







# The Office of Communications Annual Report & Accounts

**For the period 1 April 2018 to 31 March 2019**

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of Schedule 1 of the Office of Communications Act 2002

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Ofcom is the UK regulator for the communications services that we use and rely on each day.

Our vision is to make communications work for everyone.

We regulate broadband and mobile telecoms, TV, radio, video-on-demand services, post, and the airwaves used by wireless devices. Our work benefits consumers and UK businesses to get the best from communications services. We ensure consumer fairness and protection from sharp practices and we actively support competition where appropriate to deliver good outcomes.

Ofcom is an independent public authority, funded by fees paid to us by the companies we regulate. Our duties come from Parliament.

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# Performance Report

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# What this section covers

This section gives an overview of the Office of Communications, how we are set up to deliver our duties and how we have performed against our strategic objectives set out in the Annual Plan of work.

## Overview

### About Ofcom

Ofcom is the regulator for the communications services that we use and rely on each day.

We make sure people get the best from their broadband, home phone and mobile services, as well as looking after TV and radio.

We also oversee the universal postal service, which means Royal Mail must deliver and collect letters six days a week, and parcels five days a week, at an affordable and uniform price throughout the UK.

We look after the airwaves used by wireless devices like mobile and cordless phones, tablets, microphones, GPS devices and even car keys and doorbells.

We also help to make sure people don't get scammed and are protected from bad practices. This is particularly important for vulnerable or older people.

Our duties come from Parliament. Our priority is good consumer outcomes, where consumers can make informed choices, and we drive this by keeping you informed and promoting competition among companies we regulate.

We provide advice and information to thousands of people each year, through our website and call centre. We register complaints from people and businesses. This helps us to take action against firms when they let their customers down.

Parliament has not given us powers to resolve individual people's complaints about their broadband, home phone or mobile phone. Instead, these can be considered by alternative 'dispute resolution' services.

We also help to make sure people across the UK are protected from harmful content on TV and radio, and that programmes reflect the audiences they serve. We consider every complaint we receive from viewers and listeners. Often, we investigate further for breaches of our rules.

We are independent of Government and the companies we regulate, and funded by fees paid to us by the companies we regulate.

### Our powers and duties

#### 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.

<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.



### Our legal duties guide the direction of our work

Our main legal duties are to ensure that:

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

Ofcom can enforce consumer law on behalf of consumers, but we cannot resolve individual consumer complaints about telecoms or postal services. Where appropriate, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. By contrast, we do 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, every part of our organisation needs to be diverse and foster an inclusive culture. We aim to achieve this by adopting our values:

- Excellence
- Collaboration
- Agility
- Empowerment



# Chairman's message



Lord Burns, GCB

Becoming Chairman of Ofcom has reinforced my view of just how much people and businesses rely on the services Ofcom regulates.

Many of us would find it hard to function in modern society without access to reliable broadband and phone services. People and business customers must be treated fairly by the companies that provide these services, receiving good levels of service.

Ofcom's job is to hold companies to account, raising standards for customers while recognising the companies that are doing a good job.

We have seen real progress during the year. I was particularly encouraged that, following Ofcom's intervention, most customers now get compensation automatically if their broadband or home phone stops working, or if they're let down by their provider.

More vulnerable and older customers were also helped during the year. We brought down the cost of calling 118 directory enquiry services very significantly, and ensured BT cut line rental for customers who take only a landline. As a result, millions of people are now better off.

It's vital that people and businesses right across the country benefit from the opportunities that communications services offer, regardless of where they live or their personal circumstances.

We progressed work to implement the Government's new guarantee for decent broadband – the 'universal service'. And we published plans on how to auction new airwaves for mobile phones in a way that means many people, particularly those in rural areas, stand to benefit from better reception. The auction of spectrum is expected to take place next year.

Another important area where we want to ensure high standards is broadcasting. This is Ofcom's second year of regulating the BBC, a

treasured national institution. Audiences tell us that the BBC is generally doing a good job. I hope that Ofcom's first annual report on the BBC, which we published in October, has helped inform the Corporation about where it could serve the public even better.

In June, we announced that our Chief Executive Sharon White would be stepping down. Sharon has been an outstanding Chief Executive and will be widely missed. She leaves Ofcom as a regulator with a relentless focus on the consumer interest. The Board has started the process to appoint a successor.

I was pleased to welcome new members to the Ofcom Board during the year. Maggie Carver was appointed Deputy Chair and is a member of Ofcom's Remuneration and the Nominations Committee. Maggie brings experience from relevant sectors from her non-executive directorships at ITN, Channel 5 and the British Board of Film Classification, among others.

Dr Angela Dean, a financial analyst of European communications and technology companies for almost 20 years, including as a former Managing Director of investment bank Morgan Stanley, was also appointed to the Board. She chairs Ofcom's Risk and Audit Committee and is a member of the Remuneration Committee and of the Nominations Committee.

David Jones became Ofcom's first Board Member for Wales, joining in April 2019. David's experience of digital communications and cyber security is already proving hugely valuable to the Board's work. This is especially important as the Ofcom Board considers the overlaps between the online world and the areas Ofcom regulates.

We said farewell to Board Members Sheila Noakes, Nick Pollard and Steve Unger during the year, and I am hugely grateful for their contributions to Ofcom.

# Chief Executive's report



**Sharon White, Chief Executive**

Ofcom's mission is to make communications work for everyone. This means putting the interests of people and businesses at the heart of everything we do.

During the course of the year, our work was designed to help ensure everyone gets the best out of their broadband, mobile, TV and radio – no matter where they live and work.

## **Fairness for customers**

A major focus of our work was to ensure that customers are treated fairly and that they can understand what products and services are best for their needs.

We worked with companies to make sure that, from 1 April 2019, broadband and landline customers will get money back from their providers when things go wrong – without having to fight for it.

The changes could mean up to a total of £142m in pay-outs to consumers every year. That is nine times what was previously paid out. It will provide a major incentive for companies to get things right first time. Customers of BT, Sky, TalkTalk, Virgin Media and Zen Internet now benefit from the scheme, while Hyperoptic and Vodafone join later this year. Together, the firms that have committed account for more than 95% of broadband and landline customers in the UK.

Stepping in to protect people from harm has also been a priority for Ofcom, especially when we see stark price rises. From April 2018, more than a million BT customers who have a landline telephone without any broadband saw their monthly phone bill cut by £7 – saving £84 a year – following our intervention.

We introduced a price cap on 118 directory enquiry numbers, particularly used by older people, meaning that the maximum a company can charge is £3.65 per 90 seconds. This has significantly cut the cost of many calls and brings them back to 2012 levels.

While most customers receive good value for money, we are concerned that some pay more for their services than others. During the year we began a review of how much mobile customers pay after the minimum term of their contract ends and in December, we announced plans to review broadband companies' pricing practices. We're concerned that some customers pay more than others for similar or worse services, particularly when introductory offers have ended. Where we find evidence of harm, we will act to protect customers – particularly those who may struggle to engage with the market.

We also finalised plans to help mobile customers change provider more easily. From 1 July 2019, customers can switch without having to speak to their current provider, simply by sending a free text message. The rules also include a ban on providers charging for notice periods after the customer leaves, which should save UK mobile customers around £10m a year.

Providing better information for customers is crucial to help them get the best deal. We confirmed plans that mean broadband, phone and TV customers must be told when their contract is coming to an end, and shown the best deals available, from February 2020.

And if broadband customers don't get the speeds they were promised, our new Code of Practice, effective from March 2019, means that customers can walk away from their contract with no penalty.

## **Better broadband and mobile – wherever you are**

A major priority for Ofcom is to make sure everyone, right across England, Scotland, Wales and Northern Ireland, can access decent broadband and mobile coverage. High-quality connections have never been so important to people and businesses.

We consulted on plans to auction more spectrum – the airwaves that make our mobile phones work – to meet the growing demand for mobile services and pave the way for 5G, the next generation of mobile. We also provided advice to Government on how to achieve universal mobile coverage, which would need public funding.

We made significant progress on putting in place the Government scheme, so everyone gets access to decent broadband. From next year, people will have the right to request a broadband connection of 10 Mbit/s, helping the 2% of properties that currently can't get this speed.

Our work to encourage investment in more reliable ultrafast networks saw availability grow to 53% of premises, while 7% of homes and offices can access 'full-fibre' broadband, up from 4%. The vast majority of homes (95%) can now access superfast broadband, offering speeds of 30Mbit/s and above.

A number of companies plan significant investments in ultrafast broadband, such as Virgin Media, CityFibre and Vodafone, Openreach, Gigaclear, Hyperoptic, KCOM and TalkTalk.

There is clear confidence from companies to invest, following the legal separation of Openreach from BT, which was completed in October 2018. Greater independence for Openreach helps to provide clarity and confidence to other companies, investors and the wider sector.

## **Securing the universal postal services**

As the postal regulator, our goal is to ensure people benefit from a sustainable universal postal service, which provides good services at affordable prices. We closely monitor the health of the universal service and it is important that Royal Mail can respond to changing conditions in the market. During the year, we completed a review of a safeguard cap on Second Class stamps to ensure they remain affordable, while also giving Royal Mail commercial flexibility.

## **Supporting UK media and broadcasting**

It was a busy year in broadcasting. Our first annual report on the BBC found that the Corporation was generally delivering on its remit but highlighted four areas of focus: to be more transparent and accountable; to make distinctive UK programmes; attract younger audiences; and represent and portray the whole of UK society.

One of Ofcom's duties is to review the effect of the BBC's plans on competing companies in the media market. We completed a review of the BBC Scotland channel, and we're assessing the BBC's plans to change the iPlayer and the opportunity to create a new streaming service with ITV. We are working in a number of areas to support public service broadcasters and to ensure viewers and listeners are well served.

We refined guidance to help promote TV production in the nations and regions of the UK, so that the economic and cultural benefits of television are shared across the country.

We asked public service broadcasters (PSB) to tell us how they will attract younger audiences in the face of competition from the likes of YouTube. We also provided advice to Government on how legislation could change to make it easier to find PSBs on digital platforms.

We also continued important work on improving diversity in broadcasting. Our second report on the make-up of the TV industry found UK broadcasters are collecting more information about their workforces than ever before, marking a step forward in understanding and addressing under-representation across the industry. But there remains much more to do, so it continues to be a major focus for Ofcom – as does our own diversity – and a personal priority for me.

## Online

Ofcom exists to protect audiences of TV, radio and on-demand programmes, who are increasingly moving online.

During the year, we helped inform people about the benefits and risks of digital communications as part of our duties to promote media literacy. Our Making Sense of Media programme, launched in the year, is designed to help raise awareness of online harms through our consumer research.

This evidence can help inform Government and other policy makers who are considering plans to introduce regulation of certain harms on the internet. We also contributed to that debate through a discussion paper drawing on our experience as regulator of broadcasting standards to protect audiences. We await the Government's decisions in this area and will provide any support they require.

## Ofcom's people

I want to thank Ofcom's colleagues for all their hard work over the past year. Our change programme, Strength to Strength, is helping to embed Ofcom's values of collaboration, excellence, agility and empowerment so we can be effective in delivering for consumers.

After nearly five years I will step down as Chief Executive to join the John Lewis Partnership at the turn of the year. It's been a great privilege to lead Ofcom and I am confident the organisation will continue to thrive thanks to the capability and dedication of its people.

# Performance Review

## Progress on delivering against our Annual Plan priorities

Every March, we publish our Annual Plan. This sets out the work we intend to deliver over the year to meet our purpose of making communications work for everyone, across the UK and its nations. The Annual Plan also outlines our broader work to support our strategic goals.

These were our priorities for the financial year 2018/19:

- working with industry to support investment in advanced, competing infrastructure. This included co-investment and additional investment by Openreach as a result of regulation and legal separation. Monitoring and reporting progress on the legal separation of Openreach from BT;

- completing the integration of our new responsibilities for regulating the BBC, including a first Annual Report on the BBC, a first competition assessment of the BBC's proposals for a Scotland TV service, and our first thematic review of the BBC;
- preparing for future awards of spectrum as they are cleared and released to help meet the growing demand for capacity and in preparation for new 5G services;
- extending availability of services, specifically by starting implementation of a broadband Universal Service Obligation (USO) and introducing new coverage obligations for mobile spectrum

This section sets out what we have done during 2018/19 to meet these priority areas and what they mean for people and businesses.

## Building a full-fibre future

We are living through a communications revolution. People rely on smartphones, broadband and internet radio, while fast broadband has become essential for business, banking, shopping, entertainment and socialising.

### Consumer impact

Homes and businesses need more broadband capacity every year and people have higher expectations for the quality of the service they receive. These trends seem set to continue.

The future is 'full-fibre' broadband: ultrafast fibre optic networks offering speeds of up to 30 times the current average. This is not just about speed. Full fibre brings vital improvements in quality and reliability over the UK's Victorian-era copper networks.



### What Ofcom has done

Enabling competition will help to stimulate investment in telecoms. Competitive pressure will push BT to either upgrade its network, or risk seeing its rivals gain an advantage.

Ofcom's role is to create the right competitive conditions for companies to invest. Our Strategic Review of Digital Communications in 2016 set out plans to promote investment in full-fibre networks, and to create a more independent Openreach, the network arm of BT.

Full-fibre offers a range of benefits:



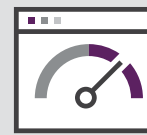
### FAST

speeds of a gigabit per second or more



### RELIABLE

five times fewer faults than copper-based connections



### PERFORMANCE

actual speeds much closer to those you see advertised





## Our review strengthened rules to require BT to open up its underground tunnels and telegraph poles for rival operators to install their own fibre networks.

Following a statement in March 2018, we implemented new rules arising from our review of the wholesale local access (WLA) market, which outlined ways of protecting investment incentives for Openreach and other network builders.

The review covered the connections from the telephone exchange to homes and businesses that are used to provide broadband and other services at the retail level. It introduced regulated wholesale price control for Openreach's most popular 40 Mbit/s superfast broadband product. This means companies can offer an affordable superfast service at a competitive rate, helping to build a retail base ready to migrate to competing full-fibre networks once built.

Importantly, we retained flexibility for Openreach to set prices for its fastest wholesale superfast broadband products, including full fibre.

Our review also strengthened rules to require BT to open up its underground tunnels and telegraph poles for rival operators to install their own fibre networks. This process is known as 'duct and pole access' (DPA). BT owns a vast network of these ducts, across the country, and around 90% of them have space to lay new fibre optic cable.

This will help to transform the economics of full-fibre investment, making deployments quicker, easier and cheaper for BT's competitors. We believe it could halve the upfront cost of building a fibre network and the resulting competition has already helped deliver a substantial upgrade to networks in Spain and Portugal.

The process to legally separate Openreach began in March 2017 and was completed in October 2018. By managing its network independently, Openreach will help provide clarity and confidence to other companies, investors and the wider sector.

Last year we established a dedicated Openreach Monitoring Unit (OMU) to help assess whether Openreach is acting more independently of BT, making its own decisions, and treating all its customers equally.

An interim report in November 2018 showed that we were broadly satisfied with progress. But the changes will need some time to bed in, and require a continued commitment from Openreach and BT. We engaged closely with BT, Openreach and industry to assess further progress through the remainder of the year. In June 2019 we intend to publish a full compliance report covering April 2018 to March 2019. The work of the OMU also feeds into wider Ofcom work to assess whether the new arrangements are delivering the right results for businesses and consumers.

Building on our Strategic Review of Digital Communications, in July 2018 we set out our proposed approach to support future full-fibre investment. This included:

- plans to look at business and residential markets through a single review to be undertaken by April 2021. This will supersede previously separate reviews which included the WLA;
- a move to apply different regulatory approaches in different parts of the country;
- extending the duration of regulation from three to five years or more, to help provide longer-term certainty to investors;
- confirmation that Ofcom intends to continue to apply the 'fair bet' principle for Openreach's investments in full fibre, which recognises that companies need to make a fair return on risky, long-term investments; and
- managing a smooth transition from older copper networks to fibre technology.

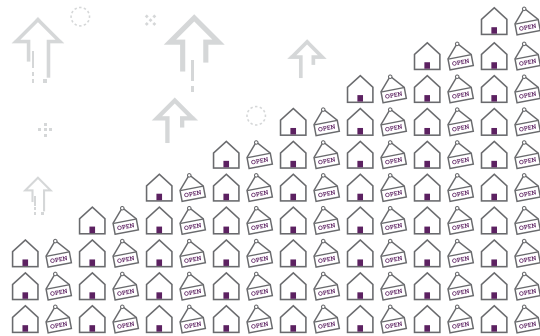
Like our own assessment, the Government's Future Telecoms Infrastructure Review found competition is the best way to drive investment. Our plans will help support the Government's ambition for 15 million homes to have access to full-fibre broadband by 2025.

We continue to work closely with Government on how best to ensure the UK's digital networks are fit for the future. In April 2018, Ofcom and the Department of Digital, Culture, Media and Sport (DCMS) jointly hosted a conference with a number of industry leaders and investors to discuss the challenges and opportunities presented by building a full-fibre future in the UK.

## Outcomes and next steps

A number of communications providers now have plans for significant investments in ultrafast broadband. These include Virgin Media, CityFibre in partnership with Vodafone, Openreach, Gigaclear, Hyperoptic, KCOM and TalkTalk.

Over the next two years, these providers aim to increase the number of homes and businesses able to benefit from full fibre from 1.8 million today to 6 million. That is one fifth of homes and businesses across the UK.



1.8 million

6 million

2019 → 2021



Despite this good early momentum, at around 20% full-fibre availability the UK would still lag well behind other countries. There is more to be done to deliver our long-term ambition of nationwide coverage.

Ofcom is working hard to ensure the economics of fibre are attractive. DPA can materially lower the cost to deploy full-fibre networks. Scale trials have begun. Spain and Portugal have used this approach to good effect, where a version of duct and pole access has helped to deliver full-fibre broadband coverage of 79% and 70% respectively.

Alongside these initiatives, the significant reform of Openreach is beginning to have a positive impact. We have already seen moves by Openreach to act in the interests of all of its customers, including an industry-wide consultation on how to make full-fibre broadband viable on a large scale, taking account of co-investment and risk-sharing opportunities. We want to see the same response to requests from competitors to use Openreach's ducts and poles for fibre deployment.

Also, last July Openreach began offering volume discounts on wholesale rates to competitors willing to commit to the take-up of higher speed fibre services. This should help it to build scale and interest in higher speed products.

We are also looking ahead to how our regulation can support long-term investment. By April 2021, we plan to have a new approach to regulation in place, covering wholesale access to broadband networks, that varies by geographic area. This new regulation will be in place for at least five years, providing longer-term certainty for providers. We will run a series of consultations in the period to April 2021, continuing a process which began in November 2018.



— We have already seen moves by Openreach to act in the interests of all of its customers

## Call Cost Review

**People have been spending less on mobile and home phone calls in recent years, and customers generally have a wide choice of call packages and phone services.**

**However, we were concerned about the rising costs of calling certain telephone service numbers. These included directory enquiries numbers, which begin with 118; and numbers which begin with 070.**

### Consumer impact

In 2003, the directory enquiry market, then run entirely by BT, was opened up to competition and competing 118 services were launched. The market grew to more than 400 services offering different options and prices, with call costs ranging from 35p per call to £9 and higher.

070 numbers were introduced in 1995. They are designed to be used as a 'personal' or 'follow me' service. This allows calls to be diverted from one number to another, so the person being called can keep their own number private and remain contactable on any phone at any location. Small businesses and sole traders often use them.

However, we were concerned that 070 numbers could be confused with mobile phone numbers, which also start '07'. There was also evidence of scams designed to make consumers believe they are calling a mobile number. When people called the 070 number back, they were actually dialling a service and were unaware of the cost.

## What Ofcom has done

Given the rising cost of calling these service numbers, Ofcom launched a Call Cost Review, to ensure prices were transparent and fair to consumers. The review, which began in 2017, considered the scale of consumer harm caused by deliberate misconduct or market failure, and the necessary actions required to address this.

The evidence we collated in respect of '070' numbers highlighted a number of issues.

- Consumers generally do not distinguish 070 numbers from mobile numbers. This means that, when making calls to 070 numbers, they often mistakenly believe they are calling a mobile number, and are therefore being charged for a call to a mobile number, or that the call is included in their call bundle when this is not the case. Phone providers charged consumers a retail price between 45p and £1.10 per minute for a call to these numbers, resulting in 'bill shock' for consumers unaware of the cost of the call. **There were 2.6 million calls to 070 numbers last year.**
- The 070 number range had been attracting an increasing level of fraud. We uncovered evidence of scams, such as missed calls and fake job adverts. **An estimated minimum of 20% of 070 calls last year involved some form of fraudulent activity.**

Having gathered evidence of harm, we published proposals in December 2017 and a final statement in October 2018.

To help protect callers from fraud and unexpected call costs, we decided to cap the wholesale cost, which 070 service providers can charge phone providers to connect 070 calls to the end consumer.

We aligned the cap with the existing cap set by Ofcom for calls to mobile numbers – at around 0.5p per minute.

This is a significant reduction on previous wholesale connection charges, which were as much as 39p per minute.

We last reviewed directory enquiry (118) services and consumers' understanding of pricing for these services in 2013. At that time, we decided to change the structure of retail prices and to require providers to publish their prices whenever they advertised their services.

However, a further review in 2017 revealed a number of areas of concern.

- Prices had risen steeply since 2013. The price of the most popular service, 118 118, had risen more than four-fold in real terms. A one-minute call to 118 118 cost £8.98, while some other providers charged as much as £15.98 per call.
- Call volumes had decreased by about 40% each year between 2013 and 2017. But 2% of UK adults still used them in the last year, rising to 4% for over-65s, meaning these services continued to be important for some people.
- Consumers' understanding of current prices for calls to directory enquiry services was very poor. On average, both users and non-users significantly underestimated the cost of a call lasting just under one minute.
- Just under 40% of users experienced unexpectedly high bills in relation to at least one directory enquiry call in the previous 12 months.



Given price levels, poor price transparency and the fact that callers tend not to shop around, in June we consulted on a cap on the price that providers can charge for directory enquiry services.

Our November statement capped the maximum amount a 118 directory enquiry service can charge at £3.65 per 90 seconds. The price cap came into effect on 1 April 2019. This has significantly cut the cost of many calls, and brought them back to 2012 levels.

### Outcomes and next steps

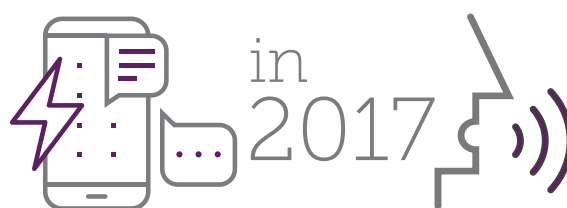
As a result of our work, phone users will be protected from high call charges for calling '070' numbers and 118 services, preventing bill shock and improving customer confidence in these number ranges as they have a better idea on the likely cost of calling them.

The cap on 070 numbers not only limits the potential harm to people unaware that these are not mobile numbers, but also removes the incentive for scams by significantly cutting the revenue available from using them. The cap also clears the way for phone companies to include 070 numbers in free minute allowances, as they currently do for calls to mobiles.

We set a 12-month implementation period (October 2019) to allow 070 number providers time to change the way they run their businesses and comply with the new rules.

We continue to monitor whether consumers are facing harm as a result of accessing certain number ranges and will step in where required.

Our research found:



**about 450,000**

adults in  
the UK

paid an estimated

**£2.4m**

in excess of  
expectations  
on 118 calls.

**'Bill Shock'**



## Consumer engagement

**Many people benefit from the wide choice of services on offer by engaging with the market, but a significant number do not.**

**They may not know when to review their existing deal, lack the confidence or knowledge to identify the best deal for their needs, or are deterred from taking up these deals.**

### Consumer impact

Our research shows the proportion of 'engaged' customers – those who have actively switched, shopped around, or negotiated with their provider in the last two years – varies significantly across communication markets.

Consumers who do not shop around at the end of their minimum contract period typically pay higher prices than engaged consumers, as providers often target their best offers and discounts at those who negotiate or switch.

Our research found that more than 20 million customers are outside their minimum contract period, and more than 10 million are on deals with an automatic price increase at the end. As a result, millions could be paying more than they need to. For example, customers who bundle their landline and broadband services pay, on average, around 20% more when they are out of contract.

### What Ofcom has done

Communications markets offer consumers a wide and growing range of products and services. We want to help telecoms and TV customers take full advantage of the choice available, shop around with confidence, and secure the best deals for their needs – whether that means negotiating a new deal with their current provider, or switching to a new provider.

We began a programme of work and research in 2017 to better understand why some consumers face difficulties engaging in communications markets, and to help us identify solutions.

The research showed a number of people were unsure whether they were still in their minimum contract period, or when their contract ended. It also suggested that receiving a notification of their contract end date would be useful.

Most providers did not remind their customers when their minimum contract period was coming to an end, or explain what would happen after the contract ended.

In July, we laid out new proposals meaning providers must notify residential and small-business customers who use services including landline, broadband, pay-tv and mobile (either standalone or as a bundle) when their contract is coming to an end. The notification must tell them about any changes to their price or services and let them know their options, including that they could save money. Providers are also required to send a one-off 'out-of-contract' notification to all customers whose initial contract has ended, and who weren't given this information at the time.

The proposals were extended further in December to mean providers must alert customers about the best deal or tariff they can offer. They must do this when any discounted deal customers are on is coming to an end, and also every year for longstanding customers who have stayed with them.

We published a final statement in May 2019 confirming new requirements, which will come into effect in February 2020.

## Handset charges

We further extended our work on consumer engagement with a consultation on handset charges in September. While most customers receive good value for money, we are concerned that a significant minority continue to pay the same price after the end of their minimum contract period.

We estimate that 1.5 million consumers are in this situation, and still paying instalments towards a handset that many have already paid off.

We are also concerned that, when a mobile customer signs up for a bundled contract, providers are not transparent about the respective costs of the handset and the airtime – so customers cannot tell how much they are paying for the different parts of their deal.

This is unacceptable. Customers should be able clearly to identify the goods and services they are paying for, so they can make an informed decision about what to buy – and what to do when the minimum term of their contract ends.

The consultation outlined two potential solutions:

- more transparency on the different parts of the mobile package a customer is purchasing, and what further information should be provided when the minimum contract period ends; and
- a requirement for providers to automatically introduce fairer tariffs at the end of the minimum contract period, with customers effectively only paying for airtime.

In December, we announced plans to review broadband companies' pricing practices – we are concerned some customers are paying more than others for similar or worse services, particularly when introductory offers have ended. The review will examine how companies change prices for customers over time, and who this most affects. Where we find evidence of harm, we will act to protect customers – particularly those who may struggle to engage with the market.

We also launched a major new information campaign and website, Boost Your Broadband. Ofcom figures show 94% of UK homes and offices can now get superfast broadband, but less than half have taken it up. Additionally, around four million households with basic broadband have passed their initial contract period and could switch to superfast for the same – or less – money than they currently pay. The campaign uses Ofcom data to tell people what broadband they can get in their area and offers impartial advice on how to find the best deal for their needs.

These measures all build on our recent work to ensure a better deal for telecoms customers. This includes, from 1 April 2019, automatic compensation when things go wrong; a simplification of switching processes in mobile and on the Openreach network; and the provision of improved service quality information and accurate information on broadband speeds when people are shopping around or taking out a contract.



## Outcomes and next steps

Our aim is to ensure that, overall, customers get the best possible deal and don't pay more than they need to.

Our May 2019 statement on end-of-contract and best tariff notifications, means that consumers will automatically receive a prompt to consider renegotiating with their current provider or switch to another.

We will consult on mobile handset and broadband pricing proposals later this year with the aim of implementing new rules in 2020.

These initiatives stand to save millions of customers hundreds of millions of pounds in aggregate each year.

Our Boost Your Broadband website has had close to 300,000 page views since launch, with around 75,000 users, spending an average of two and a half minutes on the site.

From 1 April 2019 our new automatic compensation provisions mean landline and broadband customers suffering slow repairs, delayed installations or missed engineer appointments will receive adequate compensation quickly and automatically.

The changes could mean up to a total of £142m in pay-outs to consumers, around nine times the previous levels.



This summer our new rules on mobile switching come into force, meaning customers can switch provider without having to speak to their current provider, simply by sending a free text message. The rules also include a ban on providers charging for notice periods running after the switch date.



This should save UK mobile customers around £10m a year in total.

We will continue to work on greater fairness and transparency for customers, and with other bodies such as the Competition and Markets Authority (CMA), which is considering a super-complaint from Citizens Advice about the high prices paid by inactive consumers across a number of industry sectors, the 'loyalty penalty'.

## Improving the coverage of communications services

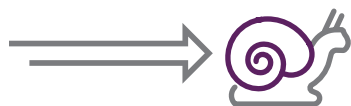
High-quality connections have never been so important to people and businesses.

### Consumer impact

According to our research, the coverage of fixed and mobile networks continues to improve - but too many people still can't get the connection they need. For example:

Around **700,000** homes & small businesses or **2%** of premises are still unable to receive broadband speeds of

**10 Mbit/s** 





The problem is more acute in **rural areas**



where the figure is **12%** of premises compared to **1%** of urban areas

In the nations, the total premises unable to access such a service:

	Northern Ireland	<b>5%</b>
	Scotland	<b>4%</b>
	Wales	<b>3%</b>
	England	<b>2%</b>

While 91% of the UK has a good 4G mobile internet signal from at least one operator, only two-thirds of the land mass has complete 4G coverage from all four. At the same time, too many rural areas are left with patchy or unreliable mobile reception.

For example, 83% of urban homes and offices have complete 4G coverage, but the figure is less than half that (41%) for rural premises. In some remote parts of the country, there is no coverage at all.

We estimate that 97% of premises can receive both decent fixed and mobile reception. However, 0.1% of UK premises are unable to access either, a figure which rises to 3% of rural premises in Scotland and 2% of rural premises in Wales.

### What Ofcom has done

In 2013, we set rules requiring 98% of homes and offices to have an indoor 4G signal from at least one operator. In 2014, mobile firms agreed with Government to cover 90% of the UK with reception for phone calls and texts. We reported on mobile companies' successful compliance with these obligations, and work to ensure they are maintained.

We continue to take further action to improve the coverage of mobile services.

As we release new airwaves for mobile, we're planning rules that would extend good mobile coverage to where it's needed. This will help ensure that rural communities have the kind of mobile coverage that people expect in towns and cities.

We plan to set demanding coverage obligations on mobile airwaves to be awarded in the near future – see page 26. We will write these requirements into the licences of the operators who win them in the forthcoming auction.

The obligations would apply to two operators and push coverage further than the obligations attached to 4G spectrum in 2013 – extending good outdoor data coverage for those operators to at least 90% of the UK's entire land area within four years of the award. The award is planned for early 2020, and the 700 MHz band is planned to be in use by mid-2020.

Our proposed rules include specific provisions to help improve mobile networks in the Nations where availability is currently poor. Coverage for an average operator would rise by eight percentage points in Wales, and by ten percentage points in Scotland, while Northern Ireland would receive the same minimum of 90% landmass coverage as the UK as a whole.

We also laid out plans to allow certain spectrum to be shared by different users, helping to support innovation and local coverage initiatives across the UK. The plans include allowing others to use spectrum that is currently licensed to mobile network operators, but not being used by them in certain areas.

Some of these spectrum bands could support a growing range of uses in the future, in areas such as logistics, mining, agriculture and connected devices that will form the 'Internet of Things'.

Other bands could be used by organisations and groups interested in building and operating their own mobile networks. .

The spectrum bands we are proposing to open up for sharing could also be used to deliver fixed wireless broadband, rather than mobile coverage. This could help to connect homes and businesses in areas where it is particularly challenging to lay cables in the ground.





Over the year we have worked on a number of other initiatives to help improve mobile coverage.



- **Supporting planning reforms.**

We have helped to implement new planning laws that make it cheaper and easier for mobile operators to improve coverage by sharing and installing equipment, such as mobile masts on private and public land.



- **Extending use of signal boosters.**

In April 2018 we introduced new rules that allow people to use certain types of mobile phone repeater, without the need for a licence, to help boost mobile signal at home.

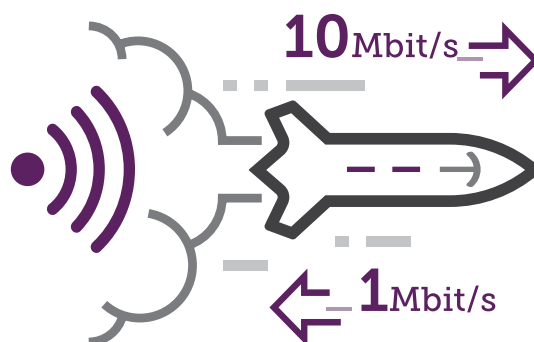


- **Helping to improve coverage on trains.**

We provided advice to the UK Government on the current and future demand for data services from passengers on mainline railways; the spectrum bands that have the potential to meet these requirements, and could be used for track-to-train connectivity; and how, in principle, we might authorise the use of spectrum for rail connectivity.

Additionally, in September we provided advice to the Government on further options to help boost mobile coverage, including options around a public subsidy to pay for new coverage and agreements between operators to share their mobile infrastructure and/or set-up roaming arrangements in rural areas.

In March 2018, the Government laid out the detailed specification of a broadband Universal Service Obligation (USO) within secondary legislation. This gives everyone in the UK the legal right to request a decent broadband connection – defined as a download speed of at least 10 Mbit/s, and an upload speed of at least 1 Mbit/s.



Although we think that the specification of the USO will need to increase over time, today it meets most households' needs.



In June 2018 we published a consultation, inviting expressions of interest in being designated as a Universal Service Provider. Having received eight expressions of interest, in December 2018 we proposed that BT and KCOM should be designated as the Universal Service Providers and that we expect people to be able to request these connections from 2020.

We are working to help introduce the universal service in the quickest possible time.

Our work to improve the coverage of communications services across the UK mirrors the Government's ambitions laid out in its Future Telecoms Infrastructure Review published in July 2018.

### Outcomes and next steps

Ofcom's priority is working towards making universal broadband – and nationwide mobile coverage – a reality for the thousands of people who cannot get a decent connection today.

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

Our work to improve fixed and mobile coverage, through the broadband USO and mobile coverage obligations should reduce the number of premises that are unable to receive either a decent fixed or good mobile service. Both of these initiatives should help improve the coverage outlook for consumers from 2020.

Comprehensive coverage is an ambitious goal, but one that the country should strive to achieve. We continue to focus our efforts in this area to ensure everyone can get, and stay, connected.

## Work towards the award of the 700 MHz and 3.6-3.8GHz bands

Mobile providers need more airwaves to support the demand for internet services on the move, as the use of smartphones and tablet devices continues to increase.

### Consumer impact

Ofcom's Mobile Data Strategy explains how, over the next two decades, we plan to enable further, long-term consumer and citizen benefits from the increasing use of mobile data services.

5G is the next generation of mobile technology. It is expected to deliver faster and better mobile broadband, with widespread applications in sectors such as manufacturing, transport and healthcare.

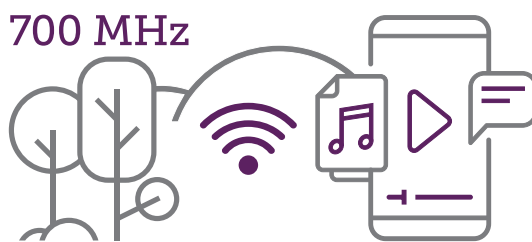
We want the UK to be a world leader in 5G, which will benefit our people, businesses and the wider economy. We aim to ensure that spectrum is not an inhibitor of early 5G roll-out. We will release different types of spectrum bands for 5G as soon as possible to ensure users can access the spectrum they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

### What Ofcom has done

This year we began working on the release of 200 MHz of new spectrum across the 700 MHz (80 MHz) and 3.6-3.8 GHz (120 MHz) bands. These airwaves would allow mobile network operators to increase data capacity, enabling their customers to enjoy more reliable internet browsing. The amount of spectrum to be awarded via auction is equivalent to 22% of the current spectrum used by mobile operators.

The combination of low- and high-frequency spectrum creates the potential for 5G mobile broadband services to be widely available across the UK, while offering capacity to cope with significant demand in urban centres.

## 700 MHz



- Airwaves in the 700 MHz band are well suited for providing good-quality mobile coverage, both indoors and across very wide areas – including the countryside.

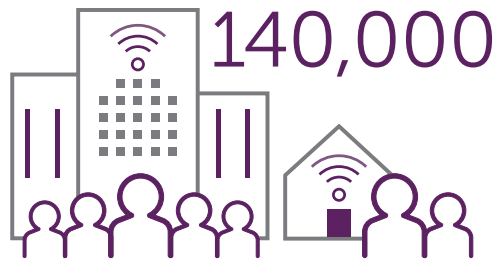
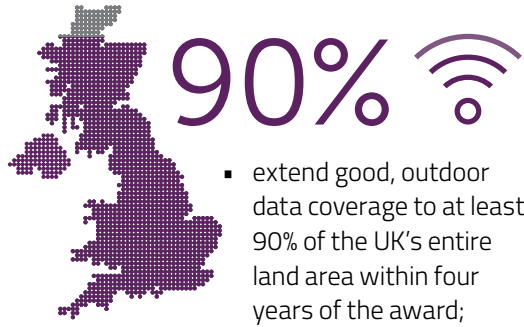
## 3.6-3.8 GHz



- 'Mid-frequency' spectrum across the 3.6-3.8 GHz band is suitable for supporting lots of data-hungry connections in concentrated areas.

In December we consulted on how use of this spectrum is likely to affect future competition in the mobile telecoms markets and how we look to use the award to help improve mobile coverage nationwide. We outlined proposals for how the spectrum should be auctioned.

We plan to include binding coverage rules with the spectrum. These would mean that up to two winning bidders would each have to, within four years of the award:



We plan to offer companies bidding in the auction a discount on the spectrum linked to these coverage obligations – to reflect the significant investment required to meet them, and the social benefits they will help deliver.

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

Our proposed auction design ensures that mobile users will continue to benefit from strong competition. The draft rules place a cap on the spectrum any one operator can hold, to protect competition in the market. The cap is consistent with the policy we adopted in previous spectrum auctions.

The responses to this consultation and the evidence submitted, together with further analysis by Ofcom, will help us to develop final rules for the auction. We plan to hold the award in early 2020.

Before mobile operators can use 700 MHz spectrum, it must be cleared of existing users. The band is currently used by digital terrestrial television (DTT) broadcasters and by programme making and special events (PMSE) equipment, such as wireless microphones.

DTT continues to perform a vital role in providing viewers with low-cost, near-universal access to public service TV channels on Freeview. We are working to ensure minimal disruption to DTT viewers. The vast majority will need only a simple retune of their existing equipment.

We have also identified a number of frequency bands that wireless microphones can use. Working closely with the PMSE community, we are aiming to limit any problems associated with the transition to these new bands. As part of its funding for the 700MHz clearance programme, the Government has agreed to fund an Ofcom-administered grant scheme to support PMSE users who will have to vacate the 700 MHz band and incur costs as a result. We opened registration for eligible claims in February this year.

### Outcomes and next steps

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

We have completed the first step in preparing for a significant release of new spectrum in the UK. Our proposals influence the provision of 5G services to consumers for the next decade and beyond and help maintain mobile competition in the UK.

The work to clear the 700 MHz band during 2018 has progressed as planned, and the programme is on track to be completed by April 2020.

This means that consumers could soon benefit from a significant enhancement of mobile broadband capacity. The release of this new spectrum builds upon the award of 190 MHz across the 2.3 and 3.4-3.6 GHz which was completed in April 2018. This has already resulted in an immediate increase in mobile broadband capacity for Telefónica's customers; a more even distribution of spectrum overall between the four competing national mobile network operators; and a good starting platform for all four to develop 5G services in future.

The inclusion of coverage obligations as part of the award means mobile signals should extend much further in the UK. This is good news for parts of the country currently underserved by mobile broadband, and means that almost the whole UK population should be able to receive mobile services within four years of the auction.



## Securing the continuing provision of the universal postal service

**The postal sector is essential to the UK economy. The universal postal service is relied upon by millions of people and businesses across the UK's nations, and in rural areas. It requires Royal Mail to collect and deliver letters six days a week (and parcels five days a week), at an affordable and geographically uniform price to every address in the UK.**

As the postal regulator, our goal is to ensure postal users benefit from a universal postal service which delivers innovation and lower prices. We balance a duty to secure the universal service against the need for Royal Mail, the company providing it, to be financially sustainable.

### Safeguard cap for second class stamps

In 2012, Ofcom introduced a safeguard cap for second class products to ensure a basic, affordable, universal service is available to all consumers and to protect them from persistent price increases.

In 2017, as part of a review of the regulation of Royal Mail, we concluded that the caps should remain in place but be reviewed over the course of 2018/19, prior to their expiry on 31 March 2019.

We completed this review in January 2019, deciding to increase the second class standard letter cap from 60p to 65.2p in April 2019, followed by inflation-linked annual increases until 31 March 2024. The raised cap ensures second class stamps remain affordable, while also giving Royal Mail an appropriate level of commercial flexibility.

## Monitoring

We constantly monitor and report on Royal Mail's performance on efficiency, quality of service, the financial performance of the universal service network, market developments and competition in parcels and letters. We also monitor consumers' experiences in the postal sector.

Our seventh annual monitoring report found that 11.1 billion addressed letters were sent last year, down 5% on the previous year; and 2.4 billion parcels were sent, up 11% over the 12 months. We also found that the majority of residential consumers are satisfied with postal services overall (87%), and with value for money (77%), as are most small businesses.

However, we also found that Royal Mail's profit margin in the regulated business had contracted 20 basis points to 4.4% in 2017/18, this is below the indicative 5% to 10% range that we consider to be representative of a reasonable commercial rate of return for a financially sustainable universal postal service in the medium to long term. However, our view is that the universal service is likely to remain financially sustainable in the immediate future.

Over the course of the year we have developed our understanding of the costs faced by Royal Mail and how these are affected by changes in the market. We also revised rules around the recovery of costs relating to consumer advocacy bodies in relation to postal services.

Over the coming year we will review Royal Mail's efficiency to give us more insight into the future sustainability of the universal postal service. We will also carry out market research and analysis to assess the current needs of postal users in light of changes in the market, in particular the growth in online shopping and the continued decline in the letters market.

Our comprehensive monitoring regime helps safeguard the universal service. If we see a threat, we have powers to step in to protect the needs of UK postal users.



### Conclusion to investigation

This year we fined Royal Mail £50m for a serious breach of competition law, after the company abused its dominant position by discriminating against its only major competitor delivering letters.

— This year we fined Royal Mail £50m for anti-competitive behaviour towards wholesale customers

The penalty was the result of an investigation into a complaint, made to Ofcom by Whistl, one of Royal Mail's wholesale customers. The complaint was about changes Royal Mail made to its wholesale customers' contracts in early 2014, including wholesale price increases.

Our investigation found Royal Mail's conduct was reasonably likely to put other companies at a competitive disadvantage and restrict competition, by limiting the profits available for companies looking to enter the delivery market in direct competition to Royal Mail.

The fine reflected our finding that Royal Mail's actions were part of a deliberate strategic response to the threat of competition from Whistl.

## Supporting wireless innovation

**Spectrum provides the airwaves that support wireless services, including mobile phones, used by people and businesses every day. Ofcom manages the use of spectrum in the UK. Our ambition is to see comprehensive mobile coverage for people wherever they are, and to create opportunities for innovation across the UK economy.**

### Spectrum sharing

In December we published plans to allow certain spectrum to be shared by different users in localised areas, to support innovation and local coverage initiatives across the UK economy.

We proposed making spectrum available for shared use in the 1800 MHz and 2300 MHz bands, which can be used by existing mobile handsets. We also unveiled plans to enable third parties to use airwaves that are licensed to mobile operators, but not being used by them.

### Supporting wireless innovation

Wireless technology could help businesses to increase productivity, lower costs, innovate and improve the quality of their services. Industries such as agriculture, manufacturing and logistics are already using wireless connections to improve their services. For example, by introducing automation in factory production lines or using real-time data to monitor crops remotely.

In February, we published a discussion paper looking at how wireless connections are driving innovation across different sectors. The paper also examined the issues businesses need to consider when introducing wireless technology, and the different technical approaches they can take when doing so.

We are keen to work with any businesses or organisations interested in making better use of wireless connections.

Over the spring of 2019 we held a series of industry workshops to discuss the available opportunities in more detail.

### Fixed wireless services

Fixed wireless links provide wireless connections for uses such as mobile backhaul, utility services, broadcasting and financial networks using a range of spectrum bands.

We have been working to extend the uses of fixed wireless links. With capacity requirements set to increase significantly - particularly as new technologies and networks evolve towards 5G - greater focus is now being placed on the higher-frequency bands to deliver this capacity.

To help meet future demand for wireless services, we established new regulations removing restrictive technical conditions over the 57-66 GHz band to help increase usage across these bands.

The 66-71 GHz band is being studied for potential 5G use. Our actions have made 14 GHz of licence-exempt spectrum available across the 57-71 GHz range. This should support the development of 5G services in the UK.





## Preparing for Brexit

**As the Government negotiates the terms of the UK's exit from the European Union, we have continued to make appropriate preparations for how the different potential outcomes may affect Ofcom and the industries we regulate.**

This includes providing independent advice to Government on the priority issues for our sectors, to inform its work in setting the legal frameworks that will be in place after Brexit.

These frameworks will stay largely the same after Brexit for many of the companies we regulate. However, there will be some changes such as how we license broadcasters. People are unlikely to see major changes to the rules around how they use their communications services, although some rules – such as mobile roaming while travelling in the EU – will change.

Where necessary, we have consulted on technical changes we will need to make to our rules so they comply with new legislation that will apply once the UK has left the EU. We have also published advice for industry, such as our guidance for broadcasters on how the Government's new legislation will affect them after Brexit.

We are in close contact with the various companies and consumer groups working in our sectors to ensure we are fully aware of any issues that could affect people and businesses.

We will provide a stable regulatory environment for businesses that supports investment, promotes competition and protects consumers.

## Broadcast licensing

Since April 2018, 23 new analogue community radio stations have begun broadcasting. They serve areas across the UK, including Bounce FM in Northern Ireland, Radio Saltire in Scotland, Rhondda Radio in Wales, Radio Newquay in Cornwall, Great Driffield Radio in Yorkshire, Radio Seerah in the Midlands, and Flex FM in Greater London. They also serve a diverse range of communities, with some music-based services appealing to young people or older audiences, others reaching LGBT audiences and some services focused on faith communities.

Having invited existing community radio licensees to apply to improve or extend their current licensed coverage area, we are currently working through 60 coverage improvement applications, and will shortly turn our attention to 60 coverage extension applications.

We have also licensed 12 new community radio services, which will launch in the coming months, each providing audiences in their area with a greater variety of programmes.

We have received 59 licence applications from TV services over the course of the year.

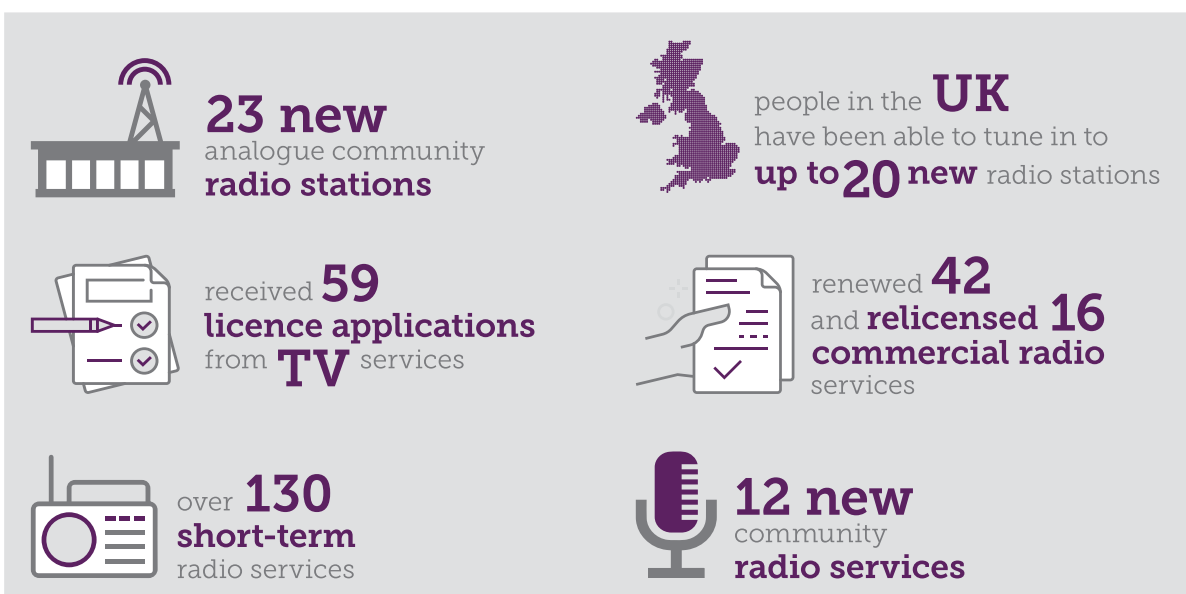
These will offer more choice for viewers across both digital and pay-per-view platforms. One of these licences was issued to Amazon, which required a licence to broadcast the US Open tennis tournament on its streaming service, Amazon Prime.

Over the year we have also renewed 42 and relicensed 16 commercial radio services in over 40 areas across the UK. This allows people to enjoy a range of local, regional and national radio services.

We also licensed more than 130 short-term radio services to broadcast. These services broadcast for up to a month, and cover events across the UK, such as music festivals, conferences and religious events.

Our enforcement programme ensures that TV and radio licensees meet their obligations, including complying with the requirements of their service that ensures people can access a range of TV and radio services.

We have also been working with Government on new legislation which will enable potentially hundreds more digital radio stations to be made available throughout the UK. Small-scale digital audio broadcasting (DAB) is an innovative technology designed to allow local radio stations to achieve affordable transmission on digital radio. As part of an ongoing trial in ten locations around the UK, people have been able to tune in to up to 20 new radio stations offering a range of content.



## Broadcast standards

Over the past year, we have continued to protect viewers and listeners by enforcing the Broadcasting Code.

We have imposed sanctions for serious breaches of the Code. For example, in December 2018 we imposed a fine of £10,000 on Radio Ikhlas Limited, a community radio station targeted towards the Asian (primarily Pakistani) community and other smaller ethnic communities in the Normanton area of Derby. We found the station had failed to protect listeners when it broadcast hate speech and abusive treatment of the Ahmadiyya community.

We are currently considering imposing sanctions for other serious breaches. These include: prolonged hate speech against the Ahmadiyya community which was not justified by the context (broadcast on Channel 44); a highly offensive anti-Semitic image appearing in teleshopping content (on Starz); and a failure to provide viewers with adequate protection from material which presented a material risk to their health (on BEN TV).

Ofcom has also carried out investigations in the area of due impartiality.

For example, in December 2018, we published our decisions on 10 programmes broadcast by the television service RT (formerly Russia Today). We found 7 of these programmes, broadcast between 17 March and 26 April 2018, breached our due impartiality rules. The licensee for RT, TV Novosti, has been put on notice that these breaches are being considered for statutory sanctions.

Also in the area of due impartiality, in February 2019 we took the unusual step of publishing the detail of our assessment of a collective complaint<sup>1</sup> about a large amount of content broadcast between October 2017 and March 2018 on BBC Radio 4 about Brexit. In our view, a range of alternative viewpoints on Brexit was included in each of the programmes, and also across clearly linked and timely programmes within each strand. We therefore did not consider that the programmes raised substantive issues that warranted further investigation under the Broadcasting Code.

As well as assessing complaints from viewers and listeners, we also consider complaints from people who feel they have been treated unfairly or had their privacy infringed by broadcasters, for example in programmes they have appeared in. In 2018, we upheld four complaints against Channel 5 from people who had appeared in episodes of *Can't Pay? We'll Take It Away!* The series follows high court enforcement agents as they attempt to resolve debt disputes through negotiated settlements and asset seizures. In each of the four cases we upheld, Ofcom found that the interference with the complainant's rights to privacy was significant and that the broadcast of footage of the complainants (and in some cases their children) gained by surreptitious filming was not warranted.

<sup>1</sup> The complainants were: Lord Pearson of Rannoch, Philip Davies MP, Philip Hollobone MP, Kate Hoey MP, Ian Paisley MP, Kelvin Hopkins MP, Graham Stringer MP, Viscount Ridley, William Cash MP and David Keighley.

## Ofcom annual report on the BBC, Ofcom performance report on the BBC, and representation and portrayal in BBC Television

In October 2018, we published our first annual report on the BBC, which covers April 2017 to March 2018. The Royal Charter requires Ofcom to publish a report each year. This report sets out how we have carried out our functions as the BBC's independent regulator and assesses the BBC's compliance with the operating framework, operating licence and associated documents.

The BBC is a unique institution with a broad remit from Parliament to inform, educate and entertain the public, and to support the creative economy across the UK.

While the BBC Board is responsible for delivering its mission and public purposes, Ofcom's role is to hold the BBC to account on behalf of audiences by providing robust, fair and independent regulation.

In the report, we provide an assessment of how the BBC has been performing against the backdrop of a rapidly-changing media landscape. We set out the steps we have taken to assess delivery of its mission and public purposes, its impact on competition and to secure its editorial standards.

We also published our assessment of how the BBC has complied with the BBC agreement, as well as a report which measures the BBC's performance across all its services and output and provides an overall perspective on how it is delivering for audiences.



Our annual report on the BBC found that, while the BBC is generally delivering its remit for audiences, among whom satisfaction is relatively high, it should go further in four areas:



- **Transparency.** As a publicly-funded organisation, with a privileged status in the UK broadcasting sector, the BBC needs to be more transparent and accountable, most notably in the area of competition. Transparency in its working practices benefits the public, the BBC's competitors and the BBC itself. The BBC Board should drive improvements here, particularly regarding planned changes to its public service activities and the governance of the BBC's commercial activities.



- **Representing and portraying UK society.** Alongside our annual report on the BBC, we published the conclusions of a review of representation and portrayal on BBC Television. We spoke to people from different backgrounds, across the whole country, to understand how well they felt the BBC reflects the diverse communities of the UK. While viewers told us that the BBC – and TV in general – represents a wider mix of people than it used to, some people still feel less visible, or portrayed in ways that are narrow or inauthentic.



- **Original UK programmes.** To remain distinctive amid increasingly strong competition for audiences, the BBC should maintain its commitment to original programmes that reflect UK voices, lives and experiences. In the light of the funding settlement for this charter period, it will need to be more innovative and take more risks – both in the type of UK content it commissions, but also how it is made, and with whom.



- **Attracting young people.** As the BBC recognises, it is not currently doing enough to reach young people, who are critical to its future success. It needs to address this issue, to ensure it delivers content that appeals to young people in ways that reflect their viewing and listening habits.

Later this year, we will publish Ofcom's second annual report on the BBC. We will also publish our review of the BBC's news and current affairs output. This will look at how the BBC is adapting to the changing news environment to ensure it remains a trusted destination for audiences.

We will look at how it seeks to provide both a range of content and depth of analysis across its TV, radio and online platforms. It will also look at how the BBC delivers impartiality, including an assessment of the tools and techniques it uses to achieve impartiality.

## Ofcom's response to Channel 4 Corporation's Annual Statement of Media Content Policy

Channel 4 Corporation (C4C) is publicly-owned but commercially-funded, and operates a not-for-profit model. Under the Communications Act 2003, C4C must prepare an annual Statement of Media Content Policy. The statement sets out how C4C has delivered its public service remit on Channel 4 over the course of the year as well as its media content duties introduced by the Digital Economy Act 2010. C4C can deliver these latter duties across all its services (so including E4, More4, 4Seven, 4Music, Film4 and its on-demand service All 4).

Under its public service remit, Channel 4 must show high-quality, diverse and distinctive programmes which demonstrate innovation, experiment and creativity. These programmes should appeal to a culturally diverse society and include educational programmes. C4C's other media content duties include showing news and current affairs content and content that appeals to older children and young adults; investing in high-quality films including UK films; promoting alternative views; and stimulating debate. C4C must also support the development of people with creative talent on and off screen.

In preparing its statement, C4C must consult Ofcom and consider our guidance. Each year we also publish a response, setting out our views on how well C4C has delivered its remit and duties in the previous year. This is an important mechanism for ensuring that C4C is held to account for its performance.

We published our response to C4C's statement for 2017/18 in June 2018. We concluded that, overall, C4C performed well in delivering its remit and duties in 2017 in an increasingly challenging landscape, with a wealth of choice over how and when content is watched.

However, we noted some areas where there are opportunities for C4C to do more:

- some core Channel 4 programmes were losing viewers and it will be important for C4C to continue innovating and commissioning new titles to help build a schedule for the future;
- while consumption of All 4 is growing, this growth may not be keeping pace with changing audience behaviour or with the growth, albeit from a lower base, of its online competitors;
- C4C should continue to experiment with educational titles for 14- to 19- year-olds;
- the number of producers that were new to C4C fell in 2017, and it will be important that it continues to support a wider pool of producers in the market; and
- audiences still perceive that C4C could do more to represent and portray the UK's nations and regions on screen. Successful implementation of C4C's 4 All the UK plans, which will move some operations from London to Leeds, Glasgow and Bristol, will be of central importance and may also help to tackle these audience perceptions.

We will publish our response to C4C's statement for 2018/19 in June 2019. As usual, we will consider C4C's delivery of the most prominent areas of its remit and duties and, for this review, we will give particular consideration to C4C's duties in relation to film-making and supporting the UK film industry.

## Review of regional production and regional programming guidance

### Encouraging television production outside London should help to support and stimulate the creative economies across the UK.

This spreads and stimulates investment and job opportunities to those who live and work in these areas. To help promote nations and regions television production, Ofcom has imposed quotas on the BBC, Channel 3, Channel 4 and Channel 5 to ensure a suitable proportion of their programmes are made in the UK outside the M25 ('regional productions').

To help them meet their obligations in a consistent way, we have published guidance, which includes our definition of a regional production. The criteria which define a regional production are based upon three separate core elements of any production: where the production is based; the production budget; and the off-screen talent working on the production.

3 core elements of any production:



Over the past months, we have reviewed the guidance to ensure it is effective in a rapidly-evolving TV and production landscape. As part of the review we published a call for evidence in March 2018, which sought to gather views on how the guidance has been working. We also commissioned work to better understand the performance of the production sector in the nations and regions, and engaged with stakeholders through a range of meetings and workshops held across the UK.

The review found that, while there was general industry support for the guidance and the substance of the three criteria defining a regional production, there were concerns about how the guidance is being interpreted and whether practices deliver the overall policy objective. Many respondents called for greater clarity in the guidance to help ensure more consistent interpretation and application. Many stakeholders also wanted to see greater oversight by both the broadcasters and Ofcom to ensure programmes are meeting the definition correctly.

With this in mind, we published a consultation in December 2018 on proposed changes to the guidance, and the wider regime which we believe will offer more support for the creative economies in the nations and regions. This includes proposed changes to the guidance and the criteria, alongside making changes to our own internal processes - such as introducing spot-checks and publishing more information about our complaints process. We will consider responses to the consultation as we finalise the review and aim to publish our final decisions in 2019.



## Diversity

We continued to expand our comprehensive Diversity in Broadcasting programme to include monitoring of the radio industry for the first time.

We published our first Diversity and Equal Opportunities in Radio report in June 2018 after speaking to radio stakeholders. This report highlighted how the UK's radio industry is performing on diversity overall, and how it is promoting inclusion within its workforce, and where more work needs to be done. We found radio broadcasters, with the exception of the BBC, need to monitor their workforces more effectively to identify gaps and implement initiatives to drive change.

We wrote to the broadcasters assessing their equal opportunity arrangements and offering guidance on where improvements can be made. We made clear we will review broadcasters' arrangements annually and assess them against our published guidance. We also held follow-up sessions with the main three radio broadcasters featured in the report.

In November 2018 we held our first Diversity in Radio forum for broadcasters to share best practice and discuss challenges in driving change. We also worked with organisations such as the National Union of Journalists, Radiocentre and the Radio Academy.

We also increased our monitoring of the television broadcasting industry.

In March 2018, we hosted a social mobility roundtable event for the main five broadcasters to facilitate collaboration on social mobility.

Although not protected characteristics under the Equality Act 2010 the social make-up and economic background of the television workforce are important considerations for its diversity. The session encouraged the broadcasters to share information on what their organisations are doing about social mobility and diversity, along with what work is underway or planned around attempting to capture and measure the social mobility of their employees.

Following the session, we agreed with the main five broadcasters on a question<sup>1</sup> the industry could ask its workforce to measure this information, which we will monitor in our third television report.

We are working with the charitable policy group The Bridge Group to support broadcasters in their work on social mobility and plan to support further discussions on this ahead of our third report publication.

To ensure the industry maintains momentum in improving its diversity and promoting inclusion, we hosted a meeting of the heads of major UK broadcasters, chaired by our Chief Executive Sharon White, to share ideas and experiences on the work they are undertaking to tackle the issue.

<sup>1</sup> The question asks the individual about their parents' occupation when they were aged 14.



In September 2018, we published our second Diversity and Equal Opportunities in Television report, looking at how television broadcasters are performing on equality and diversity overall. The findings shine a clear light on what progress has been made but also the scale and nature of the diversity challenge, revealing which groups continue to lack representation across major television broadcasters.

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

We updated our guidance based on the report's findings to help broadcasters to promote equal opportunities within their organisations. The report acknowledged broadcasters' progress in beginning to reduce the data gap on diversity and encouraged them to improve the quality of their data and to place greater focus on areas such as representation of disabled employees.

We reviewed each broadcaster's equal opportunities arrangements and gave them an individual assessment and guidance on what was needed to improve their arrangements. We made clear that we expect to see progress in broadcasters' arrangements annually and will continue to assess them against our guidance. We also ran sessions in London for broadcasters who wanted more support to improve their diversity and inclusion work.



— We want to see the best and brightest talent forging successful careers in our creative sector, regardless of their background.

Ahead of the third television report, due to be published in 2019, we have worked with industry and other organisations to gather feedback, share best practice and discuss broadcasters' measures to promote equal opportunities among their employees. We hosted a session for the main five broadcasters and industry representatives such as the Federation for Entertainment Unions and Directors' UK to discuss better monitoring and support for freelancers working in the industry, both on and off screen.

We want to see the best and brightest talent forging successful careers in our creative sector, regardless of their background.

By publishing our annual monitoring report, we are encouraging broadcasters to assess and improve their equal opportunities arrangements on a regular basis.

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

## Review of children's content

Ofcom's review of children's content focuses on how the UK's public service broadcasters (PSBs) deliver a range of programmes to children at a time when children are increasingly watching TV on-demand and online.

We have a duty to ensure public service broadcasting meets the public purposes set by Parliament, including providing a suitable quantity and range of high-quality and original programmes for children and young people.

We launched the review in November 2017, with a summary of what is currently available to younger audiences, alongside how this content is viewed and valued. This informed our view on the PSBs' current provision.

In July 2018, we published our view and next steps. We identified three specific areas of concern on current levels of programming for children, these were:

- a lack of original, high-quality programmes specifically made for older children across all programme genres;
- a limited range of children's programmes that help children to understand the world around them; and
- a limited range of original, high-quality children's programmes available that allow UK children to see their lives, in all its diversity, reflected on screen.

There is a need for the PSBs to revitalise their approach to how and what they offer to young audiences. This means creating more original, UK-made programmes that children value, with a focus on the gaps we identified. Broadcasters are well placed to explore new and innovative ways of reaching children, exploiting opportunities of internet-based services, to provide content that children both want and need.

We wrote to ITV, Channel 4 and Channel 5, asking them to develop and share their plans to address our concerns. We expect them to set out how they will improve their provision for children - in terms of creative ambition, investment and genre mix - across their full range of services and platforms, and particularly to set out how they will use the internet to do this.

We also commissioned in-depth, qualitative research into online platforms, including how children make choices between content sources, and how they navigate and make decisions about content once they are using them. We published this research in January 2019 alongside our annual reports on children making sense of media. This new research will inform our ongoing work, our discussions with broadcasters, as well as our wider 'Making sense of media' programme.

We are continuing discussions with the commercial PSBs and we have now received their plans. We will report on these plans alongside our next Media Nations report in summer 2019. We will keep children's content under review as part of our ongoing duties on PSB and as part of the next PSB relicensing process.

## BBC Scotland

In November 2017, the BBC announced plans for a new television channel for Scotland. The channel would feature a range of programmes reflecting Scottish life, including new comedy and drama, as well as a nightly hour-long news programme covering international, UK and Scottish stories.

As a large, publicly-funded organisation, changes to BBC services could have a significant impact on the wider media market. Before the BBC can proceed with a material change to its services, such as the launch of a new channel, Ofcom must be satisfied that the proposed public value generated by a proposal justifies any negative impact it might have on competition. We determine this through a BBC Competition Assessment (BCA).

In the BCA for BBC Scotland, we looked at the potential benefits and risks of the plans. Among other things, the BBC had identified benefits for viewers through wider programmes and news coverage for Scotland, as well as the potential to enhance the Scottish creative sector through new commissions. Our assessment took into account that the service proposed by the BBC would not exist in isolation. Although the BBC may generate public value in some areas, it could also reduce public value in others – for instance, by diverting viewing or investment away from other important content and services.

We also assessed the potential impact of the BBC's plans on competition. As part of this we looked at a range of factors. These included the impact the channel could have on existing commercial broadcasters in Scotland, for example by making it harder or more expensive for them to acquire content rights. We also looked at the possible effects of the BBC's proposal to hire new journalists and expand news coverage on newspapers in Scotland already competing for the attention of people in Scotland.



To come to a decision, we met a range of stakeholders to understand their concerns, commissioned consumer research on attitudes towards the BBC's proposals, and undertook detailed modelling work to assess the potential impact. We also examined a range of evidence submitted by the BBC and others.

After consultation, in June 2018, Ofcom cleared BBC Scotland for launch. We also proposed changes to the BBC's processes for future proposals designed to maintain confidence and secure transparency.

Following the conclusion of our assessment, we put forward proposals to amend the BBC's operating licence to take account of the new channel. After consulting, we published a number of amendments setting out how programmes on BBC Scotland and BBC Alba would be considered in respect of the wider requirements of the operating licence. BBC Scotland began broadcasting in February 2019.



## Electronic programme guide (EPG) prominence and updating the EPG code

Parliament requires that designated public service channels should be given appropriate prominence within television 'electronic programme guides' or EPGs. This ensures these services are easily discoverable to audiences, which encourages more viewing and greater public benefits. Under the Communications Act 2003, Ofcom is required to put in place a Code of Practice for EPG providers which includes a section on guidance for EPG providers on appropriate prominence.

The Digital Economy Act 2017 introduced a new duty for us to report on the prominence of linear PSB and video-on-demand (VoD) PSB services, and to review our code by December 2020. We published our first report on the prominence of linear PSB and VoD PSB services in July 2018. Alongside this, we consulted on proposed changes to the section relating to prominence within our EPG Code.

We found the market is rapidly changing, and viewers are no longer bound by the linear television schedule. We sought views on principles and ideas that could underpin any future changes that Parliament could make to the statutory regime, to maintain the prominence of PSB content and services in an online world. We plan to publish the outcome of our consultation on the prominence section of the EPG Code, and prominence in an online world, in the first quarter of the financial year.

The EPG code also includes a section on accessibility. In June 2018, we amended the code to require features and information needed for EPGs to be used by people with sight or hearing disabilities.

# Principal risks and uncertainties

The framework for how we manage risks is set out on pages 81 to 83. It is designed to ensure risks are recognised across the organisation and, in turn, to support efficient and effective decision making across Ofcom's work.

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.

Our strategic risk register captures risks which might threaten Ofcom's objectives.

The risk register is organised around five risk areas, summarised in the following table..

Principal risks	Key mitigating actions
<p><b>Regulation is seen to be independent, impartial and consistent</b></p> <p>The risk that Ofcom is perceived as not being independent, or Ofcom is seen not to practice what it preaches in relation to its operations, diversity, or the behaviour of colleagues.</p>	<ul style="list-style-type: none"> <li>- We frequently engage with Parliamentarians across the UK, and with other stakeholders to understand their positions and set out the benefits of independent regulation;</li> <li>- We monitor new legislation and work with Government to refine legislative proposals and make the case for changes where we feel this is necessary;</li> <li>- We continually seek industry backing around the value of our independence.</li> </ul>

Principal risks	Key mitigating actions
<p><b>Better broadband and mobile coverage</b></p> <p>The risk that Ofcom does not secure better broadband and mobile coverage for consumers.</p>	<ul style="list-style-type: none"> <li>- On broadband universal service obligations, we have drawn lessons from other comparable projects;</li> <li>- We factor in relevant expertise at every stage of our policy development process;</li> <li>- To align with the Government strategy on the delivery of superfast broadband and local full-fibre networks, we keep talking to Building Digital UK (BDUK), part of the Department for Digital, Culture, Media and Sport (DCMS); to the separate nations fibre roll-out programmes; and to the Future Telecoms Infrastructure Review (FTIR) as part of Government's Industrial Strategy.</li> </ul>
<p><b>Fairness for customers</b></p> <p>The risk that Ofcom does not secure fairness for customers.</p>	<ul style="list-style-type: none"> <li>- We have consulted on and continue to work on remedies to address customers getting a fair deal for their communication services and best tariff advice. These have been designed to have the largest impact and maximum effectiveness for consumers;</li> <li>- We are working alongside the Competition Markets Authority (CMA) and other relevant bodies who are close to this area, including Government and consumer groups.</li> </ul>

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**Principal risks****Key mitigating actions**

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**Major programmes**

The risk that Ofcom does not secure positive consumer outcomes, the efficient use of radio spectrum or high-quality programmes for TV and radio audiences.

- We are taking an active and detailed approach to monitoring compliance by BT and Openreach to deliver a better network with improved customer service;
- We have continued to consult with stakeholders to understand their concerns, and to undertake market research and forecasting to assess market trends and developments;
- Following a consultation on auction policy for the award of 700MHz and 3.6-3.8GHz, we are reviewing the delivery plan and stakeholder responses to align policy decisions and progress the availability of the spectrum;
- During the year, we released a number of consultations, statements and other communications relating to our BBC work, along with regular stakeholder and industry meetings. We use market research and intelligence to have good visibility of the BBC's plans and their strategic implications;
- We continue to work closely with Government, providing technical advice to help ensure a coherent domestic legislative framework around Brexit. We also completed the necessary preparations to ensure internal business continuity in various scenarios.

**People**

The risk that Ofcom is unable to recruit and retain talent to deliver across a wide brief.

- We are developing a People Strategy and Strategic Workforce plan to recognise the requirements of the organisation going forward;
  - An internal review is underway of our current strategic talent and skills, and we are advancing a specialist skills development plan.
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# Work in the nations and our international engagement



## Our work in the UK's nations and regions

We work to ensure people across the UK get the best from their communications services and are protected from business practices which might cause them harm, while enabling competition and innovation to thrive. To do this well, we must take into account that the UK is made up of different nations, cultures, population densities and landscape.

For example, we recognise that providing fixed broadband, mobile and postal services that meet the needs of people in rural and remote areas is still a challenge. Northern Ireland, Scotland, and Wales, as well as some English regions, have a high proportion of these remote areas. In another part of Ofcom's work, public service broadcasting needs to reflect different cultural identities, at national and regional levels.

The views, interests and needs of people across the UK are important to us. Our offices in each of the UK's nations allow us to engage directly with governments, elected representatives and local stakeholders. We have statutory Advisory Committees for each nation, and Board members for Wales and Scotland appointed by the Welsh and Scottish Governments respectively, in consultation with the UK Secretary of State. We hope to have a Northern Ireland Board member appointed in due course. Our Content Board and Consumer Panels also have members representing each nation.

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



## Northern Ireland

Northern Ireland's border with the Republic of Ireland presents unique challenges, with many services available in both jurisdictions. As the UK prepares to leave the European Union, we have continued to work closely with our counterparts in the Republic of Ireland, ComReg and the Broadcasting Authority of Ireland, as well as with Government and industry players. Our focus has been on preserving cross border services and protecting consumers from harm. On the first point, we are working to maintain the widespread availability of Republic of Ireland TV channels in Northern Ireland. On the second point, we are working to prevent the possibility of inadvertent mobile roaming affecting people living or working close to the border.

We welcomed BT Group's decision (August 2018) to rebrand its network operation in Northern Ireland as Openreach Northern Ireland, and to move it under the wing of Openreach while maintaining local management of the network. We believe this has helped address local industry concerns and will allow Northern Ireland to benefit fully from future full-fibre investments.

Throughout the year we have offered regulatory and technical advice to Northern Ireland's Department for the Economy, particularly in support of its planned public investment in superfast and ultrafast broadband under the 'Project Stratum' procurement.

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## Scotland

Our Edinburgh office has continued to grow with 39 colleagues from across Ofcom's Groups and disciplines now located there. Our presence is now around four times what it was at Ofcom's inception. This has increased our capacity for stakeholder engagement and helped to ensure the geographic diversity of the UK is reflected in our workforce and programme of work.

On broadcasting (and as noted earlier in this report) we have approved the launch of a new BBC television channel for audiences in Scotland, following consultation and engagement with stakeholders. During 2018 and early 2019, we have also engaged extensively with stakeholders on our *Review of Regional TV Production and Programming Guidance* in recognition that nations' and regions' production is a crucial part of the UK production sector, accounting for almost half of public service broadcaster qualifying programme hours.

In November 2018, we announced the appointment of Allan MacDonald as the new Chairman of MG ALBA, the body responsible for ensuring that high quality television

programmes in Gaelic are made available to people in Scotland. The appointment was approved by Scottish Ministers following an open recruitment process.

On telecoms, we have engaged regularly with the Scottish Government on our priority work areas such as measures to improve rural mobile coverage and the implementation of the broadband Universal Service Obligation. This has included the provision of technical and regulatory advice as well as coverage data (where appropriate) to help the Scottish Government with its own initiatives aimed at boosting rural connectivity; the Scottish 4G Infill Programme and the Reaching 100% programme.

Throughout the year we have also worked to the spirit and letter of our *Memorandum of Understanding with the UK Government, Scottish Government and Scottish Parliament*, giving oral and written evidence to the UK Parliament's Scottish Affairs Committee and the Scottish Parliament's Rural Economy and Connectivity and Culture, Tourism, Europe and External Affairs committees on a range of telecoms and broadcasting issues. We have also continued to act as the Secretary to the Scottish Parliament's Cross-Party Group on Digital Participation.

## Wales

Ofcom's team in Wales has continued to work closely with its political and industry stakeholders and has maintained its ongoing relationship with the Welsh Government, providing advice and up to date information on all subject areas of relevance.

The Memorandum of Understanding between Ofcom, the Welsh Government, UK Government and the National Assembly for Wales was signed in July 2018 and paved the way for the appointment of David Jones as the first Ofcom Board Member for Wales. Welsh Ministers confirmed the appointment on 9 April 2019 following consultation with the UK Government's Secretary of State for Digital, Culture, Media and Sport.

We have been liaising with S4C on implementing the recommendation in the UK Government's Independent Review of S4C '*Building an S4C for the Future*', on providing greater clarity for stakeholders on our respective regulatory responsibilities. S4C and ourselves agreed that we would publish text on our respective websites setting out the regulatory responsibilities for S4C that Ofcom has been given under the Communications Act 2003, and the Broadcasting Act 1990. We wrote to S4C at the beginning of May and the letter will also be published on our websites.

We submitted our first annual report to the Welsh Language Commissioner in November. The report reinforced Ofcom's commitment to the Welsh language and highlighted our creative approach to working in and with the Welsh language every day.

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## England

Our review of representation and portrayal on BBC Television, described earlier in this report, explored how well people felt the BBC reflects the diverse communities of the UK, including a many different communities across England. In conducting the research which informed this review, we spoke to people from different backgrounds, across the whole country. Focus groups were held in Birmingham, Bristol, Exeter, Leicester, Liverpool, London, Nottingham and Wetherby by Kantar Media, an independent market research agency. They spoke to people from a range of urban and rural communities. We heard that there was a widely held view that the BBC focuses on London and South East England over other areas in the UK, and some people felt that broadcasters like the BBC ignored many of the English regions and particularly under-represented some large areas like the Midlands, in favour of a focus on London.

We have been reviewing how Ofcom's regime to strengthen and support regional production – known as Made Outside London – is working in practice. Television production outside of London is a crucial part of the UK's television production sector. It helps to disperse and stimulate investment and job opportunities in the sector throughout the UK. It also benefits viewers by ensuring a diverse range of programmes and editorial perspectives. As part of the review, we have been engaging with stakeholders across England to understand more about the state of the regional production sector, and how we can ensure that our regime is working effectively. As well as ad-hoc meetings, we have held further workshops in London and Manchester with producers, freelancers, industry groups and broadcasters. In these meetings we explored further some of the issues identified in responses to the call For evidence.

Channel 4 Corporation (C4C) published its annual Statement of Media Content Policy for 2017/18. We published our response to this in June 2018. Audiences still perceive that C4C could do more to represent and portray the UK's nations and regions on screen.

Successful implementation of C4C's '4 All the UK' plans, which will move some operations outside of London to Leeds, Glasgow and Bristol, will be of central importance and may also help to tackle these audience perceptions.

Our work on connectivity will benefit a significant number of consumers living in rural England. In our Connected Nations England report we noted that there are almost half a million premises in England that still do not have access to decent broadband and 18,000 premises that do not have either decent fixed broadband or indoor 4G mobile coverage. A more local picture was made available through our interactive and downloadable data on our website, including by local authority and constituency.

As set out earlier in this report, last year the Government laid out legislation giving everyone in the UK the legal right to request a decent broadband connection. Following this, we proposed that BT and KCOM should be designated as the Universal Service Providers and that we expect people to be able to request these broadband connections from 2020. We are working to help introduce the universal service in the quickest possible time. Meanwhile, the Boost your Broadband campaign that we launched in December encourages consumers to check they are on the best broadband deal – and see if they could get more for less from their broadband. This campaign was widely publicised on local television and local radio, as well as on social media. At an interactive event in Parliament we provided information about the campaign to MPs, including specific data for their constituencies.

## Our international engagement

Ofcom recognises the importance of engaging internationally to help make communications work for everyone in the UK. We have always sought to participate in international policy and legislative debates, and to maintain a regular dialogue with our peers, as well as with European and international institutions.

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

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

We were actively involved in various debates during the EECC negotiations. These include the promotion of competition and investment, the incorporation of new 'over the top' players in the regulatory framework, and the approach to European coordination of spectrum management. The final text of the EECC was adopted in December 2018. The Government has now begun the process to transpose its provisions into UK law. During this process, we expect to continue to work with Government on areas which are relevant to Ofcom's work, and to consider the need to update our General Conditions. For as long as it is appropriate, we will remain involved in the work of the Body of European Regulators for Electronic Communications (BEREC), including the development of its Guidelines on EECC provisions and their implementation. During the calendar year 2018, we also co-chaired BEREC's Remedies Expert Working Group (EWG).

We were similarly involved during the AVMSD negotiations. We chaired a working group of the European Regulators Group for Audiovisual Media Services (ERGA) advising on the Commission's proposals. In this role, we supported arguments for proportionate, practical regulation that helps protect audiences from harmful content while continuing to encourage the production of high-quality innovative content. Now that the new Directive is adopted we will continue for as long as appropriate to offer direct input at EU-level on implementation.

Beyond the European Union, we participated in several international conferences on media plurality, freedom of the media, and making sense of media, and in a Council of Europe working group on the sustainability of quality journalism. In May 2018, Ofcom was elected to the Board of the European Platform of Regulatory Authorities (EPRA), which gathers 53 European broadcast regulators.

Ofcom also participates in the work of the Organisation for Economic Co-operation and Development (OECD) Directorate for Science, Technology and Industry, and holds a Vice Chair position in the Communication Infrastructures and Services Policy Committee (CISP). This Committee has a broad mandate, including developments and economic impacts in the global communications sector and technological developments such as 5G and net neutrality. This year we also contributed to a study commissioned by Government from the OECD on how regulators co-operate internationally.

Ofcom represents the UK on a number of European and international committees that address spectrum policy. This includes the EU's Radio Spectrum Policy Group (RSPG) where we have co-led work on the development of a European Spectrum Strategy and on sharing experiences and best practice through the peer review of individual spectrum awards.

Ofcom represents the UK at the EU's Radio Spectrum Committee (RSC), which has produced technical conditions enabling the harmonised use of spectrum for services and applications throughout Europe, including for mobile broadband, 5G and other consumer

products and devices. These technical Decisions are based on work undertaken in the European Conference of Postal and Telecommunications Administrations (CEPT) in which Ofcom actively participates, and where we are engaging in the European preparations for the upcoming World Radiocommunications Conference which will take place in October/November 2019. Ofcom chairs a number of CEPT groups and committees, including the Electronic Communications Committee (ECC), of which we became chair in October 2018.

Ofcom represents the UK at the International Telecommunications Union (ITU), which works to provide a global framework for telecommunications (including standardisation and development) and spectrum use. We played a substantial role in the UK delegation led by Government and including industry and other stakeholders, at the ITU Plenipotentiary Conference in October/November 2018. Here the UK secured the re-election of Malcolm Johnson as Deputy Secretary-General of the ITU and achieved a number of successful policy outcomes.

We are also active in European and international postal bodies, and work closely with fellow regulators, most recently on cross-border parcel delivery and cost accounting issues.

## Leaving the European Union

As the UK prepares to leave the European Union, we will continue to advise Government on implications for the communications sector. We will also seek to continue our engagement work with European and international institutions.

# Who we work with and how we work

## Engagement with stakeholders

### Consumers and citizens

Understanding consumers' and citizens' interests and behaviour is vital to our work. Ofcom makes extensive use of market research to understand trends in the take-up and use of communications services and the behaviour and concerns of consumers. Our annual *Communications Market Report and Adults' Media Use and Attitudes* reports, in particular, highlight and analyse these trends.

Ofcom's Consumer Contact Team received around 96,000 calls, web forms, emails and letters directly from consumers in 2018/19, and the information that consumers provide helps us target our policy-making and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

Our separate offices in each of the nations of the UK provide Ofcom with detailed and expert insights into the particular challenges faced by citizens and consumers in different parts of the 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 particular importance to each nation. National interests are also represented by members of Ofcom's Content Board and by the Communications Consumer Panel. The Consumer Forum for Communications, with more than 50 members from consumer bodies, meets every quarter with Ofcom to discuss consumer policy topics. We also hold regular bilateral meetings with consumer stakeholder organisations as well as consultation meetings on specific topics.

### Industry and Government

Ofcom engages with a wide range of stakeholders, including companies and industry bodies in the sectors we regulate, consumers and consumer groups, the UK Government and devolved institutions, co-regulators and other regulators. We are members of the UK Regulators Network and the UK Competition Network, and we engage with various international organisations and regulatory bodies.

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

## Co-regulators and other bodies

Ofcom has a co-regulatory partnership with the Advertising Standards Authority (ASA), which was formed in 2004. This covers broadcasters and advertising on video-on-demand services. Broadcasters are obliged to comply with the advertising codes under their broadcast licences issued by Ofcom. When the ASA adjudicates on an advertisement, broadcasters comply with rulings immediately under the conditions of their licences. Where necessary, the ASA is able to refer licensees to Ofcom.

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

The Competition and Markets Authority (CMA) has concurrent powers under specific consumer protection legislation and within the framework of competition law for the communications sector. We work with the CMA to ensure 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.

## 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 will aim to remain at the forefront of technological understanding. Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.

## Reducing regulation

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

During the past year we have made a number of significant regulatory decisions, but the volume of documents we publish has stayed broadly the same.

Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom’s regulatory decisions and statements in 2018/19.

**Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2018/19**

Of the 40 Major Statements delivered in the year:

	Number	%
Increased/new regulation	7	18%
Mixed/no change/ongoing	24	60%
Reduced regulation	5	13%
Streamlined/co-regulatory	4	10%

An overview of the key decisions and statements that we have made during the year can be found in the Annex on pages 144 to 147.

## 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: 2018/19

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#### ANALYSIS OF CONSULTATION DURATION 2018/19

	Consultation period at least ten weeks	Consultation period less than ten weeks (including category 2 and category 3 consultations)
Telecoms	6	7
Broadcasting	3	15
Spectrum	5	7
Post	2	0
<b>Total</b>	16	29
	<b>(=36%)</b>	<b>(=64%)</b>
	<b>(In 2017/18 22%)</b>	<b>(In 2017/18 78%)</b>

---

### Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation. In 2018/19, more than 87% percentage of our decisions were announced within twenty weeks of closing a consultation, the majority of which were within ten weeks.



## Impact assessments

Impact assessments are an important part of the decision-making process. Section 7 of the Communications Act 2003 requires us to carry out an impact assessment when we are proposing to do anything for the purposes of, or in connection with, the carrying out of our functions, and we consider the proposal to be important. Impact assessments ensure, among other things, that in relation to our decisions:

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

We must publish a list of the impact assessments we carry out during the year; this is in the Annex on pages 146 and 147.

Figure 3: Analysis of impact assessments carried out

### Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	13	8
Broadcasting	18	9
Spectrum	12	8
Post	2	2
Other	0	0
<b>Total</b>	<b>45</b>	<b>27 (60%)</b>

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

Figure 3 highlights that, in 2018/19, 60% 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

## Delivering our duties and value for money

We set a budget of £124.2m in 2018/19 (up from £121.4m in 2017/18) reflecting our increased remit on the broadband universal service obligation (USO) and the initiation of our work to implement the Network and Information Systems (NIS) regulations. This budget, on a like-for-like basis continues to build on Ofcom’s track record of delivering efficiencies.

Ofcom has now delivered 14 consecutive years of like-for-like real-terms budget reductions, and we continue to take active measures to reduce our fixed and administrative overheads into 2019/20 and beyond.

By adopting an agile approach to working, our London office space has been reduced by a further 25% during the financial year. The new lease on our London office fixes costs over the duration of the lease until 2030, further reducing volatility and mitigating financial risk in future rent.

Looking forward, the 2019/20 budget at £124.2m is consistent with 2018/19; any inflationary pressures will be absorbed by continuing to drive efficiencies across the organisation.

## Financial framework

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

Sections 38 and 347 of the Communications Act 2003 and Schedule 4 of the Postal

Services Act 2011 also require Ofcom to raise income from each of the sectors it regulates, such that it covers the costs to be incurred by Ofcom in regulating that sector.

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

## Ofcom funding

Ofcom raises its funds from the following sources:

<b>Sector stakeholder funding</b>	<ul style="list-style-type: none"> <li>▪ Broadcast licence fees for:                             <ul style="list-style-type: none"> <li>- television</li> <li>- radio</li> <li>- On-demand programme service</li> </ul> </li> <li>▪ Administrative charges for:                             <ul style="list-style-type: none"> <li>- electronic networks and services and making available associated facilities</li> <li>- postal services regulation</li> </ul> </li> </ul>
<b>Grant-in-aid</b>	<ul style="list-style-type: none"> <li>▪ To cover the costs for spectrum clearance and awards, including spectrum efficiency grants</li> </ul>
<b>Wireless Telegraphy Act 2006 receipts retention (WTA)</b>	<ul style="list-style-type: none"> <li>▪ To cover Ofcom’s operating costs for spectrum management</li> <li>▪ To cover statutory functions and duties, which Ofcom must discharge, but for which there is no matching revenue stream</li> </ul>



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

[https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0017/107702/statement-principles-wta.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0017/107702/statement-principles-wta.pdf)

Ofcom continues to receive grant-in-aid to deliver major Government projects including the 700 MHz clearance programme.

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

## Financial performance 2018/19

We completed the year with an actual operating outturn of £123.9m. This was £0.3m within our budget of £124.2m. We navigated the financial position to budget using scenario modelling and by running a comprehensive review of our expenditure, reforecasting throughout the year.

Note 2 of the accounts within Section C reconciles the total operating expenditure as presented in the Statement of Comprehensive Net Expenditure to Ofcom's actual operating outturn. The note also reconciles income on the same basis and presents Ofcom's actual operating outturn and income by sector. The actual operating outturn represents the accrual-based costs for the financial year and excludes non-cash items such as depreciation, amortisation and provisions.

Ofcom includes separate lines in our accounts to differentiate costs of work relating to Spectrum clearance and awards from core Ofcom operating costs to aid transparency. This is set out on page 59.

In addition to the core Ofcom financial results we are also responsible for the collection and transfer of licence fees collected under the Wireless Telegraphy Act 2006, geographic telephone numbers, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders. These are presented in separate accounts prepared under Section 400 of the Communications Act 2003, financial highlights are included in the annex. In April 2018 we completed the spectrum auction of the 2.3 and 3.4 GHz bands, transferring the auction receipts of £1.3 billion to HM Treasury the same month. Including the auction receipts the total transferred to the HM Treasury for the year totalled £1.6 billion (2017/18 £326.7m). Further details are set out later in this review.

## Operating income

The 2018/19 operating income covering Ofcom's core responsibilities (excluding Spectrum clearance and awards) was £124.3m (2017/18: £122.4m). This is largely due to new and expanded duties, which led to higher Network and Services administrative charges.

## Operating expenditure

Operating expenditure relating to Ofcom's core responsibilities in 2018/19 reduced by £2.0m to £46.0m (2017/18 £48.0m), excluding staff costs. The significant differences from the previous year's expenditure are attributable to the following:

- temporary staff and recruitment costs decreased by £0.8m as we employed fewer temporary staff in this financial year. In addition, we continue to recruit more staff directly and place less reliance on recruitment companies;
- professional fees and research costs together reduced by £0.7m in 2018/19 reflecting alternative programmes of work this year;
- premises costs reduced by £0.5m, relative to 2017/18. This relates to reduced rent and occupancy costs in Riverside House as we surrendered one floor as part of the office modernisation. In addition, the prior financial year included one-off agent fees in relation to our new office lease.

To support our continued remit with regards to the BBC, our increased remit on the broadband USO, and the implementation of the NIS regulations, we increased our staff levels in 2018/19 and average staff numbers were 902 full time equivalents (FTE) (2017/18 868 FTE). As a result, total staff costs increased by £4.2m to £76.8m. Restructuring costs are broadly in line with last year as a number of reorganisations.

## Provision

At 31st March 2019 Ofcom was involved with ongoing litigation regarding the restitution of annual licence fees following the Court of Appeal judgment in November 2017 to quash regulations that Ofcom made in September 2015 to revise fees for use of 900/1800 MHz spectrum bands. The Mobile Network Operators brought claims against Ofcom seeking restitution of the increase in fees paid between September 2015 and November 2017. The restitution case was heard in the High Court in May 2019 which found in favour of the Mobile Network Operators and ordered repayment of the increase in fees that had been collected under the quashed 2015 Regulations. The High Court granted Ofcom permission to appeal. Ofcom lodged an appeal with the court on 7 June 2019. As a result, the cost of the annual licence fee repayments, related interest and legal costs has been included as a provision in these financial statements of £232m.

DCMS and HMT have agreed that additional funding for the repayment of the annual licence fees and related interest costs resulting from the High Court judgment of May 2019 in the restitution case will be provided as required.

## Spectrum clearance and awards

Clearance of the 700 MHz band continues as a major programme of work for Ofcom. The band is being cleared to make the spectrum available for mobile data. The incumbent users of the 700MHz band, digital terrestrial television (DTT) and programme making and special events devices (PMSE), will move to alternative frequencies.

The Spectrum clearance and awards grant-in-aid funding supports the changes required e.g. to the 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.

Clearance is scheduled to complete in April 2020. Significant infrastructure work took place throughout the UK in 2018/19 and DTT clearance stands at c.50% complete.

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

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

Spectrum clearance and awards expenditure amounted to £72.5m in 2018/19 (2017/18: £82.1m), which includes £70.7m of grants paid to grant scheme participants.

We received income totalling £72.1m (2017/18: £85.4m). The deficit of £0.3m will be recovered as part of 2019/20 grant-in-aid.

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

## Surplus/deficit for financial year

### Funding surplus or deficit

The operating revenue required by Ofcom to fulfil its duties and deliver its programme of work for any financial year is calculated based on Ofcom's statement of charging principles. This approach specifies the actual funds that need to be collected to discharge cash liabilities during the year. Any surplus funds arising as a consequence of budgetary savings achieved during the financial year are returned to stakeholders through a reduction in the annual tariffs raised in the two following financial years.

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £3.3m (in 2017/18 this was a £5.9m surplus).

### Accounting surplus or deficit

An accounting surplus is required to cover expenditure not reflected in the Statement of Comprehensive Net Expenditure, 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.

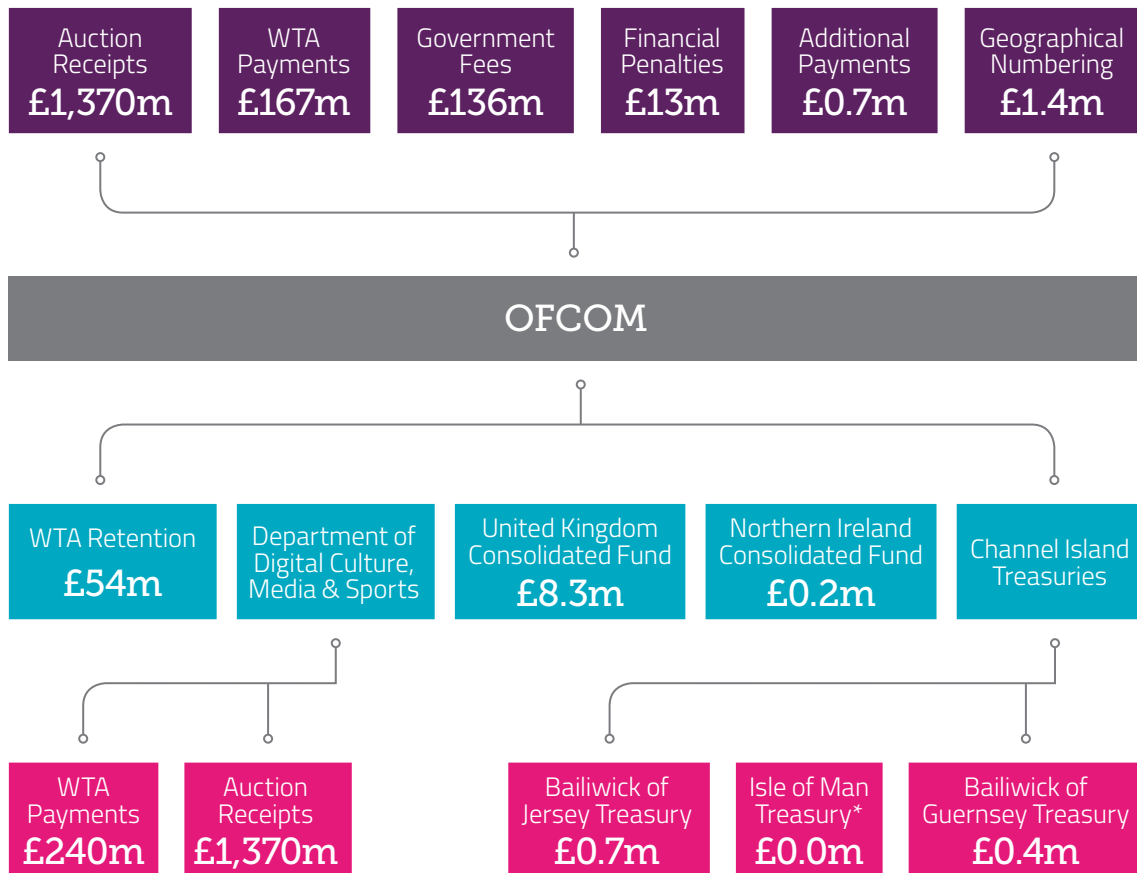
The accounting deficit for the financial year after tax, recorded in the Statement of Comprehensive Net Expenditure for the year under review, was £229.6m (2017/18: £2.9m surplus). The significant variance to the previous year reflects the inclusion of the provision of £232m in these financial statements as described on page 58.

### 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 detail provided, within these Financial Statements in Note 23 to the accounts, with further information in the annex on page 153.

During the 2018/19 financial year Ofcom collected £1,688.6m (2017/18: £326.7m) on behalf of HM Treasury of which £54.3m (2017/18: £23.9m) was retained to fund some of Ofcom’s core responsibilities, including Spectrum Management. An additional £1.3bn of receipts were collected in this financial year, which relates to the conclusion of the spectrum auction of the 2.3 and 3.4 GHz bands. A sum of £1,618.8m was transferred to Government accounts. The chart below details the source of income and destination of payments.

Figure 4: Section 400 Total Receipts and payments



\*A transfer of £201.82 was made to the Treasury of Isle of Man

## 2019/20 tariffs

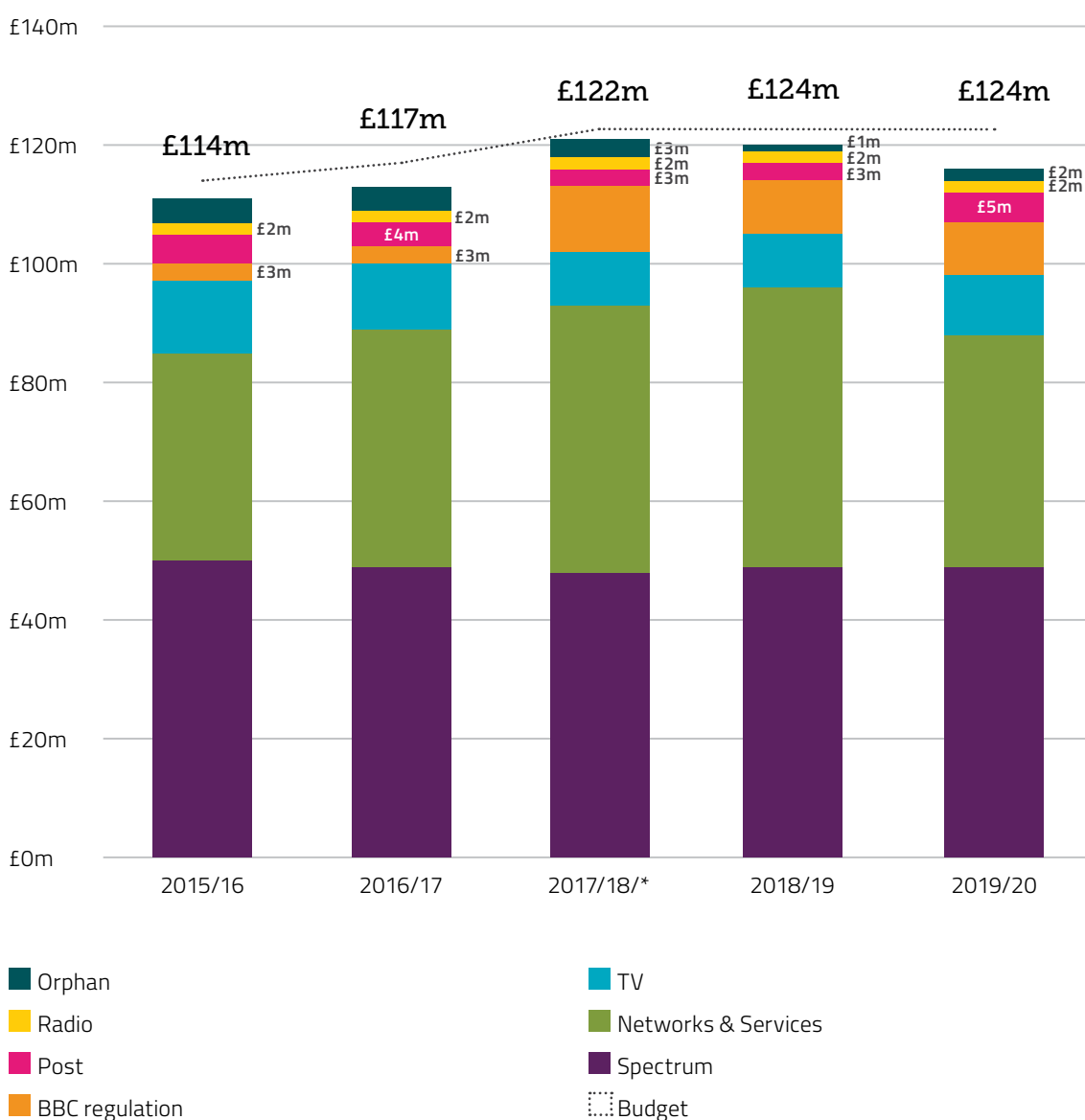
On 25 March 2019, Ofcom published the Tariff Tables for 2019/20, which were based on the estimated operating expenditure for 2018/19, together with the budgeted costs for 2019/20 of £124.2m.

Ofcom’s budget for the financial year 2019/20 is £124.2m. This has remained unchanged from the 2018/19 budget and is in line with the HM Treasury’s 2019/20 spending cap.

Although Ofcom’s headline budget has remained unchanged since last year, the fees and charges will vary by sector as they reflect the planned work for 2019/20 and the variances between the 2018/19 budget and the actual final expenditure.

As shown in Figure 5 below, except for costs associated with our responsibilities to regulate the BBC from 3 April 2017, Ofcom’s 2019/20 tariffs for the various sectors are overall equivalent to those in 2015/16.

Figure 5: Funding trends



## Pensions

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

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both of these plans are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time, all existing members were provided with access to the Ofcom stakeholder plan. Notes 1(k) and 19 to the accounts provide further detail.

The actuarial valuations for both schemes as at 31 March 2015 highlighted a combined funding surplus of £1.3m. The Ofcom Defined Benefit Pension Plan actuarial valuation as at 31 March 2018 has been completed and shows a surplus of £0.4m. The Ofcom (Former ITC) pension plan valuation is nearing completion.

However, the 2018/19 financial statements show a surplus of £17.7m, 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.

The next formal triennial funding valuations for both plans will be at 31 March 2021 and must conclude by 30 June 2022.



# Corporate responsibility

## Ofcom's commitment to corporate responsibility

We aim to be a responsible employer and to recognise and manage our impact on the wider environment and community through three key areas of activity:

- treating all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all, not only within Ofcom but also in the sectors we regulate (see Our Employees section on page 88);
- reducing our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on page 65); and
- engaging, inspiring and developing colleagues, while supporting local initiatives (see Volunteering and community section below).

We believe that taking a proactive approach towards corporate responsibility fundamentally contributes to our success as a regulator. Some of the benefits are that:

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



## Volunteering and community

We encourage colleagues to volunteer and participate in community schemes as we believe this is an effective way for them to gain new skills, stay mentally healthy, boost their confidence and promote our diversity objectives. In 2018/19, we engaged with our local stakeholders in many ways, including:

### Schools and institutions

Ofcom colleagues have visited local schools and hosted school visits to Ofcom to engage with young people about future career options. In December 2018 we hosted 70 economics A-level students from four London secondary schools to give students a chance to experience what it is like to work as an economist at Ofcom. The students spent the day with different types of economists at Ofcom where they took part in workshops on economics issues we have dealt with. The day ended with a panel session with some of our economics graduates and apprentices talking about their routes into Ofcom.

We continue to support the Young Woman Engineer of the Year Awards with the Institution of Engineering and Technology (IET) and work with them to promote women in engineering through presenting and participating in events, workshops and open days. We held our first panel event on closing the gender gap in engineering in the communications sector with the IET in April 2018 and we are working on other initiatives including formal Chartered Engineer accreditation. In addition, we participated in the IET Engineering Open House Day event in August 2018, opening up our office in Baldock, Hertfordshire to children and their parents.

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

## Apprenticeships and internships

We are committed to broadening the pathways for young people to join the organisation and developing skills for Ofcom. We pay the Apprenticeship Levy and are reviewing our overall approach to apprenticeships, to offer long-term, paid skills-based work placements. We currently employ eight colleagues on apprenticeship programmes working in roles in Spectrum Engineering, the Consumer Contact Centre, Competition Finance and Market Research with a further six using the Apprenticeship Levy to upskill and gain a qualification.

In 2018 we hosted work experience students through S4S Next Gen, an organisation that works with state schools, academies and college students aged between 14-18, to help them find inspiring work experience with top organisations.

We also offer summer internships through the business education charity Career Ready. In the summer of 2018, we again supported the Career Ready programme, hosting seven interns from local schools and academies to offer the students the chance to apply what they've learnt in a real work situation.

### Ofcom charity

During 2018 colleagues carried out a variety of fundraising activities to raise money for Ofcom's nominated charity, Macmillan Cancer Support.

# Sustainability report

This section presents an overview of Ofcom's sustainability strategy and our performance in this area. It contains sustainability data and associated financial costs, presented in a format that conforms to the sustainability reporting guidelines issued by HM Treasury for 2018/19.

## Ofcom's sustainability strategy

### Introduction

Over the years, Ofcom has implemented a number of initiatives to deliver carbon reductions. This includes a new agile way of working, hence, substantial energy reduction at our London office, transforming our ICT infrastructure and moving from printed publications to online publications. We also actively promote recycling, sustainable travel and good energy practices to our colleagues.

### History of reduction targets

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

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

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

In 2015, Ofcom was re-certified to the Carbon Trust Standard, achieving a further reduction in our footprint of 10.5% since 2013. Ofcom continue to be re-certified to the Carbon Trust Standard, in 2017 we achieved a further 1.5% reduction in our footprint.

Our next Carbon Trust audit is due during 2019.

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

[www.ofcom.org.uk/about/corporate-responsibility/footprint-and-sustainability](http://www.ofcom.org.uk/about/corporate-responsibility/footprint-and-sustainability)



## 2018/19 performance

### Greenhouse gas emissions

We have implemented a new agile way of working and have completed work to reduce our floor space in our head office. We have reduced our workspace in our offices as we have moved to a flexible working environment. As a result, we reduced our greenhouse gas emission by 11% compared to 2017/18. We have continued to reduce our greenhouse gas emission year on year.

In addition to agile working, staff are encouraged to reduce their paper usage, by replacing hard copies of documents and using electronic signatures and holding important documents electronically when possible.

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

We invested in video-conferencing capability across all our offices to reduce the need for travel and to support more agile working. This includes training our staff to use Skype for Business and video conferencing. We are confident to see the benefits of our video-conferencing capability in the coming years.

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

We currently sub-let our Glasgow Office and disposed of our Haydock office during 2018.

### Waste minimisation and management

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

### Finite resource consumption

Water consumption comes primarily from washrooms and drinking water in all offices, as well as catering facilities in our London office.

Our use of paper has reduced by 34% compared to 2017/18 as we start to use less paper and hold documents electronically.

### Biodiversity action planning

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

### Sustainable procurement

The consideration of sustainability forms an integral part of our procurement processes. Ofcom includes provisions in its procurement documentation that require suppliers to demonstrate their approach to sustainability and reducing carbon emissions. Bidders' responses to these provisions are then considered as a specific part of the overall evaluation of the tender.

We also make use of the framework agreements that the Crown Commercial Service has in place.

These frameworks include specifications and offer standard contract terms that help buying organisations to monitor / reduce their environmental impact and to embed sustainability in procurement contracts.

## Future plans

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

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

Once we have fully adjusted to a new agile way of working across all sites, we plan to review and develop our carbon objectives and expect to reduce our emissions further.

A summary of Ofcom's emissions over the past five years is provided in Figure 6.

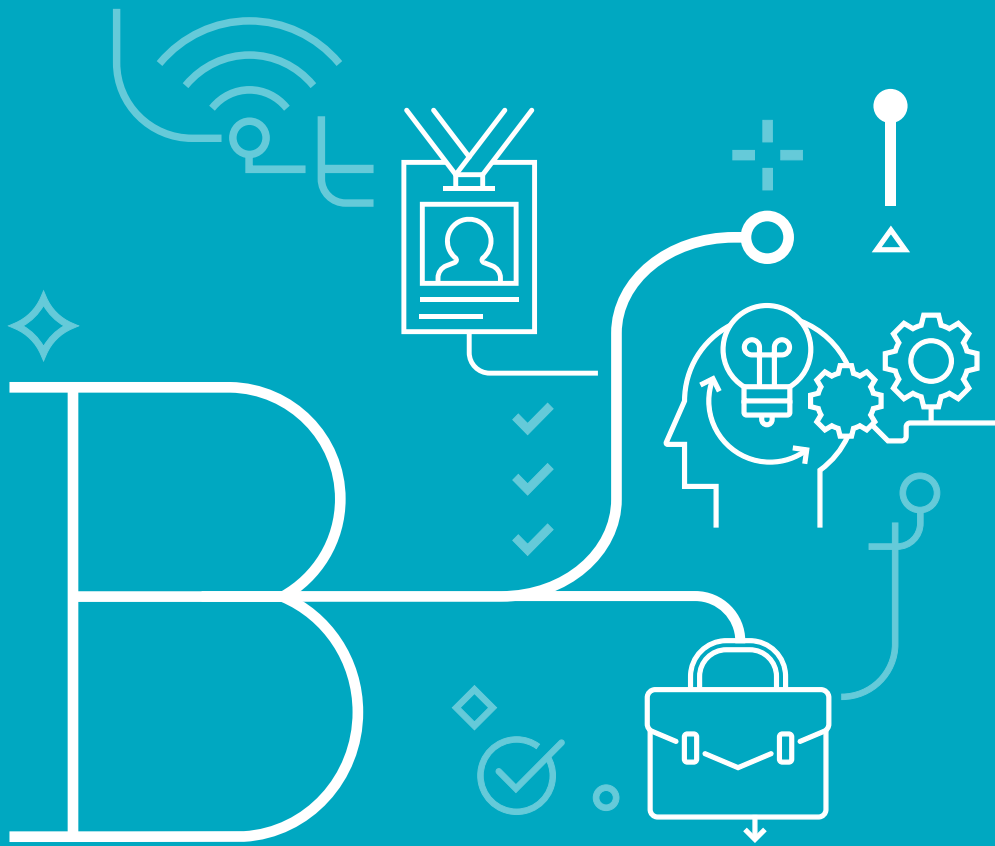
Please refer to the Annex on pages 160 to 163 for more detail.

Figure 6: Sustainability performance overview

		2014/15	2015/16	2016/17	2017/18	2018/19
Greenhouse gas emissions (Scopes 1,2)	tCO2e	1,649	1,569	1,456	1,209	1,078
	Expenditure	£475,135	£444,964	£405,810	£459,238	£404,206
Business travel (Scope 3)	tCO2e	290	250	312	519	555
	Expenditure	£596,116	£569,099	£663,705	£705,602	£742,876
Waste	tCO2e	166	173	172	76	198
	Expenditure	£45,500	£32,023	£37,984	£7,004	£43,805
Finite resource consumption	Water consumption (m3)	14,213	10,767	11,282	9,379	13,988
	Expenditure	£24,931	£16,784	£22,248	£6,929	£19,583
	Paper reams	5,993	7,545	6,317	3,915	2,579

### Sharon White

Chief Executive and Accounting Officer  
18 June 2019



# Accountability Report

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# Directors' Report

## The Ofcom Board



**Lord Burns, GCB**

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



**Maggie Carver**

Maggie Carver was appointed to the Ofcom Board as Deputy Chair on 30 September 2018. She is a Member of Ofcom's Remuneration Committee, Nominations Committee and Risk and Audit Committee. Maggie is Chairman of the Racecourse Association and a Director of the British Horseracing Authority. Maggie has extensive experience as a non-executive director on the boards of 17 companies, public, private and not-for-profit. These include chiring news and programme provider ITN, multiplex operator SDN, and the British Board of Film Classification, as well as the boards of Channel 5 Television, RDF Media plc, Satellite Information Services, armed forces broadcaster BFBS, and British Waterways.



**Dr Angela Dean**

Dr Angela Dean was appointed to the Ofcom Board on 30 September 2018. She chairs Ofcom's Risk and Audit Committee and is a member of the Remuneration Committee and Nominations Committee. Angela is currently Chair of International House Trust, a member of Council of King's College London, and a trustee of York Museums Trust. She is a Senior Independent Panel Member for Public Appointments. She was a former 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, a trustee of the Heritage Lottery Fund and a member of the Museums, Archives and Libraries Council.



**Bob Downes**

Bob Downes was appointed as the first Ofcom Non-Executive Board Member for Scotland in February 2018 and is acting as interim Member for Northern Ireland. He is a Member of Ofcom's Content Board, Remuneration Committee and Nominations Committee. He is the current chairman of the Scottish Environment Protection Agency and of CENSIS. He also chairs the Commission for Communications Regulation's Independent Oversight Body which will oversee an enhanced Regulatory Governance Model in Ireland by Eir. Bob is a trustee of the Mackintosh Campus Renewal Appeal for Glasgow School of Art and is an advisor to a number of small technology businesses, including Kube Networks and Cryptic.



**David Jones**

David Jones was appointed to the Ofcom Board on 8 April 2019 and is a Member of Ofcom's Remuneration Committee and Nominations Committee. David is currently a non-executive director of Aneurin Bevan University Health Board and is Chair of the Information Governance Committee. David is also non-executive director of the Welsh Revenue Authority and is a member of the Board of Qualifications Wales. In addition, he owns Public Services Digital, through which he offers his services as a consultant.



**Graham Mather, CBE**

Graham Mather was appointed as a Non-Executive Member of Ofcom's Board in June 2014 and was re-appointed for a further four-year term in June 2018. He is a Member of Ofcom's Nominations Committee, Remuneration Committee and Risk and Audit Committee. He was a member of Ofcom's Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was also a member of the Competition Appeal Tribunal. 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 and is the director of both the Greenham Trust and the Pelican Cancer Foundation.



**Jonathan Oxley**

Jonathan Oxley joined Ofcom as Group Director, Competition in November 2014 and was appointed to the Ofcom Board as an Executive Director in January 2015. Before joining Ofcom, he was a Partner in PwC's Strategy and Economics practice, specialising in telecoms, media and technology. In December 2018, Jonathan was appointed as the Chief Executive of the UK Regulators Network.



**Tim Suter**

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





**Ben Verwaayen**

Ben Verwaayen was appointed as a Non-Executive Member of Ofcom's Board in January 2016. He is Chair of Ofcom's Remuneration Committee and a member of the Nominations Committee. He is currently a General Partner at investment fund Keen Venture Partners and holds various Board positions, including at Akamai in the US and AkzoNobel in the Netherlands. 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 the mobile operator Bharti Airtel in India.



**Sharon White**

Sharon White was appointed as Chief Executive and Accounting Officer of Ofcom in March 2015. Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at HM Treasury, responsible for overseeing the public finances. Before that, she held Board-level positions at the Ministry of Justice and the Department for International Development and has worked in the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank. Sharon is an independent non-executive director of Barratt Developments plc and trustee of Sadler's Wells Theatre.

## Register of disclosable interests

Board members, their partners and dependent children are required not to hold interests (including shareholdings, directorships and employments) in companies whose core business activities (and hence share price) could be affected by Ofcom's decisions. Ofcom maintains a register of disclosable interests, which can be found on our website at:

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

## Pension liabilities

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

The pension allowance paid to Executive Directors during 2018/19 is detailed in the Remuneration Report on page 92.

## Non-audit work

No fees for non-statutory audit work were paid to the National Audit Office during 2018/19 (no fees during 2017/18).

## Protected personal data-related incidents

Ofcom reported 2 protected personal data-related incidents to the Information Commissioner's Office (ICO) in 2018/19. In both cases, the ICO decided that no further action was necessary.

## Sickness absence data

Sickness absence data is reported in the 'Our Employees' section of the Annual Report on page 91.

## Directors' disclosure

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

### Sharon White

Chief Executive and Accounting Officer  
18 June 2019

# Corporate Governance statement

Corporate Governance continues to be a high priority in Ofcom and goes beyond adherence to a set of prescribed rules and guidelines. It is intrinsic in the way the organisation is run, the tone set for the organisation and is central to everything we do. We are in the process of reviewing our Corporate Governance Framework to ensure that that we remain at the forefront of best practice. For example, we have recently replaced our Remuneration Committee and Nomination Committee with a

new People Committee which recognises that our people are our most important asset, with the new Committee’s remit including Ofcom’s People Strategy, talent management, talent development and succession planning.

This section of the report details how Ofcom approaches governance, including the operation of the Ofcom Board and Board Committees.

## The governance framework

Figure 7: Ofcom’s governance framework

Figure 7 sets out the governance framework in Ofcom, together with the Board and Committee reporting structure.

OFCOM BOARD		
Board Committees	Executive Committees	Non-board/Advisory Committees
Content Board	Policy and Management Board (PMB)	Advisory Committee for England
Community Radio Fund panel	Policy Steering Groups <i>eg. Telecoms</i>	Advisory Committee for Northern Ireland
Election Committee	<i>eg. Consumer</i>	Advisory Committee for Scotland
Nominations Committee	Strength to Strength Steering Group	Advisory Committee for Wales
Risk & Audit Committee	Operations Board	
Remuneration Committee	Diversity & Inclusion Delivery Group	Ofcom Spectrum Advisory Board (OSAB)
Non-Executive Remuneration Committee	Security	Communications Consumer Panel/ Advisory Committee for Older and Disabled People
	DC Pensions	
	Health and Safety	

## The Ofcom Board

The Board has a central governance function, with oversight over the fulfilment of Ofcom's general duties and specific statutory responsibilities, as well as its adherence to the ethos of a public service organisation.

The Board is responsible for ensuring leadership through effective oversight and review. Supported by the Board Committees – the Content Board, Risk and Audit, Remuneration and Nomination (the latter two of which have been replaced with a new People Committee after the reporting period) – the Board sets the Group's strategic direction.

Our Board has delegated responsibility to the Chief Executive who, through the Policy Management Board (PMB), ensures that the policies and behaviours set at Board level are effectively communicated and implemented across Ofcom.

This is achieved through the use of presentations and meetings with management teams and effective policies and procedural guidelines. The Ofcom Intranet site and weekly colleague communications are also used as a platform for colleagues to be kept fully informed as to the latest Ofcom news, as well as developments and updates in respect of key policy areas.

The core activities of the Board and its Committees are documented and planned on an annual basis, but this only forms the basic structure within which the Board operates. The Board is in the process of adopting and implementing a 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, including the following:

- approval of Ofcom's annual plan, 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;
- undertaking a formal regular review of the Board's own performance and that of Board committees.

The Board's annual agenda follows the strategic priorities and themes set out in our annual plan, plus our regulatory, risk and governance obligations.

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

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

The Chairman and Non-Executive Members of the Board are appointed by the Secretary of State for Digital, Culture, Media & Sport (DCMS), for periods of three to four years. The Scotland Member and the Wales Member are appointed by Scottish Ministers and the Welsh Government, respectively, following consultation with the Secretary of State for DCMS. Executive Members of the Board are appointed by the Chairman and all of the Non-Executive Members, with the Chief Executive's appointment requiring approval by the Secretary of State for DCMS. Members' duties and responsibilities are set out in a Members' Code of Conduct, and a Register of Members' Interests is maintained. Both are available on the Ofcom website.

The Board has delegated the day to day management of Ofcom, development of Ofcom's Strategy (for onward review and approval by the Board) and implementation of the approved Strategy to the Chief Executive. The Chief Executive is assisted by the Senior Management Team and it is these individuals who collectively make up the Policy Management Board.

Whilst Ofcom is not subject to the UK Corporate Governance Code published by the Financial Reporting Council, we adopt the principles where appropriate and relevant to do so. For the purposes of adopting the key principles of the UK Corporate Governance Code:

- the Board considers all of the Non-Executive Members to be independent of management and free of any business or other relationship which could materially interfere with the exercising of their judgment. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained;
- the Board believes that the Members have, between them, a wide range of experience which ensures an effective Board to lead and control Ofcom;
- the Non-Executive Members comprise a majority of the Board. The Deputy Chairman is regarded as being the senior Non-Executive Member for the purposes of the UK Corporate Governance Code; and
- the Board meets at regular intervals during the year. During 2018/19 the Board met on 10 occasions.

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

<https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/ofcom-board>

## Board Committees

In the exercising of its powers under the Office of Communications Act 2002, the Board delegates certain of its responsibilities to the Executives within Ofcom and certain responsibilities to Board Committees with clearly defined authority and terms of reference (see Figure 7). The activities and main functions of these committees are described below. Ofcom has a number of other committees with a governance role or an advisory role to the Board, described in the Annex on pages 141 to 143.

### The Nominations Committee

The Nominations Committee comprises the Non-Executive members of the Board. The Chief Executive, the Group Director Corporate Services, the People and Transformation Director and the Corporation Secretary usually attend the meetings. The Nominations Committee is responsible for reviewing the structure, size and composition of the Board as well as overseeing the succession plan for all Executive Board members and the Senior Management Team. The Chairman works with the DCMS (and where relevant the Ministries in the devolved administrations) on the process for selecting Non-Executive Members for the Board (and, where relevant, their re-appointment) and ensures that the views of the Nominations Committee are made available to DCMS. Appointments of Executive Members to the Board are made by all the Non-Executive Members of the Board on the recommendation of the Nominations Committee.

### The Remuneration Committee

The Remuneration Committee consists of all the Non-Executive Members of the Board. The Chief Executive, the People and Transformation Director, the Group Director Corporate Services and the Corporation Secretary attend meetings at the invitation of the Remuneration Committee.

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

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

The remuneration of Non-Executive Members of the Board is determined by the Secretary of State for DCMS. Should it be necessary for Ofcom to consider any aspect of Non-Executive Member remuneration, a Non-Executive Remuneration Committee has been established, comprising the Finance Director, the People and Transformation Director and the Corporation Secretary, which will meet and report directly to the Secretary of State as appropriate. Consequently, no Board Member is involved in the setting of their own remuneration.

## The People Committee

In May 2019, the Board created the People Committee to replace the Nominations Committee and the Remunerations Committee (the Non-Executive Remuneration Committee remains in existence).

The People Committee will seek assurance from Ofcom Management that there are effective talent management, talent development and succession planning, performance management and remuneration, culture and values and colleague engagement and other such people measures and plans, in place which will meet Ofcom's performance, skills and expertise requirements and needs, both in the short and the long term.

The People Committee also sets the overarching principles and parameters of 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 (SMT) and such other colleagues as agreed between the Chair of the Committee and the Chief Executive. The Committee also leads the process on appointments of Executive Board Members and SMT and approves the succession plans for the Ofcom Board, SMT and such other colleagues, as agreed between the Chair of the Committee and the Chief Executive.

## Risk and Audit Committee

The Risk and Audit Committee comprises three Non-Executive Members of the Board. The Chief Executive, the Group Director Corporate Services, 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 of the Risk and Audit Committee is to provide assurance to the Board and the Accounting Officer regarding the appropriateness and effectiveness of Ofcom's risk management processes and the internal control framework and to advise in respect of the accounting policies and the process for review, and the content of the draft annual financial accounts and annual report. The Risk and Audit Committee is also responsible for overseeing the appointment of the internal auditors and the work undertaken by both the internal and external auditors. This includes the approval of the annual internal audit plan. The Risk and Audit Committee's functions are fully described in its terms of reference, available on the Ofcom website.

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

## The Content Board

The Content Board is a committee of the Ofcom Board, with delegated and advisory responsibility for a wide range of content issues, predominantly dealing with broadcasting. It is set up under statute, specifically section 12(1) of the Communications Act 2003.

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

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

Figure 8: Ofcom Board and Board Committee attendance

	Ofcom Board	Remuneration Committee	Risk and Audit Committee	Nominations Committee	Content Board	Nations Committee	Election Committee
<b>Number of meetings</b>	<b>10</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>1</b>	<b>0</b>
<b>Attendance</b>							
Lord Burns GCB	10	2	5	1			
Maggie Carver <sup>1</sup>	4	2	1				
Dr Angela Dean <sup>2</sup>	5	2	3				
Bob Downes	10	2	4		5		
Graham Mather CBE	10	2	4	1		1	
Baroness Noakes DBE <sup>3</sup>	2		1				
Nick Pollard <sup>4</sup>	1				1		
Tim Suter	10	2		1	8	1	
Ben Verwaayen	9	2		1			
Sharon White	10	2	4	1			
Jonathan Oxley	10						
Dr Steve Unger <sup>5</sup>	3						

<sup>1</sup> Maggie Carver joined 30 September 2018

<sup>2</sup> Dr Angela Dean joined 30 September 2018

<sup>3</sup> Baroness Noakes left 31 May 2018

<sup>4</sup> Nick Pollard left 13 May 2018

<sup>5</sup> Dr Steve Unger stepped down from the Board 19 June 2018



## Policy and Management Board and Operations Board

Membership of the Policy and Management Board (PMB) is made up of the Senior Management Team, the Finance Director and the People and Transformation Director. Other senior executives attend by invitation. The PMB provides an internal forum for senior executives to scrutinise and oversee the internal development of Ofcom's agenda and for overseeing the management of Ofcom as well as Ofcom's regulatory duties.

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

Figure 9: Senior Management Team

Name	Role
Sharon White	Chief Executive
Kevin Bakhurst	Group Director, Content & Media Policy
Alison Crosland	Group Director, Corporate Services
Lindsey Fussell	Group Director, Consumer and External Relations
Philip Marnick	Group Director, Spectrum
Jonathan Oxley	Group Director, Competition
Yih-Choung Teh	Group Director, Strategy & Research
Luisa Affuso	Chief Economist
Mansoor Hanif	Chief Technology Officer
Polly Weitzman	General Counsel

## Board performance and effectiveness

The effectiveness of the Board is reviewed on an annual basis.

In 2018/19, an externally-facilitated evaluation review assessed the effectiveness of the Board, Board Committees and the Chairman. It also included an individual Directors' performance review, whereby Board Directors were asked to provide feedback and responses of their own performance.

A number of priorities for change were identified from the review, for which there is an action plan, progress relating to which will be monitored by the Board.

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

## Accountability

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 with reasonable accuracy, at any time, the financial position of Ofcom, and enable it to ensure that the Statement of Accounts complies with the Communications Act 2003. In addition, the Board is responsible for safeguarding Ofcom's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Transparency

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

During 2018/19, Ofcom received 332 requests (297 requests in 2017/18) for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Where we held relevant information, we provided all or part of the information requested in 63% of cases. Information is withheld only if it is exempt from disclosure under legislation.

During 2018/19, Ofcom also received 38 Subject Access Requests under the Data Protection Act 2018 (11 requests in 2017/18). Where we held relevant information, we provided it.

## Engagement

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

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

Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during the year, are set out on pages 53 and 54.

The membership of the bodies that make up the governance structure has been designed to offer specific levels of expertise, so that Ofcom's policies and projects can be tested and challenged robustly before decisions are reached.

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

This engagement is increasingly important in the devolved nations of the UK, where the role of the nations' members of the Content Board, the Communications Consumer Panel and the National Advisory Committees is immensely valuable in helping Ofcom take into account specific issues in its policy formulation and implementation. Ofcom also engages with other national regulatory authorities (including participation in the UK Regulators Network), European institutions and global bodies, so that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

## **The risk and control framework and risk management**

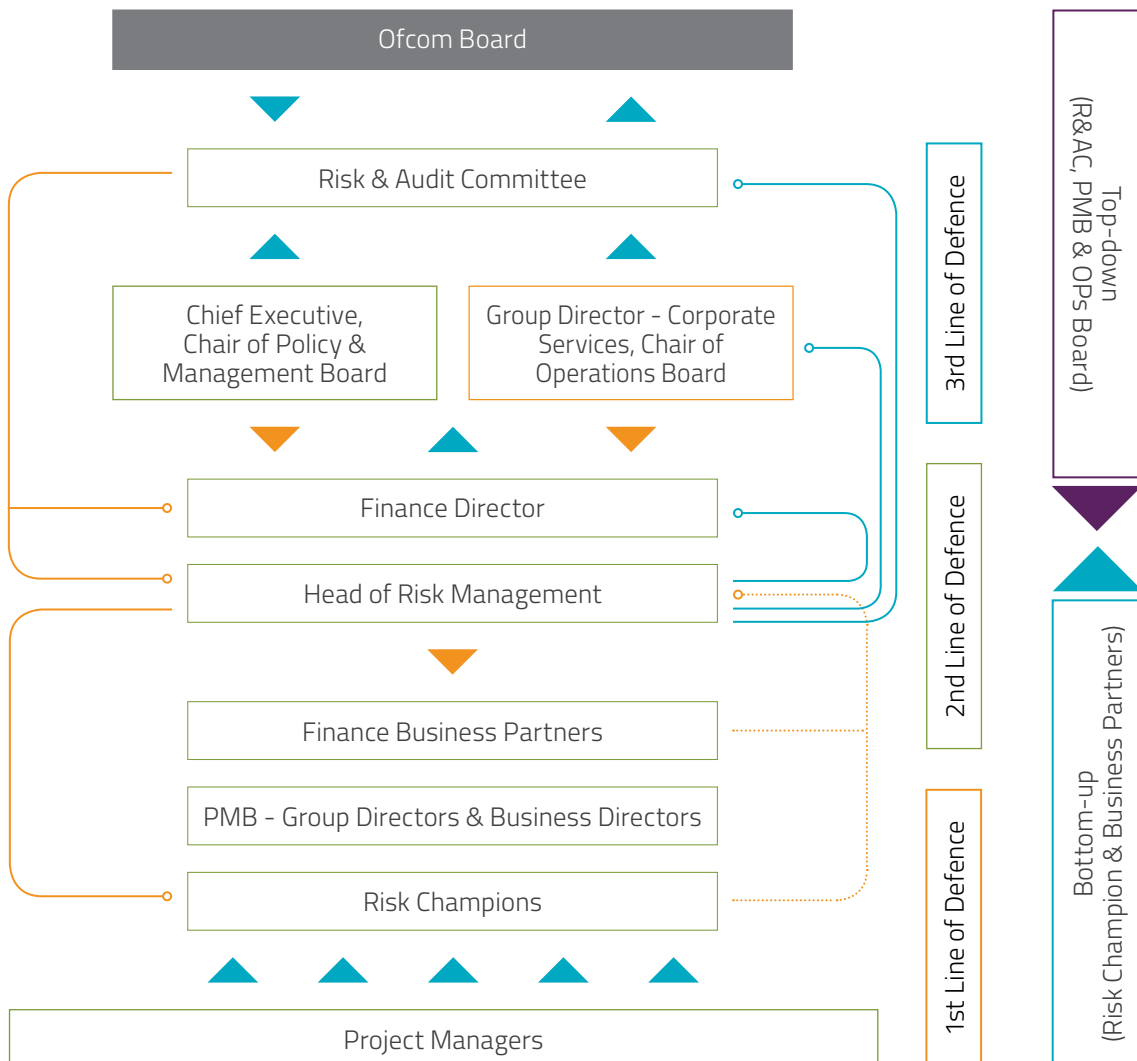
Management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a risk management policy, endorsed and approved by the Ofcom Board and Chief Executive as the Accounting Officer.

The governance structure is reinforced by Ofcom's risk and control framework, which is designed to support the delivery of its statutory duties and the achievement of its objectives, while safeguarding public funds.

The control framework is built around three lines of defence. The Risk & Audit Committee advise the Board on the adequacy of Ofcom's risk management policies and procedures and the extent to which they are applied, and to review the reliability and integrity of assurances.

This is achieved through regular risk review at Policy and Management Board and reports provided to the Risk & Audit Committee on risks (first line of defence), quarterly reviews provided by the Head of Risk Management (second line of defence) and internal and external audits (third line of defence).

Figure 10: Ofcom’s Risk and Control Framework



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

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

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

In February 2019 the Ofcom Board undertook a review and update of the Ofcom Risk Management Policy and Risk Appetite Statements. Work has continued to embed the consideration of risk appetite into the organisation’s decision-making and planning processes.

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

Ofcom's strategic risk register is reviewed monthly by the Policy and Management Board and quarterly by the Risk and Audit Committee. On a quarterly basis, the Chairman of the Risk and Audit Committee provides an oral update to the Board on the outcome of the Committee's review of the Strategic risk register. In February 2019 the Ofcom Board undertook a review and it was agreed that the Board would formally review the Strategic risk register twice a year.

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

Group level risks are reviewed by the Group Directors, their senior management teams and the Head of Risk Management on a monthly cycle, and escalated onto the strategic risk register where appropriate. Senior managers are responsible for ensuring that colleagues have the appropriate skill levels to identify, assess and manage risk in line with Ofcom's policy to embed and support a culture of well-managed risk. In support of senior managers' role in championing the risk process, the Head of Risk Management and Insurance, together with the Finance Business Partners and Risk Champions, work across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.

## Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. This scheme of delegation is outlined in the Delegations Framework. The Board agreed the Delegations Framework in July 2018 and amended this in March 2019 to ensure alignment with the structure of the organisation and to appropriately reflect its appetite for risk.

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

By carrying out impact assessments (as required under the Communications Act 2003), which evaluate the impact of any potential regulatory decision across the range of stakeholders, the consideration of risk sits at the very centre of our activities.

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

## EU General Data Protection Regulation (GDPR)

During the year, we established a programme of work designed to ensure that Ofcom was prepared for the General Data Protection Regulation when it took effect in May 2018. As part of this programme, Deloitte LLP completed a GDPR readiness assessment and produced a roadmap targeted at addressing the thematic findings of the readiness assessment. A Steering Group, drawing on expertise and representation from across Ofcom, has been established to oversee the programme of work. The Steering Group reports regularly to Ofcom's Policy and Management Board and to the Risk & Audit Committee and the Board as required.

Our privacy statement which is a working document can be found here: <https://www.ofcom.org.uk/about-ofcom/foi-dp/general-privacy-statement>

## Physical and personal security arrangements

With the UK threat level remaining at "Severe", we continue to enhance both physical and personal security for colleagues. The Ofcom Board have amended their risk appetite for Health and Safety, Physical and Information security from "Minimum" to "Averse" - avoidance of risk and uncertainty is now a key organisational objective for Ofcom.

Threat assessments for external physical attack at all of our Nations' and Regions' offices have been undertaken. We have also held workshops with a group of Ofcom colleagues to establish a process for risk assessment of personal security. These programmes align with the Ofcom Board's risk appetite and allow us to respond more efficiently and effectively to events which may pose a threat to physical or personal security.

## Major incident/disaster recovery/business continuity planning

Our major incident management plans were tested in May 2018 and subsequently enhanced. The plans will be tested again later in 2019 with a physical and personal security theme for the major incident exercise.

The move to a more flexible and agile approach to working has been successfully implemented across Ofcom, and business impact assessments for business continuity planning have been updated to reflect this.

Moving services into the cloud has improved our business continuity and disaster recovery capabilities. This has allowed us to test our capabilities more efficiently across all of our information technology systems.

## Information Security

Protecting Ofcom information systems against the increasing cyber threat continues to be a priority. Attempts by external parties to breach Ofcom security are prevalent. These have been unsuccessful as a result of the security controls in place, such as two-factor authentication.

We continue to improve monitoring to detect potential attacks or vulnerabilities and have introduced new tools for mandatory classification of documents and emails. 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.

From a governance perspective, work has continued with alignment to the international standard for information security management (ISO27001) and, during the year, a successful re-certification against the UK National Cyber Security Centre (NCSC) Cyber Essential framework. Internal audit undertook an exercise to assess our alignment with the NCSC's Ten Steps to Cyber Security.

## Whistleblowing policy and hotline

Following a review of our whistleblowing policy during the year, we have now made it easier for colleagues to make disclosures under the policy and navigate their way through the process. Additionally, in 2018/19, we introduced an externally hosted and administered whistleblowing hotline that allows colleagues to make anonymous disclosures.

## Independent assurance over internal controls

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Internal Audit Plan that is approved by the Risk and Audit Committee on an annual basis and in line with Government Internal Audit Standards. The plan is informed by interviews held with key stakeholders, a periodic assessment of risk management arrangements, evaluation of the previous year's internal audit results, and an ongoing consideration of the environment in which Ofcom operates.

During 2018/19, 11 internal audits were undertaken, including

- Core financial process reviews (Key Financial Controls, Cost Allocation and Tariff Setting and Budgetary Controls and related Management Reporting);
- Compliance reviews (Data Privacy – GDPR, Health and Safety, Information Security);
- Operational processes (Business Radio and Fixed Link licensing and Project Agile);
- ICT (Cyber Security and SharePoint on-line); and
- Governance and Risk Management (Risk Management reporting).

and a review of the Governance Statement for consistency with Internal Audit's understanding based on their programme of work.

## 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 2018/19 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998 or otherwise.

## Statement of Accounting Officer

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

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

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

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

To my knowledge, and based on the advice I have received from those managers with designated responsibilities for managing risks and the risk management system, I am not aware of any significant internal control findings for 2018/19.

### Sharon White

Chief Executive and Accounting Officer  
18 June 2019



## Statement of responsibilities

### The Board's responsibilities

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

This Statement of Accounts is prepared, in so far as applicable, in accordance with the Companies Act 2006 and the International Financial Reporting Standards (IFRS) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and on an accruals basis. It must give a true and fair view of the state of affairs of Ofcom as at the end of the financial year and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

### Chief Executive's responsibilities

The Chief Executive is appointed by the Board, which delegates responsibility to her for the day-to-day management of Ofcom. The Permanent Secretary for the Department for Digital, Culture, Media & Sport has designated the Chief Executive as Ofcom's Accounting Officer. The appointment carries with it duties of responsibility in respect of regularity, propriety, value for money and good financial management, and the safeguarding of public funds.

The Chief Executive has specific responsibilities for ensuring compliance with the terms of the Framework Document. She must also ensure that proper accounting records are maintained and she must sign the accounts.

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

# Our employees

## Ofcom's values

Our values are central to the way we operate, shaping how we engage with our stakeholders and work together to achieve our priorities. We have four core values that reflect our desire to work in an open, effective and people-driven way.

They are:

- Excellence
- Collaboration
- Agility
- Empowerment

## Diversity and inclusion

Our fourth diversity and inclusion plan was published in March 2018 and reflects our ambition to put a sharp focus on diversity and inclusion in all our work, creating a culture where colleagues are valued on merits and talents and making us a more effective and responsible employer and regulator of the UK's TV, radio, telecoms and postal sectors. As an employer, we are committed to treating all colleagues with dignity and respect in an inclusive and fair working environment. We are determined to promote equality of opportunity for all colleagues, irrespective of race, disability, gender identity, age, religion or belief, or sexual orientation. This commitment sits at the heart of our employment policies and our approach to recruitment and career development.

Ofcom's Diversity and Inclusion Programme (DIP) explains how diversity and equality are essential to how we operate, both as an employer and as the UK's communications regulator. It builds on the progress we have made since publishing our Single Equality Scheme in 2014 and sets out our objectives and actions for 2018-2022.

These are to:

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

We will be reporting on progress at the end of the first year of our Diversity and Inclusion Programme in the summer. We monitor our policies and practices extensively through colleague surveys, consulting with colleague networks, benchmarking and a regular equal pay audit.

In March 2019 we published the outcomes of our regular pay audit covering both gender and ethnicity. The pay gap analysis showed that we have continued to narrow our gender pay gap but that there is further work to do, which will include continuing to make progress towards our targets to increase the proportion of women and minority ethnic colleagues in senior roles. Our audit also found a high level of consistency in pay across different professional categories, indicating that pay decisions are made carefully, taking into account internal relativities, and that pay gaps identified by previous audits have been substantially reduced.

In the past year:

- we ran inclusive recruitment training for all recruiting managers as we aim to reduce or eliminate bias from our recruitment process. Recruiting managers must have attended and passed this training course before they can recruit;
- we asked recruiting managers to ensure diversity in our interview panels and shortlisted candidates for all posts, for example by having a gender mix and minority ethnic representation wherever possible;
- we continued to embed mandatory 'unconscious bias' training by requiring all Ofcom colleagues to undertake an eLearning module on an annual basis. This highlights that biases might exist which can impact decisions on promotion, career progression and performance;
- to make it clear that we welcome flexible working, we have changed the working hours on all our job adverts from 'full time' to 'flexible';
- we have increased our commitment to apprenticeships and internships to promote career opportunities, and we have appointed a specialist graduate recruiter to enable us to reach a broader, more diverse pool of candidates;
- we have continued to embed our move to agile working, to deliver the environment and working practices we need to support our values and culture. The agile working changes are transformational, and we aim to meet the needs of all colleagues and shape the way we work together in three key areas: people, place and technology;
- we continued to support and work with our Disability and Wellbeing Group;



- we continued to support and work with our diversity networks: Ofcom Women's Network (OWN); Parents and Carers Network; the Affinity Network which supports lesbian, gay, bisexual and transgender (LGBT) colleagues and allies; Listening Network, with volunteers offering informal peer support and the RACE network which aims to raise awareness of culture and ethnicity. We also established a Social Mobility Working Group to help us think about social inclusion and to develop a social mobility action plan;
- we built a resilience element into all our leadership programmes;
- we remain active members of the 5% club, made up of employers committed to and aspiring to achieve 5% of their workforce in earn and learn positions including apprentices and graduates on formalised training schemes);
- we continue to work closely with Business in the Community, Stonewall and the Business Disability Forum for their expert advice, best practice and benchmarking;
- we maintained our gold-banded employer status within Business in the Community's gender and race equality indices;
- we remain a Disability Confident Employer.

Figure 11: In 2015 we set ourselves the following targets for increasing the representation of women across Ofcom as a whole, and ethnic minority groups at senior levels. During 2018 we were pleased to report positive progress against all the targets.

### Gender

Current Ofcom composition		Economically active**		Targets: By 2020	
47%	53%	47%	53%	50%	50%
Female	Male	Female	Male	Female	Male
Principal/SMS*		N/A		40%	60%
43%	57%			Female	Male
Female	Male				

### Ethnicity

Current Ofcom composition			Economically active**	Targets: By 2020
20%	75%	5%	13%	No target
minority ethnic	white ethnic	not known	minority ethnic	
Principal/SMS*			N/A	13%
11%	84%	5%		to be from an minority ethnic background
minority ethnic	white ethnic	not known		

Base: all colleagues as at end of March 2019

\*Defined as roles at principal and Senior Management and Specialists (SMS) levels.

\*\* (2011 census)

In 2015 we set ourselves targets for increasing the representation of women across Ofcom as a whole, and in senior roles and minority ethnic representation at senior levels. During 2018 we were pleased to achieve and surpass our target of women in senior roles. We made steady, but slower, progress on our overall gender target and progress against our minority ethnic target was static compared to last year. Although we are starting with gender and ethnicity targets, we are committed to ensuring equality of opportunity and providing an inclusive culture for all under-represented groups.

Our focus for 2019/20 will be on improving the overall experience of our disabled colleagues and those with a long-term condition, and our minority ethnic colleagues. A cornerstone to this will be our focus on an open and inclusive culture to enable colleagues to be themselves and to be their best at work.

## Colleague involvement and consultation

Colleagues are encouraged to help ensure Ofcom has a diversity of perspectives in its work. Our regular formal methods for informing and consulting colleagues include:

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

## Professional development

The quality and commitment of our people are central to our ability to fulfil our duties. During 2018 we continued to support colleagues in their careers through a wide variety of training and development opportunities. We rolled out a Future Leaders Programme to enhance leadership and management capability across the organisation. We also continued our Executive Leadership Programme to invest in and retain senior leadership talent through a tailored programme, to meet the needs of our colleagues.

## Employment policies and processes

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

During 2018, building on our commitment to create an inclusive workplace, we rolled out a transitioning at work policy which sets out how we support colleagues who are transitioning, both during their transition and afterwards. We recognise that the start of or intention to transition will be different for everyone, and so Ofcom is committed to working with individuals to take account of their own needs and to ensure their dignity and respect along their chosen path of transition. We worked with our LGBT colleague network to develop and shape the policy and were supported by a specialist consultancy with lived experience to launch the policy.

We also overhauled our dignity at work policy with an aim to stamp out any form of harassment or bullying while at work. If any colleague feels they have been harassed or bullied, we strongly encourage them to speak out.

## Absence

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

Our aim is to treat staff who are ill with sympathy and fairness and, where possible, to provide them with support which will enable them to recover their health and attend work regularly. In 2018/19, the number of working days lost was 4.3 days per annum per employee (2017/18, 4.9 days) This compares favourably to the public sector average of 9.8 days per annum.

# 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 Board also gives consideration to, and adopts the provisions of, the UK Corporate Governance Code, and complies with the Government Financial Reporting Manual where appropriate and applicable.

## Constitution of the Remuneration Committee

The Remuneration Committee comprises all non-executive members of the Ofcom Board, as determined by the Ofcom Board, details of which are set out on page 69. Only members of the Committee have the right to attend Committee meetings.

The Committee receives advice from Ofcom's People and Transformation Director and would normally expect the People and Transformation Director and the Chief Executive to attend all meetings of the Committee. Where necessary and appropriate, the Remuneration Committee will also take advice and/or obtain services from Ofcom colleagues or specialist external organisations.

No individual is present for any discussion about his or her own remuneration.

## General policy

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

## Components of remuneration

The main components of Executive Members and Senior Management Team remuneration are:

### Salary

The basic salary for Executive Members and the Senior Management Team is determined by taking into account each colleague's responsibilities, performance and experience, together with relevant market benchmarking analysis. All basic salaries are reviewed annually and any changes are effective from 1 July each year.

### Standard and flexible benefits

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

In addition, a flexible benefits allowance is made available from which the individual concerned may purchase certain benefits.

## Performance-related payments

Ofcom does not provide a long-term incentive plan scheme for its employees. Each Executive Member and Member of the Senior Management Team participates in an annual performance bonus scheme, which allows for recognition of high performers in any year without raising base salary levels. This is calculated as a percentage of salary (non-pensionable) based on the individual's performance, up to a maximum of 20%.

All of the performance bonuses stated in table 3 relate to an individual's performance in the period 1 April 2018 to 31 March 2019. Performance bonuses are not paid to those who commenced in their role part way through the year. Bonuses have been approved by the Remuneration Committee and accrued but not paid as at the year end. The annual bonuses shown are paid in July 2019.

<b>Fair pay disclosure</b>	<b>2018/19</b>	<b>2017/18</b>
Band of highest-paid Board member's total remuneration (£000)	390-395	380-385
Median remuneration (£)	57,548	56,704
Remuneration ratio	6.80	6.78

In 2018/19, remuneration ranged from £17,537 to the upper band of £395,000 (2017/18 range: £17,812 to £385,000). For comparison purposes, the remuneration includes base salary, performance-related pay, flexible benefits allowance and benefits in kind. It excludes severance payments, any employer pension contributions and cash equivalent transfer values, in line with the Government Financial Reporting Manual. No employees received remuneration in excess of the highest-paid director.

## Fair pay disclosure

Public sector organisations are required to disclose the relationship between the remuneration of the highest-paid individual in their organisation and the median remuneration of the organisation's workforce. The fair pay disclosure data is shown below.

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

The remuneration of the highest-paid director in Ofcom in the financial year 2018/19 was in the band £390,000-£395,000 (£380,000-385,000 in 2017/18). This was 6.80 times (6.78 times in 2017/18) the median remuneration of £57,548 for Ofcom's workforce (2017/18: £56,704).

## Pension arrangements

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

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

## Guidance to the remuneration tables

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

The tables reflect the remuneration for that part of the year during which individuals were either members of the Board or the Content Board only, or members of the Senior Management Team. Those individuals marked with '+' against their name were in role for only part of financial year 2017/18 or 2018/19.

Where individuals are members of more than one Board or Committee (as set out on pages 78 and 79) they appear only once in the remuneration tables. All Executive Members are listed under the Senior Management Team in Table 3.

The guidance note reference numbers shown against the names of individuals refer to the notes on the remuneration tables on pages 97 and 98.

Below each table is the annual equivalent cost, which reflects the total annual cost had all Members been in place for the full year. This removes any fluctuations from membership changes during the financial year and provides a comparison of total costs, highlighting changes in pay policy between financial years.

The following tables are subject to audit.

**Table 1:** Ofcom Non-Executive Board Member remuneration: 2018/19

Name	Guidance note reference	Fees 18/19 £	Fees 17/18 £
Lord Burns GCB +	1	120,000	30,000
Maggie Carver +	1,2	35,000	-
Graham Mather CBE	1	42,519	42,519
Ben Verwaayen	1	42,519	42,519
Tim Suter +	1,2	42,519	21,260
Bob Downes +	1	42,519	7,087
Dr Angela Dean +	1,2	21,259	-
Baroness Noakes DBE	1,2	11,667	70,000
Nick Pollard +	1,2	4,930	42,519
Dame Patricia Hodgson DBE +	1,2	-	106,875
Dame Lynne Brindley DBE +	1,2	-	17,716
		<b>362,932</b>	<b>380,495</b>

*Annual equivalent cost: 2018/19 £402,595; (2017/18 £402,595)*



**Table 2:** Ofcom Non-Executive Content Board Member remuneration: 2018/19

<b>Name</b>	<b>Guidance note reference</b>	<b>Fees 18/19 £</b>	<b>Fees 17/18 £</b>
Aled Eirug	1	16,800	12,300
Janey Walker	1	24,150	17,963
Robin Foster	1	16,800	12,300
Monisha Shah +	1,3	16,800	8,400
Jonathan Baker +	1,3	16,800	8,400
Angelina Fusco +	1,3	14,000	-
Sophie Morgan +	1,3	7,000	-
Zahera Harb +	1,3	11,200	12,300
Philip Schlesinger +	1,3	2,800	12,800
Andrew Chitty +	1,3	-	4,500
Juan Andrew Colman +	1,3	-	4,500
David Levy +	1,3	-	900
Mary Ann Sieghart +	1,3	-	4,500
		<b>126,350</b>	<b>98,863</b>

*Annual equivalent cost: 2018/19 £124,950; (2017/18 £124,950)*

**Table 3:** Ofcom Senior Management Team and Executive Content Board remuneration: 2018/19

Name	Guidance note reference	2018/19					2017/18	
		Salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	Total remuneration paid £	Total remuneration paid £
Sharon White	4,5	340,025	68,005	15,000	2,593	34,000	459,623	451,848
Luisa Affuso +	4,6	91,558 (full-year equivalent 190,000)	13,734	7,228	1,080	N/A	113,600	-
Kevin Bakhurst	4,5	233,750	35,062	15,000	2,593	18,000	304,405	302,348
Alison Crosland	4,5	199,500	29,925	15,000	1,037	-	245,462	242,977
Lindsey Fussell	4,5	215,250	32,288	15,000	2,593	10,000	275,131	260,373
Mansoor Hanif +	4,6	102,917 (full-year equivalent 190,000)	15,437	8,125	1,296	N/A	127,775	-
Philip Marnick	4,5	219,875	32,981	15,000	2,593	10,000	280,449	265,898
Jonathan Oxley	4,5	264,000	39,600	15,000	2,593	18,000	339,193	335,327
Yih-Choung Teh +	4,6	142,500 (full-year equivalent 190,000)	21,375	11,250	1,945	N/A	177,070	-
Polly Weitzman	4,5	248,750	37,312	15,000	2,593	18,000	321,655	316,762
Tony Close	3,4,5	159,551	23,933	15,000	2,593	12,000	213,077	210,639
Steve Unger +	4,5	198,000 (full-year equivalent 264,000)	29,700	11,250	1,945	-	240,895	335,327
		<b>2,415,676</b>	<b>379,352</b>	<b>157,853</b>	<b>25,454</b>	<b>120,000</b>	<b>3,098,335</b>	<b>2,721,500</b>

Annual equivalent cost: 2018/19 £2,726,647; (2017/18 £2,721,500)

## Notes to the remuneration tables

1. The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS for the duration of their appointment. The fees shown represent the amount paid during the period under review. The basic fee of the Non-Executives of the Ofcom Board (except for the Chairman and Deputy Chair) has remained at £42,519 per annum since 1 April 2008.

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

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

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

2. Maggie Carver and Dr Angela Dean were appointed to the Ofcom Board on 30 September 2018. Baroness Noakes DBE retired from the Ofcom Board on 31 May 2018 and Nick Pollard left the Ofcom Board on 13 May 2018. Dame Lynne Brindley DBE retired from the Ofcom Board on 31 August 2017. The values shown in Table 1 reflect the amount paid out to Board members in 2018/19; annualised costs are shown below the table to remove the fluctuations of changes in membership during the financial year.

The full-year equivalent annual fees are:

- Maggie Carver £70,000
- Non-Executive Members of the Board £42,519

David Jones joined the Ofcom Board on 16 April 2019 as the first Ofcom Board Member for Wales. His start date is outside the 2018/19 reporting period; his full-year equivalent fee is as noted above.

3. Non-Executive Members of the Content Board: Angelina Fusco was appointed to the Content Board on 1 June 2018; Sophie Morgan was appointed to the Content Board on 1 November 2018; Zahera Harb left the Content Board on 30 November 2018; Juan Andrew Colman, Mary Ann Sieghart and Andrew Chitty retired from the Content Board on 31 August 2017; and David Levy retired from the Content Board on 30 April 2017.

Executive Members of the Content Board: Tony Close has been an Executive Member of the Content Board throughout the reporting period.

4. The total annual remuneration shown for Ofcom executives who are, or were, members of the Senior Management Team, includes basic salary, annual performance bonus, flexible benefits allowance and a percentage of basic salary paid as a pension allowance. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive. Tony Close is not a member of the Senior Management Team, but is included due to his role as an Executive Member of the Content Board during the reporting period.

5. Sharon White, Alison Crosland, Philip Marnick, Jonathan Oxley, Kevin Bakhurst, Lindsey Fussell and Polly Weitzman have been members of the Senior Management Team throughout the period; Tony Close has been an Executive Member of the Content Board throughout the period.

Steve Unger resigned in March 2017 and stepped down as a member of the Senior Management Team and the Ofcom Board on 30 June 2018; the 2017/18 figures reflect a full year of his salary.

6. Luisa Affuso joined Ofcom as a member of the Senior Management Team on 8 October 2018; Mansoor Hanif joined Ofcom as a member of the Senior Management Team on 17 September 2018. Yih-Choung Teh, an existing Ofcom colleague, was appointed as a Senior Management Team member on 2 July 2018. The full-year equivalent base salary for all three new members was £190,000.

## Contract of employment

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

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of approximately two days per week (with the exception of Lord Burns (Ofcom Board Chairman) and Maggie Carver (Ofcom Board Deputy Chair) who committed up to three days per week and two and a half days per week respectively).

There were no redundancy payments relating to a member of the Senior Management Team included in the accounts for the year for loss of office during 2018/19.

## Compensation for early termination

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

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

## Outside directorships

No Executive Member of the Ofcom Board may accept a non-executive appointment without the prior approval of the Board, to ensure that it does not give rise to conflicts of interest. Any fees paid to the Executive Member for such an appointment may only be retained by the Executive at the discretion of the Remuneration Committee.

Sharon White is a director of Sadler's Wells Trust Ltd (registered charity), a role she has held since November 2017. No fee was paid to Sharon White in respect of this appointment. In January 2018, Sharon White was appointed as an independent non-executive director for Barratt Developments Plc; her fee of £61,800 per annum is paid directly to Ofcom and Sharon White receives no part of this.

The Executive Board Member, Jonathan Oxley, did not hold any such directorships during the period.

In addition, Polly Weitzman, who is a member of the Senior Management Team, is paid £12,120 per annum as a non-executive director of the Homerton University NHS Foundation Trust; the fee is paid directly to Ofcom and Polly Weitzman receives no part of this.

On behalf of Ofcom,

Sharon White  
**Chief Executive and Accounting Officer**

18 June 2019

Ben Verwaayen  
**Chair of the Remuneration Committee**

18 June 2019

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2019 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2019 and of the deficit after tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and the Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

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

## Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of Communications' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.

However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of Communications' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of Communications' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### Other Information

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

### Opinion on other matters

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Office of Communications Act 2002;

- in the light of the knowledge and understanding of the Office of Communications and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

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

### Report

I have no observations to make on these financial statements.

Gareth Davies

26 June 2019

Comptroller and Auditor General

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



# Financial Statements

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# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

	Notes	2018/19 £'000	2017/18 £'000
Income	3	124,283	122,484
Spectrum Clearance and Awards	3	72,452	82,077
<b>Total income</b>		<b>196,735</b>	<b>204,561</b>
<b>Operating expenditure</b>			
Staff costs	4	(76,281)	(72,011)
Other operating costs	6	(46,035)	(48,022)
Legal costs provided in year	6,15	(232,000)	-
Spectrum Clearance and Awards	4,6	(72,452)	(82,078)
<b>Total operating expenditure</b>		<b>(426,768)</b>	<b>(202,111)</b>
<b>Operating (deficit)/surplus</b>		<b>(230,033)</b>	<b>2,450</b>
Vacant property income	15	-	76
Finance costs	15	1	(8)
Pension interest income	19	439	390
<b>(Deficit)/Surplus before tax for the year</b>		<b>(229,593)</b>	<b>2,908</b>
Taxation	7	-	-
<b>(Deficit)/Surplus after tax for the year</b>		<b>(229,593)</b>	<b>2,908</b>
<b>Other comprehensive (expenditure)/income</b>			
Remeasurement on pensions	19	(196)	1,318
<b>Total comprehensive (expenditure)/income</b>		<b>(229,789)</b>	<b>4,226</b>

The accounting policies and notes on pages 107 to 139 form part of these financial statements.

# Statement of financial position

As at 31 March 2019

	Notes	As at 31 March 2019 £'000	As at 31 March 2018 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	12,490	9,524
Intangible assets	9	966	1,217
Trade and other receivables	11	484	902
Retirement benefit assets	19	17,691	18,169
<b>Total non-current assets</b>		<b>31,631</b>	29,812
<b>Current assets</b>			
Trade and other receivables	10	15,216	9,575
Cash and cash equivalents	12	7,685	25,233
<b>Total current assets</b>		<b>22,901</b>	34,808
<b>Total assets</b>		<b>54,532</b>	64,620
<b>Current liabilities</b>			
Trade and other payables	13	21,584	33,857
Provisions for liabilities and charges	15	232,031	30
<b>Total current liabilities</b>		<b>253,615</b>	33,887
<b>Non-current liabilities</b>			
Trade and other payables	14	1,000	1,064
Provisions for liabilities and charges	15	151	183
Retirement benefit liabilities	19	1,211	1,142
<b>Total non-current liabilities</b>		<b>2,362</b>	2,389
<b>Total liabilities</b>		<b>255,977</b>	36,276
<b>Assets less liabilities</b>		<b>(201,445)</b>	28,344
<b>Equity</b>			
Reserves		(201,445)	28,344
<b>Total equity</b>		<b>(201,445)</b>	28,344

The accounting policies and notes on pages 107 to 139 form part of these financial statements. These financial statements were approved by the Board on 18 June 2019.

Lord Burns  
Chairman

Sharon White  
Chief Executive and Accounting Officer

# Statement of changes in equity

For the year ended 31 March 2019

	Notes	Reserve £'000
<b>Balance as at 1 April 2017</b>		<b>24,118</b>
<b>Changes in equity for 2017/18</b>		
Remeasurement on pensions	19	1,318
Surplus for year		2,908
<b>Total comprehensive income for 2017/18</b>		<b>4,226</b>
<b>Balance as at 31 March 2018</b>		<b>28,344</b>
<b>Changes in equity for 2018/19</b>		
Remeasurement on pensions	19	(196)
Deficit for year		(229,593)
<b>Total comprehensive expenditure for 2018/19</b>		<b>(229,789)</b>
<b>Balance as at 31 March 2019</b>		<b>(201,445)</b>

The accounting policies and notes on pages 107 to 139 form part of these financial statements.

# Statement of cash flows

For the year ended 31 March 2019

	Notes	2018/19 £'000	2017/18 £'000
<b>Cash flows from operating activities</b>			
Operating (deficit)/surplus		(230,033)	2,450
<b>Adjustments for non-cash transactions</b>			
Amortisation	9	636	1,023
Depreciation	8	2,448	1,963
Loss on disposal of non-current assets	6	93	64
(Increase)/Decrease in trade and other receivables	10,11	(5,223)	5,080
(Decrease)/Increase in trade and other payables	13,14	(12,337)	9,274
Increase/(Decrease) in provisions	15	231,970	(30)
Decrease in retirement pension	19	790	497
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(11,656)</b>	<b>20,321</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	8	(5,558)	(5,159)
Purchases of intangible assets	9	(385)	(63)
Proceeds from sale of non-current assets		51	37
<b>Net cash outflow from investing activities</b>		<b>(5,892)</b>	<b>(5,185)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>-</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(17,548)</b>	<b>15,136</b>
Cash and cash equivalents at beginning of year	12	25,233	10,097
(Decrease)/Increase in cash and cash equivalents in the year		(17,548)	15,136
<b>Closing net funds</b>	12	<b>7,685</b>	<b>25,233</b>

The accounting policies and notes on pages 107 to 139 form part of these financial statements.

# Notes to the accounts

For the year ended 31 March 2019

## 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 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union.

These financial statements have been prepared under the historical cost convention modified by the evaluation of certain non-current assets, on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared on the basis of all IFRS accounting standards and interpretations and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation, except where these are overridden by the Office of Communications Act 2002. These financial statements are prepared under the accounts direction from the Departments for Business, Energy and Industrial Strategy (BEIS) and Digital, Culture, Media and Sport (DCMS).

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

### a) Adoption of new and revised standards

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

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

Ofcom has no significant exposure to liquidity, interest rate or currency risks. Because of the nature of its activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risk faced by business entities. The adoption of IFRS 9 has no material impact to Ofcom's results.

- IFRS 15 Revenue from Contracts with Customers and its clarifications, applicable to annual periods beginning on or after 1 January 2018

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

Other new standards, amendments and interpretations to existing standards, listed below, have been published with an impact on the financial statements of Ofcom and these relate to future accounting periods.

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

This standard, which will replace IAS 17, requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is low value. As at 31 March 2019, Ofcom holds a number of operating leases which currently, under IAS 17, are expensed on a straight-line basis over the lease term.

Ofcom has collated the operating lease information in order to assess the updated cumulative adjustment on transition and elected not to apply IFRS 16 to contracts that are not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Ofcom will apply the standard from the transitional date using the modified retrospective approach, adjusting opening retained earnings and not re-stating comparatives. This involves calculating the right-of-use asset and lease liability based on the present value of remaining lease payments on all applicable lease contracts as at the transition date, to be discounted in accordance with HM Treasury direction. Property, plant and equipment and trade and other payables are estimated to increase by £61,820k on 1 April 2019. There is no impact on retained earnings on 1 April 2019.

The discount rate, the renewal of and changes to the lease portfolio are all subject to change in future years, which will impact the actual transitional adjustment as at the expected transition date.

Ofcom will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as progress is made on implementation planning.

In applying IFRS 16 for the first time, Ofcom will use the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- The accounting of operating leases for which the underlying asset is of low value
- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### **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 introduces a new five stage model for the recognition of revenue from contracts with customers. The core principle is to recognise revenue 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 have considered the five-step process and have determined no change to the revenue recognition approach:

- In each financial year, Ofcom is required to balance its expenditure with its income. Ofcom is required by the Communications Act 2002 & 2003 to raise income from each of the sectors it regulates such that it covers the costs to be incurred by Ofcom in regulating that sector together with a proper apportionment of Ofcom's 'common costs' to each of those sectors. Therefore, Legislation provides the enforceability on both parties to enable Ofcom to recover its 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 through the recovery of costs 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.

- Revenue is recognised in the year the performance obligation (cost) is incurred. Any under or over recovery of revenue is accrued or deferred and future charges are adjusted accordingly.
- Revenue 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 WTA licence fees in accordance with S401 of the Communications Act 2003 and the Statement of funding Principles.

#### **Postal services, networks and services administrative fees**

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

#### **Broadcasting licence fees**

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

### Application fees

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

### Wireless Telegraphy Act (WTA)

#### Receipts Retention

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

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

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

#### Grant-in-aid

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

The 700MHz clearance 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. The programme is funded via grant-in-aid.

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

#### Other income

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

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

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments. The revenue 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 Digital Economy Act introduced legislative amendments which permit Ofcom to retain sums received in connection with its functions under the WTA. Ofcom may retain such sums to fund its general spectrum management functions, as well to meet the costs of undertaking its other functions for which it cannot levy fees and charges.



The remaining revenue collected 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.

No receipts, payments or related Statement of Financial Position items are made in these Financial Statements in respect of Section 400 related transactions, unless payments and fees have been collected and deposited into Ofcom's main bank account at the end of the reporting date.

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

#### d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made and received under operating leases are recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease value, over the non-cancellable term of the lease.

#### e) Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Ofcom and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful lives as follows:

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

Depreciation is charged to the Statement of Comprehensive Net 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.

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

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

#### **f) Intangible assets**

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications, 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 rather than to groups of similar items, unless the effect of doing so would be to eliminate a significant portion of total capital assets.

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

Amortisation on capitalised intangible assets is charged to the Statement of Comprehensive Net 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.

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.

#### **g) Impairment of assets**

At each reporting date, the carrying value of non-current assets is reviewed to determine if there is some indication that the carrying value of the assets may have been impaired as per IAS 36 Impairment of Assets.

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

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

#### **h) Trade and other receivables**

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

Trade receivables are recognised initially at fair value less any write off for impairment.

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

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

### **i) Cash and cash equivalents**

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

### **j) Trade and other payables**

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

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

### **k) Employee benefits**

#### **Pension Schemes**

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

#### **Defined contribution plan**

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

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

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

### **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan where the benefits its members are entitled to are pre-determined by a formula. Ofcom's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned during their membership of the plan. That benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of Ofcom's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

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 (expenditure)/income within the Statement of Comprehensive Net 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 comprehensive (expenditure)/income within the Statement of Comprehensive Net 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.

### 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.

### Other employee benefits

#### Early retirement costs

The annual compensation payment is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment. From the date of early retirement until retiring age the colleague receives an annual compensation payment equal to the preserved pension. This is paid by monthly instalments in arrears like a pension. It begins to accrue on the day immediately following the date of retirement and continues until the preserved pension comes into payment, when it stops.

#### Colleague leave liability

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

Colleagues who have completed five years of continuous service are entitled to a paid sabbatical of five weeks and thereafter accrue one week for each additional year of service subject to a maximum of ten weeks. An accrual,

based on management's best estimates using current salary data is included as part of accruals. As from 1st January 2008, this benefit was withdrawn for new employees.

### l) Provisions

Provisions for early retirement, legal provisions and surplus property are recognised when: Ofcom has a present legal or constructive obligation as a result of past events 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.

Ofcom provides for obligations relating to excess leased space in its properties, discounted by appropriate market discount rates. The provisions represent the net present value of the future estimated costs after recognising reasonably certain future rental income. The unwinding of the discount is included within finance costs in the Statement of Comprehensive Net Expenditure.

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

### m) 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 Comprehensive Net Expenditure for the year.

## n) Financial instruments and credit risk

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and amount due to the Consolidated Fund. Interest income receivable on cash and cash equivalents is recognised as it is earned.

### Trade receivables

Trade and other receivables are non-interest bearing and stated at fair value less any write off for impairment.

### Trade payables

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

## o) 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.

## p) Segmental analysis

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

requirements of the Communications Act 2003 to provide information on costs and fees, Note 2 to these financial statements presents the Statement of Comprehensive Net Expenditure for the year under review by sector.

## q) Areas of judgment and key sources of estimation uncertainty

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

The areas of judgment that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Legal provisions – accounting policy (l)
- Revenue recognition and assessment of unbilled revenue – accounting policy (b)

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

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

## 2\_Sectoral Analysis

The analysis below refers to income by sector for the year ended 31 March 2019, 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 (q).

	Spectrum management	Spectrum clearance	Networks & services	Broad-casting	Postal regulation	Other regulatory activities	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>								
Licence and administration fees	-	-	45,854	23,487	3,431	-	<b>72,772</b>	71,151
Application fees	-	-	100	337	-	-	<b>437</b>	609
Grant-in-aid	-	72,143	-	-	-	102	<b>72,245</b>	118,792
WTA receipts retention	52,341	-	-	-	-	1,815	<b>54,156</b>	19,081
Accrued/ (Deferred) income	1,741	309	(8,239)	1,260	1,059	563	<b>(3,307)</b>	(5,958)
<b>Operating income</b>	<b>54,082</b>	<b>72,452</b>	<b>37,715</b>	<b>25,084</b>	<b>4,490</b>	<b>2,480</b>	<b>196,303</b>	<b>203,675</b>
Other income	188	-	131	88	16	9	<b>432</b>	886
<b>Total income</b>	<b>54,270</b>	<b>72,452</b>	<b>37,846</b>	<b>25,172</b>	<b>4,506</b>	<b>2,489</b>	<b>196,735</b>	<b>204,561</b>
Onerous property and accrued rental income	5	-	4	3	-	-	<b>12</b>	210
<b>Cash income</b>	<b>54,275</b>	<b>72,452</b>	<b>37,850</b>	<b>25,175</b>	<b>4,506</b>	<b>2,489</b>	<b>196,747</b>	<b>204,771</b>
<b>Total costs</b>	<b>(54,275)</b>	<b>(72,452)</b>	<b>(37,850)</b>	<b>(25,175)</b>	<b>(4,506)</b>	<b>(2,489)</b>	<b>(196,747)</b>	<b>(204,771)</b>
<b>Surplus on cash costs basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Comparative costs by sector								
<b>Year ending 31 March 2019</b>	<b>(54,275)</b>	<b>(72,452)</b>	<b>(37,850)</b>	<b>(25,175)</b>	<b>(4,506)</b>	<b>(2,489)</b>	<b>(196,747)</b>	
Year ending 31 March 2018	(51,071)	(82,078)	(42,382)	(23,946)	(3,352)	(1,942)	<b>(204,771)</b>	

Other regulatory activities comprise:

- expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls and consumer protection; and WTA receipts used to fund these cost categories;
- expenditure in respect of duties relating to improving UK telephone number management, funded by grant from UK Research and Innovation;
- 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 116 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.

#### Reconciliation from operating expenditure to final operating costs out-turn

	Notes	2018/19 £'000	2017/18 £'000
<b>Operating expenditure - Statement of Comprehensive Net Expenditure</b>		<b>426,768</b>	202,111
Adjustments in respect of pension asset and liability		<b>(790)</b>	(581)
Capital expenditure less depreciation and amortisation	8,9	<b>2,859</b>	2,236
Rent free adjustment		<b>25</b>	910
Other adjustments		<b>(232,115)</b>	95
<b>Cash operating expenditure</b>		<b>196,747</b>	<b>204,771</b>
Spectrum clearance	4,6	<b>(72,452)</b>	(82,078)
Non-operating income		<b>(444)</b>	(1,094)
<b>Final operating costs out-turn</b>		<b>123,851</b>	<b>121,599</b>

The movement in rent free adjustment is due to the change in lease property arrangements which now have minimal rent free allowance, whereas the other adjustments reflect the movement in year of non cash related matters, such as holiday pay and provision.

### 3\_Income

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2018/19 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000
<b>Grant-in-aid DCMS</b>						
Spectrum management	-	-	-	32,099	-	32,099
Spectrum clearance	-	72,452	<b>72,452</b>	-	82,077	82,077
Competition law enforcement	-	-	-	296	-	296
Public interest test	-	-	-	781	-	781
Nuisance calls	-	-	-	215	-	215
Consumer protection	-	-	-	21	-	21
<b>Total government grant-in-aid</b>	<b>-</b>	<b>72,452</b>	<b>72,452</b>	<b>33,412</b>	<b>82,077</b>	<b>115,489</b>
<b>WTA Receipts Retention</b>						
Spectrum management	54,082	-	<b>54,082</b>	18,516	-	18,516
Competition law enforcement	1,774	-	<b>1,774</b>	511	-	511
Nuisance calls	212	-	<b>212</b>	90	-	90
Consumer protection	28	-	<b>28</b>	10	-	10
Public interest test	102	-	<b>102</b>	-	-	-
<b>Total WTA receipts retention</b>	<b>56,198</b>	<b>-</b>	<b>56,198</b>	<b>19,127</b>	<b>-</b>	<b>19,127</b>
<b>Stakeholder income</b>						
Networks & services administrative and application fees	37,715	-	<b>37,715</b>	42,004	-	42,004
Blockchain	211	-	<b>211</b>	-	-	-
Broadcasting Act licence and application fees	25,084	-	<b>25,084</b>	23,732	-	23,732
Regulation of postal services	4,490	-	<b>4,490</b>	3,323	-	3,323
Other income	585	-	<b>585</b>	886	-	886
<b>Total stakeholder income</b>	<b>68,085</b>	<b>-</b>	<b>68,085</b>	<b>69,945</b>	<b>-</b>	<b>69,945</b>
<b>Total income</b>	<b>124,283</b>	<b>72,452</b>	<b>196,735</b>	<b>122,484</b>	<b>82,077</b>	<b>204,561</b>

Broadcasting Act licence and application fees include the charge to the BBC in relation to BBC regulatory responsibilities.

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

Since December 2017, Ofcom may retain WTA receipts in order to fund its general spectrum management functions, as well to meet the costs of undertaking its other functions for which it cannot levy fees and charges. The increase in 2018/19 relates to full year retention compared to four months in 2017/18.



## 4\_Staff costs

Staff costs, including fees paid to Board Members, were:	Ofcom	Spectrum Clearance & Awards	Total 2018/19	Ofcom	Spectrum Clearance & Awards	Total 2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries & benefits	61,047	421	<b>61,468</b>	57,992	442	<b>58,434</b>
National Insurance costs	7,280	45	<b>7,325</b>	6,987	42	<b>7,029</b>
Pension costs	7,040	35	<b>7,075</b>	5,984	39	<b>6,023</b>
Restructuring costs	914	-	<b>914</b>	1,048	-	<b>1,048</b>
<b>Total staff costs</b>	<b>76,281</b>	<b>501</b>	<b>76,782</b>	<b>72,011</b>	<b>523</b>	<b>72,534</b>

The restructuring costs in 2018/19 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to 13 (2017/18: 5) employees.

Restructuring costs for 2017/18 have been restated to ensure consistency with 2018/19, presenting any notice payments made on termination within salaries and benefits.

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 92 to 98.

Pension costs include service cost for the equalisation of Guaranteed Minimum Pension (GMPs), and Deed of Amendment executed in respect of the Ofcom Defined Benefit Plan, both of which totalled up to £668k (2017/18: nil). More information of these in Note 19.

During the year, twenty-two (2017/18: 16) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

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

## 5\_Employee numbers

	2018/19	2017/18
<b>The average number of employees (full time equivalents)</b>	<b>902</b>	<b>868</b>

As at 31 March 2019, Ofcom had 901 employees (full time equivalents) (2017/18: 893).

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

## 6\_Other operating costs

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2018/19 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000
Auditors remuneration – statutory audit fees	76	-	76	76	-	76
Auditors remuneration – Section 400	13	-	13	13	-	13
Professional fees	4,064	1,241	5,305	4,404	424	4,828
Outsourced services	7,684	-	7,684	7,739	-	7,739
Audience and consumer research	5,142	-	5,142	5,416	-	5,416
Technological research and spectrum efficiency projects	328	-	328	327	-	327
Spectrum clearance scheme	-	70,691	70,691	-	81,065	81,065
Temporary staff and recruitment	2,321	6	2,327	3,051	46	3,097
Travel and subsistence	1,311	9	1,320	1,218	9	1,227
Premises costs	9,859	-	9,859	10,310	-	10,310
Administration and office expenses	7,044	4	7,048	6,951	6	6,957
Profit on disposal of non capital	(50)	-	(50)	-	-	-
Information and technology costs	5,035	-	5,035	5,024	4	5,028
Vehicles	271	-	271	271	-	271
Bad and doubtful debt	(240)	-	(240)	173	-	173
Amortisation	636	-	636	1,023	-	1,023
Depreciation	2,448	-	2,448	1,962	1	1,963
Loss on disposal of non-current assets	93	-	93	64	-	64
<b>Total other operating costs</b>	<b>46,035</b>	<b>71,951</b>	<b>117,986</b>	<b>48,022</b>	<b>81,555</b>	<b>129,577</b>
<b>The costs, above, include:</b>						
Operating leases – land and buildings	5,737	-	5,737	6,401	-	6,401
Operating leases – vehicles	134	-	134	127	-	127
Operating leases – other	104	-	104	107	-	107

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

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2018/19 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2017/18 £'000
<b>Legal cost provided in year</b>	232,000	-	232,000	-	-	-

Refer to Note 15 for further disclosure.

## 7\_Taxation

	2018/19 £'000	2017/18 £'000
<b>Reconciliation of tax charge</b>		
(Deficit)/Surplus before tax	(229,593)	2,908
Tax on profit at the UK standard rate of Corporation Tax of 20% (2017/18: 20%)	(45,919)	582
<b>Tax effect of:</b>		
Income not subject to tax	(39,298)	(40,774)
Expenses not subject to tax	85,266	40,346
Decrease to brought forward tax losses	(49)	(154)
<b>Tax charge</b>	-	-

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,542k (2017/18: £11,788k). No deferred tax asset is recognised in respect of these losses as it is not probable that sufficient taxable income will arise against which the losses can be utilised.

## 8\_Property, plant and equipment

	Leasehold improvements	Fixtures & fittings	Office & field equipment	Computer hardware	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
<b>At 1 April 2017</b>	<b>14,242</b>	<b>1,072</b>	<b>12,994</b>	<b>4,023</b>	<b>561</b>	<b>596</b>	<b>33,488</b>
Additions during year	1,510	217	547	42	175	2,668	5,159
Disposals	(397)	(124)	(432)	(123)	(84)	-	(1,160)
Transfers	-	46	4	408	99	(557)	-
<b>At 31 March 2018</b>	<b>15,355</b>	<b>1,211</b>	<b>13,113</b>	<b>4,350</b>	<b>751</b>	<b>2,707</b>	<b>37,487</b>
Additions during year	3,529	656	411	128	3	831	5,558
Disposals	(11,949)	(667)	(616)	(2,347)	(109)	-	(15,688)
Transfers	2,130	398	1	3	91	(2,623)	-
<b>Cost at 31 March 2019</b>	<b>9,065</b>	<b>1,598</b>	<b>12,909</b>	<b>2,134</b>	<b>736</b>	<b>915</b>	<b>27,357</b>
<b>Depreciation</b>							
<b>At 1 April 2017</b>	<b>12,720</b>	<b>712</b>	<b>9,977</b>	<b>3,333</b>	<b>317</b>	<b>-</b>	<b>27,059</b>
Charge for the year	591	80	722	480	90	-	1,963
Disposals	(354)	(108)	(414)	(123)	(60)	-	(1,059)
<b>At 31 March 2018</b>	<b>12,957</b>	<b>684</b>	<b>10,285</b>	<b>3,690</b>	<b>347</b>	<b>-</b>	<b>27,963</b>
Charge for the year	928	316	735	344	125	-	2,448
Disposals	(11,839)	(660)	(602)	(2,342)	(101)	-	(15,544)
<b>Accumulated depreciation at 31 March 2019</b>	<b>2,046</b>	<b>340</b>	<b>10,418</b>	<b>1,692</b>	<b>371</b>	<b>-</b>	<b>14,867</b>
<b>NBV 31 March 2019</b>	<b>7,019</b>	<b>1,258</b>	<b>2,491</b>	<b>442</b>	<b>365</b>	<b>915</b>	<b>12,490</b>
NBV 31 March 2018	2,398	527	2,828	660	404	2,707	9,524

Equipment purchased for the Spectrum Clearance and Awards program has been included in Ofcom's asset registers under Field Equipment.

## 9\_Intangible assets

	Software licences	Information technology	Systems under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At 1 April 2017</b>	<b>6,226</b>	<b>19,788</b>	<b>739</b>	<b>26,753</b>
Additions during year	-	-	63	63
Transfers	56	291	(347)	-
<b>At 31 March 2018</b>	<b>6,282</b>	<b>20,079</b>	<b>455</b>	<b>26,816</b>
Additions during year	380	5	-	385
Disposals	(1,274)	(2,112)	-	(3,386)
Transfers	63	-	(63)	-
<b>Cost at 31 March 2019</b>	<b>5,451</b>	<b>17,972</b>	<b>392</b>	<b>23,815</b>
<b>Amortisation</b>				
<b>At 1 April 2017</b>	<b>5,208</b>	<b>19,368</b>	<b>-</b>	<b>24,576</b>
Charge for the year	713	310	-	1,023
Transfers	56	(56)	-	-
<b>At 31 March 2018</b>	<b>5,977</b>	<b>19,622</b>	<b>-</b>	<b>25,599</b>
Charge for the year	343	293	-	636
Disposals	(1,274)	(2,112)	-	(3,386)
<b>Accumulated amortisation at 31 March 2019</b>	<b>5,046</b>	<b>17,803</b>	<b>-</b>	<b>22,849</b>
<b>NBV 31 March 2019</b>	<b>405</b>	<b>169</b>	<b>392</b>	<b>966</b>
NBV 31 March 2018	305	457	455	1,217

## 10\_Trade and other receivables: current assets

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Trade receivables	2,122	2,397
Other receivables	590	395
Value added tax receivable	-	163
Prepayments	6,317	5,628
Staff loans and advances	249	230
Accrued income	3,463	694
Accrued income (Grant-in-aid)	520	-
Accrued Income (WTA Receipts)	1,955	68
<b>Total trade and other receivables: current assets</b>	<b>15,216</b>	<b>9,575</b>

Staff loans relate to 120 (2017/18: 139) season ticket loans to colleagues repayable over 12 months.

## 11\_Trade and other receivables: non-current assets

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Accrued income	484	902
<b>Total trade and other receivables: non-current assets</b>	<b>484</b>	<b>902</b>

## 12\_Cash and cash equivalents

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Commercial banks and cash in hand	7,685	25,233
<b>Total cash and cash equivalents</b>	<b>7,685</b>	<b>25,233</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.

The movement in cash balances is primarily due to grants payable in relation to clearance of 700MHz spectrum, which was subsequently paid in 2018/19.

## 13\_Trade and other payables: current liabilities

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Trade payables	1,171	7,566
Other payables	986	4,187
Value added tax payable	106	-
Accruals	10,416	15,930
Lease incentive accrual	38	25
Deferred income	8,847	2,816
Deferred income (Grant-in-aid)	4	3,311
Deferred income (WTA Receipts)	16	22
<b>Total trade and other payables: current liabilities</b>	<b>21,584</b>	<b>33,857</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.

For 2018/19 Ofcom achieved on average a performance of 96.97 per cent against these targets (2017/18: 95.75 per cent).

The movement in trade payables and accruals is primarily due to grants payable in relation to clearance of 700MHz spectrum, which was subsequently paid in 2018/19.

Other payables include funds received from a landlord regarding the refurbishment of the landlord's property and equipment.

## 14\_Trade and other payables: non-current liabilities

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Lease incentive accrual	41	79
Deferred income	959	985
<b>Total trade and other payables: non-current liabilities</b>	<b>1,000</b>	<b>1,064</b>

## 15\_Provisions for liabilities and charges

	Early retirement £'000	Surplus property £'000	Legal £'000	Total £'000
<b>At 1 April 2017</b>	<b>235</b>	<b>76</b>	<b>-</b>	<b>311</b>
Discount unwound and changes in rate	8	-	-	8
Utilised in year	(30)	-	-	(30)
Provision decreased	-	(76)	-	(76)
<b>At 31 March 2018</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>213</b>
Discount unwound and changes in rate	(1)	-	-	(1)
Utilised in year	(30)	-	-	(30)
Provision increased	-	-	232,000	232,000
<b>Total provisions as at 31 March 2019</b>	<b>182</b>	<b>-</b>	<b>232,000</b>	<b>232,182</b>

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 0.29 per cent (2017/18: 0.10 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 0.76 per cent (2017/18: 0.54 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 1.14 per cent (2017/18: 1.13 per cent).

No provision provided for surplus property (2017/18: nil) this financial year, as we have now surrendered the excess space at Ofcom's main office.

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.

At 31st March 2019 Ofcom was involved with ongoing litigation regarding the restitution of annual licence fees following the Court of Appeal judgment in November 2017 to quash regulations that Ofcom made in September 2015 to revise fees for use of 900/1800 MHz spectrum bands. The Mobile Network Operators brought claims against Ofcom seeking restitution of the increase in fees paid between September 2015 and November 2017. The restitution case was heard in the High Court in May 2019 which found in favour of the Mobile Network Operators and ordered repayment of the increase in fees that had been collected under the quashed 2015 Regulations. The High Court granted Ofcom permission to appeal. As a result, the cost of the annual licence fee repayments, related interest and legal costs has been included as a provision in these financial statements. DCMS and HMT have agreed that additional funding for the repayment of the annual licence fees and related interest costs resulting from the High Court judgment of May 2019 in the restitution case will be provided as required. Ofcom lodged an appeal with the court on 7 June 2019.



Analysis of expected timing of cashflows	Early retirement £'000	Surplus property £'000	Legal £'000	Total £'000
<b>Current</b>				
Not later than one year	31	-	232,000	232,031
<b>Total current</b>	<b>31</b>	<b>-</b>	<b>232,000</b>	<b>232,031</b>
<b>Non-current</b>				
Later than one year and not later than five years	46	-	-	46
Later than five years	105	-	-	105
<b>Total non-current</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>151</b>
<b>Total provisions as at 31 March 2019</b>	<b>182</b>	<b>-</b>	<b>232,000</b>	<b>232,182</b>

The provision for early retirement of £182k (2017/18: £213k) is for Annual Compensation Payments (ACP). The ACP is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

## 16\_Commitments under operating leases

	As at 31 March 2019				As at 31 March 2018			
	Buildings £'000	Vehicles £'000	Other £'000	Total £'000	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
<b>The future aggregate minimum lease payments under operating leases are as follows:</b>								
Not later than one year	5,632	131	173	<b>5,936</b>	6,175	50	71	<b>6,296</b>
Later than one year and not later than five years	22,612	62	11	<b>22,685</b>	22,618	-	-	<b>22,618</b>
Later than five years	39,699	-	-	<b>39,699</b>	45,522	-	-	<b>45,522</b>
<b>Total commitments under operating leases</b>	<b>67,943</b>	<b>193</b>	<b>184</b>	<b>68,320</b>	<b>74,315</b>	<b>50</b>	<b>71</b>	<b>74,436</b>

## 17 Amounts receivable under operating leases

	As at 31 March 2019 Buildings £'000	As at 31 March 2018 Buildings £'000
<b>The future minimum lease payments receivable under non-cancellable operating leases are as follows:</b>		
Not later than one year	9	67
Later than one year and not later than five years	-	8
Later than five years	-	-
<b>Total amounts receivable under operating leases</b>	<b>9</b>	<b>75</b>

Ofcom has entered into sub-lease contracts with regards to surplus office space within several of its office buildings. Remaining operating leases have break options or leases ending in 2019/20.

### 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 £13,355k (2017/18: £13,500k) to Ofcom. These sums have not been reflected in these accounts but have been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

### 19 Retirement benefit obligations

Ofcom has a range of pension schemes which include 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 its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £5,732k were made in the year ended 31 March 2019 (2017/18: £5,426k). 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 2019 was £3k in relation to Plan expenses (2017/18: £6k). Employer contributions of £360k were transferred from the Feeder Trust account to the Plan in the year ending 31 March 2019 (2017/18: £360k); and
- The Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. The employer contribution made to the Ofcom (Former ITC) Pension Plan for the year ending 31 March 2019 was £10k in relation to Plan expenses (2017/18: £10k). Employer contributions of £185k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2019 (2017/18: £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 valuation with an effective date of 31 March 2018 was completed for the Ofcom Defined Benefit Pension Plan and, unlike under IFRS, showed a funding surplus of £400k. The Ofcom (former ITC) Staff Pension Plan valuation with an effective date of 31 March 2015 shows no funding surplus or deficit as liabilities have been fully hedged with annuities. The valuation as at 31st March 2018 is nearing completion and will continue to show the same net funding position.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom would be expecting to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. These contributions are payable from the Feeder Trust. Ofcom has also agreed to pay other levies directly. This compares to £558k over the year to 31 March 2019 (including the contribution paid from the Feeder Trust).

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose. 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 its 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.

Ofcom contributed in year ended 31 March 2019 £540k into the Feeder Trust (2017/18: nil). The balance of the Feeder Trust as at 31 March 2019 was £8,345k (2017/18: £8,313k).

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. Over the year from 31 March 2018, Ofcom are no longer responsible for providing benefits for the Postcomm members.

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 have made an allowance for the potential impact of this.

This has been allowed for as a past service cost in the Statement of Comprehensive Net Expenditure. An allowance of £284k has been made in respect of the Ofcom (Former ITC Plan) and an allowance of £14k has been made in respect of the Ofcom Defined Benefit Plan.

An additional past service cost of £377k has been allowed for in the Defined Benefit Plan. This is a result of a Deed of Amendment which was executed in respect of the Ofcom Defined Benefit 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.

### Summary of Ofcom's defined benefit pension obligations

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits
	31 March 2019 £'000	31 March 2019 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2018 £'000	31 March 2018 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(77,115)	-	(77,115)	(90,596)	-	(90,596)
– Benefit obligation in respect of pensioner members	(190,080)	(1,211)	(191,291)	(174,962)	(1,142)	(176,104)
<b>Total benefit obligations</b>	<b>(267,195)</b>	<b>(1,211)</b>	<b>(268,406)</b>	<b>(265,558)</b>	<b>(1,142)</b>	<b>(266,700)</b>
Fair value of plan assets	284,886	-	284,886	283,727	-	283,727
<b>Funded status</b>	<b>17,691</b>	<b>(1,211)</b>	<b>16,480</b>	<b>18,169</b>	<b>(1,142)</b>	<b>17,027</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 attributed to the DB Plan and Feeder Account which has economic value as it can be recovered by Ofcom.

## Changes over the year to 31 March 2019

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2018	(265,558)	283,727	18,169	(1,142)	17,027
Administration expenses	-	(668)	(668)	-	(668)
Service cost	(675)	-	(675)	-	(675)
Interest income/(cost)	(6,628)	7,095	467	(28)	439
Employer contributions	-	553	553	-	553
Benefits paid from scheme assets	11,341	(11,341)	-	-	-
Benefits paid directly by Ofcom	-	-	-	-	-
<b>Benefits paid total</b>	<b>11,341</b>	<b>(11,341)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Re-measurements</b>					
Actuarial gains/(losses)	(5,675)	5,520	(155)	(41)	(196)
Closing value as at 31 March 2019	(267,195)	284,886	17,691	(1,211)	16,480

## Changes over the year to 31 March 2018

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2017	(274,877)	291,907	17,030	(1,214)	15,816
Administration expenses	-	(597)	(597)	-	(597)
Interest income/(cost)	(6,730)	7,149	419	(29)	390
Employer contributions	-	16	16	-	16
Benefits paid from scheme assets	11,430	(11,430)	-	-	-
Benefits paid directly by Ofcom	-	-	-	84	84
<b>Benefits paid total</b>	<b>11,430</b>	<b>(11,430)</b>	<b>-</b>	<b>84</b>	<b>84</b>
<b>Re-measurements</b>					
Actuarial gains/(losses)	4,619	(3,318)	1,301	17	1,318
Closing value as at 31 March 2018	(265,558)	283,727	18,169	(1,142)	17,027

31 March 2019	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:</b>			
<b>Service cost</b>	<b>(675)</b>	-	<b>(675)</b>
Interest income/(cost)	467	(28)	439
<b>Defined benefit credit/(cost) recognised in comprehensive expenditure</b>	<b>(208)</b>	<b>(28)</b>	<b>(236)</b>
Administration expenses	(668)	-	(668)
<b>Net income/(cost) recognised in comprehensive expenditure</b>	<b>(876)</b>	<b>(28)</b>	<b>(904)</b>

31 March 2019	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:</b>			
Gains/(losses) on benefit obligations due to changes in financial assumptions	(12,660)	(41)	(12,701)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	13,128	-	13,128
Gains/(losses) on benefit obligations as a result of member experience	(6,143)	-	(6,143)
<b>Total gains/(losses) arising on benefit obligations</b>	<b>(5,675)</b>	<b>(41)</b>	<b>(5,716)</b>
Gains/(losses) on plan assets	5,520	-	5,520
<b>Net gains/(losses)</b>	<b>(155)</b>	<b>(41)</b>	<b>(196)</b>

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that causes a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

31 March 2018	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows:</b>			
<b>Service cost</b>	-	-	-
Interest income/(cost)	419	(29)	390
<b>Defined benefit credit/(cost) recognised in comprehensive expenditure</b>	<b>419</b>	<b>(29)</b>	<b>390</b>
Administration expenses	(597)	-	(597)
<b>Net income/(cost) recognised in comprehensive expenditure</b>	<b>(178)</b>	<b>(29)</b>	<b>(207)</b>

31 March 2018	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:</b>			
Gains/(losses) on benefit obligations due to changes in financial assumptions	5,832	17	5,849
Gains/(losses) on benefit obligations due to changes in demographic assumptions	-	-	-
Gains/(losses) on benefit obligations as a result of member experience	(1,213)	-	(1,213)
<b>Total gains/(losses) arising on benefit obligations</b>	<b>4,619</b>	<b>17</b>	<b>4,636</b>
Gains/(losses) on plan assets	(3,318)	-	(3,318)
<b>Net gains/(losses)</b>	<b>1,301</b>	<b>17</b>	<b>1,318</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.

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 March 2019 (%) Total	31 March 2018 (%) Total
Global equities (not currency hedged)	2	4
Global equities (currency hedged)	2	4
Corporate bonds	3	3
Index-linked government bonds	4	4
Diversified growth fund	4	-
Liability driven investment portfolio	7	6
Annuities	75	76
Cash and cash equivalents	3	3
<b>Total</b>	<b>100</b>	<b>100</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 2019 (%) Total	31 March 2018 (%) Total
Discount rate	2.35	2.55
Retail Price Inflation	3.25	3.10
- Future pension increases (RPI)	3.25	3.10
- Future pension increases (CPI max 3%)	2.00	1.90

The Ofcom pension plan is composed of two separate plans and the Principal demographic assumptions at the date of the Statement of Financial Position are as follows:

	DB Plan	DB Plan	ITC Plan	ITC Plan
	Currently aged 40	Currently aged 60	Currently aged 40	Currently aged 60
Expected lifetime of a member aged 60 who is				
- Male	29	27	29	28
- Female	31	30	31	30



## Sensitivity to changes in principal assumptions used:

Change in assumption	Impact on					
	DB Plan			ITC Plan		
	Defined benefit obligations	Assets	Funded status surplus	Defined benefit obligations	Assets	Funded status surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Discount rate</b>						
Increases by 0.50%	decrease by £6,467	decrease by £6,107	increase by £360	decrease by £12,222	decrease by £12,221	increase by £1
Falls by 0.50%	increase by £7,440	increase by £7,125	decrease by £315	increase by £13,648	increase by £13,648	No change
<b>Retail Price Inflation</b>						
Increases by 0.50%	increase by £7,127	increase by £6,550	decrease by £577	increase by £11,473	increase by £11,473	No change
Falls by 0.50%	decrease by £6,222	decrease by £5,652	increase by £570	decrease by £10,314	decrease by £10,313	increase by £1
<b>Expected lifetime of a member aged 60</b>						
Increases by 1 year	increase by £2,713	increase by £740	decrease by £1,973	increase by £10,205	increase by £10,205	No change
Decreases by 1 year	decrease by £2,673	decrease by £728	increase by £1,945	decrease by £9,932	decrease by £9,932	No change

## Liability profile of defined benefit plans

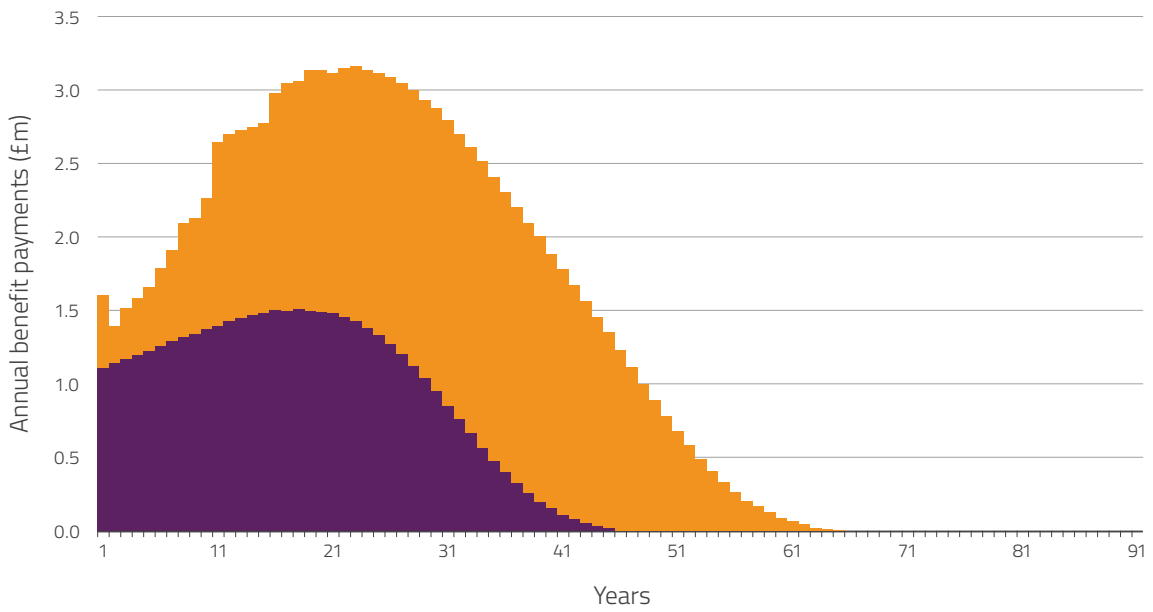
The charts below illustrates the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2015) over the next 80 years.

The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain.

The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

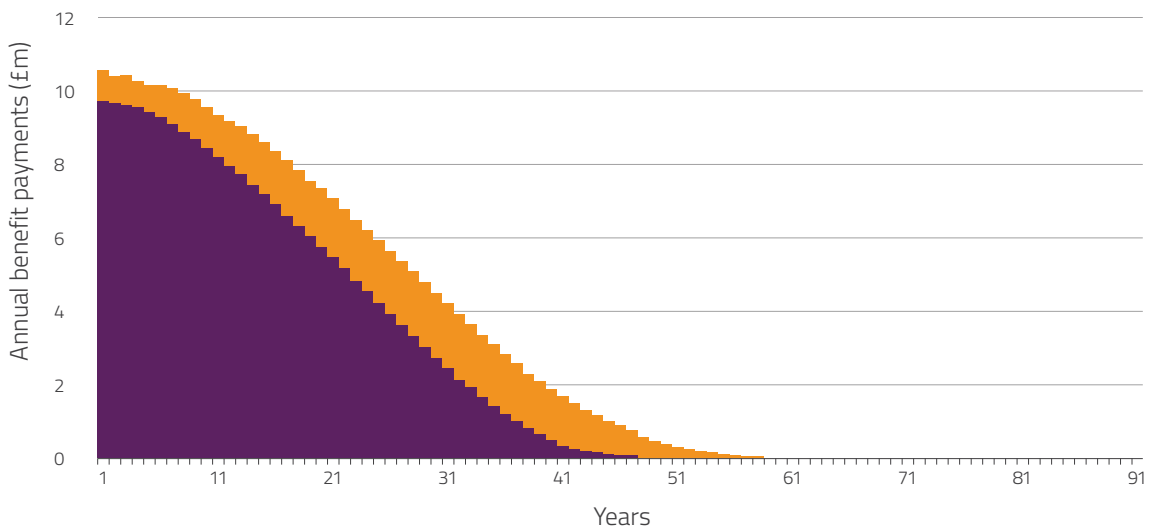
**Ofcom Defined Benefit Pension Plan**

The duration (average term to payment) of the Plan's liabilities is 20 years



**Ofcom (Former ITC) Pension Plan**

The duration (average term to payment) of the Plan's liabilities is 13 years



- Deferred
- Pensioner and Dependants

## 20 Financial instruments

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32, Financial Instruments: Presentation requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from this assessment.

## 21 Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24, Related Party Disclosures.

Members of the Board have not declared any interests prejudicial to their functions as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

The Secretaries of State for the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Digital, Culture, Media and Sport (DCMS) are regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002.

Details of all grant-in-aid revenue from DCMS are provided in Notes 2, 3, 10 and 13 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 19 for further disclosure.

At 31 March 2019, the following receivable was held in respect of grant-in-aid due by DCMS:

- Spectrum clearance and awards – £310k (2017/18: £3,302k payables)

No other related party transactions were entered into during the financial year.

## 22 Capital commitments

At 31 March 2019, there were capital commitments of £1,453k (2017/18: £4,718k) relates to the landlord's funded capital commitment for the refurbishment work relating to their owned property.

## 23 Receipts transferred to/from the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £8,493k (2017/18: £57,032k) 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 £54,305k (2017/18: £19,081k) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

WT Act license fees of £239,942k (2017/18: £252,253k) and WT Act Auction proceeds and related bank interest of £1,370,354k (2017/18: nil) was remitted to DCMS for transfer to the Consolidated Fund.



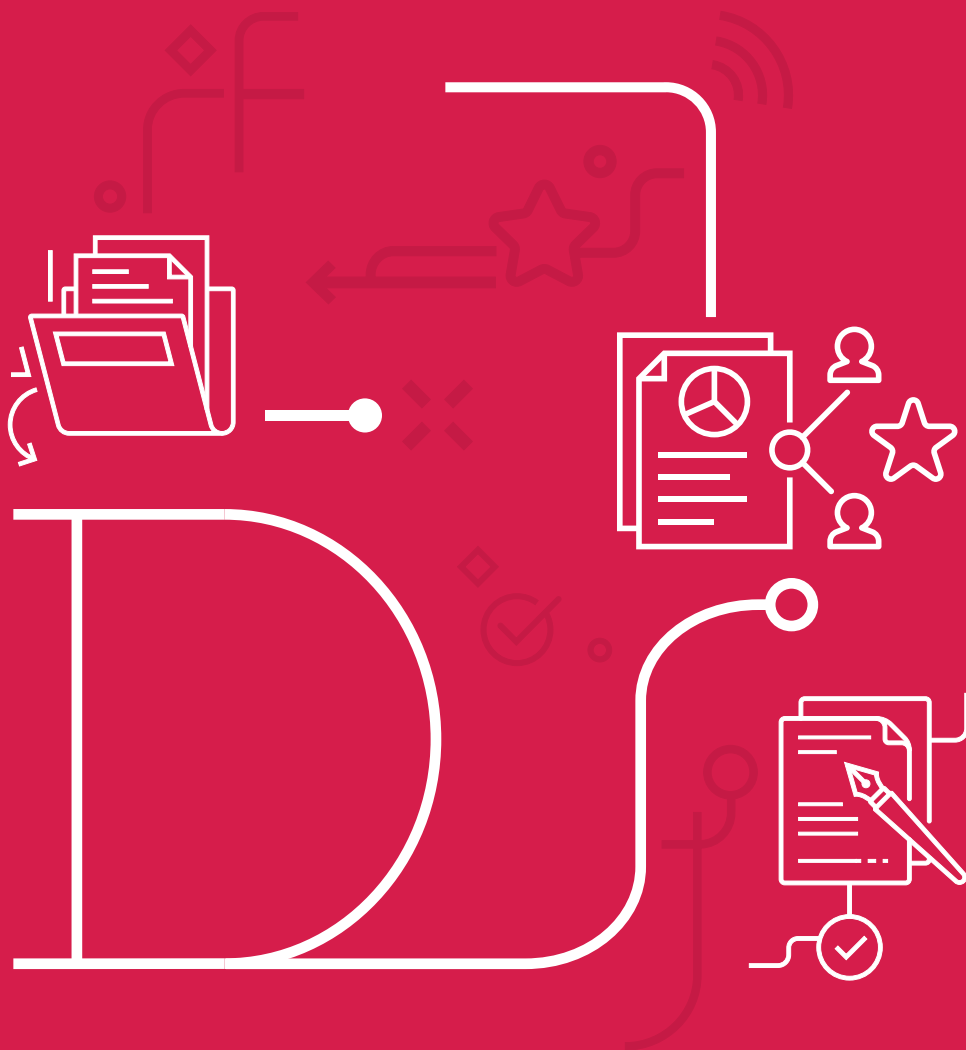
## 24 Events after the reporting period

On 17 May 2019, the High Court found in favour of the Mobile Network Operators in the case related to the restitution of certain annual licence fee payments. The High Court granted Ofcom permission to appeal. As a result, the cost of the repayments, related interest and legal costs has been included as a provision in these financial statements. DCMS and HMT have agreed that additional funding for the repayment of the annual licence fees and related interest costs resulting from the High Court judgment of May 2019 in the restitution case will be provided as required. Ofcom lodged an appeal with the court on 7 June 2019.

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 2019/20 year has already been approved. DCMS and HMT have agreed that additional funding for the repayment of the annual licence fees resulting from the High Court judgment of May 2019 as set out in note 24 will be provided as required. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.



# Annexes

- 141 Ofcom Boards, Panels and Committees
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- 149 Broadcasting complaints, cases and sanctions
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- 154 Spectrum engineering and enforcement
- 155 Spectrum licensing
- 160 Sustainability
- 164 700 MHz clearance

# Ofcom Boards, Panels and Committees

## The Content Board

Further details regarding the Content Board are on page 78.

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### Members

Tim Suter (Chairman)

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Jonathan Baker

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Kevin Bakhurst<sup>3</sup>

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Tony Close<sup>3</sup>

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Maggie Cunningham<sup>1</sup>

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Bob Downes (interim Member)

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Dr Aled Eirug

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Robin Foster

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Angelina Fusco<sup>1</sup>

---

Sophie Morgan<sup>1</sup>

---

Stephen Nuttall<sup>1</sup>

---

Monisha Shah

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Janey Walker

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### Prior members

Nick Pollard (previously Chairman)<sup>2</sup>

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Zahera Harb<sup>2</sup>

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Professor Philip Schlesinger<sup>2</sup>

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<sup>1</sup> Angelina Fusco joined the Content Board on 1 June 2018; Maggie Cunningham joined 1 October 2018; Sophie Morgan joined on 1 November 2018; and Stephen Nuttall joined on 1 December 2018.

<sup>2</sup> Nick Pollard left the Content Board on 13 May 2018; Professor Philip Schlesinger left on 29 May 2018; and Zahera Harb left on 30 November 2018.

<sup>3</sup> Kevin Bakhurst and Tony Close are executive members of the Content Board

## The Community Radio Fund Panel

Section 359 of the Communications Act makes it possible for a fund for community radio operators to be set up, and for Ofcom to administer it and “make such grants as they consider appropriate” to community radio licensees.

The Panel meets as required to examine applications and make awards from the Fund.

It is independent of the Broadcast Licensing Committee, which awards community radio licences.

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### Members

Wendy Pilmer (Chairman)

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Richard Hilton

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Fiona Lennox

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## The Election Committee

Section 333 of the Communications Act requires Ofcom to ensure that party political broadcasts (including party election broadcasts) and referendum campaign broadcasts are included in every licensed public service television channel (regional Channel 3, Channel 4, Channel 5), every local digital television programme service, and every national (i.e. UK-wide, commercial) analogue radio service, and their digital simulcast services (Classic FM, Talksport and Absolute Radio AM).

Unresolved disputes between any licensee and any political party, as to the length, frequency, allocation or scheduling of broadcasts, are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to a committee known as the Election Committee. The Committee meets as and when required and consists of members drawn from the Ofcom Board, Content Board and Ofcom Executive.

## Nations Advisory Committee members

	England	Northern Ireland	Scotland	Wales
Chair	Vacant	Carrie Matchett	Liz Leonard	Hywel Wiliam
Current members	Emma Davison	John Ellison	Laura Anderson	Robert Andrews
	Alan Nunn	Phil Flanagan	Carmel Teusner	Andrew Board
	Caroline Roberts-Cherry	Kathy Graham	David Connolly	Dr Ruth McElroy
	Mark Smith	Alan Meban		Peter Trott
		Paul Wilson		
Prior members	Graham Creelman OBE	Maureen Edmondson OBE (previous Chair)	Ian McKay	Glyn Mathias (previous Chair)
	John Varney (previous Chair)	Fiona MacMillan	John Trower	Karen Lewis
		Brendan Mulgrew		

### The Nations Committee

The Nations Committee was a direct Committee of the Ofcom Board. Its role included: understanding the political dynamics in each nation of the UK and advising on Ofcom's engagement in each nation; agreeing appropriate processes for Ofcom's engagement with each National Advisory Committee; monitoring stakeholder events in each nation and monitoring the involvement and engagement of the Ofcom Board and Content Board in each nation.

Further devolution to Scotland, Wales and Northern Ireland over recent years has resulted in changes to Ofcom's governance. The administrations in each Nation are now each responsible for appointing a new Ofcom Board member in consultation with the Secretary of State for Digital, Culture, Media and Sport. Nation-specific Board members attend, or will attend, their respective National Advisory Committee meetings. In light of this, in November 2018, the Ofcom Board agreed to disband the Nations Committee and an annual meeting between the Ofcom Chairman, Chief Executive and the Chairs of the National Advisory Committees will take place.

### The Advisory Committees for the Nations

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

In addition to the appointed members of the National Advisory Committees, the Content Board member and the Communications Consumer Panel member for the respective nations are invited to attend the Advisory Committee meetings as observers.



## The Communications Consumer Panel

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

Independent of Ofcom, the Panel is made up of independent experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information on the Panel can be found at: [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk)

## The Advisory Committee on Older and Disabled People

ACOD advises Ofcom about both general and specific issues concerning the communications and postal sectors relating to older and disabled people.

To take advantage of the synergy between the Communications Consumer Panel (CCP) and ACOD, and to avoid potential duplication, cross-membership of the two bodies was established in 2012. The remits

## 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)

<sup>1</sup> Karen Lewis joined the Panel on 1 May 2018; Kay Allen and Richard Spencer both joined on 1 December 2018; and Dr David Holden joined on 1 March 2019.

<sup>2</sup> Jaya Chakrabarti left the Panel on 30 November 2018; Jo Connell left on 31 March 2019.

<sup>3</sup> John Fuller left the OSAB during the year. David Meyer stepped down as Chair on 31 May 2018 but remained as a member of the OSAB.

<sup>4</sup> Mike Walker, a long-serving member of the OSAB, sadly passed away on 28 September 2018.

of the bodies remain unchanged. This means that CCP members, in their ACOD capacity, also provide advice to Ofcom on issues relating to older and disabled people including television, radio and other content on services regulated by Ofcom as well as about issues concerning the postal sector.

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### Members (CCP/ACOD)

Rick Hill MBE (Member for Northern Ireland, Chair from 1 April 2019)

Kay Allen OBE<sup>1</sup>

Amanda Britain (Member for Scotland)

Dr David Holden<sup>1</sup>

Chris Holland (Member for England)

Karen Lewis (Member for Wales)<sup>1</sup>

Richard Spencer<sup>1</sup>

Craig Tillotson

Richard Williams

### Prior members

Jaya Chakrabarti MBE<sup>1</sup>

Jo Connell OBE, DL (Chair until 31 March 2019)

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### Members

Professor Linda Doyle (Chair)

Greg Bensberg

Wassim Chourbaji

Professor Mischa Dohler

John Fuller (DCSM) (ex officio)<sup>3</sup>

David Harrison (ex officio)

David Meyer (previous Chairman)<sup>3</sup>

Niall Murphy

Peter Pitsch

Mike Walker<sup>4</sup>

Gavin Young

# Regulatory statements

List of statements published in 2018/19, including regulatory impact on stakeholders.

## Broadcasting

<b>A</b>	Final Decision; Ofcom review of proposed BBC Scotland television channel
<b>B</b>	Response to Channel 4 Corporation's Statement of Media Content Policy
<b>B</b>	Television channels required to provide television access services in 2019
<b>B</b>	The BBC's commercial and trading activities – requirements and guidance
<b>B</b>	The BBC's commercial and trading activities – requirements and guidance
<b>B</b>	Fever FM - Request to change Key Commitments
<b>A</b>	EPG Accessibility
<b>B</b>	Making on-demand services accessible
<b>B</b>	The new BBC Scotland Channel - Decision on the variation to Ofcom's Operating Licence for the BBC's public services
<b>B</b>	Absolute Radio – proposals to reduce AM coverage
<b>B</b>	Bauer Radio West Midlands & Shropshire stations - Requests to change Format
<b>C</b>	Global Radio stations in the east of England
<b>C</b>	Localness on commercial radio - approved areas in Scotland & Wales
<b>D</b>	Local TV licensing - Decision not to advertise or re-advertise certain local TV licences
<b>B</b>	Listed Events - FIFA World Cup 2018
<b>B</b>	Request to change Format - Original 106
<b>B</b>	Love Sport request to change format
<b>B</b>	Listed Events – Commonwealth Games 2018
<b>A</b>	'Specially restricted material' and Age Verification Guidance for Providers of On-Demand Programme Services

**A** Increased/new regulation

**B** Mixed/no-change/ongoing

**C** Streamlined/co-regulatory

**D** Reduced regulation

## Post

- B** Recovering postal regulation and consumer advocacy costs
- B** Review of Second Class stamp safeguard caps

## Spectrum

- D** Satellite filings cost recovery
- B** Variation of UK Broadband's spectrum access licence for 3.6 GHz spectrum
- B** Review of spectrum used by fixed wireless services
- C** Decision to implement technical and regulatory changes to the 57 – 71 GHz band
- A** Annual Licence Fees for UK Broadband's 3.4 GHz and 3.6 GHz spectrum
- B** PMSE clearing the 700 MHz band

## Telecoms

- B** Monitoring compliance with the EU Net Neutrality regulation
- D** Statement on changes to the General Conditions of Entitlement
- A** Review of the Premium Rate Services Condition
- C** Wholesale broadband access market review
- B** Progress report on the legal separation of Openreach from BT
- B** Regulatory Financial Reporting - new regulatory financial reporting directions for KCOM
- B** Dark fibre
- C** BT regulatory financial reporting
- B** Amendments to the Universal Service Provider Access Condition in relation to the margin squeeze control
- A** Directory Enquiries (118) Review
- A** Final Personal numbering – Review of the 070 number range
- D** Review of the General Conditions of Entitlement

- A** Increased/new regulation
- B** Mixed/no-change/ongoing

- C** Streamlined/co-regulatory
- D** Reduced regulation

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**Ofcom consultations published in 2018/19 which included an impact assessment and where no final statement had been published by 31 March 2019**

Guidelines for Calling Line Identification Facilities

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Proposed changes to the linear EPG Code and future of the prominence regime

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Consultation on end-of-contract and out-of-contract notifications

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Physical infrastructure market review

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Business connectivity market review

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Delivering the Broadband Universal Service

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Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

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Enabling opportunities for innovation

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Review of Regional TV Production and Programming Guidance

---

Review of regulatory financial reporting for Royal Mail - Phase II

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Notice of Ofcom's proposal to make regulations in connection with the award of the 700 MHz and 3.6-3.8 GHz spectrum

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Revisions to Digital Radio Technical Codes

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Proposed Changes to the General Conditions and Numbering Plan

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Proposal to apply Code Powers to NATS (En Route) PLC

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Notice of proposal to make the Wireless Telegraphy (Automotive Short Range Radar) (Exemption) Regulations 2019

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**Ofcom statements published in 2018/19 where the earlier consultation included an impact assessment**

Review of the Premium Rate Services Condition

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Wholesale broadband access market review

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EPG Accessibility

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Making on-demand services accessible

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Regulatory Financial Reporting - new regulatory financial reporting directions for KCOM

---

Dark fibre

---

BT regulatory financial reporting

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Final Decision; Ofcom review of proposed BBC Scotland television channel

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Satellite filings cost recovery

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Directory Enquiries (118) Review

---

Absolute Radio – proposals to reduce AM coverage

---

Global Radio stations in the east of England

---

Variation of UK Broadband's spectrum access licence for 3.6 GHz spectrum

---

Statement on changes to the General Conditions of Entitlement

---

Final Personal numbering – Review of the 070 number range

---

Review of spectrum used by fixed wireless services

---

Recovering postal regulation and consumer advocacy costs

---

Review of Second Class stamp safeguard caps

---

'Specially restricted material' and Age Verification Guidance for Providers of On-Demand Programme Services

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PMSE clearing the 700 MHz band

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## Investigations programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes.

The following table shows Ofcom's activities in conducting initial assessments and investigations during 2018/19. This reflects the picture as at 31 March 2019.

More details of individual cases being investigated under the investigations programme are set out in Ofcom's Competition and Enforcement Bulletin available at:

<https://www.ofcom.org.uk/about-ofcom/latest/bulletins/competition-bulletins>

The data in the table below covers both the Competition Group Investigations Team and the Consumer Enforcement Team.

Activity	Type	Number			Ongoing activity (as at 31/3/2019)
		<b>Total handled</b>	<b>Total accepted for investigation</b>	<b>Total not accepted for investigation</b>	
<b>Initial Assessment</b>	Disputes	0	0	0	0
	Competition law	7	4	1	4
	Complaints	2	2	0	2
	Own-initiative	10	5	3	2
		<b>Total handled</b>	<b>Total opened</b>	<b>Total ongoing from previous reporting period</b>	<b>Total closed</b>
Disputes	0	0	0	0	
Competition Law	2	1	1	1	
Other investigations	17	10	7	13	4
Other enforcement programmes	6	1	5	2	4

# Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by us, and also S4C.

We also have a duty under the BBC Charter and Agreement to set procedures to handle and resolve complaints referred to us about the BBC's television, radio and on demand programmes.

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code or other Ofcom codes. As well as launching investigations following the assessment of complaints, we can also do so on our own initiative. We handle complaint-led and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 6,386 cases (which comprised 55,981 complaints) were closed in the period under review.

## Content standards

Complaints about content standards are handled under Ofcom's Procedures for investigating breaches of content standards for television and radio. Complaints about BBC content standards are handled under Ofcom's Procedures for investigating breaches of content standards on BBC broadcasting services and BBC on demand programme services.

## Initial assessment of complaints

Based on an initial assessment of the complaint and a consideration of the related television or radio content, Ofcom will consider whether there may have been a breach of the Broadcasting Code (or other Ofcom codes). If not, Ofcom will decide not to investigate further and publishes this decision in its Broadcast and On Demand Bulletin.

A total of 6,206 cases (55,801 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 132 cases (33,564 complaints) raised substantive issues that warranted further investigation; and
- 6,074 cases (22,237 complaints) did not require further investigation or fell outside Ofcom's remit.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2018 and 31 March 2019, Ofcom assessed complaints on average within 9.6 working days.

## Investigations

If a case raises potentially substantive issues, we will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

A total of 136 investigation cases were completed in the period between 1 April 2018 and 31 March 2019. Ofcom found that:

- 87 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes) being recorded;
- 19 investigated cases were resolved; and
- 30 investigated cases were not in breach of the codes or were discontinued.

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2018 and 31 March 2019, Ofcom completed investigations on average within 57.9 working days.

A significant number of the investigations closed this year have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our investigations.

## Fairness and Privacy

Fairness and Privacy complaints are complaints about unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

Complaints about fairness and privacy are handled under Ofcom's [Procedures for the consideration and adjudication of Fairness & Privacy complaints](#). 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](#).

## Assessment and Entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether to entertain the complaint. This assessment is based on whether: the complainant is the "person affected" and able to make the complaint; the matter complained of is the subject of proceedings in a court of law in the UK; or the complaint is frivolous.

A total of 180 Fairness and Privacy complaints were assessed in the period between 1 April 2018 and 31 March 2019. Of these:

- 44 complaints were entertained; and
- 136 complaints were not entertained or discontinued before entertainment.

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2018 and 31 March 2019, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 17.3 working days.



## Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, then it will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred. Ofcom will then make its final adjudication.

A total of 44 complaints were adjudicated upon in the period under review. Of these:

- 20 complaints were upheld;
- 21 complaints were not upheld; and
- 3 complaints were resolved (following appropriate action taken by the broadcaster).

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 2018 and 31 March 2019, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 99.2 working days.

The past year has seen an unprecedented high number of Fairness and Privacy cases being assessed and investigated by our team. A significant number of these have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our adjudications.

## Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other Ofcom code, and it considers the breach to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

Ofcom has a range of sanctions available, including to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty<sup>1</sup>; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

During the period between 1 April 2018 and 31 March 2019, Ofcom imposed the following statutory sanctions:

- Ausaf UK Limited in respect of its service Ausaf TV – Licence revoked.
- JML Media Limited in respect of its service JML Direct – a financial penalty of £7,500.
- Radio Ikhlas Limited in respect of its service Radio Ikhlas – a financial penalty of £10,000 and a direction to broadcast a statement of Ofcom's findings.

<sup>1</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.

## BBC content standards complaints

Complaints about BBC programmes are considered under a 'BBC First' complaints framework. This means that if a viewer or listener has a complaint about something they have seen or heard in a BBC television, radio or on-demand programme, they must normally complain to the BBC in the first instance. The complainant can refer their complaint to Ofcom if they are dissatisfied with the BBC's response or if the BBC fails to respond in a timely manner. A complaint can also be referred if the complainant considers that the imposition by Ofcom of a sanction against the BBC may be appropriate.

Of the 55,801 standards complaints received in the period between 1 April 2018, and 31 March 2019, 236 complaints were about BBC programmes. Of these 236 complaints, one was referred for investigation.

We also received an additional 1,272 complaints about BBC programmes where, on initial assessment, we found the complainant had not completed the BBC's complaints process before submitting their complaint to Ofcom. In these instances we redirected the complainant to the BBC. These complaints are published separately under 'BBC First' in our Broadcast and On Demand Bulletin.

## 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](#).

Between 1 April 2018 and 31 March 2019 we closed a total of 37 complaints about the BBC's online material. We did not need to issue an opinion in relation to any of the complaints closed in this reporting period. A further 152 complaints were redirected to the BBC under the 'BBC First' approach.

Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 1 April 2018 and 31 March 2019, Ofcom assessed complaints on average within 19.0 working days.

Between 1 April 2018 and 31 March 2019 Ofcom gave its Opinion on whether the BBC observed its own Editorial Guidelines on the content of one online article. Given that this was our first case in which we applied our Procedures for handling complaints relating to BBC online material, more time was needed than usual to consider the complex issues raised, and the case was also considered alongside a case by the same complainant about a related BBC radio programme under our Fairness and Privacy complaints procedures. This case was closed in 163 working days.

## Section 400

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 its functions under the WTA to fund its general spectrum management functions, as well to meet the costs of undertaking its other functions for which it cannot levy fees and charges.

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 2018/19 Ofcom received £1,689m (2017/18: £327m). From these receipts, £54m (2017/18: £19m) was retained to fund part of Ofcom's expenditure including spectrum management duties.

Ofcom paid £1,610m (2017/18: £252m) relating to WTA Auction payment, WTA licence fees, spectrum fees from Government departments and the interest earned on cash balances to DCMS, payable to the Consolidated funds.

Additionally, Ofcom directly passed £8m (2017/18: £57.0m) to the Consolidated Funds relating to receipts arising from Additional payments, financial penalties and geographic telephone number charges.

The remaining balance of £16m will be passed to the exchequer in 2019/20.

# Spectrum engineering and enforcement

## Key performance indicator

### Main activities

Work programme activity / incident	April 18 - March 19	April 17 - March 18
Complaints of interference received <sup>1</sup>	1,937	1,983
Checking radio system licence compliance <sup>2</sup>	2,392	2,273
Fixed penalty notices Issued <sup>3</sup>	17	22
Prosecutions for criminal spectrum activity <sup>4</sup>	2	10

### Quality of service targets for complaints of interference received

Key performance indicator	Case priority	Target	Target achieved	
			April 18 - March 19	April 17 - March 18
<b>Time to first visit:</b>	1	8 hours	100%	-
The time take from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	2	18 hours	100%	100%
	3	2 working days	100%	100%
	4	5 working days	100%	96%
	5	15 working days	100%	100%
	6	No target	-	-
<b>Resolution:</b>	1	2 calendar days	100%	-
The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.	2	3 calendar days	99%	100%
	3	6 working days	99%	98%
	4	20 working days	99%	96%
	5	40 working days	98%	97%
	6	60 working days	99%	97%

<sup>1</sup> Cases of interference reported by the public and businesses

<sup>2</sup> Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

<sup>3</sup> Fixed Penalty Notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action

<sup>4</sup> Prosecutions in relation to "Pirate Radio" or failure to pay FPNs

# Spectrum licensing

## Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Business Radio Light – Simple UK (no base station)	2,036	1,931	14,790	13,799
Business Radio Simple Site	1,201	1,235	9,225	9,087
Business Radio Suppliers Light	231	337	1,286	1,162
Fixed Wireless Access (5.8 GHz)	65	65	403	414
GNSS Repeater	79	21	339	260
Police and Fire	2	58	124	124
<b>Subtotal for Business Radio products</b>	<b>3,614</b>	<b>3,647</b>	<b>26,167</b>	<b>24,846</b>
Radar Level Gauge	0	0	124	124
Amateur & Maritime	27,426	26,515	258,821	249,723
<b>Total for Category A</b>	<b>31,040</b>	<b>30,162</b>	<b>285,112</b>	<b>274,693</b>
KPI for Category A (100% in 7 days)	100%	100%	-	-
KPI for Category A (Amateur & Maritime) (100% in 10 days)	100%	100%	-	-

## Category B

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Automatic Identification System	97	20	373	291
Coastal Station Radio (International)	6	17	401	407
Coastal Station Radio (UK)	17	17	350	358
Coastal Station Radio (Marina)	16	23	408	409
Coastal Station Radio (Training School)	47	59	453	414
Maritime Radio (Suppliers & Demonstration)	1	21	83	84
Maritime Nav aids and Radar	14	4	120	122
Differential Global Positioning System	2	0	6	5
<b>Subtotal for Deregulation &amp; Contracting-Out products</b>	<b>200</b>	<b>161</b>	<b>2,194</b>	<b>2,090</b>
Business Radio Technically Assigned	<b>2,631</b>	<b>2,656</b>	<b>25,074</b>	<b>25,905</b>
Business Radio Area Assigned	28	34	301	293
Coastal Station radio (UK) Area Defined	3	4	8	8
Coastal Station radio (International) Area Defined	0	2	8	7
Ground Probing Radar	24	24	224	224
Scanning Telemetry	1	0	30	33
Self co-ordinated links	26	33	160	143
<b>Subtotal for Business Radio products</b>	<b>2,713</b>	<b>2,753</b>	<b>25,805</b>	<b>26,613</b>
<b>Total for Category B</b>	<b>2,913</b>	<b>2,914</b>	<b>27,999</b>	<b>28,703</b>
KPI for Category B	87%	79%	-	-
	97%	99%	-	-

## Category C

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Fixed Links	1,618	2,428	23,009	26,902
Satellite (Permanent Earth Station)	22	38	150	155
Satellite (Transportable Earth Station)	78	103	116	109
Satellite (Earth Station Network)	13	9	70	59
Satellite (Non-Fixed Earth Station)	4	7	10	9
<b>Total for Category C</b>	<b>1,735</b>	<b>2,585</b>	<b>23,355</b>	<b>27,225</b>
KPI for Category C	98%	100%	-	-
	99%	100%	-	-

## Aeronautical licences<sup>1</sup>

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Aeronautical Licences	6,436	13,555	15,719	16,290
Total for Aeronautical	6,436	13,555	15,719	16,290
KPI for Aeronautical (100% in 7 days)	82%	83%	-	-

## Programme Making and Special Events (PMSE)

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
PMSE Licences	62,222	58,009	8,144	7,679
<b>Total for PMSE</b>	<b>62,222</b>	<b>58,009</b>	<b>8,144</b>	<b>7,679</b>
KPI for PMSE (100% in 7 days)	100%	100%	-	-

<sup>1</sup> Licences issued by the Civil Aviation Authority on Ofcom's behalf up to 31 October 2018. After that date licences issued by Ofcom.

## Test and development (T&D) licences

	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Innovation and Research Licence	426	339	354	311
Demonstration and Trial Licence	345	362	130	142
<b>Total for T&amp;D</b>	<b>771</b>	<b>701</b>	<b>484</b>	<b>453</b>
KPI for T&D (100% in 60 days)	100%	100%	-	-

## Mobile and wireless broadband licences<sup>1</sup>

Licences issued through spectrum auction or award processes	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Public Wireless Networks: 900, 1800 MHz	1 <sup>2</sup>	0	5	4
Spectrum Access: 2100 MHz	0	0	4	4
Spectrum Access: Channel Tunnel <sup>3</sup>	0	0	2	2
Spectrum Access: 800 MHz, 2.6 GHz	0	0	5	5
Spectrum Access: 412 – 414 MHz	0	0	1	1
Spectrum Access: 1452 – 1492 MHz	0	0	2	2
Concurrent Spectrum Access: 1781-1785 MHz	0	0	12	12
Spectrum Access: 1 785 MHz, Northern Ireland	0	0	1	1
Spectrum Access: 3.5, 3.6, 10, 28, 32, 40 GHz	5 <sup>4</sup>	0	25	20
Spectrum Access Offshore	0	1	7	7
<b>Total for Mobile and Wireless Broadband</b>	<b>6</b>	<b>1</b>	<b>64</b>	<b>58</b>

<sup>1</sup> Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

<sup>2</sup> Traded spectrum jointly held by Vodafone and Telefonica during transitional period for spectrum de-fragmentation.

<sup>3</sup> Separate licence for the out-bound (UK-France direction) tunnel

<sup>4</sup> Award of 2.3 and 3.4 GHz spectrum bands, April 2018.



## Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
3G Cellular Telephones, Channel Islands	0	0	1	1
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands and Isle of Man	0	0	32	32
Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man	0	0	9	9
<b>Total for Channel Islands and Isle of Man</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>42</b>

## Digital dividend spectrum licences

Spectrum freed up for new uses as a result of digital switchover

DDR GI Licences issued through spectrum award processes	Licences issued April 18 - March 19	Licences issued April 17 - March 18	Total on issue as at 31 March 19	Total on issue as at 31 March 18
Spectrum Access 541 – 550 MHz (Cardiff)	0	0	1	1
Spectrum Access 758 – 766 MHz (Manchester)	0	0	1	1
Total for Digital Dividend licences	0	0	2	2
<b>Total number of Licences – All categories</b>	<b>105,076</b>	<b>107,927</b>	<b>360,468</b>	<b>355,145</b>

# Sustainability

This section presents sustainability data and financial costs in more detail.

## Greenhouse gas emissions

			2014/15	2015/16	2016/17	2017/18	2018/19
<b>Non-Financial Indicators (tonnes CO2e)</b>	<b>Scope 1</b>	Gas	135	158	161	187	148
		Oil	14	18	19	22	11
		Fleet Fuel	200	180	185	192	168
	<b>Scope 2</b>	Electricity	1,299	1,214	1,090	809	751
	<b>Scope 3</b>	Business Travel	290	250	312	519	555
		<i>Air</i>	182	144	188	410	449
		<i>Domestic</i>	63	47	76	156	160
		<i>Short haul</i>	71	30	79	164	160
		<i>Long haul</i>	48	67	34	91	129
		<i>Rail/bus/tube</i>	59	59	78	66	67
<i>Car/Motorbike/Cycle</i>		46	44	43	41	36	
	<i>Taxis</i>	3	3	3	2	2	
<b>Related consumption data</b>	<b>Scope 1</b>	Gas (kWh)	730,047	855,056	874,478	1,014,202	802,709
		Gas per FTE (kWh)	932	1,070	1,012	1,136	891
		Oil (litres)	5,697	7,001	7,500	8,500	4,501
		Fleet Fuel (litres)	76,898	69,596	71,024	73,659	64,710
	<b>Scope 2</b>	Electricity (kWh)	2,416,678	2,425,743	2,426,666	2,103,652	1,720,333
		Electricity per FTE (kWh)	3,086	3,036	2,808	2,356	1,910
<b>Financial Indicators</b>	<b>Scope 1</b>	Gas (kWh)	£34,677	£27,786	£22,293	£19,465	£23,494
		Oil	£3,500	£3,504	£2,128	£5,530	£3,347
		Fleet Fuel	£102,026	£78,996	£87,398	£93,911	£90,292
	<b>Scope 2</b>	Electricity	£334,932	£334,677	£293,991	£340,333	£287,074
	<b>Scope 3</b>	Business Travel	£596,116	£569,099	£663,705	£705,602	£724,876
		<i>Air</i>	£257,364	£197,408	£253,733	£333,723	£367,844
		<i>Rail/bus/tube</i>	£227,260	£264,211	£299,929	£266,725	£273,338
		<i>Car/Motorbike/Cycle</i>	£66,876	£67,721	£65,077	£64,329	£57,428
		<i>Taxis</i>	£44,615	£39,759	£44,966	£40,826	£44,266



### Scope

This covers direct consumption of gas and oil, and fuel consumption from Ofcom's fleet cars.

Gas consumption data across all years cover Ofcom's main office in London, Belfast, Birmingham, Haydock (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.

Oil consumption data relate only to Ofcom's office in Baldock.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services.



### Scope

This covers electricity supplies to Ofcom's offices. Electricity data across all years cover Ofcom's main office in London, Baldock, Belfast, Birmingham, Cardiff, Edinburgh, Haydock (closed 2018), Warrington and some remote monitoring direction-finding sites around the UK. Electricity consumption is dependent on weather conditions.



### Scope

Business travel financial data have been obtained from our SAP reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short-haul and long-haul flights as per Defra flight distance guidance.

## 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.

		2014/15	2015/16	2016/17	2017/18	2018/19
<b>Non-Financial Indicators (tonnes)</b>	Total waste	166	173	172	76	198
	<i>Waste sent to landfill</i>	0	0	0	0	0
	<i>ICT waste recycled/re-used</i>	4	7	4	0	0
	<i>Waste recycled/re-used</i>	94	111	91	52	71
	<i>Waste composted</i>	14	13	14	4	4
	<i>Waste incinerated with energy recovery</i>	53	41	63	20	20
	<i>Waste incinerated without energy recovery</i>	0	0	0	0	0
	Total waste per FTE	0.212	0.216	0.199	0.086	0.220
<b>Financial Indicators</b>	Total waste	£45,500	£32,023	£37,984	£7,004	£43,805

## Finite resource consumption

Water data across all years cover Ofcom's main office 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.

		2014/15	2015/16	2016/17	2017/18	2018/19
<b>Non-Financial Indicators (tonnes)</b>	Water consumption (m3)	14,213	10,767	11,282	9,379	13,988
	<i>Water consumption per FTE</i>	18.15	13.48	13.06	10.50	15.53
	<i>Paper reams</i>	5,993	7,545	6,317	3,915	2,579
	<i>A3 reams</i>	103	80	92	50	127
	<i>A4 reams</i>	5,890	7,465	6,225	3,865	2,452
	<i>A5 reams</i>	0	0	0	0	0
<b>Financial Indicators</b>	Water	£24,931	£16,784	£22,248	£6,929	£19,583

1. The above tables have been prepared in accordance with guidelines laid down by the Treasury: <https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2017-to-2018>
2. All information conforms to the normal public sector financial year of 1 April to 31 March.
3. Defra conversion factors have been used to calculate carbon emissions figures.
4. Emissions are not weather-corrected.
5. Where utility bills had not yet been received, cost and consumption data were estimated based on previous years' data.

# 700 MHz clearance

## Why are we clearing the 700 MHz band?

Consumers are using increasing amounts of mobile data. To help meet this demand, in 2014 Ofcom announced the decision to reallocate frequencies between 694 MHz and 790 MHz (“the 700 MHz band”). The band is currently used by Digital Terrestrial Television (DTT), audio Programme Making and Special Events (PMSE) services and White Space Devices (WSDs).

## What is involved?

The 700 MHz clearance programme involves large changes to the DTT network as channels move to new frequencies. This includes major infrastructure work undertaken by Arqiva, involving both air and ground works. The 700 MHz clearance also affects PMSE users, who will need to replace some of their equipment. The programme includes government funding to help affected equipment owners. We appointed Equiniti Ltd to administer a funding scheme in 2018.

## What are the goals of the programme?

The objectives are:

- to clear and release the 700 MHz band as soon as practically possible;
- to deliver value for money in the use of public funds;
- to avoid undue disruption to viewers; and
- to safeguard the ongoing delivery of the benefits DTT and PMSE provides.

## How are citizens and consumers affected?

Some DTT viewers will need to make changes to their TV sets. Initial forecasts suggest that 14-20 million homes will need to retune their TV equipment when frequency changes take place in their area. A further estimated 100,000 – 160,000 homes may need to replace their aerials.

Press advertisements and on-screen captions prior to each clearance event notify affected TV viewers of the need to retune their TVs on a specific date. In some cases, more than one retune is required where clearance takes place in multiples stages. Freeview provides support via its advice line and website.

## What is the timescale?

Clearance of the 700 MHz band began in Scotland 2017. However, the most intense, UK-wide phase of the programme began in 2018. The clearance programme is on track to complete in April 2020.

## Ofcom Grant Scheme

To make the clearance of the 700 MHz band possible, Ofcom is making grants available for DTT infrastructure replacement under a standing consent framework agreed by HM Treasury.

There is a defined grant application process which is agreed and adhered to by all parties. During financial year 2018/19 53 grants were received, 46 grants awarded or partially awarded, and the total value of grants awarded amounted to £69.7m. The total value of grants awarded to date on the programme is £260.6m. The total amount paid in financial year 2018/19 is £70.7m, which includes grants for work spanning more than one financial year.



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