



House of Commons

Digital, Culture, Media and
Sport Committee

BBC Annual Report and Accounts 2018–19: TV licences for over 75s

Government and the BBC's Responses to the Committee's Sixteenth Report of Session 2017–19

**First Special Report of Session
2019–21**

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The Digital, Culture, Media and Sport Committee

The Digital, Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Digital, Culture, Media and Sport and its associated public bodies.

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Publication

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Committee staff

The current staff of the Committee are Keely Bishop (Committee Assistant), Andy Boyd (Senior Committee Assistant), Chloe Challender (Clerk), Conor Durham (Committee Specialist), Lois Jeary (Committee Specialist), Charlotte Swift (Second Clerk), Anne Peacock (Senior Media and Communications Officer) and Gina Degtyareva (Media and Communications Officer).

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First Special Report

The Digital, Culture, Media and Sport Committee published its Sixteenth Report of Session 2017–19, [BBC Annual Report and Accounts 2018–19: TV licences for over 75s](#) on 11 October 2019. The Government's response was received on 12 February 2020 and is appended to this report.

Appendix One: Government Response

Introduction

1. Government welcomes the publication of the Committee's report into the BBC's 2018–19 Annual Report and TV licences for over 75s. In this response, the Government will outline its position on each recommendation.
2. In the context of several recommendations, it is important to note that the BBC is operationally and editorially independent from the Government. Ensuring that the BBC complies with its duties under the Royal Charter is a matter for the BBC Board in the first instance. Ofcom, as the BBC regulator, is also responsible for ensuring that the BBC is robustly held to account as the nation's broadcaster.

TV Licences for Over 75s

3. The Government recognises the importance of television to people of all ages, particularly for older people who value television as a source of entertainment, companionship and a way to stay connected with the world. The Government remains disappointed with the BBC's decision to restrict the over 75 TV licence fee concession to only those aged over 75 and in receipt of Pension Credit. The Government believes that TV licences for over 75s should be funded by the BBC. The Government's response to these recommendations are set out below.

Recommendation 1: In response to this report, the Government and the BBC should set out the steps that they are taking to ensure that the licence fee negotiations in 2021 are conducted in a wholly different way, with a sensible timescale, parliamentary oversight and involvement of licence fee payers.

4. In the 2016 White Paper, '*A BBC for the Future: a broadcaster of distinction*', the Government recognised the importance of greater transparency in the licence fee-setting process, and that scrutiny of the BBC's finances should be carried out in an open and accountable way.¹
5. In line with the requirements in the Charter, the Government will consult with the BBC, and others as appropriate. The Government will set out more detail on the process to be followed shortly.

1 [A BBC for the Future: a broadcaster of distinction](#), 2016

Recommendation 2: Whatever assumptions were made in 2015 about the funding of free licence fees for all of the over 75s, this is clearly not a sustainable proposition for the BBC alone. *The Government should set out proposals for how it can support this measure in the future, alongside the commitment that has been made by the BBC.*

6. Section 89 of the Digital Economy Act 2017 provides that the BBC is responsible for the future of the over 75s TV licence fee concession. This reform was subject to public discussion and debated extensively during the passage of the Digital Economy Act through Parliament.

7. The BBC announced in June 2019 that only people who are aged 75 and above and in receipt of Pension Credit will continue to receive a free television licence from June 2020. The Government has made clear that it is disappointed with the BBC's decision to restrict the over 75 licence fee concession to only those in receipt of pension credit. The Government recognises the value of free TV licences for over 75s and believes they should be funded by the BBC.

Recommendation 3: *The BBC should set out, in a single consumer-facing publication, how the scheme (the implementation of licence fee collection for eligible over-75 year olds) will work, what support is available, and what the implications of non-payment or evasion will be, before the end of December 2019.*

8. The Government agrees that the BBC should set out clear information about how the over 75s concession will operate. It corresponds with the Government's request to the BBC to do more in supporting those affected by the decision, as it is important that those affected have information that will help them in understanding the steps they can take.

Recommendation 4: *It is not the BBC's role to become involved in take-up of Pension Credit. The broadcaster must ensure that its implementation plans do not result in more licence fee income being diverted to activities that are rightly the responsibility of the Department for Work and Pensions. In response to this report the Government should set out what impact an increase in take-up of Pension Credit would have on the wider social security budget, and the BBC should provide a detailed breakdown of the estimated £38 million transition costs of the first year of the new scheme.*

9. Pension Credit is an important protection for the retirement incomes of some of our most vulnerable people. The Government remains clear that it wants everyone eligible to claim those benefits to which they are entitled. DWP staff in Pension Centres and Jobcentres, including visiting officers, are committed to engaging with people who may be eligible to benefits to provide help and advice about entitlement, as are staff in Local Authorities who administer Housing Benefit. It is too early for an assessment of the potential impact on additional Pension Credit claims to be made.

BBC Pay

Recommendation 5: We are pleased to note that the BBC has acted on our recommendation to include a gender split in pay ranges so that people can see how men and women are being paid at the level they are working within. *We expect the BBC*

to include an update on the impact of this change in its next annual report, and to take further, timely action on fair pay in the wake of damage to its reputation as a result of the findings in our 2018 inquiry.

Recommendation 6: It is welcome that the BBC is now taking long overdue action on the issue of Personal Service Companies and has accepted that they bear responsibility. *We expect the broadcaster to ensure that the earmarked funds are used to support those presenters who told us they were facing “life-changing” liabilities as a priority, rather than higher paid presenters who are likely to be more able to manage uncertainty in future income.*

Recommendation 7: *In response to this report the BBC should set out the governance and leadership lessons that it has learnt from “historical problems” and the changes that it has made to its management as a result.*

10. The Government welcomes the report’s findings and expects the pay issues highlighted to be resolved as quickly as possible. The BBC Board is ultimately responsible for the appropriate use of licence fee revenue, and we expect the BBC to ensure efficiency, pay restraint and value for money.

11. Transparency is vital, which is why the Government set out new obligations in the Charter for the BBC to disclose the salaries of all BBC staff paid over £150,000 from the licence fee. Also, in the Equality Act 2016, the Government introduced mandatory annual disclosures of the gender pay gap in listed public bodies with over 250 employees.

12. The Government agrees that it is important the BBC is taking action on this issue of Personal Service Companies. The specific amounts that the BBC sets for paying its staff and talent is a matter for them, as the BBC is operationally and editorially independent from the Government. The Government encourages the BBC to continue addressing this matter appropriately.

13. The Government is aware that the BBC has provided evidence to demonstrate that it has made significant changes to address issues around equal pay, including reacting to the DCMS Select Committee’s previous recommendation to include gender split in pay ranges. As a public service broadcaster funded by the licence fee, the Government encourages the BBC to be leading the way in promoting equality in the workplace.

Appendix Two: BBC Response

1. In paragraph 19 and paragraph 20 the Committee raised the issue of the process by which the licence fee is set. The Committee specifically asked that “the Government and the BBC should set out the steps that they are taking to ensure that the licence fee negotiations in 2021 are conducted in a wholly different way, with a sensible timescale, parliamentary oversight and involvement of licence fee payers. Transparency is key to upholding the high standards that the public expect from the BBC, and to ensure that the BBC does not become an easy source of funds for the Government to draw upon to cover shortfalls in other areas of public expenditure.”

We agree that the process in 2015 was flawed and it is never a process the BBC would have chosen. While in terms of the agreement itself, we are satisfied that it was properly discussed within the BBC and properly authorised, we agree with the Committee that there must be a different way of doing things in the future and share the Committee’s view on the importance of transparency. We would welcome a more transparent process that involves both Licence Fee payers and Parliament.

2. In paragraph 47, the Committee asked the BBC to “...set out, in a single consumer-facing publication, how the scheme will work, what support is available, and what the implications of non-payment or evasion will be, before the end of December 2019.”

The BBC’s TV Licensing Unit is working on implementation—already we have been in touch with more than 200 organisations to ensure as simple a process as possible. We have also written to more than four million households claiming over 75 licences. We have on-going hotline support and will be sending more communications out in early 2020. We will also be holding public information sessions starting in April 2020, TVL will host more than 100 community outreach events around the UK. We will of course be happy to update the Committee on progress.

3. In paragraph 49 the Committee note that it is not the role of the BBC to become involved in Pension Credit take-up and should ensure that “implementation plans do not result in more licence fee income being diverted to activities that are rightly the responsibility of the Department of Work and Pensions”. The Committee has asked the BBC to provide a detailed breakdown of the estimated £38 million transition costs of the first year of the new scheme.

In line with the BBC’s Charter obligations, a breakdown of our costs will be published in the BBC Annual Report and Accounts 2019–2020 on which we will be accountable to this Committee.

4. In paragraph 54 the Committee notes the BBC has included a gender split in pay ranges so that people can see how men and women are being paid at the level they are working within and calls on the BBC to provide an update in the next annual report and take any further action on fair pay required.

The BBC is committed to fair pay and is pleased that the Committee has recognised our commitment to greater transparency through our industry leading Career Path

Framework and our simplified pay and grading structure meaning, where there are sufficient comparators to prevent unintentional identification, staff are able to see where everyone else is positioned, including a gender breakdown.

Our gender pay gap is down from 7.6% to 6.7% and across the BBC, pay differences between women and men are 3% or less at every single band. This isn't the end of the journey - there is clearly more to do, but we have made significant progress.

Amongst the BBC's highest earners we have seen rapid progress but recognise that there is still work to do. When we first published figures for talent paid over £150,000 in 2016/17, there was a 75:25 split between men and women on the list. The projection for 2019/20 is now 55:45. Last year there were no women in the top ten, this year there are three.

Our updated figures will be included in the BBC Annual Report and Accounts 2019–2020.

5. In paragraph 63 the Committee welcomes the BBC's action on PSCs and has said earmarked funds should be used to support presenters in the most financial need.

We have made provision in our accounts to support presenters in dealing with these historic tax issues and established a clear set of principles on which to do so. We are aware of the concern that many of our presenters have as a result of the tax demands from HMRC and will work closely with presenters to help them resolve the issues in relation to tax arising on BBC engagements.

6. In paragraph 64 the Committee quoted Tony Hall's evidence where he said that the BBC is resolving an "historical problem" in relation to PSCs and recommends the BBC should set out governance and leadership protocols now in place to deal with any arising pay issues.

BBC policy on tax has always been set using guidance available from HMRC. As the committee is aware, HMRC guidance on employment status in relation to the media industry has long been unclear and has changed over time.

We believe that this lack of clarity, caused by numerous changes to the guidance, is the biggest contributor to the situation which the BBC is seeking to resolve.

Resolution of this matter is sponsored by Glyn Isherwood, Chief Finance Officer, and Bob Shennan, the BBC's Managing Director. Glyn and Bob regularly update the Director-General, who in turn regularly updates the BBC Board. The Board has been formally updated 5 times since its inception in April 2017.