



The Office of Communications
Annual Report and Accounts

For the period 1 April 2014 to 31 March 2015

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

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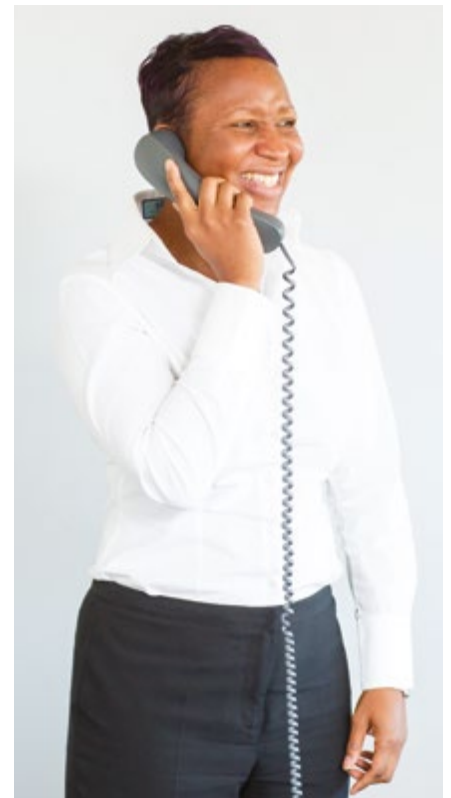
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Overview

Who we are and what we do

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



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

We seek to ensure that businesses and individuals in the UK get the best from their communications services and are protected from scams and sharp practices, while ensuring that, where appropriate, competition can thrive.



Established under the Office of Communications Act 2002, Ofcom operates under a number of Acts of Parliament and regulations. These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Act 2010 and the Postal Services Act 2011.

The Communications Act 2003 states that Ofcom's principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. This underpins much of what we do. In relation to postal services our duty is to carry out our functions in a way that we consider will secure the provision of a universal postal service in the UK.

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

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

What we do

Our main legal duties are to ensure that:

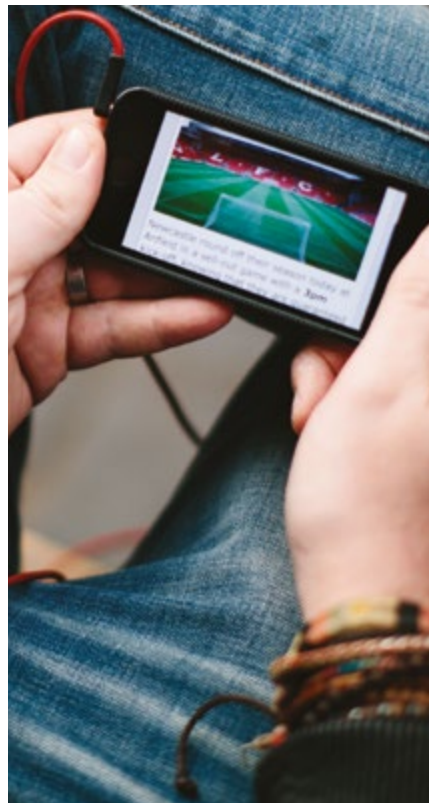
- the UK has a wide range of electronic communications services, including high-speed services such as fixed and mobile broadband;
- the radio spectrum (the airwaves used by everyone from taxi firms and boat owners, to mobile-phone companies and broadcasters) is used in the most effective way;
- a wide 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 who watch television and listen to the radio are protected from harmful or offensive material. We handle complaints about television and radio broadcasting and assess each complaint against the Broadcasting Code or other relevant codes or licence conditions;
- people are protected from being treated unfairly in television and radio programmes, and from having their privacy invaded; and
- the universal service obligation on postal services is secured in the UK.

What we do not do

Ofcom has powers to enforce consumer law on behalf of consumers generally. Ofcom does not have the power to resolve individual consumer complaints about telecommunications or postal services, unlike TV and radio, but we provide advice to complainants and refer them to the two alternative dispute resolution (ADR) schemes that we have approved.

Chairman's message

Patricia Hodgson



Our aim, as always, is to deliver the best outcomes for UK citizens and consumers. Competition is the prime tool, but where it fails, intervention may be necessary. Tough new installation and repair targets on Openreach, pressure on operators to handle complaints better and action on silent and abandoned calls are just three examples where we have acted in the past year.

Good value and high quality communications services for businesses are also a central objective for Ofcom. We have kicked off a project to assess whether the communications market is fully meeting the needs of small and medium-sized enterprises. And we have launched a market review of the provision of leased lines, including the most effective use of dark fibre.

Superfast broadband and 4G are now available to three-quarters of all homes and businesses. Britain has embraced these technologies faster than any other European country, and Ofcom is committed to do all it can to sustain further momentum.

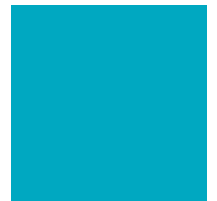
2014/15 saw significant change in Ofcom's leadership. We welcomed Graham Mather and Stephen Hill to the Board as new non-executive members, and Baroness Noakes as Deputy Chairman. This experience and expertise was further strengthened by Jonathan Oxley, who joined the Board as Group Director, Competition. And in March, after successfully guiding the organisation as Acting Chief Executive for three months, Steve Unger joined the Board permanently.



Ofcom has done much to stimulate innovation, investment and new services in the UK's communications sectors, something we do by encouraging competition and market entry.

Where historic competitive bottlenecks have prevented this, we have tackled them. But as telecoms and broadcast platforms and services converge still further, new bottlenecks may emerge.

We are therefore embarking on a major strategic review of the UK's digital communications markets. By looking at broadband, mobile and landline markets as a whole, we aim to ensure that incentives for investment remain strong and that we reduce regulation where we can. This review, the first since 2005, seeks to ensure that Ofcom's regulatory framework continues to be responsive to a rapidly evolving sector.



Departing both Ofcom and its Board was Jill Ainscough, whom I thank for guiding Ofcom's operations activity so well since 2006. Finally, having been an integral part of Ofcom from its inception, we bade farewell to Ed Richards. Ed's mark on Ofcom and the sectors we regulate is indelible, the combination of drive, passion and creativity he brought to the role unmistakable. In Ed's place, I was delighted to welcome Sharon White, who brings with her an outstanding combination of intellect, acumen and experience leading complex public organisations. She will build on Ofcom's considerable track record and reputation.



Dame Patricia Hodgson, DBE
Chairman

Strategic Report

Highlights of 2014/15

Ensuring effective competition and investment in broadband

We introduced a new rule to promote competition in superfast broadband by requiring BT to maintain a sufficient margin between its wholesale and retail superfast broadband charges. The rule should help both safeguard investment and deliver benefits to consumers (page 22).

Simplifying non-geographic numbers

We continued our work to simplify non-geographic numbers for business and domestic consumers. Our decisions will not only make prices more transparent, but should increase competition, and consumers' use of the numbers (page 24).

Ensuring spectrum use is optimised

During the year we decided to release the 700MHz band for mobile broadband by 2022, and laid the foundations for industry to use white spaces for new wireless applications (pages 27 and 29).

Helping consumers to change communications providers more easily

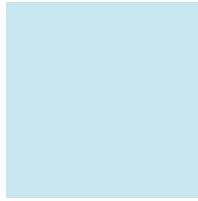
Effective switching processes help consumers change provider with greater ease, confidence and convenience. This remains a priority area for Ofcom, and we continue to work to ensure that barriers to switching are addressed. Our previous decisions introduced a single switching process for fixed voice and broadband services across the Openreach and KCOM networks, effective from June 2015 (page 30).

Ensuring consumers' rights to effective redress

We opened investigations into two large mobile network operators' complaints handling processes. One of these is ongoing, the other resulted in Ofcom imposing a financial penalty (page 35).

Tackling the problem of nuisance calls and mis-selling

We continued our extensive programme of work to protect consumers from silent and abandoned calls, as well as the mis-selling of landline telephone services (pages 35 and 36).



Protecting consumers from unexpectedly high bills

The proportion of consumers experiencing unexpectedly high bills continues to decline. We supported the government's work to introduce a liability cap for lost or stolen phones (page 36).

Protecting children and pre-watershed violence

We took action against channels for broadcasting TV programmes unsuitable for children before the watershed, and published research on consumer attitudes towards violence shown on TV (page 40).

Licensing local TV

We licensed 8 new local TV stations through the year. Some 34 (25 a year ago) licences had been awarded by the end of March 2015, and 18 local TV stations were on air (page 40).

Review of public sector broadcasting

During the year we published our provisional findings on the performance of the public service broadcasting system and looked at ways in which it might be maintained and strengthened in the future (page 41).

Look ahead to 2015/16



Improve the process of switching providers for consumers

We will complete our implementation of simpler gaining-provider-led switching procedures for lines where both parties use BT or KCOM's copper networks. We are keen to ensure that switching for mobile phone and for bundled services is as easy as possible for the consumer. We will publish an update on mobile switching later in the summer and we will come forward with proposals for reform for both mobile and bundled services, as appropriate, later in 2015.

Monitor and ensure improved quality of service and customer service performance

In July 2014 we set new minimum standards for Openreach, and are monitoring its performance against its obligations with regard to installing and repairing fixed lines. We will also continue our work on consumer redress arrangements for fixed-line fault repair and installation delays, with a view to improving consumer experience in this area and the transparency of communication provider arrangements, where this is needed.

We published our Annual Plan for 2015/16 in March this year. This document set out the full suite of work we will undertake this year.

It also identified a list of priorities that we will focus on, in particular, over the next 12 months. A brief summary of each priority is provided below.

Strategic Review of Digital Communications

In March 2015, we announced an over-arching review of the UK's digital communications markets, to ensure that communications providers and services continue to meet the needs of consumers and businesses. Further information can be found in the Terms of Reference¹.

Ensure effective competition in the provision of communications services for businesses, particularly SMEs

We have completed our initial assessment on market outcomes for SMEs. In the coming months we will follow an action plan to address the issues identified. This includes working towards including business broadband products within the Code of Practice on Broadband Speeds, expanding our business portal to help SMEs better navigate the market and engaging with Government to help ensure that SMEs can benefit from superfast broadband. We will also complete the business connectivity market review, covering leased-line business products.

¹ http://stakeholders.ofcom.org.uk/binaries/telecoms/policy/digital-comms-review/DCR_Terms_of_reference_12_March_2015.pdf



Represent the UK's position in international negotiations on spectrum use

Ofcom represents the UK in international spectrum discussions, including World Radiocommunications Conferences (WRCs). WRCs are held approximately every four years and develop global and regional agreements on the use of spectrum. The next WRC will be held over four weeks in November 2015. Ahead of the conference, Ofcom is engaging with the Government and stakeholders to ensure that the UK's views and positions are effectively developed in line with UK policies and priorities.

Protect consumers from harm in a range of priority areas including nuisance calls

We will take action against instances of nuisance calls through our joint action plan with the Information Commissioner's Office. Our priorities in this action plan² include ongoing, targeted enforcement action, improving the tracing of nuisance calls, working with Government and other bodies to ensure co-ordinated action and improving consumer information. We will also continue to investigate instances of mis-selling in the sector.

Review the factors that potentially affect the sustainability of the universal postal service

We are conducting a broad review of the factors that could materially affect Royal Mail's ability to deliver the universal postal service in future. This review will cover developments in the parcels market, Royal Mail's position within this market and the rate of improvement in efficiency that Royal Mail should reasonably be able to achieve.

Promote better coverage of fixed and mobile services for residential and business consumers

We will develop a consistent approach to reporting on coverage and quality of experience of mobile services, which reflects actual consumer experiences, and publish operator-specific metrics to inform consumer choice. We will also continue to support the deployment of sufficiently fast broadband services to meet modern consumer demands. In the *Infrastructure Report*, we noted that for many consumers this is now around 10Mbit/s.

Work towards the timely release and effective award of spectrum, including the 2.3GHz, 3.4GHz and 700MHz bands

We are aiming to award 190MHz of spectrum in the 2.3GHz and 3.4GHz bands during 2015/16, and will work to make the 700MHz band available for mobile data use by 2022 (or earlier if practicable).

Promote audience safety and assurance in traditional and online environments

In 2015/16 we will undertake a range of work to ensure that the services we license comply with our rules. For example, we will extend our targeted monitoring of enforcement against TV content that contravenes the Broadcasting Code. We will also continue to promote the safety and assurance of children online.

Alongside these priorities, we will continue to conduct a range of other important work. This includes our enforcement activities to take action against cases of consumer harm or anti-competitive behaviour, as well as our work to complete the third review of public service broadcasting.

Full details can be found in our Annual Plan: <http://www.ofcom.org.uk/about/annual-reports-and-plans/annual-plans/annual-plan-2015-16/>

A table outlining our principal risks and uncertainties can be found on pages 44 and 45.

² <http://stakeholders.ofcom.org.uk/consultations/silent-calls/joint-action-plan/>

Chief Executive's report

Sharon White

Inside a glass cabinet in the London Science Museum is an icon of the communications sector.

It is a silver, rather clunky mobile phone with a small screen, among the first 3G devices from around 2005.

A decade on, and with infinitely more powerful and sophisticated 4G smartphones in people's pockets, the museum piece is a curiosity, a symbol of a bygone era.

Rapid change is a constant feature of communications. Average mobile and fixed broadband speeds have risen to levels that were unimaginable a decade ago. The UK is now top of the EU5 countries for broadband coverage. We benefit from some of the lowest fixed-line broadband and mobile prices, which have fallen in real terms over the decade. And investment in and roll-out of new services such as superfast broadband and 4G is gaining pace.

These benefits have been underpinned by a clear Ofcom regulatory framework, which has evolved over the years.

But to ensure that the market remains competitive, that companies invest and serve the interests of consumers and businesses, we have launched a major strategic review of digital communications. I joined Ofcom at the end of the period under review covered in this Annual Report and this strategic review will be one of my first and key priorities for the coming year.

Looking back at what Ofcom has achieved under the leadership of Ed Richards over the past 12 months reminds me what a privilege it is to take over as Chief Executive.

Competition and investment

We have kept up the pace of work to ensure effective competition and investment in the communications sector, which helps to deliver choice, innovation and lower prices.

In 2014/15, Ofcom concluded a number of reviews into both standard and superfast broadband, to give companies like BT the flexibility to set their prices while allowing competition to develop. Page 22 of this report sets this work out in more detail.

It is no coincidence that in the same year Virgin Media, BT, Sky and TalkTalk, as well as a range of smaller companies, have announced plans to invest in network infrastructure.

Fixed broadband is only part of the picture. To keep up with the demands for mobile services we are focused on releasing and making greater use of spectrum, the raw material that underpins all wireless services.

In 2014/15, we made further progress to auction two chunks of spectrum within the next 12 months. In addition, we have started the groundwork for another big release of valuable spectrum in the next decade. And we conducted innovative trials of new 'white spaces' technology to make greater and more efficient use of the existing spectrum through sharing.



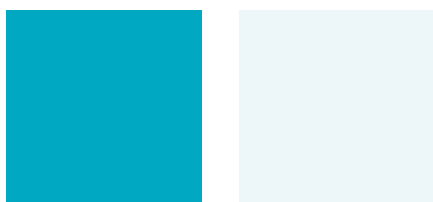
Service and quality

Competition and investment alone cannot be relied on to fully serve the interests of consumers and businesses who use the services. Where evidence points to issues or opportunities, Ofcom targets its regulation to improve services.

In 2014/15, we introduced new requirements on Openreach, which manages access to BT's telephone network. These required Openreach to improve waiting times for new broadband and landline installations and repairs.

We have made it easier for broadband and landline customers on the Openreach network to change provider. For the first time, this puts the changeover in the hands of the company the customer is moving to. A focus in 2015/16 will be to consider rolling out this principle of 'gaining-provider-led' switching to other communications services.

We have worked closely with the UK Government to secure agreement with the mobile operators to extend voice and text services to parts of the country that are currently poorly covered. With Ofcom's work to ensure widespread coverage of 4G, this will mean that by the end of 2017 the majority of the UK will be well served by mobile voice, text and high-speed data services.



In postal services – essential to the UK economy and consumers alike – we carried out a review into the effect of competition on the provision of the universal service, which requires Royal Mail to collect and deliver letters six days a week at an affordable and geographically uniform price to every address in the UK. We concluded that the universal service is not currently under threat, but we will continue to review and monitor it closely in 2015/16, and have powers to step in quickly if necessary.

Another specific area of focus is small and medium sized businesses (SMEs), which rely heavily on communication services. In 2014/15 we launched a SME Plan, to help ensure that smaller businesses are served effectively by competition in the communications sector. Alongside this we launched a dedicated online portal which includes advice specially tailored for SMEs on choosing a new provider, as well as information on negotiating telecoms contracts. Our work on SMEs continues in 2015/16.

Consumer information

To make well-informed choices about which service and supplier to choose, consumers need high quality, impartial information and advice.

In 2014/15 we published detailed research into the fixed broadband speeds customers can expect to receive, by operator. The research shows continued rising speeds, with the average standing at 22.8 Mbit/s.

We have now extended our research to cover mobile, and in 2014/15 we published reports into quality of service as well as research into 4G performance.

Our regular league tables of customer complaints encourage providers to improve their customer service. We continued to publish and promote new how-to guides, which are increasingly popular, especially online.

During the year we launched a consumer information campaign, called UK Calling, to ensure that consumers are aware of the changes to charges for telephone numbers starting 08, 09 and 118. From 1 July 2015, this will make it easier for consumers to understand the cost of dialling these numbers.



Protecting consumers

Taken together, competition, targeted regulation and clear information usually lead to good outcomes for consumers. Sometimes, however, Ofcom needs to step in with enforcement action when the interests of consumers are not being served.

In 2014/15, Ofcom investigated and fined BT for delays to the introduction of next generation text relay, an upgraded communications service for people who are deaf or speech-impaired.

We opened two separate investigations into companies to establish if they were complying with the rules on handling complaints. Ofcom fined Hutchison 3G for non-compliance and another investigation, into EE, is ongoing.

Ofcom is committed to protecting consumers from mis-selling, and fined a company for transferring customers without their permission. A second investigation continues.

Working alongside the Information Commissioner's Office, Ofcom continued its work to investigate and tackle the problem of silent and abandoned phone calls.

Details of Ofcom's work to support consumers can be found on page 34 of this report.





The *Look ahead to 2015/16* section of Annual Report on page 10 provides a summary of our priorities for 2015/16 as well as a link to our Annual Plan for 2015/16 which sets these out in more detail.

In addition to our planned programme, Ofcom will provide advice to the relevant competition authorities on the proposed mergers in our sector. It is too early to state what our detailed advice will be. But one thing is certain: all the proposed mergers must be considered from the consumer perspective to ensure that consumers continue to receive the benefits of choice, competitive prices and innovation, all features of the last decade.

As a final note, I would like to thank Ed Richards, who stepped down as Chief Executive in December 2014. As Patricia says in her introduction, Ed's leadership of the organisation over the past eight years has been outstanding; the work described in this Annual Report and the positive consumer benefits that we enjoy today bear testament. I hope to build on this success in my first year as Ofcom Chief Executive in 2015/16.



Sharon White
Chief Executive

Audience protection

A feature of convergence is that the lines between traditional 'linear' TV and the internet are blurring. While this brings consumer benefits, it also poses risks, as unregulated internet content is increasingly accessible on modern connected TVs in the living room.

In 2014/15, Ofcom continued to work with the UK Government, other regulators and industry to develop a common framework for media standards. This work continues in 2015/16.

Also in 2014/15, Ofcom worked with the Authority for Television On Demand to implement new legislation to further protect under-18s from unsuitable content.

Separately, Ofcom delivered three reports to the UK Government on internet safety measures to protect children.

Against this forward-looking work, Ofcom enforced high broadcasting standards on TV and radio, issuing fines where necessary. Page 40 of this report covers this work in more detail.

Driving down costs

There is one activity that has remained present during every year of Ofcom's existence: this is to drive efficiencies throughout the organisation without reducing effectiveness.

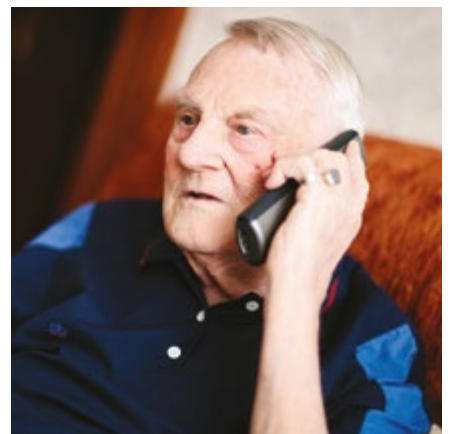
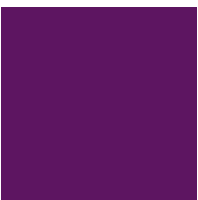
Since its first year of operation Ofcom has reduced its budget in real-terms each year, while also taking on new regulatory responsibilities. Keeping up this momentum, the budget for 2015/16 is £114.3m, a 3.4% real-terms reduction on the budget for the year in review.

Efficiencies are not just made at the budgeting stage; throughout the year we seek to be more efficient. Ofcom's budget for 2014/15 was £117m. The audited outturn for the year was £110.7m, with savings made as a result of greater efficiency, some delay in recruiting staff, the prioritisation of activities and the re-scheduling of some work. The Financial Review section of this report, starting on page 46, covers Ofcom's budget in more detail.

Work programme for 2015/16

Ofcom's budget will be used to deliver our work programme in a number of important areas. These include:

- ensuring communications continue to deliver for consumers and businesses;
- meeting the needs of small and medium sized enterprises;
- protecting consumers from harm;
- promoting the availability of services; and
- addressing the growing demand for spectrum.



An overview of the communications sector

Ofcom has a commitment to conduct and publish consumer and market research to inform our work.

This research spans a wide range of metrics looking at take-up, use and satisfaction, which remain high in the markets we regulate.



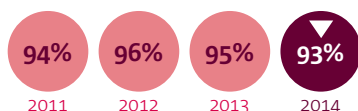
TV viewing

(minutes per person per day)

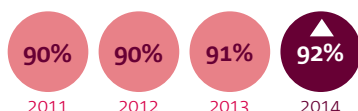


Multi-channel take-up

(% of all households)

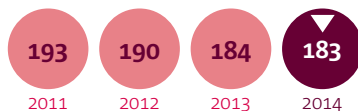


Satisfaction with DTV service

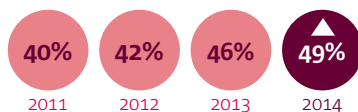


Radio listening

(per person per day in minutes)



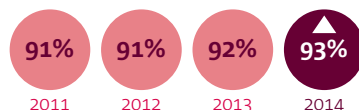
Digital radio take-up



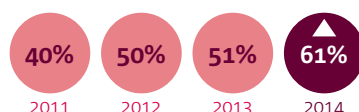
Note – As new information is received previous years' figures are restated and may not match those in earlier reports.



Mobile take-up (% of adults)

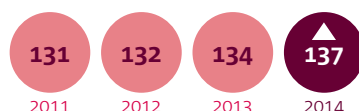


Smartphone take-up (% of adults)

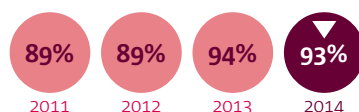


Mobile use

(in billion minutes)

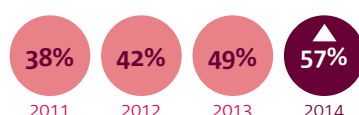


Satisfaction



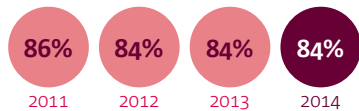
Mobile data take-up

(% of adults)



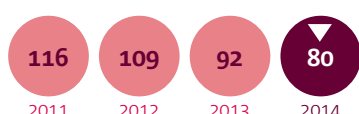
Take-up

(% of homes)

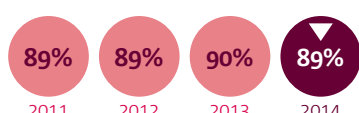


Use

(in billion minutes)



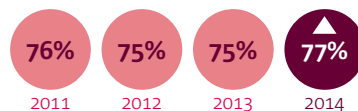
Satisfaction



Internet

Broadband take-up

(% of homes)



Average broadband speeds

(in Mbit/s for for November 2014)

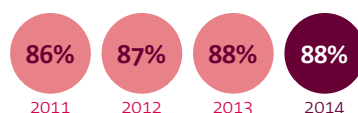


PC Internet use

(average hours per person per month on PC in hours)

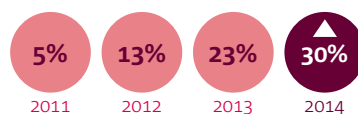


Satisfaction with fixed broadband service



UK residential superfast broadband take-up

(30 Mbit/s and above)

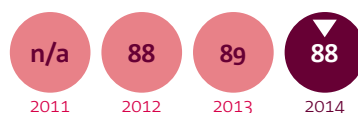


Use

(volume of addressed letter items in billions)



Consumer satisfaction with the postal service (%)



Progress on delivering against our Annual Plan priorities

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



This principal duty is embodied in our five strategic purposes, under which sat nine priorities for 2014/15.

In the table on pages 18 to 21, for each strategic priority, we have assigned a status to four assessments of progress. The first two assessments focus on the direct impact of Ofcom's actions. The third and fourth focus on the outcomes for consumers and citizens, and typically will take longer to observe. They are dependent not only on Ofcom's actions, but also on the actions of many other participants in the markets and industry.

Our first two assessments are concerned with whether we have carried out the work we said we would do in our 2014/15 Annual Plan, and whether or not our action has enabled or facilitated the delivery of the interim and final outcome by and for market participants.

We ask:

- Have we done what we said we would do?
- Has it been as effective as we intended it to be?

Our third and fourth assessments are concerned with what we expect to happen as the ultimate result of our actions and decisions. Interim outcomes are events in the market that result from a decision taken by Ofcom: for example, enabling third parties to access a particular network or service through which they offer a downstream service, increasing competition and choice in a market. Final outcomes describe wider benefits for citizens and consumers including, for example, a consumer not only being able to choose from a range of competitive and innovative retail offerings, but also enjoying widespread availability, lower prices and better quality of service.

We ask:

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

Some of the work that we identified as a priority in 2014/15 remains a priority and has continued into 2015/16.

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

- Cost of work budgeted – the expected cost for the activities as at 1 April 2014.
- Mid-year forecast of cost of work – the forecast for the full year as at 31 December 2014.
- Cost of work completed – the actual cost of work completed to 31 March 2015.









Ofcom is responsive to new issues, emerging concerns that affect consumers across the UK and new government requests. Consequently, individual project plans may vary throughout the year, with more resources being invested in some areas and less in others.

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Cost of work budgeted (£k)	Reforecasted cost of work (£k)	Cost of work completed (£k)
Core Purpose: Promote effective competition and informed choice								
Ensure effective competition and investment in both current and superfast broadband (See page 22)	<ul style="list-style-type: none"> We completed our reviews of the markets for fixed voice and broadband connections and wholesale broadband access, publishing our conclusions in June 2014. As part of these market reviews we introduced, for the first time, minimum quality of service standards for new line installation and line repair, new transparency rules requiring BT to publish performance statistics, plus other measures to monitor BT's performance and ensure it is responsive to changing customer demands. We consulted on, and put in place, a new rule requiring BT to maintain a sufficient margin between its wholesale and retail superfast broadband prices, to support competition while maintaining BT's incentive to invest. 					2,170	2,185	2,308
<p>In planning this work we took into account the likelihood of additional work on the margin between wholesale and retail superfast broadband pricing and on our new framework for quality of service standards. This meant we were able to manage complexities in the analysis and a large volume of stakeholder responses while keeping costs broadly in line with our expectations.</p>								
Core Purpose: Promote effective competition and informed choice								
Promote effective choice for consumers by ensuring that clear and relevant information is readily available (See page 31)	<ul style="list-style-type: none"> We published research into the performance of the retail 3G and 4G networks of the UK's four national MNOs to help consumers make informed choices and encourage providers to improve their performance. We also published information on the coverage provided by each operator. We published research on the consumer experience of mobile voice calls which included a comparison of call success in rural and urban areas. We continued to publish information for consumers, including our reports on fixed-line broadband performance, consumer complaints made to Ofcom about telecoms and pay TV services, and annual customer service satisfaction data. We published a guide for business consumers providing information on communications services including advice on choosing and switching providers. We published a number of consumer guides on areas including nuisance calls and call costs. 					379	1,131	1,234
<p>At the start of 2014/15 the mobile broadband speeds project was not fully scoped or specified as this was a new and innovative research project. Changes in the specification of our work as it developed led to the need for increased internal resourcing and equipment to deliver the project, together with fieldwork being carried out later than planned.</p> <p>Government asked us to provide technical support in relation to improving mobile coverage. As part of this work, we commissioned technical measurements of mobile coverage and call success in different parts of the UK. This research resulted in additional external expenditure and increased demand on internal resources.</p>								

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Cost of work budgeted (£k)	Reforecasted cost of work (£k)	Cost of work completed (£k)
Core Purpose: Promote effective competition and informed choice								
Develop and implement policies that will improve the ease of switching between communications providers (See page 30)	<ul style="list-style-type: none"> We continued to implement gaining-provider-led (GPL) processes for all voice and broadband switches on the Openreach network. This came into effect in June 2015. We published a Call For Inputs on the impact to consumers of existing switching processes for bundles of voice, broadband, pay TV and mobile services. We consulted on and published our decision to implement GPL switching for voice and broadband services on the KCOM network. This came into effect in June 2015. We published information for consumers on mobile phone locking, which explains how consumers can get their handsets unlocked. 					862	785	653
Our work on switching was re-scoped during the year and priorities re-set, resulting in work planned at the start of the year not going forward.								
Core Purpose: Secure optimal use of spectrum*								
Deliver spectrum and interference management for the Glasgow 2014 Commonwealth Games (See page 28)	<ul style="list-style-type: none"> We delivered on all our objectives and provided the necessary services to spectrum users at and around the Games. All significant requirements for spectrum at the Games were met, and we dealt with interference without significant impact to the users or the running of the Games more generally. 					748	674	670
Effective planning and management enabled us to deliver our objectives for the 2014 Glasgow Commonwealth Games under budget. We secured a competitive deal for staff accommodation and implemented a shift pattern that reduced staff travel. The work was carried out by Ofcom colleagues where possible, leading to savings against the budget we had set aside for temporary staff.								
Prepare for the award of the 2.3GHz and 3.4GHz bands and the potential change of use of the 700MHz band (See page 27)	<ul style="list-style-type: none"> We consulted on our plans for awarding the 2.3GHz and 3.4GHz bands, and published further analysis on technical coexistence issues and a statement on the impact of the changes on amateur radio. We delivered the necessary changes to Radio Amateur Licences in March 2015. We expect to publish our final plans for auction design in 2015/16. We consulted on and published our decision to make the 700MHz band available for mobile data use by 2022, and started implementation work. We provided advice to Government about the associated programme of work, and a commitment to provide funding for the full programme was included in the 2015 Budget. We have been developing the programme delivery structures and processes. 					1,592	1,450	1,534






* Costs funded by the Ministry of Defence and through the Spectrum Clearance and Awards Programme are excluded from this table.

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Cost of work budgeted (£k)	Reforecast cost of work (£k)	Cost of work completed (£k)
Core Purpose: Secure optimal use of spectrum								
Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands (See page 29)	<ul style="list-style-type: none"> We ran a pilot of our TV white spaces framework, which included a coexistence testing programme. We published two coexistence test reports and a statement setting out how we would allow white space technology to use the 470 to 790MHz band. We aim to implement our decisions so that white space technology can be deployed in 2015/16. 					1,298	1,663	1,665
						During the course of the year the extent of work required to resolve the coexistence issues increased, including more external testing over a longer period.		
Core Purpose: Promote opportunities to participate								
Secure the continuing provision of the universal postal service (See page 26)	<ul style="list-style-type: none"> We undertook a review of end-to-end letter competition, concluding that there was no threat to the universal service and it was therefore not necessary to introduce additional regulation. We consulted on new regulatory conditions for Royal Mail's access services, to ensure that access prices are appropriately set in the future, and will publish our decision on this in 2015/16. We published our third annual monitoring update on the postal sector, which showed further improvement in Royal Mail's financial position and quality of service for consumers. We started our review of regulatory obligations concerning complaint handling and redress in the postal market. 					1,213	1,938	1,911
						In response to developments in the market and a regulatory submission from Royal Mail, we carried out two major projects that were not planned for at the beginning of the year, on the regulation in place for the pricing of Royal Mail's access services and whether there was a threat to the universal service from end-to-end letter competition. We resourced this work by postponing other projects and reassigning resource from elsewhere.		
Core Purpose: Protect consumers from harm								
Implement reform of non-geographic numbering to ensure price transparency (See page 24)	<ul style="list-style-type: none"> We continued work to implement the new arrangements for non-geographic numbers which took effect in July 2015, including commissioning a consumer information campaign to explain the changes. We announced our decision that the 0500 Freephone number range will be withdrawn from use in 2017. We consulted on and published guidance clarifying that revenue sharing is not permitted on the 03 number range. 					655	787	904
						Some aspects of the project were more complex than anticipated. We commissioned market research among service providers to inform both our consumer information campaign and other stakeholder engagement activities.		

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Cost of work budgeted (£k)	Reforecasted cost of work (£k)	Cost of work completed (£k)
Core Purpose: Maintain audience confidence in broadcast content								
Promote audience safety and assurance in digital environments (See page 32)	<ul style="list-style-type: none"> We concluded our review of the process for licensing broadcast services in March 2014, and are now implementing our new policy. We published two reports on online safety: a follow-up report on parental controls and new findings on network-level filtering by communications providers. We continued to work with Government, media regulators and industry to develop a common framework for media standards. 					239	434	426
						Due to the timing of the Government's request for Ofcom to assist them in developing a common framework for media standards, this project was not fully scoped until after the budget was set.		
Core Purpose: Contribute to and implement public policy defined by Parliament								
Help ensure that the EC's Connected Continent proposals are delivered in a manner that is consistent with UK interests (See page 25)	<ul style="list-style-type: none"> We have continued to work closely with Government and with the Body of European Regulators of Electronic Communications (BEREC) to analyse and advise on the implications of the legislation for the UK and for Ofcom's role. 					160	224	209
						Negotiations did not conclude as anticipated in 2014/15 and were still ongoing at the end of the year.		

Note: An explanation of the column headers is given on page 17. The value of the budget and of the work completed is based on the direct costs of related activities. Stakeholders are billed in accordance with our Statement of Charging Principles and not solely on the direct cost of an activity.

Key:

-  We have done what we said we would do
-  The outcome has not been achieved yet, but our plans are delivering as expected
-  We continue to make progress towards achieving the priority
-  We have not made as much progress as we thought we would do
-  It is too early to assess our progress

Progress on delivering against our Annual Plan priorities

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

Our objective

Ensure effective competition and investment in both current and superfast broadband

The past decade has seen significant investment in the UK's broadband networks. This has led to healthy competition, increased consumer take-up and steadily increasing broadband speeds.

Access to fast broadband is an important part of modern life, and a source of economic growth and investment across the UK.

Our aim is to provide a regulatory framework that encourages investment and innovation, and enables competition in both current and superfast broadband, ensuring that consumers and businesses benefit from a choice of services and providers.

Consumers' demand for broadband services and higher speeds continues to grow. Effective competition has helped increase take-up of fixed-line broadband to 73% of premises in 2014. At the same time, the roll-out and adoption of superfast broadband gathers pace. Superfast broadband is available to over 75% of premises, and around one in three broadband customers take a superfast service.

What we did

In June 2014, we published the conclusions of two major telecoms reviews to support competition and investment in the sector.

The Fixed Access Market and Wholesale Broadband Access Market reviews retained many elements of the previous regulatory approach to support competition in both standard and superfast broadband services. In particular, while we controlled the wholesale prices that BT was allowed to charge for standard broadband, we continued to allow BT the flexibility to set its own prices for wholesale superfast broadband services.

Some important enhancements were added to benefit consumers.

We introduced new quality of service requirements on BT for fault repairs and installation of new lines, which support competition and deliver value to consumers.

To help promote competition in superfast broadband, we significantly reduced the price that BT charges for switching a customer between different superfast providers. We also reduced the minimum length of the wholesale contract, from a year to one month.

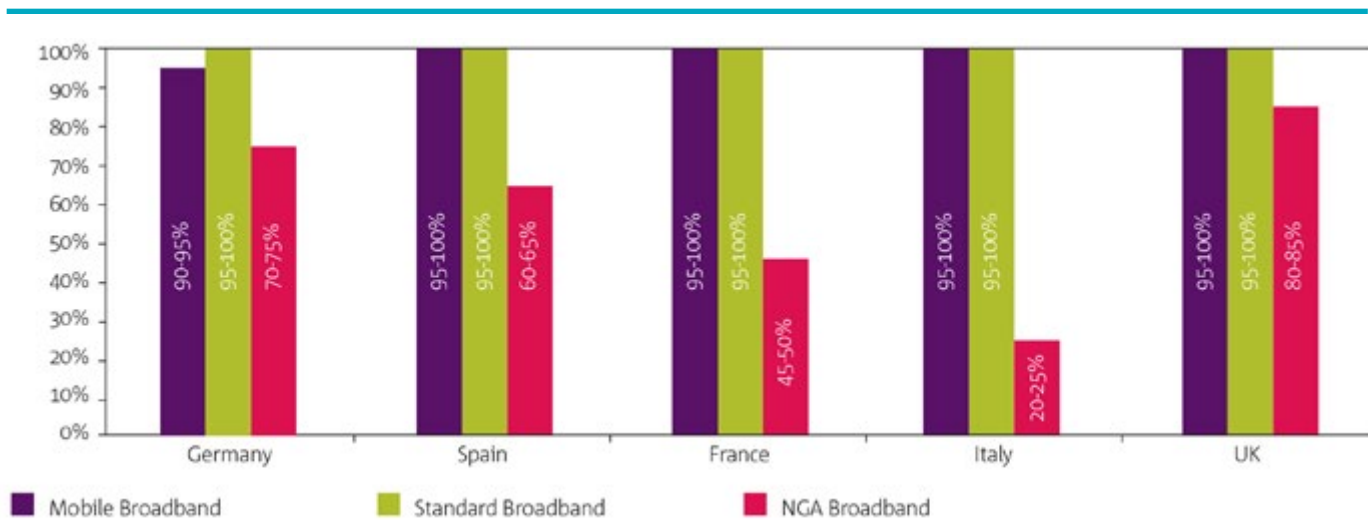
Following a separate consultation process, in March 2015 we put in place a new rule requiring BT to maintain a sufficient margin between its wholesale and retail superfast broadband charges. This allows competing providers to profitably compete in the supply of superfast broadband services to consumers, while preserving BT's flexibility to set its wholesale prices.

Small and medium sized enterprises (SMEs) make a substantial contribution to the economy so it is important that they have access to high quality broadband. Our 2014 *Infrastructure Report* revealed that a lower proportion of SMEs could access superfast broadband compared to UK premises as a whole. We asked small businesses and communications providers for their views on availability, choice and quality of communications services for SMEs. In June 2015, we published a report outlining our further work in this area.

Outcome

Our regulatory decisions increase competition in the provision of both current generation and superfast broadband services. The benefits flow through to consumers in the form of greater choice, lower retail prices and easier switching between superfast broadband providers.

Figure 1: Percentage of households in areas served by standard, NGA and mobile broadband



Source: Ofcom European Broadband Scorecard, December 2014

Effective competition has helped push the UK to the top of the EU5 countries when comparing coverage of current and next generation broadband services (see Figure 1). At the same time, our European Broadband Scorecard, a report for the UK Government on our broadband progress, also finds that UK consumers continue to benefit from some of the lowest fixed-line broadband prices in Europe.

During the year, fixed-line broadband take-up increased to 23.7 million in 2014, compared to 22.8 million in 2013. Within current-generation broadband, the number of 'unbundled' telephone lines exceeded 10 million in December 2014.

While overall take-up of broadband is plateauing, the market continues to evolve, with the deployment and adoption of superfast broadband services. The proportion of broadband customers taking a superfast service, delivering speeds of 30 Mbit/s or more, increased by eight percentage points over the past year, to 32% at November 2014.

As a result of investment, innovation and the accelerating take-up of superfast services, the UK's average broadband speeds continue to rise. The average fixed-line speed was 22.8 Mbit/s at November 2014, compared with 17.8 Mbit/s a year earlier.

BT's commercial roll-out of superfast broadband is now largely complete. However, progress on the Government's Broadband Development UK (BDUK) programme continues. Roll-out accelerated in the year, with the Department for Culture, Media and Sport announcing in February 2015 that more than two million premises could access superfast broadband as a result of BDUK-supported projects, and that it was reaching 40,000 new homes and businesses each week. Plans to achieve 90% coverage of superfast broadband by early 2016, and 95% by 2017, remain in place.

Competition in the supply of superfast broadband services is increasing. Virgin Media remains the largest provider of superfast broadband, followed by BT, while other providers make up a small but growing proportion of the overall market.

Over the course of the year, a number of companies unveiled plans to invest in network infrastructure. Virgin Media has announced that it will extend its cable network by up to four million more homes and businesses by 2020, at a cost of £3bn. BT announced further plans to upgrade its network to support speeds of up to 500Mbit/s to most homes.

A number of smaller network providers are also rolling out networks. Initiatives include Cityfibre's plans for fibre networks in second cities across the UK, including a joint venture with Sky and TalkTalk to roll out FTTP (fibre to the premises) in York, plans to offer FTTB (fibre to the building) to blocks of flats in cities (including London, Cardiff, Reading, Bristol, Manchester, Liverpool and Leeds) by Hyperoptic, and FTTP to rural villages by Gigaclear.

While progress on superfast broadband is encouraging, the benefits must be shared evenly across the UK. There is more work needed to deliver wider availability of superfast broadband, particularly in rural communities and city 'not spots'.

Our objective

Implement reform of non-geographic numbering to ensure price transparency

People use non-geographic numbers, starting 08, 09 and 118, to contact customer helplines, find out information and access services such as directory enquiries and premium-rate lines.

Ofcom research has found that telephone users are sometimes confused about how much it costs to call such service numbers, and who receives the money. This means people can lack confidence in these numbers, and sometimes avoid using them.

We want to ensure consumers have access to clear and reliable information on the cost of a call and who is setting the charge.

What we did

We announced decisions at the end of 2013 aimed at making the cost of calling businesses and services clearer for consumers. From July 2015, Freephone (080 and 116) numbers will become free from all consumer phones, whether landline or mobile. And for 084, 087, 09 and 118 numbers, the cost will come in two parts: an access charge to the phone company, and a service charge set by the company being called. This means consumers will know where their money is going.

In January 2015, we joined forces with the UK telephone industry to launch a major new consumer information campaign to help explain the biggest changes to calls in more than a decade. The six-month national campaign, launched under the banner UK Calling, included a new information website, www.ukcalling.info.



Information was provided directly to landline and mobile customers, using paper and online bills, text messages, customer magazines, social media and high street stores. The campaign included advertising across national newspapers, radio stations and online.

The changes mean that, from July 2015, phone companies are responsible for setting their access charge, making it clear to consumers on their bills and informing new customers of the charge when they sign up to a contract. Separately, the service provider – the party being contacted – has to specify its service charge wherever it promotes the phone number.

Following a separate consultation, Ofcom found that the 0500 range, which duplicates the characteristics of the more commonly used and understood Freephone 080 range, was poorly recognised by consumers and had very low, and declining, use. We decided to withdraw the 0500 range from 3 June 2017, providing a three-year transition period for organisations to communicate the change to their callers. To further help mitigate the impact on these organisations, we are introducing a new Freephone 080 sub-range (080 85) to provide a migration path for current 0500 users.

Additionally, we decided that greater clarity was needed on the restrictions on use of 03 telephone numbers, to protect consumers,

specifically that communications providers who host 03 numbers are prohibited from sharing the revenue they receive from calls to their 03 numbers with the callers.

Outcome

Our decisions on non-geographic calls will not only make prices more transparent, but should also improve competition, restore consumer confidence in such numbers and increase their use.

Consumers will benefit directly from Freephone numbers (0800, 0808 and 116) becoming free from mobile phones, from the implementation of a cap on the service charge for premium-rate (09) numbers, and from greater clarity on costs to call the 0845 number range.

Our decision to withdraw the 0500 range will best address the consumer harm that we have identified on this range – including poor awareness and understanding of 0500 numbers and a lack of efficiency in their use, while also helping our objective to make pricing more intuitive for consumers.

Similarly, our clarification on 03 numbers should prevent conduct that is harmful for consumers and competition. Our decision should help preserve the reputation of the 03 number range among consumers and organisations, bolstering consumer confidence that organisations using these numbers do not draw revenue from the cost of being called.



Our objective

Ensure that the Connected Continent proposals are delivered in a manner that is consistent with UK interests

In September 2013 the European Commission published a draft regulation for a 'Connected Continent', aimed at "completing" the single market in electronic communications.

The Commission's Connected Continent legislative proposals covered a range of diverse areas, including rules on international mobile roaming, spectrum management, wholesale access remedies, and net neutrality. Over the past 18 months the package has been scrutinised by the European Parliament, and by the European Council, and has been stripped down to two areas – international mobile roaming and net neutrality. The Regulation is now in the final stretch of the European legislative process.

What we did

Over the course of the past year we have engaged with stakeholders and European colleagues in the Body of European Regulators in Electronic Communications (BEREC) to analyse and advise the European institutions on the potential effects of the legislative proposals. We have contributed to BEREC's public statements on the legislation, and provided our technical expertise to the UK Government.

On international mobile roaming, we have advised the UK Government and the EU institutions on the need to mitigate the competitive distortions that could result from new price regulation, which could ultimately impact on UK consumers.

On net neutrality, we have provided advice aimed at ensuring that any rules adopted at the EU level protect consumers, while at the same time preserving the fertile environment for growth and innovation that the internet has provided to date.

The new Commission, which took office in late 2014, published the roadmap for its work programme this spring, and we expect it to pick up proposals for the remaining policy areas in the context of legislative proposals on the Framework Review, expected during the first half of 2016.

Outcome

Our focus is on helping to ensure that the new legislation delivers positive outcomes for UK citizens and consumers.

Legislative negotiations are nearing their conclusion, with the European legislators (the European Parliament and Council) in formal discussions to bridge the gaps between their positions. Adoption of the bill is a high priority. The new Commission, together with the Latvian Council Presidency, is hoping that the bill will be adopted by the end of June 2015.

If a deal cannot be reached by then, negotiations are expected to continue into the Luxembourg Council Presidency.



Our objective

Secure the continuing provision of the universal postal service

The postal sector is essential to the UK economy. UK consumers and businesses benefit from the 'universal postal service', which requires Royal Mail to collect and deliver letters six days a week at an affordable and geographically uniform price to every address in the UK.

Competition in the postal sector plays a key role in helping to ensure that postal users and consumers benefit from lower prices, greater choice and innovation. At the same time, Ofcom has a duty to secure the provision of a universal postal service. If we consider that the universal service is under threat, we have the powers to step in to protect the needs of UK postal users.

What we did

We continued to closely monitor and report on the key aspects of the postal market that affect the universal service.

This includes the financial sustainability of the universal service network, Royal Mail's performance – particularly the quality of universal services and its efficiency – and the level and effect of competition in the market.



Our third annual monitoring update, published in December 2014, found that Royal Mail continued to gradually improve its productivity, and had slightly reduced its costs through efficiency. Consequently, profitability of the universal service network had further improved. We also found that delivery competition in the letters market remains low (less than 1%) and that Royal Mail's volumes of, and revenues for, parcels had reduced due to increased competition.

In June 2014, Royal Mail made a formal submission to us on the threat that direct delivery competition in letters poses to the universal service. We undertook a wide-ranging review to assess this and in December 2014 explained why we did not consider the universal service to be currently under threat.

We continue to monitor the situation closely and have announced plans to broaden our review to assess other factors that may impact the universal service. In particular, we are looking at what rate of efficiency improvement Royal Mail should be able to achieve, as well as developments in the parcels market. We expect to substantially complete this work by the end of 2015/16.

Access mail is where competitors collect and sort mail, before handing it over to Royal Mail to deliver it through its own network. Following concerns raised by stakeholders about Royal Mail's access prices, announced in January 2014, we consulted on proposed changes to the access pricing rules. We considered whether the prices proposed by Royal Mail could have adversely affected operators who compete with Royal Mail in delivery services. We will continue this work during 2015/16 and expect to reach a conclusion on access regulation this year.

Outcome

Our comprehensive monitoring regime helps safeguard the universal service. If we see a threat, we have the powers to quickly step in to secure it.

We constantly monitor and report on Royal Mail's financial position, market developments, and the current and future activities of competitors. This gives us a thorough understanding of the financial sustainability of the universal service.

Our review of the impact of direct delivery competition on the universal service found that such 'end-to-end' competition was not likely to pose a threat to the universal service in the foreseeable future. Therefore, we decided not to impose further conditions on end-to-end competitors but we continue to monitor the situation closely.

In March this year, the Business, Innovation and Skills Select Committee published findings from its own inquiry on competition in the postal sector and the universal service. The Committee agreed with our own findings that the universal service is not currently under threat and made a number of recommendations. We responded to the Committee in June 2015.

Our objective

Prepare for the award of the 2.3GHz and 3.4GHz bands and the potential change of use of the 700MHz band

Spectrum is a finite and valuable resource which underpins wireless services ranging from TV to radio communications and mobile broadband. Consumers' demand for data – especially mobile internet – is growing rapidly. Industry forecasts suggest that demand for mobile data could be 45 times higher by 2030 than it is today.

Mobile service providers will need access to more spectrum than they have now to support this growing consumer demand for internet on the move, on smartphones and tablets.

One of our core roles is to carefully manage the limited supply of spectrum and balance the needs of different users by ensuring they have access to an appropriate amount. Efficient and best use of the airwaves is vital to enable the UK's digital economy to meet consumers' needs.

Our Mobile Data Strategy statement, published in May 2014, set out how we will prepare for the growing demands that will be placed on the UK's wireless infrastructure over the coming two decades. It identifies and prioritises a number of spectrum bands, to consider how they will be used in the future.

What we did

During the year we undertook such work on three specific bands. The 700MHz frequency is currently used for digital terrestrial television (DTT) and programme making and special events (PMSE).

The 2.3GHz and 3.4GHz bands are both currently used by the Ministry of Defence, but form part of a UK Government plan to release at least 500MHz of public sector spectrum below 5GHz by 2020.

In May 2014 we published a consultation on the future use of the 700MHz band, including a detailed assessment of the costs and benefits associated with a potential change of use of the band.

Alongside this, we published a discussion document on the future of free-to-view TV. This was part of our continued engagement with industry and the UK Government on issues around the potential upgrade path for free-to-view TV services, and the long-term future for DTT.

We continued to work closely with the PMSE sector to understand its future needs. We recognise the important role the PMSE sector plays in the cultural life of the nation and want to ensure that enough high quality, alternative spectrum is available for these services to continue to thrive.

Additionally, over the course of the year we have been actively involved in international spectrum planning and harmonisation discussions, as other international territories continue to debate whether to use the 700MHz spectrum band for mobile broadband.

Separately, we designed the planned auction of 190MHz of spectrum across the 2.3GHz and 3.4GHz bands. We consulted on the award, including competition issues and technical and non-technical licence conditions, and we published a technical update.

The auction is designed to be fair and transparent and to enable the spectrum to be awarded to those who can put it to the most efficient use and in the best interests of consumers.

Outcome

In November 2014 we published plans to allow mobile network operators to deliver mobile broadband over the 700MHz band, while at the same time securing the future of digital terrestrial TV and PMSE services. We aim to achieve this by the beginning of 2022, and possibly up to two years earlier.

This, together with our work on the release of the 2.3GHz and 3.4GHz bands, should enable the continued development of a dynamic, innovative and competitive mobile broadband market. As a result, businesses and consumers stand to benefit from lower prices, improved quality of service and faster network speeds.

Our decision to release the 700MHz frequencies for mobile broadband will inevitably impact current users of the band.

We recognise that DTT continues to perform a vital role in providing viewers with low-cost, near-universal access to the public service channels. Importantly, our decision to release the 700MHz frequencies for mobile broadband should cause minimal disruption to DTT viewers, the vast majority requiring only a simple retune of their existing equipment.

Equally, we have identified a number of frequency bands that wireless microphones could potentially use. Working closely with the PMSE community, this year we plan to confirm what spectrum will be made available to these users.



Our objective

Deliver the Government’s spectrum guarantee for the Glasgow 2014 Commonwealth Games

Ofcom played an important role in facilitating the successful delivery of the Glasgow 2014 Commonwealth Games. Our objective was to contribute to a safe and successful Commonwealth Games, by ensuring that sufficient spectrum was made available, at no additional cost and with the least disruption to existing users. This helped deliver the Government’s spectrum guarantees to the Commonwealth Games Federation (CGF).

Every aspect of the Games used spectrum intensively, and relied on it for critical applications. It was important that the limited supply of spectrum was both efficiently used and carefully allocated, to ensure that all requirements were met. We were responsible for finding the necessary spectrum for the Games, for ensuring that frequencies were licensed to those who needed them, and for keeping these frequencies free of interference at Games time.

What we did

Over two years in the run-up to the Games, we managed a substantial project of planning, development, testing and operational delivery to make sure this happened. We worked closely with the Organising Committee and with key stakeholders such as the host broadcaster, the BBC, Police Scotland and the Ministry of Defence to deliver the plan.

Although the total number of assignments was significantly lower than for the Olympics, the event still represented a significant spectrum challenge to Ofcom. Notably, this was one of the first major events following the auction of 4G spectrum in the UK (frequency bands 800MHz and 2.6GHz). Additionally, the Games were held in an inner-city environment, unlike the Olympic Games, which were held largely in outer East London.

We made 2,767 technical assignments of spectrum for the Games period under the terms of the guarantees. While the total number of assignments was an order smaller than the Olympics, assignment numbers in some key bands were roughly equal.

Before the Games, we installed a network of 20 sensors across the city to monitor the radio spectrum in the Games venues and to quickly locate any sources of interference. During the Games 30 expert engineers were used to help track down and deal with any cases of interference.

Outcome

Preparing for and fulfilling our role at the Games was a challenging task. Our strengths in spectrum management and operational delivery helped us successfully deliver on all our objectives and provided the necessary services to spectrum users at and around the Games. Eight identified cases of genuine interference were dealt with without significant impact to the users, or to the running of the Games more generally.



Our objective

Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands

Spectrum is an important but limited resource. We constantly work to find new ways of unlocking its potential, while balancing the needs of different users, ensuring that the UK's wireless infrastructure continues to evolve effectively and efficiently. In a world where consumers' demand for data services is experiencing huge growth, it is essential we find the most efficient ways to share the airwaves we all rely on.

White space technology could be one way of meeting this demand. This technology uses gaps in radio spectrum that exist in between frequency bands, called white space, to offer new wireless applications that will benefit consumers and businesses.

White space spectrum in the TV frequency band is particularly appealing for industry because it can travel longer distances and more easily through walls compared to bands used by other wireless technologies.



What we did

Over the course of the year, we have been working with industry to test how this technology might be put into practice. A key part of this has been to understand 'dynamic' spectrum sharing. This requires white space devices to report their location and other information to a database, which can then determine whether the device can operate without causing interference to other uses of the spectrum band.

Trials of the technology took place across the country involving public and private organisations, testing a variety of innovative applications. They included internet access for ships and boats in the Orkney Islands, wireless video streaming of animals at ZSL London Zoo, new 'machine-to-machine' networks for flood defence in Oxfordshire and WiFi-like services at the University of Strathclyde.

We undertook an extensive programme of coexistence testing to provide evidence on what restrictions are necessary on white space device emission limits, to ensure that the use of white spaces creates a low probability of harmful interference to both digital terrestrial television (DTT) and programme making and special events (PMSE) users.

Our work resulted in the publication of two technical reports examining tests run on coexistence between white space, DTT and PMSE devices. In February 2015, following publication of these reports, discussions with DTT and PMSE working groups, and consideration of experience from the trials, we published detailed rules on the deployment of white spaces.



Outcome

Our work during the year helped lay the foundations for industry to use TV white spaces. A key part of this work has been to allow these airwaves to be shared while managing the risk of interference for current users. The sharing will take place dynamically, controlled by databases which will hold information on the location of DTT and PMSE users and white space devices. This represents the first such example of dynamic spectrum access and management in the UK.

Based on the trials undertaken and stakeholder feedback, there is considerable interest from industry in developing white space technology. We believe that with the support of stakeholders it will be possible to implement the regulatory framework by the end of the year, allowing commercial applications to be launched thereafter.

Our decisions mean the UK is the first country in Europe to provide spectrum specifically for white space technology, which forms a major part of what is becoming known as the 'Internet of Things', networks of devices communicating with each other online. These services and applications could offer significant benefits to citizens and consumers.

We continue to explore how the white space in other spectrum bands could be used for similar innovation in the future.



Our objective

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

Communications markets work better for consumers if they can change provider easily and quickly to take advantage of competition. This helps people buy the services that best meet their needs, or change provider if they are unhappy. If it is difficult to change provider, this can constrain consumer choice, and can be harmful to competition, investment and market entry.

We believe that switching is easier where consumers can make informed decisions about whether or not to switch, and have confidence that the switching process will run smoothly.

What we did

Our research showed that switching processes that require the customer to contact the provider they are leaving can be difficult to follow. The old provider has little incentive to ensure that the transfer to the new provider progresses smoothly, and can sometimes exert unwanted pressure on customers not to leave.

We sought to address this issue by requiring that voice and broadband consumers on the Openreach



copper network need follow only a single switching process ('gaining provider led'), under which the new provider leads the transfer on behalf of the consumer.

In December 2013, we added a number of measures to protect consumers during this process. These included procedures to help prevent consumers losing their service during the changeover, and to guard against 'slamming', where a consumer is switched to a different provider without their consent. We worked with industry and the Office of the Telecommunications Adjudicator to ensure that these changes were fully implemented in June 2015.

Our attention is now focused on switching processes relating to other networks. In October 2014 we consulted on process reforms for voice and broadband switching on the KCOM copper network in the Hull area. In February 2015 we decided that these should also be led by the gaining provider, along with the same consumer protection measures as on Openreach. These changes were also implemented in June 2015.

In July 2014, we sought views to understand the impact on consumers, and on competition, of processes used to switch bundles of fixed voice, broadband and pay TV between providers on the Openreach, Virgin Media cable and Sky satellite networks.

This work also addressed switching processes on mobile voice and data services. We published the findings from this in June 2015 and outlined the next steps in our work to help establish whether further reforms are appropriate and proportionate. We announced that we would look first at mobile switching processes.

In addition to switching processes, we are looking at other possible barriers to switching. These include the effects of mobile handset locking and the question of ensuring that consumers are aware when their contracts for communications services come to an end.

Outcome

Our decisions on changes to switching processes on the Openreach and KCOM networks should help consumers change landline and broadband provider with greater ease, confidence and convenience. They should also help ensure that the switching process does not impede providers from competing to deliver benefits to all consumers, in terms of lower prices, greater choice and innovation, and value for money.

Switching remains a priority for Ofcom, and we will continue working to ensure that barriers to switching are addressed.



Our objective

Promote effective choice for consumers by ensuring that clear and relevant information is readily available

Ofcom aims to ensure that consumers can take advantage of the choices they have in competitive markets. This means that they are able to switch between services and providers, and that they have the information they need to navigate the market and make effective choices.

Our targeted consumer information includes direct guidance and advice covering important consumer protection issues (e.g. on using services, comparing package options and dealing with nuisance calls), and the publication of research and complaints data. As well as publishing information and data ourselves, we work with third parties to ensure that consumers are well informed, e.g. price comparison services accredited by Ofcom, consumer representatives such as Which? and Citizens Advice, and through media outlets.

The publication of such information ensures that consumers have access to independent data to help them make well-informed choices and avoid potential pitfalls.

What we did

Throughout 2014/15 we continued our programme of regular research publications to help consumers make informed decisions when considering a new service or provider. Our bi-annual publication of research data comparing the speeds of residential fixed-line broadband in the UK sets out the average actual speeds delivered to consumers, and compares differences between speeds, and other performance measures, across providers and technologies. Alongside this, publication of quarterly complaints data and our annual customer service satisfaction data helps consumers to make better informed decisions about providers.

We have also worked on improvements to the voluntary code of practice on broadband speeds. The new code extends the transparency requirements for broadband at the point of sale to fibre services, and includes new provisions about consumers' ability to walk away from their contracts where speeds fall below agreed levels.

The coverage and quality of mobile services is of growing importance to consumers. In August 2014 we published our first report on the quality of experience and performance of mobile voice services. We followed this up with our first two research reports into mobile broadband services in the UK since the 4G auction in 2013. Helping to improve mobile coverage and quality of service are important objectives for Ofcom.

Additionally, during the past year we have published a number of new consumer guides offering advice on key consumer protection issues. These include guides on mobile phone locking and unlocking, inadvertent roaming in Northern Ireland and an 'Easy Read' nuisance calls and messages guide.

In September 2014 we outlined plans to enable small businesses to get the best out of communications services in the UK. As part of this work, we published a guide offering advice on what businesses should look out for when taking out a new landline phone, broadband or mobile phone contract, and we launched a web portal with information on choosing a service provider, advice on resolving disputes and on knowing one's rights as a business.

Outcome

Our publication of research and consumer information ensures that citizens and consumers have access to independent, comparative performance data on services and service providers in the market. We believe this not only helps citizens and consumers make informed decisions to best meet their needs, but also serves to incentivise providers to improve their performance.

Our published complaints data and satisfaction surveys indicate continued improvement in the overall performance of communications providers.

We recognise the importance of SMEs to the economy. Our new programme of work should help ensure that these businesses are benefiting from high quality digital communications and that the right protections are in place if the market fails to deliver.

Over the course of the year, more consumers visited the Ofcom website for information and advice. Ofcom received 2.3 million visits to the consumer and SME sections of its website, an increase of 29% on 2013/14. Our consumer guides published between April 2014 and March 2015 have been viewed over 110,000 times.

Our objective

Promote audience safety and assurance in digital environments

Audiences can now access content across a range of different platforms and internet-connected devices, often seamlessly. However, these developments also pose challenges in keeping audiences appropriately protected from potentially harmful content.

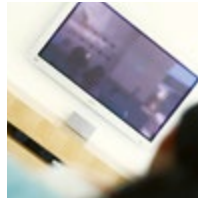
Ofcom licenses more TV and radio broadcasting services than ever before, some of which do not have long-standing regulatory compliance experience. This creates further risks to audience protection, as content may be broadcast which is harmful, or otherwise not compliant with the Broadcasting Code.

We have addressed these challenges by carrying out a range of work to maintain and update the audience protection and assurance framework for audio-visual content.

What we did

This year we completed a wide-ranging review of our broadcast licensing enforcement processes. This was to ensure that licensed services comply with our rules and requirements, and to enable us to detect non-compliant content as effectively as possible. We focused on services broadcasting content with the potential to cause harm to audiences. We are now implementing changes resulting from this review.

In December 2014, legislation was amended to revise some of the duties we designate to the Authority for Television on Demand (ATVOD), Ofcom's co-regulator for 'video-on-demand' services.



The change prohibits certain material and requires on-demand programme service providers to ensure that under-18s are protected from 'specially restricted' material. ATVOD, the British Board of Film Classification (BBFC) and Ofcom signed a Memorandum of Understanding setting out how we will work together to enforce the amended legislation.

We have continued to engage with UK Government, media regulators and industry to develop a common framework for media standards. We delivered three reports to the UK Government on internet safety measures to protect children. Two of the three reports focused on strategies employed by parents to protect children online, including a review of parents' take-up of, awareness of and confidence in parental controls. The other report set out the measures put in place by the UK's four largest fixed-line internet service providers – BT, Sky, TalkTalk and Virgin Media – to introduce a family-friendly network-level filtering service, which allows the account holder to block web content that might be inappropriate for children. We have been asked to produce a fourth report later this year.

Over the past year, Ofcom has been an active member of the European Regulators' Group for Audiovisual Media Services (ERGA) sub-group on the protection of minors. ERGA's role is to advise the European Commission on the application of the Audiovisual Media Services³ Directive and on audio-visual media services more generally.

Outcome

Broadcast audiences continue to expect a high standard of protection. Our work to review the processes for licensing and enforcement has ensured that we have an effective and targeted approach to broadcast regulation.

We have also worked to ensure that an effective protection framework provides audiences with the right levels of assurance and protection from potentially harmful audio-visual content in digital environments.

The constantly changing nature of the media environment means it is essential that we continually review our regulatory approach to audience protection and assurance.

³ The AVMS Directive governs EU-wide co-ordination of national legislation on all audiovisual media, both traditional TV broadcasts and on-demand services. It does this through a minimum set of common rules.



Previous years' Annual Plan priorities

As communications sectors develop and consumers' needs change, so does the focus of our key priorities, each year.

However, in 2014/15 we remained focused on areas identified as priorities in previous years.

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

In 2010, Ofcom imposed an obligation requiring Sky to offer wholesale Sky Sports 1 and 2 at prices set by Ofcom – the wholesale must-offer (WMO) remedy. This was designed to deliver choice and innovation to consumers through greater competition. The obligation has been in effect since 2010 for Virgin Media (cable) and BT (digital terrestrial TV) while litigation has been ongoing. In November 2014, it was extended to IPTV for BT.

We said in 2010 that we would review the obligation after three years, in the light of developments in the market. The ongoing litigation held up this review, but in December 2014 we published a consultation document as part of our review of the pay-TV WMO remedy. The review will determine whether the remedy remains appropriate to ensure fair and effective competition in the UK's pay-TV sector.

We recognise that the pay-TV sector is evolving rapidly, and any assessment is affected by continuing developments in the market. There have been significant developments in the market since we concluded our review in 2010.

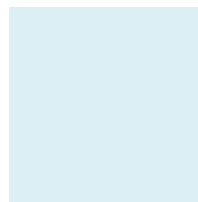
These include wider availability of sports content on competing retail services, more 'over-the-top' content providers and new devices on which consumers can access pay TV. Bundling of pay TV with other communications services is more common. BT has also acquired key sports rights and entered the market as a 'vertically integrated' provider of sports channels and as a pay-TV retailer.

In assessing whether regulation remains appropriate or whether it should be removed, we will take account of such developments.

We are currently considering responses to the consultation, and plan to outline any further steps in a second phase of the review later this year.

Our ongoing responsibilities and the resources we manage

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



Consumer protection: ensuring communications markets work well for consumers

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

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

Next generation text relay

Relay services enable people with hearing and/or speech impairments to communicate with others through telephone or textphone equipment, or other devices such as PCs and tablets.

Next generation text relay (NGTR) was launched in 2014. This enhanced service enables users to have faster, more fluent conversations, and allows the use of a variety of devices to access the service – including easier use on smartphones and tablets via the free NGTR application.

The upgrade was due to have been delivered by April 2014. In the event, the service was not launched until September 2014. Ofcom conducted an investigation into why BT did not deliver its NGTR as required in April.

This led to the company being fined £800,000 in March 2015.

The enhanced service has been generally well received by users.

Monitoring the quality of live subtitling

Throughout the year we continued our work to improve the quality of live subtitling on TV for deaf and hard-of-hearing viewers. Ofcom published the first three of four reports on the quality of live subtitling respectively in April 2014, November 2014, and May 2015. The reports which cover accuracy, speed and the delay between speech and subtitling (latency) are based on samples selected by Ofcom, with measurements validated by independent experts.



These first three reports showed that accuracy was generally good, and that broadcasters are beginning to make improvements in some areas of subtitling, most notably by increasing the use of easy-to-read block subtitles in live programmes. However, excessive latency remains a problem. Furthermore, these reports highlight that, while average subtitling speed is below the recommended guidelines, live-subtitled programmes are often affected by burst in subtitling speed which affect the readability of the subtitles. We intend to publish the final report in the Autumn of 2015, which will be followed by a review of Ofcom's Guidance on the Provision of Access Services.

Affordability in the communications market

In July 2014, we concluded a project to better understand whether there are situations in which affordability is a barrier to citizens and consumers being able to use communications services that they regard as important or essential. Our research found that the majority of consumers were unlikely to face affordability issues and that essential communications services were generally seen as good value for money, regardless of income. However, we will continue our focus to ensure that consumers can make effective choices, can switch more easily to better deals if they so wish, and can obtain helpful advice if they are in debt or on low or variable incomes.

Guidance on mid-contract price rises

Since the publication of our guidance on mid-contract price increases, in January 2014, we have monitored communications providers' application of the guidance and compliance with the relevant regulatory requirements (General Condition 9) generally.

We have also maintained our published consumer guide on this subject. The guide explains the different subscription types currently offered by the largest mobile and fixed-line providers. Vodafone offers only fixed core subscription price contracts to its mobile customers, while EE, O2 and Three offer tiered contracts which feature an annual RPI linked adjustment to the core subscription price (EE does also offer a fixed price option). For fixed-line telephone and broadband services, BT, TalkTalk, Sky and Virgin Media continue to offer variable price contracts which allow them to adjust the core subscription price at their discretion, but on terms that allow affected customers to leave their contract penalty-free if they do not wish to accept the price increase.

Since we published this guidance, complaint levels have remained low, which suggests that consumers are now generally aware of the options available to them in the market.

Ensuring consumers' rights to effective redress

When something goes wrong with their communications service, consumers need to be able to pursue complaints effectively.

Ofcom requires all communications providers to have complaints handling procedures that conform to the Ofcom-approved Code of Practice for Complaints Handling, and to be a member of an Ofcom-approved alternative dispute resolution (ADR) scheme. Disputes that have not been resolved within eight weeks, or sooner if the complaint is deadlocked, may be eligible for ADR.

ADR schemes are free and open to residential customers as well as to small businesses with up to ten employees. The decisions are binding upon the provider, not the consumer.

Ofcom has an active monitoring and enforcement programme to assess communications providers' compliance with Ofcom's complaints handling requirements, including access to ADR. As a result of evidence gathered as part of this programme, we opened separate investigations into Hutchison 3G Limited (trading as Three) and EE Limited (trading as EE, Orange and T-Mobile), to examine their compliance with the rules. We concluded our investigation into Three in October 2014 and imposed a financial penalty of £250,000. Our investigation into EE is ongoing.

Tackling mis-selling

Ofcom is committed to ensuring that consumers are protected from mis-selling of landline contracts, and slamming (where a customer is switched to another provider without their express knowledge and/or consent).

We have an open monitoring and enforcement programme on fixed-line mis-selling, under which we monitor complaints and identify communications providers whose sales and marketing activities may require investigation.

As a result of our actions, we have seen a significant reduction in complaints about fixed-line mis-selling, from a peak of over 1,000 per month in June 2010 to around 300 per month last year.

In March 2014, we opened an investigation into Universal Utilities Limited's (trading as Unicom) compliance with the mis-selling rules. This investigation is ongoing.

Protecting consumers from nuisance calls

Nuisance calls can cause annoyance, inconvenience or anxiety for consumers. Ofcom and the Information Commissioner's Office (ICO) share lead responsibility for enforcement in this area. The ICO takes the lead in tackling most types of nuisance calls, specifically unsolicited live marketing calls and marketing texts, while Ofcom is responsible for tackling abandoned and silent calls.

An abandoned call is one that is terminated when a consumer picks up the receiver. Instead of a person on the other end of the line, a consumer may hear a recorded information message from the organisation trying to call them. A silent call is a type of abandoned call, where a consumer receives a call but can hear nothing on answering the phone and has no means of establishing whether anyone is at the other end of the line.

Enforcement action is important to reducing consumer harm from nuisance calls. However, used alone it can only tackle part of the problem. For this reason Ofcom and the ICO published a joint action plan in July 2013, setting out a broad approach to addressing the issue. We published updates of progress against the plan in December 2013 and 2014.

Over the course of the year, we continued to take targeted enforcement action, issuing four financial penalties to companies for making abandoned and silent calls. We also took 47 informal enforcement cases. As a result, complaints relating to 46 of those cases have fallen or dropped significantly, while one case is ongoing.

We also launched a review of our statement of policy on how we will use our 'persistent misuse' powers to tackle abandoned and silent calls.

Additionally, we continue our work with the telecoms industry to improve call tracing, to help make it easier to identify organisations making nuisance calls and possible technical measures to help address such calls.

In May 2014, we published two new consumer guides to help promote wider access to advice on preventing nuisance calls and texts: a short educational video with subtitles and an 'Easy Read' guide on how to reduce nuisance calls, designed to be easily understood by people with learning disabilities. We also reviewed the advice telecoms companies give their customers on nuisance calls, and updated information for consumers about the types and costs of services offered by telecoms companies to help protect consumers from nuisance calls.

Protecting mobile consumers from unexpectedly high bills

Ofcom has continued working to help protect mobile contract consumers from unexpectedly high bills (UHBs), including ensuring that operators comply with EU Roaming Regulations.

Operators have taken a number of steps which, together with their work to increase consumer awareness of how to avoid UHBs, have had a positive effect. Consumer complaints remain at low levels and our September 2014 research indicated a further decline in the overall proportion of consumers experiencing UHBs, and a drop in the average level of harm experienced.

However, we continued to be concerned about UHBs caused by the unauthorised use of lost or stolen phones.

We supported the Government's work to tackle this serious issue, leading to its agreement with five major operators (Three, EE, O2, Virgin Media and Vodafone) to introduce a voluntary liability cap⁴. In January 2015, Three was the first of these operators to implement this. The last of the five operators is expected to introduce the cap by September this year.

Competition

Ofcom has a range of duties aimed at promoting and ensuring competition. These include implementing competition policy under our sectoral powers; for example, reviewing markets, enforcing regulatory conditions and consumer law, and resolving disputes.

Ofcom has concurrent powers under the Competition Act 1998 to enforce against anti-competitive behaviour in broadcasting, spectrum, telecoms and post. We also have the power to apply Articles 101 and 102 of the Treaty on the Functioning of the EU.

Apart from the competition-related priority areas evaluated on pages 22 to 23 we acted on a wide range of competition-related issues during the year.

Business Connectivity Market Review

This three-yearly review examines business telecoms: in particular, leased lines – the high-speed data links that support UK businesses, mobile and broadband providers. We began the new review in November 2014 by seeking stakeholder views on 'passive remedies', a form of regulation that would potentially require BT to let its competitors use its infrastructure to provide their own leased line services.

⁴ www.gov.uk/government/news/government-action-se-cures-end-to-shock-mobile-bills

In May 2015, we outlined our wider proposals for the market, including new rules that would benefit businesses by cutting the average time it takes to install a leased line installation. We expect our review to conclude with final decisions in spring 2016.

Mobile call termination

In March 2015, we concluded a review of the market for mobile termination, the process of connecting a voice call to a mobile phone user. When a consumer calls a mobile phone user on a different network – either from a mobile or a landline – the network operator they are calling charges a ‘termination rate’ to the provider with whom they are placing the call. Following previous intervention by Ofcom, mobile termination rates have fallen significantly in recent years, leading to cheaper mobile calls for consumers. This year we decided to implement new regulation, applying to all operators, which will see termination rates fall further in real terms for years to come.

Ofcom takes lead on quality of service work for UKRN

The UK’s economic regulators have joined together in the UK Regulators Network (UKRN) to ensure effective co-operation between sectors. Ofcom led on the publication of a report for the UKRN examining quality of service. The report represented the first collation of approaches to regulating for quality of service across the telecommunications, energy, water and rail sectors. It acts as a useful guide to the ways in which regulators intervene in consumers’ interests to promote quality in these sectors.

Ofcom led another UKRN project looking at cross-sector resilience.

The work included publication of a report summarising the relevant duties of the different regulators. The next phase will look in more detail at practical issues such as the reliance of telecoms on electricity and processes to improve the cooperation between sector regulators on resilience issues.

Sky access controls

In order to provide interactive services such as ‘red button’ interactive TV services on Sky’s satellite platform, broadcasters need access to Sky’s set-top box. Sky provides this access via access control (AC) services, which has been subject to regulation. The regulation enables third parties to access the relevant functionality on Sky’s set-top boxes on fair, reasonable and non-discriminatory terms. We had a legal obligation to remove this regulation, which was imposed on a temporary basis at the outset of the Communications Act 2003 regime, but before doing so, needed to consider whether new regulation was needed in its place.

In the course of our review of AC services, Sky developed a set of voluntary commitments under which it would continue to provide the existing AC services following the removal of the AC regulation on its existing and future generation of set-top boxes. Consequently, we sought views on whether Sky’s proposed commitments would be sufficient, or whether new regulation in the form of replacement access-related conditions would be more appropriate.

In March 2015, we decided not to impose new regulation, and in the light of Sky’s commitments, removed the existing regulation.

Infrastructure Report

Reliable, detailed and accessible information on infrastructure availability is essential to a robust understanding of the policy issues and to the development of targeted investment plans. Although we publish annual updates, our 2014 Infrastructure Report represented the second full iteration since the report was first published in 2011. The report contained a detailed analysis of digital infrastructure availability and take-up. Such analysis helps inform Government policy making on broadband and mobile coverage, as well as our work in areas such as the Strategic Review of Digital Communications.

Strategic Review of Digital Communications

In March 2015, Ofcom announced an overarching review of the UK’s digital communications markets, to ensure that communications providers and services continue to meet the needs of consumers and businesses. The review represents Ofcom’s second major assessment of the wider telecommunications sector, and will examine competition, investment, innovation and the availability of products in the broadband, mobile and landline markets.

The market has transformed itself over the last decade. This review will examine the implications of current and future developments for regulation, including: plans from major operators for significant network investment; telecoms services increasingly operating over the internet; and various potential mergers, acquisitions, joint ventures and partnerships in the sector.



The first phase of the review will examine current and future market factors that may affect digital communications services. This is expected to conclude with a discussion document in summer 2015. We expect to conclude the review's second phase by outlining initial conclusions around the turn of the year.

Resolving industry disputes and investigations under competition law

Ofcom's Competition Investigations team resolves regulatory disputes between companies under the Communications Act 2003. During 2014/15, we resolved eight disputes covering a wide range of topics, including BT's service level agreements for certain LLU services, BT's proposed payments for 080 call origination, and additional charges for the delivery of international roaming calls.

As a national competition authority, Ofcom is empowered to enforce competition law concurrently with the Competition and Markets Authority, and the Competition Investigations team investigates allegations of anti-competitive conduct under UK and EU legislation.

As at 1 April 2015 we had three ongoing competition law investigations. Two of these are in the broadcasting sector and one in the postal services sector:



- #### Complaint from British Telecommunications plc against British Sky Broadcasting Group plc alleging abuse of a dominant position regarding the wholesale supply of Sky Sports 1 and 2

On 14 June 2013 we opened an investigation under the Chapter II prohibition on abuse of a dominant position (and the equivalent EU law prohibition) into a complaint from BT which alleges that the terms on which Sky offered wholesale supply of Sky Sports 1 and 2 to BT's YouView platform amount to an abuse of dominance.

- #### Complaint from Virgin Media against the Football Association Premier League about selling of live Premier League TV rights

On 18 November 2014 we opened an investigation into the sale of live UK audio-visual media rights to Premier League matches. This followed a complaint from Virgin Media Limited against the Football Association Premier League (PL).

- #### Complaint from TNT Post UK Limited (now Whistl) in relation to the prices, terms and conditions on which Royal Mail Group Limited is offering to provide access to certain letter delivery services

On 21 February 2014 we opened an investigation into a complaint from TNT (now known as Whistl) in relation to certain prices, terms and conditions offered by Royal Mail for access to certain letter delivery services (known as 'D+2 access').

More details of these investigations can be found in our Competition and Consumer Enforcement Bulletin.

In addition, during 2014/15 we reached a final decision following an investigation into a complaint made by TalkTalk. Talk Talk had alleged that BT had operated a margin squeeze in the supply of superfast broadband by failing to maintain a sufficient margin between its upstream costs and its own retail arm's downstream prices. Our investigation concluded that there were no grounds for action.

The Competition Investigations team also considers complaints about breaches of certain regulatory rules, including those concerning number portability and access to 999 services. A summary of these activities, and those of the Consumer Protection Team, is given in the Annex on page 122.

Nations

Proposals for further devolution

The last year has seen new proposals to give the Welsh and Scottish Governments, and the Scottish Parliament and National Assembly for Wales, additional roles in relation to Ofcom. The UK Parliament is expected to consider these in the coming year.

As a body created following the advent of devolution, a duty to consider the views and interests of the regions and nations of the UK is engrained in Ofcom's constitution, and Ofcom already has a number of mechanisms to ensure this. We have maintained separate offices in the nations, established Advisory Committees for each nation and a Nations Committee that reports directly to the Ofcom Board. Our Content Board and Consumer Panels both contain members representing each nation.

Ofcom gave evidence to the Smith Commission, and we stand ready to work with the new proposed arrangements for Scotland and Wales to ensure effective and timely implementation should these arrangements become law.

Northern Ireland

In line with our Annual Plan objectives for Northern Ireland in 2014/15, we reported on broadband and mobile coverage in the *Communications Market Report* and the *UK Infrastructure Report*. Throughout the year we briefed members of the Northern Ireland Assembly and local Councils on the various initiatives in place to improve mobile and broadband availability.

We published consumer advice on how to avoid charges from inadvertent mobile roaming in border areas of Northern Ireland, noting the various steps taken by the mobile providers to help affected customers. We hosted industry fora on broadcasting, postal services and telecoms, allowing local service providers to discuss relevant consumer and competition issues. We also hosted stakeholder events on the *Communications Market Report*, *PSB Review* and draft *Annual Plan for 2015/16*.

Scotland

Our research continued to look (at a Scotland level) at use of and attitudes towards communications services, and tracked the lower level of take-up of broadband services in Glasgow, which has been of key interest to policy makers for a number of years.

The most high-profile task of 2014/15 in Scotland was to plan and licence spectrum to enable the Commonwealth Games, held in Glasgow.



We put in place sound planning to avoid any spectrum interference issues that might have affected the Games, and solid resourcing to deal with issues as they arose.

We continue our support of the Scottish Parliament Cross-Party Group on Digital Participation, which looks at both infrastructure and use of technologies in the communications sector, and we are also active participants in the Cross-Party Group on Postal Issues.

In terms of stakeholder engagement, we held events across the year in Scotland on the *Annual Plan*, *Communications Market Report*, radio, mobile connectivity, business radio and post.

Wales

In line with our Annual Plan objectives for Wales in 2014/15, we reported on mobile coverage and broadband availability across Wales in our *Communications Market Report* and the *UK Infrastructure Report*. We continued our engagement with Welsh Government Ministers, and officials and members of the National Assembly for Wales, to discuss various aspects of Ofcom's work, in particular the areas of greatest concern to elected representatives regarding availability of communications services.

This included providing appropriate regulatory and technical advice to the Welsh government in support of its Digital Wales policy commitments, in particular the Next Generation Broadband Wales project and Public Sector Broadband Aggregation scheme. We also continued to provide secretariat support to the National Assembly for Wales' Cross-Party Group on Digital Communication.

We further developed our engagement with key stakeholders by hosting events on our *Communications Market Report*, *PSB Review*, *Draft Annual Plan for 2015/16*, on 'Availability of Communications Services', in collaboration with the Farmer's Union of Wales at the Royal Welsh Agricultural Show, as well as working with Ofcom's Communications Consumer Panel to host an event on its SME and micro-business research.

In September 2014 we provided support for the NATO summit held at the Celtic Manor Resort in Newport, and during the course of the year provided evidence in support of our response to the Welsh Language Commissioner's Standards Investigation, a statutory part of the process of setting the standards applicable to Ofcom, and replacing its current Welsh Language Scheme.



Content standards, licensing and enforcement in broadcasting

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

TV and radio licensing

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

Licensing local TV

This year Ofcom advertised licences for seven new local television channels across the UK. Thirty-three such licences have now been awarded, and 16 of those had launched by the end of March 2015.

Community radio

In the past year 23 new community radio services have been awarded licences. Of these, 13 were for locations in West and South Yorkshire, Humberside, and the North West of England, seven were in the Midlands, and one was for Alderney in the Channel Isles. Over 220 stations are already broadcasting around the UK, bringing community-focused output, opportunities for volunteering, and community benefits to the communities they serve.

Broadcasting complaints and investigations

Audience complaints about broadcasters' possible breaches of their obligations play an important role in ensuring that viewers and listeners are appropriately protected. Ofcom assesses each complaint it receives against its rules and requirements to decide whether the complaint raises potential issues requiring further investigation. Further details on the number of complaints Ofcom assessed during the past year are available at pages 123 and 124.

Protecting children

Ofcom has a statutory duty to protect children in relation to broadcasting. This is one of our most important duties. Our Broadcasting Code contains a number of rules to protect children from unsuitable programmes, including rules about the television watershed at 9pm.

Pre-watershed violence

In July 2014, Ofcom fined Discovery Communications Europe Limited £100,000 for showing disturbing scenes in its true-life crime series, *Deadly Women*, on the Investigation Discovery channel. The financial penalty took account of the serious nature of the Broadcasting Code breaches in this case. The programmes contained extended depictions of extreme acts of violence shown before the watershed during a five-day period in school holidays.

In the same month Ofcom published two reports on violence shown in TV programmes. The first found that different demographic groups varied subtly in their views about violent content. However, all groups agreed that children should not be exposed to any sexual violence on TV before, or straight after, the watershed. The second analysed four popular soap operas, and looked at instances of violence, or threats of violence, and people's views on them. Strong scenes, portraying violence that might make the viewer uncomfortable, were very infrequent. This report also found that the amount of violence, or threats of violence, varied over the years. This research will inform our approach to assessing violence on TV.

On-demand services

Ofcom has a statutory duty to regulate UK video on-demand services falling within the statutory definition of on-demand programme services. This is a responsibility we share with our co-regulators, the Authority for Television On Demand (ATVOD) and the Advertising Standards Authority (ASA).

This year we have continued to take robust action to protect children from potentially harmful video-on-demand content.



For example, we suspended the provision of two video on-demand services provided by HardGlam and Extreme Entertainment Ltd. Both of these services offered extensive pornographic content without appropriate protections to prevent children from accessing it. Ofcom also imposed a financial penalty on the provider of HardGlam.

Protecting children who participate in television programmes

Following investigations involving the due care of children participating in programmes, Ofcom has updated its guidance on its rules in this area. This brings together the most up-to-date best practice and provides links to precedent cases, to assist broadcasters with compliance.



Protection against extremist views

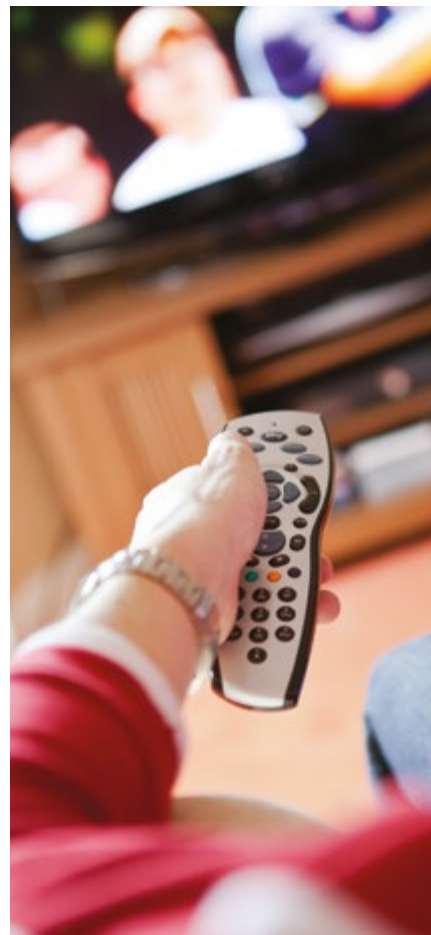
Ofcom has duties to ensure that material which may encourage or incite crime or disorder is not included in TV and radio services, and that religious programmes are treated with the proper degree of responsibility. We have strict rules in place to uphold these duties, and if broadcasters break those rules we take robust enforcement action.

Ofcom is currently expanding its programme of content monitoring. We will focus on those channels that pose greater potential risks of harm to the public.

PSB Review

Ofcom is required by Parliament to conduct reviews of public service broadcasting (PSB), including the extent to which the public service broadcasters have delivered the purposes of PSB, to report on how to maintain and strengthen the quality of PSB in the future, and to review the extent to which material included in online media services has contributed towards the fulfilment of public service objectives.

In December 2014 we published a consultation setting out our provisional findings on the performance of the PSB system across the UK as a whole, and in each of the UK's nations. This highlighted the changes that have taken place in the PSB sector since 2008, and included newly-commissioned qualitative and quantitative audience research.



The consultation also examined ways in which the PSB system might be maintained and strengthened, such as securing the availability and discoverability of PSB content, the relationship between the PSBs and the independent production sector, and the role of PSB portfolio channels. We plan to publish a final statement, setting out our findings in relation to PSB, and any proposals or recommendations, by summer 2015.

International

In 2014/15, Ofcom continued to engage closely with the European institutions to ensure that European policy initiatives in all of the sectors that we regulate were developed and implemented in a manner that benefits UK citizens and consumers. We continued the preparatory work for the World Radio Conference, which takes place at the end of 2015 and on which Ofcom leads for the UK. The draft Connected Continent Regulation was another key priority, with Ofcom providing expert advice through the Body of European Regulators of Electronic Communications (BEREC) and directly to officials and legislators in the EU institutions as the negotiations progressed.

In the audiovisual sphere, Ofcom has continued to pursue close collaboration with regulators in Europe as the European Commission has begun to look ahead to a review of the Audiovisual Media Services (AVMS) Directive. In the postal sector, Ofcom has worked closely with European postal committees to represent the UK's interests and better understand common challenges facing the sector. Outside Europe, we represented the UK in the telecoms standardisation and radiocommunications working groups of the International Telecommunications Union (ITU), and contributed to the work of the Organisation of Economic Cooperation and Development (OECD).

The coming year will be a pivotal year in international communications policy debates. In May 2015, the European Commission set out its vision for the digital sector in its Digital Single Market strategy. We expect a busy period of activity related to legislation that goes to the heart of the communications sector, and we will continue to play an active part in these debates.



Spectrum

Apart from the spectrum-related priority areas evaluated on pages 27, 28 and 29, we acted on a wide range of spectrum-related issues during the year.

UK preparations for the World Radiocommunication Conference 2015

Ofcom represents the UK at World Radiocommunication Conferences (WRCs). These conferences take key decisions concerning the identification and international harmonisation of spectrum bands. The next conference (WRC-15) is due to take place later this year.

WRC-15 will consider a wide range of issues, including mobile broadband, maritime, aeronautical, satellite and science use of spectrum. While countries have the sovereign right to plan spectrum use within their own territories, there are major gains from common frameworks at bilateral, regional or global levels, which are discussed at the WRCs.

Ahead of WRC-15, Ofcom published a consultation and an update to set out emerging UK positions and inform the ongoing preparation process and stakeholder engagement programme.



Programme making and special events (PMSE)

Ofcom is working to ensure that users of wireless microphones continue to have access to the airwaves they need to deliver their important cultural benefits. This year we have worked closely with stakeholders to assess the impact of changes in spectrum access and to identify viable mitigations following loss of access to the 700MHz band in the future.

Our work has included conducting a major review to protect the interests of the PMSE sector. This is to ensure theatres, sports venues and music events continue to have access to enough spectrum in the future.

This review has already identified a number of frequency bands that wireless microphones could potentially use in addition to the bands they will continue to share with DTT. Working closely with the PMSE community, we plan to confirm which spectrum bands will be available to PMSE users later this year.

Internet of Things and machine-to-machine communications

Ofcom has been working to support development of the emerging Internet of Things (IoT), which is likely to see billions of smart gadgets and devices wirelessly connected to the internet and each other.

The IoT's services span industries from agriculture and energy to transport, healthcare and much more, with the potential for significant benefits to citizens and consumers.

There are already over 40 million devices connected via the IoT in the UK alone. This is forecast to grow more than eight-fold by 2022, with hundreds of millions of devices carrying out more than a billion daily data transactions. As the availability of radio spectrum will be an important enabler, we have identified this as a priority area for further work.

In July 2014 we published a Call for Inputs to help inform our understanding of the actions required to ensure that the UK takes a leading role in the emerging IoT. Separately, Ofcom released spectrum in the 870 to 876MHz and 915 to 921MHz bands for short-range devices, which can be used for machine-to-machine (M2M) communications.

High frequency spectrum for '5G' mobile

In early 2015 Ofcom published a Call for Inputs, asking industry to help plan for the future spectrum requirements of the next generation of mobile communications, known as 5G mobile.

We invited industry to comment on the use of high frequency spectrum above 6GHz, which could support a variety of uses. These could range from financial trading and entertainment to gaming and holographic projections, with the potential to support very high-demand users in busy areas like city centres. 5G mobile is expected to be capable of delivering extremely fast data speeds – perhaps 10 to 50 Gbit/s – compared with today's average 4G download speed of 15 Mbit/s.

This work is being undertaken as part of Ofcom's Mobile Data Strategy, our long-term strategy to address the increasing use of data by mobile devices like smartphones, tablets and laptops.

Coverage and annual licence fees

In 2010 the UK Government directed Ofcom to revise the annual licence fees paid for the 900MHz and 1800MHz spectrum bands, to reflect their full market value after the completion of the 4G auction.

Having originally consulted in October 2013, we reconulted in August 2014. There followed an agreement between the licence holders and the Government in December 2014 on a new 90% geographic coverage obligation. We implemented the new coverage obligation through a variation to mobile network operator licences in January 2015. Subsequently, we issued a further consultation in February 2015 to help assess whether the new coverage obligation should impact future annual licence fees.

Spectrum enforcement: Keeping the airwaves clear

Illegal broadcast radio stations

(otherwise known as pirates) pose a significant public safety risk. They cause harmful interference, damage local authority properties, erect dangerous aerials and install makeshift transmitters in ventilation ducts and lift shafts. Last year, Ofcom investigated 414 cases of interference caused by illegal broadcasters, including 44 affecting vital safety-of-life aircraft communications.

There are about 100 illegal radio stations operating in the UK, of which three-quarters are based in London. Tackling pirates is extremely challenging, and cannot be solved through enforcement alone.

We now work in close partnership with the owners of buildings and other structures used by pirates to adopt an effective zero-tolerance approach, which includes making improvements to security and the use of anti-social injunctions against persistent offenders. A recent example is our partnership with a London local authority where 14 illegal stations had been operating. By the end of 2014 the area was officially declared 'pirate-free'. Last year 20% of UK pirate stations were taken off air permanently.

Non-compliant equipment

has the potential to disrupt radio communications.

Ofcom has been successful in removing close to £1m worth of potentially harmful radio apparatus from the market.

Applying sanctions is used to deter and punish offenders who use the spectrum illegally. Within the last year we reviewed 160 cases, issuing 54 Fixed Penalty Notices, and brought 16 criminal prosecutions.

Ever-increasing demands on spectrum mean that enforcement is an essential part of our toolkit to protect the airwaves, keep interference to minimum and ensure optimal use of the UK's civil radio spectrum.

Principal risks and uncertainties

The table below highlights some of the key risks and uncertainties that Ofcom is currently facing. Further information about how we manage risks can be found on page 70.

Objective/business area	Risk	Mitigation
Policy risks		
Consolidation of suppliers in the mobile phone market	Potential for less competition in both the retail and wholesale markets for mobile phone services which may impact benefits to consumers and undermine innovation and investment.	We will work with the EC Directorate-General for Competition and the Competition and Markets Authority in relation to any mergers in the sector. Consideration will be given to any alternative interventions that may lead to better outcomes for consumers and citizens.
Distortion to competition in the fixed-line and mobile markets	Acquisitions in the market may lead to distortions to market share and competition in the provision of fixed-line and mobile services.	We will undertake work to carefully consider the impact of acquisitions in the sector and use the output to inform our programme of work in this area.
Silent and abandoned calls	Consumers may suffer harm if we are seen to have been ineffectual in preventing nuisance calls.	We have a joint action plan with the Information Commissioner's Office to tackle the wider issue of nuisance calls – focusing on enforcement; call tracing; co-ordinated action working with others; consumer information and caller display. We continue to work closely with Government on a range of nuisance-call issues.
Effectiveness of reforms to non-geographic numbering	Service providers may not be sufficiently prepared for the changes to non-geographic calls services and the associated communications campaign may not be sufficiently effective to inform consumers.	The UK Calling website went live in September 2014 and a formal communications campaign was launched in February 2015. We are undertaking regular consumer research to measure the effectiveness of the communications campaign.

Objective/business area	Risk	Mitigation
Policy risks (contd.)		
Mobile coverage programme	<p>Helping facilitate improved mobile services is a key objective for Ofcom. Our work is broad, but focuses on four main areas:</p> <ul style="list-style-type: none"> • working with industry to improve coverage on the rail networks; • supporting the Government's work, principally through the Mobile Infrastructure Project, to improve mobile coverage; • provision of consumer information, including publishing interactive coverage maps; and • developing a better understanding between coverage predictions and actual user experience. <p>Failure to deliver on our programme of work may undermine the benefits consumers can derive from mobile services.</p>	<p>We continue to work closely with DfT to improve the quality of coverage data on the rail network.</p> <p>In December, the UK Government reached a voluntary agreement with the four MNOs to provide geographic voice coverage to 90% of the UK by the end of 2017.</p> <p>We included mobile coverage maps in the Ofcom <i>Infrastructure Report 2014</i> and continue to work to make the operator-specific maps available during summer 2015.</p> <p>We conducted drive tests to better understand the linkage between dropped calls and the quality of the predicted mobile coverage.</p>
Rapid change in the sectors regulated by Ofcom	<p>The sectors regulated by Ofcom are characterised by rapid change, making it challenging to develop plans to anticipate significant activities or events which may require Ofcom's involvement.</p> <p>In the current environment, additional unplanned work may result in the re-prioritisation of ongoing and planned activities, which could lead to delays in delivering benefits for consumers and citizens.</p>	<p>We seek to maintain breadth of expertise and scope for flexibility in project teams so that resources can be adapted or redeployed at short notice if necessary.</p> <p>Ofcom's Executive Committee is responsible for prioritising projects and adjusting work plans as required.</p> <p>Ofcom's Annual Plan, which outlines its strategic priorities, is subject to public consultation each year.</p>
Operational risks		
Cyber-security	<p>Potential attacks by third parties may undermine the confidentiality, integrity or availability of information held by us or our ICT systems.</p>	<p>Ofcom has implemented security technologies to provide perimeter security. Internal processes are in place to manage security, and staff receive security awareness education.</p> <p>As part of our ongoing programme of improvement, we are undertaking a security review, due to complete during summer 2015.</p>
Ofcom budget	<p>The potential requirement to find further savings beyond the Spending Review 2013 period, together with any unplanned or unanticipated work required by Government, may undermine the delivery of our strategic priorities.</p>	<p>We will continue to work closely with HM Treasury, drawing upon our experience following the 2010 Spending Review.</p> <p>Work is under way on a new five-year financial plan which will include the identification of further potential efficiency measures.</p>

Financial Review

Delivering our duties and value for money

2014/15 was the final year of Ofcom's four-year Treasury Spending Review. We have responded to the challenges facing public expenditure by reviewing how we deliver effective, proportionate regulation in the interests of citizens and consumers, while maintaining value for money for our stakeholders.

In 2010 we commenced our internal Expenditure Review Project, during which we developed a set of measures to deliver a 28.2% real-terms reduction in costs over four years, while continuing to deliver against all our commitments.

The budget for 2014/15 was set at £117.0m, reducing the overall cost of regulation by 33.4%⁵ in real terms in comparison with 2010/11, thereby exceeding our original commitment. We achieved this by carrying out a thorough review of our operations, including:

- reducing our headcount and freezing pay;
- exiting and sub-letting property space that was surplus to our future needs, and successfully negotiating the rental review on our principal office, with no increase;
- reducing expenses and implementing tighter travel and subsistence policies;
- becoming more effective in our procurement and supplier management;
- reducing the costs associated with our international engagements;
- streamlining our back-office functions; and
- reducing the number of temporary and contract employees.

Our budget for 2015/16 builds on the efficiencies we have already made through our internal Expenditure Review Project. We have identified some further efficiencies that we plan to make and we have set a budget of £114.3m to reflect this: a 3.4%⁶ real-terms reduction in comparison with the 2014/15 budget.

In 2015/16 we will continue to make the best use of our available resources and focus on ensuring value for money for stakeholders and the taxpayer. In particular we will:

- bring programme-making and special events (PMSE) licensing in-house;
- transform our ICT services, innovating and delivering on our ICT strategy, including using cloud-based services where appropriate. We have made good progress in competitively tendering for our core ICT service provision and expect to see the benefits of this activity flow through from 2016 onwards;
- undertake reviews of how we source key services and functions, such as facilities management and employee payroll and benefit service provision, to deliver further efficiencies;
- levy fees for our attendance at events where stakeholders request a greater level of service from our Spectrum Engineering and Enforcement teams than is required by statute. We have already provided chargeable services for a number of important events including Formula One and Wimbledon. We also undertake and charge for licensing consultancy when our expertise is requested in advance of stakeholders making licence applications. In 2014/15 we completed the restructuring of our Spectrum Engineering and Enforcement team to make further improvements in meeting the needs of spectrum users. This resulted in further reductions to headcount and costs in this area, and rationalisation of our regional property portfolio;
- identify other opportunities to generate additional funds for the Exchequer. For example, we have already collected £1.5m from industry as part of a two-year pilot, ending in April 2015, to safeguard the supply of geographic phone numbers; and
- continue to review our property requirements. We have already agreed co-location arrangements with the CMA in our Belfast and Cardiff offices, and will continue the work to review, and where possible reduce, our footprint at other sites.

⁵ After accounting for savings achieved following the transfer of responsibility for the regulation of postal services from Postcomm in October 2011.

⁶ Based on January 2015 RPI of 1.1%

Financial performance 2014/15

In 2014/15, Ofcom delivered another year of significant budgetary savings with an annual running cost of £110.7m (operating outturn) on a cash basis, as set out in Note 2 to the accounts. This represents a £6.3m saving against a budget of £117m. The savings were made through the efficient use of available resources, some delay in recruiting staff, the prioritisation of activities and the re-scheduling of some work. In particular, less legal activity than expected, and savings from the successful completion of the rent review on our principal office contributed to the reduction in costs for the year. The actual operating outturn has decreased since the previous year in part due to costs incurred in 2013/14 to mitigate future risks in key areas such as our defined benefit pension obligation.

In addition, Ofcom invoiced and collected a total of £272.6m for the public purse during the year, from Wireless Telegraphy Act licensees, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders, as presented in the Section 400 Accounts.

Financial framework

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

Sections 38 and 347 of the Communications Act 2003 and Schedule 4 of the Postal Services Act 2011 also require Ofcom to raise income from each of the sectors it regulates, such that it covers the costs to be incurred by Ofcom in regulating that sector.

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

Ofcom raises its funds from the following sources:

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

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

Financial management

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

To achieve this, the finance team continues to focus on effective financial support of the various operational groups across Ofcom. The team supports the organisation by obtaining value for money through commercial procurement and supplier management processes, timely and accurate budgeting and forecasting of expenditure, prioritisation of resources and activities, comprehensive management reporting, risk management, ensuring compliance with key controls and efficient transactional processing.

Operating income

Ofcom's total operating income in the Statement of Income and Expenditure separates out the income received which relates to the spectrum clearance and awards programme (SCAP) as this is an additional duty outside our core operating budget.

Ofcom's income for spectrum clearance and awards was £4.3m for the year (2013/14: £6.1m).

- There was a decrease of £1.8m as a result of the completion of the clearance and award programme for the 800MHz and 2.6GHz spectrum bands during 2014/15.

Ofcom's income excluding spectrum clearance and awards for 2014/15 was £111.2m (2013/14: £112.1m). Changes from the previous year include:

- a decrease of £1.5m in spectrum management grant-in-aid. This is as a result of lower costs relating to spectrum management in the year and also higher costs incurred in 2013/14 to mitigate future risks in our defined benefit pension obligation.
- an increase of £0.4m in the postal sector. This is largely a result of a delay in the development of a cost orientation framework for post in 2013/14, and increased activity in 2014/15 on the review of end-to-end competition and the access pricing review.

2014/15 was also the first operating year of the new UK Regulators Network (UKRN) with Ofcom as the host regulator. Income collected from the UKRN members to recover the associated operating costs totalled £0.3m. A funding surplus of £0.1m was generated and will be reflected in the members' fees for 2015/16.

Operating expenditure

Expenditure in 2014/15 on spectrum clearance and awards of £4.1m (2013/14: £5.8m) was reduced as a result of the completion of the 800MHz and 2.6GHz clearance and award programme in July 2014. In 2014/15 expenditure primarily relates to the implementation work towards the clearance of the 700MHz band and the ongoing Public Sector Spectrum Reform (PSSR) work for the 2.3GHz and 3.4GHz bands.

Other operating costs relating to Ofcom's core responsibilities in 2014/15 amounted to £49.7m, in line with the previous year (2013/14: £49.6m). The significant variances between the financial years were:

- a decrease in amortisation/ depreciation of £1.0m due to a number of assets reaching the end of their amortisation period;
- a decrease in premises costs of £0.9m, due to the successful conclusion of the rent review on our principal office and the release of the related accrual; and
- a decrease in vehicle charges of £0.2m, following the reduction of Ofcom's leased fleet.

These savings were partially offset by:

- an increase in outsourced services of £0.7m. The previous year benefited from a number of service credits from a major supplier, and this year's cost reflects improved level of service provision;
- following our decision to bring PMSE licensing in-house in order to reduce our running costs we have written down the e-licensing and programme making and special events (PMSE) system development by £0.6m. A review of the value of the asset under construction, the impairment was recognised to bring the asset value into line with what could be carried forward and used as part of future e-licensing work;

- an increase in temporary staff and recruitment costs of £0.4m incurred to cover staff vacancies across Ofcom; and
- an increase in bad and doubtful debt of £0.1m as a result of an increase in the provision for doubtful debts and the write-off of one debt where the stakeholder went into liquidation.

Average staff numbers during the year, at 787, are in line with the previous year (785) and as a consequence staff costs are broadly consistent with the previous year. The increase in restructuring costs is principally as a result of the review and restructuring of our Spectrum Engineering and Enforcement function.

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 on the basis of Ofcom's statement of charging principles. This approach specifies the actual funds that need to be collected to discharge cash liabilities during the year. Any surplus funds arising as a consequence of budgetary savings achieved during the financial year are returned to stakeholders through a reduction in the annual tariffs levied in the two following financial years.

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £6.8m (2013/14: £6.9m).

Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Income and Expenditure for the year under review, was £0.1m (2013/14: £3.1m surplus).

Additional funds collected on behalf of HM Treasury

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. The fees, payments and penalties are reported, with further detail provided, within these Financial Statements in Note 25 to the accounts.

In 2014/15, Ofcom invoiced and collected £272.6m (2013/14: £278.4m) under Section 400 of the Communications Act 2003.

These funds have been passed on to the public purse. The revenue is collected from four sources:

- Wireless Telegraphy Act licence fees;
- additional payments from television and radio licensees;
- financial penalties; and
- geographic numbering (this was collected for the first time in 2014/15 and totalled £1.5m).

Statement of charging principles

Ofcom is funded through a combination of, licence fees and administrative charges from stakeholders, and grant-in-aid from central Government.

Under the Communications Act 2003 ("the Act"), Ofcom is required to set licence fees in the broadcasting sector, and administrative charges in the electronic communications sector, in accordance with the charging principles that it has published.

There are similar provisions in the Postal Services Act 2011 in relation to the setting of charges for the postal services sector. On a year-on-year basis, such charges and fees must be set so as to meet but not exceed Ofcom's annual costs of regulating the relevant sector.

In setting charges and fees, we must ensure that they meet the relevant statutory requirements, including that they are objectively justified, proportionate and transparent.

Our current statement of charging principles applying to the TV, radio and electronic communications ('networks and services') sectors was published in 2005, and in 2012 we published a statement of charging principles for the postal services sector. During this time all these sectors have experienced market and regulatory change. Therefore, while the current statements fulfil their statutory and operational purposes, it is now an appropriate time to review our charging principles and their application, to ensure that they continue to fulfil their purposes in the future. On 26 March 2014, Ofcom published a preliminary consultation on the Review of Ofcom's Statement of Charging Principles, and responses to the consultation can be found at the following link:

http://stakeholders.ofcom.org.uk/consultations/statementofchargingprinciples/?utm_source=updates&utm_medium=email&utm_campaign=socp-14

Ofcom intends to publish a more detailed, second-stage consultation, reflecting stakeholder views on the issues identified and incorporating them as appropriate into more detailed analysis and proposals, with the changes flowing through to stakeholder tariffs in 2016/17.

2015/16 tariffs

On 26 March 2015, Ofcom published the Tariff Tables for 2015/16, which were based on an estimated operating expenditure outturn for 2014/15 of £113.0m. A total of £4m, the difference between the 2014/15 budget of £117m and the estimated operating expenditure outturn, is already being passed back to stakeholders in 2015/16 as part of the regulatory tariffs, or to the Government - and therefore the taxpayer - in reduced grant-in-aid.

The difference between the actual operating outturn and the estimated operating outturn used to set fees and charges for 2015/16, amounting to £2.3m, will be passed back to stakeholders through tariffs for 2016/17, in line with our Statement of Charging Principles.

Ofcom's budget for 2015/16 is £114.3m, which includes capital expenditure and actual payments to pension schemes, but excludes depreciation and amortisation. This represents a 3.4⁷ per cent real-terms reduction in the total annual cost of regulation.

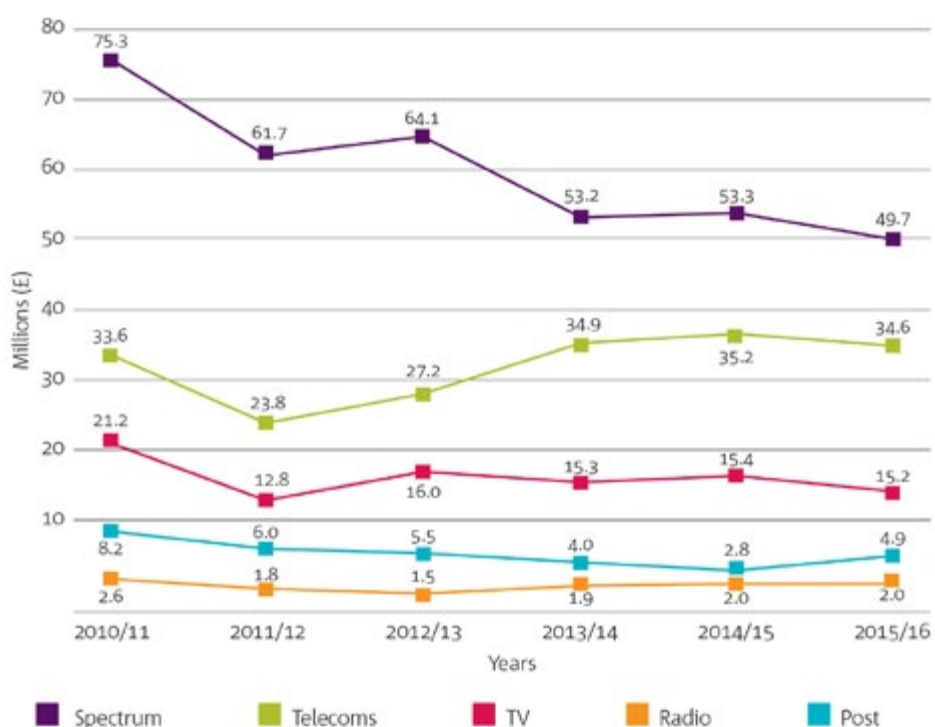
While the overall level of costs for Ofcom is continuing to fall, within these total costs there will be year-on-year movement between each regulated sector, and in the balance of costs and charges to industry and the taxpayer through grant-in-aid.

Specifically, sector fees and charges for 2015/16 will change by:

- an average decrease of 1.5 per cent (2.5 per cent real-terms decrease) for network and service operators;
- an average decrease of 1.5 per cent (2.5 per cent real-terms decrease) for the TV sector;
- an average decrease of 1.5 per cent (2.5 per cent real-terms decrease) for the radio sector; and
- an increase of 75.4 per cent (73.5 per cent real-terms increase) for the postal services sector. This is principally due to one off savings from 2013/14 being incorporated into 2014/15 fees. The savings against 2014/15 budget are materially lower and as a result 2015/16 charges are comparatively higher.

Figure 2 shows Ofcom funding over the past six years.

Figure 2: Ofcom funding over the past six years.



⁷ Based on RPI of 1.1% as at January 2015

Spectrum clearance and awards

Expenditure relating to spectrum clearance and awards totalled £4.1m in 2014/15 (2013/14: £5.8m) and has reduced following the completion of the 800MHz and 2.6GHz clearance and award programme in July 2014; no grants for this programme were paid beyond this date.

In November 2014 Ofcom published a statement setting out our decision to make the 700MHz band available for mobile data. The change of use of this band requires moving parts of the digital terrestrial television (DTT) and PMSE services to other frequencies, and there are associated costs to enable this.

In the March 2015 Budget, the UK Government confirmed that it would provide up to £600m to support the delivery of the change of use of 700MHz spectrum by 2022. In 2014/15, we procured infrastructure capability studies relating to the clearance of DTT services from the band.

The 2.3GHz and 3.4GHz award work, under the Public Sector Spectrum Reform project (PSSR), is ongoing and still on course for auction of the spectrum in 2015/16, but is sensitive to the competition and convergence issues of the mobile market.

In line with previous years, costs relating to this programme of work have been separated out from Ofcom's core responsibilities in the financial statements.

Pensions

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

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both of these plans are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time all existing members were provided with access to the Ofcom stakeholder plan. Notes 1K and 21 to the accounts provide further detail.

The latest actuarial valuations for both schemes as at 31 March 2012 highlighted a combined funding deficit of £5.2m. Since the finalisation of the actuarial valuations a total of £4.4m in respect of deficit repair payments have been made to the DB plans in accordance with the respective recovery plans.

However, the 2014/15 financial statements show a surplus of £16.0m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations and the deficit repair payments made by Ofcom.

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

In July 2014 a bulk annuity transaction with Legal & General (L&G) was concluded for the Ofcom section of the Ofcom (Former ITC) Plan. Ofcom jointly participates in this plan with three other organisations: S4C, S4C Masnachol and the Advertising Standards Authority. This transaction followed a detailed and intensive review of the high-level scheme and anonymised member data, with the trustee of the Plan, to help identify further affordable and substantive de-risking opportunities. As a result of this transaction with L&G we secured all remaining uninsured liabilities of the Ofcom section of the Ofcom (Former ITC) Plan. This followed two previous partial buy-ins in 2008 and 2012. To fund this transaction, an employer contribution of £8.0m was transferred from the Feeder Trust account.

As a consequence of this risk mitigation work by Ofcom and the Trustees and Actuaries of both pension plans, 80 per cent of plan liabilities are now backed by annuities (62 per cent 2013/14).

The next formal triennial actuarial valuation for both plans will be as at 31 March 2015 and must conclude by 30 June 2016.

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 may be considered in the future alongside other possible liquidity management and cost reduction initiatives.

How we work and whom we work with

Ofcom's duties and powers are set out in statute

As the independent regulator for the communications industries, Ofcom is mandated to further the interests of citizens and consumers. Every year, following consultation, we publish our Annual Plan, which outlines new initiatives and ongoing activities that we undertake in support of our duties.

We are funded by stakeholders, via the collection of television and radio broadcast licence fees and administrative charges to regulate communications networks and postal providers, and by the UK Government through grant-in-aid funding. Further details of our funding arrangements can be found in the Financial Review on page 46.

Measuring and communicating outcomes

In our 2014/15 Annual Plan, we identified ten priorities with just over 70 projects and programmes allocated against them. Underpinning this was the requirement to meet our four-year Spending Review settlement with the Treasury (which concluded in 2014/15) by delivering efficiencies throughout the organisation. Ofcom, as is set out in this Report, made significant progress in delivering outcomes against many of its Annual Plan priorities and its 'business as usual' work in 2014/15.

Ultimately, our performance should be judged by the outcomes that are delivered for citizens and consumers as a result of our work.

We measure these outcomes thoroughly in a number of ways, using a comprehensive and robust framework for measuring, reporting on and communicating our performance, both internally and externally. During the past four years we have focused on how we communicate these outcomes, and have sought to measure our own performance as we progress through the lifetime of a work programme. The table on pages 18 to 21 measures our performance against the ten priorities we set out in our 2014/15 Annual Plan.

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

When we regulate

The Communications Act 2003 requires us to have regard to the principles of better regulation: that regulation should be transparent, proportionate, consistent, accountable, and targeted only at cases where action is needed. When Ofcom was established, we built on these principles by developing a more specific set of regulatory principles to inform our day-to-day work. The speed with which the communications sector is changing makes it especially important for us to have clear guiding principles.

Ofcom's Regulatory Principles

When we regulate

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

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

How we regulate

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

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

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

How we support regulation

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

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

Reducing regulation

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

During the past year we made a number of significant regulatory decisions. Some decisions followed a continuing trend towards reduced regulation. In order to safeguard the interests of citizens and consumers, some decisions required additional or strengthened regulation. Figure 3 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2014/15.

Relationships with stakeholders

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

Ofcom has a statutory duty to take into account in its decisions the views and interests of those who live in different parts of the UK. Our operations in the nations are led by senior directors in Glasgow, Cardiff, Belfast and London, and work to ensure that the views, needs and special circumstances of the nations receive Ofcom's direct attention.

Figure 3: Impact of our statements on the regulatory burden to stakeholders: 2014/15

	Number	%
■ Reduced regulation	9	13
■ Streamlined/co-regulatory	5	7
■ Mixed/no change/ongoing	49	70
■ Increased/new regulation	7	10

An overview of the key decisions and statements that we have made during the year can be found in the tables in the Annex on pages 116 to 121.

Contact with consumers and citizens

Understanding consumer and citizen interests and behaviour is vital to our work. Ofcom makes extensive use of market research to understand trends in the take-up and use of communications services and the behaviour and concerns of consumers. Our annual *Consumer Experience and Communications Market Report*, in particular, highlight and analyse these trends. Ofcom's Consumer Contact Team receives over 70,000 calls directly from consumers each year, and the information that consumers provide helps us target our policy-making and enforcement work.

Consumers can also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

An Advisory Committee in each of the nations of the UK provides Ofcom with detailed and expert insights into the particular challenges faced by citizens and consumers in different parts of the UK.

National interests are also represented by members of Ofcom's Content Board and by the Communications Consumer Panel. The Consumer Forum on Communications, with over 50 members from consumer bodies, meets every quarter with Ofcom to discuss consumer policy topics. We also hold regular bilateral meetings with consumer stakeholder organisations as well as consultation meetings on specific topics.

Consultations

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

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

Figure 4 sets out an analysis of the length of our consultations by sector.

Ofcom collects statistics on the number of responses to consultations, as shown in in Figure 5. We received 10,519 responses to our consultations, up 852% since 2013/14 (1,235). This significant increase is principally due to our consultation: *Review of Ofcom List of Major Political Parties for Elections Taking Place on 7 May 2015*.

Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 6). In 2014/15 83% of decisions were announced within 20 weeks of closing a consultation, the majority of which were within ten weeks.

Impact assessments

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

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

Ofcom must publish a list of the IAs carried out during the year; this appears in the Annex on pages 120 and 121.

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

Figure 7 highlights that, in 2014/15, 61% 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 IA. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Figure 4: Analysis of consultation duration: 2014/15

	Consultation period at least 10 weeks	Consultation period less than 10 weeks (including category 2 and category 3 consultations)
Telecoms	3	16
Broadcasting	7	13
Spectrum	3	12
Post	1	0
Other	1	1
Total	15 (=26%) (In 2013/14 24%)	42 (=74%) (In 2013/14 76%)

Figure 5: Responses to consultations: 2014/15

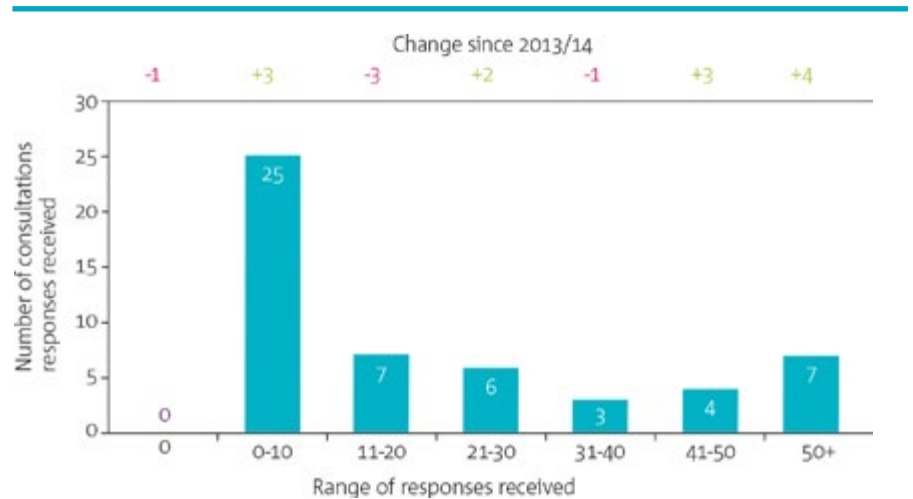


Figure 6: Analysis of the time taken to publish an Ofcom decision from the close of the consultation period: 2014/15

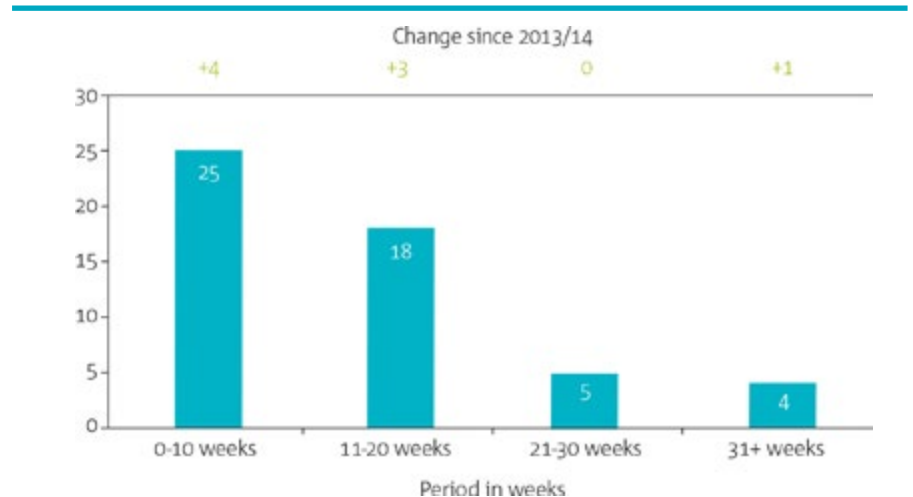




Figure 7: Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	19	14
Broadcasting	20	9
Spectrum	15	11
Post	1	1
Other	2	0
Total	57	35 (=61%)

Co-regulators

Ofcom shares regulatory responsibilities in certain areas with other regulators.

The Authority for Television on Demand (ATVOD) is our co-regulator for the editorial content of UK video-on-demand services. ATVOD has responsibility for determining which services fall within the statutory definition of on-demand programme services, and for handling complaints about the content on those services. Ofcom remains ultimately responsible for ensuring that providers of video-on-demand services observe relevant standards, and we will consider sanctions and appeals referred to us by ATVOD.

Ofcom also has a co-regulatory partnership with the Advertising Standards Authority (ASA). The ASA is responsible for advertising on both broadcasting and video-on-demand services. Ofcom remains ultimately responsible for ensuring that broadcasters and on-demand services observe relevant standards for advertising content. Broadcasters are obliged to comply with the Advertising Codes under their broadcast licences issued by Ofcom. When the ASA adjudicates on an advertisement, broadcasters comply with rulings immediately under the conditions of their licences. However, where necessary, the ASA is able to refer licensees to Ofcom.

Ofcom has responsibility for the regulation of premium-rate services (PRS) that 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 PhonepayPlus through its enforcement of a code of practice approved by Ofcom.

Our employees

Ofcom's mission and values

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

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

The Ofcom values are:

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

Colleague involvement and consultation

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

- the Ofcom Colleague Forum, a consultation forum which is made up of representatives of colleagues from across Ofcom and which meets regularly with senior management at Joint Consultative Group meetings (which include two members from the union);

- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices;
- presentations hosted by senior managers during which new strategic initiatives are explained to colleagues and updates are provided regarding continuing projects;
- regular group meetings, both to listen to colleagues and to disseminate information; and
- regular messages from the Chief Executive.

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

Professional development

The quality and commitment of our people are central to our ability to fulfil our duties. During 2014 we rolled out a number of organisation-wide training programmes, which included management development training as well as sessions covering the specific industry sectors Ofcom regulates. We also run an internal mentoring scheme and have sponsored some of our senior colleagues to gain a formal coaching qualification so that they can support the career development of more junior colleagues.

Employment policies and processes

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

In 2014 we developed a new policy on shared parental leave to enable colleagues who become parents to share time off work to look after their new baby with their partner.

Absence

Ofcom encourages a culture in which good attendance is expected and valued. However, we recognise that from time to time absences for medical reasons may be unavoidable. Ofcom aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. In 2014/15, the number of working days lost was 4.55 days per annum per employee (2013/14: 4.97 days). This compares favourably to the public sector average of 7.9 days per annum per employee in 2014 (2013: 8.7 days)⁷.

⁷ CIPD Absence Management 2014: Public Sector, published October 2014.

Corporate responsibility

Ofcom's commitment to equality, diversity and human rights

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

In 2014 we published our third Single Equality Scheme (SES), which describes how we will ensure that diversity and equality are at the heart of how we operate. Our latest SES builds upon what we have already accomplished.

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

Some of our notable achievements over the past year have included:

- being rated a top-ten public sector employer within Business in the Community's gender and race equality indexes, and being included in the Times Top 50 Employers for Women for the third year running;
- continuing to improve our score in the Stonewall Workplace Equality Index, which looks at our attitude to lesbian, gay and bisexual staff;

- successfully trialling two apprenticeships in Spectrum Policy Group and extending the scheme across the organisation;
- sponsoring the Institute of Electrical Engineering's Young Female Engineer of the Year award for the third year in a row; and
- making significant progress in implementing the improvements set out in our disability action plan, and as a result, gaining a place in the Business Disability Forum's Roll of Honour with a bronze award. To guide our commitment to accessibility in technology further we also signed the Technology Taskforce Accessible Technology Charter.

As part of our commitment to providing a fair and equitable pay structure at Ofcom, in 2014 we published our biennial equal pay audit. This showed that while there were some differences in levels of pay among colleagues doing similar roles, there did not appear to be a bias for colleagues of one gender to be paid more than the other gender for equal work. We also reported on the diversity composition of our colleagues and used the findings to help us consider what we might need to do in relation to recruiting and retaining a diverse mix of employees.

Corporate responsibility

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

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

In the wider community we have run a reading mentoring scheme with a local primary school in Southwark, giving colleagues the opportunity to coach young children to improve their literacy skills.

In addition, we work with Career Academies UK, mentoring 16-to-17-year-old students and helping them prepare for corporate life, and in summer 2014 we hosted four interns from local academies. We have also promoted opportunities for colleagues to speak at schools through campaigns such as Inspiring Future, Inspiring Women and STEMNET.

Sustainability report



This section presents an overview of Ofcom's sustainability strategy and our performance in this area. It contains sustainability data and associated financial costs, presented in a format that conforms to the sustainability reporting guidelines issued by HM Treasury for 2014/15.

Ofcom's sustainability strategy

Introduction

Ofcom commissioned an independent carbon audit in 2007 and subsequently committed to reducing internal carbon emissions by 25% by the end of 2012/13 (relative to the 2007 baseline). Ofcom's Footprint and Sustainability project was set up to identify and drive forward actions to ensure that Ofcom met its carbon reduction commitment and that its operating practices were environmentally sustainable. Footprint and Sustainability is one of three workstreams within Ofcom's overall Corporate Responsibility programme (see page 44).



Overview of reduction targets

Ofcom's 25% reduction target represented a reduction across seven areas: information services, utilities, waste, business travel, procurement materials, procurement capital and commuting. In 2009, Ofcom commissioned a second independent carbon audit which confirmed that a 15% reduction in carbon emissions had already been achieved. A subsequent audit in 2012 confirmed that a further 6% reduction had been achieved, bringing the total reduction to 21%. A final carbon audit was undertaken in 2013 which confirmed that Ofcom had achieved a 30% reduction in its carbon emissions and had therefore exceeded the original carbon reduction target. Further detail about Ofcom's sustainability performance can be found on our website: www.ofcom.org.uk/about/footprint-and-sustainability/

Governance

The Footprint and Sustainability project reports to the Corporate Responsibility Steering Group (CRSG). Members of the CRSG hold senior management positions within Ofcom and set the strategic direction of work. The CRSG provides bi-annual progress reports directly to Ofcom's Executive Committee.

2014/15 performance

Greenhouse gas emissions

We have continued to monitor greenhouse gas emissions across various sources.

Ofcom has an energy policy which guides energy-related decision-making and supports an effective energy management strategy.

We have made significant investment in energy-saving infrastructure over the past few years, and regularly review heating, cooling and lighting settings.

We have recently upgraded our video-conferencing facilities across all of our UK offices and encourage our colleagues to make use of these facilities, in order to reduce the level of travel. Our expenses and travel policies also emphasise the importance of minimising our carbon footprint within the context of achieving value for money.

Ofcom has a fleet of vehicles used by our Spectrum Engineering and Enforcement colleagues, chosen in part for their low emissions per mile, and we monitor fuel use on a monthly basis. We took a decision to renew our fleet during 2014/15 and we are currently replacing our existing vehicles with a fleet of new, more fuel efficient vehicles.

As part of our overall drive to reduce paper consumption and courier costs, we have supplied electronic devices to Board and Committee members to improve the accessibility and efficiency of distribution of papers.

Waste minimisation and management

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

Finite resource consumption

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

Biodiversity action planning

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

Sustainable procurement

Ofcom is keen to encourage sustainability from its suppliers. The pre-qualification questionnaire that Ofcom uses as part of its tender process to procure goods and services from outside organisations includes the following requirement: "Please provide evidence of compliance with the eco-management audit scheme or any other relevant recognised environmental standard with which your company complies which is relevant to the subject of the contract."

Other

Ofcom's Carbon Trust Standard certification was renewed for the second time in 2013. This demonstrates continued good practice in regards to carbon reduction strategy and achievements.

Future plans

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

A summary of Ofcom's emissions over the past five years is provided in Figure 8. Please refer to the Annex on pages 129 and 130 for more detail.

Sharon White

Chief Executive and Accounting Officer

16 June 2015

Figure 8: Sustainability performance overview

		Performance Year				
		2010/11	2011/12	2012/13	2013/14	2014/15
Greenhouse gas emissions (Scopes 1,2)	tCO ₂ e	2,103	1,789	1,730	1,498	1,632
	Expenditure	£623,059	£486,769	£457,486	£442,226	£475,261
Business travel ¹	tCO ₂ e	348	375	375	346	290
	Expenditure	£627,606	£713,021	£705,867	£628,340	£596,116
Waste	Tonnes	150	159	166	173	168
	Expenditure	£62,256	£53,345	£46,068	£60,796	£45,500
Finite resource consumption	Water consumption (m ³)	10,495	7,715	9,492	10,498	10,298
	Expenditure	£18,573	£22,771	£26,610	£20,506	£24,931
	Paper reams	10,067	9,286	7,623	7,721	5,993

¹ Emissions relating to business travel (flights) have been restated for 2010/11, 2011/12, 2012/13 and 2013/14 following enhanced data provided by our travel company.

Directors' Report

The Ofcom Board

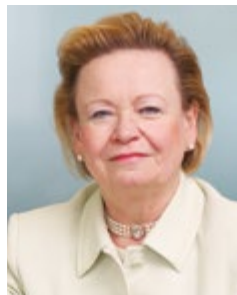
The Ofcom Board strongly upholds the principle of independence, which is at the heart of effective regulation.



Dame Patricia Hodgson, DBE



Sharon White



Baroness Noakes, DBE



Mike McTighe



Tim Gardam



Dame Lynne Brindley, DBE



Graham Mather



Stephen Hill



Jonathan Oxley



Dr Steve Unger

Dame Patricia Hodgson, DBE

Dame Patricia Hodgson, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 July 2011, became Deputy Chairman on 1 January 2012 and Chairman on 1 April 2014. She was Director of Policy and Planning at the BBC (1993-2000), Chief Executive of the Independent Television Commission (2000-2003), a non-executive director of The Competition Commission (2004 - 2011) and a Member of the Higher Education Funding Council for England (2005 -2011). She was Chair of the School Teachers' Review Body from 2012 to 2014 and a Member of the BBC Trust from its inception until June 2011. She is Chairman of Ofcom's Nominations Committee, a Member of the Remuneration Committee and a Member of the Risk and Audit Committee.

Sharon White

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

Baroness Noakes, DBE

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

Mike McTighe

Mike McTighe has been a Non-Executive Member of the Ofcom Board since September 2007. He is Chairman of WYG plc. Previously he has been Chairman of Volex plc, JJB Sports, Chairman and CEO of Carrier 1 International SA and Executive Director and Chief Executive of Global Operations, Cable and Wireless plc. He is the Chairman of Ofcom's Risk and Audit Committee and a Member of the Remuneration and Nominations Committees.

Tim Gardam

Tim Gardam has been a Non-Executive Member of the Ofcom Board since January 2008. He has been the Principal of St Anne's College, Oxford since 2004 and is the Chairman of the Reuters Institute for the Study of Journalism at the University. He is the Chairman of Ofcom's Content Board, Chairman of the Broadcast Licensing Committee and Election Committee and a Member of the Remuneration and Nominations Committees.

Dame Lynne Brindley, DBE

Dame Lynne Brindley, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 September 2011. She became Master of Pembroke College, Oxford in 2013. She is also a council member of the Arts and Humanities Research Council, a Board Member of the Creative Industries Knowledge Transfer Network, a member of the Council of City University and on the Court of the Goldsmiths' Company. She is Chairman of Ofcom's Nations Committee and a Member of the Remuneration Committee, the Content Board and the Nominations Committee.

Graham Mather

Graham Mather was appointed as a Non-Executive Member of Ofcom's Board in June 2014. He was a member of Ofcom's Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was also a member of the Competition Appeal Tribunal. He is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group.

Stephen Hill

Stephen Hill was appointed as a Non-Executive Member of the Ofcom Board in October 2014. He has held various senior board positions including Chief Executive of the Financial Times, Chief Executive of Betfair, and a Non-Executive Director of Channel 4. He is currently Chairman of the UK charity Action on Hearing Loss and Chairman and Chief Executive of D'Aval Limited, a private investment company.

Jonathan Oxley

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

Dr Steve Unger

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

Register of disclosable interests

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

www.ofcom.org.uk/about/how-ofcom-is-run/ofcom-board/members/register-of-disclosable-interests/

Pension liabilities

Ofcom has a range of pension schemes which include defined contribution plans, defined benefit plans and unfunded plans. The accounting standard on pensions, IAS 19 (2011) is applicable for these accounts. Note 21 in the Notes to the Accounts provides details of Ofcom's retirement benefit obligations.

The pension allowance paid to Executive Directors during 2014/15 is detailed in the Remuneration Report on page 74.

Non-audit work

Ofcom outsources its internal audit function to KPMG. During 2014/15 KPMG undertook 3 non-audit projects. The total fees due to KPMG for this work are £55,538.

No fees for non-audit work were paid to the National Audit Office during 2014/15.

Protected personal data related incidents

Ofcom did not report any protected personal data related incidents to the Information Commissioner's Office in 2014/15.

Sickness absence data

Sickness absence data is reported in the *Our Employees* section of the Annual Report and can be found on page 56.

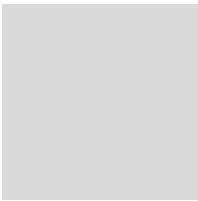
Directors' disclosure

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

Sharon White

Chief Executive and Accounting Officer

16 June 2015



Governance statement

Chairman's and Chief Executive's statement

Earlier in this report, we have highlighted the priorities and activities of Ofcom during the past financial year, and we have provided an insight into our programme of work for 2015/16 and the key risks and uncertainties associated with this.

In this section, we discuss the framework of governance we have implemented to lead the organisation and underpin the achievement of our objectives, while ensuring that we safeguard public funds.

The statutory framework establishing Ofcom sets out clearly that it is an independent body. This principle of independence is at the heart of effective regulation and is fundamental to our oversight of the sectors we regulate. It underpins our decision making and allows us to deliver against our statutory duties while providing the clarity and certainty that encourages much of the competition and investment in the sector. A Financial Memorandum between Ofcom and DCMS sets out how Ofcom will manage the public funds it receives and its relationship in this regard with DCMS.

The Ofcom Board strongly upholds the principle of independence. The Ofcom Board is the key decision-making entity for Ofcom and works together with Ofcom's Accounting Officer to ensure that an appropriate and effective governance structure is in place. Ofcom's corporate governance framework is underpinned by a rigorous system of internal control, risk management and assurance.

The Board continues to develop, and its membership offers a strong balance of skills, knowledge and experience. It is supported in its work by a number of committees, including the Content Board, the Communications Consumer Panel, the Advisory Committee for Older and Disabled People, the four National Advisory Committees and the Ofcom Spectrum Advisory Board. The work of these parts of the governance structure in advising both the Ofcom Board and the Executive is extremely valuable and we thank all of the members of these bodies for their challenging and incisive advice and decision-making.

We particularly thank Ed Richards and Jill Ainscough, who have both recently stepped down as Executive Members from the Ofcom Board and to whom the Chairman pays tribute to on page 6, and Glyn Mathias, who retired this summer from the Content Board.

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

Dame Patricia Hodgson, DBE
Chairman

Sharon White
Chief Executive and Accounting Officer
16 June 2015

Figure 9: Ofcom's Board and Committees



The governance structure

The Ofcom Board leads the organisation, with a shared commitment to the mission and values described on page 56. Its core activities include:

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

The Ofcom Board

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

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

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

Executive Members of the Board are appointed by the Chairman and all of the Non-Executive Members, with the Chief Executive's appointment requiring approval by the Secretary of State for Culture, Media and Sport. Members' duties and responsibilities are set out in a Members' Code of Conduct, and a Register of Members' Interests is maintained. Both are available on the Ofcom website. For the purposes of adopting the key principles of the UK Corporate Governance Code:

- the Board considers all of the Non-Executive Members to be independent of management and free of any business or other relationship which could materially interfere with the exercising of their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained;

- the Board believes that the Members have, between them, a wide range of experience which ensures an effective Board to lead and control Ofcom;
- the Non-Executive Members comprise a majority of the Board. The Deputy Chairman is regarded as being the senior Non-Executive Member for the purposes of the UK Corporate Governance Code; and
- the Board meets at regular intervals during the year. During 2014/15 the Board met on 11 occasions. The role of executive management is to implement Board policies. The work of both the Board and Executive is informed by the contributions of a number of advisory bodies.

Board Committees

In the exercising of its powers under the Office of Communications Act 2002, the Board delegates certain of its responsibilities to the Executives within Ofcom and certain responsibilities to Board Committees with clearly defined authority and terms of reference (see Figure 8). The activities and main functions of these principal committees are described below. Ofcom has a number of other specialist committees with a governance role or an advisory role to the Board, described in the Annex on pages 113.

The Nominations Committee

The Nominations Committee comprises all the Non-Executive Members of the Ofcom Board. The Committee works with the Department for Culture, Media and Sport (DCMS) on the process for selecting Non-Executive Members for the Ofcom Board and makes recommendations on Executive Member appointments.

The Remuneration Committee

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

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

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

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

Risk and Audit Committee

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

The Risk and Audit Committee comprises three Non-Executive Members of the Ofcom Board, and an independent external Non-Executive Member. The Chief Executive, the Finance Director and the Financial Controller are invited to attend Committee meetings, as are the internal and external auditors. The Chairman of the Risk and Audit Committee reports the outcome of Committee meetings to the Ofcom Board. The Committee's functions are described in its terms of reference, available on the Ofcom website.

The internal audit function is outsourced by Ofcom to KPMG. The provision of other services by KPMG to Ofcom is decided on a case-by-case basis. The external audit function is carried out by the National Audit Office on behalf of the Comptroller and Auditor General.

The Content Board

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

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

All other content-related decisions are delegated to the Content Board.

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

Members of the Content Board are also Members of the Broadcast Licensing Committee and the Election Committee.

Ofcom Board and Board Committees

	Ofcom Board	Remuneration Committee	Risk and Audit Committee	Nominations Committee	Content Board	Broadcast Licensing Committee	Nations Committee	Election Committee
Number of meetings	11	7	4	4	9	20	3	1
Attendance								
Dame Patricia Hodgson DBE	11	7	4	4	–	–	–	–
Sharon White ¹	–	–	–	–	–	–	–	–
Baroness Noakes DBE ²	9	6	3	4	–	–	–	–
Jill Ainscough ³	5	–	–	–	–	–	–	–
Dame Lynne Brindley DBE ⁴	11	6	–	4	7	–	3	–
Tim Gardam	10	6	–	4	9	19	–	1
Stephen Hill ⁵	5	3	–	3	–	–	–	–
Graham Mather ⁶	8	5	–	3	–	–	2	–
Stuart McIntosh ⁷	2	–	–	–	–	–	–	–
Mike McTighe	9	5	4	3	–	–	–	–
Jonathan Oxley ⁸	3	–	–	–	–	–	–	–
Ed Richards ⁹	8	–	–	–	–	–	–	–
Dr Stephen Unger ¹⁰	3	–	–	–	–	–	–	–

1 Sharon White was appointed to the Board as an Executive Member with effect from 23 March 2015.

2 Baroness Noakes, DBE was appointed as a Non-Executive Board Member and Deputy Chairman of the Board with effect from 1 June 2014 and was appointed Chairman of the Remuneration Committee in September 2014.

3 Jill Ainscough resigned from the Board with effect from 16 September 2014.

4 Dame Lynne Brindley DBE chaired the Remuneration Committee meetings in May 2014 and July 2014.

5 Stephen Hill was appointed as a Non-Executive Member of the Board with effect from 1 October 2014.

6 Graham Mather was appointed as a Non-Executive Member of the Board with effect from 1 June 2014.

7 Stuart McIntosh resigned from the Board with effect from 31 May 2014.

8 Jonathan Oxley was appointed to the Board as an Executive Member with effect from 1 January 2015.

9 Ed Richards resigned from the Board with effect from 31 December 2014.

10 Steve Unger was appointed as Acting Chief Executive on 1 January 2015 and to the Board as an Executive Member with effect from 23 March 2015.

Ofcom Board and Board Committees

In October 2014 Ed Richards formally announced that he would step down as Chief Executive and Accounting Officer in December 2014. Between October and December 2014 Ofcom established a Committee, chaired by the Deputy Chairman, Sheila Noakes, and consisting of the Deputy Chairman and two Non-Executive Members of the Ofcom Board. The Committee's remit was to ensure that, working with the Corporation Secretary who reported to the Committee on a weekly basis, Mr Richards had no conflicts of interest during this period. The Committee reported to the Ofcom Board in December 2014 that at the time of the departure of Mr Richards, no conflict of interest had been found.

Sharon White was appointed as the new Ofcom Chief Executive in December 2014 following a formal public appointment process; her appointment was approved by the Secretary of State at the Department for Culture, Media and Sport. She took up the position as Chief Executive in March 2015.

From January to March 2015 the Ofcom Board appointed Dr Steve Unger, the Ofcom Group Director for Strategy, International, Technology and Economists as the Acting Chief Executive. Following Ms White joining Ofcom, the Non-Executive Members of the Ofcom Board appointed Steve Unger as an Executive Member of the Ofcom Board.

Executive Committees

The Executive Committee is the senior executive team responsible for overseeing the management of Ofcom. Its core focus is on setting direction for the organisation, financial and administrative decision-making, and monitoring. The Finance Director, Human Resources Director, Corporation Secretary, Communications Director and other senior executives attend by invitation. Its policy-making responsibilities are limited to management policy.

The Chief Executive also chairs a weekly meeting of the Policy Executive, which consists of the members of the Executive Committee and other senior executives by invitation.

Policy Executive is designed to be an internal forum for senior executives to scrutinise and oversee the internal development of Ofcom's policy agenda. The Operations Board meets fortnightly and is chaired by the Group Director, Operations. It has senior representatives from all parts of Ofcom, and deals with all operational matters for the organisation. It reports to the Executive Committee monthly.

Board performance and effectiveness

The Board meets regularly; it is provided with regular strategic updates, briefings on the markets Ofcom regulates, the activities of key stakeholders, and reports on Ofcom's operational and policy activities. In addition, all Members have access to the Secretary to the Corporation to assist them with the provision of information and the making of arrangements for informal meetings with executives within Ofcom to gain greater knowledge of specific issues. Figure 10 shows the numbers of papers considered at Board meetings from April 2014 to March 2015.

The performance of individual Board members is assessed by the Chairman and each member receives a performance review annually.

Executive Committee Members

Name	Role
Sharon White ¹	Chief Executive
Ed Richards ²	Chief Executive
Jill Ainscough ³	Chief Operating Officer
Philip Marnick	Group Director, Spectrum Policy and Acting Group Director, Operations
Jonathan Oxley ⁴	Group Director, Competition
Stuart McIntosh ⁵	Group Director, Competition
Claudio Pollack	Group Director, Content, Consumer and External Affairs
Dr Steve Unger	Group Director, Strategy, International, Technology and Economists
Polly Weitzman	General Counsel

1 Sharon White was appointed to the Committee on 23 March 2015.

2 Ed Richards resigned from the Committee on 31 December 2014.

3 Jill Ainscough resigned from the Committee on 27 October 2014.

4 Jonathan Oxley joined the Committee with effect from 24 November 2014.

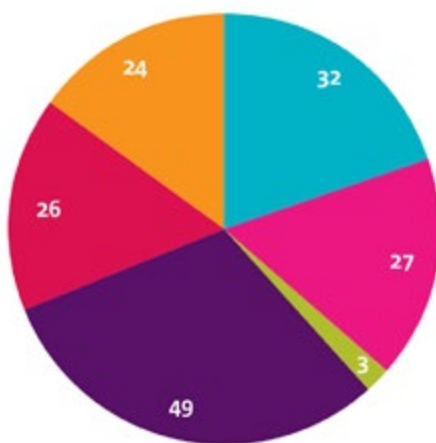
5 Stuart McIntosh resigned from the Committee with effect from 31 May 2014.

Accountability

Ofcom's Annual Report and Accounts is sent to DCMS, which lays copies of it before each House of Parliament. The Board is responsible for ensuring that proper records are maintained, that disclose with reasonable accuracy at any time the financial position of Ofcom and enable it to ensure that the Statement of Accounts complies with the Communications Act 2003. In addition, the Board is responsible for safeguarding Ofcom's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Figure 10: Number of papers considered at Board meetings: April 2014 – March 2015



Chief Exec/Finance/Operations

Governance

EU/International

Regulatory Policy

Comms Market Updates

Others

Compliance with the Corporate Governance Code

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

However, the principles of the Code provide a useful benchmark for all bodies wishing to make a statement about their corporate governance performance. To this end, Ofcom will continue to adopt the principles of the Code where it is appropriate to do so. In this regard Ofcom has complied with the principles of the UK Corporate Governance Code during the period 1 April 2014 to 31 March 2015.

Transparency

Ofcom continues to review its publication scheme and make a wider range of information readily accessible on its website.

During 2014/15, Ofcom received 459 requests for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Where we held relevant information we provided all or part of the information requested in 72% of cases. Information is withheld only if it is exempt from disclosure under legislation.

Ofcom also received eight requests for information under the Data Protection Act 1998 and, where we held relevant information, we provided the requested information in 100% of cases.

Engagement

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

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

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

Ofcom takes advice from all parts of its governance structure during consultations. Ofcom executives attend appropriate meetings to outline and discuss projects that are either out for, or being considered for, consultation, and advice and challenge is welcomed. The membership of the bodies that make up the governance structure has been designed to offer specific levels of expertise, so that Ofcom's policies and projects can be tested and challenged robustly before decisions are reached. This engagement is increasingly important in the devolved nations of the UK, where the role of the nations' members of the Content Board, Communications Consumer Panel and the National Advisory Committees is immensely valuable in helping Ofcom take into account specific issues in its policy formulation and implementation.

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

The risk and control framework

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

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

Each of these areas of responsibility is embedded across the organisation and they come together to provide the Executive and the Board with the assurance needed to manage the business effectively (see Figure 11). The risk and control framework is consistent with guidance on compliance with the 8th EU Company Law Directive provided by the Federation of European Risk Management Associations (FERMA)

Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board through specific Boards and Committees to Group Directors and senior managers. This scheme of delegation is outlined in the Financial Authorities Framework, which was reviewed in 2014 to ensure that it is consistent with the priorities of the organisation and its appetite for risk.

Group Directors are asked to provide assurance that the system of internal controls is working effectively within their area of responsibility by completing an annual internal control assurance statement.

Figure 11: Ofcom Control Framework



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

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

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

Financial Memorandum

Our current Financial Memorandum was drawn up by the Department for Business, Enterprise and Regulatory Reform (BERR) in consultation with ourselves and the Department for Culture, Media and Sport (DCMS) and sets out the financial arrangements between Ofcom and Government in respect of public funds and the respective responsibilities of BERR (now BIS) and DCMS Accounting Officers and Ofcom's Chief Executive. The Financial Memorandum was signed in January 2008 and remains in force while a new Framework Document is agreed between Ofcom and DCMS.

Spectrum clearance and awards programme

During 2014/15, we formally closed the remaining projects which had supported the award of the 800MHz and 2.6GHz spectrum (4G spectrum) in March 2013. The Spectrum Clearance Finance Committee (SCFC), which had been established by the Ofcom Board to oversee the award of grants for the clearance of the 800MHz spectrum band, met for the final time in July 2014. Any residual tasks are managed by Ofcom's Spectrum Policy Group as part of its business-as-usual activities.

In November 2014, we published our plans to allow mobile network operators to deliver mobile broadband over the 700MHz spectrum band. This spectrum band is currently used for digital terrestrial television (DTT) and programme making and special events (PMSE). We have agreed with Government that Ofcom will run a grant scheme, similar to that put in place for the clearance of the 800MHz band, to fund the changes required to the DTT infrastructure that will be required to clear the 700MHz band. Discussions are currently under way, with Ofcom's Board and Executive Committee to agree an approach for the funding programme, drawing heavily on the lessons learnt from our experiences during the clearance of the 800MHz band.

Preparations for the award of the 2.3GHz and 3.4GHz spectrum bands

As part of the Government's Public Sector Spectrum Release programme, the Ministry of Defence is releasing for civil use 190MHz of spectrum in the 2.3GHz and 3.4GHz bands. Ofcom will award the spectrum through an auction. The spectrum is likely to be used for mobile services. We issued a Call for Inputs in October 2013, seeking views on the future use of spectrum, consulted on technical issues in February 2014 and on the auction design in November 2014, and issued a technical update in December 2014.

In planning for the delivery of the auction, the project team undertook a detailed analysis of the lessons learnt from the six previous spectrum auctions that Ofcom has carried out, as well as seeking clear direction from the Executive Committee regarding the organisation's appetite for risk for this project. In addition, the project has sought guidance from the Risk and Audit Committee regarding the independent assurances required. An internal audit review was undertaken in May 2014 and specialist advice was sought on security measures in March 2015. Two further audits, focusing on our readiness for the auction and on security, are planned to take place approximately two months before the auction starts.

Quality assurance of business-critical models

During the year we have undertaken a programme of work to ensure that the quality assurance frameworks we have in place for our business-critical models aligns with the recommendations made in Sir Nicholas Macpherson's report, Review of quality assurance of Government analytical models. A Steering Group has been established, which is chaired by Ofcom's Head of Financial Economic Modelling, sponsored by a

member of the Executive Committee and including representation from across the organisation. As well as promoting best practice, the Steering Group maintains a list of business-critical models which is reviewed by the Executive Committee twice a year. Guidance on modelling is available to all colleagues via the intranet and work is under way to roll out a training package across the organisation. Each business-critical model is overseen by a senior responsible owner and goes through an appropriate quality assurance review.

Further initiatives

Additionally, a number of initiatives have been started or implemented as part of the ongoing programme to review and enhance the existing internal control framework. These have included:

- a new governance structure for the Defined Benefit Pension Plans, to mitigate financial risk and lower ongoing costs;
 - a review of Ofcom's Expenses Policy, which will conclude early in 2015/16;
 - a review of the Financial Authorities Framework;
 - a review of the Conflicts of Interest Policy and Code of Conduct;
 - the implementation of a new asset management system to cover Spectrum Engineering and Enforcement, and facilities assets;
 - provision of fraud investigation training to key colleagues across the organisation;
 - both an internal and an independent external review of the physical security arrangements at Ofcom's offices;
 - the publication of contract management guidance on Ofcom's website;
 - a detailed review of the segregation of duties to resolve any potential conflicts in access rights to our systems;
- the introduction of stakeholder engagement rules, to avoid conflicts of interest, in respect of key licence award activities including local TV and the national radio multiplex licence; and
 - further work to enhance our business continuity arrangements.

Risk management

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

To ensure that our risk management framework is effective and is aligned to the requirements of the organisation, an annual review of our risk management framework is undertaken as part of our internal audit plan. The recommendations that emerge from the review form part of an ongoing programme to improve our risk management framework.

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

Ofcom's strategic risk register is reviewed monthly by the Executive Committee and quarterly by the Risk and Audit Committee. Group-level risks are reviewed by the Group Directors, their senior management teams and the Risk and Insurance Manager on a monthly cycle, and escalated onto the Strategic Risk Register where appropriate.

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

During the year, Ofcom's Board and Executive undertook a review of the organisation's risk appetite statements. The updated risk appetite statements were approved by the Board in March 2015. Informed by recommendations made in the internal audit review of the risk management framework, work continues to further embed the consideration of risk appetite into the organisation's decision-making and planning processes.

The table on pages 44 and 45 highlights some of the key risks being managed by the organisation.

Figure 12: Ofcom risk hierarchy



Independent assurance

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Audit Plan, which is informed by an assessment of the strategic risk register, discussions with management and the National Audit Office, and an ongoing consideration of the environment in which Ofcom operates. The Plan is approved by the Risk and Audit Committee. During 2014/15 a total of 15 internal audits were completed, including reviews of the Public Sector Spectrum Release programme, the Geographical Numbering project, non-geographic call services, PMSE insourcing, and ICT outsourcing re-procurement.

Where appropriate, Ofcom has sought independent, third-party assurance for key business processes. For example, as part of the Spectrum Clearance and Awards Programme, Deloitte and BDO were contracted to provide assurance on the processes followed by third parties involved in the spectrum clearance process.

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 2014/15 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998.

Statement of Accounting Officer

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

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

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

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

To my knowledge, and based on the advice I have received from those managers with designated responsibilities for managing risks and the risk management system, I am not aware of any significant internal control findings for 2014/15.

Sharon White

Chief Executive and Accounting Officer

16 June 2015

Statement of responsibilities

The Board's responsibilities

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

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

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

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

Chief Executive's responsibilities

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

The Chief Executive has specific responsibilities for ensuring compliance with the terms of the existing Financial Memorandum issued by the Secretary of State (and will continue to do so under the new Framework Document when it becomes effective). She must also ensure that proper accounting records are maintained and she must sign the accounts.

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

Remuneration report

In preparing the remuneration report, and establishing its remuneration policy, the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code, where appropriate and applicable, and compliance with the Government Financial Reporting Manual. Ofcom is not required to comply with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 but has prepared this report to be compliant so far as is practicable and appropriate.

Constitution of the Remuneration Committee

The constitution of the Remuneration Committee is set out on page 67.

Advisers

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

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

General policy

In setting Ofcom's remuneration policy the Remuneration Committee believes that Ofcom should, within the constraints of being a public body, provide rewards which will attract and retain the high-calibre management necessary to enable Ofcom to fulfil its statutory remit and responsibilities. The overall policy approach is not expected to change in the coming year.

Components of remuneration

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

Salary and flexible benefits

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

Standard benefits

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

Performance-related payments

Each Executive Member and Group Director participates in an annual performance bonus scheme, which is calculated as a percentage of salary based on the individual's performance, up to a maximum of 20% of salary, depending upon the individual concerned. This allows Ofcom to recognise the contribution of high performers in any year without raising base salary levels.

No element of a performance bonus is pensionable. Performance bonuses noted against individuals for the review period 1 April 2014 to 31 March 2015 have been approved by the Remuneration Committee and accrued but not paid as at the year end. Ofcom does not provide a long-term performance bonus scheme for its employees.

Fair pay disclosure

Public sector organisations are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration of the highest paid director in Ofcom in the financial year 2014/15 was £317,782 (£336,394 in 2013/14). This was 5.79 times (6.32 times in 2013/14) the median remuneration of Ofcom's workforce, which was £54,971 in 2014/15 (£53,190 in 2013/14). No employees received remuneration in excess of the highest-paid director. In 2014/15, remuneration ranged from £13,401.12 to £317,782 and in 2013/14 from £14,890 to £336,394. For comparison purposes, total remuneration includes base salary, performance bonus, flexible benefits and benefits in kind. It does not include any pension allowance, in line with the Treasury Financial Reporting Manual.

Pension arrangements

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

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

The Chairman, Patricia Hodgson, is in receipt of a pension from the Ofcom (former ITC) Pension Plan. No other Non-Executive Member received a pension benefit from Ofcom during the year under review.

Guidance to the remuneration schedules

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

These schedules refer to remuneration during the financial year. The schedule reflects remuneration for that part of the year during which individuals were either members of, the Board or the Content Board, or members of the Executive Committee. Those individuals with the note '+' against their name in the schedules were in their roles for only part of 2013/14 or 2014/15. Where individuals are members of more than one Board/Committee (as set out on pages 75 and 76) they appear only once in the remuneration schedules, and all the Executive Members are listed under the Executive Committee. The numbered points against the names of individuals refer to the notes on pages 76 and 77.

As a result of the various changes in membership in 2013/14 and 2014/15, an annualised figure is given below each table, to provide a clearer comparison of total costs.

The following tables are subject to audit.

Ofcom Non-Executive Board Member remuneration: 2014/15

Name	Guidance note reference	Fees 14/15 £	Fees 13/14 £
Norman Blackwell	1,3	–	42,519
Dame Colette Bowe DBE	1,3	–	180,000
Dame Lynne Brindley DBE	1	42,519	42,519
Tim Gardam	1	42,519	42,519
Stephen Hill +	1,3	21,260	–
Dame Patricia Hodgson DBE	1,3	142,500	70,000
Graham Mather +	1,3	35,433	–
Mike McTighe	1,2	42,519	35,433
Baroness Noakes DBE +	1,3	58,333	–
		385,082	412,990

Annualised costs were £425,095 for 2014/15 and £420,076 for 2013/14

Ofcom Non-Executive Content Board Member remuneration: 2014/15

Name	Guidance note reference	Total Fees 14/15 £	Total Fees 13/14 £
Andrew Chitty	1	10,800	5,774
Juan Andrew Colman	1	10,800	5,774
David Levy	1	10,800	10,800
Anthony Lilley OBE	1	–	4,500
Lesley Mackenzie	1	10,800	5,774
Iseabail Mactaggart +	1,5	2,700	10,800
Glyn Mathias	1,4	15,900	12,300
Dr Paul Moore	1	–	4,500
Philip Schlesinger +	1,5	3,600	–
Mary Ann Sieghart +	1,5	6,300	–
Joyce Taylor	1	–	6,625
Janey Walker	1,4	20,100	14,975
		91,800	81,822

Annualised costs were £91,500 for 2014/15 and £80,700 for 2013/14

Ofcom Executive Committee and Executive Content Board remuneration: 2014/15

Name	Guidance Note reference	Salary 14/15 £	Pension entitlement/ allowance 14/15 £	Flexible benefits allowance 14/15 £	Benefits in kind 14/15 £	Performance Bonus 14/15 £	Total remuneration 14/15 £	Total remuneration 13/14 £
Jill Ainscough	6,7	140,279	22,884	11,135	1,557	–	175,855	262,977
Philip Marnick	6,8,9	198,542	29,781	15,000	2,226	20,000	265,549	88,469
Stuart McIntosh	6,7	40,833	6,125	2,500	346	–	49,804	316,723
H Nwana	6,9	–	–	–	–	–	–	119,185
Jonathan Oxley	6,8	91,026	13,654	5,462	842	–	110,984	–
Claudio Pollack	6,8	190,625	28,594	15,000	2,226	20,000	256,445	246,889
Ed Richards	6,7,10,11	295,600	59,120	19,956	2,226	–	376,902	393,204
James Thickett	6,8	155,813	23,372	15,000	2,226	10,500	206,911	202,749
Steve Unger	6,8	206,016	30,902	15,000	2,226	40,000	294,144	246,889
Polly Weitzman	6,8	224,500	33,675	15,000	2,226	30,000	305,401	288,145
Sharon White	6,8	22,917	4,583	1,250	223	–	28,973	–
		1,566,151	252,690	115,302	16,324	120,500	2,070,968	2,165,230

Annualised costs were £1,981,305 for 2014/15¹² and £2,195,965 for 2013/14¹³

Notes to the remuneration tables

1. The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS for the duration of their appointment. The fees shown represent the full year under review. The basic fee of the Non-Executives of the Ofcom Board (with the exception of the Chairman and Deputy Chairman) has been £42,519 per annum since 1 April 2008. The fees for Non-Executive Members of the Content Board are fixed by Ofcom. The fees shown represent the full year or, where appropriate, part of the year, if the relevant Non-Executive Member joined, retired from the Content Board, or took on additional responsibilities during the period under review.

The basic fee of the Content Board Members is £10,800 per annum (the exception being the fee paid to Janey Walker of £15,900 per annum, to reflect her additional work and responsibility for standards work). The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees (save only for the sums referred to in note 4 below), other than the entitlement for the Non-Executive Members of the Ofcom Board only, to the provision of IT equipment. Not all Non-Executive Members of the Ofcom Board took up the entitlement during the period under review.

2. The fees for Mike McTighe for 2013/14 reflect the fact that he took a leave of absence from the Ofcom Board during that period and received no fees during that absence.

3. Graham Mather and Baroness Noakes joined the Ofcom Board on 1 June 2014 and Stephen Hill joined the Ofcom Board on 1 October 2014; Colette Bowe and Lord Blackwell both retired from the Ofcom Board on 31 March 2014. Dame Patricia Hodgson became Chairman of the Ofcom Board on 1 April 2014.

4. During the period 2014/15, Glyn Mathias and Janey Walker received additional fees for the extra time they provided to Ofcom (over and above their contracted time commitment) as part of the local TV licensing process, where they each sat (for differing periods of time) on the Broadcast Licensing Committee.

5. Iseabail Mactaggart resigned from the Content Board on 30 June 2014; Mary Ann Sieghart joined the Content Board on 1 September 2014 and Philip Schlesinger joined the Content Board on 1 December 2014.

6. The total annual remuneration shown for Ofcom executives, who are all members of the Executive Committee, apart from James Thickett who is an executive member of the Content Board, includes basic salary, performance bonus, a cash allowance for flexible benefits and a percentage of basic salary paid as a pension allowance. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive.

7. Ed Richards resigned as an Executive Member of the Ofcom Board and from the Executive Committee on 31 December 2014 and left the organisation on 4 May 2015, Stuart McIntosh resigned as an Executive Member of the Ofcom Board and from the Executive Committee on 31 May 2014, and Jill Ainscough resigned as an Executive Member of the Ofcom Board on 16 September 2014 and from the Executive Committee on 27 October 2014, and left the organisation on 31 December 2014.

8. Steve Unger joined the Ofcom Board as Acting Chief Executive on 1 January 2015 until 22 March 2015; subsequently he was appointed on 23 March as an Executive Member of the Ofcom Board; he has been a member of the Executive Committee throughout the period. Philip Marnick, Polly Weitzman and Claudio Pollack have been members of the Executive Committee throughout the period; Claudio Pollack and James Thickett have been Executive Members of the Content Board throughout the period. Jonathan Oxley joined the Executive Committee on 24 November 2014 and became an Executive Member of the Ofcom Board on 1 January 2015; Sharon White joined the organisation on 2 March 2015 and after a period of paid induction, was appointed as Chief Executive and became an Executive Member of the Ofcom Board on 23 March 2015.

9. H Nwana left the organisation on 30 September 2013. Philip Marnick joined the organisation on 18 November 2013.

10. Ed Richards continued to receive remuneration from Ofcom between resigning from Ofcom on 31 December 2014 and leaving the organisation on 4 May 2015; this period was his formal period of notice from Ofcom during which time he was placed on 'garden leave'.

11. Ed Richards is paid £48,000 per annum in fees for services as a Non-Executive Director of Thames Water Utilities Ltd of which £24,000 (plus VAT) were paid direct to Ofcom during the financial year and the balance was retained by Mr. Richards during his period of gardening leave described above; Jill Ainscough is paid £20,000 per annum for services as a Non-Executive Director of the British Medical Journal; these fees are paid direct to her with a reduction of a pro rata amount made to the basic salary of Ms. Ainscough that was paid to her by Ofcom during the financial year. Polly Weitzman is paid £12,120 per annum as a Non-Executive Director of the Homerton University NHS Foundation Trust; these fees are paid direct to Ofcom and Ms. Weitzman receives no part of them.

12. As of 31 March 2015, the Executive Committee comprised of 6 members (7 members 31 March 2014) following the resignation of Jill Ainscough on 16 September 2014.

13. The annualised costs for 2013/14 have been re-stated to include remuneration for James Thickett.

Contract of employment

With the exception of the Chief Executive, who has a notice period of 12 months, no Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months. The Remuneration Committee has considered the notice period and termination arrangements in the light of the UK Corporate Governance Code and believes them to be appropriate.

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

There were no payments or compensation for loss of office during 2014/15.

Compensation from early termination

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

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

Outside directorships

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

No Board Member holds or held any directorships or significant interests that conflicted with their duties.

On behalf of Ofcom,

Sharon White

Chief Executive and Accounting Officer
16 June 2015

Baroness Noakes, DBE

Chairman of the Remuneration Committee
16 June 2015

Financial Statements



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

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2015 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Income and Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of Communications' circumstances and have been consistently applied and adequately disclosed; the reasonableness

of significant accounting estimates made by the Office of Communications; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material mis-statements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2015 and of the net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and Secretaries of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
24 June 2015

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

Statement of income and expenditure

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Income	3	111,208	112,131
Spectrum Clearance and Awards	3	4,290	6,101
Total Income		115,498	118,232
Operating expenditure			
Staff costs	4	(62,678)	(60,920)
Other operating costs	6	(49,737)	(49,629)
Spectrum Clearance and Awards	4,6	(4,054)	(5,844)
Total operating expenditure		(116,469)	(116,393)
Operating (deficit) /surplus		(971)	1,839
Vacant property income	7	170	26
Finance income	8	61	76
Finance costs		–	–
Other finance income	17,21	881	1,143
Surplus/(deficit) on ordinary activities for financial year before tax		141	3,084
Taxation	9	(46)	(19)
Surplus/(deficit) for financial year after tax		95	3,065

The accounting policies and notes on pages 84 to 112 form part of these financial statements.

Statement of financial position

For the year ended 31 March 2015

	Notes	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Non-current assets			
Property, plant and equipment	10	6,621	8,702
Intangible assets	11	3,212	3,733
Deferred tax asset	9	2,415	2,461
Trade and other receivables	13	745	967
Retirement benefit asset	21	15,994	21,969
Total non-current assets		28,987	37,832
Current assets			
Trade and other receivables	12	6,557	10,805
Cash and cash equivalents	14	14,279	10,547
Total current assets		20,836	21,352
Total assets		49,823	59,184
Current liabilities			
Trade and other payables	15	19,930	21,201
Provisions for liabilities and charges	17	204	507
Total current liabilities		20,134	21,708
Non-current liabilities			
Trade and other payables – amounts falling due after more than one year	16	4,362	5,355
Provisions for liabilities and charges	17	466	696
Total non-current liabilities		4,828	6,051
Total liabilities		24,962	27,759
Assets less liabilities		24,861	31,425
Equity			
Reserves		24,861	31,425
Total equity		24,861	31,425

The accounting policies and notes on pages 84 to 112 form part of these financial statements. These financial statements were approved by the Board on 16 June 2015.

Dame Patricia Hodgson, DBE
Chairman

Sharon White
Chief Executive and Accounting Officer

Statement of changes in equity

For the year ended 31 March 2015

	Notes	Reserve £'000
Balance as at 1 April 2013 as restated		35,575
Changes in equity for 2013/14		
Remeasurement on pensions	21	(7,215)
Surplus/(Deficit) for year		3,065
Total recognised income and expense for 2013/14		(4,150)
Balance as at 31 March 2014		31,425
Changes in equity for 2014/15		
Remeasurement on pensions	21	(6,659)
Surplus/(Deficit) for year		95
Total recognised income and expense for 2014/15		(6,564)
Balance as at 31 March 2015		24,861

The accounting policies and notes on pages 84 to 112 form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2015

	Notes	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Cash flows from operating activities			
Operating (deficit)/surplus		(971)	1,839
Adjustments for non-cash transactions			
Amortisation	11	908	2,072
Depreciation	10	3,368	3,222
Loss on disposal of property, plant and equipment	6	110	244
Impairment	6	624	–
Decrease/(Increase) in trade and other receivables	12,13	4,470	(1,750)
(Decrease)/Increase in trade and other payables	15,16	(2,264)	(13,471)
(Decrease)/Increase in provisions	17	(389)	(974)
Increase/(Decrease) in pension assets	21	223	(1,971)
Net cash inflow / (outflow) from operating activities		6,079	(10,789)
Cash flows from investing activities			
Interest received	8	61	76
Purchases of property, plant and equipment	10	(1,002)	(841)
Purchases of intangibles	11	(1,407)	(1,527)
Proceeds from sale of property, plant and equipment		1	1
Net cash outflow from investing activities		(2,347)	(2,291)
Cash flows from financing activities			
Repayment of borrowings		–	–
Net cash outflow from financing activities		–	–
Increase/(Decrease) in cash and cash equivalents in the year		3,732	(13,080)
Cash and cash equivalents at beginning of year	14	10,547	23,627
Increase/(Decrease) in cash and cash equivalents in the year		3,732	(13,080)
Closing net funds	14	14,279	10,547

The accounting policies and notes on pages 84 to 112 form part of these financial statements.

Notes to the Accounts

For the year ended 31 March 2015

1. Basis of presentation and principal accounting policies

The Office of Communications (Ofcom) is an organisation that provides a broad range of regulatory services, and is domiciled in the United Kingdom. The financial statements of the Organisation for 31 March 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union.

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

These financial statements are prepared under the accounts direction from the Departments for Business, Innovation and Skills (BIS) and Culture, Media and Sport (DCMS) issued on 16 January 2008 which forms part of the Financial Memorandum (FM) as approved by BIS and DCMS.

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

a) Adoption of new and revised standards

Certain new standards, amendments and interpretations to existing standards, listed below, have been published but have had no material impact on the financial statements of Ofcom. All standards below will relate to future accounting periods.

- IAS19 Employee Benefits (Amendment) effective 1 February 2015 and applicable to annual periods beginning on or after 1 July 2014.
- Annual Improvement to IFRSs 2010–2012 cycle (Minor Amendments to the following standards are applicable for annual periods beginning on or after 1 July 2014):
The standards are IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS13 Fair Value Measurement, IAS16 Property Plant and Equipment and IAS 38 Intangible Assets, IAS 24 Related Party Disclosures effective 1 February 2015.
- Annual Improvement to IFRSs 2011–2013 cycle (Minor Amendments to the following standards are applicable for annual periods beginning on or after 1 July 2014):
The standards are IFRS 3 Business Combinations and IFRS13 Fair Value Measurement effective 1 January 2015.

b) Income recognition

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

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

Grant-in-aid

This income comprises grant-in-aid from DCMS to meet the costs of spectrum management, spectrum awards, spectrum clearance, competition law enforcement, public interest, local media assessments, website blocking, joint ventures, nuisance calls and consumer protection. Grant-in-aid received from DCMS is allocated and matched to costs in the year to which it relates.

The Spectrum Clearance and Awards Programme (SCAP) oversee the clearance (including mitigation of potential interference) of the spectrum. Clearance is undertaken by third parties who are funded by way of a capital grant that has been considered and approved by the Spectrum Clearance Finance Committee. SCAP is funded via grant-in-aid.

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

Postal services, networks and services administrative fees

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

Broadcasting licence fees

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

Application fees

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

Other income

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

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

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

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

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

d) Leases

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

e) Property, plant and equipment

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

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

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

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

Property, plant and equipment are depreciated, on a straight-line basis, at rates estimated to write off their book values over their estimated useful lives. In assessing estimated useful lives, which are reviewed on an annual basis, consideration is given to any contractual arrangements and operational requirements relating to particular assets.

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

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

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

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

f) Intangible assets

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

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified; if it is probable that the asset created will generate future economic benefits; and if the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

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

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

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

g) Impairment of assets

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

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

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.

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

Material impairments are disclosed separately in the notes to the Statement of Income and Expenditure (note 6) and Statement of Financial Position (notes 10 and 11). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h) Trade receivables

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

Trade receivables are recognised initially at fair value less provision for impairment.

i) Cash and cash equivalents

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

j) Trade payables

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

k) Employee benefits

Pension Schemes

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

Defined contribution plans

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

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

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

Defined benefit plans

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in the Statement of Changes in Equity 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 organisations. These schemes are closed to new members and following consultation with Plan members have been closed for future accrual as from 1 June 2011.

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

The assets of both schemes are held in separately administered trusts.

IAS19 requires that, where a scheme is in surplus according to the IAS19 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 three former Chairmen of the Independent Television Commission, two former Chairmen of the Radio Authority, two former Directors General of The Office of Telecommunications and two former Chairmen of Postcomm. These unfunded benefits are accounted for under IAS 19 via a provision in Ofcom's balance sheet equal to the actuarial value of these liabilities.

Other employee benefits Early retirement costs

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

Colleague leave liability

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

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

l) Provisions

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

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

m) Settlement of claims

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

n) Foreign exchange

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

o) Financial instruments and credit risk**Cash and cash equivalents**

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

Trade receivables

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

Trade payables

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

p) Current and deferred income tax

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

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

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

Deferred tax

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

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

Recognition of deferred tax assets

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

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

q) Segmental analysis

A segment is a distinguishable component of the organisation that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments. No analysis of Ofcom's turnover from operations by geographical segment or business segment has been presented as all Ofcom's activities are carried out in the UK and within the regulatory sector. However, in order to meet with the requirements of the Communications Act 2003 to provide information on costs and fees, Note 2 to these financial statements presents the Statement of Income and Expenditure for the year under review by sector.

r) Areas of judgement and key sources of estimation uncertainty

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

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

- Revenue recognition and assessment of unbilled revenue – accounting policy(b)
- Deferred tax asset utilisation in respect of available future taxable profits – accounting policy(p)

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

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

2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2015, together with attributable costs. This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Segmental Reporting, as per the accounting policy 1(q).

	Spectrum management £'000	Spectrum clearance £'000	Spectrum awards £'000	Networks & services £'000	Broadcasting £'000	Postal Regulation £'000	Other income £'000	31 March 2015 Total £'000	31 March 2014 Total £'000
Revenue									
Licence and administration fees	–	–	–	35,664	17,999	5,053	–	58,716	59,631
Application fees	–	–	–	110	893	–	–	1,003	582
Grant-in-aid	52,519	3,495	2,003	–	–	–	3,907	61,924	64,423
Other income	–	–	–	–	–	–	330	330	–
Accrued/(Deferred) income	(1,038)	(837)	(371)	(1,586)	(2,219)	(316)	(402)	(6,769)	(6,903)
Total revenue	51,481	2,658	1,632	34,188	16,673	4,737	3,835	115,204	117,733
Rental and other Income	136	–	–	91	44	13	10	294	499
Operating income	51,617	2,658	1,632	34,279	16,717	4,750	3,845	115,498	118,232
Interest receivable	28	–	–	19	9	3	2	61	76
Total income	51,645	2,658	1,632	34,298	16,726	4,753	3,847	115,559	118,308
Loan repayments	–	–	–	–	–	–	–	–	–
Interest payable	–	–	–	–	–	–	–	–	–
Net operating income	51,645	2,658	1,632	34,298	16,726	4,753	3,847	115,559	118,308
Onerous property and accrued rental income	1,166	–	–	774	378	107	82	2,507	1,349
Cash income	52,811	2,658	1,632	35,072	17,104	4,860	3,929	118,066	119,657
Total costs	(52,811)	(2,658)	(1,632)	(35,072)	(17,104)	(4,860)	(3,929)	(118,066)	(119,657)
Surplus on cash cost basis	–	–	–	–	–	–	–	–	–
Comparative costs by sector									
Year ending 31 March 2015	(52,811)	(2,658)	(1,632)	(35,072)	(17,104)	(4,860)	(3,929)	(118,066)	
Year ending 31 March 2014	(53,715)	(4,760)	(1,341)	(34,747)	(17,060)	(4,392)	(3,642)	(119,657)	

Spectrum management also includes funding received from the Scottish government with respect to the Commonwealth Games.

Other income comprises:

- grant-in-aid relating to orphan expenditure in respect of duties for competition enquiries, media literacy work, public interest test activity, local media assessments, nuisance calls, consumer protection and joint ventures;
- grant-in-aid funded online copyright infringement work;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting vacant property space.

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

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

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

Reconciliation from operating expenditure to actual operating out-turn

	Notes	2015 £'000	2014 £'000
Operating expenditure – Statement of Income and Expenditure		116,469	116,393
Adjustments in respect of pension asset and liability		(305)	1,887
Vacant property costs	17	379	876
Capital expenditure less depreciation		(1,867)	(2,924)
Actual rent payments less expenditure		1,262	1,423
Other adjustments		2,128	2,003
Proceeds from fixed assets		–	(1)
Cash operating expenditure		118,066	119,657
Spectrum clearance		(2,658)	(4,760)
Spectrum awards		(1,632)	(1,341)
Non-operating income		(3,061)	(1,923)
Actual operating costs out-turn		110,715	111,633

3. Income

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2014 £'000
Grant-in-aid DCMS						
Spectrum management	50,637	–	50,637	52,134	–	52,134
Spectrum awards	–	1,632	1,632	–	1,341	1,341
Spectrum clearance	–	2,658	2,658	–	4,760	4,760
Competition law enforcement	2,459	–	2,459	2,328	–	2,328
Public interest test	–	–	–	–	–	–
Local media assessment	–	–	–	–	–	–
Joint ventures (m-commerce)	–	–	–	–	–	–
Nuisance calls	1,090	–	1,090	1,055	–	1,055
Consumer protection	87	–	87	103	–	103
Online Copyright Infringement (OCI)	–	–	–	–	–	–
Media literacy	–	–	–	95	–	95
Grant-in-aid Scottish Government						
Commonwealth Games	844	–	844	671	–	671
Total Government grant-in-aid	55,117	4,290	59,407	56,386	6,101	62,487
Networks & services administrative and application fees	34,188	–	34,188	34,158	–	34,158
Broadcasting Act licence and application fees	16,673	–	16,673	16,770	–	16,770
Regulation of postal services	4,737	–	4,737	4,318	–	4,318
Other income	493	–	493	499	–	499
Total income	111,208	4,290	115,498	112,131	6,101	118,232

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

4. Staff costs

	Ofcom	Spectrum Clearance & Awards	Total 2015	Ofcom	Spectrum Clearance & Awards	Total 2014
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs, including fees paid to Board Members, were:						
Salaries and benefits	50,562	896	51,458	49,094	1,051	50,145
National Insurance costs	6,007	105	6,112	6,094	129	6,223
Pension costs	5,375	79	5,454	5,530	87	5,617
Restructuring costs	734	–	734	202	72	274
Total staff costs	62,678	1,080	63,758	60,920	1,339	62,259

The restructuring costs in 2015 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to two (2014: 5) 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 74 to 77.

During the year seven (2014: 4) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

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

5. Employee numbers

	2015	2014
The average number of employees	787	785

As at 31 March 2015, Ofcom had 783 employees (2014: 790).

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

6. Other operating costs

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2014 £'000
Auditors remuneration – statutory audit fees	76	–	76	75	–	75
Auditors remuneration – Section 400	13	–	13	14	–	14
Professional fees	5,832	588	6,420	5,796	1,486	7,282
Outsourced services	12,146	60	12,206	11,450	–	11,450
Audience and consumer research	5,273	–	5,273	5,275	–	5,275
Technological research and spectrum efficiency projects	1,007	1,586	2,593	1,074	35	1,109
Spectrum clearance scheme	–	47	47	–	2,312	2,312
Temporary staff and recruitment	3,126	499	3,625	2,708	536	3,244
Travel and subsistence	1,178	51	1,229	1,020	33	1,053
Premises costs	5,914	15	5,929	6,786	–	6,786
Administration and office expenses	6,433	122	6,555	6,172	46	6,218
Information and technology costs	3,350	3	3,353	3,288	2	3,290
Vehicles	273	–	273	480	–	480
Bad and doubtful debt	109	–	109	8	–	8
Amortisation	908	–	908	2,065	7	2,072
Depreciation	3,365	3	3,368	3,174	48	3,222
Loss on disposal of non-current assets	110	–	110	244	–	244
Impairment	624	–	624	–	–	–
Total other operating costs	49,737	2,974	52,711	49,629	4,505	54,134
The costs, above, include:						
Operating leases – land and buildings	4,737	–	4,737	5,857	–	5,857
Operating leases – vehicles	136	–	136	341	–	341
Operating leases – other	246	–	246	237	–	237

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

7. Vacant property credit/(charge) for the year

	2015 £'000	2014 £'000
Future costs of vacant properties	170	26

8. Finance income

	2015 £'000	2014 £'000
Interest receivable	61	76

9. Taxation

	2015 £'000	2014 £'000
Tax (charge)/credit for the year		
United Kingdom Corporation Tax (expense)	–	–
Deferred tax (debit)	(46)	(19)
Tax charged to Statement of Income and Expenditure	(46)	(19)

Reconciliation of tax charge	2015 £'000	2014 £'000
Surplus/(Deficit) before tax	141	3,084
Tax on profit at the UK standard rate of Corporation Tax of 20% (2014: 20%)	28	617
Income not subject to tax	(23,100)	(23,648)
Expenses not deductible	23,118	23,050
Utilisation of brought forward tax losses	(46)	(19)
Tax charge	–	–

Deferred tax	Tax losses £'000
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Analysis of movements in the net deferred tax balance during the year

Deferred tax asset at 1 April 2013	2,480
Utilisation of brought forward losses	(19)
Deferred tax asset at 31 March 2014	2,461
Utilisation of brought forward tax losses	(46)
Deferred tax asset at 31 March 2015	2,415
Deferred tax asset to be recovered within 12 months	46
Deferred tax asset to be recovered after more than 12 months	2,369
	2,415

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

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

10. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings £'000	Office & field equipment £'000	Computer hardware £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost							
At 1 April 2013	14,550	758	14,285	6,880	244	149	36,866
Additions during year	20	84	491	45	201	–	841
Impairment	–	–	–	–	–	–	–
Disposals	–	–	(7)	(67)	(36)	–	(110)
Transfers	–	–	149	–	–	(149)	–
At 31 March 2014	14,570	842	14,918	6,858	409	–	37,597
Additions during year	–	282	595	125	–	–	1,002
Impairment	–	–	–	–	–	–	–
Disposals	(384)	(109)	(1,907)	(137)	(11)	–	(2,548)
Transfers	–	–	–	396	–	–	396
Cost at 31 March 2015	14,186	1,015	13,606	7,242	398	–	36,447
Depreciation							
At 1 April 2013	10,250	525	11,071	3,796	141	–	25,783
Charge for the year	807	71	772	1,547	25	–	3,222
Impairment	–	–	–	–	–	–	–
Disposals	–	–	(7)	(67)	(36)	–	(110)
Transfers	–	–	–	–	–	–	–
At 31 March 2014	11,057	596	11,836	5,276	130	–	28,895
Charge for the year	814	82	813	1,594	65	–	3,368
Impairment	–	–	–	–	–	–	–
Disposals	(303)	(87)	(1,899)	(137)	(11)	–	(2,437)
Transfers	–	–	–	–	–	–	–
Accumulated depreciation at 31 March 2015	11,568	591	10,750	6,733	184	–	29,826
NBV 31 March 2015	2,618	424	2,856	509	214	–	6,621
NBV 31 March 2014	3,513	246	3,082	1,582	279	–	8,702

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

11. Intangible assets

	Website development £'000	Software licences £'000	Information technology £'000	Development expenditure £'000	Total £'000
Cost					
At 1 April 2013	57	5,033	24,255	1,822	31,167
Additions during year	–	3	413	1,111	1,527
Impairment	–	–	–	–	–
Disposals	–	(143)	(1,343)	–	(1,486)
Transfers	–	–	808	(808)	–
At 31 March 2014	57	4,893	24,133	2,125	31,208
Additions during year	–	594	184	629	1,407
Impairment	–	(624)	–	–	(624)
Disposals	–	–	–	–	–
Transfers	–	1,083	–	(1,479)	(396)
Cost at 31 March 2015	57	5,946	24,317	1,275	31,595
Amortisation					
At 1 April 2013	38	4,462	22,144	–	26,644
Charge for the year	19	470	1,583	–	2,072
Impairment	–	–	–	–	–
Disposals	–	(143)	(1,098)	–	(1,241)
Transfers	–	–	–	–	–
At 31 March 2014	57	4,789	22,629	–	27,475
Charge for the year	–	216	692	–	908
Impairment	–	–	–	–	–
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
Accumulated amortisation at 31 March 2015	57	5,005	23,321	–	28,383
NBV 31 March 2015	–	941	996	1,275	3,212
NBV 31 March 2014	–	104	1,504	2,125	3,733

12. Trade and other receivables – amounts receivable within one year

	2015 £'000	2014 £'000
Trade receivables	617	2,084
Other receivables	20	2,552
Prepayments	5,372	5,692
Staff loans and advances	236	239
Accrued income	300	130
Accrued income (Grant-in-aid DCMS)	12	108
Total trade and other receivables – amounts falling due within one year	6,557	10,805

Staff loans relate to 165 (2014: 156) season ticket loans to colleagues repayable over 12 months.

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

	2015 £'000	2014 £'000
Prepayments	13	–
Accrued income	732	967
Total trade and other receivables – amounts receivable after more than one year	745	967

14. Cash and cash equivalents

	2015 £'000	2014 £'000
Commercial banks and cash in hand	14,279	10,547
Balance of funds relating to Section 400	–	–
Total cash and cash equivalents	14,279	10,547

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

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

	2015 £'000	2014 £'000
Trade payables	2,060	2,706
Other tax and social security	–	3
Other payables	171	202
Value added tax payable	55	116
Grant-in-aid DCMS	2,539	2,078
Accruals	9,818	10,076
Lease incentive accrual	1,289	1,289
Deferred income	3,998	4,731
Total trade and other payables – amounts falling due within one year	19,930	21,201

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

For 2014/15 Ofcom achieved on average a performance of 93.79 per cent against these targets (2013/14: 95.04 per cent).

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

	2015 £'000	2014 £'000
Lease incentive accrual	3,224	4,486
Deferred income	1,138	869
Total trade and other payables – amounts falling due after more than one year	4,362	5,355

17. Provisions for liabilities and charges

	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
At 1 April 2013	389	1,781	–	2,170
Discount unwound in year	9	13	–	22
Utilised in year	(106)	(876)	–	(982)
Provision increased/(released)	19	(26)	–	(7)
At 1 April 2014	311	892	–	1,203
Discount unwound in year	5	5	–	10
Utilised in year	(70)	(379)	–	(449)
Provision increased/(released)	16	(170)	60	(94)
Total provisions as at 31 March 2015	262	348	60	670

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 1.3 per cent (2014: 1.8 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 0 to 5 years are discounted by the short term discount rate of 0.58 per cent (2014: 0.7 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 2.18 per cent (2014: 2.35 per cent).

Analysis of expected timing of cashflows	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
Current				
Not later than one year	28	116	60	204
	28	116	60	204
Non-current				
Later than one year and not later than five years	110	232	–	342
Later than five years	124	–	–	124
	234	232	–	466
	262	348	60	670

The provision for early retirement of £0.3m (2014: £0.3m) is primarily for Annual Compensation Payments (ACP). The ACP is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment. The remainder relating to early retirement costs of former employees of Ofcom, the Radiocommunications Agency and Ofcom was paid up in the year to 2014 and is now complete.

The provision for vacant properties includes one property (2014: one) which has space that is surplus to requirements. Professional advice has been taken in marketing vacant property, and future income streams are recognised as and when sub-letting of properties is reasonably certain. The provision is the net present value of the expected cash outflows calculated to the next lease break, net of the discounted value of future income streams secured from committed or reasonably certain future sub-letting agreements.

18. Commitments under operating leases

	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
The future aggregate minimum lease payments under operating leases are as follows:				
Not later than one year	8,787	22	67	8,876
Later than one year and not later than five years	21,969	–	1	21,970
Later than five years	616	–	–	616
Total commitments under operating leases	31,372	22	68	31,462

The rental agreement of Riverside House is until September 2022 with a break option in September 2018.

19. Amounts receivable under operating leases

	Buildings 2015 £'000
The future minimum lease payments receivable under non-cancellable operating leases are as follows:	
Not later than one year	2,297
Later than one year and not later than five years	6,861
Later than five years	–
	9,158

Ofcom has entered into sub-lease contracts with regards to surplus office space within its main office building.

20. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £12.2m (2014: £12.3m) to Ofcom. In addition DCMS paid £1.0m to Ofcom. These sums have not been reflected in these accounts but have been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

21. Retirement benefit obligations

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

A) Defined contribution plans – 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 £4.8m were made in the year ended 31 March 2015 (2014: £4.6m). 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.

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose.

There is no contribution from Ofcom in year ended 31 March 2015 into the Feeder Trust (2014: £2.5m).

The balance of the Feeder Trust as at 31 March 2015 was £8.5m.

- The Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. Employer contributions of £8.0m was transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2015 (2014: £0m). Our most recent work with the Trustee of the Plans on securing member liabilities through the use of bulk-annuity transactions concluded in July 2014 following a detailed and intensive review of high level scheme and anonymised member data to help identify further affordable and substantive de-risking opportunities. In this latest transaction with L&G we secured all remaining uninsured liabilities of the Ofcom section of the Ofcom (Former ITC) Plan. This follows the two previous partial buy-ins back in 2008 and 2012. 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 2012 were completed for both defined benefit plans and, unlike under IFRS, showed a significant combined deficit of £5.2m.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. In accordance with these schedules, Ofcom is expecting to contribute £0.5m to the two defined benefit plans over the next 12 months to cover Plan expenses. This compares to £8.4m over the year to 31 March 2015 (including the contribution paid from the Feeder Trust).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission, the Radio Authority and Postcomm as well as former Directors General of Telecommunications. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofcom. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

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
	2015 £'000	2015 £'000	2015 £'000	2014 £'000	2014 £'000	2014 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(83,200)	–	(83,200)	(72,134)	–	(72,134)
– Benefit obligation in respect of pensioner members	(172,164)	(1,206)	(173,370)	(160,104)	(1,177)	(161,281)
Total benefit obligations	(255,364)	(1,206)	(256,570)	(232,238)	(1,177)	(233,415)
Fair value of plan assets	272,564	–	272,564	264,012	–	264,012
Funded status	17,200	(1,206)	15,994	31,774	(1,177)	30,597
Amount not recognised due to asset limit *	–	–	–	(8,628)	–	(8,628)
Net funded status	17,200	(1,206)	15,994	23,146	(1,177)	21,969

* A surplus under IAS19 can only be recognised on a company's balance sheet if there is an economic benefit available to the company from the surplus. Per the Ofcom (former ITC) Plan's Trust Deed and Rules, Ofcom is not entitled to benefit from any refund of surplus and therefore as at 31 March 2014 a limitation to the IAS19 asset was required. As there is no longer a surplus following the buy-in in July 2014, there is no asset restriction as at 31 March 2015.

Changes over the year 2015

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value	(232,238)	264,012	(8,628)	23,146	(1,177)	21,969
Administration expenses	–	(680)	–	(680)	–	(680)
Total service cost	–	(680)	–	(680)	–	(680)
Interest income/(cost)	(10,091)	11,433	(384)	958	(51)	907
Employer contributions	–	375	–	375	–	375
Employer contributions total	–	375	–	375	–	375
Benefits paid from scheme assets	11,080	(11,080)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	82	82
Benefits paid total	11,080	(11,080)	–	–	82	82
Remeasurements						
Actuarial gains/(losses)	(24,115)	8,504	9,012	(6,599)	(60)	(6,659)
Closing value	(255,364)	272,564	–	17,200	(1,206)	15,994

Changes over the year 2014

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value	(227,053)	264,312	(10,059)	27,200	(1,162)	26,038
Administration expenses	–	(1,017)	–	(1,017)	–	(1,017)
Total service cost	–	(1,017)	–	(1,017)	–	(1,017)
Interest income/(cost)	(10,077)	11,763	(458)	1,228	(51)	1,177
Employer contributions	–	2,903	–	2,903	–	2,903
Employer contributions total	–	2,903	–	2,903	–	2,903
Benefits paid from scheme assets	11,277	(11,277)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	83	83
Benefits paid total	11,277	(11,277)	–	–	83	83
Remeasurements						
Actuarial gains/(losses)	(6,385)	(2,672)	1,889	(7,168)	(47)	(7,215)
Closing value	(232,238)	264,012	(8,628)	23,146	(1,177)	21,969

	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
2015 The amounts recognised in the Statement of Income and Expenditure are as follows:					
Service cost	–	–	–	–	–
Net interest credit/(cost)	1,342	(384)	958	(51)	907
Defined benefit credit/(cost) recognised in income and expenditure	1,342	(384)	958	(51)	907
Administration expenses	(680)	–	(680)	–	(680)
Income/(cost) recognised in income and expenditure	662	(384)	278	(51)	227

2015 The amounts recognised as Other Comprehensive Income are as follows:					
Gains/(losses) on benefit obligations due to changes in financial assumptions	(25,557)	–	(25,557)	(73)	(25,630)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	–	–	–	–	–
Gains/(losses) on benefit obligations as a result of member experience	1,442	–	1,442	13	1,455
Total gain/(loss) arising on benefit obligations	(24,115)	–	(24,115)	(60)	(24,175)
Gains/(losses) on plan assets	8,504	–	8,504	–	8,504
Gains/(losses) as a result of change in asset limit	–	9,012	9,012	–	9,012
Net gain/(loss)	(15,611)	9,012	(6,599)	(60)	(6,659)

Movements in market conditions over the year resulted in a change in the assumptions used to value the benefit obligation. However, Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against such events. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. The net impact on the funded status was therefore relatively limited.

	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
2014 The amounts recognised in the Statement of Income and Expenditure are as follows:					
Service cost	–	–	–	–	–
Net interest credit/(cost)	1,686	(458)	1,228	(51)	1,177
Defined benefit credit/(cost) recognised in income and expenditure	1,686	(458)	1,228	(51)	1,177
Administration expenses	(1,017)	–	(1,017)	–	(1,017)
Income/(cost) recognised in income and expenditure	669	(458)	211	(51)	160

2014 The amounts recognised as Other Comprehensive Income are as follows:

Gains/(losses) on benefit obligations due to changes in financial assumptions	(6,599)	–	(6,599)	(22)	(6,621)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	–	–	–	–	–
Gains/(losses) on benefit obligations as a result of member experience	213	–	213	(25)	188
Total gain/(loss) arising on benefit obligations	(6,386)	–	(6,386)	(47)	(6,433)
Gains/(losses) on plan assets	(2,671)	–	(2,671)	–	(2,671)
Gains/(losses) as a result of change in asset limit	–	1,889	1,889	–	1,889
Net gain/(loss)	(9,057)	1,889	(7,168)	(47)	(7,215)

Movements in market conditions over the year resulted in a change in the assumptions used to value the benefit obligation. However, Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against such events. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. The net impact on the funded status was therefore relatively limited.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2015 (%) Total	2014 (%) Total
UK Equities	3	8
Overseas Equities	3	6
Corporate bonds	3	5
Index-linked bonds	6	12
Fixed interest government bonds	2	1
Annuities	80	62
Cash / interest on bank deposit	3	6
	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:

	2015 (%) Total	2014 (%) Total
Discount rate	3.45	4.45
Retail Price Inflation	3.10	3.45
– Future pension increases (RPI)	3.10	3.45
– Future pension increases (CPI max 3%)	1.85	2.10

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	27	30	28
– Female	32	30	33	31

Sensitivity to changes in principal assumptions used

Change in assumption	Impact on					
	DB Plan			ITC Plan		
	Defined Benefit obligations £'000	Assets £'000	Funded status Surplus £'000	Defined Benefit obligations £'000	Assets £'000	Funded status Surplus £'000
Discount rate						
Increases by 0.50%	decrease by £6,507	decrease by £2,368	increase by £4,139	decrease by £12,905	decrease by £12,898	increase by £7
Falls by 0.50%	increase by £7,339	increase by £2,641	decrease by £4,698	increase by £13,874	increase by £13,867	decrease by £7
Retail price inflation						
Increases by 0.50%	increase by £6,610	increase by £4,727	decrease by £1,883	increase by £12,186	increase by £12,180	decrease by £6
Falls by 0.50%	decrease by £5,927	decrease by £4,168	increase by £1,759	decrease by £11,534	decrease by £11,528	increase by £6
Expected lifetime of a member aged 60						
Increases by 1 year	increase by £2,540	increase by £774	decrease by £1,766	increase by £5,981	increase by £5,977	decrease by £4
Decreases by 1 year	decrease by £4,077	decrease by £1,243	increase by £2,834	decrease by £5,951	decrease by £5,948	increase by £3

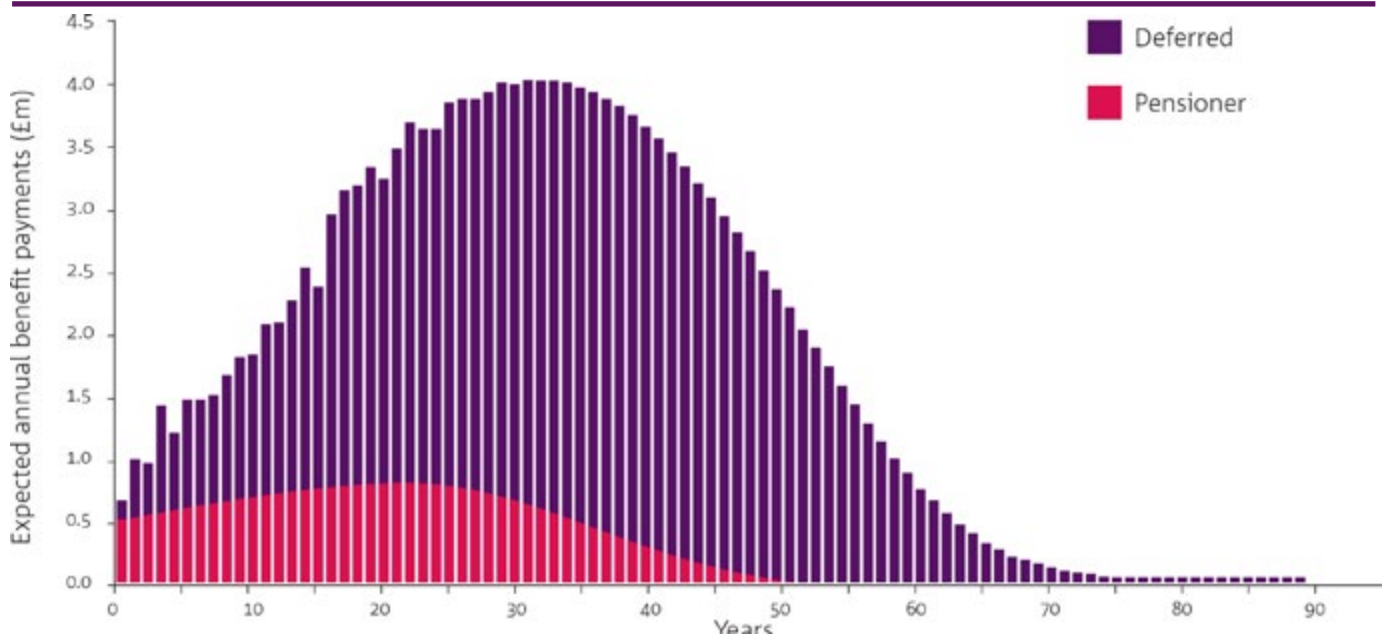
Liability profile of defined benefit plans

The charts below illustrate the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2012) 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.

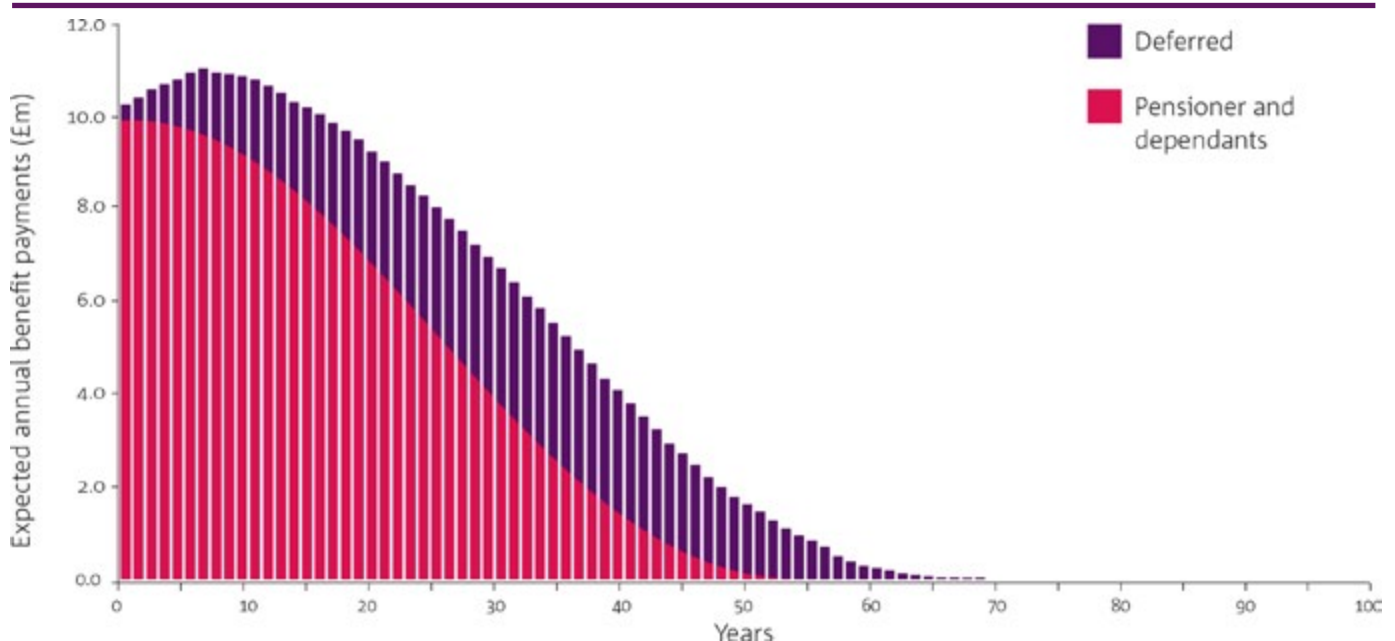
Ofcom Defined Benefit Pension Plan

The duration (average term to payment) of the Plan's liabilities is 21 years



Ofcom (Former ITC) Pension Plan

The duration (average term to payment) of the Plan's liabilities is 14 years



22. Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24, "Related Party Disclosures".

Members of the Board submit an annual declaration confirming that they have no interests prejudicial to their function as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

The Secretaries of State for the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport (DCMS) are regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002.

Details of all grant-in-aid income from DCMS are provided in Notes 2, 3, 12 and 15 of these financial statements.

A defined contribution scheme and two defined benefit schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 21 for further disclosure.

At 31 March 2015, the following creditors were held in respect of grant-in-aid provided by DCMS:

- Spectrum management – £1.0m (2014: £0.1m);
- Spectrum clearance and awards – £1.2m (2014: £1.3m);
- Other sectors – £0.3m (2014: £0.7m)

At 31 March 2015, the following debtor was held in respect of grant-in-aid due by DCMS:

Orphan expenditure (functions which cannot be funded through fees and charges set under the Communications Act 2003) – £0.0m (2014: £0.1m).

No other related party transactions were entered into during the financial year.

23. Financial instruments

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

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from this assessment.

24. Capital commitments

At 31 March 2015 there were no capital commitments (2014: £0.3m).

25. Receipts transferred to the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £3.2m (2014: £2.4m) of Broadcasting Act Additional Payments and Fines to the Consolidated Fund.

£269.4m (2014: £276.0m) of WT Act licence fees was remitted to DCMS for transfer to the Consolidated Fund. Details on amounts due to the Consolidated Fund at 31 March 2015 are disclosed in Note 14 to these financial statements.

26. Contingent liabilities

Ofcom may be subject to appeal of decisions made in carrying out its functions as regulator of the communications sector. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent that they are probable and quantifiable.

27. Whole of Government accounts

At 31 March 2015, Ofcom owed £2.6m (2014: £2.1m) to central Government bodies. There are no amounts owing in respect to GIA received to local authorities, NHS Trusts or public corporations and trading funds.

Section 400 shows £4.1m (2014: £3.2m) owing to central Government bodies.

28. Events after the reporting period

There were no reportable events between the reporting date and the date when the accounts were certified. The financial statements do not reflect events after this date.

These accounts were authorised for issue by the Accounting Officer on 24 June 2015, the date that the accounts were certified by the Comptroller and Auditor General.

Annexes

Ofcom Boards and Committees

Board Committees

The Content Board

Further details regarding the Content Board are on page 67.

Members

Tim Gardam

Lynne Brindley, DBE

Andrew Chitty

Andrew Colman

Dr David Levy

Glyn Mathias

Lesley MacKenzie

Claudio Pollack

James Thickett

Philip Schlesinger ¹

Mary Ann Sieghart ²

¹ Philip Schlesinger was appointed to the Content Board on 1 December 2014.

² Mary Ann Sieghart was appointed to the Content Board on 1 September 2014.

Iseabail Mactaggart resigned from the Content Board on 31 May 2014.

Broadcast Licensing Committee

The Broadcast Licensing Committee has delegated authority from the Ofcom Board to discharge Ofcom's functions in relation to radio (sound) and local television broadcast licensing. The Committee's responsibilities include decisions on the award of new and re-advertised licences, and on licence variations and revocations. The membership of the Committee will be on a rolling basis and involves members of the Content Board from time to time.

Community Radio Fund Panel

Section 359 of the Communications Act makes it possible for a fund for community radio operators to be set up, and for Ofcom to administer it and "make such grants as they consider appropriate" to community radio licensees. The Panel meets as required to examine applications and make awards from the Fund. It is independent of the Broadcast Licensing Committee, which awards community radio licences.

Members

Wendy Pilmer (Chairman)

Richard Hilton

Fiona Lennox

Election Committee

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

Nations Committee

The Nations Committee is a direct Committee of the Ofcom Board. Its role includes: understanding the political dynamics in each nation of the UK and advising on Ofcom's engagement in each nation; agreeing appropriate processes for Ofcom's engagement with each National Advisory Committee; monitoring stakeholder events in each nation and overseeing the involvement of, and engagement of, the Ofcom Board in each nation. Its membership comprises two Non-Executive Members of the Ofcom Board and the Chairmen of the National Advisory Committees. The Executive Directors of each nation, together with other senior Ofcom executives, are invited to attend Nations Committee meetings.

The Advisory Committees for the Nations

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

Nations Advisory Committee members

	England	Scotland	Wales	Northern Ireland
Chairman	John Varney	Laura Alexander	John Davies	Maureen Edmondson OBE
Members	Andrew Chitty	Stuart Gibson	Nerys Evans	Fiona Boyle
	Barnie Choudhury	Liz Leonard	Glyn Mathias	Andrew Colman
	Graham Creelman OBE	Ian McKay	Huw Roberts	Fiona MacMillan
	Andrew Davis	Peter Peacock CBE	Hywel William ³	Brendan Mulgrew
	Becky Hogge	Professor Philip Schlesinger		Sharon O'Connor
	Duncan Ingram			Paul Wilson

1 John Varney replaced Professor William Dutton as Chairman of the National Advisory Committee for England (ACE) on 1 July 2014 on Professor Dutton's retirement.

2 Laura Alexander replaced Professor Philip Schlesinger as Chairman of the National Advisory Committee for Scotland on 1 February 2015 when Professor Schlesinger retired on his appointment to the Content Board as Member for Scotland.

3 Hywel William was appointed to the National Advisory Committee for Wales (ACW) on 1 July 2014.

4 Fiona Boyle, Sharon O'Connor and Paul Wilson were appointed to the National Advisory Committee for Northern Ireland (ACNI) on 1 September 2014; Isolde Goggin, Lesley Holmes and Ben Preston retired from ACNI ON 31 August 2014

5 Julie Barton retired from ACW on 28 February 2015.

Non-Board committees

The Communications Consumer Panel

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

Independent of Ofcom, the Panel is made up of independent experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information on the Panel can be found at www.communicationsconsumerpanel.org.uk

Members

Dr Jo Connell OBE (Chairman)

Jaya Chakrabarti MBE

Rhys Evans

Rick Hill MBE

Chris Holland

Mairi Macleod

Craig Tillotson

Bob Twitchin MBE

- 1 Rhys Evans was appointed to the Panel as member for Wales on 1 January 2015.
- 2 Rick Hill was appointed to the Panel as member for Northern Ireland on 1 September 2014.
- 3 Kim Brook retired as the Panel member for Wales on 31 December 2014.

The Advisory Committee on Older and Disabled People

Section 21(1) of the Communications Act 2003 requires Ofcom to establish a Committee to advise Ofcom on issues in the communications sector that particularly affect older and disabled people. To take advantage of the synergy between the Communications Consumer Panel and the Advisory Committee on Older and Disabled People and to avoid potential duplication, cross-membership of the two bodies was established in 2012. The remits of the bodies remain unchanged.

Members

Dr Jo Connell, OBE (Chairman)

Jaya Chakrabarti MBE

Rhys Evans

Rick Hill MBE

Chris Holland

Mairi Macleod

Craig Tillotson

Bob Twitchin MBE

The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues. Further information can be found on the OSAB website at www.osab.org.uk

Members

David Meyer (Chairman)

Professor Linda Doyle

Philippa Marks

Dr Robert Pepper

Jean-Jacques Sahel

Mike Walker

Gavin Young

David Harrison (ex officio)

David Hendon (ex officio)

Chris Pook (DCMS) (ex officio)

Greg Bensberg

Niall Murphy

- 1 Robin Foster resigned from the Board on 31 March 2014.
- 2 Professor Simon Saunders and Professor William Webb resigned from the Board on 31 May 2014.
- 3 Greg Bensberg and Niall Murphy were appointed to the Board with effect from 1 June 2014.
- 4 Chris Pook replaced Simon Towler as the ex officio member from DCMS on 1 February 2015.
- 5 David Harrison and David Hendon are both employees of Ofcom.

Regulatory statements

The figure below summarises Ofcom's policy statements published during 2014/15.

It includes a colour-coded key that indicates how the regulatory burden on stakeholders has changed as a result of Ofcom's regulatory decisions and statements in 2014/15.

It shows that 70% of the statements saw no change in regulatory burden or the work is ongoing; 13% of statements resulted in reduced regulatory burden on stakeholders; 10% of statements saw the introduction of increased or new regulation, while 7% resulted in streamlined or co-regulatory outcomes.

We have categorised each statement in the table below as an Annual Plan priority or an ongoing major work area, as set out in the Annual Plan 2014/15.

List of statements published in 2014/15 including regulatory impact on stakeholders

Contribute to and implement public policy defined by Parliament

Major Work Area: Prepare for the World Radiocommunication Congress (WRC) in November 2015

Update on the UK preparations for the World Radiocommunication Conference 2015 (WRC-15)

Programmatic: Undertake ongoing work to support network resilience cyber security and access to emergency services

Location information for emergency calls from mobile phones

Maintain audience confidence in broadcast content

Priority: Promote audience safety and assurance in digital environments

Regulation of advertising in video on demand services

Major Work Area: Complete the licensing of new local TV services

Local TV decision: Proposed change to licence obligations of ESTV Limited (the local TV licensee for London)

Local TV Licence Transfer: Birmingham

Ofcom announces local TV licences for Aberdeen, Ayr and Dundee

Ofcom awards local TV licences for Guildford, Reading and Salisbury

Ofcom awards local TV licences for Maidstone and Basingstoke

Major Work Area: Develop and support future radio regulation

Local commercial analogue radio licence durations

National Radio Multiplex Licence Award

Request to change frequency of Somerset local DAB multiplex: Statement

Requests to change local radio multiplex frequencies and areas: Statement

Small scale DAB trials

Statement on Eagle Extra (Surrey and North East Hampshire) Format Change Request

■ Increased/new regulation
 ■ Mixed/no-change/ongoing
 ■ Streamlined/co-regulatory
 ■ Reduced regulation

Maintain audience confidence in broadcast content (continued)

Major Work Area: Work to secure the availability and discoverability of PSB content

Channel 5: Change of control review

Programmatic: Ensure efficient and effective programme standards enforcement

Renewal of the co-regulatory arrangements for broadcast advertising

Review of Ofcom list of major political parties for elections taking place on 7 May 2015: Statement

Review of the Channel 3 networking arrangements

Promote effective competition and informed choice

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

A statement on changes to switching processes for fixed voice, broadband on the KCOM copper network

Increasing the supply of Reseller Identification Codes (RIDs)

Priority: Ensure effective competition and investment in both current and superfast broadband

Fixed access market reviews 2014: Statement

Fixed Access Market Reviews: Approach to the VULA margin - Final Statement

Review of the wholesale broadband access markets - Final statement

Variation to BT's Undertakings under the Enterprise Act 2002 to add REFINE to the list of Management Information Systems (MIS) in Annex 5 and exchange of letters between BT and Ofcom agreeing not to require Level 2 System Separation of the REFINE MIS

Major Work Area: Conduct the business connectivity review

Excess Construction Charges for Openreach Ethernet Access Direct

Major Work Area: Conduct the mobile termination rates charge control review

Mobile call termination market review 2015-18 - Final statement

Major Work Area: Review the framework for regulatory financial reporting in telecommunications

Changes to BT and KCOM's regulatory and financial reporting 2013/14 update

Directions for Regulatory Financial Reporting

Regulatory Financial Reporting - Final statement

Major Work Area: Work to ensure effective competition in pay TV services

Access to on-demand services on TV platforms: Terms of Reference

Review of Sky's Access Control Services Regulation

Programmatic: Implement measures to ensure availability of geographic numbers for allocation to communications providers

Managing Northern Ireland telephone numbers

Porting charges under General Condition 18: Guidance on the setting of porting charges in compliance with GC18

Review of mobile donor conveyance charges for the period 2015 to 2018

Telephone number application form

Programmatic: Undertake Market Impact Assessment in support of Public Value Tests by the BBC Trust

Proposed changes to BBC Three, BBC iPlayer, BBC One and CBBC: MIA Terms of Reference

Promote opportunities to participate**Priority: Secure the continuing provision of the universal postal service**

Amendments to regulatory conditions DUSP 1.8 and CP 1 and minor amendments to other regulatory conditions - Amendments to post box reporting and relevant turnover for the calculation of qualifying consumer expenses

End-to-end competition in the postal sector

Major Work Area: Understand and promote the interests of vulnerable consumers and citizens

Television channels required to provide television access services in 2015

Protect consumers from harm**Priority: Implement reform of non-geographic numbering to ensure price transparency**

Simplifying non geographic numbers - Revised guidance on Service Charge price points

Simplifying non-geographic numbers - change of implementation date

The 03 Number Range - Decision to clarify that revenue-sharing with callers is prohibited on the 03 number range

The 0500 Number Range: Decision to withdraw 0500 telephone numbers

Major Work Area: Protect consumers from harm in a range of priority areas including nuisance calls and unexpectedly high bills

Approval of the PhonepayPlus Code of Practice (thirteenth Edition) (Draft Statement)

Metering & Billing Direction - Modification of General Condition 11 - Statement

Review of the Metering and Billing Direction - A statement on the revisions to the Direction

Secure optimal use of spectrum**Priority: Enable the use of white space devices and investigate opportunities for further appropriate sharing of bands**

Implementing TV White Spaces

Priority: Prepare for the award of the 2.3 GHz and 3.4 GHz bands and the potential change of use of the 700MHz band

Award of the 2.3 and 3.4 GHz spectrum bands: Update on the coexistence of 2.3 GHz LTE with Wi-Fi in the 2400 to 2483.5MHz range and other coexistence issues

Decision to make the 700MHz band available for mobile data

Public Sector Spectrum Release: Amateur use of 2310 to 2450 and 3400 to 3475MHz

Major Work Area: Continue to review the spectrum requirements of the Programme Making and Special Events (PMSE) sector

Programme Making and Special Events: Strategy for video PMSE applications

Major Work Area: Explore the potential use and requirements of machine to machine technology

Promoting investment and innovation in the Internet of Things: Summary of responses and next steps

Major Work Area: Improve the planned use of UHF Spectrum

Spectrum management strategy - Ofcom's strategic direction and priorities for managing spectrum over the next 10 years

Statement on authorising high duty cycle Network Relay Points

Statement on the Authorisation of Short Range Devices in 870 to 876MHz and 915 to 921MHz

The future role of spectrum sharing for mobile and wireless data services - Licensed sharing, Wi-Fi, and dynamic spectrum access

■ Increased/new regulation
 ■ Mixed/no-change/ongoing
 ■ Streamlined/co-regulatory
 ■ Reduced regulation

Secure optimal use of spectrum (continued)**Major Work Area: Plan for mobile data spectrum requirements**

Mobile Data Strategy Statement

Programmatic: Plan spectrum assignments and grant licences

Broadcast Digital Radio Technical Codes and Guidance - Updates and amendments

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2014

Decision to make the Wireless Telegraphy (Mobile Communications Services on Aircraft) (Exemption) Regulations 2014

Decision to make the Wireless Telegraphy (Ultra-Wideband Equipment) (Exemption) Regulations 2015

Decision to make Wireless Telegraphy Exemption Regulations 2014 Update

The release of spectrum within the frequency ranges 143MHz to 169MHz

Updating the Amateur Radio Licence

Variation of 1800MHz mobile licences to increase power limit

Variation of UK Broadband's 3.4 GHz Licence

Voice Coverage Obligation Notice of Compliance Methodology

Other

Digital Communications Review: Promoting competition and investment in converged digital communications services

Annual Plan 2015/16

Single Equality Scheme 2014

Ofcom statements published in 2014/15 where the earlier consultation included an impact assessment

Amendments to regulatory conditions DUSP 1.8 and CP 1 and minor amendments to other regulatory conditions - Amendments to post box reporting and relevant turnover for the calculation of qualifying consumer expenses

Statement on the Authorisation of Short Range Devices in 870 to 876MHz and 915 to 921MHz

Changes to BT and KCOM's regulatory and financial reporting 2013/14 update

Public Sector Spectrum Release: Amateur use of 2310 to 2450 and 3400 to 3475MHz

Decision to make the Wireless Telegraphy (Mobile Communications Services on Aircraft) (Exemption) Regulations 2014

Excess Construction Charges for Openreach Ethernet Access Direct

Mobile Data Strategy Statement

Regulatory Financial Reporting - Final statement

Local commercial analogue radio licence durations

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2014

Decision to make Wireless Telegraphy Exemption Regulations 2014 Update

Fixed access market reviews 2014: Statement

Review of the wholesale broadband access markets - Final statement

Broadcast Digital Radio Technical Codes and Guidance - Updates and amendments

Managing Northern Ireland telephone numbers

Review of the Metering and Billing Direction - A statement on the revisions to the Direction

Variation of 1800MHz mobile licences to increase power limit

Porting charges under General Condition 18: Guidance on the setting of porting charges in compliance with GC18

Metering & Billing Direction - Modification of General Condition 11

Variation of UK Broadband's 3.4 GHz Licence

The release of spectrum within the frequency ranges 143MHz to 169MHz

Decision to make the 700MHz band available for mobile data

Telephone number application form

Updating the Amateur Radio Licence

Ofcom statements published in 2014/15 where the earlier consultation included an impact assessment (continued)

Statement on authorising high duty cycle Network Relay Points

The 03 Number Range - Decision to clarify that revenue-sharing with callers is prohibited on the 03 number range

Update on the UK preparations for the World Radiocommunication Conference 2015 (WRC-15)

Implementing TV White Spaces

Small scale DAB trials

Increasing the supply of Reseller Identification Codes (RIDs)

Review of Ofcom list of major political parties for elections taking place on 7 May 2015

Decision to make the Wireless Telegraphy (Ultra-Wideband Equipment) (Exemption) Regulations 2015

Review of Sky's Access Control Services Regulation

Review of mobile donor conveyance charges for the period 2015 to 2018

Mobile call termination market review 2015-18 - Final statement

Fixed Access Market Reviews: Approach to the VULA margin - Final Statement

Approval of the PhoneyPayPlus Code of Practice (thirteenth Edition) (Draft Statement)

Directions for Regulatory Financial Reporting

Ofcom consultations published in 2014/15 which included an impact assessment and where no statement had been published by 31 March 2015

Approval of the PhoneyPayPlus Code of Practice (Thirteenth Edition) - draft statement only

Review of Signing Arrangements for Relevant TV Channels

The Scheduling of Television Advertising

Recognised Spectrum Access for Receive Only Earth Stations

The Use of Non-Geographic Numbers in Broadcasting

Variation of the Spectrum Access Licence for 1452-1492MHz and Changes for Fixed Link Use in the Paired Bands 1350-1375MHz and 1492-1517MHz

Public Sector Spectrum Release (PSSR): Award of the 2.3 GHz and 3.4 GHz bands

Notice of Proposals to Make The Wireless Telegraphy (Control of Interference from Apparatus) Regulations 2015

Royal Mail Access Pricing Review - Proposed Amendments to the Regulatory Framework

Request from BT for an Exemption from the Undertakings for the Microconnect Distributed Antenna Service

Review of Music in Radio Formats

A Three-digit Number for the National Power Cut and Electricity Network Safety Service - Proposal to Designate '105' for the Service, Including Notification of a Proposed Modification to the National Telephone Numbering Plan

Manually Configurable White Space Devices

Recognised Spectrum Access (RSA) for Receive Only Earth Stations

Investigations programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes. The following table shows Ofcom's activities in conducting enquiries and investigations during 2014/15 and how we have performed

against our statutory and published targets. This reflects the picture as at 31 March 2015.

It should be noted that the number of cases recorded in the table tends to be small and the reported KPIs can be volatile as a result. More information on the investigations programme is set out in our six-monthly reports:

Ofcom's Investigations Activity (<http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/six-monthly-roundup-complaints/>).

The data in the table below covers the performance of both the Competition Group Investigations Team and the Consumer Protection Team.

Activity and target	Performance against targets					Ongoing activity (as at 31/3/2015)
	Total handled	Total accepted for investigation	Total not accepted for investigation	Total closed		
				of which, within target	of which, outside of target	
Enquiries						
Disputes (<i>ex ante</i>) 15 working days	14	5*	9	10	4	0
Competition law (<i>ex post</i>) 8 weeks	1	1	0	1	0	0
Complaints (<i>ex ante</i>) 15 working days	3	0	2	1	1	1
Own-initiative (<i>ex ante</i>) 15 working days	6	1	4	0	5	1
	Total handled	Total opened	Total ongoing from previous reporting period	Total closed		
				of which, within target	of which, outside of target	
Disputes						
Completion within 4 months (<i>ex ante</i>)	8	4	4	8	0	0
Competition law investigations						
No specific 'one size fits all' target (<i>ex post</i>)	4	1	3	1		3
Other investigation and enforcement programmes (<i>ex ante</i>)						
Individual investigations have a target of completion (i.e. the issuing of a first notification or closure) within 6 months. Enforcement programmes are not subject to time targets. (<i>ex ante</i>)	5 investigations 10 enforcement programmes	2 investigations 3 enforcement programmes	3 investigations 7 enforcement programmes	2 investigations	1 investigation	2 investigations 7 enforcement programmes

* Two enquiries merged to form one investigation

Broadcasting standards

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by Ofcom, and the BBC and S4C (with certain exceptions).

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code⁹, or other Ofcom codes or licence conditions¹⁰. Ofcom may launch investigations on its own initiative as well as launching investigations following the assessment of complaints. Ofcom handles complaint-led investigations and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 7,116 cases (comprising 28,755 complaints) were closed in the period under review.

Content standards

Initial assessment of complaints

All complaints about content standards are handled under Ofcom's *Procedures for investigating breaches of content standards for television and radio*¹¹.

Ofcom assesses every complaint it receives. Based on an initial assessment of the complaint and a consideration of the related television or radio content, Ofcom will consider whether there may have been a breach of the Broadcasting Code (or other Ofcom codes). If not, Ofcom will decide not to investigate further and publishes this decision in its Broadcast Bulletin¹².

A total of 6,912 cases (28,551 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 241 cases (8,956 complaints) raised substantive issues that warranted further investigation; and
- 6,671 cases (19,595 complaints) did not require further investigation or fell outside Ofcom's remit.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2014 and 31 March 2015, Ofcom assessed complaints on average within 6.19 working days.

Investigations

If a case raises potentially substantive issues, Ofcom will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

A total of 217 investigation cases were completed in the period between 1 April 2014 and 31 March 2015. Ofcom found that:

- 126 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes or licence conditions) being recorded;
- 17 investigated cases were resolved; and
- 74 investigated cases were not in breach of the codes or were discontinued.

Ofcom aims to complete those cases that it takes forward for investigation within 50 working days. In the period between 1 April 2014 and 31 March 2015, Ofcom completed investigations on average within 49.5 working days.

⁹ Available at: <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code/>.

¹⁰ On 19 December 2013, Ofcom published new General Procedures for investigating breaches of broadcast licence conditions. We intend to report on the number of complaints assessed and investigations completed under these new procedures after a full year of data in the next Annual Report.

¹¹ Available at: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions/standards/>.

¹² Available to view at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/>.

Fairness and Privacy

Fairness and Privacy complaints are complaints about unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are normally made by individuals or organisations participating in, or otherwise directly affected by, programmes as broadcast, or in the making of programmes.

A total of 204 complaints relating to Fairness and Privacy were closed.

Assessment and entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether or not to entertain the complaint. This assessment is based on whether: the complainant is the 'person affected' and able to make the complaint; the matter complained of is the subject of proceedings in a court of law in the UK; or the complaint is frivolous.

A total of 203 Fairness and Privacy complaints were assessed in the period between 1 April 2014 and 31 March 2015. Ofcom decided that:

- 29 complaints should be entertained; and
- 175 complaints should not be entertained, or should be discontinued before entertainment.

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2014 and 31 March 2015, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints, on average within 16.2 working days.

Adjudications

If a Fairness and Privacy complaint is to be entertained, Ofcom will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred and, if so, it will uphold the complaint. Ofcom will then make its final adjudication.

A total of 29 complaints were adjudicated upon in the period under review. Ofcom decided that:

- 8 complaints should be upheld (of which 4 were partially upheld);
- 18 complaints should not be upheld; and
- three complaints were resolved (following appropriate action taken by the broadcaster).

Ofcom aims to complete the consideration and adjudication of Fairness and Privacy complaints within 90 working days of the complaint being entertained. In the period between 1 April 2014 and 31 March 2015, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 91.7 working days.

Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other relevant Ofcom code or licence condition, and it considers the breach to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

The range of sanctions available to Ofcom include: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty¹³; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

During the period between 1 April 2014 and 31 March 2015, Ofcom decided to impose the following statutory sanctions:

- ESPN (Europe, Middle East, Africa) Limited in respect of its levels of audio description: £120,000 and a direction to transmit Ofcom's statement of findings on one occasion.
- Discovery Communications Europe Limited in respect of its service Investigation Discovery: £100,000 and a direction to transmit Ofcom's statement of findings on one occasion.

¹³ 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.

Spectrum engineering and enforcement – key performance indicators

Main activities

Work Programme activity/incident ¹⁴	April 14 – March 15	April 13 – March 14
Complaints of interference received ¹⁵	1,954	2,696
Checking radio system licence compliance ¹⁶	3,850	1,539
Fixed Penalty Notices issued ¹⁷	67	8
Prosecutions for criminal spectrum activity ¹⁸	19	10

Quality of service targets for complaints of interference received

Key performance indicator	Case priority	Target	Target achieved	
			April 14 - March 15	April 13 - March 14
Time to first visit: The time take from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	1	8 hours	100%	100%
	2	18 hours	100%	96%
	3	2 working days	96%	99%
	4	5 working days	99%	99%
	5	15 working days	99%	100%
	6	No target	-	-
Resolution: The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.	1	2 calendar days	100%	100%
	2	3 calendar days	100%	100%
	3	6 working days	89%	95%
	4	20 working days	94%	97%
	5	40 working days	95%	99%
	6	60 working days	94%	98%

14 Processes for managing activities and incidents were revised in 2014/15 and this is reflected in the new table format.

15 Cases of interference reported by the public and businesses.

16 Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place.

17 Fixed Penalty Notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action.

18 Prosecutions in relation to 'pirate radio' or failure to pay FPNs.

Spectrum licensing

Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Business Radio Light – Simple UK (no base station)	1786	1,677	11,455	10,630
Business Radio Simple Site	985	758	7907	8,131
Business Radio Suppliers Light	94	107	751	739
Fixed Wireless Access (5.8 GHz)	82	69	403	364
GNSS Repeater	120	47	181	61
Police and Fire	0	4	124	142
Subtotal for Business Radio products	3,067	2,662	20,821	20,067
Radar Level Gauge	0	0	124	124
CB, Amateur & Maritime	58,058 ¹⁹	26,683	224,372	216,383
Total for Category A	61,125	29,345	245,317	236,574
KPI for Category A (100% in 7 days)	100%	99%	–	–
KPI for Category A (CB, Amateur & Maritime) (100% in 10 days)	100%	99%	–	–

Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Automatic Identification System	14	18	210	196
Coastal Station Radio (International)	2	13	411	5
Coastal Station Radio (UK)	1	14	373	1
Coastal Station Radio (Marina)	22	36	436	445
Coastal Station Radio (Training School)	29	32	330	302
Maritime Radio (Suppliers & Demonstration)	1	3	90	89
Maritime Nav aids and Radar	17	24	142	131
Differential Global Positioning System	0	0	5	6
Subtotal for Deregulation & Contracting-Out products	86	140	1,997	1,175
Business Radio Technically Assigned	2272	2,099	27,202	27,079
Business Radio Area Assigned	37	42	245	228
Coastal Station Radio (UK) Area Defined	16	0	2	381
Coastal Station Radio (International) Area Defined	9	4	7	447
Ground Probing Radar	26	17	173	155
Scanning Telemetry	1	9	32	34
Self co-ordinated links	28	31	79	57
Subtotal for Business Radio products	2,389	2,202	27,740	28,381
Total for Category B	2,475	2,342	29,737	29,556
KPI for Category B	90% in 21 days	98%	98%	–
	100% in 42 days	98%	99%	–

Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Fixed Links	2,333	2,048	30,622	31,549
Satellite (Permanent Earth Station)	17	15	157	158
Satellite (Transportable Earth Station)	113	101	118	114
Satellite (Earth Station Network)	12	2	66	59
Satellite (Non Fixed Earth Station)	2	3	2	2
Total for Category C	2,477	2,169	30,965	31,882
KPI for Category C	90% in 42 days	100%	99%	–
	100% in 60 days	100%	100%	–

Test and development (T&D) licences

	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Non-Operational Development Licence	334	321	282	295
Non-Operational Temporary Licence	274	242	90	79
Total for T&D	608	563	372	374
KPI for T&D (100% in 60 days)	100%	100%	–	–

Mobile and wireless broadband licences²⁰

Licences issued through spectrum auction or award processes	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Public Wireless Networks	–	–	4	4
Spectrum Access 2100MHz ²¹	–	–	4	4
Spectrum Access – Channel Tunnel ²²	–	1	2	2
Spectrum Access 800MHz / 2.6 GHz	–	–	5	5
Spectrum Access 412 – 414MHz	–	–	1	1
Spectrum Access 1452 – 1492MHz	–	–	1	1
Concurrent Spectrum Access 1781-1785MHz	–	–	12	12
Spectrum Access 1785MHz, Northern Ireland	–	–	1	1
Spectrum Access 3.5, 3.6, 10, 28, 32 and 40 GHz	–	–	12	12
Broadband Wireless / Spectrum Access 28 GHz	–	–	15	15
Total for Mobile and Wireless Broadband	–	1	57	57

19 As part of the Public Sector Spectrum Release project and in response to a consultation published in September 2014, a number of changes have been made to Amateur licences. Following a formal notification of Ofcom's proposal to vary licences, all Amateur Radio licences were reissued in March/April 2015.

20 Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

21 Previously 3G cellular telephones.

22 Separate licence for the outbound (UK-France direction) tunnel.

Channel Islands and Isle of Man licences

Licence applications made via local regulators	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
2G Cellular Telephones, Channel Islands and Isle of Man	(-6)	(-2)	0	8 (-2)
3G Cellular Telephones, Channel Islands and Isle of Man	(-6)	(-2)	1	9 (-2)
Spectrum Access 800 / 900 / 1800 / 2100 / 2600MHz, Channel Islands	12 (+ 12) ²³	–	24	–
Spectrum Access 800 / 900 / 1800 / 2100MHz, Isle of Man	–	2 (+4) ²⁴	6	2 (+4)
Spectrum / Wireless Access 3.4, 3.6, 10 and 28 GHz, Channel Islands and Isle of Man	(-1)	0	8	9
Total for Channel Islands and Isle of Man	12	2	39	28

²³ Jersey/Guernsey mobile licences liberalised for 2G/3G/4G in 2014/15 – re-categorised in table.

²⁴ Isle of Man mobile licences liberalised for 2G/3G/4G in 2013/14 – re-categorised in table.

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 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Spectrum Access 541 – 550MHz (Cardiff)	–	–	1	1
Spectrum Access 758 – 766MHz (Manchester)	–	–	1	1
Total for Digital Dividend licences	–	–	2	2

Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences and Arqiva PMSE (formally the Joint Frequency Management Group) issues licences and authorisations for outside broadcasts and programme-making and special events.

Partners' Activity	Licences issued April 14 – March 15	Licences issued April 13 – March 14	Total on issue as at 31 March 15	Total on issue as at 31 March 14
Arqiva PMSE issues Licences for Programme-Making & Special Events ²⁵	8,863	5,340	6,461	5,912
KPI for Arqiva (100% in 7 days)	100%	100%		–
CAA issues Licences for Aeronautical	4,350	5,087	15,431	14,521
KPI for CAA (100% in 7 days)	83%	79%		–
Total	13,213	10,427	21,892	20,433

Total number of licences – all categories	79,910	44,849	328,381	318,906
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²⁵ Includes licences issued by Arqiva on Ofcom's behalf for the Glasgow 2014 Commonwealth Games.

Sustainability

This section presents sustainability data and financial costs in more detail. Cost and consumption data for Project Park have been included. This office was closed in March 2015.

Greenhouse gas emissions

			2010/11	2011/12	2012/13	2013/14	2014/15
Non-Financial Indicators (tonnes CO₂e)	Scope 1	Gas	220	131	182	142	134
		Oil	20	22	19	18	14
		Fleet Fuel	233	224	204	210	200
	Scope 2	Electricity	1,630	1,413	1,325	1,129	1,283
	Scope 3	Business Travel	348	375	375	346	290
		– Air	150	173	194	241	182
		– Domestic	29	47	48	100	63
		– Short haul	69	102	110	83	71
		– Long haul	52	24	37	57	48
		– Rail/bus/tube	81	102	103	61	59
		– Car/Motorbike/Cycle	114	97	75	41	46
– Taxis		3	3	3	2	3	
Related consumption data	Scope 1	Gas (kWh)	1,185,315	711,692	984,238	772,668	726,410
		Gas per FTE (kWh)	1,650	914	1,262	975	928
		Oil (litres)	7,953	8,500	7,500	7,000	5,697
		Fleet Fuel (litres)	87,320	87,206	78,923	80,558	76,898
	Scope 2	Electricity (kWh)	3,370,121	2,921,480	2,739,161	2,334,436	2,387,352
		Electricity per FTE (kWh)	4,692	3,752	3,512	2,945	3,049
Financial Indicators	Scope 1	Gas	£49,655	£25,432	£34,991	£33,060	£34,677
		Oil	£5,510	£6,827	£7,081	£5,317	£3,500
		Fleet Fuel	£109,219	£123,748	£113,770	£113,397	£102,026
	Scope 2	Electricity	£458,675	£330,763	£301,645	£290,452	£335,058
	Scope 3	Business Travel	£627,606	£713,021	£705,867	£628,340	£596,116
		– Air	£194,477	£239,722	£280,526	£301,014	£257,364
		– Rail/bus/tube	£233,081	£297,685	£276,531	£226,171	£227,260
		– Car/Motorbike/Cycle	£150,046	£129,466	£104,276	£58,458	£66,876
		– Taxis	£50,002	£46,148	£44,534	£42,696	£44,615

Scope 1 – This covers direct consumption of gas and oil, and fuel consumption from Ofcom's fleet cars.

Gas consumption data across all years cover Ofcom's main office in London, Belfast, Birmingham, Haydock and Livingston. For 2010/11 this also includes cost and consumption data from offices in Caterham and Peterborough, where available. Gas consumption is dependent on weather conditions.

Oil consumption data relate only to Ofcom's office in Baldock.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services. Fuel consumption for 2012/13 includes fuel used for the purpose of providing spectrum services for the 2012 Olympic Games and Paralympic Games.

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, Glasgow, Haydock, Livingston and some remote monitoring direction-finding sites around the UK. For 2010/11 it also includes cost and consumption data from offices in Peterborough, Leeds and Wyndham House. For 2010/11 and 2011/12 it also includes cost and consumption data from an office in Caterham.

For 2010/11, 2011/12 and 2012/13 it also includes cost data from an office in Bristol. For 2010/11 onwards it also includes consumption from our Project Park office in London. Electricity consumption is dependent on weather conditions.

Scope 3 – Business travel financial data have been obtained from our SAP reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short haul and long haul flights as per Defra flight distance guidance.

Waste minimisation and management

Waste consumption data for all years relate to Ofcom's main office in London, and for 2010/11 onwards also include data from our Project Park office in London. Accurate waste consumption data are not available for other Ofcom offices, but the associated waste disposal costs have been included. Ofcom pays an overall waste management fee which cannot be attributed to individual waste categories. Ofcom operates on a 'zero waste to landfill' basis, and all waste is recycled or incinerated with energy recovery.

Finite resource consumption

Water data across all years cover Ofcom's main office in London, Baldock, Birmingham and Haydock. For 2010/11 and 2011/12 this includes cost data from offices in Bristol, Caterham, Leeds and Peterborough, where applicable. For 2010/11 onwards it also includes consumption from our Project Park office in London. Water charges for other offices are included in the service charge and therefore cannot be analysed. Water consumption is limited to operational use, including a catering facility in Ofcom's main office in London.

Waste minimisation and management		2010/11	2011/12	2012/13	2013/14	2014/15
Non-Financial Indicators (tonnes)	Total waste	150	159	166	173	168
	Waste sent to landfill	0	0	0	0	0
	ICT waste recycled/re-used	0	8	2	9	4
	Waste recycled/re-used	83	89	91	98	94
	Waste composted	10	9	13	14	14
	Waste incinerated with energy recovery	57	53	60	51	55
	Waste incinerated without energy recovery	0	0	0	0	0
	Total waste per FTE	0.209	0.204	0.213	0.218	0.214
Financial Indicators	Total waste	£62,256	£53,345	£46,068	£60,796	£45,500

Finite Resource Consumption		2010/11	2011/12	2012/13	2013/14	2014/15
Non-Financial Indicators	Water consumption(m ³)	10,495	7,715	9,492	10,498	10,298
	Water consumption per FTE	14.61	9.91	12.17	13.24	13.15
	Paper reams	10,067	9,286	7,623	7,721	5,993
	A3 reams	1,002	60	121	156	103
	A4 reams	9,065	9,226	7,502	7,565	5,890
	A5 reams	0	0	0	0	0
Financial Indicators	Water	£18,573	£22,771	£26,610	£20,506	£24,931

Notes

- The above tables have been prepared in accordance with guidelines laid down by the Treasury: <https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2014-to-2015>
- All information conforms to the normal public sector financial year of 1 April to 31 March.
- Defra conversion factors have been used to calculate carbon emissions figures.
- Emissions are not weather corrected.
- We only report energy and water consumption in buildings where we are directly billed and responsible for the payment.
- We only report our waste consumption in buildings where we receive data from a waste management company.
- Where utility bills had not yet been received, cost and consumption data were estimated based on previous years' data.
- Certain prior-year figures have been restated in 2013/14 due to revised guidance from HMT.
- Scope 2 electricity emissions have been restated for all years to account for material changes to the conversion factors provided by Defra. This conforms to the 2013/14 sustainability reporting guidance.
- Quantity of paper purchased is a new reporting requirement introduced in the 2013-14 sustainability reporting guidance. We have only reported on paper purchased directly through our stationery suppliers; this information is available only for selected offices.

Glossary

3G Third generation of mobile systems. Provides high-speed data transmission and supports multimedia applications such as full-motion video, video-conferencing and internet access, alongside conventional voice services.

4G Fourth generation of mobile phone technology, which follows on from 2G and 3G. It allows faster data transmission and download speeds than 3G networks.

BDUK Broadband Delivery UK, responsible for delivering the Rural Broadband Programme.

Bit-rates The rate at which digital information is carried within a specified communication channel. Broadband speeds are commonly measured in Mbit/s.

Bill shock A negative reaction that a person can have if their bill is unexpectedly high.

Community radio Radio stations that typically cover a small geographical area with a coverage radius of up to 5km and are run on a not-for-profit basis.

DCMS Department for Culture, Media & Sport.

DTT Digital terrestrial television. The television technology that carries the Freeview service.

EU5 France, Germany, Italy, Spain, the UK.

End-to-end competition Where commercial postal operators collect, process and deliver mail directly to the recipient without using Royal Mail's network.

Gaining provider led (GPL) A process in which the customer's new service provider (the gaining provider) takes the lead on switching the service.

IPTV (internet protocol television) Television services delivered through the internet rather than traditional means such as terrestrial, satellite or cable.

ISP Internet service provider. A company that provides access to the internet.

Leased line A transmission facility leased by an end user from a public carrier and dedicated to that user's traffic.

Linear broadcasting Traditional scheduled TV broadcasting transmitted to a TV set.

LLU (local loop unbundling) The process whereby the incumbent operators (BT and Kingston Communications) make their local network (the lines that run from customers' premises to the telephone exchange) available to other communications providers.

Mobile broadband Various types of wireless high-speed internet access through a portable modem, telephone or other device.

Multiplex Digital terrestrial television services are transmitted using a 'multiplex' structure, with each multiplex containing a number of concurrent TV services, as well as radio stations and text services. These services are digitally combined into a single signal to form the transmitted multiplex.

Next generation core networks (NGN) Internet protocol-based core networks that support a variety of existing and new services, typically replacing multiple, single-service legacy networks.

Next generation access networks (NGA) New or upgraded access networks that allow substantial improvements in broadband speeds and quality of service. They can be based on a number of technologies including cable, fixed wireless and mobile. Most often used to refer to networks using fibre optic technology.

Service provider A provider of electronic communications services to third parties, whether over its own network or otherwise.

Silent call An incoming telephone call where there is no-one on the other end of the line.

Superfast broadband Broadband services allowing speeds of 30Mbit/s and above.

Text relay A service that allows people with hearing and speech impairments to communicate with others through telephone or textphone equipment.

VoD (video on demand) A service or technology that enables TV viewers to watch programmes or films whenever they choose to, unrestricted by a linear schedule.



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