

**Ofcom**

making communications work  
for everyone

# OFCOM

# ANNUAL REPORT AND ACCOUNTS

## 2021/22



For the period 1 April  
2021 to 31 March 2022

[Read the Welsh version](#)

# **THE OFFICE OF COMMUNICATIONS ANNUAL REPORT AND ACCOUNTS 2021-2022**

**For the period 1 April 2021 to 31 March 2022**

Presented to Parliament pursuant to Paragraphs 11 and 12 of Schedule 1 of the Office of Communications Act 2002

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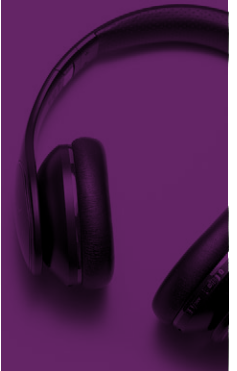
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# FROM OUR CHAIR

LORD GRADE, CBE



For people to respect and believe in Ofcom, they need to have trust in the work we do.

**With a great sense of pride and responsibility, I took up the position of Chair in May 2022, as Ofcom prepares to embark on a significant evolution in its role as the communications regulator.**

To earn public respect for Ofcom requires trust in the work we do. That means always acting in the interests of the public. This in turn requires that our Board remains committed to guarding Ofcom's independence and impartiality.

We provide independent and objective challenge across the whole of Ofcom's remit, free from personal, political or commercial influence. Ofcom is accountable to Parliament and to the people of the UK. Effective communication is also about listening, being receptive and attentive to people's changing needs and attitudes to the media around them. In a rapidly moving communications sector, we need to anticipate and respond swiftly to unprecedented change.

To inform our understanding and regulatory decision making, we are continually asking the public what they think, using our world-class research programme.

We are gearing up for a new challenge, namely our part in implementing landmark legislation. Under the

Government's Online Safety Bill – the first laws of their kind in the world – we will be given new powers to hold some of the world's biggest and most powerful technology companies to account, ensuring they put safety first and take responsibility for protecting their users from harmful content.

We are now working with tech firms to ensure they understand the responsibility that comes with the power they hold. In autumn 2022, we will publish our first report on how video sharing platforms are meeting new duties under existing legislation.

As our historic role as the communications watchdog expands, we must ensure that Ofcom is ready and fit to meet the challenges set by Parliament. The public expects nothing less from us. The new Bill is complex and pioneering legislation, and will inevitably take time to bed in. Expectations are high that, when the Bill is enacted, many of the harmful side effects of being online will be addressed. This cannot happen overnight. But Ofcom will be ready to play its part ensuring that online services understand their duties to reduce online harm.

At the same time, we are dedicated to preserving the strengths of our world-leading media sector and promoting investment in the UK's communications infrastructure.

Household finances face tremendous pressure, and our task is to ensure that every communications customer gets a good service and a fair deal.

Ofcom's reputation is built on making sound, evidence-based decisions, and this must be maintained. It's clear that to meet the challenges set by the communications landscape and regulate it effectively, we must attract the best people from both the public and private sector. As our remit develops, our core duty — to further the interests of citizens and consumers — will remain firmly at the heart of our approach. Quite often that means balancing effective regulation with freedom of expression. That is as it should be.

Finally, and on behalf of the Board and all our colleagues, I am pleased to place on record our thanks to our interim Chair of 16 months, Maggie Carver, for her leadership and tireless commitment to the organisation.

**Michael Grade, CBE**  
Chair

# FROM OUR CHIEF EXECUTIVE

**DAME MELANIE DAWES, DCB**



As the communications world continues to converge and evolve at a blistering pace, Ofcom has been developing its expertise to respond to those changes and prepare for new duties.

With each passing week, the services, screens and sites that keep people informed and entertained, and which help us work and connect, are evolving and growing in number.

Real and virtual worlds are colliding. The physical telecoms networks of wires and masts now underpin online areas like cloud computing and remote working. People switch effortlessly between traditional broadcasts or mobile phone calls, to internet-based services like Netflix, YouTube, Zoom and WhatsApp, often over the same device.

Regulators need to understand the economics, technologies and behaviours behind those changes. Ofcom's own job is evolving too. In the last year, we began to regulate video sites and apps like TikTok and Snapchat. We took on a widened role in ensuring telecoms firms keep their networks safe and secure. And we deepened our preparations to oversee social media and search engines, with the task of ensuring they do a better job of keeping their users safe.

For all these new tasks, Ofcom has been building on its strengths. Good people are at the heart of everything we do, so we are continuing to invest in our teams, skills and capabilities. We already have significant technical knowledge across the organisation, in areas such as spectrum engineering, economics and the law. Over the last year we've been growing our expertise in digital technologies, data analytics and cyber security. We've also become a more diverse organisation, having met our targets this year while recognising there is more to do as we attract skills and talent from a wide range of backgrounds.

To build on these achievements we've set three new ambitious goals for our work with the communications sectors we regulate. We want everyone to have internet they can rely on; media they trust and value; and the opportunity to live a safer life online.

People expect access to fast, affordable broadband, but they also want these connections to be reliable, resilient and secure. Over the next year, we will start implementing the Telecommunications (Security) Act alongside promoting investment in better networks and fairness for customers.

When it comes to media everyone trusts and values, we want to protect and promote public service content for the next generation and ensure that everyone in the UK feels represented in the programmes they see or hear. Ofcom has a strong track record of maintaining content standards on TV and radio; we will continue to work to support public service media and uphold standards at the BBC.

Finally, we want everyone in the UK to live a safer life online. Every child and adult should be able to pick up their phone or tablet, safe in the knowledge that the sites and apps they use will not target them with harmful or illegal content. From next year Ofcom will be overseeing new rules to help achieve that.

Alongside these three priority areas, we will continue to oversee the UK's universal postal service and our wireless radio spectrum – two vital national resources that continue to connect people every day.

In everything we do, we are confident that you can trust Ofcom as a stronger organisation to ensure faster, more reliable and safer connections between people and businesses around the UK. We are ready for the future, and reaffirm our commitment to make communications work for everyone.

**Dame Melanie Dawes, DCB**

Chief Executive

In everything we do, we are confident that you can trust Ofcom as a stronger organisation to ensure faster, more reliable and safer connections between people and businesses around the UK.

# OVERVIEW

## OUR POWERS AND DUTIES

As the UK regulator, our vision is to make sure communications work for everyone.

### 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<sup>1</sup>. 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.

We are independent of Government and the companies we regulate, and our duties are set out in statute, making us accountable to Parliament and the courts.

### 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 – the UK's wireless airwaves – is used in the most efficient 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 the television and radio; and



the UK's universal postal service is secured.

Ofcom can enforce consumer law on behalf of the public, but we cannot resolve individual consumer complaints about telecoms or postal services. We often provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. By contrast, we do deal with individual complaints about TV and radio.

### Our values

To help us with our work in promoting choice, securing standards and preventing harm, we need to make the best decisions for all UK consumers and citizens. To do this effectively, our organisation needs to employ a diverse range of talents, and foster an inclusive culture. We aim to achieve this through our values:

These five values shape how we treat one another; how we relate to our stakeholders; how we judge performance; and how we collaborate to achieve our priorities. The values are central to our effectiveness and they support the organisation we want to be.

<sup>1</sup> 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. The financial statements have been prepared in a form directed by the Secretary of State for Digital, Culture, Media and Sport as per Para 2 of Schedule 1 of the Accounts Direction.



The values are central to our effectiveness and they support the organisation we want to be.

collaboration

EMPOWERMENT

agility

*Excellence*

Respect



## SECTION A

# PERFORMANCE

This section sets out how we have done over the last financial year – in particular, how we have performed against the objectives set out in Ofcom’s Plan of Work. We look at the impact of our work on behalf of people and businesses in the UK.



# PERFORMANCE REVIEW

## HIGHLIGHTS FOR 2021/22

We have supported investment in faster broadband and mobile networks, ensuring they are safe and secure while keeping prices affordable.

### Progress on delivering our Plan of Work

**This section sets out what we have done during the year in our priority areas, and what this means for people and businesses.**

Every March, we publish Ofcom's Plan of Work. This sets out what we intend to deliver over the coming financial year, to make communications work for everyone across the UK and its nations.

The Plan of Work set out our work areas for 2021/22. These considered what was happening in the communications market and the evolving needs of people and businesses. We consult on our plan every year, and it reflects Ofcom's duties, as well as the feedback we receive from interested parties.



## INVESTMENT IN STRONG, SECURE NETWORKS

- **Better broadband** We began implementing new rules, which we established in 2021 to shape the future of the UK's fixed telecoms networks – the pipes, poles and wires that deliver broadband, landlines and data links to millions of homes and businesses across the UK. This includes safeguards to ensure superfast broadband remains affordable, and measures to promote investment in better networks. Since we introduced these, the number of homes that can access ultrafast full-fibre broadband has nearly doubled to around 10 million.
- **Mobile needs** We set out a new vision, and canvassed views, on how mobile telecoms markets are likely to develop; and how mobile networks will need to evolve to meet future demand for data on the move.
- **Secure networks** This year, we built our capability to carry out new duties aimed at ensuring the security and resilience of telecoms networks. These responsibilities are set by the Telecommunications (Security) Act 2021, and due to come into effect in October 2022.

**85%**  
**OF THE COUNTRY**  
 to have access to gigabit-capable broadband networks by 2025

## GETTING EVERYONE CONNECTED

- **Universal broadband** The Broadband Universal Service Obligation (USO), set by Parliament, allows people to request a better connection if they cannot achieve a download speed of at least 10 Mbit/s, and an upload speed of 1 Mbit/s. We continued implementing this scheme, which has brought decent broadband to thousands more homes.
- **Universal mobile.** We overhauled regulations to improve indoor mobile coverage. And we are overseeing the roll-out of the Shared Rural Network (SRN), which will deliver 4G coverage to 95% of the UK's entire landmass.
- **Digital phone calls.** In future, all landline calls are expected to be delivered over a digital technology, 'voice over IP', which uses a broadband connection. All large-scale technology transitions involve risk, and we have established a monitoring and engagement programme to help ensure phone companies manage the process effectively.
- **Affordable, reliable post.** We launched a public consultation on the future of postal regulation, setting out new plans to protect parcel customers and ensure our rules keep pace with a changing market. We want postal users to have access to the simple, affordable and reliable services they need.

**95%**  
**4G COVERAGE**  
 in the UK by 2025

## FAIRNESS FOR CUSTOMERS

- **Cheaper bills.** In 2020, following new Ofcom rules, we secured commitments from major telecoms firms to reduce the bills of many out-of-contract customers. This year, we reported that these changes have meant significant savings for many phone and broadband customers.
- **Affordable phone and broadband.** We examined the affordability of communications services, highlighting which telecoms companies offer discounted 'social tariffs' and calling on all firms to do so and promote them.
- **Protecting customers.** We continued our work to protect vulnerable customers. From June 2022, telecoms providers must provide an emergency video relay service, allowing deaf people to contact the emergency services.
- **Simpler switching.** We finalised simpler broadband switching rules, which will see a new 'one-touch' process in operation for broadband customers by April 2023.
- **Tackling scams.** We undertook a major programme of work examining the problem of scam calls and texts. This is intended to reduce consumer harm and improve trust in communications services.
- **Parcel protections.** We set out new protections to ensure people sending and receiving parcels are treated more fairly by delivery companies, with a particular focus on disabled customers.

**£100M**  
**OVERPAYMENT**  
reduction in out of contract  
mobile bundled customers

## SUPPORTING AND DEVELOPING UK BROADCASTING

- **Public service media** We concluded our major review of public service media, Small Screen: Big Debate, with a package of detailed recommendations to Government for supporting and sustaining the broadcasting content people value for years to come.
- **Audience complaints.** We assessed around 100,000 complaints about TV and radio, largely relating to offensive content. We imposed nine sanctions and six penalties.
- **BBC regulation.** As part of our ongoing work to protect fair and effective competition, we assessed the market position and impact of BBC Sounds. We also reviewed the BBC's assessments of two proposed changes to its public-service activities.
- **Media competition.** We carried out our three-yearly review of media ownership rules. Alongside this, we launched a programme of work to understand the impact of changes in the online news market on media plurality in the UK.

**28**  
**INVESTIGATIONS**  
completed and 17 found  
a breach in our rules

## PREPARING TO REGULATE ONLINE SAFETY

- **A safer life online.** The Online Safety Bill was introduced into the UK Parliament in spring 2022. We have been working closely with the Government to support the introduction of the new legislation, and promoting understanding of how people engage online. We identified important areas to develop and expand Ofcom's technical and operational capabilities.
- **Video sites and apps.** We brought video-sharing platforms in the UK into regulation for the first time, establishing a framework and setting out our aims and our expectations of these companies.
- **Media literacy.** As part of our Making Sense of Media programme, we published three studies offering insights into online behaviour, with a particular focus on misinformation. Alongside this research, we have been working with industry to encourage good design principles in the development of online services; and running an evaluation programme across a range of media literacy interventions to assess what works best in building people's understanding.
- **Digital competition.** We supported the Government in its assessment of the options for regulating competition in digital markets. We worked with the CMA to advise how a code of conduct could be used to address concerns about the relationship between online platforms and content publishers.

# 217

## MINUTES

average time spent online,  
per person per day

## STRENGTHENING OFCOM FOR THE FUTURE

- **Responding to change.** We launched our new Technology Data and Innovation Group, putting technical expertise and industry knowledge at the forefront of how we develop policy, in particular when it comes to online safety. This includes working closely with Government, fellow regulators, academics and others.
- **Reflecting the UK.** We exceeded our 2021 diversity and inclusion targets, the results will be published in July 2022.
- **Climate and sustainability.** We implemented a number of measures to help further reduce the environmental impact of our business. We adopted new environmental objectives and targets to help us reduce our footprint (beyond just carbon emissions) and align ourselves to the Government's Net Zero Strategy and Greening Commitments 2021-25.

# ISO14001

Certification for  
our environmental  
management system

## DEVELOPING NEW PARTNERSHIPS

- We have helped to lead, embed and develop the work of the Digital Regulation Cooperation Forum (DRCF), a world-leading example of collaboration between online regulators. Established in 2020, the DRCF deepens joint working and expertise between Ofcom, the Competition and Markets Authority (CMA), Financial Conduct Authority (FCA) and Information Commissioner's Office (ICO). We will share knowledge and expertise, as well as delivering a step change in our joint working to tackle issues that cut across a range of sectors, in order to better meet the needs of people and businesses online. Gill Whitehead was appointed DRCF Chief Executive in November 2021.

# OFCOM + ICO

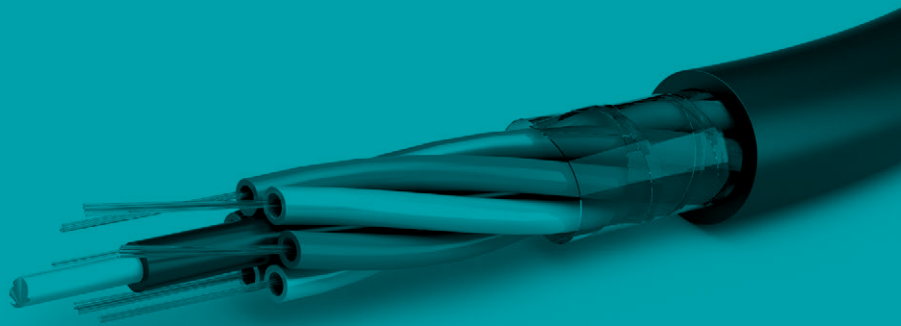
Working together to ensure companies protect children's data online





# INVESTMENT IN STRONG, SECURE NETWORKS

High-quality connections have never been so important.



## PRIORITY WORK AREAS


- **Implementation of our Wholesale Fixed Telecoms Market Review (WFTMR) – incentivising the deployment of full-fibre broadband networks**
- **Supporting innovation in wireless services**
- **Network security and resilience – working with communication providers to ensure networks are safe and reliable**

## CONSUMER OUTCOMES

a) Since we implemented this new framework in April 2021, the availability of full-fibre broadband has almost doubled to reach a third of homes. We expect gigabit-capable broadband networks to be available to at least 85% of the country by 2025 – up from just 3% in 2017, and 66% in 2022.

We set out a new vision for how mobile markets might develop, how networks may need to evolve to meet future demand, and the implications for wireless spectrum.

b) We worked with communications providers to ensure they are prioritising the security and resilience of their networks, and that they are able to deal with security threats



We want everyone to access fast, reliable and secure networks, wherever they live or work.

### CONSUMER IMPACT

UK households are using 40% more data every year, through applications like TV streaming, video calls and online gaming. This is placing increasing strain on communications networks, and ongoing investment in upgrading this critical infrastructure is vital.

The future is gigabit-capable networks, which we can rely on for decades to come. These ultrafast networks are up to 30 times faster – and significantly more reliable – than older broadband lines.

Wireless connections are also essential to businesses and consumers throughout the UK. Wireless services rely on radio spectrum, and it's our job to manage this finite resource efficiently.

The UK's dependency on communications services means networks must be reliable during times of challenge and crisis, such as outages or cyber-attacks. Part of our role is to make sure that the industry continues to invest in the resilience and security of its networks.

UK households are using

**40%**

**MORE DATA  
EVERY YEAR**

## INVESTMENT IN STRONG, SECURE NETWORKS

### WHAT WE'VE DONE

#### Implementing a new framework for better broadband

In 2021, we set out new regulations for the wholesale telecoms markets that will help shape the UK's network future.

Our Wholesale Fixed Telecoms Market Review aims to promote competition and incentivise investment by BT and its rivals, to bring faster, more reliable full-fibre broadband to people across the UK. We will also be further monitoring Openreach, to secure the development and availability of competing networks.

As these new networks become more prevalent, people and businesses need the right information to make informed decisions about the broadband services that are right for them. To support this, we have formed a working group of industry stakeholders to develop common terms for different broadband services.

We will progressively move away from regulating older products, as new fibre replaces ageing copper lines, so removing the costs of running two parallel networks. We have also put in place wholesale price safeguards to ensure a baseline superfast broadband service remains affordable.

Supporting innovation is at the heart of our new strategy for managing the UK's airwaves over the next decade.

#### Future approach to mobile markets and spectrum

Demand for mobile services has grown rapidly over the last decade. We have set out how mobile markets might develop, how networks may need to evolve to meet future demand, and the implications for wireless spectrum.

We anticipate that existing mobile spectrum holdings, together with spectrum already planned for release, are likely to meet future demand until 2030 if the market evolves in the right way. This includes companies maximising their spectrum holdings, new spectrum being released, technology upgrades and the deployment of more mobile sites.



## Network security and resilience

People across the UK expect and rely on strong, secure networks. Ofcom has an important role in making this happen.

### Telecoms security implementation

The Telecommunications (Security) Act 2021 became law in November, introducing new powers for us to help ensure the UK's telecoms networks are safe and secure. The new security rules overseen by Ofcom are expected to come into force on 1 October 2022. We have been building our capacity and capability to prepare for these responsibilities.

### Network resilience

The level of resilience of the next generation of telecoms networks is still to be tested, compared to the traditional public switched telephone network (PSTN).

In 2020, we helped to establish a resilience working group within the Electronic Communications Resilience and Response Group (EC-RRG). This year, we continued our work with the EC-RRG, and have contributed to updated resilience Guidelines for Providers of Critical National Telecommunications Infrastructure.

### Telecoms vendor diversification

We continue to help implement the UK Government's strategy of increasing the number of manufacturers in (or 'diversifying') the supply chain for 5G mobile. This is designed to ensure a competitive, innovative, secure and resilient telecoms supply market. We are monitoring and engaging with industry to understand the vendor landscape and potential impacts on competition, innovation, security and resilience. Central to this work are findings from the SONIC Labs, a collaboration between Digital Catapult and Ofcom, which has received a further two years of funding.

### Spectrum management strategy

Supporting innovation is at the heart of our new strategy for managing the UK's airwaves over the next decade. We are working closely with businesses, public bodies and others to play our part in shaping the UK's wireless future.

In March 2022, we published our spectrum roadmap, setting out how we will deliver our strategy. Our proposed future areas of work include network evolution and convergence, accelerating innovation and spectrum sharing with 'sandbox' testing programmes, and better data for improved spectrum management.

### Annual licence fees

In December, we set new annual fees payable by each of the four mobile network operators for the spectrum they use. From 1 January 2022, the operators have been paying aggregate fees of £66.8m (which will be subject to a CPI increase in each subsequent year) to access paired spectrum in the 2100 MHz band.

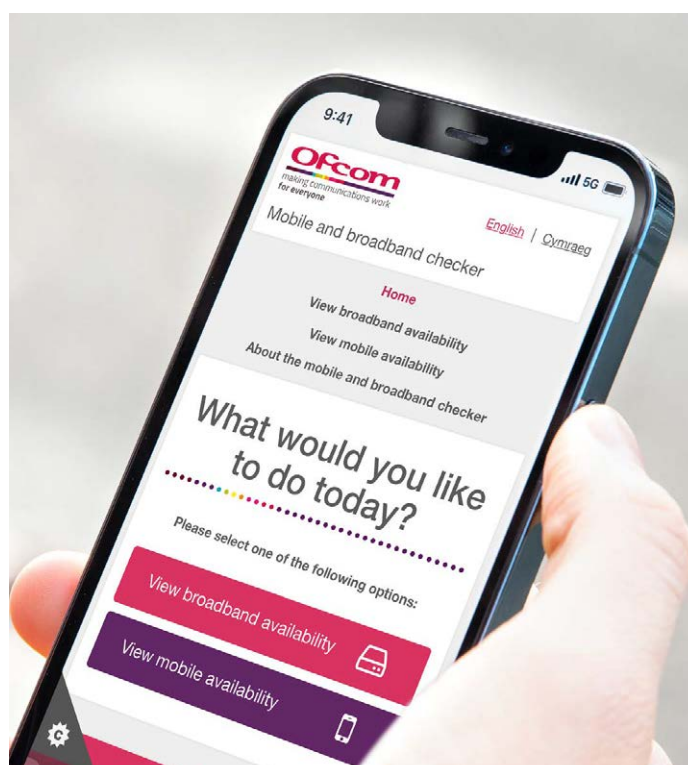
### Licensing platform evolution (LPE) programme

In March 2022, we completed the first live release of a new spectrum licensing system, based on cloud technology, which will allow us to speed up future developments and improvements bringing efficiency in the licensing process.

### Working with industry on wireless and spectrum

The benefits of wireless connections are being recognised by a wider variety of sectors. In manufacturing, private 4G and 5G connections are being tested to support developments such as workplace automation, and the remote monitoring of machines and products to improve efficiency and productivity. In transport, 5G is being used to connect prototype self-driving vehicles. In energy, private 4G networks are being used for smart utility grids. And environmental firms are trialling how 5G could be used to help preserve forests.

We have worked to understand the specific spectrum needs of different industries, and we have used the findings from industry engagement to inform our spectrum roadmap.



The space sector is one of the biggest users of spectrum. These developments create new challenges, Ofcom needs to determine where to focus our efforts.

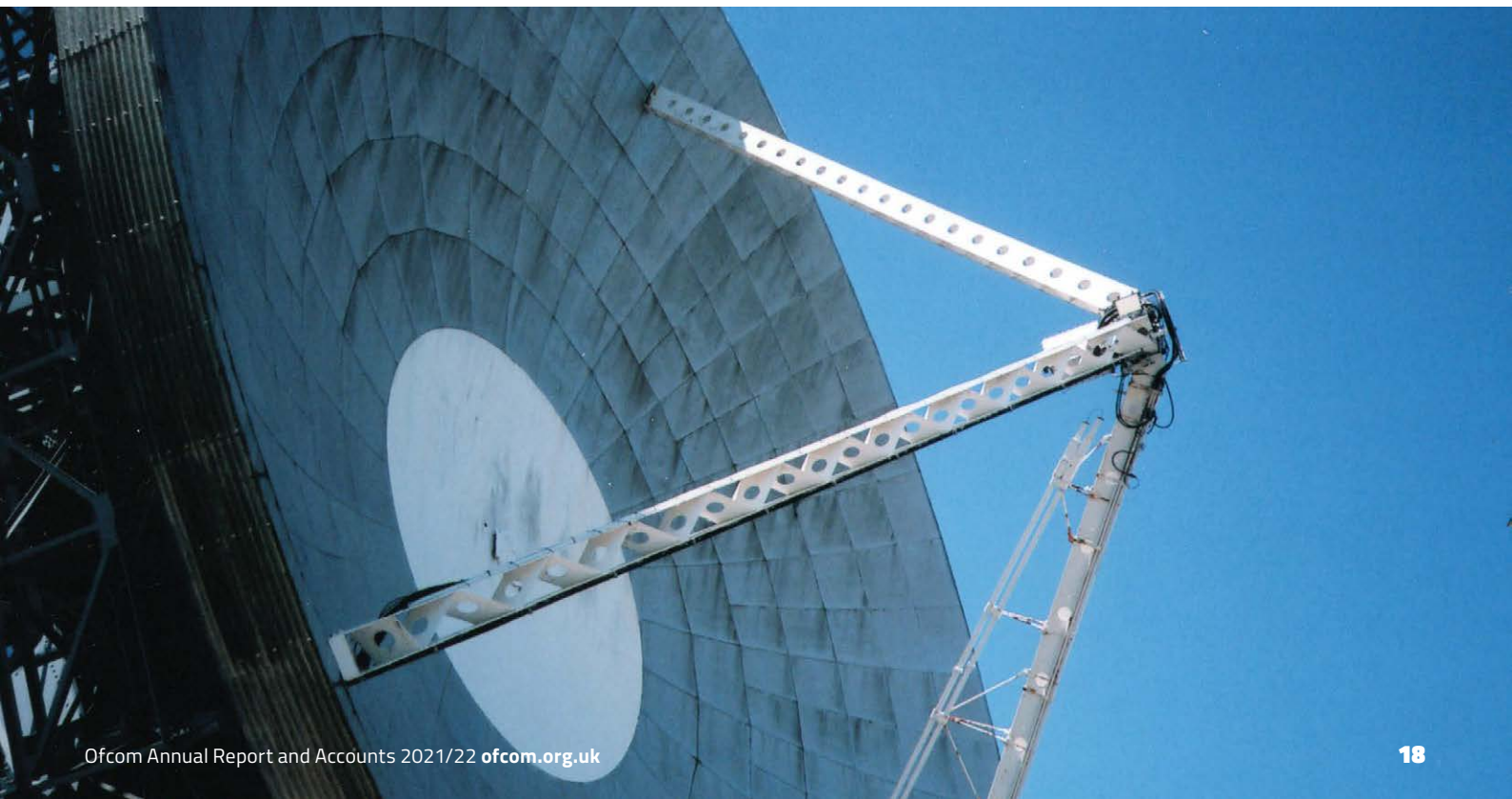
### Space spectrum strategy

The space sector is one of the biggest users of spectrum, providing satellite broadband, broadcast TV services, global positioning services and communications in emergency situations.

Operators such as OneWeb and SpaceX are deploying large numbers of non-geostationary orbit (NGSO) satellites to provide broadband to UK homes and businesses in remote locations. Data collected by Earth observation satellites is becoming increasingly important in tackling the climate emergency.

These developments create new challenges for regulating the space sector's use of spectrum, and Ofcom needs to determine where to focus our efforts. To help do this, we collaborate with organisations including Government departments and agencies, commercial satellite operators and international bodies.

This year we consulted on a refresh of our space spectrum strategy, last updated in 2017. We set out a range of plans in areas where we think our efforts will have the greatest benefit over the next two to four years – including communications, earth observation and navigation.



# GETTING EVERYONE CONNECTED

We are focused on addressing the UK's digital divide.



## PRIORITY WORK AREAS

- **Fixed and mobile coverage**
- **Digital phone calls – ensuring a smooth transition for UK consumers**
- **Review of the regulatory framework for post and Royal Mail's operational efficiencies**

## CONSUMER OUTCOMES

- a) We reformed regulations to improve indoor coverage and are monitoring roll-out of the Shared Rural Network (SRN), which will boost 4G coverage by all mobile operators to 95% of the UK landmass.
- b) We established a monitoring programme for VoIP transition working with the largest providers to ensure they manage the process effectively and prioritise the needs of customers, especially vulnerable people.
- c) We set out proposals on the future of postal regulation to make sure our rules are effective, and ensure people can access simple, affordable and reliable postal services.

To make sure everyone has the communication services they need, we are focused on addressing the UK's digital divide, improving access to services in the hardest-to-reach locations.

We are also working to make sure the universal postal service is sustainable for the future.

**96%**  
**OF UK HOMES**  
can access superfast  
broadband services

### CONSUMER IMPACT

Around 96% of UK homes can access superfast broadband services (connection with speeds of at least 30Mbit/s). However, more than 120,000 homes still lack access to decent broadband (at least 10Mbit/s download and 1Mbit/s upload speed).

At the same time, Ofcom research has found that around 1.1 million households are struggling to afford their home broadband service.

Access to mobile services is increasingly important. 4G coverage from at least one operator extends to around 92% of UK landmass, and this area includes nearly all of the premises in the UK

## GETTING EVERYONE CONNECTED

### WHAT WE'VE DONE

#### Mobile coverage

In March 2020, the Government announced funding for the Shared Rural Network (SRN). This mobile infrastructure is being built by the four network operators – EE, O2, Three and Vodafone. It is designed to improve mobile coverage, particularly in rural areas, by taking 4G coverage to 95% of the UK's geographic area by 2025, up from between 79% and 85% for individual operators today.

4G coverage increased in the last year, partly driven by the deployment of 46 new sites to meet SRN licence commitments.

5G coverage also continues to expand, with the number of base stations providing it having more than doubled to around 6,000 in the last year. This has included new deployments from the 700 MHz and 3.6 GHz spectrum auctioned by Ofcom in April 2021. We are also facilitating the deployment of 5G private mobile networks – not just by traditional mobile network operators, but also by equipment vendors such as Nokia, managed service providers and system integrators such as Accenture, and hyperscalers such as Amazon. Since new rules were introduced in 2019, we have issued more than 550 shared access licences.

#### Improving indoor mobile coverage

We have reformed the regulations controlling indoor mobile phone repeaters, extending the range of devices available for people to buy and install themselves to boost their indoor mobile signals, without needing a licence.

We also set technical conditions to make sure these repeaters don't cause interference to mobile networks or other users. We published a list of devices that comply with our technical requirements, making it easier for consumers to distinguish between legal repeaters and illegal repeaters.

#### Improving consumer information

We have worked closely with mobile network operators to report accurately on 5G coverage and describe the quality of performance. In December 2021, we published our first quantitative assessment of 5G coverage.

In September, we published the annual update of our Mobile Matters report, providing insights into customer experience and network performance across different operators and technologies.



# 95%

## 4G COVERAGE

in the UK by 2025



### Broadband universal service

In 2020, the UK Government introduced the broadband universal service obligation (USO). This gives everyone the right to request a decent and affordable broadband connection, subject to certain eligibility criteria. Under the scheme, BT pays the cost of connecting eligible properties, where it is £3,400 or less. If the required work costs more, the customer can choose to pay the difference. We are responsible for securing implementation of the USO.

Following an Ofcom investigation, BT has changed its approach for quotes where the excess costs of connecting a premise are £5,000 or below, reducing prices for the customer. We also implemented changes to the regulatory conditions associated with the USO. This means BT can now wait until it has agreement to recover the total excess costs before commencing a build, where the excess costs associated with a given connection exceed £5,000 per premise.

### Broadband universal service obligation (USO)



Between launch in March 2020 and the end of September 2021, BT has seen over 1,200 confirmed USO orders and has built USO connections that cover over 3,700 homes. BT is also in the process of building connections to a further 2,500 premises.

# 1,200

Confirmed USO orders



### Protecting phone boxes

The UK has around 21,000 public call boxes. For people without a mobile phone, or for those in areas with poor mobile coverage, these can be a lifeline.

The ongoing move to digital phone lines requires investment to upgrade phone boxes. The existing process for assessing their use put a number of phone boxes at risk of being decommissioned, potentially affecting local communities and users.

We set out stronger criteria and rules to safeguard phone boxes from being removed, protecting around 5,000 boxes around the UK. While BT can propose to remove phone boxes that do not fall within the proposed strict criteria, it would now need to formally consult with local communities before any action is taken.

We also recognised that the services people need from public call boxes are changing. With falling call volumes, BT is rolling out a new generation of street hubs offering services such as free Wi-Fi and free charging. So we also proposed to allow BT greater flexibility in the range of services it can provide in its phone boxes, to keep pace with people's needs.

### Moving to digital telephone services

Landline phone calls have traditionally been delivered over the public switched telephone network (PSTN), but this is becoming harder and more expensive to maintain. BT has decided to retire this network by December 2025 and other providers plan to follow a similar timescale.

Increasingly, customers have their landline service moved over to a digital technology called Voice over Internet Protocol (VoIP), which uses a broadband connection. In future, we expect that all landline calls will be delivered this way.

We set regulation and guidance to support emergency calls using VoIP. We published expectations on telephone companies to minimise undue disruption to their customers. We also expect them to protect customers who may particularly rely on their landline, for instance because they don't have a good mobile signal. We have an established programme of monitoring the migration to VoIP and regularly engage with the largest providers.

Earlier in the year, BT decided to pause some of its migration for existing customers who do not want to move to the new technology straight away. We expressed concern about this situation and continue to monitor closely the results from trial migrations that Openreach has been running in Salisbury and Mildenhall.

### Monitoring the postal market and Royal Mail's performance

We know how important a reliable postal service is to people who send and receive letters and parcels. So we constantly scrutinise Royal Mail's efficiency, quality of service and the financial performance of the universal postal service. We can take appropriate action if Royal Mail fails to meet the annual targets we set for its performance. We also monitor users' experience of the postal sector and publish an annual monitoring report. All this helps to secure a postal service that is sustainable, efficient and affordable for everyone.

### Review of the future regulatory framework for post

Postal users' needs and the markets that serve them are changing. The number of letters sent by consumers and businesses continues to fall, but parcel volumes are growing rapidly. Postal operators continue to adapt to these changes.

The current regulatory framework for post was set in 2012 and last reviewed in 2017. In December 2021 we published a consultation on the future of postal regulation, to make sure it remains effective and keeps pace with the changing market.

As the universal service provider, Royal Mail is subject to more regulation than other postal operators. For example, the current framework applies strict annual targets on delivery performance and imposes a cap on second-class stamp prices.

In our consultation, we proposed to maintain the current overall framework for regulating Royal Mail, continuing to allow it commercial flexibility to provide the universal service, while retaining important consumer and competition protections and safeguards. We have proposed to strengthen our regulations to increase understanding of the longer-term outlook for the sustainability of the universal service.

We plan to publish our final decisions on the new five-year framework later this year.



# FAIRNESS FOR CUSTOMERS

We want customers to get a fair deal for the services they use.



## PRIORITY WORK AREAS

- **Vulnerable customers – ensuring telecoms companies treat them fairly**
- **Affordability – ensuring affordable connections are available for the financially disadvantaged**
- **Simpler switching – helping broadband customers change provider through simpler switching processes**
- **Nuisance calls – protecting customers from scams via phone, calls and texts**
- **Broadband pricing and contracts – helping consumers navigate the communications market**

## CONSUMER OUTCOMES

**Vulnerability Guide:** In June 2021, we published our statement requiring regulated telecoms providers to provide an emergency video relay service from June 2022. In January 2022, we approved Sign Language Interactions as a service provider.

**Affordability:** We published reports on the affordability and pricing of communications services. We called on all providers to offer and promote social tariffs.

**Simpler broadband switching:** In September 2021, we published our decision that industry must implement our preferred switching process for residential fixed voice and broadband customers ('one touch switching') by April 2023.

**Tackling scams:** In February 2022, we set out how we are responding to the problem of scam calls and texts. Our work is intended to reduce the consumer harm and improve trust in communications services by reducing misuse.

**Pricing:** In November 2021, we published a progress report setting out changes in the broadband and mobile markets, and considered the effectiveness and impact so far of end-of-contract notifications.

Our Fairness for Customers programme helps make sure people are treated well by their providers, with the UK's biggest broadband, phone and pay TV companies signing up to specific commitments.

## CONSUMER IMPACT

In a progress update in May 2021, we found that, despite the support they offered during the Covid-19 pandemic, telecoms firms need to go further in tackling customer service problems. Our review of progress against our Fairness for Customers commitments found many companies were providing fairer deals, clearer information and better support for their customers, but that they urgently need to improve how they handle complaints.

Earlier in the year, we accepted BT's commitment to continue price caps on its line rental and call charges, meaning landline-only customers will continue to have their prices protected for the next five years. This was particularly important to older customers, since nearly two thirds of those who only had a landline were over the ages of 65, and more than three-quarters had never switched provider.

In the past year, Vodafone and EE signed up to our automatic compensation scheme, allowing customers to get money back when things go wrong.

## FAIRNESS FOR CUSTOMERS

### WHAT WE'VE DONE

#### Protecting vulnerable customers

In our work to improve outcomes for customers, we are particularly mindful of protecting vulnerable customers. We found some vulnerable people had experienced inconsistent customer service when contacting their phone, broadband or pay-TV provider.

We told companies they should better train staff to recognise potentially vulnerable customers and offer appropriate help, support and services.

Our 'treating vulnerable customers fairly' guide requires providers to adopt best practices by emphasising the help and support available to people struggling to pay; getting in touch with customers in different ways; working more closely with debt charities; and avoiding imposing service restrictions to force payment. We invited views on our proposed guidance and intend to publish our final decision in the autumn.

Under new rules, telephone and broadband companies will be required to offer a free, 24/7 video relay service for British Sign Language (BSL) users to contact the emergency services, via a dedicated mobile app and website. Enabling BSL users to use their first language will make it easier for them to get help for themselves and others in emergencies. It will be easier for them to describe the nature of the emergency and receive potentially life-saving instructions from the emergency services.

#### Savings for customers

Ofcom needs to know that our work is effective and delivers good outcomes for people. We do this by monitoring market developments and evaluating specific policy interventions.

In 2019, new Ofcom rules came into force requiring phone, broadband and pay-TV providers to warn customers when their current contract is ending, and explain what they could save by signing up to a new deal. We secured commitments from major telecoms firms to reduce the bills of many out-of-contract customers.

In 2021 we found that, following Ofcom rule changes the previous year, more broadband and mobile customers are shopping around, signing up to better deals and saving themselves millions of pounds.

The number of broadband customers who were out of contract in 2020 fell by around 1.3 million from the previous year. This reduction was largely driven by people securing a new contract with their existing provider, rather than switching. The average prices paid by broadband customers also fell over the same period, from £39 in 2019 to £38.10 in 2020, while average speeds continued to increase.

Since those commitments came into effect, more than three-quarters of mobile customers nearing the end of their contract were able to secure a new deal. Also, the amount that bundled out-of-contract mobile customers overpay, compared to customers on SIM-only deals, had more than halved – from £182m in 2018 to £83m in 2020.

We also assessed the impact of significant changes Ofcom made in 2015 to the regulation of calls to non-geographic numbers. We found that making 080 numbers free to callers from mobiles raised the number of calls. This allowed providers to offer free calls to all consumers. We will use these findings in the next stage of our review of the future of telephone numbers.

### Easier switching for telecoms customers

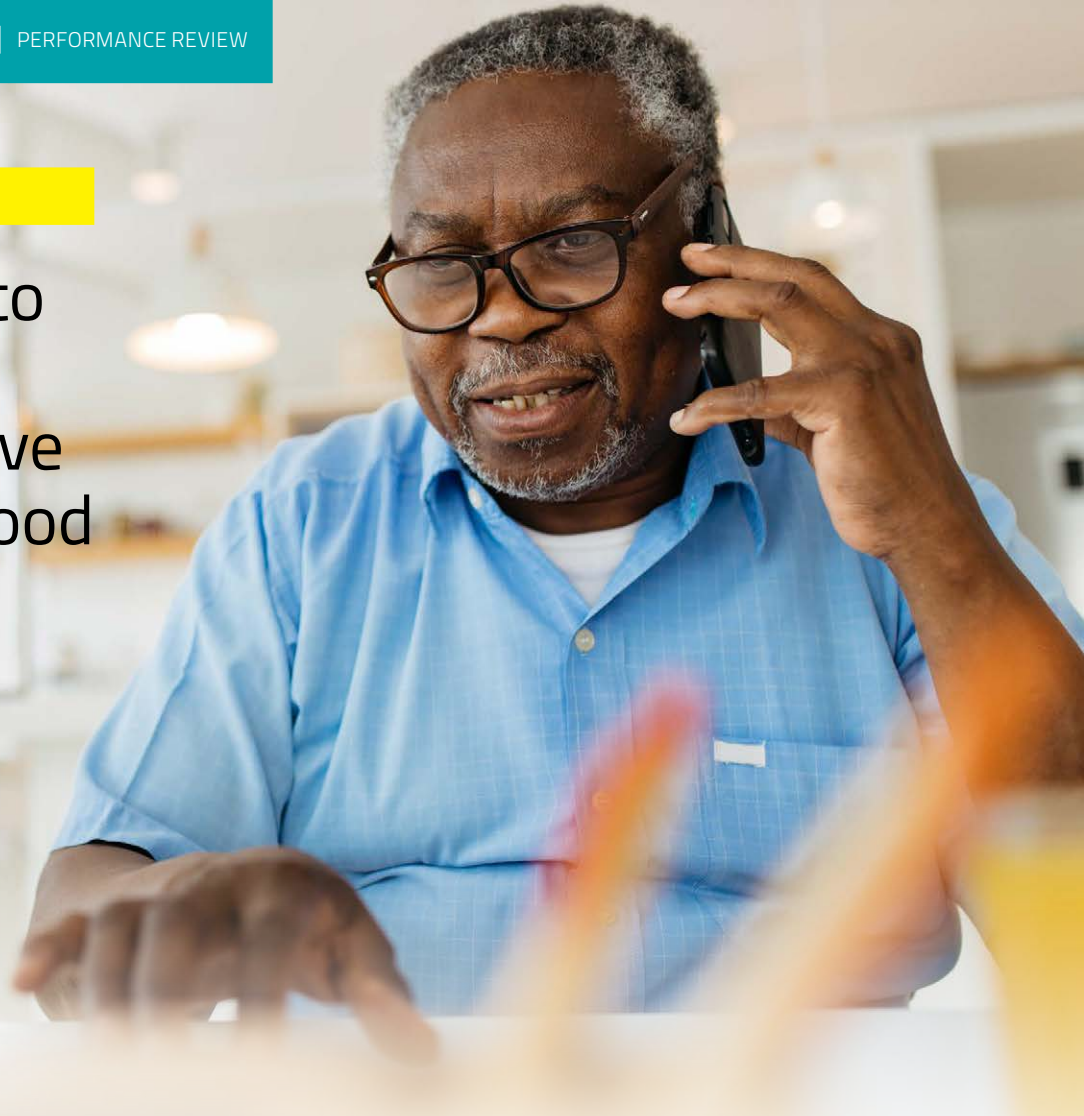


Sometimes customers are less able to get the best deals because they are put off by the switching process. To help overcome this, we announced a new process that will make it easier and quicker to switch broadband or home phone provider. Under the 'one touch switch' process, customers will only need to contact their new home broadband provider to complete the process. The new switching process will come into force in April 2023, allowing providers time to make necessary changes to their systems.

## April 2023

One Touch Switch process comes into force

Ofcom needs to know that our work is effective and delivers good outcomes for people.



### **Protections for parcel customers**

Postal users' needs are changing, with fewer letters being sent and parcel volumes rising. This year we proposed new protections to make sure people sending and receiving parcels in the UK are treated more fairly by delivery companies, with a particular focus on disabled customers.

We found that almost two-thirds of customers had experienced problems with deliveries. Around a quarter of senders find it difficult to make a complaint, or to contact parcel operators, when their delivery goes wrong. Two in five say their complaints are only partially resolved, while almost one in ten are left with their complaint completely unresolved.

We have proposed new guidance requiring all parcel firms to tighten up their complaints handling.

Customers must be dealt with by appropriately trained staff, told who to contact, what channels they can use to make a complaint, and how long it will take to resolve their complaint.

If we do not see substantial improvements in customer service and complaints handling, we will consider enforcement action or further regulation.

### **Mobile firms can no longer sell locked handsets**

We brought in new rules this year that ban mobile companies from selling locked phones. This will make it easier for people to move to a different network with their existing handset.

Other new measures include extending our rules that limit phone and broadband contracts to a maximum of two years, so they cover bundles. This gives customers more flexibility to switch without being locked into long deals. We also strengthened our existing requirements on phone and broadband companies to provide vision-impaired customers with information in accessible formats, such as braille or large print.

### Further protections

In the past year, we fined two telecoms firms £35,000 for ‘slamming’, an aggressive form of misselling where customers are switched from one company to another without their knowledge or consent. We found that Guaranteed Telecom and Met Technologies slammed 43 and 67 customers respectively in 2019, many of whom were elderly or vulnerable. These firms also prevented a total of at least 52 customers from switching to another provider after they had slammed them. We fined Guaranteed Telecom £10,000, and Met Technologies £25,000. The companies must also release affected customers from their contracts without charge, and refund those who had already switched and paid early termination fees.

As well as intervening where required, we publish data on complaints about telecoms and pay-TV providers, showing customers the quality of service they can expect from individual companies.

### Helping to address the rising cost of living

Rising living costs have become the most pressing issue facing many consumers over the past year. Much of this relates to household services, and Ofcom wants to ensure people can access affordable communications. We have urged phone and broadband providers to offer and promote ‘social tariffs’ to customers. Social tariffs are low-cost packages available to people who receive certain Government benefits. They are currently available to more than four million UK households, but our research showed only 55,000 homes have taken up one of these packages, meaning millions of people are missing out on an average annual saving of £144 each.

Ofcom continues to keep pressure on providers to adopt social tariffs with many now offering the service to customers. In April 2022, the largest company yet to offer such a tariff, Sky, announced it would do so. But there is more to be done, particularly in how providers promote these packages to eligible customers. We will continue our work in helping people to access these important affordable options, offering advice on costs, billing and switching on our website and social media channels.

Affordability will remain an important focus for our work over the coming year.

### Protecting people from scams

People in the UK have witnessed an alarming increase in scams, with fraudsters using phone, text and email to targeting unsuspecting people. Our own research showed that, over a three-month period in the summer of 2021, 45 million people in the UK – or around eight in ten people – were on the receiving end of scam texts or phone calls.

In February 2022, we proposed stronger rules and guidance to combat the use of fake telephone numbers, known as spoofing. All telephone networks involved in the transmission of a call will be expected to block numbers that are clearly spoofed. This rule would apply to all phone companies, ensuring the protection applies to millions of people. We also proposed new guidance to help companies prevent scammers from accessing valid phone numbers, including checks on business customers to help stop their numbers being misused by fraudsters.

To help people avoid falling victim to scams, we have also provided information and advice on our website and social media channels, and signposted to other relevant bodies and agencies in this area. We’ve also worked closely with industry, police, Government and other regulators to make sure measures are in place to tackle the threat posed by scam texts and calls.



# 45m

## PEOPLE IN THE UK

received potential scam  
texts or phone calls

Summer 2021

# SUPPORTING AND DEVELOPING UK BROADCASTING

The UK broadcasting sector is evolving rapidly.



## PRIORITY WORK AREAS

- **PSM Review follow up – review of PSM services and their sustainability given the rise of digital consumption**
- **Media Ownership Rules Review – recommendations on media ownership rules and securing media plurality in an online world**
- **Annual report on the BBC**
- **Diversity in broadcasting – promoting diversity and inclusion across broadcasting**
- **Setting content standards and enforcing compliance with the Broadcasting Code**

## CONSUMER OUTCOMES

We set out a package of recommendations for supporting and sustaining public service media (PSM) in our July 2021 Statement.

In November 2021, we published a Statement recommending changes to media ownership rules, following a review and consultation.

We published our fourth annual report on the BBC. While we found that the BBC continues to deliver on its remit, remains popular with audiences and adapted quickly to the Covid-19 pandemic, we also identified areas for improvement, including how transparent the BBC is in explaining its decisions to the public and its reporting.

In September 2021 we published our five-year review of diversity and equal opportunities in TV and radio, calling on broadcasters to build inclusion into the core of their organisations.

Despite a fall in the number of complaints we received this year (99.6K in 2021/22 vs 142.7K in 2020/21), we continued to deal with significant volumes of complaints for TV and radio programmes this year, largely relating to offensive content. These led to nine sanctions and six penalties.





Better broadband networks, new streaming services and advances in technology are transforming how audiences access content.

## CONSUMER IMPACT

The UK's broadcasting landscape is a rich combination of public and commercial firms, large and small, from the BBC and Sky to a vibrant independent production sector. Our broadcasters serve UK audiences with distinctive content that reflects life in the UK, and their work is central to our culture, creative economy and global voice. Yet while the globalised nature of the sector provides exciting new content for viewers and listeners, it also poses a challenge to home-grown services.

We support the UK's vibrant media sector, including public service broadcasting. We also work to secure content quality and standards for audiences. In addition, we report on the BBC's performance impact to make sure it is delivering its Mission and Public Purposes.

## SUPPORTING AND DEVELOPING UK BROADCASTING

### WHAT WE'VE DONE

#### Modernising public service media

In July 2021 we published the conclusions of **Small Screen: Big Debate**, a nationwide conversation and review of how to renew the UK's public service media (PSM) system for the next decade. We set out recommendations to Government for changes to the legislative framework.

We called for modernisation of the public service system, so it remains focused on delivering programmes such as trusted and accurate news, as well as a wide range of UK-made, informative and entertaining programmes that reflect the diversity of the UK and support our creative economy. Reflecting the rapid changes in viewing habits, we also recommended rules designed to make sure people in the UK can find public service content easily. On 28 April 2022, the Government published a White Paper setting out its vision for the broadcasting sector including proposals to legislate to deliver a new regulatory framework.<sup>1</sup>

#### Ofcom's annual report on the BBC

We hold the BBC to account on behalf of audiences by providing fair, robust and independent regulation.

Our responsibilities cover three main areas: overseeing the BBC's performance in delivering its Mission and Public Purposes; protecting fair and effective competition; and securing content standards in BBC programming.

In November 2021, we issued our fourth annual report on the BBC and identified four areas that the BBC needs to focus on or improve:

- achieving due impartiality which continues to be a complex challenge for the BBC;
- ensuring relevance to all audiences;
- prioritising distinctive and original UK content; and
- embedding transparency as a way of working.

The BBC's Director-General has set out plans to address these issues.

#### Competition assessments

We considered the BBC's proposal to relaunch BBC Three as a television channel. Having consulted, we concluded in November 2021 that the BBC should be allowed to proceed, as we believe that the public value justifies the likely market impact. In particular, we concluded that the relaunch could deliver additional public value to younger audiences, whom we are concerned have been underserved by the BBC. To hold the BBC to its proposal, we have put new conditions into the Operating Licence and established enhanced monitoring and reporting. We have also set out our expectation that the BBC will articulate transparently, how it will deliver what it has committed to in the proposals, and subsequently report on its performance.

We examined the market position and impact of BBC Sounds, and were satisfied that the audio platform is not having a significant adverse impact on fair and effective competition. We also reviewed and approved the BBC's materiality assessments of two proposed changes to its public service activities: the addition of the Radio 1 Relax stream to BBC Sounds and trialling changes to BBC Sounds.

#### BBC Studios review

We have reviewed how the BBC has implemented our rules on how it operates its commercial activities, and we issued our findings in June 2022. There are two significant areas where we are not currently satisfied that the BBC has appropriate controls and procedures in place to ensure it is operating in line with our regulation: secondary content sales, and supply and pricing of goods and services. We expect the BBC Board to take action to address these.

The production arm of BBC Studios has continued to evolve, with the BBC splitting the commercial subsidiary BBC Global News Limited between Studios and its public service news division. The BBC has also moved children's production from the BBC public service into BBC Studios. We assessed these changes and agreed with the BBC that they were not material given the continued application of our rules.

<sup>1</sup> <https://www.gov.uk/Government/publications/up-next-the-Governments-vision-for-the-broadcasting-sector>

## Responding to Channel 4 Television Corporation's annual Statement of Media Content Policy

Channel 4 Television Corporation produces an annual Statement of Media Content Policy (SMCP) setting out how it has delivered its public service remit and media content duties, as well as how it plans to do so in the year ahead. Channel 4 must consult with us and each year we publish a response.

We recognised that the swift action Channel 4 took to respond to the impact of the Covid-19 pandemic demonstrated the flexibility and resilience of its business model. Budget cuts had a major impact, but Channel 4 maintained a creative offer for audiences, putting new programmes on screen quickly. Its news output also performed strongly both on broadcast TV and online, including social media.

While we recognised the progress Channel 4 is making in digital innovation, we have called for a clear strategy around investing in a high-quality offer for children and teenagers.

### Standards and audience protection

In the last year we received and assessed almost 100,000 broadcasting complaints. Once again, the vast majority concerned content that audiences found offensive.

In 2021/22 we received 99,562 complaints about 11,932 cases. We completed 28 investigations, and 17 of these found a breach of our rules.

In addition, this year we revoked RT's licence to broadcast in the UK.

A full analysis of our standards processes, together with complaints breakdown, can be found on pages 165-176 in Annex A4.

# 99,562

## COMPLAINTS RECEIVED

on 11,932 cases

## Advertising policy and regulation

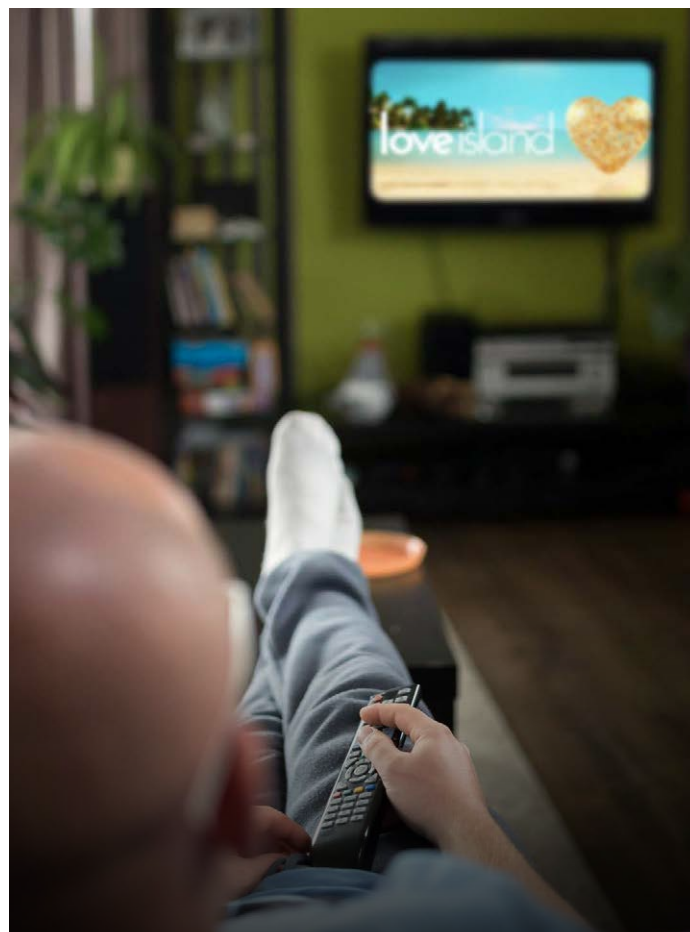
### Co-regulation

We continue to work with the Advertising Standards Authority (ASA) to help protect audiences from potentially harmful advertising appearing on TV, radio and on-demand services. In light of our new regulatory responsibility for UK video-sharing platforms, we announced in December 2021 that the ASA would also be administering the day-to-day regulation of certain advertising on these platforms.

### Advertising of high fat, salt and sugar (HFSS) products

The Health and Care Act 2022 introduces new restrictions on the advertising of products which are high in fat, salt or sugar (HFSS). From January 2024, TV and on-demand services will be unable to show advertising for certain HFSS products between 5.30am and 9pm, with a total ban for online advertising.

Ofcom is responsible for implementing and enforcing these new restrictions. We will be consulting on how we intend to meet these new duties once the Government has published secondary legislation.



A low-cost way for local commercial, community and specialist stations to broadcast



# SMALL-SCALE DAB

## A GROUND-BREAKING TECHNOLOGY Developed with Ofcom

A local radio revolution is underway thanks to small-scale DAB – a ground-breaking technology, developed within Ofcom, that provides a low-cost way for local commercial, community and specialist stations to broadcast on terrestrial digital radio. Our licensing programme will ultimately enable the launch of around 200 multiplexes (or channel groups) across all four UK nations, each of which will be able to carry around 25 radio stations. Following a successful period of trial broadcasts, we launched small-scale DAB in September 2020, and we have now licensed 25 multiplexes in various locations around the UK.

The first channel group to launch, in December 2021, covers the Tynemouth and South Shields area. Among the radio stations it carries are services targeted at older listeners (Memory Lane Radio, Angel Radio); the LGBTQ+ community (Pride Radio, Glitter Beam Radio); and the local Asian community (Spice Radio). Many specialist music services are also on air, including northeast dance music stations Dance and Frisk Radio; some locally oriented services including Sun FM and Radio Shields; and a radio station dedicated to listeners' health and well-being (Together Radio).

We recommended to Government that the accessibility of on-demand services should be made a legal requirement.

### Review of media ownership rules

We carried out our three-yearly review of media ownership rules. We recommended that the Secretary of State retains, for now, the Cross-Media Ownership Rule and the Appointed News Provider Rule applying to Channel 3. We concluded that these safeguards still play an important role in protecting plurality. But to reflect how people access and consume news today, we recommended that the Secretary of State broaden the scope of the existing Media Public Interest Test framework beyond print newspapers and broadcasters, to capture a broader range of news creators.

Alongside the media ownership rules review, in June 2021 we began examining what impact changes in the market for news, by online platforms, might have on media plurality in the UK. In May 2022 the Government published our joint advice (with the Competition and Markets Authority) on how the financial relationships between the big digital platforms and news publishers could be made fairer.

### On demand accessibility

We continued to monitor the accessibility of broadcast and on-demand programme services for people with sight and/or hearing impairments. We recommended to Government that the accessibility of on-demand services should be made a legal requirement.

### Monitoring diversity and equality of opportunity in broadcasting

Ofcom reports each year on the diversity of the TV and radio workforce in the UK. In a review of the last five years' data, we set out recommendations to broadcasters, calling on them to build inclusion into the core of their organisations. In 2022, we will be seeking input to review and update the data we collect and how we collect it. We want to see broadcasters continue to close the data gap and improve transparency. This allows us to continue to hold broadcasters to account for broadening their workforces and opening up the industry to the widest possible range of talent.



# STRENGTHENING OFCOM FOR THE FUTURE

With the rapid increase in online services, we need to ensure that we sustain and build our capacity to deliver a good service to all the sectors we regulate.



## PRIORITY WORK AREAS

- **Diversity and inclusion (D&I) at Ofcom**
- **Gender/ethnicity pay and equal pay audits**
- **Carbon footprint reduction – programme to reduce Ofcom’s environmental impact.**

## CONSUMER OUTCOMES

We set out our new, five-year Diversity and Inclusion Strategy in January 2021. We have met the first year of our targets (senior gender, senior ethnicity and disability Ofcom-wide), we continue to ensure we diversify our workforce as part of our growth plan.

We have implemented a number of measures to help reduce the impact we have on the environment. We reviewed business operations to improve our understanding of our environmental impact, and have adopted a new Environmental Policy to enhance Ofcom’s environmental performance.

# PREPARING TO REGULATE ONLINE SAFETY

We want everyone in the UK to be able to lead a safer life online

## PRIORITY WORK AREAS

- **Online Safety– preparatory work around regulation of online safety**
- **Video Sharing Platforms (VSP) – implementing Ofcom’s VSP duties**
- **Media Literacy – Making Sense of Media (MSOM) – supporting UK adults and children online through research and stakeholder collaboration**
- **Online Markets – work around online competition, including current powers and future online strategy.**

## CONSUMER OUTCOMES

We want everyone in the UK to be able to lead a safer life online and for platforms to take greater responsibility for protecting their users.

Our work has focused on preparing for the introduction of new regulation, and promoting understanding of how people engage online. As part of these new responsibilities we have identified important areas to develop and scale up our technical and operational capabilities.

We also published our video-sharing platform (VSP) regulatory framework, setting out our expectations of VSPs and our overall objectives for 2022.

Our online media literacy programme continued with the publication of three reports, providing new insights into online behaviour, with a particular focus on misinformation.

We also supported the Government in its assessment of the options for digital market competition regulation, advising on how a code of conduct could be used to address concerns about the online platforms/content publisher relationship.





In an increasingly digital world, we want everyone in the UK to be able to lead a safer life online and expect tech firms to take greater responsibility for protecting their users.

## CONSUMER IMPACT

For most of us, using online services is a fundamental part of our day-to-day lives. In 2020, we each spent an average of 3 hours 37 minutes a day on smartphones, tablets and computers.

Being online brings huge benefits, but four in five people have concerns about it. Protecting people while they are online is becoming increasingly important.

Some 76% of UK internet users said they had been exposed at least once to potential harm online in the last year, with more than half of 12- to 15-year-olds saying they have had a negative experience. Our research also found that 70% of those who view social video services had seen or experienced something potentially harmful.



## PREPARING TO REGULATE ONLINE SAFETY

### WHAT WE'VE DONE

#### Video-sharing platforms

Video-sharing platforms (VSPs) are a type of online video service which allow users to upload and share videos with the public. Since November 2020, VSPs established in the UK must comply with new rules around protecting users from harmful videos.

In October 2021, we set out detailed expectations of VSP providers. We set objectives to raise standards in user protections; rapidly identify and address areas of non-compliance; increase transparency across the industry; and prepare both Ofcom and regulated companies for the forthcoming, more comprehensive online safety laws.

We have engaged widely with industry and civil society groups during the first year of the VSP regime. We are also working closely with other regulators through the Digital Regulation Cooperation Forum (DRCF).

Our work is structured around five themes:

- reducing the risk of child sexual abuse material (CSAM);
- tackling hate and terror;
- protecting under-18s;
- putting in place the foundations for age-verification on adult sites; and
- ensuring appropriate flagging and reporting processes are in place.

We have begun work on our first VSP report, which will be published later in 2022.


#### Preparing to regulate online safety

The Online Safety Bill was introduced into the UK Parliament in spring 2022. This was the next step towards it becoming law and giving Ofcom powers to help people lead a safer life online.

Government and Parliament will determine the shape of the new regime, but Ofcom is providing technical advice on how it can work.

We have been making detailed preparations for the introduction of new regulation, and promoting understanding of how people spend time online. We identified important areas where we are developing and scaling up our technical and operational capabilities.

We also established a new site in Manchester allowing us to tap into an existing highly technically skilled workforce, further improve our capabilities and use the research strengths of world-class universities and their deep pool of graduate talent.



Since November 2020, VSPs established in the UK must comply with new rules.

## Making Sense of Media

Ofcom already has duties to promote people's understanding of the media, and this work also helps to inform our policy. This year, as we prepare to regulate online safety, we relaunched our online media literacy programme with five core areas of work:

- working with industry;
- projects that focus on under-served communities across the UK;
- encouraging good practice design principles in the design of platforms and services;
- evaluating what works across a range of media literacy interventions; and
- continuing to broaden and deepen our research evidence base.

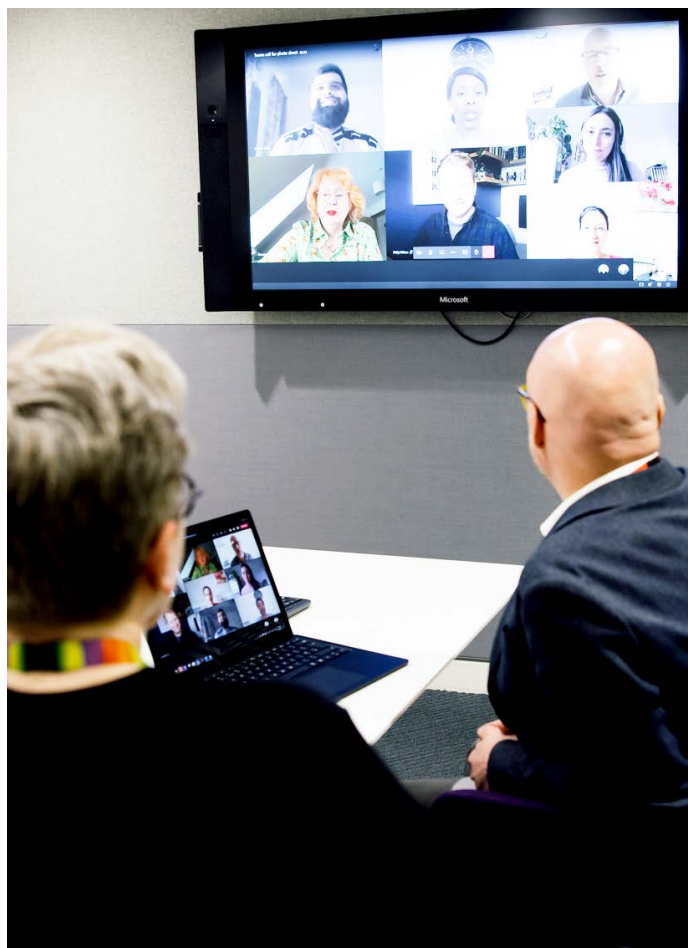
In June 2021, we published three reports which shed new light on the sector. The first examined how to collect and synthesise online datasets. The second considered how to understand habits and perceptions about misinformation. The third was a literature review of which approaches to media literacy are effective in countering misinformation. We also continued our Covid tracker survey until September 2021, and published our media literacy surveys and qualitative reports among adults and children in April 2021 and March 2022.

We regularly engage with industry, regulatory bodies both in the UK and internationally, as well as third-sector organisations and academics. Through engagement with Government, we have aligned our work programmes and the needs of the online safety regime in relation to media literacy.

## Online markets

We supported the Government in its assessment of the options for the regulation of competition in digital markets. Together with the Competition and Markets Authority (CMA), we provided joint advice to the Government on how a code of conduct could be used to address concerns about the relationship between online platforms and content publishers.

We formed the Digital Regulation Cooperation Forum (DRCF) in July 2020 to help us deliver more efficient and joined-up approaches to digital services. Alongside Ofcom, its members are the Competition and Markets Authority, Financial Conduct Authority and Information Commissioner's Office. The DRCF is chaired by Dame Melanie Dawes. April 2022 saw the first DRCF annual report and the DRCF workplan for 2022/23, which explains how we intend to bring these aims and



With the rapid increase in online services, we need to ensure that we sustain and build our capacity to deliver a good service to all the sectors we regulate.

### CONSUMER IMPACT

Reflecting the changing markets and our new responsibilities, Ofcom is developing innovative working practices to maximise our effectiveness and efficiency. We continue to strengthen our skills and expertise in areas such as data analytics and digital technology. We are also developing our representation across the UK, to ensure we have a diverse workforce that reflects and serves everyone in the UK.

## STRENGTHENING OFCOM FOR THE FUTURE

### WHAT WE'VE DONE

#### **Transforming Ofcom's capability in data engineering, science and analytics**

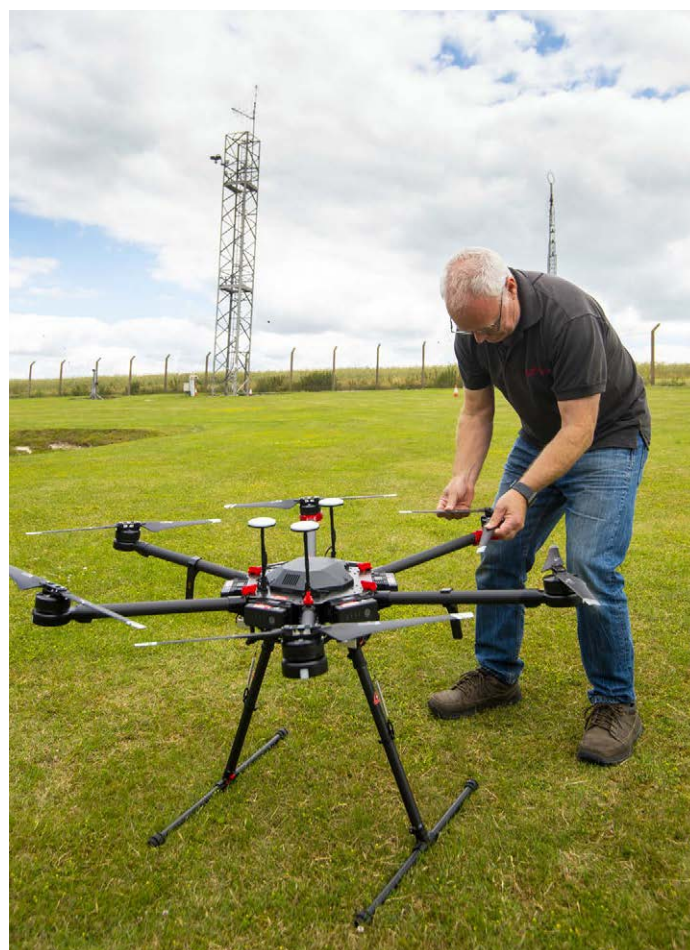
We continue to develop our capability in data engineering, science and analytics. This includes our Data Innovation Hub, which provides central leadership and advice to colleagues on the use of data throughout the organisation. We have also strengthened our Behavioural Hub to better understand consumer behaviour across the areas we regulate now and in the future.

#### **Developing our understanding of the technologies used to deliver online services**

As we prepare to regulate online safety, it remains a priority for us to stay ahead of industry changes. To ensure we have the correct skills and structures in place, we have invested in learning and development, and conducted specialist recruitment. To deepen our understanding of the technology industries, we have hired colleagues from Meta, Google and bodies such as the Internet Watch Foundation and NSPCC. In October 2021 we welcomed a new Chief Technology Officer, from Amazon, with a brief to oversee the growth of our technology, data engineering and analytics functions.

We are building a deep understanding of innovation in our sectors. For example, we are continuing to develop the SmartRAN Open Network Interoperability Centre (known as SONIC Labs) in partnership with Digital Catapult. This facility allows us to test potential new solutions, from existing and emerging suppliers, for future use in the UK's telecoms supply chain. This will make the UK's telecoms infrastructure less reliant on a small number of companies, and more resilient to changes in the market or problems with a particular supplier.

As we prepare to regulate online safety, it remains a priority for us to stay ahead of industry changes.



### Sustainability and climate change

Ofcom has a role to play in promoting sustainability and helping the communications sector to address the climate emergency. We commissioned research to deepen our understanding of CO<sub>2</sub> emissions from our regulated sectors, and worked with industry stakeholders to understand what they are doing to support the transition to net-zero carbon emissions.

How people use communications devices has a major bearing on the relative energy use of technologies. We have undertaken consumer research to understand how best to estimate energy consumption of these devices in UK households.

We also continue to engage with the UK Regulators Network (UKRN) to share best practice on regulatory approaches to support the UK's net zero carbon target. See pages 68-70.

### Annual diversity report

In July 2021, we published our annual Diversity at Ofcom 2020/21 and Pay Gap 2020/21 report, the first statistical report under our new diversity and inclusion strategy. Results showed that we met our overall gender balance ambition (50%) and exceeded our target for 40% of our senior roles to be held by women (44%). While we made progress on our senior ethnicity target, we fell short of our ambition for 13% of senior roles to be held by people from minority ethnic backgrounds, reaching 11%.

We will publish a detailed update on performance under our diversity and inclusion strategy in the second quarter of 2022.

### Carbon footprint reduction

Reducing the impact we have on the environment is extremely important to Ofcom, and we have implemented a number of measures to help us achieve it. We established and adopted a new environmental policy, including preventing pollution throughout our operations and a commitment to continually improve our environmental management system, which is now ISO14001 certified.

We adopted new environmental objectives and targets to help us reduce Ofcom's own footprint (beyond just carbon emissions) and align ourselves to the Government's Net Zero Strategy and Greening Commitments 2021-25.



How people use communications devices has a major bearing on the relative energy use of technologies.

# DEVELOPING NEW PARTNERSHIPS



We continue to build relationships with regulators, businesses, experts and Governments in the UK and around the world so that we can constantly learn and share best practice to ensure the best outcomes for people in the UK.



## PRIORITY WORK AREAS

- **Digital Regulation Cooperation Forum – joint taskforce of regulators (Ofcom, CMA, FCA, ICO) to create coherent regulation of digital services**

## CONSUMER OUTCOMES

Last year, the DRCF published its first workplan for 2021/22. During this first year, its four members built strong relationships and worked closely together to better understand the needs of the sectors we oversee and the needs of the users we protect.

## DEVELOPING NEW PARTNERSHIPS

### WHAT WE'VE DONE

#### Digital Regulation Cooperation Forum (DRCF)

As UK regulators plan for new and changing responsibilities in the digital sphere, we need to work together even more closely to make sure that companies compete fairly, people's data is used appropriately, and online users are protected from harm.

In July 2020, Ofcom, the Competition and Markets Authority, Financial Conduct Authority and Information Commissioner's Office formed the Digital Regulation Cooperation Forum. Chaired by Dame Melanie Dawes and led by CEO Gill Whitehead who joined in November 2021, this taskforce is a world-leading example of co-ordinated digital regulation. It is helping its members develop efficient and joined-up approaches to regulating in a digital world, where there are numerous interactions between policy objectives such as privacy, competition and harmful content.

The DRCF published its first annual report, and second annual workplan, in April 2022. In the last year, DRCF members have formed powerful links that are changing how we approach digital regulation. We now routinely share knowledge and skills, pool resources and work together to identify important industry trends and innovations.

Our work during 2021 to 2022 focused on three priority areas:

- 1 Responding strategically to industry and technology developments by establishing joint strategic projects where our cooperation helps provide clarity for people and businesses.
- 2 Joined-up approaches for achieving coherent regulatory results, where different regulations overlap.
- 3 Building skills and capabilities, including practical ways to share knowledge, expertise, capabilities and resources.

We are already seeing the benefits of that collaboration. For example, in April 2022 the four DRCF members came together to publish common views on the benefits and harms of algorithms across our sectors, and approaches to algorithmic auditing.



This new taskforce is a world-leading example of co-ordinated digital regulation.

# PRINCIPAL RISKS AND UNCERTAINTIES

**Ofcom's Strategic Risk Register captures risks with the potential to hinder our work and aims. During the course of the year, the register was refreshed to incorporate our new duties and expanding remit.**




**Ofcom's risk management policy seeks to:**

- support the achievement of Ofcom's policies, aims and objectives by informing decision making;
- explain the principles of risk management at Ofcom;
- safeguard the public funds and departmental assets that Ofcom is responsible for;
- promote a culture where accepting appropriate risk is encouraged; and
- embed risk management within Ofcom's other business processes as a basis for good corporate governance.








The risk register is organised into eight principal areas.





| Principal risks   | Priority  | Mitigating actions  |
|---|---|---|
| <p><b>Regulation is seen to be independent, impartial and consistent</b></p> <p>Risk that Ofcom’s reputation for independence and for making sound judgements that are trusted by our industries and by wider stakeholders, including Parliament and consumers, is damaged.</p> |    | <ul style="list-style-type: none"> <li>▪ We put in place effective governance and decision-making processes that give robust oversight of Ofcom’s decision making. We review these regularly throughout the year.</li> <li>▪ We ensure colleagues are reminded of the importance of maintaining Ofcom’s independence in their dealings with stakeholders, Government, and Parliament.</li> <li>▪ We undertake a regular stakeholder feedback exercise and each year we openly consult on our Plan of Work.</li> </ul>   |
| <p><b>Leading Thinking</b></p> <p>Risk that Ofcom is not seen as a trusted and respected thought leader and market shaper of the communications sector.</p>   |    | <ul style="list-style-type: none"> <li>▪ Ofcom’s internal Research Committee continues to oversee cutting-edge research.</li> <li>▪ Ofcom participated in conferences and roundtable discussions in our regulated areas and with other regulators.</li> <li>▪ We have put in place a Data Ethics framework to reduce the risk of Ofcom infringing privacy driven by data collection activities.</li> <li>▪ Ofcom, the CMA, FCA and ICO have together formed the Digital Regulation Cooperation Forum (DRCF) to support regulatory coordination in digital services.</li> <li>▪ The Department for Digital, Culture, Media &amp; Sport (DCMS) have funded Ofcom’s and Digital Catapult’s SONIC Labs. The SONIC Labs is enabling newer vendors to test their technology in a commercially neutral environment. Our work in the SONIC Labs has gathered interest from a range of Governments and regulators around the world and we continue to share our learnings through invited talks, panel sessions, etc.</li> </ul>   |
| <p><b>Online Safety, Telecoms Security, VSPs</b></p> <p>Risk that Ofcom fails to prepare for actual and potential changes to our remit.</p>   |  | <p><b>Telecoms Security Requirements</b></p> <ul style="list-style-type: none"> <li>▪ The Telecommunications (Security) Act 2021 received Royal Assent in November 2021.</li> <li>▪ DCMS recently consulted on draft Regulations and Code of Practice, as did we on our Procedural Guidance, setting out how we plan to carry out our monitoring and enforcement role.</li> </ul> <p><b>Online Safety</b></p> <ul style="list-style-type: none"> <li>▪ We have established a cross-Ofcom programme to prepare for new online safety responsibilities.</li> <li>▪ We are providing ongoing advice to Government and Parliament to ensure the statutory framework is workable and effective.</li> </ul> <p><b>Video Sharing Platforms</b></p> <ul style="list-style-type: none"> <li>▪ We have published a VSP Plan and Approach communicating Ofcom’s aims for the VSP regime and our priorities for the year ahead.</li> <li>▪ We are building relationships with industry, NGOs, other regulators, and law enforcement, to maintain awareness of harms and identify problems early.</li> </ul> |

**Key to priorities**

|   |  |  |  |
|---|--|--|--|
|  <p>Investment in strong secure networks</p> |  <p>Getting everyone connected</p>                |  <p>Preparing to regulate online safety</p> |  <p>Developing new partnerships</p> |
|  <p>Fairness for customers</p>               |  <p>Supporting and developing UK broadcasting</p> |  <p>Strengthening Ofcom for the future</p>  |  |

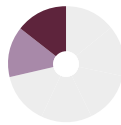
Principal risks

Priority

Mitigating actions

**Strategy, Research and Horizon Scanning**

Risk that Ofcom fails to invest sufficiently in our strategy, research and horizon-scanning work in order to understand future developments in our sectors, in the context of cross-cutting macro developments (political, economic, social, technology, legal and environmental).



- We strengthened and formalised our horizon-scanning process throughout the year: using PESTLE analysis.
- We clarified our longer time priorities at our Board Strategy Day (October) and have used this to develop Ofcom’s first internal 3 year plan.
- We invested resource in our horizon-scanning programmes: including Insights (Strategy & Research) and Tech Discovery (Technology).
- We identified and progressed specific project areas: climate change, telecoms and broadcast cloudification and online trust and safety tech.

**Commercial Understanding**

Risk that Ofcom fails to have a sufficient commercial understanding of the markets we regulate, both the industry priorities of businesses driven by commercial incentives and technological developments, and the changing needs and demands of consumers.



- We continue to have regular engagement with stakeholders’ strategy, technology, product teams and with other subject matter experts.
- We have strengthened our research into the needs and demands of consumers, particularly online: e.g. behavioural insights, VSP Panel, and MSOM (media literacy).
- We have focused our recruitment to ensure we bring in high calibre colleagues with strong commercial experience in their relevant area for key senior roles.

**Regulatory Decisions**

Risk that Ofcom fails to make appropriate, evidence-based and legally defensible, regulatory decisions, in line with our statutory duties, which take account of evolving market developments.



**Interventions in the Telecoms Market.**

- Having delivered the Wholesale Fixed Telecoms Market Review (WFTMR) last year, setting out the regulatory framework to support the roll-out of full-fibre networks across the UK, we continue to monitor implementation to ensure that consumers benefit from competitive markets.
- We published our discussion paper on our future approach to mobile markets in February 2022.

**Sustainable delivery of Universal Service by Royal Mail.**

- We published proposals for our future approach to regulating the postal sector, which aim to provide regulatory certainty for investors, while giving Royal Mail the maximum opportunity to transform its business to support sustainability.

**Support UK Broadcasting, including the PSB Sector.**

- We are providing advice to Government based on widespread audience research and stakeholder engagement, across relevant commercial and technological developments and challenges.

**Availability of Spectrum**

- We published our Spectrum Roadmap, setting out the future of how we will manage the spectrum based on the changing needs of the organisations, companies and people who use it.

Key to priorities



Investment in strong secure networks



Getting everyone connected



Preparing to regulate online safety



Developing new partnerships



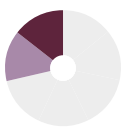

Fairness for customers










Supporting and developing UK broadcasting



Strengthening Ofcom for the future

| Principal risks   | Priority  | Mitigating actions  |
|---|---|---|
| <p><b>People</b></p> <p>Risk that Ofcom fails to have the right people strategies, leadership and culture to ensure we have the right people with the right skills and diversity of backgrounds at the right time to deliver the Plan of Work. Our leadership and culture fails to create a productive, inclusive and effective working environment which means delivery is below expectation or potential.</p> |  | <ul style="list-style-type: none"> <li>▪ We launched a new performance and career management system including a more streamlined management structure, investing in leadership and developing existing talent and skills.</li> <li>▪ We developed proposals for future working models, reflecting the experiences of Covid, to ensure face-to-face working and make most efficient use of our offices.</li> <li>▪ We are monitoring our performance against our new Diversity and Inclusion 5-year target.</li> <li>▪ We are reviewing the Online Safety organisational design and work to date has put us in a strong position to plan talent and recruitment in a timely manner.</li> </ul> |
| <p><b>Cyber and Information Security</b></p> <p>Risk that Ofcom’s approach to cyber security proves ineffective leading to a cyber-attack on critical infrastructure of the business</p>  |  | <ul style="list-style-type: none"> <li>▪ We have delivered ongoing mandatory cyber and information security training for all colleagues in Ofcom.</li> <li>▪ We are working with our partner organisations to continually monitor threats and implement security measures.</li> <li>▪ We have completed an externally facilitated major incident exercise based on a ransomware attack, and implemented all lessons learnt.</li> </ul>  |

**Key to priorities**

|   |  |  |  |
|---|--|--|--|
|  <p>Investment in strong secure networks</p> |  <p>Getting everyone connected</p>                |  <p>Preparing to regulate online safety</p> |  <p>Developing new partnerships</p> |
|  <p>Fairness for customers</p>               |  <p>Supporting and developing UK broadcasting</p> |  <p>Strengthening Ofcom for the future</p>  |  |

# STAKEHOLDER ENGAGEMENT

## OUR WORK IN THE UK'S NATIONS AND REGIONS

**In the course of discharging our duties, we must consider all the different nations, regions, cultures, population densities and landscapes that make up the UK.**

Our offices in Cardiff, Belfast, Edinburgh, London, Warrington and Birmingham and our new Manchester office allow us to engage directly with Governments, elected representatives and local stakeholders and to ensure we consider the views, interests and needs of people across the UK.

In addition, we have statutory Advisory Committees for England, Wales, Northern Ireland and Scotland, and Board members for Wales, Scotland and Northern Ireland who are appointed by the Welsh and Scottish Governments and the Northern Ireland Executive respectively, in consultation with the UK Secretary of State. Our Content Board and Consumer Panels also have members representing each part of the UK.

In February, Ofcom [published a report](#) on how Covid was reported across the devolved nations.

Although much of our work is relevant across all of the UK, we have highlighted some specific work carried out relating to each of the UK's nations over the past year, and note that further work needs to be done.



We consider the views, interests and needs of people across the UK

## Northern Ireland

Signed a Memorandum of Understanding with the Northern Ireland Executive and DCMS which formalises our local accountability.

Facilitated the appointment of a first Ofcom Board Member for Northern Ireland, Karen Baxter.

Continued to play a role in the Shared Rural Network NI working group and the Northern Ireland Executive's Mobile Action Plan working group, helping to deliver improved 4G and 5G coverage across Northern Ireland.

Engaged with consumer bodies and UK Government departments in relation to the Northern Ireland Protocol and the area of parcel movements between Great Britain and Northern Ireland.

Provided data and analysis on Northern Ireland's media and communications sectors through our annual Media Nations and Connected Nations reports for Northern Ireland.

Invited applications for a small-scale DAB multiplex licence in the Belfast and Lisburn area.



## Scotland

In line with our Memorandum of Understanding, engaged with the Scottish Government, maintaining links between senior executive and Board members and Cabinet Secretaries in the Scottish Government.

Maintained our political engagement with Members of the Scottish Parliament (MSPs) including through virtual meetings, responding to casework, and an annual bulletin targeted at new members following the May elections.

Provided technical and regulatory advice to help the Scottish Government deliver digital infrastructure projects, and increased our engagement with the Scottish Government on telecoms network resilience issues following recent storms.

Developed partnerships with Police Scotland and other members of the Multi-Agency Prevent Online Child Sexual Abuse and Exploitation Group on our VSP regulatory duties to broaden the understanding of Ofcom's current role and future responsibilities under the Online Safety Bill.

Led a range of engagement on broadcasting, including meetings with STV on Channel 3 relicensing, and MG ALBA on appointments to their Board.



## Wales

Completed our review of the Memorandum of Understanding (MoU) between Ofcom, the UK Government, Welsh Government and Senedd Cymru. In line with the MoU we have maintained our relationship with the Welsh Government.

Provided technical and regulatory advice to the Welsh Government, including its Barrier Busting Taskforce, established to help reduce obstacles to further roll-out and enhancement of communications networks.

Worked with stakeholders to make sure the upgrade to the telephone network and its implications across all sectors are widely understood. Engaged with a number of technology start-up businesses in Wales in addition to the Welsh Government's Global Centre for Rail Excellence.

Continued to engage with the creative industries about the future of public service broadcasting. Following the publication of Small Screen: Big Debate, we gave evidence to Senedd Cymru on its recommendations and met with the Deputy Minister for Arts and Sport and the Deputy Minister for Climate Change.

Maintained the effective implementation of our Welsh Language Standards and outlined our progress in Ofcom's Annual Report, submitted to the Welsh Language Commissioner's Office.

## England

Continued to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.

Published our annual Connected Nations and Media Nations reports specifically for England.

We formally opened our new hub in Manchester, to serve as a base for our work on online safety and to enable us to tap in to a highly skilled local workforce.

We continued to engage with diversity issues and focused on the vulnerable, particularly in the switch to voice over IP, and on rural communities.



## OUR INTERNATIONAL ENGAGEMENT

**Engaging internationally helps make communications work for everyone in the UK. Our international work harnesses Ofcom's expertise to influence the development of international regulatory policy and practices. Our International team also seeks to deliver knowledge, insights and challenge to Ofcom's work, helping Ofcom make an impact both internationally and at home.**

We regularly work with international regulators, industry, and academia to exchange views on topics such as online safety, emerging technology and digital markets, alongside our broader programme of work which reflects the sectors Ofcom is responsible for regulating. We also participate in formal and informal regulators' working groups. This kind of regulatory cooperation can help to deliver benefits such as avoiding unnecessary divergences between comparable regulatory regimes in the UK and abroad.

### Europe

We still face similar market and regulatory challenges to our European counterparts, both in traditional industries and the online sector with which they are converging. In some cases, EU law will remain relevant to the UK. Given this, and the borderless nature of the digital markets, there is merit in working to ensure compatibility between emerging regulatory frameworks. So the need for international engagement with European counterparts (bilaterally and as a group) continues.

We continue to follow regulatory developments in the EU, including the Digital Services Act and the Digital Markets Act, and we responded to the European Commission's public consultation on the upcoming EU Media Freedom Act. We continued our engagement with EU regulators, including on the implementation of new rules applicable to video-sharing platforms deriving from EU law (which will be applied by the UK as well as by EU regulators).

We remain active participants in wider regulatory dialogues at European level, including through our ongoing membership of the Independent Regulators Group (IRG), a group of 37 European telecommunications regulatory authorities where we sit on the Board. We also hold a Vice-Presidency position at the European Platform of Regulatory Authorities (EPRA), a network of 54 European broadcast regulators where we have led on the activities of a media literacy network.

### Beyond the EU

As legislative proposals are made and regulatory regimes develop across the world beyond Europe, particularly in the online space, we have continued to invest in our global relationships. We have participated in global multi-stakeholder dialogues on online regulation and governance, including the Internet Governance Forum (IGF), European Dialogue on Internet Governance (EuroDIG) and the Internet & Jurisdiction Policy Network.

We have worked with Governments and regulators around the world on issues such as network diversification (including sharing our experience of the SONIC Lab Open RAN test bed) and enduring telecoms policy challenges, such as the move to digital phone calls and wider consumer protection.

## InterGovernmental Organisations

Ofcom is vice-chair of the European Conference of Postal and Telecommunications Administrations (CEPT) Conference Preparatory Group (CPG), which will be responsible for developing European positions for the next International Telecommunication Union (ITU) World Radio Conference (WRC) scheduled to take place in 2023.


We have also been active in the ITU development sector, including preparing for participation in the UK delegation to the World Telecommunication Development Conference, focusing on supporting better infrastructure in developing countries.

Ofcom chairs several other project teams and study groups in different international bodies. In spectrum, Ofcom chairs the European Electronic Communications Committee (ECC), the most senior spectrum group within the European Conference of Postal and Telecommunications Administrations (CEPT). We work across a wide range of issues related to spectrum use – including mobile broadband and 5G, improving consumer and business connectivity with increased Wi-Fi, satellite communications and navigation, broadcasting and transport (including road, rail and aeronautical).

We support the UK Government at the Universal Postal Union (UPU), the inter-Governmental body which governs the price of international mail between Universal Postal Service Providers. This has included changes to the international terminal dues arrangements, and the proposed opening of the UPU to wider sector operators.

We remain active in European and international postal bodies, where we work closely with fellow international postal ministries and regulators, including in the Committee on European Postal Regulation (CERP).

Ofcom also continues to participate in the policy development work of the Organisation for Economic Co-operation and Development (OECD), sitting on the Communication Infrastructures and Services Policy Committee (CISP) and following the work of the Network of Economic Regulators (NER).



We regularly work with international regulators, industry and academia to exchange views on topics such as online safety, emerging technology and digital markets.



## ENGAGEMENT WITH OTHER 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.

In particular, our annual reports Online Nation, Media Nations, Connected Nations, Adults' Media Use and Attitudes and Children's Media Use and Attitudes all highlight and analyse these trends.

Ofcom's Consumer Contact Team received 76,135 calls, web forms, emails and letters directly from members of the public in 2021/22. The information that people provide helps us target our policymaking 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 challenges faced by citizens and consumers in different parts of the UK. 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 importance specifically 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 carry out regular research into consumer needs and behaviours, helping to inform our work and providing us with insight into how it affects the users of the products and services we regulate.

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 work with various international organisations and regulatory bodies.

## 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 can 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 (PSA) through its enforcement of a code of practice approved by Ofcom. We are working with the PSA to potentially transfer its duties to Ofcom. This is dependent on further approval from DCMS.

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 that a consistent and co-ordinated approach is taken in relation to issues where we have concurrent powers, and we discuss which body is best placed to lead in each case.

We worked with the CMA to advise Government how a code of conduct could be used to address concerns about the relationship between online platforms and content publishers.

## 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.

# OFCOM'S REGULATORY PRINCIPLES



## WHEN WE REGULATE

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

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

## HOW WE REGULATE

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

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

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

## HOW WE SUPPORT REGULATION

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

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

## Better regulation

We believe 'better regulation' means ensuring rules are properly targeted; do not impose undue burdens on businesses; or cause unnecessary barriers to innovation, investment and the development of choice and competition in the market.

During the past year we have made a number of significant regulatory decisions, but the volume of documents we publish has stayed broadly the same. Figure 1 below provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2020/21. Two of these decisions related to our new duties for video-sharing platforms.

**Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2021/22**

| Of the 69 Major Statements delivered in the year: | Number | Percent |
|---|--------|---------|
| Increased/new regulation                          | 9      | 13%     |
| Mixed/no change/ongoing                           | 55     | 80%     |
| Reduced regulation                                | 4      | 6%      |
| Streamlined/co-regulatory                         | 1      | 1%      |

An overview of the main decisions and statements that we have made during the year can be found in Annex 2.

## 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.

Included in Figure 2 is an analysis of the length of our consultations by sector as determined by our categories of consultation.

**Figure 2: Analysis of consultation duration: 2021/22**

|                 | Consultation period at least ten weeks | Consultation period less than ten weeks (inc cat 2 and cat 3 consultations) |
|-----------------|--|---|
| Telecoms        | 2                                      | 14  |
| Broadcasting    | 0                                      | 15  |
| Spectrum        | 4                                      | 5   |
| Post            | 1                                      | 1   |
| ECC             | 0                                      | 45  |
| Other           | 0                                      | 3   |
| <b>Total</b>    | <b>7</b>                               | <b>83</b>   |
| <b>% Total</b>  | <b>8%</b>                              | <b>92%</b>  |
| % Total (20/21) | <b>11%</b>                             | <b>89%</b>  |

## Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2021/22, 92% of our decisions were announced within twenty weeks of closing a consultation.

## 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.

In July 2005, we published guidelines – Better policymaking: 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.

We publish a list of the impact assessments we carry out during the year; this is in Annex 2.

**Figure 3: Analysis of impact assessments (IA) carried out**

| Number of consultation documents | Total     | IA explicit in published document) |
|----------------------------------|-----------|------------------------------------|
| Telecoms                         | 16        | 12                                 |
| Broadcasting                     | 15        | 6                                  |
| Spectrum                         | 9         | 7                                  |
| Post                             | 2         | 2                                  |
| ECC                              | 45        | 45                                 |
| Other                            | 3         | 0                                  |
| <b>Total</b>                     | <b>90</b> | <b>72</b>                          |

Figure 3 highlights that, in 2021/22, 80% 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.

# FINANCIAL REVIEW

While Ofcom is directly accountable to Parliament, our funding comes from fees charged out to the sectors we regulate (see Figure 4 on page 63).

We always aim to be a cost-conscious, value-for-money organisation. Over the past decade, the cost of regulation has fallen significantly in real terms.

We are also a net contributor to HM Treasury. Ofcom collected £421m of fees and penalties in 2021/22, of which we retained £84.5m to fund our spectrum management and other relevant duties. The balance was passed to HM Treasury and the Consolidated Funds. In addition, in April 2021 we completed the auction and award of the 80 MHz of spectrum in the 700 MHz band and 120 MHz of spectrum in the 3.6-3.8 GHz band, raising £1,379m of licence receipts which were transferred to the Consolidated Fund in April 2021.

Our responsibilities include the collection and transfer of licence fees collected under the Wireless Telegraphy Act 2006 (WTA), geographic telephone numbers, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders.

## Financial performance

In 2021/22, our cash outturn of £146.9m was 5.7% lower than our budget of £155.7m, largely due to recruitment of staff later than planned during the year, together with reduced travel and stakeholder meeting costs driven by the pandemic restrictions.

| £m       | Budget | Outturn | Variance |
|----------|--------|---------|----------|
| 2021/22  | 155.7  | 146.9   | 8.8      |
| 2020/21  | 135.0  | 129.8   | 5.2      |
| Variance | 20.7   | 17.1    | 3.6      |

The increase in 2021/22 budget of £20.7m relates to incremental spend on new duties including preparing for Online Harms (£16.1m) and the Telecoms Security Bill (£4.6m).

63% of our total cost base relates to staff costs, with a significant part (21%) of the remaining cost base fixed in relation to property and systems costs.

Ofcom presents the costs relating to Spectrum Clearance and awards separately to differentiate from Ofcom's core activities. Further detail on this is set out on page 119.

## Operating income

The £149.7m (2020/21: £132.5m) of income received in 2021/22 covers Ofcom's core responsibilities (excluding Spectrum clearance and awards).

## Operating expenditure

Excluding staff costs, expenditure relating to Ofcom's core responsibilities in 2021/22 increased by £5.4m to £55.8m (2020/21 £50.4m). The main operating variances from the prior year are due to:

- Temporary staff and recruitment costs increased by £2.4m due to a higher number of inward secondees from external organisations and use of temporary staff to cover delays in filling permanent vacancies. Recruitment costs were driven by our new duties in Online Safety and Telecoms Security as well as recruitment campaigns for Senior Management and Specialist roles;
- Professional Services increased by £1.8m, driven by new Online Safety duties and organisational change costs;
- Information and Technology costs increased by £0.9m driven by licences for our new people and finance system;
- Outsourced Services costs increased by £0.6m as we invest in our finance and people system and our new Online Safety and Telecoms Security duties;
- Travel and subsistence costs increased by £0.3m (compared to minimal costs in 2020/21 due to Covid-19).

This is offset by

- £0.7m of lower Technology Research costs as 2020/21 included some non-repeating projects and set up work for Online Safety.

Staff costs increased by £7.0m to £90.0m (2020/21 £83.0m). The average staff numbers were 1,102 full time equivalents (FTE) (2020/21 992 FTE). The increase in costs year on year relates to growth in our teams supporting the new duties outlined above.

## Surplus/deficit for financial year

### Funding surplus or deficit

The operating revenue required by Ofcom to fulfil our duties and deliver our 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.

Note 2 of the accounts within Section C reconciles the total operating expenditure by regulated sector, as presented in the Statement of Comprehensive Net Income to Ofcom's actual operating outturn

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £7.7m (2020/21 £7.6m surplus).

### 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 Net Income for the year under review, was £3.3m (2020/21: £1.5m deficit).

## Spectrum clearance

All costs relating to Spectrum clearance and awards are reported separately from Ofcom's core responsibilities in the financial statements.

The 700 MHz clearance programme cleared this band of spectrum to meet the growing demand for mobile data. An auction of the released spectrum was carried out in 2021, and the spectrum is available for the successful bidders to use.

The spectrum clearance and awards grant-in-aid funding supports changes required e.g. to the Digital Terrestrial Television (DTT) infrastructure, which are necessary to clear the spectrum band. Government has made funding available for a grant scheme to disburse grants to facilitate the clearance.

Spectrum clearance and awards expenditure amounted to £8.7m in 2021/22 (2020/21: £22.7m), the reduction reflecting the programme closure phase coming into effect from September 2021.

We received income totalling £10m (2020/21: £26.5m). The surplus of £1.3m has been deferred for use in 2022/23.

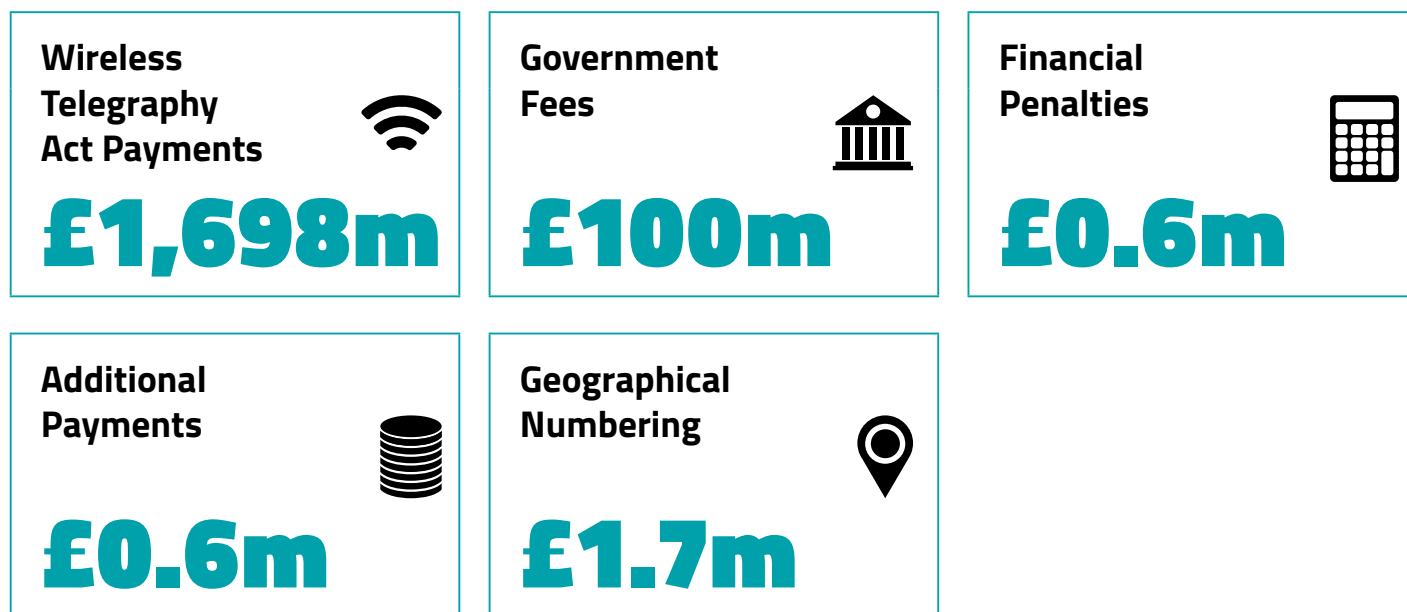
## ADDITIONAL FUNDS COLLECTED ON BEHALF OF HM TREASURY

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. These transactions are not included in the Financial Statements. The fees, payments and penalties are reported, with further details provided, within these Financial Statements in Note 23 to the accounts, with further information in Annex 1 on page 157.

During the 2021/22 financial year Ofcom collected £1,800.5m (2020/21: £415.5m) on behalf of HM Treasury. This includes £1,379.4m from the spectrum auction concluded in April 2021. Further details can be found in the S400 Accounts.

Ofcom retained £84.5m (2020/21: £68.3m) to fund some of Ofcom's core responsibilities, including Spectrum Management and preparatory work for our Online Safety duties.

A total of £1,710.7m which includes spectrum auction receipts, was transferred to Government accounts in the financial year.





## 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 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 20 to the accounts provide further detail.

The actuarial valuations for both schemes as at the last formal valuation date of 31 March 2018 highlighted a combined funding surplus of £0.4m. The Ofcom Defined Benefit Pension Plan actuarial valuation shows a surplus of £0.4m. The Ofcom (Former ITC) pension plan valuation liabilities have all been bought in and therefore there is no surplus or deficit. The formal valuation dated 31 March 2021 is due to be completed by the end of June 2022.

However, the 2021/22 financial statements show a surplus of £19.7m, 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.

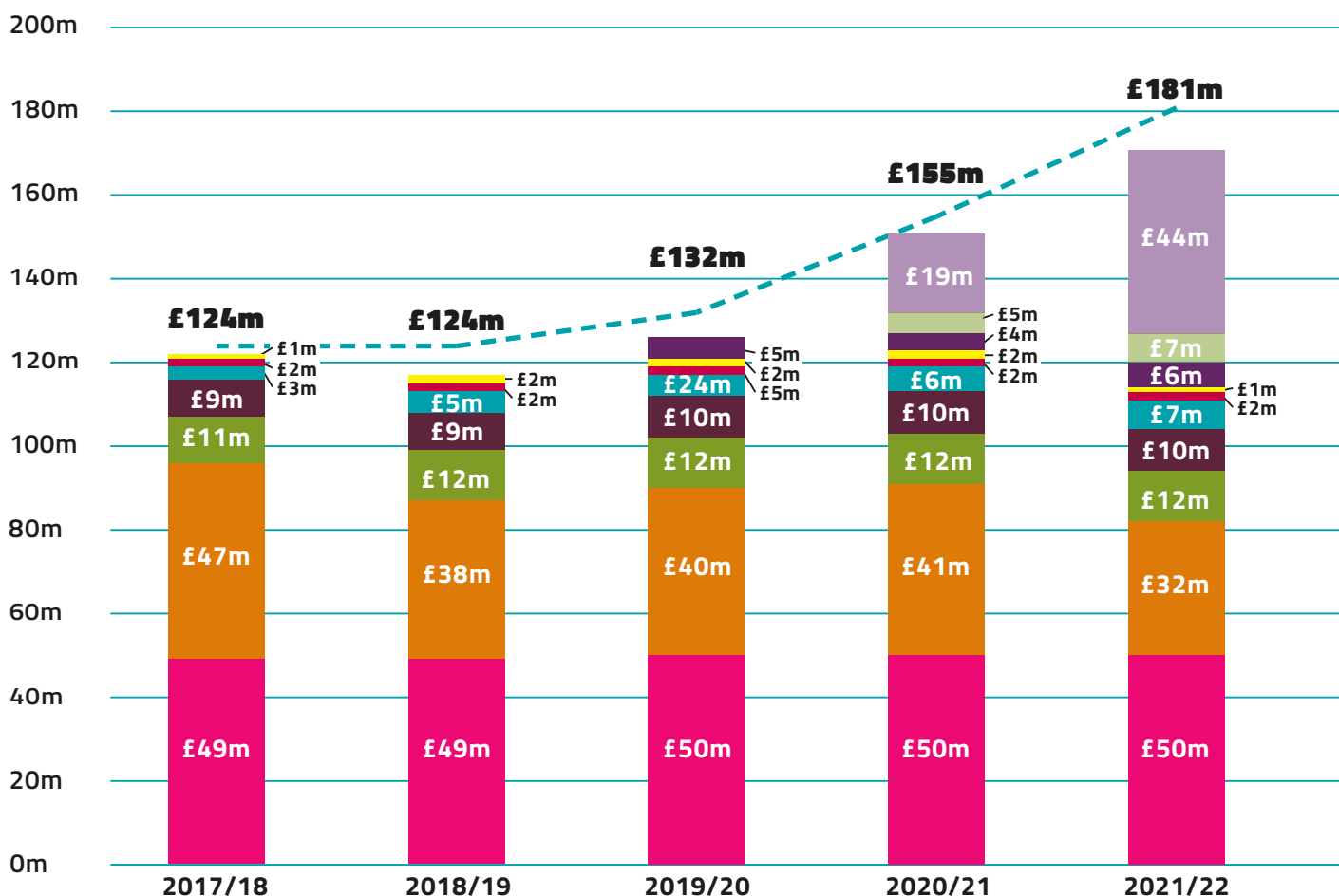
## Tariffs

Ofcom published the 2021/22 Tariff Tables on 26 March 2021. Ofcom’s core budget remains at the same level as the previous financial year, £131.9m. The overall spending cap was increased further by £23.8m to incorporate preparatory work for our new regulatory duties i.e. Online Safety and enhanced Telecommunications (Security) Bill.

These activities were funded by the retention of Wireless Telegraphy Act (WTA) receipts and not stakeholder income. Further details can be found in the [2021/22 Tariff Tables](#) on our website.

As shown in Figure 4 below, except for costs associated with our new responsibilities, the overall tariffs for each regulatory sector are broadly in line with the 5-year average.

**FIGURE 4: FIVE-YEAR SECTOR VIEW OF FUNDING**



The difference between the tariffs and budget each financial year represent prior year cost adjustments which we have to incorporate into tariffs.

**Key**

- Spectrum
- BBC Regulation
- Non-sector specific
- Online safety
- Telecoms
- Post
- Video Sharing Platforms
- Telecommunications (Security) Act
- TV
- Radio

# CORPORATE RESPONSIBILITY

## OFCOM'S COMMITMENT TO CORPORATE RESPONSIBILITY

**As a responsible employer, we focus on our environmental impact and on supporting the communities where we work, particularly young people.**

To achieve this, we:

- continually work to reduce our carbon footprint, ensuring that our practices are environmentally sustainable (see Sustainability section on pages 68-71)
- build closer links with local communities in London, Manchester, Edinburgh, Cardiff and Belfast

We encourage colleagues to take an active part in community activities.



## Volunteering and community across the UK

'We are connected to communities' is one of the six foundations in our diversity and inclusion strategy. Volunteering and community work also form an important part of our organisation-wide 'Thrive@Ofcom' wellbeing programme.

We encourage colleagues to take an active part in community initiatives and volunteering opportunities across the UK. We support them volunteering for any registered charity by offering three days' paid volunteer leave each year. To help the country's response to the pandemic, since 2020 we have offered an extra five days, bringing the total to eight paid volunteering days. We saw takeup of volunteering leave increase from a total 217 hours in 2020/21 to 301 hours in 2021/22.

# 8

## DAYS PAID VOLUNTEERING DURING THE YEAR

### Volunteering leave take up

**2020/21**

**217 hours**

**2021/22**

**301 hours**



## New for 2021, we formed a partnership with EY Foundation Smart Futures in our Manchester location.



### Schools and institutions

We continued our extensive school outreach work, reaching children from 100 schools. We provided support to schools and institutions online, hosting large virtual work experience sessions and internships.

We have partnered with Speakers for Schools since 2018, offering students from state schools, academies and colleges a week's work placement during school holidays. This year we hosted three Digital Work Experience weeks with Speakers for Schools and provided career experience to over 50 students. The virtual format meant we were able to offer experiences to students around the country who otherwise might not be able to travel to our offices. The programme provided:

- a volunteer mentor line manager to work with every student who applied
- presentation opportunities for students on our regulated sectors
- specialist insight into our Economics, Technology and Policy groups

In addition, we offered virtual work experience for 16 A-level students from a business education charity, Career Ready, during the summer months. This links employers with schools and colleges whose students have little family background of higher education or professional careers, to give young people support, experiences and insights to kick-start their futures.

In 2021 we formed a new partnership with EY Foundation Smart Futures in our Manchester location. This independent charity gives young people the skills, experiences and support to help them secure the roles they really want, and connects employers to talented young people across the UK. As part of the programme, we supported 20 young people (16+) from low-income backgrounds in Manchester to gain a variety of transferable skills that will give them a head start in their career in our industry. All the young people will achieve an accredited qualification.

We have an ongoing programme to increase gender and ethnic diversity in our Science, Technology, Engineering and Maths (STEM) roles, and hosted a virtual panel event in October 2021 on supporting women in broadcast technology. We also sponsored the Institution of Engineering and Technology's (IET) Young Woman Engineer of the Year Award 2021, supporting women in engineering.

## Apprenticeships and internships

### Apprenticeships

In January 2022, we established a strategic partnership with Visionpath. This focuses on Ofcom careers targeted at socially disadvantaged young people, targeting schools in the geographical areas we are looking to grow, and encouraging school leavers to take up our apprentice opportunities.

We currently employ 23 apprentices in various professional areas. We are set to grow this towards the end of 2022, with a further 15 apprentices working towards policy, digital and customer service apprenticeship standards. As well as this, we currently have 18 colleagues using the Apprenticeship Levy to gain additional skills such as professional qualifications from CIMA (accountancy), CIPD (People Profession or HR) to BEng (engineering).

### Interns

In summer 2021, we partnered with Bright Networks to take part in its three-week virtual internship for 16-24 year olds. We got involved in the public sector, policy and charity streams, and our graduates hosted a virtual networking session with Bright Networks.

Our Legal team partnered with the Sutton Trust's 'Pathways to Law' programme to host six students for paid work experience in September 2021. This ongoing programme aims to widen access to the legal profession, raise students' aspirations, and allow them to make informed decisions about their future career. It is open to students who attend non-fee-paying schools, with many students often being the first in their family to attend university.

In 2021, we were proud to support the 10,000 Black Interns programme, a new initiative in the UK seeking to offer 10,000 internships to young black people over five years, across 24 sectors, involving more than 700 companies.

In 2022, we are taking part in the six-week internship programme, having offered 13 (five more than planned, because the calibre of people was so high) young black African, black Caribbean and black British students paid work experience.

# SUSTAINABILITY REPORT

## REPORTING ON OUR EMISSIONS FOR 2021/22

**Ofcom has achieved the Greening Government Commitments targets<sup>1</sup> (GGC Target: 58% reduction) and cut overall greenhouse gas (GHG) emissions by 80% from a 2017/18 baseline.**

This reduction can be explained by a reduction of electricity consumption and business travel due to the pandemic. As people gradually return to pre-pandemic levels of travel and building occupancy, we expect to see further increase as all our operations return to normal in the coming months.



Ofcom has achieved the Greening Government Commitments targets<sup>1</sup>

<sup>1</sup> The new target baseline year for the Greening Government Commitments 2021-25 was changed last year from 2009 to 2010 to 2017 to 2018.

# PERFORMANCE AGAINST GREENING GOVERNMENT COMMITMENTS

## Greenhouse gas emissions (GHG)

includes scope 1,2 (direct) and 3 (indirect) emissions

### GHG emissions (Scope 1,2 & 3)

Ofcom 80%

Reduction target 58%

# 80%



**GHG EMISSIONS REDUCTION**

### Vehicle fleet

Ofcom 83%

Target 25%

# 83%



**ULTRA-LOW EMISSION VEHICLES (ULEV)**

### Business travel

Ofcom 92%

Reduction target 30%

# 92%



**REDUCTION IN DOMESTIC FLIGHTS**

### Waste reduction (Scope 3)

Target 1 – Landfill waste

Ofcom 0%

Target <5%

# 0%



**ACTUAL LANDFILL WASTE**

Target 2 – Paper waste

Ofcom 99.6%

Reduction target 50%

# 99.6%

**ACTUAL PAPER REDUCTION**



## Reporting on sustainability going forward

Since 2007, Ofcom has continually reduced the carbon footprint of the activities with the most significant impact on the environment. We are now working to put in place a formal accreditation framework, including an environmental policy, enhancing our reporting across our seven sites, and raising the visibility of the sustainability work across the organisation.

As a public organisation, we want to lead by example. In April 2021, the Board and Senior Management agreed to work towards the ISO14001 industry standard (Environmental Management System) to help us adopt a more systematic approach to calculating our environmental footprint and look for opportunities to improve.



In the past 12 months we have:

- agreed Ofcom's first Environmental Policy<sup>1</sup>, demonstrating our commitment to improving Ofcom's environmental performance;
- we followed the Plan-Do-Check-Act cycle, which is at the heart of all ISO management system standards, to review all our systems, procedures and processes and compare them with the IO14001 requirements;
- we identified the environmental aspects<sup>2</sup> of our activities which we can control and influence and their potential impacts on the environment;
- we determined how all relevant legislation and requirements relate to these aspects. By working within this framework, we assessed the things that worked well, while refining the ones that we need to improve on;
- we established measurable objectives and targets consistent with the objectives of our new policy; and,
- we determined clear planning actions to meet our objectives<sup>3</sup> and ensure that we are compliant with all our obligations.

Colleague engagement is vital to the success of the EMS. We are working towards creating a Green Champions programme, to ensure that colleagues feel empowered to contribute to Ofcom's progress on carbon impact and hold the organisation to account, as well as suggesting creative ideas to help ensure that we are continually improving.

<sup>1</sup> <https://www.ofcom.org.uk/about-ofcom/policies-and-guidelines/environmental-policy>.

<sup>2</sup> Aspects are defined in the standard as the organisation's activities interacting with the environment.

<sup>3</sup> Some of these planning actions include, for example: undertaking a waste audit across all our estate to better understand the waste we generate and measure it more accurately; establish a waste reduction strategy (including eliminating single use plastic from our operations); undertaking a biodiversity audit of our site in Baldock followed by a biodiversity improvement plan.

**5-year Sustainability performance overview**

|                                   |                    | 2017/18           | 2018/19           | 2019/20           | 2020/21         | 2021/22         |
|-----------------------------------|--------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Oil, Gas & Fuel<br>(Scopes 1)     | tCO <sub>2</sub> e | 400               | 327               | 185               | 108             | 115             |
|                                   | Expenditure        | £118,905          | £117,133          | £96,121           | £54,969         | £61,817         |
| Electricity<br>(Scope 2)          | tCO <sub>2</sub> e | 809               | 528               | 308               | 189             | 172             |
|                                   | Expenditure        | £340,333          | £287,074          | £158,351          | £127,929        | £146,021        |
| Business travel<br>(Scope 3)      | tCO <sub>2</sub> e | 519               | 555               | 594               | 7               | 57              |
|                                   | Expenditure        | £705,602          | £742,876          | £837,982          | £5,458          | £139,275        |
| Total Greenhouse<br>gas emissions | tCO <sub>2</sub> e | <b>1,728</b>      | <b>1,410</b>      | <b>1,087</b>      | <b>304</b>      | <b>344</b>      |
|                                   | Expenditure        | <b>£1,164,840</b> | <b>£1,147,082</b> | <b>£1,092,454</b> | <b>£188,356</b> | <b>£347,112</b> |

**Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

*Melanie Dawes*

15 July 2022

## SECTION B

# ACCOUNTABILITY

This section sets out our governance arrangements and the lines of accountability to ensure delivery of our objectives and duties.



# GOVERNANCE

## MAGGIE CARVER, INTERIM CHAIR



In the last 12 months Ofcom has demonstrably shown its operational resilience despite

the continuing challenges facing Ofcom and the communications sector more generally.

We recognise that the pace of change is accelerating in our sector and we are ensuring that we are responding effectively.

### Governance overview by the Interim Chair

**As the Interim Chair for the reporting period, I am pleased to introduce, on behalf of the Ofcom Board, the Corporate Governance Report for the period 1 April 2021 to 31 March 2022.**

Corporate Governance continues to be a high priority in Ofcom and goes beyond applying a set of prescribed rules and guidelines. It is vital to the way we are run and sets the tone for the organisation. The Ofcom Board sets the strategic direction and risk appetite and is the ultimate decision-making body for matters of Ofcom-wide strategic, financial or reputational significance. A bespoke Corporate

Governance Framework sets out those matters reserved solely to the decision-making power of the Board. Over the past year, the continuation and evolution of the Covid pandemic has reinforced for the Board the importance of our aim to make communications work for everyone. We recognise that our communications sectors are changing fast. For us to maintain our effectiveness, we recognise that this requires long-term strategic focus and agility in our approach. The Board is ensuring that the organisation is responding appropriately to the changing environment.

The Board has been keenly aware of the impact of the Covid pandemic for our colleagues, closely overseeing the support provided to them, while at the same time maintaining the operational integrity of Ofcom. The Board has been keen to ensure a balanced and flexible approach to future ways of working and, as a result, the opportunity to work in a hybrid pattern has been extended to most colleagues.

The next few pages detail how Ofcom approaches governance, including the operation of the Board and Board Committees. In December 2021/January 2022, we organised an external evaluation to be carried out of the Board and Board Committees' effectiveness. The review found that the Board needs to be more diverse in its composition. It also needs to continue to improve its understanding of technology and the regulatory/market developments outside of the UK. The Review further noted that Ofcom's impending new Online Safety duties will require reflection on prioritisation. The review recognised that Ofcom's governance arrangements continue to work well; the Board considered strategic matters at each of its meetings throughout the 2021/22 year. The review also noted that the Board continued to deepen its understanding of the communications sector, with a prioritised series of Board Workshops which enabled Board Members to carry out deep dives on some longer term and strategic issues. Deep Dive topics included online safety, the evolution of the mobile (including 5G) and audio sectors, telecoms investment perspectives,

consumer fairness/behaviours and attitudes, cyber risk, sustainability and climate change, as well as net neutrality. In addition, the Board received updates from individual business areas and key Ofcom Group functions.

We have also reviewed and enhanced our Corporate Governance Framework; drawing on Deloitte's independent corporate governance report. We were highly rated but are always looking for ways to improve so that we remain at the leading edge of governance best practice and can anticipate new challenges in the communications sectors we regulate.

Our corporate governance arrangements continue to be informed by the UK Corporate Governance Code.

Each year, our People Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board, so that we can make recommendations about the improvements to the Board that could be made. This continues to be important, bearing in mind our new online duties.

In May 2021, we said farewell to Tim Suter. Our sincere thanks are due to Tim for his significant and valuable contribution to Ofcom. The Government is recruiting a new Board Member and it is thought that they might be appointed by the summer. We have also worked with colleagues in the Northern Ireland Assembly and the Department for Digital, Culture, Media and Sport (DCMS) on the appointment of a new Board Member for Northern Ireland and are delighted to welcome Karen Baxter as our first Ofcom Board Member for Northern Ireland who joined the Board on 28 March 2022. Karen brings significant experience and knowledge from her previous roles in policing and cyber security, which are especially relevant to Ofcom's growing regulatory responsibilities. I am also delighted to welcome Michael Grade who has been appointed by the DCMS Secretary of State as Ofcom's new Chair – he took up his post on 1 May 2022 and has exceptional experience in broadcasting.

Whilst we awaited these new appointments, our existing Board Members took on new responsibilities, and I would especially like to thank Bob Downes who became the Interim Chair of the Content Board, David Jones, who joined the Content Board and Angela Dean who became the new Nations Director, England.

2021/22 was a significant and challenging year for Ofcom and the Ofcom Board. Despite the continuing impact of the Covid pandemic, I am pleased with the progress we have made in delivering a number of our main objectives, including:

- **April 2021** Wholesale Fixed Telecoms Market Review.
- **April 2021** Final announcement of the outcome of the auction of the 700 MHz and 3.6-3.8 GHz spectrum.
- **June 2021** Publication of recommendations to Government following completion of an in-depth review of the future of public service media.
- **September 2021** New switching process announced to make it easier and quicker for consumers to change their broadband or home telephone provider.
- **November 2021** Board approved the principles for our emerging strategy for carrying out our proposed responsibilities as Online Safety regulator.
- **January 2022** Consultation published on Mobile Demand with a call on evidence on Mobile Strategy.

I would also like to thank Jacqui Gregory who left us in May 2022 for her hard work and dedication as Corporation Secretary. I am extremely grateful to Dame Melanie Dawes, the Board, Senior Management and all staff for their unwavering loyalty and support to me and to Ofcom, during my time as Interim Chair. It has been a privilege and a joy to work with so many highly talented people.

**Maggie Carver**  
Interim Chair

## GOVERNANCE STATEMENT

This Governance Report summarises Ofcom’s governance arrangements, including the composition of our Board, how our governance framework operates in practice (including our governance structure and Board roles and responsibilities) and our main areas of focus in 2021/22.

**It also sets out how we keep our Board and Board Committees informed and updated and summarises the outcome of our last Board Effectiveness Review. How we manage conflicts of interest and the main functions of our Board Committees and Statutory Boards are set out towards the end of the Report.**

### Our Governance

As a statutory corporation, Ofcom’s principal governance compliance requirements are governed by the relevant legislation (namely, the Ofcom Act (2002), the Communications Act (2003), the Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders thereto) which determines matters such as the purposes of the organisation and the appointment of our Members. Ofcom is also subject to the Code of Conduct for Board Members of Public Bodies.<sup>7</sup> Our overall corporate governance approach is informed, but not bound by the 2018 UK Corporate Governance Code (“the UK Code”) and its related guidance<sup>8</sup>, subject to where certain principles are considered to be disproportionate or less relevant in Ofcom’s case and/or there are other requirements placed on Ofcom by statute

### How our approach is informed by the 2018 UK corporate governance code

Examples of how our approach has been informed by certain principles of the UK Code include:

- **Board Leadership & Purpose** our Board has a clear purpose, values and strategy and is able to satisfy itself that these and its culture are aligned. Our Board, which is made up of a majority of Non-Executive Members, provides independent thinking and objective challenge to our strategic aims.
- **Division of Responsibilities** the Chair of our Board provides strategic leadership of the Board. Our Non-Executive Members are considered to be independent of management and free of any business or other relationship which could materially interfere with them exercising their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained.
- **Composition, Succession & Evaluation** appointments to our Board follow a rigorous and transparent procedure, with our Chair and Non-Executive Members being appointed by the Secretary of State for Digital, Culture, Media and Sport (DCMS). As new Members are appointed to the Board, we will be actively seeking to improve our Board’s diversity. Our People Committee seeks to ensure that we have effective succession plans in place and that we properly identify and manage our talent pipeline.
- **Audit, Risk & Internal Control** our Risk and Audit Committee oversees the structures and processes in place to manage our risks and ensure that appropriate controls are in place.
- **Remuneration** our Remuneration Report sets out how we ensure that our remuneration policies and practices support our strategic aims and that the remuneration we pay to our colleagues promotes Ofcom’s success.

<sup>7</sup> The Code of Conduct for Board Members of Public Bodies applies to all non-executive members on the Boards of Government departments, non-ministerial departments, executive agencies, non-departmental public bodies (NDPBs) and national public corporations.

<sup>8</sup> The UK Code sets out the governance rules which apply to all UK companies with a Premium listing of equity shares on the London Stock Exchange.

## Our Board: Activities & Purpose

The Board is responsible for setting the strategic direction and risk appetite of the organisation and is the ultimate decision-making body for matters of Ofcom wide strategic, regulatory or reputational significance. Effective governance facilitates the delivery of Ofcom's purpose and strategy particularly in challenging times. The Board is committed, through its governance framework, to appropriate decision making at the correct level within Ofcom making sure there is accountability, long term value and fulfilling our purpose of furthering the interests of consumers and citizens. The Board has adopted and implemented a bespoke Corporate Governance Framework which contains a statement of governance principles that guide the activities of the Board. This covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

- approval of Ofcom's Plan of Work, long-term objectives and overall strategic policy framework;
- approval of Ofcom's annual budget, overall financial policy and Financial Authorities Framework;
- approval of Ofcom's annual report and accounts;
- risk management, internal controls and compliance; and
- undertaking a formal regular review of the Board's own performance and that of Board committees and individual Members.

## Board Appointments

The Chair and the majority of the Non-Executive Members of the Board are appointed by the Secretary of State for DCMS, for periods of four years. The Scotland Member, the Wales Member and the Northern Ireland Member are appointed by Scottish Ministers, the Welsh Government and the Department for the Economy respectively, following consultation with the Secretary of State for DCMS. Executive Members of the Board are appointed by the Chair and the Non-Executive Members of the Ofcom Board, with the Chief Executive's appointment requiring approval by the Secretary of State for DCMS. We recognise that the current balance of the Board is not representative of the UK population. We are working with DCMS and the devolved Governments to align future recruitment with our strategic commitment to be a diverse and inclusive organisation. Having a Board that is representative of the different perspectives within our society will allow us to make the best decisions for all UK citizens and consumers. Efforts are ongoing to further complement the current range of skills on the Board to take account of our new regulatory duties. Increasing the diversity of the Board remains at the forefront of our minds during this recruitment.

## Board roles

### The Chair

The Chair of the Board is responsible for chairing and providing leadership of the Board. Other responsibilities include:

- leading the Board in formulating Ofcom's strategy for discharging our statutory duties;
- encouraging high standards of propriety;
- providing an assessment of the performance of individual Board Members;
- ensuring Ofcom meets regularly throughout the year and that minutes of meetings accurately record decisions taken; and
- representing the views of Ofcom externally.

### Non-Executive Board Members

Our Board has a majority of Non-Executive Board Members, all of whom bring extensive skills and experience to the Board. This ensures a good balance of skills is available to Ofcom in discharging our duties and responsibilities, in addition to establishing the policy and strategic direction including the resourcing framework for the operation of Ofcom.

### The Chief Executive

The Board has delegated responsibility for the day to day running of Ofcom to the Chief Executive and the Executive, namely the Senior Management Team ("SMT") which consists of Ofcom's Chief Executive, Group Directors, General Counsel, Chief Economist, Chief Operating Officer, Chief Technology Officer and People & Transformation Director. The SMT, through the Policy Management Board (PMB), ensures that the strategy, policies and behaviours set at Board level are effectively communicated and implemented across Ofcom.

The Permanent Secretary for DCMS has designated the Chief Executive as Ofcom's Accounting Officer. This 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 with DCMS. 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 discharging of her duties.



## Board Members

### Lord Grade, CBE

Chair and Non-Executive Board Member

Appointed to the Ofcom Board as Chair on 1 May 2022

Tenure



Membership



Michael Grade has had a long career in broadcasting, encompassing London Weekend Television, the BBC, ITV and Channel 4. He has chaired the BBC, ITV and Pinewood/Shepperton Film Studios. He is co-founder of the GradeLinnit company, which produces for the theatre. He is Chairman of the Arora Group's Heathrow Expansion Advisory Board and has also been Chairman of Ocado, First Leisure Corporation, Camelot, the Charity Fundraising Regulator and Bradford's Media Museum, as well as being a member of the former Press Complaints Commission and a trustee of the Science Museum. Michael Grade sits in the House of Lords as a non-affiliated Peer.

### Dr Angela Dean

Non-Executive Board Member & Chair of the Board Risk & Audit Committee

Appointed to the Ofcom Board on 30 September 2018

Tenure



Membership



Angela is currently a trustee of York Museums Trust and Chair of its Capital Projects Board. She is a Senior Independent Panel Member for Public Appointments. She has been non-executive director of a number of not-for-profit organisations including Chair of International House Trust, Vice Chair of the Council of King's College London, trustee of the National Lottery Heritage Fund and a member of the Museums, Archives and Libraries Council. Angela's executive career was in international finance, mainly as a Managing Director of Morgan Stanley where she headed its global technology research team. She was a member of the Working Group of the United Nations Global Compact for corporate social responsibility issues in investment.

### Maggie Carver, CBE

Deputy Chair and Non-Executive Board Member

Appointed to the Ofcom Board as Deputy Chair on 30 September 2018. Interim Chair from 1 January 2021 to 30 April 2022

Tenure



Membership



Maggie has extensive experience as a non-executive director on the boards of 19 companies, public, private and not-for-profit. These include charring news and programme provider ITN, multiplex operator SDN, the British Board of Film Classification and the RCA, as well as being a director on the boards of Channel 5 Television, RDF Media plc, Satellite Information Services, armed forces broadcaster BFBS, British Waterways and the British Horseracing Authority. Maggie's executive career was in investment banking, television production, broadcasting and retail.

### Bob Downes

Non-Executive Board Member (Board Member for Scotland) & Interim Chair of the Board Election Committee and the Content Board

Appointed to the Ofcom Board on 1 February 2018; Re-appointed on 1 February 2022

Tenure



Membership



Bob is the current chairman of the Scottish Environment Protection Agency. He also chairs the Commission for Communications Regulation's Independent Oversight Body, which will oversee the implementation and operation of an enhanced Regulatory Governance Model in Ireland by Eir. Bob also chairs Cryptic, an arts production company and is an advisor to a number of small technology businesses, including Kube Networks. Formerly, he was a senior executive with BT Group.

### Key

#### Tenure



Total number of years tenure

#### Board and Committee Membership



People Committee



Content Board



Election Committee



Risk and Audit Committee

**David Jones**  
 Non-Executive Board Member  
 (Board Member for Wales)

Appointed to the Ofcom Board on 8 April 2019

Tenure **3** Membership **R P**



David is currently a non-executive of Ofwat and Qualifications Wales. He was the founder of Travelink Systems Limited until 1995 and Executive Chair of TigerBay Software from 2011 to 2015. He is an occasional guest lecturer on Digital and Cyber security at Cardiff University.

**Graham Mather, CBE**  
 Non-Executive Board Member

Appointed to the Ofcom Board on 1 June 2014; Re-appointed on 1 June 2018

Tenure **8** Membership **P**




Graham 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 a member of the Competition Appeal Tribunal, the body that deals with appeals from 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.

**Karen Baxter**  
 Non-Executive Board Member  
 (Board Member for Northern Ireland)

Appointed to the Ofcom Board on 28 March 2022

Tenure **>1** Membership **P**



Karen has a distinguished 30-year policing career, retiring as Commander from the City of London Police in 2020. She commenced her service as an officer in Northern Ireland and has extensive experience across a wide range of complex investigations including, safeguarding, homicide, counter-terrorism, serious and organised crime. More recently, as Commander and National Coordinator for Economic Crime, she had oversight for the most serious financial investigations in the United Kingdom. Karen was also the Police executive lead for Cyber Crime Prevention working with key stakeholders and the third sector to address emerging risks in the online space.

In 2020 Karen joined UK Finance as the Managing Director for Intelligence Strategy working across the banking sector to review the use and management of intelligence. More broadly her role involved multiple sector engagement in respect of the online harms threat and proposed legislative changes.

**Ben Verwaayen**  
 Non-Executive Board Member  
 & Chair of the Board People Committee

Appointed to the Ofcom Board on 1 January 2016, Re-appointed on 1 January 2020

Tenure **6** Membership **P**



Ben is currently a General Partner at investment fund Keen Venture Partners and holds various Board positions, including at Akamai in the US and Renewi Ltd, a major player in the circular economy in the BeNeLux and the UK. He is a former Chief Executive of BT, KPN in the Netherlands, and Alcatel Lucent. He has also served as a Chairman of Endemol, and as a Board Member of AkzoNobel in the Netherlands and of the mobile operator Bharti Airtel in India.

**Key**

**Tenure** **<1** Total number of years tenure

**Board and Committee Membership**

- P** People Committee
- E** Election Committee
- C** Content Board
- R** Risk and Audit Committee

## Executive Board Members

### Dame Melanie Dawes Executive Board Member & Chief Executive

Appointed to the Ofcom Board  
In March 2020

Tenure

2



Prior to joining Ofcom, Melanie was the Permanent Secretary at the Ministry of Housing, Communities and Local Government. She has held a range of senior roles across the Civil Service, working in partnership across the public and private sectors, including as Champion for Civil Service Diversity and Inclusion. She started her career as an economist and spent 15 years at the Treasury, including as Europe Director between 2002 and 2006. She was Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office between 2011 and 2015. Prior to that she served on the Board of HMRC. As Director General for Business Tax, she had responsibility for all the business taxes and duties alongside leadership of the department's relationships with the largest companies. Melanie has held various non-executive roles including with the consumer body Which? and is a trustee of the Patchwork Foundation, which helps under-represented young people in democracy.

### Lindsey Fussell Executive Board Member & Group Director for Networks and Communications

Appointed to the Ofcom Board in  
December 2020

Tenure

2



Lindsey Fussell joined Ofcom in 2016 and is Group Director for Networks and Communications, leading Ofcom's work in the telecoms, post and network sectors. Before joining Ofcom, Lindsey held a range of senior leadership roles in the Civil Service. She was Public Services Director at HM Treasury, where she led on devolution, education and culture, defence and criminal justice, and was responsible for delivering important aspects of the 2013 and 2015 Spending Reviews. Lindsey is also a lay member of York University's governing Council.

### Kevin Bakhurst Executive Board Member & Group Director for Broadcasting and Online Content

Appointed to the Ofcom Board  
in April 2020

Tenure

2

Membership



Kevin joined Ofcom in October 2016 and is Group Director for Broadcasting and Online Content, overseeing our broadcast and online regulation and policy. Prior to joining Ofcom, Kevin was Managing Director, News and Current Affairs, Deputy Director General, and then Acting Director General with Ireland's national broadcaster, RTÉ. After graduating from Cambridge University, Kevin worked at Price Waterhouse before joining the BBC as a researcher in 1989. He went on to edit the Ten O'Clock News, becoming Deputy Head of the BBC Newsroom and Controller of the BBC News channel and BBC News at One. During his time editing BBC news bulletins, the programmes won awards from organisations including BAFTA and the Royal Television Society. Outside work, Kevin was a Magistrate from 2000 until 2006.

### Key

#### Tenure

◀1 Total number of years tenure

#### Board and Committee Membership

P People Committee

C Content Board

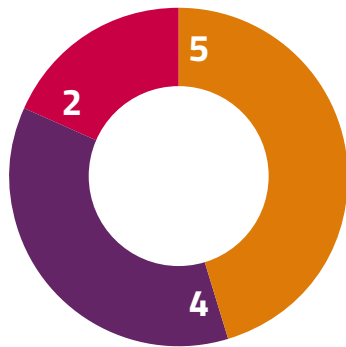
E Election Committee

R Risk and Audit Committee

# GOVERNANCE AT A GLANCE

## TENURE

in role



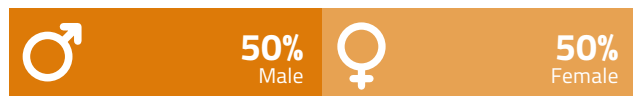
### Key

- Under 3 years
- 3-5 years
- 5+ years

## DIVERSITY

of the Ofcom Board

Gender



Ethnicity



Disability



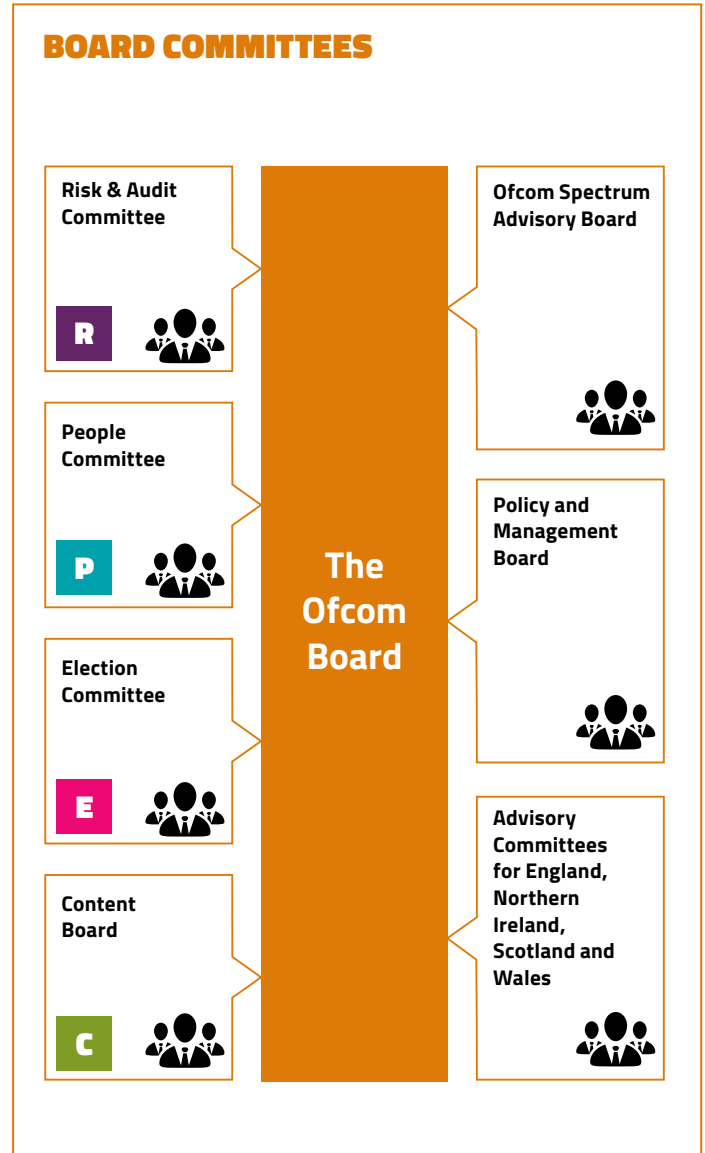
## OUR BOARD ACTIVITIES

|   |  |            |
|---|--|------------|
|    | Chair, NED, Chief Executive and Executive Board Member updates     | <b>36%</b> |
|    | Supporting UK broadcasting   | <b>15%</b> |
|    | Preparing to regulate Online Safety                                | <b>8%</b>  |
|    | Regulatory, Finance, Risk and Legal                                | <b>8%</b>  |
|   | Getting Everyone Connected   | <b>7%</b>  |
|  | Strengthening Ofcom for the future                                 | <b>7%</b>  |
|  | Corporate Governance   | <b>6%</b>  |
|  | Continuing to innovate in regulation                               | <b>4%</b>  |
|  | Fairness for customers   | <b>3%</b>  |
|  | Sustaining the universal postal service                            | <b>2%</b>  |
|  | Investment in strong, secure networks                              | <b>2%</b>  |
|  | Other (including Covid-19 pandemic, market research and briefings) | <b>2%</b>  |

## Our Board: Activities

The core activities of the Board and the Board Committees are recorded and planned through our work programme and forward agendas. The Board’s annual agenda follows the strategic priority areas agreed in our annual Plan of Work plus the additional areas required to meet Board’s main responsibilities. The pandemic required the Board to consider how to balance decisions in a way that continued to progress our main purpose while considering the challenges faced by our stakeholders, consumers, citizens and colleagues. The following chart shows how the Board allocated its agenda during the reporting period.

Examples of some of the activities undertaken by the Board in each of these areas during the reporting period are outlined on page 81.



## Management Information

The Board and Board Committees are provided with regular management information to enable them to review Ofcom's performance and capability. This includes regular performance and finance reports, review of delivery against Ofcom's Budget and Plan, review on the delivery of Ofcom's Strategy and Plan of Work, the strategic risk register, status on the Board/Board Committee Effectiveness Review outcomes and other corporate data.

## Board Administration

The administration of the Board is the responsibility of the Corporation Secretary, who maintains and keeps up to date the main procedures and policies of the Board, corporate records and the terms of reference of our Board Committees and Matters Reserved for the Board. The Corporation Secretary also maintains and keeps under review Ofcom's Corporate Governance Framework (including the Delegations of Authority and Board Committee terms of reference) and, in consultation with the Finance Director, the Financial Authorities Framework.

The Board had ten scheduled meetings during the year and one ad-hoc meeting. The scheduled meetings were held each month, with the exception of August and January. The Board also undertakes a Strategy Session in October of each year, where medium to long-term strategy is examined and discussions take place on strategic and material issues. Due to the continuing measures and restrictions put in place in response to the pandemic, just over half of our Board meetings were held remotely in the reporting year, with five including the Strategy Session held in person. The Board papers relevant to the agenda of each Board and Board Committee meeting are distributed to Board and Committee Members, as appropriate, approximately one week in advance of the meeting via a secure digital portal.

### Attendance at the Board during the 2021/22 Financial Year

|                           | Ofcom Board |
|---------------------------|-------------|
| <b>Number of meetings</b> | <b>11</b>   |
| Maggie Carver CBE         | 11          |
| Dr Angela Dean            | 11          |
| Bob Downes                | 11          |
| Graham Mather CBE         | 11          |
| Tim Suter*                | 1           |
| Ben Verwaayen             | 9           |
| David Jones               | 11          |
| Dame Melanie Dawes DCB    | 11          |
| Kevin Bakhurst            | 11          |
| Lindsey Fussell           | 11          |

\*Tim Suter stepped down from the Ofcom Board in May 2021.

The appointments of Michael Grade and Karen Baxter took effect after the last meeting was held in 2021/22.

## EXAMPLES OF SOME OF THE ACTIVITIES UNDERTAKEN BY THE BOARD

### Corporate Governance

- Reviewed and updated our Corporate Governance Framework
- Approved & monitored delivery against Ofcom's Budget and Plan
- Evaluated the effectiveness of the Board, Committees, our Board Members and the Chair
- Approved/recommended non-executive appointments to the Ofcom Board, Ofcom's Panels and Committees, the Content Board and 6 non-executive appointments to the Board of the Channel 4 Corporation

### Regulatory, Finance, Risk & Legal

- Reviewed Ofcom's Strategic Risks each quarter
- Reviewed and approved Ofcom's Risk Appetite Statements
- Approved Ofcom's Budget 2022/23.

### Getting Everyone Connected: Better Broadband and Mobile

- Reviewed the impact of the implementation of the Wholesale Fixed Telecoms Broadband Review
- Reviewed the operation of the Openreach Monitoring Unit
- Reviewed Mobile Strategy and Mobile Demand Strategy prior to consultation
- Monitored the approach being taken by industry to the migration to IP based services

### Supporting and Developing UK Broadcasting

- Reviewed the BBC Annual Performance Review
- Approved the statement on the future of public service in media in the UK – "Small Screen: Big Debate" – looking at the future for Public Service Broadcasters services and their sustainability given the rise of digital consumption
- Reviewed the Media Ownership Rules

### Preparing to Regulate Online Safety

- Oversight of Ofcom's Online Work Programme
- Approved the regulatory approach to Ofcom's new responsibilities for online safety

### Fairness for Customers

- Reviewed Ofcom's Consumer Strategy
- Reviewed Ofcom's approach to tackling nuisance calls
- Reviewed updates on Fairness Commitments and Comparing Customer Service Reports

### Enabling Strong Secure Networks

- Reviewed updates on Ofcom's work programme for network security and resilience
- Reviewed updates on the development of the Telecoms Security Framework

### Sustaining the Universal Post Service

- Ongoing consideration of Royal Mail's strategy and, in light of that, the sustainability of the postal universal service obligation

### Continuing to innovate in regulation

- Reviewed Ofcom's role in the Digital Markets Regime
- Reviewed the progress of the Digital Regulation Cooperation Forum and agreed the Plan of Work for 2022-23

### Strengthen Ofcom for the future

- Reviewed Ofcom's Communications Strategy
- Approved the contract for the procurement of ICT Services
- Reviewed the progress of the One Ofcom programme

### Other

- Covid-19 pandemic response including state of the market updates; impact on stakeholders and consumers and Ofcom's response as an employer

## Keeping the Board Informed

Ofcom is firmly committed to the on-going development of its Board Members and we recognise the need to continually evolve their knowledge to enable them to effectively fulfil their duties. All newly appointed Board Members are provided with a comprehensive and bespoke induction programme on joining Ofcom. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance and the Risk Management Policy and the Internal and External Audit.

In addition, presentations and interactive workshops on different aspects of Ofcom's Plan of Work are regularly made to the Board, facilitated by Ofcom colleagues with professional advisers and/or external stakeholders, throughout the course of each year.

## Board Performance and Effectiveness Review

Each year, the Board conducts an effectiveness review to evaluate the performance of the Board, Board Committees and individual Board Members. In December 2021/January 2022, an external review was commissioned.

The Board considered the outcomes of the review and its recommendations at its February 2022 Board meeting and agreed an Action Plan to address the recommendations at its March 2022 meeting. The review concluded that Ofcom's governance arrangements continue to work well, although as noted in the Interim Chair's Governance Overview and in the next section of this Governance Report, some respondents thought that the Board needs to improve its understanding of technology and regulatory/market developments outside of the UK, as well as Ofcom's impending new Online Safety duties requiring a reflection on prioritisation. To address this, a series of 'deep dives' into these areas have been built into our agenda forward planning, enabling the Board to focus on considering longer-term thinking in these areas.

There were some recommended areas for change, relating to the following:

- **Board Composition** the Board would benefit from greater diversity and expertise in online and media/broadcasting to strengthen the level of support and challenge in these areas;
- **Board Dynamics** the Board to seek additional opportunities to engage informally in person;
- **Board Packs** papers to focus on conveying the most critical issues and messages and more readily support strategic debates, enabling Board Members to quickly grasp essential information (e.g. options, assumptions, numbers, risks), focussing their deliberations on important points;
- **Board Support** future briefings to include International comparisons and technological development;
- **Board Committees** the People Committee to elevate its focus to drive a more strategic approach to talent management and more KPIs to be developed around talent and succession;
- **Monitoring Employee Sentiment/Culture** the Board to receive more regular feedback on staff survey results;
- **Covid Response** regular updates to be presented to the Board on managing the transition back to office working;
- **Board Meetings** consideration to be given to incorporating breakaway discussions on strategic topics into the meeting cycle. Both around Ofcom's remit (e.g. the accelerating pace of technological change) and Ofcom itself. With the easing of Covid restrictions the Board to meet in other Ofcom offices outside of London;
- **Understanding Digital/Technology and International Regulation** more insight into progress towards online goals and developments in the tech sector and updates to the Board on overseas regulatory and market developments;



- **Oversight of Risk** greater Board involvement in the oversight of risk (i.e. dynamic overview of the top risks facing Ofcom);
- **Ofcom Objectives** consideration to continue to be given to whether the current structure and operation of the Content Board will be optimal under the new online safety regime;
- **Main Challenges to Delivering Objectives** retaining independence, recruiting for online/telecoms security, managing external communications & perception, keeping pace with technological development; and
- Transition to a new Ofcom Board Chair.

A series of action areas have been identified by the Board in response to the recommendations and status updates will be reviewed periodically by the Board.

## Stakeholder Review

One of the recommended priorities for change arising out of the 2020 Board Effectiveness Review was for Ofcom to establish credibility with its stakeholders across its new range of responsibilities and increase the “brand value” so that Ofcom remains a trusted regulator. This remains a priority for Ofcom and the Board agreed to conduct an externally facilitated, anonymised stakeholder survey in 2020 with thirty of Ofcom’s senior stakeholders, mainly from companies regulated by Ofcom. We will continue to gather perspectives from external stakeholders on how Ofcom’s approach to regulation can be further strengthened in a structured and transparent way.

## Conflicts of Interest

It is essential that Ofcom maintains a reputation for impartiality, integrity and high professional standards in all that it does. Ofcom is subject to the Code of Conduct for Board Members of Public Bodies and, in support of this, Ofcom has established a Code of Conduct for Board Members that contains provisions regarding Members’ interests.

Ofcom manages, sensibly and appropriately, potential conflicts of interest that Non-Executive Members may have, or that may arise from time to time, to ensure that the actions of Members do not bring into question Ofcom’s impartiality and objectivity. Members must also ensure that their conduct accords with the ‘Seven Principles of Public Life’.

Ofcom maintains a register of Members’ interests which is updated annually. This ensures that Ofcom has a current record of Members’ interests and relevant information is published on Ofcom’s website. Between annual declarations, Members are required to notify the Corporation Secretary when their interests change, so that the Register can be amended accordingly and, where necessary, any potential conflicts can be raised with the Chair and/or the full Ofcom Board.

## Board Committees and Statutory Boards

In the exercising of Ofcom’s duties under the relevant legislation, the Board delegates certain responsibilities to the Executive within Ofcom and certain responsibilities to Board Committees, in accordance with clearly defined authorities and terms of reference.

Ofcom also has a number of other bodies with a governance or advisory role to the Board. The activities and main functions of these committees and bodies are described on pages 87-89.

### Risk and Audit Committee

The Risk and Audit Committee is made up of three Non-Executive Members of the Board: Angela Dean (Chair), Maggie Carver and David Jones. The Chief Executive, the Chief Operating Officer, the Finance Director, the Financial Controller and the Head of Risk Management & Insurance are invited to attend Committee meetings, as are the Internal and External Auditors.

The role and responsibilities of the Risk and Audit Committee, together with the Committee's activities during the reporting period, are set out in the Report of the Chair of the Risk and Audit Committee on pages 94-98.

### The People Committee

The People Committee is made up of all Non-Executive Members of the Ofcom Board. The principal purpose of the People Committee is to provide an early, long-term and strategic perspective on Ofcom's People and Workforce related areas and to periodically evaluate (in consultation with the Chief Executive) and challenge (where considered appropriate), the progress of Ofcom's People and Transformation Strategy. The Committee seeks assurance from Ofcom Management that there are effective measures and plans in place for talent management, talent development and succession planning, performance management, culture and values and colleague engagement and other people-related areas to support Ofcom's performance, skills and expertise.

The People Committee also sets the over-arching principles and parameters of performance and the remuneration policy across Ofcom and considers and approves individual terms and conditions of service, including the remuneration arrangements of the Chief Executive, the Senior Management Team and other "key" colleagues. The Committee also oversees the process on appointments of Executive Board Members and other Group Directors of the Senior Management Team and approves the succession plans for the Ofcom Board, the Senior Management Team and critical colleagues.

The People Committee met six times during 2021/22.

### The Election Committee

Section 333 of the Communications Act 2003 requires Ofcom to ensure that party political broadcasts, (including party election broadcasts) and referendum campaign broadcasts are included in every licensed public service television channel, every local digital television programme service, and every national (i.e. UK-wide, commercial) analogue radio service, and their digital simulcast services.

Unresolved disputes between any licensee and any political party, concerning 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 the Election Committee. The Election Committee also has delegated authority to make decisions on complaints in relation to the standards set by Ofcom about due impartiality in programmes broadcast during an election or referendum period.

The Committee consists of up to five members. The Chair of the Election Committee is appointed by the Ofcom Board. The current Chair is Bob Downes, a member of the Ofcom Board and Interim Chair of the Content Board. The remaining members are selected from the Content Board and/or Ofcom colleagues, as decided by the Chair of the Committee, with a quorum of three members (two of which need to be Content Board Members).

### The Content Board

The Content Board is set up under Section 12(1) of the Communications Act 2003. The Content Board fulfils an advisory role for the Ofcom Board on content-related aspects of decisions or matters reserved for the Board.

The Content Board serves as Ofcom's primary forum for the regulation of television and radio quality and standards. Its role is to understand, analyse and champion the voices and interest of the viewer, the listener and the citizen.

The Board is made up of the following Non-Executive Members: Bob Downes, (Interim Chair), Dekan Apajee, Jonathan Baker, Rachel Coldicutt, Maggie Cunningham, Peter Horrocks, Tobin Ireland, David Jones, Ruth McElroy, Stephen Nuttall, Monisha Shah and Kim Shillinglaw and Executive Members: Kevin Bakhurst and Ali Marsden.

The Board met six times in 2021/22.

### The Advisory Committees for the Nations

Section 20 of the Communications Act 2003 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 parts of the UK for which the Committee has been established. In-addition to the appointed Members of the Advisory Committees, the Content Board Member and the Communications Consumer Panel (CCP) Member for the respective nations attend the Advisory Committee meetings as observers.

The role of the National Advisory Committees, together with those of the Nations' Members of the Content Board and the Communications Consumer Panel is immensely valuable in helping Ofcom take into account specific issues in the devolved nations of the UK in our policy formulation and implementation.

The Advisory Committees each met four times in 2021/22. The currently appointed Advisory Committee Members and observers are:

#### Advisory Committee for England

**Members: Paula Carter (Chair), Aaqil Ahmed, Emma Davison, Matthew Littleford, Alan Nunn and Mark Smith.**

Observers: Angela Dean (Ofcom Board), Monisha Shah (Content Board) and Richard Spencer (CCP).

#### Advisory Committee for Northern Ireland

(recruitment is currently underway for an additional Member)

**Members: Carrie Matchett (Chair), John Ellison, Angelina Fusco, Alan Meban and Michael Wilson.**

Observers: Karen Baxter (Ofcom Board), Bob Downes (Content Board) and Rick Hill (CCP).

#### Advisory Committee for Scotland

**Members: Elizabeth Partyka (Chair), Laura Anderson, Gerry Crawley, Ashe Hussein, Jessica McBeath and Stephen Speirs (Stephen receives no remuneration for this position).**

Observers: Bob Downes (Ofcom Board), Maggie Cunningham (Content Board) and Amanda Britain (CCP).

#### Advisory Committee for Wales

**Members: Hywel Wiliam (Chair), Robert Andrews, Tom Crick, Aled Eirug, Angharad Evans and Rem Noormohamed.**

Observers: David Jones (Ofcom Board), Ruth McElroy (Content Board) and Dr Sian Phipps (CCP).

#### The Communications Consumer Panel and the Advisory Committee on Older and Disabled People

Section 16 of the Communications Act 2003 requires Ofcom to establish a Consumer Panel. The Communications Consumer Panel (CCP) represents the interest of consumers, citizens and microbusinesses in communications. It provides advice that is robust and independent but, at the same time, pragmatic and constructive. Ofcom shares information and ideas with the CCP at the early stages of policy development, allowing us to provide advice to ensure that the consumer voice is taken into account from the outset.

The Advisory Committee on Older and Disabled People (ACOD) advises Ofcom about communications sector issues relating to older and disabled people.

To take advantage of the synergy between the CCP and ACOD, and to avoid potential duplication, cross membership of the two bodies was established in 2012. The remits of the bodies, however, remain unchanged.

Independent of Ofcom, the CCP consists of up to twelve experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information can be found at [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk). The current Members of the Communications Consumer Panel and ACOD are Rick Hill (Chair and Member for Northern Ireland), Kay Allen, Amanda Britain (Member for Scotland), Helen Froud, Clifford Harkness, Dr Sian Phipps (Member for Wales), Richard Spencer (Member for England), Michael Wardlow and Rick Williams. Dr David Holden's term expired on 28 February 2022. We are in the process of appointing additional Members to the Panel and ACOD.

The Communications Consumer Panel and ACOD met formally eleven times in 2021/22.

**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](http://www.osab.org.uk)

The Members of OSAB are Gavin Young (Chair), Greg Bensberg, Wassim Chourbaji, Professor Mischa Dohler, Peter Hadinger, Alastair Macpherson, David Meyer, Niall Murphy, Robert Pepper, Peter Pitsch, Ros Singleton, Holly Creek (DCMS) (ex-officio Member) and Cristina Data (ex officio Member).

OSAB met four times in 2021/22.

The diversity of our wider Non-executive population across the Content Board, National Advisory Committees and the Communications Consumer Panel/ACOD at the end of the reporting period was as follows:



Diversity statistics are calculated as of 31 March 2022

## Our Senior Management Team

Our Senior Management Team is made up of the following individuals:

| Name                          | Role   |
|-------------------------------|--|
| <b>Dame Melanie Dawes DCB</b> | Chief Executive  |
| <b>Luisa Affuso</b>           | Chief Economist, Group Director Economics                                |
| <b>Kevin Bakhurst</b>         | Group Director, Broadcasting and Online Content                          |
| <b>Martin Ballantyne</b>      | General Counsel, Group Director Legal                                    |
| <b>Lindsey Fussell</b>        | Group Director, Networks and Communications                              |
| <b>Helen Hearn</b>            | Interim Group Director, Spectrum   |
| <b>Kerri-Ann O'Neill</b>      | People and Transformation Director                                       |
| <b>Melissa Tatton CBE</b>     | Chief Operating Officer, Group Director Corporate                        |
| <b>Yih-Choung Teh</b>         | Group Director, Strategy and Research                                    |
| <b>Sachin Jogle</b>           | Chief Technology Officer, Group Director Technology, Data and Innovation |

### DIVERSITY

of our Senior Management Team

Gender



Ethnicity



Disability



Diversity statistics are calculated as of 31 March 2022

### Policy Management Board

The Policy and Management Board (PMB) is the main forum through which the Chief Executive exercises her delegations of authority, as delegated to her by the Ofcom Board. The PMB oversees the operations and management of Ofcom, as well as Ofcom's regulatory duties.

The PMB is chaired by the CEO and made up of Group Directors, the Director for People, Capability and Change, and the Finance Director. Other senior executives attend by invitation.

The Policy Management Board met eleven times in 2021/22.

## Accountability

Under 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 and Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General. The Statement of Accounts is prepared, as 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.

In addition, Ofcom's Annual Report and Accounts is sent to the DCMS which lays copies of it before both Houses of Parliament and in Scotland, Wales and Northern Ireland. The Board is responsible for ensuring that proper records are maintained, which disclose accurately, 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 therefore for taking reasonable steps for the prevention and detection of fraud and other irregularities.

How Ofcom manages the public funds we receive, and our relationship with DCMS in this regard, is set out in the Framework Document.

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.

### Transparency

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

During 2021/22, Ofcom handled/responded to 431 requests (541 requests in 2020/21) 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 75% of cases. Information is only withheld if it is exempt from disclosure under legislation.

During 2021/22, Ofcom also received 31 Subject Access Requests under the Data Protection Act 2018 (41 requests in 2020/21). Where we held relevant information, we provided this.

### Engagement

Ofcom aims to take into account the views of a wide range of interested parties when making policy decisions. In addition to engaging with the CCP/ACOD, the Content Board and the National Advisory Committees, we also engage with other national regulatory authorities (including via participation in the UK Regulators' Network), European Institutions and global bodies. This also ensures that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

Consultation also plays an important role in Ofcom's decision making. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a particular course of action. Consequently, Ofcom consults publicly on all our major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during 2021/22, are set out on pages 159-163 in Annex A2.

### **Physical and personal security arrangements**

The UK threat level for terrorism was downgraded from "Severe"(an attack is highly likely) to "Substantial" (an attack is likely) in February 2022. The Ofcom Board risk appetite statement for Health & Safety and Physical Security has changed from "Averse" to "Minimal".

The programme for implementing physical security enhancements at all of our offices was completed in 2020. Threat assessments are a continual occurrence using external consultancy and internal audit. This maintains a consistent and stable approach to physical security management. A process for assessing personal security "Risk by Role" has been completed across all Ofcom Groups and work continues to document the mitigating controls that can be put in place. These measures are consistent with the Ofcom Board's risk appetite for physical and personal security.

### **Major incident/disaster recovery/business continuity planning**

Remote working, in line with Government pandemic guidance, has continued over the reporting period. Ofcom operated effectively with minimal impact on operations.

### **Information Security**

The management of Information/Cyber security risk is an ongoing process that is aligned to the Ofcom Board's risk appetite of "Averse/Minimal". Protecting Ofcom's information systems against internal and external risks continues to be a priority. Attempts by external parties to breach Ofcom security continue, but these have been successfully dealt with, as a result of the security controls in place. The new responsibilities for online safety, video sharing platforms and in relation to network security, could attract interest from nations states and hacktivists

who would like to bring about social, political or ideological change and we continue to improve monitoring to detect potential attacks or vulnerabilities. Testing has included the use of simulated phishing attacks to improve user awareness and technical penetration testing against the Information and Communication Technology (ICT) and physical infrastructure. A nation state could infiltrate our systems and we have, therefore, increased our focus on testing and improving our ability to recover should such an attack occur.

We investigated 49 breaches of data protection during the year, none of which were reportable to the Information Commissioner's Office (ICO). From a governance perspective, there was a successful re-certification against the UK National Cyber Security Centre (NCSC). In March 2021, we were certified to the international standard for information security management (ISO27001).

### **Whistleblowing policy and hotline**

Following a review of our internal whistleblowing policy, we have made it easier for colleagues to make disclosures under the policy and to navigate their way through the process. We use an externally hosted and administered whistleblowing hotline that allows colleagues to make anonymous disclosures.

### **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 2021/22 Ofcom received 10 disclosures under the Public Interest Disclosure Act 1998.

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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.

As far as I am aware, I confirm that there is no relevant audit information of which the auditors are unaware. I have also taken all steps necessary in order to make myself aware of all relevant information and have established that the auditor is aware of that information.

I am confident that Ofcom will continue to operate as a viable, successful and well-governed organisation. I believe the governance arrangements we have in place are robust and sufficient to manage the expansion of Ofcom's remit and the risks we face in the years ahead.

As the Accounting Officer, I confirm that the Annual Report and Accounts as a whole is fair and balanced.

**Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

*Melanie Dawes*

15 July 2022



## THE REPORT OF THE CHAIR OF THE RISK AND AUDIT COMMITTEE

The Committee has maintained its focus in 2021/22 on our risk reporting, particularly on the organisation's strategic risks. We have verified that our risk targets are appropriately scored, and align with our risk appetite, and we have evaluated the associated mitigations and actions. This ensures that Ofcom continues to be resilient with proportionate and effective controls.

### Attendance of Members during 2021/22

The Members of the Committee during 2021/22 have served for the following periods of time:

|               |                              |
|---------------|------------------------------|
| Angela Dean   | 3 years, 6 months (as Chair) |
| Maggie Carver | 3 years, 4 months            |
| David Jones   | 2 years, 9 months            |

The Committee met six times in 2021/22, with all three Members in attendance.

### Overview

On behalf of the Board, I am pleased to provide an overview of the operation and scope of the Risk and Audit Committee for the financial period ended 31<sup>st</sup> March 2022.

The Committee has responsibility, on behalf of the Ofcom Board, for oversight of the appropriateness and effectiveness of Ofcom's risk management, risk governance, internal systems and controls and financial statements. The Committee also maintains the relationship with the National Audit Office (NAO), Ofcom's external auditors, including a review of its fees and the scope of its audit of Ofcom's financial statements. This covers their assessment of the risks of material misstatement and material irregularity, its independence, resources and the effectiveness of the audit process. In 2021/22, the Committee reviewed carefully the NAO's proposed one-off increase in fees due to Ofcom's implementation of a new Finance system. The Committee also works with Ofcom's internal audit provider to establish an Annual Plan for the audit of specific areas of Ofcom, and then monitors the progress and outcomes of those reviews.

The three Non-Executive Members of the Committee are independent and are considered to have the relevant skills and experience at a senior level. More than one Member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the communications sector in which Ofcom operates. In addition to my experience as a financial analyst, I was Chair of the Audit & Risk Committee of the National Lottery Heritage Fund & National Heritage Memorial Fund and I am a member of the Audit Committees of York Museums Trust and The Postal Museum.

The Committee has private sessions annually with the Finance Director and the Head of Risk Management and Insurance, in addition to the internal audit provider and the NAO. As part of my role as Chair of the Committee, I met regularly with the NAO and the internal audit provider in the reporting period, without Ofcom Management being present. Both the internal audit provider and the NAO have direct access to me in the event that they wish to raise anything which they feel is not appropriate to raise directly with Ofcom Management.

## Committee Activities

The Committee operates under formal terms of reference, which are reviewed annually, and which are set out in Ofcom's Corporate Governance Framework. The Committee has been delegated authority by the Board to:

- review and recommend Ofcom's risk appetite to the Board and to ensure Ofcom has appropriate processes in place to identify the main strategic risks including, but not limited to, any operational, reputational and financial risks;
- monitor financial reporting, including the accounting and financial reporting process of Ofcom's financial statements;
- ensure the effectiveness of Ofcom's internal control framework and risk management policy and systems;
- review and monitor the whistleblowing, business continuity planning and disaster recovery arrangements, bribery and fraud arrangements and any significant conflicts of interest across Ofcom;
- oversee the appointment of the Internal Auditors, including any proposals for tender, internal audit fees, Internal Audit performance, capability and effectiveness;
- review the External Auditors' independence and agree the nature and scope of the internal audit of Ofcom's financial statements

The work of the Committee follows an agreed annual work programme, with the Committee allocating its time in 2020/21 as follows:

- financial reporting and related matters
- annual report & accounts
- governance and risk management
- internal audit
- external audit
- cyber, ICT, physical & personal security
- oversight of the people and finance system replacement project
- scrutiny of the process for awarding the ICT services contract
- other (e.g. litigation, bribery & fraud)

## How our approach is informed by the UK Corporate Governance Code

The Committee is committed to discharging its responsibilities with transparency and integrity. In addition to the appointed Members of the Committee, the following have standing invitations to attend Committee meetings:

- Ofcom – Ofcom Chair, Chief Executive, Finance Director, Financial Controller, Head of Risk & Insurance Management, Group Director Corporate
- National Audit Office (NAO): representatives of Ofcom's External Audit Team
- Representatives of Ofcom's Internal Auditor

## Financial Statements and Accounting Policies

In conjunction with Ofcom Management and the internal audit provider and the NAO, the Committee reviewed the Financial Statements and associated documentation to establish if these were free from material misstatement and prepared in accordance with the applicable financial reporting framework. The Committee also challenged the judgements made by Ofcom Management and the assumptions and estimates on which they were based.

The Committee placed particular emphasis on the fair presentation and the reasonableness of the judgement of factors and appropriateness of significant accounting policies used in their preparation.

During the year, the Committee considered the treatment of various assets in the Group's accounts and the accounting assumptions applied to the results, including the assessment undertaken at the year end.

## Strategic Risk Deep Dives undertaken by the Committee in 2021/22

- Cyber Risk
- Online Safety, Video-Sharing Platforms and Public Service Media
- Horizon Scanning, Commercial Understanding of the Market
- Network Security – Telecommunications (Security) Act Readiness

### The Risk & Control Framework and Risk Management

The management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a risk management policy, which is reviewed and approved annually by the Committee and the Chief Executive as the Accounting Officer. To ensure that our risk management framework is effective and aligned to our requirements, a review of our risk management framework is undertaken periodically. During 2021/22, the Committee oversaw the development of a more focused Strategic Risk Register. In March 2022 the Ofcom Board undertook a review and update of the Ofcom Risk Appetite Statements. Ofcom's Strategic Risk Register is reviewed quarterly by the Ofcom Policy and Management Board and by the Risk and Audit Committee and Ofcom Board. An oral update on matters considered by the Committee is provided to the next following Ofcom Board meeting. The Committee conducts a deep dive into a specific strategic risk at each meeting:

The Committee has continued to engage with Senior Management regarding any identified risk areas and the Committee has reviewed the controls and mitigating actions. The Committee has been heartened during 2021/22 by the high level of engagement and understanding of strategic risks on the part of Senior Management. This has enabled more effective discussion and a more realistic assessment of risk.

At the start of the pandemic, Ofcom's Head of Risk Management and Insurance created a Covid-19-specific Risk Register, and regular updates have been provided to the Committee on the steps Ofcom has taken to ensure continuous operation.

### Internal Controls

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. The Committee reported to the Board on the effectiveness of Ofcom's internal control systems and encouraged improvements in their effectiveness, where appropriate. A description of the organisation's system of internal control is included in the Corporate Governance Report on pages 73-74.

In 2021/22 the Committee held two separate meetings with the Finance team to assess the assumptions and controls behind the budget planning process and to ensure value for money.

Additionally, assurance is taken from the work carried out by specialist teams across Ofcom, including the Security Committee, the Data Protection Steering Group, the Health and Safety Committee and the Business Continuity Group.

### Cyber & Network Resilience

The Committee recognised that the new duties of Online Safety and Telecommunications Security have increased Ofcom's attractiveness as a target for malicious actors. During 2021/22, the Committee monitored the work undertaken by the Risk, ICT and Technology Group functions to manage cyber risk and network resilience. Recommendations have been made to further strengthen Ofcom's IT processes, other systems and response plans as a result of this work. Further action will be taken in this area during 2022/23, with regular progress updates to be provided to the Committee.

The Committee also reviewed physical and personal security at Ofcom – focusing on a comprehensive plan of work to strengthen our security and align the organisation with the requirements of the Information Security standard ISO27001, for which certification has been achieved.

### Annual Internal Audit Plan and Focus of Reviews in 2021/22

Given the continuing challenges presented by the pandemic, and the pressures it has placed on Ofcom, the internal audit provider continued with its presentation of the Internal Audit Plan half yearly to support a more agile approach. The proposed Internal Audit Plan for the first half of 2021/22 was agreed by the Committee on 11 May 2021 and the one for the second half of 2021/22 on 6 October 2021, with our internal auditors.

During 2021/22, our internal audit providers, Senior Management and the Committee undertook an extensive programme to map our audit universe to both our Risk Register and strategic priorities and to our assurance activities since 2014/15. This has proved a very useful tool to highlight areas of limited internal audit coverage and to help determine our internal audit plan.

#### Areas of Internal Audit covered during 2021/22

- Cyber Security
- People and Finance Systems Replacement Project (PFS) Governance
- Programme and Project Management System Implementation
- People and Finance System Replacement Project: Controls
- Corporate Governance
- Spectrum Licensing.
- Financial Control.

The reviews undertaken as part of the Internal Audits comprised a risk-based programme of work across a range of key control areas, agreed with management and approved by the Committee. The Committee received quarterly reports from the internal audit provider on the progress of its audits, Ofcom Management's response to the findings (where appropriate) and the progress made in addressing any issues identified during the audits.

#### Other Areas of Review

Ofcom's Whistleblowing Fraud and Anti-Bribery Policies are reviewed by the Committee in December of each year. The Whistleblowing policy covers all of the necessary matters required under the Public Interests Disclosure Act 1998. This policy has been communicated to all colleagues who have been reminded that they can raise matters anonymously with Ofcom's whistleblowing hotline provider. While a number of cases were referred through the whistleblowing external hotline in 2021/22, none of these related to incidents of malpractice as defined under Ofcom's Whistleblowing Policy.

The Committee also received reports on Ofcom's Financial Authorities Framework (prior to Board approval being sought on changes to the Framework), Ofcom's accounting policies, anti-fraud and anti-bribery, significant conflicts of interest and data protection act conformance. An annual review was undertaken of Ofcom's Business Continuity Planning, Disaster Recovery and Crisis Management, with the Committee reviewing and approving a new Ofcom Resilience Policy in December 2021.

**Reporting to the Board**

As Chair of the Risk and Audit Committee, I provide regular updates to the Board on the main issues discussed at Committee meetings. During the year, the Board has shown particular interest in Ofcom's Cyber security strategic risk and the way in which any potential cyber attack would be managed. In response to this, a teach-in was organised for the Board on business continuity and major incident management with particular reference to potential cyber security issues.

The Committee reviewed and updated its terms of reference in 2021, recommending these to the Board for approval.

**Committee Performance and Effectiveness**

An externally facilitated review of the Committee's performance and effectiveness was conducted as part of the Board Evaluation Review. The outcome was very positive, with the effectiveness of the Risk and Audit Committee rated highly by Members and, in particular, the Committee's robust oversight and challenge which was considered to be attuned to Ofcom's needs. A key priority identified was to continue to monitor Internal Audit feedback.

**Angela Dean**

Chair of the Risk and Audit Committee



27 June 2022

## OUR EMPLOYEES

Ofcom is growing as we take on new duties and regulation linked to telecoms security and online safety, and we need to transform our capabilities for the future.

Joining us provides an exciting opportunity to develop new skills and career paths. Our internal change programme, One Ofcom, helps us to coordinate this effectively and make the most of our growth.

We're making progress in building expertise in digital markets, online and emerging technologies and data analytics, as well as advanced techniques such as algorithmic design, machine learning and artificial intelligence. We also want to ensure our people continue to have strong commercial and industry experience to ensure effective regulation. As part of our wider strategy to become a more diverse organisation, we're recruiting people across the UK.

We opened a new hub in Manchester in the autumn of 2021, which is growing in size and serving as a base for our work on online safety and telecoms network security.

As we grow we are also modernising our People and Finance systems to support our people more. With new software, Workday, staff are now better empowered not just to manage the administrative elements of managing people, their own personal information and data and financial tasks, but also their recruitment activities. Having the most up-to-date information and data at our fingertips means we can speed up access to vital information, enabling us to make decisions more quickly.

### Diversity, inclusion and wellbeing

Our diversity and inclusion strategy reflects our ambition to value the skills and contributions of every member of society, providing opportunities for people of all characteristics and backgrounds to succeed in their career at Ofcom.

The strategy sets out our plans to create:

- a diverse workforce
- an inclusive culture
- processes, systems and policies that are fair
- colleagues who take personal responsibility for diversity and inclusion
- leaders who are role models
- stronger connections to the communities we serve

Underpinning this vision are our five values of excellence, collaboration, agility, empowerment and respect.

In the last year, we transformed our approach to recruitment to ensure we maximise the opportunities to diversify our organisation as we grow. We've partnered with a recruiter who provides up-to-date information on our diversity recruitment outcomes and supports our hiring managers. To keep us focused on achieving our 2026 workforce targets (see table A) we set goals for a minimum one percentage point increase for each of them in year one of our strategy. We met them all: 45% for women in senior roles (from a starting point of 44%); 13% for minority ethnic people in senior roles (from 11%) and 13% for disabled people across Ofcom (from 12%).

We also undertook a full review of our performance management approach and launched it in March 2022. A streamlined management structure and substantial investment to build new Career and Performance Manager (CPM) roles launched in March 2022. It will strengthen quality leadership capability and help us grow, retain and attract the talent we need to carry out our responsibilities. Our CPMs will be supported by a comprehensive learning and development programme throughout 2022/23. Alongside this, we revamped our approach to reward.

We aim to foster a culture in which everyone feels they are valued and can be themselves at work. This doesn't mean that we agree all the time. It means we listen to each other, seek and give challenge, and treat each other with professionalism, respect and kindness. We measure inclusion through an Inclusion Index and wellbeing through a monthly wellbeing pulse. These results are shared with senior leaders to shape the culture and workplace of Ofcom.

## Wellbeing support

In the last year, we invested more resource and investment through our Thrive@Ofcom wellbeing programme. We set up regular reminders on support mechanisms such as our Employee Assistance Service, open 24 hours a day; virtual GP service, available 365 days a year; private medical cover, which provides access to trained counsellors and therapists; and a free Headspace meditation and mindfulness app for all. We boosted the number of trained mental health first aiders to 95 employees and continued to provide information and tips on how to manage physical health and mental wellbeing.

## Monitoring and reporting

We monitor our policies, practices and processes through data analysis and internal reporting, annual and 'pulse' colleague surveys. We also consult with colleague networks, Prospect union and our elected colleague forum. We provide external diversity and inclusion benchmarking and a regular equal pay audit and pay gap report.

In 2021, we were recognised as a Times Top 50 Employer for Women. We jumped 19 places in the Social Mobility Foundation Index benchmarking ranking to 86th place in the autumn. We stepped back from Stonewall's Diversity Champion's programme but remained in their Workplace Equality Index and continue to benchmark highly. We are a Disability Confident Level 2 employer and have Carer Confident Accomplished (Level 2) accreditation.

In spring and summer 2021 we published our gender, ethnicity and disability pay gaps for 2020 and 2021. The pay analysis showed that our gender pay gap widened slightly on the mean (to 10.9%) and remained relatively constant on the median (from 12.1% to 12.3%). In the second year of reviewing our disability pay, the data shows there are gaps in mean and median pay which have increased. For ethnicity, the pay gap decreased for the mean and median. We increased our numbers in the upper and middle pay quartile, but as our organisation grows we have also increased representation in our lowest pay quartile as we take on more graduates and apprenticeships and administrative colleagues in our corporate functions. Our new workforce targets on increasing senior representation for gender, senior ethnicity and disability across the whole organisation will help us in our aim to reduce our pay gaps.

Our first progress update on our diversity and inclusion strategy will be published in July 2022, along with our 2022 pay gap figures.

**Table A: Diversity targets**

|   | Starting position (Mar 2021) | Target for year one | Closing position at year one (Mar 2022) | End ambition Mar 2026 |
|---|------------------------------|---------------------|---|-----------------------|
| Gender at senior levels                         | 44%                          | 45%                 | 45% (met)                               | balanced              |
| Minority ethnic representation at senior levels | 11%                          | 12%                 | 13% (exceeded)                          | 16%                   |
| Disabled representation Ofcom-wide              | 12%                          | 12%                 | 13%                                     | 15%                   |

Base: All colleagues as at end of March 2021. By gender we mean legal sex. Senior levels = Principal and senior managers and specialists (SMS).

## Colleague involvement and consultation

Ofcom colleagues play an important role in ensuring that the organisation has a diversity of perspectives in its work and its approach in the workplace. Our regular formal and informal methods for informing and consulting colleagues include:

- the Ofcom Colleague Forum, an information and consultation forum made up of elected representatives of colleagues across Ofcom which meets regularly with senior management at Joint Consultative Group meetings (includes members from Prospect union)
- colleague surveys, inviting colleagues to share their views anonymously on a wide range of topics and which directly link to our diversity and inclusion strategy. The outcomes of these surveys provide a foundation for our organisational development and work
- our colleague diversity networks, of which we have eight covering a range of issues and communities
- open forums with the Chief Executive and the senior management team
- 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.

## Employment policies and processes

At Ofcom, we believe that leaders and colleagues should work together to create an inclusive and empowering work environment. To support this, we have established policies which make Ofcom a welcoming, flexible and family-friendly employer. Our people policies and

processes are always under review to ensure they are up-to-date with the requirements of employment law, reflect best practice and our values.

We are committed to providing a family-friendly working environment. To support this, we have introduced a pregnancy loss policy, neonatal leave and pay from one week to a maximum of 16 weeks for new parents whose baby requires neonatal care following birth. We also doubled our paternity paid leave from four to eight weeks, adding to our wide range of family policies, including adoption and surrogacy support, fertility treatment leave, pregnancy loss and carers' policies. To support the overall wellbeing of our colleagues and their families, Ofcom has partnered with Parent Cloud Hub who provide support for returning parents.

## Absence

Our aim is to treat people who are ill with compassion and fairness and, where possible, provide them with support to enable them to recover their health and attend work regularly. Against the background of Covid-19, in 2021/22, the number of working days lost was 4.6 days per year per employee (2020/21 = 3.1 days) at Ofcom. This compares favourably to the public sector average of 6.6 days per year in 2021.

## Off-payroll arrangements

In line with the Financial Reporting Manual and the Public Expenditure System (PES) guidance from HM Treasury, we have disclosed all off-payroll engagements for the financial year 2021/22 to the Department for Digital, Culture, Media and Sport (DCMS).



# REMUNERATION REPORT

**This report has been prepared to be compliant so far as is practicable and appropriate with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, though Ofcom is not required to comply with the regulations.**

The approach taken by the Board has been informed by certain principles of the UK Corporate Governance Code and fulfils the requirements of the Government Financial Reporting Manual only where appropriate and applicable.

## Constitution of the People Committee

The People Committee comprises all non-executive members of the Ofcom Board, as determined by the Ofcom Board, details of which are set out on page 87.

The Committee would also normally expect the Chief Executive, the Chief Operating Officer, the People and Transformation Director and the Corporation Secretary to attend meetings. Where necessary and appropriate, the People Committee will also take advice and/or obtain services from Ofcom colleagues or specialist external organisations. No individual is present for any discussion about their own remuneration.

## Remuneration Policy

In setting Ofcom's remuneration policy, the People Committee believes that Ofcom should, with consideration of it being a public body, provide a stable reward framework that will attract and retain the high-calibre people necessary to enable Ofcom to achieve its strategic priorities and to fulfil its statutory remit and responsibilities.

## Components of remuneration

The main components of the remuneration of the Senior Management Team (SMT) are in line with our approach to all colleague remuneration which includes basic salary, an all colleague defined contribution pension scheme and a range of flexible benefits which includes life assurance, group income insurance, private medical insurance and an annual health check as standard elements.

### 1 Basic salary

### 2 Flexible benefits

- Private medical insurance
- Life assurance
- Group income protection
- Annual health check

### 3 Annual Bonus scheme

### 4 Pension

- All colleague defined contribution scheme
- Pension allowance as % of salary

### Basic Salary

The basic salary for all colleagues is determined by taking into account each colleague's responsibilities, performance, and experience, together with relevant market benchmarking analysis. All basic salaries are considered annually, and any changes are made effective from 1st July each year. We conduct an annual equal pay audit for gender, ethnicity, and disability.

### Flexible Benefits

Ofcom offers a flexible benefits allowance to colleagues based on their grade. For the purposes of the remuneration tables, only the value of private medical insurance is included. The total value of group income protection, life assurance and annual health checks is not disclosed under benefits in kind as these are not treated by HM Revenue & Customs as a taxable emolument.

### Annual Bonus Scheme

Ofcom does not provide a long-term incentive plan scheme for any of its employees. All colleagues are considered under the remit of a discretionary annual performance bonus scheme. In 2021/22 no bonuses were paid to colleagues under the scheme due to the Covid pandemic and the resultant savings were passed back to our stakeholders through lower charges. For 2022/23 we have revised our annual bonus structure, reducing the amount available for distribution from 2.5% to 2.1% of our pay bill. All awards are approved by the People

### The latest fair pay disclosure data is shown below:

|   | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|---|---------|---------|---------|---------|
| Band of highest-paid individual's total remuneration (£000) | 330-335 | 330-335 | 330-335 | 390-395 |
| Median remuneration (£)                                     | 56,665  | 58,439  | 59,031  | 57,548  |
| Remuneration ratio  | 5.88    | 5.69    | 5.64    | 6.80    |

There has been a slight increase in the remuneration ratio from last year because of a reduction in the median remuneration. This is as a result of a higher proportion of colleagues being recruited in the lower paid quartiles.

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

The highest paid individual as at 31 March 2022 was the Chief Executive. The percentage change from the previous financial year in respect of highest paid individual is 0% which is based on the mid-point of the range relating to

Committee. Eligible colleagues will receive an award as a fixed amount per grade. Colleagues will not be eligible if they are going through a performance improvement process, or a live disciplinary sanction.

### Pension

Ofcom provides the option of a stakeholder (Defined Contribution) pension to all. All Ofcom colleagues are provided with a pension allowance, determined as a % of base salary. This can either be invested within one of two pension schemes – the Master Trust and Group Pension Plan which allows deductions to be made via salary sacrifice or taken as additional salary. No current Non-Executive Member received a pension benefit from Ofcom during the year under review.

### Fair pay disclosure

Ofcom believes in Fair Pay. We track this through monitoring a fair pay ratio, comparing the highest-paid individual in their organisation and the median remuneration of the rest of the organisation. The calculation of, and presentation of, the data is in line with the Government Financial Reporting Manual. For comparison purposes, the remuneration figure is taken as of 31 March annually and includes base salary, performance-related pay, flexible benefits allowance, and taxable benefits in kind.

the remuneration of the highest paid director. At this date the remuneration ranged from £18,272 to £332,920 (2020/21 range: £18,272 to £332,663).

The average percentage change from the previous financial year in respect of employees of the entity taken as a whole is -1.86%. The reason for this is more colleagues were recruited at the lower quartiles as well as no pay increase or bonus paid.

| Year    | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---------|---------------------------|------------------|---------------------------|
| 2021/22 | 8.26                      | 5.88             | 4.08                      |

## Remuneration tables

Details of the remuneration received by members of the Board, the Content Board and the SMT have been audited by the Comptroller and Auditor General and are set out in the following tables and notes.

The tables reflect the remuneration for the part of the year during which individuals were either permanent members of the Board or the Content Board only, or members of the SMT.

Those individuals marked with '+' against their name were in role for only part of financial year 2021/22 or 2020/2021.

Where individuals are members of more than one Board or Committee (as set out on pages 78-80) they appear only once in the remuneration tables.

The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees. The Non-Executive Members of the Ofcom Board additionally have provision of IT equipment if required.

**Table 1: Ofcom Non-Executive, Board Member remuneration:**

| Name            | Guidance note reference | Fees Paid 2021/22 £ | Fees 2020/21 £ |
|-----------------|-------------------------|---------------------|----------------|
| Karen Baxter +  | 1,2                     | 616                 | –              |
| Maggie Carver + | 1,2                     | 120,000             | 82,500         |
| Angela Dean     | 1                       | 42,519              | 42,519         |
| Bob Downes      | 1                       | 42,519              | 42,519         |
| David Jones     | 1                       | 42,519              | 42,519         |
| Graham Mather   | 1                       | 42,519              | 42,519         |
| Tim Suter +     | 1,2                     | 7,087               | 42,519         |
| Ben Verwaayen   | 1                       | 42,519              | 42,519         |
| <b>Total</b>    |                         | <b>340,298</b>      | <b>337,614</b> |

### Guidance Note 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 in Table 1 represent the amount paid during the period under review. The fee of the Non-Executives of the Ofcom Board (excluding the Chairman and Deputy Chair) has remained at £42,519 per annum since 1 April 2008.

### Guidance note 2:

Terry Burns (Lord Burns) left the position of Ofcom Chair on 31 December 2020. Maggie Carver was appointed as Interim Chairman in January 2021 and received fees of £120,000 per annum on the basis of 3 days per week. Prior to this the full year fees for her role as Deputy Chair were £70,000.

Michael Grade (Lord Grade of Yarmouth) was appointed by DCMS as the new Chair of Ofcom and took up his post on 1 May 2022.

Karen Baxter joined as an Ofcom Non-Executive Board Member on 28 March 2022 and Tim Suter stepped down and left Ofcom in May 2021.

**Table 2: Ofcom Non-Executive, Content Board Member remuneration:**

| Name                  | Guidance note reference | Actual fees 2021/22 £ | Fees 2020/21 £ |
|-----------------------|-------------------------|-----------------------|----------------|
| Dekan Apajee +        | 3                       | 16,800                | 7,000          |
| Jonathan Baker        | 3                       | 16,800                | 16,800         |
| Rachel Coldicutt +    | 3                       | 16,800                | 7,000          |
| Maggie Cunningham     | 3                       | 16,800                | 16,800         |
| Aled Eirug +          | 3                       | 11,200                | 16,800         |
| Robin Foster +        | 3                       | 12,600                | 16,800         |
| Angelina Fusco +      | 3                       | 2,800                 | 16,800         |
| Anna-Sophie Harling + | 3                       | 5,600                 | 7,000          |
| Peter Horrocks +      | 3                       | 16,800                | 7,000          |
| Tobin Ireland         | 3                       | 16,800                | 7,000          |
| Ruth McElroy +        | 3                       | 1,400                 | –              |
| Sophie Morgan +       | 3                       | 9,800                 | 16,800         |
| Stephen Nuttall       | 3                       | 16,800                | 16,800         |
| Monisha Shah          | 3                       | 16,800                | 16,800         |
| Kim Shillinglaw +     | 3                       | 16,800                | 7,000          |
| Janey Walker +        | 3                       | 2,013                 | 24,150         |
| <b>Total</b>          |                         | <b>196,613</b>        | <b>200,550</b> |

**Guidance Note 3:**

The fees for Non-Executive Members of the Content Board are fixed by Ofcom.

The values shown represent the full-year amount paid or, where appropriate, part of the year, where the Non-Executive Member joined the Content Board.

The basic fee of the Content Board Members is £16,800 per annum.

**Table 3 : Ofcom Executive, Board Member remuneration:**

| Name            | Guidance note reference | Months of reporting period employed in Board | Total salary paid £ | Pension entitlement/ allowance £ | Flexible benefits allowance £ | Benefits in kind £ | Annual performance bonus £ | 2021/22                   | 2020/21                   |
|-----------------|-------------------------|--|---------------------|----------------------------------|-------------------------------|--------------------|----------------------------|---------------------------|---------------------------|
|                 |                         |  |                     |                                  |                               |                    |                            | Total remuneration paid £ | Total remuneration paid £ |
| Melanie Dawes   | 4                       | 12   | 315,000             | 63,000                           | 15,000                        | 2,727              | –                          | 395,727                   | 395,663                   |
| Kevin Bakhurst  | 4                       | 12   | 248,300             | 37,245                           | 15,000                        | 2,727              | –                          | 303,272                   | 301,109                   |
| Lindsey Fussell | 4                       | 12   | 248,300             | 37,245                           | 15,000                        | 2,727              | –                          | 303,272                   | 300,132                   |

**Table 4: Ofcom Executive member, Content Board remuneration:**

| Name                          | Guidance note reference | Months of reporting period employed | Total salary paid (full year equivalent in brackets where part year worked) £ | Pension entitlement/ allowance £ | Flexible benefits allowance £ | Benefits in kind £ | Annual performance bonus £ | 2021/22                   | 2020/21                   |
|-------------------------------|-------------------------|-------------------------------------|---|----------------------------------|-------------------------------|--------------------|----------------------------|---------------------------|---------------------------|
|                               |                         |                                     |   |                                  |                               |                    |                            | Total remuneration paid £ | Total remuneration paid £ |
| Alison Marsden + <sup>1</sup> | 4                       | 12                                  | 140,453<br>(150,000)  | 22,500                           | 14,093                        | 2,727              | –                          | 179,773                   | 154,126                   |

**Table 5: Senior Management Team remuneration:**

| Name                | Guidance note reference | Months of reporting period where part of SMT | Total salary paid (full year equivalent in brackets where part year worked) £ | Pension entitlement/ allowance £ | Flexible benefits allowance £ | Benefits in kind £ | Annual performance bonus £ | 2021/22                   | 2020/21                   |
|---------------------|-------------------------|--|---|----------------------------------|-------------------------------|--------------------|----------------------------|---------------------------|---------------------------|
|                     |                         |  |   |                                  |                               |                    |                            | Total remuneration paid £ | Total remuneration paid £ |
| Luisa Affuso        | 4                       | 12   | 232,750   | 34,912                           | 15,000                        | 2,727              | –                          | 285,389                   | 283,528                   |
| Martin Ballantyne + | 4                       | 12   | 225,000   | 33,750                           | 15,000                        | 2,727              | –                          | 276,477                   | 206,865                   |
| Sachin Jogia +      | 4,5                     | 6  | 131,448<br>(265,000)  | 19,717                           | 7,441                         | 996                | –                          | 159,602                   | –                         |
| Kerri–Ann O’Neill   | 4                       | 12   | 144,200   | 21,630                           | 15,000                        | 2,727              | –                          | 183,557                   | 182,286                   |
| Melissa Tatton +    | 4,5                     | 12   | 225,000   | 33,750                           | 15,000                        | 2,182              | –                          | 275,932                   | 153,338                   |
| Yih–Choung Teh      | 4                       | 12   | 225,000   | 33,750                           | 15,000                        | 2,727              | –                          | 276,477                   | 257,725                   |

<sup>1</sup> Alison Marsden commenced a Non-Executive Director appointment at the UK’s statutory regulatory body for fertility treatment and embryo research, the Human Fertilisation and Embryology Authority (HFEA), on 1 April 2021. As Alison provided assurance that she would undertake all activities associated with this role, including attendance at Board/other meetings, in her own time, the People Committee agreed that she would be permitted to retain the £7,883 p.a. fee that she receives from HFEA. Alison’s role was not full-time all year as a result of leave arrangements.

**Guidance Note 4:**

The total annual remuneration is shown for Ofcom executives who are, or were, confirmed members of Ofcom's SMT during the reporting period 2021/22. This figure is remuneration entitled to for the reporting period so will be less than the full year equivalent if a full year was not worked as a member of the Senior Management Team.

The total annual remuneration includes basic salary, annual performance bonus, flexible benefits allowance, a percentage of basic salary paid as a pension allowance and taxable benefits in kind reflecting the cost to Ofcom of the provision of private medical insurance for each executive.

**Guidance Note 5:**

Sachin Jogia joined SMT as Chief Technology Officer in October 2021.

Melissa Tatton joined the SMT as Group Director, Corporate on an interim basis in September 2020 and was confirmed in post as Chief Operating Officer in April 2021.

**Table 6: Interim members and leavers of Senior Management team & Executive Content Board during the reporting period:**

| Name              | Guidance note reference | Months of reporting period employed | Total salary paid (full year equivalent in brackets where part year worked) £ | Pension entitlement/ allowance £ | Flexible benefits allowance £ | Benefits in kind £ | Annual performance bonus £ | 2021/22                   | 2020/21                   |
|-------------------|-------------------------|-------------------------------------|---|----------------------------------|-------------------------------|--------------------|----------------------------|---------------------------|---------------------------|
|                   |                         |                                     |   |                                  |                               |                    |                            | Total remuneration paid £ | Total remuneration paid £ |
| Helen Hearn +     | 6                       | 3                                   | 37,500<br>(150,000)   | 5,625                            | 3,750                         | 730                | –                          | 47,605                    | –                         |
| Phillip Marnick + | 6                       | 10                                  | 193,500<br>(232,200)  | 29,025                           | 12,500                        | 1,792              | –                          | 236,817                   | 282,921                   |
| Jonathan Oxley +  | 6                       | 1                                   | 22,917<br>(275,000)   | 3,438                            | 1,250                         | 222                | –                          | 27,827                    | 332,332                   |

**Guidance note 6:**

Helen Hearn joined the SMT as Interim Group Director, Spectrum for six months following Phillip Marnick's departure in January 2022.

Jonathan Oxley left Ofcom in April 2021 following a period of contractual gardening leave.

**Table 7: Annual Total Remuneration costs for all Senior Management Team & Executive Content Board Members in reporting period:**

| Total actual salary paid<br>£ | Pension entitlement/<br>allowance<br>£ | Flexible benefits allowance<br>£ | Benefits in kind<br>£ | Annual performance bonus<br>£ | Total remuneration paid 2021/2022<br>£ | Total remuneration paid 2020/2021<br>£ |
|-------------------------------|--|----------------------------------|-----------------------|-------------------------------|--|--|
| 2,389,368                     | 375,587                                | 159,034                          | 27,738                | –                             | 2,951,727                              | 3,274,445                              |

## Contract of employment

The Chief Executive has 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 approximately two days per week (with the exception of the Chair who commits up to 3 days a week and the Deputy Chair who commits up to two and a half days per week).

## 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 SMT are decided by the People Committee and will be made in accordance with the contract of employment of the relevant Executive Member or member of the SMT. No ex gratia payments in relation to early termination exceed £95,000. 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

Details of our approach to Code of Conduct including outside interests for Non-Executives and Colleagues is referenced in the Governance section of the Annual Report and Accounts.

On behalf of Ofcom,

### **Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

*Melanie Dawes*

15 June 2022

### **Ben Verwaayen**

Chair of the People Committee

*BV*

15 June 2022

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT, SCOTTISH PARLIAMENT, SENEDD CYMRU AND NORTHERN IRELAND ASSEMBLY

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2022 under the Office of Communications Act 2002.

The financial statements comprise the Office of Communications'

- Statement of Financial Position as at 31 March 2022;
- Statement of income and expenditure, Statement of Comprehensive net income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended;
- Remuneration Report; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its surplus after tax for the year then ended; and
- have been properly prepared in accordance with the Office of Communications Act 2002 and 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit of 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.



## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office of Communications' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of Communications' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## Other Information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Office of Communications Act 2002:

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Office of Communications Act 2002 and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

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 material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office of Communications or returns adequate for my audit have not been received from branches not visited by my staff; or
- management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions which may cause doubt on Ofcom's ability to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Office of Communications' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

## Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office of Communications' accounting policies.
- Inquiring of management, the Office of Communications Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Communications' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office of Communications' controls relating to its compliance
- discussing among the engagement team and involving relevant internal specialists, including Pension Experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office of Communications for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office of Communications' framework of authority as well as other legal and regulatory frameworks in which the Office of Communications operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office of Communications. The main laws and regulations I considered in this context included the Office of Communications Act 2002, the Wireless Telegraphy Act 2006, the Postal Services Act 2011, the Digital Economy Act 2010 & Digital Economy Act 2017, Employment Law, tax legislation, Pension Legislation.

In addition, I considered the risk associated with a significant IT implementation during the year.

#### Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Risk and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal

course of business; and

- specific audit procedures performed in respect of the risk associated with a significant IT implementation during the year

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

#### Other auditor's responsibilities

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.

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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

July 2022

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria

London SW1W 9SP

## SECTION C

# FINANCIAL STATEMENTS

This section sets out our financial statements and notes to the accounts for the financial year ended 31 March 2022.



## STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 March 2022

|  | Notes | 2021/22<br>£'000 | 2020/21<br>£'000 |
|--|-------|------------------|------------------|
| Income                                 | 3     | 149,675          | 132,468          |
| Spectrum clearance income              | 3     | 8,752            | 22,689           |
| Legal settlement funding               | 3     | –                | 919              |
| <b>Total income</b>                    |       | <b>158,427</b>   | <b>156,076</b>   |
| <b>Operating expenditure</b>           |       |                  |                  |
| Staff costs                            | 4     | (89,993)         | (83,044)         |
| Other operating expenditure            | 6     | (55,796)         | (50,444)         |
| Spectrum clearance expenditure         | 4,6   | (8,752)          | (22,689)         |
| Legal cost in year                     | 6     | –                | 2,081            |
| <b>Total operating expenditure</b>     |       | <b>(154,541)</b> | <b>(154,096)</b> |
| <b>Operating surplus</b>               |       | <b>3,886</b>     | <b>1,980</b>     |
| Finance costs                          | 16,17 | (873)            | (970)            |
| Pension interest income                | 19    | 254              | 516              |
| <b>Surplus before tax for the year</b> |       | <b>3,267</b>     | <b>1,526</b>     |
| Taxation                               | 7     | –                | –                |
| <b>Surplus after tax for the year</b>  |       | <b>3,267</b>     | <b>1,526</b>     |

The accounting policies and notes on pages 118-156 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE NET INCOME

For the year ended 31 March 2022

|   | Notes | 2021/22<br>£'000 | 2020/21<br>£'000 |
|---|-------|------------------|------------------|
| <b>Surplus after tax for the year</b>           |       | <b>3,267</b>     | <b>1,526</b>     |
| <b>Other comprehensive income/(expenditure)</b> |       |                  |                  |
| Remeasurement on pensions                       | 19    | 3,712            | (8,674)          |
| <b>Total comprehensive income/(expenditure)</b> |       | <b>6,979</b>     | <b>(7,148)</b>   |

The accounting policies and notes on pages 118-156 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

|   | Notes | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|---|-------|---------------------------------|---------------------------------|
| <b>Non-current assets</b>                                       |       |                                 |                                 |
| Property, plant and equipment                                   | 8     | 12,186                          | 10,637                          |
| Right-of-use assets   | 9     | 39,623                          | 43,073                          |
| Intangible assets   | 10    | 35                              | 166                             |
| Trade and other receivables: non-current assets                 | 12    | 542                             | 1,069                           |
| Retirement benefit assets                                       | 19    | 19,688                          | 14,876                          |
| <b>Total non-current assets</b>                                 |       | <b>72,074</b>                   | <b>69,821</b>                   |
| <b>Current assets</b>   |       |                                 |                                 |
| Trade and other receivables: current assets                     | 11    | 20,672                          | 19,627                          |
| Cash and cash equivalents                                       | 13    | 20,920                          | 14,185                          |
| <b>Total current assets</b>                                     |       | <b>41,592</b>                   | <b>33,812</b>                   |
| <b>Total assets</b>   |       | <b>113,666</b>                  | <b>103,633</b>                  |
| <b>Current liabilities</b>                                      |       |                                 |                                 |
| Trade and other payables: current liabilities                   | 14    | 36,514                          | 27,875                          |
| Lease liabilities: current liabilities                          | 16    | 4,766                           | 4,079                           |
| Provisions for liabilities and charges: current liabilities     | 17    | 12                              | 12                              |
| <b>Total current liabilities</b>                                |       | <b>41,292</b>                   | <b>31,966</b>                   |
| <b>Non-current liabilities</b>                                  |       |                                 |                                 |
| Trade and other payables: non-current liabilities               | 15    | 5,547                           | 7,100                           |
| Lease liabilities: non-current liabilities                      | 16    | 36,009                          | 40,653                          |
| Provisions for liabilities and charges: non-current liabilities | 17    | 143                             | 149                             |
| Retirement benefit liabilities                                  | 19    | 1,084                           | 1,153                           |
| <b>Total non-current liabilities</b>                            |       | <b>42,783</b>                   | <b>49,055</b>                   |
| <b>Total liabilities</b>  |       | <b>84,075</b>                   | <b>81,021</b>                   |
| <b>Assets less liabilities</b>                                  |       | <b>29,591</b>                   | <b>22,612</b>                   |
| <b>Equity</b>   |       |                                 |                                 |
| Reserves  |       | 29,591                          | 22,612                          |
| <b>Total equity</b>   |       | <b>29,591</b>                   | <b>22,612</b>                   |

The accounting policies and notes on pages 118-156 form part of these financial statements. These financial statements were approved by the Board on 15 June 2022.



**Lord Michael Grade**  
Chair



**Dame Melanie Dawes DCB**  
Chief Executive and Accounting Officer

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

|  | Notes | Reserve<br>£'000 |
|--|-------|------------------|
| <b>Balance as at 1 April 2020</b>                  |       | <b>29,760</b>    |
| <b>Changes in equity for 2020/21</b>               |       |                  |
| Remeasurement on pensions                          | 19    | (8,674)          |
| Surplus for the year                               |       | 1,526            |
| <b>Total comprehensive expenditure for 2020/21</b> |       | <b>(7,148)</b>   |
| <b>Balance as at 31 March 2021</b>                 |       | <b>22,612</b>    |
| <b>Changes in equity for 2021/22</b>               |       |                  |
| Remeasurement on pensions                          | 19    | 3,712            |
| Surplus for the year                               |       | 3,267            |
| <b>Total comprehensive income for 2021/22</b>      |       | <b>6,979</b>     |
| <b>Balance as at 31 March 2022</b>                 |       | <b>29,591</b>    |

The accounting policies and notes on pages 118-156 form part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

|  | Notes | 2021/22<br>£'000 | 2020/21<br>£'000 |
|--|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>              |       |                  |                  |
| Operating surplus  |       | 3,886            | 1,980            |
| <b>Adjustments for non-cash transactions</b>             |       |                  |                  |
| Depreciation   | 8     | 2,128            | 2,033            |
| Depreciation of right-of-use assets                      | 9     | 4,993            | 4,742            |
| Amortisation   | 10    | 135              | 211              |
| Loss/(Gain) on disposal of non-current assets            | 6     | 1                | (175)            |
| Impairment   | 6     | –                | 250              |
| Increase in trade and other receivables                  | 11,12 | (518)            | (631)            |
| Decrease in trade and other payables                     | 14,15 | 7,086            | 1,653            |
| (Decrease)/Increase in lease liabilities                 | 16    | (1,118)          | 139              |
| Decrease in provisions                                   | 17    | (11)             | (3,014)          |
| Increase in retirement pension                           | 19    | (915)            | (540)            |
| <b>Net cash inflow from operating activities</b>         |       | <b>15,667</b>    | <b>6,648</b>     |
| <b>Cash flows from investing activities</b>              |       |                  |                  |
| Purchases of property, plant and equipment               | 8     | (3,678)          | (1,366)          |
| Purchases of right-of-use assets                         | 9     | (58)             | (165)            |
| Purchases of intangible assets                           | 10    | (4)              | –                |
| Proceeds from sale of non-current assets                 | 6     | –                | 183              |
| <b>Net cash outflow from investing activities</b>        |       | <b>(3,740)</b>   | <b>(1,348)</b>   |
| <b>Cash flows from financing activities</b>              |       |                  |                  |
| Payments of lease liabilities                            | 16    | (5,192)          | (4,942)          |
| <b>Net cash outflow from financing activities</b>        |       | <b>(5,192)</b>   | <b>(4,942)</b>   |
| <b>Increase in cash and cash equivalents in the year</b> |       | <b>6,735</b>     | <b>358</b>       |
| <b>Cash and cash equivalents at beginning of year</b>    |       | 14,185           | 13,827           |
| Increase in cash and cash equivalents in the year        |       | 6,735            | 358              |
| <b>Closing net funds</b>                                 | 13    | <b>20,920</b>    | <b>14,185</b>    |

The accounting policies and notes on pages 118-156 form part of these financial statements.



## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 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 2022 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) in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair value, if any, under the accounts direction from the Departments for Business, Energy and Industrial Strategy (BEIS) and Digital, Culture, Media and Sport (DCMS). The Remuneration Report and Fees and Charges disclosure form part of the financial statements as per the Accounts Direction issued under the Office of Communications Act 2002.

Ofcom has regard to the Government Financial Reporting Manual, where relevant, but is not required to comply with it.

Amounts in the Financial Statements are stated in pounds sterling, to the nearest thousand, 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. The standards and statements below relate to the current accounting period.

- Amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases applicable to annual reporting periods beginning on or after 1 January 2021. Interest rate benchmarks such as LIBOR (the London

Inter-Bank Offered Rate) will be discontinued and replaced by alternative benchmark rates. For Ofcom, the transition date was at the start of the financial year on 1 April 2021. For year ended 31 March 2022, this has no impact on our figures since we apply HM Treasury rates on leases and financial instruments.

- Amendments to IFRS 16 – Covid19-Related Rent Concessions

IFRS 16 Leases contains accounting requirements for lease modifications, including rent concessions. Ofcom, as a lessee, must determine whether to treat the modification as a separate lease or to adjust the existing lease liability and right of use asset.

The expedient permits a company to elect not to assess whether a rent concession is a lease modification, where the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The time period over which the practical expedient is available has been extended to 30 June 2022. Ofcom did not request any pandemic related rent concessions during the year ended 31 March 2022.

No new standard, amendment and interpretation to existing standard has been published with an impact on the financial statements of Ofcom which relate to future accounting periods.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 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 can be reliably measured, and it is probable that future economic benefits will flow to the entity.

IFRS 15 Revenue from Contracts with Customers has a five-stage model for the recognition of income from contracts with customers. The core principle was to recognise income so that it depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Ofcom considered the five-step process and determined no change to the income recognition approach:

- In each financial year, Ofcom is required to balance our expenditure with its income. Ofcom is required by the statute to raise income from each of the sectors we regulate such that we cover our costs in regulating that sector together with a proper apportionment of our 'common costs' to each of those sectors. Therefore, legislation provides the enforceability on both parties to enable Ofcom to recover our costs from third parties.
- The performance obligations relate to the underlying work to be undertaken by Ofcom as regulator of the Communications sector, and as set out in the published Annual Plan.
- The charges are calculated on the basis of costs recovery as set out in the Ofcom budget and adjusted for any under or over recoveries in the previous year. All charges are published in the tariff tables for each financial year.
- Costs are allocated to third parties in line with the Ofcom Statement of Charging Principles. This ensures charges reflect costs allocated to the appropriate sector and in line with relevant turnover.
- Income is recognised in the year the performance obligation (cost) is incurred. Any under or over recovery of income is accrued or deferred and future charges are adjusted accordingly.
- Income is also recognised for those costs where fees and charges cannot be raised to stakeholders, primarily for the cost of spectrum management through the retention of Wireless Telegraphy Act (WTA) licence fees in accordance with S401 of the Communications Act 2003 and the Statement of Funding Principles.

#### Grant-in-aid DCMS

Grant-in-aid is provided from DCMS for the funding of 700MHz clearance programme. This programme oversees the clearance (including mitigation of potential interference) of the UHF 700MHz 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 (HMT).

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 (WTA) Receipts Retention

Fees are payable to Ofcom in relation to our spectrum management function. Following the enactment of the Digital Economy Act 2017, Ofcom may retain such sums to fund our general spectrum management functions, as well as to meet the costs of undertaking our other functions for which we cannot otherwise levy fees and charges. As agreed with both HMT & DCMS, WTA receipts will also be used to fund preparatory work for new duty such as online safety. The monthly retention amount is determined by the planned expenditure for these functions. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following month's retention amount.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### Stakeholder income

#### Networks and services, postal services administrative fees

These fees are charged to stakeholders in the networks and services and postal services who operate under a non-licenced regime but fall within Ofcom's regulatory powers. These charges are a combination of both planned expenditure for our regulatory work as set out in the Annual Plan and prior year adjustments. This income is accounted for on an accrual basis. Following finalisation of costs at year end, income in excess of the cash expenditure is classified as deferred income and presented on the Statement of Financial Position as a payable. Conversely, cash expenditure in excess of income received is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date. Any over or under recovery is reflected in the following financial year's costs.

#### Broadcasting licence fees

Income from broadcasting licence fees represents the amount invoiced to holders of broadcasting licences for our planned regulatory works including any prior year adjustments. This income is accounted for on an accrual basis. Income in excess of the cash expenditure in the broadcasting's sector is classified as deferred income and presented on the Statement of Financial Position as a payable. Cash expenditure in excess of income received is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date. Any over or under recovery is reflected in the following financial year's costs.

#### Application fees

For practical reasons, we charge fixed fees for discrete regulatory activities within the control of individual stakeholders (for example, a broadcasting licence application) or where relevant turnover is not an appropriate basis for charging (for example, community radio). These fees are non-refundable and accordingly, recorded as revenue on receipt of the stakeholder application. However, any under or over recovery is offset against the total sector's costs in the following year. For example, if the total expenditure for radio applications exceeds the revenue from the applications, the under recovery will be included in the total radio regulatory costs to be recovered from radio licence fee payers.

### Networks and information systems

Income from Network and Information systems (NIS) stakeholders represents the amounts due from designated operators of essential services for our regulatory work. This income is accounted for on an accrual basis. As per the NIS regulations, this income is recovered in arrears; therefore the cash expenditure is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date.

### Other income

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

### c) MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the sums paid by the Scottish Ministers to Ofcom are subsequently paid by Ofcom to the Gaelic Broadcasting Fund managed by MG Alba. As a result, this is not reflected in Ofcom's financial statements.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

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

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments. The income collected is from five main sources:

- WTA licence fees
- Government Department spectrum fees
- Financial Penalties
- Additional Payments from television and radio licensees; and
- Geographic Numbering

The income collected (excluding those retained under the Digital Economy Act 2017) was passed to the UK Consolidated Fund at HM Treasury, the Department of Finance and Personnel – Northern Ireland (DFPNI) and to the Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey under Statutory Instrument 1991, Numbers 998, 1710 and 1709 respectively, directly or via the Department for Digital, Culture, Media, and Sport (DCMS) as Ofcom's sponsoring body.

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.

Therefore, no receipts, payments or related Statement of Financial Position items are made in Ofcom's 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.

### 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 unless it is more appropriate to apply the criteria to an aggregated value. For example, fixed computer hardware such as servers, firewalls and network switches used in offices are capitalised. Whereas, low value, short-life moveable IT equipment is expensed, as Ofcom has no control over the physical environment or manner in which usage takes place.

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:

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

Depreciation is charged to the Statement of Income and Expenditure, 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.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

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.

Gains and losses on disposals are recognised within '(Gain)/Loss on disposal of non-current assets' in the 'Other operating expenditure' note per the Statement of Income and Expenditure.

### f) Right-of-use assets and lease liabilities

For any new contracts, Ofcom considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Ofcom assesses whether the contract meets three main evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Ofcom.
- Ofcom has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering our rights within the defined scope of the contract.
- Ofcom has the right to direct the use of the identified asset throughout the period of use. Ofcom assesses whether we have the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, Ofcom recognises right-of-use asset and lease liability excluding VAT on the balance sheet. Right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received) up to the end of or extension of lease, whichever is later, or up to termination of lease if any.

Ofcom depreciates the right-of-use assets on a straight-line basis at rates estimated to write off our book values from the month in which an asset is brought into service, to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Ofcom also assesses the right-of-use asset for impairment when such indicators exist.

The minimum capitalisation threshold is £2,500 and right-of-use assets is recorded at total costs of the leased contract, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value.

Subsequent to initial measurement, the carrying amount of the right-of-use asset is adjusted by the same amount as the adjustment to the carrying value of the lease liability. There is no immediate gain or loss, but the revised cash flows will impact the Statement of Income and Expenditure over the remaining term of the lease. Exceptions to this principle are when a reduction in the carrying value of the lease liability is greater than the carrying value of the related right-of-use asset at the point of remeasurement, in which case the asset is reduced to nil and the excess is recognised in Statement of Income and Expenditure, and in many cases where a lease modification decreases the scope of an existing lease. Revaluation of right-of-use assets, if any, will be recognised in the revaluation reserve.

Ofcom measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or in accordance with HM Treasury rate of 0.95% for calendar year 2022 (0.91% for calendar year 2021).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), and if any, the variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or Statement of Income and Expenditure if the right-of-use asset is already reduced to zero.

Ofcom has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expenditure in Statement of Income and Expenditure on a straight-line basis over the lease term.

### Initial direct costs

These are the incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained. These might include costs such as finder's fees, commissions to agents for establishing the lease and up-front fees. Ofcom has incurred such costs as a result of signing new leases during the year and these have been added to the right-of-use assets in the financial statements.

### Use of hindsight

A company may use hindsight in determining the lease term if the contract contains options to extend or terminate the lease. It is available only when a company follows a modified retrospective approach. A main benefit of a modified retrospective approach is that a company can transition its operating leases using information as at the date of initial application.

## g) 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, related licences fees, and the information technology which relates to the development of our core systems. The minimum capitalisation threshold is £2,500. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value.

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 costs are recorded as an expenditure in the period in which they are incurred.

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.

Amortisation on capitalised intangible assets is charged to the Statement of Income and Expenditure 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 3 to 5 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Systems under development comprise of costs incurred in developing software, which will replace some of the current applications. Upon completion, these assets will be transferred to the relevant asset class and amortised according to the accounting policy.

Gains and losses on disposals are recognised within '(Gain)/Loss on disposal of non-current assets' in the 'Other operating expenditure' note per the Statement of Income and Expenditure.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### h) Impairment of Property, Plant and Equipment, Intangible Assets and Right-of-use 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.

On adoption of IFRS 16, all impairment and onerous leases across existing leased properties were remeasured to take account of the impact of the change in accounting for leases on the measurement of impairments. No changes in underlying assumptions were made during this remeasurement.

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

### i) Financial Instruments

#### 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 and other receivables are non-interest bearing and recognised initially fair value less any write off for impairment. Gains and losses on subsequent measurement are recognised as fair value entirely in the Statement of Income and Expenditure.

The global financial uncertainty arising from the pandemic has had little impact on the recoverability of debts during the year ended 31 March 2022 and therefore there is no significant increase to credit risk. During the year where stakeholders have had financial difficulties Ofcom has provided opportunities for payment plans and delaying the timing of the payment.

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

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

#### 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 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.

Trade and other payables are non-interest bearing and recognised initially at fair value.

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

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

#### Financial Risks and Impairment of Financial Instruments

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. Ofcom has no significant exposure to liquidity, interest rate or currency risks. Because of the nature of activities and the way in which Ofcom is financed, we are not exposed to the degree of financial risks faced by business entities.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

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 our activities.

The adoption of IFRS 9 Financial Instruments has no material impact on Ofcom's results. Ofcom's trade receivables or contract assets have no significant financing component nor exposure to credit risks, with any under recovery of stakeholder fees in a given year recovered through the following year's tariffs. Ofcom has assessed the loss allowance at initial recognition at an amount equal to lifetime expected credit loss, and the outcome was immaterial. Therefore, to ensure this remains the same throughout the life of the receivable, Ofcom continues to appraise the robustness of our monthly credit control and impairment of financial assets, if any, at the end of each financial year.

### j) Employee benefits

#### Pensions

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

#### Defined contribution scheme

A defined contribution plan is a post-employment benefit 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 expenditure in the Statement of Income and Expenditure as incurred. New staff may join the stakeholder pension scheme, which is a defined contribution scheme.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit 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.

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/(expenditure) within the Statement of Comprehensive Net Income/(Expenditure) in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in the Statement of Income and Expenditure in the current period.

Ofcom participates in two defined benefit pension schemes which relate to staff that transferred to Ofcom from legacy regulators. 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, 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.



## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 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 and two former Directors General of The Office of Telecommunications. 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.

### Colleague leave liability

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

Colleagues who had completed five years of continuous service were 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 1st January 2008, this benefit was withdrawn for new employees.

### k) Provisions

Provisions for early retirement and legal provisions are recognised when:

The severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment are provided from the date of early retirement until retiring age. The colleague receives an annual compensation payment equal to the preserved pension which 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.

Ofcom has a present legal or constructive obligation as a result of past events and 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; 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.

Where there are 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.

### l) Foreign exchange

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

### m) 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.

### n) 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 Income and Expenditure for the year under review by sector.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### o) Areas of judgement and main 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 income and expenditure 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 main areas are summarised below.

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

- Legal provisions – accounting policy (k)
- Income recognition and assessment of unbilled income – accounting policy (b)

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

- Estimation of liabilities for pensions and other post-retirement benefits – accounting policy (j)
- Judgement about whether a contract contains a lease (f)

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 2. SECTORAL ANALYSIS

The analysis below refers to income by sector for the year ended 31 March 2022, 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 Operating Segments, as per the accounting policy 1 (n).

|   | Spectrum management<br>£'000 | Spectrum clearance<br>£'000 | Satellite filings<br>£'000 | Network information & services<br>£'000 | Networks & services<br>£'000 | Broadcasting<br>£'000 | Postal regulation<br>£'000 | Other regulatory activities<br>£'000 | 2021/22 Total<br>£'000 | 2020/21 Total<br>£'000 |
|---|------------------------------|-----------------------------|----------------------------|---|------------------------------|-----------------------|----------------------------|--------------------------------------|------------------------|------------------------|
| Income                                    |                              |                             |                            |   |                              |                       |                            |                                      |                        |                        |
| Licence, regulation & administration fees | –                            | –                           | 126                        | 7                                       | 48,295                       | 21,097                | 4,793                      | 4,569                                | 78,887                 | 75,366                 |
| Application fees                          | –                            | –                           | –                          | –                                       | 365                          | 208                   | –                          | –                                    | 573                    | 564                    |
| Grant-in-aid (GIA)                        | –                            | 10,050                      | –                          | –                                       | –                            | –                     | –                          | –                                    | 10,050                 | 26,500                 |
| WTA receipts retention                    | 52,671                       | –                           | –                          | –                                       | –                            | –                     | –                          | 23,863                               | 76,534                 | 61,084                 |
| Accrued/(Deferred) income                 | 2,974                        | (1,298)                     | 634                        | 109                                     | (10,851)                     | 2,428                 | 697                        | (2,428)                              | (7,735)                | (7,584)                |
| <b>Operating income</b>                   | <b>55,645</b>                | <b>8,752</b>                | <b>760</b>                 | <b>116</b>                              | <b>37,809</b>                | <b>23,733</b>         | <b>5,490</b>               | <b>26,004</b>                        | <b>158,309</b>         | <b>155,930</b>         |
| Other income                              | 43                           | –                           | 1                          | –                                       | 30                           | 19                    | 4                          | 21                                   | 118                    | 121                    |
| Interest receivable                       | –                            | –                           | –                          | –                                       | –                            | –                     | –                          | –                                    | –                      | 25                     |
| <b>Total income</b>                       | <b>55,688</b>                | <b>8,752</b>                | <b>761</b>                 | <b>116</b>                              | <b>37,839</b>                | <b>23,752</b>         | <b>5,494</b>               | <b>26,025</b>                        | <b>158,427</b>         | <b>156,076</b>         |
| Accrued rental income                     | –                            | –                           | –                          | –                                       | –                            | –                     | –                          | –                                    | –                      | –                      |
| <b>Cash income</b>                        | <b>55,688</b>                | <b>8,752</b>                | <b>761</b>                 | <b>116</b>                              | <b>37,839</b>                | <b>23,752</b>         | <b>5,494</b>               | <b>26,025</b>                        | <b>158,427</b>         | <b>156,076</b>         |
| Adjustment to operating expenditure       | (43)                         | –                           | (1)                        | –                                       | (30)                         | (19)                  | (4)                        | (21)                                 | (118)                  | (146)                  |
| Other costs                               | (55,645)                     | (8,752)                     | (760)                      | (116)                                   | (37,809)                     | (23,733)              | (5,490)                    | (26,004)                             | (158,309)              | (155,011)              |
| <b>Cash operating expenditure</b>         | <b>(55,688)</b>              | <b>(8,752)</b>              | <b>(761)</b>               | <b>(116)</b>                            | <b>(37,839)</b>              | <b>(23,752)</b>       | <b>(5,494)</b>             | <b>(26,025)</b>                      | <b>(158,427)</b>       | <b>(155,157)</b>       |
| Legal settlement                          | –                            | –                           | –                          | –                                       | –                            | –                     | –                          | –                                    | –                      | (919)                  |
| <b>Total</b>                              | <b>(55,688)</b>              | <b>(8,752)</b>              | <b>(761)</b>               | <b>(116)</b>                            | <b>(37,839)</b>              | <b>(23,752)</b>       | <b>(5,494)</b>             | <b>(26,025)</b>                      | <b>(158,427)</b>       | <b>(156,076)</b>       |
| <b>Surplus on cash costs basis</b>        | <b>–</b>                     | <b>–</b>                    | <b>–</b>                   | <b>–</b>                                | <b>–</b>                     | <b>–</b>              | <b>–</b>                   | <b>–</b>                             | <b>–</b>               | <b>–</b>               |
| Comparative costs by sector               |                              |                             |                            |   |                              |                       |                            |                                      |                        |                        |
| <b>Year ended 31 March 2022</b>           | <b>(55,688)</b>              | <b>(8,752)</b>              | <b>(761)</b>               | <b>(116)</b>                            | <b>(37,839)</b>              | <b>(23,752)</b>       | <b>(5,494)</b>             | <b>(26,025)</b>                      | <b>(158,427)</b>       | <b>–</b>               |
| Year ended 31 March 2021                  | (52,657)                     | (22,689)                    | (702)                      | (110)                                   | (39,169)                     | (25,609)              | (5,600)                    | (8,621)                              | (155,157)              | –                      |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

Other regulatory activities comprise:

- expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls, consumer protection, preparatory work for both video sharing platforms and online safety duties and the costs of our telecom security duties; WTA receipts are used to fund these cost categories;
- 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 receipts retention are allocated and matched to costs in the year to which they relate.

The table on page 128 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. Where in the current year there is an excess of income over expenditure, the surplus will be rebated to the relevant stakeholders. Alternately, 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 BBC regulatory responsibilities.

Income and Expenditure in the Spectrum Clearance reduced in 2021/22 as the programme draws to a close.

Income and Expenditure for Other Regulatory Activities has increased in 2021/22 as a result of the preparation work for our new duties regarding Online Safety.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### Reconciliation from operating expenditure to final operating costs out-turn

|  | Notes | 2021/22<br>£'000 | 2020/21<br>£'000 |
|--|-------|------------------|------------------|
| <b>Operating expenditure – Statement of Income and Expenditure</b> |       | <b>154,541</b>   | <b>154,096</b>   |
| Adjustments in respect of pension asset and liability              |       | 844              | 470              |
| Capital expenditure less depreciation and amortisation             | 8,10  | 1,419            | (878)            |
| Right-of-use assets depreciation                                   | 9     | (4,993)          | (4,742)          |
| Lease payments   | 16    | 5,192            | 4,942            |
| Other adjustments  |       | 1,424            | 1,269            |
| <b>Cash operating expenditure</b>                                  |       | <b>158,427</b>   | <b>155,157</b>   |
| Spectrum clearance   | 4,6   | (8,752)          | (22,689)         |
| ITU Subscription   |       | (2,617)          | (2,553)          |
| Non-operating income   |       | (118)            | (146)            |
| <b>Final operating costs out-turn</b>                              |       | <b>146,940</b>   | <b>129,769</b>   |

Other adjustments reflect the movement in year of non cash related matters.

As required by both the Communications & Postal Services Act, the table below shows cash received during the financial year and the amount outstanding for the Network & services, Broadcasting and Post sectors. Cash received during the year includes accrued income from prior years.

|                     | Cash received<br>in 2021/22<br>£'000 | Amount<br>outstanding<br>£'000 |
|---------------------|--------------------------------------|--------------------------------|
| <b>Sectors</b>      |                                      |                                |
| Networks & services | 39,542                               | 1,593                          |
| Broadcasting        | 22,863                               | 501                            |
| Post                | 5,967                                | –                              |
| <b>Total</b>        | <b>68,372</b>                        | <b>2,094</b>                   |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 3. INCOME

|   | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2021/22<br>£'000 | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2020/21<br>£'000 |
|---|----------------|--------------------------------|------------------------------------|---------------------------|----------------|--------------------------------|------------------------------------|---------------------------|
| <b>Grant-in-aid DCMS</b>                                  |                |                                |                                    |                           |                |                                |                                    |                           |
| Spectrum Clearance  | –              | 8,752                          | –                                  | 8,752                     | –              | 22,689                         | –                                  | 22,689                    |
| <b>Total Government grant-in-aid</b>                      | <b>–</b>       | <b>8,752</b>                   | <b>–</b>                           | <b>8,752</b>              | <b>–</b>       | <b>22,689</b>                  | <b>–</b>                           | <b>22,689</b>             |
| <b>WTA Receipts Retention</b>                             |                |                                |                                    |                           |                |                                |                                    |                           |
| Spectrum Management                                       | 55,645         | –                              | –                                  | 55,645                    | 52,601         | –                              | –                                  | 52,601                    |
| Ex-post Competition                                       | 1,092          | –                              | –                                  | 1,092                     | –              | –                              | –                                  | –                         |
| Nuisance calls  | 147            | –                              | –                                  | 147                       | 817            | –                              | –                                  | 817                       |
| Consumer Protection                                       | 8              | –                              | –                                  | 8                         | 14             | –                              | –                                  | 14                        |
| Video sharing platform                                    | 5,696          | –                              | –                                  | 5,696                     | 3,385          | –                              | –                                  | 3,385                     |
| Public Interest Test                                      | 100            | –                              | –                                  | 100                       | –              | –                              | –                                  | –                         |
| Online Safety   | 15,975         | –                              | –                                  | 15,975                    | 2,722          | –                              | –                                  | 2,722                     |
| Telecoms security duties                                  | 2,808          | –                              | –                                  | 2,808                     | 1,616          | –                              | –                                  | 1,616                     |
| Network and information systems                           | 38             | –                              | –                                  | 38                        | 53             | –                              | –                                  | 53                        |
| HFSS  | 140            | –                              | –                                  | 140                       | –              | –                              | –                                  | –                         |
| Legal Settlement  | –              | –                              | –                                  | –                         | –              | –                              | 919                                | 919                       |
| <b>Total WTA receipts retention</b>                       | <b>81,649</b>  | <b>–</b>                       | <b>–</b>                           | <b>81,649</b>             | <b>61,208</b>  | <b>–</b>                       | <b>919</b>                         | <b>62,127</b>             |
| <b>Stakeholder income</b>                                 |                |                                |                                    |                           |                |                                |                                    |                           |
| Networks and services administrative and application fees | 37,809         | –                              | –                                  | 37,809                    | 39,129         | –                              | –                                  | 39,129                    |
| Broadcasting Act licence and application fees             | 23,733         | –                              | –                                  | 23,733                    | 25,580         | –                              | –                                  | 25,580                    |
| Postal Regulation   | 5,490          | –                              | –                                  | 5,490                     | 5,594          | –                              | –                                  | 5,594                     |
| Networks and information systems                          | 116            | –                              | –                                  | 116                       | 110            | –                              | –                                  | 110                       |
| Other income  | 878            | –                              | –                                  | 878                       | 847            | –                              | –                                  | 847                       |
| <b>Total stakeholder income</b>                           | <b>68,026</b>  | <b>–</b>                       | <b>–</b>                           | <b>68,026</b>             | <b>71,260</b>  | <b>–</b>                       | <b>–</b>                           | <b>71,260</b>             |
| <b>Total income</b>                                       | <b>149,675</b> | <b>8,752</b>                   | <b>–</b>                           | <b>158,427</b>            | <b>132,468</b> | <b>22,689</b>                  | <b>919</b>                         | <b>156,076</b>            |

Spectrum management includes the International Telecommunication Union (ITU) annual subscription paid on behalf of the UK Government.

Broadcasting Act licence and application fees include the charge to the BBC in relation to BBC regulatory responsibilities.

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

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 4. STAFF COSTS

|   | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Total<br>2021/22<br>£'000 | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Total<br>2020/21<br>£'000 |
|---|----------------|--------------------------------|---------------------------|----------------|--------------------------------|---------------------------|
| <b>Staff costs, including fees paid to Board Members, were:</b> |                |                                |                           |                |                                |                           |
| Salaries and benefits   | 73,439         | 212                            | 73,651                    | 68,024         | 351                            | 68,375                    |
| National Insurance costs  | 8,657          | 25                             | 8,682                     | 7,831          | 38                             | 7,869                     |
| Pension costs   | 7,857          | 17                             | 7,874                     | 7,037          | 33                             | 7,070                     |
| Restructuring costs   | 40             | 60                             | 100                       | 152            | –                              | 152                       |
| <b>Total staff costs</b>  | <b>89,993</b>  | <b>314</b>                     | <b>90,307</b>             | <b>83,044</b>  | <b>422</b>                     | <b>83,466</b>             |

There were no salaries and benefits costs in core Ofcom directly related to the implementation of Covid-19 measures (2020/21: £384k) and EU Exit (2020/21: £54k).

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

During the year, twenty-four (2020/21: 24) employees were seconded to other organisations and therefore this credit is included within the staff costs line in the table above.

There were no accruals for restructuring costs in 2021/22 as all payments were made during the year (2020/21: 2).

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 102-108.

### 5. EMPLOYEE NUMBERS

|   | 2021/22 | 2020/21 |
|---|---------|---------|
| The average number of employees (full time equivalents) | 1,102   | 992     |

As at 31 March 2022, Ofcom had 1,189 employees (full time equivalents) (2020/21: 1,031), an increase from the previous year primarily as a result of the preparation work for our new duties regarding Online Safety.

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

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 6. OTHER OPERATING EXPENDITURE

|   | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2021/22<br>£'000 | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2020/21<br>£'000 |
|---|----------------|--------------------------------|------------------------------------|---------------------------|----------------|--------------------------------|------------------------------------|---------------------------|
| Auditors remuneration – statutory audit fees            | 127            | –                              | –                                  | 127                       | 89             | –                              | –                                  | 89                        |
| Auditors remuneration – Section 400                     | 16             | –                              | –                                  | 16                        | 16             | –                              | –                                  | 16                        |
| Professional fees                                       | 6,627          | 191                            | –                                  | 6,818                     | 4,815          | 1,324                          | –                                  | 6,139                     |
| Outsourced services                                     | 10,423         | –                              | –                                  | 10,423                    | 9,791          | –                              | –                                  | 9,791                     |
| Audience and consumer research                          | 5,183          | –                              | –                                  | 5,183                     | 5,322          | –                              | –                                  | 5,322                     |
| Technological research and spectrum efficiency projects | 281            | –                              | –                                  | 281                       | 1,018          | –                              | –                                  | 1,018                     |
| Spectrum clearance scheme                               | –              | 8,243                          | –                                  | 8,243                     | –              | 20,937                         | –                                  | 20,937                    |
| Temporary staff and recruitment                         | 5,405          | –                              | –                                  | 5,405                     | 3,038          | –                              | –                                  | 3,038                     |
| Travel and subsistence                                  | 327            | –                              | –                                  | 327                       | 17             | 2                              | –                                  | 19                        |
| Premises costs  | 5,635          | –                              | –                                  | 5,635                     | 5,565          | –                              | –                                  | 5,565                     |
| Administration and office expenses                      | 7,365          | –                              | –                                  | 7,365                     | 7,525          | –                              | –                                  | 7,525                     |
| Information and technology costs                        | 6,972          | 4                              | –                                  | 6,976                     | 6,062          | 4                              | –                                  | 6,066                     |
| Vehicles  | 179            | –                              | –                                  | 179                       | 103            | –                              | –                                  | 103                       |
| Bad and doubtful debt                                   | (1)            | –                              | –                                  | (1)                       | 22             | –                              | –                                  | 22                        |
| Amortisation  | 135            | –                              | –                                  | 135                       | 211            | –                              | –                                  | 211                       |
| Depreciation  | 2,128          | –                              | –                                  | 2,128                     | 2,033          | –                              | –                                  | 2,033                     |
| Depreciation ROU lease assets                           | 4,993          | –                              | –                                  | 4,993                     | 4,742          | –                              | –                                  | 4,742                     |
| (Gain)/Loss on disposal of non-current assets           | 1              | –                              | –                                  | 1                         | (175)          | –                              | –                                  | (175)                     |
| Impairment  | –              | –                              | –                                  | –                         | 250            | –                              | –                                  | 250                       |
| <b>Total other operating expenditure</b>                | <b>55,796</b>  | <b>8,438</b>                   | <b>–</b>                           | <b>64,234</b>             | <b>50,444</b>  | <b>22,267</b>                  | <b>–</b>                           | <b>72,711</b>             |

Spectrum clearance costs have been presented separately from core Ofcom other operating expenditure in order to aid transparency and provide a more meaningful comparison between the years.

The gain on disposal of non-current assets in the prior year was primarily due to proceeds from an insurance claim of £170k received during the year, in addition there was a further £13k proceeds from disposal of non-current assets last year.



## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

The total expenditure incurred directly as a result of the implementation of Covid-19 measures and EU Exit are shown below. These have been presented as part of the total other operating expenditure for the year.

|                           | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2021/22<br>£'000 | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2020/21<br>£'000 |
|---------------------------|----------------|--------------------------------|------------------------------------|---------------------------|----------------|--------------------------------|------------------------------------|---------------------------|
| Covid-19                  | 281            | –                              | –                                  | 281                       | 1,901          | 1,372                          | –                                  | 3,273                     |
| EU Exit                   | –              | –                              | –                                  | –                         | 73             | –                              | –                                  | 73                        |
|                           |                |                                |                                    |                           |                |                                |                                    |                           |
|                           | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2021/22<br>£'000 | Ofcom<br>£'000 | Spectrum<br>clearance<br>£'000 | Third party<br>litigation<br>£'000 | Total<br>2020/21<br>£'000 |
| <b>Legal cost in year</b> | –              | –                              | –                                  | –                         | –              | –                              | <b>(2,081)</b>                     | <b>(2,081)</b>            |

The movement in legal cost in year, from the previous financial year, is as a result of the reversal of a proportion of the legal provision made in the previous year that was not required when the matter was settled in 2020/21.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 7. TAXATION

|  | 2021/22<br>£'000 | 2020/21<br>£'000 |
|--|------------------|------------------|
| <b>Reconciliation of tax charge</b>  |                  |                  |
| Surplus before tax   | 3,267            | 1,526            |
| Tax on profit at the UK standard rate of Corporation Tax of 19% (2020/21: 19%) | 621              | 290              |
| <b>Tax effect of:</b>  |                  |                  |
| Income not subject to tax  | (30,093)         | (29,645)         |
| Expenses not subject to tax  | 29,480           | 29,365           |
| Decrease to brought forward tax losses   | (8)              | (10)             |
| <b>Tax charge</b>  | <b>-</b>         | <b>-</b>         |

At the reporting date, Ofcom had unused tax losses available for offset against future taxable income of £11,285k (2020/21: £11,325k). 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 used.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 8. PROPERTY, PLANT AND EQUIPMENT

|  | Leasehold improvements<br>£'000 | Fixtures and fittings<br>£'000 | Office and field equipment<br>£'000 | Computer hardware<br>£'000 | Motor vehicles<br>£'000 | Assets under construction<br>£'000 | Total<br>£'000 |
|--|---------------------------------|--------------------------------|-------------------------------------|----------------------------|-------------------------|------------------------------------|----------------|
| <b>Cost</b>                                      |                                 |                                |                                     |                            |                         |                                    |                |
| <b>At 1 April 2020</b>                           | <b>8,161</b>                    | <b>1,822</b>                   | <b>12,791</b>                       | <b>1,859</b>               | <b>736</b>              | <b>335</b>                         | <b>25,704</b>  |
| Additions during year                            | 319                             | 56                             | 500                                 | 82                         | –                       | 409                                | 1,366          |
| Disposals  | (151)                           | (14)                           | (83)                                | (262)                      | –                       | –                                  | (510)          |
| Transfers  | –                               | 26                             | 302                                 | 7                          | –                       | (335)                              | –              |
| <b>At 31 March 2021</b>                          | <b>8,329</b>                    | <b>1,890</b>                   | <b>13,510</b>                       | <b>1,686</b>               | <b>736</b>              | <b>409</b>                         | <b>26,560</b>  |
| Additions during year                            | –                               | 114                            | 29                                  | 546                        | –                       | 2,989                              | 3,678          |
| Disposals  | (5)                             | (13)                           | (2,972)                             | (25)                       | –                       | –                                  | (3,015)        |
| Transfers  | –                               | –                              | 323                                 | 94                         | –                       | (417)                              | –              |
| <b>Cost at 31 March 2022</b>                     | <b>8,324</b>                    | <b>1,991</b>                   | <b>10,890</b>                       | <b>2,301</b>               | <b>736</b>              | <b>2,981</b>                       | <b>27,223</b>  |
| <b>Depreciation</b>                              |                                 |                                |                                     |                            |                         |                                    |                |
| <b>At 1 April 2020</b>                           | <b>1,550</b>                    | <b>541</b>                     | <b>10,395</b>                       | <b>1,421</b>               | <b>485</b>              | <b>–</b>                           | <b>14,392</b>  |
| Charge for the year                              | 767                             | 251                            | 675                                 | 226                        | 114                     | –                                  | 2,033          |
| Disposals  | (144)                           | (14)                           | (82)                                | (262)                      | –                       | –                                  | (502)          |
| <b>At 31 March 2021</b>                          | <b>2,173</b>                    | <b>778</b>                     | <b>10,988</b>                       | <b>1,385</b>               | <b>599</b>              | <b>–</b>                           | <b>15,923</b>  |
| Charge for the year                              | 716                             | 266                            | 761                                 | 306                        | 79                      | –                                  | 2,128          |
| Disposals  | (5)                             | (11)                           | (2,973)                             | (25)                       | –                       | –                                  | (3,014)        |
| <b>Accumulated depreciation at 31 March 2022</b> | <b>2,884</b>                    | <b>1,033</b>                   | <b>8,776</b>                        | <b>1,666</b>               | <b>678</b>              | <b>–</b>                           | <b>15,037</b>  |
| <b>NBV 31 March 2022</b>                         | <b>5,440</b>                    | <b>958</b>                     | <b>2,114</b>                        | <b>635</b>                 | <b>58</b>               | <b>2,981</b>                       | <b>12,186</b>  |
| NBV 31 March 2021                                | 6,156                           | 1,112                          | 2,522                               | 301                        | 137                     | 409                                | 10,637         |

Equipment purchased for the Spectrum Clearance and Awards programme has been included in Ofcom's asset registers under Field Equipment.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 9. RIGHT-OF-USE ASSETS

Ofcom leases of assets include buildings, vehicles and office equipment. Information about leases for which Ofcom is a lessee is presented below.

|  | Buildings<br>£'000 | Vehicles<br>£'000 | Others<br>£'000 | Total<br>£'000 |
|--|--------------------|-------------------|-----------------|----------------|
| <b>Cost</b>                                      |                    |                   |                 |                |
| <b>At 1 April 2020</b>                           | <b>51,895</b>      | <b>292</b>        | <b>238</b>      | <b>52,425</b>  |
| Additions during year                            | 243                | –                 | –               | 243            |
| Disposals  | (22)               | (51)              | (5)             | (78)           |
| <b>At 31 March 2021</b>                          | <b>52,116</b>      | <b>241</b>        | <b>233</b>      | <b>52,590</b>  |
| Additions during year                            | 1,020              | 516               | 7               | 1,543          |
| <b>Cost at 31 March 2022</b>                     | <b>53,136</b>      | <b>757</b>        | <b>240</b>      | <b>54,133</b>  |
| <b>Depreciation</b>                              |                    |                   |                 |                |
| <b>At 1 April 2020</b>                           | <b>4,605</b>       | <b>118</b>        | <b>52</b>       | <b>4,775</b>   |
| Charge for the year                              | 4,619              | 61                | 62              | 4,742          |
| <b>Accumulated depreciation at 31 March 2021</b> | <b>9,224</b>       | <b>179</b>        | <b>114</b>      | <b>9,517</b>   |
| Charge for the year                              | 4,861              | 87                | 45              | 4,993          |
| <b>Accumulated depreciation at 31 March 2022</b> | <b>14,085</b>      | <b>266</b>        | <b>159</b>      | <b>14,510</b>  |
| <b>NBV 31 March 2022</b>                         | <b>39,051</b>      | <b>491</b>        | <b>81</b>       | <b>39,623</b>  |
| NBV 31 March 2021                                | 42,892             | 62                | 119             | 43,073         |

Ofcom entered into three new leases for vehicle hire and offices in Manchester and Edinburgh in this financial year.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 10. INTANGIBLE ASSETS

|  | Software licences<br>£'000 | Information technology<br>£'000 | Systems under development<br>£'000 | Total<br>£'000 |
|--|----------------------------|---------------------------------|------------------------------------|----------------|
| <b>Cost</b>                                      |                            |                                 |                                    |                |
| <b>At 1 April 2020</b>                           | <b>5,451</b>               | <b>17,973</b>                   | <b>317</b>                         | <b>23,741</b>  |
| Impairment                                       | –                          | –                               | (250)                              | (250)          |
| Disposals  | (34)                       | (97)                            | –                                  | (131)          |
| Transfers  | –                          | 67                              | (67)                               | –              |
| <b>At 31 March 2021</b>                          | <b>5,417</b>               | <b>17,943</b>                   | <b>–</b>                           | <b>23,360</b>  |
| Additions during year                            | –                          | –                               | 4                                  | 4              |
| Disposals  | (305)                      | (268)                           | –                                  | (573)          |
| <b>Cost at 31 March 2022</b>                     | <b>5,112</b>               | <b>17,675</b>                   | <b>4</b>                           | <b>22,791</b>  |
| <b>Amortisation</b>                              |                            |                                 |                                    |                |
| <b>At 1 April 2020</b>                           | <b>5,193</b>               | <b>17,921</b>                   | <b>–</b>                           | <b>23,114</b>  |
| Charge for the year                              | 147                        | 64                              | –                                  | 211            |
| Disposals  | (34)                       | (97)                            | –                                  | (131)          |
| <b>At 31 March 2021</b>                          | <b>5,306</b>               | <b>17,888</b>                   | <b>–</b>                           | <b>23,194</b>  |
| Charge for the year                              | 111                        | 24                              | –                                  | 135            |
| Disposals  | (305)                      | (268)                           | –                                  | (573)          |
| <b>Accumulated amortisation at 31 March 2022</b> | <b>5,112</b>               | <b>17,644</b>                   | <b>–</b>                           | <b>22,756</b>  |
| <b>NBV 31 March 2022</b>                         | <b>–</b>                   | <b>31</b>                       | <b>4</b>                           | <b>35</b>      |
| NBV 31 March 2021                                | 111                        | 55                              | –                                  | 166            |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 11. TRADE AND OTHER RECEIVABLES: CURRENT ASSETS

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| Trade receivables  | 2,992                           | 858                             |
| Other receivables  | 640                             | 501                             |
| Prepayments  | 5,930                           | 7,444                           |
| Staff loans and advances                                 | 48                              | 23                              |
| Accrued Income – Stakeholder                             | 4,865                           | 4,061                           |
| Accrued Income – Grant-in-aid                            | 134                             | 134                             |
| Accrued income – WTA Receipts                            | 6,063                           | 6,606                           |
| <b>Total trade and other receivables: current assets</b> | <b>20,672</b>                   | <b>19,627</b>                   |

The increase in trade receivables was due to a delay in raising sales invoices after the migration from SAP to Workday in the last quarter of the year.

The decrease in prepayments was due to a change in internal accounting policy of the recognition of rent after the migration from SAP to Workday. Rent is no longer treated as a prepayment but fully recognised in the month that rent is paid.

### 12. TRADE AND OTHER RECEIVABLES: NON-CURRENT ASSETS

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| Accrued Income – Stakeholder                                 | 542                             | 1,069                           |
| <b>Total trade and other receivables: non-current assets</b> | <b>542</b>                      | <b>1,069</b>                    |

This is mainly driven by a lower TV sector accrued income for this financial year (2021/22 £263k v 2020/21 £735k) due to the outturn costs for the sector being more in line with forecast.

### 13. CASH AND CASH EQUIVALENTS

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| Commercial banks and cash in hand      | 20,920                          | 14,185                          |
| <b>Total cash and cash equivalents</b> | <b>20,920</b>                   | <b>14,185</b>                   |

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

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 14. TRADE AND OTHER PAYABLES: CURRENT LIABILITIES

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| Trade payables   | 5,894                           | 78                              |
| Other payables   | 1,103                           | 1,575                           |
| Value added tax payable                                    | 128                             | 204                             |
| Accruals   | 8,854                           | 11,079                          |
| Deferred Income – Other                                    | 852                             | –                               |
| Deferred Income – Stakeholder                              | 13,508                          | 7,900                           |
| Deferred income – Grant-in-aid                             | 1,292                           | 3,811                           |
| Deferred income – WTA Receipts                             | 4,883                           | 3,228                           |
| <b>Total trade and other payables: current liabilities</b> | <b>36,514</b>                   | <b>27,875</b>                   |

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.

The movement in trade payables is due to timing of the final supplier payment run made in early April 2022.

Deferred income from stakeholders is driven by the change in funding for our security related work which under the Telecoms Security Act is no longer funded by the Networks and Services.

### 15. TRADE AND OTHER PAYABLES: NON-CURRENT LIABILITIES

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| Deferred Income – Stakeholder                                  | 5,547                           | 7,100                           |
| <b>Total trade and other payables: non-current liabilities</b> | <b>5,547</b>                    | <b>7,100</b>                    |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 16. LEASE LIABILITIES

A maturity analysis of lease liabilities based on undiscounted gross cash flows is reported in the table below:

|   | Buildings<br>£'000 | Vehicles<br>£'000 | Other<br>£'000 | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|---|--------------------|-------------------|----------------|---------------------------------|---------------------------------|
| <b>Maturity analysis – contractual cash flows:<br/>undiscounted</b> |                    |                   |                |                                 |                                 |
| Less than one year  | 5,418              | 119               | 27             | 5,564                           | 4,966                           |
| One to five years   | 20,688             | 331               | 54             | 21,073                          | 20,405                          |
| More than five years  | 18,050             | –                 | –              | 18,050                          | 24,331                          |
| <b>Total lease liabilities: undiscounted</b>                        | <b>44,156</b>      | <b>450</b>        | <b>81</b>      | <b>44,687</b>                   | <b>49,702</b>                   |

Ofcom does not face a significant liquidity risk with regard to our lease liabilities.

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| <b>Amounts recognised in the statement of financial position</b> |                                 |                                 |
| Lease liabilities: current liabilities                           | 4,766                           | 4,079                           |
| Lease liabilities: non-current liabilities                       | 36,009                          | 40,653                          |
| <b>Total lease liabilities: discounted</b>                       | <b>40,775</b>                   | <b>44,732</b>                   |

Leases are discounted at a single nominal rate for leases, which for the full 2022 calendar year is 0.95 per cent (2021: 0.91 per cent, 2020: 1.27 per cent). Leases that transition to IFRS 16 prior to January 2020 and in the 2019 calendar year are discounted at prior year discount rate of 1.99 per cent, in accordance with HMT Treasury direction.



## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

Each lease generally imposes a restriction that, unless there is a contractual right for Ofcom to sublet the asset to another party, the right-of-use asset can only be used by Ofcom. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. Ofcom is prohibited from selling or pledging the underlying leased assets as security. For leases over buildings, Ofcom must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, Ofcom must insure right-of-use assets and incur maintenance fees on such assets in accordance with the lease contracts.

|  | As at<br>31 March 2022<br>£'000 | As at<br>31 March 2021<br>£'000 |
|--|---------------------------------|---------------------------------|
| <b>Amounts recognised in the Statement of Income and Expenditure</b>                         |                                 |                                 |
| Interest on lease liabilities (included in finance costs)                                    | 868                             | 961                             |
| Expenditure relating to short-term leases (included in other operating expenditure)          | 3                               | 21                              |
| Expenditure relating to leases of low-value assets (included in other operating expenditure) | 23                              | 21                              |
| <b>Amounts recognised in the Statement of Cash Flows</b>                                     |                                 |                                 |
| Total cash outflow for leases  | (5,192)                         | (4,942)                         |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

|  | Early retirement<br>£'000 | Legal<br>£'000 | Total<br>£'000 |
|--|---------------------------|----------------|----------------|
| <b>At 1 April 2020</b>   | <b>166</b>                | <b>3,000</b>   | <b>3,166</b>   |
| Discount unwound and changes in rate (included in finance costs) | 9                         | –              | 9              |
| Utilised in year   | (14)                      | (940)          | (954)          |
| Provision released   | –                         | (2,060)        | (2,060)        |
| <b>At 31 March 2021</b>  | <b>161</b>                | <b>–</b>       | <b>161</b>     |
| Discount unwound and changes in rate (included in finance costs) | 5                         | –              | 5              |
| Utilised in year   | (11)                      | –              | (11)           |
| <b>Total provisions as at 31 March 2022</b>                      | <b>155</b>                | <b>–</b>       | <b>155</b>     |

|   | Early retirement<br>£'000 | Legal<br>£'000 | Total<br>£'000 |
|---|---------------------------|----------------|----------------|
| <b>Analysis of expected timing of cashflows</b> |                           |                |                |
| <b>Current</b>                                  |                           |                |                |
| Less than one year                              | 12                        | –              | 12             |
| <b>Total current</b>                            | <b>12</b>                 | <b>–</b>       | <b>12</b>      |
| <b>Non-current</b>                              |                           |                |                |
| One to five years                               | 50                        | –              | 50             |
| More than five years                            | 93                        | –              | 93             |
| <b>Total non-current</b>                        | <b>143</b>                | <b>–</b>       | <b>143</b>     |
| <b>Total provisions as at 31 March 2022</b>     | <b>155</b>                | <b>–</b>       | <b>155</b>     |

The provision for early retirement of £155k (2020/21: £161k) is for Annual Compensation Payments which is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by –1.30 per cent (2020/21: –0.95 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 1 to 5 years are discounted by the short term discount rate of 0.47 per cent (2020/21: –0.02 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 0.70 per cent (2020/21: 0.18 per cent).

Ofcom's regulatory decisions may be subject to appeal. 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 they are probable and quantifiable.

Following the Annual Licence Fee (ALF) appeal outcome in February 2020, one third party had an ongoing appeal to the Court of Appeal seeking further penal interest on the original ALF repayment sum. This matter was resolved in this financial year with a final payment of £940k awarded. As a result the balance of the provision from 2019/20 year end was released accordingly.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 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 £13,530k (2020/21: £13,580k) to Ofcom. The sums have not been reflected in Ofcom's financial statements as these are subsequently 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 financial statements 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 defined contributions plan, defined benefit plans and unfunded plans.

#### A) Defined contribution plan – stakeholder pension plan

Ofcom's primary means of providing pension benefits to our colleagues is by contributing to a stakeholder pension plan. Employer contributions of £7,104k were made in the year ended 31 March 2022 (2020/21: £6,447k). 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 2022 was £3k in relation to Plan expenses (2020/21: £3k). Employer contributions of £360k were transferred from the Feeder Trust account to the Ofcom Defined Benefit Pension Plan in the year ending 31 March 2022 (2020/21: £1,560k); and
- The Ofcom (Former ITC) Staff 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) Staff Pension Plan for the year ending 31 March 2022 was £10k in relation to Plan expenses (2020/21: £10k). Employer contributions of £180k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Staff Pension Plan in the year ending 31 March 2022 (2020/21: £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 2018 were completed for both defined benefit plans and, unlike under IFRS, showed a combined surplus of £5.3m. A funding valuation with an effective date of 31 March 2021 is currently underway.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom is expected 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 (further details below). Ofcom also reimburses the Plans for pension related levies.

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. The Ofcom Feeder Trust is the mechanism by which Ofcom sets aside funds in order to make future contributions and to meet the running costs of our two defined benefit pension plans, the Ofcom Defined Benefit Pension Plan and the Ofcom (Former ITC) Staff Pension Plan.

Funds transferred to the Ofcom Feeder Trust are recognised in the financial year in which the transfer is made but these funds may then be used in future periods. Monies retained in the Feeder Account can only be used for funding the pension plans in accordance with the schedule of contributions for each Plan or by an ad hoc payment approved by Ofcom in respect of a particular project (such as a risk reduction exercise) as well as meeting the running costs of the plans.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

At the end of May 2020, the Trustee purchased a bulk annuity contract with Legal & General to cover the benefits of all the uninsured members of the Ofcom Defined Benefit Plan who were receiving a pension as at 30 November 2019. In support of this buy in the company paid £1.2m from the Feeder Trust.

Ofcom contributed for the year ended 31 March 2022 £1,600k into the Feeder Trust (2020/21: £1,080k), the additional funding paid this year provides the opportunity for further de-risking of the liabilities of the Plans. The balance of the Feeder Trust as at 31 March 2022 was £8,797k (2020/21: £7,737k).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission and the Radio Authority 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.

### GMP equalisation

Following the High Court ruling in the Lloyds Bank case on 26 October 2018, which determined that schemes must adjust benefits so as to equalise Guaranteed Minimum Pensions (GMPs) between men and women, Ofcom made an allowance for the potential impact of this at 31 March 2019. This was allowed for as a past service cost in the Statement of Income and Expenditure. An allowance of £284k was made in respect of the Ofcom (Former ITC) Staff Pension Plan and an allowance of £14k was made in respect of the Ofcom Defined Benefit Pension Plan. The Plans' Trustees continue to progress equalising GMPs. The ultimate cost of this will not be known until they have been fully equalised (which is likely to be a number of years away).

### GMP equalisation of Historic Values

On 20 November 2020 the latest High Court judgement on GMP equalisation in relation to transfer value payments was made. It concluded that historic transfers since 17 May 1990, which contained GMP accrued after this date, will need to be equalised. An analysis has not been undertaken to establish the potential liability for the Plans as a result of the latest ruling as there has been

relatively limited transfer value activity in the past and therefore the additional liability in relation to any historic transfer values is not expected to be material.

### Deed of Amendment 2018

An additional past service cost of £377k was allowed for in the Ofcom Defined Benefit Pension Plan at the 31 March 2019 year end. This was as a result of a Deed of Amendment which was executed in respect of the Ofcom Defined Benefit Pension Plan on 28 July 2018. As a result of these rule amendments, the benefits of some pensioner members had to be recalculated, leading to an increase in their benefits. As a result of revised calculations as part of this exercise, the total adjustment has risen and an additional £100k has been recognised in the Other Comprehensive Income at 31 March 2022. This exercise is expected to be implemented in summer 2022.

### Potential changes to RPI

The UK Statistics Authority (UKSA) has advised that it intends to change the Retail Price Index (RPI), by 2030 at the latest, to bring it in line with CPIH (the Consumer Prices Index including owners-occupiers' housing costs). The Government carried out a public consultation on the matter during 2020, covering the timing and methodology used in any change. The results of this consultation were released on 25 November 2020. It concluded that RPI will be reformed to be in line with the CPIH with the transition taking place during 2030, and that no compensation would be paid to index-linked gilt holders. In response to this announcement, the derivation of RPI and CPI inflation assumptions were reviewed at 31 March 2021. Ofcom will continue to consider the outcome of the consultation to set the inflation assumptions used to determine the accounting DBO at 31 March 2022.

Ofcom has determined that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases at 31 March 2022, including the changes in the RPI index to CPIH, and the derivation of the RPI inflation assumption at 31 March 2022 has remained consistent with prior years. For the derivation of the CPI assumption, Ofcom has determined that it is appropriate to maintain the approach adopted at the previous year end, resulting in an RPI-CPI differential of 0.85% at 31 March 2022, taking into account the DB plans' characteristics and membership profiles.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### SUMMARY OF OFCOM'S DEFINED BENEFIT PENSION OBLIGATIONS

The amounts recognised in the Statement of Financial Position are as follows:

|  | Defined benefit pensions funded 31 March 2022<br>£'000 | Unfunded pensions liability 31 March 2022<br>£'000 | Total retirement benefits 31 March 2022<br>£'000 | Defined benefit pensions funded 31 March 2021<br>£'000 | Unfunded pensions liability 31 March 2021<br>£'000 | Total retirement benefits 31 March 2021<br>£'000 |
|--|--|--|--|--|--|--|
| Funded status, end of year                           |  |  |  |  |  |  |
| – Benefit obligation in respect of deferred members  | (64,977)   | –  | (64,977)   | (85,476)   | –  | (85,476)   |
| – Benefit obligation in respect of pensioner members | (188,273)  | (1,084)  | (189,357)  | (186,341)  | (1,153)  | (187,494)  |
| <b>Total benefit obligations</b>                     | <b>(253,250)</b>                                       | <b>(1,084)</b>                                     | <b>(254,334)</b>                                 | <b>(271,817)</b>                                       | <b>(1,153)</b>                                     | <b>(272,970)</b>                                 |
| Fair value of plan assets                            | 272,938  | –  | 272,938  | 286,693  | –  | 286,693  |
| <b>Funded status</b>                                 | <b>19,688</b>  | <b>(1,084)</b>                                     | <b>18,604</b>                                    | <b>14,876</b>  | <b>(1,153)</b>                                     | <b>13,723</b>                                    |

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 attributable to the DB Plan and Feeder Account which has economic value as it can be recovered by Ofcom.

### Covid-19

Covid-19 and events in western Europe continue to result in significant market volatility impacting both asset values and market yields, which in turn has impacted the pensions in the Statement of Financial Position. In particular, for the DB Plan, there is a mis-match between the change in liabilities and the movement in the plan assets over the year. This has been primarily driven by the increase in corporate bond yields and increases in inflation expectations during 2021/22, the net impact of which has been to decrease the liabilities by more than the assets at 31 March 2022.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### Changes over the year to 31 March 2022

|  | Defined benefit obligation<br>£'000 | Assets<br>£'000 | Funded pension scheme<br>£'000 | Unfunded pensions<br>£'000 | Total pension<br>£'000 |
|--|-------------------------------------|-----------------|--------------------------------|----------------------------|------------------------|
| <b>Opening value as at 1 April 2021</b>  | <b>(271,817)</b>                    | <b>286,693</b>  | <b>14,876</b>                  | <b>(1,153)</b>             | <b>13,723</b>          |
| <b>Administration expenses</b>           | <b>–</b>                            | <b>(769)</b>    | <b>(769)</b>                   | <b>–</b>                   | <b>(769)</b>           |
| <b>Interest income/(cost)</b>            | <b>(4,935)</b>                      | <b>5,212</b>    | <b>277</b>                     | <b>(23)</b>                | <b>254</b>             |
| <b>Employer contributions</b>            | <b>–</b>                            | <b>1,613</b>    | <b>1,613</b>                   | <b>–</b>                   | <b>1,613</b>           |
| Benefits paid from scheme assets         | 12,079                              | (12,079)        | –                              | –                          | –                      |
| Benefits paid directly by Ofcom          | –                                   | –               | –                              | 71                         | 71                     |
| <b>Benefits paid total</b>               | <b>12,079</b>                       | <b>(12,079)</b> | <b>–</b>                       | <b>71</b>                  | <b>71</b>              |
| <b>Remeasurements</b>                    |                                     |                 |                                |                            |                        |
| <b>Actuarial gains/(losses)</b>          | <b>11,423</b>                       | <b>(7,732)</b>  | <b>3,691</b>                   | <b>21</b>                  | <b>3,712</b>           |
| <b>Closing value as at 31 March 2022</b> | <b>(253,250)</b>                    | <b>272,938</b>  | <b>19,688</b>                  | <b>(1,084)</b>             | <b>18,604</b>          |

### Changes over the year to 31 March 2021

|  | Defined benefit obligation<br>£'000 | Assets<br>£'000 | Funded pension scheme<br>£'000 | Unfunded pensions<br>£'000 | Total pension<br>£'000 |
|--|-------------------------------------|-----------------|--------------------------------|----------------------------|------------------------|
| <b>Opening value as at 1 April 2020</b>  | <b>(237,376)</b>                    | <b>259,802</b>  | <b>22,426</b>                  | <b>(1,085)</b>             | <b>21,341</b>          |
| <b>Administration expenses</b>           | <b>–</b>                            | <b>(623)</b>    | <b>(623)</b>                   | <b>–</b>                   | <b>(623)</b>           |
| <b>Interest income/(cost)</b>            | <b>(5,668)</b>                      | <b>6,210</b>    | <b>542</b>                     | <b>(26)</b>                | <b>516</b>             |
| <b>Employer contributions</b>            | <b>–</b>                            | <b>1,093</b>    | <b>1,093</b>                   | <b>–</b>                   | <b>1,093</b>           |
| Benefits paid from scheme assets         | 12,120                              | (12,120)        | –                              | –                          | –                      |
| Benefits paid directly by Ofcom          | –                                   | –               | –                              | 70                         | 70                     |
| <b>Benefits paid total</b>               | <b>12,120</b>                       | <b>(12,120)</b> | <b>–</b>                       | <b>70</b>                  | <b>70</b>              |
| <b>Remeasurements</b>                    |                                     |                 |                                |                            |                        |
| <b>Actuarial gains/(losses)</b>          | <b>(40,893)</b>                     | <b>32,331</b>   | <b>(8,562)</b>                 | <b>(112)</b>               | <b>(8,674)</b>         |
| <b>Closing value as at 31 March 2021</b> | <b>(271,817)</b>                    | <b>286,693</b>  | <b>14,876</b>                  | <b>(1,153)</b>             | <b>13,723</b>          |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### The amounts recognised in the Statement of Income and Expenditure are as follows:

|   | Funded pension<br>£'000 | Unfunded pension<br>£'000 | Total pensions<br>£'000 |
|---|-------------------------|---------------------------|-------------------------|
| <b>31 March 2022</b>  |                         |                           |                         |
| Interest income/(cost)  | 277                     | (23)                      | 254                     |
| <b>Defined benefit credit/(cost) recognised in income and expenditure</b> | <b>277</b>              | <b>(23)</b>               | <b>254</b>              |
| Administration expenses   | (769)                   | –                         | (769)                   |
| <b>Net income/(cost) recognised in income and expenditure</b>             | <b>(492)</b>            | <b>(23)</b>               | <b>(515)</b>            |

### The amounts recognised as Other Comprehensive Income are as follows:

|   | Funded pension<br>£'000 | Unfunded pension<br>£'000 | Total pensions<br>£'000 |
|---|-------------------------|---------------------------|-------------------------|
| <b>31 March 2022</b>  |                         |                           |                         |
| Gains/(losses) on benefit obligations due to changes in financial assumptions   | 21,337                  | 21                        | 21,358                  |
| Gains/(losses) on benefit obligations due to changes in demographic assumptions | 201                     | –                         | 201                     |
| Gains/(losses) on benefit obligations as a result of member experience          | (10,115)                | –                         | (10,115)                |
| <b>Total gains/(losses) arising on benefit obligations</b>                      | <b>11,423</b>           | <b>21</b>                 | <b>11,444</b>           |
| Gains/(losses) on plan assets   | (7,732)                 | –                         | (7,732)                 |
| <b>Net gains/(losses)</b>   | <b>3,691</b>            | <b>21</b>                 | <b>3,712</b>            |

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that cause 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.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### The amounts recognised in the Statement of Income and Expenditure are as follows:

|   | Funded pension<br>£'000 | Unfunded pension<br>£'000 | Total pensions<br>£'000 |
|---|-------------------------|---------------------------|-------------------------|
| <b>31 March 2021</b>  |                         |                           |                         |
| Interest income/(cost)  | 542                     | (26)                      | 516                     |
| <b>Defined benefit credit/(cost) recognised in income and expenditure</b> | <b>542</b>              | <b>(26)</b>               | <b>516</b>              |
| Administration expenses   | (623)                   | –                         | (623)                   |
| <b>Net income/(cost) recognised in income and expenditure</b>             | <b>(81)</b>             | <b>(26)</b>               | <b>(107)</b>            |

### The amounts recognised as Other Comprehensive Expenditure are as follows:

|   | Funded pension<br>£'000 | Unfunded pension<br>£'000 | Total pensions<br>£'000 |
|---|-------------------------|---------------------------|-------------------------|
| <b>31 March 2021</b>  |                         |                           |                         |
| Gains/(losses) on benefit obligations due to changes in financial assumptions   | (42,556)                | (112)                     | (42,668)                |
| Gains/(losses) on benefit obligations due to changes in demographic assumptions | (1,066)                 | –                         | (1,066)                 |
| Gains/(losses) on benefit obligations as a result of member experience          | 2,729                   | –                         | 2,729                   |
| <b>Total gains/(losses) arising on benefit obligations</b>                      | <b>(40,893)</b>         | <b>(112)</b>              | <b>(41,005)</b>         |
| Gains/(losses) on plan assets   | 32,331                  | –                         | 32,331                  |
| <b>Net gains/(losses)</b>   | <b>(8,562)</b>          | <b>(112)</b>              | <b>(8,674)</b>          |

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that cause 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.



## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

The major categories of Level 1 Quoted Prices' plan assets are as follows:

|                                       | 31 March 2022<br>£'000<br>Total | 31 March 2021<br>£'000<br>Total |
|---------------------------------------|---------------------------------|---------------------------------|
| Global equities (not currency hedged) | 6,429                           | 5,766                           |
| Global equities (currency hedged)     | 6,225                           | 5,854                           |
| Diversified growth fund               | 7,640                           | 12,468                          |
| Liability driven investment portfolio | 29,092                          | 23,151                          |
| Annuities                             | 214,333                         | 231,533                         |
| Cash and cash equivalents             | 9,219                           | 7,921                           |
| <b>Total</b>                          | <b>272,938</b>                  | <b>286,693</b>                  |

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<br>2022 (%)<br>DB Plan | 31 March<br>2022 (%)<br>ITC Plan | 31 March<br>2021 (%)<br>DB Plan | 31 March<br>2021 (%)<br>ITC Plan |
|---|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Discount rate                           | 2.85                            | 2.80                             | 2.00                            | 1.80                             |
| Retail Price Inflation                  | 3.65                            | 3.85                             | 3.35                            | 3.35                             |
| – Future pension increases (RPI max 5%) | 3.50                            | 3.65                             | 3.25                            | 3.25                             |
| – Future pension increases (CPI max 3%) | 2.30                            | 2.40                             | 2.15                            | 2.15                             |

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:

| Expected lifetime of a member aged 60 who is | DB Plan              |                      | ITC Plan             |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Currently<br>aged 40 | Currently<br>aged 60 | Currently<br>aged 40 | Currently<br>aged 60 |
| – Male                                       | 29                   | 28                   | 29                   | 28                   |
| – Female                                     | 31                   | 30                   | 32                   | 30                   |

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### Sensitivity to changes in principal assumptions used

| Change in assumption                         | Impact on                            |                       |                                |                                      |                        |                                |
|--|--------------------------------------|-----------------------|--------------------------------|--------------------------------------|------------------------|--------------------------------|
|  | DB Plan                              |                       |                                | ITC Plan                             |                        |                                |
|  | Defined benefit obligations<br>£'000 | Assets<br>£'000       | Funded status surplus<br>£'000 | Defined benefit obligations<br>£'000 | Assets<br>£'000        | Funded status surplus<br>£'000 |
| <b>Discount rate</b>                         |                                      |                       |                                |                                      |                        |                                |
| Increases by 0.50%                           | decrease<br>by £5,811                | decrease<br>by £7,468 | decrease<br>by £1,657          | decrease<br>by £10,721               | decrease<br>by £10,721 | No change                      |
| Falls by 0.50%                               | increase<br>by £6,615                | increase<br>by £8,578 | increase<br>by £1,963          | increase<br>by £11,901               | increase<br>by £11,901 | No change                      |
| <b>Retail Price Inflation</b>                |                                      |                       |                                |                                      |                        |                                |
| Increases by 0.50%                           | increase<br>by £6,509                | increase<br>by £8,186 | increase<br>by £1,677          | increase<br>by £10,199               | increase<br>by £10,199 | No change                      |
| Falls by 0.50%                               | decrease<br>by £5,784                | decrease<br>by £7,210 | decrease<br>by £1,426          | decrease<br>by £9,366                | decrease<br>by £9,366  | No change                      |
| <b>Expected lifetime of a member aged 60</b> |                                      |                       |                                |                                      |                        |                                |
| Increases by 1 year                          | increase<br>by £2,761                | increase<br>by £1,444 | decrease<br>by £1,317          | increase<br>by £10,045               | increase<br>by £10,045 | No change                      |
| Decreases by 1 year                          | decrease<br>by £2,721                | decrease<br>by £1,420 | increase<br>by £1,301          | decrease<br>by £9,752                | decrease<br>by £9,752  | No change                      |

### Liability profile of defined benefit plans

The charts illustrate the expected benefits payable by the respective Plans as at 31 March 2022.

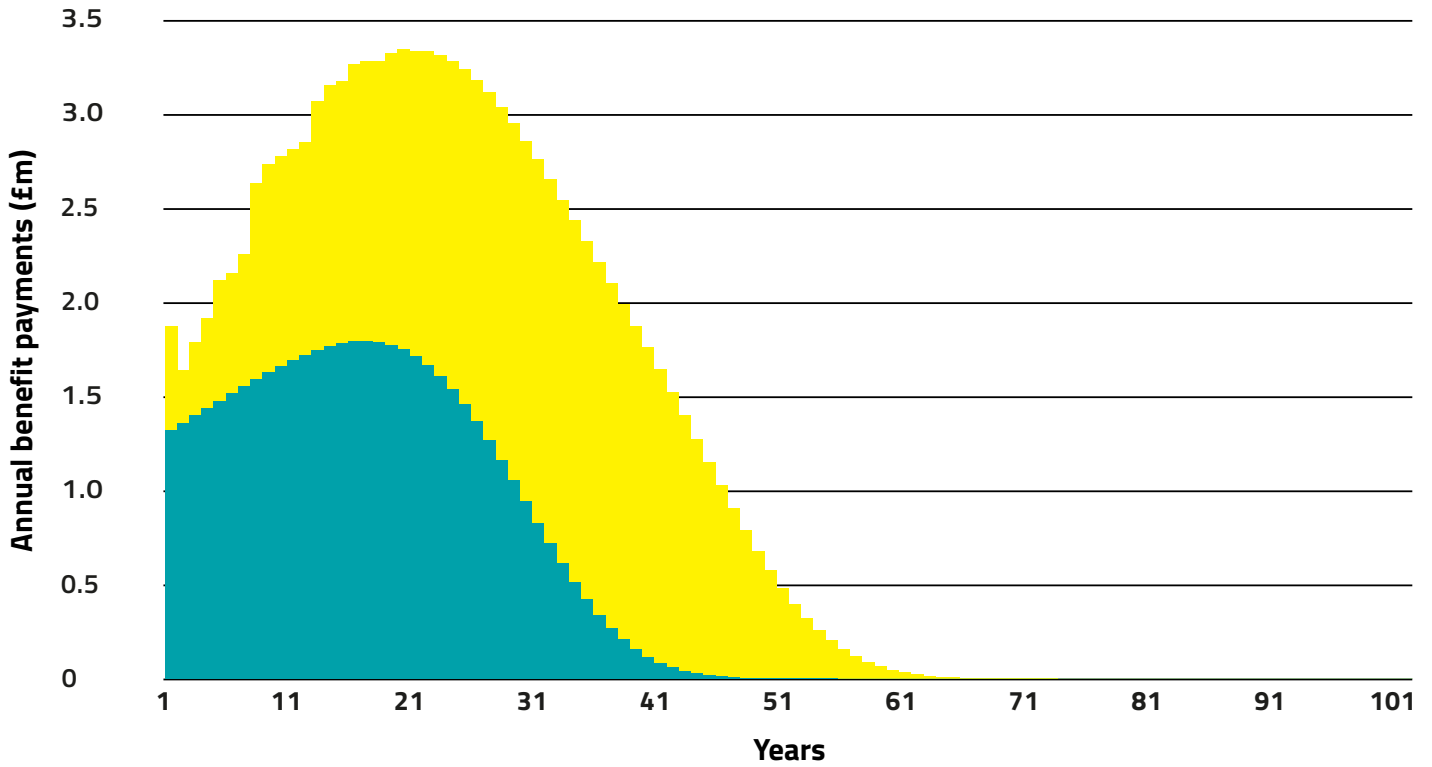
The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain.

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.

# NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

## OFCOM DEFINED BENEFIT PENSION PLAN



**Key**

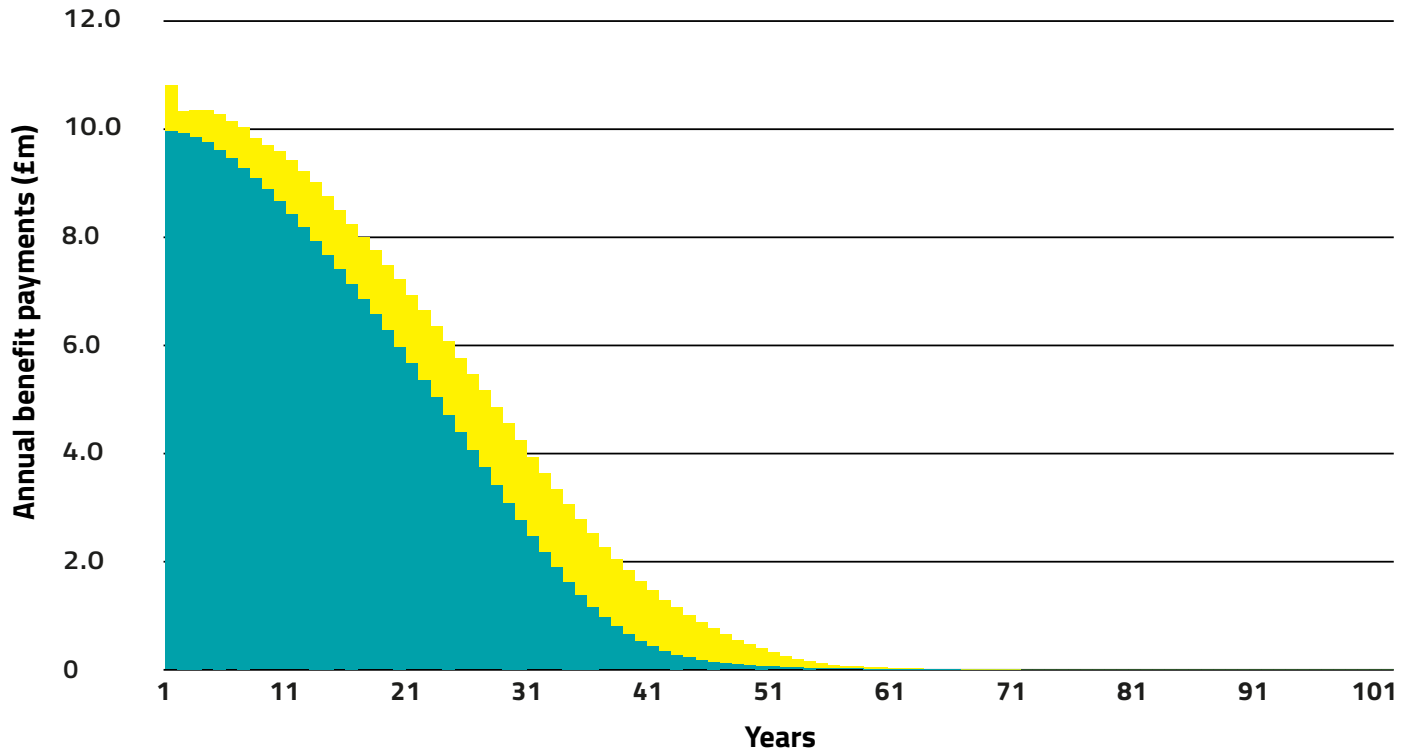
- Deferred
- Pensioner & Dependents

The duration (average term to payment) of the Plan's liabilities is 18 years

# NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

## OFCOM (FORMER ITC) STAFF PENSION PLAN



**Key**

● Deferred

● Pensioner & Dependents

The duration (average term to payment) of the Plan's liabilities is 13 years

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 20. FINANCIAL INSTRUMENTS

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32 Financial Instruments, specifies the presentation for financial instruments, requiring disclosure of the role they 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, we are 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 our 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.

### 21. RELATED PARTIES

Ofcom does not consider that our regulatory and licensing role creates the relationship of a related party between us 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.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

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 revenue from DCMS are provided in Notes 2, 3, 11 and 14 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.

Ofcom spent £8,752k but claimed a total of £10,050k in grant in aid payments from DCMS for the 700MHz spectrum clearance programme. The grant recipients for the spectrum clearance 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. At 31 March 2022, the balance payable held in respect of grant-in-aid due by DCMS is £1,298k for spectrum clearance (2020/21: £3,811k payable). This deferred balance will offset some of our budgeted costs for 2022/23.

No other related party transactions were entered into during the financial year.

## NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

### 22. CAPITAL COMMITMENTS

At 31 March 2022, there were capital commitments of £515k for the upgrade of the server room at Ofcom main office (2020/21: £136k for the purchase of various office and field equipment).

### 23. RECEIPTS TRANSFERRED TO/FROM THE CONSOLIDATED FUND

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £2,691k (2020/21: £20,648k) of Broadcasting Act Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

In accordance with Section 401 of the Communications Act 2003, Ofcom retained £84,481k (2020/21: £63,840k) of WTA receipts to fund our relevant expenditure which include Spectrum Management.

WT Act licence fees of £331,273k (2020/21: £328,321k) was remitted to DCMS for transfer to the Consolidated Fund.

### 24. EVENTS AFTER THE REPORTING PERIOD

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.

### 25. GOING CONCERN

The future financing of Ofcom's liabilities is met through annual sector tariffs from regulated stakeholders and from WTA receipts retention collected through the Section 400 accounts and retained by Ofcom to fund spectrum related activities together with other non-tariff funded activities, as set out in Section 401 of the Communication Act. The Ofcom spending cap is agreed by HMT and DCMS, approval for the amounts required for the 2022/23 year has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

# ANNEXES





## A1. SECTION 400 ACCOUNTS

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments including licence fees under the Wireless Telegraphy Act (WTA). These receipts do not form part of Ofcom's reported revenue and are excluded from revenue in Ofcom's Financial Statements.

The Digital Economy Act 2017 introduced legislative amendments which permit Ofcom to retain sums received in connection with our functions under the WTA to fund our general spectrum management functions, as well to meet the costs of undertaking our other functions for which we cannot levy fees and charges.

The remaining revenue collected is passed to the UK Consolidated Fund at HM Treasury, the Department of Finance and Personnel – Northern Ireland (DFPNI), Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey directly or via the Department for Digital, Culture, Media, and Sport (DCMS) as Ofcom's sponsoring body.

In 2021/22 Ofcom received £1,800.5m (2020/21: £415.5m). The increase in receipts is driven by the spectrum auction of the 700 MHz and 3.6-3.8 GHz frequency bands (£1,379.4m) concluded in April 2021. From these receipts, £84.5m (2020/21: £63.8m) was retained to fund Ofcom's relevant expenditure which includes Spectrum Management and our new Online Safety and Video Sharing Platform duties.

Ofcom paid £1,710.7m (2020/21: £328m) relating to, spectrum auction receipts, WTA licence fees, spectrum fees from Government departments and the interest earned on cash balances to DCMS, payable to the Consolidated funds. A balance of £11m received in March 2022 was transferred to the exchequer in April 2022.

Additionally, Ofcom directly passed £2.7m (2020/21: £20.6m) to the Consolidated Funds relating to receipts arising from additional payments, financial penalties and geographic telephone number charges.

## A2. REGULATORY STATEMENTS

### List of statements published in 2021/22, including regulatory impact on stakeholders.

|          |   |
|----------|---|
| <b>A</b> | Statement: Ofcom's review of proposed BBC Three television channel  |
| <b>A</b> | Statement: Request for change of licence conditions relating to the provision of news output on Channel 5 |
| <b>A</b> | Statement: Lyca Dilse Radio – Request to change Format  |
| <b>B</b> | Statement: Advertisement of a national radio Additional Services licence                                  |
| <b>B</b> | Statement: guidance for ODPS providers on measures to protect users from harmful material                 |
| <b>B</b> | Statement: Market position of BBC Sounds  |
| <b>B</b> | Statement: Review of rules for prominence of BBC Three  |
| <b>B</b> | Statement: the future of media plurality in the UK  |
| <b>B</b> | Statement: On-demand programme services – who needs to notify to Ofcom?                                   |
| <b>B</b> | Statement: BBC Studios' lines of business   |
| <b>B</b> | Statement: Making on-demand services accessible   |
| <b>B</b> | Statement: Listed Events – Euro 2020  |

#### Post

|          |  |
|----------|--|
| <b>C</b> | Review of regulatory financial reporting for Royal Mail – Phase II |
| <b>D</b> | Recovering postal regulation and consumer advocacy costs           |

#### Spectrum

|          |  |
|----------|--|
| <b>A</b> | Statement: Non-geostationary satellite systems – licensing updates   |
| <b>B</b> | Statement: Annual licence fees for 2100 MHz spectrum   |
| <b>B</b> | Statement: Ofcom's proposals to update the technical conditions of mobile licences in the 800 MHz band                         |
| <b>B</b> | Statement: Decision on changes to licence exemption for Wireless Telegraphy Devices and on licensing equipment in 57 to 71 GHz |
| <b>B</b> | Statement: Proposal to apply Administered Incentive Pricing for the 412–414 MHz, paired with 422–424 MHz, frequency bands      |
| <b>B</b> | Statement: Supporting the UK's wireless future – Our spectrum management strategy for the 2020s                                |
| <b>D</b> | Statement: Mobile phone repeaters  |

## A2. REGULATORY STATEMENTS

### Telecoms

|          |   |
|----------|---|
| <b>A</b> | Statement: Emergency video relay  |
| <b>A</b> | Statement on the making of amendment regulations under section 71 of the Communications Act 2003              |
| <b>A</b> | Statement: Approach to high excess costs under the broadband universal service                                |
| <b>B</b> | Statement: Quick, easy and reliable switching   |
| <b>B</b> | Statement: Emergency video relay – approval of Sign Language Interactions' service                            |
| <b>B</b> | Statement: Openreach proposed FTTP offer starting 1 October 2021  |
| <b>B</b> | Statement: Approval of Phone-paid Services Authority's Code of Practice (fifteenth edition)                   |
| <b>B</b> | Statement: Open Communications – Enabling people to share data with innovative services                       |
| <b>B</b> | Statement: Existing Openreach FTTP offers with geographic pricing   |
| <b>D</b> | Statement: Promoting competition in fibre networks – Hull Area Wholesale Fixed Telecoms Market Review 2021-26 |
| <b>D</b> | Statement: Future of telephone numbers  |

### Online Safety

|          |   |
|----------|---|
| <b>A</b> | Statement: The regulation of advertising on video-sharing platforms   |
| <b>A</b> | Statement: guidance for video-sharing platform providers on measures to protect users from harmful material |

### Key to regulatory statements

|          |                          |          |                           |
|----------|--------------------------|----------|---------------------------|
| <b>A</b> | Increased/new regulation | <b>C</b> | Streamlined/co-regulatory |
| <b>B</b> | Mixed/no-change/ongoing  | <b>D</b> | Reduced regulation        |

## A2. REGULATORY STATEMENTS

### Ofcom statements published in 2021/22 where the earlier consultation included an impact assessment

|  |
|--|
| Final direction applying Code powers to Stix Internet Limited  |
| Final direction applying Code powers to Briant Broadband Ltd   |
| Recovering consumer advocacy costs   |
| Advertisement of a national radio Additional Services licence  |
| Quick, easy and reliable switching   |
| Emergency video relay – approval of Sign Language Interactions' service  |
| Proposal to modify the terms on which the Code is applied to Jurassic Fibre Limited                            |
| Final direction applying Code powers to Suez Advanced Solutions UK Limited                                     |
| Proposal to apply Code powers to Radius BTS Limited  |
| Proposal to apply Code powers to APC Communications Solutions Ltd  |
| Mobile phone repeaters   |
| Proposal to grant an exception to Royal Mail's universal service obligations                                   |
| Annual licence fees for 2100 MHz spectrum  |
| The regulation of advertising on video-sharing platforms   |
| Proposal to apply Code powers to WhyFibre Limited  |
| Statement on the making of amendment regulations under section 71 of the Communications Act 2003               |
| Review of rules for prominence of BBC Three  |
| Ofcom's review of proposed BBC Three television channel  |
| Openreach proposed FTTP offer starting 1 October 2021  |
| Approach to high excess costs under the broadband universal service  |
| Proposal to apply Code powers to AJ Technology Limited   |
| Proposal to apply Code powers to BAI Communications Ltd  |
| Proposal to apply Code powers to Affinity Systems Limited (trading as Rymote)                                  |
| Promoting competition in fibre networks – Hull Area Wholesale Fixed Telecoms Market Review 2021-26             |
| Ofcom's proposals to update the technical conditions of mobile licences in the 800 MHz band                    |
| Approval of Phone-paid Services Authority's Code of Practice (fifteenth edition)                               |
| Decision on changes to licence exemption for Wireless Devices and on licensing equipment in 57 to 71 GHz       |
| Proposal to apply Code powers to Hampstead Fibre Ltd   |
| Proposal to apply Code powers to Ociusnet UK Ltd   |
| Proposal to apply Code powers to Alnwick Computerware Ltd  |
| Proposal to apply Code powers to Simwood Networks Limited  |
| Proposal to apply Administered Incentive Pricing for the 412–414 MHz, paired with 422–424 MHz, frequency bands |
| Guidance for video-sharing platform providers on measures to protect users from harmful material               |
| Request for change of licence conditions relating to the provision of news output on Channel 5                 |

## A2. REGULATORY STATEMENTS

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Proposal to apply Code powers to euNetworks The Loop Limited

---

Proposal to apply Code powers to Tewdric Energy Ltd

---

Proposal to apply Code powers to Scotnet.co.uk Ltd

---

Proposal to apply Code powers to NGE Contracting Limited

---

Proposal to apply Code powers to Virgin Media National Networks Limited

---

Supporting the UK's wireless future – Our spectrum management strategy for the 2020s

---

BBC Studios' lines of business

---

Making on-demand services accessible

---

Proposal to apply Code powers to Freedom Fibre Limited

---

Proposal to apply Code powers to Zoom Internet Limited

---

Proposal to apply Code powers to Pine Media Limited

---

Proposal to apply Code powers to Tiger Fibre Limited

---

Proposal to apply Code powers to Grayshott Gigabit Limited

---

Final direction applying Code powers to Ark Data Centres Limited

---

Proposal to apply Code powers to Borderlink Broadband Limited

---

Final direction applying Code powers to Converged Communication Solutions Limited

---

Final direction applying Code powers to Allpoints Fibre Limited

---

Final direction applying Code powers to Spring Fibre Limited

---

Future of telephone numbers

---

Final direction applying Code powers to Axione Fibre Limited

---

Final direction applying Code powers to Solway Communications Limited

---

Final direction applying Code powers to Liberty Property Co II Limited

---

Final direction applying Code powers to RunFibre Ltd

---

Final direction applying Code powers to Go Internet Ltd

---

Final direction applying Code powers to Global Reach Networks Limited

---

## A2. REGULATORY STATEMENTS

### Ofcom consultations published in 2021/22 which included an impact assessment and where no final statement had been published by 31 March 2022

---

Proposal to apply Code powers to Gigaair Ltd

---

Proposal to apply Code powers to 1310 Limited

---

Proposal to apply Code powers to 3itee Limited

---

Proposal to revoke Code powers

---

Review of postal regulation

---

Protecting passive services at 23.6-24 GHz from future 26 GHz uses

---

Review of the telephony universal service obligation

---

Notice of Ofcom's changes to licence exemption legislation for Wireless Telegraphy Devices

---

Proposal to apply Code powers to Urbanfibre Limited

---

Proposal to apply Code powers to Brightstar Limited

---

Proposals to increase available spectrum and simplify our approach to licensing

---

Proposal to apply Code powers to Nile UK Service Company Limited

---

Enabling spectrum sharing in the upper 6 GHz band

---

Proposal to apply Code powers to 4th Utility Holdings Limited

---

Proposal to modify the terms on which the Code is applied to Community Fibre Limited

---

Improving the accuracy of Calling Line Identification (CLI) data

---

Good practice guide to help prevent misuse of sub-allocated and assigned numbers

---

Proposal to apply Code powers to Open Infra Limited

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## A3. 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 2021/22. This reflects the picture as at 31 March 2022.

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 relates to initial assessment

|                | Total handled | Total accepted for investigation | Total not accepted | Ongoing activity (as at 31/3/2022) |
|----------------|---------------|----------------------------------|--------------------|------------------------------------|
| Disputes       | 0             | 0                                | 0                  | 0                                  |
| Comp. law      | 4             | 1                                | 1                  | 2                                  |
| Complaints     | 15            | 0                                | 12                 | 3                                  |
| Own-initiative | 13            | 1                                | 9                  | 3                                  |

The following table relates to formally opened cases:

|                        | Total handled | Total opened | Total ongoing | Total closed | Ongoing activity (as at 31/3/2022) |
|------------------------|---------------|--------------|---------------|--------------|------------------------------------|
| Disputes               | 0             | 0            | 0             | 0            | 0                                  |
| Competition Law        | 1             | 0            | 1             | 0            | 1                                  |
| Other investigations   | 9             | 1            | 2             | 7            | 2                                  |
| Enforcement programmes | 2             | 0            | 2             | 0            | 2                                  |

## A4. BROADCASTING COMPLAINTS, CASES AND SANCTIONS

### Standards and Audience Protection

Since the significant rise in broadcasting complaints in 2020/21, the last year has seen a similarly high level of engagement from UK audiences on a range of content standards issues. We continued to prioritise protecting audiences from potentially harmful content through our enforcement of the [Broadcasting Code](#).

This has included sanctions being imposed on licensees for broadcasting hate speech and content likely to incite crime, as well as potentially harmful claims related to the Covid-19 pandemic and the rollout of Covid-19 vaccines.

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](#)<sup>8</sup>.

#### The last year has seen complaints continuing at high levels

Since the unprecedented rise in broadcasting complaints in the previous year, this trend has continued, albeit with relatively lower numbers in relation to the single 'broadcast events'<sup>9</sup> that contributed to the record tally in 2020/21.

Figure 1 – complaints and cases assessed by year

| Type       | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|------------|---------|---------|---------|---------|---------|
| Complaints | 99,562  | 142,660 | 34,545  | 55,801  | 15,293  |
| Cases      | 11,932  | 11,778  | 7,829   | 6,206   | 5,774   |

In many instances we may receive more than one complaint about a particular programme or more than one issue within a programme. We assess each issue as one case, so the 99,562 complaints we received in 2021/22 resulted in 11,932 cases.

Although complaints remain an important way for Ofcom to be alerted to issues that may potentially need our intervention, a sustained high level of complaints across the year does not necessarily lead to a corresponding increase in investigations, unless substantive issues are raised under the Broadcasting Code. We continue to place the highest importance on the right to freedom of

expression, including the right to hold opinions and to receive and impart information and ideas without unnecessary interference.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2021 and 31 March 2022, Ofcom assessed complaints on average within 9.75 working days.

<sup>8</sup> Different sets of procedures apply in relation to complaints concerning fairness and privacy, BBC Online Material and standards on on-demand programme services.

<sup>9</sup> For example in 2020/21, as reported in our last Annual Report, we received 54,453 complaints about a single edition of Good Morning Britain broadcast on 8 March 2021.

<sup>10</sup> This figure does not include Fairness and Privacy complaint or complaints we referred to the BBC under BBC First because they had not completed the BBC's complaints process.



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Of the 11,932 cases, we referred 96 cases for investigation under our rules, as outlined in Figure 2 below. This is twice the number of cases that were referred for investigation in 2020/21. The rise has been partly due to the high number

of investigations<sup>11</sup> that were opened in relation to the TV channel RT (Russia Today) over its coverage of the Ukraine war in February and March 2022.

**Figure 2: Complaint and case outcomes by main Broadcasting Code issue**

| Outcome | Not pursued | Out of Remit | Refer for Investigation |
|---------|-------------|--------------|-------------------------|
| Volume  | 11,207      | 629          | 96                      |

In this financial year we concluded 28 investigations<sup>12</sup>. Of the 28 investigations we completed, 17 were launched before 2021/22. The other 11 were launched and

completed within 2021/22. The outcomes of these are outlined in Figure 3 below.

**Figure 3: Investigation Outcomes**

| Outcome | In Breach | Resolved <sup>13</sup> | Not in Breach | Not in Breach & Guidance |
|---------|-----------|------------------------|---------------|--------------------------|
| Volume  | 17        | 3                      | 7             | 1                        |
| %       | 61%       | 11%                    | 25%           | 3%                       |

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2021 and 31 March 2022, Ofcom completed investigations on average within 89 working days. This was due to: the very high number of broadcasting complaints being handled and assessed

by the team; the complexity of many of the cases we investigated; and the fact that we continued to launch significantly fewer investigations around potentially offensive content (see Figure 5 below), which tend to be less complex than cases involving potential harm.

<sup>11</sup> We opened 29 investigations in total during February-March 2022.

<sup>12</sup> An investigation may complete over more than one financial year depending on factors such as when it was launched and the complexity of the investigation.

<sup>13</sup> A 'resolved' outcome may be used in cases, for instance, where a broadcaster has taken immediate and appropriate steps to remedy a breach. In such cases, Ofcom may consider it appropriate not to record a breach and decide that the appropriate outcome is to determine that the case is 'resolved'. A 'resolved' finding is held on record and may be taken into account should there be further compliance concerns regarding a particular broadcaster.

## A4. BROADCASTING COMPLAINTS, CASES AND SANCTIONS

Figure 4: Complaint, case and investigation outcomes by main Broadcasting Code issue

| Type                 | Complaints    | Cases         | Investigations         | Breaches               |
|----------------------|---------------|---------------|------------------------|------------------------|
| Offence              | 89,124        | 7,165         | 13                     | 8                      |
| Harm                 | 1,159         | 386           | 7                      | 7                      |
| Due Impartiality     | 2,709         | 1,045         | 3                      | 2                      |
| Protection of minors | 2,311         | 1,095         | 6                      | 5                      |
| Other <sup>14</sup>  | 4,259         | 2,241         | 6                      | 2                      |
| <b>Total</b>         | <b>99,562</b> | <b>11,932</b> | <b>28<sup>15</sup></b> | <b>17<sup>16</sup></b> |

Complaints relating to offensive content remained at high levels and in significantly greater number than complaints about harm, due impartiality, protection of children and other issues. As was the case in the previous year, the corresponding number of investigations in relation to

offence has continued to drop, as Figure 5 below shows. In 2021/22, Ofcom assessed a total of 89,124 complaints about offensive content. A further 1,668 complaints about offensive content on the BBC were referred to the BBC under the BBC First<sup>17</sup> process.

Figure 5: Offence complaints, cases and investigations by year

| Type           | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|----------------|---------|---------|---------|---------|---------|
| Complaints     | 89,124  | 128,825 | 25,834  | 48,180  | 9,265   |
| Cases          | 7,165   | 6,511   | 4,308   | 3,834   | 3,257   |
| Investigations | 13      | 25      | 67      | 64      | 76      |
| In breach      | 8       | 10      | 40      | 40      | 44      |

During the last year, we assessed 2,311 complaints about content that might raise issues in relation to the protection of children. Alongside our broad focus on harmful and offensive content, this is an area that Ofcom has always prioritised, in terms of the special protections and age-appropriate experiences that under-18s should have as they watch and/or listen to broadcast TV and radio content. Out of six investigations in the last year, we recorded five breaches in relation to our rules on the protection of children.

The continuing decrease in the number of investigations and breaches, despite a sustained high number of offence-related complaints, indicates there may be a societal shift in attitudes to offensive content and generally accepted standards. We are considering what steps to take to explore this further, while ensuring we maintain our focus on protecting audiences from the most serious and harmful content.

<sup>14</sup> Other case types include commercial references, competitions/charity appeals and advertising minutage.

<sup>15</sup> Some investigations include issues of both harm and offence and the total has aggregated those. This why the figure is lower than the number of investigations combined.

<sup>16</sup> Some breaches include issues of both harm and offence and the total has aggregated those. This is why the figure is lower than the number of investigations combined.

<sup>17</sup> Ordinarily, Ofcom will only accept a complaint that has first been considered by the BBC (as set out in our [BBC Procedures](#)). The BBC considers complaints against its Editorial Guidelines, which reflect the relevant provisions of the Broadcasting Code.

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While it remained the case that individual broadcasts resulted in Ofcom receiving high volumes of complaints, the last year has not seen the same level of mass complaints about individual 'broadcast events' as in the

previous year. Of the total of 89,124 complaints about offensive content we received, 56,716 related to ten individual broadcasts, as outlined in Figure 6 below.

**Figure 6: Top 10 single transmission programme complaints in FY 2021/22**

| Programme                                  | Transmission date | Description of main complaints issue   | Complaints |
|--|-------------------|--|------------|
| Love Island                                | 06/08/2021        | Faye's outburst and verbal abuse towards boyfriend Teddy was considered to be offensive.   | 24,921     |
| Celebrities: What's Happened to Your Face? | 22/04/2021        | Negative comments about Reality TV star Charlotte Crosby's facial appearance after cosmetic surgery were considered to be offensive.                             | 7,125      |
| Oprah with Meghan and Harry                | 08/03/2021        | Objections to comments by the Duke and Duchess of Sussex about the Royal Family, on the grounds that their aired views were offensive.                           | 6,484      |
| Love Island                                | 28/07/2021        | Objections to a postcard perceived to cause emotional distress amongst female participants, as it wrongly implied that their partners were being unfaithful.     | 4,337      |
| Lorraine                                   | 06/12/2021        | Dr Hillary Jones making the claim that 90% of people in hospital with Covid-19 were unvaccinated.  | 3,890      |
| Good Morning Britain                       | 09/03/2021        | Objections to Piers Morgan's offensive comments and reactions in relation to his co-presenters on the show.  | 3,256      |
| Good Morning Britain                       | 01/11/2021        | Objections to Dr Hillary Jones and Richard Madeley's criticism of a leaflet purporting to be Government information about the risks of taking Covid-19 vaccines. | 2,642      |
| Good Morning Britain                       | 01/06/2021        | Objections to a debate between Adil Ray and Dominique Samuels on whether vaccinated people should socialise with those who are unvaccinated.                     | 2,117      |
| This Morning                               | 26/02/2021        | Dr Michael Mosely discussing the use of a rapid weight loss diet was perceived as dangerous and materially misleading information.                               | 1,944      |
| Love Island                                | 17/08/2021        | Perceived bullying and verbal abuse by Faye and Teddy towards other participants.  | 1,611      |

There has been significant interest amongst audiences in the behaviour and language of participants in live TV programmes, particularly where offensive or abusive language has been used to cause emotional distress or upset. This sentiment echoes some of the findings of our

research publication in September 2021, [Public attitudes towards offensive language on TV and radio](#), where participants told us that they still want broadcasters to consider carefully when, and how, offensive language is used.

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However, our decision not to pursue some of the most prominently complained about programmes reflects the more nuanced view in the same research that audiences also have an increasingly relaxed attitude about the use of general swear words, and that they recognise the importance of freedom of expression.

The debate around Covid-19 vaccinations in 2021/22 was also the subject of some of the largest complaints of the year, reflecting a shift in emphasis from harmful misinformation in relation to Covid-19 in 2020/21, to a greater interest in the type of information and attitudes

that are broadcast about unvaccinated people in the UK. We recognise the very high public interest in broadcasters exploring a range of opinions and views, particularly in relation to issues such as public health policy. We also acknowledge that there is a need for a robust public debate on an issue of such importance, and that such a debate should take into account the right to freedom of expression.

Despite the number of complaints, none of the cases above raised substantive issues warranting investigation under the Broadcasting Code.

### Protecting audiences from serious harm remained an area of focus for our work in 2021/22

Over the course of the last year, there has been a decrease in the number of complaints on the grounds of harm. This is largely attributed to a decline in the number of complaints in relation to Covid-19 compared to the start of the pandemic in 2020/21, which drove unprecedented harm complaints numbers in that year.

However, as Figure 7 below shows, the number of complaints and cases we have dealt with in the last year on the grounds of harm are still higher than in the three years before the Covid-19 pandemic became a prominent driver of complaints in 2020/21.

**Figure 7 – Harm complaints and cases assessed by year**

| Type            | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|-----------------|---------|---------|---------|---------|---------|
| Harm complaints | 1,159   | 3,375   | 498     | 139     | 485     |
| Harm cases      | 386     | 791     | 72      | 102     | 105     |

Harm investigations resulting in breaches of the Broadcasting Code typically lead to us considering the imposition of a statutory sanction due to the seriousness of these breaches. As shown in Figure 8 below, in 2021/22 we imposed 9 sanctions which related to potential harm arising from serious breaches of the Broadcasting Code, including incitement, hate speech and materially misleading the audience.

Sanctions that we imposed on community-focused broadcasters, who breached rules on incitement to crime, hate speech, abusive and derogatory treatment and other harmful content, underlined the importance to Ofcom of protecting the audiences that these broadcasters seek to serve. In our [Broadcast expectations of minority ethnic audiences](#) research from November 2021, participants told us of their concerns about current affairs content in which abusive and aggressive behaviour of presenters had the potential to fuel hatred between groups and damage community cohesion in the UK.

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Figure 8: Details of the content standards statutory sanctions imposed in 2021/22

| Licensee                                       | Service           | Sanction   | Penalty <sup>18</sup> |
|--|-------------------|--|-----------------------|
| Loveworld Limited                              | Loveworld         | Direction to broadcast a statement of Ofcom's findings                         | N/A                   |
| Abu Dhabi Media Company PJSC                   | Abu Dhabi Channel | Financial penalty  | £125,000              |
| Abu Dhabi Media Company PJSC                   | Abu Dhabi Channel | Financial penalty  | £125,000              |
| Star China Media Limited                       | CGTN              | Financial penalty  | £100,000              |
| Star China Media Limited                       | CGTN              | Financial penalty  | £100,000              |
| Loveworld Limited                              | Loveworld         | Financial penalty  | £25,000               |
| Rinse FM Limited                               | Rinse FM          | Direction to broadcast a statement of Ofcom's findings                         | N/A                   |
| The Pakistan Muslim Centre (Sheffield) Limited | Link FM           | Financial penalty and a direction to broadcast a statement of Ofcom's findings | £2,000                |
| Khalsa Television Limited                      | KTV               | Suspension Notice (and Breach decision)  | N/A                   |

### Global events shaped UK audience reactions to due accuracy and impartiality in 2021/22

We assessed a higher number of complaints regarding due impartiality and due accuracy concerning non-BBC content than in the previous year. As Figure 9 shows below, this was partly due to the significant number (971) of complaints that we assessed in February and March 2022 over RT's coverage of the Ukraine war. A number of these complaints as well as our routine monitoring of RT raised issues which led to us opening of 29 investigations

into whether RT breached rules on due impartiality<sup>19</sup>. We also received a relatively high number of complaints about due accuracy, in particular, of content broadcast on GB News. However, despite these examples from the last year, broadcasters' compliance in this area remains high. Figure 9 below provides the breakdown of complaints for non-BBC channels.

<sup>18</sup> All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

<sup>19</sup> On 18 March 2022, Ofcom revoked the licence of ANO TV Novosti to operate its services, including RT, on the basis that we did not consider it was fit and proper to hold a UK broadcast licence: [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0014/234023/revocation-notice-ano-tv-novosti.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0014/234023/revocation-notice-ano-tv-novosti.pdf)

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Figure 9: Total numbers of due accuracy/due impartiality/election complaints by year (non-BBC)

| Type         | 2021/22      |            |               |          | 2020/21           |              |               |          |
|--------------|--------------|------------|---------------|----------|-------------------|--------------|---------------|----------|
|              | Complaint    | Case       | Investigation | Breach   | Complaint         | Case         | Investigation | Breach   |
| Channel 4    | 195          | 101        | –             | –        | 370               | 176          | 1             | –        |
| Channel 5    | 52           | 38         | –             | –        | 57                | 40           | –             | –        |
| ITV          | 3,941        | 424        | –             | –        | 4,059             | 668          | 1             | –        |
| Sky News     | 411          | 296        | –             | –        | 879               | 496          | 2             | –        |
| GB News      | 573          | 136        | –             | –        | n/a <sup>20</sup> | n/a          | n/a           | n/a      |
| RT           | 971          | 194        | 29            | –        | 33                | 33           | –             | –        |
| <b>Total</b> | <b>6,143</b> | <b>859</b> | <b>29</b>     | <b>–</b> | <b>5,365</b>      | <b>1,380</b> | <b>4</b>      | <b>–</b> |

### BBC content standards

During the last year, we received and assessed 3,094 complaints covering a range of standards issues for BBC content. Of this number, 2,926 were referred to the 'BBC First' approach and 168 went through our BBC Standards

process. There were a total of 1,932 cases, 1,775 of which were 'BBC First' and 157 which went through our BBC Standards process.

Figure 10: Total numbers of content standards complaints and cases in 2021/22 (BBC)

The BBC First process means that BBC complaints are handled in the first instance by the corporation itself. The table below reflects complaints escalated to Ofcom.

| Type       |               | 2021/22      |
|------------|---------------|--------------|
| Complaints | BBC First     | 2,926        |
|            | BBC Standards | 168          |
|            | <b>Total</b>  | <b>3,094</b> |
| Cases      | BBC First     | 1,775        |
|            | BBC Standards | 157          |
|            | <b>Total</b>  | <b>1,932</b> |

In the last year, complaints and cases relating to due accuracy/impartiality for BBC content decreased in comparison to the previous year. Figure 11 below shows trends from the last four years which indicate that BBC

First and BBC Standards complaints and case numbers have drawn closer to the levels that we experienced in 2018/19.

<sup>20</sup> GB News commenced broadcasting in June 2021.

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Figure 11: Total numbers of due accuracy/due impartiality/election complaints by year (BBC)

| Type       |               | 2021/22    | 2020/21      | 2019/20      | 2018/19    |
|------------|---------------|------------|--------------|--------------|------------|
| Complaints | BBC First     | 744        | 1,609        | 1,421        | 445        |
|            | BBC Standards | 85         | 102          | 122          | 115        |
|            | <b>Total</b>  | <b>829</b> | <b>1,711</b> | <b>1,543</b> | <b>560</b> |
| Cases      | BBC First     | 533        | 819          | 811          | 435        |
|            | BBC Standards | 80         | 92           | 100          | 111        |
|            | <b>Total</b>  | <b>613</b> | <b>911</b>   | <b>911</b>   | <b>546</b> |

In February 2022, we published our decision to find the BBC in breach of our rules on due accuracy, in relation to the inclusion of an inaccurate statement in News at Six which was not acknowledged or corrected on air.

### BBC 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 content](#).

### Fairness and Privacy

Ofcom also considers complaints from people who believe they were unfairly treated in a programme or consider their privacy was unwarrantably infringed. In these cases, Ofcom acts as the adjudicator between the individual and the broadcaster.

We have also contributed to Ofcom's ongoing Review of Future BBC Regulation and have commissioned audience research into whether the current BBC First system continues to serve audiences, as well as research on audience perceptions of the due impartiality of the BBC.

Between 1 April 2021 and 31 March 2022 we assessed and closed a total of 46 complaints about the BBC's online material.

A further 311 complaints about BBC online material were referred to the BBC under the 'BBC First' approach or found to be outside of our remit. Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 1 April 2021 and 31 March 2022, Ofcom assessed complaints on average within 20.1 working days.

Complaints about fairness and privacy are handled under Ofcom's [Procedures for the consideration and adjudication of Fairness & Privacy complaints](#). [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 service](#).

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In 2021/22, we considered 157 Fairness and Privacy complaints (2020/21: 248). In May 2021 we imposed two financial penalties of £125,000 each against Abu Dhabi Media Company PJSC who held the licence for Abu Dhabi Channel for serious breaches of the Fairness and Privacy rules. In August 2021, we also imposed two financial penalties of £100,000 each against Star China Media Limited who held<sup>21</sup> the licence for the CGTN service.

### Entertainment Decisions

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

**Figure 12: Fairness & Privacy Adjudication outcomes**

| Outcome | Upheld | Partially upheld | Not upheld | Appropriately Resolved | Discontinued |
|---------|--------|------------------|------------|------------------------|--------------|
| Volume  | 3      | 1                | 19         | 1                      | 2            |
| %       | 11%    | 4%               | 73%        | 4%                     | 8%           |

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 2021 and 31 March 2022, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 116.5 working days.

### On-demand programme services

We also consider complaints about content standards on notified on-demand programme services ("ODPS")<sup>22</sup> under Ofcom's [Procedures for investigating breaches of rules for](#)

requested from the complainant. In the period between 1 April 2021 and 31 March 2022, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 16 working days.

### 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 26 complaints were adjudicated upon in the period under review with the outcome outlined in Figure 12 below.

In the past year, we have continued to see an unprecedented high number of broadcasting complaints being assessed by our team. We have also imposed a high number of sanctions. A significant number of the Fairness and Privacy cases closed this year have also involved some very complex legal and procedural issues. This has resulted in us taking longer than usual to complete our adjudications.

[on demand programme services](#). In 2021/22, we published updated guidance for ODPS providers on [notification](#) and on [measures to protect users from harmful material](#).

<sup>21</sup> As reported last year, in March 2021 we revoked the licence for the service CGTN after our investigation concluded that the licensee, Star China Media Limited did not have editorial responsibility for CGTN's output and therefore did not meet the legal requirement of having control over the licensed service.

<sup>22</sup> With the exception of public service ODPS provided by the BBC, which are subject to the Broadcasting Code, ODPS that are notified to Ofcom must comply with a set of [Statutory Rules](#) which are separate to the Broadcasting Code.



## A4. BROADCASTING COMPLAINTS, CASES AND SANCTIONS

### Broadcast Licensing:

#### Offering new Radio and TV broadcast opportunities

Our focus on the rollout of small-scale DAB has continued throughout the period, where 25 multiplex licences have been awarded. We have issued 42 Community Digital Sound Programme (C-DSP)<sup>23</sup> services to be broadcast on these multiplexes, with over 60% of these new services to market (not existing analogue community radio services). We are encouraged by the number of C-DSP licences awarded given most multiplexes are yet to launch (multiplexes have up to 18 months to launch post-award).

The licensing of additional Digital Sound Programme (DSP)<sup>24</sup> services will further add to the range of content available on each multiplex and we have received 48 DSP applications in the last year. There are also 318 analogue community radio services broadcasting, with a further 13 due to launch in the next year. Finally, we have also received 19 applications for new television services in the year.

We continue to see demand to provide restricted services, with 155 licences granted in 2021/22. Restricted services are radio services with small coverage areas that are used to broadcast at events (for example providing commentary at an air show), or within establishments (for example a hospital radio service). Interest in these services has increased in recent years, particularly to provide services at drive-in events like drive-in movies. To better meet demand for these services, we've consulted on using small gaps in spectrum called 'limited coverage spectrum' for restricted services, providing opportunities for more very localised services to come on air.

#### Keeping services going

We continue to support licensees as they emerge from the challenges presented by the coronavirus pandemic. We have remained flexible when licensees have justified and evidenced reasons for not being able to meet with all requirements of their licences and we have maintained our position of allowing flexible payment windows, where they are required.

Additionally, we have continued to administer the Community Radio Fund on behalf of DCMS, who made additional funds available to support community radio licensees. In the past year and across two funding rounds, the Community Radio Fund Panel made 49 awards worth a total of £612,156.

<sup>23</sup> Community Digital Sound Programme (C-DSP) licences are for community radio stations wishing to broadcast on DAB digital radio. These licences can be used by both existing analogue community radio licensees or for new community digital services to the market.

<sup>24</sup> Digital sound programme (DSP) licences are required by anyone who wishes to broadcast a sound programme service on a digital multiplex, whether this service is unique to digital or a simultaneous broadcast of an existing analogue, satellite or cable radio service.

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### Licence condition enforcement

In our work to enforce licence conditions, which we consider under our [General procedures for investigating breaches of broadcast licences](#), we assessed 739 complaints during 2021/22, of which 591 related to the

disruption to subtitles, audio description and signing for Channel 4 services, which we are currently investigating. The remaining 148 complaints are set out in Figure 14.

**Figure 14: Licensing complaints**

| Description of complaints   | Complaints |
|---|------------|
| Broadcasters had not kept to the programming commitments/quotas in their licences.  | 69         |
| Community or commercial radio stations had temporarily ceased broadcasting and therefore not providing the service required by the licence. | 9          |
| Licensees not complying with the ownership requirements for holding a broadcasting licence.   | 0          |
| Licensee was not 'fit and proper' to hold a broadcasting licence.   | 5          |
| Range of other issues, some of which were outside Ofcom's remit.  | 65         |

We closed 107 investigations, 102 of which we initiated. Figure 15 explains the outcome of the 107 investigations.

**Figure 15: Investigation outcomes**

| Outcome  | Volume | %    |
|--|--------|------|
| <b>Not in Breach</b>   | 21     | 20%  |
| <b>Other</b>   | 36     | 34%  |
| <b>Resolved</b>  | 12     | 11%  |
| <b>Breach (due to)</b>   | 38     | 35%  |
| Non-payment of annual licence fees   | 6      | 5.5% |
| Failure to provide information on request (general)  | 6      | 5.5% |
| Failure to provide information on request (Market Intelligence Data)                         | 17     | 16%  |
| Failure to provide recordings of broadcast output  | 3      | 3%   |
| Failure to maintain character of licensed service in accordance with Programming Commitments | 2      | 2%   |
| Failure to fulfil the requirements specified in its Key Commitments                          | 3      | 3%   |
| Other  | 1      | 1%   |

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This is an increase compared to 2020/21, when we closed 50 investigations, 28 of which resulted in us recording a breach of the licence. The comparatively low number of investigations in 2020/21 was due to the flexibility we offered to broadcasters in relation to compliance with programming commitments, requests for information and licence fees during the coronavirus pandemic.

In cases where a licensee has seriously, deliberately, repeatedly or recklessly breached their licence conditions, we impose a statutory sanction in accordance with our [Procedures for the consideration of statutory sanctions in breaches of broadcast licences](#). In 2021/22 we did not impose any sanctions as set out in Figure 16 below.

**Figure 16: Licensing sanctions imposed by year**

| Type   | 2021/22  | 2020/21  | 2019/20   | 2018/19  | 2017/18  |
|--|----------|----------|-----------|----------|----------|
| Non-payment of annual fees                             | –        | 4        | 9         | –        | –        |
| Non-provision of information                           | –        | 2        | 3         | –        | –        |
| Non-compliance with programming commitments            | –        | –        | 1         | –        | –        |
| Licensee failed to inform Ofcom of a change of control | –        | –        | –         | 1        | –        |
| <b>Total</b>   | <b>–</b> | <b>6</b> | <b>13</b> | <b>1</b> | <b>0</b> |

We also revoke licences for reasons other than serious breaches of licence conditions, for example where a licensee is no longer fit and proper to hold a licence, becomes disqualified from holding a licence or is no longer in control of a service or has ceased to be the provider of

the service. In March 2022, we revoked the licence for the TV channel RT (Russia Today), on the basis that we did not consider RT's licensee, ANO TV Novosti, fit and proper to hold a UK broadcast licence.

**Figure 17: Details of licence revocations not related to a breach of licence conditions by year**

| Type  | 2021/22  | 2020/21  | 2019/20  | 2018/19  | 2017/18  |
|---|----------|----------|----------|----------|----------|
| Licensee incorrect provider of the service          | –        | 1        | 1        | –        | 1        |
| Licensee no longer fit and proper to hold a licence | 1        | –        | –        | 1        | 1        |
| <b>Total</b>  | <b>–</b> | <b>1</b> | <b>1</b> | <b>1</b> | <b>2</b> |

## A5. SPECTRUM ENGINEERING AND ENFORCEMENT

### Key performance indicator

#### Main Activities

| Work Programme Activity/Incident                          | April 21 – March 22 | April 20 – March 21 |
|---|---------------------|---------------------|
| Complaints of Interference received <sup>25</sup>         | 1,694               | 1,923               |
| Checking radio system licence compliance <sup>26</sup>    | 988                 | 1,130               |
| Fixed Penalty Notices Issued <sup>27</sup>                | 0                   | 0                   |
| Prosecutions for criminal spectrum activity <sup>28</sup> | 1                   | 1                   |

#### Quality of Service Targets for Complaints of Interference Received

| Key Performance Indicator  | Case Priority | Target          | Target achieved     |                     |
|--|---------------|-----------------|---------------------|---------------------|
|  |               |                 | April 21 – March 22 | April 20 – March 21 |
| <b>Time to First Visit:</b><br><br>The time taken 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  | 100%                | 99%                 |
|  | 5             | 15 working days | 100%                | 99%                 |
|  | 6             | No target       |                     | –                   |
| <b>Resolution:</b><br><br>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%                 | 100%                |
|  | 4             | 20 working days | 94%                 | 95%                 |
|  | 5             | 40 working days | 99%                 | 99%                 |
|  | 6             | 60 working days | 99%                 | 99%                 |

<sup>25</sup> Cases of interference reported by the public and businesses

<sup>26</sup> Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

<sup>27</sup> Fixed Penalty Notices (FPN) are usually instead of legal proceedings. Failure to pay a FPN can lead to legal action. Covid-19 restrictions have reduced Spectrum Assurance's ability to undertake non-essential licence investigations, these restrictions have similarly affected businesses using wireless telegraphy apparatus to which the majority of FPNs are issued. In 2020/21 there was a 49% reduction in checking radio system licence compliance, compared with 2019/20 (see main table above) resulting in the reduction of FPNs issued.

<sup>28</sup> Prosecutions in relation to "Pirate Radio" or failure to pay FPNs.

## A6. SPECTRUM LICENSING

### Category A

| <b>Licences that involve no frequency assignment, site clearance or international co-ordination</b> | <b>Licences issued April 21 – March 22</b> | <b>Licences issued April 20 – March 21</b> | <b>Total on issue as at 31 March 22</b> | <b>Total on issue as at 31 March 21</b> |
|---|--|--|---|---|
| Business Radio Light – Simple UK (no base station)  | 1,879                                      | 1,492                                      | 15,886                                  | 15,570                                  |
| Business Radio Simple Site  | 1,019                                      | 971  | 8,501                                   | 9,048                                   |
| Business Radio Suppliers Light  | 126  | 106  | 1,395                                   | 1,374                                   |
| Fixed Wireless Access (5.8 GHz)   | 24   | 44   | 358                                     | 404                                     |
| GNSS Repeater   | 4  | 14   | 370                                     | 366                                     |
| Police and Fire   | 4  | 1  | 124                                     | 123                                     |
| <b>Subtotal for Business Radio products</b>   | <b>3,056</b>                               | <b>2,628</b>                               | <b>26,634</b>                           | <b>26,885</b>                           |
| Radar Level Gauge   | 0  | 0  | 124                                     | 124                                     |
| Amateur & Maritime  | 31,606                                     | 34,326                                     | 284,233                                 | 275,665                                 |
| <b>Total for Category A</b>   | <b>34,662</b>                              | <b>36,954</b>                              | <b>310,991</b>                          | <b>302,674</b>                          |
| KPI for Category A (100% in 7 days)   | 100%                                       | 100%                                       | –                                       | –                                       |
| KPI for Category A (Amateur & Maritime) (100% in 10 days)   | 100%                                       | 100%                                       | –                                       | –                                       |

## A6. SPECTRUM LICENSING

### Category B

| Licences that involve frequency assignment, but no site clearance or international co-ordination | Licences issued April 21 – March 22 | Licences issued April 20 – March 21 | Total on issue as at 31 March 22 | Total on issue as at 31 March 21 |   |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|---|
| Automatic Identification System  | 33                                  | 19                                  | 412                              | 398                              |   |
| Coastal Station Radio (International)  | 8                                   | 10                                  | 390                              | 396                              |   |
| Coastal Station Radio (UK)   | 7                                   | 13                                  | 317                              | 324                              |   |
| Coastal Station Radio (Marina)   | 10                                  | 7                                   | 392                              | 389                              |   |
| Coastal Station Radio (Training School)  | 74                                  | 50                                  | 565                              | 504                              |   |
| Maritime Radio (Suppliers & Demonstration)   | 3                                   | 4                                   | 76                               | 87                               |   |
| Maritime Nav aids and Radar  | 6                                   | 4                                   | 119                              | 117                              |   |
| Differential Global Positioning System   | 0                                   | 0                                   | 4                                | 6                                |   |
| Shared Access (Low Power)  | 287                                 | 63                                  | 1,080                            | 829                              |   |
| Shared Access (Medium Power)   | 404                                 | 95                                  | 372                              | 94                               |   |
| <b>Subtotal – Deregulation &amp; Contracting-Out</b>   | <b>832</b>                          | <b>265</b>                          | <b>3,727</b>                     | <b>3,144</b>                     |   |
| Business Radio Technically Assigned  | 1,632                               | 1,729                               | 22,405                           | 23,580                           |   |
| Business Radio Area Assigned   | 116                                 | 35                                  | 446                              | 324                              |   |
| Coastal Station Radio (UK) Area Defined  | 1                                   | 3                                   | 12                               | 13                               |   |
| Coastal Station Radio (Internat'l) Area Defined  | 0                                   | 0                                   | 4                                | 4                                |   |
| Ground Probing Radar   | 15                                  | 19                                  | 236                              | 224                              |   |
| Scanning Telemetry   | 3                                   | 2                                   | 29                               | 29                               |   |
| Self-co-ordinated links  | 16                                  | 21                                  | 148                              | 173                              |   |
| <b>Subtotal for Business Radio products</b>  | <b>1,783</b>                        | <b>1,809</b>                        | <b>23,280</b>                    | <b>24,347</b>                    |   |
| <b>Total for Category B</b>  | <b>2,615</b>                        | <b>2,074</b>                        | <b>27,007</b>                    | <b>27,491</b>                    |   |
| KPI for Category B   | 90% in 21 days                      | 85%                                 | 87%                              | –                                | – |
|  | 100% in 42 days                     | 94%                                 | 97%                              | –                                | – |

## A6. SPECTRUM LICENSING

### Category C

| <b>Licences that require frequency assignment, and site clearance and/or international co-ordination</b> | <b>Licences issued April 21 – March 22</b> | <b>Licences issued April 20 – March 21</b> | <b>Total on issue as at 31 March 22</b> | <b>Total on issue as at 31 March 21</b> |        |
|--|--|--|---|---|--------|
| Fixed Links  | 1,897                                      | 1,397                                      | 19,002                                  | 18,925                                  |        |
| Satellite (Permanent Earth Station)  | 9  | 44   | 147                                     | 141                                     |        |
| Satellite (Transportable Earth Station)  | 29   | 11   | 109                                     | 104                                     |        |
| Satellite (Earth Station Network)  | 4  | 14   | 56                                      | 68                                      |        |
| Satellite (Non-Fixed Earth Station)  | 12   | 5  | 16                                      | 10                                      |        |
| Satellite (Non-Geostationary Earth Station)  | 5  | 2  | 6                                       | 2                                       |        |
| <b>Total for Category C</b>  | <b>1,956</b>                               | <b>1,473</b>                               | <b>19,336</b>                           | <b>19,250</b>                           |        |
| KPI for Category C   | 90% in 42 days                             | 1,956                                      | 1,473                                   | 19,336                                  | 19,250 |
|  | 100% in 60 days                            | 100%                                       | 99%                                     | –                                       | –      |

### Aeronautical licences

| <b>Licences for aeronautical services</b> | <b>Licences issued April 21 – March 22</b> | <b>Licences issued April 20 – March 21</b> | <b>Total on issue as at 31 March 22</b> | <b>Total on issue as at 31 March 21</b> |
|---|--|--|---|---|
| Aeronautical Licences                     | 2,074                                      | 1,648                                      | 19,214                                  | 16,128                                  |
| <b>Total for Aeronautical</b>             | <b>2,074</b>                               | <b>1,648</b>                               | <b>19,214</b>                           | <b>16,128</b>                           |
| KPI for Aeronautical (100% in 7 days)     | 100%                                       | 100%                                       | –                                       | –                                       |

### Programme Making & Special Events (PMSE)

| <b>Licences and authorisations for outside broadcasts and programme-making and special events</b> | <b>Licences issued April 21 – March 22</b> | <b>Licences issued April 20 – March 21</b> | <b>Total on issue as at 31 March 22</b> | <b>Total on issue as at 31 March 21</b> |
|---|--|--|---|---|
| PMSE Licences   | 28,958                                     | 14,113                                     | 6,851                                   | 5,669                                   |
| <b>Total for PMSE</b>   | <b>28,958</b>                              | <b>14,113</b>                              | <b>6,851</b>                            | <b>5,669</b>                            |
| KPI for PMSE (100% in 7 days)   | 100%                                       | 100%                                       | –                                       | –                                       |

## A6. SPECTRUM LICENSING

### Test and development (T&D) licences

| Licences and authorisations for outside broadcasts and programme-making and special events | Licences issued April 21 – March 22 | Licences issued April 20 – March 21 | Total on issue as at 31 March 22 | Total on issue as at 31 March 21 |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Innovation and Research Licence  | 518                                 | 413                                 | 1,127                            | 352                              |
| Demonstration and Trial Licence  | 380                                 | 264                                 | 684                              | 135                              |
| <b>Total for T&amp;D</b>   | <b>898</b>                          | <b>677</b>                          | <b>1,811</b>                     | <b>487</b>                       |
| KPI for T&D (100% in 60 days)  | 100%                                | 100%                                |                                  | –                                |

### Mobile and wireless broadband licences<sup>29</sup>

| Licences issued through spectrum auction or award processes | Licences issued April 21 – March 22 | Licences issued April 20 – March 21 | Total on issue as at 31 March 22 | Total on issue as at 31 March 21 |
|---|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Spectrum Access: 412 – 414 MHz                              |                                     |                                     | 1                                | 1                                |
| Spectrum Access: 700 MHz                                    | 3 <sup>30</sup>                     |                                     | 3                                | 0                                |
| Spectrum Access: 800 MHz, 2.6 GHz                           |                                     | 1 <sup>31</sup>                     | 6                                | 6                                |
| Public Wireless Networks: 900, 1800 MHz                     |                                     |                                     | 4                                | 4                                |
| Spectrum Access: 1452 – 1492 MHz                            |                                     |                                     | 2                                | 2                                |
| Spectrum Access: 1785 MHz, Northern Ireland                 |                                     |                                     | 1                                | 1                                |
| Spectrum Access: 2100 MHz                                   |                                     |                                     | 4                                | 4                                |
| Spectrum Access: 2.3 GHz                                    |                                     |                                     | 1                                | 1                                |
| Spectrum Access: 3.4-3.6, 3.5, 3.6, 3.6-3.8 GHz             | 7 <sup>32</sup>                     |                                     | 13                               | 6                                |
| Spectrum Access: 10, 28, 32, 40 GHz                         |                                     |                                     | 18                               | 18                               |
| Spectrum Access Offshore                                    | 1                                   | 2                                   | 12                               | 11                               |
| Spectrum Local Access                                       | 16                                  | 9                                   | 26                               | 10                               |
| Spectrum Access: Channel Tunnel <sup>33</sup>               |                                     |                                     | 2                                | 2                                |
| <b>Total for Mobile and Wireless Broadband</b>              | <b>27</b>                           | <b>12</b>                           | <b>93</b>                        | <b>66</b>                        |

<sup>29</sup> Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

<sup>30</sup> 700 MHz / 3.6-3.8 GHz Award, (27/04/21)

<sup>31</sup> Partial trade of 2600 MHz unpaired spectrum from EE to Telefónica ((03/11/20) creating 1 extra licence

<sup>32</sup> 700 MHz / 3.6-3.8 GHz Award, (27/04/21) plus transition licences during defragmentation period (Vodafone & Telefónica)

<sup>33</sup> Separate licence for the out-bound (UK-France direction) tunnel.



## A6. SPECTRUM LICENSING

### Channel Islands and Isle of Man licences

|   | Licences issued<br>April 21 –<br>March 22 | Licences issued<br>April 20 –<br>March 21 | Total on issue<br>as at<br>31 March 22 | Total on issue<br>as at<br>31 March 21 |
|---|---|---|--|--|
| <b>Licence applications made via local Regulators</b>                                     |   |   |  |  |
| Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz,<br>Channel Islands & Isle of Man |   |   |  | 33                                     |
| Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel<br>Islands and Isle of Man      |   | -1  |  | 8                                      |
| <b>Total for Channel Islands and Isle of Man</b>  | <b>0</b>                                  | <b>-1</b>                                 | <b>41</b>                              | <b>41</b>                              |

### Digital dividend spectrum licences

|  | Licences issued<br>April 21 –<br>March 22 | Licences issued<br>April 20 –<br>March 21 | Total on issue<br>as at<br>31 March 22 | Total on issue<br>as at<br>31 March 21 |
|--|---|---|--|--|
| <b>DDR GI Licences issued through spectrum award processes</b> |   |   |  |  |
| Spectrum Access 541 – 550 MHz (Cardiff)                        | 0   | 0   | 1                                      | 1                                      |
| Spectrum Access 758 – 766 MHz (Manchester)                     | 0   | 0   | 1                                      | 1                                      |
| <b>Total for Digital Dividend licences</b>                     | <b>0</b>                                  | <b>0</b>                                  | <b>2</b>                               | <b>2</b>                               |
| <b>Total number of licences – all categories</b>               | <b>71,190</b>                             | <b>56,951</b>                             | <b>385,344</b>                         | <b>371,808</b>                         |

## A7. SUSTAINABILITY

This section presents sustainability data and financial costs in more detail.

### Greenhouse gas emissions

|  |                                 |                           | 2017/18   | 2018/19   | 2019/20   | 2020/21  | 2021/22  |         |
|--|---------------------------------|---------------------------|-----------|-----------|-----------|----------|----------|---------|
| <b>Non-Financial Indicators (tonnes CO<sub>2</sub>e)</b> | <b>Scope 1</b>                  | Gas                       | 187       | 148       | 22        | 18       | 27       |         |
|  |                                 | Oil                       | 22        | 11        | 0         | 0        | 0        |         |
|  |                                 | Fleet Fuel                | 192       | 168       | 163       | 90       | 88       |         |
|  | <b>Scope 2</b>                  | Electricity               | 809       | 528       | 308       | 189      | 172      |         |
|  | <b>Scope 3</b>                  | Air Domestic              | 156       | 160       | 185       | 0        | 12       |         |
|  |                                 | Air international         | 255       | 289       | 292       | 0        | 15       |         |
|  |                                 | Rail/bus/tube             | 66        | 67        | 73        | 1        | 17       |         |
|  |                                 | Car/Motorbike/Cycle       | 41        | 36        | 41        | 6        | 12       |         |
|  |                                 | Taxis                     | 2         | 2         | 3         | 0        | 0        |         |
|  | <b>Related consumption data</b> | <b>Scope 1</b>            | Gas (kWh) | 1,014,202 | 802,709   | 120,016  | 95,613   | 148,858 |
| Gas per FTE (kWh)  |                                 |                           | 1,136     | 891       | 125       | 93       | 128      |         |
| Oil (litres)   |                                 |                           | 8,500     | 4,501     | 0         | 0        | 0        |         |
| Fleet Fuel (litres)                                      |                                 |                           | 73,659    | 64,710    | 62,665    | 35,465   | 35,406   |         |
| <b>Scope 2</b>   |                                 | Electricity (kWh)         | 2,103,652 | 1,720,333 | 1,112,349 | 747,108  | 809,159  |         |
|  |                                 | Electricity per FTE (kWh) | 2,356     | 1,910     | 1,162     | 725      | 698      |         |
| <b>Scope 3</b>   |                                 | Air – domestic (km)       | 581,902   | 537,247   | 725,261   | 653      | 50,324   |         |
|  |                                 | Air – international (km)  | 1,617,386 | 1,776,192 | 1,680,572 | 0        | 108,509  |         |
|  |                                 | Rail/bus/tube (km)        | 1,793,809 | 1,784,741 | 2,000,504 | 13,146   | 437,355  |         |
|  |                                 | Car/Motorbike/Cycle (km)  | 230,062   | 205,379   | 236,795   | 31,913   | 66,510   |         |
|  |                                 | Taxis (km)                | 14,247    | 14,998    | 17,516    | 632      | 2,444    |         |
| <b>Financial Indicators</b>                              |                                 | <b>Scope 1</b>            | Gas       | £19,465   | £23,494   | £10,852  | £11,803  | £12,385 |
|  |                                 |                           | Oil       | £5,530    | £3,347    | £0       | £0       | £0      |
|  | Fleet Fuel                      |                           | £93,911   | £90,292   | £85,269   | £43,166  | £49,432  |         |
|  | <b>Scope 2</b>                  | Electricity               | £340,333  | £287,074  | £158,351  | £127,833 | £146,021 |         |
|  | <b>Scope 3</b>                  | Air Domestic              | £116,648  | £112,530  | £122,986  | (£956)   | £6,204   |         |
|  |                                 | Air international         | £217,075  | £255,314  | £279,959  | (£6,263) | £18,279  |         |
|  |                                 | Rail/bus/tube             | £266,725  | £273,338  | £315,574  | £2,136   | £70,737  |         |
|  |                                 | Car/Motorbike/Cycle       | £64,329   | £57,428   | £66,212   | £8,923   | £21,054  |         |
|  |                                 | Taxis                     | £40,826   | £44,266   | £52,421   | £1,977   | £7,884   |         |

## A7. SUSTAINABILITY

**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 offices in London, Belfast, Birmingham, Haydock (closed 2018) and Livingston (closed 2017). Gas charges for Edinburgh, Warrington and Cardiff offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions.

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 offices in London, Baldock, Belfast, Birmingham, Cardiff, Edinburgh, Haydock (closed 2018), Warrington, Manchester (new in 2021) and some remote monitoring direction-finding sites around the UK. Electricity consumption is dependent on weather conditions.

**Scope 3** – Business travel financial data have been obtained from our 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, and-international flights as per Defra flight distance guidance.

### Waste minimisation and management

Waste consumption data for all years relate to Ofcom’s main office in London. Accurate waste consumption data is not available for other Ofcom offices, but the associated waste disposal costs have been included. From June

2017 waste cost is included in our service charge. Our managing agent operates on a ‘zero waste to landfill’ basis, and all waste is recycled or incinerated with energy recovery.

|   | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---------|---------|---------|---------|---------|
| <b>Non-Financial Indicators (tonnes)</b>  | 76      | 198     | 189.21  | 69.00   | 160.59  |
| Waste sent to landfill                    | 0       | 0       | 0       | 0       | 0       |
| ICT waste recycled/re-used                | 4       | 0       | 0       | 0       | 0       |
| Waste recycled/re-used                    | 91      | 52      | 71      | 91.69   | 79      |
| Waste composted                           | 14      | 4       | 4       | 0       | 0       |
| Waste incinerated with energy recovery    | 63      | 20      | 127     | 97.52   | 82      |
| Waste incinerated without energy recovery | 0       | 0       | 0       | 0       | 0       |
| Total waste per FTE                       | 0.086   | 0.220   | 0.198   | 0.067   | 0.139   |
| <b>Financial Indicators</b>               | £7,004  | £43,805 | £35,000 | £12,470 | £28,576 |

## A7. SUSTAINABILITY

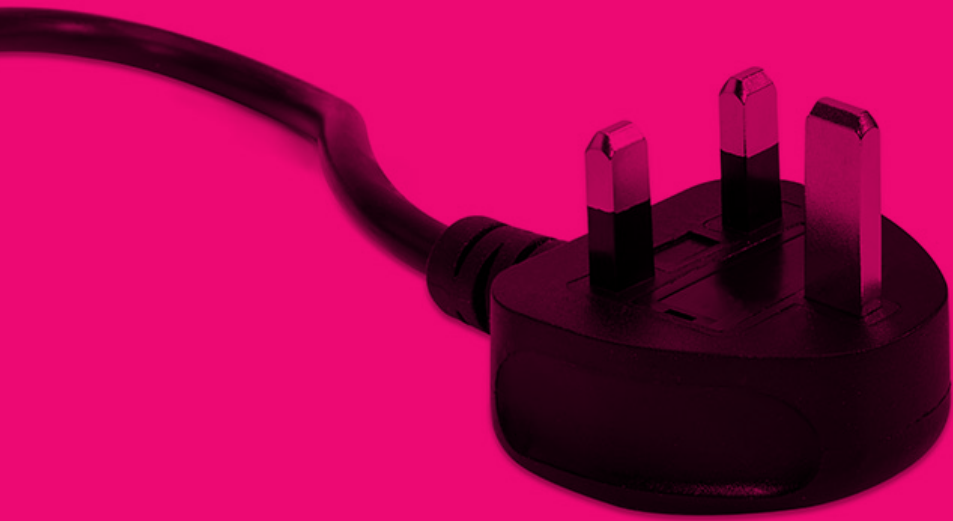
### Finite resource consumption

Water data across all years cover Ofcom's main offices in London, Baldock, Birmingham, and Haydock (closed 2018). 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.

There is an increase in water consumption during 2019/20 due to a leak at our Baldock office, which has since been resolved.

|                                 |                                     | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---------------------------------|-------------------------------------|---------|---------|---------|---------|---------|
| <b>Non-Financial Indicators</b> | Water consumption (m <sup>3</sup> ) | 9,379   | 13,988  | 18,874  | 6,375   | 13,075  |
|                                 | Water consumption per FTE           | 10.50   | 15.53   | 19.71   | 6.19    | 11.28   |
|                                 | Paper reams                         | 3,915   | 2,579   | 2,446   | 23      | 16      |
|                                 | A3 reams                            | 50      | 127     | 106     | 0       | 1       |
|                                 | A4 reams                            | 3,865   | 2,452   | 2,305   | 23      | 15      |
|                                 | A5 reams                            | 0       | 0       | 35      | 0       | 0       |
| <b>Financial Indicators</b>     | Water                               | £6,929  | £19,583 | £23,321 | £14,820 | £25,049 |

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