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Committee of Public Accounts

BBC licence fee

Fifty-ninth Report of Session 2016–17

*Report, together with formal minutes relating
to the report*

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The Committee of Public Accounts

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Committee reports are published on the [Committee’s website](#) and in print by Order of the House.

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Committee staff

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Summary

The BBC has increased licence fee revenue every year since 2010–11, to £3.74 billion in 2015–16, and has reduced collection costs by 25% in real terms between 2010–11 and 2015–16. However, with the evasion rate currently standing at between 6.2% and 7.2%, evasion has not reduced to the levels targeted by the BBC and its main contractor Capita. Every percentage point of evasion costs the BBC over £40 million a year in lost revenue. Furthermore, Capita's performance on enforcement visits has been poor. Some three million enforcement visits were carried out in 2015–16, but 18% fewer evaders were caught than in 2010–11, when only 2.7 million visits took place. Capita is unclear about the reasons for this and about its plans to improve the situation. We are also concerned by recent reports of improper conduct by some Capita staff. Altogether, the BBC and Capita have much to do to improve evasion and enforcement performance. Over many years, the BBC has also intended to replace the legacy ICT systems it uses to support the collection of the licence fee, but it has been unable to do so, having recently abandoned its latest programme to upgrade the system. There is no sign of these problems being resolved, and it is not clear when and how the BBC and Capita will replace their legacy ICT. We urge the BBC, in conjunction with Capita, to establish fresh plans to make ICT systems fit for the future as soon as possible.

Introduction

Everyone in the UK who watches or records television programmes as they are broadcast, as well as anyone watching or downloading BBC content on iPlayer, must be covered by a valid TV licence. In June 2016, there were just over 26 million licensed premises, and the TV licence fee represented £3.74 billion (78%) of the BBC's overall £4.83 billion income in 2015–16. The Secretary of State for Culture, Media and Sport sets the level of the TV licence fee, as well as any concessions and the payment plans through which the licence fee can be paid. In 2010, the government froze the annual cost of a colour TV licence at £145.50. The licence fee remained at this level until April 2017, when it rose to £147. The BBC is responsible for issuing TV licences and collecting the licence fee. It holds contracts with a range providers who support the collection of the licence fee, the largest of which are with Capita and Proximity. The BBC paid Capita £59 million in 2015–16.

Conclusions and recommendations

1. **The BBC has collected more TV licence fee revenue every year since 2010–11 while continuing to reduce collection costs, but licence fee evasion is not decreasing as planned with the BBC losing out on at least £250 million a year.** The current TV licence fee evasion rate across the UK is between 6.2% and 7.2%, and it is higher in Scotland (10%) and Northern Ireland (9%). Given the national evasion rate is well above ambitious targets set by Capita and agreed by the BBC, this aspect of TV Licensing's activities requires urgent attention. We recognise that the estimated evasion rate increased in 2015–16 due to an error by the Broadcasters Audience Research Board (BARB) in its calculation of the number of households that use a TV. However, every one percentage point reduction in the national evasion rate would give the BBC around £40.5 million of extra revenue, with the total current cost of evasion estimated to be between £251 million and £291 million. The BBC and Capita do not have a current realistic target for licence fee evasion.

Recommendation: *The BBC should re-assess what is an appropriate evasion target, reporting back to us about this by October 2017, and about how it intends to reduce licence fee evasion.*

2. **Capita's approach to enforcement has resulted in fewer evaders being caught.** Around a third of visits by Capita have successful outcomes. For example, in March 2016, 36.5% of visits resulted in successful outcomes, including a payment being made, an evader being caught, or establishing that a property does not need a licence. Capita carried out three million visits in 2015–16 but it only caught 298,000 evaders, 18% fewer than in 2010–11 when it carried out just 2.7 million visits. The BBC and Capita are unclear about the exact reasons for this poor performance. The timing of visits may be an issue since 53% take place on weekdays between 8am and 4pm, potentially explaining why officers find so many addresses unattended. Capita has struggled to meet its staffing target of 380 visiting officers, in part due to the number of physical assaults (78 in 2015–16) that officers are experiencing. We are also concerned about the conduct of Capita staff, following recent press reports. This has led to two staff being suspended and an ongoing investigation. The BBC expects Capita to write to the BBC Director-General with the findings in the coming weeks.

Recommendation: *Having recently extended its contract with Capita, the BBC urgently needs to ensure that the company improves its performance on enforcement visits, sorting out its recruitment and retention problems, and examining more routinely the appropriateness of officers' conduct.*

3. **The current collection and enforcement approach has led to more women than men being caught and prosecuted for TV licence fee evasion.** It is concerning that in 2015 70% (133,000) of 189,000 prosecutions for TV licence evasion were against women, up from 64% (70,000) of 110,000 prosecutions in 2002. Following a recommendation in the independent TV Licence Fee Enforcement Review, which was commissioned by the Department for Culture, Media & Sport (DCMS) and published in July 2015, DCMS and the BBC are currently reviewing the gender disparity of TV licence prosecutions. It is unclear when the review will be complete but Capita and the BBC need to be in a position to change their approach rapidly once they understand the reasons for the problem.

Recommendation: *The BBC should act on the review it is carrying out jointly with DCMS into gender disparity in TV licence enforcement, and update the Committee within three months of that review concluding with full details, including a timetable for the changes it plans to make.*

4. **There is no clear justification for charging licence fee payers more to pay by quarterly direct debit.** Quarterly direct debit payments for the licence fee attract a £5 annual premium on top of the £147 cost of the licence. This has resulted in around £16 million of additional revenue for the BBC each year. Monthly direct debits do not attract an extra charge, although they require a higher payment in the first six months after they have been set up. Given the additional £5 charge, there may be unintended incentives for the BBC and Capita to direct people to the quarterly direct debit payment option. The BBC informs customers of the range of payment options available, including via the TV Licensing website and in information provided by Capita's field staff. However, people who signed up to the quarterly method some time ago may be unaware that they could avoid paying the premium by switching to a different payment method. The BBC is limited by prescriptive legislation on payment plans but is trialling more flexible plans.

Recommendation: *The Department for Culture, Media & Sport should review additional charges for quarterly direct debit payments. In the meantime, the BBC should more actively communicate the range of payment options to customers, particularly when trials of more flexible payment plans are complete.*

5. **The BBC plans to ask people aged 75 and over for voluntary donations; the voluntary nature of this request will require exceptionally careful communication.** People aged 75 and over are entitled to a free TV licence, but the BBC now plans to allow them to make voluntary donations. In the past, the BBC has sometimes had to improve the tone of its communications with licence fee payers. In 2009, for instance, the BBC Trust reported that TV Licensing's direct communications were not always clear, concise and polite; and it recommended improvements to customer reminder letters. Given the BBC's new plans, it will have to take extreme care that its communications with this age group are appropriate, in particular that they always stress that no payment needs to be made in order to watch television. The BBC has yet to decide when or how these voluntary payments will commence.

Recommendation: *If the BBC decides to press ahead with its plans to accept voluntary payments from those aged 75 and over, it should develop a careful communications approach, and pilot it thoroughly before full implementation.*

6. **The BBC has for many years known that its existing TV licence database needs to be replaced but, having abandoned its most recent upgrade, it still does not know what will replace it or when.** Collecting the licence fee depends on some legacy databases that hold information about households throughout the country. The BBC, in its contract with Capita, aimed to upgrade these legacy systems as part of a transition programme. The BBC paid Capita £22.9 million for elements of the transition programme that were delivered, including restructuring contact centres, updating the TV Licensing website and upgrading handheld units for field staff. However, improvements with a contract value of £27.9 million, mainly related to replacing legacy ICT systems, were not delivered by Capita and its subcontractor, and

were not paid for by the BBC. As a result, the BBC and Capita have to do resource-intensive, manual workarounds between ICT systems. Capita told us that it is bearing the additional costs of undelivered elements of the transition programme but the BBC has also had to allocate £9 million to Capita to support its ongoing use of legacy systems. It is unclear to us why ICT database improvements have proved so difficult over the last 15 years, particularly when competitors and other organisations can make similar changes. The BBC acknowledges that its current database is not fit for purpose for the future but does not yet have a clear plan to replace it.

Recommendation: *The BBC should urgently establish fresh plans to update its ICT systems and, as soon as possible, provide the Committee with a clear timetable, accompanied by estimates of the costs and benefits it expects from these improvements.*

1 TV licence fee evasion and enforcement

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the BBC, the BBC Trust and Capita.¹

2. Everyone in the UK who watches or records television programmes as they are broadcast must be covered by a valid TV licence, and, since September 2016, so must anyone watching or downloading BBC content on iPlayer. This includes residential households, businesses, hotels and student accommodation.² In June 2016, there were just over 26 million licensed premises, with the TV licence fee representing £3.74 billion (78%) of the BBC's overall £4.83 billion income in 2015–16. The Secretary of State for Culture, Media and Sport sets the level of the TV licence fee, as well as any concessions and the payment plans through which the licence fee can be paid. In 2010, the government froze the annual cost of a colour TV licence at £145.50. The licence fee remained at this level until April 2017, when it rose to £147 following the government's 2016 commitment, in *A BBC for the future: a broadcaster of distinction*, to increase the cost of the licence fee in line with inflation.^{3 4}

3. The BBC has responsibility for issuing TV licences and collecting the licence fee. It holds contracts with a range of providers who support the collection of the licence fee. The two largest by value are with Capita and Proximity. The BBC paid Capita £59 million in 2015–16, with Proximity's contract costs forming the majority of the £16 million that the BBC spent on TV licence communications and letter campaigns in the same year. Capita provides customer services, processes payments, collects arrears and enforces licence fee collection. Its current contract with the BBC began in July 2012 and, after a recent renegotiation, ends in 2022 with the option to extend by up to a further five years. Proximity provides marketing and printing services for the BBC under a contract that began in 2010 and that has been extended twice to 2018. Both contractors are supported by subcontractors who provide a range of services, including information and communication technology (ICT) services. Along with the BBC, all companies operate under the TV Licensing trademark.⁵

Licence fee evasion rate

4. We asked the BBC and Capita about their performance in reducing TV licence fee evasion and catching evaders. We heard that, despite the increase in TV licence revenue every year since 2010–11, the BBC is concerned by the lack of progress in reducing evasion.⁶

5. The BBC's estimated evasion rate (the percentage of premises that should have a TV licence but do not) was between 6.2% and 7.2% in 2015–16. It has not moved towards the level targeted by the BBC and Capita of 3.95% by 2020.⁷ TV licence fee evasion is

1 National Audit Office, *TV licence fee collection: Report by the Comptroller and Auditor General presented to the BBC Trust Value for Money Committee* (January 2017)

2 *C&AG's Report*, para 1

3 "TV Licence set to rise from £145.50 to £147", BBC press release, 1 March 2017

4 Department for Culture, Media & Sport, *A BBC for the future: a broadcaster of distinction*, Cm 9242, May 2016, pp 92–93

5 *C&AG's Report*, para 3

6 Qq1–2; *C&AG's Report*, para 7

7 Q1; *C&AG's Report*, paras 8, paras 2.5–2.13

also higher in certain areas of the UK. It is estimated to be 10% in Scotland and 9% in Northern Ireland. The BBC considers that a different regulatory environment and smaller fines explain the higher rate in Scotland, while in Northern Ireland there have been historical difficulties in accessing households, though this situation is improving.⁸ We are worried by the current level of licence fee evasion as every percentage point reduction in the national evasion rate would give the BBC around £40.5 million of extra revenue, which means that the total cost of evasion is estimated to be between £251 million and £291 million. The BBC and Capita do not have a current realistic target for licence fee evasion.⁹

6. We do recognise that the estimated evasion rate increased in 2015–16 primarily because of correcting an error by the Broadcasters Audience Research Board (BARB), which had previously underestimated the number of households that use a TV.¹⁰ The BARB error also meant that some recent BBC revenue collection targets and contractor payments were calculated using inaccurate data.¹¹ As a result, the BBC had to renegotiate its contract with Capita, including: revising the payment mechanism so that the BBC and Capita have greater certainty about costs; and preventing Capita from reducing the amount it spends on the contract without BBC approval. The BBC forecasts that the net revenue collected under the new terms will be at least equal to that under the previous arrangements.¹² Had the BBC not renegotiated the Capita contract and kept the the previous contract payment mechanism, the BBC estimates that it would have lost between £15 million and £20 million of income a year that would not have been pursued by Capita.¹³

Enforcement visits

7. Capita's performance in catching licence fee evaders has been poor, with fewer evaders being caught during enforcement visits.¹⁴ In 2015–16, Capita carried out three million enforcement visits but only caught 298,000 evaders, 18% fewer than in 2010–11 when it carried out just 2.7 million visits.¹⁵ The BBC and Capita are unclear about the exact reasons for this poor performance.¹⁶

8. Overall, only slightly more than a third of visits by Capita are categorised as successful. For example, in March 2016, 36.5% of visits resulted in successful outcomes, including a payment being made, an evader being caught, or establishing that a property does not need a licence.¹⁷ One of the potential reasons that visits are not more successful is the timing of them.¹⁸ Capita has provided us with data showing that 53% of enforcement officers' visits take place on weekdays between 08:00 and 15:59, when many people are absent at work or for other reasons.¹⁹ Another cause of Capita's poor performance is that it has struggled to meet its staffing target of 380 officers. At the end of March 2017,

8 Q110; [C&AG's Report](#), para 2.8
 9 Qq1–2, 158, [C&AG's Report](#), paras 8, 2.7
 10 Qq3–4; [C&AG's Report](#), para 6
 11 Q3; [C&AG's Report](#), para 13
 12 Qq3–7; [C&AG's Report](#), paras 6, 13
 13 Qq5–6
 14 Qq8–10; [C&AG's Report](#), para 10
 15 Qq77–81; [C&AG's Report](#), paras 10, 3.6
 16 Qq77–84, 87
 17 Q86; [C&AG's Report](#), para 3.5
 18 Qq82–84
 19 Capita (BBC 02)

Capita was employing only 324 enforcement officers.²⁰ One reason Capita has struggled with recruitment and retention is the difficult job that enforcement officers face, with 78 physical assaults against 73 individual officers in 2015–16. Seven of these assaults resulted in the officer requiring at least one day of sick leave.²¹

9. Following recent press reports that Capita is pursuing targets to catch evaders, including targeting vulnerable people, we also questioned the company about the conduct of its staff. The press reports led Capita to suspend two members of staff and, at the BBC Director-General's insistence, it has carried out an investigation.²² This investigation is still ongoing but Capita told us that indicative findings suggested these issues were not systemic or widespread.²³ We were also reassured to hear evidence that Capita's enforcement officers received commission on top of basic pay based on the number of sales made rather than the number of evaders caught.²⁴ However, Capita could do more to benchmark the performance of its enforcement officers against other organisations that carry out similar work.²⁵ Furthermore, while the BBC scrutinises Capita's performance and has various key performance indicators related to enforcement activity, there is more that it could do in this area.²⁶

Gender disparity in prosecutions

10. The current collection and enforcement approach has led to more women than men being caught and prosecuted for TV licence fee evasion. In 2015, 70% (133,000) of the 189,000 prosecutions for evasion were against women, up from 64% (70,000 of 110,000 prosecutions) in 2002.²⁷ Following on from findings and a recommendation in the 2015 TV Licence Fee Enforcement Review ('the Perry Review'), the Department for Culture, Media & Sport and the BBC are currently examining the gender disparity in TV licence fee prosecutions.²⁸ Their work is incomplete, but the BBC told us of some early findings: that there are 10% more female households; that women are more likely to be the named licence fee holder; and that they are more likely to answer the door to enforcement officers.²⁹ It is unclear when the review will be complete. At that point, the BBC and Capita will need to act quickly to address any systemic unfairness in their approach to enforcing the licence fee with men and women.³⁰

20 Q97; [C&AG's Report](#), para 3.7

21 Capita (BBC 02). Six of the seven assaults resulted in sick leave of between 1 and 10 days, with one assault resulting in 60 days sick leave.

22 Qq32–35; BBC, "[Letter from Tony Hall, BBC Director-General to Andy Parker, CEO of Capita](#)", BBC statement, 27 February 2017

23 Qq33–35

24 Qq50, 73; Capita (BBC 02)

25 Qq62–63

26 Q14; [C&AG's Report](#), para 4.9

27 Q14; Ministry of Justice, [Statistics on Women and the Criminal Justice System 2015](#) (24 November 2016). According to Ministry of Justice statistics, in a further 961 prosecutions the person's sex was recorded as unknown

28 Q14; Department for Culture, Media & Sport, [TV Licence Fee Enforcement Review](#) (July 2015)

29 Q14

30 Q14

2 Payment and communications

Additional charges for customers paying by quarterly direct debit

11. From 1 April 2017, the TV licence costs £147 per year and can be paid through various methods, including direct debit and cash instalment schemes made available via any PayPoint outlet.³¹ In recent years there has been an increase in customers paying by monthly, quarterly or annual direct debits, with 74% of customers paying through direct debits in 2015–16.³² Moving customers to these more efficient payment methods, as well as using more phone and email communications, has contributed towards a 25% real-terms reduction, between 2010–11 and 2015–16, in the cost of collecting the licence fee.³³

12. All payment schemes for the licence fee are outlined in regulations set by the government. Among them, only one scheme attracts an additional charge: customers who pay by quarterly direct debit must pay an additional £5 each year.³⁴ (Monthly direct debits do not attract this extra charge, but they require customers to pay a higher amount during the first six months after being set up.³⁵)

13. The BBC estimates that it receives around £16 million of extra income each year because of the additional charge for customers who pay by quarterly direct debit.³⁶ We are therefore concerned that there may be an unintended incentive for the BBC and Capita to direct people to the quarterly direct debit payment option. The BBC communicates different payment options to customers via the TV Licensing website and also through Capita's field officers during visits.³⁷ However, people who signed up to pay quarterly some time ago may not be aware that they could avoid paying the premium by switching to a different scheme. While the BBC is limited by prescriptive legislation in the payment plans it operates, it is currently trialling a number of more flexible plans.³⁸

Voluntary donations from individuals aged 75 and over

14. People aged 75 and over are entitled to a free TV licence. This is currently paid for by the government but, following a three-year transition, the cost will be borne by the BBC (an estimated £725 million by 2020–21).³⁹ Following proposals outlined in the government's 2016 white paper, *A BBC for the future: a broadcaster of distinction*, the BBC now plans to ask people aged 75 and over for voluntary donations.⁴⁰ The BBC has yet to decide when or how these voluntary payments will commence.⁴¹

31 [“TV Licence set to rise from £145.50 to £147”](#), BBC press release, 1 March 2017; Q 22; [C&AG's Report](#), para 3.2

32 Q21; [C&AG's Report](#), para 3.2

33 Q88; [C&AG's Report](#), para 7

34 Qq16–20; Qq25–30

35 Q18

36 Q25

37 Qq22, 74

38 Q24; [C&AG's Report](#), para 1.13

39 [C&AG's Report](#), para 1.13

40 Department for Culture, Media & Sport, *A BBC for the future: a broadcaster of distinction*, [Cm 9242](#), May 2016, pp 100–101; [C&AG's Report](#), para 1.13

41 Qq31–32

15. Previously, the BBC has had to improve the tone of some of its communications with licence fee payers. In 2009, for instance, the BBC Trust reported that TV Licensing's direct communications were not always clear, concise, polite and firm; and the Trust recommended improvements to customer reminder letters to ensure that they were easy to read, polite and non-accusatory.⁴² Furthermore, stemming from complaints that TV Licensing received, the BBC identified issues relating to the way Capita dealt with people aged 75 years and above. This led to a specific team being created to manage this age group.⁴³ Given the BBC's new plans to offer people aged 75 and over the option to make voluntary donations, it will need to manage TV Licensing's communications with this age group very carefully.⁴⁴

42 BBC Trust, [Review of TV Licence Fee Collection](#) (March 2009), p.10

43 Q109; [C&AG's Report](#), para 2.20

44 Q31

3 Legacy ICT systems

Upgrading legacy ICT systems

16. The BBC has had a long-standing ambition to improve its main TV licensing databases so that they are structured by individual customers rather than households.⁴⁵ However, this has not been achieved. We asked the BBC and Capita about their failure to deliver improvements to legacy ICT systems. Capita had partly subcontracted the delivery of these improvements to CSC Computer Sciences Limited (CSC).⁴⁶

17. Collecting the licence fee depends on some legacy databases that hold information about households throughout the UK. For many years the BBC has had aspirations to upgrade these legacy systems to collect the licence fee more efficiently.⁴⁷ The BBC, in its contract with Capita, aimed to upgrade ICT as part of a wider transition programme. The BBC paid Capita £22.9 million for some elements of the transition programme that were delivered, including restructuring contact centres, updating the TV Licensing website and upgrading handheld units for field staff. However, improvements with a contract value of £27.9 million, primarily related to replacing legacy ICT systems, were not delivered by Capita and its subcontractor (CSC), and were not paid for by the BBC.⁴⁸

18. As a result of the transition programme being only partly completed and subsequently stopped, the BBC and Capita currently have to do resource-intensive manual workarounds between inefficient ICT systems.⁴⁹ Capita informed us that it was bearing the additional costs associated with undelivered elements of the transition programme.⁵⁰ However, the BBC has had to allocate £9 million to Capita to support the ongoing use of legacy systems, costs which the BBC told us were compensated for elsewhere in the renegotiated contract.⁵¹ It is unclear to us why ICT database improvements have proved so difficult over the last 15 years, particularly when competitors and other organisations can make similar changes.⁵² The BBC acknowledges that its current database is not fit for purpose for the future but does not yet have a clear plan to replace it.⁵³

45 Q135; [C&AG's Report](#), para 4.12

46 Qq128–137; [C&AG's Report](#), Figure 2 and para 4.13

47 Qq134–135, 151–Q154; [C&AG's Report](#), para 4.12

48 Q49; [C&AG's Report](#), para 13

49 Q154; [C&AG's Report](#), para 4.14

50 Qq131–132

51 Qq149–150

52 Qq151–152

53 Q153

Formal Minutes

Monday 24 April 2017

Members present:

Meg Hillier, in the Chair

Mr Richard Bacon	Anne Marie Morris
Charlie Elphicke	Bridget Phillipson
Kwasi Kwarteng	Karin Smyth
Nigel Mills	

Draft Report (*BBC licence fee*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Fifty-ninth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[The Committee adjourned.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 27 March 2017

Question number

Anne Bulford, Deputy Director-General, BBC, **Pipa Doubtfire**, Head of Revenue Management, BBC Licence Fee Unit, **Vic Gysin**, Group Operations & Performance Director, Capita, and **Nicholas Prettejohn**, Trustee and Chair of the Value for Money Committee, BBC

[Q1-159](#)

List of Reports from the Committee during the current session

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Eleventh Report	Household energy efficiency measures	HC 125 (Cm 9351)
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Thirteenth Report	Quality of service to personal taxpayers and replacing the Aspire contract	HC 78 (Cm 9351)
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Fifteenth Report	BBC World Service	HC 298 (Cm 9389)
Sixteenth Report	Improving access to mental health services	HC 80 (Cm 9389)
Seventeenth Report	Transforming rehabilitation	HC 484 (Cm 9389)

Eighteenth Report	Better Regulation	HC 487 (Cm 9389)
Nineteenth Report	The Government Balance Sheet	HC 485 (Cm 9389)
Twentieth Report	Shared service centres	HC 297 (Cm 9389)
Twenty-first Report	Departments' oversight of arm's-length bodies	HC 488 (Cm 9389)
Twenty-second Report	Progress with the disposal of public land for new homes	HC 634 (Cm 9413)
Twenty-third Report	Universal Credit and fraud and error: progress review	HC 489 (Cm 9413)
Twenty-fourth Report	The sale of former Northern Rock assets	HC 632 (Cm 9413)
Twenty-fifth Report	UnitingCare Partnership contract	HC 633 (Cm 9413)
Twenty-sixth Report	Financial sustainability of local authorities	HC 708 (Cm 9429)
Twenty-seventh Report	Managing government spending and performance	HC 710 (Cm 9429)
Twenty-eighth Report	The apprenticeships programme	HC 709 (Cm 9413)
Twenty-ninth Report	HM Revenue & Customs performance in 2015–16	HC 712 (Cm 9429)
Thirtieth Report	St Helena Airport	HC 767 (Cm 9429)
Thirty-first Report	Child protection	HC 713 (Cm 9429)
Thirty-second Report	Devolution in England: governance, financial accountability and following the taxpayer pound	HC 866 (Cm 9429)
Thirty-third Report	Troubled families: progress review	HC 711 (Cm 9429)
Thirty-fourth Report	The Syrian Vulnerable Persons Resettlement programme	HC 768 (Cm 9429)
Thirty-fifth Report	Upgrading emergency service communications	HC 770 (Cm 9433)
Thirty-sixth Report	Collecting tax from high net worth individuals	HC 774 (Cm 9433)
Thirty-seventh Report	NHS treatment for overseas patients	HC 771 (Cm 9433)
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Public Accounts Committee

Oral evidence: [BBC Licence Fee](#), HC 1037

Monday 27 March 2017

Ordered by the House of Commons to be published on 27 March 2017.

[Watch the meeting](#)

Members present: Meg Hillier (Chair); Philip Boswell; Charlie Elphicke; Chris Evans; Caroline Flint; Kevin Foster; Meg Hillier; Kwasi Kwarteng; Nigel Mills; and Anne-Marie Morris.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Tim Phillips, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-159

Witnesses

[I](#): Anne Bulford, Deputy Director-General, BBC, Pipa Doubtfire, Head of Revenue Management, BBC Licence Fee Unit, Vic Gysin, Group Operations & Performance Director, Capita, and Nicholas Prettejohn, Trustee and Chair of the Value for Money Committee, BBC.

Examination of witnesses

Witnesses: Anne Bulford, Pipa Doubtfire, Vic Gysin, and Nicholas Prettejohn.

Chair: Good afternoon, everybody. Welcome to the Public Accounts Committee on Monday 27 March 2017. We are here today to discuss the collection of the BBC licence fee. I should stress that we are not here to discuss whether the licence fee is the right approach to fund the BBC; that is for other parts of Parliament to discuss. The BBC licence fee obviously touches every household in the country, as it is the main component of the BBC's funding. It is crucial that it is collected for that reason, but it must also be collected in a way that is effective and maintains public support for the BBC.

Since 2011, fewer evaders have been caught. We want to ask why and to push Capita, which has the contract now to collect the fee, on how that work is going—especially given some of the press coverage, Mr Gysin. The



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BBC also has some major work planned on upgrading its IT system, which links into the work being done to tackle people's changing viewing habits, including the so-called iPlayer loophole. We want to probe how that is going.

We are going to start off with fee evasion and enforcement activity, but before we do that, I want to welcome our witnesses: Nicholas Prettejohn, the chair of the value for money committee at the BBC Trust; Anne Bulford, the deputy director-general of the BBC and a previous witness at this Committee; Vic Gysin, the group operations and performance director at Capita Business Services Ltd, which has the contract for the collection of the licence fee; and Pipa Doubtfire, who heads up revenue management at the BBC Licence Fee Unit. Our hashtag today is #bbcllicence. I will hand straight over to Chris Evans to kick off.

Q1 Chris Evans: I begin by declaring an interest: my wife, Julia Ockenden, wrote a report for the Trust in 2009 on the licence fee. She left the BBC in December 2013.

I want to begin by addressing Anne Bulford and Nicholas Prettejohn. Are you concerned at the current level of TV licence fee evasion? Paragraph 8 of the Report says: "The BBC's estimated evasion rate—the percentage of premises that should have a TV licence but do not—is between 6.2% and 7.2%. It has not moved towards the level targeted by the BBC and Capita." Are you concerned by that?

Anne Bulford: Yes, I think we are concerned. The target that was set in 2011, of around 4%, was at a time when the BARB data used to calculate the level of evasion was running at a higher level. So when we set that target, we believed that the evasion rate running at that time was around 5%. The evasion rate running now—which, as you say, is explained in the Report—is estimated to be between 6% and 7%. There are a number of reasons for that. Certainly at least 1%, or maybe a bit more, is to do with the change in the basis of the calculation and makes no difference to the underlying number of evasions. Clearly it is a challenging operating environment. More evaders are familiar with how to avoid paying the licence fee. There are various campaigns online to help people with that. There is also some pressure on household income, and the way in which the sales visits and enforcement—

Q2 Chair: I don't think we are asking about the way that is done at the moment, but you are concerned about it.

Anne Bulford: Yes.

Chris Evans: I want to touch on those issues later on. There are some other things that I want to touch on. Obviously, the BARB figures were a major factor in the renegotiation of the contract.

Chair: Do you want to explain BARB, Mr Evans, for anyone who is watching and many not be aware?

Q3 Chris Evans: It is the organisation that calculates how many households have TV licences. Obviously, they underestimated that figure, which led



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to a renegotiation of the contract with Capita. Can you explain to the Committee how you discovered that BARB had underestimated the number of TV sets in this country and how you ended up negotiating the contract with Capita?

Anne Bulford: BARB is the industry standard arrangement for measuring TV viewing. It is based on households and surveys. As part of that, there is a survey of 50,000 households, which is used to estimate TV penetration—the number of households that have a set. That drives through, therefore, into how many licences are required. The BARB data, which is used by everybody, including commercial television companies for the purposes of advertising, was showing a very steep decline in TV penetration. We at the BBC questioned that decline and asked BARB to recheck their data. That happened, and then they revised their approach to households.

The impact of that was that the way in which the targets were set with Capita under the contract, as is explained in the NAO Report, had the unforeseen consequence of over-incentivising Capita to cut costs, rather than pursue income. We were concerned about that, and consequently we renegotiated the contract in a way that we believe represents value for money for the licence fee payer, in that we expect the net overall income coming through from the contract to be no worse, and probably higher, under the new arrangements.

Q4 **Chris Evans:** And if that mistake hadn't been found, do you have an estimate of how much it would have cost the licence fee payer?

Anne Bulford: Sorry?

Chris Evans: If you hadn't discovered that error in BARB's calculations, do you have an estimate of how much that would have cost the licence fee payer?

Anne Bulford: We are happy with the renegotiation of the contract. Capita is incentivised now to maximise income.

Q5 **Chris Evans:** But do you know how much that would have cost?

Anne Bulford: The risk is that they would not have pursued that income—it could have been £15 million to £20 million a year—versus altering the contract, so Capita are absolutely incentivised to continue to invest in the customer service contact centre and field force, and therefore to maximise return.

Q6 **Chair:** Okay. It could have cost £15 million to £20 million.

Anne Bulford: Yes.

Q7 **Chris Evans:** What is your confidence in BARB going forward, given that you, rather than BARB, discovered that mistake? Have there been any conversations with BARB at any level, given that this could have seriously cost the licence fee payer quite a chunk of money, which could have been used on other things?



Anne Bulford: BARB is a joint venture among broadcasters, of which the BBC is one. A great deal of work goes in through the BARB board and at operating level to keep the industry-wide statistics up to date and accurate. Of course there are lessons learned from this, but it has been picked up and dealt with.

- Q8 **Chris Evans:** What do you think the problem is, then? Why are fewer evaders being caught, despite an increasing number of visits by Capita? Is there some problem with the field team? Perhaps Mr Gysin can help out with that one. What is the problem there?

Anne Bulford: Overall, the licence fee collected has gone up through the period. The number of evaders caught from site visits has reduced, but the overall level of sales has increased as a result of the site visits. That number of evaders picked up through visits from enforcement has dropped, as highlighted in the Report, but at the same time sales have increased. We have been looking to get people to buy a licence higher up the chain through more letters, more email contact and other sorts of contact. The number of evaders caught on-site through visits has reduced relatively.

- Q9 **Chair:** Can I check, Ms Bulford, whether you term an evader someone who has to have a chaser letter? When do they become an evader?

Anne Bulford: That is very helpful—I am confusing being out of licence with evasion. The evasion rates that we were speaking about at the top of the meeting—the 6%—are for people who should have a licence and don't have one. We have seen that holding, rather than increasing, against a target to reduce it.

- Q10 **Chair:** So these are people who have had the reminders and haven't paid.

Anne Bulford: Yes, they haven't paid.

- Q11 **Chair:** How many reminders do they get?

Anne Bulford: That depends on how far through it goes. Pipa, do you want to just talk through the way in which the different letters come?

Pipa Doubtfire: We operate a series of letters. If somebody has not renewed their licence, we would start with a reminder and we would have follow-up reminders. In fact, until we are able to get a response, we will keep sending letters on a regular basis, because it is a very cost-effective way of us encouraging compliance. Somebody would expect to have at least three letters before they are made available to the field team for visiting. And just to build on what Anne was saying about encouraging compliance at a much earlier stage, one of the things that we have been working very—

- Q12 **Chair:** Sorry, but we really need to know this. It's really just three letters. They get three letters, then they are listed for a visit. That would be the typical—

Pipa Doubtfire: That would be typical. There are lots of different contact cycles that we operate, depending on the circumstances of a household. I



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would also add that even though they are available for a visit, we would not stop writing to them, so we would be continually reminding them.

Chair: Mr Evans wants to come in on some of the types of people you are targeting.

Q13 **Chris Evans:** Do you have any idea of what social groups are being targeted by visits and eventual prosecutions? I did ask the National Audit Office for information about socioeconomic groups, but Ms Bulford, you touched on this earlier; you said that people are becoming far more sophisticated when it comes to evading the TV licence fee, through, I imagine, Twitter campaigns, Facebook and so on. What I am really concerned about when we are talking about visits from Capita is: are we talking about the lower-end socioeconomic groups? Do we have any information like that?

Anne Bulford: The visits are targeted on households that are not in licence and therefore are visited to encourage people to buy a licence. The report that David Perry undertook for the Government in the run-up to the charter looked specifically at whether there was any evidence of discriminatory enforcement policies, in terms of either visits or prosecution, and found no evidence of that at all. The way in which visits are programmed is a function of whether people are in licence.

Q14 **Chris Evans:** But the Perry report says that more women are being convicted of TV licence offences than men. Why is that?

Anne Bulford: Again, David Perry's report identified no evidence of any discriminatory enforcement policies, but it was nevertheless the case that there was a disproportion, relative to the population as a whole, of women going through enforcement procedures. One of his recommendations was that we undertook further research on that to understand why that was. That work is being undertaken with the DCMS; it is not complete, but a number of early findings are coming through from it. One is that there is a mismatch between households: broadly, 10% more households are female, so you would get that. Secondly, there is evidence that more women tend to be the licence fee holder and more women are there and answering the door.

Q15 **Chris Evans:** But will you have any information about socioeconomic groups? I don't want to speak anecdotally, but the people who are most at risk are people who are renting, who are just moving in and then getting hit by letters for somebody else, who hasn't paid for a TV licence. Is any information coming forward that you are disproportionately targeting people at the lower end of the socioeconomic groupings—the D and E class rather than the C1 and 2s?

Anne Bulford: There is no evidence of disproportionate targeting. I go back to the fact that the visit programme, the prosecution programme, is to do with people who need licences and don't have one. The scenario that you describe, where people are in rented accommodation—who owns the licence and how long have they been there?—is more complicated. Those are the sorts of issues that are picked up through field visits and



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addressed. We work, in the Licence Fee Unit, with a large number of community bodies and voluntary bodies to pick up these sorts of issues and try to support people through them.

- Q16 **Chris Evans:** What I am concerned about when I am talking about vulnerable customers is the payments. I want to look at the Report—page 29, figure 10. As you can see, there has been a huge push on direct debit. Obviously, I understand that since the Post Office lost the contract, you can pay for your TV licence in that way only in the Channel Islands, but the figure for PayPoint is still not very high. What I notice about direct debit and what is concerning me is: why are you charging people who want to pay quarterly up front an extra £5 on their TV licence? Why are you doing that?

Pipa Doubtfire: All the payment schemes are set out in the regulations, so we can only offer the payment schemes set out in regulations. The quarterly direct debit scheme attracts a premium of £1.25 a quarter. Our monthly direct debit scheme, which obviously allows you to spread the cost more, and also our cash schemes, which allow for weekly, fortnightly or monthly payments, don't attract any premium at all.

- Q17 **Chair:** So one method of payment attracts a £5 a quarter additional cost—

Pipa Doubtfire: No, £1.25 a quarter.

Chair: Sorry, £1.25 a quarter, £5 a year in total. Fine. As Mr Evans says, that affects certain people without the right sort of bank account, who will probably pay more, effectively, or if they are unable to pay up front—

Pipa Doubtfire: That's a direct debit method, and there are other direct debit methods that don't attract any premium.

- Q18 **Chair:** Which leads us to ask: why? Why one method and not the other? We just don't understand that.

Pipa Doubtfire: It is because of the way that the payment scheme is structured. The quarterly payment scheme is like a pay-as-you-go structure. So you pay for your licence one quarter at a time and you effectively get a licence one quarter of a time, whereas the other payment schemes are structured whereby you're saving towards your next licence while your current licence is—

Chair: So, one is paying in advance—

Pipa Doubtfire: With one, you're paying six months in advance and six months after the start of your licence.

- Q19 **Chris Evans:** But who gets the £5?

Pipa Doubtfire: The BBC gets the £5.

- Q20 **Chris Evans:** So that's an extra £5 you get off potentially vulnerable customers, then?



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Pipa Doubtfire: We would encourage vulnerable customers to use a different scheme, if they were worried about that payment. Vulnerable customers would typically use our cash schemes, particularly if they have a bank account that doesn't have access to direct debit—

Q21 **Chris Evans:** But have you not for 30 years been driving to push people on to direct debit? That's borne out by the report—73.5% are on direct debit, compared with the previous year—

Pipa Doubtfire: Yes, and direct debit has been our most popular scheme, and the vast majority of those customers are on the monthly direct debit scheme, not the quarterly direct debit scheme.

Q22 **Chris Evans:** There are two questions I want to ask, so I will come to the second one now. As the Chair said, if someone is on a basic bank account, where you cannot have direct debits, overdrafts, payment cards, and they are the most vulnerable customers because they only have the basic bank account—money in, money out—how are you helping those people if you are pushing for direct debit? I know with PayPoint there is a 4.3% payment, as well.

Anne Bulford: For people who don't have access to the direct debit facility, our cash instalment schemes allow payments in weekly, fortnightly and monthly amounts. Those are available to be made at any PayPoint outlet, or through the TV licensing website. There are 28,000 PayPoint outlets around the UK, and in the Isle of Man and in the Channel Islands it can still be done in the post office. Those schemes are widely adopted and we encourage people to take them up.

In addition, one of the recommendations from the Perry review, which you may remember, was that we work with the Department for Culture, Media and Sport to look at legislation to enable a simple payment plan, which would enable people finding it most difficult to move on to a scheme whereby you don't have to pay so much in advance, so that the initial entry into the scheme is smoother. That requires that change in legislation to enable it.

Q23 **Chris Evans:** The other bugbear I've got with the TV licence is that if you pay yearly or monthly, you have to pay six months up front.

Anne Bulford: That's right.

Q24 **Chris Evans:** Again, that seems to be not a flexible way of paying for a TV licence. This is a lot of money if you're paying six months up front—

Anne Bulford: The payment in advance is a concern, and that is why we're very keen to have the change in legislation so that we can introduce the simple payment plan, which would give a smoother entry for people finding it most difficult to pay.

Q25 **Chris Evans:** Ms Doubtfire, how much extra are you making out of the licence fee if people are paying by direct debit? Do you have any idea of that? And what is that money being used for? Is it just going straight into the BBC pot, or is it being directed towards citizens advice bureaux, or—



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Chair: So how much is it hypothecated, or does it go into the pot?

Pipa Doubtfire: It goes straight into the consolidated fund, as do all other payments collected, and it's about £16 million per annum.

Chair: £16 million per annum?

Pipa Doubtfire: That is the total value of the £5 premium.

Q26 **Chair:** Wow. And have you done an analysis of which households—the demographics—are paying that?

Pipa Doubtfire: It's very popular with students who don't want to buy a full year's licence, for example. That's probably the category of licence payers who use that method the most frequently.

Q27 **Chair:** Right, so students particularly. Do you have any percentage of those who are likely to be students who are paying that way?

Pipa Doubtfire: I don't have that with me, no.

Anne Bulford: Just to reiterate, what the quarterly scheme does is enable people to buy a quarterly licence, which is a different product from buying the full-year licence in instalments.

Q28 **Caroline Flint:** I can't quite see why, if you are paying quarterly and presumably paying up front for the next quarter, you are asked to pay an additional admin fee compared with those paying six monthly or yearly. To be honest, the idea that after three months of watching the BBC someone is going say, "I don't want it any more"—

Anne Bulford: Well, people's circumstances change. What this does is give people an opportunity to buy licences quarter by quarter. Our objective is to encourage people to come into licence. For people finding it most difficult, the cash payment schemes that are available weekly, fortnightly and monthly are there and available to people.

Q29 **Chris Evans:** But what has happened with the £16 million? Has anything been given towards helping vulnerable people by funding the citizens advice bureaux, or are there any special schemes for the most vulnerable who are struggling to pay their TV licence, so that they avoid court appearances?

Anne Bulford: We have a number of schemes to help people to come into licence.

Q30 **Chris Evans:** That £16 million could be funding directly for them—perhaps I am being facetious.

Anne Bulford: The money that is coming through as the additional fee on the quarterly scheme goes into the general pot. As I have tried to explain, for people who are finding it difficult to pay the licence fee we have a number of schemes that help, including the cash payment schemes that are widely available. We also work with large numbers of organisations—



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something like 450 different charities and community organisations—to support people who are more vulnerable.

- Q31 Chris Evans:** Before I move on from collection, I have one final question. There is obviously going to be a voluntary payment towards it by the over-75s. How are you communicating that to the over-75s so that they are not confused and believing that they have to pay it anyway? That is going to be a real problem.

Anne Bulford: We are very aware of the issues around asking elderly and vulnerable people in particular for money. While there are many people in a position to, and wanting to, make a donation to the BBC, we have to be extremely careful about how we position the voluntary scheme, and be absolutely clear with people that it is not at all a request for a sum of money. We are still thinking about how we are going to do that, but it is highly unlikely that we would operate direct mailing techniques or anything like that. It will be a much more general—

- Q32 Chair:** What if somebody is already paying by direct debit or an automated payment and they hit 75? Under the new scheme, will they get something? Will it stop automatically, and will they be asked to recontribute if they want to make a voluntary contribution?

Anne Bulford: The way in which the over-75 scheme works at the moment is that people are asked to apply for their over-75 licence. That process will absolutely continue as it does at the moment. At the moment our thinking is that the way in which we publicise and make clear that there is an opportunity to make donations will be separate from that process so that it does not confuse. It is very, very important that there is no confusion as to what people might like to do versus what people are required to do.

Chris Evans: I want to move on to Capita's performance in the field. Mr Gysin, you must be very embarrassed by the *Daily Mail* investigation. Do you have anything to say about that before I go into it?

Vic Gysin: Sorry, I didn't quite hear the end of your question.

Chris Evans: The *Daily Mail* investigation talked about the conduct of Capita field staff. Were you embarrassed by that? Would you like to make any comment on it?

Vic Gysin: Yes, of course. The first thing I will say is that we were shocked and extremely disappointed by what we saw in the *Daily Mail* article. I have seen the full footage and read the transcripts, and it does make pretty unedifying viewing and reading.

Chair: Sorry, can you speak up Mr Gysin?

Vic Gysin: Yes; it makes unedifying viewing and reading—that is absolutely clear. What is particularly disappointing is that what we saw in the film footage and the transcript is in no way indicative or reflective of the behaviours that we have corporately. I am here as a PLC board



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member as well, by the way, and we have spent an awful lot of time over the last two or three years recalibrating our values. We have seen a lot of organisations in the UK who have really imploded because of a failure in their own corporate—

Q33 Chair: Right. We are asking particularly about the coverage on 27 February in the *Daily Mail*—other organisations and what they are doing are not really what we are talking about today.

Vic Gysin: Okay; in direct response to the *Daily Mail* article, as soon as we were aware of this, we took action. We suspended the two officers in question and they remain suspended pending the conclusion of our investigation. We immediately commenced an investigation and agreed its terms of reference with our colleagues in the BBC. That investigation is ongoing; it probably has another two or so weeks to run.

I can share with you that the results that I have had back thus far—as recently as this morning—do not indicate that this is a systemic issue. I can explain the scope of the investigation if that helps your understanding.

Q34 Chair: So you are saying that so far you do not think it is a systemic issue, but in two weeks' time, you will have your final results through. To be clear, where will those be published? Will they be given to the BBC? Will they be public?

Vic Gysin: This is an internal review that we have undertaken within the Capita Group, with our own risk and audit functions.

Q35 Chair: It is an internal review, so it is not really published.

Vic Gysin: The intention is that what we find from our review will inform the response that we send back formally to the BBC—to the director-general's letter of 27 February.

Meg Hillier: We are going to come back to the BBC in a minute; I am just going to bring in Mr Boswell on this point, then go back to Mr Evans.

Q36 Philip Boswell: I just want to pick up on something we will look into in more detail later—performance contracts and contracts tied to remuneration. Ordinarily these target-driven deliverables at the main contract level are passed down through the various performance contracts right to the frontline, because your performance contract is tied to your boss's performance contract, which is tied to the objective of the contract. Do you think, Mr Gysin, that by the very nature of the remuneration structure, these types of contracts encourage this type of behaviour?

Vic Gysin: Incentives are absolutely designed to focus behaviours, as you mentioned, and therefore it is very important that the flow-down of what is agreed corporately, or at a contract level, is appropriately matched at the field team level. We have over 300 people in our field team, which is the general subject of this review. None of them is incentivised to tackle evasion as such. They do not undertake prosecutions. They take records of



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interviews with people on the doorstep. They are purely incentivised on revenue collection. We have a contract with the BBC that is designed to support the aims of—

Q37 **Chair:** So can you just be clear to me, Mr Boswell and the Committee? If it is revenue—if one of your team knocks on the door, they want to get any money they can out of that person at that point, and that is better for their performance than it is to get enough evidence to take someone to court for evasion. Is that what you are saying?

Vic Gysin: I wouldn't quite characterise it by saying that they are incentivised to get any money. They are incentivised to make sales, which is slightly different.

Q38 **Chair:** That is very different.

Vic Gysin: There is a distinction. As my colleague Pipa has explained, there is a finite number of schemes that our visiting officers can actually sell. There is no deviation from those schemes, therefore it is not a question of just getting any money. There is a finite number of licence schemes that they can actually sell.

Q39 **Chair:** But they can sell those on the doorstep, just to be clear.

Vic Gysin: They can, yes.

Q40 **Philip Boswell:** I understand that partial payments can be accepted on the doorstep, as is common with these types of contracts as well, so there really is quite a drive in the end. To follow on from that, from the BBC's perspective—this will probably be best answered by Ms Bulford—do you think that the numbers prosecuted driving performance contracts with contractors is the best way to enforce licensing while protecting the integrity of a national broadcaster's reputation?

Anne Bulford: I think a lot of work has been done on the method of enforcement of the licence fee. The David Perry review looked at this specifically and concluded that that was the fairest and most appropriate way to enforce the licence fee if that is the system that we are operating, which under the new charter it is.

Our objective is to bring as many people as possible into licence to maximise revenue. We have no objective whatsoever to maximise prosecution; rather, the opposite. Of the enforcement visits that take place, something like 300,000 result in some kind of interview statement being taken. The vast majority of visits that go on in the field do not result in any further procedure, either because there is no one there or there is no reason to proceed, but of those 300,000, immediately—something like 130,000 in 2015-16—there is no further action taken, because people buy licences. As it proceeds through to prosecution, the opportunity remains to buy a licence. As we set out in the prosecution code that we published, which is available on our website and given to households that are visited, if people buy a licence and they are first-time evaders, it doesn't—

Q41 **Chair:** Okay. Mr Evans.



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Q42 **Chris Evans:** Mr Gysin, you have a serious problem with your field staff, regardless of the *Daily Mail* investigation. Paragraph 3.7 says that you only have 327 field staff, against your target of 380. Why do you have such high levels of staff turnover?

Vic Gysin: Just to make the point clear, we do not actually have an agreed target with the BBC about the number of field staff. It is an internal target, if you will. However, the point you make is a good one. It is not easy to retain field staff doing this sort of job. It would be fair to say that the nature of this work is challenging. Not only does it require the ability, willingness and preparedness to work unsocial hours of all types, but a number of our field staff are subjected to pretty unpleasant incidents. In 2016, we had an unprecedentedly high number of assaults. We had 99 assaults last year—

Q43 **Chris Evans:** It says there were 95 in the report—oh, that is for 2015.

Vic Gysin: The figure you have is for a split year.

Q44 **Chair:** So about a third of your staff.

Vic Gysin: A third of staff are assaulted. They vary. I have visited some of them in hospital myself. It can be anything from hospitalisation to punches, kicks and the rest of it.

Q45 **Chair:** As I understand it, when one of your team visits, if they hear the television on, they can take that sort of evidence to help towards a prosecution. Do they always knock on the door when they get to a property? Is that part of the way the field team work?

Vic Gysin: That is the set procedure when they approach a property, yes. They either ring the bell or knock on the door. It is slightly more complicated with multi-occupancy dwellings, because you might be doing that remotely, but yes, effectively, that is what they do.

Q46 **Chair:** So every door gets knocked?

Vic Gysin: Correct, but the issue that they are faced with is that there are clearly a lot more special interest groups and campaign groups specifically designed to undermine the nature of the TV licence scheme and to inform or advise people how they can avoid it.

Q47 **Chair:** Sorry—so your performance is being undermined by people campaigning against the licence fee?

Vic Gysin: No, I am just trying to answer why we have difficulties retaining field staff. They are brought into engagement with some fairly unpleasant stuff and some fairly co-ordinated stuff.

Q48 **Chris Evans:** How much is the average salary for an enforcement officer at entry level?

Vic Gysin: We have staff on a number of different contracts in our visiting officer community. Some of them have been with us for upwards of 15 years. They are former Consignia or Post Office staff who have come across on different terms and conditions, but at an average.



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- Q49 **Chris Evans:** If you appointed me today, how much would you pay me?
Vic Gysin: It would be a fixed base salary of around £20,000 a year.
- Q50 **Chair:** And then bonuses on top?
Vic Gysin: There are commissions on top of that that relate to sales and their own sales performance. Again, it is an average, because there are one or two different schemes in operation, but they can get an average maximum payout, if they hit their objectives, of up to £9,000 a year on top.
- Q51 **Chair:** So nearly half their salary again on top?
Vic Gysin: It is about another 40% to 45%. Something of that order, yes.
- Q52 **Chris Evans:** That is across the country—£20,000? The same in London as in Cardiff?
Vic Gysin: Correct.
Chair: Mr Evans is tempted.
Chris Evans: Very tempted.
Chair: We are quite good at knocking on doors as MPs.
- Q53 **Chris Evans:** Do you think that is enough money? This is a very challenging role. To be honest, £20,000 is not very competitive, even in south Wales. I could manage a chicken shop for the same amount of money and get less hassle.
Vic Gysin: The on-target earnings place the upper two quartiles of our field staff above the average wage in the country, so we think it is appropriate. We do look at it. It is not one shot and done; we are continually looking at our rates of pay. We are a big business—we are a commercial organisation—but if we have difficulty attracting and retaining people, not just in this business but across the board, we understand that the ability to make variable pay through the objectives we set is a key component. We are always looking at that.
Anne Bulford: I think there is another context for this, which is helpful. One of the things that Capita have been doing over recent years is reducing the size of the field force. Going back to what I was saying earlier, the contact via email, telephone and the rest of it with licence fee payers who have fallen behind with payments or have not yet bought a licence is proving more effective. The size of the field force and the number of knocks on doors taking place is therefore smaller. The field force has reduced from over 500 to over 300.
- Q54 **Chair:** It is not just about the number of knocks on doors; it is about the geography as well. If what you are saying is right—the Report suggests that people more people are paying in different ways—you can have a longer gap. We know what it is like when we are canvassing. In some areas, Labour voters or Conservative voters are thinner on the ground



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than in others.

Anne Bulford: But other effective methods—better, more accurate targeting, and apparently simple changes, such as altering the way we deal with missed direct debit payments so people stay in licence for longer while they are given an opportunity to catch up—stop people falling into the pool of people who need to be visited. It is dealt with in a different way.

Q55 **Chris Evans:** Do you know how many days have been lost because of physical assault?

Vic Gysin: I'm afraid I haven't got that information with me.

Chris Evans: And how much has the cost of those assaults been to Capita, in monetary terms? It seems to be a very serious problem.

Q56 **Chair:** When you say 99, was that in the last year?

Vic Gysin: Correct.

Q57 **Chair:** So a third of your team, roughly, are being assaulted every year.

Vic Gysin: That's right.

Q58 **Chair:** Or was that a high point?

Vic Gysin: I can't give you exact details of what the average period of sickness is following an assault. It very much depends on the seriousness and gravity of the assault that they suffer.

Q59 **Chair:** Are all your staff on sick pay—on contracts where they get time off?

Vic Gysin: They are, yes.

Chair: So they have paid sick leave.

Q60 **Chris Evans:** Going back to the *Daily Mail* investigation, how are you making sure that when people are visiting they conduct themselves properly, in particular around vulnerable customers and others?

Vic Gysin: It is a range of things.

Q61 **Chris Evans:** What key indicators do you have on that?

Vic Gysin: The first thing is, as part of the review that we are undertaking, we have very strict codes of conduct, which are all available on the TV licensing website; management; and what I would call generically supervision and audit. It is probably the supervision and audit question that you are asking there.

Just to give you some headlines, last year—2016—to validate the correct behaviours of our enforcement staff, we undertook a wide-ranging poll of 4,000 people who had been subject to a door-to-door visit in the last few months. The results we got back showed that of those 4,000 people, 98% believed that the officer was courteous. I recognise that that is not



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necessarily the same thing as following the codes of conduct and the rest of it, but it gives some form of assurance that the general behaviours of our staff out on—

Q62 **Chair:** Do you benchmark against other people who go to the door to collect money, such as bailiffs? Do you have any benchmarking?

Vic Gysin: I do not have any figures to hand.

Q63 **Chair:** As a company, do you benchmark for those people?

Vic Gysin: We do not, but we do have our own bailiff business is well. It is something that we will perhaps look at, but in anyone's book, I would have thought that 98% of respondents saying, "Yes, the visiting officer was courteous," would be deemed quite high-quality.

Q64 **Charlie Elphicke:** Two very brief questions; the first is to Anne Bulford. The Capita guy is on £20,000 a year, whereas the top brass at the BBC earn an awful lot more. Do you accept that many people will think that this gap is excessive and hard to justify?

Anne Bulford: I think that the rates of pay for the officers are set by Capita in the context of the job that they are doing. We agree a contract where we ensure that the way in which the costs are managed feels fair in the round, and we continue to monitor that. One of the things that we look at in dealing with Capita is the mix between the base pay and the incentive scheme, to ensure that that is driving the right sort of behaviour.

Q65 **Charlie Elphicke:** Mr Gysin, you say that there are about £9,000 in sales incentives. What are they selling? I thought the TV licence was compulsory. Can you take us through exactly what those incentives are?

Vic Gysin: The incentives are commissions, actually.

Q66 **Charlie Elphicke:** For what?

Vic Gysin: They are pegged against licence sales and revenue. As I said, we have a finite number of, let us say, products that they can sell on the door, but they are schemes of one kind or another.

Q67 **Chair:** So if I open the door to you and say, "I can't afford my TV licence fee," do you take—as the undercover reporter discovered—buttons? Will you take a fiver from me, or do I have to buy a package? Do you get more if I buy the whole licence fee on the doorstep, as opposed to buying a monthly payment?

Vic Gysin: I might just ask Pipa about the strict legality of what constitutes being licensed, but no, the visiting officers themselves are incentivised to ensure that households are licensed.

Q68 **Chair:** Sorry, does that mean that if they buy a product—

Vic Gysin: It means they buy one of those from our officers.

Q69 **Chair:** So just to be clear, what would be the minimum and what would be the maximum that would mean that an operative from Capita met



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their target?

Pipa Doubtfire: I was just going to speak about the payment schemes and what a person would be asked to pay—

Q70 **Chair:** So what is the minimum payment, and what is the maximum? The maximum would be the whole licence fee.

Pipa Doubtfire: It would be £5.60.

Q71 **Chair:** The minimum is £5.60.

Pipa Doubtfire: Yes.

Q72 **Chair:** So if I could turn up £5.60 on the doorstep, Mr Gysin, one of your staff would get a bonus payment?

Pipa Doubtfire: Sorry if I misled you; £5.60 is the minimum entry level for someone to make their first payment towards a licence. The incentive scheme may not kick in unless they continue to make payments for that licence in line with the instalment plan. The amounts that visiting officers can offer as payment are tied to the regulations. They offer specific amounts as set out in the regulations, and cannot really deviate.

Q73 **Chair:** Mr Gysin, do your staff get more if they get more money in, or a scheme that is more comprehensive than if they get in someone at entry level who then has to be chased for future payments?

Vic Gysin: They are incentivised on sales: that is, in ensuring compliance at a household level.

Q74 **Chair:** On sales, sales can be—

Vic Gysin: On ensuring that a household is licensed, and therefore they have to make a relatively quick judgment. Our sales people visit circa 30 to 35 addresses per day. They have a very limited time to make a snap judgment on the most appropriate scheme for a particular householder.

Q75 **Charlie Elphicke:** Are there differential commissions? Is the commission structure flat between direct debit, credit cards, payment cards PayPoint, via post and savings cards, or is there a particular higher commission in different areas?

Vic Gysin: I believe that it is flat. We don't—

Q76 **Chair:** Can you write to us with that? We don't expect you to know that.

Vic Gysin: I can, but in fact, I have someone behind me who might be able to answer that.

Chair: All right. Perhaps if you could answer before the end of the session, that would be even better. It makes a big difference, as Mr Boswell highlighted, what incentive payment structure your staff get. You are the frontline of the BBC's credibility on this. I am sure Ms Bulford has some views, but we will not come back to her just now.

Q77 **Caroline Flint:** On page 30 of the NAO Report, at paragraph 3.6, it points



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out that “Capita has carried out more enforcement visits...3 million in 2015-16... Despite this, the number of evaders it has caught has fallen by 18%”. Could you explain why that is the case, Mr Gysin?

Vic Gysin: Again, I would like to make the point that we are not incentivised on—

Q78 **Caroline Flint:** No, but I am asking you: you have more visits than ever before, but the number of people found evading and caught not paying their licence fee has gone down. Why is that?

Vic Gysin: There are probably three things that I would draw out. The first is that over a period of years we have been a lot more successful at converting people more upstream. Anne Bulford has outlined that we have—

Q79 **Caroline Flint:** When you say “upstream”, what do you mean? Before you get to them?

Chair: Before a Capita representative gets there.

Vic Gysin: Earlier in the process.

Q80 **Caroline Flint:** Can I just stop you there? That is fine, but it still does not get us away from the point that you are doing more visits on the doorstep but finding fewer people. Is the intelligence that you are given to make those visits helpful or not? It sounds to me as if we are paying people to do a lot more visits and they are not actually catching that many more people.

Vic Gysin: I would just make the point that we have actually increased the sales performance across the board with our visiting officer population over the last five years.

Q81 **Chair:** Sorry, can we just be clear? Sales performance is when you are selling a product. That is what it is.

Vic Gysin: That is correct. The sales performance has improved.

Caroline Flint: Okay. Let’s go back. In 2015-16, you carried out 3 million enforcement visits. That is in the NAO Report, which then says: “Despite this, the number of evaders it has caught has fallen by 18%, with some 67,000 fewer caught in 2015-16 than 2010-11.”

I am interested in two things. First, of those people you find in—I presume you have some intelligence, which is why you are knocking on their door; I think it is that three letters are sent to their household and then they are listed for a visit if you have got no reply—do you get them to pay for their licence fee? When you talk about sales depending on different forms of payment, that is what the sale is: getting them to buy a licence fee.

I am also interested in how much time is wasted knocking on doors if you are going in the daytime rather than in the evening or at the weekend



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when you are more likely to catch people in. Maybe you could tell me something about how they go about doing these visits, what time of day they do them and whether you are analysing whether that is a good tasking of people in order to get an effective job done.

Vic Gysin: Over a number of years, we have been working on precisely that. Clearly, the worst outcome is that we continue to send letters and continue to send people round to addresses that are empty and we get no appropriate outcomes from that visit.

Q82 **Caroline Flint:** What proportion of the 3 million visits are between the hours of 9 o'clock and 5 o'clock, say? What proportion are between 6 o'clock and 8 o'clock, Monday to Friday, and what proportion are on the weekend?

Vic Gysin: I do not know the exact proportion, because we have over 320 visiting officers and the demographics and the behaviours in the areas that they visit are very different.

Q83 **Chair:** So they make judgments locally, with local targets.

Vic Gysin: They do make judgments locally. To a large part, it is left to the individual teams of visiting officers and their managers as to when they actually—

Q84 **Caroline Flint:** As someone who has knocked on a lot of doors over a number of years, seeking people's support—

Chair: You are talking to an expert audience here.

Caroline Flint: As politicians we all have a great awareness of the number of people who are working or who are there, and which are the optimum times to catch someone in. Is that something that is fed through to your frontline teams? Could you write to us, if you cannot answer today, about how the tasking of visits is divided between daytime Monday to Friday, evenings and weekends?

Vic Gysin: I cannot give you the exact breakdown of the times when we visit. I can repeat that the individual visiting officers themselves have an awful lot of autonomy over when they make these visits. They know the areas well.

Q85 **Chair:** Do they get paid differentially for visits out of what you might call traditional hours?

Vic Gysin: No. By and large, it is up to them.

Q86 **Caroline Flint:** I am afraid that the data shows that you are doing more visits, but your outcomes are less than they should be.

Anne Bulford: Perhaps I can help with this. One of the ways in which we monitor the contract is the number of successful outcomes per visit. We are looking for successful outcomes at around a 35% level, which is a KPI that Capita are meeting under the current contract. A successful outcome could include a licence not being needed; a licence being bought or someone coming into the licence; establishing that there are special



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circumstances that we were not previously aware of, such as the sorts of things—

Q87 **Caroline Flint:** With respect, Ms Bulford, if you look at page 30, on each of the outcomes, Capita is not hitting the target it has been set or that it has set itself internally. Therefore, it is either setting targets that are too high or is not meeting the targets negotiated with the BBC.

Anne Bulford: The overall evading through the visits has dropped over the period, as is pointed out in the NAO Report. However, through the same period, the value of sales has increased, so it has moved up from 16% to 18%.

Q88 **Caroline Flint:** Can I move on to telephone calls? If you look at page 14 of the NAO Report, in paragraph 1.9, under the heading “Operations”, there are some bullet points that talk about the different ways that people are contacted. It says, “made 8.3 million calls”; I presume those are outbound calls. How much more effective is it to phone people, where you can, and get them over the phone to sign up to one of the payment schemes?

Anne Bulford: The way in which we have been using different forms of communication, including phone and email, is one contributory factor to the overall reduction in the cost base of the operation of the licence fee. We are achieving a 25% reduction in real terms through the new contract. These sorts of techniques being introduced are part of it.

Q89 **Caroline Flint:** Can I go back to the officers on the door? I understand, Mr Gysin, that officers have handheld devices. Is that correct?

Vic Gysin: They do indeed have handheld devices.

Q90 **Caroline Flint:** Do those handheld devices give data on time of visit, to allow you to segment the data into daytime, evening and weekend?

Vic Gysin: We do record the time of visit; you are absolutely right. After the visit, that will be time-stamped. This is all data that we can look at.

Q91 **Caroline Flint:** So you would be able to provide the Committee with analysis of some of that data, even if we asked you for a sample by region.

Vic Gysin: Yes.

Q92 **Caroline Flint:** My final question is: what needs to change to enable your frontline staff to be more effective in what they do?

Vic Gysin: We are never complacent. I would not draw the inference that our frontline staff have failed.

Caroline Flint: No. I am asking you—

Chair: Ms Flint was not saying that there is a failure. She was asking how they could be more effective.

Q93 **Caroline Flint:** What would help them to do their job better than they



already are?

Vic Gysin: Data is key. As much as possible, our visits are targeted by real data and what you might call believable trend analysis—things that typically describe the way people behave, in terms of both when they are available in their household and how they choose to pay. Customer behaviour is certainly one of those things. We continually look at incentives. As a number of members of the Committee have said, it is an important reason why people do the job and why they stay. That is something we continually look at. Certainly, on the back of the current review that we are undertaking, that will be a significant area for us.

Chair: I am aware that a vote is imminent. We will continue in 10 minutes or as soon as we are quorate.

Sitting suspended for Divisions in the House.

On resuming—

Chair: Welcome back to the Public Accounts Committee on Monday 27 March. We were just discussing enforcement and collecting revenue. I will ask Mr Kwasi Kwarteng to come in on that issue.

Q94 **Kwasi Kwarteng:** With respect to enforcement and sales, I am rather confused about the distinction between the two. In the Report and in your minds, there seems to be a hard and fast distinction between enforcement visits and sales visits, but it would appear to me—maybe I am wrong—that such a distinction cannot be drawn as easily as you suggest.

Vic Gysin: Forgive me, I was not necessarily trying to draw a distinction between the two. I reiterate the fact that we have what I call an output-based contract or relationship with the BBC that is fundamentally about increasing the net revenue that we collect for the BBC. When our visiting officers go to the doorstep, there are a number of outcomes, the most desirable of which, of course, is that we effect a licensed sale and ensure compliance. There are other appropriate outcomes: for example, we may find that a licence is not required for that particular address—that it does not fit the criteria requiring it to have a licence.

When we do not effect a sale, a record of that interview will be taken. We undertake about 3 million visits per annum.

Q95 **Kwasi Kwarteng:** But the fundamental point is that before your employees knock on that door and go to the address, they do not know whether it is a sales or enforcement visit.

Pipa Doubtfire: On a point of clarification, sales-only visits are carried out by visiting officers who do not have the training to take a record of interview. Their only objective is to make a sale, whereas in enforcement visits carried out by inquiry officers, they may take a record of interview and try to effect a sale. They have a dual role, and sales-only visits have a single role.



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Q96 **Kwasi Kwarteng:** So in terms of the numbers that we are seeing, some of those sales visits will be people who will be exclusively doing sales visits, and some of those sales visits will presumably be done by other people who are qualified to do more of the enforcement, or have I got something wrong there?

Pipa Doubtfire: Enforcement officers will always try to make a sale, as well as completing a record of interview, where that is appropriate.

Q97 **Kwasi Kwarteng:** How many of the sales visits are performed by people who are exclusively devoted to that?

Vic Gysin: To give you an idea of the numbers and the proportion, as of yesterday we have 324 visiting officers who are the type you describe, who are able to take a record of that interview and to effect a sale as well. We have about 25 sales-only people. Looked at in those proportions, it is a relatively small—

Q98 **Kwasi Kwarteng:** It is about a twelfth.

Vic Gysin: It is of that order, yes.

Q99 **Chair:** Are those 25 a sales force, effectively targeting people whom you think you can sell better to on the doorstep?

Vic Gysin: That's right. They would be armed with management information as part of their visit bundle, if you like—the information they have—and they would be specifically targeted towards those people where we think there is a higher propensity to buy on the door, but that might be through previous buying behaviour.

Q100 **Chair:** It is the sort of places that some of the other companies—the money lenders who sell on the doorstep—go to. It is the sort of places where people traditionally are more likely, demographically speaking, to pay on the doorstep.

Vic Gysin: Not necessarily demographically, but based sometimes on their previous buying behaviour as well. There is a limited amount of customer-specific information.

Q101 **Chair:** These are people who you think will pay if they are presented with someone in person and will be able to pay cash.

Pipa Doubtfire: They have a previously good paying history, but they have lapsed, so rather than go with an enforcement visit, we would go with a sales visit.

Chair: Right, so there is quite a difference, and the enforcement officer goes to the rest. We will have a couple more from Mr Evans.

Q102 **Chris Evans:** I want to move on to complaints. Complaints have dropped by 50%. How do you know that is an accurate reading of the situation?

Pipa Doubtfire: We work with Capita to ensure that we completely understand the management information and the criteria for understanding when a complaint is a complaint versus an inquiry, for



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example. That is clearly set down in the contract. We carry out reviews on the management information and spot checks on the correspondence that we see. Of course, escalated issues come through to the BBC, so we have a very direct line of sight over the complaints. We work with Capita, and we have an executive forum, whereby we review complaints coming in, and we systematically look for errors where we can learn from complaints and make service improvements.

Q103 **Chris Evans:** What sort of complaints are you getting at the minute?

Pipa Doubtfire: They vary. I would say that a good proportion relate to households that do not require a licence and who do not want TV licensing contacting them to find out about their licensing requirements. That is a good proportion of the complaints we get. We get complaints about the refund policy. As you may be aware, at the moment, we offer quarterly refunds to people who no longer need their licence. We are about to change that from 1 April to monthly refunds. We get complaints where we have been provided with incorrect information about an address, and it has created what looks like a new address on our database, when in fact it is a replica of an existing address. We then have to correct that information when it comes through to us. We also get instances where we have not provided the best customer service—the service that we would like to provide—and we have made a mistake, and we have to correct that mistake and make the appropriate apology.

Q104 **Chris Evans:** And Capita deal with most of these complaints, yes?

Pipa Doubtfire: Capita are the first stage of managing complaints and if a complaint cannot be resolved by Capita; then it comes to the BBC.

Q105 **Chris Evans:** Can you ring Capita directly from the BBC? Is there a telephone number to ring them directly?

Pipa Doubtfire: For customers to ring Capita?

Chris Evans: Directly, yes.

Pipa Doubtfire: Absolutely, yes.

Q106 **Chris Evans:** Where is that number advertised?

Pipa Doubtfire: It is advertised on the TV Licensing website. It is promoted on some letters, but not all letters.

Q107 **Chris Evans:** Why not all letters?

Pipa Doubtfire: We signpost to the TV Licensing website wherever possible, to create efficiencies.

Q108 **Chris Evans:** What oversight do you have to ensure that Capita are dealing with the complaints effectively and efficiently? Are there any reporting mechanisms or anything like that?

Pipa Doubtfire: Capita reports on the time taken to respond to complaints, and as I said, any complaints that are not dealt with effectively to the customer's satisfaction come to the BBC. We have



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regular management meetings with Capita to review all the complaints data and issues arising, and we do spot-check audits of complaints and responses.

Q109 **Chris Evans:** I have a final question on this section, before the Chair moves on. In paragraph 2.20 on page 25 of the report, it says there was a particular project to improve contact with customers over the age of 75. Again, we are getting back to vulnerable customers. Why, in particular, were over-75s complaining more than any other age group?

Pipa Doubtfire: What we identified through the complaints we were receiving was that there was a problem in the operation. There were multiple contacts on occasions, because the agents were not sufficiently skilled in dealing with that age group. You have to apply for an over-75 licence, and when the appropriate information was not supplied at the time of the initial call, follow-up action needed to be taken. We have now created a specific team to manage that group, so over-75s get their own number to call through on, and we have managed to really turn that situation around.

Q110 **Philip Boswell:** I want to touch on a few things in relation to the devolved issues. Looking at page 23, figure 7, and NAO paragraph 2.8 on page 22, which says, "According to available data, the rate of evasion varies considerably across the UK", in Scotland, some of the differences may be explained by a different regulatory environment. In Scots law, the BBC does not have the same powers, there is a requirement to engage the procurator fiscal, and Scots law has higher standards of evidence. Are these contributing factors to explaining the differential between Northern Ireland, Scotland and England and Wales, or is there something else?

Anne Bulford: Our view is that the different arrangements in Scotland, the approach to the fine, and where the fine is generally £75 are contributory factors to higher evasion rates in Scotland. There may also be some socioeconomic factors, as the NAO pointed out, but we believe that that different arrangement is one of the contributory factors, and it was one of the points that David Perry looked at.

In Northern Ireland, there have also been some historical difficulties in accessing households, and the requirement that a second person attend has been an issue, but that is actually turning round in Northern Ireland, and the evasion rates are improving.

Q111 **Philip Boswell:** Okay. I will move on to questions around licence fee gathering and spend across devolved countries. Miss Bulford and Mr Prettejohn, do you think the licence fee delivers value for money across the UK, and that Scotland receives its fair share of spending and support, given the licence fee gathered?

Anne Bulford: We have spent quite a lot of time talking about this very topic at the Scottish Parliament, in particular. Across all BBC services, support for the BBC, in terms of value for money, is high. In Scotland, one of the points being raised is the relative balance between the amount of



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money raised in Scotland and the amount spent directly in Scotland, which is a different measure from that of the value people in Scotland are getting from the BBC as a whole. As many will be aware, people in Scotland enjoy a great deal of television, and are some of the largest audiences for BBC 1 and our national services. It is a point that we have taken very seriously. Relative spend in Scotland versus money raised, compared to Wales, for example, is low. There were a number of reasons for that. The recent announcements that we made about additional investment in Scotland, and in particular the proposal to launch a new channel, including a news service at nine o'clock, will go some way to redressing that balance.

Q112 Philip Boswell: I hear that the Scottish Broadcasting Commission stated that such a new channel would need up to £75 million investment to be sustainable, but the BBC's investment is £30 million. Last year, 68% of the licence fee collected in Scotland was spent in Scotland. This is compared to 74% invested in Wales, and 95% in Northern Ireland.

Anne Bulford: There are differences between the three nations. In Northern Ireland, there is a scale issue, just because the population is smaller. In Wales, we have a substantial network drama facility in Roath Lock, which increases the investment in Wales. Overall, of course, those numbers are higher than relative spend in England. The difference between the two is the money that is spent on network provision for everybody, wherever they live, whether that is sports or music rights, the national radio stations, or whatever.

Overall, however, we want to see a BBC that is representative of the UK as a whole. We are very keen on improving portrayal, so that people feel comfortable that they are seeing more people like them on television. When I, and subsequently the director-general, attended the Scottish Parliament, we acknowledged that we wanted to see more investment going into Scotland. The recent proposals, as I say, go some way to dealing with that.

Q113 Philip Boswell: Two small points. Additional funding of £1.2 million was provided to BBC Alba in the past year, but this investment means only 7.2 hours of in-house programming can be delivered per week, which is much less than is provided by the Welsh counterpart, S4C. Is there not an argument that additional licence fee funding from Scotland could or should be spent on BBC Alba's output to get it up to the achievable target of 10 hours, rather than 7.2?

Anne Bulford: One of the proposals coming through, alongside the proposal for the Scottish Parliament and the investment in news, is that that will enable some improvements to the volume of live news provision on BBC Alba, particularly at weekends. Again, this will go some way towards redressing that balance.

Q114 Philip Boswell: My final point is a more general one. Scotland raises about £320 million and receives less than £200 million. If you look at Catalonia, which has a slightly larger population, the public broadcaster's annual budget is lower than the funds raised in Scotland, yet they have



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six television channels and four radio stations. Obviously, the sector will seize the opportunities the BBC has offered with the new channel announcement, but do you not think there would be potential to have a bigger and bolder broadcasting organisation in Scotland, if there was a fairer share of licence fee?

Anne Bulford: I will go back to what I said at the beginning. I think that all audiences around the UK value the BBC and the range of services that they receive. Levels of audience appreciation, consumption of television in Scotland, and the traffic on BBC 1 are high. There is always a difficult balance to be struck between services designed for the local population versus services for all. We have seen some great programmes come out of Scotland, and we have seen some wonderful events there.

Chair: We have lost nearly half an hour on votes. Members are briefed to be brisk in their questioning. May I urge witnesses, without skimping on what they have to say, to be as brief as they can, as we aim to finish in the next 20 to 25 minutes, if possible? I will hand straight back to Mr Boswell, who is going to talk about the contract and the transition programme.

Q115 **Philip Boswell:** Thank you, Chair. Some of these issues have already been addressed, so there is no need to revisit them. These questions are around managing the contract and the transition programme. First, on page 9, the NAO's paragraph 13, in respect of the BBC's contract with Capita, says: "The BBC's contract with Capita transferred high levels of financial risk to the contractor"—in my experience, that usually costs the client—"but, due to altered circumstances, the two organisations renegotiated the contract in 2016." I'll come to this question quickly and won't go into the detail that I was going to. On page 36, paragraph 4.7 says: "Under its original terms, the Capita contract offered strong incentives to increase revenue, as a means to increase the BBC's income and reduce evasion." We have touched on some of that stuff, but there is a lot more to go there.

The point on page 37, paragraph 4.8, perhaps has not been covered so much: "The contractor baseline was achieved in every year of the contract apart from 2012-13. However, in three of the four years covered by the original terms of Capita's contract, the amount collected has been below the contractor forecast (Figure 14), which meant BBC payments to Capita were lower. In 2015-16, when the contractor forecast was met, this was largely because of the Broadcasters' Audience Research Board's (BARB's) underestimate of the number of households with a TV (see paragraph 2.2)"—something we talked about earlier. "In essence, the target was easier to achieve than it should have been. This has been addressed in a contract renegotiation between the BBC and Capita (paragraphs 4.15 to 4.19)."

My question to Miss Bulford is: were the targets in the original 2012 contract over-ambitious?



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Anne Bulford: I think the targets in the original contract were appropriate. The way in which the contract works is there is a base target, and that comes through from the estimate of overall licences and an appropriate portion of those targeted to be brought into licence.

There is then a second target, which is a stretch target, referred to here as the contractual target. Capita is incentivised to reach that contract target through additional payments. If they do not, the BBC does not pay.

Across the four years we are looking at here, although the base target was missed in one year and the stretch target was not met in any year—not surprising; the stretch targets are designed to be stretching—overall £86 million over and above the base target was collected by Capita. Across the piece, through this period, we have seen increasing income, improved levels of service, reducing complaints and reduced costs—a 25% reduction in real terms, through the contract.

Q116 **Philip Boswell:** Okay. Moving on, I have a question to Pipa Doubtfire and Mr Gysin, again referring back to the paragraphs previously mentioned in NAO Report, which obviously you know. Given that a renegotiation was required for targets missed, how close was the contract to falling apart?

Pipa Doubtfire: As Anne said, there were a lot of things that the Capita contract delivered extremely well. We were £86 million above the income baseline. Anne has already referred to the other operational service improvements. We do not think it was close to falling apart, but adjustment from the BARB numbers did mean that it was the right thing to have a look again at the way that the targets were set. We were moving to a position where we would run the risk that Capita would be more incentivised to cut costs, rather than to structure the revenue.

Q117 **Philip Boswell:** Do you have anything to add to that?

Vic Gysin: I don't have anything to add.

Q118 **Philip Boswell:** Okay, no problem. Moving on, with reference to pages 40 and 41 of the NAO Report, paragraph 4.15 talks about the high levels of financial risk transferred to the contractor; paragraph 4.17 refers to the agreement to extend the contract for two years; and paragraph 4.18 states: "Overall, the BBC told" the NAO "that it expects the new arrangements to have no impact on the net revenue collected, compared with its current revenue expectations." On page 41, NAO paragraph 4.19 is interesting: "While the contract has been renegotiated to improve its sustainability by changing the balance of financial risk, and the BBC forecasts that net revenue levels will be at least equal to that under the previous arrangements, there remains a risk that the revised terms will provide insufficient incentives for Capita to increase revenue and reduce evasion to the levels originally planned when the contract was awarded in 2011." So I am asking about the evolution and the efficiency of that evolution in the contract negotiations. First, Ms Bulford, what was the rationale for extending the contract for two years?



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Anne Bulford: We had the option when we went through the procurement to extend the contract. We decided to do that because we were happy with the performance overall in terms of revenue and cost, and service levels and KPIs, for the reasons that I previously outlined. Also, given the scale of change that we anticipate through this period with the modernisation of the licence fee, we felt it was a helpful security not to have a change in the contract as we moved through any additional changes that we would need to effect on the base.

Q119 **Philip Boswell:** Thank you. Ms Doubtfire, how will the new contract incentivise Capita to collect high levels of revenue? If there is an incentivisation, is there a penalty for failure?

Pipa Doubtfire: There are some incentives and penalties for not reaching the income targets agreed with the BBC, although the risk reward is not as steep as it was in the previous arrangements. Also, the new arrangements give the BBC a lot more control over the level of resources that Capita deploys in running the services and reaching for the revenue, so we will work very closely with Capita to understand exactly how the resources are deployed, rather than just working with them on an output basis.

Philip Boswell: Okay. Mr Gysin—

Anne Bulford: Sorry, Mr Boswell, just to clarify that there are indeed penalties for not hitting the base and there are rewards that increase the further over the base they reach. I believe the NAO comment was that we would need to keep that under review to ensure that the balance remains right.

Q120 **Philip Boswell:** So, Mr Gysin, how likely are you to meet your revised revenue targets under the new contract?

Vic Gysin: We are very comfortable with the numbers that you are talking about. We think it is a fair outcome for both parties.

Q121 **Chair:** How are you incentivising that down the chain? You have got your local collectors and teams; presumably, through the system, you are all getting pay bonuses as a result of performance.

Vic Gysin: To all intents and purposes the output nature of what we are trying to do remains the same, but the new contract provides greater clarity on what the revenue collection targets are for the next couple of years, and we are comfortable with that. We think it represents a good mitigation of risks for both parties.

Q122 **Chair:** What do you do if you have a team or an individual who is not meeting their bonus? Does that have an impact on bonuses up the team manager's line right up to your position?

Vic Gysin: Are we talking about field—

Chair: Yes. If I was a field operative and I was just getting my basic and not doing anything more than that, would that performance have a knock-on impact on the team manager, the local director or whatever, and then

eventually on you and your team?

Vic Gysin: Yes, it would. Our team leaders now, our area managers, are incentivised on a range of different issues. The largest component of that is the performance of their own sales visiting officers.

Q123 **Chair:** We talked about turnover earlier. Do you shed staff if they are not meeting some of their targets? If your area manager's or your pay packet—whoever's pay packet—is being impacted by the performance of people on the ground, does that mean that you shed people who are not performing?

Vic Gysin: We don't automatically shed people. We do put people into what you might call retraining bays and get them more skilled. We increase the level of supervision. One of the things that we do with all our field staff, actually, is to accompany visits to make sure that they adhere to the various codes that we talked about.

Where we have people who are on what you might call a form of improvement programme, that includes supervision. There does come a point, though, where if people haven't got it in them or they are just not able to do the job, then after a series of measures, yes, we would expect to move people on.

Q124 **Chair:** Earlier, in answer to a question I think from Mr Evans—he asked about what would help your staff do a better job—you talked about believable trend analysis, which sounds quite jargonistic, but I guess you are talking about a demographic analysis of who might pay, or you might look at customer behaviour. What else would help? Is there anything the BBC is not giving you in terms of data or data that you are not collecting that would make both the customer service side and the revenue collection side improve?

Vic Gysin: We share all of our data across the entire operation, from marketing to operations, so I don't think there is anything that is currently being withheld in that regard. We are careful to make sure that all of the information from our people in our contact centres and our back offices gets fed into the core applications that the field staff use. For example, I think we mentioned one of the issues that the visiting officers had was the duplication of addresses. You might have Ashhill Cottage as one address and 87 Main Street as the other, but they are the same house. There is an awful lot of data there and the way we manage that data prevents a lot of nugatory visits. We are very careful to make sure that that extends to our field teams.

Q125 **Chair:** So you think that you are getting the right data. There is nothing more that would make life better on the ground.

Vic Gysin: I actually think we are pretty good at continuous improvement.

Pipa Doubtfire: We do have a continuous improvement programme whereby we seek other sources of data that we could use to complement our own data. Where it is appropriate, we will buy third-party data to provide extra insight into an unlicensed address.



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Q126 Philip Boswell: To close this question, and to deal with a possible contradiction I may have heard, Ms Doubtfire, you mentioned earlier that the risk reward is not as steep. Mr Gysin, does that mean that your bonus is less than £9,000 now—no longer 35% to 40% of the pay, or whatever the exact percentage is you quoted earlier?

Vic Gysin: I think the risk reward that my colleague on the left mentioned is at corporate level.

Philip Boswell: It's the high level.

Pipa Doubtfire: It's at contractual level.

Vic Gysin: But going back to what I said earlier, it is important that we flow down those elements of what you might call correct behaviours at the corporate level down to the field team. To all intents and purposes, we are still incentivising our visiting officers on the same things.

Q127 Philip Boswell: Because tweaking or slightly adjusting the corporate level doesn't change the model. It still requires performance contracts all the way down to follow through. Therefore, Ms Doubtfire, you said the risk reward is not as steep. Specifically, what is not as steep? Is it just that the corporate remuneration options are less dramatic?

Pipa Doubtfire: That's right—the opportunity for Capita to earn more remuneration from the BBC if it delivers more revenue, or, equally, to be heavily penalised if it does not meet the baseline targets. If you like, that window has shrunk.

Q128 Philip Boswell: Okay. Thank you. We will have to move on.

Paragraph 14 on page 10 of the Report says, "Alongside day-to-day services, Capita was supposed to modernise data and technology systems through a transition programme. Despite certain improvements, this part of the contract has faced major difficulties, with the BBC paying Capita only £22.9 million out of a £50.7 million budget." That is also covered in paragraph 4.13 on page 39, which says, "Capita substantially subcontracted the transition programme to CSC Computer Sciences Limited (CSC), which also provides the core ICT systems to support TV Licensing." Ms Bulford, what has been the total financial impact of the transition programme not being fully delivered?

Anne Bulford: There hasn't been any financial impact on licence fee payers. Under the original contract, Capita would have been paid £50.7 million for full delivery. In the event, only £22.9 million was paid. The BBC and the licence fee payers had full value for that £22 million, which was spent on updating various services, including the licence website, upgrading the handheld units for staff—which we spoke about earlier—and improving some of the direct debit facilities for customers, all of which have contributed to efficiency

The second block of payment was due largely in relation to a project to combine two databases, which was designed to improve operational efficiency. For a number of reasons, the technical delivery of that faltered.



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Having stayed in touch with it and reviewed it, eventually we agreed with Capita that that programme would stop and we would put that money aside and decide how to spend that in due course, as we carry on to modernise the licence fee. However, the efficiencies that come through from combining those databases and the financial value associated with them is built in to our contractual arrangement with Capita and there is no change to the price we are paying.

Q129 Philip Boswell: Okay. This is a recurring theme with public accounts: failure of IT systems and implementation. Mr Gysin, who is responsible for the failure to deliver all the elements of the transition programme, and are the shareholders or owners of CSC the same as the shareholders or owners of Capita, or similar?

Vic Gysin: As far as I know, we don't have—

Philip Boswell: Completely separate, completely independent.

Vic Gysin: Completely. CSC is a US-registered organisation, as you are probably aware.

Q130 Philip Boswell: So who is responsible for the failure of this?

Vic Gysin: Capita is not only the transformation partner for the BBC; we are also the prime contractor for this particular programme. I am not going to try and dress it up as anything other than that. I would just make the point, though, that one of the important things in terms of behaviours in the prime contractor is that when you hit problems, you stand back, assess them and work out what the alternatives are. We took responsibility as prime contractor to rectify that situation.

Anne Bulford has mentioned that we didn't get paid for the work we didn't complete. What I can advise the Committee, though, is that, notwithstanding the fact that we ceased this part of the transition programme, we did commence some work with an alternative service provider, IBM, in order to move all of the databases that we have talked about plus all the other supporting applications that help us run the business through a period of substantial upgrade. We have moved all of those applications on to a more modern IT infrastructure and away from old mainframes.

The report does reference that the BBC will be reviewing options for its database in due course. I think once that programme completes—and it is currently on track and will deliver in autumn this year—it will give the BBC—

Q131 Chair: Can we be clear: that transition to the IBM systems is the bit that has been paid for?

Vic Gysin: Capita are managing that.

Q132 Chair: Sorry, who paid for it? Capita out of its own resources or was that the money the BBC had spent already?

Vic Gysin: This is a Capita-funded programme.



Q133 **Chair:** Funded by Capita?

Vic Gysin: Yes.

Q134 **Philip Boswell:** Ms Bulford, on lessons learned, what will you take from the failure to deliver the transition programme when you return to the ICT system modernisation?

Anne Bulford: I think the overall monitoring processes that we have in place at the BBC around all our major projects work pretty well, in that we stayed close to this programme via Capita, understood the issues as they were coming up and were in a position to agree with Capita to stop the programme when that made sense, which is often a decision that needs to be faced up to. The other thing is, if we look back through the progress of the upgrade of licence fee systems that were inherited from the Home Office having subcontracted to the Post Office, we have seen that the incremental improvement on this suite of systems has been very successful. While we have still been on the same ones, they look very different from how they looked in 2002. The underlying code works pretty well. We are in contact with many households around the UK all the time, so it is important that this system sustains, works and is reliable. It is just difficult and cumbersome to change. The changes that Capita are undertaking will make that easier.

Q135 **Philip Boswell:** Okay, thank you. Ms Doubtfire, this question stems from page 38 of the NAO Report, paragraph 4.12: "As noted in our 2002 report on collecting the licence fee, the BBC has had a long-standing ambition to improve its main TV licensing databases so that their structure would become based on individual customers rather than households." In 2002, the NAO Report on collecting the television licence fee noted this issue. Why does it still remain 15 years later?

Pipa Doubtfire: I would just go to what my colleague Anne has just mentioned, which is that the systems today look very different from how they looked in 2002. We have built out incrementally a lot more capability so, for example, we do have a database now that is organised around customers—we still have the legacy system organised around addresses, but we also have one organised around customers—and that has allowed us to develop the campaign management system that provides us with the opportunity to do segmented messaging to our customers and get better targeted communications out to customers, for example. We have also introduced the TV Licensing website, which has driven self-serve and efficiencies. I could go on with further examples, but I would say that the landscape is very different from how it was in 2002.

Q136 **Philip Boswell:** To move on to Mr Gysin, specifically the principle remains the same regardless of the process, the model or the technology, so why is it so difficult to move to a database structured around individual customers, rather than households, when databases have been around for a very long time? The landscape may have changed but, specifically, what is the problem with moving from households to customers?



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Vic Gysin: The system is an incredibly complex piece of work. We are talking about—

Philip Boswell: It was a complex piece of work 15 years ago—that is perhaps not for you to answer—but why is it so difficult? Is it just the complexity and the numbers?

Vic Gysin: It is absolutely the complexity of what we are looking to do. The databases that we are talking about are probably the most comprehensive address databases that exist in the UK. They are not trifling applications or bits of software. Where we struggled was absolutely with the complexity of the task we were undertaking.

Q137 **Philip Boswell:** If the database is so complex, why move to an untried and untested model? Why go to new technology when you can solve the problem with a simpler, less complex system?

Vic Gysin: Believe me, there is not one. We have looked. If there was something we could go and buy down the shop we would absolutely have done that. There is no off-the-shelf solution.

Q138 **Chair:** May I ask a question of Mr Prettejohn, who has sat very quietly and patiently—the nature of the Trust, no doubt? This goes to the core of some of the things that we were discussing the last time, when we came to Salford—you were then a witness—about the commercial opportunities. You have got iPlayer and things being sold through Worldwide. Surely, a database of individuals, who you already know are buying things, is a great marketing tool and opportunity. It seems to me that someone has dropped the ball—it has not just been the Trust, because different people have been in charge along the way. Why isn't it more of a priority for the BBC to get this database right, 15 years after the first time the issue was raised?

Nicholas Prettejohn: It is potentially a great opportunity, but as my colleagues have outlined, a number of quite significant improvements to the existing systems have been made—

Chair: It doesn't feel like a trajectory, does it?

Nicholas Prettejohn: I also think, though, that given the movement in technology, particularly over the past five years—this is true in dealing with legacy systems at the BBC, but also true in many other commercial organisations—the advent of cloud technology in particular now makes it much easier for change to be brought about to complex legacy systems. In a curious way, the technology advancement in the last few years has made it—

Q139 **Chair:** So where is it on the Trust's agenda?

Nicholas Prettejohn: Well, the Trust will have no agenda in five days' time.

Q140 **Chair:** Of course not, the people running the BBC, the Board—



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Nicholas Prettejohn: I would expect the new unitary board to take this seriously and, as you quite rightly point out, in conjunction with some of the other initiatives in terms of getting that closer relationship with the audience.

Q141 **Chair:** As a Trust, presumably you are providing some sort of handover note to the new Board. Where would you rank this in a list of priorities, to start being able to sell things to individuals rather than tying it to the household?

Nicholas Prettejohn: I would see it as a high priority in the context of myBBC, as we were talking in Salford. You identified that they correctly dovetail—they should do—in the future. I would say it is a high priority.

Q142 **Chair:** Mr Gysin, surely if the transition programme had been delivered, your enforcement would be much easier, because the data would be differently collected and easier to manipulate.

Vic Gysin: Some manual interventions are required in our back offices, both in our field back office and our customer service back office. They are necessary because we have not completed this part of the transition. All I can say—

Chair: Sorry, can you speak up a bit, the acoustics are not very good?

Vic Gysin: Some additional manual interventions are required that would not have been required had we completed this part of the transition programme. All I can say to the Committee is that that is a cost that is borne by Capita and not the BBC.

Q143 **Chair:** We have had previous experience of that where a contractor is not quite clear. I just want to finish on the point about the iPlayer before we close. Miss Bulford, do you know whether that has brought in more money to the BBC? If people tick the box saying, "I have a TV licence," or "I do not," do you know if they are telling the truth or not?

Anne Bulford: Yes, it has.

Q144 **Chair:** I haven't tried ticking no. What happens if you say, "No, I haven't got a TV licence."? Do you immediately get billed online?

Anne Bulford: They are re-directed to the TV Licensing website.

Q145 **Chair:** And I am just expected to comply because I am an honest person?

Anne Bulford: That's right.

Q146 **Chair:** Does that work?

Anne Bulford: It has worked remarkably well, which is perhaps not surprising since the vast majority of people do comply and buy a licence fee and the vast majority are in licence.

We had quite an extensive programme of communication put in place, so that everybody understood how the law is changing and what is required. A lot of staff training was put in place, so overall levels of awareness and



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acceptance of the change are very high. We have seen an immediate increase in people signing up to the licence fee as a result of coming straight through from iPlayer to the TV Licensing website and buying licences. We are not at the year-end yet. There is quite a lot of analysis to do to understand entirely the motivation, but we have seen £11 million to £12 million-worth of licence fee sales come straight through.

Q147 **Chair:** Is that an additional £11 million to £12 million? Can you tell whether it is additional, or is it just coming through that route?

Anne Bulford: One of the challenges is to understand what has driven what behaviour and which bag to put it in. In terms of our overall target, we are well on track to see the iPlayer loophole closure, which was the phrase that was used.

Q148 **Chair:** What about the iPlayer log-in? When will that be up and running? It was supposed to be this year.

Anne Bulford: The iPlayer log-in is our long-term objective to make sign-in standard for people. We are working towards introducing more of that later in the year, as soon as possible. It is very much about being better placed to introduce personalised services for people and build customer relationship management.

Q149 **Chris Evans:** I want to end with the legacy system—a quick question. As I understand it, it is costing an extra £9 million a year. Paragraph 4.14 is very critical of delivery in what is actually a pretty good report. It is quite pessimistic that, if the legacy systems are not put in place, there will be all sorts of problems while causing more expense.

How critical is the transition programme to the collection of the licence fee? Of the £50.7 million, you have only paid £22.9 million. £27.8 million, plus £9 million on top, is quite a lot of money to be allocated to see these legacy systems go in.

Anne Bulford: Just to be completely clear, the £22.9 million we had delivery for; the £27.9 million we did not, so that money is set aside.

Q150 **Chris Evans:** That has gone towards legacy systems, plus extra money—

Anne Bulford: And the £9 million additional run cost is compensated for elsewhere in the contract, so the overall net position to the BBC as a result of the renegotiation of the contract is neutral in terms of both revenue and cost.

Going back to the conversation that we had, the legacy system is a legacy system. It is a challenge. We do need to have a long-term plan. We are reviewing the IT strategy. We will have a discussion about that with the unitary board later this year. We have already made some more progress since the Report was published in looking at the IT refresh that is due, end of life systems that are coming up and how to deal with those, but it is something that we are going to need a plan for, and we need to do that in the context of—

Q151 **Chris Evans:** Just one final question from me: has any analysis been



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done of keeping these legacy systems in place, rather than solving this 15 years ago, in 2002, when it was first mooted?

Anne Bulford: Well, if we had put a system in place in 2002, we would now be looking at what to do to bring that into cloud-based technology and deal with that. It is very difficult to have that time again. If we look back at the scale of improvement and the cost of the improvement that has been made, as people have explained, the database looks very different than it did in 2002. We have made a great deal of progress in delivering better services at a lower cost rate. In this period, the overall cost of collecting the licence fee has dropped right down, and the improvements in the system—

Q152 **Chair:** We appreciate that a transition from one system to another is a bit different from setting up something from scratch, but we now have Netflix, Amazon TV and all these pay-per-view things, and they have set up databases that work in a modern system. It just seems extraordinary that, 15 years on, the BBC is still flailing around without a system that can do all the things that most people expect to be at the other end of their smartphones and that may also bring in revenue to the BBC to offset the cost to the licence fee payer.

Anne Bulford: We can do a great deal. We are not doing the same job as a subscription service, in that we are seeking to reach out to and bring to licence all the households in the UK. That needs a database of all the households in the UK and the customers associated with that. That is the basis of licence fee collection, which is a different thing from maintaining a database of people who have signed up to a service.

Q153 **Chris Evans:** With all due respect, Ms Bulford—I do not want to stretch into anecdote here—I look at the high street and I see many banks that do not exist anymore. They transferred their customer data very effectively, and that was complex financial information. Why is the BBC struggling? That is the question, really. Every other organisation seems to be able to do it quickly.

Anne Bulford: I don't think we are struggling. We are taking on the challenge and dealing with it in an incremental way and seeking not to adopt an unduly risky approach to managing this. We have a system that works pretty well in terms of collecting information. There is room for improvement—it is not fit for purpose for the future—but it is very important that we maintain stable systems and that we do not waste money investing in transition programmes that are not delivering. As a result, we stopped the previous programme, we stepped back and we regrouped and replanned.

Q154 **Philip Boswell:** Before my final question on resources, Ms Doubtfire, I would like an in-a-nutshell answer to the 15-year-old question. How would having customer rather than household data help to improve the performance of TV Licensing?

Pipa Doubtfire: It would be very much around efficiency. As I mentioned, we do have a customer database as well as an address database, but it



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takes extra work for us to bring those two sets of data together. Refreshing them into a single database would create opportunities for efficiency for us.

Q155 Philip Boswell: Okay. My final question is with reference to pages 40 to 42 of the NAO Report—the third bullet point of paragraph 4.16 about the new contractual arrangements; paragraph 4.23, which begins, “The BBC’s Licence Fee Unit manages its contracts with support from wider BBC finance, procurement, legal and analytical staff, when necessary”; and paragraph 4.24, which begins, “The BBC Licence Fee Unit does not routinely assess its commercial skills and future requirements.” Based upon the information and issues stated there, how confident are you, Ms Doubtfire, that you are putting enough skilled, properly trained resources into managing the new contractual arrangements effectively?

Pipa Doubtfire: The NAO flagged as a recommendation that we should re-evaluate that. We have absolutely taken that on board and have started a review of the resources in the Licence Fee Unit. As the Report says, we are supported by specialist teams in the wider BBC. We draw on those teams very heavily, but we are going through a process of re-evaluating the skills and resources that we need.

Q156 Philip Boswell: So you are confident that you are now implementing and you have the staff to deliver and to monitor?

Pipa Doubtfire: We are at the beginning of reviewing the skills of the staff, but I am very confident that if we identify gaps the BBC will support us in making sure that those are filled.

Anne Bulford: Overall, the NAO Report comments favourably on contract management in the Licence Fee Unit, both with Capita and with the Proximity contract as well as others. The question we are addressing is the extent to which the Licence Fee Unit has dedicated professional resources, as opposed to drawing on broader BBC professional teams. That is a balance to be struck.

Q157 Chair: Can I go back briefly to the issues around customer service? I will ask Ms Bulford and maybe Mr Prettejohn. In 2009, the Trust did a report covering the tone of letters that were sent out. I know you have worked with Proximity, Capita and the BBC to deal with this side of things. How many changes have you made since 2009? Do you still watch the tone of letters that are sent out?

Anne Bulford: We do. The recommendations that were set out in 2009 have been addressed. The tone of the letters, particularly the clarity around what you can do to buy a licence fee and avoid things moving to the next stage, is clearer. David Perry’s review also recommended that we look again at the tone of some of our letters. We have done that again and revised them further. It is a continuous improvement process. We look all the time at striking a balance between reducing evasion and bringing people into the licence fee by using the deterrent, but at the same time having a tone that is appropriate.



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Q158 **Chair:** Thank you very much for your time. It is worth highlighting that every percentage point reduction in the evasion rate is £40.5 million of revenue to the BBC. That is why it is of concern to you as much as to us. Also, it matters to us how that is done. Mr Gysin, I look at you because you are the person at the frontline of delivering this for the BBC. The tone of letters and the way people are treated, particularly as you picked up our concerns about vulnerable people, is also important. We are not saying you should not collect the money that is owed to you, but there is a manner in which it should be done. We hope that the *Daily Mail* investigation will get some information about that. Mr Gysin, will that be reported to you and to Ms Bulford or Ms Doubtfire at the BBC?

Anne Bulford: The director-general wrote to the chief executive of Capita with some questions that request an answer, and we expect a reply to the director-general. I am happy to make that available to the Committee.

Q159 **Chair:** Okay. We look forward to getting that in a few weeks' time.

Anne Bulford: Yes.

Chair: Thank you for your time. The transcript will be up on the website in the next couple of days.