



Annual Report  
2011/12

# The Office of Communications Annual Report and Accounts

For the period 1 April 2011 to 31 March 2012

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# The Office of Communications Annual Report and Accounts For the period 1 April 2011 to 31 March 2012

Report and Accounts presented to  
Parliament pursuant to Paragraphs  
11 and 12 of Schedule 1 of the  
Office of Communications Act 2002.

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2011/12



“We make sure that people in the UK get the best from their communications services.”



# Who we are and what we do

## The Office of Communications (Ofcom) is the UK's independent communications regulator.

We regulate the TV and radio sectors, fixed-line telecoms and mobiles, the airwaves over which wireless devices operate and, since 1 October 2011, postal services.

We ensure that people in the UK get the best from their communications services and are protected from scams and sharp practices, while allowing competition to thrive.

Established under the Office of Communications Act 2002, Ofcom operates under a number of Acts of Parliament and regulations, including the Communications Act 2003, the Wireless Telegraphy Act 2006 and the Broadcasting Acts 1990 and 1996. This legislation sets out what Ofcom should do and how we should do it. More recent legislation includes the Digital Economy Act 2010 and the Postal Services Act 2011.

The Communications Act 2003 says that Ofcom's principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting

competition. This underpins much of what we do. The Postal Services Act 2011 says that Ofcom must secure the provision of a universal postal service.

We are involved in advising on and setting some of the more technical aspects of regulation, as well as implementing and enforcing communications law, competition and consumer law.

Ofcom is funded by fees from industry for regulating broadcasting and communications networks, and grant-in-aid from the UK Government for undertaking concurrent competition regulation and managing the radio spectrum. We work independently, free from political influence.

### What we do

Our main legal duties are to ensure that:

- the UK has a wide range of electronic communications services, including high-speed services, such as broadband;
- there is a wide range of high-quality television and radio programmes, appealing to a range of tastes and interests;
- television and radio services are provided by a range of different organisations;

- people who watch television and listen to the radio are protected from harmful or offensive material. We handle complaints about television and radio broadcasting and assess each complaint against the Broadcasting Code or other relevant codes or licence conditions;
- people are protected from being treated unfairly in television and radio programmes, and from having their privacy invaded;
- the radio spectrum (the airwaves used by everyone from taxi firms and boat owners, to mobile-phone companies and broadcasters) is used in the most effective way; and
- the provision of a universal postal service is financially sustainable and efficient.

### What we do not do

Ofcom has powers to enforce consumer law on behalf of consumers generally. Ofcom does not have the power to resolve individual consumer complaints about telecommunications services, unlike TV and radio, but we provide advice to individual complainants and refer them to the two Alternative Dispute Resolution (ADR) schemes that we have approved. There is also an ADR scheme for post that we have approved.

# Chairman's message

## Colette Bowe

The communications sector is more important to the UK than ever. I see this in the detailed market information Ofcom collects and publishes, and I see it in the everyday consumer experiences of services that, in some cases, did not exist even a few years ago.

This growing importance and this pace of change place a particular responsibility on Ofcom to ensure that consumers continue to get a fair deal wherever they are in the UK.

Over the past year, we have made good progress. We have banned contracts that automatically renew, helped push down charges that customers face when leaving a contract early, and published authoritative new information on complaints levels and broadband speeds. We have come down harder on rule-breaking practices that cause harm and distress, cutting the number of silent and abandoned calls and reducing by nearly a third the complaints made to us about mis-selling of landline services.

And with new powers from Parliament in the past year, we are starting to clear up the confusion so many people face about call charges to certain number ranges, starting with proposals for making 0800 numbers free to call from mobiles. Ed describes some of these steps in more detail in his report.

### Communications services UK-wide

As communications services become more central to people's lives and work, so do the benefits of their widespread availability, including in Scotland, Wales and Northern Ireland. The devolved administrations in Edinburgh, Cardiff and Belfast are all taking steps to improve their nations' competitiveness and connectivity and I am keen that Ofcom continues to work productively with them, the Scottish Parliament, the National Assembly for Wales, the Northern Ireland Assembly – and, of course, the UK Parliament and Government.

Late last year Ofcom began a significant new project to understand and explain in detail why some communications services are not available as widely as others, and the public interventions that seek to secure greater coverage than would be commercially viable. We expect to publish a report on this work later in the year. We are implementing governance changes to ensure that the licensing of new broadcast services in Scotland, Wales and Northern Ireland is carried out with the benefit of advice closer to those nations' interests. I'm also pleased to report

that our third round of community radio licensing got under way in the past year, commencing in Wales and the West of England. We have moved ahead with the licensing of new local TV stations, including for Belfast, Swansea, Edinburgh, Cardiff and Glasgow. In May we published our report to the Secretary of State on the future licensing of channels three and five – the final decision for which is likely to have a bearing on the provision, in particular, of television news in the devolved nations.

The UK Government's decision to provide £150m to extend 2G voice mobile coverage to areas where it is currently poor or non-existent is also a significant step. The expected increase in the number of base stations has in turn helped to make it possible for us to propose a higher coverage obligation on one of the licences providing the next generation of high-speed 4G mobile broadband, when we begin the auction process later this year. Even allowing for the greater proportion of rural areas in Scotland, Wales and Northern Ireland, there is the potential for 4G coverage to reach 95 per cent of all households in each of these nations. Until now, much of the focus has been on competing industry interests in the assignment of spectrum. With 4G services expected to become widely available in the next year, this will now shift to the huge benefits that this technology will literally deliver into the hands of consumers and citizens.

## Working with Government

Given the huge changes we all see in the provision and consumption of communications services, it is no surprise that the UK Government intends to move toward a new Communications Act. For Ofcom specifically, this would follow legislation enacted in the past year to make us responsible for the regulation of postal services. There is also likely to be further secondary legislation amending our duties as a result of the Public Bodies Act.

An important part of the future legislative basis for our sector depends on the outcome of the Leveson Inquiry, to which Ed and I gave evidence in February. Our work on assessing media plurality forms part of the further evidence for that Inquiry.

The UK Parliament rightly holds Ofcom to account for our work. In the past year we have given evidence to the Joint Committee on Privacy and Injunctions and to the Culture, Media and Sport Select Committee's inquiry into plurality. The Lords Communications Committee, meanwhile, examined the future of investigative journalism and superfast broadband, to both of which inquiries we gave evidence, alongside the Business, Innovation and Skills Select Committee's inquiry into stamp prices. Committees of the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly all examined aspects of the sector, and our role in making it work better for consumers and citizens.

## Changes to the Board

Within Ofcom, there have been changes to the Board. Philip Graf left at the end of 2011, after six years as Ofcom's Deputy Chairman and Chairman of the Content Board. I would like to express my warm thanks to Philip for all he contributed to Ofcom during this time. We also said goodbye to Millie Banerjee, one of the founding members of Ofcom's Board. Again, Millie made a very great contribution to the shaping of Ofcom and to our way of doing business, and I am most grateful for her outstanding contribution, on many different aspects of Ofcom's work, over nearly ten years.

We welcomed two new members – Patricia Hodgson and Lynne Brindley. Patricia joins us as the new Deputy Chairman and Lynne has taken over as Chairman of the Nations Committee. Tim Gardam has succeeded Philip Graf as Chairman of the Content Board. A point of continuity is the benefit I and other Board members gain from the direct, but considered, views of the Communications Consumer Panel and our advisory committees for England, Scotland, Wales and Northern Ireland and for Older and Disabled People.

## Significant milestones

2012 marks the end of a long era in UK broadcasting, as the process of switching terrestrial television from analogue to digital reaches its conclusion. Despite the obvious benefits to viewers and others – not least those who will make use of the new 4G services dependent on the

vacated airwaves – digital switchover represents a major engineering and public awareness programme. With just parts of the North East of England, Kent and Sussex, and Northern Ireland still to switch, it is a credit to those involved in Ofcom, in Digital UK and elsewhere, that the transition has so far been hassle-free.

2012 is also a year of immense challenge for London's communications networks, already among the busiest in the world, as the London 2012 Olympic and Paralympic Games place unprecedented demand on the available radio spectrum for the vast array of wireless services needed to run, secure and broadcast this global event. My colleagues in Ofcom have been hard at work planning and testing to ensure that this critical aspect of the Games' success functions as smoothly as possible. On behalf of the Board I thank them and all our colleagues for their work over the past year.



**Colette Bowe**  
Chairman



# Chief Executive's Report

## Ed Richards

In three weeks' time from the publication of this Annual Report, the UK's digital communications networks will face an important test.

With a total global audience of around four billion, all eyes will be on London as the host of the 2012 Olympic and Paralympic Games. Behind the scenes Ofcom is quietly playing an important role, securing and managing the spectrum needed for wireless communications, which will face unprecedented demand from around 20,000 accredited media organisations and the Games organisers.

It will be the most digitally-connected Games ever held. People will watch the sport on digital TV, over broadband internet and on their mobile phones; they'll listen to commentary on radio, and they'll share their views and pictures over social networking sites.

Page 11 of this report provides some of the headlines from our research, showing the extent to which consumers today are using digital services.

The take-up of services has been driven in part by new investment in networks, which is one of a number of positive outcomes that Ofcom's work has helped to achieve this year.

### What our work has achieved

In everything we do we aim to serve the interests of citizens and consumers and deliver positive outcomes for them. At a time of changing technology, with the need for major investment in new networks, Ofcom's approach has been both to promote investment and sustainable competition and to protect and empower citizens and consumers across the UK.

A new Ofcom regulatory framework for superfast broadband has promoted significant investment by operators. Superfast broadband is already available to around 63 per cent of the UK, according to our research, in large part helped by large-scale commercial investments from Virgin Media and BT. The UK Government expects to see superfast broadband, supported by public funding, made available to at least 90 per cent of the UK population by 2015, delivering the best network in Europe.

As well as faster speeds, consumers have a greater choice of telecoms provider. This is delivered through a process called local loop unbundling (LLU), which allows competing providers to offer broadband and telephone services using the network controlled by BT's wholesale access division, Openreach. In January 2012 the number of unbundled lines passed the eight million mark, from just 123,000 in 2005.

Consumers are now also better able to shop around to take advantage of this competition. In 2011/12 Ofcom banned automatically renewable contracts that tie customers into contracts. Following negotiation with Ofcom, operators have lowered the charges they levy when a customer leaves a contract early. And we have provided consumers with new sources of information on issues such as levels of customer complaints and actual broadband speeds, allowing them to make better-informed decisions.

There has been a significant fall in the number of people experiencing silent and abandoned calls, which can cause inconvenience, annoyance and anxiety. This followed new enforcement powers for Ofcom and a number of new investigations into companies suspected of breaking the rules.

We have reduced the complaints to us about mis-selling of landline services and 'slamming', a form of mis-selling where a customer's telecoms provider is changed without their apparent consent. Our work is ongoing in this area but we have seen a 31 per cent reduction in the overall number of complaints per month about landline mis-selling.

One area that continues to cause concern is the problem of consumers being hit with unexpectedly high phone bills, often when travelling abroad. Ofcom research published in the year under review showed that

as many as 1.4 million mobile phone contract customers may have been affected by so-called 'bill shock' in a six-month period. Ofcom is now working with the mobile operators to address the issue, including possible 'opt-in' measures and financial caps.

Audiences – especially children – have been protected from harmful or inappropriate content on TV and radio thanks to our standards work, which includes upholding the rules in the Ofcom Broadcasting Code. To reinforce this we held industry-wide meetings with TV and radio broadcasters during 2011/12 to remind them of the rules and to raise compliance concerns. It is now easier for audiences to complain about inappropriate content following improvements to the Ofcom website and the creation of ParentPort, an online portal for parents, in collaboration with other media regulators.

The universal postal service, which guarantees same-price delivery to every UK address six days a week, has been safeguarded. This followed our decisions on the regulation of stamp prices, giving Royal Mail greater flexibility – with necessary safeguard caps – to set its own prices.

Sky Sports 1 and 2 continued to be available to a range of pay-TV providers, delivering the content via satellite, cable and through the TV aerial. This followed our investigation into the pay-TV sector.

### More benefits to come

During 2011/12 Ofcom carried out significant pieces of work that will deliver positive benefits for consumers in the years to come. This includes:

- enabling the next generation of 4G mobile services, with plans to auction prime spectrum at 2.6 GHz and 800 MHz, in what will be the UK's largest spectrum auction, starting at the end of 2012;
- advising on the future of ITV, STV, UTV and Channel 5, with a report to the Secretary of State on the future licensing arrangements of the channels when the current licences expire at the end of 2014;
- preparing to license more than 20 local TV stations across the UK by 2015; and
- protecting the future supply of geographic telephone numbers to communications providers and providing greater clarity on the cost of calling non-geographic numbers (such as 08, 09 and 118).

Following our work to better understand the problem of mobile phone not-spots, we are working closely with the UK Government on how best to allocate its £150m fund to address the problem. As part of our second consultation on the 4G spectrum auction, we proposed measures to ensure that this money would also enable next-generation mobile services to be rolled out to these hard-to-reach areas.

Section B of this report, starting on page 11, outlines in more detail Ofcom's work in 2011/12 and how it has benefited consumers.

### Inquiries into the media

One topic that has dominated the media over the past 12 months has been the future regulation of media. Allegations about phone hacking led to the Leveson Inquiry into the culture, practices and ethics of the press, to which Ofcom has given both oral evidence and a number of written statements.

In our report last year on the public interest test in relation to the proposed acquisition by News Corporation of the shares in BSkyB that it does not already own, Ofcom suggested that the current framework for assessing plurality should be reviewed. In October 2011 the Secretary of State asked Ofcom a series of questions on assessing media plurality. Ofcom provided responses to these questions to both the Secretary of State and the Leveson Inquiry and expects to provide further work to the Secretary of State in 2012/13.

Ofcom is reviewing evidence emerging in the course of the Leveson Inquiry and elsewhere, relating to phone hacking and other activities by newspapers owned by News International, where we consider it may be relevant to our ongoing duty to ensure that broadcast licensees, such as BSkyB, are fit and proper to hold broadcast licences.

### Reducing our spending

Ofcom has delivered its work in 2011/12 under a significantly reduced budget. This followed a major review last year of Ofcom's expenditure, to identify savings in response to the challenge facing the public sector more generally. Ofcom built on its track record of reducing its budget year on year to reduce its cost to taxpayers and stakeholders. An internal review showed that Ofcom has continued to deliver outputs for consumers and citizens (as set out in Section B of this report) and has maintained quality while operating under a constrained budget.

2011/12 was the first year of a four-year programme to reduce Ofcom's budget by 28.2 per cent in real terms, as required by HM Treasury following its 2010 Spending Review. In a drive to reshape and refocus the organisation, the majority of the cuts were made in year one.

Ofcom's core budget for 2011/12 was £115.8m. In October 2011 Ofcom assumed responsibility for postal services regulation. Postcomm's budget for the same financial year was £8.9m.

Ofcom's audited outturn for 2011/12 was £108.7m, some 9 per cent lower than the Ofcom budget revised to accommodate postal services regulation from October 2011. The underspend against budget resulted mainly from greater efficiencies in the regulation of postal services and delays due to litigation around the implementation of Ofcom's new duties under the Digital Economy Act, aimed at addressing online copyright infringement.

Section D of this report, starting on page 70, covers Ofcom's expenditure in greater detail.

### Priorities for 2012/13

Ofcom's budget for 2012/13, at £121.4m, will see a further 6.1 per cent real-terms reduction in the cost of regulation. The budget will be used to deliver important work across the communications sector and, in particular, five strategic priorities. These are to:

- promote effective and sustainable competition. This includes promoting investment and competition in superfast broadband as well as ensuring effective competition in the business connectivity and landline markets;
- promote the efficient use of public assets. This includes the release of prime chunks of spectrum and safeguarding the necessary frequencies for the London 2012 Olympic and Paralympic Games;
- help communications markets work for consumers. This includes ensuring that all communications providers supply clear information, so that consumers can make informed choices, and switch providers easily. Other work will include securing the universal postal service and determining the needs of postal users, as well as assessing the provision of communications services in the UK's nations;
- provide appropriate assurance to audiences on standards. This includes carrying out a review of regulation of video on demand and considering future approaches to content regulation; and
- contribute to and implement public policy defined by the UK Parliament. This includes advising the UK Government on measuring media plurality, contributing to the Leveson Inquiry and implementing the provisions around online copyright infringement. It also includes working with the UK Government in promoting widespread superfast broadband and reducing mobile not-spots in the UK.



**Ed Richards**  
Chief Executive

# An overview of the markets we regulate

The communications sector plays an important role in the lives of UK consumers and citizens.

Nearly half of people's waking hours are spent using media and communications, and consumers place an enduring value on communications services, relative to other activities.

Ofcom has a commitment to conduct and publish consumer and market research to inform our work. This research spans a wide range of metrics looking at take-up, usage and satisfaction, which remains high in the markets we regulate.

## TV

### TV viewing

242 minutes per person per day in 2010

▶ **242 minutes per person per day in 2011**

### Digital TV take-up

93% of homes in 2010

▲ **94% of homes in 2011**

### Satisfaction with DTV service

89% in 2010

▲ **90% in 2011**

## Radio

### Radio listening

20.1 hours per person per week in 2010

▲ **20.4 hours per person per week in 2011**

### Digital radio take-up

34% in 2010

▲ **40% in 2011**

## Internet

### Broadband take-up

75% of homes in 2010

▲ **76% of homes in 2011**

### Average broadband speeds

6.2Mbit/s in November/December 2010

▲ **7.6Mbit/s in November 2011**

### Internet use

15 hours per person per month in 2010

▼ **14 hours per person per month in 2011**

### Satisfaction with broadband service

80% in 2010

▲ **81% in 2011**

## Post

### Use (volumes)

16.0 billion items in 2010

▼ **15.2 billion items in 2011**

### Satisfaction with speed of service

**68% in 2011**

## Mobile

### Mobile take-up

91% of adults in 2010

▶ **91% of adults in 2011**

### Mobile use

125 billion minutes in 2010

▼ **124 billion minutes in 2011**

### Mobile use (texts)

128 billion messages in 2010

▲ **151 billion messages in 2011**

### Satisfaction

91% in 2010

▲ **92% in 2011**

## Landline telephone

### Take-up

86% of homes in 2010

▼ **84% of homes in 2011**

### Use

129 billion minutes in 2010

▼ **116 billion minutes in 2011**

### Satisfaction

88% in 2010

▲ **89% in 2011**

## Progress on delivering against our annual plan priorities



Ofcom's principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.

This principal duty is embodied in our five strategic purposes, under which sat 13 priorities for 2011/12.

We have assessed how successful the delivery of our priorities for 2011/12 has been against the positive outcomes that we seek for citizens and consumers. To achieve this, we have categorised our progress towards the identified interim and final outcomes, for each of our priorities.

Outcomes describe what we expect to happen as a result of our actions and decisions. An interim outcome may comprise several smaller changes that are needed in order to achieve the final outcome. Due to the rapidly changing markets we regulate, we do not always have complete control over the outcomes of our work.

Within the table below, for each strategic priority, we have assigned a status to each of the following questions:

- Have we done what we said we would do?
- Has it been as effective as we intended it to be?
- What progress have we made in achieving the interim outcome(s)?

- What progress have we made in achieving the final outcome(s)?

The final columns address the value of budgeted, forecast and actual work:

- Value of work budgeted – The expected value of work for the activities as at 1 April 2011
- Mid-year forecast of value of work – The forecast for the full year as at 30 September 2011
- Value of work completed – The actual value of work completed to 31 March 2012

Certain priorities and outcomes identified in 2011/12 span multiple years, and have continued into 2012/13.

Priority	What we have done	Have we done what we said we'd do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Value of work budgeted (£k)	Mid-year forecast value of work (£k)	Value of work completed (£k)
<b>Core purpose: Promote effective and sustainable competition</b>								
Promote competition and investment in the delivery of superfast broadband	<ul style="list-style-type: none"> <li>Our work with BT Openreach contributed to substantial reductions in the prices for access to BT ducts and poles (designed to support investment in NGA)</li> <li>Provided ongoing support to industry regarding the implementation of Openreach's superfast wholesale services</li> </ul>	●	●	●	●	1,553	1,516	1,790
						Increased complexity in Business Connectivity Market Review and Leased Lines Charge Control in conjunction with advancing some aspects of the work resulted in increased expenditure during 2011/12		
Ensure fair and effective competition in the delivery of pay-TV services	<ul style="list-style-type: none"> <li>Defended our decision to require BSkyB to offer Sky Sports to retailers on other platforms</li> </ul>	●	●	●	●	2,133	2,161	1,774
						Appeals process against Pay TV statement more protracted than anticipated and incomplete by 31 March 2012. Expenditure in 2011/12 is, as a consequence, lower than planned.		
<b>Core purpose: Promote the efficient use of public assets</b>								
Preparing for auctioning the 600 MHz, 800 MHz and 2.6 GHz spectrum bands	<ul style="list-style-type: none"> <li>Consulted on competition issues in mobile markets arising from proposed spectrum use</li> <li>Consulted on further refined proposals</li> </ul>	●	●	●	●	2,423	1,963	1,685
						Undertaking a further consultation has delayed publication of the Information Memorandum and the Auction with a consequential effect on the timing of expenditure.		
Timely spectrum clearance to enable new awards	<ul style="list-style-type: none"> <li>Consulted on protection of digital TV services from interference</li> <li>Funding given to channel 69 users to move</li> <li>New testing facility for Short Range Devices</li> </ul>	●	●	●	●	1,670	1,797	1,613
Develop a future-looking spectrum policy work programme taking account of market developments and future demand for spectrum	<ul style="list-style-type: none"> <li>Consulted on long term demand</li> <li>Consulted on future of UHF band</li> <li>Published Call for Inputs to inform decisions on the scope for Fixed and Shared Links Band review</li> </ul>	●	●	●	●	2,307	2,601	2,716
						Work and expenditure on Mobile Not-Spots and Local TV not originally planned for 2011/12. Strategic decision also taken to focus on UHF.		
Deliver the Government's spectrum guarantee for the London 2012 Olympic & Paralympic Games	<ul style="list-style-type: none"> <li>Built and tested spectrum assignment system</li> <li>Built sensor network</li> <li>Allocated spectrum frequencies</li> <li>Participated in test events</li> </ul>	●	●	●	●	4,054	4,337	4,624
						Opportunity taken to accelerate preparatory work for Spectrum Interference Management, logistics and colleague training with consequential impact on timing of expenditure.		
<b>Core purpose: Help communications markets to work for consumers</b>								
Develop and implement policies that will improve the ease of switching between communications providers for consumers	<ul style="list-style-type: none"> <li>Banned automatically renewable contracts</li> <li>Consulted on measures to make changing providers simpler</li> </ul>	●	●	●	●	521	596	566

● We have done what we said we would do  
● We continue to make progress towards achieving the priority

● We have not made as much progress as we thought we would do  
● It is too early to assess our progress

Priority	What we have done	Have we done what we said we'd do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Value of work budgeted (£k)	Mid-year forecast value of work (£k)	Value of work completed (£k)
<b>Core purpose: Help communications markets to work for consumers</b>								
Ensure communications providers deliver clear information so that broadband consumers can make informed choices	<ul style="list-style-type: none"> <li>Published two reports on speeds for fixed broadband</li> <li>Report on mobile broadband performance</li> <li>Published compliance testing on broadband speeds Code of Practice</li> <li>Report published on traffic management, and further work in hand to understand the consumer experience and whether there is a need for intervention on transparency</li> </ul>	●	●	●	●	839	945	938
						Additional wave of research undertaken in relation to broadband quality of service that was not originally planned in 2011/12.		
<b>Core purpose: Provide appropriate assurances to audiences on standards</b>								
Implement streamlined broadcasting standards procedures	<ul style="list-style-type: none"> <li>Published and implemented revised procedures for broadcasting investigations and sanctions</li> </ul>	●	●	●	●	Preparatory work and expenditure concluded in 2010/11. New procedures embedded into business as usual during 2011/12 with no additional costs.		
Consider new regulatory approaches to content regulation	<ul style="list-style-type: none"> <li>Published independent research on public expectations and priorities</li> </ul>	●	●	●	●	118	498	539
						Complexity necessitated independent research and additional resources over original plan.		
<b>Core purpose: Contribute to public policy</b>								
Prepare for and fulfil regulatory duties in relation to postal regulatory framework	<ul style="list-style-type: none"> <li>Took over postal regulation</li> <li>Consulted on and published decision on regulatory framework, pricing and safeguards</li> </ul>	●	●	●	●	2,459	4,575	3,230
						Significant savings achieved during the integration process. A greater deregulatory stance has resulted in savings in the fulfilment of our ongoing duties in relation to postal services.		
<b>Core purpose: Contribute to and implement public policy defined by Parliament</b>								
Implement Digital Economy Act 2010 provisions around online copyright infringement	<ul style="list-style-type: none"> <li>Awaiting Government approval of our draft Initial Obligations Code.</li> <li>Approval will allow us to publish the draft Code, prior to it being submitted to the European Commission for consideration. Following this process, the draft Code will be laid before Parliament.</li> <li>In parallel, we can publish our consultation document on the setting of tariffs</li> </ul>	●	●	●	●	2,974	1,149	407
						Publication of the Code was delayed by a Judicial Review of the Digital Economy Act and by difficulties securing approval for the Code.		
Prepare statutory report to Government on post-2014 licensing arrangements for channels 3 & 5	<ul style="list-style-type: none"> <li>Submitted a report on licensing arrangements to Secretary of State</li> </ul>	●	●	●	●	210	200	233

Note: The values of the work shown are based on the direct internal and external costs of related activities (excluding any share of common costs). Stakeholders are billed in accordance with our Statement of Charging Principles and not solely on the direct cost of an activity.

● We have done what we said we would do  
 ● We continue to make progress towards achieving the priority

● We have not made as much progress as we thought we would do  
 ● It is too early to assess our progress

# Progress on delivering against our annual plan priorities

We aim to deliver against the objectives set in our Annual Plan priorities. This section explains how we performed against these priorities and provides detail on our objectives, what actions we took and the outcomes for consumers.



## Our objective

### Promote investment and competition in the delivery of superfast broadband

There has been significant investment in broadband networks in the past decade, which has led to healthy competition, high consumer take-up and steadily increasing broadband speeds. However, broadband speeds have reached a point where new investment is needed to take them to the next level. Our aim is to create an environment that gives confidence to potential investors, enabling them to make a case to roll out new superfast networks. At the same time, we are keen to maintain competition so that consumers have a choice of services and providers.

## What we did

In October 2010, we introduced our regulatory framework in this area. This required BT to open up access to its ducts and poles, which would give other operators the opportunity to invest in superfast broadband networks. We also required BT to offer 'virtual' unbundled access to its new next-generation fibre network, so others could compete and supply superfast broadband services to consumers. A key component of our regulatory framework is to give pricing flexibility to operators who invest in new superfast broadband networks.

After we required BT to offer access to its network of underground ducts and telegraph poles to allow companies to offer superfast broadband services, BT published prices for these in October 2011. These prices are

among the lowest, if not the lowest, for comparable products elsewhere in Europe. In areas where BT has no commercial plans to invest, access to these ducts and poles will allow other providers to bid for the funding which will be made available by Broadband Delivery UK (BDUK), part of the Department for Culture, Media and Sport (DCMS), in competition with one another and with BT.

We also published further broadband speeds research, which aims to help consumers make informed decisions when choosing a broadband supplier. It is our intention to continue monitoring availability and take-up through the publication of regular reports, building on our 2011 *Infrastructure Report*.



### Outcome

BT is part-way through a £2.5bn investment in deploying next-generation access, which aims to provide superfast broadband services to about 66 per cent of the UK population. BT's deployment had passed seven million UK premises by March 2012.

Virgin Media has continued to invest in increasing capacity in its network, offering services up to 100 Mbit/s. In February 2012, the company said that it would double its broadband speeds over the next 18 months, with the exception of its 100 Mbit/s service, which will increase to 120 Mbit/s.

We estimate that superfast broadband is now available to around 63 per cent of the UK, with headline speeds of up to 100 Mbit/s. An increasing number of consumers – in excess of 1.1 million at the end of December 2011 – are taking superfast broadband services with speeds of 30 Mbit/s or more.

By the end of April 2012, there were several communications providers using or testing BT's fibre lines to deliver superfast broadband services to consumers in the UK. Separately, the UK Government is progressing its plans to subsidise the deployment of superfast broadband services in areas where there are currently no commercial plans. BDUK is overseeing the procurement process for this.



### Our objective

Ensure fair and effective competition in the delivery of pay-TV services

In March 2010, we said that consumers would benefit if Sky Sports 1 and 2 were offered to competing retailers on platforms other than Sky's, and at regulated prices for the SD versions of the channels. We also consulted on a market investigation reference to the Competition Commission in relation to movies.

### What we did

Our decision meant that pay TV providers Virgin Media, BT Vision and Top Up TV were able to retail Sky Sports to viewers based on the new regulated wholesale price in time for the 2010/11 Premier League season.

We also referred the sale and distribution of subscription premium pay-TV movies to the Competition Commission. First-run Hollywood movies are important for many consumers when signing up to a pay-TV service. We were concerned that

the way in which these films are sold and distributed has created a situation in which Sky has the incentive and ability to distort competition – meaning less choice, less innovation and higher prices for consumers.

### Outcome

Our decision on Sky Sports is the subject of appeals by Sky, FA Premier League, Virgin Media and BT to the Competition Appeal Tribunal. However, as a result of the decision, Sky Sports 1 and 2 are already available from a wider range of pay-TV retailers. In particular, viewers can buy these premium sports channels directly through their existing TV aerial rather than exclusively through satellite or cable services, improving choice and promoting innovation.

We expect the Competition Commission to publish its final report on movies around the end of July 2012.

## Our objective

### Prepare for auctioning the 600 MHz, 800 MHz and 2.6 GHz spectrum bands

'Spectrum' is the airwaves used for wireless services such as TV, radio and mobile phones. It is a valuable resource because its supply is limited, but with careful planning, citizens and consumers in the UK stand to benefit significantly from the launch of new services using this spectrum.

Ofcom is planning the largest-ever single auction of additional spectrum for mobile services in the UK, equivalent to three-quarters of the mobile spectrum in use today, and 80 per cent more than the 3G auction held by the UK Government in 2000.

This new capacity is essential to meet the growing demand for mobile internet and data, which is estimated to increase in Western Europe by more than 500 per cent over the next five years.

The capacity (or 'digital dividend') is being created as the UK switches from analogue to more spectrum-efficient digital terrestrial TV (Freeview). This will free up the airwaves in the 800 MHz band, which Ofcom plans to auction, along with higher-frequency spectrum in the 2.6 GHz band, from the end of 2012, to enable 4G mobile to launch.

## What we did

Between March and May 2011, Ofcom consulted on how use of this spectrum is likely to affect future competition in the mobile telecoms markets. Based on this, we outlined a number of proposals for how the spectrum should be auctioned.

The responses to this consultation and the evidence submitted, together with further analysis by Ofcom, helped us to develop and refine our proposals. In January 2012, we set out further plans for how spectrum should be made available in the UK. These included measures to extend 4G mobile coverage to at least 98 per cent of the UK population and revised plans to promote competition. In order to accommodate the responses to this second consultation, along with our own additional analyses, we have had to re-schedule the auction to take place in 2012/13, instead of in 2011/12 as we had proposed to do.

## Outcome

Ofcom has completed the first step in preparing for the most significant spectrum release in the UK for many years. The proposals we have outlined will influence the provision of services to consumers for the next decade and beyond.

As the UK enters the next generation of mobile communications, Ofcom's objectives are to promote effective competition and to stimulate investment and innovation. The UK benefits from being one of the most competitive mobile phone markets in Europe, according to our research<sup>1</sup>. This means that consumers pay less for mobile services and have the ability to shop around for packages that best suit them.

In addition, we are proposing a significant enhancement of mobile broadband, extending 4G coverage to match – and even go beyond – existing 2G coverage, helping to serve many areas of the UK that have traditionally been under-served by mobile coverage.

With regard to 600 MHz spectrum, we are working to ensure that nearer-term decisions regarding its release are consistent with longer-term objectives and benefits for consumers and citizens. We must balance the interests of continued universal free-to-air access to DTT services with growing demand for wireless broadband services in Europe, Africa and the Middle East. The 2012 World Radio Conference (WRC 12) passed a resolution to enable the 700 MHz band to be used for mobile broadband after the next World Radio Conference in 2015. This could have implications for how the 600 MHz spectrum is used.

<sup>1</sup> International Communications Market Report 2011, Price Benchmarking analysis



## Our objective

### Ensure timely spectrum clearance to enable new awards

The new spectrum that Ofcom will auction in the 800 MHz and 2.6 GHz bands at the end of 2012 will provide much-needed capacity for 4G mobile technology, set to deliver significantly faster mobile broadband services – approaching today's ADSL home broadband speeds.

However, before mobile operators can use this spectrum, it must be cleared of existing users. Analogue and digital terrestrial television (DTT) broadcasters and wireless microphone users currently use this spectrum. Ofcom is undertaking a significant programme of work to relocate these users to other frequencies.

We must also make sure that spectrum users in adjacent bands can coexist safely with their new 4G neighbours. Two key users include DTT (Freeview) and aeronautical radar. A high proportion of households in the UK rely on DTT for at least some of their TV viewing, so we must carefully manage the frequency changes to clear the 800 MHz band. Similarly, we identified a potential issue with interference into aeronautical radar from future mobile services in the 2.6 GHz band.

### What we did

From March 2011, we started making payments under the funding scheme to help wireless microphone users move out of channel 69, at the top of the 800 MHz band. The scheme will run until the end of 2012/13.

Throughout the year we continued to work with multiplex operators Digital UK and Arqiva, to clear DTT from channels 61 and 62 at the bottom of the 800 MHz band, and we assessed applications and made payments related to some of the costs of carrying out this work.

We also continued working closely with the UK Government's radar remediation programme, comprising the Department for Culture, Media and Sport, the Department for Transport, the Ministry of Defence, and supported by the Civil Aviation Authority and Ofcom, to support operators of aeronautical radar in planning and implementing the changes to their radars necessary to ensure they can continue to operate safely in the presence of emissions from the 2.6 GHz band.

Between February and April 2012, Ofcom consulted on the arrangements to protect existing DTT services from interference from mobile broadband. This followed a UK Government announcement on 21 February 2012, outlining a number of policy decisions in this area, including a decision to allocate £180m to fund consumer solutions to TV signal interference resulting from new mobile services. The UK Government has also decided this scheme will be overseen by a company which will be managed by the operators that buy the 800 MHz spectrum. Our consultation was on how Ofcom will implement these policy decisions.

In March 2012, we made a new test facility available for Short Range Device (SRD) manufacturers. SRDs include a wide array of products ranging from wireless microphones to social alarms, which operate adjacent to the top of the 800 MHz band. The test facility was set up to give manufacturers an environment to assess the performance of their products in the presence of 4G mobile signals.

The 862 to 863 MHz band, which is adjacent to the 800 MHz spectrum we will be awarding, is available for emergency services and supports a number of communication systems that are used throughout the UK by the police, fire and rescue services. Throughout the year, we have been working with DCMS, the Home Office, the Department for Communities and Local Government and the Chief Fire Officers' Association to assess the impact of interference on emergency services' operations and to develop plans to manage the interference risks.

### Outcome

Ofcom is on track to make the 800 MHz and 2.6 GHz spectrum bands widely available for use by the end of 2013. In many areas of the UK they will be available for use before this, enabling mobile operators to start rolling out 4G networks earlier in 2013. This means that consumers could soon be benefiting from a significant enhancement of mobile broadband.

## Our objective

### Develop a medium-term spectrum policy work programme, taking account of market developments

Spectrum is a scarce resource that plays a vital role in enabling the delivery of a wide range of entertainment and communications services that we use in our daily lives. So it is important to have a long-term view of what the best use of spectrum might be in the future, taking into account changes in technology and consumer behaviour. We must think about the likely future demands on spectrum for mobile broadband, balanced against the needs of digital terrestrial television viewers.

#### What we did

In 2011, we asked stakeholders what they considered to be the long-term demand for prime spectrum in the range of 470 to 790 MHz. Mobile phones, terrestrial television and a wide range of other services all depend on this spectrum – called Ultra High Frequency (UHF) Bands IV and V – to wirelessly transmit information. Some of this spectrum is in very high demand because of its limited supply and its ability to carry information over long distances and through walls.

In the future, a growing range of different services could potentially use this spectrum to deliver a wide range of attractive services. To ensure that citizens and consumers benefit from these future services, Ofcom is using this information to work out the best balance for use of this prime spectrum.

Harmonising these allocations with other countries could lead to economies of scale, and price reductions for consumers. Ofcom is looking to work with stakeholders to establish the extent of these benefits. A key outcome of the World Radio Conference 2012 was to allocate spectrum in the 700 MHz band to both mobile services and broadcasting at the next conference in 2015. In the light of this development, Ofcom consulted with stakeholders in March 2012 on the future of UHF Bands IV and V. This consultation discussed the implications of releasing the 700 MHz band for mobile use, and the consequences for the award of the 600 MHz spectrum, released by digital switchover.

#### Outcome

Ofcom has started to develop a framework to make sure that the use of this UHF spectrum delivers significant benefits to citizens and consumers in the long term, while ensuring efficient use of this scarce resource.

There is a high level of uncertainty over how markets will develop in the future, and what decisions will be made on the international harmonisation of UHF spectrum. We must balance the interests of continued universal free-to-air access to digital terrestrial TV services with the growing demand for wireless broadband services.

From a consumer perspective, these benefits may include access to a wider range of attractive services and increasing competition between service providers. We will also consider how best to manage the impact of future changes of spectrum use; for example the requirement for people to invest in new equipment.

## Our objective

### Deliver the Government's guarantee of wireless spectrum for the London 2012 Olympic Games and Paralympic Games

The wireless technologies that will help ensure the smooth running of the London 2012 Olympic and Paralympic Games will more than double the demand on spectrum in London during the seven weeks of the two events. This presents a unique logistical challenge never faced before by the UK.

Ofcom is responsible for finding the necessary spectrum; for ensuring that frequencies are licensed to those who need them; and for keeping these frequencies free of interference. Our objective is to contribute to a safe and successful Games, by ensuring that spectrum is used effectively, with the least disruption to existing users.

#### What we did

Because there is a limited supply of spectrum, it is important that it is carefully assigned and efficiently used, with minimal interference. Ofcom has built and tested a state-of-the-art spectrum assignment system that will manage access to spectrum, making it available for those who need it and keeping it free from interference.

In addition, we have built a modern sensor network across the UK to monitor the radio spectrum and quickly locate any sources of interference. Ofcom has also recruited and trained additional engineers who will help us track down and deal with any cases of interference during the Games.

By the start of the Games, we will have assigned up to 20,000 frequencies to be used by broadcasters and organisers in London. This is more than double the number usually assigned in a year. We assigned a large proportion of these during 2011/12.

In preparation for the special circumstances of the Games, Ofcom has participated in a series of test events during 2011 and 2012. These have taken place at high-profile events such as the royal wedding at Westminster Abbey, the Formula 1 Grand Prix at Silverstone and the Sail for Gold event at Weymouth, as well as the London Prepares series of test events organised by the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG).

In February 2012, we published the final update of the detailed spectrum plan of the frequencies to be used at the Games.

### Outcome

Careful management of London's airwaves will be essential for the coverage and organisation of the London 2012 Games. Ofcom will achieve this by ensuring that the necessary wireless spectrum is licensed to those who need it and is kept free from interference.

The equipment, systems, processes and experience from the London 2012 Games will act as a legacy, assisting Ofcom in the future to carry out its day-to-day responsibilities for UK spectrum management. Ofcom will support the Commonwealth Games 2014 in Glasgow, the World Athletics Championship in London in 2017 and similar major events, using the knowledge and experience derived from the London 2012 Games.



*Contributor to the  
Olympic and Paralympic Games*



## Our objective

### Develop and implement policies that will improve the ease of switching between communications providers

Consumers must be able to switch providers easily to ensure they can choose the broadband or telephone service that best suits their needs.

But Ofcom research shows that consumers often face difficulties when changing their provider. Our research suggests that over the past year 130,000 households faced problems during the switching process or when moving house.

## What we did

In February 2012, we proposed measures to make changing broadband and landline provider simpler and more reliable, while protecting consumers from being switched without their consent. These proposals do not apply to cable customers at present. One of the options we are considering is that the new provider would manage the switching process, verified by an independent third party to protect consumers from 'slamming'.

In December 2011, we banned automatically renewable contracts. These 'roll-over' contracts tied landline customers into repeated minimum contract periods unless they opted out. We continue to accredit price accreditation websites, which ensure that consumers have access to price information which is accurate and reliable.

Ofcom has also been working to ensure that broadband and landline customers are not charged unfairly when leaving a contract. We made significant progress in this area last year, with three of the major providers lowering their early termination charges for landlines, and for landline and broadband services combined. We continue our work in this area in 2012/13.

## Outcome

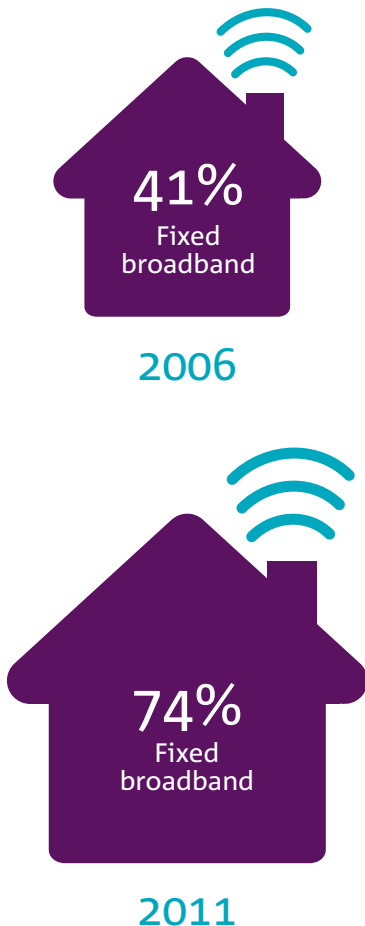
Our proposals should ensure that changing broadband and landline providers is simpler and more reliable for consumers, while reducing instances of slamming. We also want to ensure that switching processes do not get in the way of providers competing to deliver benefits to all consumers, in terms of lower prices, greater choice and innovation, and value for money. We expect to announce our plans later in 2012.



## Our objective

Ensure that communications providers deliver clear information so that broadband consumers can make informed choices

Broadband plays an important role in consumers' lives and has changed the way we communicate, work and find entertainment. Nearly three-quarters (74 per cent) of UK homes had a fixed broadband service at the beginning of 2011, up from 41 per cent in 2006. It is vital that consumers have the right information when choosing a broadband service.



## What we did

We published two reports on comparative speeds for residential fixed-line broadband in the UK (July 2011 and February 2012), and also published a report on mobile broadband performance (May 2011). These reports set out the average actual speeds delivered to consumers in the UK and highlighted the differences in speeds and other performance metrics between internet service providers (ISPs) and between different technologies.

We carried out mystery shopping into compliance with the voluntary broadband speeds Code of Practice and published the results in May 2012. Ofcom also acquired new powers in relation to internet traffic management and 'net neutrality' in May 2011. We published our statement in November 2011, which set out our views on how there should be transparent information for consumers.

## Outcome

Ofcom's research found that average actual broadband speeds in the UK increased from 6.8 Mbit/s in May 2011 to 7.6 Mbit/s in November 2011. Mobile broadband speeds averaged 1.5 Mbit/s in the last quarter of 2010.

The mystery shopping results showed overall improvement in compliance with the Code since our last exercise, and most customers are receiving accurate speed estimates at the point of sale. But there is still room for improvement regarding the unprompted provision of speed estimates to customers, and we will continue discussions with ISPs to increase compliance with the Code.

Following our previous research reports, which showed that advertised speeds were often different to actual speeds, we worked with the Advertising Standards Authority's (ASA) Committee of Advertising Practice (CAP) and the Broadcasting Committee of Advertising Practice (BCAP) in their review to help ensure that advertisements are not misleading. CAP/BCAP issued guidance on the use of speed claims in broadband advertising, which came into force in April 2012.

Among other things, the guidance requires that speed claims should be achievable by at least ten per cent of the relevant ISP's customer base. Where a significant proportion of customers are unlikely to receive a speed sufficiently close to that advertised, further qualifying information, such as the speed range obtainable by those customers, should be included in the advertisement.

## Our objective

Implement streamlined broadcasting standards procedures

Ofcom has an important role to play in setting and upholding standards in broadcasting to help protect viewers and listeners. In June 2011, we published and implemented revised procedures for broadcasting investigations and sanctions. We revised and streamlined our procedures, as we believed that they could be improved for the benefit of all our stakeholders. These changes improved the speed with which we carry out investigations; allowed for more responsive decision making; helped us make efficiency savings and simplified stakeholder interactions with us on a day-to-day basis.



### What we did

The key changes included moving to an ‘issues-based’ model for ensuring compliance with requirements; the introduction of a ‘preliminary view’; and the removal of the internal review mechanism. We also removed the Broadcasting Sanctions Committee and replaced it with a panel, and we clarified our approach to the disclosure of the information Ofcom gathers during investigations.

### Outcome

The revised procedures ensure continued fairness to those involved in our investigations and complaints procedures, while maintaining high quality decision-making, and deliver greater value for our stakeholders. For further information on Ofcom’s performance when assessing complaints and completing investigations during 2011/12, please see the Annex, pages 112 to 114.

### Our objective

#### Consider new regulatory approaches to content regulation

In the light of rapid changes in the technology available for distribution of audio-visual content, including the growing take-up of internet protocol television (IPTV) and online TV services in the UK, we proposed to continue to review our wider regulatory approach to content regulation, to ensure that it remains fit for purpose, continues to serve the interests of citizens and consumers, and is clear for stakeholders.

### What we did

We considered that our regulatory approach in this area should be based on understanding audience expectations for protection.

In January 2012, we published independent research (conducted in summer 2011) on the public’s expectations and relative priorities for protection across broadcast, video-on-demand and ‘open’ internet services. The report is intended to be a public source of information and a foundation for discussion and debate.

### Outcome

The research findings suggest that viewers value the established regulation around broadcast TV, but may want more assurance for video-on-demand services and for similar services which enter the living room through connected TVs. The research also suggests that viewers are seeking simplicity and clarity in the overall regulatory system for content.

In October 2011, Ofcom and other UK media regulators joined forces to launch ParentPort: a single website that acts as an interface between regulators and parents who have concerns about content and its suitability for children. In 2012 we will undertake further work, in conjunction with other regulatory bodies and through our involvement with the UK Council for Child Internet Safety (UKCCIS), on the protection of children in the online environment.



## Our objective

### Prepare for and fulfil regulatory duties in relation to post

On 1 October 2011, Ofcom took over regulation of the UK's postal services from the previous regulator Postcomm and was given concurrent competition powers in relation to post. Ofcom is responsible for safeguarding the UK's universal postal services, which guarantee UK consumers a universally-priced, affordable postal service, six days a week. Since 2006, there has been a 25 per cent decline in postal volumes as consumers have moved away from traditional mail to digital technology such as email.

#### What we did

We published proposals that gave Royal Mail greater freedom in the way it sets some of its prices, subject to safeguards to ensure that consumers and competition are protected. The universal service obligation requires Royal Mail to collect and deliver letters six days a week (and packets five days a week) at an affordable and uniform price to every address in the UK.

#### Outcome

Having carefully considered all the consultation responses, we published our decision in March 2012. We gave Royal Mail greater freedom in the way it sets its prices, but introduced safeguards to ensure that consumers and competition are protected. Specifically, we put a cap on the price of Second Class stamps for standard letters to protect vulnerable consumers. Over the next seven years, this will ensure that Royal Mail can price Second Class stamps no higher than 55p (indexed in line with the Consumer Price Index inflation). To further protect vulnerable consumers and small businesses, we are consulting on extending the cap to Second Class small parcels and large letters up to 2kg in weight. Ofcom believes this work will make the universal service provided by Royal Mail viable in the medium term. We will monitor carefully Royal Mail's performance over the seven-year period.

## Our objective

### Prepare a statutory report for Government on television licensing arrangements for ITV, STV, UTV and Channel 5 after 2014

Our research shows that TV viewers place a high value on public service broadcasting. Ofcom has a duty to prepare a report for the Secretary of State on the licensing arrangements for some of the UK's public service broadcasters, Channel 3 licensees, which includes services offered by ITV, STV and UTV, and Channel 5. We must prepare this report by the end of June 2012 so the Secretary of State can decide whether these companies should continue to hold these licences before the current ones expire at the end of 2014.

#### What we did

We prepared our report on the licensing arrangements in early 2012. In the report, we outlined the different options available to the Secretary of State, which included renewing the licences, extending the current terms or allowing other parties to bid for the licences in an auction.

#### Outcome

The broadcasting sector has undergone significant change since these licences were last issued. Our work assesses the continuing ability of the current licensees to make a sustainable contribution to the purposes of public service broadcasting. It will help establish a basis for commercial broadcasters to deliver content serving the interests of UK citizens and consumers over the next decade.



## Our objective

### Implement Digital Economy Act 2010 online copyright infringement provisions

Consumers are increasingly enjoying films, TV programmes, books and music online and in digital formats. However, this brings new challenges; in particular, it is now much easier to make and distribute copies of copyright content, and in some cases to do so without the permission of the copyright owner. The Digital Economy Act 2010 gave Ofcom new responsibilities for implementing measures aimed at significantly reducing the level of online copyright infringement.

### What we did

The Digital Economy Act requires the making of a code which sets out a process whereby internet service providers (ISPs) are obliged to notify subscribers of reports of apparent infringement sent by copyright owners. They must also produce on request an anonymised list of subscribers against whom multiple infringement reports have been made. The intention is that this will aid copyright owners in taking targeted legal action against egregious offenders. Copyright owners are required to secure a court order before ISPs will disclose the identity of subscribers against whom they wish to take action.

In the absence of industry producing a code for Ofcom to approve, Ofcom was required to make and publish a code. Publication of the Code

was delayed by a Judicial Review of the Digital Economy Act and by difficulties securing approval for the Code. We currently anticipate that the Code will be published in summer 2012 and will be laid before the UK Parliament before the end of 2012.

### Outcome

The Code forms part of a multi-pronged approach by the UK Government aimed at reducing online copyright infringement, through a mixture of enforcement, educating consumers about copyright, and encouraging industry to develop lawful alternatives. Ofcom is required by the Digital Economy Act to monitor and assess these activities and will start making regular reports on progress to the UK Government once the scheme is up and running.

## Previous years' annual priorities

As the communications sector develops and consumers' needs change, so does our focus on key priorities. However, we remained focused on a number of these issues.

### Make progress on mobile phone not-spots

We have published research into mobile not-spots, identifying different types of mobile coverage issues, looking at the reasons for them, their impact on consumers, and ongoing market developments to address them. In October 2011, the UK Government announced a £150m fund to address mobile not-spots. As part of our second consultation on the 4G spectrum auction, we said that we would work with the UK Government to ensure that this money would also enable next-generation mobile services to be rolled out to these hard-to-reach areas.

### Commercial references in programming

TV and radio broadcasters have been able to use commercial references, (product placement), in certain programmes since February 2011. In October 2011, the Nationwide Building Society agreed a deal to feature a branded ATM machine within the corner shop in ITV's Coronation Street soap opera. ITV research suggested that seven out of ten viewers correctly recalled the Nationwide brand featured in the programme. In February 2012, the deal was extended for a year. We will monitor investment in product placement as part of our wider duties to monitor the markets we regulate.

## Areas of work not set out in our 2011/12 annual plan

While we plan our work around our priorities and fulfilling our duties, we also carry out vital work that arises during the course of the year. In 2011/12, this included:

### Measuring media plurality

At the end of last year, in our report on the public interest test on the proposed acquisition by News Corporation of the shares in BSkyB that it did not already own, Ofcom suggested that reform of the current framework for plurality may be required.

In October 2011, Jeremy Hunt, the Secretary of State for Culture, Olympics, Media and Sport, wrote to Ofcom to ask us to assess how practical it would be to set limits on media ownership to protect plurality. He asked Ofcom to recommend a framework for measuring plurality across different media. Parliament has seen it as important to safeguard plurality because of an organisation's ability to influence opinions and set the political agenda if it has too much control over the media. We provided this evidence to the Secretary of State and the Leveson Inquiry into the culture, practices and ethics of the press.



### Supporting the Leveson inquiry

The Government established the Leveson Inquiry into the culture, practices and ethics of the press in 2011. Ofcom provided evidence on models of regulation for TV and radio and also gave evidence to the inquiry on 1 February 2012. During that evidence session, Lord Justice Leveson said that he would welcome Ofcom's views on how the press could be regulated in a way that preserves its independence and the rights of free expression. We provided these views to the Inquiry in April 2012.

### Creating ParentPort and responding to the Bailey review

ParentPort was set up last October to make it easier for parents to complain about material they see or hear across the media, communications and retail industries. Ofcom played an active role in establishing the ParentPort website, which was created in response to Reg Bailey's Independent Review of the Commercialisation and Sexualisation of Childhood. This recommended that regulators should work together to create a single website to act as an interface between themselves and parents. It was jointly developed by Ofcom, the Advertising Standards Authority, the Authority for Television On Demand (ATVOD), the BBC Trust, the British Board of Film Classification, the Press Complaints Commission and the Video Standards Council/Pan-European Game Information.

# Our ongoing responsibilities and the resources we manage

As well as fulfilling our Annual Plan priorities, we are constantly working to achieve the best outcomes for citizens and consumers within our day-to-day responsibilities.

## Consumer protection

We want to make sure that consumers get the best choice and value for money from their communications services and we need to be prepared to intervene if things aren't working as well as they should.

During the past year, we acted on a wide range of consumer issues, some of which we review here.

### Telephone line mis-selling

We are committed to ensuring that consumers are protected from landline mis-selling and the practice of 'slamming', which happens when a customer is switched to another provider without their consent or knowledge. We also work with the Office of the Telecoms Adjudicator to address problems of consumers being switched in error.

We have an open monitoring and enforcement programme into fixed line mis-selling and analyse complaints we receive about all fixed-line providers.

During the past year, we have issued notifications to five companies (TalkTalk, Axis Telecom, DTC Direct, Sensim and Save Money on Calls) under this programme. We also concluded investigations into Continental Telecom, Plus Save and KCT Ltd. We have also continued to prioritise work with the Office of the Telecoms Adjudicator and industry to understand the reasons why consumers are switched in error and to put in place measures to reduce it.

Our work is ongoing but to date we have seen a positive reduction in overall complaints about fixed-line mis-selling; from an average of 844 complaints per month in 2010/11 to an average of 644 complaints per month in 2011/12, a reduction of 31 per cent<sup>1</sup>.

### Abandoned and silent calls

By 1 February 2011, companies were expected to adhere to the principles of our revised policy (published in October 2010) to tackle the problem of consumers being harassed by abandoned and silent calls. An abandoned call is one that is terminated when the call is answered. Instead of hearing a person on the other end of the line, the recipient hears an information message from the company that is trying to make the call. With a silent call there is just silence at the other end of the line. Both can cause consumers considerable concern and anxiety.

We warned industry to comply with the new policy or face enforcement action, including fines of up to £2m, after the UK Parliament raised the maximum penalty from the previous maximum of £50,000.

We investigated and issued notifications under section 128 of the Communications Act 2003 to three companies (Homeserve, nPower and TalkTalk), where we have reasonable grounds for believing that they persistently misused an electronic communications network or electronic communications services. In April 2012, we fined HomeServe £750,000 for making an excessive number of silent and abandoned calls to consumers. This was the first case to be determined following the introduction of the increased maximum penalty.

Fewer consumers are experiencing harm from silent or abandoned calls, according to Ofcom research. Just under a quarter of consumers (23 per cent) experienced an abandoned call during 2011, down from over a third (35 per cent) in 2009. The number of consumers experiencing silent calls has also fallen from 30 per cent in 2009 to 24 per cent in 2011<sup>1</sup>. We believe that the fall in the incidence of abandoned and silent calls is, at least partly, the result of our action to raise awareness of our new policy to investigate companies who might not be complying with it, and to take enforcement action against those we find in breach.

<sup>1</sup>Data based on calls to Ofcom Consumer Contact Team

### Taking on strengthened consumer protection powers

New European Union (EU) telecoms law, implemented into the UK in May 2011, led to a number of changes to Ofcom's powers to benefit consumers. Ofcom was also given new consumer protection powers to address breaches of its regulations more quickly.

The changes to the regulations include:

- shorter phone and broadband tie-in periods – consumer contracts are now limited to a maximum of 24 months and consumers and businesses must also be offered a contract lasting no longer than 12 months. Shorter contracts are likely to promote competition by enabling consumers to switch providers more easily, to benefit from better prices and services.
- a requirement for mobile providers to port phone numbers to a new provider within one working day;
- improved access for disabled consumers to emergency services; and
- powers for Ofcom to impose a financial penalty in respect of a past contravention, without having to give a company a month to comply with the condition they are in breach of or remedy the consequences of the contravention (as was previously the case). Ofcom can also fine a company up to a maximum of £20,000 per day if the alleged contravention is continuing.

### Protecting consumers from unfair terms and practices

#### Financial penalty imposed on TalkTalk

In July 2010, following complaints from over 1,000 consumers, we opened an investigation into TalkTalk Telecom Limited and Tiscali UK Limited (the "TalkTalk Group") for billing customers for services that had not been provided. We found that the companies had wrongly issued bills to over 62,000 consumers for services they had not received, in particular to consumers who had cancelled their services.

As a result, the companies paid almost £2.5m in refunds and goodwill gestures to affected customers and, in August 2011 Ofcom fined TalkTalk Group £3,037,120 to reflect the seriousness of the breach of consumer protection rules.

#### Working to help stop consumers receiving unexpectedly high bills

Following complaints to Ofcom and an increased number of calls from the media and MPs, we asked consumers and stakeholders to provide details of their experiences of unexpectedly high bills or 'bill shock'.

We carried out an extensive review into the causes of 'bill shock' in the communications sector and found that unexpectedly high bills are experienced more often by mobile contract customers than by broadband, fixed-line or mobile pre-pay customers. The main causes of bill shock were: downloading data, primarily while travelling outside the EU, but also when using data in the UK; using mobile voice services in

the UK, mainly by exceeding inclusive allowances or calling numbers outside of allowances; and lost or stolen phones – where the number of consumers affected was low, but the level of financial harm was often substantial.

In February 2012, we published an action plan designed to reduce the risk of consumers receiving unexpectedly high bills. We are urging mobile providers to do more to allow consumers to set their own financial caps and receive alerts about usage. We continue to work with providers to explore how they could limit how much consumers are liable to pay if their phone is lost or stolen. We are also reviewing what providers say about their tariffs to ensure that the information is transparent, and we supported calls to extend the EU Roaming Regulation to protect consumers who download data anywhere in the world.

#### Publishing complaints data on telecoms providers

We publish complaints data on a quarterly basis which includes complaints about providers with four per cent or more market share in the landline, broadband and mobile markets. This is based on consumer telecoms complaints received by Ofcom. We believe that regularly publishing this information will:

- encourage competition, by letting consumers know about the performance of individual providers;
- be useful for consumers: alongside other things, the data may be relevant to those considering a new service or provider; and
- incentivise telecoms providers to improve their performance.

## Helping consumers with hearing and/or speech difficulties

Text relay services are vital to help consumers with hearing and speech impairments make and receive phone calls. We proposed to improve the text relay service by moving to an IP-based service, known as Next Generation Text Relay. The service proposed would introduce parallel two-way speech with “live captions” to enable more natural-flowing conversations and the ability for users to use mainstream equipment (instead of dedicated equipment). We also considered the case for the introduction of a restricted video relay service for users of British Sign Language, subject to a further consultation.

In May 2012 we confirmed the introduction of the improved text relay service. Following a short consultation, Ofcom expects this service to become available in 2013.

Ofcom intends to issue a further consultation on video relay services in summer 2012.

## Content and standards in broadcasting

Ofcom has a range of duties in relation to broadcasting, which include securing adequate protection for the public from offensive or harmful material and from unfair treatment or unwarranted infringements of privacy; and ensuring a wide range of TV and radio services of high quality and wide appeal.

### TV and radio licensing

Ofcom carries out its duties by granting broadcast licences, which come with conditions. These conditions include requirements to pay fees, to provide information, to offer specific programmes and types of content, and to comply with various codes of practice issued by Ofcom.

### Licensing local TV channels

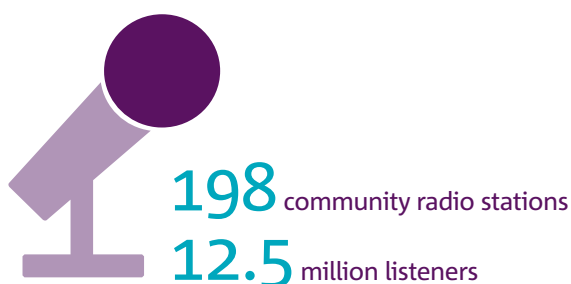
The UK Government confirmed its objective to secure a network of local TV stations in up to 20 areas of the UK by the end of 2015. Ofcom provided technical advice and assistance to the Government as it formulated its policy. Following the introduction of new legislation, we assisted the Government in its policy development by helping to establish a licensing regime for the new local TV channels, and advertised licences in spring 2012.

## Community radio continues to flourish

There are around 200 community radio stations broadcasting around the UK, enabling around 12.5 million people to receive a service that is relevant to their local area or interests. They are small-scale radio stations generally targeting the local community within a 5km radius, although some focus on serving a particular community of interest (such as the elderly, or a particular ethnic minority). They involve volunteers to run the stations and produce output, and, based on annual returns from stations, we estimate that on average over 45,000 volunteer hours each week are given to community radio.

Providing ‘social gain’ for the target community is at the heart of these services. Stations run on a not-for-profit basis and bring benefits such as training and community news and discussion, as well as output aimed at under-served and disadvantaged groups.

By May 2012, we had granted a total of 251 community radio licences. There is continuing demand for licences, and in 2011/12 Ofcom invited applications from locations in the south west of England and Wales (32 applications received), as well as Scotland (19 applications). Ofcom has so far awarded 15 licences in the south west of England and four in Wales, and the remaining applications are being assessed and considered for licensing.



### Broadcasting complaints and investigations

Audience complaints about possible breaches of their obligations by broadcasters play an important role in ensuring viewers and listeners are appropriately protected. Ofcom assesses each complaint it receives against the Broadcasting Code, or other relevant code or licence condition. We then decide whether a complaint raises potential issues that require further investigation. During the past year, Ofcom assessed 21,484 complaints about broadcasting standards or licence conditions (down from 24,462 in the previous year), and 288 complaints about unfairness and/or unwarranted infringements of privacy (compared to 171 in the previous year).

### Protecting children and upholding rules around the watershed

Following several cases in 2011 involving unsuitable pre-watershed broadcasts, Ofcom undertook a number of actions on the enforcement of the 9pm watershed on TV. This is in line with our statutory duty to protect under-18s.

We held industry-wide meetings with television broadcasters who transmit popular family entertainment shows before the watershed, and with broadcasters who transmit music videos, to discuss our concerns about compliance with the Broadcasting Code rules relating to the watershed.

We conducted new research into parents' and teenagers' views on pre-watershed TV programmes. Since Ofcom assumed its broadcasting responsibilities in 2003, we have regularly undertaken research among parents about the level of concerns related to the type of content that their children watch on television.

We have also measured parents' views about the time of the watershed and whose responsibility it is to protect children. For example, fewer parents are now concerned about the TV programmes their children watch (31 per cent) than in 2009 (36 per cent). Seventy-seven per cent of parents think that the watershed is at the right time, and 73 per cent believe the amount of regulation of television is "about right". This research has shown consistently that parents continue to understand and value the concept of the watershed on television to protect children, even taking account of the growth in recent years of other means of accessing audiovisual material.

In September 2011, we issued new guidance to TV broadcasters, which reflected the results of our research with parents and teenagers. This made clear the genres and types of content broadcast before and immediately after the watershed that require particular care in order to comply with the Broadcasting Code rules.

### Unsuitable material in music videos

As part of our work to enforce the watershed, Ofcom found two music videos that were broadcast pre-watershed to be in breach of the Broadcasting Code.

The music video for the song *Turn Around (5, 4, 3, 2, 1)* by Flo Rida on 4Music, MTV Base, MTV Dance included images of dancers performing in a very provocative manner and repeated close-up images of the female dancers' buttocks. Ofcom considered that these images conveyed a highly sexualised theme and more sexualised images than would normally be expected in a music video broadcast at a time when children were likely to be watching.

The music video for the song *S&M* by Rihanna on WTF TV focused on sex, bondage and sadomasochistic sexual practices. Ofcom considered that these images, in tandem with the lyrics, meant that the video conveyed a powerful sexualised fetish theme.

Ofcom considered that the content of these music videos was not suitable for children and would have exceeded the likely expectations of the audience for these channels during the daytime. Therefore, the licensees did not apply appropriate scheduling restrictions to the videos so as to protect children.

### Sanctions against 'adult chat' channels

In December 2011, Ofcom imposed a financial penalty of £130,000 on Satellite Entertainment Ltd in respect of its services Sport XXX Girls, Essex Babes and Northern Birds. This followed serious and repeated breaches of rules of the UK Code of Broadcast Advertising:

- Advertisements must not cause serious or widespread offence against generally accepted standards.
- Relevant timing restrictions must be applied to advertisements that are unsuitable for children.

In November 2011, we imposed a financial penalty of £110,000 on Playboy TV UK/Benelux Limited for similar breaches.

### Upholding rules around offensive language on radio

In September and October 2011, Ofcom found a number of radio stations in breach of the Broadcasting Code for the use of offensive language in radio programming, including material that was broadcast at times when children were particularly likely to have been listening.

In view of our concerns about the material in these cases, we requested that a number of radio broadcasters who transmit such programming – especially when children were particularly likely to have been listening – attend a meeting to discuss our concerns about compliance with the Broadcasting Code rules in this area.

Ofcom then issued new guidance to assist radio broadcasters in complying with the rules in the Broadcasting Code relating to offensive language on radio. The detailed guidance also made clear the particular genres and types of content broadcast when children are particularly likely to be listening which require particular care in order to comply with the Broadcasting Code rules.

### Investigative journalism and freedom of expression

It is essential that broadcasters can investigate and explore potentially controversial issues that are in the public interest and of benefit to the audience. Ofcom will continue to defend the right to freedom of expression in broadcast investigative journalism, applying standards in the manner that best guarantees an appropriate level of freedom of expression.

In the past year, Ofcom has adjudicated on a number of challenging programmes which, in many cases, received significant numbers of complaints. These included programmes like *Panorama: Death in the Med* (BBC 1), which examined an incident in which Israeli soldiers boarded a ship in the Gaza Freedom Flotilla, and also *Sri Lanka's Killing Fields* (Channel 4), which presented evidence of alleged war crimes in the final stage of the Sri Lankan civil war. In both cases Ofcom did not uphold the complaints. In particular, *Sri Lanka's Killing Fields* dealt with a deeply controversial issue with fairness and Ofcom concluded that overall Channel 4 had preserved due impartiality in its examination of the Sri Lankan government's actions and policies during the final stage of the war.

One significant complaint from the Palestine Liberation Organisation (PLO) concerned *The Palestine Papers* (Al Jazeera). This documentary series examined leaked diplomatic documents concerning the Middle East peace process, known as the "Palestine papers" which included documents taken from the office of the PLO's chief negotiator. The PLO complained that the programme was unfair to it and to its chief negotiator and also unwarrantably infringed their privacy.

Ofcom took the view that the public interest in examining these issues outweighed their expectation of privacy and we concluded that the obtaining and use of the material was warranted. Ofcom's investigation also found that the broadcaster, Al Jazeera, had taken extensive steps to authenticate the documents it relied upon and took great care to ensure that the facts were presented fairly.

### Enforcing broadcasting rules

Where the Broadcasting Code has been breached, we normally publish a finding and explain why a broadcaster has breached the Code. When a broadcaster breaches the Code deliberately, seriously or repeatedly, Ofcom can impose statutory sanctions against the broadcaster, such as a financial penalty or, in the most serious cases, revocation of a licence. Below are examples of Ofcom's decisions over the past year.





### Press TV

Through the course of 2011, Ofcom was engaged in a sanctions case with Press TV regarding an interview obtained under duress from the Newsweek and Channel 4 journalist Maziar Bahari while in an Iranian prison, which Ofcom had held to be a serious breach of the Broadcasting Code. This resulted in the imposition of a £100,000 fine on Press TV Limited.

During the course of the sanctions hearing the licensee (Press TV Limited, based in London) made representations that suggested to Ofcom that editorial control of the channel rested with Press TV International (based in Tehran). Broadcasting rules require that a licence is held by the person who is in general control of the TV service: that is, the person that chooses the programmes to be shown in the service and organises the programme schedule.

Ofcom gave Press TV Limited the opportunity to apply to have its operations in Tehran correctly licensed and Ofcom offered to assist it to do so. Press TV Limited was also given the opportunity to make representations on Ofcom's 'minded to revoke' letter but the broadcaster failed to make the necessary application and Ofcom therefore revoked Press TV's licence to broadcast in the UK. The channel was removed from the Sky TV platform on 20 January 2012. Ofcom's decision to revoke Press TV's licence is the subject of an application for judicial review.

### Believe TV fined for the broadcast of harmful material

Ofcom imposed a penalty of £25,000 on The Light Academy Limited, in respect of its TV channel Believe TV. The broadcaster aired programmes that suggested to viewers that very

serious illnesses, including cancer, kidney failure and diabetes, could be cured exclusively through use of certain products, such as 'Miracle Olive Oil Soap' or oil, or through contacting a prayer line. The programmes also said that conventional medical treatment of such illness was not required for this healing to take place. Ofcom concluded that the material had the potential to cause serious harm, and that the licensee had not taken steps to provide adequate protection from the inclusion of such harmful material. The Licensee had also failed in its compliance responsibilities by broadcasting material which was similar to that previously found in breach, and placing vulnerable viewers directly at risk of harm and exploitation.

### Noor TV fined for encouraging viewers to donate money in return for prayers

Ofcom imposed a penalty of £75,000 upon Al Ehya Digital Television Limited, in respect of its TV channel Noor TV, for encouraging viewers to donate money to the channel in return for prayers. The appeal focused heavily on religious beliefs, which Ofcom believed made susceptible viewers more likely to make donations than they would otherwise have been.

## International

Ofcom engages closely with other national regulatory authorities, the European Union (EU) institutions and relevant global bodies. We do this with a view to influencing decisions taken in international fora to ensure they are practical, proportionate and best reflect the interests of UK citizens and consumers. In 2011/12, Ofcom:

- worked with the UK Government on the transposition of the revised EU Regulatory Framework for Electronic Communications into UK law, which brought Ofcom new responsibilities and powers in areas such as network security, information-gathering and enforcement;
- supported the work of the Body of European Regulators in Electronic Communications (BEREC). Ed Richards, Ofcom's Chief Executive, was elected on to BEREC's Board as Vice Chairman. Key issues for BEREC in 2011/12 included international roaming, next-generation access networks and net neutrality;
- represented UK interests at the International Telecommunication Union (ITU), including at the 2012 World Radio Conference (WRC) and in preparations for the 2012 World Telecommunication Standardisation Assembly;
- took part in the EU Radio Spectrum Policy Group, which included contributions to the agreement of the first multi-annual Radio Spectrum Policy Programme (RSPP);
- continued our contribution to the work on broadcasting content regulation carried out by the European Platform of Regulatory Authorities (EPRA) including through our presence on EPRA's Board;
- participated in the work of the European Regulators Group for Postal Services (ERGP) and in the European Committee for Postal Regulation (CERP); and
- chaired the Organisation for Economic Co-operation and Development (OECD) Working Party on Communication, Infrastructures and Services Policy (CISP), and led preparations for a workshop on broadband metrics.

## World radio conference 2012

The World Radio Conferences (WRC), held every three to four years, are the major events in the international spectrum calendar. Their impact is becoming greater as we increasingly rely on wireless services, and electronic communications become ever more global. The main task of the conference is to harmonise spectrum allocation at a global and regional level. This allows manufacturers to mass-produce wireless products. As well as resulting in lower prices, it benefits consumers, as they can use devices (laptops, mobile phones, tablets and other devices) wherever they travel.

A key outcome of WRC 2012 was the decision to allocate spectrum in the 700 MHz band to both mobile services and broadcasting. This will come into effect at the next conference (expected in late 2015) and will bring Europe, the Middle East and Africa into line with the rest of the world, where such an allocation to mobile services is already in place. While this could pave the way for the eventual use of the 700 MHz band for mobile services in Europe, any such decision is likely to be some years off, pending the results of studies and other technical work and the replanning of broadcasting use of the remaining UHF TV bands. In March 2012, we consulted on this issue.

## Spectrum

### Protecting the airwaves

One of Ofcom's key responsibilities is the management of radio spectrum – the airwaves that all wireless devices use to communicate. This covers everything from mobile phone, and TV, to WiFi and car key fobs. Wireless technology is playing an increasingly important role and this means that demands on spectrum are rapidly increasing.

When two devices transmit on the same frequency, interference is caused. For this reason, it is important that access to spectrum is carefully managed. Ofcom's team of spectrum engineering officers operate across the UK to trace and where possible resolve harmful interference.

A commonly-reported problem is drivers suffering interference to wireless car key fobs. During 2011/12, Ofcom's engineers resolved more than 100 of these cases. This involves visiting the affected area and tracking down the source of the interference by using specialist radio equipment.

### Illegal broadcasting

Another important area of spectrum enforcement relates to illegal broadcasting – or pirate radio – which is a significant problem in some of the UK's major urban areas. Key safety-of-

life services as well as licensed BBC, commercial and local community radio stations can suffer interference from illegal stations. We conducted 392 operations against illegal broadcast (pirate) stations in 2011/12, compared to 421 in year 2010/11

### White space technology

The airwaves that wireless devices depend on are becoming increasingly congested. We need to think about more efficient ways of using this limited resource. White space is the name given to bands of spectrum that are unused by the licence holder in a specific location and at a specific time. White space spectrum can potentially be accessed by users other than the licensee, and can result in increased overall spectrum efficiency, and innovative new services for consumers.

We have consulted with stakeholders on the development of a regulatory framework to allow access to TV white space spectrum. This is the unused capacity that exists in frequencies licensed to digital terrestrial TV and wireless microphones. A key priority of this work has been to protect licensed users from harmful interference.

In September 2011, we published a statement saying that we would consider and consult on how to make white space devices licence-exempt in the UK. Based on our current observations on industry activity and standardisation, we estimate that white space devices could be deployed from 2014.

### Government spectrum release plans

In line with our public assets priority, we have been actively engaged throughout the year with the Government's work to identify and release 500 MHz of public spectrum for new uses by 2020.



## Competition

Ofcom, as sectoral regulator, has a range of duties based on promoting and ensuring competition. These include implementing competition policy under our sectoral powers: for example, reviewing markets, resolving disputes and setting and enforcing regulatory conditions.

As a competition authority, Ofcom also has concurrent powers to deal with anti-competitive behaviour and abuse in the communications and postal sectors. Ofcom has the power to enforce Article 101 and Article 102 of the Treaty on the Functioning of the EU and the Chapter I and Chapter II prohibitions of the Competition Act 1998. Ofcom also has concurrent powers to make market investigations and references to the Competition Commission under the Enterprise Act 2002.

### Competitive landline and broadband markets

In March 2012, we set prices that Openreach, BT's wholesale access division, can charge communications providers for access to some of its main wholesale telecoms services.

Ofcom expects its prices to lead to real-terms price reductions for consumers, as communications providers pass on savings to their landline and broadband customers. The prices relate to wholesale charges for telephone and broadband services delivered to homes and businesses over BT's copper network through a process called unbundling. This allows communications providers to install their equipment in Openreach's telephone exchanges to provide broadband and telephone services to their customers.

The number of 'unbundled' lines has increased from 123,000 in September 2005 to over eight million in March 2012, enabling a range of communications providers to offer landline voice and broadband services to residential and business customers.

### Geographic numbering

In March 2012, we published proposals to help conserve the UK's supply of geographic numbers made available for allocation to communications providers. These include proposals to close local dialling in the Bournemouth area (where there is a particularly acute

shortage of number blocks) in November 2012 and to conduct a pilot scheme to charge communications providers on an annual basis for the use of number blocks in the 30 areas with the fewest blocks remaining.

### Non-geographic numbering

Services provided via non-geographic numbers, such as 03, 08, 09 and 118 numbers, are used by millions of consumers to call businesses, public services and other organisations. However, Ofcom research has shown that many people are confused about what these numbers are for and how much they cost, resulting in a lack of confidence and trust in the services. As a result, consumers make fewer calls to these numbers, providers are discouraged from using them and there is less innovation that might benefit consumers.

Therefore, in April 2012 we made proposals to simplify these call charges. These included making calls to 0800 telephone numbers free from all phones, including mobiles. Following consultation, Ofcom intends to make a final decision on the new rules by early 2013.

Number of 'unbundled' lines

2005: 123,000

2012: 8,000,000 +

We also continue to play a lead role on the approach to regulation of non-geographic numbers in Europe, through our work with BEREC.

### ISDN30

ISDN30 is a multi-line digital telephone service which is used by businesses, primarily to provide incoming and outgoing calls. We reviewed ISDN30 markets during 2010 and found that there appeared to be excessive profits in Openreach's provision of wholesale ISDN30 services.

We decided in the review that some sort of price control was likely to be appropriate to address the potential market distortions arising from these profits. During 2011 we consulted on the form and level of this price control. In March 2012, we notified in our draft conclusion to the European Commission that we would apply an 'RPI-minus-X'-style price control to reduce the wholesale

price of ISDN30 services to their underlying costs by April 2014. After notifying the European Commission of our proposals, we published a statement in April 2012, confirming and setting the price control.

### Review of the TV advertising trading market

In December 2011, Ofcom concluded its initial review of TV advertising trading. The review, which examined the way TV advertising is bought and sold, found no clear evidence of harm to consumers – whether TV viewers, advertisers or end-users of products advertised on TV.

In the light of the significant costs which would be imposed by a market investigation, and the potentially destabilising effects on industry, we said that it would not be proportionate to refer the TV advertising market to the Competition Commission.

### Resolving telecoms industry disputes

During 2011/12, we resolved four disputes between telecoms companies. Each of these was completed within the statutory four-month deadline. In addition, there are a further four ongoing dispute cases. These disputes covered a wide range of issues from BT's compliance with its cost-orientation obligations to a practice known as 'flip-flopping' in relation to wholesale mobile voice call termination charges.

Further information on our investigations into complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes is given in the Annex on page 116.

## The state of the UK communications nation

In November 2011, Ofcom launched digital communications coverage maps, including outdoor mobile coverage and mobile broadband availability, using data supplied by communications providers.

The maps were part of our first report on the UK's communications infrastructure which we are required to submit to the Secretary of State for Culture, Olympics, Media and Sport every three years. Ofcom's report also refers to the coverage and capacity of the UK's landline network, digital radio and TV. The maps showed:

- 2G from all four networks – 97% of premises and 66% of the UK landmass can receive a signal outdoors.
- UK premises that do not have a choice of all four 2G mobile networks – 900,000.

- 3G from all five networks – 73% of premises and 13% of the UK's landmass could receive a signal outdoors.
- Premises that do not have a choice of all five 3G mobile networks – 7.7 million.
- Residential fixed broadband customers' data usage – 17 GB of data per month on average.
- Mobile broadband customers' data usage – 0.24 GB per month per connection on average.

## How we manage risks and challenges

Managing risk is an integral part of our day-to-day business activities and is a key pillar in our internal control framework. Ofcom's risk management policy is reviewed regularly and clearly defines our approach to managing risk as well as defining the specific risk management roles and responsibilities throughout the organisation.

To ensure that our risk management framework is effective and is aligned to the requirements of the organisation, we conduct an annual risk review which includes an exercise to benchmark our process against the Treasury's Risk Management Assessment Framework. Recommendations from the risk review are endorsed by senior management and the Risk and Audit Committee and form part of our ongoing programme to improve

our internal control framework. The findings and recommendations of the annual risk review are considered and commented on by KPMG as part of Ofcom's internal audit plan.

The table below highlights some of the key risks currently being managed by the organisation. For further explanation of how we manage risks and challenges, please refer to the Governance Statement in Section C.

Objective/Business Area	Risk	Mitigation
Deliver the Government's guarantee of wireless spectrum for the London 2012 Olympic and Paralympic Games	<p>There could be insufficient spectrum available to meet all needs during the Games period and the UK Government's spectrum guarantee to the International Olympic Committee might not be met.</p> <p>Harmful interference could prevent the use of assigned spectrum and interrupt the safety and success of the Games.</p>	<p>We have created a comprehensive spectrum plan for the Games period, making sufficient spectrum resources available to meet Games needs.</p> <p>We have built and tested a new spectrum assignment system to maximise the efficiency of spectrum use.</p> <p>We have implemented a modern sensor network across the country to pinpoint any sources of interference and a large team of field engineers to resolve any problems.</p> <p>We have participated in the London 2012 Games test events and implemented any lessons learnt.</p>
Clearance and auction of spectrum in the 800 MHz and 2.6 GHz bands	<p>The plans and timetable in place to clear and auction spectrum in the 800 MHz and 2.6 GHz bands are challenging and in some areas, may be subject to stakeholder challenge.</p> <p>Delays could impact the availability of new telecoms services, including 4G mobile services, for consumers and citizens.</p>	<p>We have put highly-skilled resources in place, and we are using professional programme and project management and independent audit expertise to help ensure timely and effective delivery of the plans.</p> <p>During 2012, we again consulted on plans for managing potential interference into digital terrestrial television caused by the use 4G services and on our proposals to auction spectrum in the 800 MHz and 2.6 GHz bands.</p> <p>We continue to work closely with Government and stakeholders.</p>

Objective/Business Area	Risk	Mitigation
Information, Communications and Technology (ICT) outsource contract	Delays to achieving full transition to a new service provider and issues around operational stability may present a risk to business-as-usual functions and in particular, preparation and delivery of our work to support the London 2012 Olympic and Paralympic Games.	<p>We implemented a comprehensive governance structure to oversee the transition to the new supplier with progress, risks and issues presented on a regular basis to the main Board, Risk and Audit Committee and Operations Board.</p> <p>Robust Service Level Agreements were defined with the contract and performance is reviewed regularly with the supplier.</p> <p>We are working alongside the supplier to improve operational performance.</p> <p>We have implemented an ICT systems change freeze in advance of the London 2012 Games.</p> <p>We have contingency plans in place for Olympics support in the event of any ICT issues.</p>
Prepare for and fulfil regulatory duties in relation to post	<p>During the year Ofcom took over regulation of the UK's postal services from the previous regulator Postcomm.</p> <p>We may be unable to safeguard the UK's universal service obligation (USO) on postal services, with a direct impact on citizens and consumers.</p>	<p>Successful assumption of our new duties and powers.</p> <p>We consulted on a new approach to the economic regulation of postal services, which included a number of regulatory safeguards to ensure the universal postal service remains viable.</p> <p>We will undertake a range of work to secure the provision of a universal postal service, including an assessment of user needs.</p>
Implement Digital Economy Act 2010 online copyright infringement provisions	<p>Our Code of Practice, as required by the Digital Economy Act may be challenged by stakeholders.</p> <p>Proposed amendments to the Protection of Freedoms Bill may repeal key provisions of our Code of Practice.</p> <p>Ofcom may be seen as a target for those who oppose the implementation of the Digital Economy Act.</p>	<p>We have engaged extensively with stakeholders and consulted formally during the drafting of the Code of Practice.</p> <p>We are advising the UK Government on the Protection of Freedoms Bill.</p> <p>We have robust security policies in place and have completed a plan of ICT disaster recovery tests.</p>
Rapid change in the sectors regulated by Ofcom	<p>The sectors regulated by Ofcom are characterised by rapid change, making it challenging to develop plans to anticipate significant activities or events which may require Ofcom's involvement.</p> <p>In the current environment, additional unplanned work may result in the reprioritisation of ongoing and planned activities which could lead to delays in delivering benefits for consumers and citizens.</p>	<p>We seek to maintain breadth of expertise and scope for flexibility in project teams so that resources can be adapted or redeployed at short notice if necessary.</p> <p>Ofcom's Executive Committee is responsible for prioritising projects and adjusting work plans as required. We have strengthened our project planning processes through the establishment of a dedicated Planning and Performance Team to ensure optimal use of resource.</p> <p>Ofcom's Annual Plan, which outlines its strategic priorities, is subject to public consultation each year.</p>
Ability to regulate in an efficient and timely manner	<p>Increasing volume of appeals and litigation may result in potential delays to the implementation of regulatory changes which:</p> <ul style="list-style-type: none"> <li>• stops consumers benefiting from them at the earliest opportunity;</li> <li>• can interfere with effective competition in the markets we regulate; and</li> <li>• can make regulation more expensive for the stakeholders who fund Ofcom.</li> </ul>	<p>We make sure that our decisions are evidence-based and robust and we carry out impact assessments to measure the likely effect on stakeholders.</p> <p>We engage with stakeholders throughout our consultation processes to ensure we understand their views and can give them due consideration.</p> <p>The UK Government is exploring potential options regarding the appeals regime for telecoms with stakeholders.</p>

# How we work and who we work with

## Ofcom's duties and powers are set out in statute.

As the independent regulator for the communications industries, we are required to further the interests of citizens and consumers.

We are funded both by stakeholders (television and radio broadcast licence fees and administrative charges to regulate communications networks and postal providers) and through grant-in-aid funding from the UK Government. Further details of our funding arrangements can be found in the Operating and Financial Review in Section D. Every year, following consultation, we publish our Annual Plan, which outlines new initiatives and ongoing activities that we carry out in support of our duties.

## Measuring and communicating outcomes

In our 2011/12 Annual Plan, we identified 13 priorities with around 40 projects and programmes allocated against them. Underpinning this is the requirement to meet our Spending Review settlement with the Treasury by delivering efficiencies throughout the organisation. Ofcom, as has been set out in this Report, made significant progress delivering outcomes against many of its Annual Plan priorities and 'business as usual' work in 2011/12.

Ultimately, we believe that our performance should be judged by the outcomes that are delivered for citizens and consumers as a result of our work. We measure thoroughly these outcomes in a number of ways, using a comprehensive and robust framework for measuring, reporting on and communicating our performance, both internally and externally. During the past year we have focused on how we communicate these outcomes, and have sought to measure our own performance as we progress through the lifetime of a work programme. The table on page 13 measures our performance for the 13 priorities we set out in our 2011/12 Annual Plan.

To help monitor whether our work is successful in achieving the desired outcomes, we conduct in-depth, periodic consumer research, which we publish regularly in an accessible form on our website. We publish the data in a range of Ofcom publications including the *Communications Market Report*, the *International Communications Market Report*, the *UK Infrastructure Report*, the *Consumer Experience report*, our media literacy reports and the *Public Service Broadcasting Annual Report*.

## When we regulate

The Communications Act requires us to have regard to the principles of better regulation: that regulation should be transparent, proportionate, consistent, accountable and targeted only at cases where action is needed. When Ofcom was established, we built on these principles by developing a more specific set of regulatory principles

to inform our day-to-day work. The speed with which the communications sector is changing makes it especially important for us to have clear guiding principles, as included below.

## Ofcom's regulatory principles

### When we regulate

Ofcom will operate with a bias against intervention, but with a willingness to intervene promptly and effectively where required.

Ofcom will intervene where there is a specific statutory duty to work towards a goal that markets alone cannot achieve.

### How we regulate

Ofcom will always seek the least intrusive regulatory methods of achieving its objectives.

Ofcom will strive to ensure that interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.

Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated objectives.

### How we support regulation

Ofcom will research markets constantly and will aim to remain at the forefront of technological understanding.

Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.

## Reducing regulation

Ofcom is focused on reducing regulation where possible. We believe that 'better regulation' is ensuring that regulation is properly targeted and does not impose undue burdens on stakeholders.

During the past year we made a number of significant regulatory decisions. Some decisions saw a continuing trend towards reduced regulation. In order to safeguard the interests of citizens and consumers, some decisions required additional or strengthened regulation. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2011/12. It shows that 18 per cent of statements and decisions published during the year resulted in a reduced regulatory burden on our stakeholders (29 per cent last year). The majority (70 per cent) of the statements saw no change in regulatory burden, or the work is ongoing (54 per cent last year); 7 per cent saw the introduction of increased or new regulation (14 per cent last year) while 5 per cent resulted in streamlined or co-regulatory outcomes (3 per cent last year).

Specifically, we take decisive and effective action to protect citizens and consumers where necessary, for example:

- defending our work to reduce mobile call termination charges at the Competition Appeal Tribunal;
- ensuring that consumers are protected from landline mis-selling and the practice of 'slamming', which happens when a customer is switched to another provider without their consent or knowledge.
- shortening phone and broadband contract tie-in periods – consumer contracts are now limited to a maximum of 24 months

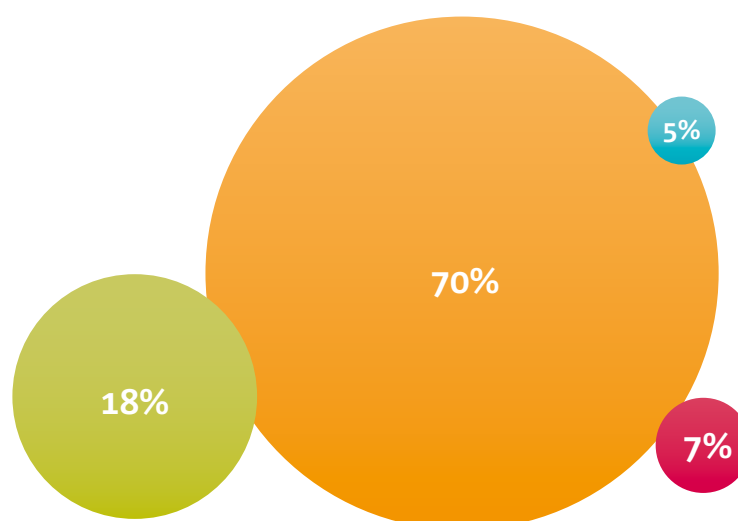
We are committed to reducing regulation by, for example:

- giving Royal Mail greater freedom in the way it sets its prices, but introducing safeguards to ensure that consumers and competition are protected;
- simplifying our procedures for handling broadcasting complaints, cases and sanctions; and
- exempting the use of wireless devices from the need for a licence.

An overview of the key decisions and statements that we have made during the year can be found in the tables in the Annex on pages 107 to 109.

Figure 1: Impact of our statements on the regulatory burden to stakeholders in 2011/12

	Number	%
Reduced regulation	10	18%
Streamlined/co-regulatory	3	5%
Mixed/no change/ongoing	40	70%
Increased/new regulation	4	7%





## Relationships with stakeholders

Ofcom's role as a regulator requires us to engage with a wide range of stakeholders, including companies and industry bodies in the sectors we regulate, consumers and consumer groups, the UK Government and devolved institutions, co-regulators and other regulators. We are members of the Joint Regulators Group (JRG), which this year launched working groups across a number of topics to share knowledge and expertise, and to tackle issues common across regulated industries. We also engage with various international organisations and regulatory bodies.

### Consultations

Consultations allow stakeholders to comment on and respond to our proposals before a decision is made. If the period for consultation is too short, some of those with important views to share may not have enough time to prepare their responses. If it is too long, the market concerned may have changed dramatically. This could affect our ability to deal with an issue as quickly as the stakeholders involved would like. When we decide how long a consultation should last, we need to strike the right balance between these two considerations. There are generally three categories of consultation:

- Category 1: consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to respond); in these cases we will normally consult for ten weeks.
- Category 2: consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will have awareness of the issues; in these cases we will normally consult for six weeks.
- Category 3: consultations which fall within one or more of the following categories, where the normal time period for consultations is one month:
  - technical issues;
  - where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;
  - the issue has already been the subject of a consultation;
  - a proposal will have a limited effect on a market; or
  - a proposal is only a limited amendment to an existing policy or regulation.

## Contact with consumers and citizens

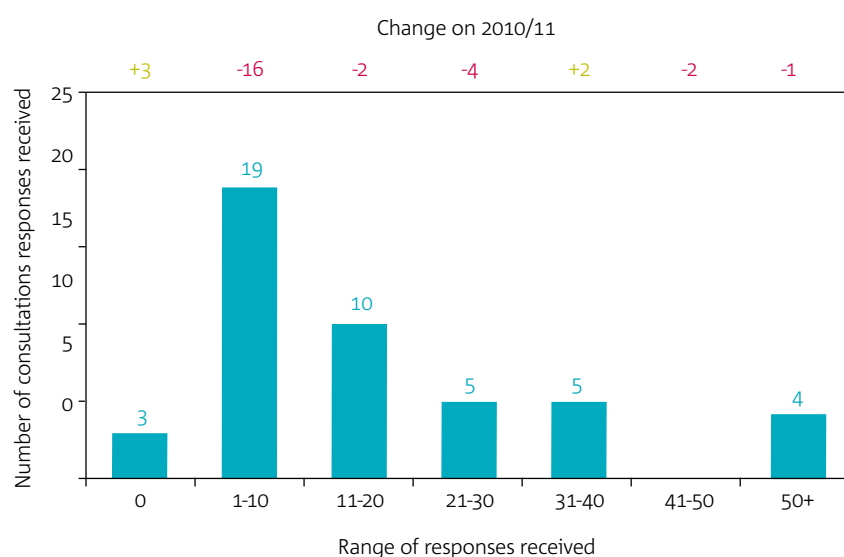
Understanding consumer and citizen interests and behaviour is vital to our work. Ofcom makes extensive use of market research to understand trends in the take-up and use of communications services and the behaviour and concerns of consumers. Our annual *Consumer Experience* and *Communications Market Report*, in particular, highlight and analyse these trends. Ofcom's Consumer Contact Team receives over 100,000 calls directly from consumers each year, and the information that consumers provide helps us target our policy-making and enforcement work. Consumers can also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the Alternative Dispute Resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

The Communications Consumer Panel and, from the perspective of the nations of the UK, Ofcom's Nations Committee and National Advisory Committees, provide advice on Ofcom's decision-making. The Consumer Forum on Communications, with over 50 members from consumer bodies, meets every quarter with Ofcom to discuss consumer policy topics. We also hold regular bilaterals with consumer stakeholder organisations as well as consultation meetings on specific topics.

**Figure 2: Analysis of consultation duration: 2011/12**

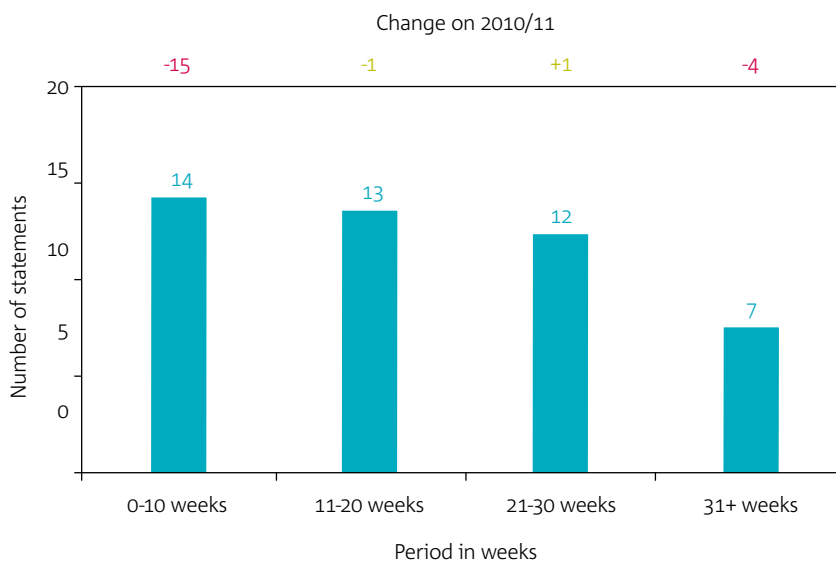
	Consultation period at least 10 weeks	Consultation period less than 10 weeks (including category 2 and category 3 consultations)
Telecoms	6	12
Broadcasting	7	11
Spectrum	3	1
Post	1	4
Other	1	1
<b>Total</b>	<b>18 (= 38%)</b>	<b>29 (= 62%)</b>

Figure 2 sets out an analysis of the length of our consultations by sector. A longer consultation period gives stakeholders greater opportunity to respond and become involved in decisions. This is particularly important when the consultation issue has great significance. In 2011/12, 37% of our consultations lasted at least ten weeks, compared to 26% last year and 51% in 2009/10. Sixty-three per cent of consultations lasted less than ten weeks in 2011/12, down from 74% in 2010/11.

**Figure 3: Responses to consultations 2011/12**

Ofcom collects statistics on the number of responses to consultations, which are shown in Figure 3. The chart illustrates the large number of responses we have had over the year, based on the 43 consultations where we subsequently published a statement. Eight consultations attracted a very wide range of responses (i.e. 31 or more). This is two fewer than in 2010/11 when 10 consultations attracted 31 or more responses.

**Figure 4: Analysis of the time taken to publish an Ofcom decision from the close of the consultation period: 2011/12**



**Figure 5: Analysis of impact assessments carried out**

Number of consultation documents	Total	IA explicit in published document
Telecoms	18	11
Broadcasting	17	9
Spectrum	4	4
Post	5	2
Other	2	1
<b>Total</b>	<b>46</b>	<b>27 (= 59%)</b>

### Timeliness of decision-making

We also analyse how long it takes us to publish a decision following the close of a consultation (see Figure 4). In 2011/12, 14 decisions were announced within ten weeks of closing a consultation. Thirteen decisions were published between 11 and 20 weeks after the end of the consultation period.

### Impact assessments

Impact assessments (IAs) are an important part of the decision-making process. Section 7 of the Communications Act requires us to carry out an IA when we are proposing to do anything for the purposes of, or in connection with, the carrying out of our functions and we consider the proposal to be important. Impact assessments ensure, among other things, that in relation to our decisions:

- a wide range of options are considered, including the option of not regulating;
- these options are clearly presented;
- the potential impacts that would flow from each option are analysed carefully; and
- the costs associated with the chosen option are outweighed by the benefits.

Ofcom must publish a list of the IAs carried out during the year, which appears here and in the Annex on pages 110 and 111.

In July 2005, we published guidelines: *Better policy-making: Ofcom's approach to impact assessment* which emphasised Ofcom's commitment to conducting assessments as an integral part of the policy-making process and stated that we expected to carry out IAs in the great majority of our policy decisions.

Fifty-nine per cent of consultation documents contained an impact assessment, set out in a specific section or annex of the consultation document, which was unchanged on last year (see Figure 5). Consultation documents without a specific section for an IA may still include assessments of impact, integrated throughout the document. In addition, in some circumstances, it may not be either necessary or appropriate to conduct an IA. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

### New and revised duties

We are also implementing new or revised duties. There are several amendments to UK legislation, implemented or proposed by the UK Government and being considered by Parliament, which will change our duties. Some of these enable us to reduce our costs while others will require us to undertake new responsibilities. They include:

- implementing the provisions in the Digital Economy Act aimed at addressing online copyright infringement;

- a possible Order under the Public Bodies Act through which the UK Government has proposed to amend Ofcom's duties in some areas; and
- the transfer of regulation of postal services to Ofcom from Postcomm, as set out in the Postal Services Act 2011. Ofcom assumed regulatory responsibility for postal services on 1 October 2011.

We also published our first *UK Infrastructure Report*, which we are required to submit to the Secretary of State for Culture, Olympics, Media and Sport every three years (see page 35).

There are also requirements for Ofcom to comply with specific provisions of the revised European Communications Framework. To give effect to this, during the year we:

- revised our General Conditions and Universal Service Conditions, as appropriate; and
- updated our dispute resolution and enforcement processes.

Ofcom worked with communications regulators in other European countries and around the world, both bilaterally and through regulatory networks such as BEREK, the Radio Spectrum Policy Group (RSPG), and the European Platform of Regulatory Authorities (EPRA), to pursue a coordinated approach to international communications regulation.

### Co-regulators

Ofcom shares regulatory responsibilities in certain areas with other regulators. Ofcom handed over responsibility for handling complaints relating to editorial content of UK-based video on demand (VoD) services to its co-regulatory partner the Authority for Television on Demand (ATVOD), formerly the Association for Television on Demand. In March 2012, Ofcom invited contributions to a review of its designation of ATVOD. The designation, made in March 2010, is subject to formal review by Ofcom after two years.

Ofcom designated the Advertising Standards Authority (ASA) as the appropriate co-regulatory authority in respect of advertising on video-on-demand services notified to ATVOD.

This builds on the existing co-regulatory partnership with the ASA formed in 2004. Broadcasters are obliged to comply with the Advertising Codes under their broadcast licences issued by Ofcom. When the ASA adjudicates on an advertisement, broadcasters comply with rulings immediately under the conditions of their licences. However, where necessary, the ASA is able to refer licensees to Ofcom.

PhonepayPlus is another regulatory agency that carries out day-to-day regulation on behalf of Ofcom. PhonepayPlus works with the industry and enforces a code of practice for premium-rate services, which enable consumers to purchase goods and services by charging the cost to their phone bills and pre-pay accounts.

# Our employees



## Ofcom's mission and values

Board Members and Ofcom colleagues have a shared commitment to Ofcom's mission and values and undertake the organisation's work by reference to these core values. Colleagues across the organisation were instrumental in developing the six values that reflect our desire to work in an open, effective and people-driven way.

We strive to be dynamic, responsive and commercially aware: incisive thinking, rigorous evidence-based analysis and engagement with stakeholders are crucial to our effectiveness as an organisation.

## Organisation structure

Over the three years to 2014/15, Ofcom will continue to reduce its budget by 28.2 per cent in real terms. In a drive to reduce uncertainty and to reshape and refocus the organisation swiftly, we made the majority of our cuts in 2011/12, when Ofcom's budget was £115.8m; this was set before Ofcom assumed responsibility for postal services regulation from Postcomm whose 2011/12 budget was £8.9m. At the end of March 2012, we said that our budget for 2012/13 was £121.4m; this included £7.2m for Ofcom to fulfil its new duties to regulate the postal services sector.

The savings have been made through a combination of efficiencies, a reduction in staff costs, streamlining projects and governance and ceasing some activities altogether. At the beginning of 2011, we put a new internal structure in place and a number of colleagues left through redundancy.

During 2011/12 our focus has been on embedding the new structure whilst ensuring that we continue to fulfil our regulatory duties during a period of significant change. As a consequence of taking on responsibility for regulating postal services, 27 colleagues transferred to Ofcom from Postcomm on 1 October 2011.

## The Ofcom values are:

- communicating openly and honestly;
- listening with an open mind;
- making a difference;
- empowering and prioritising;
- investing in and supporting our colleagues; and
- genuine collaboration.



### Colleague involvement and consultation

Colleague involvement is actively encouraged as part of our day-to-day processes. We inform and consult colleagues through:

- the Ofcom Colleague Forum, a consultation forum which is made up of representatives of colleagues from across Ofcom and which meets regularly with senior management at Joint Consultative Group meetings (which include two members from the union);
- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices;
- presentations hosted by senior managers during which new strategic initiatives are explained to colleagues and updates are provided regarding continuing projects;
- regular group meetings both to listen to colleagues and to disseminate information; and
- regular messages from the Chief Executive.

We also carry out regular surveys through which colleagues have the opportunity to contribute their views on a range of topics. The outcomes from these surveys provide a key foundation for much of our organisational development work.

### Professional development and employment policies

The quality and commitment of our people are central to our ability to fulfil our duties. In 2011, we carried out an organisation-wide learning needs analysis, which has led to a renewed approach to learning and development aimed at ensuring that our colleagues' personal and professional development needs are met more effectively.

We are committed to ensuring that all colleagues are treated fairly, with dignity and respect. We have reviewed our HR policies to ensure that they are up-to-date and consistent with our organisation values, as well as the requirements of employment law.

### Absence

Ofcom encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. Ofcom aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. In 2011/12, the number of working days lost was 4.0 days per annum per employee. This compares favourably to the public sector average of 7.1 days per annum per employee.

### Preparation for the London 2012 Olympic and Paralympic Games

One of Ofcom's priorities is to deliver the UK Government's spectrum guarantees for the London 2012 Olympic and Paralympic Games. To enable us to do this we have created a team within Ofcom whose specific remit is to carry out this programme of activity, and have supplemented our own field engineering team with the loan of expert colleagues from other countries.

# Corporate Responsibility

## Ofcom's commitment to equality, diversity and human rights

As an employer, we are committed to equality of opportunity for all colleagues, irrespective of race, disability, gender (including gender re-assignment), age, religion or belief and sexual orientation. This commitment sits at the heart of our employment policies and our approach to training and career development.

Our Single Equality Scheme (SES) is central to our determination to do what we can to promote equality and diversity inside our organisation. In the past two years we have worked hard to implement the actions we committed to in the scheme we published in October 2009.

In October 2011, we published an updated SES to tie in with Ofcom's current and future priorities. This built on the achievements we had made since launching our first SES and explained how we would go about meeting our obligations under the Equality Act 2010.

We have already delivered some of our key objectives. These have included an equal pay audit to investigate whether there were any discrepancies in the pay of male and female colleagues doing equal work; an investigation of the diversity composition of our colleagues to assess what we might need to do in relation to recruitment and retention initiatives; and we have continued to take part in benchmarking activities to ensure that we are operating in line with best practice.

During March and April 2012 we consulted on our revised Equality Scheme for Northern Ireland. This sets out how we will promote equality of opportunity and good relations across different groups of people when carrying out our functions relating to Northern Ireland. The final version of our scheme has since been published.

We were pleased to improve our score in the Stonewall Workplace Equality Index for the second year running, which looks at our attitude to lesbian, gay and bisexual staff.

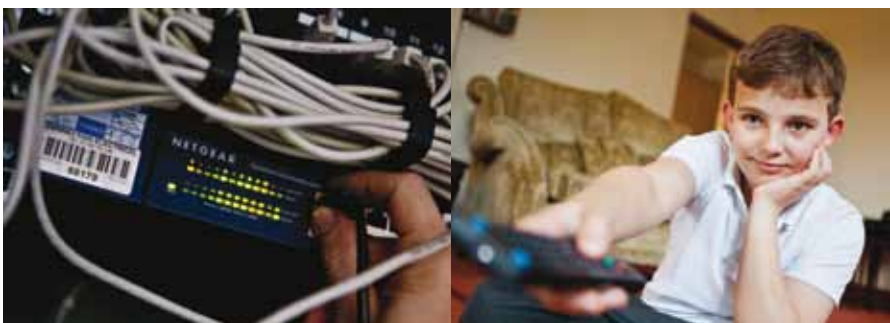
## Corporate responsibility

Ofcom is committed to ensuring that we are not only a responsible employer towards our colleagues, but also that we manage our impact on the wider community. Our Corporate Responsibility purposes are to:

- treat all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all;
- reduce our carbon footprint, provide value for money and ensure Ofcom's practices are environmentally sustainable; and
- engage, inspire and develop colleagues while proactively seeking to support our local community.

Other achievements have included improvements to the accessibility of our website and publications, the inclusion of an equality element in our research and the provision of more support to our disabled colleagues.

In the wider community we have continued to run a reading mentoring scheme with a local primary school in Southwark, giving colleagues the opportunity to coach young children to improve their literacy skills. In addition, we work with Career Academies UK, mentoring 16-17 year old students and helping them prepare for corporate life and in 2011 we hosted three interns from local academies for a six-week period.



# Sustainability Report

This section presents an overview of Ofcom’s sustainability strategy and our performance in this area. It also contains sustainability data and associated financial costs which have been presented in a format that conforms to the sustainability reporting guidelines issued by the Treasury for 2011/12.

## Ofcom’s overall sustainability strategy

### Introduction

Ofcom commissioned an independent carbon audit in 2007, and subsequently committed to a 25 per cent reduction in carbon emissions by the end of 2012/13 (relative to a 2007 baseline). Ofcom’s Footprint and Sustainability project was set up to identify and drive forward actions to ensure that Ofcom meets its carbon reduction commitment and that its practices are environmentally sustainable. Footprint and Sustainability is one of three workstreams within Ofcom’s overall Corporate Responsibility programme (see page 46).

### Overview of reduction targets

Ofcom’s 25 per cent reduction target represents a reduction split over seven areas: information services, utilities, waste, business travel, procurement materials, procurement capital and commuting. Each of these areas has been allocated a reduction target where applicable, based on their potential for greater efficiency.

In 2009, Ofcom commissioned a second independent carbon audit which confirmed that a 15 per cent reduction in carbon emissions had already been achieved. A subsequent audit in 2012 confirmed that a 21 per cent reduction had been achieved. A final carbon audit in 2013 will confirm whether Ofcom has achieved its overall 25 per cent reduction target.

Further detail about Ofcom’s sustainability performance and progress can be found on our website.

### Carbon Trust standard certification

Ofcom attained Carbon Trust Standard certification in 2009. This is an independent certification awarded to organisations that measure, manage and reduce their annual carbon footprint, and was initially valid for two years. In 2011 Ofcom was successful in gaining Carbon Trust Standard re-certification, demonstrating continued effort and progress in managing its carbon footprint.

A summary of our emissions over the past four years is provided in Figure 6. Please refer to pages 121 to 122 for more detail.

Figure 6: Sustainability performance overview

Sustainability Performance Overview		Performance Year			
		2008/09	2009/10	2010/11	2011/12
Greenhouse Gas emissions (Scopes 1,2)	tCO2e	260,939	260,833	226,663	226,048
	Expenditure	£520,568	£561,815	£518,158	£420,108
Business Travel	tCO2e	452,981	371,478	374,811	408,279*
	Expenditure	£987,034	£820,896	£627,606	£713,021
Waste	tCO2e	100	156	150	151
	Expenditure	£35,557	£31,591	£25,649	£28,094
Water	Consumption (m3)	9,263	9,915	10,495	7,737
	Expenditure	£26,772	£22,461	£23,994	£19,672

\* Business travel emissions have increased due to enhanced levels of regulatory activity in Europe during 2011/12, including the negotiations of the Roaming Regulation and the RSPP, the WRC 2012 and work with BEREC.



## Governance

The Footprint and Sustainability project reports to the Corporate Responsibility Steering Group (CRSG). Members of the CRSG hold senior management positions within Ofcom and set the strategic direction of the work. Any proposal with an environmental impact is submitted for guidance and approval from the CRSG before implementation. The CRSG provides bi-annual detailed progress reports directly to Ofcom's Executive Committee.

## 2011-12 Overview

### Greenhouse gas emissions

We have made significant investment in energy-saving infrastructure over the past few years, and conduct close monitoring of heating, cooling and lighting settings. Ofcom has an energy policy which is designed to guide energy-related decision-making and to support an effective energy management strategy.

We continue to encourage colleagues to make use of video-conferencing facilities across our various UK offices, and have also put in place a number of strict travel policies. Ofcom has a fleet of vehicles used by our Spectrum Engineering and Enforcement colleagues, chosen, in part, for their low emissions per mile, and we monitor fuel usage on a monthly basis.

### Waste minimisation and management

Ofcom has a 'no waste to landfill' policy in its London office. We recycle paper, cardboard, cans, plastics, glass, batteries, toners and CDs. Any disposal of ICT equipment complies with the Waste Electrical and Electronic Equipment Directive (WEEE).

### Finite resource consumption

Water consumption comes primarily from washrooms, drinking water and catering facilities in our London office. Ofcom monitors water consumption on a monthly basis.

### Biodiversity action planning

Biodiversity is not a significant consideration for Ofcom and we do not undertake data collection in this area.

### Sustainable procurement

Ofcom is keen to encourage sustainability from its suppliers. The pre-qualification questionnaire that Ofcom uses as part of its tender process to procure goods and services from outside organisations includes the following question:

"Please provide evidence of compliance with the Eco-management audit scheme or any other relevant recognised environmental standard with which your company complies which is relevant to the subject of the contract."

### Future plans

Ofcom expects that the majority of the remainder of our 25 per cent reduction target will be delivered in 2012/13 by the transition to greener data centres, which was completed in 2011/12. This involved a reduction in the overall number of servers by 57 per cent and also the replacement of these with newer and more energy-efficient servers.

Ofcom will continue its regular monitoring of carbon emissions across all areas, with particular focus on the energy consumption reduction resulting from the data centre transition. Ofcom will also continue to promote sustainable behaviour to its colleagues.

As one of its key technology sustainability partners, Ofcom also plans to continue its work with the London Organising Committee of the Olympic and Paralympic Games (LOCOG) to support the delivery of the first sustainable Games.

# Governance Statement



## Chairman and Chief Executive's Overview

In the earlier sections of this report, we highlighted the priorities and activities of Ofcom during the past financial year. In this overview we are pleased to discuss more fully the framework of governance Ofcom deploys to lead the organisation and underpin the achievement of its objectives, whilst ensuring that we safeguard public funds.

The statutory framework establishing Ofcom sets out clearly that it is an independent body. This independence, both legal and functional, ensures that Ofcom can take autonomous decisions independently from Government or the companies in the markets it regulates. This principle of independence is at the heart of effective regulation and is fundamental to Ofcom's oversight of the communications sector. It underpins Ofcom's decision-making and provides the clarity and certainty that encourages much of the investment in the sector, which is to the benefit of citizens and consumers.

The Ofcom Board strongly upholds this principle of independence, both in the appointment of its members and in its deliberations. The Ofcom Board is the key decision-making entity for Ofcom

and works together with Ed Richards, as Ofcom's Accountable Officer, to ensure that an appropriate and effective governance structure is in place. Ofcom's corporate governance framework is built around the structure illustrated in Figure 7, which is underpinned by a rigorous system of internal control, risk management and assurance, and in this statement, we will examine each part of the structure in more detail. Our strategy for each component part of the structure is regularly reviewed to ensure its continued relevance and effectiveness.

The Board is constantly developing and its membership offers a strong balance of skills, knowledge and experience. It is supported in its work by a number of committees, the Content Board, the Communications Consumer Panel and the Ofcom Spectrum Advisory Board, which together complement, enhance and support the work of the Ofcom Executive. The work of these parts of the governance structure in advising both the Ofcom Board and the Ofcom Executive is extremely valuable and we thank all of the members of these bodies for their challenging and incisive advice and decision making. Ofcom could not function as well as it does without their continued support.

With all parts of the governance structure engaged in Ofcom's activities, we ensure that all strategic policies to be implemented by Ofcom, together with all other areas of performance, responsibility and accountability, are robustly challenged. Such challenge results in strong, well-founded, evidence based and high-quality decision making, both at Board level and across the wider organisation.

**Colette Bowe, Chairman  
Ed Richards, Chief Executive  
and Accountable Officer**

**19 June 2012**



**Figure 7: Components of Ofcom's governance structure**

## The Ofcom Board



Colette Bowe



Dame Patricia Hodgson, DBE



Ed Richards



Dame Lynne Brindley, DBE



Tim Gardam



Mike McTighe



Lord Blackwell



Stuart McIntosh



Jill Ainscough

### Colette Bowe

Colette Bowe became Non-Executive Chairman of the Ofcom Board in March 2009. She trained as an economist and has held a number of senior roles in the public and private sectors. She began her career at the Department of Trade and Industry and subsequently worked at the Independent Broadcasting Authority, the Securities and Investment Board, as Chief Executive of the Personal Investment Authority and as Executive Chairman of the European Asset Management Business at Robert Fleming. She is currently the Chairman of Electra Private Equity plc, Chairman of the Associated Board of the Royal Schools of Music, a Board Member of Axa Deutschland GmbH and The UK Statistics Authority, a Governor of Bancroft's School and a trustee of the Tablet Trust and of the Nuffield Foundation. She is Chairman of Ofcom's Nominations Committee and a Member of the Remuneration and Risk and Audit Committees.

### Dame Patricia Hodgson, DBE

Dame Patricia Hodgson, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 July 2011 and became Deputy Chairman on 1 January 2012. She has been Principal of Newnham College, Cambridge, since 2006 and was appointed Chair of the School Teachers' Review this year. Having begun her career as a producer and journalist, she was Director of Policy and Planning at the BBC and a Member of the BBC Trust from its inception until June 2011. From 2000 to 2003 she was Chief Executive of the Independent Television Commission. She has been a non-executive director of the Competition Commission and GCap plc, a Member of the Higher Education Funding Council for England, the Wellcome Trust, the Committee for Standards in Public Life and the Statistics Commission. She has also chaired the Higher Education Regulation Review Group. She is Chairman of

Ofcom's Remuneration Committee and a member of the Nations Committee, the Nominations Committee and Risk and Audit Committee.

### Ed Richards

Ed Richards has been Chief Executive of Ofcom since October 2006, having joined the Board in 2003. He is currently a Vice-Chairman of the Body of European Regulators for Electronic Communications (BEREC), a Director of Thames Water Utilities Limited and the Donmar Warehouse Theatre, and a Trustee of The Teaching Awards. Prior to joining Ofcom he was Senior Policy Advisor to the Prime Minister (Tony Blair) for media, telecoms, the internet and e government and Controller of Corporate Strategy at the BBC. He has also worked in consulting at London Economics Ltd and began his career as a researcher with Diverse Production Ltd, where he worked on programmes for Channel 4.

**Dame Lynne Brindley, DBE**

Dame Lynne Brindley, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 September 2011. She has been Chief Executive of the British Library since July 2000, which she joined from the University of Leeds where she was Pro-Vice-Chancellor. Previously she was a senior consultant with KPMG and has held leadership positions in information technology and knowledge management at Aston University and at the London School of Economics. She is a council member of the Arts and Humanities Research Council and is on the board of the Creative Industries Knowledge Transfer Network. She chaired the national Online Learning Taskforce set up by HEFCE and was a member of the UK's Strategic Advisory Board for Intellectual Property. She is a member of the Council of City University and on the Court of the Goldsmiths' Company. She is Chairman of Ofcom's Nations Committee and a Member of the Remuneration and Nominations Committees.

**Tim Gardam**

Tim Gardam has been a Non-Executive Member of the Ofcom Board since January 2008. He has been the Principal of St Anne's College, Oxford since 2004. He is a member of the University Council and Chair of The Conference of Colleges. He had a 25-year career in broadcasting starting at the BBC. He was a part of the first senior management team at Five and was Director of Programmes at Channel Four. He was the author of the *DCMS Review of BBC Digital Radio Services* in 2004, a member of Lord Burns' Advisory Panel on the BBC Charter Review and a Director of SMG plc from 2005-7. He established, and is now Chairman of, the Reuters Institute for the Study of Journalism at Oxford University. He is the Chairman

of Ofcom's Content Board, Chairman of the Radio Licensing Committee and a Member of the Remuneration and Nominations Committees.

**Mike McTighe**

Mike McTighe has been a Non-Executive Member of the Ofcom Board since September 2007. He has held a number of directorships, and is currently Chairman of Volex Group plc, WYG plc and JJB Sports plc; he is also senior independent director of Betfair Group plc. He acts as a special advisor to General Atlantic, the US based private equity firm. He was appointed a Commissioner of Postcomm in December 2010 until Ofcom assumed responsibility for postal services regulation. Previously he was Chairman of Pace plc, Chairman and CEO of Carrier1 International SA, and before that Executive Director and Chief Executive, Global Operations of Cable and Wireless plc. Prior to this he was at Philips of the Netherlands, Motorola and GE. He is the Chairman of Ofcom's Risk and Audit Committee and a Member of the Remuneration and Nominations Committees.

**Lord Blackwell**

Norman Blackwell has been a Non-Executive Member of the Ofcom Board since September 2009. He is Chairman of the Board at Interserve plc, Senior Independent Director at Standard Life plc and non-executive director of Halma plc and Lloyds Banking Group plc. He is also a Board member of the Centre for Policy Studies. He has previously held Non-Executive Director or Chairman positions at the Office of Fair Trading, SEGRO plc, Corporate Services Group plc, Akers Biosciences Inc, SmartStream Technologies Ltd and Dixons plc. He was a Commissioner of Postcomm from December 2010 until Ofcom assumed responsibility for postal services regulation. From 1995 to 1997

he was head of the Prime Minister's (John Major) Policy Unit. He was made a Life Peer in 1997. He is a Member of Ofcom's Content Board, Remuneration and Nominations Committees.

**Stuart McIntosh**

Stuart McIntosh joined Ofcom as Competition Partner in January 2008 and was appointed to the Board in July 2008. He was appointed a Commissioner of Postcomm in December 2010 until Ofcom assumed responsibility for postal services regulation. Prior to joining Ofcom, he was a Strategy partner in IBM's communications practice in the US. Previously, he held senior positions with PwC, where he led its Telecoms Consulting Practice (in the UK and the US), and with Adventis, a boutique strategy consultancy. He began his career as an economist in the UK's Government Economic Service. He also worked for BT for a period of four years, where he held the position of Head of Business Economics.

**Jill Ainscough**

Jill Ainscough joined Ofcom in August 2007 as Chief Operating Officer and was appointed to the Board in October 2010. Prior to joining Ofcom she was Managing Director of Easynet, a company she first joined as Director of Strategy in 2001. In that role she oversaw new market entry into corporate data networks and secured a three-year sponsorship of the British Olympic Association. Previous main roles include Head of Marketing Development at NTL, Financial Planning and Analysis Manager for Barclaycard, Business Planner for the Cambridge Cable Group and Senior Financial Analyst for the Granada Group. She is also on the Board of Sport England.

**Millie Banerjee retired from the Board with effect from 30 June 2011 and Philip Graf from 31 December 2011.**

## Leadership

The Ofcom Board leads the organisation, with a shared commitment to the mission and values described on page 44. Its core activities include:

- setting the overall strategy for Ofcom;
- acting as the ultimate decision-making authority;
- obtaining assurance that material risks to Ofcom are identified and appropriate systems of risk management and control exist to mitigate such risks;
- defining Ofcom's appetite for risk; and
- Board and executive management succession.

The Ofcom Board has delegated certain of its responsibilities to the Executives within Ofcom and certain responsibilities to other parts of the governance structure (see Figure 8) with clearly defined authorities and terms of reference. It also takes advice from other parts of the governance structure. The remits and main functions of the different bodies that make up this structure are described on pages 53 to 60.

In the year under review the Board provided the overall strategic direction in the setting of Ofcom's priorities in its Annual Plan. The Board continued to oversee Ofcom's overall work for the benefit of citizens and consumers and gave approval to, or guidance around, a number of specific policy decisions and activities, including:

- overseeing Ofcom's preparations for the London 2012 Olympic and Paralympic Games;
- assuming responsibility for the regulation of postal services;
- the arrangements for the auction of the 600 MHz, 800MHz and 2.6 GHz spectrum bands; and
- measuring media plurality.

More detail about the major issues that the Ofcom Board oversaw during the year is set out on pages 12 to 26.

The Ofcom Board is led by the Chairman who manages the Board to ensure that:

- Ofcom has appropriate objectives and an effective strategy;
- there is a structure in place to allow the effective contribution of all Members, and of Non-Executive Members in particular;



Figure 8: Ofcom's Board and Committees

- the Chief Executive and other executives are able to implement the strategy;
- the Board Committees are properly established, composed and operated;
- there are procedures in place to inform the Board of performance against objectives; and
- Ofcom is operating in accordance with the highest standards of corporate governance.

Ofcom continues to demonstrate strong leadership in the management of risk through the work of the Risk and Audit Committee overseen by the Board. Ofcom maintains a risk register for all of its work, which is reviewed regularly, and the Executive Committee, the Operations Board and Policy Executive are responsible for managing and mitigating (where possible and appropriate) all risks arising from specific operational, policy and regulatory developments.

### The Ofcom Board

The Ofcom Board comprises six Non-Executive Members and three Executive Members and of these nine Members, five are men and four women. Members have a broad range of experience in related industries, as well as experience in senior positions in both the private and public sector.

The Chairman and Non-Executive Members of the Ofcom Board are appointed by the Secretary of State for Culture, Olympics, Media and Sport for periods of between three and five years. Ofcom's Nominations Committee has assisted the Department by working with it in the selection process for the appointment of new Non-Executive Members. Executive Members of the Board are appointed by the Chairman and all of the independent Non-Executive Members, with the Chief Executive's appointment requiring approval by the Secretary of State for Culture, Olympics, Media, and Sport. Members' biographical details are set out on pages 50 to 51. Members' duties and responsibilities are set out in a Members' Code of Conduct and a Register of Members' Interests is maintained. Both are available on the Ofcom website. For the purposes of adopting the principles of the UK Corporate Governance Code:

- the Board considers all of the Non-Executive Members to be independent of management and free of any business or other relationship which could materially interfere with the exercise of their judgment;

- the Board believes that the Members have, between them, a wide range of experience which ensures an effective Board to lead and control Ofcom;
- the Non-Executive Members comprise a majority of the Board. The Deputy Chairman is regarded as being the senior Non-Executive Member for the purposes of the UK Corporate Governance Code; and
- the Board meets at regular intervals during the year. The role of executive management is to implement Board policies. The work of both the Board and Executive is informed by the contributions of a number of advisory bodies.

During the year the Ofcom Board reviewed the entire governance structure and concluded that Ofcom received substantial value from each part of the structure. As a result Ofcom has maintained and supported the structure throughout the year.

### Board Committees

In the exercise of its powers under the Office of Communications Act, the Board delegates certain of its responsibilities to the Executives within Ofcom and certain responsibilities to Board Committees with clearly defined authority and terms of reference. The activities and main functions of these principal committees are described on pages 54 to 56. Ofcom has a number of other specialist committees with a governance role or an advisory role to the Board, described below on pages 58 to 60.

### Membership and attendance of the Ofcom Board and Committees

Name	Ofcom Board	Nominations Committee	Remuneration Committee	Risk and Audit Committee
Number of meetings	13	1	5	5
<b>Role and attendance</b>				
Colette Bowe	Chairman, 13	Chairman, 1	Member, 5	Member, 4
Ed Richards	Chief Executive, 13			
Dame Patricia Hodgson DBE <sup>1</sup>	Deputy Chairman, 9	Member	Member, 1 Chairman, 1	Member, 1
Philip Graf CBE <sup>2</sup>	Deputy Chairman, 6	Member, 1	Chairman, 4	Member, 3
Millie Banerjee CBE <sup>3</sup>	Member, 3	Member, 1	Member, 2	
Lord Blackwell	Member, 13	Member, 1	Member, 3	
Dame Lynne Brindley DBE <sup>4</sup>	Member, 9	Member	Member, 2	
Tim Gardam	Member, 12	Member, 1	Member, 5	
Mike McTighe	Member, 12	Member, 1	Member, 5	Chairman, 5
Jill Ainscough	Member, 8			
Stuart McIntosh	Member, 13			
Peter Teague				Member, 5

1 Dame Patricia Hodgson was appointed to Ofcom with effect from 1 July 2011 and became Deputy Chairman of the Ofcom Board and Chairman of the Remuneration Committee with effect from 1 January 2012

2 Philip Graf CBE retired with effect from 31 December 2011

3 Millie Banerjee CBE retired with effect from 30 June 2011

4 Dame Lynne Brindley was appointed to Ofcom with effect from 1 September 2011

#### The Nominations Committee

The Nominations Committee comprises all the Non-Executive Members of the Ofcom Board. The Committee works with DCMS on the process for selecting Non-Executive Members for the Ofcom Board and makes recommendations on Executive Member appointments. All appointments of Non-Executive Members are made by DCMS in

accordance with the Code established by the Office of the Commissioner for Public Appointments (OCPA). DCMS, in making such appointments, ensures that a fair and open process is established and strives to ensure that a diverse range of candidates will apply. An OCPA-approved independent assessor is always a member of the selection panel established by DCMS for any proposed appointment.

#### The Remuneration Committee

The Remuneration Committee consists of all the Non-Executive Members of the Ofcom Board. The Chief Executive, the Chief Operating Officer and the HR Director attend meetings at the invitation of the Remuneration Committee.

The Committee advises Ofcom on the remuneration and terms and conditions of service for the Chief

Executive, other Executive Members of the Board and Members of the Executive Committee. The Committee also advises Ofcom on the terms and conditions of the part-time Members of the Content Board, the Communications Consumer Panel, the Advisory Committee on Older and Disabled People, the four National Advisory Committees and other Non-Executive Members of other bodies in Ofcom's governance structure.

The Committee oversees the process for determining the terms and conditions of all other Ofcom colleagues. The Committee also oversees and decides upon issues relating to the pension arrangements established by Ofcom for all Ofcom colleagues.

The remuneration of Non-Executive Members of the Ofcom Board is determined by the Secretary of State for Culture, Olympics, Media and Sport and is set out in detail in Note 3 to the Remuneration Report. Should it be necessary for Ofcom to consider any aspect of Non-Executive Member remuneration a Non-Executive Member Remuneration Committee has been established consisting of the Finance Director, the HR Director and the Corporation Secretary, which will meet and report directly to the Secretary of State as appropriate. Consequently, no Board Member is involved in the setting of his or her own remuneration.

The Remuneration Report on pages 66 to 69 sets out Ofcom's application of the relevant principles of the UK Corporate Governance Code.

### Risk and Audit Committee

The Risk and Audit Committee comprises three Non-Executive Members of the Ofcom Board, Mike McTighe (Chairman), Colette Bowe and Dame Patricia Hodgson, and an independent external Non-Executive Member, Peter Teague. Peter is a qualified chartered accountant and satisfies the requirement under the *UK Corporate Governance Code* that one Member of the Committee has relevant financial experience. The Chief Executive, the Chief Operating Officer and the Finance Director are invited to attend Committee meetings, as are the internal and external auditors. The Chairman of the Risk and Audit Committee reports the outcome of Committee meetings to the Ofcom Board. The Committee's functions are described in its terms of reference, available on the Ofcom website.

The internal audit function is outsourced by Ofcom to KPMG, and described on page 64. The Risk and Audit Committee believes it is appropriate for the internal auditors, in addition, to provide Ofcom with specific advice on internal risks. The provision of other services by KPMG to Ofcom is decided on a case-by-case basis. The external audit function is carried out by the National Audit Office.

During the past year the Committee has, in addition to its main functions, focused on overseeing Ofcom's preparations for the London 2012 Olympic and Paralympic Games and the risks associated with Ofcom's role in spectrum management for the Games.

### Risk and Audit Committee – Agenda items during 2011/12

Agenda item	No. of times addressed during 2011/12*
Risk Management Framework	5
ICT Outsourcing Transition	5
Spectrum Clearance and Awards	5
London 2012 Olympic and Paralympic Games	5
Internal Audit Programme	5
External Audit programme	5
Finance Update	4
Security Update	4
Postal Services Integration	2
Litigation Update	1

\* The Risk and Audit Committee met five times during 2011/12



## The Executive Committee

The Executive Committee is the senior executive team responsible for overseeing the management of Ofcom. Its core focus is on setting direction for the organisation, financial and administrative decision-making and monitoring. It met 11 times during the year. Its policy-making responsibilities are limited to management policy.

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Ed Richards (Chairman)  
Chief Executive

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Jill Ainscough  
Chief Operating Officer

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Stuart McIntosh  
Group Director, Competition

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H. Nwana  
Group Director, Spectrum Policy

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Claudio Pollack  
Group Director, Consumer

---

Steve Unger  
Group Director, Strategy, Chief Economist  
and Technology

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Polly Weitzman  
General Counsel

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Christopher Woolard  
Group Director, Content, International  
and Regulatory Development

Other senior Ofcom colleagues are invited to attend meetings of the Committee on an ad-hoc basis.

The Chief Executive also chairs a weekly meeting of Policy Executive, which consists of the members of the Executive Committee and other senior executives by invitation. Policy Executive is designed to be an internal forum for senior executives to scrutinise and oversee the internal

development of Ofcom's policy agenda. It helps set the direction of policy and provides a weekly opportunity to discuss and validate policy issues as they arise before such policies are brought formally through the governance structure or subject to external scrutiny. The Operations Board meets fortnightly and is chaired by the Chief Operating Officer. It has senior representatives from all parts of Ofcom, and deals with all operational matters for the organisation. It reports to the Executive Committee monthly.

## Effectiveness

The Board meets formally at least monthly; it is provided with regular strategic updates, briefings on the markets Ofcom regulates, the activities of key stakeholders and reports on Ofcom's operational and policy activities. In addition, all Members have access to the Secretary to the Corporation to assist them with the provision of information and the making of arrangements for informal meetings with executives within Ofcom to gain greater knowledge of specific issues. An externally-facilitated review of Board effectiveness was carried out in spring 2012. Key items discussed in the review were:

- the effectiveness of the Board;
- the mix of skill and experience on the Board;
- the development of the organisation's strategy;
- the effectiveness of Board procedures and processes; and
- each Member's performance.

The performance of individual Board members is also assessed by the Chairman and each member receives

a performance review annually. All new Members of the Board receive a detailed induction into the operation of the Board, its responsibilities and the strategic issues the Board needs to consider. Meetings are arranged for all new Board members with key executives so that all aspects of Ofcom's remit and responsibilities can be explained to them.

## Accountability

Ofcom's Annual Report is sent to the Department for Culture, Media and Sport (DCMS), which lays copies of it before each House of Parliament. The Board is responsible for ensuring that proper records are maintained, which disclose with reasonable accuracy at any time the financial position of Ofcom and enable it to ensure that the Statement of Accounts complies with the Companies Act 2006. In addition, the Board is responsible for safeguarding Ofcom's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Compliance with the Corporate Governance Code

Ofcom is not subject to the *UK Corporate Governance Code* published by the Financial Reporting Council.

However, its principles provide a useful benchmark for all bodies wishing to make a statement about their corporate governance performance. To this end, Ofcom will continue to adopt the principles of the Code where it is appropriate to do so. In this regard Ofcom has complied with the principles of the *UK Corporate Governance Code* during the period 1 April 2011 to 31 March 2012.

## Transparency

Ofcom continues to review its publication scheme and make a wider range of information readily accessible on its website. During the period under review, Ofcom received 598 requests for information under the Freedom of Information Act 2000 and, in keeping with the Act's purpose to foster a culture of openness, it provided all or part of the information requested in 83 per cent of cases. Ofcom also received 27 requests for information under the Data Protection Act 1998 and provided the requested information in 96 per cent of cases.

## Engagement

Ofcom's actions will affect people and organisations across the UK. As a result, it is very important that it takes decisions at the right time and in the right way. These decisions must be based on evidence and Ofcom needs to take into account, when making these decisions, the views of those who have an interest in the outcome.

Consultation plays an important part in obtaining this evidence. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a course of action.

Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. More details about Ofcom's method of consultation and the consultations that took place during the year are set out on pages 40 to 42.

Ofcom also engages with its governance structure during all consultations. Advice and challenge is welcomed from all Boards, Panels and Committees which form part of the governance structure, and Ofcom's executive will appear at appropriate meetings to outline, and discuss, projects that are both out for, or being considered for, consultation. The membership of the bodies that form part of the governance structure have been designed to offer specific levels of expertise so that Ofcom's policies and projects can be tested and challenged robustly before decisions are reached. This engagement is increasingly important in the devolved nations of the UK, where the role of the National Advisory Committees is immensely valuable in helping Ofcom take into account specific issues in its policy formulation and implementation.

Ofcom also engages with other national regulatory authorities, European institutions and global bodies so that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

## Board Committees

### The Content Board

The Content Board is a committee of the main Ofcom Board, with delegated and advisory responsibility for a wide range of content issues, predominantly dealing with broadcasting. It is set up under statute, specifically section 12<sup>2</sup> of the Communications Act.

The Ofcom Board will seek advice and recommendations from the Content Board on any content-related aspects of decisions it has reserved for itself. All other content-related decisions are delegated to the Content Board.

The Content Board serves as Ofcom's primary forum for the regulation of television and radio quality and standards. It is charged with understanding, analysing and championing the voices and interest of the viewer, the listener and the citizen.

Members of the Content Board are also Members of the Radio Licensing Committee, the Election Committee and, during the period under review, the Broadcasting Sanctions Committee and the Broadcasting Review Committee.

### Members

Tim Gardam <sup>(i)</sup> (Chairman)  
 Philip Graf CBE <sup>(i)</sup>  
 Millie Banerjee <sup>(ii)</sup>  
 Lord Blackwell <sup>(iii)</sup>  
 Dr David Levy <sup>(iv)</sup>  
 Anthony Lilley OBE  
 Iseabail Mactaggart <sup>(iv)</sup>  
 Glyn Mathias <sup>(iv)</sup>  
 Dr Paul Moore  
 Joyce Taylor  
 Janey Walker <sup>(iv)</sup>  
 Christopher Woolard <sup>(v)</sup>

- i Philip Graf CBE retired with effect from 31 December 2011 and was succeeded as Chairman by Tim Gardam.
- ii Millie Banerjee retired with effect from 30 June 2011.
- iii Lord Blackwell was appointed to the Content Board with effect from effect from 1 January 2012.
- iv Dr David Levy, Iseabail Mactaggart, Glyn Mathias and Janey Walker were appointed to the Content Board with effect from 1 May 2011.
- v Christopher Woolard is currently the only Executive Member

### Broadcasting Review Committee, Broadcasting Sanctions Committee

Until the changes to complaint-handling procedures<sup>1</sup>, these Committees were responsible for the outcome of complaints investigations. Further details of this work are given in the Annex on pages 112 to 114. Membership was drawn from the Content Board.

### Radio Licensing Committee

The Radio Licensing Committee has delegated authority from the Ofcom Board to discharge Ofcom's functions in relation to radio (sound) broadcast licensing. The Committee's responsibilities include decisions on the award of new and re-advertised radio licences, and on licence variations and revocations. During 2012 its remit will expand to include Local Television licensing, and it will be renamed the Broadcast Licensing Committee. The membership of the Committee will be on a rolling basis and will involve all Content Board members from time to time.

### Community Radio Fund Panel

Section 359 of the Communications Act makes it possible for a fund for community radio operators to be set up, and for Ofcom to administer it and "make such grants as they consider appropriate" to community radio licensees. The Panel meets as required to examine applications and make awards from the Fund. It is independent of the Radio Licensing Committee (see above), which awards community radio licences. The Panel has three Non-Executive Members: Kevin Carey (Chairman), Richard Hilton and Thomas Prag.

### Election Committee

Section 333 of the Communications Act requires Ofcom to ensure that Party Political Broadcasts (including Party Election Broadcasts) and Referendum Campaign Broadcasts are included in the UK regional ITV, Channel 4, Five, Classic FM, talkSPORT and Virgin 1215 services. Unresolved disputes between any licensee and any political party, as to the length, frequency, allocation or scheduling of broadcasts, are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to a committee known as the Election Committee. The Committee meets as and when required and consists of members drawn from the Content Board.

### The Spectrum Clearance Finance Committee

The Spectrum Clearance and Awards Programme was established to bring together all the projects associated with the clearance and award of the 800 MHz and 2.6 GHz spectrum bands under a single programme management structure. In order to ensure that appropriate financial controls are in place and to consider proposals for spectrum clearance grants, the Ofcom Board has delegated to this Committee responsibility for making grants on spectrum efficiency grounds for any proposed spectrum clearance under section 1(5) of the Wireless Telegraphy Act 2006 and the terms and conditions on which grants are made: grants and the terms and conditions require the consent of the Treasury. The Committee met 12 times in the year to consider 83 proposals for clearance grants. In total payments against grants awarded in the year by the Committee for 2011/12 was £41m.

### Members

Sir David Brown (Chairman)  
 Peter Teague (Deputy Chairman)  
 Peter Davies <sup>(i)</sup>  
 H. Nwana <sup>(i)</sup>  
 Kate Stross

- i Executive Members

1 In June 2011, Ofcom published new procedures for handling broadcasting complaints, investigations and sanctions. The new procedures removed the Broadcasting Sanctions Committee and the Broadcasting Review Committee. However, Content Board members continue to play a role in content and standards decision making, and sanctions. For further information, please see: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions>

### The DTT Allocation Committee

The Ofcom Board has delegated the discharge of its functions in relation to allocation capacity on digital terrestrial multiplex B, pursuant to an order from the Secretary of State dated 2 July 2008, to this Committee which is chaired by a Non-Executive Member of the Ofcom Board.

The Committee did not meet during the year.

### Ofcom in the Nations

#### Nations Committee

The Nations Committee is a direct Committee of the Ofcom Board, whose Chairman is an Ofcom Board Non-Executive Member. It met five times during the year. This Committee oversees the four National Advisory Committees and co-ordinates their activities. Its role includes: understanding the political dynamics in each nation of the UK and advising on Ofcom's engagement in each nation; agreeing appropriate processes for Ofcom's engagement with each National Advisory Committee; monitoring stakeholder events in each nation and overseeing the involvement of, and engagement of, the Ofcom Board in each nation. Its membership comprises two Non-Executive Members of the Ofcom Board, Lynne Brindley (Chairman) and Patricia Hodgson, and the Chairmen of the National Advisory Committees. The Executive Directors of each nation, together with the Group Director, Content, International and Regulatory Development and the Director, Regulatory Development and Nations, are invited to attend Nations Committee meetings.

### The Advisory Committees for the Nations

Section 20 of the Communications Act requires Ofcom to establish Advisory Committees for each of the UK nations. The function of each Committee is to provide advice to Ofcom about the interests and opinions, in relation to communications matters, of people living in the part of the UK for which the Committee has been established. Since 2011 this advice now includes advice on postal matters.

Particular issues that the Committees have advised on during the past year are: continuing problems with broadband roll-out and speeds, specifically in more rural areas; mobile availability, competition, 'not-spots' and roaming; the proposed auction of 800 MHz and 2.6 GHz spectrum; local, regional and national television; and Ofcom's research in each nation. Each Committee met five times during the year. The membership of each Committee is as follows:

	England	Scotland	Wales	Northern Ireland
Chairman	Professor William Dutton	Professor Philip Schlesinger	Ian Clarke <sup>2</sup>	Professor Wallace Ewart OBE
Members	Graham Creelman OBE	Laura Alexander	Julie Barton	Isolde Goggin
	Helen Foster	Dr Franck Chevalier <sup>1</sup>	Kim Brook	Lesley Holmes
	Olwyn Hocking	Iseabail Mactaggart	Glyn Mathias <sup>2</sup>	Libby Kinney
	Wendy Pilmer	Mairi Mcleod	John Davies	Dr Paul Moore
	Anne Scorer	Thomas Prag	Simon Gibson OBE	Ben Preston
	John Varney			
	Robert Watson			

<sup>1</sup> Dr Franck Chevalier resigned with effect from 31 March 2012

<sup>2</sup> Glyn Mathias resigned as Chairman with effect from 31 March 2012 and was succeeded by Ian Clarke

## Non-Board Committees

### The Communications Consumer Panel

Section 16 of the Communications Act requires Ofcom to establish a Consumer Panel. The Panel acts as a 'critical friend' to Ofcom, providing advice that is robust and independent, but at the same time pragmatic and constructive.

Through the advice that it gives, the Communications Consumer Panel seeks to persuade Ofcom, the UK Government and industry to look at issues through the eyes of consumers and protect and promote their interests. The Panel pays particular attention to the needs of older people and people with disabilities, to the needs of people in rural areas and people on low incomes, and to the needs of small businesses, which face many of the same problems as individual consumers.

Independent of Ofcom, the Panel is made up of independent experts, including representatives from Scotland, Wales, Northern Ireland and England with experience in many different fields. The Panel met 11 times during the year. The Communications Consumer Panel's annual report, covering its impact in 2011/12 and priorities for 2012/13, can be found at [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk).

### Members

Bob Warner CBE (Chairman)  
 Fiona Ballantyne  
 Colin Browne  
 Roger Darlington  
 Dr Maureen Edmondson OBE <sup>(i)</sup>  
 Kim Brook  
 Chris Holland

i Dr Maureen Edmondson resigned with effect from 31 March 2012.

### The Advisory Committee on Older and Disabled People

Section 21(1) of the Communications Act requires Ofcom to establish a Committee to advise Ofcom on issues in the communications sector that particularly affect older and disabled people. The Advisory Committee on Older and Disabled People (ACOD) met four times during the year and undertakes specific pieces of work in sub-groups.

ACOD continued to advise Ofcom to ensure that older and disabled people are equal players, and full participants, in current and emerging convergent telecommunications and broadcasting technologies, new media platforms, digital and traditional broadcast media.

The Committee provided guidance to Ofcom on a range of topics including the *Relay Services Review*, *Access Services Review* and Ofcom's Draft *Annual Plan for 2012/13*.

In the autumn ACOD published research into the products and services which might benefit older and disabled people across superfast broadband networks. ACOD has also, since late 2011, begun advising Ofcom on the impact of its new postal services regulation on older and disabled people.

### Members

Jo Connell, OBE (Chairman)  
 Liz Atkins  
 Dr Maurice Mulvenna <sup>(i)</sup>  
 Suneel Shivdasani  
 Bob Twitchin

i Dr Maurice Mulvenna retired on 30 June 2011.

### The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues. OSAB met four times in the year. OSAB's annual report, covering its activities during the year, will be published on the OSAB website at [www.osab.org.uk](http://www.osab.org.uk).

### Members

David Meyer (Chairman)  
 Professor Linda Doyle  
 Robin Foster  
 Philippa Marks  
 Philip Marnick  
 Dr Robert Pepper  
 Jean-Jacques Sahel  
 Professor Simon Saunders  
 Simon Towler (Ex Officio)  
 Mike Walker  
 Professor William Webb  
 Gavin Young

## The control framework

Ofcom's control framework underpins the governance structure and is designed to support the delivery of its statutory duties and the achievement of its objectives while safeguarding public funds. The control framework is built around three clear areas of responsibility:

- management and internal control;
- risk management; and
- independent assurance.

Each of these areas of responsibility is embedded across the organisation and they come together to provide the Executive and the Board with the assurance needed to effectively manage the business (see Figure 9).

### Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board through a hierarchy of Boards and Committees to Group Directors and senior managers. This scheme of delegation is outlined in the Financial Authorities Framework, which is reviewed periodically to ensure that it is consistent with the priorities of the organisation and its appetite for risk. Group Directors are asked to provide assurance that the system of internal controls is working effectively within their area of responsibility by completing an annual internal control assurance statement. Additionally, assurance is taken from the work carried out by specialist teams across the organisation including the Security Committee, the Health and Safety Committee, the Diversity and Equality Working Group and a group overseeing crisis management and business continuity planning.

By carrying out impact assessments (as required under the Communications Act), which evaluate the impact of any potential regulatory decision across the range of stakeholders, the consideration of risk sits at the very centre of our activities.

During the year, a number of initiatives were implemented as part of the ongoing programme to review and enhance the existing internal control framework. These have included:

- further improvements to the planning and performance measurement process, which have included the introduction of enhanced planning tools and reporting to the Executive, the Board and the organisation. This improved suite of reporting brings together priorities, risks and outcomes. This process is now supported by a planning and performance team based within the Finance Department;
- the introduction of an Anti-Bribery Policy in response to the implementation of the Bribery Act 2010. Alongside the Policy a mandatory e-learning course was launched, covering both our anti-bribery and counter-fraud policies.

- a series of personal governance presentations, delivered to all colleagues, covering data protection, freedom of information, security, fraud and bribery;
- successful disaster recovery tests of the ICT infrastructure and the operational back-up site;
- a review of the existing Expenses Policy and the Financial Authorities Framework; and
- a review of the Security Policy, which includes information security, to ensure that it adequately reflects Ofcom's organisational requirements.

A robust financial control framework remains central to the organisation. As a result of the 2010 Spending Review, Ofcom is required to reduce its spending cap by 28.2 per cent, in real terms, over the four-year period to 2014/15. This settlement included an agreement to deliver a significant proportion of the savings during the first year of the Spending Review period. In line with the annual planning round, the 2011/12 budget was set within the spending cap agreed with the Treasury. Quarterly budget re-forecasts, together with regular reports to the Board and the Executive regarding the ongoing programme to deliver the agreed savings, have ensured that the 2011/12 outturn is below the agreed target and within the budget set.

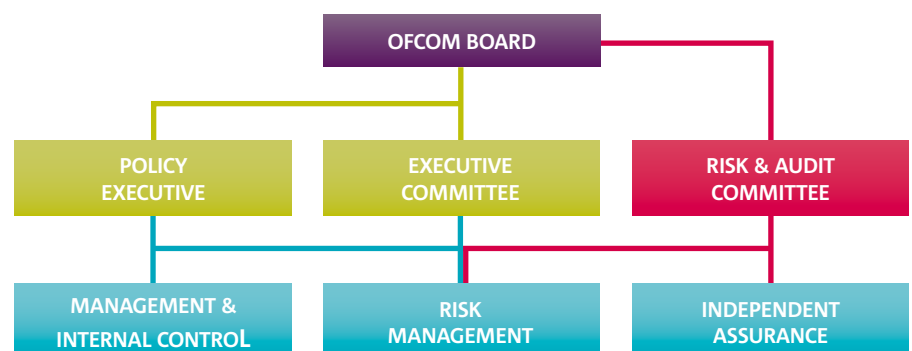


Figure 9: Ofcom Control Framework

### Protected personal data incidents

During 2011/12 no protected personal data-related incidents were reported to the Information Commissioner's Office.

### Risk Management

Ofcom continues to demonstrate strong leadership of the management of risk through the work of the Board and its Committees. In providing support to the Board and the Executive Committee, the Operations Board and Policy Executive are responsible for providing leadership on the management of risks arising from specific operational and regulatory development.

As part of the continual process to improve its risk management capability, Ofcom conducts an annual review of its risk management framework. This review includes an exercise to benchmark the framework against the Treasury's Risk Management Assessment Framework. The review completed in March 2012 and endorsed by the Executive Committee and the Risk and Audit Committee noted the continued improvement in the framework and also made a number of recommendations which will form the foundations of an ongoing improvement plan for 2012/13. The findings and recommendations of the annual risk review are considered and commented on by KPMG as part of Ofcom's internal audit plan. Informed by its engagement with Ofcom during the year, the National Audit Office observed that Ofcom's risk management processes "are maturing and well developed and incorporate a number of significant examples of good practice."

Ofcom's risk management policy and procedures clearly defines its approach to risk management, its objectives and its processes as well as identifying specific risk management roles, accountabilities and responsibilities across the organisation.

During the year, the Board launched an exercise to review the organisation's existing risk appetite statements. The updated statements, which will be aligned with Ofcom's strategic priorities and reflect the type of risk faced by the organisation, will be embedded within the decision-making process during 2012/13.

The strategic risk register is reviewed monthly by the Board and the Executive Committee. All identified risks are assigned an owner, usually a Group Director, who is accountable for the management of the risk. Mitigating actions are assigned to each risk and as part of the monthly review cycle, consideration is given to both the current and residual (post-mitigation) risk exposure. Group-level risks are reviewed with the Risk and Insurance Manager on a monthly cycle and escalated onto the Strategic Risk Register where appropriate.

Senior managers are responsible for ensuring that colleagues have the appropriate skill levels to identify, assess and manage risk in line with Ofcom's policy to embed and support a culture of well-managed risk. In support of the senior managers' role in championing the risk process, the Risk and Insurance Manager, together with a team of Group Portfolio Managers, work across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.

As part of the ongoing programme to improve the risk management framework, a pilot assurance mapping exercise was undertaken during the year. The aim of this exercise was to provide greater assurance regarding the control environment around key business processes and to inform the development of the internal audit plan. Further work will be undertaken during 2012/13.

The table on pages 36 to 37 of this report highlights some of the key risks and challenges we have faced during the year as we delivered the objectives set out in our Annual Plan. In the sections below, we take the opportunity to outline in a little more detail, how our governance structure and control framework seek to ensure that we achieve our objectives in an effective and efficient manner.

### Spectrum Clearance and Awards Programme

During the year, Ofcom continued to deliver the programme to clear and award spectrum in the 800MHz and 2.6GHz bands. Recognising the strategic importance and complex nature of the work, together with the requirement to manage a number of interdependent projects with multiple stakeholders, the Spectrum Clearance and Awards Programme (SCAP) has implemented a robust framework of governance and control (see Figure 11).

Figure 10: Ofcom Risk Hierarchy



The Spectrum Clearance Finance Committee was established as part of this framework and more information about its work is set out on page 58. Where appropriate (for example, in the grants processes for digital terrestrial television and for programme-making and special events) we have appointed independent auditors to provide assurance regarding the effectiveness of the control environment.

The report issued following the Cabinet Office *Gateway™ Review 0: Strategic Assessment* commended the Senior Responsible Owners and the SCAP team “for their good approach and progress”. As part of the internal audit plan, KPMG, Ofcom’s appointed internal auditor, completed a review of SCAP project management and governance during

2011/12, and its recommendations have been implemented in line with the agreed plan.

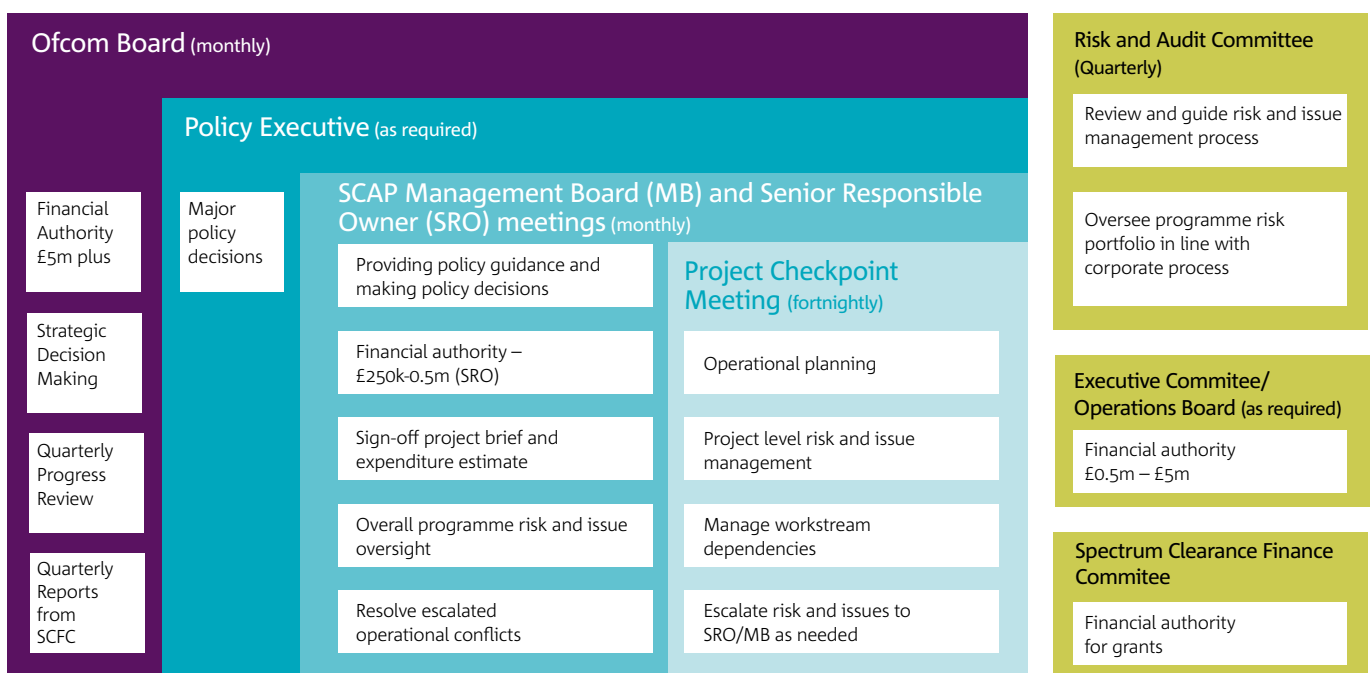
**The London 2012 Olympic and Paralympic Games**

From the outset, our approach to the governance and management of our work in preparation for the London 2012 Olympic Games and Paralympic Games has been informed by a very low appetite for risk. Ofcom’s Board, its Operations Board and the Risk and Audit Committee form an integral part of the project’s risk management and governance structure, which in turn was independently reviewed by KPMG as part of the 2011/12 internal audit plan.

We have rigorously tested our capabilities, developed to deliver our obligations during the Games, through attendance at all the official test events, as well as at events such as the royal wedding. Ofcom’s readiness was reviewed in May 2012 by the Government Olympic Executive who approved it and rated it with a Green status. We have also undertaken a robust, scenario-driven review to consider the resilience of our ICT systems and related processes.

We have clearly articulated the risks we currently expect to carry into the Games period, developed and reviewed our approach with the Risk and Audit Committee and the Ofcom Board. Work is ongoing to mitigate any residual risk as fully as possible.

Figure 11: SCAP internal governance





### Information, communications and technology outsourcing contract

On 20th July 2010, Ofcom signed an ICT outsourcing contract with Logica. Although the majority of our applications had transitioned to the new service by April 2011, an acceptance certificate, with caveats, was not issued until 12th January 2012 due to the re-planning of several transition activities.

To oversee the transition, Ofcom put in place a dedicated programme team, which included colleagues from Logica. During the year, the programme reported on progress, risks and issues on a regular basis to the main Board, the Risk and Audit Committee and the Operations Board. Revisions to the delivery timetable were managed through a series of Correction Plans, which were prepared by Logica and agreed with Ofcom. Recognising the strategic importance of the transition and the ongoing stability of the service, particularly in the light of our preparation for the London 2012 Games, KPMG was asked to conduct a review of the programme during 2011. The recommendations contained in KPMG's report have been shared with Logica and the resulting actions have been agreed. The majority of actions have now been implemented and a plan is in place to deliver those that are outstanding.

End-to-end ICT disaster recovery tests were successfully completed between March and June 2012.

### Integration of Postcomm

In line with the Postal Services Act, Ofcom took over responsibility for regulating the postal services sector on 1st October 2011. In order to ensure the efficient integration of Postcomm, a dedicated project team, including colleagues from Ofcom

and Postcomm, was established to oversee the human resources, ICT, facilities and finance elements.

Early engagement with the Department for Business, Innovation and Skills (BIS) provided a mechanism to fund the preparatory work undertaken in advance of Royal Assent for the Act and a budget for integration, including contingency, was agreed with BIS and communicated to Royal Mail. Agreement was reached with the Treasury to amend Ofcom's original spending cap set under the 2010 Spending Review to include provision for the regulation of the postal services. Additionally, Ofcom actively engaged with the Treasury, BIS, the National Audit Office (NAO) and Postcomm to ensure clarity regarding the accounting treatment during and after the integration.

Postcomm's corporate risk register was reviewed as part of the integration programme and where appropriate, risks were captured on Ofcom's strategic risk register. An internal Postcomm integration review has taken place and lessons learned have been captured. Additionally, as part of the internal audit plan, KPMG has completed a review of the integration.

### Independent assurance

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Audit Plan, which is informed by an assessment of the strategic risk register, discussions with the NAO and an ongoing consideration of the environment in which Ofcom operates. The Plan is approved by the Risk and Audit Committee. During 2011/12, a total of 13 internal audits were completed, including reviews of the project management and governance

for both the London 2012 Olympic and Paralympic Games and the Spectrum Clearance and Awards Programme.

Where appropriate, Ofcom has sought independent, third party assurance for key business processes. For example, as part of the Spectrum Clearance and Awards Programme, the NAO has completed a review of the Digital Terrestrial Television clearance grant process, while Deloitte and BDO have been contracted to provide assurance around relevant processes, followed by third parties involved in the spectrum clearance process.

In reviewing Ofcom's systems in line with the audit plan, Internal Audit has provided reasonable but not absolute assurance that it is satisfied that sufficient internal audit work has been undertaken, to form the opinion that Ofcom has an adequate and effective risk management, control and governance process to manage the achievement of its objectives. No major weaknesses were identified, although Internal Audit's work identified a number of opportunities for improving controls and procedures, to which Ofcom has responded positively.

### Statement of Accountable Officer

As Chief Executive and Accountable Officer, I have overall responsibility for Ofcom's system of internal control and for ensuring its effectiveness. The system is not designed to eliminate risk completely. Rather, it is designed to ensure that risks are identified and managed appropriately.

There were no significant internal control issues during the year.

**Ed Richards, Chief Executive and Accountable Officer**

19 June 2012

# Statement of Responsibilities

## The Board's Responsibilities

Under the terms of the Office of Communications Act 2002, the Board is required to prepare a Statement of Accounts for each financial year. This conforms with the Accounts Direction issued by the Secretaries of State for Business, Innovation and Skills and for Culture, Media and Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General.

This Statement of Accounts is prepared, in so far as applicable, in accordance with the Companies Act 2006 and the United Kingdom's generally accepted accounting standards, and on an accruals basis. It must give a true and fair view of the state of affairs of Ofcom as at the end of the financial year and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

The Board confirms that in preparing this Statement of Accounts it has observed the relevant accounting and disclosure requirements, applied suitable accounting policies on a consistent basis, made judgements and estimates on a reasonable basis, followed applicable accounting standards and prepared the statement of accounts on a going-concern basis.

The Board is responsible for ensuring that proper records are maintained, which disclose with reasonable accuracy at any time the financial position of Ofcom and enable it to ensure that the Statement of Accounts complies with the Companies Act 2006. In addition, the Board is responsible for safeguarding Ofcom's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Chief Executive's Responsibilities

The Chief Executive is appointed by the Board, which delegates responsibility to him for the day-to-day management of Ofcom. The Secretaries of State for Business, Innovation and Skills and for Culture, Media and Sport have designated the Chief Executive as Ofcom's Accountable Officer. He is not formally appointed as the Accounting Officer in Government terms; however, the appointment carries with it duties of responsibility in respect of regularity, propriety, value for money and good financial management and the safeguarding of public funds.

The Chief Executive has specific responsibilities for ensuring compliance with the terms of the Financial Memorandum issued

by the Secretaries of State. He must also ensure that proper accounting records are maintained and must sign the accounts.

As a Member of the Board, the Chief Executive has to ensure that his accountability responsibilities do not conflict with those as a Board Member. The Chief Executive may also be called upon by the Committee of Public Accounts and other Parliamentary committees to give evidence on the discharge of his duties.

# Remuneration Report

In preparing the Remuneration Report, and establishing its remuneration policy, the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code, where appropriate and applicable and for compliance with the Government Financial Reporting Manual. Ofcom is not required to comply with the Directors' Remuneration Report Regulations 2002 but has prepared this report to be compliant so far as is practicable and appropriate.

## Constitution of the Remuneration Committee

The constitution of the Remuneration Committee is set out on page 54.

## Advisers

Where necessary, the Remuneration Committee takes advice and/or obtains services from specialist external organisations.

The Committee also takes advice from Ofcom's HR Director. The Chief Executive and the Chief Operating Officer are normally invited by the Remuneration Committee to attend meetings of the Committee. No individual is present for any discussion about his or her own remuneration.

## General policy

In setting Ofcom's remuneration policy the Remuneration Committee believes that Ofcom should, within the constraints of being a

public body, provide rewards which will attract and retain the high-calibre management necessary to enable Ofcom to fulfil its statutory remit and responsibilities. The overall policy approach is not expected to change in the coming year.

## Components of remuneration

The main components of Executive Members' and Group Directors' remuneration are:

### Salary and flexible benefits

The basic salary for each Executive Member and Group Director is determined by taking into account each colleague's responsibilities, performance and experience, together with market trends. In addition, a flexible benefits allowance is made available to each Executive Member and Group Director from which the individual concerned may purchase certain benefits. All basic salaries are reviewed annually with effect from 1 July each year.

### Standard benefits

Each Executive Member and Group Director receives certain standard benefits: specifically, life assurance, group income protection and the ability to undertake an annual health check. The total value of group income protection, life assurance and annual health checks has not been disclosed in the remuneration schedules because it is not treated by HM Revenue & Customs as a taxable emolument.

### Performance related payments

Each Executive Member and Group Director participates in a performance bonus scheme, which is calculated as a percentage of salary based on the individual's performance, up to a maximum of 20 per cent of salary, depending upon the individual concerned. This allows Ofcom to recognise the contribution of high performers in any year without raising base salary levels. No element of a performance bonus is pensionable. Performance bonuses noted against individuals for the review period 1 April 2011 to 31 March 2012 have been approved by the Remuneration Committee and accrued but not paid as at the year end.

### Pension arrangements

Under Ofcom's pension arrangements, each Executive Member and Group Director is provided with an allowance, determined as a percentage of base salary, which the individual can take as extra salary or invest in a pension scheme of their choice.

No Non-Executive Member received a pension benefit from Ofcom during the year under review.

## Guidance to the remuneration schedules

Details of remuneration received for the Board, the Content Board and the Executive Committee, which have been audited by the National Audit Office, are set out in the following tables and notes.

These schedules refer to remuneration during the financial year. The schedule reflects remuneration for that part of the year during which individuals were either providing services to, or were members of the Board or the Content Board or members of the Executive Committee. Those individuals with the note ‘+’ against their name in the schedules were in their roles for only part of 2010/11 or 2011/12. Where individuals are members of more than one Board/ Committee (as set out on pages 54 to 56) they appear only once in the remuneration schedules, and all the Executive Members are listed under the Executive Committee. The numbered points against the names of individuals refer to the notes on page 69.

As a result of the various changes in membership in 2010/11 and 2011/12, an annualised figure is given below each table, to provide a clearer comparison of total costs.

### Ofcom Non-Executive Board Member Remuneration 2011/12

Name	Guidance Note Reference	Fees 11/12 £	Fees 10/11 £
Millie Banerjee CBE +	2, 3	8,153	53,424
Norman Blackwell	3	42,519	42,519
Colette Bowe	3	180,000	183,333
Dame Lynne Brindley DBE +	2, 3	24,803	
Tim Gardam	3	42,519	42,519
Philip Graf CBE +	2, 3	58,125	99,099
Dame Patricia Hodgson DBE +	2, 3	38,760	
Mike McTighe	3	42,519	42,519
		<b>437,398</b>	<b>463,413</b>

Annualised costs were £463,413 for 2010/11 and £420,076 for 2011/12.

### Ofcom Non-Executive Content Board Member Remuneration 2011/12

Name	Guidance Note Reference	Fees 11/12 £	Fees 10/11 £
Richard Ayre +	2, 3		9,622
Sue Balsom +	2, 3		5,412
Pam Giddy +	2, 3		5,412
David Levy +	2, 3	9,900	
Anthony Lilley OBE	3	10,800	18,937
Iseabail Mactaggart +	2, 3	9,900	
Glyn Mathias +	2, 3	18,300	
Dr Paul Moore	3	10,800	18,937
Adam Singer +	2, 3		7,216
Joyce Taylor	3	15,900	23,745
Janey Walker +	2, 3	9,900	
Kath Worrall +	2, 3		5,412
		<b>85,500</b>	<b>94,693</b>

Annualised costs were £167,126 for 2010/11 and £89,100 for 2011/12.

## Ofcom Executive Committee and Executive Content Board Member Remuneration 2011/12

Name	Guidance Note Reference	Salary 11/12 £	Pension entitlement/ allowance 11/12 £	Flexible benefits allowance 11/12 £	Benefits in kind 11/12 £	Performance Bonus 11/12 £	Total remuneration 11/12 £	Total remuneration 10/11 £
Jill Ainscough	4	191,586	28,738	15,000	1,859	12,000	249,183	248,301
Chris Banatvala +	4, 5							174,625
Stuart McIntosh	4	230,961	34,644	15,000	1,859	17,500	299,964	294,233
H Nwana	4	186,875	28,031	15,000	1,859	12,000	243,765	237,378
Peter Phillips +	4, 5							123,292
Claudio Pollack	4, 6	148,000	22,200	15,000	1,859	15,000	202,059	183,853
Stewart Purvis +	4, 5							78,031
Ed Richards	1, 4	269,965	53,993	19,956	1,859	20,000	365,773	363,539
Steve Unger	4, 6	159,000	23,850	15,000	1,859	15,000	214,709	190,518
Polly Weitzman	4	206,214	30,932	15,000	1,859	17,500	271,505	263,065
Christopher Woolard	4	175,646	35,129	15,000	1,859	12,000	239,634	231,431
		<b>1,568,247</b>	<b>257,517</b>	<b>124,956</b>	<b>14,872</b>	<b>121,000</b>	<b>2,086,592</b>	<b>2,388,266</b>

Annualised costs were £2,186,943 for 2010/11 and £2,086,592 for 2011/12.

Public sector organisations are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the highest paid director in Ofcom in the financial year 2011/12 was £311,780

(£306,546 in 2010/11). This was 6.14 times (6.17 times in 2010/11) the median remuneration of Ofcom's workforce, which was £50,759 in 2011/12 (£49,657 in 2010/11). No employees received remuneration in excess of the highest-paid director. In 2011/12, remuneration ranged from £18,260 to £311,780

and in 2010/11 from £19,738 to £306,546. For comparison purposes, total remuneration includes base salary, performance bonus, flexible benefits and benefits in kind. It does not include any pension allowance, in line with the Treasury Financial Reporting Manual.

## Notes to the remuneration tables

1. In addition to the remuneration shown in the table, Ed Richards earned £45,000 in fees for services as a Non-Executive Director of Thames Water Utilities Ltd, which were paid direct to Ofcom. He did not retain any part of these fees.
2. The fees for Philip Graf, Millie Banerjee, Patricia Hodgson, Lynne Brindley, Iseabail MacTaggart, Janey Walker, Glyn Mathis and David Levy reflect that they were members of the Ofcom Board or Content Board for only part of the year. Adam Singer, Kath Worrall, Sue Balsam, Pam Giddy and Richard Ayre were members of the Content Board for part of 2010/11. Glyn Mathias also received additional fees during the year whilst he was Chairman of the National Advisory Committee for Wales.
3. The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS for the duration of their appointment. The fees shown represent the full year under review. The basic fee of the Non-Executives of the Ofcom Board (with the exception of the Chairman and the Deputy Chairman) has been £42,519 per annum since 1 April 2008. The fees for the Non-Executive Members of the Content Board are fixed by the Ofcom Board. The fees shown represent a full year or, where appropriate, part of the year if the relevant Non-Executive Member joined or retired from the Content Board during the period under review. The basic fee of the Content Board Members is £10,800 per annum (the exception being the fee paid to Joyce Taylor of £15,600 per annum

to reflect her additional work and responsibility for standards work). The Non-Executive Members of the Ofcom Board and the Content Board Members received no additional remuneration from Ofcom beyond their fees, other than the entitlement for the Non-Executive Members of the Ofcom Board only, to the provision of IT equipment for home working. Not all Non-Executive Members of the Ofcom Board took up the entitlement during the period under review.

4. Total annual remuneration shown for the Ofcom executives (Executive Members of the Ofcom Board, Executive Members of the Content Board and Group Directors on the Executive Committee) includes basic salary, performance bonus, a cash allowance for flexible benefits and a percentage of basic salary paid as a pension allowance. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each Executive.
5. Chris Banatvala, Peter Philips and Stewart Purvis are shown in the Executive table for comparison purposes only; none of them were employed by Ofcom during any part of 2011/12.
6. Steve Unger and Claudio Pollack received increases to their basic salary on their promotion to Group Director in December 2010.

## Contract of employment

With the exception of the Chief Executive, who has a notice period of 12 months, no Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months.

The Remuneration Committee has considered the notice period and termination arrangements in the light of the UK Corporate Governance Code and believes them to be appropriate.

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of up to two days per week (with the exception of Colette Bowe and Patricia Hodgson who currently commit up to 3 days per week and 2.5 days per week respectively).

## Compensation from early termination

The arrangements for early termination of a contract of employment for an Executive Member of the Ofcom Board, Content Board or Group Director are decided by the Remuneration Committee and will be made in accordance with the contract of employment of the relevant Executive Member or Group Director. Each contract of employment provides for a payment in lieu of notice on early termination at Ofcom's discretion.

Non-Executive Members have no entitlement to compensation in the event of early termination.

## Outside directorships

No Executive Member of the Ofcom Board may accept a non-executive appointment without the prior approval of the Board to ensure that it does not give rise to conflicts of interest.

On behalf of Ofcom,  
**Dame Patricia Hodgson**,  
 Chairman of the Remuneration Committee  
 19 June 2012

# Operating and Financial Review

In 2011/12 we delivered the lowest annual running cost for Ofcom, of £108.7m. This included the cost of taking over the responsibility for regulating postal services from the previous regulator, The Postal Services Commission (Postcomm), in October 2011.

This surpasses the large savings made last year when we initiated a rigorous and comprehensive review of our cost base as part of our four year spending review. The aim of this was to identify significant expenditure savings, while continuing to fulfil our strategic purposes and delivering high-quality, effective and targeted regulation.

In addition, Ofcom invoiced and collected a total of £279.5m for the public purse in the year from Wireless Telegraphy Act licensees, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders. This was £92.3m higher than the sum collected in 2010/11.

Ofcom's budget for 2012/13 shows a further real terms reduction of 6.1 per cent in the total budgeted cost of regulation against 2011/12.

## Financial management

A thorough understanding of our costs and sound financial management is critical to allow Ofcom to fulfil its strategic purposes while meeting the challenging targets set as part of our expenditure review.

In order to aid this, the finance team continue to focus on effective business partnering with the various Groups

across Ofcom. The team support the organisation by obtaining value for money through commercial procurement processes, timely and accurate budgeting and forecasting of expenditure, prioritisation of resources and activity, comprehensive management reporting, risk management, transactional processing and compliance with key controls.

## Financial performance and highlights

Ofcom originally set a budget of £115.8m for the year to 31 March 2012. This was increased to £119.5m to accommodate the cost of postal service regulation from October 2011, following transfer of responsibility to Ofcom. Against this new budget, Ofcom has made savings of £10.8m, delivering an actual operating outturn of £108.7m.

For 2012/13, Ofcom has set a budget of £121.4m, which includes £7.2m for the new duty of regulating the postal services sector. Compared to Ofcom's and Postcomm's<sup>1</sup> combined budgets for 2011/12, this is a 6.1 per cent real terms reduction.

## Financial framework

Under Paragraph 8(1) of the Schedule to the Office of Communications Act 2002, Ofcom is required to balance its expenditure with its income in each financial year.

Sections 38 and 347 of the Communications Act 2003 also require Ofcom to raise income from each of the sectors it regulates, such that it covers the costs to be incurred by Ofcom in regulating that sector.

Ofcom must also apportion its common operating costs (those which do not relate directly to any one sector) in a proportionate manner across each of those sectors.

Ofcom raises its funds from the following sources:

- television broadcast licence fees;
- radio broadcast licence fees;
- administrative charges for electronic networks and services and the provision of broadcasting and associated facilities;
- administration charges for postal regulation;
- funding to cover Ofcom's operating costs for spectrum management, in the form of grant-in-aid from the Department for Culture, Media and Sport (DCMS);
- funding from DCMS to cover costs for clearing spectrum as part of the 800 MHz and 2.6GHz project; and
- grant-in-aid funding to cover statutory functions and duties, which Ofcom must discharge, but for which there is no matching revenue stream.

Ofcom also receives rental income from sublet office space, bank interest in respect of bank balances, and income from services incidental to Ofcom's statutory duties.

Grant-in-aid funding, previously received from the Department for Business, Innovation and Skills (BIS), was received from DCMS from 1 April 2011.

<sup>1</sup> £8.9m Postcomm + £115.8m Ofcom = £124.7m.

## Operating income

Ofcom's total operating income in the Statement of Income and Expenditure separates out the income received relating to the Spectrum Clearance and Awards Programme (SCAP) as this is an additional duty outside our core operating budget.

Total income inclusive of SCAP for 2011/12 was £158.5m (2010/11: £144.2m). Significant changes from the previous year include:

- An increase of £31.3m in spectrum clearance and award grant-in-aid claims, as SCAP moved from design into delivery phase. The purpose of this programme is to clear 800 MHz and 2.6 GHz spectrum bands for the competitive provision of next generation wireless broadband services across the UK. Funding primarily relates to third party grant applications.
- A decrease of £12.3m in spectrum management grant-in-aid, largely due to reprioritisation and rescheduled spend on spectrum projects, information technology savings realised from outsourcing our Information, Communications and Technology (ICT) support function in 2010/11, and a share of one-off savings in premises costs.
- A decrease of £1.9m and £2.9m in regulatory charges to the broadcasting and network services sector respectively. This is a consequence of the 2011/12 fees being materially reduced by the early delivery of benefits through the four year savings programme.
- An additional income stream of £4.4m from the postal services sector. The Postal Services Act 2011 transferred regulatory duties for the postal services

sector from Postcomm to Ofcom from October 2011. Of this sum, a total of £1.2m was in respect of the integration of Postal Services regulation into Ofcom.

- A decrease of £3.1m in grant-in-aid income to cover other statutory duties. This is largely due to the re-phasing of planned work on online copyright infringement. Publication of the Code was delayed by a Judicial Review of the Digital Economy Act and by difficulties securing approval for the Code.
- A decrease of £1.0m in other activities, the majority of which is as a consequence of ceasing commercial spectrum interference work.

## Operating expenditure

Ofcom's total operating expenditure in the Statement of Income and Expenditure separates out the costs of work relating to the Spectrum Clearance and Awards Programme (SCAP), as this is an additional duty outside our core operating budget. The significant increase in SCAP expenditure for 2011/12 is principally due to compensation grants of £41.0m (2010/11: £11.8m) being made to licensees to clear the 800 MHz and 2.6 GHz spectrum bands.

Other operating costs relating to Ofcom's core responsibilities have reduced by £3.0m in 2011/12 to £49.7m (2010/11: £52.7m). Significant reductions to the previous year include:

- A reduction in premises costs of £4m. This was largely due to a review of the rateable value of our principal office space. The result was a revised charge and a reduction in costs totalling £2.8m

relating to prior years. This review also resulted in a reduction in the charge for 2011/12, and for future years. In addition, there was an increased utilisation of the onerous lease provision and incremental subletting of office space.

- A reduction in expenditure on audience and consumer research of £0.8m, as a consequence of the comprehensive expenditure review.

These were partially offset by:

- An increase in spend on professional fees of £1.1m across a number of areas, including defined benefit pension work on ceasing future accruals, reducing the risk on the plans and the integration of colleagues transferring from Postcomm. Additional professional fee expenditure on a number of consumer-focused projects.
- An increase in depreciation of £0.8m due to the capitalisation of IT equipment purchased as part of the appointment of Ofcom's outsourced ICT provider at the end of 2010/11. 2011/12 was the first full year of the depreciation charge.
- An increase in expenditure on travel and subsistence of £0.5m was largely due to requirements from Ofcom's programme of work for the London 2012 Olympic Games and Paralympic Games. This included the utilisation of European resources for test and training events. In addition, Ofcom was appropriately represented at the World Radio Conference in Geneva.

Staff costs have fallen by £9m. 2010/11 staff costs included restructuring costs of £6.1m, of which £5.4m related to our expenditure review project, and the plan to reduce headcount by around 170 roles by 2014/15. The reduction in staff costs is also due in



part to vacancies remaining unfilled throughout the year. The reduction was partially offset by the transfer of 48 roles to Ofcom, of which 27 were taken up by ex Postcomm colleagues, after Ofcom took over the responsibility for regulating postal services in October 2011.

### Surplus for Financial Year

In any financial year there may be two types of surplus.

#### Funding surplus

A funding surplus is created where income from stakeholders and grant-in-aid funding is greater than actual expenditure incurred. The operating revenue required by Ofcom to fulfil its duties for any financial year is calculated on the basis of Ofcom's statement of charging principles. This approach specifies the actual funds that need to be collected to discharge cash liabilities during the year. Any surplus funds arising at the end of the financial year are returned to stakeholders through a reduction in the annual tariffs raised in the two preceding financial years.

The funding surplus for the financial year was £10.8m.

#### Accounting surplus

The accounting surplus is required to cover expenditure not reflected in the Statement of Income and Expenditure, including capital expenditure and necessary payments in respect of the two defined benefit pension plans.

The accounting surplus for the financial year after tax, recorded in the Statement of Income and Expenditure for the year under review, was £6.8m (2010/11: £9.2m).

### Additional funds collected on behalf of HM Treasury

In 2011/12, Ofcom invoiced and collected £279.5m (2010/11: £187.2m). These funds have been passed on to the public purse. The revenue is collected from three sources:

- Wireless Telegraphy Act licence fees;
- Additional payments from television and radio licensees; and
- Financial penalties.

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003.

### 2012/13 Tariffs

On 29 March 2012, Ofcom published the Tariff Tables for 2012/13, which were based on an estimated operating expenditure outturn for 2011/12 of £108.7m. A total of £10.8m, the difference between the adjusted budget of £119.5m, and the estimated operating expenditure outturn, is already being passed

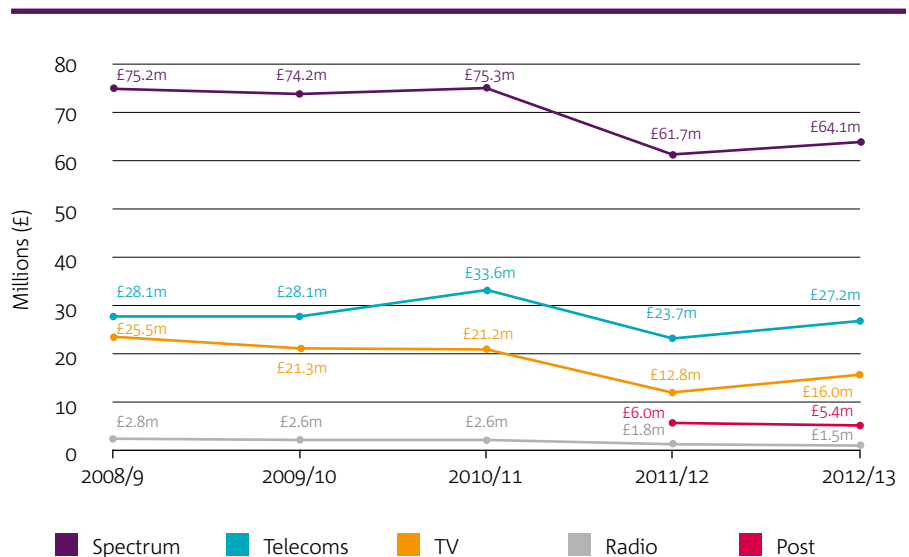
back to stakeholders in 2012/13, as part of the regulatory tariffs, or in reduced grant-in-aid claims.

Ofcom's budget for 2012/13 is £121.4m. This includes £7.2m for Ofcom to fulfil its new duties to regulate the postal services sector. This represents a 6.1 per cent real terms reduction in the total annual cost of regulation for the sectors. The budget is based on an adjusted cash basis, which includes capital expenditure and actual payments to pension schemes, but excludes depreciation and amortisation.

Despite the decrease in the budgeted cost of regulation, the tariffs for 2012/13 have increased compared to last year for some sectors. Last year's tariffs were materially reduced as a result of early savings delivered as part of our four year savings programme.

Notwithstanding this year's increase, tariffs remain considerably lower than those set prior to the start of the savings programme. The graph below depicts the funding trend over the past five years.

Figure 12: Funding trends



### Integration of Postcomm

Under the Postal Services Act 2011, the responsibility for the regulation of postal services transferred from Postcomm to Ofcom with effect from 1 October 2011. The assets and liabilities of Postcomm were transferred to Ofcom in line with the Treasury guidelines under an approved transfer scheme. Postcomm has prepared its final Annual Report and Accounts for 2011/12.

Looking forward, the regulation of postal services is now fully integrated within Ofcom, with income from relevant stakeholders.

### Spectrum clearance and awards programme

During 2011/12, expenditure on the Spectrum Clearance and Awards Programme (SCAP) has continued. The objectives of SCAP are to make the 800MHz and 2.6GHz spectrum bands available, by clearing existing users and holding an auction for new licences, to enable the competitive provision of next generation wireless broadband across the whole of the UK.

Payments to existing users are made through compensation grants and funded by DCMS, as the budget holder, with approval from the Treasury. Payments are made by Ofcom to grant applicants and, in the year 2011/12, totalled £41m. SCAP incurred a further £7m of costs for research, legal fees, auction

preparatory work, professional fees and staff costs, and these were funded by DCMS as the budget holder.

SCAP represents a significant programme of work for Ofcom and includes co-ordination of multiple, complex projects to a challenging timescale. The programme manages dependencies and risks across many disparate stakeholders and will run through to 2014/15. In order to provide transparency, costs relating to this programme of work have been separated out from Ofcom's core responsibilities in the financial statements.

### London 2012 Olympic Games and Paralympic Games

The 2011/12 accounts include the third full year of Ofcom's programme of work for the London 2012 Olympic Games and Paralympic Games, which will take place between 27 July and 9 September 2012.

Ofcom is responsible for organising a full spectrum plan for the Games, for arranging all the licences in good time, in support of the plan; and for ensuring key wireless services are free from harmful interference. These responsibilities are being carried out in line with the two guarantees given by the UK Government to the International Olympic Committee (IOC) in support of London's bid for the Games. These guarantee the allocation of the spectrum required

for the organisation of the Games and the waiving of fees otherwise payable for that spectrum by members of the Olympic Family.

Our large-scale trial events began in the summer of 2010. Integrated cross-organisational test events continued throughout 2011/12 and will continue up to Games time. Ofcom has participated fully in these test events.

The costs of the programme are funded by DCMS through spectrum management grant-in-aid, and form part of our core operating budget. The programme remains on track to deliver within the full programme budget agreed with the Government.

### Pensions

Ofcom's means of providing pension benefits is through a defined contribution pension allowance that is available to all colleagues. Ofcom colleagues are employed on terms with access to a stakeholder pension plan. The allowance may be used to contribute to the Ofcom defined contribution stakeholder pension plan.

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both of these plans remain closed to new entrants and benefits accruals ceased on 31 May 2011. Notes 1K and 22 to the accounts provide further detail.

Following consultation with plan members, Ofcom decided to close both DB plans to future accruals from 31 May 2011. Members were informed of the intention to cease benefits accruals in February 2011. Affected colleagues became deferred members of the relevant DB pension plan on 1 June 2011 and these colleagues have had access to the Ofcom stakeholder pension plan from this date.

The latest actuarial valuations for both schemes as at 31 March 2009 highlighted a combined funding deficit of £21.9m. Since the finalisation of the actuarial valuations in 2010, a total of £14.7m in respect of deficit repair payments have been made to the DB plans in accordance with the respective schedules of contributions.

However, the 2011/12 financial statements show a surplus of £32.4m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations and the contributions made by Ofcom.

Ofcom has made cash payments to the Ofcom Defined Benefit Plan and the Ofcom (former ITC) Pension Plan on the basis of the actuarial valuations. Cash payments, rather than the amount charged to operating surplus as calculated under IAS19, are included in operating expenditure outturn used to calculate the tariffs charged to stakeholders each year.

During the year, payments to the two DB plans amounted to £2.6m, together with £0.5m transferred from the feeder trust account. Funds transferred to, and held in, the trust account can only be paid into either of the two DB pension plans.

As part of the integration of Postcomm in October 2011, Ofcom was obliged to offer transferring Postcomm colleagues, who were members of a defined benefit plan, the opportunity of access to a broadly comparable pension scheme. However, all former Postcomm colleagues elected to take the standard Ofcom terms and receive a defined contribution pension allowance which may be used to contribute to the Ofcom stakeholder pension plan.

The next formal triennial actuarial valuation for both plans will be as at 31 March 2012 and must conclude by 30 June 2013.

As part of the ongoing activity to manage and mitigate risks of the plans, a further insurance-backed benefit buy-in in respect of pensioner members was completed via annuity purchase during the course of 2011/12.

### Looking forward

Ofcom remains committed to delivering high-quality, effective and targeted regulation while continuing to deliver the efficiencies identified to date to meet the spending targets agreed with the Treasury in 2010/11. Ofcom has made very good progress on delivering planned savings and remains on track to deliver the 28.2 per cent real terms reduction in our budget by 2014/15.

There are a number of high-profile projects for 2012/13 which include:

The London 2012 Olympic Games and Paralympics Games will be completed in September 2012 and Ofcom remains on target to deliver the agreed objectives within budget.

The SCAP project continues, with clearance of the 800 MHz and 2.6 GHz spectrum continuing throughout 2012/13, and the spectrum auction process expected to commence by the end of 2012.

The planning is under way for delivering the Ofcom objectives for the Glasgow 2014 Commonwealth Games and during 2012/13 we will leverage value from our lessons learned, investments and developments from the London 2012 Olympic Games and Paralympic Games team, albeit on a smaller scale, with dedicated budgets, and funding.

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2012 under the Office of Communications Act 2002. These comprise the Statement of Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Office of Communications Act 2002. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of

Communications' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of Communications; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2012 and of its net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and Secretaries of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretaries of State directions made under the Office of Communications Act 2002; and
- the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and that part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Governance Statement does not reflect compliance with the Treasury's guidance

## Report

I have no observations to make on these financial statements.

## Amyas C E Morse

Comptroller and Auditor General  
20 June 2012

National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London, SW1W 9SP

# Statement of income and expenditure

## For the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Income	3	109,296	126,245
Spectrum Clearance and Awards	3	49,229	17,939
<b>Operating expenditure</b>			
Staff costs	4	(54,357)	(65,356)
Other operating costs	6	(49,727)	(52,699)
Spectrum Clearance and Awards	4, 6	(48,826)	(17,893)
<b>Operating surplus</b>		<b>5,615</b>	<b>8,236</b>
Vacant property income/(cost)	7	150	(1,455)
Finance income		199	177
Finance costs	8	–	–
Other finance income/(cost)	17,22	925	2,222
<b>Surplus on ordinary activities for financial year before tax</b>		<b>6,889</b>	<b>9,180</b>
Taxation	9	(53)	112
<b>Surplus for financial year after tax</b>		<b>6,836</b>	<b>9,292</b>

The accounting policies and notes on pages 80 to 106 form part of these financial statements.

# Statement of financial position

## As at 31 March 2012

	Notes	As at 31 March 2012 £'000	As at 31 March 2011 £'000
<b>Non-current assets</b>			
Property, plant and equipment	10	13,635	15,837
Intangible assets	11	7,379	11,713
Deferred tax asset	9	2,601	2,654
Trade and other receivables	13	1,116	1,339
Retirement benefit asset	22	31,329	20,362
<b>Total non-current assets</b>		<b>56,060</b>	<b>51,905</b>
<b>Current assets</b>			
Trade and other receivables	12	8,944	8,150
Cash and cash equivalents	14	13,677	26,944
<b>Total current assets</b>		<b>22,621</b>	<b>35,094</b>
<b>Total assets</b>		<b>78,681</b>	<b>86,999</b>
<b>Current liabilities</b>			
Trade and other payables	15	23,324	35,179
Provisions for liabilities and charges	17	499	342
<b>Total current liabilities</b>		<b>23,823</b>	<b>35,521</b>
<b>Non-current liabilities</b>			
Trade and other payables – amounts falling due after more than one year	16	7,610	9,631
Provisions for liabilities and charges	17	3,392	4,266
<b>Total non-current liabilities</b>		<b>11,002</b>	<b>13,897</b>
<b>Total liabilities</b>		<b>34,825</b>	<b>49,418</b>
<b>Assets less liabilities</b>		<b>43,856</b>	<b>37,581</b>
<b>Equity</b>			
Reserves		43,856	37,581
<b>Total equity</b>		<b>43,856</b>	<b>37,581</b>

The accounting policies and notes on pages 80 to 106 form part of these financial statements. These financial statements were approved by the Board on 19 June 2012.

Colette Bove  
Chairman

Ed Richards  
Chief Executive

# Statement of changes in equity

## For the year ended 31 March 2012

	Notes	Reserve £'000
<b>Balance as at 1 April 2010</b>		<b>17,227</b>
<b>Changes in equity for 2010/11</b>		
Actual return less expected return on plan assets	22	290
Experience gains on pension scheme liabilities	22	(143)
Changes in assumptions underlying the present value of pension scheme liabilities	22	2,395
Decrease in minimum funding requirement liability	22	8,520
Surplus for year		9,292
<b>Total recognised income and expense for 2010/11</b>		<b>20,354</b>
<b>Balance as at 31 March 2011</b>		<b>37,581</b>
<b>Changes in equity for 2011/12</b>		
Actual return less expected return on plan assets	22	2,360
Experience gains on pension scheme liabilities	22	(2,879)
Changes in assumptions underlying the present value of pension scheme liabilities	22	(4,686)
Decrease in minimum funding requirement liability	22	4,640
Actuarial adjustment to Postcomm unfunded pension liability		167
Postcomm transfer as at 30 Sep 2011		(163)
Surplus for year		6,836
<b>Total recognised income and expense for 2011/12</b>		<b>6,275</b>
<b>Balance as at 31 March 2012</b>		<b>43,856</b>

Further details on pensions are found in Note 22.

The accounting policies and notes on pages 80 to 106 form part of these financial statements.

# Statement of cash flows

## For the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>Cash flows from operating activities</b>			
Operating surplus		5,615	8,236
Postcomm transfer as at 30 Sep 2011 and actuarial pension adjustment		4	–
Adjustments for non-cash transactions			
Amortisation	11	5,085	5,278
Depreciation	10	3,693	2,849
Loss on disposal of property, plant and equipment	6	136	88
Decrease/increase in trade and other receivables	12,13	(571)	3,251
Decrease in trade and other payables	15,16	(13,876)	(12,748)
Decrease in provisions	17	(675)	(1,287)
Increase in pension assets	22	(10,499)	(5,403)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(11,088)</b>	<b>264</b>
<b>Cash flows from investing activities</b>			
Interest received		199	177
Interest paid	8	–	–
Purchases of property, plant and equipment	10	(1,646)	(6,713)
Purchases of intangibles	11	(751)	(2,184)
Proceeds from sale of property, plant and equipment		19	52
<b>Net cash outflow from investing activities</b>		<b>(2,179)</b>	<b>(8,668)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		–	–
<b>Net cash (outflow)/inflow from financing activities</b>		<b>–</b>	<b>–</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(13,267)</b>	<b>(8,404)</b>
<b>Cash and cash equivalents at beginning of year</b>	14	<b>26,944</b>	35,348
Decrease in cash and cash equivalents in the year		(13,267)	(8,404)
<b>Closing net funds</b>	<b>14</b>	<b>13,677</b>	<b>26,944</b>

The accounting policies and notes on pages 80 to 106 form part of these financial statements.



# Notes to the accounts for the year ended 31 March 2012

## 1. Basis of Presentation and Principal Accounting Policies

The Office of Communications (Ofcom) is an organisation that provides a broad range of regulatory services, and is domiciled in the United Kingdom. The financial statements of the Organisation for 31 March 2012 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union.

These financial statements have been prepared under the historical cost convention modified by the revaluation of certain non-current assets, on a going concern basis, in accordance International Financial Reporting Standards (IFRS). The financial statements are prepared on the basis of all IFRS accounting standards and interpretations and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation, except where these are overridden by the Office of Communications Act 2002. These financial statements are prepared under the accounts direction from the Departments for Business, Innovation and Skills (BIS) and Culture, Media and Sport (DCMS) issued on 16 January 2008 which forms part of the Financial Memorandum (FM) as approved by BIS and DCMS.

Amounts in the Financial Statements are stated in pounds sterling, which is the functional currency of the organisation.

### A) Adoption of new and revised standards

Certain new standards, amendments and interpretations to existing standards have been published but are not effective on Ofcom's accounting period.

The following new standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by Ofcom:

- IFRS 7 Financial Instruments (Amendment): Disclosures effective 1 January 2013
- IFRS 9 Financial Instrument (New) effective 1 January 2015
- IFRS 10 Consolidated Financial Statements (New) effective 1 January 2013
- IFRS 12 Disclosure of Interest in other entities (New) effective 1 January 2013
- IFRS 13 Fair Value Measurement (New) effective 1 January 2013
- IAS 1 Presentation of Financial Statements (Amendment) effective 1 July 2012
- IAS 19 Employee Benefits (Amendment) effective 1 January 2013
- IAS 32 Financial Instruments: Presentation (Amendment) effective 1 January 2014

- IAS 27 Consolidated and Separate Financial Statements (Amendment) effective 1 January 2013

The following new standards, amendments and interpretations to existing standards are effective in 2012:

- IFRS 7 Financial Instrument Disclosures (Amendment) effective 1 July 2011
- IAS 12 Income Taxes (Amendment) effective 1 January 2012

The Board anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of Ofcom.

### B) Income recognition

Income comprises the fair value of the consideration received or receivable in the ordinary course of Ofcom's activities. Income is shown net of value-added tax, returns, rebates and discounts.

Ofcom recognises income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the entity.

### Grant-in-aid

This income comprises grant-in-aid from DCMS to meet the costs of spectrum management, spectrum awards, spectrum clearance, ex post competition, public interest, integration of postal services, local media assessments, digital participation, website blocking, online copyright infringement and media

literacy. Grant -in-aid received from DCMS is allocated and matched to costs in the year to which it relates.

The Spectrum Clearance and Awards Programme (SCAP) oversee the clearance (including mitigation of potential interference) and auction of 800MHz and 2.6GHz spectrum. Clearance is undertaken by 3rd parties who are funded by way of a capital grant which has been considered and approved by the Spectrum Clearance Finance Committee. SCAP is funded via Grant-in-aid.

The grant recipients request funding from Ofcom once the grant conditions have been satisfied. Ofcom recognises grant costs upon receipt of the request for funding. All other costs are recognised as activity is undertaken by Ofcom.

#### **Networks and services administrative fees**

Income which comprises administrative fees invoiced by Ofcom is accounted for on an accruals basis. Income in excess of networks and services' cash costs is classified as deferred income on the Statement of Financial Position. Cash costs in excess of income received are classified as a receivable at the end of the reporting date.

#### **Broadcasting licence fees**

Income from broadcasting licence fees represents the amount invoiced to licensees and is accounted for on an accruals basis. Income in excess of Broadcasting's cash costs is classified as deferred income on the Statement of Financial Position. Cash costs in excess of income received are classified as a receivable at the end of the reporting date.

#### **Application fees**

One-off Broadcasting and Networks and services application fees are non-refundable and accordingly are recorded as income on receipt of the stakeholder application.

#### **Other income**

Other income is accounted for on an accruals basis and is matched with the expenditure towards which it contributes.

#### **C) Receipts collected by Ofcom within the scope of Section 400 of the Communications Act 2003**

In accordance with Section 400 of the Communications Act 2003, Broadcasting Act Additional Payments and penalties and fines levied by Ofcom are remitted to the Consolidated Fund. Licence fees levied by Ofcom arising from the issue or renewal of licences under the Wireless Telegraphy (WT) Acts are also remitted to DCMS for payment to the Consolidated Fund.

No entries are made in these Financial Statements in respect of Section 400-related transactions, unless payments and fees have been collected and deposited into Ofcom's main bank account at the end of the reporting date. These are shown as due to the Consolidated Fund within Payables due within one year.

Ofcom prepares a separate set of financial statements to 31 March each year for the purposes of Section 400 of the Communications Act 2003 which are laid before Parliament.

#### **D) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made and

received under operating leases are recognised in Income or Expenditure on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease value, over the non-cancellable term of the lease.

#### **E) Property, plant and equipment**

Property, plant and equipment include the purchase of new assets and extensions to, enhancements to, or replacement of existing assets.

A Treasury direction on property, plant and equipment allows Ofcom to use depreciated historical cost as a proxy for current valuation for non-property assets of a short useful life or low value. All Ofcom assets fall in this category. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. Property, plant and equipment over £2,500 are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Ofcom and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Income and Expenditure during the financial period in which they are incurred.

Property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful lives. In assessing estimated useful lives, which are reviewed on an

annual basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets.

Depreciation is calculated from the month following that in which an asset is brought into service over the estimated useful life of the asset. Unless otherwise determined by operational requirements, the depreciation periods for the principal categories of property, plant and equipment are, in general, as shown in the table below:

Fixtures & Fittings – Leasehold Improvements	Period of the lease
Fixtures & Fittings – Furniture	7 years
Office and Field Equipment	4 to 7 years
Computer Hardware	3 to 5 years
Motor Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Loss/ (Profit) on disposal of non-current assets' 'Other operating costs' per the Statement of Income and Expenditure.

### F) Intangible assets

Intangible assets are stated at cost less accumulated amortisation using the revaluation model where the impact of revaluation is material, and are reviewed annually for impairment. Expenditure capitalised includes the costs of software applications and development and related licences fees.

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; and that the development cost of the asset can be measured reliably. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Amortisation on capitalised development costs is charged to the income statement on a straight-line basis, from the month following that in which an asset is brought into service, over the estimated useful life of the asset. The estimated useful life is three to five years.

Development expenditure comprises costs incurred in developing computer systems, which will replace some of the current applications. Assets under construction comprises of technical field equipment in the process of being constructed. Research expenditure is written off as incurred to the Statement of Income and Expenditure. No amortisation or depreciation is provided on assets in the course of development or construction.

### G) Impairment of assets

Impairments of assets are calculated as the difference between the carrying value of the asset and its recoverable amount, if lower.

Recoverable amount is defined as the higher of fair value less costs to sell and estimated value in use at the date the impairment review is undertaken. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

At each reporting date, the carrying value of non-current assets is reviewed to determine if there is some indication that the carrying value of the assets may have been impaired. Material impairments are recognised separately in the Statement of Income and Expenditure. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### H) Trade receivables

Trade receivables are amounts due from stakeholders for licenses, fees and charges. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### I) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and rent deposits.

### J) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### K) Employee Benefits

#### Pension Schemes

Ofcom has a range of pension schemes which include defined contributions plans, defined benefit plans and unfunded plans.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in income and expenditure in line with

the service that gives rise to the obligation. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

New staff may join a stakeholder pension scheme, which is a defined contribution scheme.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Ofcom's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of Ofcom's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to Ofcom, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside income and expenditure and presented in the Statement of Changes in Equity.

Ofcom participates in two defined benefit pension schemes which relate to staff that transferred to Ofcom from legacy organisations. These schemes are closed to new members and following consultation with Plan members has been closed for future accrual as from 1 June 2011.

The first Ofcom Defined Benefit Pension Plan provides benefits that are broadly equivalent to the Principal Civil Service Pension Scheme (PCSPS). Ofcom jointly participates with the Advertising Standards Authority in the scheme. The second scheme is the Ofcom (Former ITC) Staff Pension Plan where Ofcom is one of four participating employers. The assets of this scheme are held in a separately administered trust.

IAS19 requires that, where a scheme is in surplus according to the IAS19 assumptions, the surplus can only be recognised on an entity's Statement of Financial Position if an economic benefit is "available" to the entity as a result of the surplus.

IFRIC 14 applies to all post employment defined benefits and other long term employee defined benefits. Ofcom follows the interpretation of this standard.

#### Unfunded schemes

Ofcom also has liabilities in respect of pension payments to three former chairmen of the Independent Television Commission, two former chairmen of the Radio Authority, two former Directors General of The Office of Telecommunications and two former chairmen of Postcomm. These are unfunded schemes and are accounted for under IAS 19 with a provision included in Ofcom's balance sheet for the actuarial valuation of the liabilities.

## Other Employee Benefits

### Early retirement costs

The Radiocommunications Agency and Oftel operated an Early Retirement Scheme which gave retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. The liability of the Agency and Oftel to bear the costs of these benefits transferred to Ofcom on 29 December 2003. The liability remains until the normal retirement age of the employees retired under the Early Retirement Scheme. These additional costs are based on the discounted value of the annual amounts payable at the reporting date and are included in provisions. The actual amounts payable increase annually in accordance with PCSPS rules.

### Colleague Leave Liability

Under IAS 19 Employee Benefits, all costs must be recorded as an expense as soon as the obligation to pay employees arises. This includes the cost of any untaken leave as at the year end.

Colleagues who have completed five years of continuous service are entitled to a paid sabbatical of five weeks and thereafter accrue one week for each additional year of service subject to a maximum of ten weeks. An accrual, based on management's best estimates using current salary data and churn rates is included as part of accruals. As from 1st January 2008, this benefit was withdrawn for new employees.

## L) Provisions

Provisions for early retirement and vacant property are recognised when: Ofcom has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Ofcom provides for obligations relating to excess leased space in its properties, discounted by the Treasury discount rate, currently set at 2.2 per cent. The provisions represent the net present value of the future estimated costs after recognising reasonably certain future rental income. The unwinding of the discount is included within other finance costs in the Statement of Income and Expenditure.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## M) Settlement of claims

Provision is made for estimated third party legal costs and damages in respect of challenges to regulatory decisions of Ofcom and legacy organisations where it is judged probable that these will be payable.

## N) Foreign exchange

Transactions designated in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities designated in foreign currencies are translated at the rates prevailing at the reporting date with the resulting profit or loss recognised in the Statement of Income and Expenditure for the year.

## O) Financial instruments and credit risk

### Borrowings

Ofcom has limited powers to borrow money to fund short-term fluctuations in cash flow.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and rent deposits. Interest income receivable on cash and cash equivalents is recognised as it is earned.

### Trade Receivables

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where there is evidence that the balances will not be recovered in full.

### Trade payables

Trade payables are not interest bearing and are stated at their fair value.

## P) Current and deferred Income Tax

HM Revenue and Customs has ruled that Ofcom's regulatory functions do not constitute a trading business. Consequently, Ofcom is unable to recover VAT on expenditure which it incurs as part of its regulatory activities.

Corporation Tax is assessable on interest received, and in respect of rental income net of property expenditure arising from letting surplus property.

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income. These losses have arisen as a result of onerous lease provisions on properties inherited from predecessor bodies that were excess to requirements when Ofcom was incorporated.

### Deferred Tax

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities relating to taxable activities, and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which they can be utilised.

## Recognition of deferred Tax assets

The carrying amount of deferred tax assets is reviewed at each reporting date. When assessing the probability of a taxable profit being available, account is taken of prior year results, forecast future results and non-recurring items unlikely to occur in the future. As such, the assessment of the Organisation's ability to utilise tax losses carried forward is to a large extent judgement based. If future taxable results prove significantly different to those expected, the carrying amount of deferred tax assets will be increased or decreased, with a potentially material impact on the Statement of Financial Position and Statement of Income and Expenditure.

Deferred tax assets are measured at the tax rates expected to apply to Ofcom when the asset is realised based on tax rates enacted or substantially enacted by the end of the reporting period.

## Q) Segmental analysis

A segment is a distinguishable component of the organisation that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments. No analysis of Ofcom's turnover from operations by geographical segment or business segment has been presented as all Ofcom's activities are carried out in the UK and within the regulatory sector. However, in order to meet with the requirements of the Communications Act 2003

to provide information on costs and fees, Note 3 to these financial statements presents the Statement of Income and Expenditure for the year under review by sector.

## R) Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimations is contained in the accounting policies or the notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Revenue recognition and assessment of unbilled revenue – accounting policy B
- Deferred tax asset utilisation in respect of available future taxable profits – accounting policy P

Key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Estimation of liabilities for pension and other post-retirement benefits – accounting policy K

## 2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2012, together with attributable costs. This is prepared in accordance with the Communications Act 2003 and not in terms of IFRS 8 Segmental Reporting, as per the accounting policy 1 (Q)

	Spectrum management £'000	Spectrum clearance £'000	Spectrum awards £'000	Networks & services £'000	Broadcasting £'000	Postal Regulation £'000	Other income £'000	31 March 2012 Total £'000	31 March 2011 Total £'000
<b>Revenue</b>									
Licence and administration fees	–	–	–	26,330	16,932	4,812	–	<b>48,074</b>	53,467
Application fees	–	–	–	30	652	–	–	<b>682</b>	673
Grant-in-aid	60,346	51,046	1,177	–	–	–	1,952	<b>114,521</b>	102,422
Other income	–	–	–	–	–	788	–	<b>788</b>	719
Accrued/(Deferred) income	(702)	(2,876)	(118)	(1,090)	502	(1,599)	(214)	<b>(6,097)</b>	(14,032)
<b>Total revenue</b>	<b>59,644</b>	<b>48,170</b>	<b>1,059</b>	<b>25,270</b>	<b>18,086</b>	<b>4,001</b>	<b>1,738</b>	<b>157,968</b>	<b>143,249</b>
Rental and other income	306	–	–	129	93	20	9	<b>557</b>	935
<b>Operating income</b>	<b>59,950</b>	<b>48,170</b>	<b>1,059</b>	<b>25,399</b>	<b>18,179</b>	<b>4,021</b>	<b>1,747</b>	<b>158,525</b>	<b>144,184</b>
Interest receivable	109	–	–	46	33	7	4	<b>199</b>	177
<b>Total income</b>	<b>60,059</b>	<b>48,170</b>	<b>1,059</b>	<b>25,445</b>	<b>18,212</b>	<b>4,028</b>	<b>1,751</b>	<b>158,724</b>	<b>144,362</b>
Loan repayments	–	–	–	–	–	–	–	–	–
Interest payable	–	–	–	–	–	–	–	–	–
<b>Net operating income</b>	<b>60,059</b>	<b>48,170</b>	<b>1,059</b>	<b>25,445</b>	<b>18,212</b>	<b>4,028</b>	<b>1,751</b>	<b>158,724</b>	<b>144,362</b>
Onerous property and accrued rental income	1,299	–	–	550	394	87	38	<b>2,368</b>	1,059
<b>Cash income</b>	<b>61,358</b>	<b>48,170</b>	<b>1,059</b>	<b>25,995</b>	<b>18,606</b>	<b>4,115</b>	<b>1,789</b>	<b>161,092</b>	<b>145,420</b>
<b>Total costs</b>	<b>(61,358)</b>	<b>(48,170)</b>	<b>(1,059)</b>	<b>(25,995)</b>	<b>(18,606)</b>	<b>(4,115)</b>	<b>(1,789)</b>	<b>(161,092)</b>	<b>(145,420)</b>
<b>Surplus on cash cost basis</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Comparative costs by sector									
<b>Year ending 31 March 2012</b>	<b>(61,358)</b>	<b>(48,170)</b>	<b>(1,059)</b>	<b>(25,995)</b>	<b>(18,606)</b>	<b>(4,115)</b>	<b>(1,789)</b>	<b>(161,092)</b>	
Year ending 31 March 2011	(73,198)	(15,250)	(2,689)	(28,639)	(20,329)	–	(5,316)	<b>(145,420)</b>	

Other income comprises:

- grant-in-aid funded competition enquiries, media literacy work, public interest test activity, local media assessments, and website blocking activity;
- grant-in-aid funded online copyright infringement work;
- grant-in-aid funded integration of Postcomm;
- commercial activities including spectrum interference work; and
- rental income from sub-letting vacant property space.

In accordance with Ofcom's accounting policies, as set out in note 1(B) to these accounts, grant-in-aid is accounted for in the period in which it is received.

The table opposite is prepared on an adjusted cash basis, which includes capital expenditure and actual contributions to pension schemes, but excludes depreciation.

Ofcom's licence and administrative fees are based on an estimate of cash costs in accordance with its Statement of Charging Principles. Where in the current year there is an excess of income over expenditure, the surplus will be rebated to the relevant stakeholders, in accordance with Ofcom's Statement of Charging Principles. Where in the current year there is an excess of expenditure over income, the deficit will be collected from the relevant stakeholders, in accordance with Ofcom's Statement of Charging Principles.

### Reconciliation from operating expenditure to actual operating out-turn

	Notes	2012 £'000	2011 £'000
<b>Operating expenditure – Statement of Income and Expenditure</b>		<b>152,910</b>	<b>135,948</b>
Adjustments in respect of pension asset and liability		10,430	5,340
Vacant property costs	17	537	1,101
Capital expenditure less depreciation		(6,372)	770
Actual rent payments less expenditure		1,523	1,156
Other adjustments		2,083	1,157
Proceeds from fixed assets		(19)	(52)
<b>Cash operating expenditure</b>		<b>161,092</b>	<b>145,420</b>
Spectrum clearance		(48,169)	(15,250)
Spectrum awards		(1,059)	(2,689)
Non-operating income		(3,124)	(2,173)
<b>Actual operating costs out-turn</b>		<b>108,739</b>	<b>125,308</b>



### 3. Income

	2012 £'000	2011 £'000
<b>Grant-in-aid DCMS</b>		
Spectrum management	59,644	71,951
Spectrum awards	1,059	2,689
Spectrum clearance	48,170	15,250
Competition law enforcement	596	900
Public interest test	62	426
Integration of postal service pre Royal Assent	(406)	406
Local media assessment	33	91
Digital participation	–	271
Website Blocking	79	41
Online Copyright Infringement (OCI)	663	1,788
Media literacy	305	541
<b>Total government grant-in-aid</b>	<b>110,205</b>	<b>94,354</b>
Networks & services administrative and application fees	25,270	28,151
Broadcasting Act licence and application fees	18,086	19,982
Integration of postal service regulation	1,194	–
Regulation of postal services	3,213	–
Rental income	5	191
Other income	552	1,506
<b>Total income</b>	<b>158,525</b>	<b>144,184</b>

The role of sponsor body was re-assigned to DCMS from BIS from 01 April 2011. Apart from media literacy income, all Grant-in-aid income for the 2011 financial year was received from BIS.

## 4. Staff costs

	Other staff costs £'000	Spectrum Clearance & Awards £'000	Total 2012 £'000	Other staff costs £'000	Spectrum Clearance & Awards £'000	Total 2011 £'000
Staff costs, including fees paid to Board Members, were:						
Salaries & benefits	44,411	728	<b>45,139</b>	48,657	51	48,708
National Insurance costs	5,388	89	<b>5,477</b>	5,674	11	5,685
Pension costs	4,365	63	<b>4,428</b>	4,889	3	4,892
Restructuring costs	193	–	<b>193</b>	6,135	–	6,135
<b>Total staff costs</b>	<b>54,357</b>	<b>880</b>	<b>55,237</b>	<b>65,356</b>	<b>64</b>	<b>65,420</b>

The restructuring cost in 2012 follow on from the comprehensive spending review in 2010/11 and includes an accrual for those costs unpaid at year end relating to 2 (2011: 41) employees.

More detailed information in respect of the remuneration and pension entitlements of the directors and senior executives is shown in the remuneration report on pages 65 to 68.

During the year 8 employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

Spectrum Clearance and Awards costs have been presented separately from core Ofcom staff costs in order to provide a more meaningful comparison between the years.

## 5. Employee numbers

	2012	2011
The average number of employees	<b>735</b>	832

As at 31 March 2012, Ofcom had 778 employees (2011: 720). The number as at 31 March 2012 reflects a temporary increase due to the Olympics project.

Non-Executive Members of the Ofcom Board, Content Board, Advisory Committees and employees seconded to Ofcom are excluded from employee numbers.

## 6. Other operating costs

	Other Operating costs £'000	Spectrum Clearance & Awards £'000	Total 2012 £'000	Other Operating costs £'000	Spectrum Clearance & Awards £'000	Total 2011 £'000
Auditors remuneration – statutory audit fees	78	–	<b>78</b>	82	–	82
Auditors remuneration – Section 400	14	–	<b>14</b>	16	–	16
Auditors remuneration – Whole of Government Accounts	3	–	<b>3</b>	3	–	3
Professional fees	7,441	6,375	<b>13,816</b>	6,338	5,320	11,658
Outsourced services	9,828	–	<b>9,828</b>	9,863	–	9,863
Audience and consumer research	4,002	32	<b>4,034</b>	4,857	–	4,857
Technological research and spectrum efficiency projects	1,218	133	<b>1,351</b>	963	545	1,508
Spectrum clearance scheme	–	41,005	<b>41,005</b>	19	11,760	11,779
Temporary staff and recruitment	2,769	340	<b>3,109</b>	3,311	188	3,499
Seconded staff	–	–	<b>–</b>	–	–	–
Travel and subsistence	1,545	37	<b>1,582</b>	1,084	9	1,093
Premises costs	4,022	–	<b>4,022</b>	8,002	–	8,002
Administration and office expenses	6,422	14	<b>6,436</b>	6,407	5	6,412
Information and technology costs	3,029	2	<b>3,031</b>	2,861	0	2,861
Vehicles	517	–	<b>517</b>	532	–	532
Bad and doubtful debt	(67)	–	<b>(67)</b>	147	–	147
Amortisation	5,083	2	<b>5,085</b>	5,279	–	5,279
Depreciation	3,687	6	<b>3,693</b>	2,847	2	2,849
Loss on disposal of non-current assets	136	–	<b>136</b>	88	–	88
<b>Total other operating costs</b>	<b>49,727</b>	<b>47,946</b>	<b>97,673</b>	<b>52,699</b>	<b>17,829</b>	<b>70,528</b>
<b>The costs above include</b>						
Operating leases – land and buildings	5,805	–	<b>5,805</b>	6,330	–	6,330
Operating leases – vehicles	352	–	<b>352</b>	376	–	376
Operating leases – other	221	–	<b>221</b>	181	–	181

Spectrum Clearance and Awards costs have been presented separately from core Ofcom operating costs in order to provide a more meaningful comparison between the years.

## 7. Vacant property charge

	2012 £'000	2011 £'000
Future costs of vacant properties	150	(1,455)

As at 31 March 2012 all floors not occupied by Ofcom in Riverside House have been let. In addition one lease for a smaller regional property has expired.

## 8. Interest paid

	2012 £'000	2011 £'000
Interest paid	-	-

## 9. Taxation

	2012 £'000	2011 £'000
<b>Tax (charge)/credit for the year</b>		
United Kingdom Corporation Tax income/(expense)	–	–
Deferred tax credit/(debit)	(53)	112
<b>Tax credited/(charged) to Statement of Income and Expenditure</b>	<b>(53)</b>	<b>112</b>

<b>Reconciliation of tax charge</b>	2012 £'000	2011 £'000
Surplus before tax	6,889	9,180
Tax on profit at the UK standard rate of Corporation Tax of 20% (2011: 20%)	1,378	1,836
Income not subject to tax	(31,722)	(28,799)
Expenses not deductible	30,397	26,730
Increase in/(Utilisation of) brought forward tax losses	(53)	233
<b>Tax charge</b>	<b>–</b>	<b>–</b>

<b>Deferred tax</b>	<b>Tax losses £'000</b>
Analysis of movements in the net deferred tax balance during the year	
<b>Deferred tax asset at 1 April 2010</b>	<b>2,542</b>
Effect of change in applicable tax rate	(121)
Increase in brought forward tax losses	233
<b>Deferred tax asset at 1 April 2011</b>	<b>2,654</b>
Utilisation of brought forward tax losses	(53)
<b>Deferred tax asset at 31 March 2012</b>	<b>2,601</b>
Deferred tax asset to be recovered within 12 months	16
Deferred tax asset to be recovered after more than 12 months	2,585
	<b>2,601</b>

All deferred tax assets relate to brought forward tax losses. Utilisation of the deferred tax asset is dependent on future taxable profits arising.

The assessed losses have arisen predominantly as a result of onerous lease provisions on properties inherited from predecessor bodies that were in excess of requirements when Ofcom was incorporated.

## 10. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings £'000	Office & field equipment £'000	Computer hardware £'000	Motor vehicles £'000	Assets under Construction £'000	Total £'000
<b>Cost</b>							
<b>At 1 April 2010</b>	<b>14,462</b>	<b>828</b>	<b>13,469</b>	<b>3,985</b>	<b>556</b>	<b>–</b>	<b>33,300</b>
Additions during year	365	15	580	5,753	–	–	6,713
Impairment	–	–	–	–	–	–	–
Disposals	(397)	(4)	(65)	(23)	(430)	–	(919)
Transfers	125	–	–	–	–	–	125
<b>At 31 March 2011</b>	<b>14,555</b>	<b>839</b>	<b>13,984</b>	<b>9,715</b>	<b>126</b>	<b>–</b>	<b>39,219</b>
Additions during year	432	19	904	25	–	266	1,646
Impairment	–	–	–	–	–	–	–
Disposals	(452)	(4)	(765)	(1,908)	(7)	–	(3,136)
Transfers	–	–	–	–	–	–	–
<b>Cost at 31 March 2012</b>	<b>14,535</b>	<b>854</b>	<b>14,123</b>	<b>7,832</b>	<b>119</b>	<b>266</b>	<b>37,729</b>
<b>Depreciation</b>							
<b>At 1 April 2010</b>	<b>8,026</b>	<b>417</b>	<b>9,222</b>	<b>3,106</b>	<b>541</b>	<b>–</b>	<b>21,312</b>
Charge for the year	956	91	1,145	656	1	–	2,849
Impairment	–	–	–	–	–	–	–
Disposals	(271)	(4)	(65)	(23)	(416)	–	(779)
Transfers	–	–	–	–	–	–	–
<b>At 31 March 2011</b>	<b>8,711</b>	<b>504</b>	<b>10,302</b>	<b>3,739</b>	<b>126</b>	<b>–</b>	<b>23,382</b>
Charge for the year	980	83	950	1,680	–	–	3,693
Impairment	–	–	–	–	–	–	–
Disposals	(304)	(4)	(762)	(1,904)	(7)	–	(2,981)
Transfers	–	–	–	–	–	–	–
<b>Accumulated depreciation at 31 March 2012</b>	<b>9,387</b>	<b>583</b>	<b>10,490</b>	<b>3,515</b>	<b>119</b>	<b>–</b>	<b>24,094</b>
<b>NBV 31 March 2012</b>	<b>5,148</b>	<b>271</b>	<b>3,633</b>	<b>4,317</b>	<b>–</b>	<b>266</b>	<b>13,635</b>
NBV 31 March 2011	5,844	335	3,682	5,976	–	–	15,837

All assets set out in the table above are Ofcom-owned assets.

Equipment purchased for the Spectrum Clearance and Awards program have been included in Ofcom's asset registers under Field Equipment. During 2011/12 this costs amounted to £0.4m.

## 11. Intangible assets

	Website Development £'000	Software licences £'000	Information technology £'000	Development expenditure £'000	Total £'000
<b>Cost</b>					
<b>At 1 April 2010</b>	–	<b>5,167</b>	<b>21,105</b>	<b>1,671</b>	<b>27,943</b>
Additions during year	18	237	349	1,580	2,184
Impairment	–	–	–	–	–
Disposals	–	(47)	(201)	–	(248)
Transfers	21	–	503	(649)	(125)
<b>At 31 March 2011</b>	<b>39</b>	<b>5,357</b>	<b>21,756</b>	<b>2,602</b>	<b>29,754</b>
Additions during year	–	108	246	397	751
Impairment	–	–	–	–	–
Disposals	–	(449)	(74)	–	(523)
Transfers	–	–	1,818	(1,818)	–
<b>Cost at 31 March 2012</b>	<b>39</b>	<b>5,016</b>	<b>23,746</b>	<b>1,181</b>	<b>29,982</b>
<b>Amortisation</b>					
<b>At 1 April 2010</b>	–	<b>2,630</b>	<b>10,381</b>	–	<b>13,011</b>
Charge for the year	11	965	4,302	–	5,278
Impairment	–	–	–	–	–
Disposals	–	(47)	(201)	–	(248)
Transfers	–	–	–	–	–
<b>At 31 March 2011</b>	<b>11</b>	<b>3,548</b>	<b>14,482</b>	–	<b>18,041</b>
Charge for the year	13	776	4,296	–	5,085
Impairment	–	–	–	–	–
Disposals	–	(449)	(74)	–	(523)
Transfers	–	–	–	–	–
<b>Accumulated amortisation at 31 March 2012</b>	<b>24</b>	<b>3,875</b>	<b>18,704</b>	–	<b>22,603</b>
<b>NBV 31 March 2012</b>	<b>15</b>	<b>1,141</b>	<b>5,042</b>	<b>1,181</b>	<b>7,379</b>
NBV 31 March 2011	28	1,809	7,274	2,602	11,713

All assets set out in the table above are Ofcom-owned assets.

## 12. Trade and other receivables – amounts falling due within one year

	2012 £'000	2011 £'000
Trade receivables	1,501	1,852
Other receivables	163	210
Prepayments	5,451	4,999
Staff loans and advances	238	213
Accrued income	1,591	876
<b>Total trade and other receivables – amounts falling due within one year</b>	<b>8,944</b>	<b>8,150</b>

Staff loans relate to 173 (2011:168) season ticket loans to colleagues repayable over 12 months.

## 13. Trade and other receivables – amounts receivable after more than one year

	2012 £'000	2011 £'000
Prepayments	277	544
Accrued income	839	795
<b>Total trade and other receivables – amounts receivable after more than one year</b>	<b>1,116</b>	<b>1,339</b>

## 14. Cash and cash equivalents

	2012 £'000	2011 £'000
Commercial banks and cash in hand	13,677	26,942
Balance of funds relating to Section 400	–	2
<b>Total cash and cash equivalents</b>	<b>13,677</b>	<b>26,944</b>

All activities and cash balances relating to Licence Fees and Penalties are separated from the Ofcom accounts and are disclosed in the Section 400 accounts.



## 15. Trade and other payables – amounts falling due within one year

	2012 £'000	2011 £'000
Trade payables	1,730	711
Other tax and social security	–	1,790
Other payables	580	563
Value added tax payable	88	135
Grant-in-aid BIS	–	8,255
Grant-in-aid DCMS	3,932	–
Accruals	10,859	15,886
Lease incentive accrual	1,309	1,337
Deferred income	4,826	6,502
<b>Total trade and other payables – amounts falling due within one year</b>	<b>23,324</b>	<b>35,179</b>

The Government's target for payments to suppliers is 5 days. In addition to small and medium suppliers, Ofcom also includes large suppliers in this scheme to encourage them to pay their small business suppliers within the shorter timeframe.

For 2011/12 Ofcom achieved on average a performance of 88.30 per cent against these targets (2010/11: 91.29 per cent).

The role of sponsor body was re-assigned to DCMS from BIS from 01 April 2011.

## 16. Trade and other payables – amounts falling due after more than one year

	2012 £'000	2011 £'000
Lease incentive accrual	7,198	8,693
Deferred income	412	938
<b>Total trade and other payables – amounts falling due after more than one year</b>	<b>7,610</b>	<b>9,631</b>

## 17. Provisions for liabilities and charges

	Early retirement £'000	Vacant property £'000	Restructuring £'000	Total £'000
<b>At 1 April 2010</b>	<b>485</b>	<b>3,581</b>	<b>285</b>	<b>4,351</b>
Discount unwound in year	11	79	–	90
Utilised in year	(185)	(1,101)	(257)	(1,543)
Provision increased/(released)	283	1,455	(28)	1,710
<b>At 1 April 2011</b>	<b>594</b>	<b>4,014</b>	<b>–</b>	<b>4,608</b>
Discount unwound in year	17	88	–	105
Utilised in year	(158)	(537)	–	(695)
Provision increased/(released)	23	(150)	–	(127)
<b>Total provisions as at 31 March 2012</b>	<b>476</b>	<b>3,415</b>	<b>–</b>	<b>3,891</b>

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 2.8 per cent (2011: 2.9 per cent) per annum in accordance with HM Treasury direction; all other provisions are discounted by 2.2 per cent (2011: 2.2 per cent).

Analysis of expected timing of cashflows	Early retirement £'000	Vacant property £'000	Total £'000
<b>Current</b>			
Not later than one year	117	382	499
	<b>117</b>	<b>382</b>	<b>499</b>
<b>Non-current</b>			
Later than one year and not later than five years	205	2,713	2,918
Later than five years	154	320	474
	<b>359</b>	<b>3,033</b>	<b>3,392</b>
	<b>476</b>	<b>3,415</b>	<b>3,891</b>

The provision for early retirement £0.5m (2011: £0.6m) is for early retirement costs of former employees of Ofcom, the Radiocommunications Agency and Ofcom and is payable primarily in the years to 2014.

The provision for vacant properties includes one property (2011: two) which are surplus to requirements. Professional advice has been taken in marketing vacant property and future income streams are recognised as and when sub-letting of properties is reasonably certain. The provision is the net present value of the expected cash outflows calculated to the next lease break, net of the discounted value of future income streams secured from committed or reasonably certain future sub-letting agreements.

## 18. Commitments under operating leases

	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
<b>The future aggregate minimum lease payments under operating leases are as follows:</b>				
Not later than one year	8,347	356	221	<b>8,924</b>
Later than one year and not later than five years	33,040	474	467	<b>33,981</b>
Later than five years	13,056	–	–	<b>13,056</b>
<b>Total commitments under operating leases</b>	<b>54,443</b>	<b>830</b>	<b>688</b>	<b>55,961</b>

The rental agreement of Riverside House is until September 2022 with a break option in September 2018. The next rent review will be effective from 29 September 2012.

## 19. Amounts receivable under operating leases

	Buildings 2012 £'000
<b>The future minimum lease payments receivable under non-cancellable operating leases are as follows:</b>	
Not later than one year	<b>1,643</b>
Later than one year and not later than five years	<b>859</b>
Later than five years	–
	<b>2,502</b>

Ofcom has entered into sub-lease contracts with regards to unoccupied office space within its main office building.

## 20. Subsidiaries

The Broadcast Equality and Training Regulator Limited (BETR)\*, set-up as a co-regulatory body with Ofcom its sole member, was incorporated on 6 July 2005 as a response to a requirement of Ofcom under the Communications Act of 2003. In 2010, the Government announced its intention to examine the framework surrounding Ofcom's duties to promote training and equal opportunities in the broadcasting sector. As a result the BETR was wound up in June 2011 and its responsibilities and duties reverted to Ofcom. The final accounts were prepared for the 15 month period April 2010 to June 2011 with turnover of £0.5m (2009/10: £0.4m), an operating profit after taxation of £0.0m (2009/10: £0.0m loss) and reserves of £0.0m (2009/10 £0.0m). Due to the size and extent of the subsidiary's operations during the current financial year, the company's operating results have not been consolidated in this report.

\* Broadcast Training & Skills Regulator (BTSR) until 2010.

## 21. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £11.8m (2011: £12.5m) to Ofcom. This sum has not been reflected in these accounts but has been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

## 22. Retirement benefit obligations

Ofcom has a range of pension schemes which include defined contributions plans, defined benefit plans and unfunded plans.

	2012 £'000	2011 £'000
Defined Benefit pensions – 22B	32,420	21,260
Unfunded pensions liability – 22C	(1,091)	(898)
<b>Total retirement benefit obligations</b>	<b>31,329</b>	<b>20,362</b>

### A) Stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan, which is a defined contribution pension plan. Employer contributions of £4.1m were made in the year ended 31 March 2012 (2011: £3.7m).

### B) Closed pension plans

Ofcom operates two closed defined benefit pension plans:

- the Ofcom Defined Benefit Pension Plan was established on 29 December 2003. The employer contributions made to the Ofcom Defined Benefit Pension Plan for the

year ending 31 March 2012 were £1.0m (2011: £2.6m). An additional £8.0m was transferred to the Feeder Trust account. Ofcom also operates a defined contribution section to the plan and made contributions of £0.0m in 2012 (2011: £0.1m); and

- the Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. The employer contributions made to the Ofcom (Former ITC) Pension Plan in 2012 was £1.6m (2011: £4.2m). An additional £0.5m was transferred from the Feeder Trust account.

Following consultation with Plan members, Ofcom closed both Plans to future accrual from 1 June 2011. Ofcom informed members of their intention to close the Plans in February 2011. The results of the IAS 19 calculations recognises the curtailment gain created by this action in full as at 31 March 2011.

### Employee benefit obligations

The amounts recognised in the Statement of Financial Position are as follows:	2012 £'000	2011 £'000
Funded status, end of year		
Fair value of plan assets	223,489	217,470
Pension fund feeder bank account	14,871	7,380
Benefit obligations	(194,570)	(187,580)
<b>Funded status</b>	<b>43,790</b>	<b>37,270</b>
Minimum funding requirement liability	(11,370)	(16,010)
<b>Net funded status</b>	<b>32,420</b>	<b>21,260</b>

According to IFRIC 14 if an entity's contributions to its defined benefit scheme are subject to a "minimum funding requirement" it is possible that this may limit the ability of the entity to reduce future contributions and/or give rise to a liability if the required contributions will not be available to the entity once they have been paid. Ofcom regard the current Schedule of Contributions agreed between Ofcom and the

Plan's trustees as part of the Statutory Funding Objective to be a "minimum funding requirement" which results in a liability. The minimum funding requirement relates only to the Ofcom (Former ITC) Pension Plan and the agreed schedule of contributions relating to that.

The defined benefit obligation has been calculated in accordance with IFRS. Ofcom's cash contributions to

its two defined benefit plans are, however, determined in accordance with the Pensions Act 2004 and this requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2012 are currently in progress for both defined benefit plans. The results of these valuations are not yet known but, unlike under IFRS, they are expected to show a significant deficit.

#### The amounts recognised in the Statement of Income and Expenditure are as follows:

The amounts recognised in the Statement of Financial Position are as follows:	2012 £'000	2011 £'000
Current service cost	200	1,490
Interest on obligation	10,290	10,520
Expected return on plan assets	(11,620)	(11,010)
Past service cost	100	560
Curtailement or settlement (gain)/loss	–	(2,430)
<b>Net (surplus)/cost in income and expenditure</b>	<b>(1,030)</b>	<b>(870)</b>
Actual return on plan assets	13,980	(11,300)

#### Changes in the present value of the defined benefit obligation areas:

The amounts recognised in the Statement of Financial Position are as follows:	2012 £'000	2011 £'000
Opening defined benefit obligation	187,580	189,180
Current service cost	200	1,490
Interest cost	10,290	10,520
Plan participants' contributions	50	210
Actuarial (gains)/losses	7,500	(2,270)
Past service cost	100	560
Gains on curtailment	–	(2,430)
Benefits paid	(11,150)	(9,680)
<b>Closing defined benefit obligation</b>	<b>194,570</b>	<b>187,580</b>

**Changes in the fair value of plan assets are as follows:**

	2012 £'000	2011 £'000
Opening fair value of plan assets	217,470	199,670
Expected return	11,620	11,010
Actuarial gains	2,360	290
Contributions by employer	2,630	6,830
Contributions from Feeder Trust	509	9,140
Plan participants' contributions	50	210
Benefits paid	(11,150)	(9,680)
<b>Closing fair value of plan assets</b>	<b>223,489</b>	<b>217,470</b>

Employer's contributions include £2.6m together with £0.5m and additional interest which was transferred from the balance on the Feeder Trust account. A further £8.0m was placed in the Feeder Trust account. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Schemes and are not able to be used for any other purpose.

**The major categories of plan assets as a percentage of total plan assets are as follows:**

	2012 %	2011 %
Equities	15	17
Corporate bonds	9	8
Index-linked bonds	13	18
Fixed interest government bonds	–	–
Annuities	56	52
Other (including assets in the Ofcom Pension Trust)	7	5
	<b>100</b>	<b>100</b>

**Return on assets (before deduction of expenses):**

	2012 %	2011 %
Equities	6.20	7.75
Corporate bonds	5.25	5.65
Index-linked bonds	3.25	4.75
Fixed interest government bonds	3.25	4.75
Annuities	5.25	5.65
Other (including assets in the Ofcom Pension Trust)	1.00	1.00

The expected return on plan assets is calculated using the plan's asset allocation at the disclosure date and the expected return on each major asset class that the plan is invested in.

**Principal actuarial assumptions at the date of the Statement of Financial Position (expressed in weighted averages):**

	2012 %	2011 %
Discount rate	5.25	5.65
Expected return on plan assets for the year (Ofcom DB Plan)	5.00	6.25
Expected return on plan assets for the year (Ofcom (former ITC) Plan)	5.17	5.63
Future salary increases	–	–
Future pension increases (RPI)	3.15	3.35
Future pension increases (CPI)	2.00	2.25
Retail Price Inflation	3.25	3.50

**Principal actuarial assumptions at the date of the Statement of Financial Position (expressed in weighted averages):**

Amounts for the current and previous years are as follows:	2012 £'000	2011 £'000
<b>Funded status</b>		
Fair value of plan assets	238,360	224,850
Present value of defined benefit obligations	(194,570)	(187,580)
<b>Surplus in fund</b>	<b>43,790</b>	<b>37,270</b>

	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Experience adjustments on plan liabilities	(2,840)	(120)	4,610	(1,207)
Experience adjustments on plan assets	2,360	290	20,980	(40,390)

IAS 19 requires the above information to be shown for the previous four years; however, as IFRS was adopted from 1 April 2008, historical data from this date only are disclosed.



### C) Unfunded pension liabilities

The pension provision is in respect of the unfunded pension liabilities which fall to Ofcom for former Chairmen of the Independent Television Commission, the Radio Authority and former Directors General of Telecommunications. During the year the unfunded pension liability was increased reflecting the liabilities relating to former chairmen of Postcomm. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofcom. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

#### Analysis of the amount debited to other finance costs

	2012 £'000	2011 £'000
Interest on pension liabilities	(49)	(49)
<b>Net return</b>	<b>(49)</b>	<b>(49)</b>

#### Analysis of the amount recognised in the Statement of Changes in Equity (SOCIE)

	2012 £'000	2011 £'000
Experience (losses)/gains arising on the plans' liabilities	(39)	(23)
Changes in assumptions underlying the present value of pension scheme liabilities	(26)	5
<b>Actuarial loss recognised in SOCIE</b>	<b>(65)</b>	<b>(18)</b>

#### Movement in deficit during the year

	2012 £'000	2011 £'000
Deficit in plans at 1 April	(898)	(894)
Total current service cost	–	–
Employer's contributions (including those unpaid at measurement date)	65	63
Employees' contributions	–	–
Past service cost	(144)	–
Other finance costs	(49)	(49)
Actuarial loss	(65)	(18)
<b>Deficit in plans</b>	<b>(1,091)</b>	<b>(898)</b>

## 23. Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24, "Related Party Disclosures".

Members of the Board submit an annual declaration confirming that they have no interests prejudicial to their function as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

The Secretaries of State for the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport (DCMS) are regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002.

Details of all grant-in-aid income from BIS and DCMS are provided in Note 3 and Note 15 respectively of these financial statements.

A defined benefit scheme and two defined contribution schemes are operated. Refer to Note 22 for further disclosure.

At 31 March 2012, the following creditors were held in respect of grant-in-aid provided by DCMS:

- Spectrum management – £0.7m (2011: £3.6m);
- Spectrum clearance – £2.9m (2011: £2.8m);

- Programme of spectrum awards – £0.1m (2011: £1.5m);
- Online Copyright Infringement – £0.2m (2011: £0.2m);
- Other sectors – £0.0m (2011: £0.1m)

No other related party transactions were entered into during the financial year.

## 24. Financial instruments

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32, Financial Instruments: Presentation requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or

become payable within 12 months of the reporting date have been omitted from this assessment.

## 25. Capital commitments

At 31 March 2012 there were capital commitments of £0.9m (2011: £0.1m), primarily relating to development work for a broadcast licensing solution and a high availability monitoring solution for sensors at the Olympic venues.

## 26. Receipts transferred to the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £6.2m (2011: £3.6m) of Broadcasting Act Additional Payments and Fines to the Consolidated Fund.

£269.2m (2011: £187.6m) of WT Act licence fees was remitted to DCMS for transfer to the Consolidated Fund. Details on amounts due to the Consolidated Fund at 31 March 2012 are disclosed at Note 14 to these financial statements.

## 27. Contingent liabilities

Ofcom has no contingent liabilities at the end of March 2012.

From time to time, Ofcom will be subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of the communications sector. Legal judgements could give rise to liabilities for legal costs. In these cases a provision is made in the financial statements for costs which are quantifiable and to the extent that they are probable. However, in some cases costs cannot be quantified, because the outcome of proceedings is unknown, and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability. For the 2011/12 financial year no provision was required.

## 28. Whole of government accounts

At 31 March 2012, Ofcom owed £4.0m (2011: £10.2m) to central government bodies. There are no amounts owing to local authorities, NHS Trusts or public corporations and trading funds.

Section 400 shows £4.4m (2011: £0.1m) owing to central government bodies.

## 29. Events after the reporting period

There were no reportable events between the reporting date and the date when the accounts were certified. The financial statements do not reflect events after this date.

# Annex

## Regulatory Statements

### List of statements published in 2011/12 including regulatory impact on stakeholders

The figure below summarises Ofcom's policy statements published during 2011/12.

It includes a colour-coded key that indicates how the regulatory burden

on stakeholders has changed as a result of Ofcom's regulatory decisions and statements in 2011/12.

We have categorised each statement in the table below as an Annual Plan Priority or an Ongoing Major Work Area, as set out in the Annual Plan 2011/12. It shows that 13% of statements and decisions

published during the year resulted in a reduced regulatory burden on our stakeholders; 73% of the statements saw no change in regulatory burden, or the work is ongoing; 8% saw the introduction of increased or new regulation, while 6% resulted in streamlined or co-regulatory outcomes.

### List of statements published in 2011/12 including regulatory impact on stakeholders

#### Promote effective and sustainable competition

##### Priority – Promote competition and investment in the delivery of superfast broadband

Business Connectivity Market Review – Renewal of BT's analogue and low bandwidth digital leased lines undertakings

Waiver of BT's price notification requirements for wholesale analogue exchange line (basic and premium) and LLU metallic path facility services rental charges

##### Major Work Area – Enforce competition

Fair and reasonable charges for fixed geographic call termination

##### Major Work Area – Implement regulatory proposals and new charge controls

WBA Charge Control – Charge control framework for WBA Market 1 services

Changes to BT and KCOM's regulatory and financial reporting 2010/11 update

Charge control review for LLU and WLR services

Charge control review for LLU and WLR services – Statement

LLCC PPC Points of Handover pricing review – Draft Statement on modification of SMP Conditions

LLCC PPC Points of Handover pricing review – Final Statement on modification of SMP Conditions

Update on FTTC Variation: sections 5.52-5.59 of the Undertakings offered by British Telecommunications plc to Ofcom under the Enterprise Act 2002

Wholesale charges for Number Translation Services and Premium Rate Services

Extension to an existing exemption from BT's Undertakings under the Enterprise Act 2002 for 20CN DSLAMs – Statement

Statement on BT's request for exemption from its Undertakings related to the London 2012 Olympic Games and Paralympic Games

##### Major Work Area – Promote competition and investment in broadcasting

Competition issues in the UK: TV advertising trading mechanism Decision

#### Promote the efficient use of public assets

##### Priority – Auctioning of the 800 MHz and 2.6 GHz spectrum awards

Statement on proposal to make 900 MHz, 1800 MHz and 2100 MHz public wireless network licences tradable

Statement on variation of 2100 MHz Third Generation Mobile Wireless Telegraphy Act Licences

■ Increased/new regulation
 ■ Mixed/no-change/ongoing
 ■ Streamlined/co-regulatory
 ■ Reduced regulation

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**List of statements published in 2011/12 including regulatory impact on stakeholders** (Continued)

**Priority – Deliver the Government’s spectrum guarantee for the London 2012 Olympic & Paralympic Games**

The Spectrum Plan for the London 2012 Games: Final Update

**Priority – Develop a future looking spectrum policy work programme taking account of market developments and future demand for spectrum**

Bespoke licence fees for aeronautical VHF communications frequencies

Implementing Geolocation – Summary of consultation responses and next steps

Guidelines on the use of battery back-up to protect lifeline services delivered using fibre optic technology

**Major Work Area – Spectrum licensing**

Decision to make the Regulations for Recognised Spectrum Access (RSA) for Receive Only Earth Stations in the Bands 1690 – 1710 MHz, 3600 – 4200 MHz, and 7750 – 7850 MHz

Decision to make the Wireless Telegraphy (Licence Charges) Regulations 2011

**Major Work Area – Effective spectrum licensing work**

Future access to interleaved spectrum for programme making and special events

Ofcom’s decision on changes to the licence exemption of Wireless Telegraphy Devices

**Major Work Area – Simplify spectrum trading and introduce spectrum leasing**

Simplifying Spectrum Trading – Spectrum leasing and other market enhancements

**Major Work Area – Ensure wide availability of telephone number ranges and promote their efficient allocation**

Geographic telephone numbers

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**Help communications markets to work for consumers**
**Priority – Develop and implement policies that will improve the ease of switching between Communications Providers for consumers**

Automatically Renewable Contracts

**Major Work Area – Ensure the effectiveness of consumer complaints’ handling by ADR Bodies**

Dispute Resolution Guidelines – Ofcom’s guidelines for the handling of regulatory disputes

**Major Work Area – Protection from and enforcement against unfair terms and practices by Communications Providers**

Direction designating geographical conditions and other circumstances as exceptional for the purpose of deliveries

Review of Unexpectedly High Bills – Findings and Next Steps

Modifying who is subject to the Premium Rate Services Condition – Statement on amending the PRS Condition to mirror the remit of PhonepayPlus under its new Code of Practice

**Major Work Area – Carry out & publish consumer research**

Ofcom’s approach to net neutrality

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**Provide appropriate assurance to audiences on standards**
**Priority – Consider new regulatory approaches to content regulation**

Regulating the quantity of advertising on television

**Major Work Area – Ensure efficient and effective programme standards enforcement in particular in relation to the protection of minors**

Code on the Prevention of Undue Discrimination between Broadcast Advertisers

Review of procedures for handling broadcasting complaints, cases and sanctions

**Major Work Area – Licence Television and Radio services in the UK (potentially including new Local TV services)**

Now Digital Ltd request to extend the coverage area of the local radio multiplex licence for Exeter & Torbay

Television Multiplex Licence Renewals – Statement

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## Contribute to and implement public policy defined by parliament

### Priority – Prepare for and fulfil regulatory duties in relation to Post

Postal regulation: Transition to the new regulatory framework

Postal regulation: Transition to the new regulatory framework – Update statement

Statement of Charging Principles: Postal Services

### Priority – Prepare statutory report to Government on licensing arrangements for channels 3&5 after 2014

BBC Proposals for coverage of the London 2012 Olympic Games

Licensing of Channel 3 and Channel 5 – A report from Ofcom to the Secretary of State for Culture, Olympics, Media and Sport

### Major Work Area – Implement new regulatory duties including those arising from the European Telecoms Framework

Changes to General Conditions and Universal Service Conditions – Statement

Channel 4 Schedule 9 Arrangements

### Major Work Area – Support switchover policies in relation to DSO in TV and radio

An approach to DAB coverage planning – interim statement – Summary of responses and update on further work

Third Statutory Notice of Invitation to Apply for DTT Multiplex B Capacity

### Major Work Area – Postal Regulation

Securing the Universal Postal Service – Decision on the new regulatory framework

## Other

### Other – Business Planning & Management

UK Communications Market Report 2011

Ofcom Annual Report 2010/11

Ofcom's Annual Plan sets out our work programme for 2012/13

Ofcom's Tariff Tables 2012/13

### Other – Customer Contact

Direction under Section 106(3) of the Communications Act 2003 applying the electronic communications code in the case of allpay Limited

Gigaclear Statement

### Other – Legal

Decision to make the Wireless Telegraphy (Intelligent Transport Systems)(Exemption) Regulation 2011

Decision to make the Wireless Telegraphy (Exemption)(Amendment) Regulations 2011

Decision to make the Wireless Telegraphy (Exemption and Amendment)(Amendment) Regulations 2011

Revising the penalty guidelines

**Ofcom statements published in 2011/12 in which the earlier consultation included an impact assessment**

Decision to make the Wireless Telegraphy (Licence Charges) Regulations 2011

Fair and reasonable charges for fixed geographic call termination

Future access to interleaved spectrum for programme making and special events

Changes to General Conditions and Universal Service Conditions – Statement

Statement on proposal to make 900 MHz, 1800 MHz and 2100 MHz public wireless network licences tradable

Simplifying Spectrum Trading – Spectrum leasing and other market enhancements

WBA Charge Control – Charge control framework for WBA Market 1 services

Wholesale charges for Number Translation Services and Premium Rate Services

Modifying who is subject to the Premium Rate Services Condition – Statement on amending the PRS Condition to mirror the remit of PhonepayPlus under its new Code of Practice

LLCC PPC Points of Handover pricing review – Draft Statement on modification of SMP Conditions

Implementing Geolocation – Summary of consultation responses and next steps

LLCC PPC Points of Handover pricing review – Final Statement on modification of SMP Conditions

Geographic telephone numbers

Automatically Renewable Contracts

Decision to make the Regulations for Recognised Spectrum Access (RSA) for Receive Only Earth Stations in the Bands 1690 – 1710 MHz, 3600 – 4200 MHz, and 7750 – 7850 MHz

Guidelines on the use of battery back-up to protect lifeline services delivered using fibre optic technology

Ofcom's decision on changes to the licence exemption of Wireless Telegraphy Devices

Television Multiplex Licence Renewals – Statement

Charge control review for LLU and WLR services – Statement

Charge control review for LLU and WLR services

Securing the Universal Postal Service – Decision on the new regulatory framework

Ofcom's Annual Plan sets out our work programme for 2012/13

Decision to make the Wireless Telegraphy (Intelligent Transport Systems)(Exemption) Regulation 2011

Decision to make the Wireless Telegraphy (Exemption)(Amendment) Regulations 2011

Decision to make the Wireless Telegraphy (Exemption and Amendment)(Amendment) Regulations 2011

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**Ofcom consultations published in 2011/12 which included an impact assessment and where no statement has been published**

Price controls for wholesale ISDN30 services

Coexistence of new services in the 800 MHz band with digital terrestrial television

Consultation and information on technical licence conditions for 800 MHz and 2.6 GHz spectrum and related matters

Review of relay services

Review of Premium Rate Services – An application of the analytical framework

Extending spectrum transfer to the maritime and satellite earth station sectors

Licensing Local Television – How Ofcom would exercise its new powers and duties being proposed by Government

Wholesale ISDN30 price control – Further consultation

Second consultation on assessment of future mobile competition and proposals for the award of 800 MHz and 2.6 GHz spectrum and related issues

Notice of proposals to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2012

Changes to BT and KCOM's regulatory and financial reporting 2011/12 update

Consumer switching – A consultation on proposals to change the processes for switching fixed voice and broadband providers on the Openreach copper network

Second consultation on coexistence of new services in the 800 MHz band with digital terrestrial television

Authorisation regime for GNSS repeaters 1164-1215 MHz, 1215-1300 MHz & 1559-1610 MHz

Notice of proposed variation of Everything Everywhere's 1800 MHz spectrum licences to allow use of LTE and WiMAX technologies

Geographic telephone numbers

Securing long term benefits from scarce spectrum resources – A strategy for UHF bands IV and V

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# Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by Ofcom, and the BBC and S4C (with certain exceptions).

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code<sup>1</sup>, or other Ofcom codes or licence conditions.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 7,551 cases (which comprised 21,772 complaints) were closed in the period under review.

On 1 June 2011, Ofcom introduced revised procedures for the handling of broadcasting complaints, cases and sanctions<sup>2</sup>. Between 1 April 2011 and 31 May 2011, Ofcom handled complaints under its previous procedures. For the purposes of clarity we have provided a breakdown of the complaints handled under the two separate sets of procedures.

## Standards

A total of 7,263 cases (21,484 complaints) were about standards in television and radio programmes.

## Previous procedures

Complaints received between 1 April 2011 and 31 May 2011 were handled under Ofcom's procedures for handling broadcasting complaints that were in force at the time.

A total of 1,283 cases (7,802 complaints) were closed during that period. Ofcom found that:

- 140 cases resulted in breaches of the Broadcasting Code, other Ofcom codes or of licence conditions being recorded;
- 30 cases were resolved<sup>3</sup>; and
- 1,113 cases were found not to be in breach or outside of Ofcom's remit.

## New procedures

### Initial assessment of complaints

Complaints received after 1 June 2011 were handled under *Ofcom's procedures for investigating breaches of content standards for television and radio*<sup>4</sup>.

Ofcom assesses every complaint it receives. Based on an initial assessment of the complaint and a consideration of the related television or radio content, Ofcom will consider

whether there may have been a breach of the Broadcasting Code (or other Ofcom codes or licence conditions). If not, Ofcom will decide not to investigate further and publishes this decision in its Broadcast Bulletin<sup>5</sup>.

A total of 5,980 cases (13,682 complaints) were assessed in this way between 1 June 2011 and 31 March 2012. Ofcom found that:

- 277 cases (4,059 complaints) raised substantive issues that warranted further investigation;
- 5,203 cases (9,030 complaints) did not require further investigation; and
- 500 cases (593 complaints) fell outside Ofcom's remit.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 June 2011 and 31 March 2012, Ofcom assessed complaints on average within 4.5 working days.

## Investigations

If a case raises potentially substantive issues, Ofcom will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes or licence conditions) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

1 Available at: <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code>

2 For further information about the revised procedures, please see page 22 of the Annual Report.

3 In some cases, for instance where a broadcaster has taken immediate and appropriate steps to remedy a breach, Ofcom may consider it appropriate not to record a breach, and decide that the appropriate outcome is to determine that the case is 'resolved'.

4 Available at: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions/standards>

5 Available to view at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins>

A total of 239 investigation cases were completed in the period between 1 June 2011 and 31 March 2012. Ofcom found that:

- 104 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes or licence conditions) being recorded;
- 27 investigated cases were resolved; and
- 108 investigated cases were not in breach of the codes.

Ofcom aims to complete those cases that it takes forward for investigation within 50 working days. In the period between 1 June 2011 and 31 March 2012, Ofcom completed investigations on average within 34.1 working days.

### Fairness and privacy

Fairness and Privacy complaints are complaints about unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are normally made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

A total of 288 complaints relating to Fairness and Privacy were closed.

### Previous procedures

Complaints received between 1 April 2011 and 31 May 2011 were handled under Ofcom's procedures for handling Fairness and Privacy complaints that were in force at the time.

A total of 127 complaints were adjudicated upon during that period. Of those complaints:

- 16 complaints were upheld (of which three were partially upheld);
- 51 complaints were not upheld;
- Four complaints were resolved (following appropriate action taken by the broadcaster); and

56 complaints were not entertained or discontinued after entertainment.

### New procedures

Complaints received after 1 June 2011 were handled under Ofcom's Procedures for the consideration and adjudication of Fairness and Privacy complaints<sup>6</sup>.

### Assessment and Entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether or not to entertain the complaint. This assessment is based on whether: the complainant is the "person affected" and able to make the complaint; the matter complained of is the subject of proceedings in a court of law in the UK; or the complaint is frivolous.

A total of 161 Fairness and Privacy complaints were assessed in the period between 1 June 2011 and 31 March 2012. Ofcom decided that:

- 28 complaints were entertained; and
- 133 complaints were not entertained or discontinued before entertainment.

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 June 2011 and 31 March 2012, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 16.8 working days.

### Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, it will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred and, if so, it will uphold the complaint. Ofcom will then make its final adjudication.

- A total of 28 complaints were adjudicated upon in the period under review. Ofcom decided that:
- Six complaints were upheld (of which three were partially upheld);
- 15 complaints were not upheld;
- Two complaints were resolved (following appropriate action taken by the broadcaster); and
- Five complaints were discontinued after entertainment.

Ofcom aims to complete the consideration and adjudication of Fairness and Privacy complaints within 90 working days of the complaint being entertained. In the period between 1 June 2011 and 31 March 2012, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 76.0 working days.

<sup>6</sup> Available to view at: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions/fairness>

## Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other relevant Ofcom code or licence condition, and it considers the breach to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

The range of sanctions available to Ofcom include a decision to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty<sup>7</sup>; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

## Previous procedures

Cases considered for the imposition of a statutory sanction before 1 June 2011 were handled under Ofcom's procedures for handling broadcasting sanctions that were in force at the time.

During the period between 1 April 2011 and 31 May 2011, the Broadcasting Sanctions Committee decided to impose the following statutory sanctions:

- Press TV Limited in respect of its service Press TV – £100,000 and a direction not to repeat the material found in breach on any future occasion and a direction to transmit Ofcom's statement of findings on one occasion;
- Satellite Entertainment Limited in respect of its services Essex Babes, Northern Birds and Live XXX Babes – £90,000;
- Voice of Africa Radio Limited in respect of its community radio service Voice of Africa Radio – £1,000; and
- Al Ehya Digital Television Limited in respect of its service Noor TV – £75,000 and a direction to transmit Ofcom's statement of findings on one occasion;
- The Light Academy Limited in respect of its service Believe TV – £25,000 and a direction to transmit Ofcom's statement of findings on one occasion; and
- BBA Media Ltd in respect of its service Westside Radio – £500; and
- Neath Port Talbot (NPT) Broadcasting C.I.C. (the "Licensee") in respect of its service Afan FM – £500.

More FM Ltd in respect of its local commercial radio service Total Star – Bridgwater and West Somerset – reduce the period for which the licence is to be in force by a period of twelve months.

## New procedures

Cases considered for the imposition of a statutory sanction after 1 June 2011 were handled under Ofcom's procedures for the considerations of statutory sanctions in breaches of broadcast licences<sup>8</sup>.

During the period between 1 June 2011 and 31 March 2012, Ofcom decided to impose the following statutory sanctions:

- Satellite Entertainment Limited in respect of its services Sport XXX Girls, Essex Babes and Northern Birds – £130,000;
- Just4Us TV Limited in respect of its service Red Light 1 – £60,000, and Playboy TV UK/Benelux Limited in respect of its services Red Light 2 and Red Light 3 – £50,000;

<sup>7</sup> All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

<sup>8</sup> Available to view on the Ofcom website at: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions/procedures-statutory-sanctions>

# Statistical data

## Broadcast licensing

TV licences issued: Category	2011/12	2010/11	On Issue
TV licences issued	87	125	998*
TV licences transferred	48	67	

\* 910 TLCS licences (which authorises cable, satellite, and internet); 70 DTAS/DTPS (for content on Freeview); 18 public service (regional 3 licences, 4, 5 and Breakfast)

Radio licences issued: Category	2011/12	2010/11	On Issue
Local Sound Broadcasting Licence	–	1	294
National Sound Broadcasting Licence	–	–	3
Local Digital Multiplex (Local Radio Multiplex Service)	–	–	46
National Radio Multiplex	–	–	1
Radio Licensable Content Service (RLCS)	10	6	8
(Local) Digital Sound Programme Service (DSPS)	13	12	60
(National) Digital Sound Programme Service (DSPS)	4	3	16
Digital Additional Service (DAS)	1	1	7
Additional Radio Service Licence	*	–	1
Short Term Restricted Service Licence (RSL)	314	321	–
Long Term Restricted Service Licence (RSL)	6	15	89
Audio Distribution System RSL	1	–	11
Community Radio	39	23	198

\*The sole licence in this category expired during this period and went on to be re-awarded

## Telecoms

Complaints about telecoms services	2011/12	2010/11	Change (%)
Automatic contract renewals	650	1,050	(38)
Additional charges	4,550	5,650	(19)
Broadband speeds	1,400	1,400	0
Charged for cancelled service	3,150	4,500	(30)
Complaints handling	14,200	15,750	(10)
Migration	2,800	5,300	(47)
Mis-selling	12,550	15,300	(18)
Silent calls	16,500	10,350	59
Other	46,350	53,450	(13)
<b>Total complaints</b>	<b>102,150</b>	<b>112,750</b>	<b>(9)</b>

# Investigations programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes. The following table shows Ofcom's activities in conducting enquiries and investigations during 2011/12 and how we have performed against our statutory and published targets. This reflects the picture as at 31 March 2012.

It should be noted that the number of cases recorded in the table tends to be small and the reported KPIs can be volatile as a result. More information on the investigations programme is set out in our six-monthly reports: *Ofcom's Investigations Activity* (<http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/six-monthly-roundup-complaints>).

In July 2009 Ofcom restructured its investigations activities, splitting this work between the Competition Group Investigations Team and the Consumer Protection Team. The data in the table below cover the performance of both teams.

Activity & target	Performance against targets	Ongoing activity
<b>Enquiries</b> <ul style="list-style-type: none"> <li>Completion within 15 working days</li> <li>Completion within eight weeks for competition law</li> </ul>	<ul style="list-style-type: none"> <li>15 enquiries were concluded in 2011/12 (six led to disputes being accepted, two related to determinations required to be issued pursuant to an Order made by the CAT, one led to an own-initiative investigation and six resulted in no further action).</li> <li>Nine of the 15 enquiries (60%) were completed within target.</li> </ul>	<ul style="list-style-type: none"> <li>One enquiry was ongoing at the year end and was within target.</li> </ul>
<b>Disputes</b> <ul style="list-style-type: none"> <li>Completion within four months</li> </ul>	<ul style="list-style-type: none"> <li>A total of 11 disputes were handled in the course of the year.</li> <li>Four disputes were resolved in the year.</li> <li>All four (100%) of the resolved disputes were concluded within target.</li> </ul>	<ul style="list-style-type: none"> <li>Seven disputes were ongoing at end of the year.</li> <li>Three were within target.</li> <li>Exceptional circumstances apply to each of the four other disputes.</li> </ul>
<b>Competition law investigations</b> <ul style="list-style-type: none"> <li>Completion within six months for non-infringement or 12 months for infringement</li> </ul>	<ul style="list-style-type: none"> <li>No investigations were opened or closed during the year.</li> </ul>	<ul style="list-style-type: none"> <li>There was one ongoing investigation at the year-end that has exceeded target.</li> </ul>
<b>Other investigations and enforcement programmes</b> <ul style="list-style-type: none"> <li>Individual investigations have a target of completion within four months for all except own-initiative or Enterprise Act which have a target of completion in six months. Enforcement programmes are not subject to time targets</li> </ul>	<ul style="list-style-type: none"> <li>One investigation was opened and six were closed in 2011/12.</li> <li>Five of the six closed investigations were completed within target (83%).</li> <li>One enforcement programme was opened and none were closed in 2011/12.</li> </ul>	<ul style="list-style-type: none"> <li>There was one ongoing individual investigation at the end of 2011/12 which had exceeded its target.</li> <li>In addition, there were six ongoing enforcement programmes.</li> </ul>

# Spectrum engineering and enforcement – key performance indicators

## Main activities

Work Programme Activity/Incident		2011/12	2010/11
Interference cases received	Domestic cases *	988	1,323
	Business Cases	1,283	1,103
	Not specified	241	544
Baldock: spectrum activities		4,293	4,265
Enforcement cases opened		674	752
Radio system compliance inspections completed		215	235
Successful prosecutions for criminal spectrum activity		12	30
Unsuccessful prosecutions for criminal spectrum activity		0	0

\* Domestic Cases relate to interference affecting radiocommunications equipment used in a domestic environment.

At the start of this financial year we introduced new Key Performance Indicators (KPIs) to measure the effectiveness of our Interference Service Delivery. The new KPIs and associated targets focus directly on customer experience.

**KPI1 Time to First Visit:** The time take from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).

**KPI 2 Resolution:** The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.

## Key performance indicators (interference cases)

Case Priority	KPI	Target	Quality of Service Target Achieved	
			2011/12	2010/11
Priority 1	First Visit	8 hours	90%	n/a
	Resolution	2 calendar days	100%	n/a
Priority 2	First Visit	18 hours	94%	n/a
	Resolution	3 calendar days	97%	n/a
Priority 3	First Visit	2 working days	92%	n/a
	Resolution	6 working days	94%	n/a
Priority 4	First Visit	5 working day	88%	n/a
	Resolution	20 working days	97%	n/a
Priority 5	First Visit	15 working days	93%	n/a
	Resolution	40 working days	98%	n/a
Priority 6	First Visit	n/a	n/a	n/a
	Resolution	60 working days	97%	n/a

# Spectrum licensing

## Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
Business Radio Light – Simple UK (no base station)	1,445	1,348	7,732
Fixed Wireless Access (5.8 GHz)	51	61	332
Business Radio Simple Site	606	621	6,995
Business Radio Suppliers Light	74	49	580
Police and Fire	1	0	124
<b>Subtotal for Business Radio products</b>	<b>2,177</b>	<b>2,079</b>	<b>15,763</b>
Radar Level Gauge	0	0	124
CB, Amateur & Maritime	24,409	24,487	196,257
<b>Total for Category A</b>	<b>26,586</b>	<b>26,566</b>	<b>212,144</b>
KPI for Category A (100% in 7 days)	97%	99%	–
KPI for Category A (CB, Amateur & Maritime) (100% in 10 days)	97%	99%	–

## Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12	
Automatic Identification System	34	18	154	
Coastal Station Radio (International)	31	35	509	
Coastal Station Radio (UK)	41	40	436	
Coastal Station Radio (Marina)	46	43	428	
Coastal Station Radio (Training School)	29	43	246	
Maritime Radio (Suppliers & Demonstration)	4	5	80	
Maritime Nav aids and Radar	2	4	111	
Differential Global Positioning System	0	1	11	
<b>Subtotal for Deregulation &amp; Contracting-Out products</b>	<b>187</b>	<b>189</b>	<b>1,975</b>	
Business Radio Technically Assigned	2,689	2,705	27,096	
Business Radio Area Assigned	47	85	190	
Ground Probing Radar	23	15	148	
Scanning Telemetry	10	2	32	
Self co-ordinated links	8	4	18	
<b>Subtotal for Business Radio products</b>	<b>2,777</b>	<b>2,811</b>	<b>27,484</b>	
<b>Total for Category B</b>	<b>2,964</b>	<b>3,000</b>	<b>29,459</b>	
KPI for Category B	90% in 21 days	96%	99%	–
	100% in 42 days	99%	99%	–

## Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination		Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
Fixed Links		1,820	1,978	33,797
Satellite (Permanent Earth Station)		28	24	167
Satellite (Transportable Earth Station)		100	87	140
Satellite (Earth Station Network)		6	8	54
<b>Total for Category C</b>		<b>1,954</b>	<b>2,097</b>	<b>34,158</b>
KPI for Category C	90% in 42 days	98%	99%	–
	100% in 60 days	99%	99%	–

## Test and development (T&D) licences

	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
Non-Operational Development Licence	382	352	364
Non-Operational Temporary Licence	106	129	33
<b>Total for T&amp;D</b>	<b>488</b>	<b>481</b>	<b>397</b>
KPI for T&D (100% in 60 days)	100%	100%	–

## Mobile and wireless broadband licences\*

Licences issued through spectrum auction or award processes	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
Public Wireless Networks		–	4
3G Cellular Telephones		–	5
Spectrum Access 412 – 414 MHz		–	1
Spectrum Access 1452 – 1492 MHz		–	1
Concurrent Spectrum Access 1781-1785 MHz		–	12
Spectrum Access 1785 MHz, Northern Ireland		–	1
Spectrum Access 3.5, 3.6, 10, 28, 32 and 40 GHz		–	12
Broadband Wireless 28 GHz		–	15
<b>Total for Mobile and Wireless Broadband</b>		<b>–</b>	<b>51</b>

\*Licences varied and/or re-issued, or traded from one company to another, are not included in these figures



### Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
2G Cellular Telephones, Channel Islands and Isle of Man	–	–	8
3G Cellular Telephones, Channel Islands and Isle of Man	–	–	9
Spectrum / Wireless Access 3.4, 3.6, 10 and 28 GHz	100%	100%	–
Channel Islands and Isle of Man	(1 licence surrendered)	(1 licence surrendered)	9
<b>Total for Channel Islands and Isle of Man</b>			<b>26</b>

### Digital dividend spectrum licences

Spectrum freed up for new uses as a result of digital switchover.

DDR GI Licences issued through spectrum award processes	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
Spectrum Access 541-55MHz (Cardiff)	–	–	1
Spectrum Access 758-766MHz (Manchester)	–	–	1
<b>Total for Digital Dividend licences</b>	<b>–</b>	<b>–</b>	<b>2</b>

### Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences and the Joint Frequency Management Group (JFMG) issues licences and authorisations for outside broadcasts and programme-making and special events.

Partners' Activity	Licences issued April 11 – March 12	Licences issued April 10 – March 11	Total on issue as at 31 March 12
JFMG issues Licences for	–	–	8
Programme-Making & Special Events	4,019	3,317	4,225
KPI for JFMG (100% in 7 days)	100%	100%	
CAA issues Licences for Aeronautical	15,074	13,608	14,226
KPI for CAA (100% in 7 days)	75%	76%	
<b>Total</b>	<b>19,093</b>	<b>16,925</b>	<b>18,451</b>

<b>TOTAL NUMBER OF LICENCES – ALL CATEGORIES</b>	<b>51,085</b>	<b>49,069</b>	<b>294,688</b>
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# Sustainability Report

This section presents sustainability data and financial costs in more detail.

Greenhouse gas emissions			2008/9	2009/10	2010/11	2011/12
Non-financial indicators (tonnes CO2e)	Scope 1	Gas	218	192	239	143
		Oil	41	14	24	26
		Fleet fuel	258,836	258,836	224,632	224,338
	Scope 2	Electricity	1,844	1,791	1,768	1,542
	Scope 3	Business travel	452,981	371,478	374,811	408,279
		<i>Air</i>	262,082	148,411	165,901	188,108
		<i>Domestic</i>	18,189	20,152	11,470	11,393
		<i>Short haul</i>	147,748	81,415	103,391	147,357
		<i>Long haul</i>	96,146	46,844	51,040	29,358
		<i>Rail/bus/tube</i>	110,735	108,692	93,083	119,998
		<i>Car/motorbike/cycle</i>	63,612	104,204	111,956	96,600
	<i>Taxis</i>	16,551	10,171	3,871	3,573	
Related consumption data	Scope 1	Gas (kWh)	925,793	941,947	1,185,315	710,046
		Gas per FTE (kWh)	1,083	1,083	1,650	912
		Oil (litres)	13,508	4,500	7,953	8,500
		Fleet fuel (litres)	96,964	n/a	87,320	87,206
	Scope 2	Electricity (kWh)	3,389,442	3,291,355	3,370,121	2,938,500
		Electricity per FTE (kWh)	3,965	3,784	4,692	3,774
Financial indicators	Scope 1	Gas	£32,753	£36,460	£38,612	£19,992
		Oil	£6,268	£2,104	£4,785	£6,239
		Fleet Fuel	£112,491	£112,491	£109,219	£123,748
	Scope 2	Electricity	£369,056	£410,760	£365,542	£270,130
	Scope 3	Business travel	£987,034	£820,896	£627,606	£713,021
		<i>Air</i>	£454,839	£330,286	£194,477	£239,722
		<i>Rail/bus/tube</i>	£282,483	£258,160	£233,081	£297,685
		<i>Car/motorbike/cycle</i>	£77,176	£126,424	£150,046	£129,466
		<i>Taxis</i>	£172,536	£106,026	£50,002	£46,148

**Scope 1** – This covers direct consumption of gas and oil, and fuel consumption from Ofcom’s fleet cars.

Gas consumption data across all years covers Ofcom’s offices in London, Birmingham, Haydock and Belfast. For 2008/9 this also includes consumption from offices in Caterham, Peterborough and Livingston. For 2009/10 and 2010/11 it also includes consumption from an office in Caterham. Oil consumption data relate only to Ofcom’s office in Baldock.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services. Fuel data was not available for the 2009/10 financial year, so we have assumed that fuel consumption was the same as for the 2008/9 financial year.

**Scope 2** – This covers electricity supplies to Ofcom’s offices.

Electricity data across all years covers Ofcom’s offices in London, Baldock, Belfast, Birmingham, Cardiff, Haydock and Glasgow. For 2008/9 it also includes consumption from offices in Bristol, Caterham, Peterborough, Leeds and Livingstone. For 2009/10 and 2010/11 it also includes consumption from an office in Caterham. For 2010/11 and 2011/12 it also includes consumption from our Project Park office.

Both electricity and gas consumption are dependent on weather conditions.

**Scope 3** – Business travel financial data have been obtained from our SAP reporting system and includes travel by all our colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using Ofcom’s expenses policy. Air travel data have been obtained directly from our business travel provider,

and categorised into domestic, short haul and long haul flights as per Defra flight distance guidance.

## Waste minimisation and management

Waste data for all years relate to Ofcom’s office in London, and for 2010/11 and 2011/12 also includes data from our Project Park office.

Detailed waste data are not available for other Ofcom offices, and this consumption is insubstantial. Ofcom recycles or incinerates (with energy recovery) all its waste and operates on a zero waste to landfill basis. Ofcom pays an overall waste management fee which cannot be attributed into the individual waste categories.

Waste minimisation and management		2008/9	2009/10	2010/11	2011/12
<b>Non-financial indicators (tonnes)</b>	Total waste	100	156	150	151
	Waste sent to landfill	0	0	0	0
	Waste recycled/re-used (incl. ICT equipment)	80	92	83	89
	Waste composted	4	10	10	9
	Waste incinerated with energy recovery	16	54	57	53
	Waste incinerated without energy recovery	0	0	0	0
	Total waste per FTE	0.117	0.180	0.209	0.194
<b>Financial indicators</b>	Total waste	£35,557	£31,591	£25,649	£28,094
Finite resource consumption		2008/9	2009/10	2010/11	2011/12
<b>Non-financial indicators (m3)</b>	Water consumption (m3)	9,263	9,915	10,495	7,737
	Water consumption per FTE	10.83	11.40	14.61	9.94
<b>Financial indicators</b>	Water	£26,772	£22,461	£23,994	£19,672

## Finite resource consumption

Water data across all years covers Ofcom’s offices in London, Baldock, Birmingham and Haydock. For

2008/9 it also includes consumption from offices in Bristol, Caterham, Peterborough and Leeds. For 2010/11 and 2011/12 it also includes consumption from our Project Park office. Water charges for other offices

are included in the service charge and therefore cannot be analysed. Water consumption is limited to operational use, including a catering facility in Ofcom’s London headquarters.

### Notes

1. The above table has been prepared in accordance with guidelines laid down by the Treasury in ‘Public Sector Sustainability Reporting’ published at [www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk).
2. All information conforms to the normal public sector financial year of 1 April to 31 March.
3. Defra conversion factors have been used to calculate carbon emissions figures.
4. Emissions are not weather corrected.
5. We only report energy and water consumption in buildings where we are directly billed and responsible for the payment.
6. We only report our waste in buildings where we receive data from a waste management company.
7. Where utility bills had not yet been received, consumption was estimated based on previous months’ data.
8. Gas and electricity consumption from Ofcom’s Bristol, Caterham, Peterborough, Leeds and Livingstone offices has been included where applicable, as these offices closed at various points between 2008-10.

# Glossary

**2G** Second generation of mobile telephony systems. Uses digital transmission to support voice, low-speed data communications, and short messaging services.

**3G** Third generation of mobile systems. Provides high-speed data transmission and supports multimedia applications such as full-motion video, video-conferencing and internet access, alongside conventional voice services.

**BARB** Broadcasters Audience Research Board. The pan-industry body that measures television viewing.

**BEREC** The Body of European Regulators in Electronic Communications.

**Bit-rates** The rate at which digital information is carried within a specified communication channel. Broadband speeds are commonly measured in Mbit/s.

**Broadband** A service or connection generally defined as being 'always on' and providing a bandwidth greater than narrowband.

**Bundling** A marketing term describing the packaging together of different communications services by organisations that traditionally offered only one or two of those services.

**Communications Act** Communications Act 2003, which came into force in July 2003.

**Community radio** Refers to radio stations that typically cover a small geographical area with a coverage radius of up to 5km and run on a not-for-profit basis.

**DAB** Digital audio broadcasting. A set of internationally-accepted standards for the technology by which terrestrial digital radio multiplex services are broadcast in the UK.

**DCMS** Department for Culture, Media and Sport

**Digital switchover** The process of switching over the analogue television or radio broadcasting system to digital.

**DSL** Digital subscriber line. A family of technologies generally referred to as DSL, or xDSL, capable of transforming ordinary phone lines (also known as 'twisted copper pairs') into high-speed digital lines, capable of supporting advanced services such as fast internet access and video on demand. ADSL, HDSL (high data rate digital subscriber line) and VDSL (very high data rate digital subscriber line) are all variants of xDSL).

**DTT** Digital terrestrial television. The television technology that carries the Freeview service.

**EPG** An electronic programme guide (or EPG) is a programme schedule, typically broadcast alongside digital television or radio services, to provide information on the content and scheduling of current and future programmes.

**Fibre-to-the-cabinet** Access network consisting of optical fibre extending from the access node to the street cabinet. The street cabinet is usually located only a few hundred metres from the subscriber premises. The remaining segment of the access network from the cabinet to the customer is usually a copper pair but could use another technology, such as wireless.

**Fibre-to-the-home** A form of fibre optic communication delivery in which the optical signal reaches the end user's living or office space.

**Fibre-to-the-building** A form of fibre-optic communication delivery in which an optical fibre is run directly onto the customer's premises.

**HDTV** High-definition television. A technology that provides viewers with better quality, high-resolution pictures.

**Headline connection speed** The theoretical maximum data speed that can be achieved by a given broadband. A number of factors, such as the quality and length of the physical line from the exchange to the customer, mean that a given customer may not experience this headline speed in practice.

**Internet** A global network of networks, using a common set of standards (e.g. internet protocol), accessed by users with a computer via a service provider.

**ISP** Internet service provider. A company that provides access to the internet.

**Leased line** A transmission facility which is leased by an end user from a public carrier, and which is dedicated to that user's traffic.

**LLU (local loop unbundling)** LLU is the process whereby the incumbent operators (in the UK it is BT and Kingston Communications) make their local network (the lines that run from customers premises to the telephone exchange) available to other communications providers. The process requires the competitor to deploy its own equipment in the incumbent's local exchange and to establish a backhaul connection between this equipment and its core network.

**Local loop** The access network connection between the customer's premises and the local PSTN exchange, usually a loop comprised of two copper wires.

**LTE (Long-term evolution)** part of the development of 4G mobile systems that started with 2G and 3G networks.

**Mobile broadband** Various types of wireless high-speed internet access through a portable modem, telephone or other device.

**Net neutrality** The principle that all traffic on the internet should be treated equally, regardless of content, site or platform.

**Next generation core networks (NGN)** Internet protocol-based core networks which can support a variety of existing and new services, typically replacing multiple, single service legacy networks

**Next generation access networks (NGA)** New or upgraded access networks that will allow substantial improvements in broadband speeds and quality of service compared to today's services. This can be based on a number of technologies including cable, fixed wireless and mobile. Most often used to refer to networks using fibre optic technology.

**Peer-to-peer (P2P) distribution** The process of directly transferring information, services or products between users or devices that operate on the same hierarchical level.

**Product placement** Where commercial broadcasters include paid-for references to products and services in some TV and radio programmes.

**RAJAR** Radio Joint Audience Research – the pan-industry body which measures radio listening.

**Service provider** A provider of electronic communications services to third parties, whether over its own network or otherwise.

**Slamming** Where a consumer is switched to a different supplier of a communications service without consent.

**Smartphone** A mobile phone that offers more advanced computing ability and connectivity than a contemporary basic 'feature phone'.

**Telecommunications, or 'telecoms'** Conveyance over distance of speech, music and other sounds, visual images or signals by electric, magnetic or electro-magnetic means.

**Unbundled** A local exchange that has been subject to local loop unbundling (LLU).

**VoD (Video-on-demand)** A service or technology that enables TV viewers to watch programmes or films whenever they choose to, not restricted by a linear schedule.



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