



**The Office of
Communications
Annual Report
and Accounts**

For the period 1 April
2020 to 31 March 2021

Read the Welsh version
of this document



The Office of Communications Annual Report and Accounts

For the period 1 April 2020 to 31 March 2021

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

Ordered by the House of Commons to be printed on 8 July 2021.

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Chair's Message



Maggie Carver, CBE
Interim Chair

For Ofcom, in 2020 it was striking to witness just how quickly the tragic pandemic changed how people communicate – in ways that may endure.

When working restrictions began and office phones fell silent in 2020, the amount of time spent on mobile calls surged by 45%. Residential broadband networks became the backbone of both the UK's digital economy and its education system. The amount of data flowing over the UK's main broadband network doubled.

Under lockdown, the nation spent twice as long watching streaming services. Parcel volumes rose by a third to meet the UK's online shopping needs. Our companies and networks responded brilliantly, with telecoms, tech, postal and broadcasting key workers keeping us connected, informed and entertained.

So a world without first-class communications services – which even before the pandemic lay at the heart of our personal and working lives – now seems unimaginable. Ofcom's job has involved responding to changing consumer demands, supporting our industries through the crisis, and planning for a post-pandemic world reliant on strong networks and trusted media.

Covid-19 caused many people's circumstances to shift suddenly – often through bereavement or financial hardship. So it was important that Ofcom continued its Fairness for Customers programme, securing commitments from broadband firms to review prices for vulnerable people. We made mobile switching easier by banning handsets being locked to a network; improved the contract rights of telecoms customers; and ensured disabled customers can access a choice of services.

We also completed our major review of wholesale broadband markets, setting out a range of measures to boost competition and investment in full-fibre networks. Those decisions are designed to lay the foundations for new telecoms networks that can serve families, business, schools and public bodies for generations to come, bringing the economic and social benefits of ultrafast broadband to everybody around the UK.

Getting a good mobile signal is equally important. So we made more airwaves available to generate additional coverage and support 5G; and monitored operators' progress towards their commitment to bring good calls and data coverage to 90% of the UK's geography.



Ofcom's job is more important than ever: adapting to change so that our rules continue to protect communications users from harm, support the content they value and enable the services they need.



The pandemic also placed renewed importance on trusted, regulated broadcasting. In a reporting year when broadcasting complaints rose significantly, we prioritised our enforcement in harmful areas such as incitement to crime, hate speech, abuse and misinformation about Covid-19.

Viewers and listeners turned in huge numbers to our public service broadcasters during the early pandemic, a testament to their enduring importance at times of national significance.

But those broadcasters are facing unprecedented competition and disruption. So as well as our regular report on the BBC, in December 2020 we published our review of public service media, consulting on plans to modernise the system and secure its future.

The way people use the post is also changing fast. We carried out a comprehensive review of what people and businesses need from the service in future, as we prepare to update our regulation to reflect declining letter volumes and protect the universal service.

All these areas reflect the power of technology, social trends and new business ideas to transform how we communicate – a theme of disruption and change that has been reenforced and accelerated by

the Covid-19 crisis.

Throughout that period, and in the coming years, Ofcom's job is more important than ever: adapting to change so that our rules continue to protect communications users from harm, support the content they value and enable the services they need.

It has been a privilege for me to oversee that work as interim Ofcom Chair since January, following the decision of our former chair Lord Terry Burns to step down. Terry led our Board with dedication and skill for three years, and I – alongside our Board and everyone at Ofcom – would like to thank him wholeheartedly for his service.

Maggie Carver

Chief Executive's Report



Dame Melanie Dawes, DCB
Chief Executive

Over the past twelve months, we have learned that being connected is everything.

In my first twelve months as Chief Executive, I felt that personally. Unable to meet most Ofcom staff, I saw colleagues collaborate remotely with great professionalism. We are looking forward to working together in person again, but we've learned new ways to be more flexible in the future.

The past year has also meant further disruption for our industries. This has underlined Ofcom's purpose as a regulator, and a need to be agile in response to change, while keeping long-term focus.

One example was our review of wholesale telecoms, which included setting out how prices will be regulated for the next five years. We included measures to safeguard accessible broadband today, while promoting investment in the networks of tomorrow. Our decisions will allow operators to phase out century-old copper wires in favour of gigabit-speed, full-fibre broadband, with the regulatory certainty they need to connect homes and offices at record speed.

In a connected world, our networks must not only be fast; they must be safe. Ofcom is gearing up for new duties to ensure that telecoms firms operate secure and resilient networks, working closely with the National Cyber Security Centre.

In the coming months we will inform communication providers as to how we will monitor their compliance with new legislation in this area, and carry out intelligence-led stress tests to help them close any security gaps. We will keep advising Government to ensure that the UK's telecoms networks are not overly reliant on a single manufacturer. And we will play our part in helping to tackle scams that rely on phone calls and text messages, a growing problem that demands close work with Government, industry and the police.

As we look to the future, Ofcom too is evolving and taking on important new duties. In December 2020, as the Government prepared legislation to impose a duty of care on social media firms, it tasked Ofcom with the job of enforcing the new rules.

Our approach here will be guided by online users' needs and expectations, and rooted in our long-standing experience of balancing freedom of expression with protection from harm. We will significantly grow our expertise in digital technologies, data analytics and cyber security, and build a new hub in Manchester to serve as a base for Ofcom's work.

As a precursor to our online safety role, in the coming year we begin regulating apps and websites – established in the UK – whose main purpose is to share video among users. These providers must take steps to protect users from serious harm such as incitement to hatred, violence and criminal content. We have already worked with video platforms to enrol them in our rules, and commissioned pioneering research on the tools and techniques they can use to make their services safer, especially for children.

As our role on internet safety expands further, we will expand our expertise. We have hired specialists to help us apply data effectively in our decisions, and to understand its latest uses within industry. And we've developed a programme to help us respond to emerging technology.

That is already helping to inform our regulation. In December, for example, we set out a new strategy for managing the UK's radio spectrum. It will enable wireless innovation in areas such as automated factories, agriculture and monitoring the environment to understand the effects of climate change.

Likewise, in broadcasting we're reforming our regulation to take account of changing technology and audience needs in an increasingly personalised world of viewing and listening, across an unprecedented number of digital platforms.

External partnerships are also crucial to effective regulation, and we have stepped up our co-operation with the Competition and Markets Authority, the Financial Services Authority and the Information Commissioner's Office – launching a joint plan of work on online projects to pool our expertise and resources.

These are just some of the ways Ofcom is building for the future. But amid all the change and adaptation, we won't lose sight of long-standing priorities – such as helping to develop media skills and close the digital divide, through our Making Sense of Media programme; and challenging broadcasters to increase their relevance to a new generation by broadening their workforce, with a new expectation to assess the geographic diversity of their staff.

I hope this report demonstrates Ofcom's passion and determination to make communications work for everyone: promoting stronger networks, brilliant UK content and a safer online world.

As our country emerges from a uniquely challenging year, when communication mattered more than ever before, we understand the importance of getting that right.

Dame Melanie Dawes



**Over the past twelve months,
we have learned that being
connected is everything.**



SECTION A

Performance Report

This section sets out how we are set up to deliver our duties and how we have performed against our strategic objectives set out in our Annual Plan of work, the consumer impact and the outcomes and next steps we are taking.



Overview

Our powers and duties

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

Our principal duty is to further citizen and consumer interests

Ofcom was established under the Office of Communications Act 2002 and operates under a number of Acts of Parliament¹. The Communications Act 2003 states that our principal duty is ‘to further the interests of citizens in relation to communications matters, and to further the interests of consumers in relevant markets, where appropriate by promoting competition’. In postal services, we must carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws.

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



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.

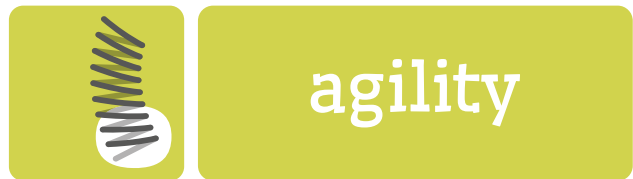
1. These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Acts 2010 and 2017 and the Postal Services Act 2011.

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.

Our values shape how we treat one another, how we work together, how we relate to our stakeholders, how we judge performance and how we collaborate to achieve our priorities.

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



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



Performance Review

Highlights for 2020/21

Playing our part in supporting the UK through the pandemic

- We put measures in place to help people stay connected especially where they might have been struggling to pay for broadband and mobile services.
- We worked with Telecom providers and the UK Government to protect critical telecoms networks.
- Our engineers and technicians worked to keep the mobile airwaves safe and functioning.
- We've allowed companies more flexibility to make decisions in support of critical services, vulnerable people and those reliant on communications.
- We worked with broadcasters to help them maintain high quality production, including changing our approach to enforcement of requirements.
- We made new arrangements for TV and Radio broadcast licence fee payments; worked with DCMS and the Community Radio Fund Panel to pay grants totalling £607k so they could provide crucial local programming;
- We developed new licences for groups and organisations to provide information and alternative services to their communities during the pandemic, such as drive-in entertainment and church services.
- We triggered emergency measures for postal services, allowing Royal Mail to remove Saturday letter deliveries from late April, before resuming six-day deliveries in mid-June.
- As an organisation, we moved to implement remote working of all our colleagues. We put in extra support for our people, both in terms of equipment and their wellbeing, and undertook full risk assessments to ensure our offices met the official guidance.

Better broadband and mobile

- We concluded the Wholesale Fixed Telecoms Market Review, a project to create a regulatory environment to encourage competition and investment in the UK's telecoms network by BT and its competitors. Industry reacted positively and is progressing from 21% today towards 70%+ coverage of the UK with these new networks by mid-2020's.
- The Broadband Universal Service Obligation (USO) allows people who can't get a broadband service with a download speed of 10 Mbit/s and an upload speed of 1 Mbit/s to request an upgraded connection. We confirmed the regulations for the process of compensating Universal Service Providers (BT and KCOM), including how customers' claims would be assessed and determined
- We concluded the award of 700 MHz and 3.6-3.8 GHz spectrum to boost capacity, including 5G mobile services, increasing total spectrum available to the mobile operators by around 18%. This will support future growing data demands and substantially boost consumers' experiences.
- We continued to provide support for the UK Government's Shared Rural Network programme to ensure mobile coverage is widely available to people and businesses. Ongoing progress reporting on compliance with the initial obligations in 2024 will begin in 2021.

Fairness for Customers

- We continued our work to make providers put fairness first. We published a progress report after telecoms and pay-TV companies committed in 2019 to offering fairness for their customers.
- We consulted on a new process to make it easier for all home broadband customers to switch providers across different networks. This is expected to be available to use by December 2022.
- We instructed phone, broadband and pay-TV firms to tell customers when their contract is coming to an end and also inform them about their best available deals. We are monitoring and enforcing these new rules which together with commitments made by the providers will help people save, including the most vulnerable, a total of around £300 million a year.
- We outlined measures to protect customers, especially those who are vulnerable, through the transition from the traditional public switched telephone network (PSTN) to new digital Voice over Internet Protocol services.

Sustaining the universal postal service

- We completed a comprehensive review of the needs of postal users across the UK. This will help to inform future decisions about the universal postal service. Postal regulation must keep pace with changes in the market and remain relevant, fit for purpose, and effective.
- We issued a call for inputs on the future of postal regulation, examining competition in the bulk mail and parcels markets among other things, including whether additional protections for consumer are needed.
- We concluded two post-related investigations looking at Royal Mail's compliance with targets for quality of service and the safeguard cap on second-class letters. We issued fines totalling £1.6 million.

Supporting UK broadcasting

- We continued with Small Screen: Big Debate, our programme of work focused on public service broadcasting (PSB), consulting on options for modernising the PSB framework .
- We assessed 142,660 complaints about TV and radio programmes, a 300% increase compared to last year (2019/20: 34,545), issued 28 breaches of the Broadcasting Code, and imposed 14 sanctions on broadcasters, including 6 financial penalties.
- We launched a review of the interaction between BBC Studios and the BBC's public service activities publishing a call for evidence on this matter. We also consulted on whether the changes BBC Studios had made to its lines of business were appropriate.
- We engaged with the Government on its approach to restrictions on high in fat, salt and sugar (HFSS) advertising on TV and online.

Making sure online communications work for people and businesses

- The Government confirmed it intends to appoint us as the regulator responsible for overseeing online safety. Ofcom will support and inform the development of the Online Safety Bill by providing technical advice on how the regime can work.
- We conducted new consumer research to help our understanding of the potentially harmful experiences of video-sharing platform (VSP) users and their awareness of online safety tools. We consulted on draft guidance for providers on the regulatory requirements.
- We built on our Making Sense of Media (MSOM) programme to help improve the online skills, knowledge and understanding of UK adults and children. We delivered new research into online behaviours to inform the approach to our forthcoming duties.

- We formed the Digital Regulation Cooperation Forum (DRCF) together with the Competition and Markets Authority (CMA), the Information Commissioner's Office (ICO) and the Financial Conduct Authority (FCA) to help bring about greater cooperation in regulating online platforms.

Enabling strong, secure networks

- We worked closely with, and provided guidance and advice to the Government, the National Cyber Security Centre and industry to monitor potential risks to the UK's telecoms networks.
- We provided guidance on updated legislation on Network & Information Systems.
- We engaged with Government, industry, the Telecoms Vendor Diversification Taskforce, and others on strategies to improve telecoms vendor diversity, and the development of open, interoperable telecom systems.
- We worked with Digital Catapult, an agency that works to encourage the adoption of new and emerging technologies, to establish our SONIC (SmartRAN Open Network Interoperability Centre) Labs. These facilities will help to assess and bring about open interoperability in UK telecoms networks, as a step to diversifying equipment supply chains.
- We worked with industry to identify and close gaps in standards and best practice in the resilience of telecoms networks and continue to monitor resilient design in existing telecoms networks.

Increasing Diversity and inclusion

- We published our latest diversity reports for radio and TV, calling on broadcasters to deliver greater change in the number of disabled people they employ and improve the level of representation of people from minority ethnic backgrounds employed in senior decision-making roles.
- We expanded our engagement with major TV and radio broadcasters, to include a quarterly diversity and inclusion roundtable with them. We also continued to participate in public events and meeting with experts, industry bodies and interest groups.

Continuing to innovate in our approach to regulation

- We published a report, Technology Futures, which looked at technologies with the potential to significantly impact communications markets, positively or negatively, in the medium to long term across fixed and wireless networks for broadcast, broadband, mobile and satellite services.

Support through the EU exit transition period and continued international relationships

- We consulted on technical changes to our rules, so they comply with new legislation applicable after the end of the transition period.
- We continued to represent the UK on communications matters internationally.

Response to the pandemic

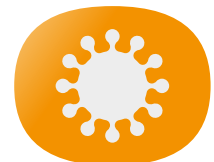
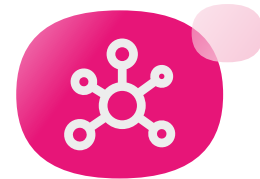
This has been an exceptional year, and keeping communications going across the UK has never been more important. There was significant focus from Ofcom, and the organisations we work with, on responding to the impacts of the pandemic.

Our response to the pandemic focused on four main areas:

Objective	Response from March 2020	Industry response
<p>To protect customers, especially the vulnerable, and ensure high quality content</p> <p>Help people stay connected, provide support through financial struggles, protect them from unexpectedly high bills and ensure the accuracy and impartiality of news and content.</p>	<ul style="list-style-type: none"> ▪ Shift to avoid disconnections for those unable to pay bills, provide connectivity to those who lost fixed services, provide free 101 calls and tackle high charges for hospital phone services. ▪ Worked with telecoms providers to provide practical information to help people and small businesses make the most of their mobile and broadband connections, through our Stay Connected campaign. ▪ Expedited standards enforcement cases involving potentially harmful broadcast content relating to the pandemic. Supported wider efforts to combat disinformation through weekly research on how people receive and act on information during the pandemic. ▪ We issued tips for postal users on post and parcel deliveries during the pandemic, to set consumer expectations and support postal workers and deliverers to keep items moving safely. 	<ul style="list-style-type: none"> ▪ Some telecoms providers took specific additional steps to support their customers, such as providing unlimited calls or increased data allowances. ▪ Broadcasters adapted their schedules to maintain high-quality content to entertain and inform the public, and to ensure accurate and high-quality news. ▪ Postal providers ensured continued delivery, particularly to vulnerable customers, adapting to shifting demand patterns which saw parcels volumes increase significantly.

Objective	Response from March 2020	Industry response
<p>To ensure network resilience and protect critical services</p> <p>Ensure the networks continued to work well as people moved to work and learn from home, stay in touch with friends and family, and keep themselves entertained.</p>	<ul style="list-style-type: none"> ▪ We worked closely with network providers and the UK Government to make sure we were kept informed of the measures that they were taking to manage network demands/congestion effectively, where necessary prioritising action required to protect critical services. ▪ The reliability of 999 and 111 calls was a critical priority. Under Ofcom's rules, providers must ensure that emergency calls can be connected at all times, even in challenging circumstances. We kept in close contact with those responsible for connecting 999 and 111 calls, receiving detailed assurances on the capacity and resilience of both services. At Government request, we acted to introduce the '119' number for use as part of the National Health Service's pandemic response programme. ▪ Ofcom plays a vital role to keep the UK airwaves free from interference. We prioritised action that required us to protect critical services, such as for power networks. Our engineers and technicians were designated as key workers and worked to keep the airwaves safe and functioning. ▪ Investment in fibre and 5G connections remained of critical importance. We pressed ahead with decisions aimed at promoting investment and competition in fibre networks and the release of more airwaves for 5G services. 	<ul style="list-style-type: none"> ▪ Telecoms providers closely monitored traffic on their networks, and measures were taken by content providers, streaming services, content delivery networks and gaming companies, to mitigate the impact of the increased load on the network. Boxing Day saw a new peak of internet traffic, with 210 petabytes of data consumed via the Openreach network. ▪ Fixed data usage has increased almost 80% in two years to 429 GB per connection. Lockdowns also saw a shift in how people use their services. Peak traffic was still in the evenings, but daytime traffic increased significantly. Upload traffic also increased, driven by more use of video calling. ▪ Networks had the capacity to meet these demands and stayed well within capacity limits. Our research shows average broadband speeds dipped slightly in March 2020. ▪ Mobile networks also successfully coped with the increased demands and changes in network traffic patterns, including a shift of hotspots from city centres to the suburbs and residential areas.

Objective	Response from March 2020	Industry response
<p>How best to deliver our full programme of planned work for 2020/21</p> <p>We set out an ambition to conclude our full programme of planned work for 2020/21 despite the pandemic.</p>	<ul style="list-style-type: none"> Engaged closely with stakeholders to review our plans, amending timelines where necessary, to reflect the reality that many of the businesses and organisations we regulate would have to focus time and attention on business-critical issues in the early months of the pandemic. Having moved to initially suspend all existing consultation deadlines, new consultations and information request deadlines, from the beginning of June, we began to issue new publications and information requests in line with our plan of work, focused on priority areas. We kept our plans live and flexible, publishing an updated plan in September, together with quarterly updates on our outputs and milestones. 	<ul style="list-style-type: none"> Ofcom acknowledged that in some cases the implementation of new obligations may need to be delayed. Working with the industry, we moved to establish revised timelines for new obligations, as restrictions eased.



Objective	Response from March 2020	Industry response
<p>Adapt our regulatory approach</p> <p>Taking a pragmatic approach. Compliance with regulation is important. However, we recognised that the impact of the pandemic meant that it may not always be possible to meet certain obligations.</p>	<ul style="list-style-type: none"> ▪ On 24 March 2020 we announced that we would suspend all existing consultation deadlines and information requests, and put on hold new consultations, decisions and information requests. ▪ We took a pragmatic approach to enforcement. We took the view that companies should take decisions that support critical services, vulnerable people and those who were relying on communications services. We supported those decisions where they were in the interests of people and businesses. ▪ We did not formally relax broadcasting licence conditions, but we did consider that ‘force majeure’ was in effect, meaning we would not pursue enforcement action on licence requirements such as programme or production commitments. ▪ With telecoms operators, we temporarily relaxed some requirements (e.g. on automatic compensation and quality of service regulation) and took a pragmatic approach to the enforcement of our rules on end-of-contract notifications which had come into force in mid-February 2020. ▪ In post, we acknowledged that the pandemic represented an emergency situation, allowing Royal Mail to modify its operations and step away from quality of service targets without formal authorisation. 	<ul style="list-style-type: none"> ▪ In the early stages of the pandemic, we recognised that our businesses would need to focus their time and effort on business-critical matters. ▪ As the situation became more manageable and lockdown restrictions began to ease, we moved to ensure that our stakeholders complied with their regulatory obligations as soon as operationally possible.

Our internal response to the pandemic, including how we prepared for any disruption or eventuality and how we supported colleagues, is covered on page 94.

Progress on delivering against our Annual Plan priorities

Every March, we publish our Annual Plan of work. This sets out what we intend to deliver over the year to meet our purpose, across the UK and its nations.

We developed our priority work areas for 2020/21 in line with our duties and strategic goals. Our priorities consider the market context and,

where possible, aim to reflect responses from stakeholder consultation.

This section sets out what we have done during the year to meet the priority areas and what they mean for people and businesses.

Delivery key:

Project has been completed or is expected to be completed without delay.

Some uncertainty whether project will be completed or there is a likelihood of delay.

Project may not be completed or significantly delayed.



Better broadband – wherever you are

We will support continued investment and competition in gigabit-capable fixed networks and help customers throughout the UK to get the connectivity they need, by ensuring they can request access to a minimum specification broadband connection.

Priority work areas	Consumer outcomes
Wholesale Fixed Telecoms Market Review (WFTMR) – statutory review of telecoms markets with a focus on deployment of fibre networks.	Broadband: a) We expect gigabit-capable networks to 85%, or more, of the country by 2025 – up from just 3% in 2017 and 37% currently; b) 98% premises receive decent broadband (10Mbit/s download and 1Mbit/s upload speed). Remaining 2% eligible homes can now request a decent connection from a designated universal service provider.
Broadband USO – designating providers and setting requirements.	

Consumer impact

The pandemic has underlined the importance of reliable broadband. And with UK households using 40% more data every year, investment in upgrading the UK's telecoms infrastructure is vital.

The future is gigabit-capable networks, which offer speeds of up to 30 times the current average and are significantly more reliable. These are available to 37% of the UK at present, with Openreach covering around 15% of the country with its own full-fibre gigabit-capable network.

What we've done

Our approach to supporting competition and investment in gigabit-capable networks is focused on encouraging competition between different networks where viable.

In March 2020 we concluded our Wholesale Fixed Telecoms Market Review, a project aimed at creating the regulatory environment to encourage competition and investment by BT and its competitors.

The review laid out the framework for the next five years, which:

- sets wholesale price regulation that encourages investment and promotes competition;
- means the fastest fibre services will be free of pricing regulation;
- allows Openreach to charge a small premium for regulated products that are delivered over full fibre instead of copper, to reflect the superior quality of service;
- lays the foundations for closing Openreach's copper network;
- mandates access for rival companies to Openreach's telegraph poles and underground ducts; and
- addresses the risk of anti-competitive behaviour to give all network builders the opportunity to compete fairly.

The universal service obligation

In 2018, the UK Government introduced legislation for a broadband USO², which was launched on 20 March 2020, giving consumers the right to request a decent broadband connection from British Telecom Plc or Kingston Communication in the Hull area. BT will assess whether consumers are eligible for the broadband USO under established rules. Legislation limits the cost of each connection to £3,400. Where this is exceeded, people have the choice to pay the excess costs themselves.

Ofcom is responsible for implementing the USO, including establishing an industry fund to compensate BT³ for any unfair costs it incurs when delivering the scheme.

In May 2020, we confirmed the regulations for the process of compensating Universal Service Providers, including how such claims would be assessed and determined.

We continue to work with BT and monitor the delivery of the USO. In October we opened an investigation following concerns that BT may not be complying with the regulatory conditions correctly where it assesses excess costs for a given connection. This could result in some customers' quote for a connection being higher than necessary. Our investigation is continuing and we are currently considering our next steps. We will provide further updates over the summer.

Outcomes and next steps

Network competition has helped full-fibre coverage increase at its fastest ever rate over the past year – and this has continued throughout the pandemic. Our regulations build on this momentum – driving competitive commercial investment and supporting the closure of Openreach's 100-year-old copper network, while making sure customers are protected from high prices.

We believe this approach will lead to properties in around 70% of the UK having a choice of networks from competitive commercial providers. Openreach has committed to deploy full fibre to over 6 million properties (c.20%) in more rural areas. The Government plans to cover the remaining portion of the country through public funding.



We can look forward to delivering a gigabit-capable future to around 85%, or more, of the country by the second half of the decade – up from just 3% in 2017.

- The technical specification of the USO include download sync speed of at least 10 megabits per second; an upload sync speed of at least 1 megabit per second; a contention ratio of no higher than 50:1; latency which is capable of allowing the end-user to make and receive voice calls over the connection effectively; and the capability to allow data usage of at least 100 gigabytes per month.
- KCOM considers there are no premises in the Hull area that will need a broadband USO connection as all customers can already receive a decent broadband connection via KCOM's fibre or ADSL services. We don't expect KCOM to submit a net cost claim for this broadband USO.

Our work to deliver the broadband USO will help ensure everyone will have the right to request a decent affordable broadband connection. However, the very high costs of building to the most remote locations might mean the USO will not cater for them so we are considering, with Government, how access to services in the hardest to reach areas can be improved.

Better mobile – wherever you are

We want people to be able to access the mobile services they want wherever they are. To do this, Ofcom continues to make sure that service providers have access to the right spectrum, at the right time, balancing the needs of continually growing consumer demand for mobile services with the needs of other spectrum users.

Priority work areas	Consumer outcomes
700MHz Clearance – moving existing TV broadcast users.	Mobile: a) The clearance of the airwaves was completed in August '20 and additional spectrum was awarded to the mobile operators at the recent Spectrum auction supporting the 5G rollout across UK. b) Stable 4G coverage – More than 91% of the UK landmass has good coverage from at least one operator; c) 5G rollout started May 2019 - There has been around a ten-fold increase in 5G enabled base stations, with around 3,000 base stations now live for 5G services across the UK.
Future spectrum auction (700 MHz and 3.6-3.8 GHz award) and improvements in mobile coverage and services.	

Consumer impact

The pandemic related restrictions experienced over the past year have impacted how and where people have accessed these services, but have only emphasised the importance of good connections.

Meanwhile, mobile operators have now deployed 5G on more than 3,000 mobile sites and an increasing number of private networks offered both by mobile operators and by other service providers.

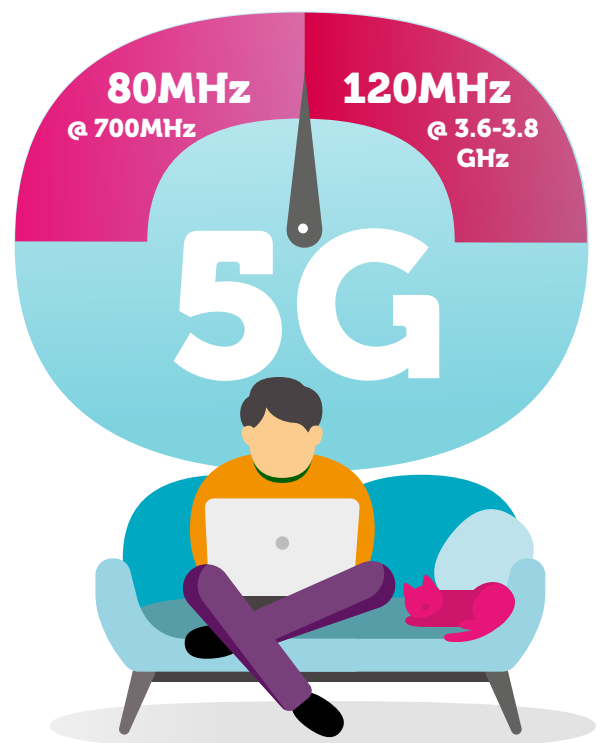
significantly below the original budgetary estimate of up to £550m. The migration of PMSE services was also supported by a funding scheme that disbursed £26m to over 280 claimants.

What we've done

Over the last year, we have continued our programme of work to facilitate innovation and meet growing demand for wireless broadband.

In April this year we concluded the award of additional spectrum to be used by mobile network operators to deliver a range of services, including 5G mobile. This encompasses 80 MHz of spectrum at 700 MHz and 120 MHz at 3.6-3.8 GHz, for which mobile operators paid a total of £1.379 billion. This award has increased the total spectrum available to the mobile operators by around 18%.

The award marks the culmination of more than eight years of work by Ofcom, from the inception of early planning for the clearance of the 700 MHz band in 2012. 700 MHz clearance was successfully completed in the summer of 2020. At £350m, the cost of the DTT clearance programme came in



In 2016, as part of this work, we identified a new spectrum-sharing opportunity for the programme-making and special events (PMSE) sector to mitigate the loss of access to the 700 MHz band and allow the sector space to grow. The Department for Digital, Culture, Media and Sport (DCMS) provided funding for an Ofcom scheme to support PMSE equipment owners who were required to vacate the band. The scheme processed 22,000 applications, including from schools and places of worship, theatres, large hire companies and broadcasters.

We have also undertaken a range of activity that will support spectrum users in the telecoms sector and beyond, including:

- led the way globally in opening access to additional spectrum at 6 GHz for wifi (and short range low powered devices such as connected glasses), which will improve consumer experience at home and support new industrial use cases;
- opened access at 100-200GHz, which will provide further opportunities for innovation from health to precision engineering in years to come;
- consulted on a new spectrum strategy which will provide the foundation for our spectrum management approach, and support wireless innovation, over the next decade;
- ensured efficient use of spectrum through facilitating trading;
- taken steps to ensure WT Act licensees take account of exposure to electromagnetic fields (EMF) when installing and using radio equipment;
- undertaken work to remove fixed link licensees from the 1492 – 1517 MHz band and 1350 – 1375 MHz sub-band, in line with a pan-Europe position to assign this band for wireless broadband and in preparation for making such an assignment in the UK; and
- continued keeping the airwaves safe and free from interference across the UK, working with and across a range of sector from flight control to shipping, satellite, emergency services and the utilities sector.

Throughout the public health restrictions, we have continued with our spectrum monitoring work and continued to respond to reports of harmful interference affecting our spectrum users and critical national infrastructure.



Outcomes and next steps

With the spectrum auction complete, mobile operators can use these airwaves to rapidly rollout better mobile services to people across the UK, supporting the ongoing launch of new 5G connections for people and businesses.

In March 2020, the Government announced funding for the Shared Rural Network (SRN) being built by the four mobile network operators (EE, O2, Three and Vodafone), designed to improve mobile coverage, particularly in rural areas, by taking 4G coverage to 95% (between 79% and 85% for individual operators today) of the UK's landmass by 2025. We will continue to provide support for the programme, including reviewing progress of the operators on the delivery of their commitments.

We will also build on our ongoing work to understand demand for wireless connectivity across different industry sectors. As part of this,

we will continue to raise awareness of the new local licensing approaches we have introduced and look to implement a fully automated authorisation approach for access to the shared bands and to provide a platform for more efficient access to more spectrum in specific locations in the future.

We will bring forward proposals for access to the 26 GHz band for mobile services, and additional consumer information on the availability of new 5G services in the year ahead.

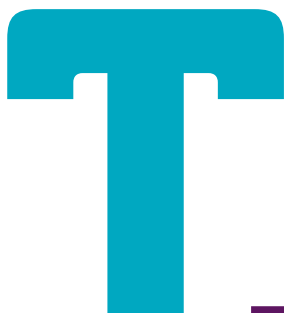
This year we are consulting on our mobile strategy to consider how we can best support the delivery of high-quality mobile connectivity and innovation. We will look at changes taking place within the sector, as well as the impact of changes outside it, to assess how the market operates and how it is likely to evolve over the next five to ten years.



Fairness for customers

The UK's telecom markets are among the most competitive in the world. But it is vital that people are treated fairly by their providers, and can trust that markets operate with integrity.

Priority work areas	Consumer outcomes
Treatment of vulnerable customers – ensuring vulnerable customers have the support they need, particularly the pandemic.	Vulnerability Guide: In July 2020 we published our 'treating vulnerable customers fairly' guide which suggests practical measures providers can adopt. We are monitoring whether vulnerable customers are experiencing a level of service in line with the expectations set out in the guide.
Affordability – ensuring affordable connections are available for the financially disadvantaged.	COVID-19: We worked closely with DCMS to secure commitments from all major providers (and several smaller ones) to offer additional support and protection to customers during the pandemic, including removing any data caps on broadband and providing additional minutes/data so customers could stay connected.
Simpler switching – helping broadband customers change provider through simpler switching processes.	Simpler broadband switching: Our decision on new high-level rules to make it easier for broadband customers to switch between different networks, and between full-fibre services on the same network, was published in October 2020.
Fairness Commitments – launched in June 2019 to create a step change on how providers treat their customers.	Open Communications: In August 2020 we consulted on our initial Open Communications proposal, an initiative to allow customers to share data about themselves (e.g. their accounts and usage) with digital comparison tools and others.
Other fairness projects – Open Communications, European Electronic Communications Code (EECC) and personalised pricing.	Personalised pricing: We published a discussion paper in August 2020 and held a virtual seminar in November 2020 attended by broad range of stakeholders, including communications providers and consumer groups.



The UK's telecom markets are among the most competitive in the world. But it is vital that people are treated fairly by their providers, and can trust that markets operate with integrity



Consumer impact

Fairness for customers, particularly those who are vulnerable, remains a key priority for us. During the pandemic we asked phone, broadband and pay TV providers to prioritise keeping people connected and on supporting the vulnerable and consumers suffering from financial or health problems.

What we've done

Our priority during the year was to make sure customers stayed connected, were supported if they were struggling financially and were also protected from unexpectedly high bills.

We worked with the Government and telecom providers on measures to support vulnerable customers, which included:

- avoiding disconnections for those unable to pay by deferring bills;
- fixing connections for customers who lost services;
- providing free 101 calls; and
- tackling high charges for hospital phone services.

Fairness is not just about what we can ask of the providers, but also about empowering customers so they can exercise choice, shop around with confidence and secure a fair price.

In October 2020 we confirmed the implementation of a new package of consumer protection measures contained within the European Electronic Communications Code (EECC), a new EU directive that updates the regulatory framework for communications services. The new rules will be phased in from December 2021 onwards and include a number of elements:

- Ban mobile companies from selling locked phones, allowing people to move to a different network with their existing handset. Our research found this can be a potentially complicated process, which can put people off switching providers.
- Improve contract information and rights to exit. This means customers should be given the information they need in writing, before they sign a contract, and be given the right to exit their contract if there are any changes to their contract that are not exclusively to their benefit.
- Make sure customers with disabilities have equivalent access to, and choice of, communications services. This includes being able to request that all communications (except marketing) are provided in accessible formats.

We continue to work to make sure people have access to the right information to help them shop around, including:

- research and data on how providers across different markets perform on customer satisfaction, complaints and value for money;
- provider-specific information on broadband pricing;
- information campaigns to help people get faster broadband and save money;
- as of February 2020, broadband, phone and TV customers must be told when their contract is coming to an end, and be shown the best deals available to them. Those already out of contract will also have to be given, reminders and shown the best deals every year; and
- examining whether people need more or better information to help them make informed decisions about the right broadband services for them, including information about the characteristics and capabilities of gigabit-capable, ultrafast fixed and mobile broadband technologies.

We welcome the swift action taken by providers in response to the pandemic, but there is more they can do to support their customers. We have therefore strongly encouraged providers to consider introducing targeted tariffs designed for customers on low incomes. And where providers already offer such tariffs, more action is needed to help promote them to eligible customers, given take up is currently low.

In 2019, we secured a landmark commitment from the UK's biggest providers to put fairness first. In May 2021, we reported on the progress by providers against our framework to determine whether customers are being treated fairly.

In our May 2021 update on fairness, we found that many providers had taken steps to provide fairer deals, clearer information and better support for their customers. However, further action was needed on areas such as customer service.

We have previously made it easier for broadband customers to switch between providers on Openreach's copper network. On 3rd February this year we proposed a new 'One Touch Switch' process to make it easier for all residential customers to switch broadband services. This includes switching between providers using different networks as well as between providers of full-fibre broadband services on the same network.

We have also secured commitments from the UK's major broadband providers to conduct price reviews for their vulnerable customers, including providing discounts that don't require customers to contact them. This could ultimately amount to support of over £70m per year for these customers.



Some phone providers are already gradually moving their landline customers from the country's traditional telephone network – the 'public switched telephone network' (PSTN) – to 'voice over internet protocol' (VoIP).

This change is led by telephone providers to replace obsolete technology and will help make sure the UK's landline telephone services are fit for the future.

We have a role to play in making sure providers have reasonable measures in place, so customers experience minimal disruption and are protected from harm. We have been working with providers to help make sure issues are identified and addressed at an early stage, and have outlined measures that we expect them to adopt to protect customers, especially vulnerable people.

Outcomes and next steps

If providers are not treating customers fairly, we will step in and take action to protect them.

The response from providers to the pandemic has been swift, positive, and supportive of customer circumstances. It has also identified that some face difficulties in affording services and often

have to make difficult decisions as a result. We are working with providers to increase the availability of low-cost packages for people on benefits, and to improve promotion of such services. Given the challenging economic outlook, we plan to carry out further research on affordability and debt this year.

In the event that providers fail to address our concerns through their current levels of support, to customers in financial difficulty, we will consider further action.

Following a period of consultation, this year we will conclude our initial thinking on "Open Communications", which will enable people to share their data safely with third parties to help them to navigate the market and get a better deal. We will work with the Government as it develops legislation to enable smart data initiatives across sectors.

Home broadband customers should be able to use a new easy, quick and reliable switching process from December 2022 helping them to take advantage of deals available in the market.



In our May 2021 update on fairness, we found that many providers had taken steps to provide fairer deals, clearer information and better support for their customers.



Sustaining the universal postal service

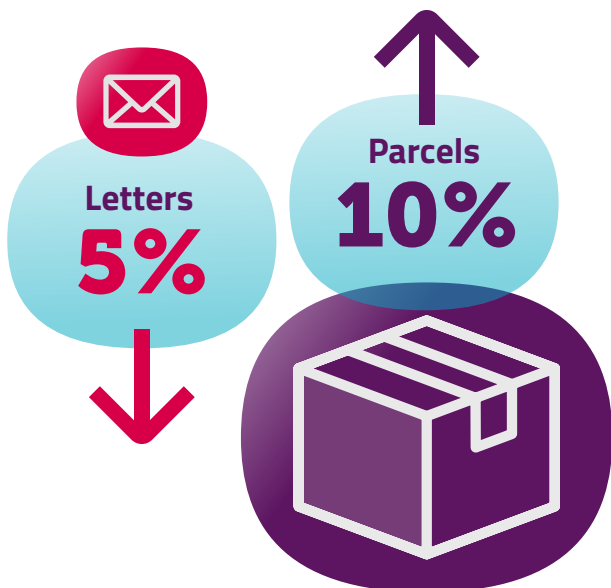
Our goal is to make sure postal users benefit from a universal postal service that meets their needs. In doing so we consider whether the provision of the universal service is efficient and financially sustainable.

Priority work areas	Consumer outcomes
Reviews of Postal User Needs and Royal Mail’s efficiency – reviewing reasonable needs of postal service users and Royal Mail’s operational efficiency / annual plan.	<p>We published our Review of User Needs in November 2020 alongside our Annual Monitoring Update on the postal market.</p> <p>Despite the uncertainties and challenges caused by the pandemic, Royal Mail’s financial position has now improved. This is due to increasing demand for parcel delivery. We continue to monitor Royal Mail to ensure the sustainability of the universal service.</p>

Consumer impact

The postal market has changed dramatically in recent years. The number of letters people send and receive has fallen by around 5% each year since 2015, as they increasingly rely on email and other online communications. Meanwhile, growth in online shopping has seen overall parcel volumes increase at a rate of around 10% per year since 2015.

These trends have accelerated during the pandemic⁴.



4. For example, in February 2021, Royal Mail reported a 31% year on year increase in parcel volumes in the nine month to end December 2020, while addressed letter volumes fell by 23% during the same period.

What we’ve done

The existing universal service requires Royal Mail to deliver letters six days a week (Monday to Saturday) and parcels five days a week (Monday to Friday) to every address in the UK, at a uniform price. We must make sure our postal regulation keeps pace with changes in the market and remains relevant, fit for purpose, and effective. This year we carried out a comprehensive review of the needs of postal users across the UK, to find out how people and businesses feel about a range of hypothetical changes to the universal service.

We found that the current six-day-a-week letter delivery requirement meets the needs of 98% of residential users and 97% of small and medium businesses (SMEs) in the UK. Reducing this to five days a week, but leaving all other elements of the service unchanged, would still meet the needs of 97% of residential and SME users. Indeed, in the early stages of the pandemic, Royal Mail announced a temporary reduction in the frequency of letter delivery from six to five days a week, before resuming the Saturday delivery of letters in mid-June.

Any changes to the universal service’s minimum requirements could only be made by Government and Parliament.

We constantly scrutinise Royal Mail’s efficiency, quality of service, the financial performance of the universal service network, market developments and competition in parcels and letters. We also monitor users’ experience of the postal sector and

publish an annual monitoring report. Royal Mail suffered significant impacts on its quality of service as a result of the pandemic – it has been operating in an emergency period, where normal quality of service standards does not apply. We have worked closely with Royal Mail during the year to ensure that customers receive the best quality of service possible and that customers are clear about what they can expect.

While the pandemic has made 2020 a particularly challenging year for Royal Mail, the issues facing the company due to the changing market and consumer behaviour were apparent before the pandemic.

In March this year, we published a call for inputs on the future of postal regulation. As part of this, we are also looking at competition in the bulk mail and parcels markets and whether additional consumer protections are needed. The findings of our review of users' needs are a fundamental element to this broad review. Detailed consultation proposals will be published later this year before we move to conclude the review next year.

Over the course of the year we concluded two post-related investigations:

- Royal Mail compliance with certain quality of service targets. Royal Mail did not meet its target for First Class in 2018/19, for the second year running, falling 1.5% short of the 93.0% target and only meeting the second target in 75 of 118 postcode address areas (PCAs). We imposed a fine £1.5m on the company.
- Investigation into Royal Mail's compliance with the safeguard cap on second-class letters. In January 2019 we decided to increase the second-class standard letter cap from 60p to 65.2p from April 2019, followed by inflation-linked increases until 31 March 2024. We opened an investigation after Royal Mail increased prices on 25 March 2019 instead of 1 April. We imposed a fine of £100,000.

Outcomes and next steps

We will work with Royal Mail to make sure it improves to meet its quality of service standards as we move out of the disruption caused by the pandemic.

The review of users' needs and work on the new framework for postal regulation will help ensure the buildings blocks are in place to deliver a relevant, fit for purpose, efficient and financial sustainable universal service which can meet the rapidly evolving requirements of society in a post pandemic world.

However, as highlighted by our ongoing monitoring work, Royal Mail has a significant part to play in ensuring the longer-term viability of the service – most notably its ability to adapt to market changes, deliver necessary efficiency improvements and execute on its own strategic transformation programme.

Supporting UK broadcasting

Consumer impact

We support the UK's media sector, including public service broadcasting, helping it to evolve to meet the changing needs of viewers and listeners and to help make sure it serves all UK audiences. We also work to secure content quality and standards for audiences. In addition, we report on the BBC's performance and monitor its impact to make sure it is delivering its mission and public purposes.

Priority work areas	Consumer outcomes
PSB Review: Small Screen Big Debate – PSB sustainability given the rise of digital consumption.	We have completed two phases of audience research, hosted a three-day virtual conference and received over 100 responses to our consultation, which set out the need for a new framework for public service media.
BBC Competition Monitoring Programme	After considering the market impact implications of BBC changes in response to the pandemic, for example additional educational content, we allowed the BBC to proceed with the launch of its voice search function ('OK Beeb').
BBC Commercial and Trading Activities regulation	We published our BBC annual report in November 2020, concluding that the BBC had delivered on its remit in 2019/20 and had responded strongly to the pandemic.
BBC Annual Report and Performance Report / News Review	We received significantly high complaints this year (142.7K in 2020/21 vs 34.5k in 2019/20), driven by the pandemic, and race related issues. This led to 14 sanctions and 6 penalties.
Setting content standards and enforcing compliance with the Broadcasting Code.	

Standards and Audience Protection

In the last year Ofcom has received and assessed higher number of broadcasting complaints, the highest since our inception. The vast majority of the complaints we received were about content that audiences found offensive.

In many instances we may receive more than one complaint about a particular programme or more than one issue within a programme.

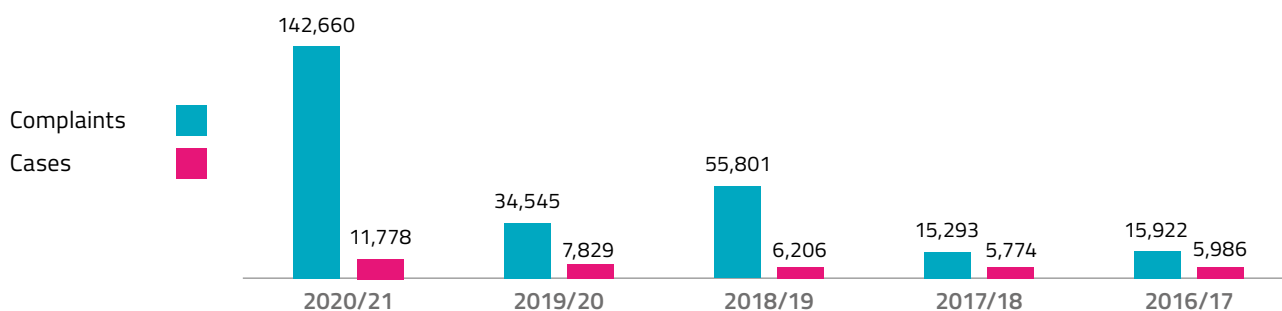
We assess each issue as one case, so:

- 142,660⁵ complaints we received in 2020/21 resulted in 11,778 cases,
- 60 investigations were completed, and
- 28 found to be in breach of our rules, 1 breach of the Code on scheduling of TV advertising (COSTA).

A full analysis of our standards processes, together with complaints breakdown, can be found in Annex 4.

5. This figure does not include Fairness and Privacy complaint or complaints we sent back to the BBC under BBC First because they had not completed the BBC's complaints process.

Figure 1 – complaints and cases assessed by year



Public service broadcasting programme: Small Screen: Big Debate

Over the past year we have continued our nationwide debate – called Small Screen: Big Debate – looking at how to strengthen and maintain public service media in the UK for the next decade and beyond.

We talked to people across the UK about what they valued about PSB, and met broadcasters, producers, streaming services, academics and analysts in the UK and abroad to gather a wide range of industry perspectives. In October 2020, we held a virtual conference to debate the big issues facing public service broadcasting. Reports on this work, along with panel discussions and interviews, can be found at <http://www.smallscreenbigdebate.co.uk>.

In December 2020, we marked the start of a new phase in our review with a consultation summarising the main themes from our work to date. We also published a call for evidence in February 2021 to take a closer look at the relationship which exists today between the PSBs and the production sector.

In July we will publish our statement setting out what we have learned, including our recommendations to Government to inform policy thinking about a new public service media system. We will also look at whether there are areas of existing PSB regulation that can and should be updated. This will include working with the Government on the future of the Digital Terrestrial Television platform and looking at the possible options to renew the Channel 3, 4 and 5 broadcast licences.

Pandemic response and the impact on broadcasters

Throughout the pandemic, Ofcom has been committed to working with broadcasters to make sure they could continue to broadcast the best possible services. We adopted a pragmatic and flexible approach to the enforcement of programming and production requirements if broadcasters were unable to meet conditions as a result of the disruption caused by Covid-19. We also undertook a range of specific actions, including:

- recognising the financial difficulty some broadcasters were in due to a sudden drop in advertising, we made new arrangements for licence fee payments where needed;
- working with DCMS and the Community Radio Fund Panel to administer 165 grants totalling £607,370 in emergency cash funding to the community radio sector; and
- developing a new version of an existing radio licence designed for those wanting to provide sources of information, news and updates on the pandemic for specific communities across the UK.

Given the ongoing and changing nature of the pandemic, we will continue to take appropriate steps to support the broadcasting sector and will work closely with Government and industry to help support the recovery of the broadcast and production sector more broadly.

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

Channel 4 Corporation (C4C) produces an annual Statement of Media Content Policy (SMCP) setting out how it delivers, and plans to continue delivering, its public service remit and media content duties. In preparing the SMCP, C4C must consult with us and each year we publish a response.

In a difficult broadcasting market, C4C broadly fulfilled its obligations in 2019, particularly in the increase in the number of new producers it worked with, the performance of Channel 4 News in reaching young and diverse audiences including through online platforms, and the ambitious ideas that made their way on screen notably in factual and comedy commissions. With its new bases in Leeds, Bristol and Glasgow operational, we also recognised that C4C was well-placed to deliver on its plans to improve how the whole of the UK is represented and portrayed on screen. We identified some areas of concern, for example investment in content that appeals to children and teenagers dropped back in 2019 and may be further affected due to pandemic-related budget cuts and production delays.

As well as our annual review of C4C's performance, we continue to consider C4C's contribution to public service broadcasting, and if and how its obligations might need to change in the future, as part of our Small Screen: Big Debate programme of work.

Advertising policy and regulation

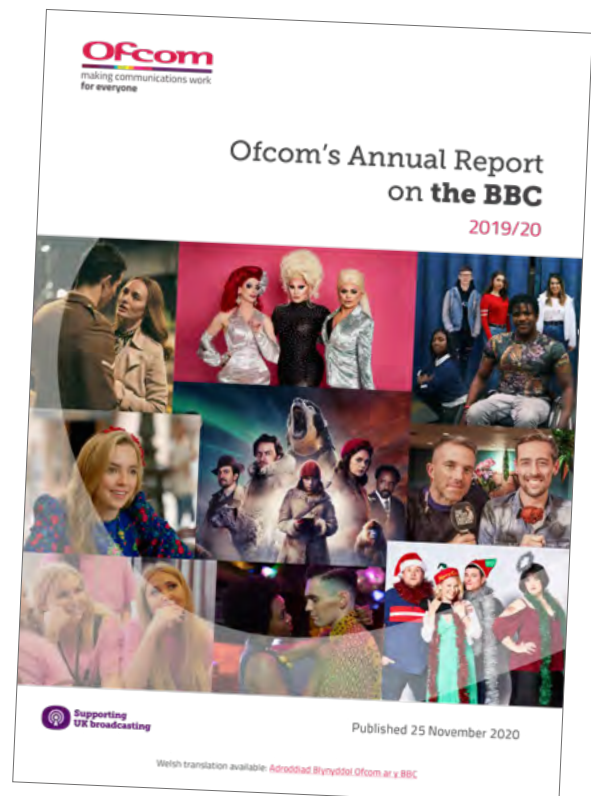
In 2019, the Government consulted on introducing additional restrictions on TV advertising for food and drinks high in fat, salt and sugar (HFSS), including a pre-watershed ban. If tighter TV advertising restrictions are introduced, Ofcom and its co-regulators (BCAP and the ASA) will be required to administer these. In 2020, the Government published a further consultation on a proposal to ban HFSS advertising online. The Government has committed to introducing any new restrictions on HFSS advertising on TV and online together by the end of 2022. We have been working with the Government as it develops its approach, and we will continue to do so.

Ofcom's annual report on the BBC

In November 2020 we published our third annual report on the BBC, setting out how we carried out our functions as the BBC's independent regulator and assessed the BBC's compliance with its regulatory requirements. We also set out our assessment of the BBC's performance in delivering its mission and public purposes to audiences.

The BBC broadly delivered on its remit over the year. It provided a high volume of news and current affairs, learning and educational content, and distinctive high-quality content across its services. The BBC responded effectively when the pandemic struck, rapidly responding to audience needs.

We welcomed the priorities set by the BBC's new director-general, Tim Davie, on impartiality, on high impact content, building commercial income and the renewed focus online. These reflect the messages that Ofcom has been delivering to the BBC since our regulation began in 2017. We now want to see clearer metrics and progress to ensure these priorities are delivered. We will carry out a periodic review on the BBC this year, leading up the Government's mid-charter review.



BBC Studios review

We have [rules](#) on how the BBC operates its commercial activities and we monitor how it has implemented these rules.

Given the recent changes to BBC Studios, the environment it operates in and the focus placed by new BBC director-general Tim Davie on building the BBC's commercial income, it is important for us to understand better how the BBC has implemented our rules and to provide additional transparency on this to stakeholders. In October 2020 we launched a review of the interaction between BBC Studios and the BBC's public service activities publishing a [call for evidence](#). At the same time, we consulted on changes BBC Studios made to its lines of business and we have now published our [statement on this](#). We plan to issue our findings on the broader review in the Summer.

BBC Sounds

BBC Sounds is now established within the BBC's audio offer, so we considered it appropriate to take stock of BBC Sounds' market position and impact. In October 2020, we sought evidence and information from its competitors and other interested parties to inform our view.

Having carefully considered this feedback and our own evidence, we have come to the provisional view that there are no reasonable grounds to believe BBC Sounds is currently having a significant adverse impact on fair and effective competition. We are now consulting on this provisional view and plan to issue a final statement later in autumn 2021.

Next steps

We will continue to support the UK's broadcasting sector to deliver benefits to all UK audiences. Our work in this area includes: continuing our Small Screen: Big Debate programme of work, monitoring and engaging with broadcasters to support diversity in broadcasting and reviewing the rules for media ownership for television, radio and newspapers to make sure people can access a wide range of viewpoints. We will continue to report on the BBC's performance to make sure it is delivering its mission and public purposes, and will also continue our ongoing work to secure content quality and standards for audiences.



A safer life online

Our work in this area is focused on preparing for the introduction of new regulation, and promoting understanding of how people engage online.

Priority work areas	Consumer outcomes
Online Safety – preparatory work around regulation of online safety	We continue to develop our regulatory model to support ongoing engagement with the Government on priority areas of the statutory framework including Codes of Practice, the balance of obligations between primary and secondary legislation, powers to mandate monitoring, and the protection of journalistic content.
Video Sharing Platforms (VSP) – preparatory work around implementation of Ofcom’s VSP duties	VSP Regulations came into force in November 2020. To develop our understanding and inform regulatory policy, we engaged with a broad range of stakeholders including academic experts. We have issued guidance to help services understand if they are in scope of Ofcom’s regulation
Media Literacy – Making Sense of Media (MSOM) – supporting UK adults and children online through research and stakeholder collaboration.	Monitoring consumer awareness and through the adult media use and attitudes research (June 2020), and have undertaken regular reporting of pandemic research on how people are getting online news and information on the pandemic.
Online Markets – exploratory work around online competition, including current powers.	We worked as part of the CMA-led Digital Markets Taskforce to provide advice to the Government (Dec 2020) on a new digital markets regime and continue to work with the Government as it develops its consultation.
Digital Regulation Cooperation Forum (DRCF) – cooperation forum between digital regulators (ICO, CMA and FCA) to support coherent regulation of digital services.	The DRCF formally launched in July 2020, published a work plan in March 2021, with further engagement ongoing on future plans and actions.



Our work in this area is focused on preparing for the introduction of new regulation, and promoting understanding of how people engage online.



Consumer impact



**Almost nine in 10
UK adults are online,**
with adults who use the internet
spending an average of
24 hours a week online.

But there are growing concerns around protecting people online. Some of those concerns relate to areas like hacking or privacy, but the most common relate to children's exposure to content or contact with other users. Our research also found some 22 million adults using the internet have experienced harmful online content or conduct.

What we've done

In December last year Government confirmed its plans to appoint Ofcom as the regulator responsible for overseeing the new online safety regime, alongside its intention to lay a draft Online Safety Bill before Parliament later in 2021.

Government and Parliament will determine the shape of the new regime, but Ofcom will provide technical advice on how it can work. We will also make sure legislative debates draw upon the latest evidence around users' online experiences based on our research. We are well prepared to take on these new responsibilities and have identified key areas where we need to develop and scale up our technical and operational capabilities.

To further improve our capabilities in this area we will be recruiting for specialist roles and will establish a new tech hub in Manchester, allowing us to tap in to a highly skilled workforce, alongside the research strengths of world-class universities and their deep pool of graduate talent.

Initially we will set out our high-level plans for developing the regime. Following the introduction of primary legislation we will publish our more detailed regulatory strategy. Once legislation has been approved by Parliament we will consult on Codes of Practice alongside other key elements of our regulatory framework.

On 1 November 2020, the Audiovisual Media Services Regulations 2020 came into force, requiring UK-established video-sharing platforms (VSPs) to take appropriate measures to protect users from certain types of harmful material in videos. VSPs are also required to make sure certain standards around advertising are met.

To prepare for VSP regulation, we have conducted research to help further our understanding of the potentially harmful experiences of VSP users and their awareness of online safety tools. We have consulted on draft guidance for VSP providers on measures they should take to protect users from harmful material. Through this we have gained more insight on good practice, and a greater understanding of the issues and challenges across the VSP sector. We are working with international regulators to understand their approaches to VSP regulation and to align approaches where possible.

This year we built on our Making Sense of Media (MSOM) programme and continued our work to help improve the online skills, knowledge and understanding of people in the UK, to support our expanding online duties. We also continued to develop our MSOM panel and network, to bring together experts to debate, inform and collaborate on online media literacy research and policy. We continue to build our understanding of the role of media literacy in the context of new video-sharing platforms and online safety regulatory powers.

In July 2020, Ofcom, the Competition and Markets Authority (CMA) and the Information Commissioner's Office (ICO) formed the Digital Regulation Cooperation Forum (DRCF), established to ensure a greater level of cooperation given the unique challenges posed by regulating online platforms. The Financial Conduct Authority (FCA) is also now part of this. The Government also announced that a Digital Markets Unit (DMU) will be established in the CMA to oversee its new pro-competition regime.

In March, the DRCF workplan for 2021/22 set out a roadmap for how to increase the scope and scale of cooperation, including bringing together expertise and resources, working more closely on online regulatory matters of mutual importance, and reporting on results annually.

Outcomes and next steps

Over the next 12 months we will focus our preparatory work for the proposed new online safety regime on five main areas:

- Supporting the legislative process;
- Developing our regulatory approach;
- Building public awareness of our proposed future role;
- Setting up our operation; and
- Investing in technology, data and sector knowledge and capability.

We recognise that it is impossible to prevent all harm, but under the VSP regime we expect providers to take a proactive approach to identifying and mitigating the risk of harmful material occurring on their platform. We will monitor and assess compliance and will take action if necessary.

We will continue to track and research users' exposure to harmful material online when using VSPs, as well as their awareness of, and engagement with, safety measures. We will also continue to cooperate with other regulators, including coordinating on matters of jurisdiction and working to ensure cross-border compliance.

Following the advice from the Competition and Markets Authority (CMA) led Digital Markets Taskforce, we will continue to engage with the Government as it considers a pro-competition regime for digital markets and establishes a Digital Markets Unit within the CMA.



Enabling strong, secure networks

People across the UK expect and rely on strong and secure networks today and in the future. Ofcom has a key role to play alongside other actors to make this happen.

Priority work areas	Consumer outcomes
Telecommunications (Security) Bill – building Ofcom’s capability and working with communication providers to ensure networks are secure	<p>We are working with DCMS on the Telecommunications (Security) Bill, which will strengthen security obligations for the telecoms sector.</p> <p>We issued updated guidance in February 2021 to organisations we regulate under Network & Information Systems (NIS) regulations, to reflect statutory changes in December 2020.</p>
Resilience – working with network providers to ensure networks are resilient	During lockdown traffic volume increased for both fixed (20%) and mobile (30%) networks through which Quality of Service was maintained at the required level.
Telecoms Vendor Diversification – ensuring there is a competitive, innovative, secure and resilient telecoms supply market that benefits UK	We have provided regular technical advice to the Government and have engaged with the Telecoms Diversification Taskforce. We have also partnered with Digital Catapult on our SONIC labs; facilities in which suppliers will be able to test and demonstrate open, interoperable solutions.

Consumer impact

An increasing dependency on communications services makes it imperative that networks are reliable, resilient and protected from cyber-attacks – especially during times of crisis and challenge. We expect network providers to invest to make sure their networks are strong, secure and protected in the face of potential outages and attack. Ofcom will have an enhanced role in telecoms security following legislation.

What we’ve done

We continue to work closely with the Government, the National Cyber Security Centre and industry to monitor potential risks to the resilience and security of our telecoms networks. We continue to develop our cyber-security capability and work with network providers across multiple areas such as:

- working with the Government to implement the outcomes of the Telecoms Supply Chain Review, including providing technical advice on the Government’s vendor diversification strategy;
- prepare to take on new responsibilities as part of the Telecommunications (Security) Bill;
- ensuring all network providers and operators of essential services adhere to their security obligations and follow relevant guidance; and
- continuing to engage with network providers to carry out a threat intelligence-led penetration testing scheme (TBEST).

Telecoms security implementation

Ofcom's remit in network security is growing and we are preparing ourselves to take on new responsibilities as part of the Government's Telecommunications (Security) Bill. As part of our preparations, we will be building our capability and capacity, and will look to attract talent in Manchester and London.

We continue to work with the Government to implement its new Telecommunications (Security) Bill and with industry, to make sure that operators adhere to strengthened security obligations.

Telecoms vendor diversification

We are working with the Government, industry, the Telecoms Vendor Diversification Taskforce, and other bodies on strategies to improve vendor diversity, and the development of open, interoperable systems. This includes the creation of our SONIC⁶ labs, which will provide a platform for existing and emerging suppliers, to test the interoperability and integration of open and software-centric networking solutions, including Open RAN and advanced networking technologies. Jointly funded by DCMS and Ofcom, the SONIC labs are being developed in partnership with Digital Catapult.

Network resilience

For many decades the only mass market telecoms service was fixed telephony, delivered by BT's public switched telephony network (PSTN). The PSTN was engineered to deliver extremely high levels of resilience.

There are important questions about how the next generation of networks should be built and the levels of resilience that should be achieved. We are working with industry to identify and close gaps in standards and best practice, in relation to network resilience. We are also continuing to monitor resilient design in current network deployments.

In January 2020 we introduced a scheme to improve how we gather evidence of service-affecting incidents.

We have also helped to establish a resilience working group within the Electronic Communications Resilience and Response Group (EC RRG).

Additionally, we are supporting the working group in developing a resilience assessment framework, that can employ the updated resilience best practice guidance to help us and network providers to evaluate future service-affecting incidents.

Increasing diversity and inclusion

Priority work areas	Consumer outcomes
Diversity in Broadcasting – promoting diversity and inclusion across broadcasting.	A diverse and inclusive culture means better decisions on behalf of diverse of citizens and consumers.
Launched a new diversity & inclusion strategy – to deliver diversity, inclusion and equality objectives as an employer and regulator.	Across broadcasting sector:
Annual statistical report on diversity and equality at Ofcom.	a) women in senior television roles 47%;
Gender / Ethnicity Pay and Equal Pay Audits.	b) disability representation at 7%;
	c) senior level from minority ethnic backgrounds at 8%;
	d) total staff from minority ethnic backgrounds at 15%.
	Ofcom target in 2026:
	a) gender balanced at senior levels (current 44% female 56% male)
	b) senior colleagues from minority ethnic backgrounds 16% (current 11%)
	c) disability 15% (current 12%)

Monitoring diversity and equality of opportunity in broadcasting

In 2020 we maintained our commitment to support broadcasters' efforts to achieve more diverse workforces. In November 2020 we published our diversity and equal opportunities in broadcasting report, which included a fourth year of workforce data for TV and a third year of data for radio.

We called on broadcasters to deliver greater change in the number of disabled people they employ and improve the level of representation of people from minority ethnic backgrounds employed in senior decision-making roles. We also requested that broadcasters begin to collect and share data on the geographic diversity of their workforces.

We expanded our programme of stakeholder engagement to include a quarterly diversity and inclusion roundtable with major TV and radio broadcasters. We continued to participate in public events and met with experts, industry bodies and interest groups from across sectors to help inform and develop our thinking.

In Autumn 2021 we will publish a five-year review of equality of opportunity in broadcasting data. We will also share the findings of research into diversity in the broadcasting sector, to determine where new research may be helpful in taking our work forward.

Diversity and inclusion at Ofcom

Diversity and inclusion within Ofcom is essential in achieving our aim of making communications work for everyone and to make the best decisions for all people in the UK.

Our [diversity and inclusion strategy](#) explains how diversity and equality are essential to the way we operate, both as an employer and as the UK's communications regulator. It outlines our priority areas of work, including our workforce diversity targets and vision as an organisation.

To help us determine the strategic priorities and objectives within the diversity and inclusion strategy we produce an annual diversity report on the profile of Ofcom colleagues and processes.

We monitor our policies and practices extensively through colleague surveys, benchmarking and a biennial equal pay audit. We are members of the Business Disability Forum, Business in the Community for Race, Gender and Age, and have signed Stonewall's Diversity Champions charter. We keep such memberships under review.

Regular updates are given to the Ofcom Board and Policy Management Board on the progress of various initiatives under our diversity and equality work programmes. Please refer to Figure 6 in Our employees section for the closing position in 2020 and the new targets for 2026.



Continuing to innovate

Priority work areas	Consumer outcomes
Data Strategy – investing in the Data and Innovation Hub and data specialist profession to improve the use of data	Delivered 15 experimental pilots intended to demonstrate how new data analytics or engineering techniques can solve business problems. We have worked to identify policy questions relating to algorithmic audit (i.e. how we check the operation of machine learning algorithms).

We have developed an emerging technology programme through which we monitor technologies which could have a major impact on people and the industries we regulate. This also help us guide our future work programme towards the technologies most likely to have the greatest impact.

As the first main output from this programme, we published the Technology Futures report in January 2021. It looked at technologies with the potential to significantly impact communications markets, positively or negatively, in the medium to long term. We also examined new communication services, particularly in immersive multi-sensory and inclusive communications.

We continue to work with experts in technology areas and aim to share the outcomes of these interactions over the course of 2021.

We have adopted new working practices to be innovative in our work, and in preparation for taking on responsibility for overseeing online safety we have embarked on a recruitment campaign to increase our capacity and capability in this area.

Radio spectrum connects our digital world. Spectrum is a finite resource but used wisely it can continue to transform the way we live and work – helping to make us more productive, reducing our environmental impact and benefiting industries across the economy.

Given the rapidly evolving demand for wireless connectivity and therefore for spectrum, we look to put innovation at the heart of our support for the sectors that we work with, enabling growth in existing sectors and innovation coming from new uses of wireless.

Our ongoing work in this area includes:

- authorising spectrum and assuring correct and compliant use – this includes carrying out detailed technical analysis and real-world measurements to optimise the use and sharing of spectrum;
- analysing and releasing information on spectrum use – we analyse the use of spectrum to inform policy;
- managing spectrum and planning for future requirements - we consider the evolving needs of existing users and the future demand for innovative wireless services; and
- enabling wireless innovation across a variety of industry sectors - we work with different industry sectors, to understand their business requirements and the potential for wireless connectivity to meet their needs. Our objective is to make sure different businesses and organisations can access the spectrum they need, where and when they need it.

Support through the EU exit transition period

Priority work areas	Consumer outcomes
<p>Providing support through the EU exit transition period – and building on international relationships.</p>	<p>We engage with and provided advice to the Government and stakeholders; preparing for the new broadcasting licensing and VSP notification regimes; updating consumer advice on our website; and supporting our EU nationals.</p> <p>At the same time, we have continued to invest in our EU relationships (with the European Commission as well as our regulatory counterparts) to support the new arrangements.</p>

As the Government negotiated the terms of the UK's exit from the European Union, we considered how this might affect people and the industries we regulate.

As well as providing advice to the Government on priority issues for our sectors, we also consulted on technical changes we will need to make to our rules so they comply with new legislation applicable after the end of the transition period.

For example, a new broadcast licensing framework for linear television services came into force for the UK on 31 December 2020.

The rules have also changed around how we regulate video-on-demand (VOD) services. UK-based VOD services no longer have an automatic right to be received in the EU (although many will still be available under national laws in EU member states). We now only regulate VOD services if their head office and editorial decision-making are based in the UK.

We worked closely with the mobile telephony sector and EU counterparts to ensure roaming arrangements were maintained and seamless for the consumer.

We continue to represent the UK on communications matters internationally. We maintain relationships with relevant counterparts around the world and take part in key global and regional regulatory debates. Please see page 49 for more detail of our international engagement work.

Principal Risks and Uncertainties

Risks are recognised across the organisation to support the successful delivery of Ofcom’s objectives. During the course of the year the strategic risk register was refreshed to incorporate our new duties and expanding remit.

A Covid-19 specific risk register was also maintained through the height of the pandemic.

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 the achievement of Ofcom’s objectives. The risk register is organised around the following risk areas.

Principal risks	Priority	Mitigating actions
<p>Regulation is seen to be independent, impartial and consistent</p> <p>Risk that Ofcom’s reputation for independence and for making sound judgements that are trusted by our industries and by wider stakeholders, including Parliament, and consumers is damaged.</p>		<ul style="list-style-type: none"> ▪ We put in place effective governance and decision-making processes that give robust oversight of Ofcom’s decision making and reviewed these regularly throughout the year. ▪ We provide regular briefings to Ofcom colleagues to emphasise the importance of maintaining Ofcom’s independence in their dealings with Government, Parliament and other stakeholders. We have refreshed key policies during the year to ensure there are effective processes in place to safeguard Ofcom’s independence in those dealings. ▪ We undertake a regular stakeholder feedback exercise and each year we openly consult on our Plan of Work.



Key to priorities

 Better broadband and mobile	 Sustaining the universal postal service	 Safer life, online	 Increasing diversity and inclusion
 Fairness for customers	 Supporting UK broadcasting	 Enabling strong, secure networks	 Continuing to innovate

Principal risks	Priority	Mitigating actions
<p>Leading Thinking</p> <p>Risk that Ofcom is not seen as a trusted and respected thought leader and market shaper of the communications sector.</p>		<ul style="list-style-type: none"> ▪ We established a new internal Research Committee to shape our work ▪ We produced a series of discussion papers for external publication, published blog posts to encourage debate. ▪ We encouraged greater Ofcom participation in conferences and roundtable discussions in our regulated areas and with other regulators. ▪ We have instigated a programme of work to renew our strategies across sectors, incorporating horizon scanning of consumer, technological and commercial developments.
<p>Online Safety, Telecoms Security, VSPs</p> <p>Risk that Ofcom fails to prepare for actual and potential changes to its remit.</p>		<p>Telecoms Security Requirements</p> <ul style="list-style-type: none"> ▪ We have established a cross-Ofcom programme to prepare for new security responsibilities ▪ We continue to provide advice to the Government and engage with Parliament to ensure the statutory framework is workable and effective and that Ofcom is sufficiently resourced to deliver against our new responsibilities <p>Online Safety/VSPs</p> <ul style="list-style-type: none"> ▪ We have established a cross-Ofcom programme to prepare for new online safety responsibilities. ▪ We are providing ongoing advice to Government and Parliament to ensure the statutory framework is workable and effective.
<p>Strategy, Research and Horizon Scanning</p> <p>Risk that Ofcom fails to invest sufficiently in our strategy, research and horizon-scanning work in order to understand future developments in our sectors, in the context of cross-cutting macro developments (political, economic, social, technology, legal and environmental).</p>		<ul style="list-style-type: none"> ▪ We strengthened and formalised our horizon-scanning process throughout the year: including PESTLE analysis framework (April) and Board Strategy Day (October) to inform our 3-year plans. ▪ We invested resource in our horizon-scanning programmes: including Insights (Strategy & Research) and Tech Discovery (Technology). ▪ We identified and progressed specific project areas: climate change, future consumer and market dynamics, telecoms and broadcast cloudification and online tech.


Key to priorities

 <p>Better broadband and mobile</p>	 <p>Sustaining the universal postal service</p>	 <p>Safer life, online</p>	 <p>Increasing diversity and inclusion</p>
 <p>Fairness for customers</p>	 <p>Supporting UK broadcasting</p>	 <p>Enabling strong, secure networks</p>	 <p>Continuing to innovate</p>

Principal risks	Priority	Mitigating actions
<p>Commercial Understanding</p> <p>Risk that Ofcom fails to have a sufficient commercial understanding of the markets we regulate, both the industry priorities of businesses driven by commercial incentives and technological developments, and the changing needs and demands of consumers.</p>		<ul style="list-style-type: none"> ▪ We have increased regular engagement with stakeholders’ strategy, technology, and product teams. ▪ We have strengthened our research into the needs and demands of consumers, particularly online: e.g. behavioural insights, VSP Panel, and MSOM (media literacy). ▪ We have focused our recruitment to ensure we bring in high calibre colleagues with strong commercial experience in their relevant area.
<p>Regulatory Decisions</p> <p>Risk that Ofcom fails to make appropriate, evidence-based and legally defensible, regulatory decisions, in line with its statutory duties, which take account of evolving market circumstances.</p>		<p>Interventions in the Telecoms market.</p> <ul style="list-style-type: none"> ▪ We delivered the Fixed Telecoms Market Review (FTMR) in March 2021, setting out the regulatory framework to support the roll-out of full-fibre networks across the UK. We will continue to monitor implementation of the FTMR to ensure that consumers benefit from competitive markets. <p>Sustainable delivery of Universal Service by Royal Mail.</p> <ul style="list-style-type: none"> ▪ We published user needs findings which demonstrate that a reduction in the USO (from 6 to 5 days) would meet the reasonable needs of users. <p>Support UK broadcasting, including the PSB sector.</p> <ul style="list-style-type: none"> ▪ We are undertaking a PSB review to identify areas where new legislation is needed to better promote good outcomes for audiences across online and on-demand services. ▪ We delivered new licence types to respond to changing demands (e.g. outdoor cinema) and administered the Community Radio Fund as a pandemic support package.

Key to priorities

 Better broadband and mobile	 Sustaining the universal postal service	 Safer life, online	 Increasing diversity and inclusion
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Principal risks	Priority	Mitigating actions
<p>People</p> <p>Risk that Ofcom fails to have the right people strategies, leadership and culture to ensure we have the right people with the right skills and diversity of backgrounds at the right time to deliver the Annual Plan. Our leadership and culture fails to create a productive, inclusive and effective working environment which means delivery is below expectation or potential.</p>		<ul style="list-style-type: none"> ▪ We established a Senior Talent Committee to focus on senior talent planning and development and succession planning. ▪ We published our Diversity and Inclusion strategy in January with new 5-year targets. ▪ We undertook market analysis of key roles linked to the new Online Safety regime to inform our recruitment strategy and build organisational capability. ▪ We launched a new colleague pulse survey reviewing our culture and leadership, results informing local change plans.

Managing our Cyber and Information Security Risk

We recognise the importance of maintaining strong cyber and information security. We have continued to develop our approach to this, and during 2020/21 we have:

- Delivered ongoing mandatory cyber and information security training for all colleagues in Ofcom;
- Worked with our partner organisations to continually monitor threats and implement security measures;
- Completed an internal audit of our cyber security alongside our regular ongoing threat testing and have implemented the recommendations made; and
- Commissioned external assessors to review our Information Security Management System (ISMS) and benchmark against the internationally recognised Information Security Standard (ISO 27001). We achieved full accreditation in April 2021.

Key to priorities

 Better broadband and mobile	 Sustaining the universal postal service	 Safer life, online	 Increasing diversity and inclusion
 Fairness for customers	 Supporting UK broadcasting	 Enabling strong, secure networks	 Continuing to innovate

Stakeholder Engagement

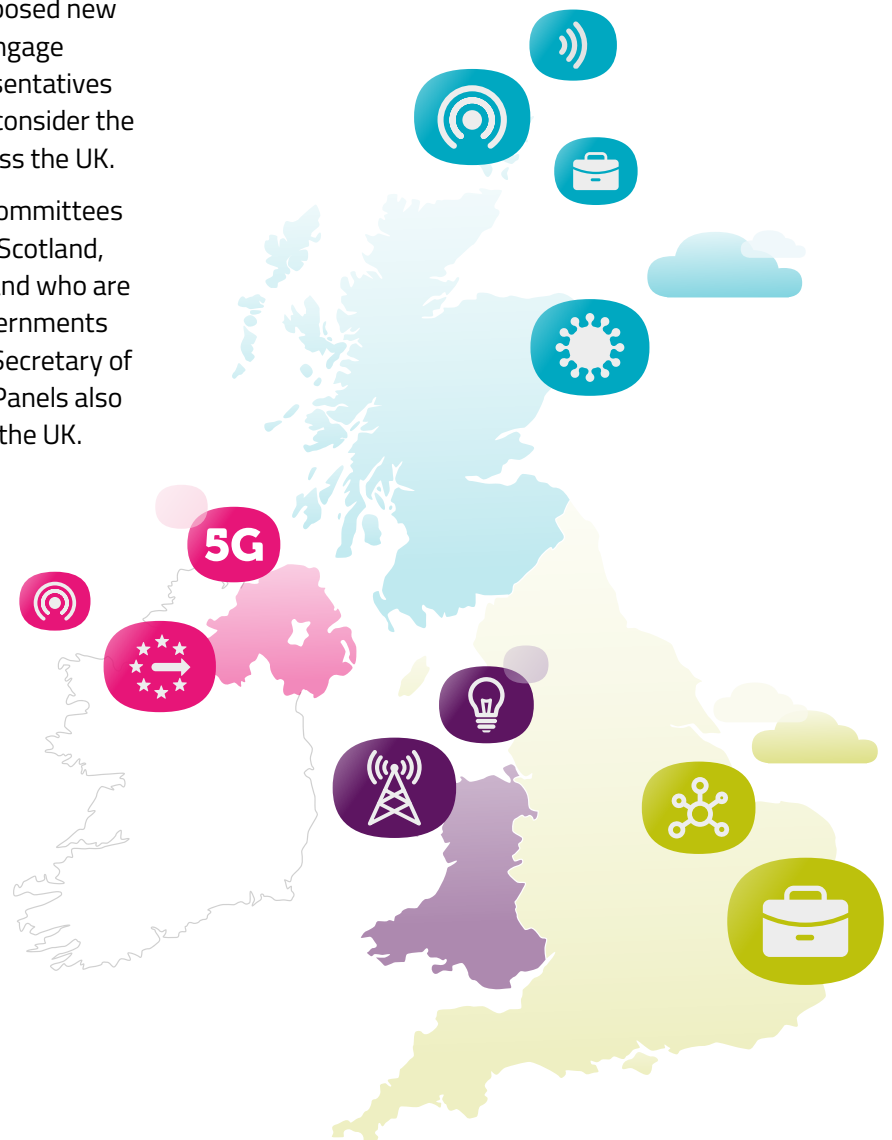
Our work in the UK's nations and regions

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

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

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

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



England

- We continued to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.
- We published our annual Connected Nations and Media Nations reports specifically for England.
- We began local engagement on our plans to open a new Ofcom digital and technology hub in Manchester, creating up to 150 new jobs at Ofcom in the North West.

Northern Ireland

- Throughout the pandemic we gave advice and support to local telecoms providers and broadcasters, helping them continue to deliver their services. We also issued short-term radio licenses for numerous outdoor cinemas and church services.
- We concluded our investigation into BT's behaviour during the tender for the Northern Ireland public sector telecoms contract, resulting in a £6.3m fine for BT Group for breaching our rules.
- As the UK left the European Union, we continued to advise the UK Government about the potential harm to consumers in Northern Ireland, especially in relation to parcel movements between Great Britain and Northern Ireland.
- We joined the Shared Rural Network NI working group and the Northern Ireland Executive's Mobile Action Plan working group, helping to deliver improved 4G and 5G coverage across Northern Ireland.
- We awarded the first small-scale DAB multiplex licence for Northern Ireland, in Derry/Londonderry.

Scotland

- Throughout the pandemic we gave advice and support to telecoms providers and broadcasters in Scotland, helping them to continue to deliver their services.
- Virtual events with representatives of the TV sector in Scotland on diversity in broadcasting and with the University of the West of Scotland on the future of public service media.
- Engagement with the Scottish Government on our preparations to regulate online safety.
- Provision of technical and regulatory advice to help the Scottish Government deliver key digital infrastructure projects, such as the 'Reaching 100%' broadband programme and the S4Gi mobile programme.
- Publication of our annual [Connected Nations Scotland](#) and Media Nations Scotland reports.

Wales

- Political and industry stakeholder engagement has featured prominently to keep stakeholders informed of developments in our work.
- Our 'Supporting Wireless Innovation for Agri-tech and Rural Connectivity' event brought together organisations facing connectivity challenges with those offering wireless solutions.
- Our 'Small Screen Big Debate' series of discussions enabled us to listen to the views of stakeholders regarding the future of Public Service Broadcasting in Wales.
- We have maintained our work in the Welsh language, developing the way we manage telephone calls and the manner in which we undertake research in Wales. Ofcom remains fully committed to promoting the use of the Welsh language in its activities and ensuring that those wishing to communicate with us in Welsh are able to do so naturally.

Our international engagement

Engaging internationally helps make communications work for everyone in the UK. We participate in international policy development and regulatory debates and maintain a regular dialogue with our peers, as well as with European and international institutions.

Our policy work is informed through our participation in regulatory and inter-governmental meetings, as well as international events, where we seek to learn from our overseas counterparts and exchange experiences and good practice. We regularly engage with international regulators bilaterally to exchange views on topics including telecoms security and resilience, consumer protection and online safety, and last year we formed an informal group to discuss the challenges of online regulation with counterparts from Australia, Ireland and Canada.

Europe

Although the EU exit transition period ended on 31 December 2020, we continue to closely follow regulatory developments in the EU and responded to the European Commission's public consultation covering the Digital Services Act and the Digital Markets Act. We remain active participants in regulatory dialogue at European level, including through our ongoing membership of the Independent Regulators Group (IRG), a group of 37 European telecommunications regulatory authorities. We have also continued our programme of engagement with EU regulators, including to exchange views on the European proposals and to support our implementation work on the revised Audiovisual Media Services (AVMS) Directive, which was transposed into UK law in 2020.

Beyond the EU

We participated in several international conferences on media plurality, policy and media literacy, and on competition in and the sustainability of the content sector. Through our Vice-Presidency of the European Platform of Regulatory Authorities (EPRA), a network of 54 European broadcast regulators, we led the creation of a media literacy network. We also remain involved in the work of the Council of Europe, where we chair the Expert Committee on Media Environment and Reform.

Engagement on online regulation and cyber-security

We take part in global multi-stakeholder dialogues on internet regulation and governance, including the Internet Governance Forum (IGF), the European Dialogue on Internet Governance (EuroDIG) and RightsCon. We joined the Internet & Jurisdiction Policy Network's Content Working Group as well as working groups within the Global Platform Governance Network, a Canada-based multi-stakeholder initiative seeking solutions for online policy and regulation.

Given the interdependent nature of global network infrastructure and evolving cyber-security threats, we are becoming more involved in international cyber-security discussions and have deepened dialogue with regulators with duties in this area, as well as the European Commission as it reviews the EU's cyber legislation. We also started to discuss frameworks for network resilience with regulatory counterparts. As the UK seeks to address the global challenge of a narrow telecoms supply chain, we have increased our engagement on the subject of vendor diversification and the adoption of solutions using open interface specifications, such as Open Radio Access Networks (RAN).

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

Spectrum

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

Further work with international bodies

We also chair several project teams and study groups in different international groups including in the International Telecommunication Union (ITU). Most recently, Ofcom has been appointed as the Vice-Chair of CEPT Conference Preparatory Group (CPG) which will be responsible for developing European positions for the next World Radio Conference which is scheduled to take place in 2023.

Other work in the ITU this year has focused on emerging technologies, and reforms to the ITU's structures and ways of working. We coordinate European positions on these issues through our role as Vice-Chair of the Com-ITU Committee in CEPT.

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

Finally, we support the UK Government at the Universal Postal Union (UPU), the inter-governmental body which governs the remuneration of international mail between Universal Postal Service Providers, including in relation to changes to the international terminal dues arrangements and the proposed opening of the UPU to wider sector operators.



Engagement with other stakeholders

Consumers and citizens

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

Ofcom's Consumer Contact Team received 96,051 calls, web forms, emails and letters directly from consumers in 2020/21, and the information that consumers provide helps us target our policymaking and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

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

We carry out regular research into consumer needs and behaviours, helping to inform our work and providing us with insight into how it affects the users of the products and services we regulate.

We also hold regular bilateral meetings with consumer stakeholder organisations as well as consultation meetings on specific topics.

Industry and Government

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

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

Reducing regulation

Ofcom is focussed 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 2020/21.

Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2020/21

Of the 40 Major Statements delivered in the year:	Number	%
Increased/new regulation	10	25%
Mixed/no change/ongoing	27	67%
Reduced regulation	1	3%
Streamlined/co-regulatory	2	5%

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

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.

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: 2020/21

	Consultation period at least ten weeks	Consultation period less than ten weeks (inc cat 2 and cat 3 consultations)
Telecoms	3	40
Broadcasting	2	15
Spectrum	1	4
Post	0	2
Other	1	2
Total	7	63
% Total	11%	89%
% Total (19/20)	17%	83%

Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2020/21, more than 90% 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.

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

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

Figure 3: Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	43	38
Broadcasting	17	4
Spectrum	5	2
Post	2	2
Other	3	1
Total	70	47 (=67%)

Figure 3 highlights that, in 2020/21, 67% 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

Whilst Ofcom is directly accountable to Parliament, our funding comes from fees charged out to the sectors we regulate (see figure 4 on page 60).

We are committed to being a cost-conscious, value for money organisation in discharging our duties. Over the past decade, the cost of regulation has fallen significantly in real terms.

We are also a net contributor to HM Treasury; Ofcom collected £415.5m of fees and penalties in 2020/21, of which we retained £63.8m to fund our spectrum management and other relevant duties. The balance was passed to HM Treasury and the Consolidated Funds.

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

Financial performance

In 2020/21, our cash outturn of £129.8m was 3.9% lower than our budget of £135.0m. This was largely due to reduced activity (recruitment of staff and travel) primarily driven by the pandemic.

£m	Budget	Outturn	Variance
2020/21	135.0	129.8	5.2
2019/20	124.2	124.0	0.2
Variance	10.8	5.8	5.0

The increase in 2020/21 budget of £10.8m relates to incremental spend on new duties including Video Sharing Platforms (£5.0m), Preparing for Online Safety (£3.1m), Networks Infrastructure & Security (£1.7m) and delivering Broadband Universal Service Obligation (£1.1m), an increase for inflation (£2.4m) offset by the removal of the International Telecoms Union subscription (£2.5m) paid for on behalf of the UK (still paid by Ofcom but funded by WTA receipt retention).

62% of our total cost base relates to staff costs, with a significant part (22%) of the remaining cost base fixed in relation to property and systems costs.

Ofcom presents the costs relating to Spectrum clearance and awards separately to differentiate from the Ofcom's core activities. Further detail on this is set out on page 57.

Operating income

The £132.5m (2019/20: £125m) of income received in 2020/21 covers Ofcom's core responsibilities (excluding Spectrum clearance and awards).

Operating expenditure

Excluding staff costs, expenditure relating to Ofcom's core responsibilities in 2020/21 increased by £2.5m to £50.4m (2019/20 £47.9m). The main operating variances from the prior year are due to:

- Professional Services increased by £0.8m, driven by a one-off recovery of legal costs in 2019/20;
- Outsourced Services costs increased by one-off £1.7m as we invest in our finance, people and planning systems;
- Technology Research increased by £0.8m relating to the preparation of Online Safety duties;
- Premises costs increased by £1.2m as a result of increased cleaning and security costs due to the pandemic and a one-off rates credit in respect of Riverside House in 2019/20.

This is offset by

- £1.4m of lower travel costs due to pandemic restrictions
- £0.4m of lower spend on IT operational equipment

Staff costs increased by £4.2m to £83.5m (2019/20 £79.2m), including £0.5m relating to spectrum clearance expenditure. The average staff numbers were 992 full time equivalents (FTE) (2019/20 937 FTE). The increase in costs year on year relates to the annual pay award (£1.6m) relating to 2019/20 performance, and growth in our teams supporting the new duties outlined above.



Surplus/deficit for financial year

Funding surplus or deficit

The operating revenue required by Ofcom to fulfil 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.

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

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £7.6m (2019/20 £8.6m surplus).

Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Net Income for the year under review, was £1.5m (2019/20: £226.7m deficit). The significant variance to the prior year reflects the inclusion of legal settlement funding of £232m in the 2019/20 financial statements which was funded by DCMS. The large accounting surplus in the previous year is a non-recurring event.

Spectrum clearance

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

The 700 MHz clearance programme has successfully made available this band of spectrum to meet the growing demand for mobile data. The programme is now in its final phase and is due to complete in autumn 2021.

The pandemic necessitated the pausing of clearance events and the adoption of a revised timescale for the programme. The clearance of the airwaves was finally completed on 19 August 2020.

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.

More information on the programme is provided in annex 8.

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.

Spectrum clearance and awards expenditure amounted to £22.7m in 2020/21 (2019/20: £76.7m), the reduction largely driven by completion of clearance activities by August 2020.

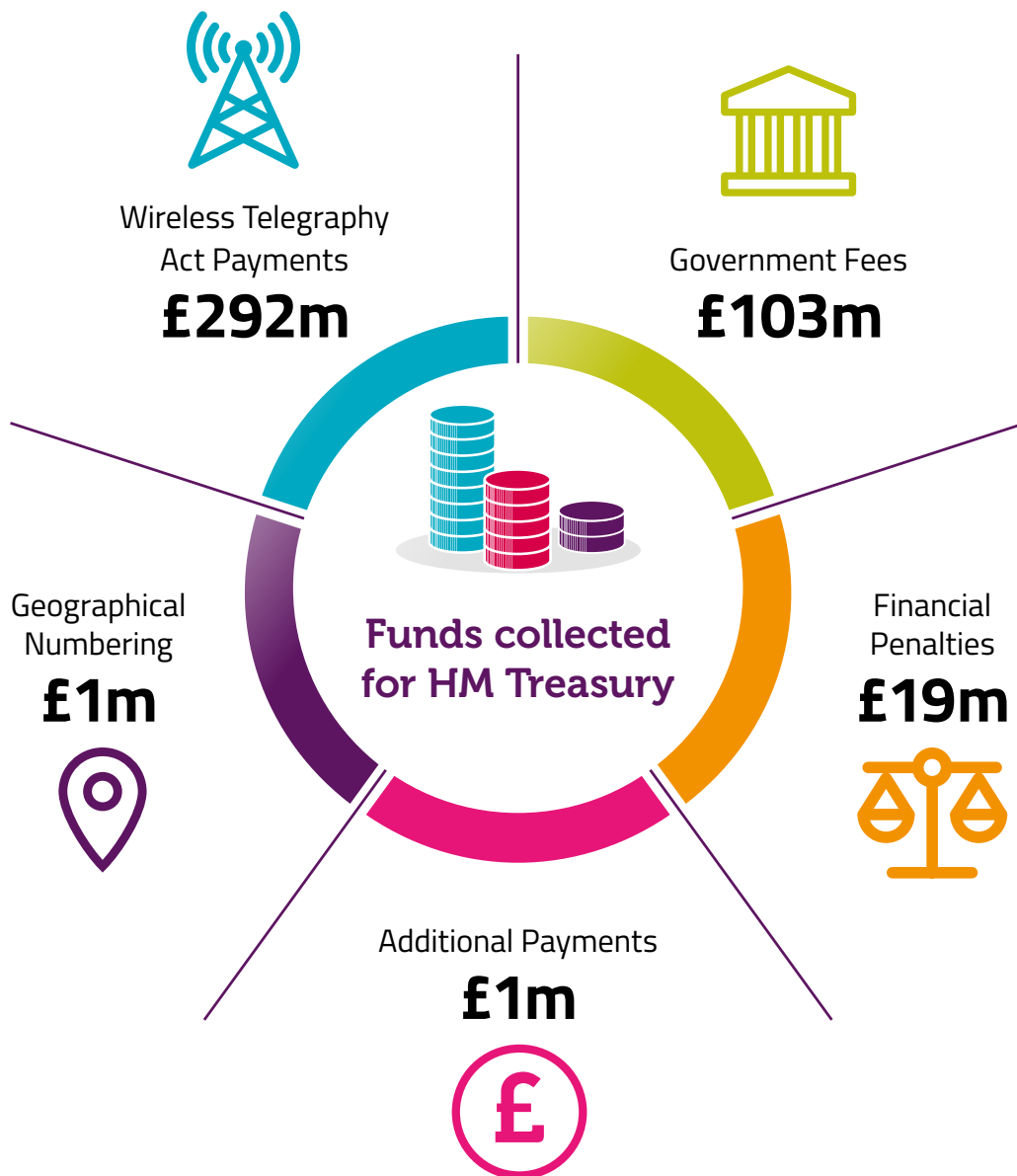
The remainder of the programme focuses on the removal of temporary measures, site decommissioning works and Grant Reconciliation.

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 Annex 1 on page 149.

During the 2020/21 financial year Ofcom collected £415.5m (2019/20: £373.2m) on behalf of HM Treasury of which £63.8m (2019/20: £56.8m) was retained to fund some of Ofcom’s core responsibilities, including Spectrum Management. The variance to the previous year receipts is due to an increase in the annual licence fees paid by mobile operators for the public wireless networks.

A total of £328.3m was transferred to Government accounts in the financial year.



Pensions

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

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

However, the 2020/21 financial statements show a surplus of £14.8m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations.

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

As a consequence of the risk mitigation work between Ofcom and the Trustees and Actuaries of both pension plans, approximately 80% of the plans' liabilities are now backed by annuities. As part of the ongoing activity to manage and mitigate risks of the plans, further insurance-backed benefit buy-ins in respect of pensioner members will be considered in the future.



Tariffs

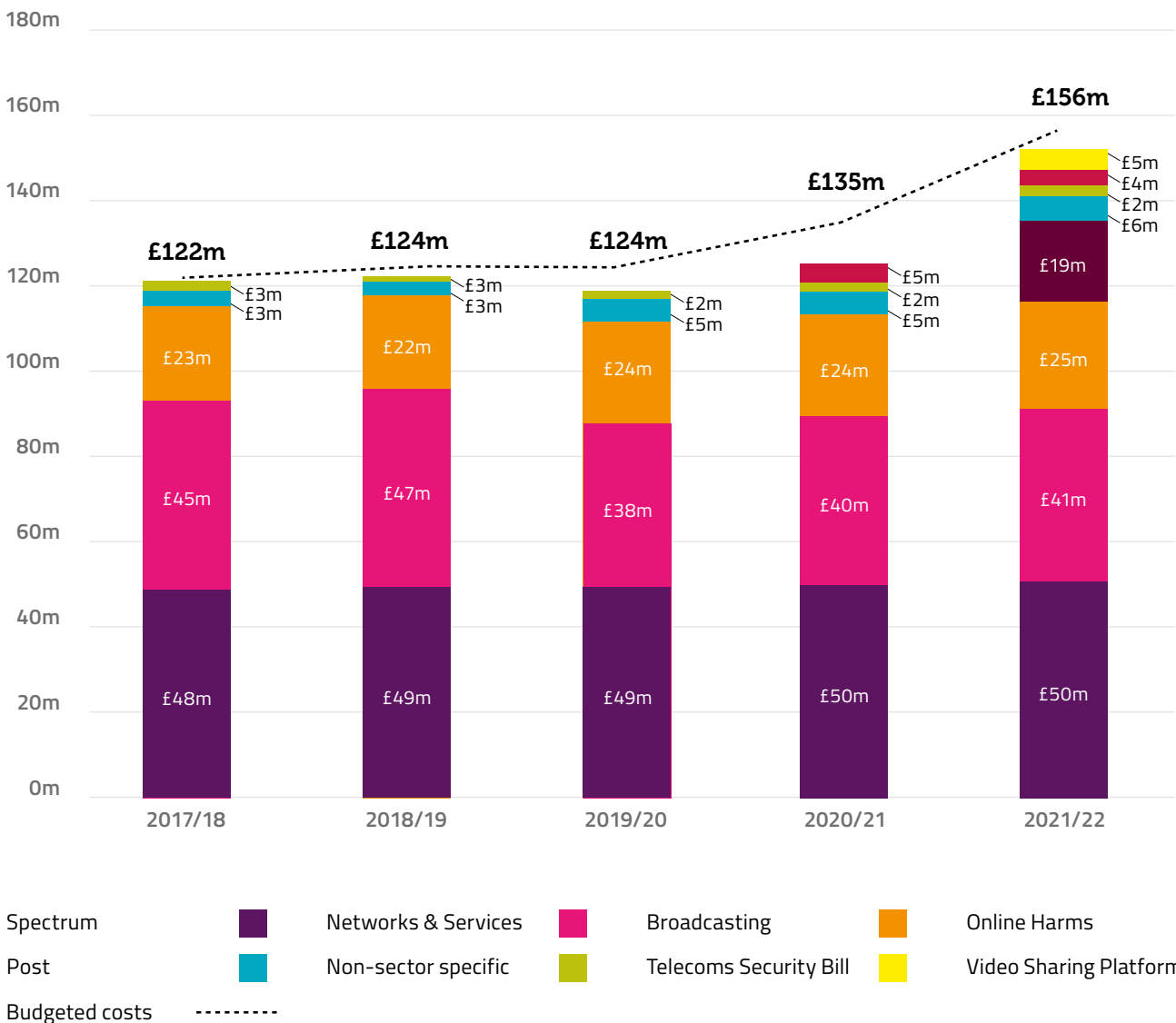
Ofcom published the 2021/22 Tariff Tables on 26 March 2021. Ofcom’s core budget remains at the same level as the previous financial year, £131.9m. The overall spending cap will be increased further by £23.8m to incorporate preparatory work for our new regulatory duties i.e. Online Safety and enhanced Telecommunications (Security) Bill. These activities will be funded by the retention of Wireless Telegraphy Act (WTA) receipts and not stakeholder

Further details can be found in the 2021/22 Tariff

Tables on our website.

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

Figure 4: Five year sector view of funding



Corporate Responsibility

Ofcom's commitment to corporate responsibility

As a responsible employer we focus on our environmental impact and our ability to build a strong sense of community and purpose at Ofcom. To achieve this we:

- work to reduce our carbon footprint, ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on page 64); and
- build closer links with local communities in London, Manchester, Edinburgh, Cardiff and Belfast.

Volunteering and community

"We are connected to communities" is one of the six foundations in our new Diversity and Inclusion Strategy. Volunteering and community work also form a key strand in our organisation-wide Thrive@Ofcom wellbeing programme which we've called 'doing good to feel good'.

We encourage colleagues to participate actively in community initiatives and volunteering opportunities. We support participation in local communities with three days paid volunteer leave each year during working hours for any registered charity. We enhanced this with five additional days in 2020, bringing the total to eight paid volunteering days, specifically to provide support to any charitable, community or public sector organisations in relation to the pandemic. We believe sharing time is an effective way for people in Ofcom to offer their skills and expertise; gain new skills and perspectives, stay mentally healthy and boost their confidence. It also promotes our diversity objectives by learning about the society that we serve and

appreciating its diverse needs and challenges. Our ambition is that we further grow our connections to communities and under-served groups so we can hear consumers' voices and create positive social outcomes as an employer, and as a regulator.

Schools and institutions

We continued our extensive school outreach work during the pandemic, moving quickly to provide support to schools and institutions online, hosting large virtual work experience sessions and internships.

We have partnered with Speakers for Schools since 2018, offering students from state schools, academies and colleges a week's work placement during school holidays. Ordinarily we meet travel costs up to £50 and provide a £5 daily meal allowance to make sure that the placement does not create a financial burden. The aim is to inspire students to think about working in industries and sectors they wouldn't otherwise have considered or wouldn't normally have access to and for employers to reach a pool of new students from different backgrounds as they think about their future careers. This year we hosted three Digital Work Experience weeks with Speakers for Schools and provided career experience to over 100 students. The virtual format meant we were able to offer experiences to students around the country who otherwise might not be able to travel to our offices. The programme provided:

- a volunteer mentor line manager to work with every student who applied.
- Presentation opportunities for students on our remit and sectors
- Direct feedback from our Chief Executive and our People and Transformation Director.

In addition we offered 12 annual, four-week paid work experience internships to A-level students from business education charity, Career Ready, during the summer months. Career Ready links employers with schools and colleges whose students have little family background of higher education or professional careers, to give young people support, experiences and insights to kick-start their futures. In monthly meetings mentors coached their young person about career options and pathways, helping them to understand more about the world of work, making the transition from education to the workplace, and the skills they'll need towards a rewarding future.

We donated 245 of our pre-owned business laptops and Business 2 Schools distributed them to schools in areas around the UK where they were most needed.

Our reading mentoring scheme in partnership with local schools was suspended, but will resume in the Summer of 2021.

We sponsored the Institution of Engineering and Technology's (IET) Young Woman Engineer of the Year Award supporting women in engineering. This year in March, the IET held their awards ceremony virtually and six of our female engineers were able to present on their roles at Ofcom. Our Technology and Spectrum Groups are currently developing a programme to increase gender and ethnic diversity in our STEM roles.



Apprenticeships and internships

We are committed to providing more opportunities for young people to join us. We pay the Apprenticeship Levy and use it to enrol people onto apprenticeships ranging from intermediate to Masters level. We also use the levy to upskill existing employees by gaining professional qualifications ranging from CIMA (accountancy), CIPD (People Profession or HR) to BEng (engineering) through an apprenticeship. In 2021 we will review our overall approach to apprenticeships, supporting the programme with long-term, paid skills-based work placements. We currently employ 17 apprentices working in Spectrum Engineering, Consumer Contact Centre, Competition Finance and Market Research with a further 21 colleagues using the Apprenticeship Levy to develop their skills and gain an additional qualification.

Our Legal team partnered with the Sutton Trust's 'Pathways to Law' programme to host five students for paid work in September 2020. The programme

is ongoing and aims to widen access to the legal profession, raise students' aspirations and allow them to make informed decisions about their future career. It is open to students who attend non-fee-paying schools, and they are also often the first in their family to attend university.

Ofcom charity

During 2020 colleagues carried out a variety of activities to raise money for causes they care about. Our colleague employee networks launched their '#ChallengeforCharity' event support the provision of crucial services during the pandemic. These charities included those that support people who suffer from domestic abuse or have a hostile home environment as well as homelessness charities and food banks. Our annual charity Christmas raffle in 2020 raised money for our corporate charity, Macmillan, and two charities chosen by colleagues in Belfast and Edinburgh.

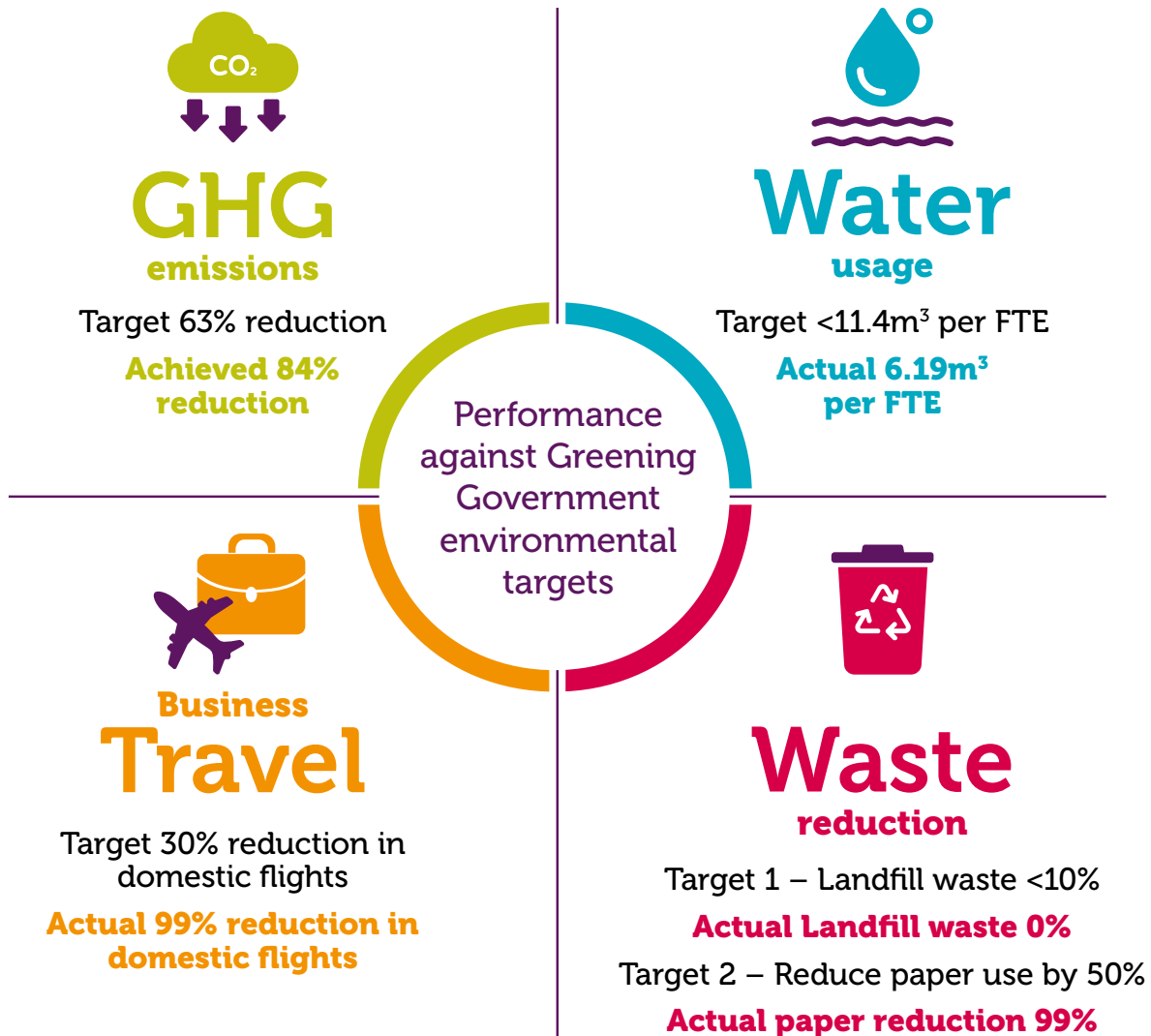


Sustainability Report

Managing our impact on the environment is important to us in how we run the organisation. We set ourselves an ambitious environmental target in 2007 to reduce our carbon emissions by at least 50 per cent by 2020. We had already achieved 59% at the end of March 20, before the exceptional impact of the pandemic, which led to a 72% reduction in tonnes of carbon dioxide equivalent (tCO₂e) compared to last year. While we recognise that emissions will increase

in 2021/22 as we return to pre-pandemic levels of travel and building occupancy, we will seek to embed many of the efficiencies in our future ways of working.

Ofcom also has an ongoing commitment to the Greening Government agenda, and we have been successful in meeting the targets to cut greenhouse gas (GHG) emissions, reducing waste sent to landfill and paper consumption from a 2009/10 baseline.



All comparisons are made to a 2009/10 baseline target. Greenhouse gas emissions (GHG) includes scope 1 (direct) and 2 (indirect) emissions.

By investing in video-conferencing capabilities across all our offices and adopting Microsoft Teams and Surface Hubs, we now have the digital technology to avoid unnecessary travel.

We had unavoidable air travel in 2019/20, where we opted to offset the greenhouse gas emissions by supporting two woodland creation projects, to capture the carbon dioxide emissions from our air travel. Both projects are registered with the government backed UK Woodland Carbon Code and appear in the independent Markit Registry and are certified to ISO standards by a UK Accreditation Service (UKAS). We will continue to offset unavoidable air travel in future years.

Developing our approach to environmental management

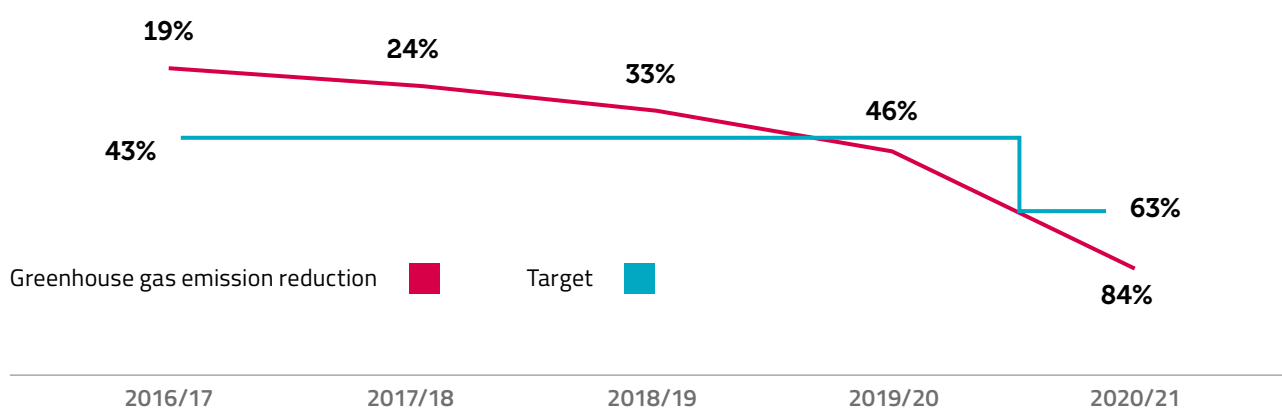
We are now working towards achieving ISO 14001 certification for environmental management. We will develop targets to meet any new Government Greening environmental requirements, with an ambition to achieve net zero over the coming decade.

Dame Melanie Dawes DCB

Chief Executive and Accounting Officer

23 June 2021

Figure 5: 5-year sustainability performance overview



		2016/17	2017/18	2018/19	2019/20	2020/21
Greenhouse gas emissions (Scopes 1,2)	tCO2e	1,456	1,209	1,078	493	297
	Expenditure	£405,810	£459,238	£404,206	£158,351	£182,803
Business travel (Scope 3)	tCO2e	312	519	555	594	7
	Expenditure	£663,705	£705,602	£742,876	£837,982	£5,458
Waste (Scope 3)	tCO2e	172	76	198	189	69
	Expenditure	£37,984	£7,004	£43,805	£35,000	£12,470
Finite resource consumption	Water consumption (m3)	11,282	9,379	13,988	18,874	6,375
	Expenditure	£22,248	£6,929	£19,583	£23,321	£14,820
	Paper reams	6,317	3,915	2,579	2,411	23

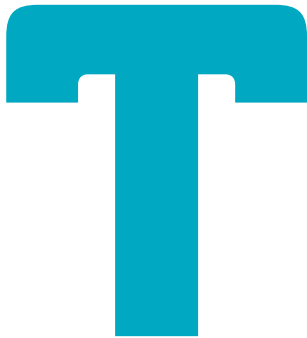
SECTION B

Accountability

Report



Governance



The last 12 months have been very challenging for Ofcom and our colleagues, but they have shown ofcom at its best in terms of who we are, what we do and how quickly we can get things done. Effective governance facilitates our providing sensible and supportive regulation, particularly in these challenging times

Maggie Carver



Governance Overview by the Interim Chair

On behalf of the Ofcom Board, I am pleased to introduce the Corporate Governance Report for the period 1 April 2020 to 31 March 2021. Corporate Governance continues to be a high priority in Ofcom and goes beyond applying a set of prescribed rules and guidelines. It is vital to the way we are run and sets the tone for the organisation. Over the past year, the challenges presented by the pandemic have reinforced for the Board the importance of our aim to make communications work for everyone. We have seen that high-quality, reliable communications services have been more important than ever to people's lives. As efforts continue to overcome the pandemic, we will seek to provide sensible, supportive regulation – while holding communications providers to account and ensuring they serve their customers and audiences to the best possible standard. Looking forward, we recognise that our communications sectors are changing fast. For us to respond effectively to this requires long-term focus, as well as speed and agility in our approach. The Board has also focused on protecting the health and wellbeing of our colleagues, while at the same time maintaining the operational integrity of Ofcom.

The next few pages detail how Ofcom approaches governance, including the operation of the Board and Board Committees. In March/April 2020, we organised an external evaluation to be carried out of the Board and Board Committees' effectiveness. The review found that Ofcom's governance arrangements continue to work well, although as a Board we thought that more time could be spent on strategy and longer-term issues. We are working to change this through our Board agenda planning and strategic work programmes. The top priorities identified for the Board over the 12 month period following the review were online and digital; our people; longer term focus; transition to a new Ofcom Board Chair; organisational structure; and establishing greater credibility. A series of actions are happening across all of these areas and we will continue to measure improvements and changes in these areas year on year. More detail is provided in the Governance Report on pages 75 and 78.

We have tried to be even more responsive in the way we work with the communications providers we regulate. We arranged for an independent stakeholder review to enable us to judge our effectiveness as a regulator from the viewpoint of key external stakeholders. We have responded to recommendations made in that review to improve our approach to regulation. Further information is set out in the Governance Report.

We also reviewed and enhanced our Corporate Governance Framework; we are always looking for ways to improve our practices so that we remain at the leading edge of governance best practice and can anticipate new challenges in the communications sectors we regulate. The tone is set from the top and, as a Board, we set strategic direction and risk appetite, and provide oversight of the Executive's day-to-day running of the business. As Ofcom's Interim Chair, it is my job to make sure that enough time is available at Board meetings for open and challenging discussions of significant issues and, in particular, on our strategic priorities.

Our corporate governance arrangements continue to be informed by the UK Corporate Governance Code (the "Code") with respect to business and corporate practices, matters reserved to the Board, our Financial Authorities Framework and terms of reference for each of our Board Committees. While Ofcom is not subject to the Code, we have looked to see if any of the principles and provisions set out in the Code could inform our approach, as a matter of best practice.

Over the past year, we have strengthened the executive makeup of the Board with the appointment of Lindsey Fussell, Group Director, Network & Communications. We also said farewell to Lord Terry Burns, Ofcom Board Chair, at the end of 2020. We are deeply grateful to Terry for all that he did in developing Ofcom's progressive approach and for his excellent leadership, both strategically and personally. The Government is recruiting a new Chair. Tim Suter resigned from the Board in May 2021. As Head of Broadcasting Policy at DCMS, Tim was responsible for the Communications Act 2003 and the creation of Ofcom. He served as Ofcom's Partner, Content and Standards until 2008. He joined the Ofcom Board as a Non-Executive Director in 2017 and was appointed Chair of the Content Board. Our sincere thanks are due to Tim for his significant and valuable contribution to Ofcom. We are continuing to work with colleagues in the Northern Ireland Assembly and the Department for Digital, Culture, Media and Sport (DCMS) on the appointment of a new Board Member for Northern Ireland. Each year, our People Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board, so that we can make recommendations

about the improvements to the Board that could be made. This is important, bearing in mind our new online duties.

Dame Melanie Dawes joined us as Chief Executive in March 2020. She has made a tremendous start in this role, despite the difficulty of leading an organisation mainly based at home. She has brought new energy and perspective and, alongside the Senior Management Team, has ably led the organisation through a period of significant change.

2020/21 was a significant and challenging year for Ofcom and the Ofcom Board. Despite the impact of the COVID-19 pandemic, I am pleased with the progress we have made in delivering a number of our key objectives, including:

- **July 2020** – the publication of best practice guidance for telephone, broadband and pay TV providers to ensure that vulnerable consumers are treated fairly.
- **August 2020** – confirmation of plans to proceed with the 700 MHz and 3.6-3.8 GHz Spectrum Auction in early 2021.
- **December 2020** – the publication of our review of public service broadcasting (PSB) "Small Screen : Big Debate" and launch of a consultation on proposals for how PSB can stay relevant and reach everyone in the future.
- **February 2021** – approved the One Ofcom transformation programme which will deliver Ofcom's new vision and which will transform and strengthen Ofcom in the years ahead, given the expansion of our role and the changes in the markets we regulate.
- **March 2021** – the publication of the final statement on the Wholesale Fixed Telecoms Market Review 2021-2026, implementing our strategy to facilitate the widespread deployment of fibre and the smooth transition from the legacy copper network.

Throughout the year, we have also supported the communications sector in its preparedness for Brexit.

Maggie Carver
Ofcom Board Interim Chair

Governance Statement

This Governance Report summarises Ofcom's governance arrangements including the composition of our Board, how our governance framework operates in practice (including our governance structure and Board roles and responsibilities) and our key areas of focus in 2020/21. It also sets out how we keep our Board and Board Committees informed and updated and summarises the outcome of our last Board Effectiveness Review and also our review of stakeholders' opinions of our work. How we manage conflicts of interest and the main functions of our Board Committees and Statutory Boards are set out towards the end of the Report.

Our Governance

As a statutory corporation, Ofcom's principal governance compliance requirements are governed by the relevant legislation (including, the Ofcom Act (2002), the Communications Act (2003), the Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders thereto) which determines matters such as the purposes of the organisation and the appointment of our Members. Ofcom is also subject to the Code of Conduct for Board Members of Public Bodies.⁷ Our overall corporate governance approach is informed by the 2018 UK Corporate Governance Code ("the UK Code") and its related guidance⁸, subject to where certain principles are considered to be disproportionate or less relevant in Ofcom's case and/or there are other requirements placed on Ofcom by statute

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

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

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

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

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

Our Board: Activities & Purpose

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

This covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

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

Board Appointments

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

Board roles

The Chair

The Chair of the Board is responsible for chairing and providing leadership of the Board.

Other responsibilities include:

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

The Chief Executive

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

The Permanent Secretary for DCMS has designated the Chief Executive as Ofcom's Accounting Officer. This appointment carries with it duties of responsibility in respect of regularity, propriety, value for money and good financial management, and the safeguarding of public funds. The Chief Executive has specific responsibilities for ensuring compliance with the terms of the Framework Document with DCMS. She must also ensure that proper accounting records are maintained, and she must sign the accounts.

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

Non-Executive Board Members

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

Board Members

Maggie Carver CBE

Interim Chair and
Non-Executive Board Member



Appointment

Appointed to the Ofcom Board as Deputy Chair on 30 September 2018 and interim Chair from 1 January 2021.

Tenure 2 Years **Membership** ● ●

Maggie is Chair of the Racecourse Association and a Director of the British Horseracing Authority. She has extensive experience as a non-executive director on the boards of 18 companies, public, private and not-for-profit. These include chairing news and programme provider ITN, multiplex operator SDN, and the British Board of Film Classification, as well as being a director on the boards of Channel 5 Television, RDF Media plc, Satellite Information Services, armed forces broadcaster BFBS, and British Waterways. Maggie's executive career was in investment banking, television production, broadcasting and retail.

Bob Downes

Non-Executive Board Member
(Board Member for Scotland)



Appointment

Appointed to the Ofcom Board on 1 February 2018

Tenure 3 Years **Membership** ● ●

Bob is the current chairman of the Scottish Environment Protection Agency and of the Independent Oversight Board in Dublin. He is an investor and independent director with small technology businesses and led the establishment of CENSIS, an innovation centre for sensors and imaging systems. Bob was trustee of the Mackintosh Campus Renewal Appeal for Glasgow School of Art and presently chairs Cryptic an international arts production house. Formerly, he was a senior executive with BT Group. In addition to his role as the Board Member for Scotland, Bob ensures appropriate attention and focus is given to those special characteristics and challenges unique to Northern Ireland pending the appointment of a Board Member for Northern Ireland

Dr Angela Dean

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



Appointment

Appointed to the Ofcom Board on 30 September 2018

Tenure 2 Years **Membership** ● ●

Angela is currently Chair of International House Trust, Vice-Chair 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.

David Jones

Non-Executive Board Member
(Board Member for Wales)



Appointment

Appointed to the Ofcom Board on 8 April 2019

Tenure 2 Years **Membership** ● ●

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

Ben Verwaayen

Non-Executive Board Member and Chair of the Board People Committee



Appointment

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

Tenure 5 Years Membership ●

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

Graham Mather, CBE

Non-Executive Board Member



Appointment

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

Tenure 7 Years Membership ●

Graham was a member of Ofcom's Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was a member of the Competition Appeal Tribunal, the body that deals with appeals from UK regulators. Graham is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group. He is a member of the Board of the Office of Rail and Road.

Tim Suter

Non-Executive Board Member and Chair of the Board Election Committee and the Content Board



Appointment

Appointed to the Ofcom Board on 2 October 2017 and left Ofcom on 21 May 2021

Tenure 3 Years Membership ●●●

Tim was a BBC producer, editor and senior manager and Head of Broadcasting Policy in the Department for Culture, Media and Sport in 2002, responsible for the Communications Act of 2003 and the creation of Ofcom. He joined Ofcom at its inception and left to found Perspective Associates, advising on media policy and regulation. He has been a special advisor to the House of Lords Communications Committee and is 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.

Lord Burns, GCB

Former Chair and Non-Executive Board Member until December 2020



Appointment

Appointed as Chair of the Ofcom Board on 1 January 2018 and left Ofcom on 31 December 2020

Tenure 3 Years Membership ●

Lord Burns is a Senior 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 Welsh Government's South East Wales Transport Commission, 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, Chairman of Channel Four Television, Chairman of Marks and Spencer plc and Chairman of Welsh Water and was an Independent Adviser to the Secretary of State on the BBC Charter Review.

Executive Board Members

Dame Melanie Dawes DCB

Executive Board Member
and Chief Executive



Appointment

Appointed to the Ofcom Board In March 2020

Tenure 1 Year

Dame Melanie was appointed Chief Executive in March 2020. Before joining Ofcom, Melanie was the Permanent Secretary at the Ministry of Housing, Communities and Local Government. She held senior roles across the Civil Service, working in partnership across the public and private sectors. She started her career as an economist and spent 14 years at the Treasury, including as Europe Director. She was Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office between 2011 and 2015. She has held a number of non-executive roles including with the consumer body Which? and is a trustee of the Patchwork Foundation, which promotes the participation of under-represented young people in democracy.

Lindsey Fussell

Executive Board Member and
Group Director for Networks and
Communications



Appointment

Appointed to the Ofcom Board
in December 2020

Tenure <1 Year

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

Kevin Bakhurst

Executive Board Member and
Group Director for Broadcasting
and Online



Appointment

Appointed to the Ofcom Board in April 2020

Tenure 1 Year **Membership** C E

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

Jonathan Oxley

Former Executive Board Member
& Interim Chief Executive and
Group Director



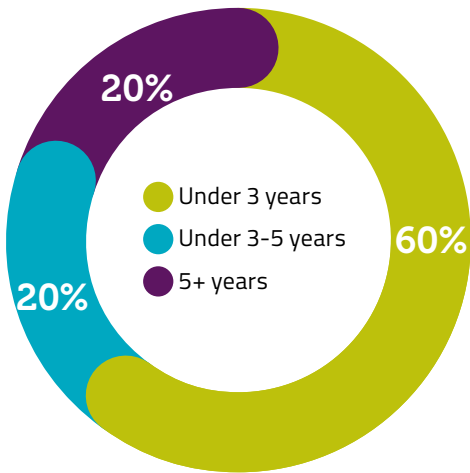
Appointment

Appointed to the Ofcom Board in January 2015
and left Ofcom in June 2020

Tenure 5 Years

Jonathan joined Ofcom as Group Director, Competition in November 2014 and was appointed as Interim Chief Executive in November 2019 until March 2020. Before joining Ofcom, he was a Partner in PwC's Strategy and Economics practice, specialising in telecoms, media and technology. Jonathan is also the Chief Executive of the UK Regulators' Network, a position he has held since December 2018.














Tenure in role



Board Activities

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

The following chart shows how the Board allocated its agenda during the reporting period.

	Chair, NED & Chief Executive updates (including issues across the other categories)	26%
	Supporting UK broadcasting	13%
	Continuing to innovate in regulation & data to help people and businesses	13%
	Corporate Governance	8%
	Ensuring online communications work for people and businesses	8%
	Regulatory, Finance, Risk and Legal	4%
	Better broadband & mobile – wherever you are	4%
	Sustaining the universal postal service	4%
	Fairness for customers	3%
	Ensuring strong, secure networks	2%
	Increasing diversity & inclusion	2%
	Support through EU exit transition & continued international relationships	1%
	Other (including Covid-19 pandemic, market research & briefings)	12%

Set out below are examples of some of the activities undertaken by the Board in each of these areas during the reporting period.

Corporate Governance

- Reviewed and updated our Corporate Governance Framework
- Approved & monitored delivery against Ofcom's Budget and Plan
- Considered recommendations by stakeholders for strengthening Ofcom's approach to regulation
- Evaluated the effectiveness of the Board, Committees, our Board Members and the Chair

Regulatory, Finance, Risk & Legal

- Reviewed Ofcom's Strategic Risks each quarter
- Reviewed and approved Ofcom's Risk Appetite Statements
- Approved Ofcom's Budget 2021/22.

Better Broadband and Mobile

- Approved proposals in the Wholesale Fixed Telecoms Broadband Review
- Approved updated spectrum auction plans to meet growing demand and to support the rollout of 5G (700 MHz and 3.6–3.8 GHz spectrum bands)
- Approved the approach for Industry migration to IP based services.

Supporting UK Broadcasting

- Reviewed the BBC Annual Performance Review
- Reviewed the Channel 4 Corporation Statement of Media Content Policy
- Approved the consultation on the future of public service in media in the UK – "Small Screen: Big Debate" – looking at the future for Public Service Broadcasters services and their sustainability given the rise of digital consumption

Ensuring Online communications work for people and business

- Oversight of Ofcom's Online Work Programme
- Reviewed the preparatory work for regulating Video Sharing Platforms and potential wider online harm responsibilities
- Reviewed online misinformation and disinformation and approaches to content moderation

Fairness for Customers

- Reviewed the implementation of the broadband universal service obligation
- Reviewed proposals to support fair treatment and easier switching for broadband and mobile customers
- Reviewed other fairness projects including end of contract notifications and a ban on handset locking

Enabling Strong Secure Networks

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

Sustaining the Universal Post Service

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

Supporting Consumers and Industry through Brexit

- Regularly reviewed both Ofcom's and stakeholder's plans for Brexit preparedness
- Received regular reports on Ofcom's engagement with industry, consumer groups and other regulators to understand any emerging concerns or risks

Increasing Diversity and Inclusion

- Reviewed Ofcom's Diversity and Inclusion Strategy including setting new workforce and Board and Committee diversity targets
- Reviewed reports on diversity in broadcasting and programme of industry engagement to promote diversity and inclusion across broadcasting

Continuing to innovate our approach to regulation

- Considered the approach to regulating online harm, focusing first on Video Sharing Platforms

Other

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

We believe that a positive culture, supported by effective leadership and a consistent ‘tone from the top’, is crucial to our success. As such, the organisation’s culture remains a core focus for the Board. Although the pandemic limited the scope for ‘in-person’ meetings due to restrictions introduced during the course of the year, we were able to continue our extensive engagement programme with stakeholders through a range of ‘virtual’ formats.

Management Information

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

Board Administration

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

The Board had ten scheduled meetings during the year and one ad-hoc meeting. The scheduled meetings were held each month, with the exception of August and January. The Board also undertakes a Strategy Session in October of each year, where medium to long-term strategy is examined and discussions take place on strategic and material issues. Due to the measures and restrictions put in place in response to the pandemic, our Board meetings and Strategy Session were all held remotely in the reporting year. All Board and Board

Committee meetings are pre-scheduled on a rolling calendar year’s notice. The Board papers relevant to the agenda of each Board and Board Committee meeting are distributed to Board and Committee Members, as appropriate, approximately one week in advance of the meeting via a secure digital portal.

Attendance at the Board during the 2020/21 Financial Year

	Ofcom Board
Number of meetings	11
Lord Burns ¹ GCB	8
Maggie Carver	11
Dr Angela Dean	11
Bob Downes	11
Graham Mather CBE	11
Tim Suter	11
Ben Verwaayen	11
David Jones	11
Dame Melanie Dawes	11
Kevin Bakhurst	11
Lindsey Fussell ²	3
Jonathan Oxley ³	2

1. Lord Burns left Ofcom at the end of December 2020. He attended all eight Board meetings held between April and December 2020.

2. Lindsey joined the Ofcom Board in December 2020.

3. Jonathan resigned as an Executive Board Member in May 2020.

Keeping the Board Informed

Ofcom is firmly committed to the on-going development of its Board Members and we recognise the need to continually evolve their knowledge to enable them to effectively fulfil their duties. All newly appointed Board Members are provided with a comprehensive and bespoke induction programme on joining Ofcom, which includes sessions with each member of the Senior Management Team and other key senior directors. These sessions are intended to ensure familiarisation with Ofcom's Plan of Work and the challenges, opportunities and risks that Ofcom may face. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance and the Risk Management Policy and the Internal and External Audit.

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

Board Performance and Effectiveness Review

Each year, the Board conducts an effectiveness review to evaluate the performance of the Board, Board Committees and individual Board Members. In March 2020, an external review was commissioned, with questions set by the Chair (assisted by the Corporation Secretary).

The Board considered the outcomes of the review and its recommendations at its April 2020 Board meeting. The review concluded that Ofcom's governance arrangements continue to work well, although as noted in the Interim Chair's Governance Overview and in the next section of this Governance Report, some respondents thought that more time could be spent on strategy and longer-term issues. To address this, a series of 'deep dives' into strategy areas in our sectors have been built into our agenda forward planning, enabling the Board to spend a greater proportion of its time considering longer-term thinking and strategic issues.

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

- Online and Digital – planning for online & shaping the organisational strategy, broadening of the Board's understanding of the new industries of cyber security / social media / entertainment and looking at digital media services;
- People – focusing on people and talent management, ensuring that the People Plan sufficiently takes account of online responsibilities and establishing credibility with stakeholders across Ofcom's new range of responsibilities;
- Longer-term Focus – spending more time on longer-term thinking, strategic issues and horizon scanning and maintaining a clear focus on future challenges and understanding of international developments;
- Transition to a new Ofcom Board Chair;
- Organisational Structure – focusing on organisational development and ensuring that Ofcom has an organisational structure equipped to meet future challenges;
- Establishing Credibility – ensuring trust and credibility, including credibility with Ofcom's stakeholders across its new range of responsibilities and increasing the "brand value" so that Ofcom remains a trusted regulator; and
- Other Areas – prioritising the Board agenda; maintaining the right balance of strategic oversight and operational review, maintaining the emphasis on high standards and professionalism and staying engaged & informed

A series of action areas were identified by the Board in response to the recommendations and status updates were reviewed by the Board.

The Board has agreed that, given a new permanent Chair is to be appointed later in 2021, a light touch and internally led review should be conducted for the 2021/22 review year, although similar questions will be asked to those asked in the reviews in the previous two years, to enable the Board to track any improvements and changes year on year.

Stakeholder Review

As noted in the previous section, establishing credibility with Ofcom's stakeholders across its new range of responsibilities and increasing the "brand value" so that Ofcom remains a trusted regulator was one of the recommended priorities for change arising out of the annual Board Effectiveness Review conducted in 2020. The Board agreed to conduct an externally facilitated, anonymised survey in 2020 with thirty of Ofcom's senior stakeholders, mainly from companies regulated by Ofcom. The objective was to gather perspectives from external stakeholders on how Ofcom's approach to regulation could be further strengthened in a structured and transparent way. This review was conducted between June and August 2020. The outcomes were presented in an anonymised report which acknowledged Ofcom's strengths but also identified a number of areas where stakeholders considered there was potential for improvement.

We have taken a pragmatic approach to building our Plan of Work 2021/22 in response to this feedback, prioritising a number of key cross-cutting strategic issues, namely the speed and agility of our work; the depth and breadth of our commercial insight and digital skills; and articulating our vision for consumer outcomes in the markets we regulate.

These issues have informed and underpinned our work to strengthen Ofcom for the future to ensure that we are well positioned to carry out our duties both now and in the future. We recognise that with the increased use of online services and as our sectors continue to change rapidly, Ofcom needs to keep pace. As we assume duties in new areas - such as regulating VSPs and in relation to the Telecommunications (Security) Bill - it is important that we evolve our digital and commercial skills and develop innovative working practices. To achieve this, we will:

- **Bring about a step change in in our skills and capabilities in digital markets, online and emerging technologies and data analytics.** In the coming year we will significantly increase our digital skills and capabilities with a focus on external recruitment of data and technology experts, starting with the recruitment of a new

Chief Technology Officer. We will introduce a bigger programme of secondments and partnerships, bring in training programmes for data and technology professions as well as new tools and platforms.

- **Strengthen our understanding of the commercial priorities and incentives of the businesses and markets we regulate now and in the future.** As our sectors grow and develop, we will ensure we have a deep commercial understanding of the markets we regulate and the commercial drivers of online platforms. We will focus on these capabilities by recruiting colleagues with commercial experience, using more secondments, and significantly investing in our programme of commercial and consumer research.
- **Continuing to innovate in data and regulation to help people and businesses.** Through our forward-looking work programme, including in data innovation, emerging technology, strategy & research, and economics, we will continue to develop a deep understanding of innovation in the sectors we regulate and consider the implications for our work. We will continue our programme to equip colleagues with the skills, training and tools to extract insights from increasingly complex data sets, in order to deliver improved policy and operational outcomes. We will identify projects in which we can trial creative and innovative approaches and techniques, especially focused on the challenges of delivering work quickly where needed.

As our sectors face broad challenges, we will also look to stimulate debate in emerging areas of interest, through our economic and technology publications, such as our Technology Futures Report published in January 2021.

Also, we will both build on our existing – and develop new – domestic and international partnerships with regulators, academia, governments, industry and organisations across the sectors we regulate to enhance our understanding and promote consumer benefits.

Conflicts of Interest

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

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

Ofcom maintains a register of Members’ interests which is updated annually. This ensures that Ofcom has a current record of Members’ interests and relevant information is published on Ofcom’s

website. Between annual declarations, Members are required to notify the Corporation Secretary when their interests change, so that the Register can be amended accordingly and, where necessary, any potential conflicts can be raised with the Chair and/or the full Ofcom Board.

Board Committees and Statutory Boards

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

Ofcom also has a number of other bodies with a governance or advisory role to the Board. The activities and main functions of these committees and bodies are described below:



Risk and Audit Committee

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

The role and responsibilities of the Risk and Audit Committee, together with the Committee's activities during the reporting period, are set out in the Report of the Chair of the Risk and Audit Committee on page 88.

The People Committee

The People Committee is made up of all Non-Executive Members of the Ofcom Board. The People Committee oversees and evaluates the appropriateness of Ofcom's People & Workforce Strategy, providing the necessary challenge on the strength and effectiveness of the plans in place to support Ofcom in the achievement of its strategic and statutory purpose and duties, both in the short and long term. The Committee seeks assurance from Ofcom Management that there are effective measures and plans in place for talent management, talent development and succession planning, performance management, culture and values and colleague engagement and other people-related areas to support Ofcom's performance, skills and expertise.

The People Committee also sets the over-arching principles and parameters of the remuneration policy across Ofcom and considers and approves individual terms and conditions of service, including the remuneration arrangements of the Chief Executive, the Senior Management Team and 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 the Senior Management Team and approves the succession plans for the Ofcom Board, the Senior Management Team and any other colleagues agreed between the Chair of the Committee and the Chief Executive.

The People Committee met six times during 2020/21.

The Election Committee

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

Unresolved disputes between any licensee and any political party, concerning the length, frequency, allocation or scheduling of broadcasts are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to the Election Committee. The Election Committee also has delegated authority to make decisions on complaints in relation to the standards set by Ofcom about due impartiality in programmes broadcast during an election or referendum period.

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

The Content Board

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

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

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

The Board met six times in 2020/21.

The Advisory Committees for the Nations

Section 20 of the Communications Act 2003 requires Ofcom to establish Advisory Committees for each of the UK nations. The function of each Committee is to provide advice to Ofcom about the interests and opinions, in relation to communications and postal matters, of people living in parts of the UK for which the Committee has been established. In-addition to the appointed Members of the Advisory Committees, the Content Board Member and the Communications Consumer Panel (CCP) Member for the respective nations attend the Advisory Committee meetings as observers.

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

The Advisory Committees each met four times in 2020/21. The currently appointed Advisory Committee Members and observers are:

Advisory Committee for England

Members	Paula Carter (Chair), Aaqil Ahmed, Emma Davison, Matthew Littleford, Alan Nunn and Mark Smith.
Observers	Monisha Shah (Content Board) and Richard Spencer (CCP).

Advisory Committee for Northern Ireland

Members	Carrie Matchett (Chair), John Ellison, Phil Flanagan, Kathy Graham, Alan Meban and Paul Wilson.
Observers	Angelina Fusco (Content Board) and Rick Hill (CCP).

Advisory Committee for Scotland

(recruitment is currently underway for an additional Member)

Members	Elizabeth Partyka (Chair), Laura Anderson, Gerry Crawley, Jessica McBeath and Stephen Speirs (Stephen receives no remuneration for this position). Liz Leonard and Carmel Teusner's terms ended in January 2021. David Connolly resigned on 9 December 2020.
Observers	Maggie Cunningham (Content Board) and Amanda Britain (CCP).

Advisory Committee for Wales

Members	Hywel Wiliam (Chair), Robert Andrews, Andrew Board, Dr Ruth McElroy, Rem Noormohamed and Peter Trott
Observers	Aled Eirug (Content Board) and Dr Sian Phipps (CCP)

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

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

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

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

Independent of Ofcom, the CCP consists of up to twelve experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information can be found at www.communicationsconsumerpanel.org.uk. The current Members of the Communications Consumer Panel and ACOD are Rick Hill (Chair and Member for Northern Ireland), Kay Allen, Amanda Britain (Member for Scotland), Helen Froud, Clifford Harkness, Dr David Holden, Dr Sian Phipps (Member for Wales), Richard Spencer (Member for England), Michael Wardlow and Rick Williams. Craig Tillotson’s term expired on 31 October 2020. We are in the process of appointing additional Members to the Panel and ACOD.

The Communications Consumer Panel and ACOD met formally eleven times in 2020/21.

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

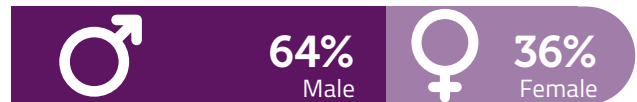
The Members of OSAB are Professor Linda Doyle (Chair), Greg Bensberg, Wassim Chourbaji, Professor Mischa Dohler, Peter Hadinger, Alastair Macpherson, David Meyer, Niall Murphy, Robert Pepper, Peter Pitsch, Ros Singleton, Gavin Young, Holly Creek (DCMS) (ex-officio Member), Cristina Data (ex officio Member)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

OSAB met four times in 2020/21.

Diversity of our Non-Executive Members

The diversity of the Ofcom Board is as follows:

Gender



Ethnicity



Disability



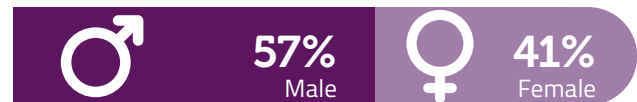
Diversity statistics are calculated as at 31 March 2021

0% Minority Ethnic

0% Disabled

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

Gender



2% not disclosed

Ethnicity



11% Minority Ethnic

Disability



Diversity statistics are calculated as at 31 March 2021

13% Disabled
2% not disclosed

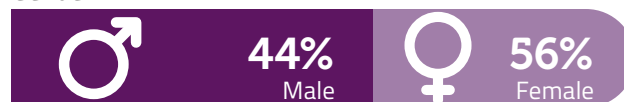
Our Senior Management Team

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

Name	Role
Dame Melanie Dawes DCB	Chief Executive
Luisa Affuso	Chief Economist and Group Director, Economics
Kevin Bakhurst	Group Director, Broadcasting and Online
Martin Ballantyne	General Counsel and Group Director, Legal
Lindsey Fussell	Group Director, Networks and Communications
Philip Marnick	Group Director, Spectrum
Kerri-Ann O'Neill	People and Transformation Director
Melissa Tatton CBE	Chief Operating Officer and Group Director, Corporate
Yih-Choung Teh	Group Director, Strategy and Research and interim Chief Technology Officer

The diversity of our Senior Management Team for the reporting period ending 31 March 2021 was as follows:

Gender



Ethnicity



11% Minority Ethnic

Disability



11% Disabled

Diversity statistics are calculated as at 31 March 2021

Policy Management Board

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

The PMB is made up of the Senior Management Team and the Finance Director. Other senior executives attend by invitation.

The Policy Management Board met eleven times in 2020/21.

Accountability

Under the Office of Communications Act 2002, the Board is required to prepare a Statement of Accounts for each financial year. This conforms to the Accounts Direction issued by the Secretaries of State for Business, Energy & Industrial Strategy and for Digital, Culture, Media and Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General. The Statement of Accounts is prepared, as far as applicable, in accordance with the Companies Act 2006 and the International Financial Reporting Standards (IFRS) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and on an accruals basis. It must give a true and fair view of the state of affairs of Ofcom as at the end of the financial year and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

Transparency

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

During 2020/21, Ofcom received 541 requests (386 requests in 2019/20) 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 80% of cases. Information is only withheld if it is exempt from disclosure under legislation.

During 2020/21, Ofcom also received 41 Subject Access Requests under the Data Protection Act 2018 (43 requests in 2019/20). Where Ofcom held relevant information, this was provided.

Engagement

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

Consultation also plays an important role in Ofcom's decision making. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a particular course of action. Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during 2020/21, are set out in Annex 2.

Physical and personal security arrangements

The UK threat level for terrorism was downgraded from “Severe”(an attack is highly likely) to “Substantial” (an attack is likely) in January 2021. The Ofcom Board risk appetite statement for Health & Safety and Physical Security has changed from “Averse” to “Minimal”.

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

Major incident/disaster recovery/ business continuity planning

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

Information Security

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

to bring about social, political or ideological change and we continue to improve monitoring to detect potential attacks or vulnerabilities. Testing has included the use of simulated phishing attacks to improve user awareness and technical penetration testing against the Information and Communication Technology (ICT) and physical infrastructure.

We investigated 47 breaches of data protection during the year, none of which were reportable to the ICO. From a governance perspective, there was a successful re-certification against the UK National Cyber Security Centre (NCSC) Cyber Essentials Scheme and the process for certification to the international standard for information security management (ISO27001) was completed in March 2021.

Whistleblowing policy and hotline

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

Public interest disclosure

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. Ofcom is a ‘prescribed person’ as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014. As such, individuals working outside Ofcom, but in the communications sector, may contact Ofcom if they have concerns about possible wrongdoing at their own organisation. During 2020/21 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998 or otherwise.

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

I am confident that Ofcom will continue to operate as a viable, successful and well-governed organisation going forward. While there will be inevitable challenges in the medium term, I believe the governance arrangements we have in place are robust and sufficient to manage those challenges.

As the Accounting Officer, I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Dame Melanie Dawes,
Chief Executive and Accounting Officer

23 June 2021

The Report of the Chair of the Risk and Audit Committee

Attendance of Members during 2020/21

The Members of the Committee during 2020/21 have served for the following periods of time:

Angela Dean	2 years, 6 months (as Chair)
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Maggie Carver	2 years, 4 months
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David Jones	1 year, 9 months
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The Committee met five times in 2020/21, with all three Members in attendance.

Overview

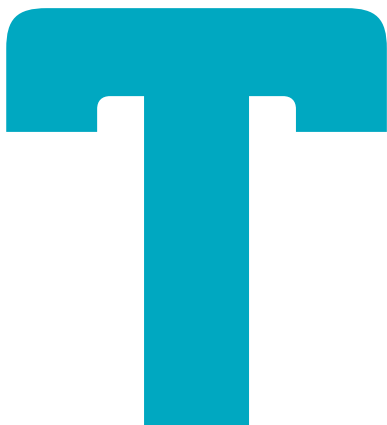
On behalf of the Board, I am pleased to provide an overview of the operation and scope of the Risk and Audit Committee for the financial period ended 31st March 2021.

The Committee has responsibility, on behalf of the Ofcom Board, for oversight of the appropriateness and effectiveness of Ofcom's risk management, risk governance, internal systems and controls and financial statements. The Committee also maintains the relationship with the National Audit Office (NAO), Ofcom's external auditors, including a review of their fees and the scope of their audit of Ofcom's financial statements. This covers their assessment of the risks of material misstatement and material irregularity, their independence, resources and the effectiveness of the audit process.

The Committee also works with Ofcom's internal auditor provider to establish an Annual Plan for the audit of specific areas of Ofcom, and then monitors the progress and outcomes of those reviews.

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

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



The Committee has maintained its focus in 2020/21 on our risk reporting, particularly on the organisation's strategic risks. We have focussed closely on the associated mitigations and actions to ensure that Ofcom remains resilient with proportionate and appropriate controls.

Angela Dean, Chair of Risk and Audit Committee



Committee Activities

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

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

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

- Financial Reporting and Related Matters
- Annual Report & Accounts
- Governance and Risk Management
- Internal Audit
- External Audit
- Cyber, ICT, Physical & Personal Security
- Other (e.g. litigation, bribery & fraud etc)

How our approach is informed by the UK Corporate Governance Code

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

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

Financial Statements and Accounting Policies

In conjunction with Ofcom Management and the internal audit provider and the NAO, the Committee reviewed the financial statements and associated documentation to establish if these were free from material misstatement and prepared in accordance with the applicable financial reporting framework.

The Committee also challenged the judgements made by Ofcom Management and the assumptions and estimates on which they were based.

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

We have recognised the need for a prior year adjustment in relation to Telecoms Security funding. Details of this prior period adjustment are outlined in note 2 and note 24 of the financial statements. The Risk and Audit Committee have fully considered the issue and are content with the actions taken in regard to this matter

The Risk & Control Framework and Risk Management

The management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a risk management policy, which is reviewed and approved annually by the Committee and the Chief Executive as the Accounting Officer. To ensure that our risk management framework is effective and aligned to our requirements, a review of our risk management framework is undertaken periodically. During 2020/21, the Committee oversaw the development of a more focused Strategic Risk Register based on the ten foundations of the One Ofcom vision. In March 2021 the Ofcom Board undertook a review and update of the Ofcom Risk Appetite Statements. Ofcom's Strategic Risk Register is reviewed quarterly by the Ofcom Policy and Management Board and by the Risk and Audit Committee and Ofcom Board. An oral update on matters considered by the Committee is provided to the next following Ofcom Board meeting.

The Committee conducts a deep dive into a specific strategic risk at each meeting:

Strategic Risk Deep Dives undertaken by the Committee in 2020/21

- Spectrum, the 5G issues and the Auction, under the lens of COVID-19
- Ofcom's Operational Response to COVID-19 Pandemic
- Cyber Risk at Ofcom
- Leading Thinking

The Committee has continued to engage with Senior Management regarding any identified risk areas and the Committee has reviewed the controls and mitigating actions. At the start of the pandemic, Ofcom's Head of Risk Management and Insurance created a COVID-19-specific Risk Register, and regular updates have been provided to the Committee on the steps Ofcom has taken to ensure continuous operation.

Internal Controls

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. The Committee reported to the Board on the effectiveness of Ofcom's internal control systems and encouraged improvements in their effectiveness, where appropriate. A description of the organisation's system of internal control is included in the Corporate Governance Report on page 69..

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

Cyber & Network Resilience

The Committee recognised that the new duties of Online Safety and Telecommunications (Security) Bill have increased Ofcom's attractiveness as a target for malicious actors. During 2020/21, the Committee monitored the work undertaken by the Risk, ICT and Technology Group functions to manage cyber risk and network resilience. Recommendations have been made to further strengthen Ofcom's IT processes, other systems and response plans as a result of this work. Further action will be taken in this area during 2021/22, with regular progress updates to be provided to the Committee.

The Committee also reviewed physical and personal security at Ofcom – focusing on a comprehensive plan of work to strengthen our security and align the organisation with the requirements of the Information Security standard ISO27001, in preparation for undertaking certification in this area.

Annual Internal Audit Plan and Focus of Reviews in 2020/21

Given the unprecedented challenges presented by the pandemic, and the pressures it has placed on Ofcom, the internal audit provider developed a rolling Internal Audit Plan for 2020/21, to enable an agile response to the evolving risk landscape presented by the pandemic. Ofcom's Internal Audit Plans for the second six months of 2020/21 and the proposed Internal Audit Plan for the first

half of 2021/22 were reviewed and approved by the Committee, with the internal audit provider continuing with its presentation of the Internal Audit Plan half yearly to support a more agile approach.

Areas of Internal Audit covered during 2020/21

- Key Financial Controls
- Cyber Security
- Organisational Resilience
- People, Organisational Design and Change,
- Risk Management and Cost Allocation and Tariff Setting.

In addition, reviews were undertaken of Ofcom's approach to the Telecommunications (Security) Bill and the People and Finance System Replacement Project.

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

Other Areas of Review

Ofcom's Whistleblowing Fraud and Anti-Bribery Policies are reviewed by the Committee in December of each year. The Whistleblowing policy covers all of the necessary matters required under the Public Interests Disclosure Act 1998. This policy has been communicated to all colleagues and colleagues have been reminded that they can raise matters anonymously with Ofcom's whistleblowing hotline provider. While a number of cases were referred through the whistleblowing external hotline in 2020/21, none of these related to incidents of malpractice as defined under Ofcom's Whistleblowing Policy.

The Committee also received reports on Ofcom's Financial Authorities Framework (prior to Board approval being sought on changes to the Framework), Ofcom's accounting policies, anti-fraud and anti-bribery, significant conflicts of interest and data protection act conformance. An annual review was undertaken of Ofcom's Business Continuity Planning, Disaster Recovery and Crisis Management, with the Committee reviewing and approving a new Ofcom Resilience Policy in December 2020.

Reporting to the Board

As Chair of the Risk and Audit Committee, I provide regular updates to the Board on the key issues discussed at Committee meetings. The Committee reviewed and updated its terms of reference in 2020, recommending these to the Board for approval.

Committee Performance and Effectiveness

An externally facilitated review of the Committee's performance and effectiveness was conducted as part of the Board Evaluation Review. The outcome was very positive, with the effectiveness of the Risk and Audit Committee rated highly by Members and, in particular, the Committee's communication of its activities and decisions to the Ofcom Board. The Committee Chair was considered to have brought robustness and rigour to the Committee. It was noted that continued work was required on the Risk Register, in particular, making this more meaningful and timely, leading to the Committee's continued focus on improving this in 2020/21.

Angela Dean

Chair of the Risk and Audit Committee

23 June 2021

Our Employees

Evolving the way we work

Last year we launched an internal change programme (One Ofcom), to make the most of our growth and ensure we transform our capabilities for the future. We recognise the need to significantly build on our expertise in digital markets, online and emerging technologies and data analytics. We also want to ensure our people in Ofcom continue to have strong commercial experience. And we will rebalance our footprint across the UK, as part of our wider strategy to become a more diverse organisation that fully represents the UK.

To that end we will open a new hub in Manchester later in the year which will initially serve as a base for our new work on online safety and telecoms network security. We will take steps to ensure we are well positioned to carry out our duties both now and in the future. As our sectors and our duties are increasingly shaped by online services, we will invest in our skills, develop innovative working practices and build a diverse workforce that reflects the whole of the UK.

Ofcom's values

Our five values are excellence, collaboration, agility, empowerment and respect. Created by Ofcom colleagues they reflect our desire to create a culture where we can do great work, look after one another and attract the best people. We encourage and support behaviours that demonstrate these values.

Diversity and inclusion

Our purpose is to 'make communications work for everyone'. In order to do that diversity, equality and inclusion must be at the heart of our work. Our diversity and inclusion strategy reflects our ambition to value the skills and contributions of

every member of society, providing opportunities for people of all characteristics and backgrounds to succeed in their career.

The strategy sets out our plans to be a better regulator through a diverse and inclusive workforce that can better oversee the UK's TV, radio, telecoms and postal sectors, and in our new role to protect people from harmful content. It also sets out our commitments to making us a fantastic place to work in order to attract and retain the best and most diverse talent. We want Ofcom to have:

- A truly diverse workforce
- A naturally inclusive culture
- Process, systems and policies that are fair
- Colleagues who take personal responsibility for diversity and inclusion
- Leaders who are role models and
- Stronger connections to the communities we serve.

Our closing position on our 2015-2020 workforce targets are set out in Figure 6, alongside our starting position for 2021-2026. We achieved our overall gender target of an equal gender split in 2020 and surpassed our senior female target of 40% ahead of time (44% at the end of 2020). Disappointingly, we did not meet our target for minority ethnic representation at senior levels, ending 2 percentage points short of our 13% target. We remain committed to increasing the ethnic diversity of our senior team and this is reflected in our new, stretching ambition of 16%. This will be supported by transformation in our recruitment, performance management and career progression processes.

Alongside our new targets are a focus on expanding our diversity of thought, particularly by ensuring we have socio-economic diversity, and increasing our presence outside London. We also want to increase the representation and improve the experiences of our Black and minority ethnic colleagues. We are also committed to ensuring that our trans and non-binary colleagues feel included and supported at work.

We foster a culture in which everyone feels they are valued and can be themselves at work. This doesn't mean we agree all the time. It means we listen to each other, seek and give challenge, and treat each other with professionalism, respect and kindness.

Monitoring and reporting

We monitor our policies and practices and processes through data analysis and internal reporting, colleague surveys, consulting with colleague network and groups, external benchmarking and a regular equal pay audit and pay gap reporting.

In Spring 2021 we published the outcomes of our regular pay auditing covering both gender and ethnicity and for the first time, disability. The pay gap analysis shows that our gender pay gap widened slightly as did our ethnicity pay gap after remaining largely static. Our disability pay gap was 10%, setting our starting position for tracking our progress towards disability pay parity over time. Our new workforce targets, particularly on increasing senior representation for gender and ethnicity, will help us in our aim to reduce our pay gaps.

We will publish our first progress update on our diversity and inclusion strategy in July 2022.

Figure 6: Workforce targets

2015-2020 targets	Starting position Mar 2015	Closing position 2020
Gender – 50% female	41%	50%
Senior gender	31%	44%
Senior ethnicity	9%	11%

2021-2026 targets	Starting position Mar 2021	End ambition 2026
Equal gender balance at senior levels	44%	balanced
Minority ethnic representation at senior levels	11%	16%
15% Ofcom-wide on disability	12%	15%

Base: all colleagues as at end of March 2021
Senior levels Principal and senior managers and specialists (SMS)

Colleague involvement and consultation

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

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

Professional development

This year we continued to support colleagues in their careers through training and development opportunities including our targeted development programme, Ofcom Rise, aimed at creating a diverse talent pipeline into our senior leadership community. It targets at least 50 high performing Senior Associates and Principals from under-represented groups focusing on (but not exclusively) women, colleagues from a minority ethnic background and colleagues who are disabled.

Employment policies and processes

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

During 2020, building on our commitment to help colleagues to thrive while supporting their family or taking on caring responsibilities, we undertook a review of all our family policies (such as maternity, adoption and shared parental leave policies). We made extensive changes including introducing a new Carer's Policy, helping us to achieve Carers UK/Employers for Carers. Changes also included a Fertility Statement for colleagues undergoing IVF treatment or other medical procedures for fertility treatment, bereavement support and an extension of paternity pay, among others.

Absence

Our aim is to treat people 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 2020/21, the number of working days lost was 3.1 days per annum per employee (2019/20, 4.3 days) This compares favourably to the public sector average of 5.4 days per annum.

Off-payroll arrangements

In line with the Financial Reporting Manual and the Public Expenditure System (PES) guidance from HM Treasury, we have disclosed all off-payroll engagements for the financial year 2020/21 to DCMS.

Supporting our colleagues throughout the pandemic

We closed most of our offices in late March 2020, until early summer 2020. Most colleagues worked exclusively from home, while some on-site working arrangements were made for key workers performing vital functions, such as spectrum engineering.

With 46% of colleagues identified as parents or carers, we adopted a 'maximum flexibility' and 'families first' philosophy throughout the lockdown. We established a package of practical and wellbeing support for colleagues, as well as enhancing existing measures. These included:



Practical support

- Financial support for workstation equipment to enable safe and comfortable home-working
- Paid dependant leaves for home-schooling and parental and/or caring responsibilities where people need some extra help.
- Flexibility for everyone on hours and patterns.
- Occupational health, maternity risk-assessments, virtual display screen equipment evaluations and specialist support (e.g. for neurodiverse conditions).
- Workplace adjustments for the home environment (e.g. the same equipment at office in home, or for new assistive technology).

Wellbeing support

- More resource and investment through our Thrive wellbeing programme.
- Regular reminders on support mechanisms such as Employee Assistance Service, open 24 hours a day; virtual GP service, available 365 days a year; private medical cover which provides access to trained counsellors and therapists and the Headspace app for all.
- Access to 52 mental health first aiders.
- Tips on physical health, mental wellbeing and relaxation.
- Undertook a risk-assessment before re-entry to our offices in March and for continued home-working, in consultation with our employee networks.
- The re-prioritisation of non-essential projects to reduce pressure, for our colleagues but also our external stakeholders.
- Enhanced volunteering leave specifically for pandemic related activities in local communities and for the NHS.
- The creation of forums for sharing concerns or worries about the pandemic including our peer-to-peer Listening Network.

Our extensive support is signposted through a new information hub of pandemic guidance on our intranet covering topics like managing school closures, government updates, working from home advice, dependant leave, policies, wellbeing support, line managers toolkit and FAQs.

Staying connected

Staying in touch with colleagues has never been more important. For new joiners in particular (including our CEO) fostering a clear sense of Ofcom's culture without being together was essential.

As well as information and formal internal communications, we kept colleagues connected informally via Microsoft Teams, our intranet and many Yammer interest group chats which include those created by our vibrant colleague networks. Our colleague networks have run virtual yoga, live cook-along to try new recipes, crochet and more.

Our CEO's weekly vlog has kept colleagues informed, supported by written updates and all colleague broadcasts.

Measuring the impact of Covid

To make sure that our support was utilised and to gauge the wellbeing impacts of the pandemic so that we respond appropriately, we launched colleague pulse surveys, covering topics like mental health, line management support, maintaining work/life balance and feeling able to take dependant leave support.

By making sure colleagues were well-supported, we were able to deliver an extensive programme of work in 2020 across all the sectors we regulate. Our colleagues also reacted very positively to the efforts we made, with 96% of our colleagues telling us we have offered them the support they need.

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 People Committee

The People Committee comprises all non-executive members of the Ofcom Board, as determined by the Ofcom Board, details of which are set out on pages 72 to 73.

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

Remuneration Policy

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

Components of remuneration

The main components of the remuneration of the Senior Management Team (SMT) are in line with our approach to all colleague remuneration and include the elements shown:

1. Basic Salary

2. Pension

- All colleague Defined Contribution Scheme
- Pension allowance a % of salary

3. Standard Benefits

- Private Medical Insurance
- Life Assurance
- Group Income Protection
- Annual Health Check

4. Flexible Benefits

- Allowance to buy additional benefits

5. Performance related payments

Basic Salary

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

Flexible Benefits

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

Annual Bonus Scheme

Ofcom does not provide a long-term incentive plan scheme for any of its employees. All colleagues are considered under the remit of an annual performance bonus scheme, which allows for recognition of high performers in any year without raising base salary levels. Payments will not be made to all colleagues. This is capped as a percentage of salary (non-pensionable) based on the individual's grade and performance, up to a maximum of 20% for our Senior Management Team.

Pension

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

Fair pay disclosure

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

The latest fair pay disclosure data is shown below:

	2020/21	2019/20	2018/19	2017/18
Band of highest-paid individual's total remuneration (£000)	330-335	330-335	390-395	380-385
Median remuneration (£)	58,439	59,031	57,548	56,704
Remuneration ratio	5.69	5.64	6.80	6.78

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

The highest paid individual as at 31 March 2021 was the Chief Executive. At this date the remuneration ranged from £18,272 to £332,663 (2019/20 range: £17,426 to £332,663).

Covid-19 and Remuneration Impact

Due to the ongoing impact of the pandemic a decision was taken by the People Committee, on recommendation from the Policy and Management Board, that for 2021 no pay review would be carried out for those who earn over £24,000 FTE and no annual bonus awards under the Annual Bonus

scheme would be made to any colleague during 2021 in respect of performance in 2020/21.

In 2020, additionally, members of the senior management team voluntarily waived their bonus for performance year 2019/20.

Remuneration tables

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

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

Those individuals marked with '+' against their name were in role for only part of financial year 2020/2021 or 2019/20.

Where individuals are members of more than one Board or Committee (as set out on page 72) they appear only once in the remuneration tables.

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

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

Name	Guidance note reference	Fees Paid 2020/21	Fees 2019/20
		£	£
Lord Terry Burns +	1,2	90,000	120,000
Maggie Carver +	1,2	82,500	70,000
Angela Dean	1	42,519	42,519
Bob Downes	1	42,519	42,519
David Jones +	1	42,519	41,714
Graham Mather	1	42,519	42,519
Tim Suter	1	42,519	42,519
Ben Veerwayan	1	42,519	42,519
Total		427,613	444,309

Guidance Note 1:

The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS for the duration of their appointment.

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

Guidance note 2:

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

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

Name	Guidance Note Reference	Actual Fees 2020/21	Fees 2019/20
		£	£
Dekan Apajee +	3	7,000	-
Jonathan Baker	3	16,800	16,800
Rachel Coldicutt +	3	7,000	-
Maggie Cunningham	3	16,800	16,800
Aled Eirug	3	16,800	16,800
Robin Foster	3	16,800	16,800
Angelina Fusco	3	16,800	16,800
Anna Harling +	3	7,000	-
Peter Horrocks +	3	7,000	-
Tobin Ireland +	3	7,000	-
Sophie Morgan	3	16,800	16,800
Stephen Nuttall	3	16,800	16,800
Monisha Shah	3	16,800	16,800
Kim Shillinglaw +	3	7,000	-
Janey Walker	3	24,150	24,150
Total		200,550	158,550

Guidance Note 3:

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, where the Non Executive Member joined the Content Board.

Table 3 : Ofcom Executive, Board Member remuneration:

Name	Guidance Note reference	Months of reporting period employed in SMT	2020/21				2019/20			
			Total Salary paid	Pension entitlement /allowance	Flexible benefits Allowance	Benefits In kind	Annual Performance Bonus	Total remuneration paid	Total remuneration paid	
			£	£	£	£	£	£	£	
Dame Melanie Dawes	4	12	315,000	63,000	15,000	2,663	-	395,663	32,972	
Kevin Bakhurst	4	12	246,475	36,971	15,000	2,663	-	301,109	293,035	
Lindsey Fussell	4,6	12	245,625	36,844	15,000	2,663	-	300,132	279,091	

Table 4: Ofcom Executive member, Content Board remuneration:

Name	Months of reporting period employed	Total actual Salary paid (Full year equivalent in brackets where part year worked)	2020/2021				2019/20		
			Pension entitlement /allowance	Flexible benefits Allowance	Benefits In kind	Annual Performance Bonus	Total remuneration paid	Total remuneration paid	
			£	£	£	£	£	£	
Alison Marsden	11	119,136 (150,000)	20,578	11,971	2,441	-	154,126	-	

Table 5: Non-Executive Board, Senior Management Team remuneration:

Name	Guidance Note reference	Months In reporting period where part of SMT	2020/21					2019/20		
			Total Salary paid (Full Year equivalent in Brackets)	Pension entitlement /allowance	Flexible benefits Allowance	Benefits In kind	Annual Performance Bonus (for FY 2019/20)	Total remuneration paid	Total remuneration paid	
			£	£	£	£	£	£	£	
Luisa Affuso	4	12	231,187	34,678	15,000	2,663	-	283,528	267,591	
Martin Ballantyne +	4,5	10	167,083 (225,000)	25,062	12,500	2,219	-	206,865	-	
Phillip Marnick	4	12	230,775	34,616	15,000	2,530	-	282,921	276,504	
Kerri-Ann O'Neill	4, 5	12	143,150	21,473	15,000	2,663	-	182,286	-	
Melissa Tatton +	4,5	7	125,000 (220,000)	18,750	8,523	1,065	-	153,338	-	
Yih – Choung Teh	4,6	12	208,750	31,312	15,000	2,663	-	257,725	244,575	

Guidance note 4:

The total annual remuneration is shown for Ofcom executives who are, or were, confirmed members of Ofcom's SMT during the reporting period 2020/2021. This figure is remuneration entitled to for the reporting period so will be less than the full time equivalent if a full year was not worked as a member of the Senior Management Team.

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

Guidance note 5:

Martin Ballantyne joined the SMT as General Counsel on an interim basis in June 2020 and was confirmed in post in January 2021. The full year equivalent salary reflects his pay as a member of the SMT in both of these roles.

Kerri-Ann O'Neill joined the SMT as People and Transformation Director in April 2020 having been a member of the senior leadership group prior to this.

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

Guidance note 6:

Yih-Choung Teh took up additional responsibilities alongside his role as Group Director, Strategy and Research as interim Group Director, Technology in November 2019, and Lindsey Fussell had a period of additional responsibilities as interim Group Director Corporate Services Group from February 2020 until September 2020. Both received a temporary 5% salary uplift for the period of additional duties.

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

Name	Guidance Note reference	Months of reporting period employed	Total Actual Salary paid (Full Year equivalent in Brackets)	Pension entitlement /allowance	2020/21		Annual Performance Bonus	2019/20	
					Flexible benefits Allowance	Benefits In kind		Total remuneration paid	Total remuneration paid
			£	£	£	£	£	£	£
David Clarkson+	4,7	5	93,466 (190,000)	14,020	7,500	1,331	-	116,317	79,380
Tony Close+	7	4	55,000 (165,000)	8,250	5,000	888	-	69,138	205,908
Jonathan Oxley	7	12	273,625 (275,000)	41,044	15,000	2,663	-	332,332	343,783
Polly Weitzman+	7	10	196,032 (260,000)	29,405	11,310	2,219	-	238,966	313,736

Guidance note 7:

David Clarkson completed his SMT position as Acting Group Director, Competition in September 2020, the full year equivalent salary reflects his pay for this interim role only.

Tony Close stepped down as an Executive member of the Content Board and left Ofcom in July 2020 following a period of contractual garden leave.

Jonathan Oxley stepped down from the SMT in April 2020 and left Ofcom in April 2021 following a period of contractual Garden leave. He was also an Executive Member of the Ofcom Board until June 2020.

Polly Weitzman stepped down from the SMT in May 2020 and left Ofcom in January 2021 following a period of contractual Garden leave.

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

Total Actual Salary paid	Pension entitlement / allowance	Flexible benefits Allowance	Benefits In kind	Annual Performance Bonus	Total remuneration paid 2020/2021	Total remuneration paid 2019/2020
£	£	£	£	£	£	£
2,650,303	416,003	176,804	31,334	-	3,274,445	2,336,576

Contract of employment

The Chief Executive has a notice period of 12 months. No other Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months.

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of approximately two days per week (with the exception of the Chair who commits up to 3 days a week and the Deputy Chair who commits up to two and a half days per week.

Compensation for early termination

The arrangements for early termination of a contract of employment for an Executive Member of the Ofcom Board, Content Board or member of the SMT are decided by the People Committee and will be made in accordance with the contract of employment of the relevant Executive Member or member of the SMT. No ex Gratia payments in relation to early termination exceed £95,000. Each contract of employment provides for a payment in lieu of notice on early termination at Ofcom's discretion. Non-Executive Members have no entitlement to compensation in the event of early termination.

Outside directorships

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

On behalf of Ofcom,

Dame Melanie Dawes DCB

Chief Executive and Accounting Officer

23 June 2021

Ben Verwaayen

Chair of the People Committee

23 June 2021

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 2021 under the Office of Communications Act 2002. The financial statements comprise: The Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office of Communication's affairs as at 31 March 2021 and of the Office of Communication's surplus after tax for the year then ended; and
- have been properly prepared in accordance with the Office of Communications Act 2002 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

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

Other Information

The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Board and the Accounting Officer is responsible for the other information. My opinion on the financial

statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Office of Communications and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability reports. 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 Accountability 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.

Responsibilities of the Board and Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Office of Communications Head of Internal Audit and those charged with governance,

including obtaining and reviewing supporting documentation relating to the Office of Communications' policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office of Communications' controls relating to the Communications Act 2003, Wireless Telegraphy Act 2006 & Digital Economy Act 2017
- discussing among the engagement team and involving relevant internal specialists, including Pension experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and;
 - obtaining an understanding of the Office of Communications' framework of authority as well as other legal and regulatory frameworks that the Office of Communications operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Office of Communications. The key laws and regulations I considered in this context included the Office of Communications Act 2002, Employment Law, tax Legislation, Pension Legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through

management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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.

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

Report

I have no observations to make on these financial statements

Gareth Davies

7 July 2021

Comptroller and Auditor General National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

SECTION C

Financial Statements

This section sets out our financial statements and notes to the accounts for the financial year ended 31 March 2021.



Statement of Income and Expenditure

For the year ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
Income	3	132,468	124,994
Spectrum clearance income	3	22,689	76,651
Legal settlement funding	3	919	232,533
Total income		156,076	434,178
Operating expenditure			
Staff costs	4	(83,044)	(78,757)
Other operating expenditure	6	(50,444)	(47,890)
Spectrum clearance expenditure	4,6	(22,689)	(76,651)
Legal cost in year	6	2,081	(3,533)
Total operating expenditure		(154,096)	(206,831)
Operating surplus		1,980	227,347
Finance costs	16,17	(970)	(1,058)
Pension interest income	19	516	382
Surplus before tax for the year		1,526	226,671
Taxation	7	-	-
Surplus after tax for the year		1,526	226,671

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
Surplus after tax for the year		1,526	226,671
Other comprehensive (expenditure)/income			
Remeasurement on pensions	19	(8,674)	4,534
Total comprehensive (expenditure)/income		(7,148)	231,205

The accounting policies and notes on pages 111 to 147 form part of these financial statements

Statement of Financial Position

As at 31 March 2021

	Notes	As at 31 March 2021	As at 31 March 2020 (Restated)
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	10,637	11,312
Right-of-use assets	9	43,073	47,650
Intangible assets	10	166	627
Trade and other receivables: non-current assets	12	1,069	4,145
Retirement benefit assets	19	14,876	22,426
Total non-current assets		69,821	86,160
Current assets			
Trade and other receivables: current assets	11	19,627	15,920
Cash and cash equivalents	13	14,185	13,827
Total current assets		33,812	29,747
Total assets		103,633	115,907
Current liabilities			
Trade and other payables: current liabilities	14	27,875	28,428
Lease liabilities: current liabilities	16	4,079	4,052
Provisions for liabilities and charges: current liabilities	17	12	3,014
Total current liabilities		31,966	35,494
Non-current liabilities			
Trade and other payables: non-current liabilities	15	7,100	4,894
Lease liabilities: non-current liabilities	16	40,653	44,522
Provisions for liabilities and charges: non-current liabilities	17	149	152
Retirement benefit liabilities	19	1,153	1,085
Total non-current liabilities		49,055	50,653
Total liabilities		81,021	86,147
Assets less liabilities		22,612	29,760
Equity			
Reserves		22,612	29,760
Total equity		22,612	29,760

The accounting policies and notes on pages 111 to 147 form part of these financial statements. These financial statements were approved by the Board on 23 June 2021.

Maggie Carver
Chairman

Dame Melanie Dawes DCB
Chief Executive and Accounting Officer

Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Reserve £'000
Balance as at 1 April 2019		(201,445)
Changes in equity for 2019/20		
Remeasurement on pensions	19	4,534
Surplus for the year		226,671
Total comprehensive income for 2019/20		231,205
Balance as at 31 March 2020		29,760
Changes in equity for 2020/21		
Remeasurement on pensions	19	(8,674)
Surplus for the year		1,526
Total comprehensive expenditure for 2020/21		(7,148)
Balance as at 31 March 2021		22,612

The accounting policies and notes on pages 111 to 147 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2020/21	2019/20 (Restated)
		£'000	£'000
Cash flows from operating activities			
Operating surplus		1,980	227,347
Adjustments for non-cash transactions			
Depreciation	8	2,033	2,115
Depreciation of right-of-use assets	9	4,742	4,775
Amortisation	10	211	265
(Gain)/Loss on disposal of non-current assets	6	(175)	13
Impairment	6	250	84
Increase in trade and other receivables	11,12	(631)	(4,365)
Increase in trade and other payables	14,15	1,653	10,738
Increase in lease liabilities	16	139	-
Decrease in provisions	17	(3,014)	(229,032)
(Increase)/Decrease in retirement pension	19	(540)	55
Net cash inflow from operating activities		6,648	11,995
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(1,366)	(895)
Purchases of right-of-use assets	9	(165)	-
Purchases of intangible assets	10	-	(68)
Proceeds from sale of non-current assets	6	183	3
Net cash outflow from investing activities		(1,348)	(960)
Cash flows from financing activities			
Payments of lease liabilities	16	(4,942)	(4,893)
Net cash outflow from financing activities		(4,942)	(4,893)
Increase in cash and cash equivalents in the year		358	6,142
Cash and cash equivalents at beginning of year		13,827	7,685
Increase in cash and cash equivalents in the year		358	6,142
Closing net funds	13	14,185	13,827

The accounting policies and notes on pages 111 to 147 form part of these financial statements.

Notes to the Accounts

For the year ended 31 March 2021

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 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair value, if any, and 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, to the nearest thousand, which is the functional currency of Ofcom.

a) Adoption of new and revised standards

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

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of Material across the various standards and clarify certain aspects of the definition, is applicable to annual periods beginning on or after 1 January 2020. For Ofcom, the transition date is at the start of the financial year on 1 April 2020. For year ended 31 March 2021, this has no impact on our figures.

- Amendments to References to the Conceptual Framework in IFRS Standards applicable to annual periods beginning on or after 1 January 2020. These are minor amendments to various accounting standards to reflect the revised Conceptual Framework for Financial Reporting and have no impact on our figures.
- Amendments to IFRS 16 – Covid19-Related Rent Concessions

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

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

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

Ofcom did not request for any pandemic related rent concessions during the year ended 31 March 2021.

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

b) Income recognition

Income comprises the fair value of the consideration received or receivable in the ordinary course of Ofcom's activities. Income is shown net of value-added tax, returns, rebates and discounts. Ofcom recognises income when the amount can be reliably measured, and it is probable that future economic benefits will flow to the entity.

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

- In each financial year, Ofcom is required to balance its expenditure with its income. Ofcom is required by the statute 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 on the basis of costs recovery as set out in the Ofcom budget and adjusted for any under or over recoveries in the previous year. All charges are published in the tariff tables for each financial year.
- Costs are allocated to third parties in line with the Ofcom Statement of Charging Principles. This ensures charges reflect costs allocated to the appropriate sector and in line with relevant turnover.
- Income is recognised in the year the performance obligation (cost) is incurred. Any under or over recovery of income is accrued or deferred and future charges are adjusted accordingly.

- Income is also recognised for those costs where fees and charges cannot be raised to stakeholders, primarily for the cost of spectrum management through the retention of WTA licence fees in accordance with S401 of the Communications Act 2003 and the Statement of Funding Principles.

Grant-in-aid DCMS

Grant-in-aid is provided from DCMS for the funding of 700MHz clearance programme. This programme oversees the clearance (including mitigation of potential interference) of the UHF 700MHz band. Clearance is undertaken by third parties who are funded by way of capital grants that have been considered and approved in principle by the Spectrum Clearance and Awards Programme Management Board (SCAP-MB), with final approval by HM Treasury.

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

Wireless Telegraphy Act (WTA) Receipts Retention

Fees are payable to Ofcom in relation to our spectrum management function. Following the enactment of the Digital Economy Act 2017, Ofcom may retain such sums to fund 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. As agreed with both HMT & DCMS, WTA receipts will also be used to fund preparatory work for new duties such as Video Sharing Platforms and Online Harms. The monthly retention amount is determined by the planned expenditure for these functions. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following month's retention amount.

Stakeholder income

Networks and services, postal services administrative fees

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

Blockchain

In October 2018, we were awarded a grant from Innovate UK, part of UK Research and Innovation, a non-departmental public body funded by the UK government. The award was made under the Regulator's Pioneer Fund, set up for UK regulators to help drive forward innovation in the public sector. Our project was based on the use of blockchain technology to improve UK telephone number management and manage digital identity. The award amount is conditional on match funding (Ofcom 25%, grant 75%) and was extended in August 2019. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following financial year. This project was completed in 2019/20 but there remains an accrued income balance owing to delays in the required audit due to the pandemic.

Broadcasting licence fees

Income from broadcasting licence fees represents the amount invoiced to holders of broadcasting licences for our planned regulatory works including any prior year adjustments. This income is accounted for on an accrual basis. Income in excess of the cash expenditure in the broadcasting's sector is classified as deferred income and presented on the Statement

of Financial Position as a payable. Cash expenditure in excess of income received is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date. Any over or under recovery is reflected in the following financial year's costs.

Application fees

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

Networks and information systems

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

Other income

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

c) MG Alba

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

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

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

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

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

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

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

e) Property, plant and equipment

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

The minimum capitalisation threshold is £2,500 and property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value. For example, fixed computer hardware such

as servers, firewalls and network switches used in offices are capitalised. Whereas, low value, short-life moveable IT equipment is expensed, as Ofcom has no control over the physical environment or manner in which usage takes place.

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

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

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 Income and Expenditure, from the month following that in which an asset is brought into service. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

f) Right-of-use assets and lease liabilities

For any new contracts, Ofcom considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for

a period of time in exchange for consideration'. To apply this definition Ofcom assesses whether the contract meets three key evaluations which are whether:

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

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

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

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

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

Ofcom measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or in accordance with HM Treasury rate of 0.91% for calendar year 2021 (1.27% for calendar year 2020).

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

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

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

Initial direct cost

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

Use of hindsight

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

g) Intangible assets

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications, related licences fees, and the information technology which relates to the development of our core systems. The minimum capitalisation threshold is £2,500. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value.

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

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

Amortisation on capitalised intangible assets

is charged to the Statement of Income and Expenditure on a straight-line basis, from the month following that in which an asset is brought into service, over the estimated useful life of the asset of 3 to 5 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

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

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

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

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

i) Financial Instruments

Trade and other receivables

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

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

The global financial uncertainty arising from the pandemic has had little impact on the recoverability of debts during the year ended 31 March 2021 and therefore there is no significant increase to credit risk. During the year where stakeholders have had financial difficulties Ofcom have provided opportunities for payment plans and delaying the timing of the payment.

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

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

Cash and cash equivalents

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

Trade and other payables

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

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

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

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

Financial Risks and Impairment of Financial Instruments

IAS 32 Financial Instruments: Presentation requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Ofcom has no significant exposure to liquidity, interest rate or currency risks. Because of the nature of activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risks 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.

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

j) Employee benefits

Pensions

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

Defined contribution scheme

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

Obligations under Ofcom's defined contribution scheme are recognised within staff costs as an expenditure in the Statement of Income and Expenditure as incurred. New staff may join the stakeholder pension scheme, which is a defined contribution scheme.

Defined benefit plans

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in other comprehensive (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 the Statement of Income and Expenditure in the current period.

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

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

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

Unfunded schemes

Ofcom also has liabilities in respect of pension payments to two former Chairmen of the Independent Television Commission, two former Chairmen of the Radio Authority and two former Directors General of The Office of Telecommunications. These unfunded benefits are accounted for under IAS 19 Employee Benefits via a provision in Ofcom's Statement of Financial Position equal to the actuarial value of these liabilities.

Colleague leave liability

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

Colleagues who 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.

k) Provisions

Provisions for early retirement and legal provisions are recognised when:

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

Ofcom has a present legal or constructive obligation as a result of past events and for estimated third

party legal costs and damages in respect of challenges to regulatory decisions of Ofcom where it is judged probable that these will be payable; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

l) Foreign exchange

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

m) Current tax

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

Corporation Tax is assessable on interest received, and in respect of rental income.

n) Segmental analysis

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

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

o) Areas of judgement and key sources of estimation uncertainty

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

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

- Legal provisions – accounting policy (k)
- Income recognition and assessment of unbilled income – accounting policy (b)

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

- Estimation of liabilities for pensions and other post-retirement benefits – accounting policy (j)
- Judgement about whether a contract contains a lease (f)

2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2021, together with attributable costs.

This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Operating Segments, as per the accounting policy 1 (n).

	Spectrum management	Spectrum clearance	Satellite filings	Third Party Litigation	Network information & services	Networks & services	Broadcasting	Postal regulation	Other regulatory activities	2020/21 Total	2019/20 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
Licence, regulation & administration fees	-	-	-	-	-	48,496	22,508	4,362	-	75,366	72,640
Application fees	-	-	-	-	-	290	274	-	-	564	584
Grant-in-aid (GIA)	-	26,500	-	-	-	-	-	-	-	26,500	310,067
WTA receipts retention	51,957	-	-	919	-	-	-	-	8,208	61,084	58,529
Accrued/ (Deferred) income	644	(3,811)	701	-	110	(9,657)	2,798	1,232	399	(7,584)	(8,644)
Operating income	52,601	22,689	701	919	110	39,129	25,580	5,594	8,607	155,930	433,176
Other income	46	-	1	-	-	33	24	5	12	121	853
Interest receivable	10	-	-	-	-	7	5	1	2	25	149
Total income	52,657	22,689	702	919	110	39,169	25,609	5,600	8,621	156,076	434,178
Accrued rental income	-	-	-	-	-	-	-	-	-	-	2
Cash income	52,657	22,689	702	919	110	39,169	25,609	5,600	8,621	156,076	434,180
Adjustment to operating expenditure	(56)	-	(1)	-	-	(40)	(29)	(6)	(14)	(146)	(1,004)
Other costs	(52,601)	(22,689)	(701)	-	(110)	(39,129)	(25,580)	(5,594)	(8,607)	(155,011)	(201,204)
Cash operating expenditure	(52,657)	(22,689)	(702)	-	(110)	(39,169)	(25,609)	(5,600)	(8,621)	(155,157)	(202,208)
Legal settlement	-	-	-	(919)	-	-	-	-	-	(919)	(231,972)
Total	(52,657)	(22,689)	(702)	(919)	(110)	(39,169)	(25,609)	(5,600)	(8,621)	(156,076)	(434,180)
Surplus on cash costs basis	-	-	-	-	-	-	-	-	-	-	-
Comparative costs by sector											
Year ended 31 March 2021	(52,657)	(22,689)	(702)	-	(110)	(39,169)	(25,609)	(5,600)	(8,621)	(155,157)	-
Year ended 31 March 2020	(53,346)	(76,651)	(937)	(561)	(93)	(40,815)	(24,347)	(5,237)	(221)	(202,208)	-

Other regulatory activities comprise:

- expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls, consumer protection, preparatory work for both video sharing platforms and online harms duties and the costs of our telecom security duties; WTA receipts are used to fund these cost categories;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting surplus properties' space.

The funding for our Telecoms security related work in the Telecoms sector has been revised from stakeholder funding to WTA receipts retention following discussions with DCMS. The revised funding covers the period 2011 to December 2020 when the Communications Act was amended. Consequently, a prior year adjustment is required. A total of £5,220k (of which £3,604k relates to prior years and £1,616k to 2020/21) has been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. The matching accrued income (total of £5,220k) has also been reflected in the WTA receipts funded sector; to reflect the revised funding source. Note 24 provides further details.

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 120 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	2020/21	2019/20
		£'000	£'000
Operating expenditure – Statement of Income and Expenditure		154,096	206,831
Adjustments in respect of pension asset and liability		470	(131)
Capital expenditure less depreciation and amortisation	8,10	(878)	(1,417)
Right-of-use assets depreciation	9	(4,742)	(4,775)
Lease payments	16	4,942	4,893
Rent free adjustment		-	79
Other adjustments		1,269	(3,272)
Cash operating expenditure		155,157	202,208
Spectrum clearance	4,6	(22,689)	(76,651)
Third party litigation – WTA		-	(561)
ITU Subscription		(2,553)	-
Non-operating income		(146)	(1,004)
Final operating costs out-turn		129,769	123,992

Other adjustments reflect the movement in year of non cash related matters primarily from the release of the legal provision made in 2019/20.

As required by both the Communications & Postal Services Act, the table below shows cash received during the financial year and the amount outstanding for the Network & services, Broadcasting and Post sectors. Cash received during the year includes accrued income from prior years.

	Cash received in	Amount
	2020/21	outstanding
	£'000	£'000
Sectors		
Networks & services	40,220	153
Broadcasting	23,071	40
Post	5,122	-
Total	68,413	193

3. Income

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid DCMS								
Spectrum clearance	-	22,689	-	22,689	-	76,651	-	76,651
Legal settlement funding	-	-	-	-	-	-	230,826	230,826
Total government grant-in-aid	-	22,689	-	22,689	-	76,651	230,826	307,477
WTA Receipts Retention								
Spectrum management	52,601	-	-	52,601	52,918	-	-	52,918
Nuisance calls	817	-	-	817	-	-	-	-
Consumer protection	14	-	-	14	95	-	-	95
Video sharing platform	3,385	-	-	3,385	-	-	-	-
Public interest test	-	-	-	-	124	-	-	124
Online harm	2,722	-	-	2,722	-	-	-	-
Telecoms security duties	1,616	-	-	1,616	3,604	-	-	3,604
Satellite filings	701	-	-	701	930	-	-	930
Networks and information systems	53	-	-	53	-	-	-	-
Legal settlement funding	-	-	919	919	-	-	1,707	1,707
Total WTA receipts retention	61,909	-	919	62,828	57,671	-	1,707	59,378
Stakeholder income								
Networks and services administrative and application fees	39,129	-	-	39,129	36,883	-	-	36,883
Blockchain	-	-	-	-	651	-	-	651
Broadcasting Act licence and application fees	25,580	-	-	25,580	24,150	-	-	24,150
Regulation of postal services	5,594	-	-	5,594	5,195	-	-	5,195
Networks and information systems	110	-	-	110	93	-	-	93
Other income	146	-	-	146	351	-	-	351
Total stakeholder income	70,559	-	-	70,559	67,323	-	-	67,323
Total income	132,468	22,689	919	156,076	124,994	76,651	232,533	434,178

Spectrum management includes the International Telecommunication Union (ITU) annual subscription paid on behalf of the UK Government.

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

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

The decrease in total income for 2020/21, when compared to 2019/20, relates to the exceptional item of GIA funding received in 2019/20 for the Annual Licence Fee related legal settlement.

Prior year income for both 'Telecoms security duties' and 'Networks and services administrative and application fees' have been restated. This is due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. The revised funding covers the period 2011 to December 2020 when the Communications Act was amended.

Consequently, a prior year adjustment of £3,604k is required for the period 2011 to 2019/20. This amount has thus been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. The matching accrued income has also been reflected in the WTA receipts funded sector; to reflect the revised funding source. Note 24 provides further details.

4. Staff costs

	Ofcom	Spectrum clearance	Total 2020/21	Ofcom	Spectrum clearance	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs, including fees paid to Board Members, were:						
Salaries and benefits	68,024	351	68,375	64,163	397	64,560
National Insurance costs	7,831	38	7,869	7,556	42	7,598
Pension costs	7,037	33	7,070	6,722	34	6,756
Restructuring costs	152	-	152	316	-	316
Total staff costs	83,044	422	83,466	78,757	473	79,230

Salaries and benefits in core Ofcom included costs directly related to the implementation of Covid-19 measures of £384k (2019/20: £13k) and EU Exit of £54k (2019/20: Nil). Nil for Spectrum Clearance.

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

During the year, twenty-four (2019/20: 31) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

The restructuring costs in 2020/21 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to two (2019/20: 7) employees.

More detailed information in respect of the remuneration and pension entitlements of the directors and senior executives is shown in the remuneration report on pages 96 to 102.

5. Employee numbers

	2020/21	2019/20
The average number of employees (full time equivalents)	992	937

As at 31 March 2021, Ofcom had 1,031 employees (full time equivalents) (2019/20: 958).

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

6. Other operating expenditure

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Auditors remuneration – statutory audit fees	89	-	-	89	83	-	-	83
Auditors remuneration – Section 400	16	-	-	16	14	-	-	14
Professional fees	4,815	1,324	-	6,139	4,024	2,489	-	6,513
Outsourced services	9,791	-	-	9,791	8,108	-	-	8,108
Audience and consumer research	5,322	-	-	5,322	5,513	-	-	5,513
Technological research and spectrum efficiency projects	1,018	-	-	1,018	172	-	-	172
Spectrum clearance scheme	-	20,937	-	20,937	-	73,679	-	73,679
Temporary staff and recruitment	3,038	-	-	3,038	3,076	-	-	3,076
Travel and subsistence	17	2	-	19	1,465	7	-	1,472
Premises costs	5,565	-	-	5,565	4,320	-	-	4,320
Administration and office expenses	7,525	-	-	7,525	7,183	1	-	7,184
Profit on disposal of non capital	-	-	-	-	-	-	-	-
Information and technology costs	6,062	4	-	6,066	6,484	2	-	6,486
Vehicles	103	-	-	103	171	-	-	171
Bad and doubtful debt	22	-	-	22	25	-	-	25
Amortisation	211	-	-	211	265	-	-	265
Depreciation	2,033	-	-	2,033	2,115	-	-	2,115
Depreciation ROU lease assets	4,742	-	-	4,742	4,775	-	-	4,775
(Gain)/Loss on disposal of non-current assets	(175)	-	-	(175)	13	-	-	13
Impairment	250	-	-	250	84	-	-	84
Total other operating expenditure	50,444	22,267	-	72,711	47,890	76,178	-	124,068

Spectrum Clearance costs have been presented separately from core Ofcom other operating expenditure in order to aid transparency and provide a more meaningful comparison between the years. For the same reason, impairment for prior year's comparison is now presented separately from (gain)/loss on disposal of non-current assets. The gain on disposal of non-current assets is primarily due to proceeds from an insurance claim of £170k received during the year, in addition there was a further £13k proceeds from disposal of non-current assets.

The total expenditure incurred directly as a result of the implementation of Covid-19 measures and EU Exit are shown below. These have been presented as part of the total other operating expenditure for the year.

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Covid-19	1,901	1,372	-	3,273	51	-	-	51
EU Exit	73	-	-	73	-	-	-	-

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Legal cost in year	-	-	(2,081)	(2,081)	-	-	3,533	3,533

The movement in Legal cost in year, from the previous financial year, is as a result of the reversal of a proportion of the legal provision made in the previous year that was not required when the matter was settled in 2020/21.

7. Taxation

	2020/21	2019/20
	£'000	£'000
Reconciliation of tax charge		
Surplus before tax	1,526	226,671
Tax on profit at the UK standard rate of Corporation Tax of 19% (2019/20: 20%)	290	45,334
Tax effect of:		
Income not subject to tax	(29,645)	(86,802)
Expenses not subject to tax	29,365	41,501
Decrease to brought forward tax losses	(10)	(33)
Tax charge	-	-

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,325k (2019/20: £11,379k). 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.

Ofcom has not restated the 2019-20 corporation tax rate from 20% to 19%, as the change is immaterial and no tax is charged for that year.

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
Cost							
At 1 April 2019	9,065	1,598	12,909	2,134	736	915	27,357
Additions during year	270	94	76	123	-	332	895
Disposals	(1,174)	(33)	(701)	(698)	-	-	(2,606)
Transfers	-	163	507	300	-	(912)	58
At 31 March 2020	8,161	1,822	12,791	1,859	736	335	25,704
Additions during year	319	56	500	82	-	409	1,366
Disposals	(151)	(14)	(83)	(262)	-	-	(510)
Transfers	-	26	302	7	-	(335)	-
Cost at 31 March 2021	8,329	1,890	13,510	1,686	736	409	26,560
Depreciation							
At 1 April 2019	2,046	340	10,418	1,692	371	-	14,867
Charge for the year	675	230	671	425	114	-	2,115
Disposals	(1,171)	(29)	(694)	(696)	-	-	(2,590)
At 31 March 2020	1,550	541	10,395	1,421	485	-	14,392
Charge for the year	767	251	675	226	114	-	2,033
Disposals	(144)	(14)	(82)	(262)	-	-	(502)
Accumulated depreciation at 31 March 2021	2,173	778	10,988	1,385	599	-	15,923
NBV 31 March 2021	6,156	1,112	2,522	301	137	409	10,637
NBV 31 March 2020	6,611	1,281	2,396	438	251	335	11,312

Equipment purchased for the Spectrum Clearance and Awards program has been included in Ofcom's asset registers under Field Equipment.

9. Right-of-use assets

Ofcom leases of assets include buildings, vehicles and office equipment. Information about leases for which Ofcom is a lessee is presented below.

	Buildings	Vehicles	Others	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2020	51,895	292	238	52,425
Additions during year	243	-	-	243
Disposals	(22)	(51)	(5)	(78)
Cost at 31 March 2021	52,116	241	233	52,590
Depreciation				
At 1 April 2020	4,605	118	52	4,775
Charge for the year	4,619	61	62	4,742
Accumulated depreciation at 31 March 2021	9,224	179	114	9,517
NBV 31 March 2021	42,892	62	119	43,073
NBV 31 March 2020	47,290	174	186	47,650

10. Intangible assets

	Software licences	Information technology	Systems under development	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2019	5,451	17,972	392	23,815
Additions during year	-	-	68	68
Impairment	-	-	(84)	(84)
Transfers	-	1	(59)	(58)
At 31 March 2020	5,451	17,973	317	23,741
Impairment	-	-	(250)	(250)
Disposals	(34)	(97)	-	(131)
Transfers	-	67	(67)	-
Cost at 31 March 2021	5,417	17,943	-	23,360
Amortisation				
At 1 April 2019	5,046	17,803	-	22,849
Charge for the year	147	118	-	265
At 31 March 2020	5,193	17,921	-	23,114
Charge for the year	147	64	-	211
Disposals	(34)	(97)	-	(131)
Accumulated amortisation at 31 March 2021	5,306	17,888	-	23,194
NBV 31 March 2021	111	55	-	166
NBV 31 March 2020	258	52	317	627

11. Trade and other receivables: current assets

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Trade receivables	858	1,783
Other receivables	501	2,646
Prepayments	7,444	6,062
Staff loans and advances	23	205
Accrued Income – Stakeholder	4,061	2,695
Accrued Income – Grant-in-aid	134	561
Accrued income – WTA Receipts	6,606	1,968
Total trade and other receivables: current assets	19,627	15,920

The decrease in staff loans and advances to 4 in 2020/21 (2019/20: 112) was due to a reduction in season tickets as a result of the pandemic.

12. Trade and other receivables: non-current assets

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Accrued Income – Stakeholder	1,069	541
Accrued Income – WTA Receipts	-	3,604
Total trade and other receivables: non-current assets	1,069	4,145

Prior year 'Accrued Income - WTA Receipts' has been restated due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. Note 24 provides further details.

13. Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Commercial banks and cash in hand	14,185	13,827
Total cash and cash equivalents	14,185	13,827

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.

14. Trade and other payables: current liabilities

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Trade payables	78	4,845
Other payables	1,575	582
Value added tax payable	204	268
Accruals	11,079	9,765
Deferred Income – Stakeholder	7,900	9,215
Deferred income – Grant-in-aid	3,811	2,634
Deferred income – WTA Receipts	3,228	1,119
Total trade and other payables: current liabilities	27,875	28,428

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 2020/21 Ofcom achieved on average a performance of 99.51 per cent against these targets (2019/20: 97.92 per cent).

The movement in trade payables and accruals is primarily due to prior year's grant payments settled in 2020/21 in relation to clearance of 700MHz spectrum.

Other payables include funds received from a landlord regarding the refurbishment of the landlord's property and equipment.

15. Trade and other payables: non-current liabilities

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Deferred Income – Stakeholder	7,100	4,894
Total trade and other payables: non-current liabilities	7,100	4,894

Prior year 'Deferred Income - Stakeholder' has been restated due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. Note 24 provides further details.

16. Lease Liabilities

A maturity analysis of lease liabilities based on undiscontinued gross cash flows is reported in the table below:

	Buildings	Vehicles	Other	As at 31 March 2021	As at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Maturity analysis – contractual cash flows: undiscounted					
Less than one year	4,894	28	44	4,966	5,017
One to five years	20,286	39	80	20,405	20,026
More than five years	24,331	-	-	24,331	29,462
Total lease liabilities: undiscounted	49,511	67	124	49,702	54,505

Ofcom does not face a significant liquidity risk with regard to its lease liabilities.

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Amounts recognised in the statement of financial position		
Lease liabilities: current liabilities	4,079	4,052
Lease liabilities: non-current liabilities	40,653	44,522
Total lease liabilities: discounted	44,732	48,574

Leases are discounted at a single nominal rate for leases, which for the full 2021 calendar year is 0.91 per cent (2020: 1.27 percent). Leases that transition to IFRS 16 prior to January 2020 and in the 2019 calendar year are discounted at prior year discount rate of 1.99 per cent, in accordance with HMT Treasury direction.

Each lease generally imposes a restriction that, unless there is a contractual right for Ofcom to sublet the asset to another party, the right-of-use asset can only be used by Ofcom. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. Ofcom is prohibited from selling or pledging the underlying leased assets as security. For leases over buildings, Ofcom must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, Ofcom must insure right-of-use assets and incur maintenance fees on such assets in accordance with the lease contracts.

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Amounts recognised in the Statement of Income and Expenditure		
Interest on lease liabilities (included in finance costs)	961	1,042
Expenditure relating to short-term leases (included in other operating expenditure)	21	39
Expenditure relating to leases of low-value assets (included in other operating expenditure)	21	22
Amounts recognised in the Statement of Cash Flows		
Total cash outflow for leases	(4,942)	(4,893)

17. Provisions for liabilities and charges

	Early retirement	Legal	Total
	£'000	£'000	£'000
At 1 April 2019	182	232,000	232,182
Discount unwound and changes in rate (included in finance costs)	16	-	16
Utilised in year	(32)	(231,972)	(232,004)
Provision increased	-	2,972	2,972
At 31 March 2020	166	3,000	3,166
Discount unwound and changes in rate (included in finance costs)	9	-	9
Utilised in year	(14)	(940)	(954)
Provision released	-	(2,060)	(2,060)
Total provisions as at 31 March 2021	161	-	161

Analysis of expected timing of cashflows	Early retirement	Legal	Total
	£'000	£'000	£'000
Current			
Less than one year	12	-	12
Total current	12	-	12
Non-current			
One to five years	48	-	48
More than five years	101	-	101
Total non-current	149	-	149
Total provisions as at 31 March 2021	161	-	161

The provision for early retirement of £161k (2019/20: £166k) is for Annual Compensation Payments (ACP) which is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by -0.95 per cent (2019/20: -0.50 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 -0.02 per cent (2019/20: 0.51 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 0.18 per cent (2019/20: 0.55 per cent).

Ofcom's regulatory decisions may be subject to appeal. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent they are probable and quantifiable.

Following the Annual Licence Fee (ALF) appeal outcome in February 2020, one third party had an ongoing appeal to the Court of Appeal seeking further penal interest on the original ALF repayment sum. This matter was resolved in this financial year with a final payment of £940k awarded. As a result the balance of the provision from 2019/20 year end was released accordingly.

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 £13,580k (2019/20: £12,950k) to Ofcom. The sums have not been reflected in Ofcom's financial statements as these are subsequently paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and financial statements to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

19. Retirement benefit obligations

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

A) Defined contribution plan – stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £6,447k were made in the year ended 31 March 2021 (2019/20: £6,070k). 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 ended 31 March 2021 was £3k in relation to Plan expenses (2019/20: £5k). Employer contributions of £1,560k were transferred from the Feeder Trust account to the Plan in the year ended 31 March 2021 (2019/20: £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 ended 31 March 2021 was £10k in relation to Plan expenses (2019/20: £10k). Employer contributions of £180k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ended 31 March 2021 (2019/20: £180k).

Both of these Plans are managed by a Board of Trustees that is independent of Ofcom.

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2018 were completed for both defined benefit plans and, unlike under IFRS, showed a combined surplus of £5.3m.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom is expected to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. These contributions are payable from the Feeder Trust (further details below). Ofcom also reimburse the Plans for pension related levies.

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose. The Ofcom Feeder Trust is the mechanism by which Ofcom sets aside funds in order to make future contributions and to meet the running costs of 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.

At the end of May 2020, the Trustee purchased a bulk annuity contract with Legal & General to cover the benefits of all the uninsured members of the Ofcom Defined Benefit Plan who were receiving a pension as at 30 November 2019. In support of this buy in the company paid £1.2m from the Feeder Trust.

Ofcom contributed for the year ended 31 March 2021 £1,080k into the Feeder Trust (2019/20: £540k), the additional funding paid this year provides the opportunity for further de-risking of the liabilities of the Plans. The balance of the Feeder Trust as at 31 March 2021 was £7,737k (2019/20: £8,389k).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission and the Radio Authority as well as former Directors General of Telecommunications. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofcom. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

GMP equalisation

Following the High Court ruling in the Lloyds Bank case on 26 October 2018, which determined that schemes must adjust benefits so as to equalise Guaranteed Minimum Pensions (GMPs) between men and women, Ofcom made an allowance for the potential impact of this at 31 March 2019. This was allowed for as a past service cost in the Statement of Comprehensive Net Expenditure. An allowance of £284k was made in respect of the Ofcom (Former ITC Plan) and an allowance of £14k was made in respect of the Ofcom Defined Benefit Plan.

An additional past service cost of £377k was allowed for in the Defined Benefit Plan at the 31 March 2019 year end. This was as a result of a Deed of Amendment which was executed in respect of the Ofcom Defined Benefit 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.

The ultimate cost of equalising members' GMPs will not be known until they have been fully equalised (which is likely to be a number of years away).

GMP equalisation of Historic Values

On 20 November 2020 the latest High Court judgement on GMP equalisation in relation to transfer value payments was made. It concluded that historic transfers since 17 May 1990, which contained GMP accrued after this date, will now need to be equalised. An analysis has not been undertaken to establish the potential liability for the Plans as a result of the latest ruling as there has been relatively limited transfer value activity in the past and therefore the additional liability in relation to any historic transfer values is not expected to be material.

Potential changes to RPI

The UK Statistics Authority (UKSA) has advised that it intends to change the Retail Price Index (RPI), by 2030 at the latest, to bring it in line with CPIH (the Consumer Prices Index including owners-occupiers' housing costs). The Government carried out a public consultation on the matter during 2020, covering the timing and methodology used in any change. The results of this consultation were released on 25 November 2020. It concluded that RPI will be reformed to be in line with the CPIH with the transition taking place during 2030, and that no compensation would be paid to index-linked gilt holders. In response to this announcement, the derivation of RPI and CPI inflation assumptions were reviewed at 31 March 2021.

Ofcom has determined that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases at 31 March 2021, including the changes in the RPI index to CPIH, and the derivation of the RPI inflation assumption at 31 March 2021 has remained consistent with prior years. For the derivation of the CPI assumption, Ofcom has determined that it is appropriate to maintain the approach adopted at the previous year end, resulting in an RPI-CPI differential of 0.85% at 31 March 2021, taking into account the DB plans' characteristics and membership profiles.

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 2021	31 March 2021	31 March 2021	31 March 2020	31 March 2020	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Funded status, end of year						
▪ Benefit obligation in respect of deferred members	(85,476)	-	(85,476)	(67,572)	-	(67,572)
▪ Benefit obligation in respect of pensioner members	(186,341)	(1,153)	(187,494)	(169,804)	(1,085)	(170,889)
Total benefit obligations	(271,817)	(1,153)	(272,970)	(237,376)	(1,085)	(238,461)
Fair value of plan assets	286,693	-	286,693	259,802	-	259,802
Funded status	14,876	(1,153)	13,723	22,426	(1,085)	21,341

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.

Covid-19

The pandemic has resulted in significant market volatility impacting both asset values and market yields, which in turn has impacted the pensions in the Statement of Financial Position. In particular, for the DB Plan, there is a mis-match between the change in liabilities and the movement in the plans assets over the year. This has been primarily driven by the decrease in corporate bond yields and increases in inflation expectations, which has increased the liabilities by more than the increase in assets.

Changes over the year to 31 March 2021

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2020	(237,376)	259,802	22,426	(1,085)	21,341
Administration expenses	-	(623)	(623)	-	(623)
Interest income/(cost)	(5,668)	6,210	542	(26)	516
Employer contributions	-	1,093	1,093	-	1,093
Benefits paid from scheme assets	12,120	(12,120)	-	-	-
Benefits paid directly by Ofcom	-	-	-	70	70
Benefits paid total	12,120	(12,120)	-	70	70
Remeasurements					
Actuarial gains/(losses)	(40,893)	32,331	(8,562)	(112)	(8,674)
Closing value as at 31 March 2021	(271,817)	286,693	14,876	(1,153)	13,723

Changes over the year to 31 March 2020

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2019	(267,195)	284,886	17,691	(1,211)	16,480
Administration expenses	-	(686)	(686)	-	(686)
Interest income/(cost)	(6,127)	6,536	409	(27)	382
Employer contributions	-	555	555	-	555
Benefits paid from scheme assets	13,012	(13,012)	-	-	-
Benefits paid directly by Ofcom	-	-	-	76	76
Benefits paid total	13,012	(13,012)	-	76	76
Remeasurements					
Actuarial gains/(losses)	22,934	(18,477)	4,457	77	4,534
Closing value as at 31 March 2020	(237,376)	259,802	22,426	(1,085)	21,341

The amounts recognised in the Statement of Income and Expenditure are as follows:

31 March 2021	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Interest income/(cost)	542	(26)	516
Defined benefit credit/(cost) recognised in income and expenditure	542	(26)	516
Administration expenses	(623)	-	(623)
Net income/(cost) recognised in income and expenditure	(81)	(26)	(107)

The amounts recognised as Other Comprehensive Expenditure are as follows:

31 March 2021	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Gains/(losses) on benefit obligations due to changes in financial assumptions	(42,556)	(112)	(42,668)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(1,066)	-	(1,066)
Gains/(losses) on benefit obligations as a result of member experience	2,729	-	2,729
Total gains/(losses) arising on benefit obligations	(40,893)	(112)	(41,005)
Gains/(losses) on plan assets	32,331	-	32,331
Net gains/(losses)	(8,562)	(112)	(8,674)

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 amounts recognised in the Statement of Income and Expenditure are as follows:

31 March 2020	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Interest income/(cost)	409	(27)	382
Defined benefit credit/(cost) recognised in income and expenditure	409	(27)	382
Administration expenses	(686)	-	(686)
Net income/(cost) recognised in income and expenditure	(277)	(27)	(304)

The amounts recognised as Other Comprehensive Income are as follows:

31 March 2020	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Gains/(losses) on benefit obligations due to changes in financial assumptions	21,480	77	21,557
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(187)	-	(187)
Gains/(losses) on benefit obligations as a result of member experience	1,641	-	1,641
Total gains/(losses) arising on benefit obligations	22,934	77	23,011
Gains/(losses) on plan assets	(18,477)	-	(18,477)
Net gains/(losses)	4,457	77	4,534

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 2021 (%)	31 March 2020 (%)
	Total	Total
Global equities (not currency hedged)	2	2
Global equities (currency hedged)	2	2
Corporate bonds	-	6
Index-linked government bonds	-	5
Diversified growth fund	4	4
Liability driven investment portfolio	9	6
Annuities	80	73
Cash and cash equivalents	3	2
Total	100	100

Ofcom and the Plans' Trustees have implemented a number of steps to reduce the level of investment risk. In particular, both main defined benefit plans hold annuity policies that largely eliminate risk in respect of most members and the Ofcom Defined Benefit Pension Plan has a strategy in place that will increase the allocation to lower risk assets that better match liabilities, such as gilts and bonds, when it is affordable to do so.

Principal economic assumptions at the date of the Statement of Financial Position:

	31 March 2021 (%)	31 March 2020 (%)
	Total	Total
Discount rate	2.00 ¹ / 1.80 ²	2.45
Retail Price Inflation	3.35	2.65
<ul style="list-style-type: none"> ▪ Future pension increases (RPI) 	3.35	2.65
<ul style="list-style-type: none"> ▪ Future pension increases (CPI max 3%) 	2.15	1.70

1 DB Plan

2 Ofcom Plan (Former ITC Plan)

The Ofcom pension plan is composed of two separate plans and the Principal demographic assumptions at the date of the Statement of Financial Position are as follows:

	DB Plan	DB Plan	ITC Plan	ITC Plan
Expected lifetime of a member aged 60 who is...	Currently aged 40	Currently aged 60	Currently aged 40	Currently aged 60
Male	29	28	29	28
Female	31	30	32	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
Discount rate						
Increases by 0.50%	decrease by £6,583	decrease by £6,980	decrease by £397	decrease by £11,634	decrease by £11,634	No change
Falls by 0.50%	increase by £7,545	increase by £7,995	increase by £450	increase by £12,971	increase by £12,971	No change
Retail Price Inflation						
Increases by 0.50%	increase by £7,335	increase by £7,787	increase by £452	increase by £11,021	increase by £11,021	No change
Falls by 0.50%	decrease by £6,473	decrease by £6,880	decrease by £407	decrease by £10,020	decrease by £10,020	No change
Expected lifetime of a member aged 60						
Increases by 1 year	increase by £3,131	increase by £1,623	decrease by £1,508	increase by £10,976	increase by £10,976	No change
Decreases by 1 year	decrease by £3,076	decrease by £1,611	increase by £1,465	decrease by £10,637	decrease by £10,637	No change

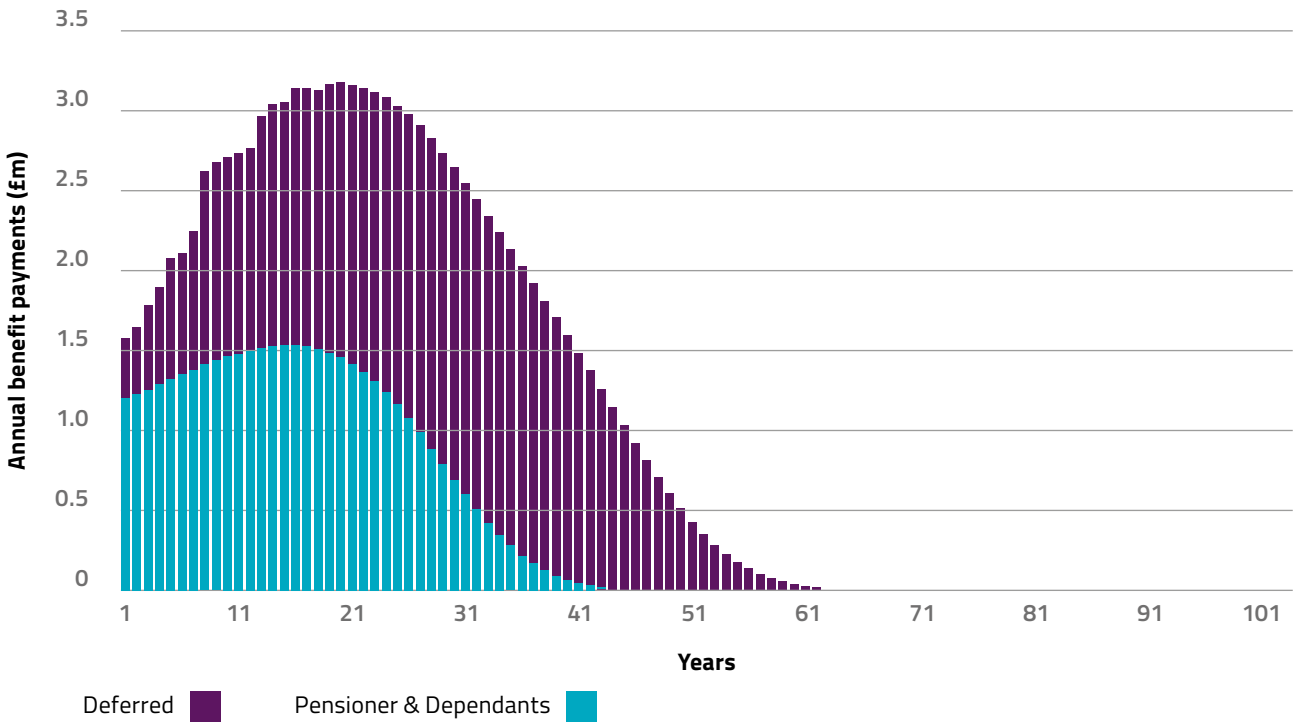
Liability profile of defined benefit plans

The charts below illustrate the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2018) 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.

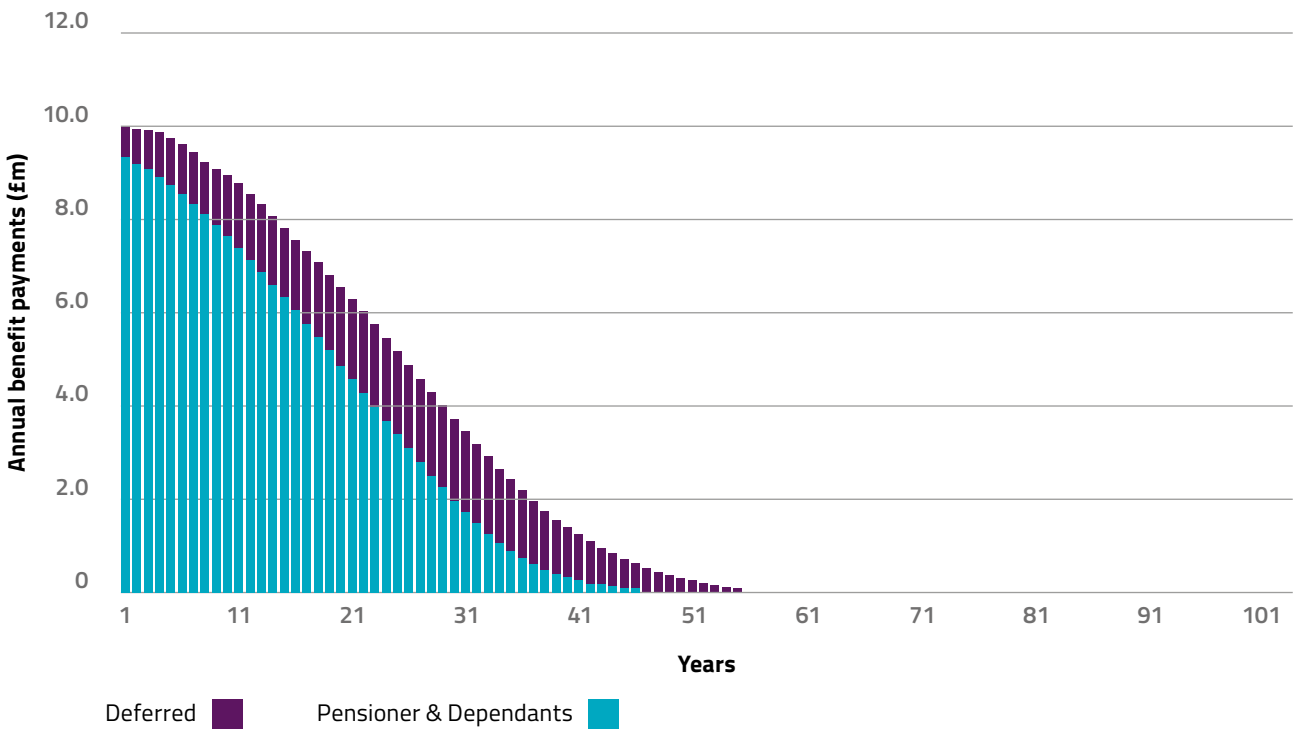
The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

Ofcom Defined Benefit Pension Plan



The duration (average term to payment) of the Plan's liabilities is 19 years

Ofcom (Former ITC) Pension Plan



The duration (average term to payment) of the Plan's liabilities is 13 years

20. Financial instruments

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32 Financial Instruments, specifies the presentation for financial instruments, requiring disclosure of the role they have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Ofcom is financed, 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, 11 and 14 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 19 for further disclosure.

At 31 March 2021, the following payable was held in respect of grant-in-aid due by DCMS:

- Spectrum clearance – £3,811k (2019/20: £2,590k payable)

No other related party transactions were entered into during the financial year.

22. Capital commitments

At 31 March 2021, there were capital commitments of £136k for the purchase of various office and field equipment (2019/20: £1,323k – Landlord funded capital commitment for the refurbishment work to their property).

23. Receipts transferred to/from the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £20,647k (2019/20: £10,985k) 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 £63,840k (2019/20: £56,828k) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

WT Act license fees of £328,321k (2019/20: £312,800k) was remitted to DCMS for transfer to the Consolidated Fund.

24. Prior Year Adjustment

A prior period adjustment has been made to recognise a change in funding for our Telecoms security related work in the Telecoms sector which has been revised from stakeholder funding to WTA receipts retention following discussions with DCMS. An amendment to the Communications Act in 2011 which required Ofcom to carry out Telecoms security functions did not permit those costs to be recovered from stakeholders. An agreement has been reached with DCMS for these costs to be funded via WTA retention as the alternative funding source available to Ofcom. Note 2 has been amended to reflect that the amounts collected from stakeholders, £5,220k (of which £3,604k relates to prior years and £1,616k to 2020/21) has now been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. Note 3 and Note 12 have been amended in respect of the matching prior year accrued income £3,604k reflecting these costs have now been funded from WTA receipts. Note 15 has been amended in respect of the additional prior year element of stakeholder income £3,604k now treated as deferred.

25. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

26. 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 2021/22 year has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Since the start of the the pandemic, Ofcom has adapted to alternative working arrangements. Ofcom believes the pandemic continues to have no impact on the basis for going concern.

SECTION D

Annexes



A1. Section 400 Accounts

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments including licence fees under the Wireless Telegraphy Act (WTA). These receipts do not form part of Ofcom's reported revenue and are excluded from revenue in Ofcom's Financial Statements.

The Digital Economy Act 2017 introduced legislative amendments which permit Ofcom to retain sums received in connection with 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 - Northern Ireland, 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 2020/21 Ofcom received £415.5m (2019/20: £373m). The increase is primarily due to higher annual licence fees paid by mobile operators for the public wireless networks. From these receipts, £63.8m (2019/20: £56.8m) was retained to fund Ofcom's applicable expenditure which includes Spectrum Management and our new Video Sharing Platform duties.

Ofcom paid £328m (2019/20: £313m) relating to, WTA licence fees, spectrum fees from Government departments and the interest earned on cash balances to DCMS, payable to the Consolidated funds. A balance of £13.8m received in 2020/21 was transferred to the exchequer in April 2021.

The 700 MHz and 3.6-3.8 GHz frequency bands were awarded by auction which commenced on 22 March 2021. As of 31 March 2021, deposit of £2,692.2m was held in Ofcom accounts. £1,379.4m was transferred to Government once WTA licences were issued, and any excess deposits were returned to bidders, once the auction concluded on 27 April 2021.

Additionally, Ofcom directly passed £20.6m (2019/20: £11m) to the Consolidated Funds relating to receipts arising from additional payments, financial penalties and geographic telephone number charges.

A2. Regulatory Statements

List of statements published in 2020/21, including regulatory impact on stakeholders

A	Statement: Proposed amendments to the Broadcasting Code and the Code on the Scheduling of Television Advertising
A	Statement: Protecting participants in TV and radio programmes
A	Statement: Proposed changes to broadcast licence conditions
A	Statement: Licensing small-scale DAB – how Ofcom will exercise its new functions
B	Statement: Sam FM (Bristol) – Request to change Format
B	Statement: Imagine Radio – request to create a new approved area
B	Statement: Review of competition rules in the EPG Code
B	Statement and Consultation: Listed Events – Rugby League Challenge Cup Finals 2020 & 2021
B	Statement: Bauer Radio stations in the south and west of England
B	Statement: Bauer Radio stations in the north of England
B	Statement: Love Sport (North London) – Request to change Format
B	Statement: BBC Children’s news and first-run UK originated programmes
B	Statement: Bauer Radio stations in the west of England
B	Statement: Bauer Radio stations in the south of England
B	Statement: Secklow Sounds (Milton Keynes) – Request to change Key Commitments
B	Statement: South West England (Bauer) approved area - request to add Plymouth licence
B	Statement: Absolute Radio (London) – request to change format

Post

A	Review of regulatory financial reporting for Royal Mail - Phase II
C	Recovering postal regulation and consumer advocacy costs

Key to Regulatory Statements

Increased/new regulation	A	Streamlined/co-regulatory	C
Mixed/no-change/ongoing	B	Reduced regulation	D

List of statements published in 2020/21, including regulatory impact on stakeholders

Spectrum

A	Statement: Measures to require compliance with international guidelines for limiting exposure to electromagnetic fields (EMF)
B	Statement: Short-range devices and railway level crossing radar sensor systems
B	Statement: Supporting innovation in the 100-200 GHz range
B	Statement: Decision to make the Wireless Telegraphy (Automotive Short Range Radar) (Exemption) Regulations 2020
B	Statement: Improving spectrum access for wifi – spectrum use in the 5 and 6 GHz bands
B	Statement on the final regulations for the award of spectrum in the 700 MHz and 3.6-3.8 GHz frequency bands
B	Statement: Decision to make the Wireless Telegraphy (Licence Charges) Regulations 2020

Telecoms

A	Statement: Compensating providers delivering universal services
A	Statement and consultation: Implementation of the new European Electronic Communications Code
A	Statement: Implementation of the new European Electronic Communications Code
B	Statement: Consent for KCOM to defer its 2019/20 and 2020/21 Regulatory Financial Statements
B	Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers
B	Statement: Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26
B	Statement: Protecting voice-only landline customers
C	Statement: Digital Comparison Tools – changes to Ofcom's voluntary accreditation scheme
D	Statement: Consent to waiver of notification periods for changes to Openreach network access charges, terms and conditions

Key to Regulatory Statements

Increased/new regulation	A	Streamlined/co-regulatory	C
Mixed/no-change/ongoing	B	Reduced regulation	D

Ofcom statements published in 2020/21 where the earlier consultation included an impact assessment

Short-range devices and railway level crossing radar sensor systems

Final direction applying Code powers to CloudHQ Didcot Fibre GP Ltd

Compensating providers delivering universal services

Licensing small-scale DAB – how Ofcom will exercise its new functions

Final direction applying Code powers to Orbital Net Limited

Implementation of the new European Electronic Communications Code

Final direction applying Code powers to MGMT Ltd

Measures to require compliance with international guidelines for limiting exposure to electromagnetic fields

Supporting innovation in the 100-200 GHz range

Proposed amendments to the Broadcasting Code and the Code on the Scheduling of Television Advertising

Protecting participants in TV and radio programmes

Implementation of the new European Electronic Communications Code

Review of competition rules in the EPG Code

Decision to grant an exception to Royal Mail's universal service obligations

Final direction applying Code powers to Broadband Networks Limited

BBC Children's news and first-run UK originated programmes

Final direction applying Code powers to Westnetworks Innovations Limited

Improving spectrum access for wifi – spectrum use in the 5 and 6 GHz bands

Secklow Sounds (Milton Keynes) – Request to change Key Commitments

Modifications of the USP Access Condition for regulating access to Royal Mail's postal network

Final direction applying Code powers to Secure Web Services Limited

Review of Ofcom's Code on Television Access Services and Guidance on BBC Accessibility

Treating vulnerable customers fairly: A guide for phone, broadband and pay-TV providers

Final direction applying Code powers to Liberty Charge Limited

Final direction applying Code powers to Obelisk Networks (UK) Limited

Final direction applying Code powers to NATS (Services) Limited

Final direction applying Code powers to Redshelf Ltd

Final direction applying Code powers to M 12 Solutions Limited

Final direction applying Code powers to Nynet Limited

Final direction applying Code powers to Delambre Infrastructure Ltd

Final direction applying Code powers to Wildanet Limited

Final direction applying Code powers to Simply Fibre Limited

Final direction applying Code powers to Wessex Internet Limited

Final direction applying Digital Infrastructure Ltd

Final direction applying Code powers to Yesfibre Limited

Final direction applying Code powers to Commsworld Limited

Final direction applying Code powers to Factco Ltd

Final direction applying Code powers to 5ibre Limited

Final direction applying Code powers to Neutralone Limited

Final direction applying Code powers to Connexin Limited

Final direction applying Code powers to Vispa Limited

Final direction applying Code powers to Net Support UK Limited

Promoting investment and competition in fibre networks –
Wholesale Fixed Telecoms Market Review 2021-26

Protecting voice-only landline customers

Wholesale Voice Markets Review 2021–26

Ofcom consultations published in 2020/21 which included an impact assessment and where no final statement had been published by 31 March 2021

Proposal to apply Code powers to Fibre Me Limited

Proposal to apply Code powers to Exponential-e Limited

Supporting the UK's wireless future – Our spectrum management strategy for the 2020s

BBC Studios' lines of business

Openreach quality of service – changes to proposals made as part of the Wholesale Fixed Telecoms Market Review

Notice of Ofcom's changes to licence exemption for Wireless Telegraphy Devices and consultation on licensing equipment in 57 to 71 GHz

Promoting competition in fibre networks – Hull Area Wholesale Fixed Telecoms Market Review 2021-26

Copper retirement – conditions under which copper regulation could be completely withdrawn in ultrafast exchanges

Making on-demand services accessible

Proposal to apply Code powers to CK Hutchison Networks (UK) Limited

Quick, easy and reliable switching

Guidance for video-sharing platform providers on measures to protect users from harmful material

A3. Investigations Programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes. The following table shows Ofcom's activities in conducting initial assessments and investigations during 2019/20. This reflects the picture as at 31 March 2021.

More details of individual cases being investigated under the investigations programme are set out in Ofcom's Competition and Enforcement Bulletin available at:

<https://www.ofcom.org.uk/about-ofcom/latest/bulletins/competition-bulletins>

The data in the table below relates to initial assessment.

	Total handled	Total accepted for investigation	Total not accepted	Ongoing activity (as at 31/3/2021)
Disputes	0	0	0	0
Comp. law	1	0	1	0
Complaints	13	0	11	2
Own-initiative	4	3	1	0

The following table relates to formally opened cases:

	Total handled	Total opened	Total ongoing	Total closed	Ongoing activity (as at 31/3/2021)
Disputes	0	0	0	0	0
Competition Law	2	0	2	1	1
Other investigations	11	3	8	5	6
Enforcement programmes	2	0	2	0	2

A4. Broadcasting Complaints, Cases and Sanctions

Standards and Audience Protection

In 2020/21, the UK has experienced momentous change with ongoing debates around social and cultural issues at the forefront of audiences' concerns. During this period, we prioritised protecting audiences from harmful content through our enforcement of the [Broadcasting Code](#).

This included imposing sanctions against licensees for broadcasting serious harmful material, such as hate speech and harmful claims related to the pandemic. These complex investigations were conducted at pace to mitigate the potential harm to audiences and many have resulted in financial penalties against licensees.

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](#).

Over the last year we have seen a significant rise in complaints

In the last year Ofcom has received and assessed an unprecedentedly high number of broadcasting complaints, the highest since our inception. The vast majority of the complaints we received were about content that audiences found offensive.

Figure 1 – complaints and cases assessed by year

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Complaints	142,660	34,545	55,801	15,293	15,922
Cases	11,778	7,829	6,206	5,774	5,986

In many instances we may receive more than one complaint about a particular programme or more than one issue within a programme. We assess each issue as one case, so the 142,660⁹ complaints we received in 2020/21 resulted in 11,778 cases.

Complaints continue to be important to us: they alert Ofcom to issues that would potentially need our intervention, so we carefully assess every complaint that we receive. However, a growth in the number of complaints does not necessarily lead to a corresponding increase in investigations. Ofcom continues to investigate content if it raises substantive issues under the Broadcasting Code.

Everyone has the right to freedom of expression. It is something we take account of each and every time we assess complaints about broadcast content. This right includes the right to hold opinions and to receive and impart information and ideas without unnecessary interference. It is central to our work in applying broadcast standards and when considering which programmes to investigate. At a time that we are receiving historically high levels of complaints, it is important that we also give appropriate consideration to the importance of freedom of expression in a democratic society.

9. This figure does not include Fairness and Privacy complaint or complaints we sent back to the BBC under BBC First because they had not completed the BBC's complaints process.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2020 and 31 March 2021, Ofcom assessed complaints on average within 8.1 working days.

Of these 11,778 cases, we referred 48 cases for investigation under our rules as outlined in Figure 2 below.

Figure 2: Complaint and case outcomes by key Broadcasting Code issue

Outcome	Not pursued	Out of Remit	Refer for Investigation
Volume	10,225	1,505	48

In this financial year we concluded 60 investigations¹⁰, 12 of which were initiated in the previous financial year. The outcomes of these are outlined in figure 3 below.

Figure 3: Investigation Outcomes

Outcome	In Breach	Not in Breach	Resolved ¹¹	Discontinued
Volume	29	19	9	4
%	48%	32%	13%	7%

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2020 and 31 March 2021, Ofcom completed investigations on average within 75.2 working days due to unprecedented high number of broadcasting complaints being assessed by the team.

Figure 4 below provides a breakdown by some of the key Broadcasting Code issues.

Figure 4: Complaint, case and outcomes by key Broadcasting Code issue

Type	Complaints	Cases	Investigations	Breaches
Offence	128,825	6,511	25	10
Harm	3,375	791	8	8
Due Impartiality	5,479	1,472	4	-
Other ¹²	4,981	3,004	23	11
Total	142,660	11,778	60	29

Complaints relating to offence have increased substantially over the last year, although we opened fewer investigations, as outlined in figure 5 below. In 2020/21, Ofcom assessed a total of 128,825 complaints about offensive content. A further 3,164 complaints about offensive content on the BBC were referred back to the BBC under the BBC First¹³ process.

10. An investigation may complete over more than one financial year depending on factors such as when it was launched and the complexity of the investigation.

11. A 'resolved' outcome may be used in cases, for instance, where a broadcaster has taken immediate and appropriate steps to remedy a breach. In such cases, Ofcom may consider it appropriate not to record a breach and decide that the appropriate outcome is to determine that the case is 'resolved'. A 'resolved' finding is held on record and may be taken into account should there be further compliance concerns regarding a particular broadcaster.

12. Other case type includes protection of children, commercial and advertising;

13. Ordinarily, Ofcom will only accept a complaint that has first been considered by the BBC (as set out in our BBC Procedures). The BBC considers complaints against its Editorial Guidelines, which reflect the relevant provisions of the Broadcasting Code.

Figure 5: Offence complaints by year

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Complaints	128,825	25,834	48,180	9,265	9,546
Cases	6,511	4,308	3,834	3,257	2,997
Investigations	25	67	64	76	62
In breach	10	40	40	44	32

As shown in the figure above, despite the significant increase in the number of complaints received, the number of investigations relating to offence has decreased.

It is not unusual for Ofcom to receive high volumes of complaints about individual broadcasts. There has been an increase over this reporting period in the number of single broadcasts attracting large amounts of complaints. Of the total of 128,825 complaints about offensive content we received, 109,750 related to ten individual broadcasts as outlined in Figure 6 below.

Figure 6: Top 10 single transmission programme complaints in FY 2020/21

Programme	Transmission date	Description	Complaints
Good Morning Britain	08/03/2021	Comments by Piers Morgan about the Duchess of Sussex's reference to feeling suicidal.	54,453
Britain's Got Talent	05/09/2020	Objections to performance by Diversity on 5 September referencing Black Lives Matter.	25,017
I'm a Celebrity... Get Me Out of Here!	N/A	Welfare of animals used in trials on the show.	11,516
Britain's Got Talent	19/09/2020	Alesha Dixon wearing a necklace with the initials "BLM" being offensive and not suitable for a non-political show.	2,565
Britain's Got Talent	10/10/2020	Objections to Nabil Abdulrashid's performance on the grounds of finding it offensive.	2,253
Good Morning Britain	15/04/2020	Objections to Piers Morgan's manner of interviewing Helen Whateley MP.	2,017
Good Morning Britain	22/04/2020	Objections to Piers Morgan's manner of interviewing Helen Whateley MP.	1,334
Britain's Got Talent	03/10/2020	Objections to Nabil Abdulrashid's performance on the grounds of finding it offensive, and Amanda Holden's dress was too revealing, unsuitable for a family audience.	1,189
Good Morning Britain	28/04/2020	Perceived bias / bullying from Piers Morgan when interviewing Victoria Atkins, MP.	1,178
Good Morning Britain	26/11/2020	Disputed Rishi Sunak's claims that he had met with Excluded UK leaders.	1,068

In many of the cases above, we did not find the issues warranted an investigation. On some occasions, where we decided that a programme did not raise substantive issues under the Code but there was significant public attention, we published the reasons for our decision not to investigate. This included [our decision](#) not to investigate the performance by the British dance group Diversity on Britain's Got Talent in September 2020, which attracted more than 25,000 complaints.

In addition to a general increase in offence cases, we saw an increase in the number of complaints specifically about potentially racially offensive broadcast content. These public reactions are consistent with the conclusions from Ofcom's [Audience Expectations in a Digital World](#) research from April 2020, which found that societal norms have shifted in recent years and discriminatory behaviours and language are now more commonly perceived as unacceptable than was previously the case.

The main focus of our work in 2020/21 has been to protect audiences from serious harm

In our view, protecting audiences from harm is the most important area of our work and we continued to focus on this in 2020-21, prioritising the enforcement of rules relating to incitement to crime, hate speech and abusive treatment, which typically constitutes the most serious type of harm. Figure 8 below provides further details on the volumes over five years.

Figure 8: Total numbers of harm¹⁴ complaints by year

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Complaints	3,375	888	613	1,995	1,303
Cases	791	227	249	292	287
Investigations	8	14	6	14	18
In breach	8	11	5	9	9

The rise in complaints and investigations shown in the table reflects a high number of complaints relating to pandemic content. Around 75% of the total harm cases we assessed in 2020/21 mentioned Coronavirus (or related terms) in the complaints. We recognise that audiences will want to receive, and broadcasters will want to broadcast, content about the pandemic, and that the communication of accurate and up-to-date information to audiences is essential. Most of these complaints did not raise issues warranting investigation under our rules. However, when they did, we expedited investigations due to the serious nature of some of the content. We recorded eight breaches of our rules in this area including on the service Loveworld which featured highly misleading statements about the pandemic without providing adequate protection to the audience.

Sanctions

Harm investigations typically lead to us considering the imposition of a statutory sanction due to the seriousness of these breaches. As explained in Figure 9 below, in 2020/21 we imposed 14 sanctions in relation to content standards, a significant increase compared to previous years, mainly driven by the six sanctions we imposed in relation to potentially harmful content relating to the Coronavirus. However, we also imposed eight other content standards sanctions which related to potential harm arising from a range of other serious breaches of the Broadcasting Code, including incitement, hate speech and due impartiality.

14. These figures include complaints which we classified under our rules referring to crime and disorder, harm, hatred and abuse

Figure 9: Sanctions imposed by year – all categories

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Harmful content	10	7	3	6	3
Covid-19 misinformation	7	-	-	-	-
Total	17	7	3	6	7

The table below provides details of the statutory sanctions imposed in 2020/21

Figure 10: Details of the content standards statutory sanctions imposed in 2020/21

Licensee	Service	Sanction	Penalty ¹⁵
Uckfield Community Radio	Uckfield FM	Direction to broadcast a statement of Ofcom's findings.	N/A
ESTV Limited	London Live	Direction to broadcast a statement of Ofcom's findings.	N/A
Club TV	Peace TV Urdu	Financial penalty	£200,000
Lord Production Ltd	Peace TV	Financial penalty	£100,000
Loveworld Limited	Loveworld Television Network	Direction to broadcast a statement of Ofcom's findings.	N/A
		Direction to broadcast a statement of Ofcom's findings and not to repeat the programme.	N/A
		Financial penalty	£125,000
Panjab Radio Ltd	Panjab Radio	Financial penalty	£30,000
Khalsa Television Limited	KTV	Financial penalty and a direction to broadcast a statement of Ofcom's findings, and not to repeat the programmes.	£50,000
Islam Channel Limited	Islam Channel	Financial penalty	£20,000
Afro Caribbean Millennium Centre	New Style Radio	Direction to broadcast a statement of Ofcom's findings and not to repeat the programme.	N/A
		Financial penalty	£2,000
Ujima Radio CIC	Ujima Radio	Financial penalty	£300
Worldview Media Network Limited	Republic Bharat	Financial penalty	£20,000
Star China Media Limited	CGTN	Financial penalty	£100,000
		Financial penalty	£125,000

15. 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

Due impartiality and due accuracy of news and current affairs

We received an increasing number of complaints regarding due impartiality, due accuracy and elections. However, broadcaster compliance in this area remains high. Figure 11 below provides information for providers, other than the BBC and figure 12 provides details for BBC, since their complaints are dealt with through a different process in accordance with the BBC Royal Charter. Under the BBC First system, complainants must normally complete the BBC's own complaints process before coming to Ofcom. If they remain dissatisfied with the BBC's final response to their complaint, they can refer the matter to Ofcom. This differs from other broadcasters, where complainants can register their complaints with Ofcom directly.

Figure 11: Total numbers of due accuracy/due impartiality/election complaints by year (Non-BBC)

Type	2020/21				2019/20			
	Complaint	Case	Investigation	Breach	Complaint	Case	Investigation	Breach
Channel 4	370	176	1	-	809	221	-	-
Channel 5	57	40	-	-	72	50	-	-
ITV	4,059	668	1	-	883	302	1	1
Sky News	879	496	2	-	1,134	458	-	-
Total	5,365	1,380	4	-	2,898	1,031	1	1

Figure 12: Total numbers of due accuracy/due impartiality/election complaints by year (BBC)

Type		2020/21	2019/20	2018/19	2017/18
Complaints	Referred from BBC First	1,609	1,421	445	809
	BBC Standards	102	122	115	85
	Total	1,711	1,543	560	894
Cases	BBC First	819	811	435	586
	BBC Standards	92	100	111	84
	Total	911	911	546	670

We published a number of detailed assessments where we have set out reasons for not pursuing a particular due impartiality case. For example in March 2021, we published: our assessment decision in relation to the [BBC's coverage of the Scottish Government's pandemic briefings](#); and our assessment decision regarding [BBC 2's Newsnight programme](#) and its coverage of events involving the Chief Advisor to the Government at the time, Dominic Cummings.

We also revised our [Complaints Determinations](#) to encourage the BBC to be more transparent in its decisions on editorial complaints, particularly in relation to the publication of outcomes at stage 2 of the BBC's Complaints Framework.

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 2020 and 31 March 2021 we closed a total of 61 complaints about the BBC's online material. None of these cases were referred for an Opinion. A further 537 complaints were redirected to the BBC under the 'BBC First' approach or found to be outside of our remit.

Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 1 April 2020 and 31 March 2021, Ofcom assessed complaints on average within 18.3 working days.

Fairness and Privacy

Ofcom also considers complaints from people who believe they were unfairly treated in a programme or consider their privacy was unwarrantably infringed. In these cases, Ofcom acts as the adjudicator between the individual and the broadcaster.

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](#).

In 2020/21, we received 248 Fairness and Privacy complaints (2019/20: 174). We upheld three of these relating to programmes broadcast on CGTN (and CCTV News prior to its rebranding), and two complaints relating to programmes broadcast on Abu Dhabi Media Channel.

All five of these programmes included footage of alleged forced confessions, and Ofcom found that the programmes resulted in serious unfairness to the complainants; represented a significant interference with the complainants' rights to privacy; and that the broadcast of the footage was not warranted.

We imposed a [financial penalty](#) of £100,000 against Star China Media Limited¹⁶ who held the licence for the CGTN service. We also imposed two financial penalties of £125,000 each on Abu Dhabi Media Company PJSC¹⁷ who held the licence for Abu Dhabi Channel for serious breaches of the Fairness and Privacy rules¹⁸.

16. This sanction related to the first of the three fairness and privacy breaches we recorded in 2020/21 against Star China Media Limited in relation to CGTN/CCTV News content.

17. Al-Jaidah Sanction Decision ([ofcom.org.uk](https://www.ofcom.org.uk)) and Al-Hammadi Sanction Decision ([ofcom.org.uk](https://www.ofcom.org.uk)).

18. The sanctions against Abu Dhabi Media Company PJSC, in relation to its service Abu Dhabi, were imposed during the new financial year 2021/22 and are not therefore included in the number of sanctions imposed for the financial year 2020/21.

Entertainment Decisions

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2020 and 31 March 2021, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 14.0 working days.

Figure 13: Fairness & Privacy Adjudication outcomes

Outcome	Upheld	Partially upheld	Not upheld	Resolved	Discontinued
Volume	9	1	25	1	15
%	18%	2%	49%	2%	29%

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 2020 and 31 March 2021, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 117.8 working days.

The past year has seen an unprecedented high number of broadcasting complaints being assessed by our team. We have also considered and imposed a high number of sanctions. A significant number of the Fairness and Privacy cases closed this year have also involved some very complex legal and procedural issues. This has resulted in us taking longer than usual to complete our adjudications

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 51 complaints were adjudicated upon in the period under review with the outcome outlined in figure 13 below.

Broadcast Licensing

Innovative broadcasting

Over the past year we have seen broadcasters explore new ways to reach audiences in response to the challenges thrown down by the pandemic. Local broadcasters, for example, took advantage of a new version of an existing radio licence that we introduced in April 2020. This licence was specifically designed for those wanting to provide news, information and updates about Covid-19 with their communities. Eight of these new services came on air around the UK this year.

The number of restricted service licences (RSLs) being held for drive-in events increased, as organisers looked for new ways to bring communities together while still observing social distancing. RSLs are needed for drive-in events so attendees can hear what's being said on their car radios. Over 430 RSL licences were granted in 2020/21 – compared to over 80 granted in 2019/20 – for events ranging from drive-in movies, church services and even drive-in weddings.

Other TV and radio broadcast licensing developments

TV broadcasters saw changes to the broadcast licensing framework for their services in the past year, with new rules now in place for how linear TV services are licensed following the UK's exit from the European Union.

In 2020/21, 228 TV broadcast licences were surrendered, out of a total of 1,378 licences in issue. While licensees don't have to give a reason when they surrender a licence, our analysis suggests the majority of the surrenders were due to broadcasting companies relocating due to EU exit. However, we also received just under 50 applications for new TV services and are seeing a variety of new channels being launched, providing catering to different interests for audiences across the UK.

In April 2020, we set out our plans to license over 200 small-scale radio multiplex services enabling community, commercial and specialist stations to get on air. A multiplex is the technical means by which DAB digital radio stations are broadcast – and in September we invited applications for the first 25. By mid-2021 we awarded 19 small-scale radio multiplex licences, including in Glasgow, Derry/Londonderry, Cardiff and Leeds among others. The second batch of multiplex licences, for localities in north west England and north east Wales, were advertised in June 2021.

We also received 21 applications for digital community radio service licences (C-DSP), which will ultimately be carried on small-scale DAB multiplexes. We issued 12 such licences, and we have also received 62 applications for digital radio licences (DSP), with 54 of these being issued with a licence to broadcast. 308 analogue community radio services are currently broadcasting, with a further 29 due to launch over the next year.

Licence condition enforcement

In our work to enforce licence conditions, which we consider under our [General procedures for investigating breaches of broadcast licences](#), we assessed 116 complaints during 2020-21 as set out in figure 14.

In all but one case we decided it was not appropriate or necessary to pursue complaints relating to the type of content broadcasters were required to provide during this period, recognising the impact of the pandemic. By the end of March 2021, many broadcasters were meeting their programming and production commitments in full. Other complaints were not pursued either because they did not raise potentially substantive issues which warranted investigation by Ofcom or because they were outside of our remit.

Figure 14: Licensing complaints

Description	Complaints
Broadcasters had not kept to the programming commitments/quotas in their licences.	74
Community or commercial radio stations had either temporarily ceased or not started broadcasting and therefore not providing the service required by the licence.	8
Licensees not complying with the ownership requirements for holding a broadcasting licence.	4
Licensee was not 'fit and proper' to hold a broadcasting licence.	4
Range of other issues, some of which were outside Ofcom's remit.	26

We closed 50 investigations, 47 of which were initiated by Ofcom, and the other three were the result of a complaint about a community radio station not broadcasting the output it was required

to deliver (two of these investigations related to complaints received during 2019/20). Figure 15 explains the outcome of the 50 investigations.

Figure 15: Investigation outcomes

Outcome	Volume	%
Not in Breach	22	56%
Breach (due to)	28	44%
Non-payment of annual licence fees	12	43%
Failure to provide information on request	12	43%
Failure to provide recordings of broadcast output	4	14%

This was a reduction compared to 2019/20, when we closed 268 investigations, 151 of which resulted in us recording a breach of the licence. The decrease in investigations this year is due to the flexibility we have offered to broadcasters in relation to compliance with programming commitments, requests for information and licence fees during the coronavirus pandemic.

In cases where a licensee has seriously, deliberately, repeatedly or recklessly breached their licence conditions, we impose a statutory sanction

in accordance with our [Procedures for the consideration of statutory sanctions in breaches of broadcast licences](#). In 2020/21 we imposed four sanctions as explained in figure 16 below.

We imposed fewer statutory sanctions in 2020/21 than in 2019/20 due to the flexibility we have offered to broadcasters in relation to compliance with programming commitments, requests for information and licence fees during the coronavirus pandemic.

Figure 16: Licensing sanctions imposed by year

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Non-payment of annual fees ¹⁹	4	9	-	-	2
Non-provision of information ¹⁹	2	3	-	-	1
Non-compliance with programming commitments	-	1	-	-	-
Licensee failed to inform Ofcom of a change of control	-	-	1	-	-
Total	6	13	1	0	3

19. These sanctions relate to non-payment of annual licence fees that were overdue prior to the commencement of the coronavirus pandemic.

Figure 17 below provides details of the licensing statutory sanctions imposed in 2020/21.

Figure 17: Details of licensing sanctions imposed in 2020/21

Licensee	Service	Sanction	Penalty
Ujima Radio CIC	Ujima Radio	Financial penalty	£300
Afro Caribbean Millennium Centre	New Style Radio	Financial penalty	£2,000
Antenna Media Limited	Antenna Radio	Revocation	N/A
Atlas Media Team Limited	Atlas Radio	Revocation	N/A
Media Platform Limited	MPL Asia	Revocation	N/A
Media Platform Limited	MPL	Revocation	N/A

We also revoke licences for reasons other than serious breaches of licence conditions, for example where a licensee is no longer fit and proper to hold a licence, becomes disqualified from holding a licence or is no longer in control of a service or has ceased to be the provider of the service.

In 2020/21, we revoked the licence for the service 'CGTN' after our investigation concluded that the licensee, [Star China Media Limited](#) did not have editorial responsibility for CGTN's output and therefore did not meet the legal requirement of having control over the licensed service.

Figure 18: Details of licence revocations not related to a breach of licence conditions by year

Type	2020/21	2019/20	2018/19	2017/18	2016/17
Licensee incorrect provider of the service	1	1	-	1	7
Licensee no longer fit and proper to hold a licence	-	-	1	1	-
Non-compliance with programming commitments	-	1	-	-	-
Licensee failed to inform Ofcom of a change of control	-	-	1	-	-
Total	1	1	1	2	7

A5. Spectrum Engineering and Enforcement

Key performance indicator

Main Activities

Work Programme Activity/Incident	April 20 – March 21	April 19 – March 20
Complaints of Interference received ²⁰	1,923	1,585
Checking radio system licence compliance ²¹	1,130	2,211
Fixed Penalty Notices Issued ²²	0	21
Prosecutions for criminal spectrum activity ²³	1	3

Quality of Service Targets for Complaints of Interference Received

Key Performance Indicator	Case Priority	Target	Target achieved	
			April 20 – March 21	April 19 – March 20
Time to First Visit:	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	96%	99%
	4	5 working days	99%	98%
	5	15 working days	99%	98%
	6	No target	-	-
	Resolution:	1	2 calendar days	-
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	100%	100%
	3	6 working days	100%	99%
	4	20 working days	95%	96%
	5	40 working days	99%	96%
	6	60 working days	99%	99%

20. Cases of interference reported by the public and businesses

21. Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

22. Fixed Penalty Notices (FPN) are usually instead of legal proceedings. Failure to pay a FPN can lead to legal action. Covid-19 restrictions have reduced Spectrum Assurance's ability to undertake non-essential licence investigations, these restrictions have similarly affected businesses using wireless telegraphy apparatus to which the majority of FPNs are issued. In 20/21 there was a 49% reduction in checking radio system licence compliance, compared with 2019/20 (see main table above) resulting in the reduction of FPNs issued.

23. Prosecutions in relation to "Pirate Radio" or failure to pay FPNs

A6. Spectrum Licensing

Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Business Radio Light – Simple UK (no base station)	1,492	2,030	15,570	15,226
Business Radio Simple Site	971	1,227	9,048	8,969
Business Radio Suppliers Light	106	135	1,374	1,301
Fixed Wireless Access (5.8 GHz)	44	61	404	408
GNSS Repeater	14	16	366	353
Police and Fire	1	0	123	123
Subtotal for Business Radio products	2,628	3,469	26,885	26,380
Radar Level Gauge	0	0	124	124
Amateur & Maritime	34,326	30,167	275,665	268,117
Total for Category A	36,954	33,636	302,674	294,621
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 frequency assignment, but no site clearance or international co-ordination	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Automatic Identification System	19	15	398	385
Coastal Station Radio (International)	10	5	396	396
Coastal Station Radio (UK)	13	11	324	339
Coastal Station Radio (Marina)	7	10	389	401
Coastal Station Radio (Training School)	50	31	504	477
Maritime Radio (Suppliers & Demonstration)	4	1	87	84
Maritime Nav aids and Radar	4	4	117	118
Differential Global Positioning System	0	0	6	6
Shared Access (Low Power)	63	124	829	786
Shared Access (Medium Power)	95	6	94	2
Subtotal – Deregulation & Contracting-Out	265	207	3,144	2,994
Business Radio Technically Assigned	1,729	2,438	23,580	24,630
Business Radio Area Assigned	35	25	324	309
Coastal Station Radio (UK) Area Defined	3	4	13	12
Coastal Station Radio (Internat'l) Area Defined	0	1	4	8
Ground Probing Radar	19	24	224	218
Scanning Telemetry	2	0	29	28
Self co-ordinated links	21	23	173	170
Subtotal for Business Radio products	1,809	2,515	24,347	25,375
Total for Category B	2,074	2,722	27,491	28,369
KPI for Category B	100%	87%	-	-
	100%	97%	-	-

Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20	
Fixed Links	1,397	1,359	18,925	19,806	
Satellite (Permanent Earth Station)	44	5	141	148	
Satellite (Transportable Earth Station)	11	58	104	112	
Satellite (Earth Station Network)	14	7	68	69	
Satellite (Non Fixed Earth Station)	5	4	10	11	
Satellite (Non-Geostationary Earth Station)	2	0	2	0	
Total for Category C	1,473	1,433	19,250	20,146	
KPI for Category C	90% in 42 days	100%	99%	-	-
	100% in 60 days	100%	99%	-	-

Aeronautical licences

Licences for aeronautical services	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Aeronautical Licences	1,648	5,298	16,128	15,954
Total for Aeronautical	1,648	5,298	16,128	15,954
KPI for Aeronautical (100% in 7 days)	100%	77%	-	-

Programme Making & Special Events (PMSE)

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
PMSE Licences	14,113	36,130	5,669	7,974
Total for PMSE	14,113	36,130	5,669	7,974
KPI for PMSE (100% in 7 days)	100%	100%	-	-

Test and development (T&D) licences

	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Innovation and Research Licence	413	402	352	335
Demonstration and Trial Licence	264	358	135	155
Total for T&D	677	760	487	490
KPI for T&D (100% in 60 days)	100%	100%		-

Mobile and wireless broadband licences²⁴

Licences issued through spectrum auction or award processes	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Public Wireless Networks: 900, 1800 MHz	0	-1	4	4
Spectrum Access: 2100 MHz	0	0	4	4
Spectrum Access: Channel Tunnel ²⁵	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	1	1
Spectrum Access: 1785 MHz, Northern Ireland	0	0	25	25
Spectrum Access: 2.3, 3.4-3.6, 3.6-3.8, 10, 28, 32, 40 GHz	2	1	10	8
Spectrum Access Offshore	9	1	10	1
Total for Mobile and Wireless Broadband	11	1	64	53

24. Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

25. Separate licence for the out-bound (UK-France direction) tunnel

Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 20 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands & Isle of Man	0	1	33	33
Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man	-1	0	8	9
Total for Channel Islands and Isle of Man	-1	1	41	42

Digital dividend spectrum licences

Spectrum freed up for new uses as a result of digital switchover

DDR GI Licences issued through spectrum award processes	Licences issued April 19 – March 21	Licences issued April 19 – March 20	Total on issue as at 31 March 21	Total on issue as at 31 March 20
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
Total number of licences – all categories	56,949	79,981	371,806	367,650

A7. Sustainability

This section presents sustainability data and financial costs in more detail.

Greenhouse gas emissions

		2016/17	2017/18	2018/19	2019/20	2020/21	
Non-Financial Indicators (tonnes CO2e)	Scope 1	Gas	161	187	148	22	18
		Oil	19	22	11	0	0
		Fleet Fuel	185	192	168	163	90
	Scope 2	Electricity	1,090	809	528	308	189
		Business Travel	312	519	555	594	7
		Air	188	410	449	477	0
		Domestic	76	156	160	185	0
		Short haul	79	164	160	136	0
	Scope 3	Long haul	34	91	129	156	0
		Rail/bus/tube	78	66	67	73	1
		Car/Motorbike/ Cycle	43	41	36	41	6
		Taxis	3	2	2	3	0
	Related consumption data	Scope 1	Gas (kWh)	874,478	1,014,202	802,709	120,016
		Gas per FTE (kWh)	1,012	1,136	891	125	93
		Oil (litres)	7,500	8,500	4,501	0	0
		Fleet Fuel (litres)	71,024	73,659	64,710	62,665	32,816
Scope 1		Electricity (kWh)	2,426,666	2,103,652	1,720,333	1,112,349	747,108
		Electricity per FTE (kWh)	2,808	2,356	1,910	1,162	725
Financial Indicators	Scope 1	Gas	£22,293	£19,465	£23,494	£10,852	£11,803
		Oil	£2,128	£5,530	£3,347	£0	£0
		Fleet Fuel	£87,398	£93,911	£90,292	£85,269	£43,166
	Scope 2	Electricity	£293,991	£340,333	£287,074	£158,351	£127,833
		Business Travel	663,705	705,602	742,876	837,982	5,458
		Air	£253,733	£333,723	£367,844	£402,945	(£7,579)
	Scope 3	Rail/bus/tube	£299,929	£266,725	£273,338	£315,574	£2,136
		Car/Motorbike/ Cycle	£65,077	£64,329	£57,428	£66,212	£8,923
	Taxis	£44,966	£40,826	£44,266	£52,421	£1,977	

Scope 1 – This covers direct consumption of gas and oil, and fuel consumption from Ofcom’s fleet cars.

Gas consumption data across all years cover Ofcom’s main office in London, Belfast, Birmingham, Haydock (closed 2018) and Livingston (closed 2017). Gas charges for Edinburgh, Warrington and Cardiff offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services.

Scope 2 – This covers electricity supplies to Ofcom’s offices. Electricity data across all years

cover Ofcom’s main 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 3 – Business travel financial data have been obtained from our SAP reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short-haul and long haul flights as per Defra flight distance guidance.

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.

		2016/17	2017/18	2018/19	2019/20	2020/21
Non-Financial Indicators (tonnes)	Total waste	172	76	198	189.21	69.00
	Waste sent to landfill	0	0	0	0	0
	ICT waste recycled/re-used	4	0	0	0	0
	Waste recycled/re-used	91	52	71	91.69	38
	Waste composted	14	4	4	0	3
	Waste incinerated with energy recovery	63	20	127	97.52	28
	Waste incinerated without energy recovery	0	0	0	0	0
	Total waste per FTE	0.199	0.086	0.220	0.198	0.067
Financial Indicators	Total waste	£37,984	£7,004	£43,805	£35,000	£12,470

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.

There is a slight increase in water consumption during 2019/20 due to a leak at our Baldock office, which has now been resolved.

		2016/17	2017/18	2018/19	2019/20	2020/21
Non-Financial Indicators	Water consumption (m3)	11,282	9,379	13,988	18,874	6,375
	Water consumption per FTE	13.06	10.50	15.53	19.71	6.19
	Paper reams	6,317	3,915	2,579	2,446	23
	A3 reams	92	50	127	106	0
	A4 reams	6,225	3,865	2,452	2,305	23
	A5 reams	0	0	0	35	0
Financial Indicators	Water	£22,248	£6,929	£19,583	£23,321	£14,820

A8. 700 MHz Clearance

Overview

The 700 MHz clearance programme has successfully cleared this spectrum so that it can be used to meet the growing demand for spectrum for mobile data. The project was one of the largest Ofcom has ever been involved with and will bring major benefits to people across the UK.

Purpose

In 2014 Ofcom announced the decision to reallocate frequencies between 694 MHz and 790 MHz (“the 700 MHz band”).

DTT, audio Programme Making and Special Events (PMSE) services and White Space Devices (WSDs), who formerly used the 700 MHz band, no longer have this spectrum available to them now that the programme has completed.

Goals

The goals of the 700 MHz clearance programme 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.

Activities

Significant changes to the DTT network were required by the 700 MHz clearance programme as channels switched to new frequencies. This included major infrastructure work – involving both air and ground works – undertaken by Arqiva. The 700 MHz clearance programme included government funding to help affected equipment owners, although viewers were not unduly impacted by clearance events and received good support. PMSE users were also affected by 700 MHz clearance. They needed to replace some equipment that could no longer operate in the frequencies available to PMSE. A funding scheme was set up to assist affected users.

Timescale

An event of national significance materialised very quickly with the pandemic and a national lockdown announced on 23 March 2020. The pandemic necessitated the pausing of clearance events and the adoption of a revised timescale for the programme due to the national lockdown in the UK in the first half of 2020. The clearance events successfully restarted on 12 August 2020 following the easing of UK Government restrictions and the last phase of the clearance of the airwaves completed on 19 August 2020.

The 700 MHz airwaves were part of the 2021 Spectrum auction that has concluded with the mobile network operators using the airwaves to boost current mobile services and support new 5G networks.

All workstreams have progressed to the closure phase of the programme. The majority will complete during 2021.

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