Ofcom
making communications work
for everyone

The Office of Communications Annual Report & Accounts

For the period 1 April 2017 to 31 March 2018

HC 1206

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Our powers and duties

We regulate broadband and mobile telecoms, TV, radio, video-on-demand services, post, and the airwaves used by wireless devices

What we do

We regulate broadband and mobile telecoms, TV, radio, video-on-demand services, post, and the airwaves used by wireless devices. We help UK businesses and individuals get the best from communications services, and protect them from sharp practices. Where appropriate, we support competition as the basis for delivering good consumer outcomes.

We are an independent public authority and accountable to Parliament.

Our principal duty is to further citizen and consumer interests

Ofcom was established under the Office of Communications Act 2002 and operates under a number of Acts of Parliament[1]. The Communications Act 2003 states that our 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'.

In postal services, we must carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws.

[1] These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Acts 2010 and 2017 and the Postal Services Act 2011.

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Our legal duties guide the direction of our work

Our main legal duties are to ensure that:

- the UK has a wide range of electronic communications services;
- radio spectrum is used in the most effective way;
- a wide range of high quality television and radio programmes are provided by a range of different organisations, appealing to a range of tastes and interests;
- people are protected from harmful or offensive material, unfair treatment and invasion of privacy on television and radio; and
- the universal service obligation on postal services is secured in the UK.

Ofcom can enforce consumer law on behalf of consumers but does not have the power to resolve individual consumer complaints about telecoms or postal services. Where appropriate, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. By contrast, we do consider individual complaints about TV and radio.

Our new regulatory responsibilities for the BBC

Under the new Royal Charter and accompanying Agreement, regulation of the BBC passed from the BBC Trust to Ofcom on 3 April 2017. These documents set out the reform of the BBC's governance and regulation, including the creation of a new unitary Board to run the BBC.

One of Ofcom's central responsibilities under the new Charter is to hold the BBC to account for fulfilling its mission and promoting its public purposes.

As part of our new responsibilities, we are required to publish an Operating Framework containing provisions to secure effective regulation of the BBC. In relation to the BBC's performance, we must set an operating licence for the BBC, and we may set measures to assess the BBC's performance. The licence must set out the enforceable regulatory conditions that we consider appropriate for the BBC to fulfil its mission and promote its public purposes.

We have consulted on, and published, new frameworks and procedures relating to our role in overseeing the BBC's broadcasting standards and the BBC's impact on competition in the wider market.

In October 2017, we published a new operating licence[1] for the BBC. The licence requires the BBC to broadcast more original UK programmes, and also requires more BBC content to be made across the UK and in the nations. The rules are designed to ensure the broadcaster offers high-quality, distinctive programmes for its entire audience, and they set new quotas in areas including arts, music, comedy and children's programmes.

[1] https://www.ofcom.org.uk/__data/assets/pdf_file/0017/107072/bbc-operating-licence.pdf.

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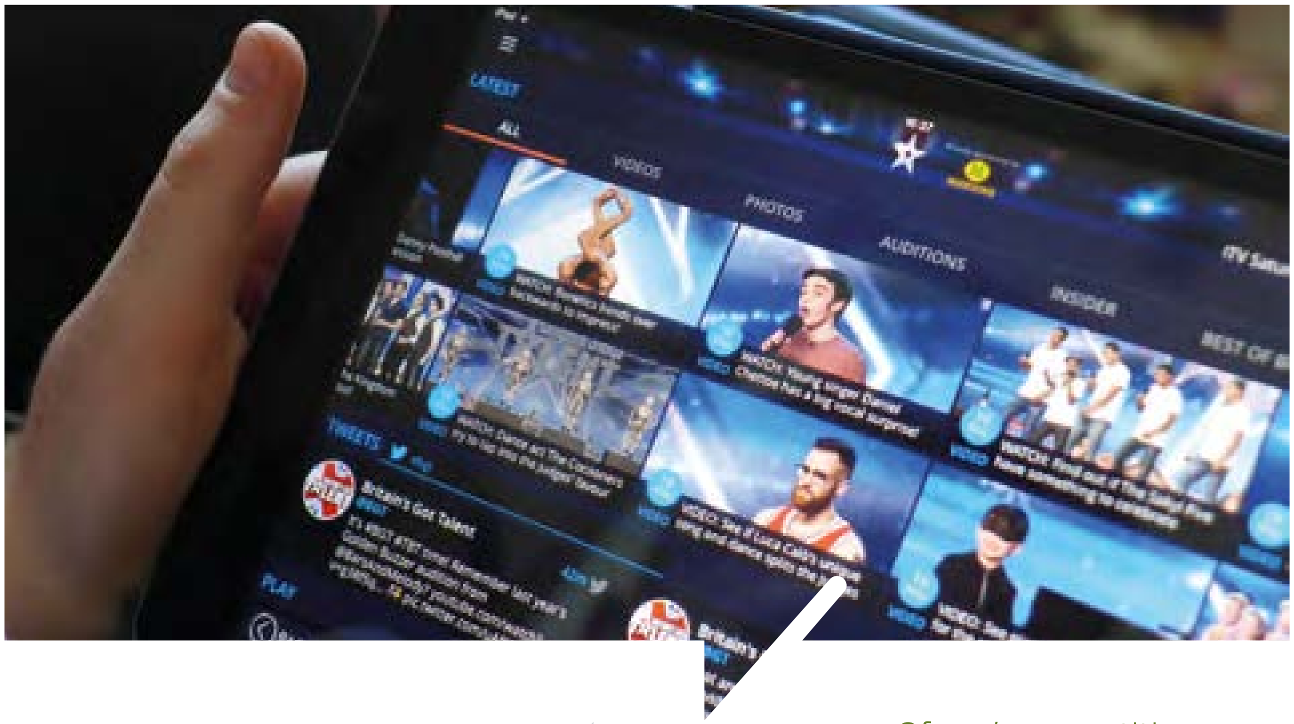

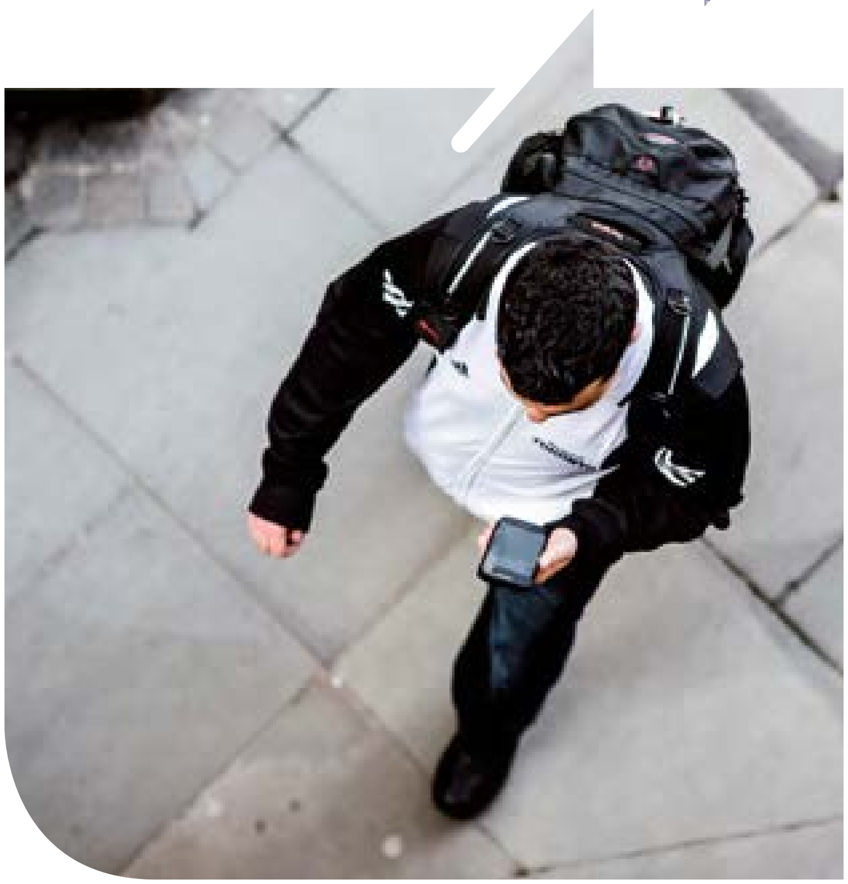

Ofcom's competition law powers

In addition to our regulatory responsibilities set out earlier, we have powers in relation to communications matters[2] to:

- enforce the prohibitions on anti-competitive agreements and abuse of a dominant position, set out in the Competition Act 1998, and the corresponding provisions under the Treaty on the Functioning of the European Union; and
- investigate markets and make references under the Enterprise Act 2002 to the Competition and Markets Authority (CMA).

Ofcom considers whether it is more appropriate to exercise Competition Act or sectoral powers in any given case, subject to the specific legislative requirements.

[2] The term 'communications matters' covers various aspects of electronic communications, as well as broadcasting and the provision of postal services. We exercise these powers concurrently with the CMA.

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Chairman's message

Lord Burns, GCB

The UK's communications industries are among the fastest growing and most important in the UK's economy

We rely on communications services every day of our lives, from the internet and mobile phones to television, radio and post.

Competition and effective regulation underpin the success of these industries for consumers and citizens across the UK.

As Ofcom Chairman, my focus is on helping to ensure the public benefit from reliable and high-quality communications services. We do this by promoting competition between different companies, while stepping in to protect people and businesses if things aren't working.

We retained our sharp focus on improving broadband, phone and mobile services for consumers during the year.

By creating the conditions for competition to thrive, we saw a number of commitments from telecoms companies to build new state-of-the-art fibre networks, which will mean faster and more reliable broadband.

Over the next few years, the number of homes and businesses able to benefit from full fibre broadband is set to rise from one to six million, which is an encouraging start.

But it is crucial that all people can access decent broadband, especially those in rural areas. Following new legislation from the UK Government in March 2018, we started work to implement a 'universal service' for broadband. This means that by 2020, everyone in the UK will have a legal right to request an affordable broadband connection of10Mbit/s.

The four national mobile networks met their obligations by the end of 2017 to extend coverage. We auctioned spectrum for mobile phones – for 4G and future 5G services – and started planning for our next auction.

We proposed that winning bidders of some of the spectrum would have to roll out improved 4G mobile coverage in rural areas and in each of the UK's nations.

Ofcom will also step in to help the public when things aren't working. We pressed ahead with our plans for broadband and home phone customers to get automatic compensation when they are let down by their provider. And we stepped in to help some of the most vulnerable in society by reaching an agreement for BT to drastically cut line rental for its landline-only customers.

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We also completed our first year of regulating the BBC. In October 2017, we set the BBC conditions it must meet to help ensure audiences receive the programmes they most value. We will publish our first assessments of how the BBC is performing and meeting the requirements of its Royal Charter in the autumn.

There were changes to the Ofcom board in the year as the terms of non-executives concluded.

Ofcom said farewell to Chairman Patricia Hodgson, who stepped down at the end of 2017. Dame Patricia has been a dedicated and wise leader to Ofcom since joining the Board in 2011.

Sheila Noakes, Ofcom's Deputy Chairman and Chairman of the Risk and Audit committee, left the Board in May 2018 after her term ended. Baroness Noakes brought valuable Boardroom experience and skilled financial stewardship since joining the Board in 2014.

Nick Pollard, Board member and Chair of the Content Board, left the Board in May 2018 after his term ended.

Steve Unger, Executive Board member and Director of Ofcom's Strategy, International, Technology and Chief Economist Group, decided to leave Ofcom in June 2018 this year.

They have all made significant contributions to Ofcom's work over the years and the organisation is extremely grateful.

At the time of writing, the Department for Digital Culture, Media & Sport was recruiting for replacement Board members.

Ofcom understands the importance of reflecting the full breadth of the nations and regions we serve; our new offices in Warrington and Edinburgh are now well established.

We welcomed Bob Downes to the Board in February 2018, who brings a range of experience including telecoms. Bob's appointment followed a Memorandum of Understanding with the UK Government and Scottish Government and Parliament, for appointments to the Ofcom Board.

Once similar agreements are made with administrations in Wales and Northern Ireland, we will appoint Board members for these nations.

In September 2017, Tim Suter was appointed to the Board on a four-year term. Tim is familiar with Ofcom's work, having joined the organisation at its inception in 2003 to oversee broadcasting regulation.

Tim and Bob are already bringing their broad experience and judgement to the Board, which is greatly benefiting Ofcom.

Until the new Board members are in place, Bob will serve as interim Chairman of the Risk and Audit Committee; Tim will be interim Chairman of the Content Board; and Ben Verwaayen will be interim Chairman of the Remuneration Committee.

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Chief Executive's report

Sharon White, Chief Executive

Telegraph poles and underground cable ducts might not sound like the starting place for the next digital revolution

But they are playing a crucial role in unlocking investment in new ultrafast networks, which will support better broadband and mobile services for people and businesses.

Full-fibre provides customers with broadband that is many times faster and around five times more reliable than today's superfast services. But it is available to just 4% of UK homes and offices.

Among our most important decisions in the year was making it easier for companies to access the poles and tunnels owned by Openreach, the network company of BT. As a result, it is now quicker and cheaper for rival companies to build their own full-fibre networks directly to homes around the UK to offer customers more choice.

This measure fundamentally changes the business case for building new networks. It could cut the upfront costs of laying fibre cables from £500 per home, to £250. It also reduces the need to dig up roads.

In recent months, we've seen a range of commitments to invest in better broadband from Virgin Media, Vodafone, CityFibre, BT and TalkTalk among others. This could see up to six million homes and businesses benefit by full fibre by 2020. This is a promising start, but there is much more to do.

Opening up Openreach's network formed part of a package of measures to increase investment in broadband, which ultimately means better broadband for customers.

We decided not to regulate the prices of Openreach's fastest wholesale superfast broadband products, including its new full-fibre services, which supports the incentives for operators to build new networks.

At the same time, we protected consumers against high prices, particularly in rural areas. We did this by cutting the wholesale price that Openreach can charge telecoms companies for its basic superfast broadband service.

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Improving broadband and mobile phone services

Ofcom has a relentless focus on ensuring that people in the UK get the best possible broadband and mobile phone services, and that these are available as widely as possible.

This includes providing strong incentives to companies to improve service quality for customers.

We confirmed our plans to require landline and broadband providers to pay automatic compensation – either a cash payment, or a credit on a bill – to customers who suffer from slow repairs, missed deadlines or appointments.

Following our intervention, BT, Sky, TalkTalk, Virgin Media and Zen Internet – who together serve around 90% of landline and broadband customers in the UK – agreed to introduce automatic compensation when things go wrong.

From early 2019, landline phone and broadband customers are set to receive £142m a year in pay-outs from their provider, without having to ask, to compensate for slow repairs, missed appointments or delayed installations. That is around nine times the current level.

As well as service quality, the speed of broadband is also a frustration to many people. At the end of March 2018, the UK Government laid legislation for a 'universal service obligation' for broadband, which came into force in April 2018, and which Ofcom will implement. This means that by 2020 everyone in the UK would have a legal right to request a broadband connection of 10Mbit/s.

Placing coverage obligations on mobile companies plays an important part in ensuring more people and businesses can receive good coverage.

After successfully defending our decisions against litigation from mobile companies, we held an important auction of 4G and 5G 'spectrum', the airwaves that fuel internet access on mobile phones and tablets. In early April 2018 we announced that all four mobile network operators acquired spectrum. This will mean improved services for customers, now and in the future, as we prepare for 5G, the next generation of mobile.

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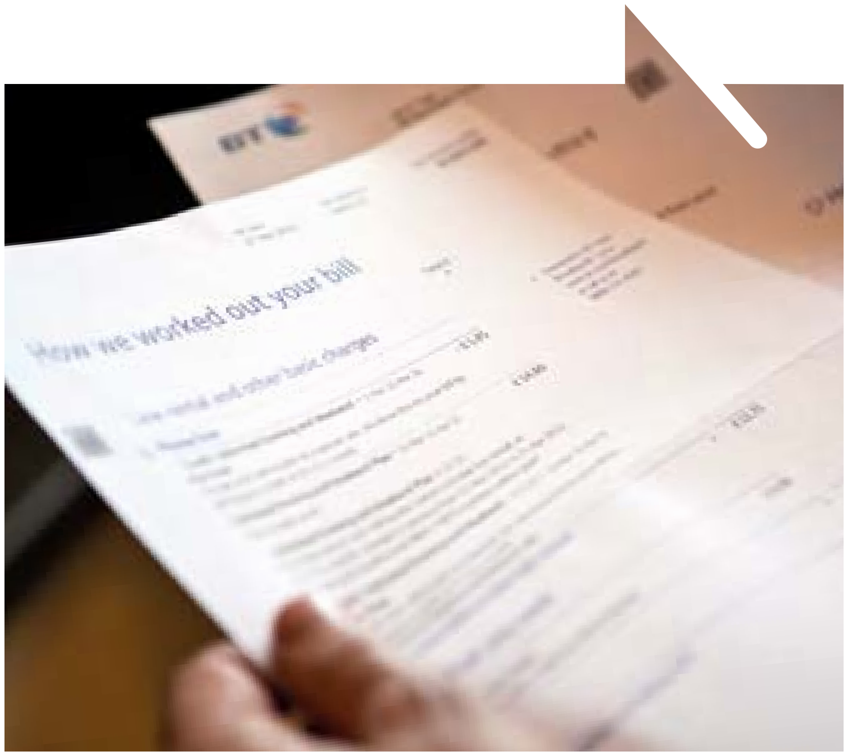

In 2014, all four mobile network operators agreed with the UK Government to ensure mobile phone calls could be made in 90% of the country's landmass by the end of 2017, using coverage measures in place at the time. Separately, in 2013 we required O2 to provide 4G mobile data coverage to 98% of premises across the UK by the end of 2017. This year we confirmed that the mobile companies had met these coverage obligations.

But we want coverage to go much further. So, in March 2018 we consulted on new mobile coverage obligations for when we release spectrum in the 700 MHz band, which we expect to auction in late 2019.

We proposed that companies who win certain amounts of the spectrum must roll out improved mobile coverage in rural areas – including for properties that are currently unable to access good coverage from any operator.

Our plans would also require some companies to provide better coverage in each of the UK's nations.

Getting more airwaves into the hands of mobile companies is vital: UK consumers are using 40% more internet data on their mobile devices every year.

We also continued to provide tools and data to help inform consumers about the broadband speeds and mobile coverage they are likely to experience. We recorded over 3.7 million page views of our coverage checker website in 2017/18.

Protect consumers from harm

Protecting consumers – both people and businesses – is at the heart of Ofcom's work. So, when things aren't working, we look to step in.

In October 2017, we were pleased that BT agreed to our requirements to cut bills for its customers who buy only a landline telephone. From April 2018, line rental bills were cut by £7 a month to £11.99, saving up to 900,000 mostly elderly or vulnerable customers £84 a year.

We were encouraged that the Post Office, which serves the second largest share of the landline-only market after BT, offered a new price of £11.50 a month.

In December 2017, we announced major improvements for mobile customers who want to change their provider. From early next year, mobile customers will be able to switch network by simply sending a free text message.

Customers will no longer have to speak to their current provider – one of the major causes of difficulties for mobile switchers. Our new rules also mean mobile companies are banned from charging for notice periods running after the switch date.

> UK consumers are using 40% more internet data on their mobile devices every year.

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Supporting broadcasting for viewers and listeners

2017/18 marked Ofcom's first year regulating the BBC, the national broadcaster that occupies a special place in the UK's society and creative economy. This important role comprises three key responsibilities: securing editorial standards, monitoring performance and ensuring the BBC competes fairly with the commercial market. The interests of audiences are at the heart of our regulation.

Among the most significant duties in the year was to establish an 'operating licence' for the BBC, which helps ensure it provides programmes and services that TV and radio audiences value.

Audiences told us that programmes made in the UK are important to them. So, we required the BBC to broadcast more original UK programmes that reflect the lives and interests of its entire audience.

There are new quotas in areas like arts, music, comedy and children's, which will help serve the BBC's purpose to be distinctive, creative and relevant to the UK's diverse communities. The BBC must also spend broadly the same on programmes, per head, in every nation.

We have a duty to promote equality of opportunity in broadcasting. Ensuring that broadcasters reflect audiences across the UK's nations was a major focus in the year.

In September 2017, we published our first *Diversity in Broadcasting* report,[1] which revealed how well broadcasters are promoting equality of opportunity, diversity and inclusion in employment. It showed that all broadcasters have more to do on monitoring and improving the diversity of their workforces. We also published new guidance for broadcasters on how to promote equal opportunities.

Ofcom has an important role, established by Parliament, to maintain and strengthen public service broadcasting. Television is changing fast, and we recognise that our traditional broadcasters must adapt to meet the challenges of global competition, new technology and a more diverse society.

This year we set out some of those changes and explained how we will support public service broadcasters as they respond to them. We began work on a review of how they appear in television programme guides, and reiterated our commitment to maintaining airwaves for Freeview, which is used by 19 million homes, for at least ten years.

[1] https://www.ofcom.org.uk/__data/assets/pdf_file/0017/106343/diversity-television-report-2017.pdf

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Progress on delivering against our Annual Plan priorities

Ofcom's objective is to make communications work for everyone. To achieve this, we have set out three long-term goals, and each carries a set of aims to bring it about

Our three goals are to:

- **secure standards and improve quality;**
- **promote competition and ensure that markets work effectively for consumers; and**
- **protect consumers from harm.**

We look at each goal in detail below, explaining our aims, what action we have taken, and the outcomes so far.

Secure standards and improve quality

Ofcom works to create a market where good-quality communication services are accessible and affordable for everyone.

Although healthy competition drives higher quality and lower prices, sometimes markets do not serve everybody equally well. Where this happens, we need to make targeted interventions to protect consumers or improve service quality.

We also secure standards in television, radio and video-on-demand, holding broadcasters to account for their output.

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Nearly seven in ten premises can now receive an indoor 4G mobile signal from all four networks

Our objective

Improving the coverage of fixed and mobile communications services to meet the needs of consumers and businesses across the UK

While the coverage of fixed and mobile networks continues to improve, there remain many areas of the UK where fast broadband services do not exist, and where mobile coverage is poor – particularly in rural areas of the nations and regions.

For example, around 0.9 million homes and small businesses, or 3% of premises, are still unable to receive broadband speeds of 10 Mbit/s.

Broadband speeds and access remain worse in rural areas, where properties are often situated a long way from the telephone exchange or local street cabinet. Around 16% of rural premises are not getting decent broadband services, compared to just 1% in urban areas.

And while people can now make telephone calls on all four mobile networks inside 92% of UK premises, this falls to 75% on A and B roads and 66% in rural areas. Around three-quarters of the UK landmass is covered by all four operators, but 7% of it is not covered by any operator.

Close to seven in ten premises can now receive an indoor 4G mobile signal from all four networks, but too many people in the UK still struggle to get good reception – particularly in rural areas and on roads and railways.

Total geographic 4G coverage, where reception is available from all four mobile operators, is available across just 57% of the UK's landmass. For calls and text messaging, 24% of the UK's geography does not receive a signal from all four operators.

We aim to improve the coverage of fixed and mobile communications services to meet the needs of people and businesses across the UK, including in rural and remote areas where commercial approaches have often failed to deliver on expectations.

What we have done

The number of properties without access to decent broadband has fallen from 2.4 million to 0.9 million in the past two years. However, providing decent broadband in hard-to-reach areas remains commercially challenging.

In November 2015, the UK Government set out its intention to introduce a broadband universal service obligation (USO) by 2020.

To support this this aim, in December 2016 we published our advice to the Government on how to achieve a decent broadband connection for everyone.

We examined factors such as speed, eligibility, affordability and funding, as well as the potential costs.

The Government considered the options, and rejected a voluntary proposal from BT. In March 2018, the Government laid out the detailed specification of the USO within secondary legislation. This would give everyone in the UK the right to request a decent broadband connection – defined as a download speed of at least 10 Mbit/s, and an upload speed of at least 1 Mbit/s.

It is now Ofcom's job to implement this, for example by designating universal service providers. That work is under way.

At the same time, our work to promote investment and competition in fixed line networks (see page 20) should help boost superfast and ultrafast broadband coverage, meeting the increasing bandwidth needs of people and businesses.

The availability of mobile services is increasingly important to people and businesses, and improving it is a priority for Ofcom.

We recognise mobile coverage needs to improve, and providers must prioritise offering better coverage. We're taking our own direct action, including a six-point plan to help boost mobile coverage across the UK.

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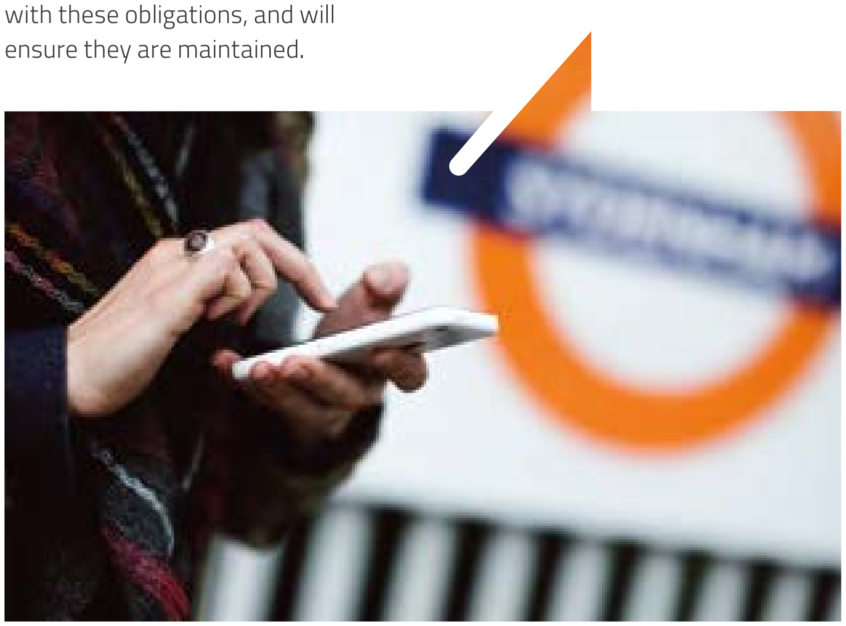
1. Setting new requirements in operators' licences
We have consulted on plans to improve coverage in rural areas, by setting coverage obligations on mobile airwaves being released in future. We plan to write these requirements into licences of operators who are awarded these frequencies in the 700 MHz band, which are suitable for providing strong coverage over very wide areas, are planned to be in use by mid-2020.

2. Enforcing existing obligations
Mobile operators were required to provide voice and text coverage to 90% of the UK landmass by the end of 2017, while O2 was also required to provide an indoor 4G signal to at least 98% of premises by the same time. We reported on mobile companies' successful compliance with these obligations, and will ensure they are maintained.

3. Increasing network capacity
In April 2018, we successfully awarded 190MHz of spectrum across the 2.3 GHz and 3.4 GHz bands (see page 20-22) and would have done this earlier had it not been for litigation. These new airwaves will help improve current mobile capacity and make spectrum available for future 5G services. We also started work on an auction for the 700 MHz band. Ahead of this award, we continue to clear digital terrestrial television (DTT) and programme-making and special-events (PMSE) services from this band, so we can release it for mobile data. We reported on the risk of, and potential mitigations against, interference to new mobile services from the existing users of the band. We also worked on the formulation and administration of Government grant schemes to help manage the transition of these important services to new frequency bands.



4. Helping to improve coverage on trains
We have installed equipment on Network Rail's engineering train, to help build a picture of mobile reception across the UK's rail network. This will help inform our work with Government to help improve coverage.

5. Supporting planning reforms
We are also helping to implement new planning laws that will make it cheaper and easier for mobile operators to improve coverage by sharing and installing equipment, such as mobile masts on private and public land.

6. Extending use of signal boosters
In October 2017 we decided to allow controlled, unlicensed use of mobile phone 'repeaters', which amplify signals between a mobile phone and the operator's transmitter. The changes, which came into effect in April 2018, will help people to improve their mobile coverage where the signal is weak.

While our research shows an improvement in the availability and coverage of fixed and mobile services across the UK, there is more to be done, particularly across the nations and rural areas of England.

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Our objective

Improving quality of service in fixed and mobile telecommunications services for consumers and businesses

Competition, innovation and investment in telecommunications over the past decade have benefited customers through lower prices and better services. But while consumers have generally taken advantage of lower prices, too often quality of service has not been good enough.

People and businesses need high-quality, reliable telecoms services. Although most tell us they are satisfied with their phone or broadband, some have suffered from poor service quality, such as unacceptable delays to installations or repairs.

Ofcom is working to deliver a step change in quality of service across the industry, and to ensure customers are appropriately compensated when things go wrong.

What we have done

Providng good information to consumers which compares different companies can increase competition and improve quality of service. In April 2017, we published our first annual report on service quality across the telecoms industry, naming the best and worst performers.

At the same time, we launched an online tool, offering the detail of the report in a simple visual format. This service, and the accompanying report, allow phone and broadband customers to compare how different providers rate for answering customer calls, handling complaints, and reliability of their services.

Our annual report on service quality provides a benchmark for improvement. It gives consumers the information they need to identify the best and worst performers, and to shop around for something better. The publication of this detailed information also places a clear incentive on providers to improve in areas where they are falling short of customers' expectations.

An important company in the area of service quality is Openreach, the part of BT Group that runs and maintains the UK's main telecoms network on behalf of multiple phone and broadband companies.

Openreach has been reducing the amount of time it takes to fix faults and install new lines, but we want to see its performance improve further. So as part of our Wholesale Local Access Market Review (see page 20), we established more stringent requirements on Openreach for repairs to, and installations of, standard phone and broadband lines, to ensure its performance remains at an acceptable standard.

The new requirements came into effect in April 2018, and they will step up annually over the next three years. We will continue to monitor Openreach's performance closely and respond if standards are not met.

The whole sector – not just Openreach – has a role to play in delivering better quality of service. And when customers do not get the standard they expect, we believe they should receive adequate compensation automatically without having to ask for it.

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In March 2017, we put forward proposals to require landline and broadband providers to pay automatic compensation – either a cash payment, or a credit on a bill – to customers who suffer from slow repairs, or missed deadlines or appointments.

Following our intervention, BT, Sky, TalkTalk, Virgin Media and Zen Internet – which together serve around 90% of landline and broadband customers in the UK – agreed to introduce an automatic compensation scheme which reflects the harm people suffer when things go wrong.

Under the scheme, a landline or broadband customer will be entitled to automatic compensation if:

- their service has stopped working and is not fully fixed after two full working days. They will receive £8 for every day that the service is not repaired;
- an engineer does not turn up for a scheduled appointment, or it is cancelled with less than 24 hours' notice. They will receive £25 for every missed appointment; or
- their provider promises to start a new service on a particular date but fails to do so. They will receive £5 for each day of the delay, including the missed start date.

Alongside this, we introduced new rules to ensure all small and medium-sized businesses are given clearer, more detailed information upfront about the quality of service they can expect. This includes whether they can claim compensation when problems occur.

Following an implementation period, from February 2019 all landline and broadband customers suffering slow repairs, delayed installations or missed engineer appointments will receive adequate compensation easily, quickly and automatically. At present, compensation is paid out in just one in seven cases. The changes could mean up to a total of £142m in pay-outs, around nine times the current level.

The new scheme provides a financial and reputational incentive for providers to improve their overall levels of service quality. We will closely monitor and review it one year after implementation, to ensure it is working well.

While some progress has been made, we want to see service standards raised further. Ofcom is determined to help bring about a service revolution in the telecoms sector, where consistency and excellence becomes the norm, and customers always come first.

Our objective

Increasing the capacity of mobile networks by ensuring sufficient spectrum is available

Spectrum is a finite and valuable resource that underpins wireless services, ranging from TV to radio communications and broadband.

One of Ofcom's core roles is to manage carefully the supply of spectrum and balance users' needs by ensuring they have access to an appropriate amount. Ensuring the best and most efficient use of the airwaves is important in meeting mobile phone users' needs, and in supporting the UK's wider economy.

The amount of data flowing through our mobile devices has grown ten-fold in five years. Mobile providers need more airwaves to support this growing demand for internet services on the move, which is driven by smartphones and tablet devices.

The Ofcom Mobile Data Strategy statement, first published in May 2014 and updated in June 2016, explained how, over the next two decades, we plan to facilitate continued long-term growth in consumer and citizen benefits from the increasing use of mobile data services over the coming two decades.

5G is the next generation of mobile technology. It follows previous generations of mobile technology such as 3G and 4G. It is expected to deliver faster and better mobile broadband, and to enable more revolutionary uses in sectors such as manufacturing, transport and healthcare. This may create benefits for people and businesses and expand the role of wireless connectivity within the economy and society.

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We want the UK to be a world-leader in 5G, which will benefit our people, businesses and the wider economy. We aim to ensure that spectrum is not an inhibitor of early 5G roll-out. We will release different types of spectrum bands for 5G as soon as practicable to ensure users can access the spectrum they need.

In March 2018, we published a discussion document on the enablers, including spectrum, of 5G. We identified different bands, at different frequency ranges, to meet the requirements of the future 5G users and uses:

- low frequency spectrum: to support improved coverage and user experience;
- mid frequency spectrum: to meet the increasing capacity demand for mobile services including 5G; and
- high frequency spectrum (mmWave): which, to date, has not been used to deliver mobile services, but is likely to be used to support new 5G applications, in particular those that require high capacity and very low latency both by mobile network operators (MNOs) and other players.

What we have done

The UK benefits from four national network mobile operators, as well as a number of 'virtual' operators which offer services by piggy-backing on the infrastructure of the national operators. This competition helps ensure high-quality services, competitive prices, choice and innovation.

In March 2018 we began the auction of 190 MHz of radio spectrum across the 2.3 GHz (40 MHz) and 3.4 GHz (150 MHz) bands, to allow mobile network operators to increase data capacity, enabling their customers to enjoy more reliable internet browsing.

The bands were formerly used by the Ministry of Defence and were identified as part of the Government's plan to release 750 MHz of public-sector spectrum in bands under 10 GHz by 2022. Of this, two-thirds will be made available by 2020.

Spectrum in the 2.3 GHz band is compatible with existing phones made by companies such as Apple and Samsung and is usable from the time of release after auction, helping to increase mobile broadband capacity for today's mobile users.

3.4 GHz spectrum is earmarked for future 5G services, and is expected to become usable in 2019 for such services. It will be vital for the future, supporting the rollout of 5G in the UK.

We designed the auction of these bands to ensure that mobile users will continue to benefit from strong competition.

The auction rules placed two caps on the spectrum any one operator can hold, to protect competition in the market. The first meant that EE, which held the most spectrum, was not able to bid for any spectrum in the 2.3 GHz band. The second was an overall cap on how much a single operator could hold after the auction.

Both BT/EE and Three challenged these rules in the courts, delaying an award originally earmarked for October 2017. BT/EE wanted the restrictions removed, and Hutchison 3G asked for tougher limits on the amount of spectrum any one bidder could have.

Following decisions in Ofcom's favour by the High Court and Court of Appeal, we were able to confirm the rules as originally imposed for the award. Subsequently, we invited applications for the auction, and thereafter announced a list of the six qualified bidders on 27 February 2018. Bidding in the principal stage of the auction began on 20 March 2018, concluding on 4 April 2018. Ofcom granted licences to use the spectrum to the winning bidders on 13 April 2018.

Telefónica won all 40 MHz of the 2.3 GHz spectrum and started releasing it for use by its customers on the same day we granted the licence. In the 3.4 GHz band, Vodafone won 50 MHz, while Telefónica and EE each won 40 MHz. Hutchison 3G won 20 MHz adjacent to a block of 20 MHz for which its wholly-owned subsidiary, UK Broadband, already holds a licence.

Overall, the auction has resulted in an immediate increase in mobile broadband capacity for Telefónica's customers, a more even distribution of spectrum overall between the four-competing national mobile network operators, and a good starting platform for all four to develop 5G services in future.

In designing the auction, our duty was to ensure spectrum was used efficiently, not to maximise revenue. We estimate that these airwaves will deliver benefits to UK consumers of £10bn over the next decade. The award raised £1.37bn for HM Treasury.

We are currently preparing to auction the 700 MHz and 3.6-3.8 GHz bands in the second half of 2019.

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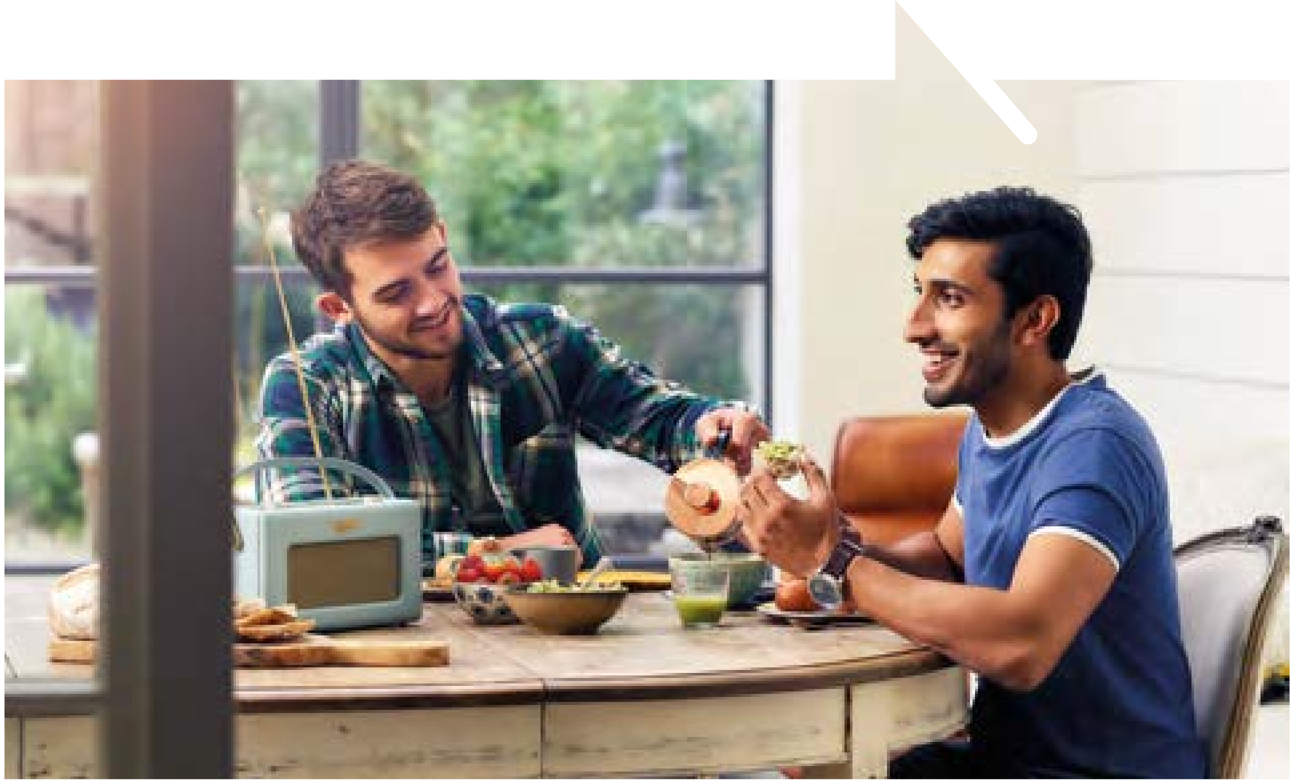

Our objective

Securing quality in public service broadcasting

Public service broadcasting describes TV programmes that are broadcast for the public benefit, rather than for purely commercial purposes, under a defined remit.

Public service broadcasting brings a number of significant cultural benefits. It ensures diversity in media and plurality in news. It also encourages the production of programmes that reflect and examine wider society. And it plays an important economic role, supporting the creative industries and the independent production sector in particular.

Ofcom seeks to ensure the quality of public service broadcasting through a regular review of the provision of television services by the designated public service broadcasters (PSBs). This includes how much these broadcasters are spending on programmes, and the different types of programmes they show.

What we have done

We published new analysis setting out the challenges facing the UK's PSBs in the face of greater online media consumption and global competition.

This explained what we can do to support the system in the next decade and beyond, which will form a work programme for the coming year. We also encouraged broadcasters to collaborate to ensure that they remain globally competitive and relevant to UK audiences.

Viewers have told Ofcom that programmes made in the UK are important to them. The BBC is the cornerstone of public service broadcasting in the UK. Original content can also help the BBC meet its duties under its new Charter, which include being distinctive, creative and reflecting the UK's diverse communities.

Over the year, we consulted on and published our first operating licence for the BBC. This set a wide range of enforceable conditions designed to:

- hold the BBC to account for delivering its new mission and public purposes;
- secure the provision of distinctive content across the BBC; and
- ensure the BBC's output reflects, represents and serves diverse communities across the United Kingdom's nations and regions.

We decided to set a licence covering all the BBC's UK public services, rather than separate service licences, as the different requirements are variously aimed at one, some or all BBC services. We also published individual documents for each of the UK nations, drawing together all the regulatory conditions that apply to the BBC in that nation.

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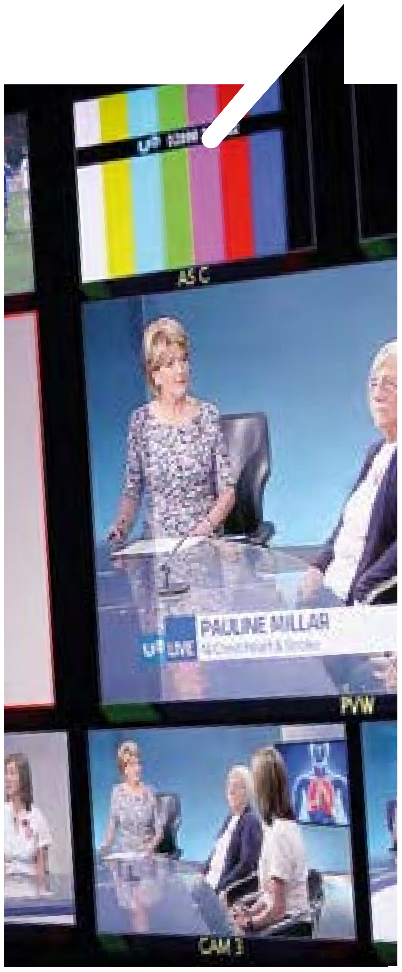
The new licence requires at least three-quarters (75%) of all programme hours on the BBC's most popular TV channels to be original productions, commissioned by the BBC for UK audiences.

There are new requirements on Radio 1 and Radio 2 to play a broader range of music than commercial stations, and more music from new and emerging UK artists. The children's channels CBBC and CBeebies must respectively show at least 400 and 100 hours of brand new, UK-commissioned programmes each year.

In most areas, we have placed stronger requirements on the BBC than existed before. We will set out our assessment of the BBC's compliance in the autumn.



Alongside the new licence, we announced our first in-depth review of how different groups are represented and portrayed by the BBC, based on what these audiences expect. We expect to publish our findings alongside the annual compliance report in the autumn.

In addition, we set out how we will measure the BBC's performance more broadly, to give audiences a detailed and comprehensive picture of how it delivers the mission and public purposes across all of its services. We plan to use a broad range of data sources to do this, including a new BBC tracker which will collect the views of a range of audiences about the BBC.

Channel 4's public service broadcasting remit places a particular emphasis on cultural diversity, including an objective to reflect the lives and concerns of different communities, cultural interests and traditions within the UK, and locally in different parts of the country. Each year we respond to Channel 4's annual Statement of Media Content Policy, setting out our assessment of how well the broadcaster delivered its duties in the previous year.

In July 2017 we published our seventh response. Before this, we had carried out audience research to find out whether viewers felt that Channel 4 was delivering on its remit. We also took an in-depth look at Channel 4's financial sustainability, to determine the company's ability to continue delivering its remit.

Overall, we found that Channel 4 had performed strongly in 2016, particularly on diversity, online consumption, news and current affairs. We also found that, based on likely trends in TV advertising spending and viewing, Channel 4 could remain financially sustainable in its current form throughout its licence period, although we recognise it faces some risks.

We raised some concerns about Channel 4's declining investment in educational content for 14- to 19-year-olds, and asked it to consider how it could better represent different cultures and communities within its programmes. We will continue to monitor the company's performance.

The UK has the most vibrant, creative and innovative TV and radio industries in the world, and public service broadcasting plays a major part in that success. Our work should help ensure that PSBs meet audiences' expectations, and retain standards across broadcasting and content.

The UK has the most vibrant, creative and innovative TV and radio industries in the world, and public service broadcasting plays a major part in that success

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Our objective

Ensuring that broadcasting represents and accurately portrays UK society

Audiences expect programmes to reflect modern life across all the nations and regions of the UK. But Ofcom's research has found that many people do not feel broadcasters are making programmes that authentically portray their real lives and communities.

The UK's creative industries already lead the world in innovation and imagination. But more can be done to broaden the scope and depth of talented people who work both on and off air.

We have a duty to promote equal opportunities for men and women, people from different ethnic backgrounds, and disabled people who are employed by television and radio broadcasters.

What we have done

Ofcom launched a major Diversity in Broadcasting programme to help improve diversity in the industry.

In September 2017, we published our *Diversity and Equal Opportunities in Television* report,[1] providing a comprehensive picture of how television broadcasters are performing on equality and diversity overall. The findings shine a clear light on the scale and nature of the diversity challenge, revealing which groups lack representation across major television broadcasters.

We looked at the make-up of employees across different roles, the steps that are being taken to promote equal opportunities and some of the strategies aimed at improving diversity.

We developed new guidance based on the report's findings to help broadcasters to promote equal opportunities within their organisations. The report strongly encourages broadcasters to monitor all the characteristics of their employees, because diversity cannot improve unless it is effectively measured.

Ofcom reviewed each broadcaster's equal opportunities arrangements and provided them with an overall assessment and guidance on what was needed to improve their arrangements. We made clear that we will review broadcasters' arrangements annually and assess them against our new guidance.

Ahead of the second television report, due to be published in 2018, we have engaged with industry and other stakeholders to gather feedback, share best practice and discuss broadcasters' measures to promote equal opportunities among their employees. We have discussed diversity across all the protected characteristics listed in the Equality Act 2010, and other important aspects such as social mobility, geographic and educational backgrounds.

We have also begun work on our first *Diversity and Equal Opportunities in Radio* report, engaging with radio stakeholders. This report will give a clear understanding of how the UK's radio industry is performing on diversity overall, and how it is promoting inclusion within its workforce.

Ofcom wants to play a leading role in helping to promote equality of opportunity within the media industry. We want to see the best and brightest talent forging successful careers in our creative sector, regardless of their background.

Broadcasting has a unique ability to shape and reflect the UK's society and values. By publishing our annual monitoring report, we are encouraging broadcasters to assess and improve their equal opportunities arrangements on a regular basis.

And by increasing their diversity, broadcasters can deliver world-class content that better reflects the diverse communities of the UK.

Promote competition and ensure that markets work effectively for consumers

Ofcom wants people and businesses to benefit from a range of communications products and services.

We also want the communications market to offer fair prices, high quality, healthy investment and innovation.

We aim to do this by ensuring markets work effectively, using regulation where necessary, so that consumers benefit from strong competition.

[1] https://www.ofcom.org.uk/__data/assets/pdf_file/0017/106343/diversity-television-report-2017.pdf

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Our objective

Enabling competing operators to invest in superfast and ultrafast fixed-line networks

Homes and businesses need more broadband capacity every year. The amount of data flowing over UK networks grew by a third last year. Some estimates suggest it may be fifty times higher in ten years' time.

The UK's physical infrastructure must evolve to help meet this demand, to avoid a 'capacity crunch', which could undermine the UK's position as a world-leading digital economy.

Ofcom wants to see widespread availability of competing fibre networks, offering a minimum download speed of 300 Mbit/s. But at present, full-fibre coverage in the UK lags well behind other countries.

Enabling competition is central to our efforts to stimulate investment in the UK's telecoms market. Competitive pressure will push BT to either upgrade its network, or risk seeing rivals gain an advantage.

We aim to create the best possible regulatory environment to encourage investment and innovation, enabling competition for customers of superfast broadband today, and ultrafast broadband tomorrow.

What we have done

The wholesale local access (WLA) market refers to the connections from the local telephone exchange to a home or business premises which are used to provide broadband and other services at the retail level.

We reviewed this market, aiming to promote competition and boost investment. As part of our review, we decided that BT should be required to make its telegraph poles and underground ducts available to rival operators wishing to install their own ultrafast, full-fibre networks. The process is known as 'duct and pole access' (DPA).

This will make it quicker, easier and cheaper for BT's competitors to build their own full-fibre networks. We estimate that using the existing ducts and poles can halve the upfront cost of laying fibre networks.

A similar process has been used to successfully boost full-fibre investment in other countries. In Spain and Portugal, for example, a version of duct and pole access has helped to deliver full-fibre broadband coverage of 79% and 70% respectively.

Under our DPA requirements, Openreach must ensure that its network of ducts and poles is ready for use. It will have to repair faulty infrastructure and clear blocked pipes on request, within a timeframe agreed with its wholesale customers. Openreach must also provide comprehensive data on its network of ducts and poles, to allow competitors to plan network deployments.

We have also levelled the playing field by ensuring providers can lay fibre in BT's ducts as easily, and at the same cost, as BT itself. This means BT will recover related costs, such as for repairing ducts, in the same way that it recovers these costs for its own deployments – by spreading them across all services that use the duct.

To help improve the economics and strengthen the business case for providers to invest in ultrafast networks using DPA, we decided to allow operators in some circumstances to use BT's infrastructure to provide 'leased lines'. These are dedicated high-speed lines used by large businesses.

We also imposed a cap on the rental charges Openreach can levy for access to its duct and pole network.

We recognise that competing providers will only invest in building their own networks if this is more attractive than buying wholesale services from BT.

The amount of data flowing over UK networks grew by a third last year

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These companies also need confidence that in return for investing in full fibre they will be able to recoup some of the costs through future prices on their network.

So, our regulation is designed to strike a balance between promoting competition and incentivising investment.

To promote competition and guard against high prices, we cut the wholesale price for Openreach's most popular 40 Mbit/s superfast broadband product. This means that companies can offer an affordable superfast service at a competitive rate, and we can help protect broadband customers from rising prices in the near term.

To protect incentives for operators to invest, we are allowing Openreach to set prices for its fastest wholesale superfast broadband products.

The aim is to help kick-start competitive network investments that will deliver a fibre future for the UK in the long term.

With the WLA review, Ofcom's regulation has evolved to address the new, emerging broadband priorities of the UK. Our policies are focused on promoting investment in full-fibre lines that can support future digital services and benefit the wider economy.

Competition remains the most important driver behind our regulation. This was the case more than a decade ago, when opening up BT's exchanges to competing providers led to strong retail competition, lower retail prices and faster broadband speeds.

Competition between rival networks is the best way to drive innovation and investment in full fibre, including by BT, leading to higher quality and better value services for consumers.

We have observed in several other countries that full-fibre investment goes hand-in-hand with network competition.

Since we proposed measures to promote full-fibre investment, strong momentum has built behind the technology, with a range of broadband companies announcing plans to invest.

BT plans to connect up to three million premises to full-fibre networks by 2020. The company has also outlined a longer-term ambition to reach ten million homes by the mid-2020s. But we want BT to make a firmer commitment and make that ambition a reality.

Virgin Media intends to extend its ultrafast cable and fibre network to reach a further four million premises. CityFibre and Vodafone announced a partnership that will see them roll out full-fibre broadband to a million homes by 2020, with the potential to reach five million homes by 2025.

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Other providers such as Gigaclear, Hyperoptic and KCOM are also playing an increasing role.

Hyperoptic plans to connect five million premises with full fibre by 2025, while Gigaclear expects to reach 150,000 rural properties by 2020, and KCOM intends to cover 200,000 premises in the Hull area by March 2019.

In February, TalkTalk announced plans to create a joint venture which aims to invest £1.5bn to connect up to three million UK homes to a new full-fibre network.

If operators make good on their current commitments, full-fibre broadband could reach up to six million premises, or 20% of the country, by 2020.

This would be a step forward from today's 4%, but will still leave the UK trailing behind other countries. There is more to be done to help deliver on our long-term strategy. We want broadband companies to go further and build for the future, so the UK can secure its place as one of the world's leading digital economies.

Separately, following a judgment by the Competition Appeal Tribunal on our 2016 *Business Connectivity Market Review* (2016 BCMR), in November 2017 we revoked regulations on certain business services, and at the same time imposed temporary regulations on BT-operated leased line services at and below 1Gbit/s in certain geographic markets across the UK.

The BCMR examines the dedicated high-speed data links (leased lines) used by large businesses and mobile broadband operators to transfer data on their networks. Our measures will safeguard competition and protect the interests of consumers until completion of a further market review.

At the same time, we consulted on proposals to introduce a restricted 'dark fibre' remedy, a process which involves BT opening up its optical fibre network to wholesale customers for leased line services at and below 1Gbit/s. In response, the companies most likely to purchase dark fibre made it clear that a service at higher bandwidths would be significantly more useful to them. We therefore decided not to introduce this remedy, but instead to consider the potential for a dark fibre remedy as part of our further market review.

Post

As the postal regulator, Ofcom requires Royal Mail to provide a universal postal service in the UK.

This includes a requirement to deliver and collect letters six days a week (and parcels five days a week) at an affordable and uniform price throughout the UK. The service is relied on by millions of people and businesses across the UK's nations, and in rural areas.

As part of our work to ensure users benefit from a universal service which is financially sustainable and affordable to users, we have carried out work in a number of areas as set out in our previous Annual Plan.

We offer advice to Government on the financial sustainability of the universal postal service, and on EU internal cross-border parcel delivery services, and we have continued our work to better understand the causes and effects of surcharging for parcels in Northern Ireland and the Highlands and Islands of Scotland.

Our monitoring of the postal market revealed that 11.7 billion addressed letters were sent last year, down 5% on the previous year, and 2.1 billion parcels were sent, up 7% over the 12 months. The research also found that the majority of residential consumers are satisfied with postal services overall (86%), and with value for money (75%), as were the majority of small businesses.

In our Annual Plan 2017/18, we said we would review whether the regulation of Royal Mail's quality of service remains appropriate in light of market developments. We have assessed the current service quality framework, and decided that it would not be appropriate to pursue any changes at this time.

We have revised Royal Mail's regulatory financial reporting requirements, and have been developing a costing model, to help our understanding of Royal Mail's costs of delivery. We have also reviewed the approach to recovering the costs of regulation and the consumer advocacy bodies in relation to postal services.

We are continuing with our investigation of a complaint by Whistl UK in relation to the prices, terms and conditions on which Royal Mail offered to provide access to certain letter delivery services.

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Our objective

Promoting competition in fixed-line services by strengthening Openreach's strategic and operational independence from BT

Ofcom's Strategic Review of Digital Communications, which concluded in 2017, set out our strategy to deliver fast, reliable broadband services across the UK. Promoting competition and effective regulatory interventions are at the heart of efforts to drive investment, increase quality, provide more choice and deliver lower prices for people and businesses.

Openreach is the part of BT Group that develops and maintains the UK's main telecoms network. This is used by BT Consumer and its direct competitors, such as Sky, TalkTalk and Vodafone, to deliver phone and broadband services to their customers.

Competition between Openreach's network and rival, full-fibre networks, which are being planned by other operators, will take time to emerge. In the meantime, given the company's position in the market, regulation of Openreach will continue to play a central role in delivering improvements across the sector.

We were concerned that Openreach's position within BT Group meant new, strategic investment decisions were being taken at BT Group level, in the interests of that company – rather than those of competing users and wider customers.

So, we proposed complete reform of Openreach's relationship with BT, strengthening its independence from BT by making it a distinct, standalone company with its own board and strategy.

What we have done

In March 2017, BT met our requirements for a new, legally separate Openreach subsidiary. Openreach has now become a distinct company, with its own management, strategy and a legal purpose to serve all its customers equally.

BT has yet to implement in full its commitments to reform Openreach. Many of the governance changes have already been implemented by BT and Openreach, but the new model is not fully in place. In particular, the majority of staff have not yet been transferred from BT to Openreach, due to complexities with the pension scheme.

The legal separation of Openreach represents the biggest reform in the company's history, one that will provide a foundation for further improvements in the market.

By managing its network independently, Openreach will help provide clarity and confidence to other companies, investors and the wider sector. We expect the new Openreach to respond constructively to different models of investment proposed by its customers, including joint investment and risk sharing.

We recognise that large-scale investments in infrastructure – and the benefits which come with it, such as more competition, better service quality and lower prices – may take some time to emerge.

In the meantime, we will scrutinise aspects of the new structure, such as improvements in Openreach's engagement and consultation with customers, as signs of longer-term success.

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We have already started to measure the effects of the Openreach changes, examining whether people and businesses using Openreach's network are receiving good speeds and service.

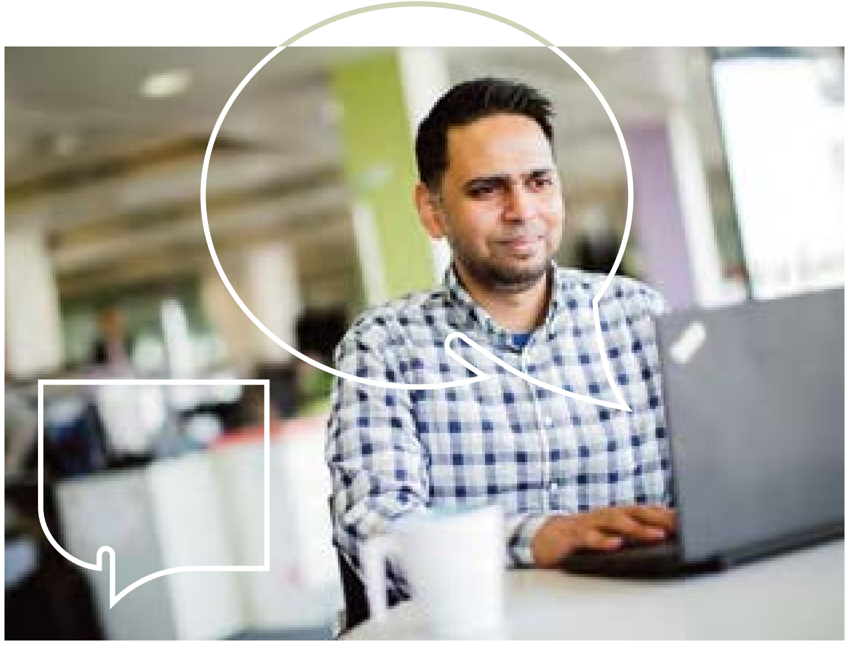
We will measure, and report on, Openreach's contribution to growing fibre broadband networks, including full-fibre lines which are currently available to only 4% of UK premises.

We have established a dedicated Openreach Monitoring Unit within Ofcom, to analyse whether the new arrangements are implemented successfully. This unit assesses whether new rules are being observed, and whether Openreach is acting more independently of BT, making its own decisions, and treating all its customers equally. It will consider whether BT and Openreach are living by both the letter and the spirit of the commitments, and creating a culture that promotes Openreach's independence.

We will publish our findings within six months of the commitments coming into effect, and every year after that. This will include BT's delivery on arrangements in Northern Ireland, where Openreach does not operate, and where new rules will govern the relationship between Northern Ireland Networks and BT Group.

We have seen encouraging moves by Openreach to act in the interests of its customers, including an industry-wide consultation on how to make full-fibre broadband viable on a large scale.

But over the longer term, if our reforms to BT's network division do not produce the desired results, we will reconsider the need to split the companies entirely.



Our objective

Making available better, more granular information for people and businesses, and improving their ability to engage with the market

For competition to work, people and businesses need to be able to take advantage of the choices available to them. This includes being able to switch between services and providers and having the information they need to make effective choices.

Switching between providers must be as easy as possible, and customers need confidence that the process will run smoothly.

Each year we publish a range of research to help consumers compare providers and make informed decisions. This covers the availability, speed, quality and pricing of communications services. We also work with third parties to ensure consumers are well informed. This includes accreditation of price comparison services and working alongside consumer representatives such as Which? and Citizens Advice, and through media outlets.

What we have done

Throughout the year, we continued our regular research programme aimed at helping shoppers when they're considering a new communications service or provider.

Our bi-annual data, comparing the speeds of residential fixed-line broadband in the UK, sets out the average actual speeds delivered to consumers. It compares differences between speeds, and other performance measures, across providers and technologies. We also monitor and publish annual data on pricing trends, and how changes in tariffs and contracts affect different consumers.

For the first time this year, we published a new annual report on quality of service (see page 14), comparing a range of measures across providers in one easy-to-navigate publication. Separately, we continue to publish quarterly telecoms complaints data.

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Through our research and information on service quality and delivery, we provide customers with independent, comparative performance data across providers. This helps them to make informed decisions and incentivises providers to improve their performance.

Our complaints data and quality-of-service research suggests a continued improvement in the overall performance of communications providers. We expect to see a sustained improvement over time.

Too often, there is a gap between the broadband speed a customer thinks they are signing up for and what they actually receive. To help address this, we placed tougher requirements on internet providers to provide more realistic speed information at the point of sale, including a minimum speed guarantee.

Our updated broadband speeds code of practice gives people more power to hold broadband providers to account for poor service levels. Providers must now allow customers to walk away penalty-free if they fail to deliver on the minimum speed guarantee. The number of consumers able to exercise their right to exit has also increased; that right now extends to those with phone and pay-TV services bought with broadband, and to customers of all broadband technologies.

The coverage and quality of mobile services are increasingly important to people's personal and working lives. We published research analysing the consumer mobile experience, including comparisons across operators.

The data was collated using the Ofcom mobile research app, which was first introduced in December 2016. The number of users taking part continues to increase and is helping us build a comprehensive and independent benchmark on factors such as app use, voice call reliability, signal strength, location and data speeds.

Price comparison websites (PCWs) play an important role in helping consumers to identify deals which best suit their needs. To give people confidence in these services, we run regular audits of PCWs as part of an accreditation scheme. In January 2018, we accredited an eighth PCW, Broadbanddeals.co.uk. We also supported the Competition and Markets Authority in its market study of digital comparison tools, which concluded in September 2017.

Offering more and better information is only part of the task. Consumers should be able to act on it by switching providers, so they can benefit from tariffs and services that best suit their needs.

Our research shows that around two in five customers who switch mobile provider (38%) – 2.5 million people – experienced at least one major problem during the process, while around 70% encountered at least some difficulty.

Switching providers tends to be much harder when consumers have to contact their existing provider as part of the process.

In December 2017, we announced new rules that mean customers will be able to switch mobile provider without having to speak to their current provider, simply by sending a free text message.

We also announced an initiative to make it easier for customers to get better deals, and to help break down barriers they may face. We launched this work by inviting views from the public, consumer groups and companies on these barriers, and conducted consumer research. We plan to consult in July on proposals for end of contract notifications, so that providers would proactively inform customers when they are approaching, or are at the end of, their minimum contractual term.

Our work on switching and boosting consumer engagement with the market should increase people's confidence when looking to switch providers, by making the process simple, quick and hassle-free.

Ofcom's new rules on mobile switching will come into force in summer 2019. They include a ban on providers charging for notice periods running after the switch date. This will put an end to people paying for new and old services at the same time – saving UK mobile customers around £10m a year in total.

Empowering people to make better choices is a priority for Ofcom. We will continue to monitor the market, stepping in if we see opportunities to increase consumer engagement, improve switching processes or provide better information.

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Our objective

Ensuring fair and effective competition to deliver a wide range of high quality and varied content for broadcasting audiences

Healthy competition benefits viewers and listeners. It can increase the choice of programmes on offer, stimulate investment in the sector, and encourage broadcasters to find new ways to serve their audience.

As the BBC's regulator, Ofcom upholds the national broadcaster's standards and performance. But we also have a role to ensure that, if the BBC makes changes to its services, any adverse impacts on fair and effective competition are justified by the public value delivered by the change.

What we have done

Competition concerns may arise if the BBC's public service activities are considered to be crowding out competition, or deterring others from investing or innovating. There is also a risk that, without appropriate safeguards, the BBC's public funding could be used to subsidise or benefit its commercial subsidiaries, for example by offering services on favourable terms.

We are required to put in place measures to ensure the BBC complies with the competition provisions of its Charter and Agreement. Following consultation, we set out in June 2017 how we intended to enforce our competition requirements on the BBC. We explained how we would expect to handle complaints, carry out investigations and, if necessary, impose sanctions.

Over the past year we have also undertaken work on the BBC's commercial subsidiaries and their relationships with the 'public service' part of the BBC. Under the Charter and Agreement, the BBC 'public service' is allowed to carry out some specific commercial trading which supports its core public-service work. In July 2017, we established requirements and guidance on how the BBC carries out these activities.

We also looked at the BBC's plans to merge two of its commercial subsidiaries: BBC Studios and BBC Worldwide, and in March 2018, the BBC provided voluntary commitments to us in relation to the merger.

In November 2017, the BBC published its final proposals for a new Scottish television channel to begin broadcasting in autumn 2018. We invited comments on the proposals and held meetings and workshops with stakeholders in Scotland. In January 2018, we published a letter to the BBC confirming that we would undertake a competition assessment of the planned BBC Scotland service. As part of this work, we have conducted research among Scottish viewers, and sought the views of parties which might be affected by the BBC's plans.

We want to see Scottish audiences well served by the BBC. Ofcom's job is to consider whether the public value offered by a new BBC channel would justify any adverse effects on fair and effective competition in Scotland. We consulted on our provisional findings for BBC Scotland in April 2018, and aim to publish a final decision by July 2018.

In the year ahead, we will be consulting on updates to our requirements and guidance on the BBC's commercial activities. We will also be gathering evidence on the activities of BBC Studios, and plan to issue a call for inputs early in 2019 on the scope of our future work.

In March 2017, the then Secretary of State for Digital, Culture, Media and Sport issued a European intervention notice in relation to plans by 21st Century Fox to acquire the shares in Sky it did not already own, which required Ofcom to report on two public interest considerations.

We provided our report to the Secretary of State in June, finding that the proposed transaction raised public interest concerns relating to media plurality, but not on the grounds of a commitment to broadcasting standards.

> New rules on mobile switching will come into force in the summer of 2019 saving UK mobile customers around £10m a year in total

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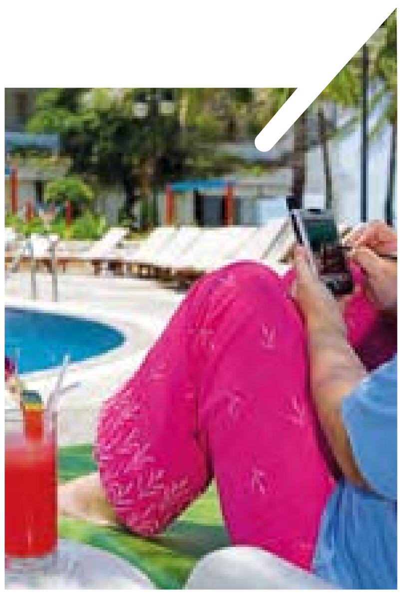
We also assessed whether the takeover would mean Sky would no longer be a fit and proper holder of a broadcasting licence. The available evidence did not provide a reasonable basis to conclude that this would be the case.

The Secretary of State referred the proposed merger to the Competition and Markets Authority (CMA) for a phase-two investigation on both grounds.

In January 2018, the CMA published its provisional findings. It agreed with Ofcom's phase-one advice that the deal raises concerns under media plurality, but not in respect of broadcasting standards. The CMA also consulted on options to remedy these concerns. It provided a final report to the Secretary of State on 1 May 2018.



Protect consumers from harm

We work to protect communications customers, including vulnerable people, from harm or sharp practices.

We take action when they are exposed to harmful behaviour by businesses, and address offensive content on television and radio through our broadcasting rules.

Our objective

Protecting audiences from harmful content in TV, radio and on-demand services

Audiences expect high standards when they watch and listen to programmes broadcast on TV and services.

Ofcom has a duty to protect viewers and listeners – especially those who are under 18s – from harmful or inappropriate material broadcast on TV and radio.

We continue to hold broadcasters to account by enforcing the rules in our Broadcasting Code. The Code sets the standards which broadcasters must follow. We also have rules for on-demand services, such as catch-up players and certain subscription platforms.

Each year, we receive thousands of complaints from the public about TV, radio and on-demand programmes. We consider every complaint carefully and assess it against our rules to decide whether we need to investigate further. If a broadcaster breaks our rules, we take clear enforcement action. We also routinely monitor TV and radio services to ensure they are complying with our rules.

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What we have done

Continued to ensure broadcast content meets appropriate standards

Our Broadcasting Code includes rules which prohibit the broadcast of material that is likely to encourage or incite crime or disorder. This is a critically important duty and we have taken robust enforcement action against broadcasters for serious breaches of our rules, involving hate speech and material likely to incite crime or disorder.

In the most serious case, we found that the licence holder for Iman FM was not a fit and proper licensee and we revoked its broadcast licence. This community radio station in Sheffield broadcast lectures by a radical Muslim cleric which contained material likely to incite crime, hate speech and justified intolerance towards non-Muslim people.

We also fined Ariana International £200,000, Kanshi Radio £17,500, and Radio Dawn £2,000 for serious breaches of our rules in this area.

Further details about our enforcement work can be found on pages 129-132.

Embedded our new BBC duties into our work on content standards

Under the BBC Charter and Agreement, Ofcom is responsible for regulating all areas of BBC broadcast and on-demand content – including, for the first time, accuracy, impartiality and commercial references. These new responsibilities came into force on 3 April 2017.[1]

The Government's BBC Charter and Agreement also gives Ofcom a new role to provide an independent opinion on whether the BBC has met its editorial guidelines in public service online material.

With the BBC, we have set out how this will work.[2] We also published our procedures for handling complaints about BBC online material.

Over the past year we have embedded these new duties for dealing with BBC complaints into our ongoing work on content standards. We assessed 2001 BBC complaints in total between 3 April 2017 and 31 March 2018. If a complainant had not completed the BBC's process before complaining to Ofcom (the 'BBC First' approach), we explained the process and redirected them to the BBC.

We set a new requirement for the BBC to publish clear, fortnightly information on the complaints it has received. This builds and maintains public confidence in the operation of the BBC First approach and provides transparency for the public.

Our work ensures that the BBC's viewers and listeners are appropriately protected through a fair, transparent and independent complaints process. This means that the BBC will be held to account for its content standards, through strong enforcement of our rules.

[1] Our duties for regulating the BBC for accuracy and impartiality came into force on 22 March 2017.

[2] https://www.ofcom.org.uk/__data/assets/pdf_file/0022/112099/Review-of-the-mandatory-daytime-protection-rules-in-the-Ofcom-Broadcasting-Code.pdf

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Mandatory daytime protection for TV programmes

Our Broadcasting Code requires television broadcasters to comply with two key requirements which have been put in place to protect children from content which might be unsuitable for them: the 9pm watershed and mandatory daytime protection. Mandatory daytime protection allows films rated up to '15' by the British Board of Film Classification to be broadcast during the daytime on premium subscription channels, and up to '18' on pay-per-view film channels, provided they are protected by a PIN code that cannot be removed or bypassed by viewers.

Our Broadcasting Code must remain appropriate and relevant. As the way in which people watch television evolves, we are continuing to ensure that regulation keeps pace. We must also ensure that audiences continue to be protected from harmful content. This is especially important for young audiences and is a key priority for Ofcom.

IIn March 2018 we published a consultation [1] seeking stakeholder views on a proposal to extend the mandatory daytime protection rules in the Code beyond premium subscription and pay- per- view film channels, so that programmes which can currently only be shown after the 9pm watershed could be shown on scheduled television channels at any time of day, provided that a mandatory PIN protection is in place.

To inform this work, we commissioned research on family viewing habits and audience awareness, use of and attitudes towards PIN systems.

This research report was published alongside the consultation.[2]

The consultation set out Ofcom's view that the proposed extension of the rules in this area would enable the Code to reflect the evolving viewing habits of TV audiences, and would allow adults to have increased choice in daytime viewing. Importantly, our proposal would not affect the 9pm watershed, which is a trusted and fundamental feature of broadcast regulation that continues to ensure protection for children.

We are currently considering stakeholder responses and expect to publish a statement in summer 2018.

Our objective

Ensuring landline-only customers get value for money from voice services

Over the past decade, the UK telecoms landscape has been transformed. Competition has helped bring about new services, wider choice and better quality.

Fifty-nine per cent of telecoms customers now buy a bundle, including a landline telephone service and a broadband service. People who buy bundled services are getting more for their money than ever before.

But customers who do not take bundled services have not benefited from competition in the same way.

We had been particularly concerned about people who buy only a landline from a provider. These customers have had less choice of supplier, and have not benefited from strong price competition or promotional offers. Often these are older or vulnerable customers, who rely on their landline and are less likely to switch. They are often loyal to their supplier but are penalised by ever-higher prices.

In recent years, all the major landline providers have increased their line rental charges significantly, by between 25% and 49% in real terms. This was despite a fall of around 25% in the underlying wholesale cost of providing a landline service.

Our aim is to protect customers, particularly the vulnerable, where the market fails to do so.

[1] Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0022/112099/Review-of-the-mandatory-daytime-protection-rules-in-the-Ofcom-Broadcasting-Code.pdf

[2] Available at: https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/tv-research/daytime-pin-research

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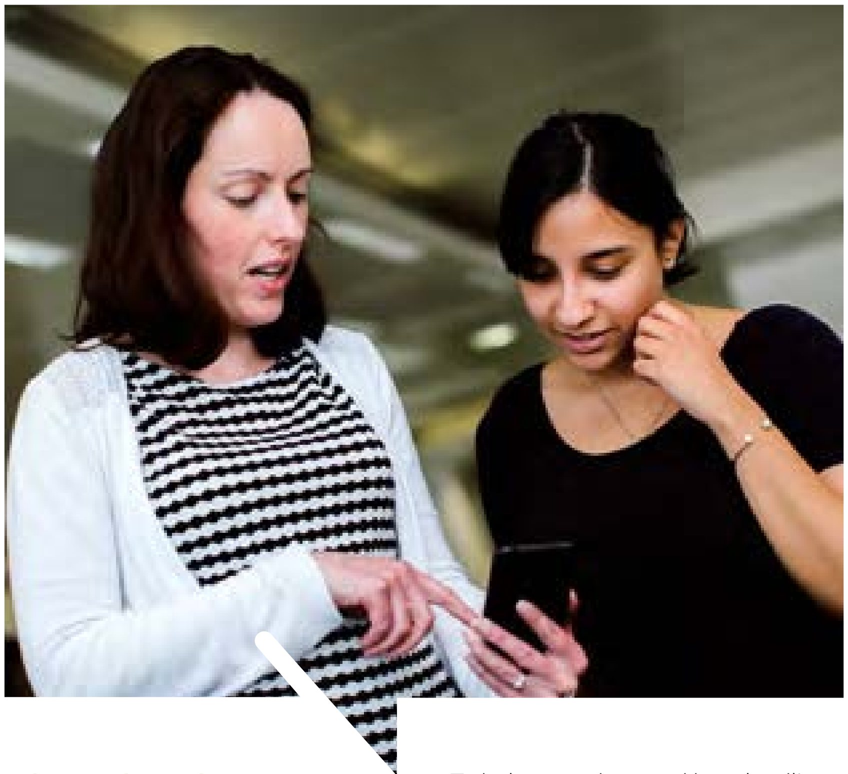

What we have done

We launched a review of how the market was working for customers who buy only a landline service. We found that these customers were getting poor value for money.

Two-thirds of the UK's 1.5 million landline-only customers are with BT. So, in February 2017, we proposed rules to cut the cost of BT's line rental for customers with landline-only contracts, by between £5 and £7 per month.

We also outlined measures to require BT to trial different approaches for communicating with its landline-only customers. This would help them consider what they are paying, and how other BT packages – or even other providers – might offer better value for money.

To help us understand how landline-only customers approach these questions, we commissioned market research on their attitudes towards switching provider or tariff, and what might encourage them to consider switching.

Following our intervention, BT agreed in October 2017 to our proposal in full. The company reduced its monthly line rental by £7 per month from 1 April 2018, for customers who take only a landline. This means more than 700,000 of BT's landline-only customers, typically elderly and vulnerable, now benefit from an annual saving of £84 on their phone bill.

BT's agreement included further commitments for a three-year period from April 2018, including capping the price of calls and line rental by the rate of inflation each year, and improving the information available to landline-only customers.

A further 200,000 customers of BT's 'Home Phone Saver' package could also be eligible. These customers can choose to stay on their current package or move to the standard product which has been reduced in price, depending on which is the best deal for them.

Although the price cut does not apply to people who buy a telephone service from one provider and broadband from another, the agreement requires BT to help these customers take advantage of the deals on offer in the market, by explaining that they could get a better deal if they bought services as part of a bundle.

Separately, we are examining measures to help people shop around with more confidence, so they can take full advantage of the wide choice of competitive services and find deals best suited to their needs. This is part of our broader work to make it easier for customers to get better deals. We will continue this summer with a consultation on whether providers should proactively inform customers when they are approaching or are at the end of their minimum contractual term.

Following BT's move, the Post Office, which serves the second-largest share of the landline-only market after BT, confirmed to Ofcom that it would reduce its rental price from £16.99 to £11.50 from May. We now expect other providers to follow suit.

We will also continue to keep a close eye on landline prices, to ensure BT's actions address the problems we have identified. If we have any concerns, we will consider further action.

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Our objective

Addressing nuisance calls

Nuisance calls cause annoyance and anxiety for many people.

Working with the Government and industry, Ofcom and the Information Commissioner's Office (ICO) share lead responsibility for tackling this problem.

We have specific responsibility for tackling silent and abandoned calls, while the ICO regulates marketing calls and messages.

We aim to minimise consumer harm by:

- preventing nuisance calls from being connected in the first place;
- helping people to make informed judgments about these calls, and what to do when they receive them; and
- taking effective enforcement action against companies who make these unlawful calls.

What we have done

Since 2015, Ofcom has helped to lead a working group on nuisance calls, which includes ten of the UK's largest communications providers. The group has explored technical measures to block or filter nuisance calls at the network level. We continue to use our expertise and influence to help providers develop technical measures that disrupt nuisance calls. We are also encouraging providers with business customers who are making these calls to take action.

Over the course of the year, we continued our engagement with the Internet Engineering Task Force (IETF), a global internet standards body, on standardising how a caller's number is shown to the recipient. This is known as calling line identification (CLI).

We are part of a global effort, involving regulators, industry and others, to tackle 'number spoofing', where a caller deliberately presents a false number in order to mislead the person receiving the call. The IETF plans to implement a new technical standard in the US this year to support the verification of CLI on calls that originate from internet-based networks. Ofcom has agreed a liaison plan with our US counterparts to help prioritise the UK implementation of this new standard.

In June 2017, we outlined formal blocking directions which require communications providers to block calls when requested by Ofcom to do so, based on fraud or misuse.

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Our latest figures suggest that around 3.9 billion unwanted calls to UK landlines are being made in a year, down 20% in three years

In September 2017, we imposed a ban on charging for caller display facilities, which can help people to screen nuisance calls. The new rules mean telephone numbers displayed to people receiving calls must be valid and dialable, and must uniquely identify the caller. Providers are also required to identify and block calls with an invalid or non-dialable number, so they don't get through to consumers. We also consulted on new guidance to help providers comply with these new CLI requirements, which will come into effect in October this year.

In addition, Ofcom will now be able to take back blocks of telephone numbers which are systematically used to cause harm or anxiety to people, such as through nuisance calls. We made that change under a review of the rules that apply to telecom companies, the General Conditions, which we completed in March.

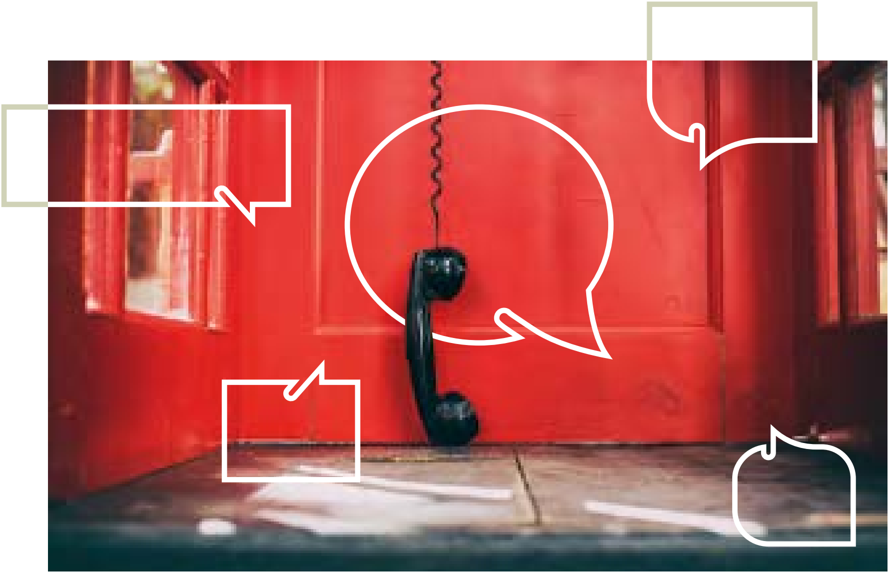
Within industry, several providers have successfully acted on our call to block nuisance calls. By late 2017, BT had diverted 85 million calls, and Vodafone has blocked 373 million calls. Sky has launched Sky Talk Shield, a call-screening service that aims to crackdown on unwanted and nuisance phone calls by allowing users to choose the calls they want toanswer and block the ones they don't, even before they are connected.

Since July 2013, Ofcom and the ICO have carried out a joint action plan to tackle nuisance calls. We continue to collaborate with the ICO, sharing intelligence and information, as well as with other bodies, both in the UK and internationally. We have also further developed our relationship with UK Finance, an industry body representing the UK financial sector, to help address nuisance calls involving financial scams.

Following action by industry and regulators, the volume of nuisance calls in the UK is now declining. Our latest figures suggest that around 3.9 billion unwanted calls to UK landlines are being made in a year, down 20% in three years.

While there is no simple answer to preventing nuisance calls, our initiatives are making a positive difference for consumers. Total complaints made to the ICO and Ofcom about nuisance calls have fallen for the second year in succession, reversing a near decade-long trend of increases.

But there is still much more work to do. Helping to tackle nuisance calls remains a priority for Ofcom, and we will pursue all available avenues to protect consumers.



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Principal risks and uncertainties

The table below highlights some of the key risks and uncertainties that Ofcom is currently facing. Further information about how we manage risks can be found on page 71

Principal risks	Key mitigating actions
Brexit	
The terms and timescale for the UK's departure from the EU are uncertain but may have a significant impact on the sectors we regulate (e.g. investment, competition, choice for consumers), on our regulatory framework and on our ability to recruit and retain high quality talent.	▪ We're working closely with Government to provide technical, legislative advice on the domestic regulatory framework, and with stakeholders to understand their concerns. ▪ We remain fully engaged on all EU work, continuing to provide our technical expertise. ▪ We've established a network, supported at senior level, for Ofcom's EU national colleagues.
Cyber and Physical Security	
Ofcom's increased public profile, our expanding remit in cyber security and the nature of some of the decisions we take has increased the risk that Ofcom could be the subject of a malicious attack.	▪ We have an ongoing programme of work designed to improve our cyber security framework. This has included Cyber Essentials certification. ▪ We continue to enhance our information security processes in line with the international standard ISO 27001. ▪ We've engaged with security consultants to undertake physical security reviews of our offices. Alongside this we're rolling out a programme of security awareness to all colleagues.
Broadband Universal Service Obligation	
The Government has legislated for a broadband universal service obligation, which Ofcom will implement. Failure to deliver on time or if we deliver a USO that has limited impact may undermine benefits to consumers.	▪ We will learn lessons from other comparable industry experiences and ensure we have appropriate expertise where needed.

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Principal risks	Key mitigating actions
Litigation	
Litigation by stakeholders can delay and potentially undermine decisions we make in the interests of consumers and businesses, and can deter investment and innovation.	▪ We seek to engage proactively with stakeholders to avoid litigation where possible. ▪ We robustly defend any litigation to seek to uphold the effectiveness of our decisions.
Spectrum Pipeline	
Releasing spectrum to satisfy the increasing demand is challenging. The commercial interests of stakeholders may give rise to future challenge or litigation which delays the release of spectrum.	▪ We have a detailed work programme to release airwaves at different frequencies over the coming years. ▪ We will ensure that future awards sit within an overall vision for mobile services including 5G.
Investment in competing fibre networks	
The regulatory environment needs to encourage investment in competing fibre networks. If it doesn't, then consumers may have to wait longer for higher quality, faster services and this may deter innovation and service differentiation.	▪ Ensure that we communicate the importance of competition to drive investment and stress the cost benefits of access to the existing duct and pole network. ▪ We have a programme of stakeholder engagement alongside the consideration of investment incentives. ▪ We're working closely with Government to consider perceived barriers to investment.
Consumer outcomes	
We have an ambitious programme in place to improve outcomes for consumers. If this programme isn't as effective as we anticipate then it may undermine benefits for consumers.	▪ We've focused our priorities on those areas where we believe we can make the biggest impact within reasonable timelines. ▪ We're undertaking robust consumer research, coupled with the trailing of remedies, to identify the most effective approaches to increase consumer engagement. ▪ We're actively engaging with stakeholders on all aspects of our consumer programme, including the UK and Nations governments.

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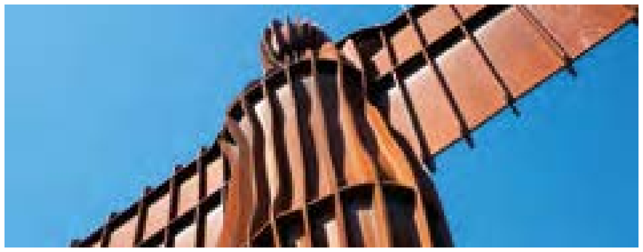


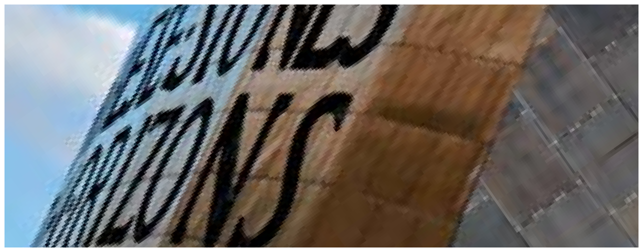

Work in the nations and our international engagement

Our work in the UK's nations and regions

We work to ensure people across the UK get the best from their communications services and are protected from business practices which might cause them harm, while enabling competition and innovation to thrive. To do this effectively, we must consider the UK's different nations, cultures, population densities and landscapes.

For example, we recognise that providing fixed broadband, mobile and postal services that meet the needs of people in rural and remote areas is still a challenge.

Northern Ireland, Scotland, and Wales, as well as some English regions, have a high proportion of these remote areas. In another part of Ofcom's work, public service broadcasting needs to reflect different cultural identities, at national and regional levels.

The views, interests and needs of people across the UK are important to us. Our offices in each of the UK's nations allow us to engage directly with governments, elected representatives and local stakeholders.

We have statutory Advisory Committees for each nation, and a Nations Committee that reports directly to the Ofcom Board. Our Content Board and Consumer Panels also have members representing each nation.

Although much of Ofcom's work affects people across all of the UK, this section highlights some specific work we carried out in each of the UK's nations in the past year. In addition to activity highlighted here, we have published dedicated *Communications Market* and *Connected Nations* reports for England, Scotland, Wales and Northern Ireland.

England

The *Communications Market Report* and the *Connected Nations* report published in 2017 showed that, although England as a whole is relatively well served by communication services, areas within it (especially rural areas) still suffer from poor provision.

We continued to prioritise work for areas that are poorly served, for example by promoting investment in new networks and publishing granular maps to inform consumers and league tables of the performance of different providers. We have also provided advice and evidence to the UK Government and Parliament throughout the year.

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Northern Ireland

Our team in Northern Ireland brought together government, industry and other interested parties for discussions on maximising the benefit of future superfast broadband roll-outs, whether they are commercially or publicly funded.

The reform of Openreach (see pages 23-24) did not apply directly to Northern Ireland, where we decided that BT Northern Ireland Networks (BTNIN) could continue to act on Openreach's behalf. We agreed significant changes to the Northern Ireland model, which addressed industry concerns and made BTNIN subject to the same monitoring and compliance as Openreach in Great Britain.

As the UK prepares to leave the European Union, we have worked closely with our counterparts in the Republic of Ireland, ComReg and the Broadcasting Authority of Ireland, to identify cross-border services that could be affected.

Scotland

Our Edinburgh office continued to expand and there are now more than 30 Ofcom colleagues located there. This is over three times the size of our previous presence in Scotland, and improves our ability to engage with a wide range of stakeholders in Scotland. A stronger presence in Scotland helps to further our understanding of challenges that are common to all of the UK nations.

There has been a significant increase in fixed broadband coverage of communications services across Scotland in recent years. However, across Scotland the take-up of several communications services remains lower than the UK average.

There remain many areas where broadband speeds are inadequate and mobile coverage is poor. We have worked closely with the UK and Scottish Governments on these issues in the past year, sharing data and providing technical expertise to inform the Scottish Government's assessment of the Digital Superfast Scotland Broadband programme and the development of their 'Reaching 100' proposals. We facilitated a mobile summit, chaired by the Scottish Cabinet Secretary for the Rural Economy and Connectivity and attended by a wide range of industry representatives, the UK Government and other organisations working on tackling these challenges as part of the Scottish Government's Mobile Action Plan.

We have also undertaken a step-change in our engagement, in line with our new statutory duties outlined in our *Memorandum of Understanding with the UK Government, Scottish Government and Scottish Parliament*. This has included the provision of written and oral evidence to Holyrood's Rural Economy and Connectivity Committee and proactive participation in the Scotland's Screen Sector inquiry being carried out by the Culture, Tourism, Europe and External Relations Committee (to whom we have also provided evidence on our BBC responsibilities, including in respect of the proposed new BBC Scotland channel).

Wales

Political and industry stakeholder engagement has featured prominently during the year, and we have continued to work with the Welsh Government in providing advice and support on broadband and mobile availability in rural areas.

We provided input into the UK Government's independent review of S4C and continued our engagement with the National Assembly for Wales, giving evidence to the Culture, Welsh Language and Communications Committee on its inquiry into radio in Wales and to the Economy, Infrastructure and Skills Committee's inquiry into digital infrastructure in Wales.

We have continued making best use of the Welsh language in our communications and fulfilling our obligations under the Welsh Language Standards regime.

We have focused on creative ways to communicate in Welsh, by improving our website's Welsh-language functionality and through social media and video. This reflects Ofcom's commitment to provide an excellent service to anyone wishing to conduct their business with Ofcom in Welsh.

Devolution

In Scotland, Bob Downes has been appointed by Scottish ministers to the Ofcom Board, and in Wales, an appointment is expected to be made later in 2018. In Northern Ireland, once devolution is restored, the Economy Minister, in consultation with the Secretary of State (DCMS), can appoint a Northern Ireland member to the Ofcom Board.

Ofcom's new Memorandum of Understanding with the UK Government, Scottish Government and Scottish Parliament came into force in April 2017. A Memorandum of Understanding with the UK Government, Welsh Government and Welsh Parliament has also been agreed and will come into force in the summer of 2018.

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The new Memorandum of Understanding set out formal arrangements for Ofcom to consult with devolved governments and legislatures on our strategic priorities, and to provide evidence to Committees of the Scottish Parliament, the Northern Ireland Assembly and the National Assembly for Wales, as requested.

Our international engagement

Ofcom recognises the importance of engaging internationally if we want to make communications work for everyone in the UK.

We have always sought to participate in international policy and legislative debates, and to maintain a regular dialogue with our peers, as well as with European and international institutions.

We seek to learn from our overseas counterparts, to share regulatory experiences and good practice with them, and to monitor international developments to help inform our policy work. To do this, we attend regulatory and inter-governmental meetings as well as international events. We also welcome delegations from around the world to exchange views on topics ranging from spectrum auctions to online content regulation and the promotion of investment in telecoms infrastructure.

This year we have continued our work supporting the Government in ensuring the interests of consumers and citizens in the UK remain at the heart of legislative change, notably in the context of the ongoing reviews of the Audiovisual Media Services Directive (AVMSD) and of the Electronic Communications Framework (renamed the European Electronic Communications Code, or EECC).

Throughout 2017/18 we have supported the various debates around the EECC, including on the promotion of competition and investment, the incorporation of internet-based TV services in the regulatory framework, and on the approach to European coordination of spectrum management. We expect the review of the EECC to continue into 2018/19.

On the AVMSD we have supported arguments for proportionate, practical regulation that helps protect audiences from harmful content while continuing to encourage the production of high-quality innovative content. It is hoped that the AVMSD negotiations will conclude during 2018.

Beyond the EU, we contributed to the development of Council of Europe recommendations on media pluralism and transparency of media ownership, and participated in several international conferences focused on the importance of independent media regulation.

Ofcom represents the UK on a number of European and international committees that address spectrum policy. The Group Director of Spectrum at Ofcom served as Chair of the Radio Spectrum Policy Group (RSPG) during 2016 and 2017, and we continue to engage across a range of RSPG working groups, including co-leading the RSPG's work on facilitating sharing of best practice and peer review.

Through this work, the RSPG has set up member state workshops, focusing on individual spectrum awards, which enable the sharing of policy ideas and learnings between countries.

We also organised a first RSPG study visit to Hong Kong, Korea and Japan in December 2017, which focused on understanding spectrum developments in Asia, especially in relation to 5G.

Ofcom represents the UK at the Radio Spectrum Committee (RSC), which has produced technical conditions enabling the harmonised use of spectrum for services and applications throughout Europe, including for mobile broadband and other consumer products and devices.

Ofcom also represents the UK in the telecoms standardisation and radiocommunications sectors of the International Telecommunications Union (ITU), which works to provide a global framework for telecommunications and spectrum use.

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Ofcom led the UK delegation to the World Telecommunication Development Conference in Buenos Aires in October 2017 and is an active participant in the UK's preparation for the ITU Plenipotentiary Conference which takes place in October to November 2018.

Ofcom continues to play an active role in the Body of European Regulators for Electronic Communications (BEREC), and we have once again been heavily involved with BEREC's work programme over the past year.

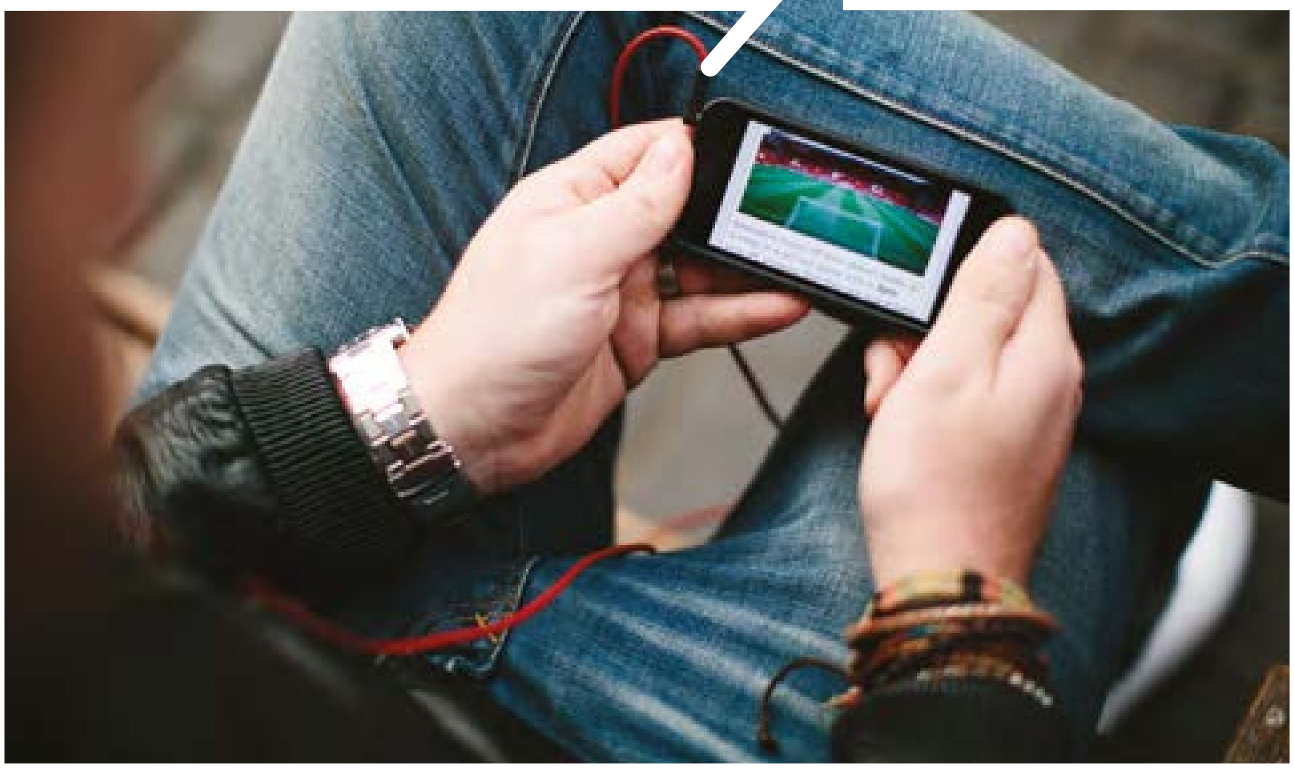
Ofcom was co-chair of the Net Neutrality Expert Working Group (EWG) that developed the guidelines on net neutrality during 2015/16 to implement the EU's net neutrality legislation. Ofcom has also been the co-chair of the Remedies EWG for a number of years – most recently this EWG has been responsible for producing and monitoring the implementation of best practice on wholesale access markets.

During 2017, the Group Director responsible for Ofcom's Strategy, International, Technology and Chief Economist Teams served as a Vice-Chair of BEREC and was responsible for organising the annual BEREC Stakeholder Forum and a study trip to India.

We are also active in European and international postal bodies, and work closely with fellow regulators, in particular most recently on cross-border parcel delivery and cost accounting issues. We also collaborate with audio-visual regulators in Europe, providing expert advice to the Commission through the European Regulators Group for Audiovisual Media Services (ERGA), and chairing one of its working groups on self- and co-regulation.

Leaving the European Union

As the UK prepares to leave the European Union, we will seek to ensure that the communications sector is given sufficient priority, given its critical importance to the UK economy, and we will continue our engagement work with European and international institutions.



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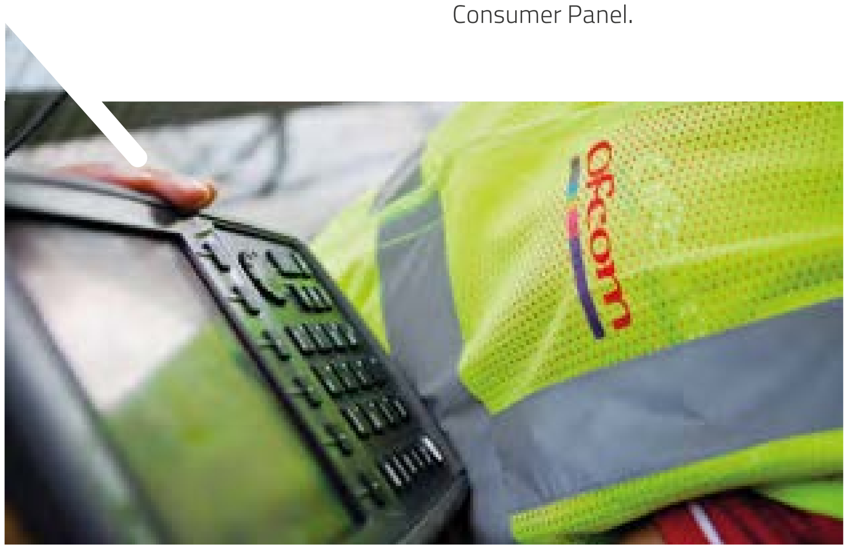
Who we work with and how we work

Engagement with stakeholders

Consumers and citizens

Understanding consumers' and citizens' 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 *Communications Market Report* and *Adults' Media Use and Attitudes* reports, in particular, highlight and analyse these trends.

Ofcom's Consumer Contact Team received around 99,000 calls, web forms, emails and letters directly from consumers in 2017/18, and the information that consumers provide helps us target our policy-making and enforcement work. Consumers 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.

Our separate offices in each of the nations of the UK provide Ofcom with detailed and expert insights into the particular challenges faced by citizens and consumers in different parts of the country. Our advisory committees for each nation of the UK offer information and advice to Ofcom on aspects of its work, and communications in general, which are of particular importance to each nation. National interests are also represented by members of Ofcom's Content Board and by the Communications Consumer Panel.

The Consumer Forum for Communications, with more than 50 members from consumer bodies, meets every quarter with Ofcom to discuss consumer policy topics. We also hold regular bilateral meetings with consumer stakeholder organisations as well as consultation meetings on specific topics.

Industry and Government

Ofcom engages 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 UK Regulators Network and the UK Competition Network, and we engage with various international organisations and regulatory bodies.

Ofcom has a statutory duty to take into account in its decisions the views and interests of those who live in different parts of the UK. Our operations in the nations are led by senior directors in Edinburgh, Cardiff, Belfast and London, who work to ensure that the views, needs and special circumstances of the nations receive Ofcom's direct attention. Our advisory committees for each of the nations also provide advice about the interests and opinions of the nations and regions on all communications matters.

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Co-regulators and other bodies

Ofcom has a co-regulatory partnership with the Advertising Standards Authority (ASA), which was formed in 2004. This covers broadcasters and advertising on video-on-demand services. 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. Where necessary, the ASA is able to refer licensees to Ofcom.

Ofcom has responsibility for the regulation of premium-rate services (PRS) which enable consumers to purchase goods and services by charging the cost to their phone bills and pre-pay accounts. The day-to-day regulation of PRS is carried out on Ofcom's behalf by the Phone-paid Services Authority through its enforcement of a code of practice approved by Ofcom.

The Competition and Markets Authority (CMA) has concurrent powers under specific consumer protection legislation and within the framework of competition law for the communications sector. We work with the CMA to ensure a consistent and co-ordinated approach in relation to issues where we have concurrent powers. We discuss which body is best placed to lead in each case.

When we regulate

The Communications Act 2003 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.

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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.

We 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.

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

We 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.

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

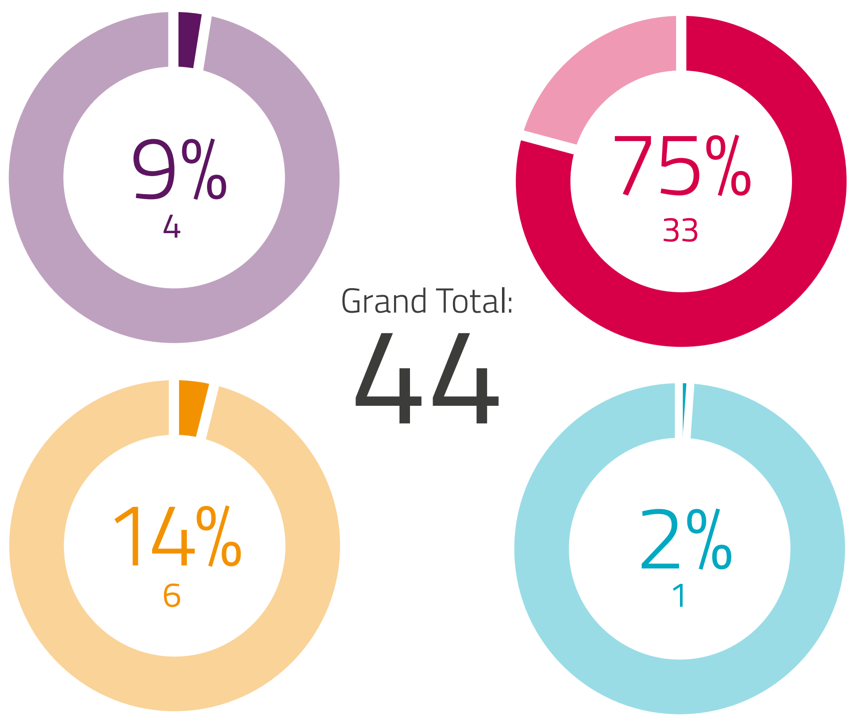
Reducing regulation

Ofcom is focused on reducing regulation where it is appropriate. We believe 'better regulation' means ensuring rules are properly targeted, and do not impose undue burdens on stakeholders.

During the past year we have made a number of significant regulatory decisions. While our longer-term focus is on reducing regulation, this year, in preparation for our new regulatory responsibilities for the BBC, our work has led to increased regulation in the broadcasting sector. In order to safeguard the interests of citizens and consumers, some of our other decisions also required additional or strengthened regulation, for example supporting investment in ultrafast broadband networks. The volume of documents we published has stayed broadly the same.

Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2017/18.

Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2017/18



Increased/new regulation	4	9%
Mixed/no change/ongoing	33	75%
Reduced regulation	6	14%
Streamlined/co-regulatory	1	2%

An overview of the key decisions and statements that we have made during the year can be found in the Annex on pages 123 to 127.

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Consultations

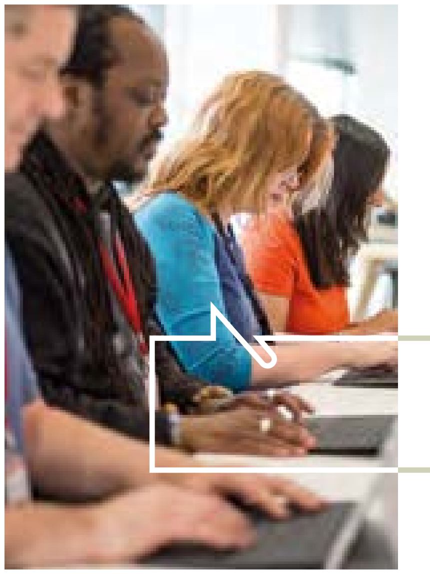
Public consultations allow stakeholders to comment on, and respond to, our proposals before any final decisions are made.

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.

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;
  - where the issue has already been the subject of a consultation;



  - where the proposal will have a limited effect on a market; or
  - where the proposal is a limited amendment to an existing policy or regulation.

Figure 2 sets out an analysis of the length of our consultations by sector.

Figure 2: Analysis of consultation duration: 2017/18

	Telecoms	Broadcasting	Spectrum	Post	Other	Total
Consultation period at least ten weeks	5	1	3	0	1	10 (=22%) (In 2016/17 32%)
Consultation period less than ten weeks (including category 2 and category 3 consultations)	21	6	7	1	1	36 (=78%) (In 2016/17 68%)

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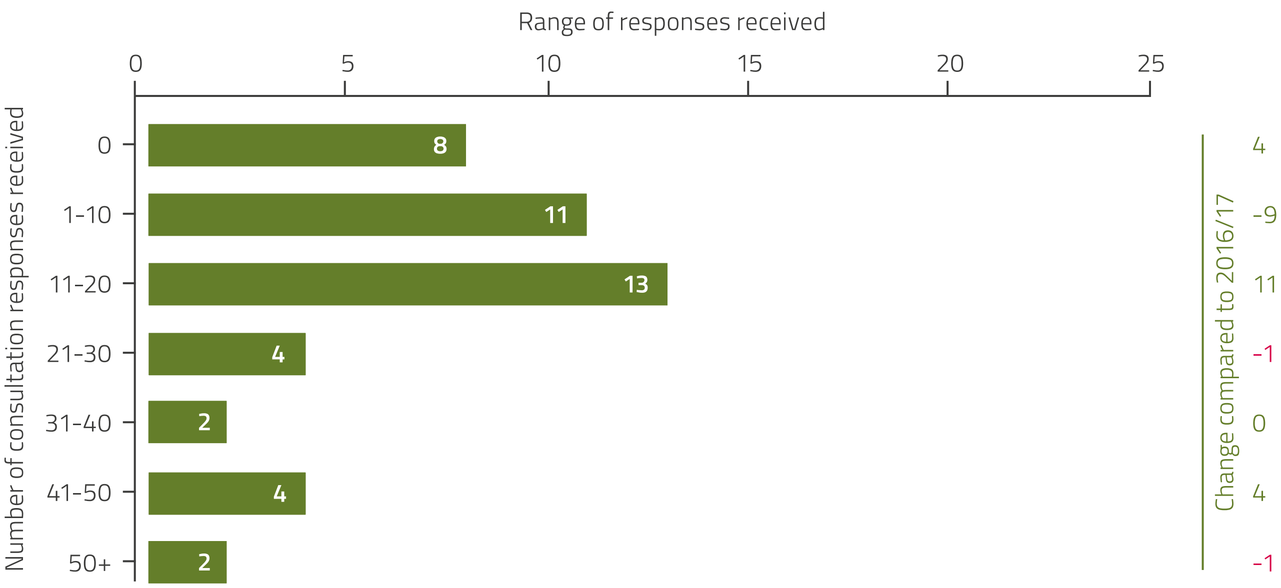
Ofcom collects statistics on the number of responses to consultations, as shown in in Figure 3.

We received more than 800 responses to our consultations where we subsequently issued statements in 2017/18.

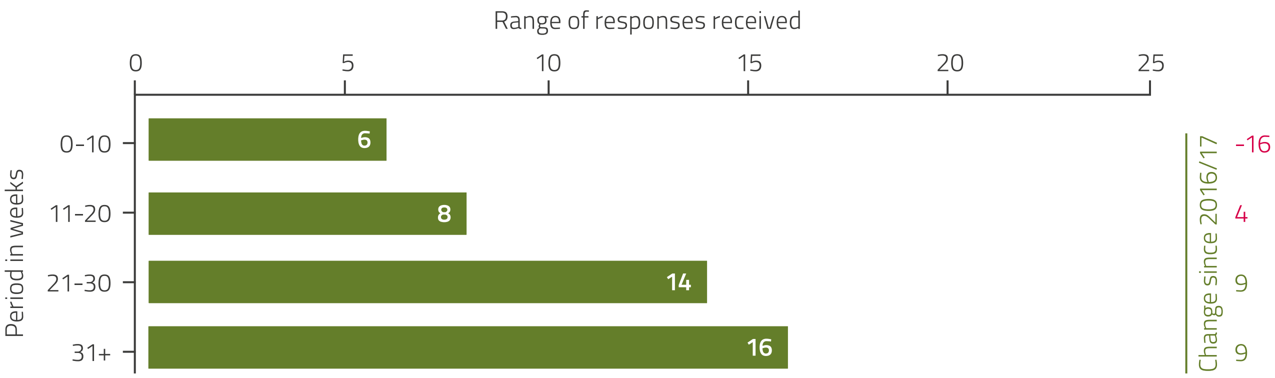
Figure 3: Responses to consultations: 2017/18



Timeliness of decision making

We analyse how long it takes us to publish a decision following the closure of a consultation (see Figure 4). In 2017/18, more than thirty percentage of our decisions were announced within 20 weeks of closing a consultation, the majority within ten weeks.

Figure 4: Analysis of the time taken to publish an Ofcom decision from the close of the consultation period: 2017/18



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Impact assessments

Impact assessments are an important part of the decision-making process. Section 7 of the Communications Act 2003 requires us to carry out an impact assessment 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 effects that would flow from each option are analysed carefully; and
- the costs associated with the chosen option are outweighed by the benefits.
- We must publish a list of the impact assessments we carry out during the year; this is in the Annex on pages 126-127.

In July 2005, we published the 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 impact assessments in the majority of our policy decisions.

Figure 5 highlights that, in 2017/18, 83% of consultations had conducted an impact assessment, explicitly referenced in a specific section or annex of the consultation document. In some circumstances, it may not be necessary or appropriate to conduct an impact assessment, or it may be implicit within the consultation.

We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Figure 5: Analysis of impact assessments carried out

	Telecoms	Broadcasting	Spectrum	Post	Other	**Total**
Number of consultation documents	25	7	11	1	2	46
Impact assessments (IA) explicit in publishment document	21	5	10	1	1	38 (=83%)

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Financial review

We set a budget of £121.7m in 2017/18, which continues to build on Ofcom's track record of delivering efficiencies. This includes our expanded remit for regulating the BBC

Delivering our duties and value for money

Ofcom has now delivered 13 consecutive years of like-for-like real-terms budget reductions, and we have taken active measures to reduce our fixed and administrative overheads. This will continue to be a feature of the 2018/19 budget and beyond.

Following a renegotiation of our Head Office lease, along with our new approach to working flexibly, we have reduced our London office space by a further 25%.

The new lease on our London office fixes costs over the duration of the lease until 2030, reducing volatility and mitigating financial risk in future rent. Additionally, as part of this arrangement the landlord has committed to significant investment in the building infrastructure.

By identifying areas where we can do things differently, as well as responding to new challenges in the markets we regulate, we have set our budget for 2018/19 at £124.2m.

This incorporates our new regulatory duties to implement a broadband universal service obligation (USO), and the Network and Information Systems Directive.

We continue to look at how we prioritise our resources to make choices in line with our goals, with the aim of making communications work for everyone.

Financial performance 2017/18

In April 2017 Ofcom's new BBC responsibilities commenced. This followed our work in the previous year preparing for these new duties. Our 2017/18 spending cap was increased to reflect the new BBC responsibilities as agreed with Government.

Note 2 to the accounts provides Ofcom's £121.6m annual running cost on an adjusted cash accounting basis, versus a budget set of £121.7m.

Ofcom invoiced and collected a total of £326.7m (2016/17: £381.3m) for the public purse from licence fees collected under the Wireless Telegraphy Act 2006, geographic telephone numbers, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders. These are presented in separate accounts prepared under Section 400 of the Communications Act 2003, and exclude spectrum auction deposits held at the end of the financial year.

Contents

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 and Schedule 4 of the Postal Services Act 2011 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 funding

The Digital Economy Act 2017 introduced legislative amendments which simplify Ofcom's funding model. Following consent of the new funding 'Statement of Principles' by HM Treasury and the Secretary of State, Ofcom will no longer receive grant-in-aid funding for its core responsibilities.

Ofcom is permitted to retain sums received in connection with its functions under the Wireless Telegraphy Act 2006 (WTA receipts). Ofcom may retain such sums in order to fund its general spectrum management functions, as well as to meet the costs of undertaking its other functions for which it cannot otherwise levy fees and charges.

These changes were implemented in December 2017 and Ofcom's core responsibilities are now funded entirely through industry fees and charges. This is a more efficient model and helps to underline our status as a regulator independent of Government. Ofcom may continue to receive grant-in-aid to deliver certain major Government projects.

We currently receive grant-in-aid in respect of the 700 MHz clearance programme.

Grant-in-aid arrangements for our core responsibilities remained in place during the financial year until the end of November 2017 when the change of funding approach began.

Ofcom raises its funds from the following sources:

Sector stakeholder funding

Broadcast licence fees for:

- television
- radio

Administrative charges for:

- electronic networks and services and making available associated facilities
- postal services regulation

Grant-in-aid

- To cover Ofcom's operating costs for spectrum management (until December 2017).
- To cover statutory functions and duties, which Ofcom must discharge, but for which there is no matching revenue stream (until December 2017).
- To cover the costs for spectrum clearance and awards, including spectrum efficiency grants.

Wireless Telegraphy Act 2006 receipts retention (From December 2017 onwards)

- To cover Ofcom's operating costs for spectrum management.
- 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 sub-let office space, bank interest in respect of bank balances, and income from services incidental to Ofcom's statutory duties.

Operating results

Despite facing an unprecedented level of litigation, and with a significant ongoing refurbishment project to facilitate a move to an agile working environment, we were able to deliver on budget in 2017/18 with an operating outturn of £121.6m. We navigated the financial position to budget using scenario modelling and by running a comprehensive review of our expenditure.

Note 2 of the accounts within Section C reconciles the total operating expenditure as presented in the Statement of Comprehensive Income to Ofcom's actual operating outturn of £121.6m. The note also reconciles income on the same basis and presents Ofcom's actual operating outturn and income by sector.

Ofcom includes separate lines in our accounts to differentiate costs of work relating to Spectrum Clearance and Awards from core Ofcom operating costs to aid transparency. We have set out in the following sections the separate elements.

Contents

Operating income

The 2017/18 operating income covering Ofcom's core responsibilities (excluding Spectrum Clearance and Awards) was £122.4m (2016/17: £115.8m).

Significant changes from the prior year operating income include:

- an increase in the broadcasting regulatory licence charges, covering the first full year of our new duties regarding the BBC.
- an increase in the Network and Services administrative charges following the implementation of the Digital Communications Review outcomes and a continued review of market reviews required under the EU framework.
- an increase in funding to cover costs of managing the UK spectrum. This is partially offset by reduced activity on cases under the Competition Act.

Operating expenditure

Operating expenditure relating to Ofcom's core responsibilities in 2017/18 increased by £2.3m to £48.0m (2016/17 £45.7m), excluding staff costs. The significant differences from the previous year's expenditure are attributable to the following:

- premises costs increased by £4.7m, relative to 2016/17. There are several aspects to this. The previous year included a one-off credit of £0.6m relating to the successful appeal of the rates liability for Riverside House. In 2017/18, as part of our new Riverside House lease, we incurred costs including stamp duty tax of £1.0m. Additionally in 2016/17 we were able to credit property costs with regards to rental income as part of the onerous lease provision. This has now ended as part of taking on the new lease.

As we look forward, the reduction in our London office space will reduce our financial risk and volatility.

- administration and office expenses increased by £1.1m, through the one-off purchase of non-capital furniture as part of a move towards a more flexible working environment, and an increase in corporate membership costs from foreign exchange movements on European memberships.
- IS & IT costs fell by £0.7m due to the additional expenditure incurred in the previous year in preparation for agile working.
- 2017/18 outsourced services costs reduced by £1.6m. This was largely a result of our Riverside House lease arrangements. With the reduction in floors to manage we were able to significantly reduce our outsourced property service costs including security.

Additionally, in the previous year we introduced a new ICT system requiring significant support from our ICT outsourced service provider.

- we reduced our professional services spend by £0.4m with a lower requirement for external consultancy to support the programme of work. We also received a net credit in year regarding legal cost awards following successful conclusion of a number of appeals.
- temporary staff and recruitment costs decreased by £0.5m: we used short-term staff in 2016/17 to deliver key ICT implementation projects and reduced our reliance on head-hunters for permanent recruitment.

To support our expanded BBC remit, we increased our staff levels in 2017/18; average staff numbers were 868 FTE (2016/17 828 FTE). As a result, total staff costs increased by £3.6m to £72.0m. Restructuring costs increased by £0.4m with some reorganisation of teams throughout the organisation.

Spectrum clearance and awards

700 MHz clearance is a major programme of work to modify the digital terrestrial television (DTT) transmission infrastructure, a high priority for Ofcom. The Government is funding this and we operate a grant scheme to disburse the funds.

The Spectrum Clearance and Awards grant-in-aid funding supports the changes required to the DTT infrastructure necessary to clear the spectrum band, to enable broadcasters to operate at lower frequencies.

The programme spans several financial years, with clearance planned to complete in 2020. Significant infrastructure work took place across the UK in 2017/18, along with regional clearance events. This led to a sharp increase in the value of grants paid.

Delivering value for money is at the heart of our work on the grant scheme. To this end, we have a robust assurance framework in place to make sure that only the efficiently-incurred incremental costs of clearance are publicly funded. This assurance framework involves detailed scrutiny of grant applications by technical experts and by an independent non-executive advisory panel.

More broadly, a focus of our work is ensuring that we complete the 700 MHz clearance programme in a manner which maximises the benefits to the wider UK economy.

Contents

Spectrum Clearance and Awards expenditure amounted to £82.1m in 2017/18 (2016/17: £24.7m), which includes £81.1m of grants paid to spectrum licence holders.

We received income totalling £85.4m (2016/17: £25.3m). The excess amount is held on the Statement of Financial Position for payment in 2018/19.

In line with previous years, costs relating to Spectrum Clearance and Awards are reported separately from Ofcom's core responsibilities in the financial statements to aid transparency.

Surplus/deficit for financial year

Funding surplus or deficit

The operating revenue required by Ofcom to fulfil its duties and deliver its programme of work for any financial year is calculated based on 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 as a consequence of budgetary savings achieved during the financial year are returned to stakeholders through a reduction in the annual tariffs raised in the two following financial years.

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £5.9m (in 2016/17 this was a £0.6m deficit).

Accounting surplus or deficit

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

An accounting deficit occurs where depreciation, amortisation and other non-cash transactions are greater than the income received to cover the cash costs of capital items and the defined benefit pension plans.

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Income for the year under review, was £2.9m (2016/17: £1.5m surplus).

Additional funds collected on behalf of HM Treasury

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. The fees, payments and penalties are reported, with further detail provided, within these Financial Statements in Note 23 to the accounts.

Since December 2017, following the enactment of the Digital Economy Bill, Ofcom retains certain amounts from Wireless Telegraphy Act 2006 (WTA) licence fees to fund its spectrum management work and those costs which it cannot otherwise recover by imposing fees and charges. The Statement detailing the principles under which these funds are retained can be found at the link below:

https://www.ofcom.org.uk/__data/assets/pdf_file/0017/107702/statement-principles-wta.pdf

Ofcom collected £326.7m (2016/17: £381.3m) on behalf of HM Treasury, of which £23.9m (2016/17 Nil) was retained in line with the new funding Statement that permits Ofcom to retain Wireless Telegraphy Act receipts to fund some of its core responsibilities.

The balance of £309.3m (which excludes spectrum auction deposits) has been transferred to Government accounts.

The revenue is collected from four sources:

- Wireless Telegraphy Act licence fees;
- additional payments from television and radio licensees;
- financial penalties; and
- geographic numbering

Contents

2018/19 tariffs

On 28 March 2018, Ofcom published the Tariff Tables for 2018/19, which were based on an estimated operating expenditure outturn in 2017/18 of £121.7m, together with the budgeted costs for 2018/19 and the variances set out below.

The 2016/17 actual £0.5m variance between the prior years' actual operating outturn and the estimated operating outturn used to set fees and charges for 2017/18 will be passed back to stakeholders through tariffs for 2018/19 in line with our Statement of Charging Principles.

Ofcom's budget for 2018/19 is £124.2m, which represents an increase of £2.4m from the 2017/18 budget. This is purely reflective of DCMS and HMT's approved increase in our 2018/19 spending cap to enable us to carry out new or expanded roles in respect of the broadband universal service obligation and the Network and Information Systems Directive.

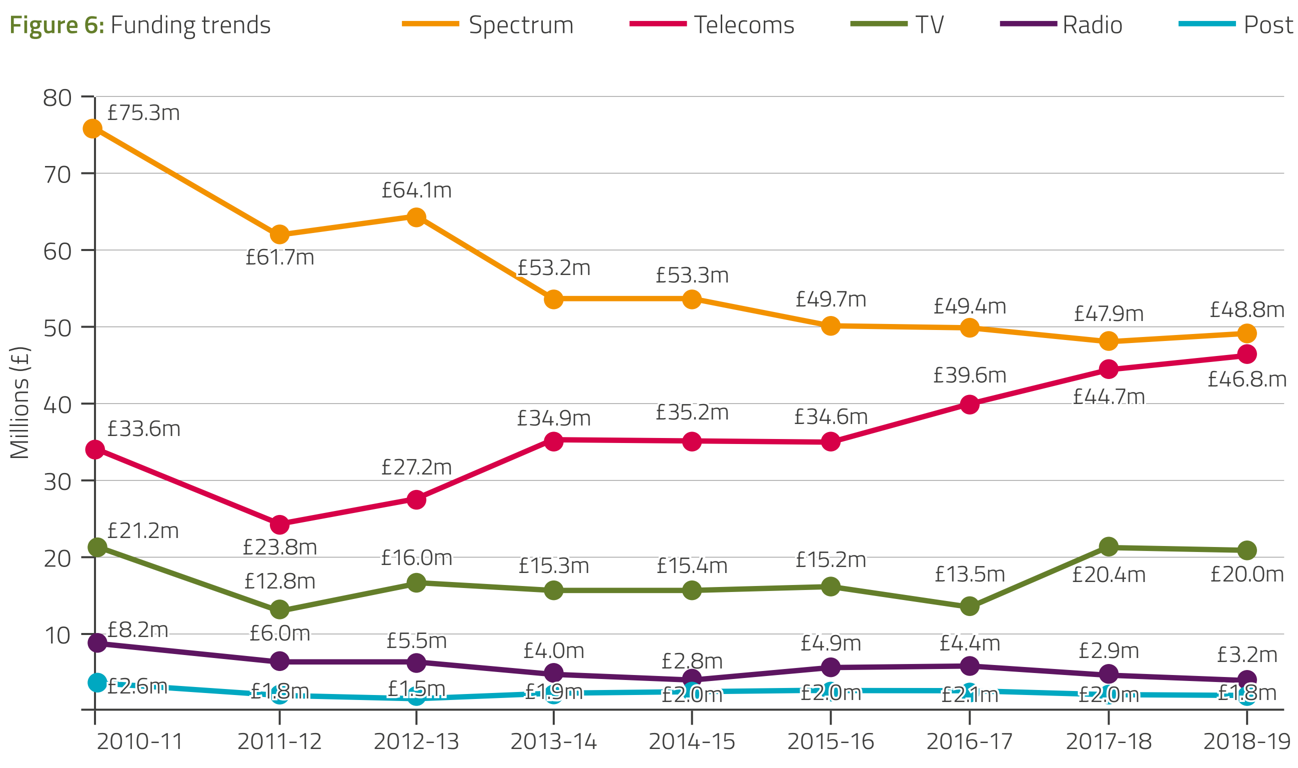
Although Ofcom's headline budget has increased since last year, the fees and charges will vary by sector as they reflect planned work for 2018/19 and the variances to the 2017/18 budget.

Specifically, sector fees and charges for 2018/19 will change by:

- An average increase of 4.6% (2.5% real-terms increase) for network and service operators. This reflects the incremental costs of both the broadband universal service obligation and the Network and Information Services Directive.
- An increase of 12.2% (9.9% real-terms increase) for the post sector. While the planned expenditure for 2018/19 in the sector has decreased since 2017/18, the administrative charge incorporates the required prior-year adjustment which offsets this saving.
- An average decrease of 10.4% (12.2% real-terms decrease) for the radio sector, driven by the reduced level of planned expenditure in 2018/19.
- While the overall TV sector, which includes the BBC, shows an average decrease of 1.8% (3.8% real-terms decrease), the underlying charges for the sector, excluding the BBC, have primarily increased due to a lower level of expected savings in 2017/18 (compared to 2016/17).

The chart below shows Ofcom funding over the past nine years.

Figure 6: Funding trends



* This reflects the costs of additional duties in respect of BBC regulation

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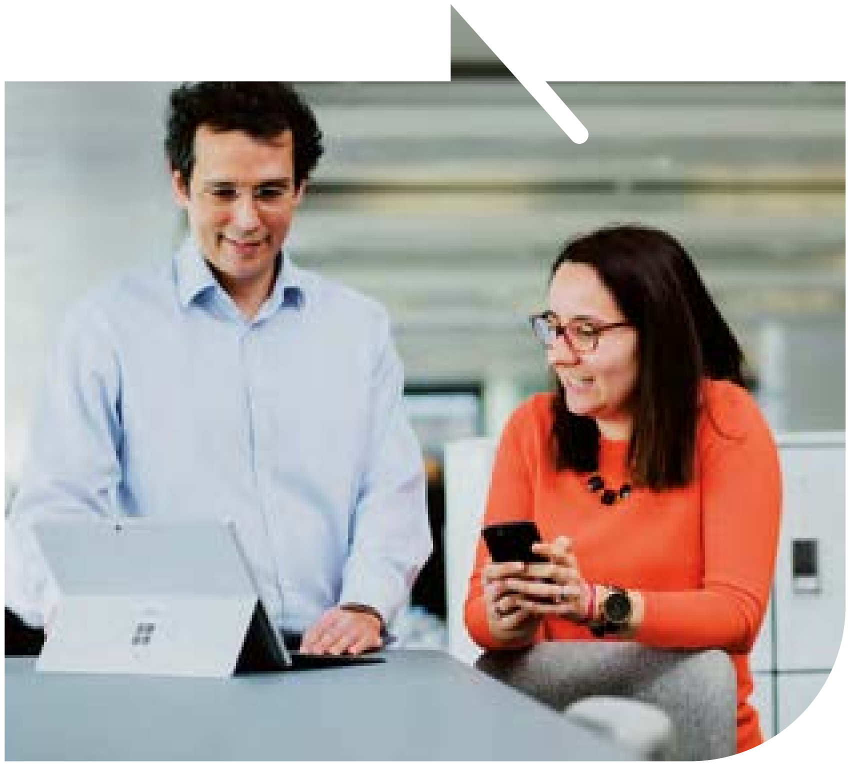
Pensions



Ofcom provides pension benefits 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 are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time, all existing members were provided with access to the Ofcom stakeholder plan. Notes 1(k) and 19 to the accounts provide further detail.

The latest actuarial valuations for both schemes as at 31 March 2015 highlighted a combined funding surplus of £1.3m.

However, the 2017/18 financial statements show a surplus of £18.2m, 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.

Ofcom makes 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.

As a consequence of the risk mitigation work between Ofcom and the Trustees and Actuaries of both pension plans, approximately 80% of the plans' liabilities are now backed by annuities.

As part of the ongoing activity to manage and mitigate risks of the plans, further insurance-backed benefit buy-ins in respect of pensioner members will be considered in the future.

The next formal triennial funding valuations for both plans will be at 31 March 2018 and must conclude by 30 June 2019.

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Corporate responsibility

Ofcom's commitment to corporate responsibility

Through our corporate responsibility programme, we aim to be a responsible employer and to recognise and manage our impact on the wider environment and community through three key areas of activity:

- treating all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all, not only within Ofcom but also in the sectors we regulate (see Our Employees section on page 74);
- reducing our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on pages 53-56); and
- engaging, inspiring and developing colleagues, while supporting local initiatives (see Volunteering and community section below).

We believe that a proactive approach towards corporate responsibility fundamentally contributes to our success as a regulator.

Some of the benefits are:

- recognising and embracing the diversity of the UK population we serve helps us to make better decisions for citizens and consumers, to make communications work for everyone;
- valuing, promoting and encouraging diversity creates a more engaged and efficient workforce; and
- being socially and environmentally responsible reduces our operational costs and builds closer links with our local community.

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Volunteering and community

We encourage colleagues to volunteer and participate in community schemes. We believe this is an effective way for them to gain new skills, stay mentally healthy, boost their confidence and promote our diversity objectives.

In 2017, we engaged with our local stakeholders in many ways, including:

Schools

We continued to run a reading mentoring scheme with a local primary school in Southwark, giving colleagues the opportunity to support young children to improve their literacy skills.

Ofcom colleagues have visited schools and hosted school trips to Ofcom to engage with young people about future career options.

Last year we built on our relationship with an Academy in Peckham, helping students and teachers to understand the skills that employers look for in job applicants.

During 2017 we continued to support colleagues speaking at schools through STEMNET, which aims to inspire young people in science, technology, engineering and mathematics.

Our colleagues also supported the Access Project, which pairs students from disadvantaged areas with graduates who help to boost the student's grades and confidence through weekly tutorials. Other colleagues volunteered to mentor students through Career Ready, helping them prepare for corporate life.

Colleagues have also set up other volunteering opportunities on an ad hoc basis, supporting causes that are important to them.

Apprenticeships and internships

We aim to broaden the pathways for young people to join the organisation. We are now paying the Apprenticeship Levy and reviewing our approach to apprenticeships, to offer valuable long-term paid skills-based work placements.

We also offer summer internships through Career Ready – in the summer of 2017 we again supported the Career Ready programme, hosting nine interns from local schools and academies.

Ofcom charity

During 2017 colleagues carried out a variety of fundraising activities to raise money for Ofcom's nominated charity, Macmillan Cancer Support.

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Sustainability report

This section presents an overview of Ofcom's sustainability strategy and our performance in this area

It contains sustainability data and associated financial costs, presented in a format that conforms to the sustainability reporting guidelines issued by HM Treasury for 2017/18

Ofcom's sustainability strategy

Introduction

Over the years, Ofcom has implemented a number of initiatives to deliver carbon reductions. This includes: approaching a new way of working; substantial energy reduction projects at Riverside House; transforming our ICT infrastructure; and moving from printed publications to online publications. We also actively promote recycling, sustainable travel and good energy practice to our colleagues.

History of reduction targets

In 2007, Ofcom commissioned an independent carbon audit and subsequently committed to reducing internal carbon emissions by 25% by the end of 2012/13 (relative to the 2007 baseline). Ofcom's Footprint and Sustainability project was set up to identify and drive forward actions to ensure that Ofcom met its carbon reduction commitment and that its operating practices were environmentally sustainable.

Ofcom's initial 25% reduction target represented a reduction across seven areas: information services, utilities, waste, business travel, procurement materials, procurement capital and commuting.

In 2009, Ofcom commissioned our second independent carbon audit, which confirmed that a 15% reduction in carbon emissions had been achieved. A third carbon audit was undertaken in 2013, which confirmed that Ofcom had achieved a 30% reduction in its carbon emissions - exceeding the original 25% savings target originally set in 2007.

In 2015, Ofcom was re-certified to the Carbon Trust Standard, achieving a further reduction in our footprint of 10.5% since 2013. Ofcom continue to be re-certified to the Carbon Trust Standard this year, achieving a further 1.5% reduction in our footprint since 2015. The report produced by the Carbon Trust alongside our recertification contains several recommendations which we will seek to implement to continue minimising emissions.

Further detail about Ofcom's sustainability performance can be found on our website:

https://www.ofcom.org.uk/about-ofcom/what-is-ofcom/corporate-responsibility/footprint-and-sustainability

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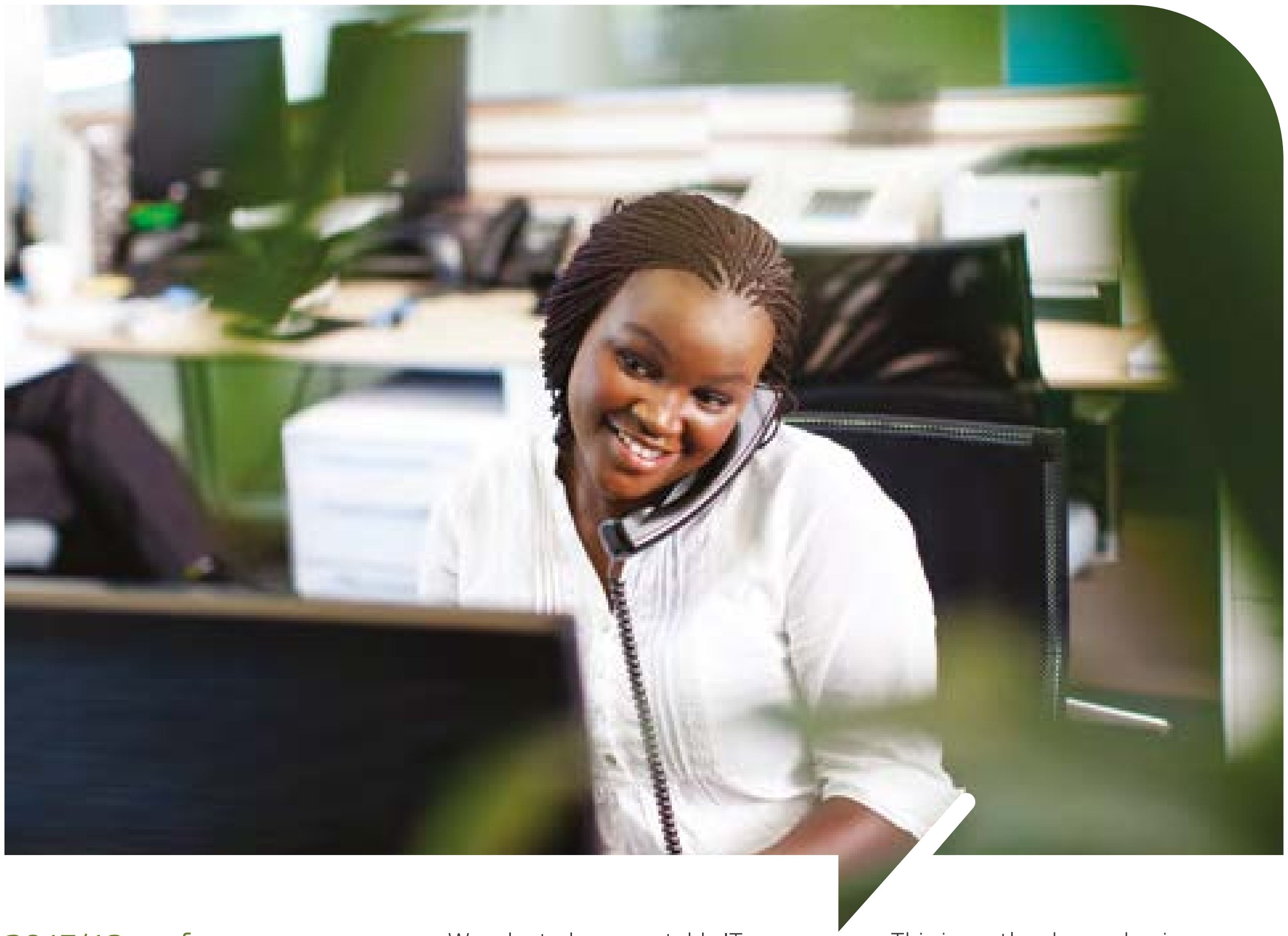

2017/18 performance

Greenhouse gas emissions

This year, we have started to implement a new agile way of working and we've commenced work to reduce our floor space in our head office. We reduced our workspace in our offices as we move to a flexible working environment. As a result, we reduced our greenhouse gas emission by 17% compared to 2016/17. We have continued to reduce our greenhouse gas emission in the last four years.

In addition to our new way of working, all staff were encouraged to reduce their paper storage and encouraged to find new initiatives to use less paper, such as electronic signatures and holding important documents electronically.

We adopted new portable IT technology that has made it easy for colleagues to work from any location and collaborate with colleagues no matter where they are based. This allows colleagues to work more flexibly, such as working at home, which should contribute to further reductions in our carbon footprint.

We have invested in our video-conferencing capability across all our offices, to reduce the need for travel and to support more agile working. This includes training our staff to use Skype for Business and video conferencing. To ensure the correct facilities were in place to enable colleagues to work in a more agile way, the Facilities and ICT teams visited our offices in the Nations and Regions frequently.

This is partly why our business travel this year has increased compared to last year. We seek to see the benefits of our video-conferencing capability in the coming years.

Our expenses policy requires colleagues to consider the impact on Ofcom's carbon footprint before planning to travel, and to consider lower-carbon travel alternatives such as email, audio and video conferencing. We also provide staff with cycling to work schemes as part of their benefit package to encourage staff to reduce their carbon footprint.

In 2016, we opened two new offices in Edinburgh and Warrington as part of our out-of-London project. We have sub-let our offices in Glasgow, and are using our Haydock office for storage since our staff vacated the premises.

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Waste minimisation and management

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

A third-party supplier was involved in the collection, disposal and potential resell of around 1,000 items of ICT equipment this year. Accurate ICT waste in tonnes were not available for this disposal. Any disposal costs that are incurred will be offset by the remarketing of the equipment.

Finite resource consumption

Water consumption comes primarily from washrooms and drinking water in all offices, as well as catering facilities in our London office. Ofcom monitors water consumption on a monthly basis. Costs in 2017/18 include credit notes from suppliers relating to previous years.

Our use of paper has reduced by 38% compared to 2016/17, as we start to use less paper and hold documents electronically.

Biodiversity action planning

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

Sustainable procurement

The consideration of sustainability forms an integral part of our procurement processes. Ofcom includes provisions in its procurement documentation that require suppliers to demonstrate their approach to sustainability and reducing carbon emissions. Bidders' responses to these provisions are then considered as a specific part of the overall evaluation of the tender. We also make use of the framework agreements that the Crown Commercial Service has in place. These frameworks include specifications and offer standard contract terms that help buying organisations to monitor / reduce their environmental impact and to embed sustainability in procurement contracts.

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Future plans

In the coming years, Ofcom will continue to monitor its carbon emissions on a regular basis with particular focus on energy consumption and waste management. We will also continue to promote sustainable behaviour to our colleagues.

As we continue to move to a more agile way of working, and adopt mobile technology, we will continue to encourage colleagues to reduce their reliance on paper and ease the requirement to travel.

Once we have fully adjusted to a new way of working, we plan to develop new carbon objectives and emission reduction targets to implement further improvements.

A summary of Ofcom's emissions over the past five years is provided in Figure 7. Please refer to the Annex on pages 139-142 for more detail.

Sharon White
Chief Executive and Accounting Officer

19 June 2018

Figure 7: Sustainability performance overview

		2013/14	2014/15	2015/16	2016/17	2017/18
Greenhouse gas emissions (Scopes 1,2)[1,2]	tCO2e	1,498	1,649	1,569	1,456	1,209
	Expenditure	£442,226	£475,135	£444,964	£405,810	£459,238
Business travel (Scope 3)[3]	tCO2e	346	290	250	312	519
	Expenditure	£628,340	£596,116	£569,099	£663,705	£705,602
Waste	tCO2e	173	166	173	172	76
	Expenditure	£60,796	£45,500	£32,023	£37,984	£7,004
Finite resource consumption	Water consumption (m3)	13,694	14,213	10,767	11,282	9,379
	Expenditure	£20,107	£24,931	£16,784	£22,248	£6,929
	Paper reams	7,721	5,993	7,545	6,317	3,915

[1] We have re-stated our electricity consumption for 2015/16 following clarification of the allocation of consumption in our remote sites.

[2] In our 2014/15 Annual Report & Accounts emissions data relating to business travel (flights) was restated for 2013/14 following enhanced data provided by our travel company.

[3] We have restated our paper consumption figure for 2014/15 following clarification from our supplier.

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Accountability Report

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Directors' report

Register of disclosable interests

Board members, their partners and dependent children are required not to hold interests (including shareholdings, directorships and employments) in companies whose core business activities (and hence share price) could be affected by Ofcom's decisions.

Ofcom maintains a register of disclosable interests, which can be found on our website at:

https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/register-disclosable-interests

Pension liabilities

Ofcom has a range of pension schemes which include defined contribution plans, defined benefit plans and unfunded plans. Note 1 in the Notes to the Accounts refers to the relevant accounting policy, and Note 19 in the Notes to the Accounts provides details of Ofcom's retirement benefit obligations.

The pension allowance paid to Executive Directors during 2017/18 is detailed in the Remuneration Report on page 79.

Non-audit work

No fees for non-statutory audit work were paid to the National Audit Office during 2017/18 (no fees for non-statutory audit work were paid to the National Audit Office during 2016/17).

Protected personal data-related incidents

Ofcom reported one protected personal data-related incident to the Information Commissioner's Office (ICO) in 2017/18. The ICO decided that no further action was necessary.

Sickness absence data

Sickness absence data is reported in the Our Employees section of the Annual Report on page 74.

Directors' disclosure

As far as the Directors are aware, there is no relevant audit information of which the auditors have not been made aware. All reasonable steps have been taken by the Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

Sharon White
Chief Executive and Accounting Officer

19 June 2018

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The Ofcom Board


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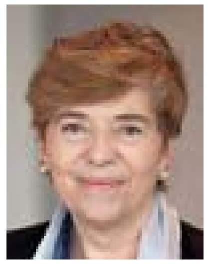
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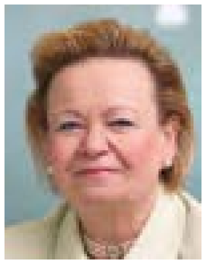
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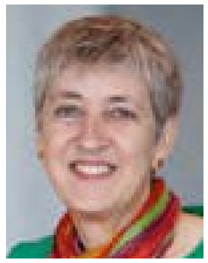
12

1 Lord Burns, GCB

Lord Burns was appointed as Chairman of the Ofcom Board on 1 January 2018. He is a Special Adviser to Banco Santander SA Chairman of the Young Classical Artists Trust and Vice Chairman of the Hay Festival of Literature and the Arts Ltd. He is a former Chief Economic Advisor and Permanent Secretary to HM Treasury, Chairman of Santander UK plc, Channel Four Television, Marks and Spencer plc and Welsh Water, and an Independent Adviser to the Secretary of State on the BBC Charter Review. He is also Chairman of the Mid Wales Music Trust and Vice President of the Royal Academy of Music. He is Chairman of Ofcom's Nominations Committee and a Member of the Remuneration Committee.

2 Dame Patricia Hodgson, DBE

Dame Patricia Hodgson, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 July 2011, became Deputy Chairman on 1 January 2012 and Chairman on 1 April 2014. Patricia retired as Chairman of the Ofcom Board at the end of 2017.

3 Sharon White

Sharon White took over as Chief Executive and Accounting Officer of Ofcom in March 2015. Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at HM Treasury, responsible for overseeing the public finances. Before that she held board-level positions at the Ministry of Justice and the Department for International Development and has worked in the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank.

4 Baroness Noakes, DBE

Baroness Noakes was appointed to the Ofcom Board on 1 June 2014 as its Deputy Chairman. Sheila is a chartered accountant and spent 30 years at KPMG. She was President of the Institute of Chartered Accountants in England and Wales. In 2000, she was appointed to the House of Lords as a life peer. She is a non-executive director of Royal Bank of Scotland Group plc, and chairs its Board Risk Committee.

She is Chairman of Ofcom's Remuneration and Risk and Audit Committees, and a Member of the Nominations Committee.

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5 Graham Mather, CBE

Graham Mather was appointed as a Non-Executive Member of Ofcom's Board in June 2014, and re-appointed for a further 4 years from June 2018 to May 2022. He was a member of Ofcom's Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was also a member of the Competition Appeal Tribunal, the body that deals with appeals from the UK regulators. Graham is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group. He is a member of the Board of the Office of Rail and Road. He is a Member of Ofcom's Nations Committee, Nominations Committee, Remuneration Committee, and Risk and Audit Committee. Graham was appointed CBE in the Queen's 2017 Birthday Honours list for services to economic regulation, competition and infrastructure development.

6 Ben Verwaayen

Ben Verwaayen was appointed as a Non-Executive Member of Ofcom's Board in January 2016. He has had 30 years' experience in running major telecoms, technology and media companies in executive and non-executive roles. He is a former Chief Executive of BT, KPN in the Netherlands, and Alcatel Lucent, and has served as a Chairman of Endemol. He is currently a General Partner at investment fund Keen Venture Partners and holds various Board positions, including at Akamai in the US and mobile operator Bharti Airtel in India. He is a Member of Ofcom's Remuneration Committee and Nominations Committee.

7 Jonathan Oxley

Jonathan Oxley joined Ofcom as Group Director, Competition in November 2014 and was appointed to the Ofcom Board in January 2015. Before joining Ofcom, he was a Partner in PwC's Strategy and Economics practice, specialising in telecoms, media and technology, having joined PwC in 1995.

8 Dr Steve Unger

Steve Unger is Group Director, Strategy, International, Technology and Chief Economist Group, and was appointed to the Ofcom Board in March 2015, having been Acting Chief Executive from January 2015 until Sharon White took up the post in March 2015. He has been with Ofcom since its inception and has held a variety of senior roles, including Ofcom's Chief Technology Officer.

9 Nick Pollard

Nick Pollard was appointed as a Non-Executive Member of Ofcom's Board in November 2016. He was appointed to Ofcom's Content Board in April 2016. Nick Pollard has had a long career as a journalist and broadcasting executive. He was Executive Producer of News at Ten at ITN (1987-92), Head of Sky News (1996-2006), and Chief Executive of SSVC, the organisation that runs the British Forces Broadcasting Service (2009-2015). He is a former chairman of the Royal Television Society Journalism Awards and a recipient of the RTS's Lifetime Achievement Award for Television Journalism. Nick is Chairman of the Content Board and a Member of the Nominations Committee and Remuneration Committee.

10 Tim Suter

Tim Suter was appointed as a Non-Executive Member of Ofcom's Board in October 2017. He was a BBC producer, editor and senior manager for 15 years and Head of Broadcasting Policy in the Department for Culture, Media and Sport in 2002, responsible for the Communications Act of 2003 and the creation of Ofcom. He joined Ofcom at its inception and left to found Perspective Associates, advising on media policy and regulation. He has been a special advisor to the House of Lords Communications Committee, and the chair of an expert panel advising the Council of Europe. He is also a member of Ofcom's Content Board, Chairman of the Nations Committee, and a Member of the Remuneration Committee and Nominations Committee.

11 Bob Downes

Bob Downes was appointed as the first Ofcom Non-Executive Board member for Scotland in February 2018. He is the current chairman of the Scottish Environment Protection Agency and of CENSIS, an innovation centre for sensors and imaging systems. Bob is a trustee of the Mackintosh Campus Renewal Appeal for Glasgow School of Art, and an advisor to a number of small technology businesses. Formerly he was a senior executive with BT Group.

12 Dame Lynne Brindley, DBE

Dame Lynne Brindley, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 September 2011. Lynne retired as a Non-Executive Member of the Ofcom Board in August 2017.

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Governance statement

The governance structure

The Ofcom Board leads the organisation, and 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 that appropriate systems of risk management and control exist to mitigate such risks;
- defining Ofcom's appetite for risk; and
- Board and executive management succession planning.

Figure 8: Ofcom's Board and Committees

The Ofcom Board

Board Committees
- Content Board
- Community Radio Fund Panel
- Election Committee
- Nominations Committee
- Risk & Audit Committee
- Renumeration Committee
- Non-executive Renumeration Committee

Executive Committees
- Policy & Management Board (PMB
  - Policy Steering Groups
    - e.g. Telecoms
    - e.g. Consumer
- Operations Board
  - Corporate Social Responsibility
  - Security
  - DC Pensions Committee
  - Health & Safety

Non-board Advisory Committees
- Nations Committee
- Advisory Committee for Scotland
- Advisory Committee for Northern Ireland
- Advisory Committee for England
- Advisory Committee for Wales
- Ofcom Spectrum Advisory Board
- Consumer Communications Panel/Advisory Committee on Older & Disabled People

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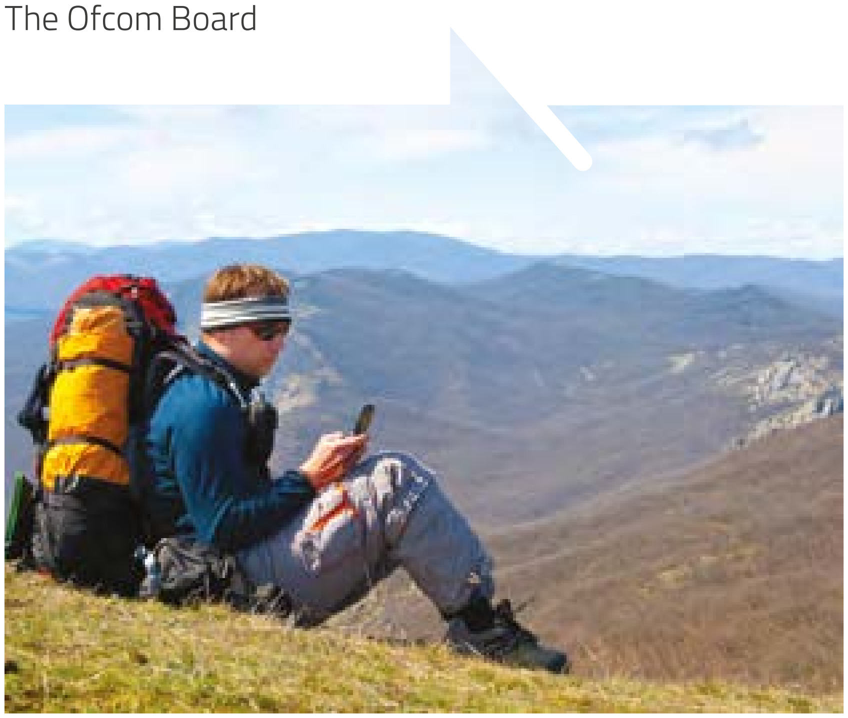
The Ofcom Board



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

- Ofcom has appropriate objectives and an effective strategy;
- a structure is in place to allow the effective contribution of all Members;
- the Chief Executive and other executives are able to implement the strategy;
- the Board Committees are properly established, composed and operated;
- procedures are in place to inform the Board of performance against objectives; and
- Ofcom is operating in accordance with the highest standards of corporate governance.

The Chairman and Non-Executive Members of the Ofcom Board are appointed by the Secretary of State for Digital, Culture, Media & Sport, for periods of three to four years.

The Scotland Member is appointed by Scottish Ministers, following consultation with the Secretary of State for Digital, Culture, Media and Sport. Executive Members of the Board are appointed by the Chairman and all of the Non-Executive Members, with the Chief Executive's appointment requiring approval by the Secretary of State for Digital, Culture, Media & Sport.

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.

Whilst Ofcom is not subject to the UK Corporate Governance Code published by the Financial Reporting Council, we adopt the principles where appropriate. For the purposes of adopting the key 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 exercising of their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained;
- 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. During 2017/18 the Board met on 12 occasions. The role of executive management is to implement Board policies. The work of both the Board and the Executive is informed by the contributions of a number of advisory bodies.

Minutes and notes from Ofcom Board meetings are available on the website at:

https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/ofcom-board#accordion__target-87222

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Board Committees

In the exercising of its powers under the Office of Communications Act 2002, 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 (see Figure 9).

The activities and main functions of these committees are described below. Ofcom has a number of other committees with a governance role or an advisory role to the Board, described in the Annex on pages 120-122.

The Nominations Committee

The Nominations Committee comprises all the Non-Executive Members of the Ofcom Board. The Committee is responsible for reviewing the structure, size and composition of the Ofcom Board, as well as overseeing the succession plan for all executive Board members and the Senior Management Team.

The Chairman works with the Department for Digital, Culture, Media & Sport (DCMS) (and where relevant the Ministries in the devolved administrations) on the process for selecting Non-Executive Members for the Ofcom Board (and, where relevant, their re-appointment). He ensures that the views of the Committee are available to DCMS, which makes the appointments.

Appointments of Executive Members to the Board are made by all the Non-Executive Members of the Board on the recommendation of the Committee.

The Remuneration Committee

The Remuneration Committee consists of all the Non-Executive Members of the Ofcom Board. The Chief Executive 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 the Senior Management Team.

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 Digital, Culture, Media & Sport. Should it be necessary for Ofcom to consider any aspect of Non-Executive Member remuneration, a Non-Executive Remuneration Committee has been established, comprising 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.

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Figure 9: Ofcom's Board and Committees

	Ofcom Board	Remuneration Committee	Risk and Audit Committee	Nominations Committee	Content Board	Nations Committee	Election Committee
Number of meetings	**12**	**6**	**5**	**3**	**8**	**4**	**0**
Attendance							
Lord Burns GCB[1]	3	2	N/A	N/A	N/A	N/A	
Dame Patricia Hodgson DBE[2]	9	4	4	3	N/A	N/A	
Sharon White	12	N/A	N/A	N/A	N/A	N/A	
Baroness Noakes DBE	12	6	5	3	N/A	N/A	
Dame Lynne Brindley DBE[3]	4	3	N/A	2	2	1	
Graham Mather CBE	11	5	5	2	N/A	4	
Jonathan Oxley	11	N/A	N/A	N/A	N/A	N/A	
Dr Stephen Unger	12	N/A	N/A	N/A	N/A	N/A	
Ben Verwaayen	8	3	N/A	1	N/A	N/A	
Nick Pollard[4]	10	6	N/A	3	8	N/A	
Tim Suter[5]	5	3	N/A	N/A	3	3	
Bob Downes[6]	2	1	N/A	N/A	N/A	N/A	

Risk and Audit Committee

The Risk and Audit Committee comprises three Non-Executive Members of the Ofcom Board. The Chief Executive, the Group Director – Corporate Services, the Finance Director the Financial Controller and the Risk & Insurance Manager are invited to attend Committee meetings, as are the internal and external auditors.

The role of the Risk and Audit Committee is to provide assurance to the Board and the Accounting Officer regarding the appropriateness and effectiveness of Ofcom's risk management processes and the internal control framework and to advise in respect of the accounting policies and the process for review, and the content of the draft annual financial accounts and annual report.

The Committee is also responsible for overseeing the appointment of the internal auditors and the work undertaken by both the internal and external auditors. This includes the approval of the annual internal audit plan. The Committee's functions are fully described in its terms of reference, available on the Ofcom website.

The internal audit function is outsourced by Ofcom to KPMG. The provision of any other services by KPMG to Ofcom is not permitted if it threatens the independence of internal audit and is decided on a case-by-case basis. The external audit function is carried out by the National Audit Office on behalf of the Comptroller and Auditor General.

[1] Lord Burns was appointed as Ofcom Chairman on 1 January 2018

[2] Dame Patricia Hodgson DBE left as Ofcom Chairman with effect on 31 December 2017

[3] Dame Lynne Brindley DBE left as a Non-Executive Member of the Board with effect on 31 August 2017

[4] Nick Pollard was recused from one Board Meeting

[5] Tim Suter was appointed as a Non-Executive Member of the Board with effect from 2 October 2017

[6] Bob Downes was appointed as a Non-Executive Member of the Board with effect from 1 February 2018

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Figure 10: Senior Management Team

Name	Role
Sharon White	Chief Executive
Philip Marnick	Group Director, Spectrum
Jonathan Oxley	Group Director, Competition
Lindsey Fussell	Group Director, Consumer
Dr Steve Unger	Group Director, Strategy, International, Technology and Economists
Kevin Bakhurst	Group Director, Content and Media Policy
Alison Crosland	Group Director, Corporate Services
Polly Weitzman	General Counsel

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(1) of the Communications Act 2003.

The Ofcom Board may seek advice and recommendations from the Content Board on any content-related aspects of decisions it has reserved for itself.

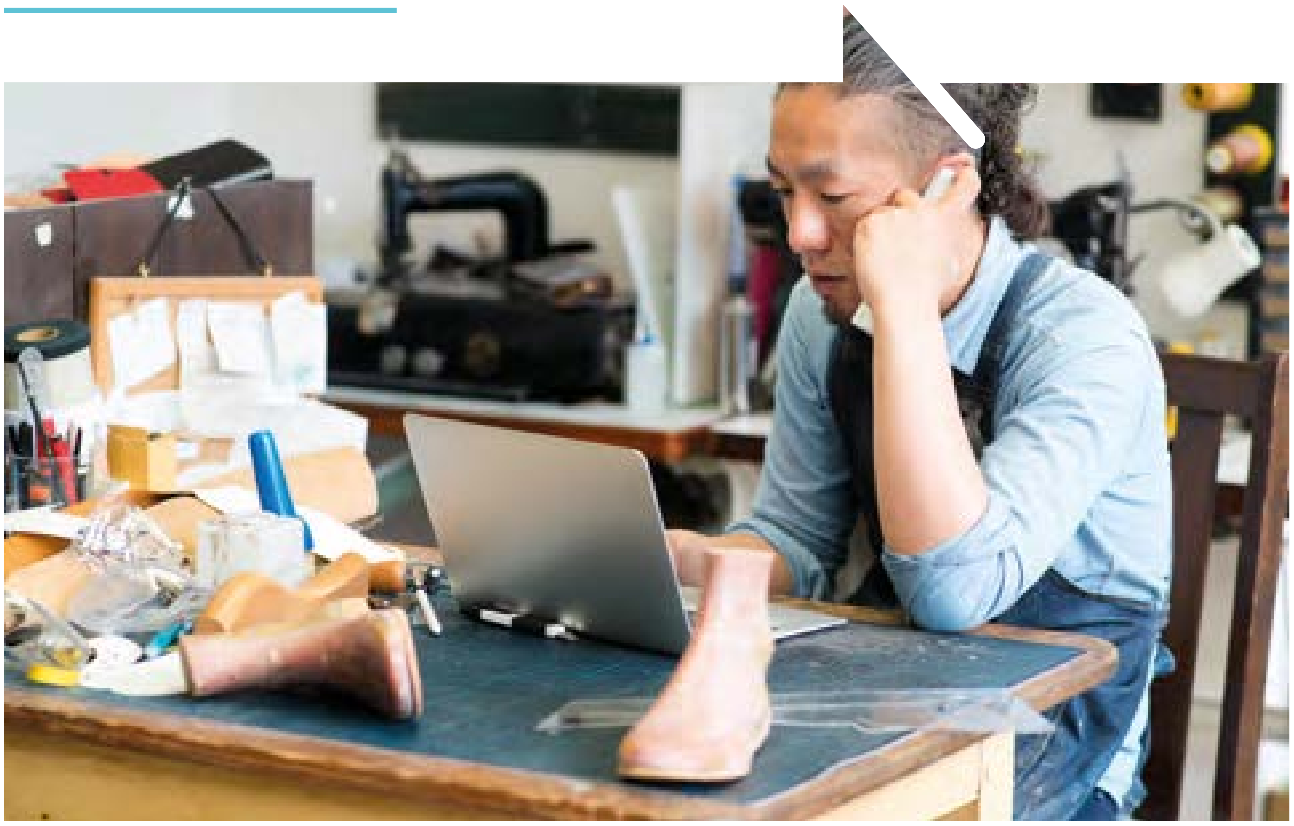
The Content Board serves as Ofcom's primary forum for the regulation of television and radio quality and standards.

It is charged with understanding, analysing and championing the voices and interest of the viewer, the listener and the citizen.

Policy and Management Board and Operations Board

Membership of the Policy and Management Board is made up of the Senior Management Team, the Chief Economist, the Finance Director and the Human Resources Director. Other senior executives attend by invitation. The Board provides an internal forum for senior executives to scrutinise and oversee the internal development of Ofcom's agenda and for overseeing the management of Ofcom.

The Operations Board is responsible for overseeing Ofcom's internal operational initiatives to ensure that they support the effective delivery of Ofcom's remit. The Board is chaired by the Group Director, Corporate Services, and membership includes senior executives from across the organisation.



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Board performance and effectiveness

The Board meets regularly. 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.

The effectiveness of the Board is reviewed on an annual basis. In 2017 this review was undertaken by the Corporation Secretary under the guidance of the Deputy Chairman Externally-facilitated evaluation is undertaken periodically.

The performance of individual Board members is assessed by the Chairman annually.

Accountability

Ofcom's Annual Report and Accounts is sent to DCMS, which lays copies of it before both Houses 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 Communications Act 2003.

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.

How Ofcom manages the public funds it receives, and its relationship with DCMS in this regard, is set out in the Framework Document.

Compliance with the Corporate Governance Code

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

However, the principles of the Code 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 2017 to 31 March 2018.

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Transparency

Ofcom continues to review its publication scheme and make a wide range of information readily accessible on its website. Wherever possible, we make the data we collect and create available to the public following open data principles. Our open data is available in one public portal on our website and on the data.gov.uk portal, alongside data sets from all central government departments and many other public sector bodies and local authorities.

During 2017/18, Ofcom received 297 requests for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Where we held relevant information, we provided all or part of the information requested in 63% of cases. Information is withheld only if it is exempt from disclosure under legislation.

Ofcom also received twelve requests for information under the Data Protection Act 1998 and, where we held relevant information, we provided the requested information in nine 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. Details about Ofcom's method of consultation, and the consultations that took place during the year, are set out on page 127..

The membership of the bodies that make up the governance structure has 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.

The Communications Consumer Panel consists of eight independent experts who work to protect and promote the interests of consumers, citizens and small businesses in the communications sector. Ofcom shares information and ideas with the Panel at the early stages of development, allowing it to provide robust and independent advice on policies to ensure that consumer interests are built into the decision-making process from the outset. Additionally, Ofcom engages with a number of other consumer consultation bodies, including the Consumer Forum for Communications, which it hosts, and invites representation from a broad range of consumer advocate bodies.

This engagement is increasingly important in the devolved nations of the UK, where the role of the nations' members of the Content Board, the Communications Consumer Panel and 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 (including participation in the UK Regulators Network), 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.

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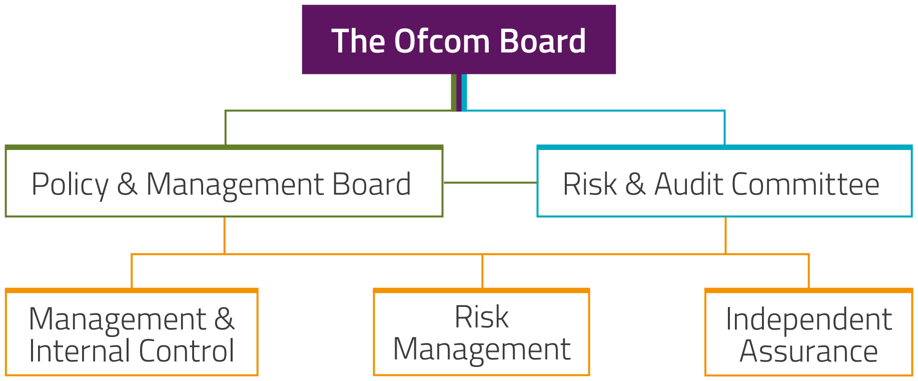
Figure 11: Ofcom's control framework



The risk and control framework

Ofcom's risk and 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 pillars 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 Senior Management Team and the Board with the assurance needed to manage the business effectively (see Figure 11).

Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. This scheme of delegation is outlined in the Delegations Framework and the Financial Authorities Framework, both of which were refreshed in 2017 to ensure that they are aligned with the structure of the organisation and appropriately reflect 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 and the Business Continuity Group.

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.

The following sections provide a brief insight into some of the work undertaken during the year to further enhance the control framework.

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EU General Data Protection Regulation (GDPR)

During the year, we established a programme of work designed to ensure that Ofcom was prepared for the General Data Protection Regulation when it took effect in May 2018. As part of this programme Deloitte LLP completed a GDPR readiness assessment and produced a roadmap targeted at addressing the thematic findings of the readiness assessment.

A Steering Group, drawing on expertise and representation from across the organisation, has been established to oversee the programme of work. The Steering Group reports regularly to Ofcom's Policy and Management Board and to the Risk & Audit Committee and the Board as required.

Physical and personal security arrangements

Against a background of the heightened threat level in the UK and the increased public profile of Ofcom in light of our new responsibilities to regulate the BBC, we have undertaken a comprehensive review of our physical and personal security arrangements. The review included a series of discussions with UK organisations with a similar risk profile to Ofcom, as well as engagement with security specialists. We undertook security reviews at our headquarters at Riverside House as well as each of our offices in the Nations and Regions. The enhancements to our security programme have not only increased our existing security measures, but also allow us to respond more efficiently and effectively to any increase in threat.

Major incident/disaster recovery/business continuity planning

During 2017/18 we undertook two major incident exercises with Ofcom's Senior Management Team. Drawing on the lessons learnt from both exercises, our major incident management plans have been updated. As part of a wider exercise with the Senior Management Team in May 2018, major incident workshops were held with ICT and the Communications Team.

Our migration to agile working and the investment in our ICT infrastructure has introduced a disaster recovery and business continuity planning 'by design' culture. The programme to virtualise our server estate and move services into the cloud has allowed us to test our disaster recovery capability on a service by service basis and we updated our business continuity plans during the year to reflect changes to our property estate and our move to agile working.

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Information security

Work continued during the year to formalise our information security management system and strengthen our defences against cyber-attack. We adopted the policy framework for cyber security which has been established by the UK government and is overseen by the National Cyber Security Centre.

The framework comprises two elements:

- '10 Steps to Cyber Security' which outlines a baseline set of measures for protection from cyber-attacks; and
- 'Cyber Security Essentials' which allows organisations to demonstrate that they meet a government endorsed standard of cyber preparedness.

Ofcom gained Cyber Essentials certification in October 2017. Alongside this work we developed an ICT security strategy and road-map to ensure that we implement appropriate security controls.

The strategy and road-map were informed by a maturity assessment against ISO27001. During the year, we recruited a dedicated information security manager to lead the programme of work to enhance our information security management system.

Whistleblowing policy and hotline

We made some minor changes to our whistleblowing policy during the year, specifically to make it easier for colleagues to make disclosures under the policy.

Additionally, we are introducing an externally-hosted and administered whistleblowing hotline that allows colleagues to make anonymous disclosures.

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Figure 12: Ofcom's risk hierachy

Risk management

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

To ensure that our risk management framework is effective and aligned to the requirements of the organisation, a review of our risk management framework is undertaken periodically as part of the internal audit plan.

The recommendations that emerge from the review form part of an ongoing programme to improve our risk management framework.

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

Ofcom's strategic risk register is reviewed monthly by the Policy and Management Board and quarterly by the Risk and Audit Committee. On a quarterly basis, the Chairman of the Risk and Audit Committee provides an oral update to the main Board on the outcome of the Committee's review of the Strategic risk register. Additionally, in January 2018 the main Board undertook a more formal review of the Strategic risk register. It was agreed that that the Board would formally review the Strategic risk register twice a year.

During the past year, the Strategic risk register continued to evolve, to ensure that it allowed the Policy and Management Board to focus on the key risks that might undermine the delivery of the organisation's objectives.

Group level risks are reviewed by the Group Directors, their senior management teams and 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 senior managers' role in championing the risk process, the Risk and Insurance Manager, together with the Finance Business Partners and Analysts, work across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.

Ofcom has a statement of its risk appetite which is approved by the Board. It was last reviewed in January 2018. Work has continued to embed the consideration of risk appetite into the organisation's decision-making and planning processes.

The table on page 33 highlights some of the key risks being managed by the organisation.

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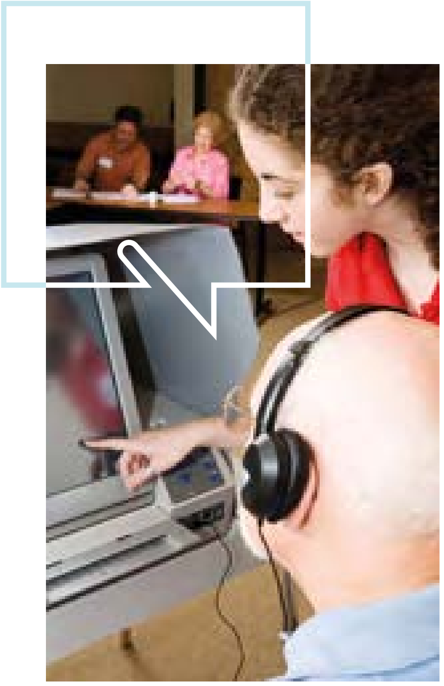

Independent assurance over internal controls

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Internal Audit Plan that is approved by the Risk and Audit Committee on an annual basis. The plan is informed by interviews held with stakeholders, a periodic assessment of risk management arrangements, evaluation of the previous year's internal audit results, and an ongoing consideration of the environment in which Ofcom operates. During 2017/18, 11 internal audits were undertaken, including financial controls, Ofcom's new funding model, cost allocation and tariff setting, mobile spectrum auction readiness review, the 700 MHz clearance project, spectrum licensing including PMSE, IT General Controls, Business Continuity Planning, Disaster Recovery and Major Incidence Management, Information Security, Fraud risk and a high-level evaluation of the Governance Statement.

Public interest disclosure

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. Ofcom is a 'prescribed person' as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014.

As such, individuals working outside Ofcom, but in the communications sector, may contact Ofcom if they have concerns about possible wrongdoing at their own organisation. During 2017/18 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998 or otherwise.

Statement of Accounting Officer

As Chief Executive and Accounting Officer I have overall responsibility for reviewing the effectiveness of the system of internal control. Group Directors have responsibility for the development and maintenance of the internal control framework. This framework informs the work of internal audit and comments made by external auditors in their management letter and other reports.

The Board has maintained strategic oversight and review of internal control and risk management arrangements through regular reports by directors on their areas of responsibility, and through specific reports for discussion at Risk and Audit Committee and Board meetings.

During the year, the Risk and Audit Committee has considered:

- individual internal audit reports, management responses and progress against any actions raised;
- the internal auditor's annual report and opinion on the adequacy of our internal control system;
- National Audit Office reports and recommendations;
- regular reports on Ofcom's strategic risk register, including the identification of risks to the organisation's system of internal control and information about the controls that have been put in place to mitigate these risks; and
- any additional assurance reports that have been requested by the Risk and Audit Committee.

To my knowledge, and based on the advice I have received from those managers with designated responsibilities for managing risks and the risk management system, I am not aware of any significant internal control findings for 2017/18.

Sharon White
Chief Executive and Accounting Officer

19 June 2018

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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 to the Accounts Direction issued by the Secretaries of State for Business, Energy & Industrial Strategy and for Digital, Culture, Media & 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 International Financial Reporting Standards (IFRS), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), 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 her for the day-to-day management of Ofcom. The Permanent Secretary for the Department for Digital, Culture, Media & Sport has designated the Chief Executive as Ofcom's Accounting Officer. 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 Framework Document. She must also ensure that proper accounting records are maintained, and she must sign the accounts.

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

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Our employees

Our values are central to the way we operate, shaping how we engage with our stakeholders and work together to achieve our priorities

Ofcom's values

We have four core values that reflect our desire to work in an open, effective and people-driven way.

They are:

- **Excellence**
- **Agility**
- **Collaboration**
- **Empowerment**

Diversity and inclusion

As an employer, we are committed to treating all colleagues with dignity and respect in an inclusive and fair working environment. We are determined to promote equality of opportunity for all colleagues, irrespective of race, disability, gender identity, gender reassignment, age, religion or belief, or sexual orientation. This commitment sits at the heart of our employment policies and our approach to recruitment and career development.

Our Single Equality Scheme (SES) describes how we go about ensuring that diversity and inclusion are at the heart of how we operate. It outlines our action plan, including a detailed account of our objectives and programme of work. We report regularly to the Ofcom Board and the Policy and Management Board on the progress of our various initiatives under the SES. In March 2018 we published our new Diversity and Inclusion Programme (DIP).

Ofcom's DIP explains how diversity and equality are essential to how we operate, both as an employer and as the UK's communications regulator.

It reviews the progress we have made since publishing our SES in 2014 and sets out our objectives and actions for 2018-2022.

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These are to:

- build a diverse and inclusive workforce to better reflect the UK population we serve;
- ensure that diversity and inclusion are central to our work practices and culture, so everyone understands, supports and is accountable for diversity; and
- ensure that differing needs and interests of all individuals are considered when carrying out our regulatory work.

We have also published an Equality Scheme for Northern Ireland, setting out how we will promote equality of opportunity and good relations across groups of people when carrying out our functions relating to Northern Ireland.

To help us determine the strategic priorities and objectives in our equality schemes, we conduct an annual report on the profile of Ofcom colleagues and processes.

We monitor our policies and practices extensively through colleague surveys, consulting with colleague networks, benchmarking and a biennial equal pay audit.

In 2017/18 we extended our regular pay audit to cover ethnicity as well as gender, and we published the outcomes in March 2018.

The pay gap analysis showed that we have continued to narrow our gender pay gap but there is further work to do. This will include continuing to make progress towards our targets to increase the proportion of women, and colleagues from ethnic minorities, in senior roles.

Our audit also found a high level of consistency in pay across different professional categories, indicating that pay decisions are made carefully, taking into account internal relativities, and that pay gaps identified by previous audits have been substantially reduced.

In the past year, we:

- ran unconscious bias training for all managers;
- launched our move to agile working, to deliver the environment and working practices we need to support our values and culture. The agile working changes are transformational, and we aim to meet the needs of all colleagues and shape the way we work together in three key areas: people, place and technology;
- continued to support and work with our Disability and Wellbeing Group;
- continued to support and work with our diversity networks: Ofcom Women's Network (OWN); Parents and Carers Network; the Affinity Network which supports lesbian, gay, bisexual and transgender (LGBT) colleagues and allies; and the RACE network;
- launched a Listening Network, with volunteers offering informal peer support;
- strengthened our support for colleagues by introducing resilience workshops, mandatory for all people managers, and open to all colleagues;
- maintained our gold-banded employer status within Business in the Community's gender and race equality indices;
- significantly improved our rating in the 2018 Stonewall Workplace Equality Index, which looks at our attitude to LGBT staff;
- commissioned a comprehensive disability and engagement review, conducted by Business Disability Forum (BDF); we will follow up the BDF's recommendations;
- sponsored the Institution of Electrical Engineering's 'Young Woman Engineer of the Year' award for the sixth consecutive year.

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Figure 13: In 2015 we set ourselves the following targets for increasing the representation of women across Ofcom as a whole, and ethnic minority groups at senior levels. During 2017 we were pleased to report positive progress against all the targets

Gender

Ofcom

Current Ofcom composition		Economically active[1]		Targets: By 2020	
46%	54%	47%	53%	50%	50%

Principal/SMS

Current Ofcom composition		Economically active		Targets: By 2020	
40%	60%	N/A		40%	60%

Ethnicity

Ofcom

Current Ofcom composition			Economically active	Targets: By 2020
19% Ethnic minority	75% White	6% Not known	13% Ethnic minority	No target

Principal/SMS

Current Ofcom composition			Economically active	Targets: By 2020
11% Ethnic minority	83% White	6% Not known	N/A	13% of colleagues to be from an ethnic minority background

Although we are starting with gender and ethnicity targets, we are committed to ensuring equality of opportunity and providing an inclusive culture for all under-represented groups.

[1] (2011 census)

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Colleague involvement and consultation

Colleagues are encouraged to help ensure Ofcom has a diversity of perspectives in its work.

Our regular formal methods for informing and consulting colleagues include:

- the Ofcom Colleague Forum, a consultation forum made up of representatives of colleagues across Ofcom which meets regularly with senior management at Joint Consultative Group meetings (which include two members from the union);
- our colleague diversity networks;
- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices;
- regular group meetings, to speak to and hear from colleagues;
- interactive group meetings with the Chief Executive, which provide a forum for colleagues to ask her questions directly;
- colleague surveys, which invite colleagues to share their views anonymously on a wide range of topics. The outcomes of these surveys provide a foundation for our organisational development work.

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Professional development

The quality and commitment of our people are central to our ability to fulfil our duties. In mid-2017, we launched an organisation-wide initiative: the Colleague Development Project. The project was launched with the aim of providing several routes for colleagues to progress within the organisation.

These include secondment opportunities, leadership and people management development, and coaching and mentoring opportunities. In addition, colleagues have the opportunity to shadow the Chief Executive and other senior colleagues to gain exposure to working areas outside their own groups.

Employment policies and processes

We are committed to ensuring that all colleagues are treated fairly, with dignity and respect. We keep our staff policies and processes under review to ensure they are up to date and consistent with our values, as well as with the requirements of employment law.

During 2017, we rolled out our agile working policy, and began drafting new policies including the transition and secondment policies. And we launched a review of our current recruitment toolkit and policy, with the aim of ensuring that all methods were fair and transparent, and that diversity was considered at all times.

We moved from what was previously known as the 'Two Ticks' scheme to the new Disability Confident scheme; we are now a Disability Confident Employer. This required us to conduct a review of our existing procedures and commit to ensuring that disability is at the forefront of our work at all times.

Absence

We encourage a culture where good attendance is expected and valued. However, we recognise that, from time to time, absences for medical reasons may be unavoidable.

Our aim is to treat 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 2017/18, the number of working days lost was 4.9 days per annum per employee (2016/17: 4.2 days) This compares favourably to the public sector average of 8.5 days per annum per employee in 2017 and is unchanged since 2016.

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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, and complies with the Government Financial Reporting Manual where appropriate and applicable

Ofcom is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended in August 2013, 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 pages 63-64.

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 Group Director, Corporate Services 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 that 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.

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Components of remuneration

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

Salary and flexible benefits

The basic salary for Executive Members and Group Directors 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 and any changes are effective from 1 July each year.

Standard benefits

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

Performance-related payments

Each Executive Member and Group Director participates in an annual performance bonus scheme, which is calculated as a percentage of salary based on the individual's performance, up to a maximum of 20% 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 2017 to 31 March 2018 have been approved by the Remuneration Committee and accrued but not paid as at the year end. Annual bonuses relating to the financial year 2017/18 are paid in July 2018. Ofcom does not provide a long-term performance bonus scheme for its employees.

Fair pay disclosure

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 fair pay disclosure data is shown below.

The median remuneration excludes the highest-paid director and is based on annualised, full-time equivalent remuneration of staff members as at the end the financial year.

The remuneration of the highest-paid director in Ofcom in the financial year 2017/18 was in the band £380-£385,000 (£360-365,000 in 2016/17). This was 6.78 times (6.44 times in 2016/17) the median remuneration of Ofcom's workforce, which was £56,704 in 2017/18 (£56,173 in 2016/17).

In 2017/18, remuneration ranged from £17,812 to the upper band of £385,000 (the 2016/17 range was £16,673 to £365,000). For comparison purposes, the remuneration includes base salary, performance-related pay, flexible benefits and benefits in kind. It excludes severance payments, any employer pension contributions and cash equivalent transfer values, in line with the Government Financial Reporting Manual. No employees received remuneration in excess of the highest-paid director.

Fair pay disclosure	2017/18	2016/17
Band of highest-paid Board member's total remuneration (£000)	380-385	360-365
Median remuneration (£)	56,704	56,173
Remuneration ratio	6.78	6.44

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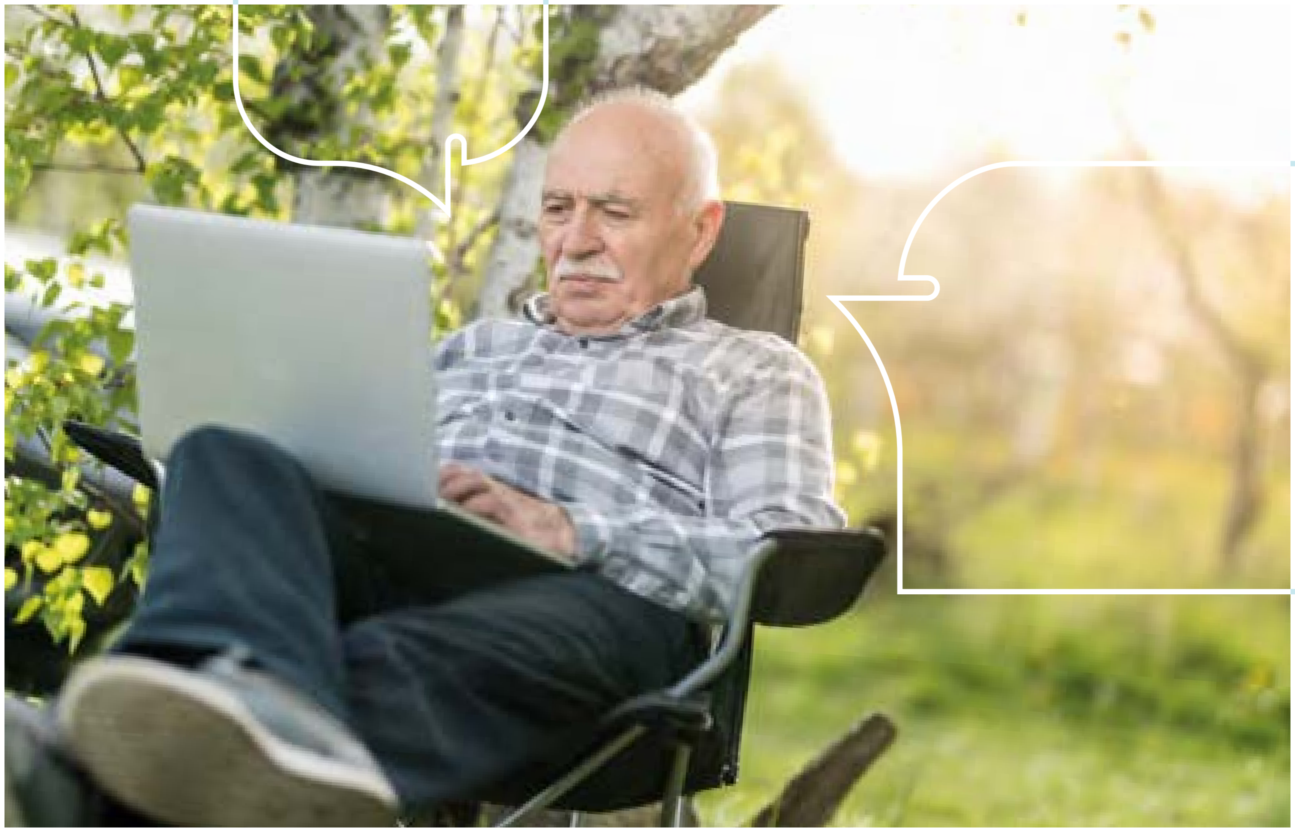

Pension arrangements

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.

Patricia Hodgson retired as Chairman of the Ofcom Board on 31 December 2017; during her term she was in receipt of a pension from the Ofcom (former ITC) Pension Plan. No other 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 Senior Management Team, which have been audited by the National Audit Office, are set out in the following tables and notes.

The tables reflect the remuneration for that part of the year during which individuals were either members of the Board or the Content Board, or members of the Senior Management Team. Those individuals marked with '+' against their name were in their roles for only part of financial year 2016/17 or 2017/18.

Where individuals are members of more than one Board or Committee (as set out on page 64) they appear only once in the remuneration tables. All Executive Members are listed under the Senior Management Team in Table 3.

The guidance note reference numbers shown against the names of individuals refer to the notes on the remuneration tables on pages 83 and 85.

A note of the annual equivalent cost is shown below each table to provide a clear comparison of the total costs and to highlight changes in pay policy between financial years. This reflects the total annual cost for those members in place at 31 March of the year end and removes any fluctuations from membership changes during the financial year.

The following tables are subject to audit.

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Table 1: Ofcom Non-Executive Board Member remuneration: 2017/18

Name	Guidance note reference	Fees 17/18 £	Fees 16/17 £
Dame Lynne Brindley DBE +	1,2	17,716	42,519
Lord Burns GCB +	1,2	30,000	-
Bob Downes +	1,2	7,087	-
Bill Emmott +	1	-	25,447
Dame Patricia Hodgson DBE +	1,2	106,875	142,500
Graham Mather CBE	1	42,519	42,519
Baroness Noakes DBE	1	70,000	70,000
Nick Pollard +	1	42,519	29,603
Tim Suter +	1,2	21,260	-
Ben Verwaayen	1	42,519	42,519
		380,494	395,107

Annual equivalent cost: 2017/18 £402,595; 2016/17 £382,576

Table 2: Ofcom Non-Executive Content Board Member remuneration: 2017/18

Name	Guidance note reference	Fees 17/18 £	Fees 16/17 £
Jonathan Baker +	1,3	8,400	-
Andrew Chitty +	1,3	4,500	10,800
Juan Andrew Colman +	1,3	4,500	10,800
Aled Eirug	1	12,300	10,800
Robin Foster	1	12,300	10,800
Zahera Harb	1	12,300	10,800
David Levy +	1,3	900	10,800
Lesley Mackenzie +	1,3	-	5,400
Philip Schlesinger	1	12,800	10,800
Monisha Shah +	1,3	8,400	-
Mary Ann Sieghart +	1,3	4,500	10,800
Janey Walker	1	17,963	15,900
		98,863	**107,700**

Annual equivalent cost: 2017/18 £124,950; 2016/17 £102,300

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Table 3: Ofcom Senior Management Team and Executive Content Board remuneration: 2017/18

Name	Guidance Note reference	Salary 17/18	Pension entitlement/ allowance 17/18	Flexible benefits Allowance 17/18	Benefits In kind 17/18	Performance Bonus 17/18	Total remuneration 17/18	Total Remuneration 16/17
		£	£	£	£	£	£	£
Kevin Bakhurst +	4,5,6	230,000	34,500	15,000	2,848	20,000	302,348	118,763
Tony Close	4,5	157,210	23,581	15,000	2,848	12,000	210,639	205,544
Alison Crosland	4,5	197,250	29,588	15,000	1,139	-	242,977	250,650
Lindsey Fussell +	4,5,6	193,500	29,025	15,000	2,848	20,000	260,373	229,887
Philip Marnick	4,5	215,695	32,354	15,000	2,848	-	265,898	271,881
Jonathan Oxley	4,5	263,025	39,454	15,000	2,848	15,000	335,327	330,458
James Thickett +	3	-	-	-	-	-	-	49,867
Steve Unger	4,5	263,025	39,454	15,000	2,848	15,000	335,327	340,458
Polly Weitzman	4,5,8	242,534	36,380	15,000	2,848	20,000	316,762	311,887
Sharon White	4,5,7	333,750	66,750	15,000	2,848	33,500	451,848	430,309
		2,095,989	331,086	135,000	23,925	135,500	2,721,500	2,539,704

Annual equivalent cost: 2017/18 £2,721,500; 2016/17 £2,663,304

Notes to the remuneration tables

1. 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 (except for the Chairman and Deputy Chairman) has been £42,519 per annum since 1 April 2008. The fees for Non-Executive Members of the Content Board are fixed by Ofcom.

The basic fee of the Content Board Members is £16,800 per annum (the exception being the fee paid to Janey Walker of £24,150 per annum to reflect her additional work and responsibilities for standards work). The values shown represent the full-year amount paid or, where appropriate, part of the year, if the relevant Non-Executive Member joined or retired from the Ofcom Board or the Content Board, or took on additional responsibilities, during the period under review.

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

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2. Tim Suter was appointed to the Ofcom Board on 2 October 2017, Lord Burns was appointed as Chairman of the Ofcom Board on 1 January 2018, and Bob Downes was appointed to the Ofcom Board on 1 February 2018. Dame Lynne Brindley DBE retired from the Ofcom Board on 31 August 2017 and Dame Patricia Hodgson DBE retired from the Ofcom Board on 31 December 2017. The values shown in Table 1 reflect the amount paid in 2017/18; annualised costs are shown below the table to remove the fluctuations of changes in membership during the financial year.

The annual equivalent fees are:

Dame Patricia Hodgson
£142,500

Lord Burns
£120,000

Baroness Noakes
£70,000

Non-Executive Members of the Board
£42,519

3. **Non-Executive Members of the Content Board:** Monisha Shah and Jonathan Baker were appointed to the Content Board on 1 October 2017; Lesley Mackenzie left the Content Board on 17 September 2016; Juan Andrew Colman, Mary Ann Sieghart and Andrew Chitty retired from the Content Board on 31 August 2017; David Levy retired from the Content Board on 30 April 2017.

   Executive Members of the Content Board: James Thickett left the Content Board on 28 June 2016. The full-year equivalent of his salary was £158,000.

4. The total annual remuneration shown for Ofcom executives who are, or were, members of the Senior Management Team, includes basic salary, performance bonus awarded for the financial year, a cash allowance for flexible benefits and a percentage of basic salary paid as a pension allowance. This excludes Tony Close, who was an Executive Member of the Content Board during the reporting period. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive.

5. Sharon White, Alison Crosland, Philip Marnick, Jonathan Oxley, Steve Unger, Kevin Bakhurst, Lindsey Fussell and Polly Weitzman have been members of the Senior Management Team throughout the period; Tony Close has been an Executive Member of the Content Board throughout the period. Steve Unger resigned in March 2017 and will step down as a member of the Senior Management Team and the Ofcom Board on 30 June 2018. The figures shown for 2017/18 reflect a full year of his salary.

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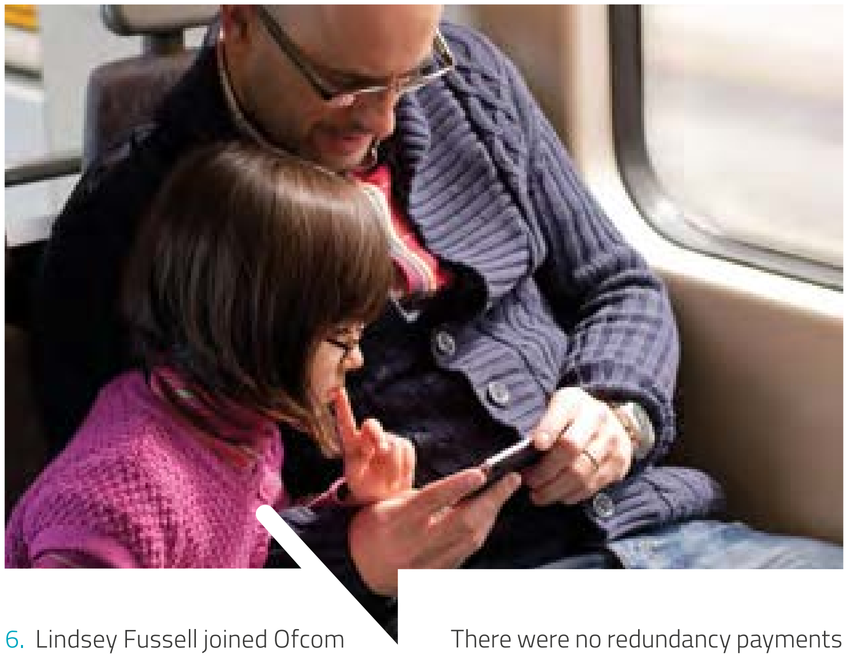

6. Lindsey Fussell joined Ofcom as a member of the Senior Management Team on 18 April 2016. The full-year equivalent salary for 2016/17 was £180,000. Kevin Bakhurst joined Ofcom as a member of the Senior Management Team on 31 October 2016. His full-year equivalent salary (2016/17) was £230,000.

Contract of employment

The Chief Executive and Jonathan Oxley, Group Director of Competition, have a notice period of 12 months. No other Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months.

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 Lord Burns and Baroness Noakes, who committed up to three days per week and two-and-a-half days per week respectively).

There were no redundancy payments relating to a member of the Senior Management Team included in the accounts for the year for loss of office during 2017/18.

Compensation for early termination

The arrangements for early termination of a contract of employment for an Executive Member of the Ofcom Board, Content Board or member of the Senior Management Team 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. Any fees paid to the Executive Member for such an appointment may only be retained by the Executive at the discretion of the Remuneration Committee.

Sharon White is a director of Sadler's Wells Trust Ltd (registered charity), with effect from November 2017. No fee was paid to Sharon White in respect of this appointment. Sharon White is also paid £58,000 per annum as an independent non-executive director for Barratt Developments Plc, with effect from January 2018; these fees are paid direct to Ofcom and Sharon White receives no part of them.

No Executive Board Member holds or held any such directorships during the year.

In addition, Polly Weitzman, who is a member of the senior management team, is paid £12,120 per annum as a non-executive director of the Homerton University NHS Foundation Trust; these fees are paid direct to Ofcom and Polly Weitzman receives no part of them.

On behalf of Ofcom,

Sharon White
Chief Executive and Accounting Officer

19 June 2018

Ben Verwaayen
Chairman of the Remuneration Committee

19 June 2018

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The certificate & report of the Comptroller & Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2018 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. 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.

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 2018 and of the surplus after tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and the Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Office of Communications Act 2002.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of Communications' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of Communications' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Office of Communications Act 2002;
- in the light of the knowledge and understanding of the Office of Communications and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report 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 the parts of the Remuneration Report to be audited are not in agreement with the accounting records and 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 HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
3 July 2018

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

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Financial Statements

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Statement of comprehensive income

For the year ended 31 March 2018

	Notes	2017/18 £'000	2016/17 £'000
Income	3	**122,410**	115,781
Spectrum Clearance and Awards	3	**82,077**	24,685
Total income		**204,487**	**140,466**
Operating expenditure			
Staff costs	4	**(72,011)**	(68,459)
Other operating costs	6	**(48,022)**	(45,721)
Spectrum Clearance and Awards	4,6	**(82,078)**	(24,694)
Total operating expenditure		**(202,111)**	**(138,874)**
Operating surplus		**2,376**	**1,592**
Vacant property income/(cost)	15	**76**	(551)
Finance income		**74**	58
Finance costs	15	**(8)**	(22)
Pension interest income	19	**390**	475
Surplus on ordinary activities for financial year before tax		**2,908**	**1,552**
Taxation	7	-	-
Surplus for financial year after tax		**2,908**	**1,552**
Other comprehensive income/(expenditure)			
Remeasurement on pensions	19	1,318	615
Total comprehensive income/(expenditure)		**4,226**	**2,167**

The accounting policies and notes on pages 92 to 118 form part of these financial statements.

Contents

Statement of financial position

As at 31 March 2018

	Notes	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Non-current assets			
Property, plant and equipment	8	**9,524**	6,429
Intangible assets	9	**1,217**	2,177
Trade and other receivables	11	**902**	687
Retirement benefit assets	19	**18,169**	17,030
Total non-current assets		**29,812**	**26,323**
Current assets			
Trade and other receivables	10	**9,575**	14,870
Cash and cash equivalents	12	**25,233**	10,097
Total current assets		**34,808**	**24,967**
Total assets		**64,620**	**51,290**
Current liabilities			
Trade and other payables	13	**33,857**	25,348
Provisions for liabilities and charges	15	**30**	84
Total current liabilities		**33,887**	**25,432**
Non-current liabilities			
Trade and other payables	14	**1,064**	299
Provisions for liabilities and charges	15	**183**	227
Retirement benefit liabilities	19	**1,142**	1,214
Total non-current liabilities		**2,389**	**1,740**
Total liabilities		**36,276**	**27,172**
Assets less liabilities		**28,344**	**24,118**
Equity			
Reserves		**28,344**	24,118
Total equity		**28,344**	**24,118**

The accounting policies and notes on pages 92 to 118 form part of these financial statements. These financial statements were approved by the Board on 19 June 2018.

Lord Burns
Chairman

Sharon White
Chief Executive and Accounting Officer

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Statement of changes in equity

For the year ended 31 March 2018

	Notes	Reserve £'000
Balance as at 1 April 2016		**21,951**
Changes in equity for 2016/17		
Remeasurement on pensions	19	615
Surplus for year		1,552
Total comprehensive income for 2016/17		**2,167**
Balance as at 31 March 2017		**24,118**
Changes in equity for 2017/18		
Remeasurement on pensions	19	1,318
Surplus for year		2,908
Total comprehensive income for 2017/18		**4,226**
Balance as at 31 March 2018		**28,344**

The accounting policies and notes on pages 92 to 118 form part of these financial statements.

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Statement of cash flows

For the year ended 31 March 2018

	Notes	2017/18 £'000	2016/17 £'000
Cash flows from operating activities			
Operating surplus		**2,376**	1,592
Adjustments for non-cash transactions			
Amortisation	9	**1,023**	1,244
Depreciation	8	**1,963**	2,180
Loss/(Profit) on disposal of non-current assets	6	**64**	(7)
Decrease/(Increase) in trade and other receivables	10,11	**5,080**	(5,899)
Increase in trade and other payables	13,14	**9,274**	3,034
Decrease in provisions	15	**(30)**	(604)
Decrease/(Increase) in retirement pension	19	**497**	(504)
Net cash inflow from operating activities		**20,247**	**1,036**
Cash flows from investing activities			
Interest received		**74**	58
Purchases of property, plant and equipment	8	**(5,159)**	(2,503)
Purchases of intangible assets	9	**(63)**	(131)
Proceeds from sale of non-current assets		**37**	67
Net cash outflow from investing activities		**(5,111)**	**(2,509)**
Cash flows from financing activities			
Net cash outflow from financing activities		**-**	**-**
Increase/(Decrease) in cash and cash equivalents in the year		**15,136**	**(1,473)**
Cash and cash equivalents at beginning of year	12	**10,097**	11,570
Increase/(Decrease) in cash and cash equivalents in the year		**15,136**	(1,473)
Closing net funds	12	**25,233**	**10,097**

The accounting policies and notes on pages 92 to 118 form part of these financial statements.

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Notes to the accounts

For the year ended 31 March 2018

1 Basis of presentation and principal accounting policies

The Office of Communications (Ofcom) is a statutory corporation that provides a broad range of regulatory services, and is domiciled in the United Kingdom. The financial statements of Ofcom for 31 March 2018 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 evaluation of certain non-current assets, on a going concern basis, in accordance with 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, Energy and Industrial Strategy (BEIS) and Digital, Culture, Media & Sport (DCMS).

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

a) Adoption of new and revised standards

Certain new standards, amendments and interpretations to existing standards, listed below, have been published but do not have any material impact on the financial statements of Ofcom. All standards below relate to the current accounting period.

- IAS 7 Financial Instruments: Disclosure (Amendment) applicable to annual periods beginning on or after 1 January 2017
- Annual Improvement to IFRSs 2014-2016 cycle (Minor amendments to the following standard is applicable for annual periods beginning on or after 1 January 2017). This standard is IFRS 12 Disclosure of Interests in Other Entities

Other new standards, amendments and interpretations to existing standards, listed below, have been published but do not have any material impact on the financial statements of Ofcom and these relate to future accounting periods.

- IFRS 9 Financial Instruments applicable to annual periods beginning on or after 1 January 2018

  Ofcom has no significant exposure to liquidity, interest rate or currency risks. 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. The adoption of IFRS 9 has no material impact to Ofcom's results.

- IFRS15 Revenue from Contracts with Customers applicable to annual periods beginning on or after 1 January 2018

  Management have considered the Communications Act 2003 and Statement of Charging Principles. There are no changes in the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, following the adoption of IFRS 15.

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Other new standard, amendment and interpretation to existing standards, listed below, has been published that will have material impact on the financial statements of Ofcom and these relate to future accounting periods and that this will be fully assessed once implantation guidance has been issued and the further assessment completed.

- IFRS 16 Leases applicable to annual periods beginning on or after 1 January 2019

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 and clearance, competition law enforcement, public interest tests, local media assessments, website blocking, joint ventures, nuisance calls and consumer protection. Grant-in-aid received from DCMS is allocated and matched to costs in the year to which it relates. Grant-in-aid arrangements for our core responsibilities remained in place during the financial year until the end of November 2017 when the change of funding approach began.

The 700 MHz clearance programme oversees the clearance (including mitigation of potential interference) of the UHF 700 MHz band.

Clearance is undertaken by third parties who are funded by way of capital grants that have been considered and approved in-principle by the Spectrum Clearance and Awards Programme Management Board (SCAP-MB), with final approval by HM Treasury. The programme is funded via grant-in-aid.

The grant recipients for the programme request funding from Ofcom once the grant conditions have been satisfied. For awarded grants, Ofcom will only pay monies for actual costs incurred, and will recognise the costs on agreement to pay the recipient for the requested funds.

Wireless Telegraphy Act Receipts Retention

The Digital Economy Act 2017 introduced legislative amendments which simplify Ofcom's funding model. Following consent of the new funding 'Statement of Principles' by HM Treasury and the Secretary of State, Ofcom no longer receive grant-in-aid funding for its core responsibilities.

Ofcom is permitted to retain sums received in connection with its functions under the Wireless Telegraphy Act. Ofcom may retain such sums to fund its general spectrum management functions, as well as to meet the costs of undertaking its other functions for which it cannot otherwise levy fees and charges.

These changes were implemented in December 2017. Ofcom may continue to receive grant-in-aid to deliver certain major Government projects. We currently receive grant-in-aid in respect of the 700 MHz clearance programme.

Postal services, 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 and postal services' cash costs is classified as deferred income and presented on the Statement of Financial Position as a payable. Cash costs in excess of income received are classified as accrued income and presented on the Statement of Financial Position 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 and presented on the Statement of Financial Position as a payable. Cash costs in excess of income received are classified as accrued income and presented on the Statement of Financial Position 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.

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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, Geographic Numbering receipts and Financial Penalties 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 Acts (WTA) 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.

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.

The minimum capitalisation threshold is £2,500 and property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items rather than to groups of similar items, unless the effect of doing so would be to eliminate a significant portion of total capital 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.

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.

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 as follows:

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

Depreciation is calculated from the month following that in which an asset is brought into service.

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

Assets under construction represent costs incurred in developing tangible assets. Upon completion, these assets will be transferred to the relevant asset class and depreciated according to the accounting policy.

Losses and gains on disposals are recognised within 'Loss/(Profit) on disposal of non-current assets' in the 'Other operating costs' note per the Statement of Comprehensive Income.

f) Intangible assets

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications and development and related licence fees. The minimum capitalisation threshold is £2,500.

Capitalisation thresholds are applied to individual items rather than to groups of similar items, unless the effect of doing so would be to eliminate a significant portion of total capital assets.

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified. Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred.

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Amortisation on capitalised development costs is charged to the Statement of Comprehensive Income 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 of three to five years.

Information technology relates to the development of our core systems while systems under development comprise costs incurred in developing software, which will replace some of the current applications. No amortisation is provided on these assets in the course of development.

g) Impairment of assets

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 as per IAS 36 Impairment of Assets.

An asset's carrying amount is written down immediately, as an impairment loss, to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Material impairments are disclosed separately in the notes to the Statement of Comprehensive Income and Statement of Financial Position. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Trade and other receivables

Trade receivables are amounts due from stakeholders for licences, 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 less provision for impairment.

Prepayments are payments which have been made, but the benefits of which have not been consumed.

Accrued income – see Note 1(b) income recognition.

i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and amount due to the Consolidated Fund.

j) Trade and other 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.

Other payables represent money owing to third parties at the reporting date.

k) Employee benefits

Pension Schemes

Ofcom has a range of pension schemes which include a defined contribution plan, two defined benefit plans and an unfunded plan.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which Ofcom pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations under Ofcom's defined contribution scheme are recognised within staff costs as an expense in the Statement of Comprehensive Income as incurred.

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 where the benefits its members are entitled to are pre-determined by a formula. 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 during their membership of the plan. That benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate is the yield at the reporting date on high quality 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.

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When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in other comprehensive income within the Statement of Comprehensive Income in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in comprehensive income within the Statement of Comprehensive Income in the current period.

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 have been closed for future accrual as from 1 June 2011.

The Ofcom Defined Benefit Pension Plan provides benefits that are broadly equivalent to the Principal Civil Service Pension Scheme (PCSPS). The second scheme is the Ofcom (Former ITC) Staff Pension Plan. This is a multi-employer scheme with Ofcom, the ASA, and S4C as participating employers. The assets of both schemes are held in separately administered trusts.

IAS 19 requires that, where a scheme is in surplus according to the IAS 19 assumptions, the surplus can only be recognised on Ofcom's Statement of Financial Position if an economic benefit is 'available' to it as a result of the surplus.

Unfunded schemes

Ofcom also has liabilities in respect of pension payments to two 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 unfunded benefits are accounted for under IAS 19 Employee Benefits via a provision in Ofcom's Statement of Financial Position equal to the actuarial value of these liabilities.

Other employee benefits

Early retirement costs

The annual compensation payment (ACP) is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment. From the date of early retirement until retiring age the colleague receives an annual compensation payment (ACP) equal to the preserved pension.

This is paid by monthly instalments in arrears like a pension. It begins to accrue on the day immediately following the date of retirement and continues until the preserved pension comes into payment, when it stops.

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, is included as part of accruals. As from 1 January 2008, this benefit was withdrawn for new employees.

l) Provisions

Provisions for early retirement, legal provisions and surplus 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 appropriate market discount rates. 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 finance costs in the Statement of Comprehensive Income.

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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 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 Comprehensive Income for the year.

o) Financial instruments and credit risk

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and amount due to the Consolidated Fund. 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 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.

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 2 to these financial statements presents the Statement of Comprehensive Income 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.

The area of judgement that have the most significant effect on the amounts recognised in the financial statements are as follow:

- Legal provisions – accounting policy (l)
- Revenue recognition and assessment of unbilled revenue – accounting policy (b)
- Contingent liabilities – Ofcom may be subject to appeal of decisions made in carrying out its functions as a regulator. Note 24 to the accounts sets out the contingent liability at the reporting date. Ofcom have considered that no provision is required in the accounts regarding this matter based on the best information at the reporting date

The source of estimation uncertainty that has a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

- Estimation of liabilities for pension and other post-retirement benefits – accounting policy (k)

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2 Sectoral Analysis

The analysis below refers to income by sector for the year ended 31 March 2018, together with attributable costs.

This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Segmental Reporting, as per the accounting policy 1 (q)

	Spectrum management	Spectrum clearance	Networks & services	Broadcasting	Postal regulation	Other regulatory activities	2017/18 Total	2016/17 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue								
Licence and administration fees	-	-	41,465	25,973	3,713	-	**71,151**	64,058
Application fees	-	-	100	510	-	-	**610**	668
Grant-in-aid	32,099	85,379	-	-	-	1,314	**118,792**	74,716
Wireless Telegraphy Acts (WTA) receipts retention	18,537	-	-	-	-	544	**19,081**	-
Other income	-	-	-	-	-	-	**-**	174
Accrued/(Deferred) income	(21)	(3,302)	439	(2,750)	(391)	67	**(5,958)**	619
Total revenue	**50,615**	**82,077**	**42,004**	**23,733**	**3,322**	**1,925**	**203,676**	**140,235**
Rental and other Income	338	-	280	158	22	13	**811**	231
Operating income	**50,953**	**82,077**	**42,284**	**23,891**	**3,344**	**1,938**	**204,487**	**140,466**
Interest receivable	31	-	26	14	2	1	**74**	58
Total income	**50,984**	**82,077**	**42,310**	**23,905**	**3,346**	**1,939**	**204,561**	**140,524**
Onerous property and accrued rental income	87	-	72	41	6	3	**209**	2,857
Cash income	**51,071**	**82,077**	**42,382**	**23,946**	**3,352**	**1,942**	**204,770**	**143,381**
Total costs	**(51,071)**	**(82,077)**	**(42,382)**	**(23,946)**	**(3,352)**	**(1,942)**	**(204,770)**	**(143,381)**
Surplus on cash cost basis	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Comparative costs by sector								
Year ending 31 March 2018	**(51,071)**	**(82,077)**	**(42,382)**	**(23,946)**	**(3,352)**	**(1,942)**	**(204,770)**	**-**
Year ending 31 March 2017	(49,540)	(24,685)	(43,138)	(20,384)	(3,944)	(1,690)	**(143,381)**	

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Other regulatory activities comprise:

- grant-in-aid relating to expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls and consumer protection; and from December 2017, WTA receipts used to fund these cost categories in line with our new funding model;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting surplus properties' space.

In accordance with Ofcom's accounting policies, as set out in note 1(b) to these accounts, grant-in-aid and WTA retention receipts are allocated and matched to costs in the year to which it relates.

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

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.

Broadcasting includes the charge to the BBC in relation to the new BBC regulatory responsibilities from 3 April 2017.

Reconciliation from operating expenditure to final operating costs out-turn

	Notes	2017/18 £'000	2016/17 £'000
Operating expenditure – Statement of Comprehensive Income		**202,111**	138,874
Adjustments in respect of pension asset and liability		**(581)**	421
Surplus property costs	15	**-**	576
Capital expenditure less depreciation and amortisation	8, 9	**2,235**	(790)
Actual rent payments less expenditure		**910**	2,255
Other adjustments		**95**	2,045
Cash operating expenditure		**204,770**	**143,381**
Spectrum clearance		**(82,077)**	(24,685)
Non-operating income		**(1,094)**	(3,320)
Final operating costs out-turn		**121,599**	**115,376**

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3 Income

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2016/17 £'000
Grant-in-aid DCMS						
Spectrum management	32,099	-	**32,099**	48,226	-	48,226
Spectrum clearance	-	82,077	**82,077**	-	24,685	24,685
Competition law enforcement	296	-	**296**	678	-	678
Public interest test	781	-	**781**	154	-	154
Nuisance calls	215	-	**215**	613	-	613
Consumer protection	21	-	**21**	30	-	30
Total government grant-in-aid	**33,412**	**82,077**	**115,489**	**49,701**	**24,685**	**74,386**
Wireless Telegraphic Act (WTA) Receipts Retention						
Spectrum management	18,516	-	**18,516**	-	-	-
Competition law enforcement	511	-	**511**	-	-	-
Nuisance calls	90	-	**90**	-	-	-
Consumer protection	10	-	**10**	-	-	-
Total WTA receipts retention	**19,127**	-	**19,127**	-	-	-
Stakeholder income						
Networks & services administrative and application fees	42,004	-	**42,004**	41,993	-	41,993
Broadcasting Act licence and application fees	23,732	-	**23,732**	19,843	-	19,843
Regulation of postal services	3,323	-	**3,323**	3,839	-	3,839
Other income	812	-	**812**	405	-	405
Total stakeholder income	**69,871**	-	**69,871**	**66,080**	-	**66,080**
Total income	**122,410**	**82,077**	**204,487**	**115,781**	**24,685**	**140,466**

Broadcasting includes the charge to the BBC in relation to the new BBC regulatory responsibilities from 3 April 2017.

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

From December 2017, WTA receipts retention is the result of the Digital Economy Act 2017 which introduced legislative amendments that permit Ofcom to retain sums received in connection with its functions under the WTA. Ofcom may retain such sums in order to fund its general spectrum management functions, as well to meet the costs of undertaking its other functions for which it cannot levy fees and charges.

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4 Staff costs

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2016/17 £'000
Staff costs, including fees paid to Board Members, were:						
Salaries & benefits	57,587	442	**58,029**	55,498	379	55,877
National Insurance costs	6,987	42	**7,029**	6,325	41	6,366
Pension costs	5,984	39	**6,023**	5,590	30	5,620
Restructuring costs	1,453	-	**1,453**	1,046	-	1,046
Total staff costs	**72,011**	**523**	**72,534**	**68,459**	**450**	**68,909**

The restructuring costs in 2017/18 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to five (2016/17: 19) 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 79-85.

During the year, sixteen (2016/17: 11) 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

	2017/18	2016/17
The average number of employees (full time equivalents)	**868**	**828**

As at 31 March 2018, Ofcom had 893 employees (full time equivalents) (2016/17: 864).

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

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6 Other operating costs

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2016/17 £'000
Auditors remuneration – statutory audit fees	76	-	**76**	76	-	76
Auditors remuneration – Section 400	13	-	**13**	13	-	13
Professional fees	4,404	424	**4,828**	4,824	368	5,192
Outsourced services	7,739	-	**7,739**	9,317	-	9,317
Audience and consumer research	5,416	-	**5,416**	5,196	19	5,215
Technological research and spectrum efficiency projects	327	-	**327**	611	-	611
Spectrum clearance scheme	-	81,065	**81,065**	-	23,614	23,614
Temporary staff and recruitment	3,051	46	**3,097**	3,577	172	3,749
Travel and subsistence	1,218	9	**1,227**	1,207	22	1,229
Premises costs	10,310	-	**10,310**	5,632	-	5,632
Administration and office expenses	6,952	6	**6,958**	5,891	38	5,929
Loss/(Profit) on disposal of non capital	-	-	**-**	(88)	-	(88)
Information and technology costs	5,024	4	**5,028**	5,742	2	5,744
Vehicles	271	-	**271**	254	-	254
Bad and doubtful debt	173	-	**173**	61	-	61
Amortisation	1,023	-	**1,023**	1,244	-	1,244
Depreciation	1,961	1	**1,962**	2,171	9	2,180
Loss/(Profit) on disposal of non-current assets	64	-	**64**	(7)	-	(7)
Total other operating costs	**48,022**	**81,555**	**129,577**	**45,721**	**24,244**	**69,965**
The costs, above, include:						
Operating leases – land and buildings	6,401	-	**6,401**	5,638	-	5,638
Operating leases – vehicles	127	-	**127**	121	-	121
Operating leases – other	107	-	**107**	100	-	100

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

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7 Taxation

	2017/18 £'000	2016/17 £'000
Tax (charge)/credit for the year		
Deferred tax charge	-	-
Taxation	**-**	**-**

Reconciliation of tax charge	2017/18 £'000	2016/17 £'000
Surplus before tax	**2,908**	1,552
Tax on profit at the UK standard rate of Corporation Tax of 20% (2016/17: 20%)	**582**	310
Tax effect of:		
Income not subject to tax	**(40,774)**	(28,085)
Expenses not subject to tax	**40,346**	27,684
(Decrease)/Increase to brought forward tax losses	**(154)**	91
Tax charge	**-**	**-**

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,788k (2016/17: £12,556k). No deferred tax asset is recognised in respect of these losses as it is not probable that sufficient taxable income will arise against which the losses can be utilised.

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8 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
Cost							
At 1 April 2016	**14,146**	**1,006**	**14,126**	**7,347**	**557**	**-**	**37,182**
Additions during year	298	66	1,002	497	44	596	2,503
Disposals	(202)	-	(2,115)	(3,821)	(59)	-	(6,197)
Transfers	-	-	(19)	-	19	-	-
At 31 March 2017	**14,242**	**1,072**	**12,994**	**4,023**	**561**	**596**	**33,488**
Additions during year	1,510	217	547	42	175	2,668	5,159
Disposals	(397)	(124)	(432)	(123)	(84)	-	(1,160)
Transfers	-	46	4	408	99	(557)	-
Cost at 31 March 2018	**15,355**	**1,211**	**13,113**	**4,350**	**751**	**2,707**	**37,487**
Depreciation							
At 1 April 2016	**12,210**	**628**	**11,088**	**6,840**	**250**	**-**	**31,016**
Charge for the year	692	84	994	314	96	-	2,180
Disposals	(182)	-	(2,097)	(3,821)	(37)	-	(6,137)
Transfers	-	-	(8)	-	8	-	-
At 31 March 2017	**12,720**	**712**	**9,977**	**3,333**	**317**	**-**	**27,059**
Charge for the year	591	80	722	480	90	-	1,963
Disposals	(354)	(108)	(414)	(123)	(60)	-	(1,059)
Transfers	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2018	**12,957**	**684**	**10,285**	**3,690**	**347**	**-**	**27,963**
NBV 31 March 2018	**2,398**	**527**	**2,828**	**660**	**404**	**2,707**	**9,524**
NBV 31 March 2017	1,522	360	3,017	690	244	596	6,429

Equipment purchased for the Spectrum Clearance and Awards program has been included in Ofcom's asset registers under Field Equipment.

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9 Intangible assets

	Software licences £'000	Information technology £'000	Systems under development £'000	Total £'000
Cost				
At 1 April 2016	**7,162**	**24,290**	**1,132**	**32,584**
Additions during year	-	-	131	131
Disposals	(936)	(5,026)	-	(5,962)
Transfers	-	524	(524)	-
At 31 March 2017	**6,226**	**19,788**	**739**	**26,753**
Additions during year	-	-	63	63
Disposals	-	-	-	-
Transfers	56	291	(347)	-
Cost at 31 March 2018	**6,282**	**20,079**	**455**	**26,816**
Amortisation				
At 1 April 2016	**5,362**	**23,932**	**-**	**29,294**
Charge for the year	782	462	-	1,244
Disposals	(936)	(5,026)	-	(5,962)
Transfers	-	-	-	-
At 31 March 2017	**5,208**	**19,368**	**-**	**24,576**
Charge for the year	713	310	-	1,023
Disposals	-	-	-	-
Transfers	56	(56)	-	-
Accumulated amortisation at 31 March 2018	**5,977**	**19,622**	**-**	**25,599**
NBV 31 March 2018	**305**	**457**	**455**	**1,217**
NBV 31 March 2017	1,018	420	739	2,177

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10 Trade and other receivables: current assets

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade receivables	**2,397**	1,188
Other receivables	**395**	57
Value added tax receivable	**163**	-
Prepayments	**5,628**	6,258
Staff loans and advances	**230**	215
Accrued income	**694**	6,419
Accrued income (Grant-in-aid DCMS)	**-**	733
Accrued Income (WTA Receipts)	**68**	-
Total trade and other receivables: current assets	**9,575**	**14,870**

Staff loans relate to 139 (2016/17:151) season ticket loans to colleagues repayable over 12 months.

11 Trade and other receivables: non-current assets

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Accrued income	902	687
Total trade and other receivables: non-current assets	**902**	**687**

12 Cash and cash equivalents

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Commercial banks and cash in hand	25,233	10,097
Total cash and cash equivalents	**25,233**	**10,097**

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.

Cash balance as at 31 March 2018 reflects additional funding relating to the clearance of 700MHz spectrum.

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13 Trade and other payables: current liabilities

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Trade payables	**7,566**	2,035
Other payables	**4,187**	5,942
Value added tax payable	**-**	61
Grant-in-aid DCMS	**3,311**	1,072
Accruals	**15,930**	9,814
Lease incentive accrual	**25**	910
Deferred income	**2,816**	5,514
Deferred income (WTA Receipts)	**22**	-
Total trade and other payables: current liabilities	**33,857**	**25,348**

The Government's target for payments to suppliers is five days for 80 per cent of undisputed invoices. 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 2017/18 Ofcom achieved on average a performance of 95.75 per cent against these targets (2016/17: 95.46 per cent).

Other payables include funds received from a landlord regarding the refurbishment of the landlord's property and equipment.

14 Trade and other payables: non-current liabilities

	As at 31 March 2018 £'000	As at 31 March 2017 £'000
Lease incentive accrual	**79**	104
Deferred income	**985**	195
Total trade and other payables: non-current liabilities	**1,064**	**299**

Contents

15 Provisions for liabilities and charges

	Early retirement £'000	Surplus property £'000	Legal £'000	Total £'000
At 1 April 2016	**241**	**101**	**-**	**342**
Discount unwound and changes in rate	22	-	-	22
Utilised in year	(28)	(576)	-	(604)
Provision increased	-	551	-	551
At 31 March 2017	**235**	**76**	**-**	**311**
Discount unwound and changes in rate	8	-	-	8
Utilised in year	(30)	-	-	(30)
Provision decreased	-	(76)	-	(76)
Total provisions as at 31 March 2018	**213**	**-**	**-**	**213**

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 0.10 per cent (2016/17: 0.24 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 0 to 5 years are discounted by the short term discount rate of 0.54 per cent (2016/17: 0.29 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 1.13 per cent (2016/17: 1.12 per cent).

No provision provided for surplus property (2016/17: two) this financial year, as we have now surrendered the excess space at Otcom's main office.

Analysis of expected timing of cashflows	Early retirement £'000	Surplus property £'000	Legal £'000	Total £'000
Current				
Not later than one year	30	-	-	30
Total current	**30**	**-**	**-**	**30**
Non–current				
Later than one year and not later than five years	66	-	-	66
Later than five years	117	-	-	117
Total non-current	**183**	**-**	**-**	**183**
Total provisions as at 31 March 2018	**213**	**-**	**-**	**213**

The provision for early retirement of £213k (2016/17: £235k) is for Annual Compensation Payments (ACP). The ACP is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

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16 Commitments under operating leases

	Buildings £'000	Vehicles £'000	Other £'000	As at 31 March 2018 Total £'000	Buildings £'000	Vehicles £'000	Other £'000	As at 31 March 2017 Total £'000
The future aggregate minimum lease payments under operating leases are as follows:								
Not later than one year	6,175	50	71	**6,296**	6,810	37	93	**6,940**
Later than one year and not later than five years	22,618	-	-	**22,618**	22,707	-	65	**22,772**
Later than five years	45,522	-	-	**45,522**	51,446	-	-	**51,446**
Total commitments under operating leases	**74,315**	**50**	**71**	**74,436**	**80,963**	**37**	**158**	**81,158**

A new lease agreement for Ofcom's main office was signed in May 2016 which changed the lease end date from September 2018 to September 2030 under new terms. In addition Ofcom entered leases in April 2016 for a new office in Warrington which has a lease end date of July 2026 and in June 2016 for a new office in Edinburgh with a lease end date of May 2021.

17 Amounts receivable under operating leases

	As at 31 March 2018 Buildings £'000	As at 31 March 2017 Buildings £'000
The future minimum lease payments receivable under non–cancellable operating leases are as follows:		
Not later than one year	67	872
Later than one year and not later than five years	8	193
Later than five years	-	-
Total amounts receivable under operating leases	**75**	**1,065**

Ofcom has entered into sub-lease contracts with regards to surplus office space within several of its office buildings and reduced its office space in its main office from June 2017. Remaining operating leases have break options or lease ending in 2018/19.

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18 MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £13,500k (2016/17: £12,865k) to Ofcom. These sums have not been reflected in these accounts but have 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.

19 Retirement benefit obligations

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

a) Defined contribution plan – stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £5,426k were made in the year ended 31 March 2018 (2016/17: £5,023k). There is also a defined contribution section in the Ofcom Defined Benefits Pension Plan. However, this is now closed and no further contributions are being made to this arrangement.

b) Defined benefit pension plans

Ofcom operates two defined benefit pension plans, although both closed to future accrual on 1 June 2011:

- The Ofcom Defined Benefit Pension Plan was established on 29 December 2003. The employer contribution made to the Ofcom Defined Benefit Pension Plan for the year ending 31 March 2018 was £6k in relation to Plan expenses (2016/17: £9k). Employer contributions of £360k were transferred from the Feeder Trust account to the Plan in the year ending 31 March 2018 (2016/17: £360k); 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 contribution made to the Ofcom (Former ITC) Pension Plan for the year ending 31 March 2018 was £10k in relation to Plan expenses (2016/17: £9k). Employer contributions of £180k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2018 (2016/17: £180k).

Both of these Plans are managed by a Board of Trustees that is independent of Ofcom.

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2015 were completed for both defined benefit plans and, unlike under IFRS, showed a combined surplus of £1,345k. The next funding valuation will have an effective date of 31 March 2018.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom would be expecting to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. These contributions are payable from the Feeder Trust. Ofcom has also agreed to pay other levies directly. This compares to £556k over the year to 31 March 2018 (including the contribution paid from the Feeder Trust).

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose.

There is no contribution from Ofcom into the Feeder Trust for year ended 31 March 2018 (2016/17: £1,000k). The balance of the Feeder Trust as at 31 March 2018 was £8,313k (2016/17: £8,842k).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission, the Radio Authority and Postcomm as well as former Directors General of Telecommunications. 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.

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Summary of Ofcom's defined benefit pension obligations

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits
	31 March 2018 £'000	31 March 2018 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2017 £'000	31 March 2017 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(90,596)	-	**(90,596)**	(92,044)	-	**(92,044)**
– Benefit obligation in respect of pensioner members	(174,962)	(1,142)	**(176,104)**	(182,833)	(1,214)	**(184,047)**
Total benefit obligations	**(265,558)**	**(1,142)**	**(266,700)**	**(274,877)**	**(1,214)**	**(276,091)**
Fair value of plan assets	283,727	-	**283,727**	291,907	-	**291,907**
Funded status	**18,169**	**(1,142)**	**17,027**	**17,030**	**(1,214)**	**15,816**

IAS19 requires that, where a scheme is in surplus according to IAS19 assumptions, the surplus can only be recognised on Ofcom's Statement of Financial Position if an economic benefit is available to Ofcom as a result. All of the surplus is attributed to the DB Plan and Feeder Account which has economic value as it can be recovered by Ofcom.

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Changes over the year to 31 March 2018

	Defined benefit obligation £'000	Assets £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value as at 1 April 2017	(274,877)	291,907	17,030	(1,214)	15,816
Administration expenses	-	(597)	(597)	-	(597)
Interest income/(cost)	(6,730)	7,149	419	(29)	390
Employer contributions	-	16	16	-	16
Benefits paid from scheme assets	11,430	(11,430)	-	-	-
Benefits paid directly by Ofcom	-	-	-	84	84
Benefits paid total	11,430	(11,430)	-	84	84
Re-measurements					
Actuarial gains/(losses)	4,619	(3,318)	1,301	17	1,318
Closing value as at 31 March 2018	(265,558)	283,727	18,169	(1,142)	17,027

Changes over the year to 31 March 2017

	Defined benefit obligation £'000	Assets £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value as at 1 April 2016	(242,617)	257,987	15,370	(1,148)	14,222
Administration expenses	-	(597)	(597)	-	(597)
Interest income/(cost)	(8,042)	8,555	513	(38)	475
Employer contributions	-	1,018	1,018	-	1,018
Benefits paid from scheme assets	12,278	(12,278)	-	-	-
Benefits paid directly by Ofcom	-	-	-	83	83
Benefits paid total	12,278	(12,278)	-	83	83
Remeasurements					
Actuarial gains/(losses)	(36,496)	37,222	726	(111)	615
Closing value as at 31 March 2017	(274,877)	291,907	17,030	(1,214)	15,816

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31 March 2018	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
The amounts recognised in the Statement of Comprehensive Income are as follows:			
Service cost	**-**	**-**	**-**
Interest income/(cost)	419	(29)	390
Defined benefit credit/(cost) recognised in comprehensive income	**419**	**(29)**	**390**
Administration expenses	(597)	-	(597)
Net income/(cost) recognised in comprehensive income	**(178)**	**(29)**	**(207)**

31 March 2018	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
The amounts recognised as Other Comprehensive Income are as follows:			
Gains/(losses) on benefit obligations due to changes in financial assumptions	5,832	17	5,849
Gains/(losses) on benefit obligations due to changes in demographic assumptions	-	-	-
Gains/(losses) on benefit obligations as a result of member experience	(1,213)	-	(1,213)
Total gains/(losses) arising on benefit obligations	**4,619**	**17**	**4,636**
Gains/(losses) on plan assets	(3,318)	-	(3,318)
Net gains/(losses)	**1,301**	**17**	**1,318**

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that causes a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

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31 March 2017	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
The amounts recognised in the Statement of Comprehensive Income are as follows:			
Service cost	**-**	**-**	**-**
Interest income/(cost)	513	(38)	475
Defined benefit credit/(cost) recognised in comprehensive income	**513**	**(38)**	**475**
Administration expenses	(597)	-	(597)
Net income/(cost) recognised in comprehensive income	**(84)**	**(38)**	**(122)**

31 March 2017	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
The amounts recognised as Other Comprehensive Income are as follows:			
Gains/(losses) on benefit obligations due to changes in financial assumptions	(38,088)	(111)	(38,199)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(220)	-	(220)
Gains/(losses) on benefit obligations as a result of member experience	1,812	-	1,812
Total gains/(losses) arising on benefit obligations	**(36,496)**	**(111)**	**(36,607)**
Gains/(losses) on plan assets	37,222	-	37,222
Net gains/(losses)	**726**	**(111)**	**615**

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that causes a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

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The major categories of plan assets as a percentage of total plan assets are as follows:

	31 March 2018 (%) Total	31 March 2017 (%) Total
Global equities (not currency hedged)	4	4
Global equities (currency hedged)	4	4
Corporate bonds	3	3
Index-linked government bonds	4	4
Liability driven investment portfolio	6	6
Annuities	76	76
Cash and cash equivalents	3	3
Total	**100**	**100**

Ofcom and the Plans' Trustees have implemented a number of steps to reduce the level of investment risk. In particular, both main defined benefit plans hold annuity policies that largely eliminate risk in respect of most members and the Ofcom Defined Benefit Pension Plan has a strategy in place that will increase the allocation to lower risk assets that better match liabilities, such as gilts and bonds, when it is affordable to do so.

Principal economic assumptions at the date of the Statement of Financial Position:

	31 March 2018 (%) Total	31 March 2017 (%) Total
Discount rate	2.55	2.50
Retail Price Inflation	3.10	3.20
- Future pension increases (RPI)	3.10	3.20
- Future pension increases (CPI max 3%)	1.90	1.95

The Ofcom pension plan is composed of two separate plans and the Principal demographic assumptions at the date of the Statement of Financial Position are as follows:

	DB Plan	DB Plan	ITC Plan	ITC Plan
Expected lifetime of a member aged 60 who is…	**Currently aged 40**	**Currently aged 60**	**Currently aged 40**	**Currently aged 60**
- Male	29	28	31	29
- Female	32	30	33	31

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Sensitivity to changes in principal assumptions used:

Change in assumption	Impact on					
	DB Plan			ITC Plan		
	Defined benefit obligations £'000	Assets £'000	Funded status surplus £'000	Defined benefit obligations £'000	Assets £'000	Funded status surplus £'000
Discount rate						
Increases by 0.50%	decrease by £6,854	decrease by £6,458	increase by £396	decrease by £12,191	decrease by £12,185	increase by £6
Falls by 0.50%	increase by £7,680	increase by £7,210	decrease by £470	increase by £13,052	increase by £13,046	decrease by £6
Retail Price Inflation						
Increases by 0.50%	increase by £7,442	increase by £6,672	decrease by £770	increase by £10,571	increase by £10,566	decrease by £5
Falls by 0.50%	decrease by £6,725	decrease by £6,035	increase by £690	decrease by £10,085	decrease by £10,080	increase by £5
Expected lifetime of a member aged 60						
Increases by 1 year	increase by £2,375	increase by £503	decrease by £1,872	increase by £6,863	increase by £6,859	decrease by £4
Decreases by 1 year	decrease by £2,350	decrease by £708	increase by £1,642	decrease by £6,795	decrease by £6,791	increase by £4

Liability profile of defined benefit plans

The charts below illustrates the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2015) over the next 80 years.

The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain.

The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

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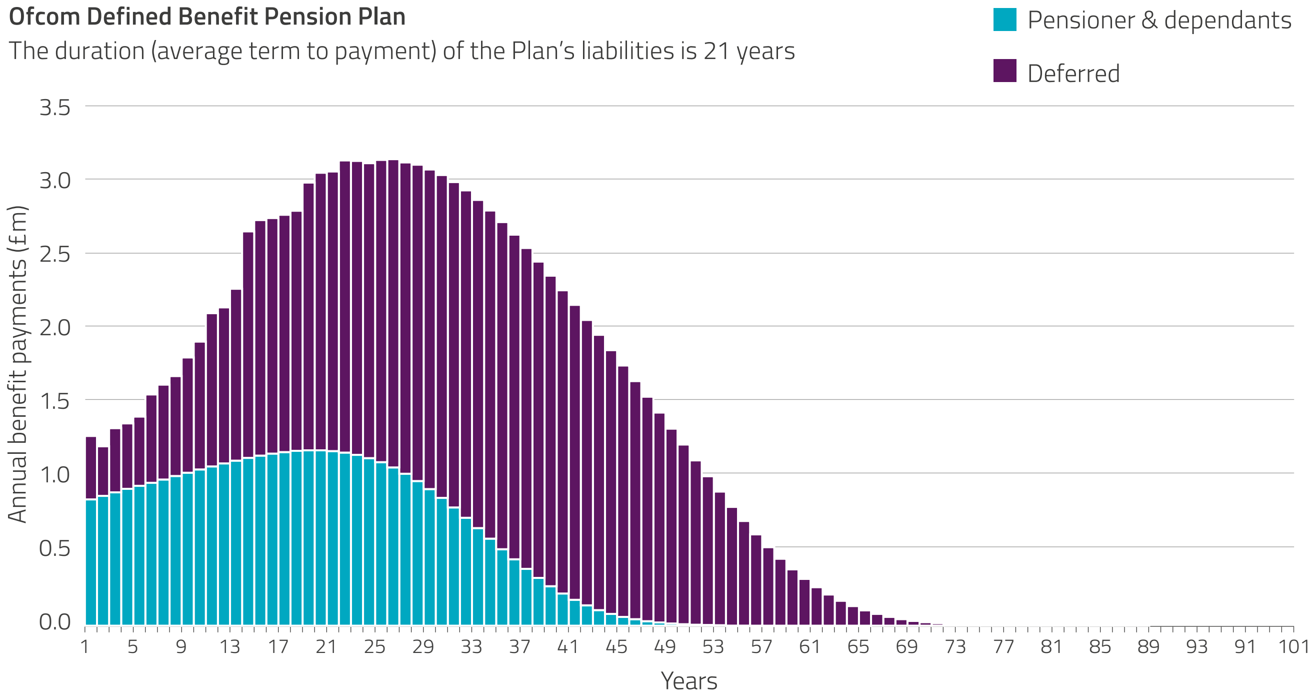
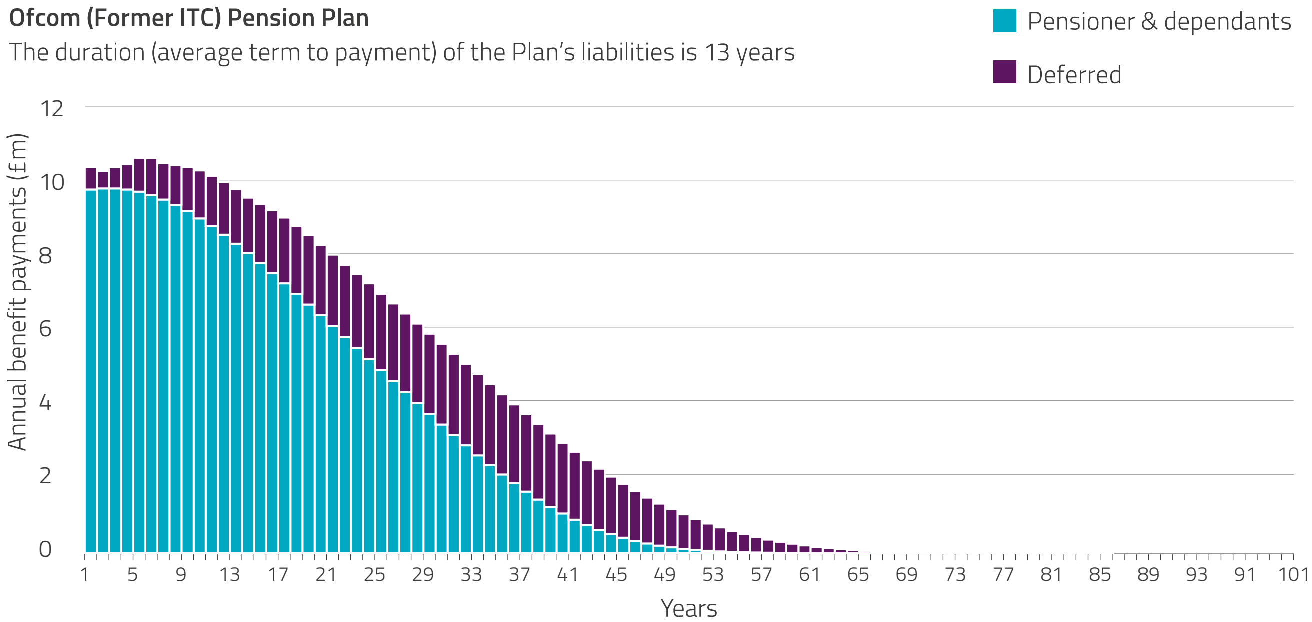
Ofcom Defined Benefit Pension Plan

The duration (average term to payment) of the Plan's liabilities is 21 years



Ofcom (Former ITC) Pension Plan

The duration (average term to payment) of the Plan's liabilities is 13 years



20 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.

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21 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 have not declared any interests prejudicial to their functions 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, Energy and Industrial Strategy (BEIS) and the Department for Digital, 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 DCMS are provided in Notes 2, 3, 10 and 13 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 19 for further disclosure.

At 31 March 2018, the following payables were held in respect of grant-in-aid provided by DCMS:

- Spectrum clearance and awards – £3,302k (2016/17: £833k);
- Other sectors (including functions which cannot be funded through fees and charges set under the Communications Act 2003) – Nil (2016/17: £126k)

At 31 March 2018, the following receivable was held in respect of grant-in-aid due by DCMS:

- Spectrum management – Nil (2016/17: £629k);

No other related party transactions were entered into during the financial year.

22 Capital commitments

At 31 March 2018, there were capital commitments of £4,718k, mainly in relation to refurbishment work at Ofcom's main office (2016/17: Nil).

Of this commitment, £2,269k relates to the landlord's funded capital commitment for the refurbishment work related to their owned property.

23 Receipts transferred to/from the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £57,032k (2016/17: £9,370k) of Broadcasting Act Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

In accordance with Section 401 of the Communications Act 2003, from December 2017, Ofcom retained £19,081k (2016/17: Nil) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

The balance of £252,253k (2016/17: £367,329k) of WT Act licence fees was remitted to DCMS for transfer to the Consolidated Fund.

24 Contingent liabilities

Ofcom may be subject to appeal of decisions made in carrying out its functions as regulator of the communications sector. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent that they are probable and quantifiable.

However, there is a contingent liability in relation to the claim by the mobile operators for restitution of annual licence fees paid by them on the basis of Ofcom's decision of September of 2015 which was quashed by the Court of Appeal in November 2017. This had the legal effect that those 2015 regulations were never in force, and the pre-existing licence fees as set out in regulations last made in 2011 continued to be in force throughout, and remain in force today. The mobile operators have issued proceedings to seek repayment of the difference between the amounts paid under the 2015 regulations and the amounts that would have been payable under the 2011 regulations, plus interest. The legal proceedings will determine the basis on which any restitution (repayment) should be calculated, and depending on the outcome further analysis may be required to calculate the quantum, if any, of such restitution. Until the courts have determined the outcome, and any further necessary analysis on quantum has been undertaken, it is not possible to estimate the financial effect nor the likelihood of any repayment, which would in any event have to be funded by Government through grant-in aid that would pass through Ofcom.

25 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.

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

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Ofcom Boards, Panels and Committees

The Content Board

Further details regarding the Content Board are on page 65.

Members
Nick Pollard (Chairman)
Professor Philip Schlesinger
Dr. Aled Eirug
Tony Close[1]
Zahera Harb
Janey Walker
Robin Foster
Kevin Bakhurst[1]
Tim Suter[2]
Jonathan Baker[2]
Monisha Shah[2]
Dr David Levy[3]
Andrew Chitty[4]
Andrew Colman[4]
Mary-Ann Sieghart[4]
Dame Lynne Brindley DBE[4]

[1] Tony Close and Kevin Bakhurst are Executive members to the Content Board

[2] Tim Suter, Jonathan Baker and Monisha Shah were appointed to the Content Board on 2 October 2017

[3] Dr David Levy retired from the Content Board on 30 April 2017

[4] Andrew Chitty, Andrew Colman, Mary-Ann Sieghart and Lynne Brindley retired from the Content Board on 31 August 2017

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 Broadcast Licensing Committee, which awards community radio licences.

Members
Wendy Pilmer (Chairman)
Richard Hilton
Fiona Lennox

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 Ofcom Board, Content Board and Ofcom Executive.

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Nations Advisory Committee members

	England	Scotland	Wales	Northern Ireland
Chairman	John Varney	Laura Alexander[2]	Glyn Mathias	Maureen Edmondson OBE
Members	Barnie Choudhury[2]	Peter Peacock CBE[2]	Nerys Evans[2]	Fiona Boyle[2]
	Graham Creelman OBE	Liz Leonard	Karen Lewis	Fiona MacMillan
	Andrew Chitty[2]	Ian McKay	Huw Roberts[2]	Brendan Mulgrew
	Becky Hogge[2]	John Trower	Hywel Wiliam	Sharon O'Connor[2]
	Emma Davison	Amanda Bryan[2]	Aled Eirug	Paul Wilson
	Caroline Roberts-Cherry	Phillip Schlesinger	Rhys Evans[2]	Andrew Colman[2]
	Chris Holland	Amanda Britain[1]	Andrew Board[1]	Rick Hill
	Alan Nunn[1]	Carmel Teusner[1]	Robert Andrews[1]	Alan Meban[1]
	Mark Smith[1]	David Connolly[1]	Ruth McElroy[1]	John Ellison[1]
	Monisha Shah[1]	Laura Anderson[1]		Kathy Graham[1]

[1] Alan Nunn and Mark Smith were appointed to the Advisory Committee for England on 1 February 2018 and Monisha Shah was appointed as an observer to the Advisory Committee for England on 14 February 2018. Amanda Britain was appointed to the Advisory Committee for Scotland on 1 August 2017, Carmel Teusner, David Connolly and Laura Anderson were appointed to the Advisory Committee for Scotland on 1 February 2018. Andrew Board, Robert Andrews and Ruth McElroy were appointed to the Advisory Committee for Wales on 1 November 2017. Alan Meban, John Ellison and Kathy Graham were appointed to the Advisory Committee for Northern Ireland on 1 September 2017.

[2] Barnie Choudhury and Andrew Chitty retired from the Advisory Committee for England on 31 August 2017 and Becky Hogge retired from the Advisory Committee for England on 15 February 2018. Amanda Bryan retired as an observer to the Advisory Committee for Scotland on 30 June 2017, Peter Peacock CBE retired from the Advisory Committee for Scotland on 31 October 2017 and Laura Alexander retired from the Advisory Committee for Scotland on 31 March 2018. Huw Roberts and Nerys Evans retired from the Advisory Committee for Wales on 31 October 2017 and Rhys Evans retired as an observer to the Advisory Committee for Wales on 31 December 2017. Andrew Colman, Fiona Boyle and Sharon O'Connor retired from the Advisory Committee for Northern Ireland on 31 August 2017.

Nations Committee

The Nations Committee is a direct Committee of the Ofcom Board. 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 monitoring the involvement and engagement of the Ofcom Board and Content Board in each nation.

Its membership comprises two Non-Executive Members of the Ofcom Board and the Chairmen of the National Advisory Committees. The Executive Directors of each nation, together with other senior Ofcom executives, 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 and postal matters, of people living in the part of the UK for which the Committee has been established

In addition to the appointed members of the National Advisory Committees, the Content Board member and the Communications Consumer Panel member for the respective nations are invited to attend the Advisory Committee meetings as observers.

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The Communications Consumer Panel

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

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. Further information on the Panel can be found at www.communicationsconsumerpanel.org.uk

Members
Jo Connell OBE, DL (Chair)
Amanda Britain[1]
Jaya Chakrabarti MBE
Rhys Evans[2]
Rick Hill MBE
Chris Holland
Craig Tillotson
Richard Williams[3]
Bob Twitchin MBE[4]

The Advisory Committee on Older and Disabled People

Section 21(1) of the Communications Act 2003 requires Ofcom to establish a Committee to advise Ofcom on issues in the communications sector that particularly affect older and disabled people.

To take advantage of the synergy between the Communications Consumer Panel and the Advisory Committee on Older and Disabled People, and to avoid potential duplication, cross-membership of the two bodies was established in 2012. The remits of the bodies remain unchanged.

Members
Jo Connell OBE, DL (Chair)
Jaya Chakrabarti MBE
Rhys Evans
Rick Hill MBE
Chris Holland
Craig Tillotson
Bob Twitchin MBE

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.

Further information can be found on the OSAB website at www.osab.org.uk

Members
David Meyer (Chairman)
Professor Linda Doyle
Professor Mischa Dohler
John Fuller (DCMS) (ex officio)
Wassim Chourbaj
Mike Walker
Gavin Young
David Harrison (ex officio)
Niall Murphy
Peter Pitsch
Greg Bensberg

[1] Amanda Britain was appointed to the Communications Consumer Panel on 1 August 2017.

[2] Rhys Evans retired from the Panel on 31 December 2017

[3] Richard Williams was appointed to the Communications Consumer Panel on 18 January 2018

[4] Bob Twitchin retired from the Panel on 31 August 2017

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Regulatory statements

List of statements published in 2017/18, including regulatory impact on stakeholders.

Promote competition and ensure that markets work effectively for consumers
Enabling competing operators to invest in super- and ultra-fast fixed-line networks
Wholesale local access market review
Monitoring the effectiveness of the regulatory framework for post
Consumer Protection Condition 2: Postal Common Operational Procedures
Further projects to promote choice and ensure that markets work effectively
Non-domestic rates and the price for regulated Dark Fibre
Promoting competition in fixed-line services by strengthening Openreach strategic and operational independence from BT
Delivering a more independent Openreach
Further projects to promote competition and ensure markets work effectively
Narrowband Market Review: draft statement
Competition enforcement
Holding the BBC to account for delivering for audiences

Protect consumers from harm
Further projects to protect consumers from harm
Statement: Review of the General Conditions of Entitlement
On demand programme services
Regulatory fees for on-demand programme services
Accessibility of on demand programme services
Improving outcomes for landline only customers
Review of the market for standalone landline telephone services
Complaints handling
Review of alternative dispute resolution schemes

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Secure standards and improve quality
Ensuring that broadcasting represents and accurately portrays UK society
Statement: Definition of New Music on Radio 1 and Radio 2
Securing quality in public service broadcasting
The BBC's trading activities: Statement on requirements and guidance
Statement on procedures for enforcement of BBC competition requirements
Further projects to secure standards and improve quality
Strategic Review of UHF Band 1 and Band 2 - 410 MHz to 470 MHz
Review of regulatory financial reporting for Royal Mail
Statement on the making of the regulations for the award of the 2.3 GHz and 3.4 GHz spectrum
Award of 2.3 and 3.4 GHz spectrum by auction
Statement: Review of mobile donor conveyance charges for the period 2018 to 2021
Mobile call termination market review 2018-21
Statement and consultation on spectrum access in the 3.6 - 3.8 GHz band
Improving consumer access to mobile services at 3.6 GHz to 3.8 GHz
Decision to make Wireless Telegraphy Exemption Regulations 2017
Improving quality of service in fixed and mobile telecommunications services for consumers and businesses
Automatic compensation
Statement: Quality of service for WLR, MPF and GEA
Electronic Communications Code

- Increased/new regulation
- Mixed/no-change/ongoing
- Streamlined/co-regulatory
- Reduced regulation

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Secure standards and improve quality
Network security and resilience
Review of Security Guidance
Spectrum authorisation
Improving access to 5.8 GHz spectrum for broadband fixed wireless access
Decision to make the Wireless Telegraphy (Mobile Communication Services on Aircraft) (Exemption) Regulations 2017: Implementing a European Commission Decision
Commercial multi-user gateway review
Decision to make the Wireless Telegraphy (Mobile Communication Services on Ships) (Exemption) Regulations 2017
Implementing the Commission Decision on Short Range Devices and Ofcom's Decision on mobile phone repeaters
Radio and TV broadcast licenses
Community Radio: future licensing and technical policy
Improving the coverage of fixed and mobile communications services to meet the needs of consumers and business across the UK
Use of the 700 MHz guard band for PMSE
Mobile phone repeaters

Other work across our goals
Statement: Annual Plan 2018-19
Statement and further consultation: Recovering postal regulation and consumer advocacy costs
Statement: Ofcom Diversity and Inclusion Programme 2018-2022
Ofcom's approach to enforcement: Revising the Enforcement Guidelines and related documents
Enforcement guidelines for regulatory investigations: Guidelines
Enforcement guidelines for Competition Act investigations: Guidelines
Procedures for investigating breaches of competition-related conditions in Broadcasting Act licences: Guidelines
Advice for complainants: Guidance on submitting a complaint to Ofcom
Authorisation of terrestrial mobile networks complementary to 2 GHz Mobile Satellite Service (MSS): Statement on the technical conditions and fees for 2 GHz MSS Complementary Ground Component (CGC) for aeronautical use

Increased/new regulation
Streamlined/co-regulatory
Mixed/no-change/ongoing
Reduced regulation

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Ofcom statements published in 2017/18 where the earlier consultation included an impact assessment
Authorisation of terrestrial mobile networks complementary to 2 GHz Mobile Satellite Service (MSS): Statement on the technical conditions and fees for 2 GHz MSS Complementary Ground Component (CGC) for aeronautical use
Regulatory fees for on-demand programme services
Accessibility of on demand programme services
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Review of regulatory financial reporting for Royal Mail

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Ofcom consultations published in 2017/18 which included an impact assessment and where no final statement had been published by 31 March 2018
PMSE clearing the 700 MHz band: Support for PMSE equipment owners
Coexistence of new services in the 700 MHz band with digital terrestrial television
Wholesale Broadband Access Market Review: Consultation on market definition, market power determinations and remedies
Wholesale Local Access and Wholesale Broadband Access Market Reviews: Review of competition in the Hull Area
Guidelines for Calling Line Identification Facilities
Clarifying how mobile numbers can be used by Communications Providers
Ofcom review of proposed BBC Scotland television channel
EPG Accessibility
Personal numbering - Review of the 070 number range
Fixed wireless spectrum strategy: Consultation on proposed next steps to enable future uses of fixed wireless links
Consultation: Improving mobile coverage - Proposals for coverage obligations in the award of the 700 MHz spectrum band

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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 initial assessments and investigations during 2017/18. This reflects the picture as at 31 March 2018.

More details of individual cases being investigated under the investigations programme are set out in Ofcom's Competition and Enforcement Bulletin available at:

https://www.ofcom.org.uk/about-ofcom/latest/bulletins/competition-bulletins

The data in the table below covers both the Competition Group Investigations Team and the Consumer Enforcement Team.

Activity	Type	Number				Ongoing activity (as at 31/3/2018)
		Tool handled	Total accepted for investigation	Total not accepted for investigation		
Initial Assesment	Disputes	0	0	0		0
Initial Assesment	Competition law	0	0	0		0
Initial Assesment	Complaints	2	2	0		0
Initial Assesment	Own-initiative	16	10	3		3
		Tool handled	Total opened	Total ongoing from previous reporting period	Total closed	
Disputes		0	0	0	0	0
Competition Law		1	0	1	0	1
Other investigations		22	14	0	15	7
Other enforcement programmes		7	3	4	1	6

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Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by us, and also S4C

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by us, and also S4C. We also have a duty under the BBC Charter and Agreement to set procedures to handle and resolve complaints referred to us about the BBC's television, radio and on-demand programmes (see page 132 for more information about Ofcom's handling of BBC complaints).

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[1] or other Ofcom codes.

As well as launching investigations following the assessment of complaints, we can also do so on our own initiative. We handle complaint-led and self-initiated investigations under the same procedures.

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 5,965 cases (which comprised 15,484 complaints) were closed in the period under review.

Content standards

Complaints about content standards are handled under Ofcom's *Procedures for investigating breaches of content standards for television and radio.* Complaints about BBC content standards are handled under Ofcom's *Procedures for investigating breaches of content standards on BBC broadcasting services and BBC on-demand programme services*[2] .

Initial assessment of complaints

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). If not, Ofcom will decide not to investigate further and publishes this decision in its *Broadcast and On Demand Bulletin*.[3]

A total of 5,774 cases (15,293 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 169 cases (2,053 complaints) raised substantive issues that warranted further investigation; and
- 5,605 cases (13,240 complaints) did not require further investigation or fell outside Ofcom's remit.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2017 and 31 March 2018, Ofcom assessed complaints on average within 7.9 working days.

[1] Available at: https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/broadcast-code

[2] All relevant procedural documents are available at: https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/guidance/procedures

[3] Available at: https://www.ofcom.org.uk/about-ofcom/latest/bulletins/broadcast-bulletins

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Investigations

If a case raises potentially substantive issues, we will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

A total of 179 investigation cases were completed in the period between 1 April 2017 and 31 March 2018. Ofcom found that:

- 110 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes) being recorded;
- 11 investigated cases were resolved; and
- 58 investigated cases were not in breach of the codes or were discontinued.

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2017 and 31 March 2018, Ofcom completed investigations on average within 48.8 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 made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

Complaints about fairness and privacy are handled under *Ofcom's Procedures for the consideration and adjudication of Fairness & Privacy complaints.*[1] Fairness and privacy complaints about BBC television, radio and on demand programmes are handled under Ofcom's *Procedures for the consideration and adjudication of Fairness and Privacy complaints on BBC broadcasting services and BBC on demand programme services.*[2]

A total of 191 complaints relating to Fairness and Privacy were closed.

[1] Available at: https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/guidance/procedures

[2] Available at: https://www.ofcom.org.uk/__data/assets/pdf_file/0003/100101/Procedures-for-the-consideration-and-adjudication-of-Fairness-and-Privacy-complaints.pdf

Assessment and Entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether 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 191 Fairness and Privacy complaints were assessed in the period between 1 April 2017 and 31 March 2018. Of these:

- 38 complaints were entertained; and
- 153 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 April 2017 and 31 March 2018, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 19.9 working days.

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Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, then we will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred. We will then make our final adjudication.

A total of 38 complaints were adjudicated upon in the period under review. Of these:

- nine complaints were upheld;
- 26 complaints were not upheld;
- one complaint was resolved (following appropriate action taken by the broadcaster); and
- two 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 April 2017 and 31 March 2018, we completed the consideration and adjudication of Fairness and Privacy complaints on average within 98.4 working days.

The past year has seen a high volume of Fairness and Privacy cases being assessed and investigated by our team.

A significant number of these have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our adjudications.

Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other Ofcom code, and it considers the breach to be serious, deliberate, repeated and/or reckless, we may consider whether to impose a statutory sanction on the broadcaster.

Ofcom has a range of sanctions available, including 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[1]; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

[1] 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.

During the period between 1 April 2017 and 31 March 2018, we imposed the following statutory sanctions:

- Iman Media UK Limited in respect of its service Iman FM – licence revoked;
- Ariana Television and Radio Network in respect of its service Ariana International – financial penalty of £200,000 and a direction to broadcast a statement of Ofcom's findings;
- Kanshi Radio Limited in respect of its service Kanshi radio - financial penalty of £17,500 and a direction to broadcast a statement of Ofcom's findings;
- Al Arabiya News Channel FZ-LLC in respect of its service Al Arabiya News - financial penalty of £120,000 and a direction to broadcast a statement of Ofcom's findings and a direction not to repeat the material found in breach again;
- Karimia Limited in respect of its service Radio Dawn - financial penalty of £2,000 and a direction to broadcast a statement of Ofcom's findings; and
- Channel Four Television Corporation in respect of its service Channel 4 News – direction to broadcast a statement of Ofcom's finding.

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BBC content standards complaints and investigations

Complaints about BBC programmes are considered under a 'BBC First' complaints framework. This means that if a viewer or listener has a complaint about something they have seen or heard in a BBC television, radio or on-demamd programme, they must normally complain to the BBC in the first instance. The complainant can refer their complaint to Ofcom if they are dissatisfied with the BBC's response or if the BBC fails to respond in a timely manner. A complaint can also be referred if the complainant considers that the imposition by Ofcom of a sanction against the BBC may be appropriate.

Of the total 15,291 standards complaints received in the period between 1 April 2017, and 31 March 2018, 139 complaints were about BBC programmes.

We also received an additional 1,490 complaints about BBC programmes where, on initial assessment, we found the complainant had not completed the BBC's complaints system before submitting their complaint to Ofcom.

In these instances we redirected the complainant to the BBC. These complaints are published separately under 'BBC First' in our *Broadcast and On Demand Bulletin*.

This year, Ofcom carried out its first investigation of a BBC programme under the new Charter and Agreement. In August 2017, an edition of Today on BBC Radio 4 featured an interview with Lord Lawson, former Chancellor of the Exchequer and head of the Global Warming Policy Foundation. The BBC Executive Complaints Unit partially upheld complaints about this interview and two complainants subsequently referred their complaints to Ofcom. Ofcom concluded that two statements made in the programme by Lord Lawson on the science of the subject of climate change were not correct and were not sufficiently challenged during the interview or subsequently during the programme. As a result, we found the programme was not duly accurate, in breach of Rule 5.1 of the Broadcasting Code.

BBC online material

Last year, Ofcom took on a new role relating to complaints about the BBC's online material. Under the BBC's Charter and Agreement, set by Government and Parliament, the BBC is responsible for the editorial standards of its online material. Ofcom has a responsibility to consider and give an opinion on whether the BBC has observed relevant editorial guidelines in its online material. Online material means content on the BBC's website and apps, such as articles, images and videos. It does not include programmes on the BBC iPlayer which must comply with Ofcom's Broadcasting Code rules.

We handle complaints about the BBC's online material under Ofcom's procedures for handling complaints relating to BBC online material.

Ofcom began considering complaints about the BBC's online material when the Digital Economy Act came into effect on 27 April 2017. Between this date and 31 March 2018 we closed a total of 195 complaints about the BBC's online material. We did not need to issue an opinion in relation to any of the complaints closed in this reporting period. A further 89 complaints were redirected to the BBC under the 'BBC First' approach.

Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 27 April 2017 and 31 March 2018, Ofcom assessed complaints on average within 20.1 working days. We took longer to assess these complaints than we aim to, given that this was the first year of our new duty in this area.

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Spectrum engineering and enforcement

Key performance indicators

Main activities

Work programme activity / incident	April 17 - March 18	April 16 - March 17
Complaints of interference received[1]	1,983	1,637
Checking radio system licence compliance[2]	2,273	3,663
Fixed penalty notices Issued[3]	22	29
Prosecutions for criminal spectrum activity[4]	10	7

Quality of service targets for complaints of interference received

Key performance indicator	Case priority	Target	Target achieved	
			April 17 - March 18	April 16 - March 17
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).	1	8 hours	-	100%
	2	18 hours	100%	100%
	3	2 working days	100%	96%
	4	5 working days	96%	94%
	5	15 working days	100%	100%
	6	No target	-	-
Resolution: The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.	1	2 calendar days	-	100%
	2	3 calendar days	100%	100%
	3	6 working days	98%	97%
	4	20 working days	96%	92%
	5	40 working days	97%	97%
	6	60 working days	97%	99%

[1] Cases of interference reported by the public and businesses

[2] Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

[3] Fixed Penalty Notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action

[4] Prosecutions in relation to "Pirate Radio" or failure to pay FPNs

Contents

Spectrum licensing

Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
Business Radio Light – Simple UK (no base station)	1,931	2,165	13,799	12,281
Business Radio Simple Site	1,235	1,100	9,087	8,110
Business Radio Suppliers Light	337	121	1,162	875
Fixed Wireless Access (5.8 GHz)	65	55	414	427
GNSS Repeater	21	33	260	239
Police and Fire	58	4	124	124
Subtotal for Business Radio products	**3,647**	**3,478**	**24,846**	**22,056**
Radar Level Gauge	0	0	124	124
Amateur & Maritime	26,515	25,096	249,723	240,538
Total for Category A	**30,162**	**28,574**	**274,693**	**262,718**
KPI for Category A (100% in 7 days)	100%	100%	-	-
KPI for Category A (Amateur & Maritime) (100% in 10 days	100%	100%	-	-

Contents

Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
Automatic Identification System	20	27	291	276
Coastal Station Radio (International)	17	21	407	412
Coastal Station Radio (UK)	17	15	358	368
Coastal Station Radio (Marina)	23	13	409	412
Coastal Station Radio (Training School)	59	15	414	361
Maritime Radio (Suppliers & Demonstration)	21	1	84	80
Maritime Navaids and Radar	4	7	122	138
Differential Global Positioning System	0	0	5	5
Subtotal for Deregulation & Contracting-Out products	**161**	**99**	**2,090**	**2,052**
Business Radio Technically Assigned	2,656	2,611	25,905	26,966
Business Radio Area Assigned	34	42	293	286
Coastal Station radio (UK) Area Defined	4	1	8	3
Coastal Station radio (International) Area Defined	2	0	7	8
Ground Probing Radar	24	40	224	215
Scanning Telemetry	0	4	33	34
Self co-ordinated links	33	30	143	128
Subtotal for Business Radio products	**2,753**	**2,728**	**26,613**	**27,640**
Total for Category B	**2,914**	**2,827**	**28,703**	**29,692**
KPI for Category B	90% in 21 days	79%	98%	-
	100% in 42 days	99%	99%	-

Contents

Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
Fixed Links	2,428	2,734	26,902	29,848
Satellite (Permanent Earth Station)	38	23	155	152
Satellite (Transportable Earth Station)	103	102	109	110
Satellite (Earth Station Network)	9	5	59	62
Satellite (Non-Fixed Earth Station)	7	1		4
Total for Category C	**2,585**	**2,865**	**27,225**	**30,176**
KPI for Category C	90% in 42 days	100%	99%	
	100% in 60 days	100%	100%	

Programme Making and Special Events (PMSE)

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
PMSE Licences	58,009	35,236	7,679	3,305
Total for PMSE	**58,009**	**35,236**	**7,679**	**3,305**
KPI for PMSE (100% in 7 days)	100%	100%	-	-

Contents

Mobile and wireless broadband licences[1]

Licences issued through spectrum auction or award processes	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
Public Wireless Networks: 900, 1800 MHz			4	4
Spectrum Access: 2100 MHz			4	4
Spectrum Access: Channel Tunnel[2]			2	2
Spectrum Access: 800 MHz, 2.6 GHz			5	5
Spectrum Access: 412 – 414 MHz			1	1
Spectrum Access: 1452 – 1492 MHz			2	2
Concurrent Spectrum Access: 1781-1785 MHz			12	12
Spectrum Access: 1785 MHz, Northern Ireland			1	1
Spectrum Access: 3.5, 3.6, 10, 28, 32, 40 GHz		1[3]	20	20
Spectrum Access Offshore		6	7	6
Total for Mobile and Wireless Broadband	**0**	**7**	**58**	**57**

[1] Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures

[2] Separate licence for the out bound (UK-France direction) tunnel

[3] Partial spectrum trades of 28 GHz spectrum resulting in a new licence covering 6 geographic locations

Contents

Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
3G Cellular Telephones, Channel Islands			1	1
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands and Isle of Man			32	32
Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man			9	9
Total for Channel Islands and Isle of Man	**0**	**0**	**42**	**42**

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 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
Spectrum Access 541 – 550 MHz (Cardiff)			1	1
Spectrum Access 758 – 766 MHz (Manchester)			1	1
Total for Digital Dividend licences	**0**	**0**	**2**	**2**

Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences

DDR GI Licences issued through spectrum award processes	Licences issued April 17 - March 18	Licences issued April 16 - March 17	Total on issue as at 31 March 18	Total on issue as at 31 March 17
CAA issues Licences for Aeronautical	13,555	6,035	16,290	13,427
Total for Partner's Activity	13,555	6,035	16,290	13,427
KPI for CAA (100% in 7 days)	83%	86%		
Total	**13,555**	**6,035**	**16,290**	**13,427**
Total number of Licences – All categories	**107,927**	**76,240**	**355,145**	**339,891**

Contents

Sustainability

This section presents sustainability data and financial costs in more detail.

Greenhouse gas emissions

			2013/14	2014/15	2015/16	2016/17	2017/18
Non-Financial Indicators (tonnes CO2e)	**Scope 1**	Gas	142	135	158	161	187
		Oil	18	14	18	19	22
		Fleet Fuel	210	200	180	185	192
	Scope 2	Electricity	1,129	1,299	1,214	1,090	809
	Scope 3	Business Travel	346	290	250	312	519
		Air	241	182	144	188	410
		Domestic	100	63	47	76	156
		Short haul	83	71	30	79	164
		Long haul	57	48	67	34	91
		Rail/bus/tube	61	59	59	78	66
		Car/Motorbike/Cycle	41	46	44	43	41
		Taxis	2	3	3	3	2
Related consumption data	**Scope 1**	Gas (kWh)	772,668	730,047	855,056	874,478	1,014,202
		Gas per FTE (kWh)	975	932	1,070	1,012	1,136
		Oil (litres)	7,000	5,697	7,001	7,500	8,500
		Fleet Fuel (litres)	80,558	76,898	69,596	71,024	73,659
	Scope 2	Electricity (kWh)	2,334,436	2,416,678	2,425,743	2,426,666	2,103,652
		Electricity per FTE (kWh)	2,945	3,086	3,036	2,808	2,356
Financial Indicators	**Scope 1**	Gas (kWh)	£33,060	£34,677	£27,786	£22,293	£19,465
		Oil	£5,317	£3,500	£3,504	£2,128	£5,530
		Fleet Fuel	£113,397	£102,026	£78,996	£87,398	£93,911
	Scope 2	Electricity	£290,452	£334,932	£334,677	£293,991	£340,333
	Scope 3	Business Travel	£628,340	£596,116	£569,099	£663,705	£705,602
		Air	£301,014	£257,364	£197,408	£253,733	£333,723
		Rail/bus/tube	£226,171	£227,260	£264,211	£299,929	£266,725
		Car/Motorbike/Cycle	£58,458	£66,876	£67,721	£65,077	£64,329
		Taxis	£42,696	£44,615	£39,759	£44,966	£40,826

We released two floors in our London offices from the end of June 2017. Our two new offices in Edinburgh and Warrington have been included during 2016/17. Cost and consumption data for Glasgow has been included. This office was sub-let in June 2016. Cost and consumption data for Project Park have been included. This office was closed in March 2015.

We have re-stated our gas and electricity consumption data for 2012/13, and our electricity consumption for 2015/16 following clarification of the allocation of consumption across our estate.

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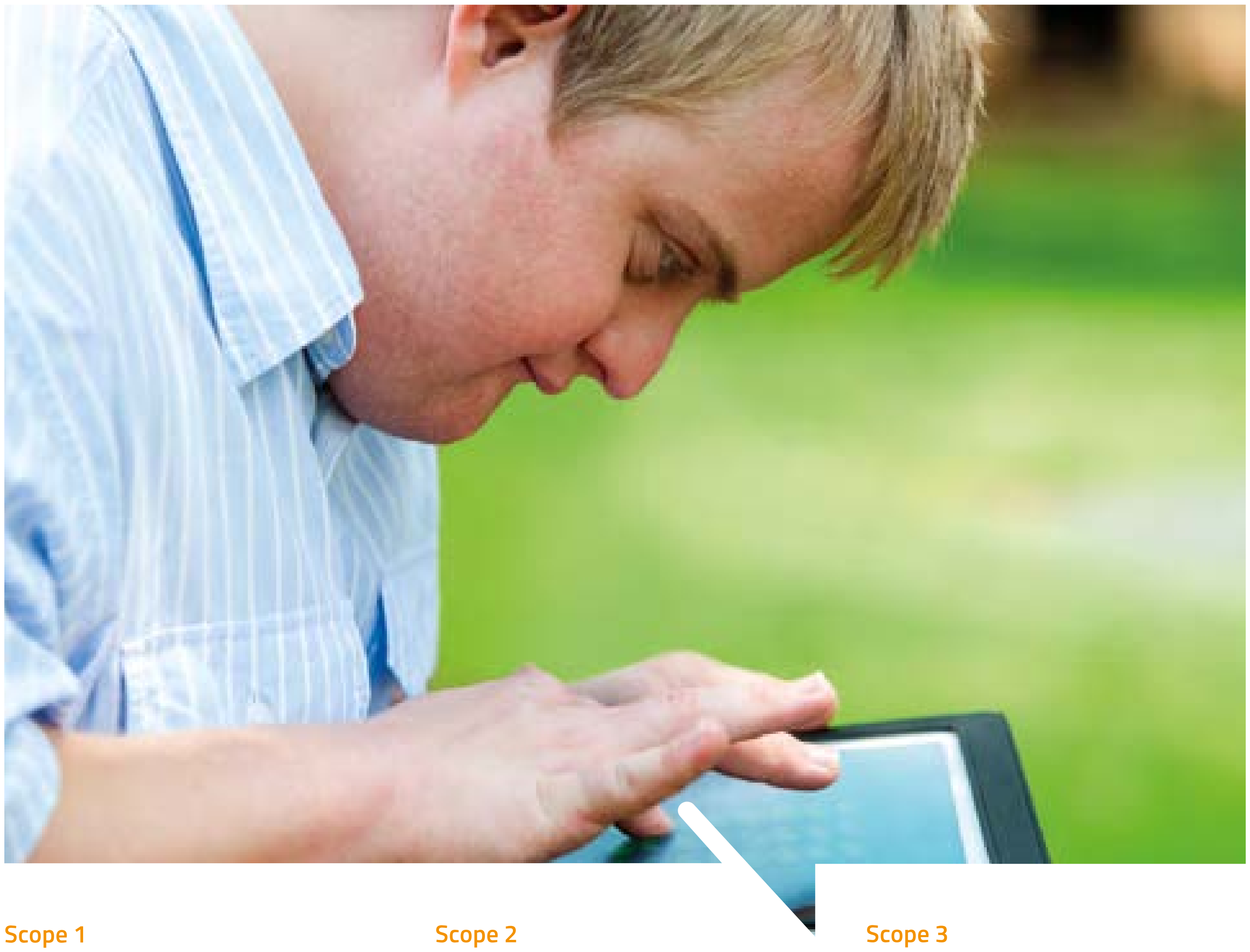

Scope 1
This covers direct consumption of gas and oil, and fuel consumption from Ofcom's fleet cars.

Gas consumption data across all years cover Ofcom's main office in London, Belfast, Birmingham, Haydock and Livingston. Gas charges for Edinburgh and Warrington offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions.

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.

Scope 2
This covers electricity supplies to Ofcom's offices. Electricity data across all years cover Ofcom's main office in London, Baldock, Belfast, Birmingham, Cardiff, Edinburgh, Glasgow, Haydock, Warrington and some remote monitoring direction-finding sites around the UK.

For 2012/13 it also includes cost data from an office in Bristol. For the period 2012/13 to 2014/15 it also includes consumption from our Project Park office in London. Electricity consumption is dependent on weather conditions.

Scope 3
Business travel financial data have been obtained from our SAP reporting system and include travel by all 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 data from expense claims for mileage.

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.

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Waste minimisation and management

Waste consumption data for all years relate to Ofcom's main office in London, and for the period 2012/13 to 2014/15 also includes data from our Project Park office in London.

Accurate waste consumption data is not available for other Ofcom offices, but the associated waste disposal costs have been included.

Ofcom pays an overall waste management fee which cannot be attributed to individual waste categories.

Ofcom operates on a 'zero waste to landfill' basis, and all waste is recycled or incinerated with energy recovery.

		2013/14	2014/15	2015/16	2016/17	2017/18
Non-Financial Indicators (tonnes)	Total waste	173	166	173	172	76
	Waste sent to landfill	0	0	0	0	0
	ICT waste recycled/re-used	9	4	7	4	0
	Waste recycled/re-used	98	94	111	91	52
	Waste composted	14	14	13	14	4
	Waste incinerated with energy recovery	51	53	41	63	20
	Waste incinerated without energy recovery	0	0	0	0	0
	Total waste per FTE	0.218	0.212	0.216	0.199	0.086
Financial Indicators	Total waste	£60,796	£45,500	£32,023	£37,984	£7,004

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Finite resource consumption

Water data across all years cover Ofcom's main office in London, Baldock, Birmingham, Glasgow and Haydock.

For the period 2012/13 to 2014/15 it also includes consumption from our Project Park office in London. Water charges for other offices are included in the service charge and therefore cannot be analysed.

Costs In 2017/18 include credit notes from suppliers due to overcharged bills in previous years. Water consumption is limited to operational use, including a catering facility in Ofcom's main office in London.

		2013/14	2014/15	2015/16	2016/17	2017/18
Non-Financial Indicators (tonnes)	Water consumption (m3)	13,694	14,213	10,767	11,282	9,379
	Water consumption per FTE	17.27	18.15	13.48	13.06	10.50
	Paper reams	7,721	5,993	7,545	6,317	3,915
	A3 reams	156	103	80	92	50
	A4 reams	7,565	5,890	7,465	6,225	3,865
	A5 reams	0	0	0	0	0
Financial Indicators	Water	£20,107	£24,931	£16,784	£22,248	£6,929

1. The above tables have been prepared in accordance with guidelines laid down by the Treasury: https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2017-to-2018
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 report energy and water consumption only in buildings where we are directly billed and responsible for the payment.
6. We report our waste consumption only in buildings where we receive data from a waste management company.
7. Where utility bills had not yet been received, cost and consumption data were estimated based on previous years' data.
8. Certain prior-year figures have been restated in 2013/14 due to revised guidance from HMT.
9. Scope 2 electricity emissions have been restated for all years to account for material changes to the conversion factors provided by Defra. This conforms to the 2013/14 sustainability reporting guidance.
10. Quantity of paper purchased is a new reporting requirement introduced in the 2013/14 sustainability reporting guidance. We have only reported on paper purchased directly through our stationery suppliers; this information is available only for selected offices.

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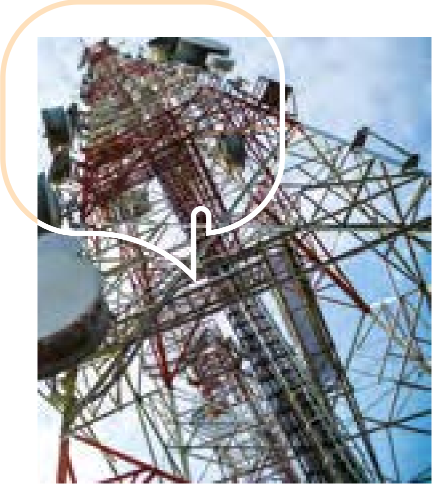
700 MHz clearance



What is 700 MHz clearance?

In November 2014 Ofcom announced the decision to reallocate frequencies between 694 MHz and 790 MHz (the '700 MHz band') used by Digital Terrestrial Television (DTT), audio Programme Making and Special Events (PMSE) services and White Space Devices (WSDs) for mobile data under a Government-funded programme. A similar process is being carried out across Europe, as spectrum is reassigned to meet a predicted increase in demand for mobile data.

The decision will result in significant changes to the DTT network as some DTT channels will need to move to new frequencies. It will also require that PMSE users replace some equipment. This programme is known as 700 MHz clearance.

Programme objectives

- to clear and release the 700 MHz band as soon as practicably possible;
- to deliver value for money in the use of public funds;
- to avoid undue disruption to viewers; and
- to safeguard the ongoing delivery of the benefits DTT and PMSE provides.

How will clearance affect viewers and channel providers?

Initial forecast estimations suggest that:

- 14-20 million homes will need to retune their TV equipment when this change takes place in their area;
- 100,000 -160,000 homes may need to replace their aerial;
- 40,000 - 110,000 may need to have their aerial realigned; and
- A small number of households may need to change TV platform.

In the preceding weeks prior to each clearance event there is an extensive communication plan of press adverts and on TV screen captions that appear notifying viewers of the need to re-tune their TVs on a specific date.

Additionally, comprehensive support for viewers and advice on retuning will be available during clearance events from the Freeview Advice Line and the Freeview website.

Most DTT viewers are familiar with retuning and do so from time-to-time to update their channel line-up, where TV equipment does not do this automatically. In some cases, more than one retune may be required where clearance takes place in multiple stages.

When is clearance happening?

Clearance of the 700 MHz band commenced in phased geographical releases in 2017 and will continue through to April 2020. There has been a significant upscaling of clearance events between January 2018 and March 2018. This rate will continue throughout the remainder of the year and into 2019 with the programme on track for 2020 clearance completion.

Ofcom Grant Scheme

To make the clearance of the 700 MHz band possible, Ofcom is making grants available for DTT infrastructure replacement under a standing consent framework agreed by HM Treasury.

There is a defined grant application process which is agreed and adhered to by all parties. During financial year 2017/18 61 grants were received, 56 grants awarded, and total grants awarded amounted to £63.7m. Total value of grants awarded to date on the programme: £195.5m. Total amount paid in financial year 2017/18: £81.1m.

Contents

Clearance Rollout Plan Simplified Overview

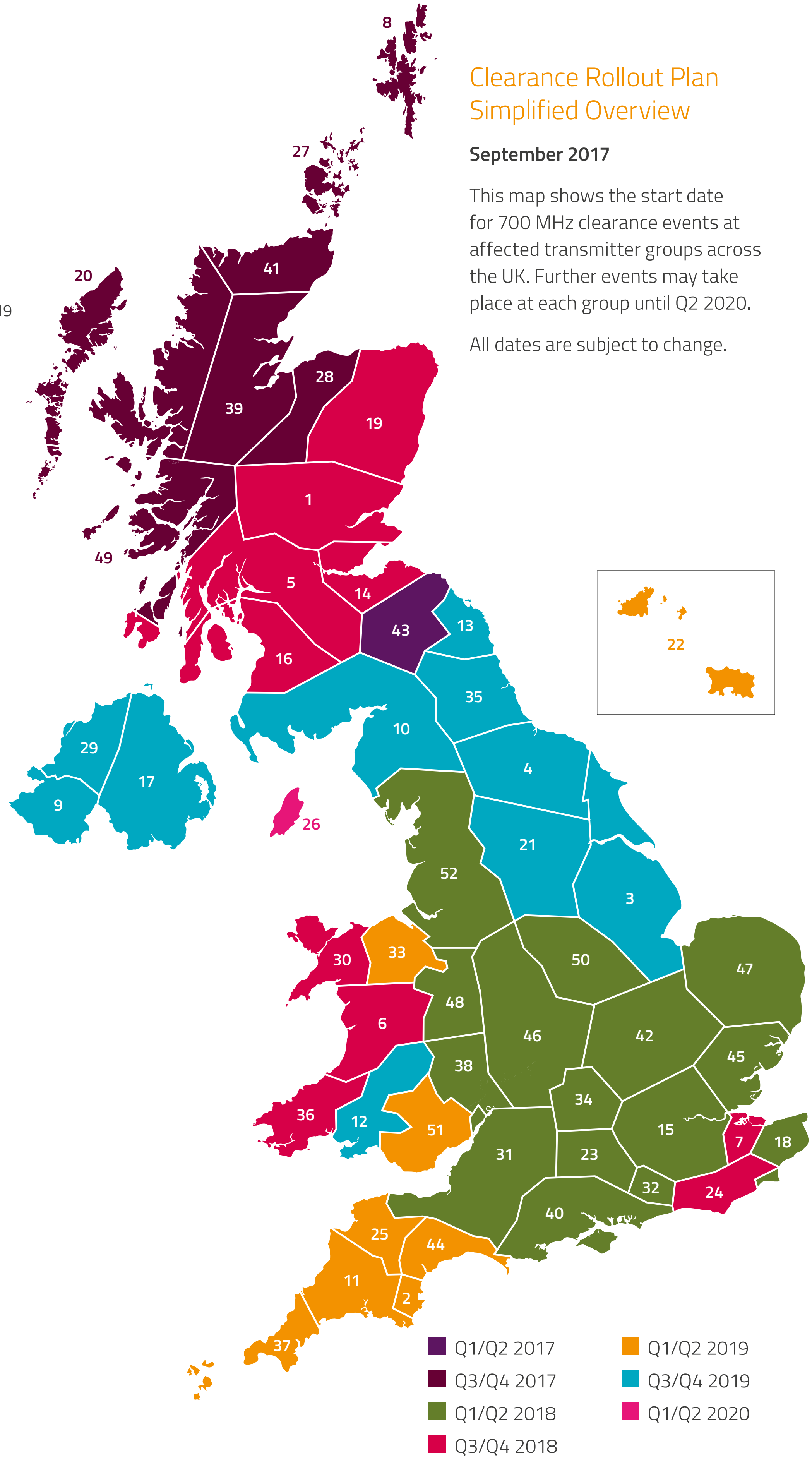
September 2017

This map shows the start date for 700 MHz clearance events at affected transmitter groups across the UK. Further events may take place at each group until Q2 2020.

All dates are subject to change.

Key:

1 Angus - Q4 2018
2 Beacon Hill - Q1 2019
3 Belmont - Q4 2019
4 Bilsdale - Q4 2019
5 Black Hill - Q3 2018
6 Blaenplwyf - Q4 2018
7 Bluebell Hill - Q3 2018
8 Bressay - Q3 2017
9 Brougher Mountain - Q3 2019
10 Caldbeck - Q3 2019
11 Caradon Hill - Q2 2019
12 Carmel - Q3 2019
13 Chatton - Q4 2019
14 Craigkelly - Q4 2018
15 Crystal Palace - Q1 2018
16 Darvel - Q3 2018
17 Divis - Q3 2019
18 Dover - Q1 2018
19 Durris - Q3 2018
20 Eitshal - Q3 2017
21 Emley Moor - Q4 2019
22 Fremont Point - Q1 2019
23 Hannington - Q2 2018
24 Heathfield - Q3 2018
25 Huntshaw Cross - Q2 2019
26 Isle of Man - Q2 2020
27 Keelylang Hill - Q3 2017
28 Knockmore - Q3 2017
29 Limavady - Q3 2019
30 Llanddona - Q4 2018
31 Mendip - Q1 2018
32 Midhurst Q1 2018
33 Moel Y Parc - Q1 2019
34 Oxford - Q1 2018
35 Pontop Pike - Q4 2019
36 Preseli - Q4 2017
37 Redruth - Q2 2019
38 Ridge Hill - Q1 2018
39 Rosemarkie - Q3 2017
40 Rowridge - Q1 2018
41 Rumster Forest - Q3 2017
42 Sandy Heath - Q2 2018
43 Selkirk - Q1 2017
44 Stockland Hill - Q1 2018
45 Sudbury - Q1 2018
46 Sutton Coldfield - Q1 2018
47 Tacolneston Q1 2018
48 The Wrekin - Q12018
49 Torosay - Q4 2017
50 Waltham - Q1 2018
51 Wenove - Q2 2019
52 Winter Hill - Q1 2018



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Glossary

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.

4G: Fourth generation of mobile phone technology, which follows on from 2G and 3G. It allows faster data transmission and download speeds than 3G networks.

5G: Fifth generation

BDUK: Broadband Delivery UK, responsible for delivering the Rural Broadband Programme.

BEIS: Department for Business, Energy & Industrial Strategy.

Bit-rates: The rate at which digital information is carried within a specified communication channel. Broadband speeds are commonly measured in Mbit/s.

Bill shock: A negative reaction that a person can have if their bill is unexpectedly high

Community radio: Radio stations that typically cover a small geographical area with a coverage radius of up to 5km and are run on a not-for-profit basis.

DCMS: Department for Digital, Culture, Media & Sport.

DTT: Digital terrestrial television. The television technology that carries the Freeview service.

EU5: France, Germany, Italy, Spain, the UK

End-to-end competition: Where commercial postal operators collect, process and deliver mail directly to the recipient without using Royal Mail's network.

Gaining provider led (GPL): A process in which the customer's new service provider (the gaining provider) takes the lead on switching the service.

IPTV (internet protocol television: Television services delivered through the internet rather than traditional means such as terrestrial, satellite or cable.

ISP: Internet service provider. A company that provides access to the internet.

Leased line: A transmission facility leased by an end user from a public carrier and dedicated to that user's traffic.

Linear broadcasting: Traditional scheduled TV broadcasting transmitted to a TV set.

LLU (local loop unbundling): The process whereby the incumbent operators (BT and Kingston Communications) make their local network (the lines that run from customers' premises to the telephone exchange) available to other communications providers.

Mobile broadband: Various types of wireless high-speed internet access through a portable modem, telephone or other device.

Multiplex: Digital terrestrial television services are transmitted using a 'multiplex' structure, with each multiplex containing a number of concurrent TV services, as well as radio stations and text services. These services are digitally combined into a single signal to form the transmitted multiplex.

Next generation core networks (NGN): Internet protocol-based core networks that 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 allow substantial improvements in broadband speeds and quality of service. They 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.

Service provider: A provider of electronic communications services to third parties, whether over its own network or otherwise.

Silent call: An incoming telephone call where there is no-one on the other end of the line.

Superfast broadband: Broadband services allowing speeds of 30Mbit/s and above.

Text relay: A service that allows people with hearing and speech impairments to communicate with others through telephone or textphone equipment.

VoD (video on demand): A service or technology that enables TV viewers to watch programmes or films whenever they choose to, unrestricted by a linear schedule.

Contents

making communications work
for everyone

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