and differently designed concession. These options could provide focused support to some of the older age group in a way which strikes a fairer balance between different age groups in terms of covering the costs of free TV licences, and delivering the best BBC services for everyone.

Frontier Economics have helped our thinking about options.

We have identified three particular options\textsuperscript{112} which our initial thinking indicates could be appropriate and affordable ways to design a new policy which would reform the post-2000 concession:

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

- **Raising the age threshold for the concession** – We could raise the age threshold from 75;

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

It is important to note that these options are not necessarily mutually exclusive. As Frontier explained, it is possible that the BBC’s decision could combine them in some way.\textsuperscript{113}

\textsuperscript{112} These, together with providing no concession beyond 2020 (restoring a universal licence fee) (see section 5.3 above) correspond to the four broad approaches on which Frontier conducted a detailed analysis, on two of which we have focused on one of Frontier’s two variants: see Frontier Economics, *Review of over-75s funding*, 2018, p.10

\textsuperscript{113} Frontier Economics, *Review of over-75s funding*, 2018, p.23 (“Any reform package could involve combinations of changes – for example, changing the age threshold and simultaneously introducing a means-test”)
When the Board reaches its decision it proposes to take into account the three criteria of fairness, financial impact and feasibility outlined in the previous chapter and any other relevant factors.

The data for each option (below) comes from forecasts made by Frontier Economics based on a series of underlying assumptions for the projected number of households, the rate of price rises in the economy and the proportion of households with a person aged over 75. The key numbers in these calculations are outlined in Frontier's report.\textsuperscript{114}

We explore the three options for reform below. We want to know what you think.

6.1. Option 1: Discounting the cost of a licence fee

Under this option,\textsuperscript{115} as explored by the Frontier Economics report,\textsuperscript{116} households over 75 would receive a 50% discount on their licence fee. The BBC could set the discount, in theory, at any level but we think this is a reasonable level to model and copies the 50% discount already provided for blind or severely sight-impaired viewers.

Under this scenario we estimate, based on Frontier’s calculations:\textsuperscript{117}

- All 4.64 million over-75 households would pay for a TV licence at half the price of everyone else;
- The cost of the concession would be around £415 million\textsuperscript{118} a year;
- This would be equivalent to a tenth of the BBC’s budget, or close to the cost of, for instance, BBC Two; or around the cost of Radio 1, Radio 2, Radio 3, Radio 4, Radio 5 live, Radio Scotland, Radio Wales, Radio Cymru and Radio Ulster;
- Implementation would require a small update to broaden the law which allows the Department for Work and Pensions to share data with us (as they do now). Operational set-up and administration would be straightforward for a 50% discount as it is the same level of concession applied to those who are blind or severely sight-impaired.

\textsuperscript{\textit{\begin{quote}
114 Frontier Economics, \textit{Review of over-75s funding}, 2018, Annex C
115 This option is considered in the accompanying \textit{Equality Impact Assessment} as ‘Option 3’.
116 Frontier Economics, \textit{Review of over-75s funding}, 2018, p.43-45
117 Frontier Economics, \textit{Review of over-75s funding}, 2018, p.43-45
118 Frontier Economics, \textit{Review of over-75s funding}, 2018, p.44 Figure 21
\end{quote}}}}
This option would go some way to restoring universality – every household pays something and every household receives value.

6.2. Option 2: Raising the age threshold

Since the Government introduced the concession in 2000, average life expectancy has increased and there have been a number of changes to wider state benefits for the elderly as a result.

The option of raising the age threshold allows for the BBC to set a different age threshold. Frontier Economics consider two options: a variant using age 77 and a variant using 80.\textsuperscript{119} Our current thinking, looking at what Frontier has said about financial impact,\textsuperscript{120} is that 80 would be a better age threshold than 77.

We have looked at providing free licences for all households with someone aged over 80.\textsuperscript{121} Under this scenario we estimate, based on Frontier’s calculations:\textsuperscript{122}

- 2.77 million over-80 households would receive a free TV licence;
- 1.87 million households where the oldest member is between 75 and 79 would no longer receive a free licence and would pay the full amount;
- The cost of the concession would be around £481 million\textsuperscript{123} a year;
- This would be equivalent to a little over a tenth of the BBC’s budget, or close to the equivalent cost of, for instance, BBC Two and BBC Four; or around the cost of Radio 1, Radio 2, Radio 3, Radio 4, Radio 5 live, and all of BBC local radio in England;
- Implementation would be straightforward and would not require any legislative changes.

Setting the age threshold at 80 seems a reasonable option, given that, as Frontier explain,\textsuperscript{124} some other welfare benefits start at 80, such as higher winter fuel

\textsuperscript{119} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.11, 46-48
\textsuperscript{120} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.47 and p.49
\textsuperscript{121} This option is considered in the accompanying \textit{Equality Impact Assessment} as ‘Option 4’.
\textsuperscript{122} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.48-51
\textsuperscript{123} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.49 Figure 28
\textsuperscript{124} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.49
payments. The older the threshold is set, the more the concession would target those most likely to live alone and use the BBC the most.\(^{125}\)

Those currently receiving a free licence aged 75 to 79 would lose a benefit they are currently getting, although they would get it back when they reached 80.

### 6.3. Option 3: Means-testing the concession for older people

We could provide free licences to those pensioners with greater financial need. In practice, this could be done by linking free licences to one of the UK Government’s measures of pensioner income, for example Pension Credit.\(^{126}\)

Frontier also considered the option of needs-testing but did not consider it appropriate to progress to detailed review.\(^{127}\) Our current thinking, looking at what Frontier has said,\(^{128}\) is that means-testing would be a better option than needs-testing.

Following the analysis in Frontier Economics’ report,\(^ {129}\) the BBC could use the Government’s framework. Eligibility for a free TV licence would be for those who receive ‘Pension Credit’ from the UK Government. Pension Credit is a means-tested benefit that ensures older households receive a minimum level of income per week. It is already used by parts of Government to enable people to claim additional benefits such as the warm home discount and some housing allowances.

Frontier Economics explain that any means-testing option allows for the BBC to set a different age threshold.\(^{130}\) Their report looks at two different age thresholds: the State Pension Age and 75 explaining the different impacts and our current thinking is based on exploring the one with the lower financial impact.

Under this scenario, qualification for a free TV licence would be for any household where someone is aged 75 or above and in receipt of Pension Credit.

Under this scenario we estimate, based on Frontier’s calculations:\(^{131}\)

- 900,000 households would receive a free TV licence;

---

\(^{125}\) Frontier Economics, *Review of over-75s funding*, 2018, p.21  
\(^{126}\) This option is considered in the accompanying *Equality Impact Assessment* as ‘Option 5’.  
\(^{127}\) Frontier Economics, *Review of over-75s funding*, 2018, p.32-34, 38  
\(^{128}\) See Frontier Economics, *Review of over-75s funding*, 2018, p.38  
\(^{129}\) Frontier Economics, *Review of over-75s funding*, 2018, p.53-60  
\(^{130}\) Frontier Economics, *Review of over-75s funding*, 2018, p.11, 60-65  
\(^{131}\) Frontier Economics, *Review of over-75s funding*, 2018, p.52-64
• 3.75 million over-75 households who do not receive Pension Credit would no longer receive a free licence and would pay the full amount;

• The cost of the concession would be around £209 million\textsuperscript{132} a year;

• This would be equivalent to around 5% of the BBC’s budget, or roughly equivalent to the cost of, for instance, BBC Four, CBBC and the BBC News Channel; or around the cost of Radio 1, Radio 2, Radio 3, and Radio 5 live;

• Implementation of this option would be more complex and expensive than other options, but still feasible.

As Frontier explain,\textsuperscript{133} there are some complications in assessing the likely impact of this option. It is not clear exactly how many people eligible for Pension Credit take it up, and how this might be affected by the possible link to a free TV licence. This means we treat any analysis of its impact with caution.

However, this option should mean a concession most targeted at those with the lowest incomes. It would also significantly reduce the, in effect, ‘indirect subsidy’ of older groups by licence fee payers.\textsuperscript{134}

Frontier Economics explain\textsuperscript{135} that this option could be the most expensive and complex to implement. We could use a self-verification model where applicants would need to prove their Pension Credit receipt and age.

Alternatively, there is a more efficient and cheaper approach which would require the UK Government to make a change to the law. This could allow us to link to the database at the Department for Work and Pensions, which would give us direct access to confirm whether a person is in receipt of Pension Credit.

### 6.4. Other options and combinations

These are not the only options that are available. Additionally, the three options for redesigning the concession could be combined in many different ways, or implemented differently.

We could, for example, look at linking a different age threshold with a discount option, so that all households over 80 receive a 50% discount. Or we could apply different

\textsuperscript{132} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.56 Figure 32

\textsuperscript{133} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.55

\textsuperscript{134} See section 3.3 earlier

\textsuperscript{135} Frontier Economics, \textit{Review of over-75s funding}, 2018, p.59-60
schemes for different ages – for example support poorer pensioners by means-testing over 75s, and then providing a discount for all other pensioners starting at 80. The disadvantage of combinations is that they might make any newly designed scheme more complex, both for licence fee payers and for administering the scheme. The potential advantage is that a combination might balance relevant factors more appropriately and fairly.

6.5. Options that do not appear to be appropriate or affordable

In our initial thinking we have identified some options which, for particular reasons, do not seem appropriate or affordable. These are set out below, along with our current thinking about them.

**Free TV licences for those aged 65 and over**

We have considered the impact of providing free licences for all households with someone aged 65 and over instead of 75. Frontier considered this option and did not consider it appropriate to progress to detailed review.\(^{136}\) This would more than double the cost of the concession and we think there is an even stronger argument against it than copying the current concession.\(^{137}\)

**Household composition**

The concession is currently available to households where any member is aged over 75, irrespective of the ages of anyone else in the household.

We have looked at changing this so that only households where all household members are 75 or over would qualify – this concession would still cover around 3.4 million households and so would cost around £550 million a year.

Implementation of this option is very complicated. Our current data only needs to record the licence holder rather than the make-up of each household. Basing eligibility on knowing the details of everyone who lived in a household would require us to collect an extensive amount of data, which would have to be regularly checked and would be open to fraud and error.

Frontier considered this option and did not consider it appropriate to progress to detailed review.\(^{138}\) Because of the costs and complexities of implementation, our

---

\(^{136}\) Frontier Economics, *Review of over-75s funding*, 2018, p.8, 22
\(^{137}\) Frontier Economics, *Review of over-75s funding*, 2018, p.22
\(^{138}\) Frontier Economics, *Review of over-75s funding*, 2018, p.29-32, 38
current thinking is that this is not a viable option either by itself, or combined with another option such as an age threshold.

**Voluntary payments**
We have thought about the possibility of seeking voluntary contributions from over 75s, either as standalone donations (of any value), or so that over-75 households could opt into paying the licence fee. Frontier considered this option and did not consider it appropriate to progress to detailed review.¹³⁹

Our current thinking is that this is not a viable option. As Frontier’s report explains,¹⁴⁰ we would not be able to estimate with any precision the likely numbers of over 75s who would choose to opt-in or donate and so could have no certainty in terms of financial impact and fairness. We therefore do not think this is a sustainable way to offset the cost of the concession for other licence fee payers and the potential impact on BBC services.

**Preserved rights**
We have thought about whether any of the reform options could be applied only to new claimants of any concession. This would mean any existing over 75s claiming the free licence would continue to receive free licences (and so have ‘preserved rights’) while new schemes were put in place for different age groups.

We understand the attractions of this option, as it would mean that all 4.6 million households who currently receive the concession would continue to do so.

However, our current thinking is that this is not an affordable or appropriate option, for many of the same reasons as we have set out for simply copying the current, post-2000 concession.

Frontier considered this option and did not consider it appropriate to progress to detailed review.¹⁴¹

It would create inequalities between otherwise very similar households, as Frontier Economics explain in their report.¹⁴² For instance, say there were two people living on the same street – one aged 75 and one aged 74 at the time any new policy was introduced. The 75 year old would receive a free TV licence for the rest of their life, whereas the 74 year old would pay a full fee forever, or until they qualified for any new concession. We do not think creating such a policy ‘cliff-edge’ is reasonable or fair.

¹⁴⁰ Frontier Economics, *Review of over-75s funding*, 2018, p.35
¹⁴¹ Frontier Economics, *Review of over-75s funding*, 2018, p.36-38
¹⁴² Frontier Economics, *Review of over-75s funding*, 2018, p.37
The financial impact on the BBC would also be significant. To give one example of this, in one scenario there could be no age-related concession beyond 2020 granted to new households reaching the age of 75, but free TV licences could be retained for those currently 75 or over. The cost of this option in 2021/22 would still be more than 90% of the cost of the current concession. It would take many years for the policy to be implemented in full.

6.6. Transition Period

We want to take any decision in good time before June 2020. That means we can take into account that some groups could be impacted by what we decide and so that we have given people time to prepare for any change.

We think any decision about adopting a newly designed concession after June 2020 ought to address whether such a new concession should involve a transition period for those currently benefiting from the existing concession.

We have identified these as relevant factors:

- What would be a reasonable period for people to understand and adapt to any new concession and to prepare for any change in the cost of their TV licence;
- The financial implications of TV licence fees not collected;
- How quickly we can implement any option.

We already operate a number of schemes to make paying the licence fee more manageable for some households, including payment in instalments and more flexible payment plans for those at risk.

Our current aim is to make a decision by June 2019. This would be around one full year ahead of the earliest date at which any new policy can be active.

At that point, we will develop a detailed operational plan and begin to implement any necessary changes.

143 Digital Economy Act 2017: June 2020 is the earliest date from which any new concession can apply
7. The process for this decision

This decision is the responsibility of the BBC’s Board, and the Board wants to hear your views.

We want to consult widely and are publicising this consultation on the BBC. The consultation itself is open for 12 weeks from 20 November 2018 to 12 February 2019.

Please read this consultation document before answering our questions, which we set out in this document for your information. It provides the context for the decision, references and links to relevant materials, and our initial thinking. This includes the reports by Frontier Economics.

We would really welcome your co-operation in using the online questionnaire (in English and Welsh) wherever possible at bbc.co.uk/yoursay to respond to this consultation. This is because we want to be able, as effectively as possible, to conduct analysis of the potentially large number of individual responses as part of this consultation, and using the online questionnaire will support this.

If that is not possible, please ring 0800 232 1382 to request paper copies of this document and questionnaire with a freepost envelope to take part. Paper copies are also available in different formats, including in Braille, Welsh, and in an audio version.

If it is not possible to respond using our questionnaire, you can write to us at Freepost, BBC Consultation.

We will accept responses in any reasonable formats. The public responses to this consultation will be analysed by Traverse, an organisation that specialises in consultation analysis. The BBC Board will publish a summary of responses which may include anonymised quotes from individuals. The responses you provide will only be used for decision-making related to the subject of this consultation.

As part of our programme of listening to views, comments and suggestions we will also conduct:

- Large-scale nationally representative research with the UK public;
- Engagement with organisations and those we see as stakeholders (including interested organisations, academics and industry representatives) who can also write to us at Stakeholder.Responses@bbc.co.uk;
- Round-table events with relevant stakeholders.
Once people have had their say, the Board expects to make a decision. Our current aim is to make a decision by June 2019.

We are determined to find the best and fairest solution for audiences of all ages and for the country as a whole.

7.1. A reminder of our key points

Why we are asking for your views
We are consulting the public to establish what the BBC should do when the UK Government funding of licence fees for over-75 households comes to an end.

Today, all households with someone aged over 75 are entitled to receive free TV licences. The cost of this scheme has been funded by the UK Government since it was introduced in 2000.

In 2020 the current scheme is set to come to an end, along with the Government funding for it. Any new scheme from June 2020 to provide concessions relating to TV licences for older age groups is for the BBC to consult on, decide and then pay for.

This decision is now the responsibility of the BBC’s Board. This questionnaire gives you the opportunity to give your views.

How this decision affects the BBC and licence fee payers – the BBC’s initial thinking
In this section we set out the BBC’s initial thinking.

We recognise that there are likely to be strong views about all options.

Any age-related concession would mean the BBC would have less money, which would mean fewer programmes and services, in effect making the BBC worse overall for everybody.

One option is for the BBC to copy the existing scheme. If the BBC replaced the government’s funding for free TV licences for all those aged over 75, the cost would be £745 million a year, and would continue to rise quickly. The BBC does not have the power to raise the licence fee to cover those costs.

144 The BBC Board will take a decision that affects the UK. We envisage exploring separately the potential implications for the Crown Dependencies.
£745m would be the equivalent of around a fifth of the BBC’s budget today. This is around the same amount of money that the BBC currently spends on all of BBC Two, BBC Three, BBC Four, the BBC News Channel, and the BBC children’s channels CBBC and CBeebies.

While the BBC will continue to increase efficiency, there are no circumstances where efficiency can meet this cost. A major reduction in the BBC’s services would be unavoidable.

We think this reduction in the BBC’s budget would fundamentally change the BBC. We think this level of cuts to services would not be consistent with sustaining the BBC’s mission and purposes for all audiences and it would reduce our ability to reinvent the BBC for younger audiences. Our initial thinking is that we cannot afford to copy the existing concession, with its high and rising cost.

Another option would be to restore a universal licence fee, and not have any age-targeted concession. Our initial thinking is that we can see arguments both for and against this option. It would return to the principle that existed up to 2000 that every household who receives BBC TV services should pay for them. While there would be a cost of around £72m in 2021/22 (and less in the years after that), the efficiency savings the BBC expects it can make mean the overall result of taking this option would be no significant cuts to BBC services. But we recognise this option would remove the concession from all older households. The concession was introduced to help relieve pensioner poverty, which is still an issue for some older people. We also recognise the significance of BBC programmes and services as an important source of enjoyment and companionship for the elderly.

There is a case for reforming the concession, so that a concession for older age groups would still apply, but in a different way from at present. This approach could provide focused support to some in the older age group, and also allow the BBC to continue to deliver popular services that would otherwise have to close.

We have identified three particular ways we think we could reform the concession:

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

2. **Raising the age threshold for the concession** – We could raise the age threshold from 75;

3. **Means-testing the concession for older people** – We could provide the concession only to those in greater financial need, for instance by linking free licences to one of the UK Government’s measures of pensioner income, for example Pension Credit.
7.2. Our questions

These questions are set out for your information only. To complete our questionnaire please go to the web link www.bbc.co.uk/yoursay

Question 1. Your views about three overall options

To start with, please read through the three options below: copying, restoring and reforming.

Then please rank them 1, 2, 3 where 1 is your favourite and 3 is your least favourite by writing the numbers 1, 2, 3 in the boxes.

If you wish, you can just identify your favourite as number 1. You will be able to say more about your preference/preferences later on.

☐ The BBC should be copying the current concession

*Copying the current concession means that all households with someone over 75 would get a free TV licence. But to allow for the cost of this, we believe the BBC would have to make a large number of cuts to current programmes and services.*

☐ The BBC should be restoring a universal licence fee

*Restoring a universal licence fee means that there would be no free TV licences for any older age groups. Households with someone over 75 would have to pay the licence fee like other households. Although there is still a cost to the BBC, we believe the overall result would be no significant cuts to BBC services as a result of this option.*

☐ The BBC should be reforming the concession in some way

*Reforming the concession means that there would still be some kind of licence fee concession for older age groups but it would be different from how it is now. For example, this could involve providing some kind of discount on the cost of the licence to older households, or changing the starting age for free TV licences, or focusing on those older households in greater financial need. We believe each of these options would mean fewer cuts to the BBC’s programmes and services, compared with copying the current concession of free licences for all households with someone over 75.*

___________________

☐ Don’t know / prefer not to answer.
Copying the existing concession (free TV licences for all over 75s) and restoring the universal licence fee (no free TV licences for older people) have both operated at different times and we know how they work. But reforming the concession (doing something different) would be new and would need to be designed.

If we were reforming the concession ...

Question 2a: Your views about three particular reform options

In the consultation document we discuss three possible ways to reform the licence fee concession for older households:

- We could **discount** the cost of the licence fee for older households. This would mean older households would pay something, but not the full amount. In the consultation document we set out a scenario where households with someone over 75 would pay half the cost of a TV licence.

- We could **change the age** at which households receive a free TV licence to any age above 65. In the consultation document we set out a scenario where all households with someone aged over 80 would receive a free TV licence.

- We could **means-test** a licence fee concession for older people. In the consultation document we set out a scenario of providing free TV licences only to households with someone over 75 in greater financial need, by linking free licences to one of the Government’s measures of pensioner income: Pension Credit.

Whatever your answer to question 1, we would still like to have your view on reforming the concession.

Please rank these specific options for reforming the concession as 1, 2, 3 where 1 is your favourite and 3 is your least favourite by writing the numbers 1, 2, 3 in the boxes.

If you wish, you can just identify your favourite as number 1. You will be able to say more about your preference or preferences later on.

- [ ] **Discounting**, where households with someone aged 75 and over pay half the cost of a TV licence.
- [ ] **Raising the age**, where households of those aged 80 and over get a free TV licence.
- [ ] **Means-testing**, where households of those aged 75 and over in greater financial need, linked to Pension Credit, receive a free TV licence.
Question 2b. Your views about discounting: what discount?

The BBC has the power to set a discount at any level for older households.

The smaller the amount that older households pay for their TV licence, the more cuts the BBC would have to make to cover the cost of this.

We described a discounting option where households of those aged 75 and over pay 50% of the licence fee (that is, older households pay 50%).

In that option what percentage would you put (that is, older households should pay what % of the licence fee)?

(choose any percentage between 1% and 99%)

☐ Please write the percentage in this box

☐ I’m not in favour of this reform

☐ Don't know / prefer not to answer.

Question 2c. Your views about changing the age: what age?

The BBC has the power to set the age at which households begin to receive a free TV licence at any age from 65 and above.

The lower the age, the more people would receive a free TV licence but the more cuts the BBC would have to make to cover the cost of this.

We described a changing the age option where households of those aged 80 and over get a free TV licence.

In that option what age would you choose?

(choose any age from 65 and above)

☐ Please write the age in this box.
I'm not in favour of this reform
Don't know / prefer not to answer.

Question 2d. Your view on combinations

Thank you for giving your views on ways to reform the concession. In the consultation document we explain that different ways of reforming the concession could be combined.

If we were reforming the concession, which of these features would you favour in combination? You may tick as many or as few as you wish.

- Discounting so that households with older people pay a percentage of the licence fee.
- Changing the age threshold from 75, to some other age.
- Means-testing to focus only on older people in greater financial need.
- None of these.
- Don't know / prefer not to answer.

Question 2e. Your preferred combination

Please tell us what your preferred combination would be, if any. (Max 500 words)

Question 3. Any other comments

Finally, here is an opportunity for you to comment generally. You may have something else to say about your overall preferences (Question 1 and 2), or you may have another idea for how to reform the concession. Or you may want to respond to the consultation document or the Equality Impact Assessment, or anything else you think is relevant.

Is there anything else you would like to say? (Unlimited)