Correspondence with BBC relating to TV Licensing Evasion Target Reassessment

In February 2017, the NAO recommended that ‘the BBC should update its analysis of the minimum level of licence fee evasion that is possible to identify a current, realistic and achievable ambition’. The PAC also recommended that ‘the BBC should re-assess what is an appropriate evasion target’. The BBC has now completed its work to review its evasion target.

The BBC commissioned Ernst & Young (E&Y) to carry out analysis to identify the evasion floor. E&Y undertook analysis to identify the theoretical evasion floor, namely the lowest feasible rate of evasion in the event that resources are unlimited; and the economical evasion floor, i.e. the lowest rate that can be achieved taking into account the costs of licence fee collection (the rate of evasion below which the marginal costs of licence fee collection exceed the marginal return on collection activity). E&Y used a combination of TV Licensing transactional and profiling data, ONS data and their own proprietary data sources to identify a number of variables that were positively or negatively correlated with evasion.

The BBC has developed a plan which identifies a number of initiatives likely to have a positive impact on the evasion rate. Based on this plan, the Board has set a target to reduce evasion by 1ppt by 2021, or 14% of total evasion. This level of reduction is equivalent to 280k additional licences and would generate £41m p.a. in licence fee revenue. This would reduce evasion to under 6% which is comparable to the HMRC tax gap.

A key part of the plan will be making it easier for customers to pay the licence fee. In April 2018, working closely with DCMS, the BBC launched a trial of a new payment scheme, known as the Simple Payment Plan, which makes initial instalment payment amounts smaller and provides significantly increased flexibility for customers who need to catch up with missed payments.

Other elements of the plan include improvements to targeting of businesses, review of the approach to customers who declare to TV Licensing that they do not need a licence, and ongoing improvements to targeting of field visits and other customer communications.