



# THE OFFICE OF COMMUNICATIONS

Annual Report and Accounts

For the period 1 April 2015 to 31 March 2016

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

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# A

## OVERVIEW

## WHO WE ARE

Ofcom regulates fixed-line and mobile telecoms, TV, radio, video-on-demand services, post, and the airwaves used by wireless devices.

We help UK businesses and individuals get the best from communications services, and protect them from sharp practices. Where appropriate, we support competition as the basis for delivering good consumer outcomes.

We act independently from governments and commercial interests to deliver our duties. However, we are accountable to Parliament, and to perform our role effectively we need to engage openly and constructively with governments. We provide technical advice to governments (for example, our regular reviews of public service broadcasting) and

in some cases we act as a formal representative of government (for example, in international negotiations on spectrum).

### **Our principal duty is to further citizen and consumer interests**

Ofcom was established under the Office of Communications Act 2002, and operates under a number of Acts of Parliament<sup>1</sup>. The Communications Act 2003 states that our principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. In postal services, our duty is to carry out our functions in a way that we consider will secure provision of a universal postal service in the UK.



We implement and enforce communications, competition and consumer protection laws.

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

Our main legal duties are to ensure that:

- the UK has a wide range of electronic communications services;
- radio spectrum is used in the most effective way;
- high-quality television and radio programmes are provided by a range of different organisations, appealing to a range of tastes and interests;

- people are protected from harmful or offensive material, unfair treatment and invasion of privacy on the television and radio; and
- the universal service obligation on postal services is secured in the UK.

Ofcom can enforce consumer law on behalf of consumers. For telecoms and postal services, unlike in TV and radio, we do not have power to resolve individual consumer complaints. Instead, we provide advice to telecoms and postal complainants, and refer them to the alternative dispute resolution (ADR) schemes that we have approved.

<sup>1</sup> 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.



# CHAIRMAN'S MESSAGE

Patricia Hodgson, Chairman

Ofcom's *Strategic Review of Digital Communications*, published in February, sets the framework for digital services and broadband in the UK for the next decade and beyond.

At its heart is the quality of service consumers may expect. It seeks to rebalance competition and investment incentives in telecoms to help deliver fibre to the home, ensuring the UK can meet the growing demands people and businesses rightly place on their communications services. And it sets new standards for customer service.

The sector is changing at an extraordinary pace, but our central duty remains the same: to serve citizens and consumers.

Our main tool to achieve this endures: promoting competition. A dynamic, competitive market, rather than one relying on regulation, brings most benefits for consumers and businesses. But if the market fails in some way, Ofcom must be ready to step in with actions rooted in independent and evidence-based decision making. These ingredients are vital both for companies to invest, innovate and compete, and for consumers to be protected. Progress in our sectors has been good to date, with availability and



low prices setting standards when compared to similar countries in Europe. But there are significant challenges ahead if everyone across the UK, including in our rural communities, is to enjoy the benefits of digital communications.

A new framework for the BBC has also been a focus of debate throughout the year. In May 2016, the Government published a White Paper proposing a strong integrated board for the BBC with all regulation passing to Ofcom. This echoed Sir David Clementi's review, published in March, which recommended a clear division between governance and regulation in the future management of the BBC, with regulation clearly outside the BBC and independent from it.

We are aware that these new duties present a substantial undertaking. In that context, Ofcom's 12-year record of setting and regulating standards across UK broadcasting, without fear or favour, and ensuring fair competition at the heart of the converging communications market, is important. Under the new arrangements, Ofcom will seek to draw on that experience to ensure service providers and audiences can trust in our independence.

This year we carried out our periodic health check on public service broadcasting, finding the sector in good shape with growing revenues, but we raised concerns about a downward trend over a number of years in investment in original UK production, notably drama, comedy, the arts and children's television.

Meanwhile, we took the regulation of video-on-demand programmes in-house during the year. This yielded operational efficiencies and allows video-on-demand content to sit alongside our existing regulation of broadcasting. I'd like to thank our co-regulator, the Authority for Television on Demand, for its support over the years and during the transition.

Ofcom is a national organisation, operating within a European competition framework, and our main base is in London. But we need to understand and serve very different parts of the United Kingdom. We have offices in each of the nations and we are opening a new base in Edinburgh in the coming months. We will also open the doors to a new office in the north west of England. Our consumer-facing contact centre and spectrum licensing teams are moving to Warrington. This underlines our commitment to reflect the full breadth of the nations we serve, while also improving our efficiency.

We welcomed two high-calibre appointments to the Board in Ben Verwaayen and Bill Emmott during the year. They are already bringing their broad experience and judgement to the Board, which is greatly benefiting Ofcom and helping to build on our strong reputation.

Ben and Bill replaced two of our longstanding Board members – Mike McTighe and Tim Gardam – who stepped down having each served two terms. Meanwhile, Stephen Hill resigned from the Board to pursue other opportunities. Tim, Mike and Stephen have made significant contributions to Ofcom's work over the years; I am extremely grateful for their support and wish them well for the future.



#### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm



# B

## PERFORMANCE REPORT

## CHIEF EXECUTIVE'S REPORT

Sharon White, Chief Executive

Rural Lancashire might not be the first place you would expect to find one of the UK's pioneers in ultrafast broadband. But local residents in the Lune valley benefit from broadband speeds of 1 Gbit/s – that's 35 times faster than the current national average.

What's more impressive than the speed is the determination of the residents, many of whom do not even have mains water or gas. They have worked together tirelessly to dig the trenches and lay the fibre-optic cables needed for this state-of-the-art broadband network.

I visited this project, Broadband for the Rural North (B4RN), earlier this year. It reinforced my view that supporting the roll-out of fibre broadband directly to homes and offices is vital if the UK is to remain a world-leading digital economy.



This was a fundamental part of our *Strategic Review of Digital Communications*, a wide-ranging review to ensure that people get the communications services they need to live and work in the 21st century. This will be achieved through more competition among fibre networks and reform of Openreach, the division of BT that maintains the UK's largest phone and broadband network on behalf of providers. We are now working hard to implement plans, which I believe will make a real difference for phone and broadband users.



We announced our review against the backdrop of consolidation and convergence in the market, and rising consumer expectations about their phones, TV and internet services.

The convergence we have talked about for many years is now a reality. This is why I understand the logic of having a common regulator of broadcasting standards, which was proposed in the May 2016 Government White Paper on the future of the BBC. This means that regulation of the BBC will pass wholly to us, building on our existing oversight of commercial broadcasters and some areas of BBC programmes. While we will have a bigger role in regulating the BBC, a new BBC Unitary Board will be responsible for governance.

The coming year will involve significant planning to be ready for what represents the most substantial extension to Ofcom's responsibilities since it was created. With the right resources in place, we are confident we can regulate the BBC professionally and effectively. Ofcom always puts consumers and citizens first in the sectors we regulate. Similarly, our regulation of the BBC would promote the needs of audiences, drawing on our significant experience of broadcasting and media at Executive and Board levels.

We have an extensive programme of work and made significant strides against the priorities we set for 2015/16. Here's what we have done.

## Promote competition and ensure markets work effectively for consumers

### Making it easier for people to change provider

We are making it easier for people to change provider. Simple, swift switching is vital if consumers are to take advantage of competition in the market.

So in June 2015, we introduced a 'one touch' process for people changing broadband or landline provider on the Openreach telecoms network – including customers of BT, EE, Sky, TalkTalk and Vodafone. This has greatly reduced the hassle of changing provider for millions of people.

### Better information to navigate the market

Alongside simpler switching, people and businesses also need clear information to help them navigate the market. We made progress this year and launched advanced mobile and broadband coverage maps. These allow people to check what services are available in their area, and whether they are receiving the service they should be. People have visited these online maps more than three quarters of a million times in the last year.

In December, we produced our first 'app' for smartphone and tablet computers, which allows people to check whether their Wi-Fi internet is working as it should. So far, over 800,000 people have downloaded the app, which provides helpful advice on how to get the best out of wireless internet. We don't just use apps and the internet to help people. Ofcom's contact centre provided support and advice to almost 100,000 people and businesses who called and wrote to us during the year.

One of my big concerns is the broadband 'speeds gap' – the difference between the speeds people expect to receive and what they actually get. In 2015, we strengthened our Code of Practice on broadband speeds, which means that residential customers can now walk away from their broadband contract if speeds fall below the levels promised by their provider.

We also worked with one co-regulator, the Advertising Standards Authority, to bring about changes to the way broadband and landline prices are advertised, so that consumers are not misled about the true cost of deals.

### Working with other regulators

During the year, we provided expert advice to the relevant competition authorities on the mergers in our sector. The takeover of EE by BT was approved in January. We advised the Competition and Markets Authority on the deal, outlining some concerns but explaining that measures from our *Business Connectivity Market Review* can address competition concerns that might arise.

We also provided evidence to the European Commission towards its assessment of the proposed takeover of O2 by mobile operator Three. Here, we outlined significant concerns about how the proposed deal would harm competition and potentially lead to higher prices. In May 2016, the Commission prohibited the merger.

### Secure standards and improve quality

#### Looking after audiences

It has been an important year in our work to protect audiences. We brought in-house the regulation of video-on-demand services. We also produced our periodic review of public service broadcasting, which found the sector in good health, but we warned that minority groups felt under-represented. We also reported emerging concerns about older people's satisfaction with the sector.

#### Improving availability

This year we outlined plans to help the government implement its proposed new universal service obligation. This will give every home and business a legal right to a broadband connection of at least 10Mbit/s by the end of the current Parliament. That's enough to stream TV, make video calls or work from home.

We laid the groundwork to release more airwaves for mobile providers, and make the 700MHz spectrum band available for use across the UK by 2022 at the latest – and earlier if we can. This was made possible by a detailed programme to start clearing spectrum to meet people's growing demand for data on the move. Meanwhile, the auction of spectrum at 2.3 and 3.4GHz bands was paused until the outcome of the proposed Three/O2 merger, which was prohibited by the European Commission in May 2016.

### Supporting businesses

Our *Connected Nations* report revealed the challenges we face in ensuring that small businesses, the growth engine of our economy, receive the communications services they need. By June last year, 68% of small and medium size enterprises (SMEs) had access to superfast broadband in the UK, compared with 85% of all premises.

Supporting businesses remains a big focus for Ofcom. We announced a broadband speeds Code of Practice to protect businesses, with BT, TalkTalk and Virgin Media among those signing up. The Code comes into force in September, after which businesses can leave a contract if speeds fall below what's promised.

This is supported by our improved, tailored advice for businesses on switching to a new provider, as well as information on negotiating contracts and resolving complaints.

We introduced tough new rules to ensure that Openreach installs and repairs more quickly the high-capacity 'leased lines' used by businesses. We also ruled that companies providing these leased lines should be granted access to BT's networks, through a process known as 'dark fibre'. This involves BT giving competitors physical access to its fibre-optic cables, allowing them to take direct control of the connection, increasing competition and innovation.

## Protect consumers from harm

### Taking action against bad practices

When companies break our rules, we can investigate and impose fines. In July 2015, we imposed a penalty of £1m on mobile operator EE, having found failures in its complaints handling processes. We have on-going investigations into other providers.

### 0800 free from mobiles

On 1 July 2015, millions of people and businesses benefited from freephone numbers (starting 080 and 116) becoming free from all phones – landline and mobile. We also made the charges for some premium rate numbers clearer, so people know what they are paying.

### Tackling nuisance calls

Tackling nuisance calls remains a major priority for us. We know it remains a huge problem and estimate that people in the UK receive around 4.8 billion nuisance calls each year.

While Ofcom has specific responsibility for tackling silent and abandoned calls, we continued our concerted fight against all nuisance calls with the Information Commissioner's Office (ICO), which regulates marketing calls and messages. We reached agreement with ten telecoms companies to introduce technical fixes that should lead to a significant reduction in these types of calls. We are already seeing progress, and welcome efforts by TalkTalk and BT to block nuisance calls. We issued a £150,000 penalty to XS Remarketing Ltd, trading as Debt Masters Direct, for making silent and abandoned calls.

## Deregulating where possible

We are always mindful of not placing unnecessary burdens on the companies we regulate. Where possible, we will always seek to remove regulation. For example, this year we removed an obligation on Sky to wholesale some of its main sports channels to other broadcasters, having found that competition was now working well.

## Improving efficiency

We have achieved our work with a view to maximising the value for money of the resources that we spend – from Government and through our industry fees. Ofcom's budget for the next five years is frozen in cash terms, and we will continue to play our part in meeting the challenge facing public finances.

In particular, we will make efficiencies by narrowing our footprint in London, lowering our ICT costs through a new contract, and reducing procurement spending. Ofcom has delivered 11 consecutive years of like-for-like real-terms budget reductions, and we will continue to reduce our spending where we can. We have set our budget at £114.3m, in line with 2015/16, which represents a 1.5% real-terms reduction from 2015/16.

## Work programme for 2016/17

This year, we want to build on our recent work to make communications work for everyone.

Having made switching easier for broadband customers, we are now focused on improving the process for mobile phone users. We published options for making this work in March. In the coming months, we will outline plans to improve people's

experience of switching bundled services – landline, broadband and pay-TV – between providers using the Openreach, Virgin Media cable or Sky satellite networks.

We want to continue closing the broadband 'speeds gap'. For example, we're exploring new opportunities to make more wireless spectrum available to broadband routers, which could improve the performance of home Wi-Fi in future.

Coverage must keep improving, so we'll continue to advise Government on the new universal broadband service. In mobile, we are on track for 98% of households to receive an indoor 4G signal by the end of 2017. These measures will help ensure people do not get left behind.

Tackling consumer harm will remain a priority for Ofcom. We'll continue to investigate and sanction companies who break our rules, and keep working with the ICO to tackle nuisance calls.

Our regulation must remain relevant and effective. So we are carrying out a major review of the General Conditions, the rules that all telecoms companies have to meet in order to operate in the UK. This will seek to make Conditions clearer, reduce the cost of compliance, and deregulate carefully where rules are no longer necessary.

This is a big year for Ofcom. In particular, preparing for full regulation of the BBC will require careful planning, as well as additional resources and expertise. As we carry out this important work, we will not lose sight of our duties and priorities in the other sectors we regulate.

Our Annual Plan for 2016/17 provides more detail on our priorities and our work programme.

# 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.

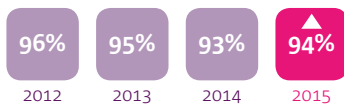


## TV

**(Broadcast) TV viewing**  
(minutes per person per day)

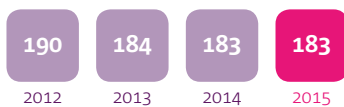


**Multi-channel take-up**  
(% of all households)

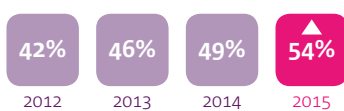


## Radio

**Radio listening**  
(per person per day in minutes)

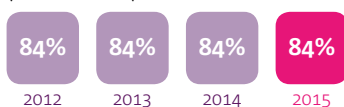


**Digital radio take-up**  
(% of adults)



## Landline

**Take-up**  
(% of adults)

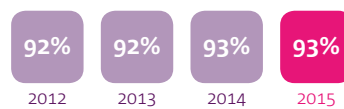


**Use**  
(billion minutes)

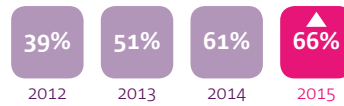


## Mobile

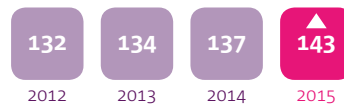
**Mobile take-up**  
(% of adults)



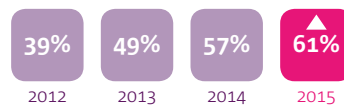
**Smartphone take-up**  
(% of adults)



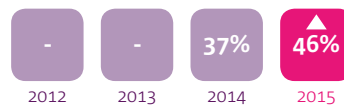
**Mobile use**  
(billion minutes)



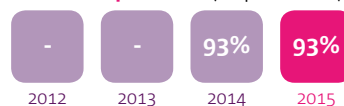
**Mobile data take-up**  
(% of adults)



**Outdoor 4G mobile coverage from all operators** (% premises)



**Outdoor 2G mobile coverage from all operators** (% premises)



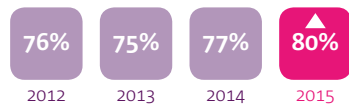
## Post

**Use**  
(volume of addressed letter items in billions)

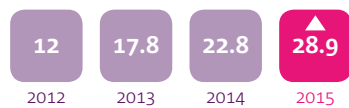


## Internet

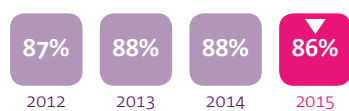
**Broadband take-up**  
(% of adults)



**Average fixed broadband speeds**  
(Mbit/s)



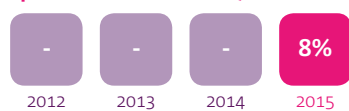
**Satisfaction with fixed broadband service** (% of households with fixed broadband)



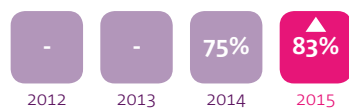
**UK residential superfast broadband take-up** (30Mbit/s and above)



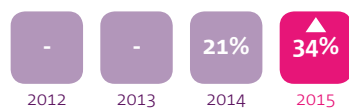
**% of homes connected by lines that cannot receive broadband speeds above 10Mbit/s**



**Coverage of superfast broadband** (% premises)



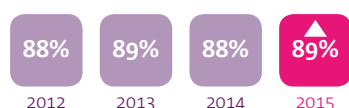
**Take-up of superfast broadband** (% premises)



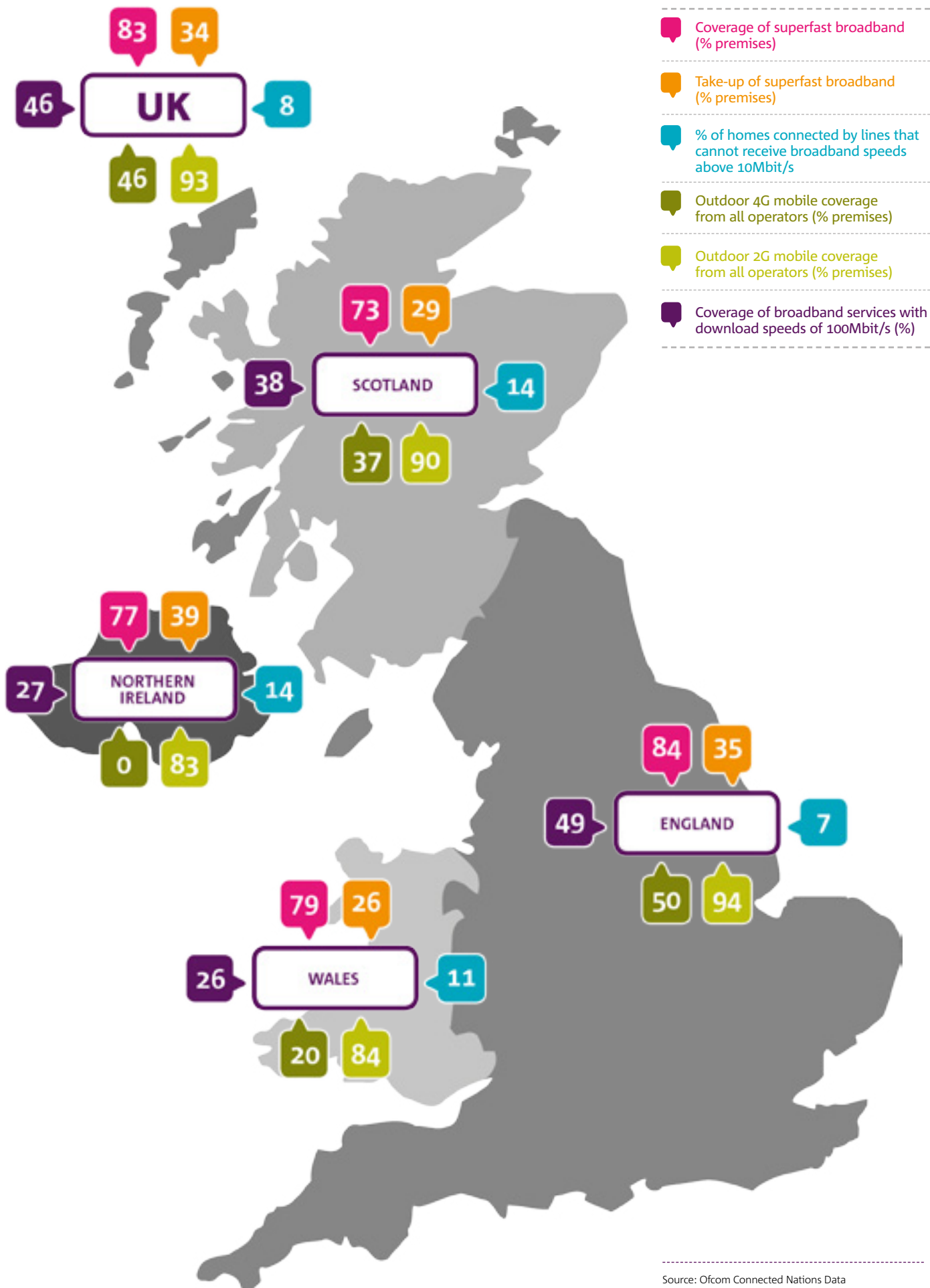
**Coverage of broadband services with download speeds of 100Mbit/s (%)**



**Customer satisfaction with the postal service** (%)



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



Source: Ofcom Connected Nations Data

# PROGRESS ON DELIVERING AGAINST OUR ANNUAL PLAN PRIORITIES

Ofcom exists to make communications markets work for everyone.



To achieve this, we have three fundamental long-term goals and a set of annual priorities under each of these goals.

## Our goals

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

## Promote competition and ensure that markets work effectively for consumers

We want people and businesses to benefit from a range of communications products and services. We also want markets to provide wide choice, fair prices, high quality, investment and innovation.

We do this by ensuring that markets can work effectively, through regulation where appropriate, so that consumers benefit from competition.

### **Our objective: to undertake a strategic review of digital communications**

The telecoms market has been transformed over the past decade. Two-thirds of us now own

smartphones; high-definition; video streaming is commonplace; and many people enjoy superfast broadband at home and high-speed 4G internet on the move. The market is evolving, as operators compete against one another to provide landline, mobile, broadband and TV services over converging networks.

To help support the development of digital communications, Ofcom must continue to provide a clear regulatory framework for the future.

Our *Strategic Review of Digital Communications* is designed to promote competition and support continued investment and innovation. As an overarching review of the UK's digital communications, it takes into account the range of market developments, announcements and expected developments within the sector over the coming decade.

The review aligns with Ofcom's goal to ensure markets work effectively for people and businesses through the promotion of competition, greater availability and improvements to quality of service.

### What we have done

After outlining the scope of the review in March 2015, we engaged with the public, consumer groups, academic experts, public bodies and stakeholders, including companies we regulate. We held a stakeholder forum in May and a series of workshops.

After gathering evidence, we concluded this first phase of the review with a discussion document in July 2015.

Building on the responses and further detailed analysis, phase two of the review concluded in February 2016 with publication of our initial conclusions. Here we set out our short and long-term plans to promote the interests of consumers and businesses.

We outlined five main strands of our strategy:

- Promoting competition and network investment, including a strategic shift to encourage operators to connect large-scale, competing fibre networks directly to homes and offices. This will provide an alternative to existing telecoms networks which are partly based on copper, a much older technology;
- A plan to reform the governance of Openreach and strengthen its independence from BT, with greater independence in taking its own decisions on budget, investment and strategy. This may require Openreach to become a ring-fenced, 'wholly-owned subsidiary' of BT Group with its own purpose and board members; or, if necessary, to be spun off as an entirely separate legal entity, with its own shareholders;
- A step-change in quality of service. This will include performance tables, comparing service quality by operator; tougher minimum standards for Openreach, and automatic compensation for consumers and small businesses when things go wrong;
- Empowering consumers, particularly making sure they have real power to exercise choice in the market. This means providing clear, engaging information on the services available to them, and the ways in which they can switch provider; and
- Deregulating and simplifying our rules, while protecting consumers by stepping back from regulation where people and businesses no longer need it – such as where markets are sufficiently competitive.

We are implementing the specific conclusions of the review through separate work streams within Ofcom.

### Outcome

Telecoms users across the UK have benefited from innovative products, wider choice and lower prices since our last strategic review in 2005. But while coverage and quality are improving, the pace of change is not fast enough to meet the growing expectations of people and businesses.

There is also growing interest in converged communications products, and we are seeing consolidation within the industry.

The conclusions of our strategic review are intended to deliver more competition and less reliance on Openreach; a new structure for Openreach, with appropriate independence; tougher quality of service targets; and enhanced broadband and mobile coverage.

These conclusions are in the early stages of consultation and implementation. Engagement with industry, Government and consumers will remain a crucial aspect of our work in the coming years.

We believe we have established a framework to promote investment, competition and improved service levels. This is designed to ensure that consumers and businesses get the phone, broadband and mobile services they need over the next decade, wherever they live and work.





### **Our objective: Ensure effective competition in the provision of communications services for businesses, particularly SMEs**

Leased lines form a critical building block in the UK's infrastructure. These dedicated high-speed data links are used by large businesses and mobile and broadband operators to transfer data on their networks. They also provide vital high-speed links between schools, universities, libraries and other public bodies.

Effective competition in the leased lines market helps foster investment, innovation and choice, and ultimately benefits consumers.

Communications services are also essential to the UK's 5.2 million SMEs (small and medium-sized enterprises with fewer than 250 employees). SMEs make up 99.9% of UK companies and are significant contributors to economic growth. We want to ensure the market delivers the coverage, quality and prices that small businesses need, as well as sufficient protection when things go wrong.

### **What we have done**

We examined leased lines as part of our *Business Connectivity Market Review* (BCMR). Most of these lines are owned and maintained on behalf of competing providers by BT. We concluded that BT should open up its optical fibre network to providers of high-speed leased lines for businesses. We believe this will allow competitors to develop new high-capacity services for their customers.

We have also introduced new, minimum quality-of-service performance requirements on Openreach for leased lines, and deregulated in some areas of the market where competition is now sufficient.

Separately, we outlined a programme of work to help SMEs get the best out of their communications services.

This followed a detailed study of business broadband speeds, availability, quality of service and the ability to choose and switch between providers. Our research identified several areas to be addressed through a combination of regulation, public policy and action by broadband providers.

This work is under way, including introduction of a new business broadband Code of Practice. Providers have agreed to give businesses clearer, more accurate

and transparent information on broadband speeds before they sign up to a contract. Signatories to the Code commit to effectively managing any problems that businesses have with broadband speeds, and to allowing customers to leave their contract if speeds fall below a minimum guaranteed level.

Our research also found that SMEs are less well served by superfast broadband than residential users, and that 84% of SME premises in rural areas do not have access to such a service.

We recommended to Government that explicit targets should be set for SMEs' access to superfast broadband. We also expanded our dedicated online business portal, first launched in 2014. This provides advice to SMEs on choosing and switching provider, navigating the market, negotiating contracts and resolving complaints.

### **Outcome**

Over the coming years, our decisions from the BCMR should lead to lower prices, greater innovation, faster installations and more competition in the provision of high-speed business lines.

Although 85% of SMEs feel their business needs are well catered for by the communications market, a significant number have concerns about broadband speeds, availability, quality of service and choice.

We are taking action, alongside industry and Government, to address these concerns as a priority. We will continue to engage closely with SMEs to help ensure their needs are being met.

### Our objective: Improve the process of switching providers for consumers

Consumers must be able to find the best deals and easily switch providers if they're to take full advantage of competition in communications markets. Difficulties changing provider can constrain consumer choice and harm competition and investment, while the increasing practice of bundling services together can make switching harder still.

We believe that switching is easier when consumers can make informed decisions, and have confidence that the process will run smoothly. Our research has found that switching can be much harder when consumers have to contact their existing provider as part of the process.

#### What we have done

In June 2015 we made switching between broadband and landline providers on the Openreach telecoms network much simpler. A new 'one touch' process now places the responsibility for the switch entirely in the hands of the company to which the customer is moving. We also extended this to the KCOM copper network in Hull.

In March 2016 we outlined options to make it easier for consumers to change their mobile phone provider. How this works today can vary, depending on whether the customer wishes to keep their existing number.



Our preferred option is to move to a 'gaining provider led' system, similar to that in place for voice and broadband services. But we are also seeking views on simplifying the existing process by making it quicker and easier to transfer a number to a new provider.

Separately, we are now reviewing consumers' experiences of switching 'triple-play' services (bundled landline, broadband and pay-TV products) between providers using the Openreach, Virgin Media or Sky satellite networks.

Beyond switching, Ofcom is engaged in a number of projects to encourage competition between providers. These include working to ensure consumers have greater awareness of when their contracts are coming to an end; initiatives to help consumers navigate the market; and an enforcement programme covering the current arrangements for cancelling and terminating contracts, including an ongoing investigation into Sky's compliance with the rules on cancellations and terminations.

#### Outcome

We expect to conclude our work on the current mobile switching processes in autumn 2016.

Our strategic review identified a need to improve switching for bundled services. We plan to outline next steps, including any proposals for change, as part of a formal consultation in the summer. We are also working with Government and the European Commission on developing an appropriate framework for the regulation of switching bundles.

Throughout our work on switching, across both mobile and triple-play services, we are looking to accommodate future market developments such as widespread take-up of 'quad-play' bundles involving landline, broadband, pay-TV and mobile services.

### **Our objective: Secure the continuing provision of the universal postal service**

UK consumers and businesses benefit from the universal postal service, which requires Royal Mail to collect and deliver letters six days a week (and parcels five days a week), at the same price to every address in the UK.

We have a duty to secure the provision of a universal postal service that is financially sustainable and efficient. This should help meet people's needs across the UK's nations, and in rural areas.

### **What we have done**

Our December 2014 review of competition in the postal sector concluded that the universal service was not currently under threat.

However, we decided to broaden our review to assess other factors – beyond competition in letters

– that might affect the universal service. In particular, we outlined plans to examine how quickly Royal Mail should be able to increase its efficiency, as well as developments in the parcels market.

Whistl, which had been Royal Mail's only major competitor in the delivery of letters, decided to cease that part of its operation in June 2015. In the absence of direct competition in letters, we are concerned that Royal Mail may have less incentive to improve its efficiency or constrain prices. We subsequently announced plans to expand our work by conducting a fundamental review of postal regulation. This is designed to ensure our regulation remains appropriate and sufficient to secure the universal postal service.

We sought initial evidence for the review in July 2015, and followed this up with a detailed consultation in April 2016.

During the year we continued our monitoring of the main aspects of the postal market that affect the universal service. Our fourth annual monitoring update, published in November 2015, found that Royal Mail's regulated business had increased its profit margin to 5.6% in 2015/16. This is within the range of 5%–10% which Ofcom believes allows the universal service to be financially sustainable.

### **Outcome**

Having considered a range of factors that could affect the sustainability of the universal postal service, including changes in the market, we plan to conclude our review of the postal regulatory framework by the end of 2016.

Our goal remains to ensure postal users benefit from a universal service which delivers innovation and lower prices, while recognising our duty to balance this against the financial sustainability of the company providing that service.



### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm

### **Our objective: Represent the UK's position in international negotiations to agree how best to use spectrum effectively**

Spectrum is a finite and valuable resource that underpins wireless services ranging from TV to radio communications and broadband. Efficient use of the airwaves is vital to enable the UK's digital economy to meet consumers' needs. One of our core roles is to carefully manage this important resource.

We represent the UK in international spectrum discussions, including the World Radiocommunications Conference (WRC)<sup>2</sup>. This forum, held approximately every four years, is used to review and revise the international treaty governing spectrum.

This treaty acts as a framework for the global use of spectrum, helping regulators avoid interference between countries and enabling operators or equipment manufacturers to improve economies of scale and interoperability. These benefits flow through to consumers in the form of lower prices and a wider choice of devices.

The most recent conference was held in November 2015 (WRC-15). It addressed spectrum issues in sectors including mobile and mobile broadband, aeronautical, satellite, scientific use and radio astronomy, maritime and amateur radio.

### **What we have done**

We undertook a full and wide-ranging engagement programme in the run-up to WRC-15, including work with the Government and UK stakeholders. Before the conference we published a consultation, an update and a final document setting out the UK's positions.

We also engaged extensively with stakeholders through consultation and public working group meetings. We then coordinated our position with that of the UK's geographic neighbours in the CEPT<sup>3</sup> (the European Conference of Postal and Telecommunications Administrations).

We provided a strong voice for the UK at WRC-15. Our proposals aimed to support the UK's interests, while recognising the importance of good collaboration within the CEPT group. For example, we advocated use of the 1427–1518MHz and 3,400–3,600MHz frequency bands for mobile broadband; and we proposed a range of bands for technical studies around '5G', the next generation of mobile broadband. We also proposed that CEPT endorse the position that digital TV spectrum, in the UHF band, should remain exclusively for broadcasting for the coming years.

From a UK perspective, we worked to secure the retention of the 'leap second' in universal coordinated time; we defended the technical protection of microwave fixed links used in the North Sea oil and gas industry; and we represented the UK satellite industry's interest in a number of discussions.



### **Outcome**

Our proposals were largely agreed in CEPT and at WRC-15. We believe this represented a good result for the UK. Changes endorsed at WRC play a significant part in setting future expectations and investment decisions for many sectors across radio communications, such as satellite, mobile, aviation and maritime. Over time, these translate into greater choice and lower prices for people and businesses.

The results of WRC-15 will also feed into, and inform, our longer-term reviews to ensure the efficient use of spectrum in the UK. These include our mobile data strategy<sup>4</sup> and our strategic review of spectrum, used by the satellite and space science industries<sup>5</sup>.

<sup>2</sup> <http://www.itu.int/en/ITU-R/conferences>

<sup>3</sup> <http://cept.org>

<sup>4</sup> <http://stakeholders.ofcom.org.uk/consultations/mobile-data-strategy/>

<sup>5</sup> <http://stakeholders.ofcom.org.uk/consultations/space-science-cfi/>

### Secure standards and improve quality

We want to ensure that good-quality communications services are accessible and affordable for everyone in the UK.

While competition is at the heart of our approach, it cannot do this alone. In some cases, we need to make targeted interventions.

#### **Our objective: Promote audience safety and assurance on traditional and online environments**

On traditional broadcasting platforms, we license more channels than ever before. Some of these channels are from broadcasters without a long-standing presence or an established culture of regulatory compliance. This brings more opportunity for innovation, but increases the risk that harmful content might be aired.

To address these challenges, we have carried out a range of work to maintain and update the audience protection and assurance framework for audio-visual content. Alongside this, we continue to promote the safety of audiences who consume content online, particularly children.



#### **What we have done**

Following a wide-ranging review, we implemented changes to our process for licensing broadcast services and enforcing standards. Our aim was to ensure that licensees comply with our rules, and to enable us to detect breaches as effectively as possible.

This work included expanding our monitoring to detect potentially harmful content; conducting an audit of, and additional checks on, our licensees; taking robust enforcement action against licensees who breach licence conditions; and helping new licensees to understand their regulatory obligations.

On 1 January 2016, Ofcom became the sole regulator for on-demand programme services. This area had previously been led by a co-regulator, the Authority for Television on Demand (ATVOD). Ofcom now regulates editorial content in on-demand programme services, alongside our existing broadcasting regulation. This creates efficiencies that benefit both audiences and industry. The Advertising Standards Authority (ASA) will continue to act as our co-regulator for advertising content in on-demand services.

Ofcom is the chairing body of a social media working group within the UK Council for Child Internet Safety (UKCCIS). In this role we produced a UKCCIS guide<sup>6</sup> for social media operators, offering advice and good practice in the field of online child safety. The guide is designed for technology start-ups and medium-sized companies that provide social media and interactive services online, or on mobile devices, for the under-18s. This might include social networks, messaging or interactive game providers.

In December 2015, we delivered our fourth report to the UK Government on internet safety measures to protect children. This focused on parents' strategies to protect children online, and provided an update on measures taken by the UK's four largest fixed-line internet service providers<sup>7</sup> to extend their offer of family-friendly filtering services to new and existing customers.

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/487973/ukccis\\_guide-final\\_\\_3\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487973/ukccis_guide-final__3_.pdf)

<sup>7</sup> BT, Sky, TalkTalk and Virgin Media.

<sup>8</sup> 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.

Ofcom remains an active member of the European Regulators Group for Audiovisual Media Services (ERGA). We have contributed significantly to its sub-group on the protection of minors, which provided a collective report from ERGA members to the European Commission on the application of the Audiovisual Media Services Directive<sup>8</sup>, and on matters relating to audio-visual media services more generally.

**Outcome**

Audiences continue to expect high standards of protection on television and radio. Our work to strengthen our licensing and enforcement has ensured we have an effective and targeted approach to protecting audiences.

In the digital world, we have an effective framework in place to provide audiences with the right levels of protection and assurance from potentially harmful audio-visual content.

As the way people watch and listen to content continues to change, Ofcom will ensure that regulation keeps pace and promotes the best interests of audiences.

**Our objective: Promote better coverage of fixed and mobile services for residential and business consumers**

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

For example, around 2.4 million homes and small businesses are still unable to receive broadband speeds above 10Mbit/s, while just 68% of SMEs have access to superfast broadband, compared with 85% of all UK premises. And while 99% of urban areas enjoy voice coverage from all four mobile networks, this falls to 72% in rural areas, 42% on UK roads, and 31% inside rural premises.

**What we have done**

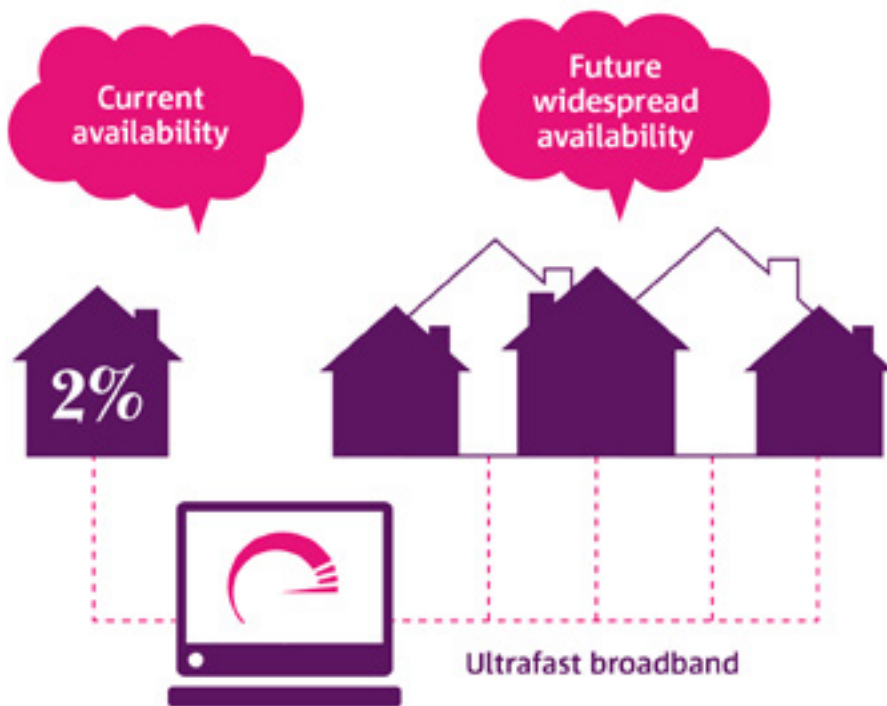
Driving up quality of service and coverage through better consumer information remains central to our plans.

We published two further research reports examining the performance of 3G and 4G services from the UK's four national mobile network operators (MNOs): EE, O2, Three and Vodafone.

We also launched a powerful online tool which enables people to check the quality of mobile coverage down to 100 square metres. We believe this is the most accessible and comprehensive tool available to consumers and businesses for assessing mobile coverage. In March 2016 we further improved the tool by adding broadband information so that people and businesses can now check their mobile and superfast broadband coverage, as well as average download speeds, all in one place.

**SMEs broadband access**





We are also working to remove barriers for smaller providers to invest in their own networks, which often serve areas with little or no existing coverage. Looking further ahead, we are engaging with industry and policymakers to consider how to support the next generation of broadband networks. The next few years could see widespread availability of ‘ultrafast’ broadband (defined as speeds greater than 300Mbit/s), which is currently available to just 2% of homes.

**Outcome**

Our research shows good progress on the availability and take-up of communications over the past year. However, there is still more to do. Our challenge is to keep supporting competition and innovation, while also helping to improve coverage across the country – particularly in hard-to-reach areas and for SMEs.

Our work to make more mobile and fixed broadband service information available should help consumers make more informed choices. It should also assist policymakers looking to improve mobile coverage, and incentivise communications providers to improve networks. At the same time, our efforts with Government and industry should help further extend the availability of broadband and superfast broadband services to the homes and businesses currently unable to receive good speeds.

Our digital review includes plans to assess how we can impose new obligations on operators bidding for wireless spectrum, in order to help increase coverage in rural areas. The review also outlines plans to support Government action to reduce the cost of mobile network investment, including a review of the rules governing the construction of new masts.

During the year we continued to advise the Government on the technical aspects of a range of ways to help improve mobile coverage. This included providing the Department for Transport (DfT) and Network Rail with technical support for improving mobile services on railways. The DfT is set to invest more than £50m to improve Wi-Fi access on trains.

Also in March 2016, we published research on UK home broadband performance. The report focused on three key measures relevant to consumers’ experience of broadband: download speeds, upload speeds and video streaming quality.

There remain a number of challenges in improving the coverage and quality of fixed broadband services across the UK.

Around 8% of UK homes and small businesses are currently unable to receive broadband speeds of 10Mbit/s

or above, a level we have identified as the tipping point at which most users rate their broadband experience as ‘good’. This figure increases to 48% of homes and businesses in rural areas, while a similar proportion of SMEs in areas like business parks are unable to receive such speeds.

We are working closely with Government and industry to meet these challenges. We are providing technical advice to Government and will help implement its proposed new universal service obligation (USO), which means every home and business will have a legal right to request a broadband connection of 10Mbit/s by the end of the current Parliament.

We aim to ensure that, wherever possible, people and businesses have a choice of provider, which might involve both fixed and wireless technologies, to deliver the USO.

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

Mobile service providers need access to more spectrum to support consumers' growing demand for internet services on the move, fuelled by smartphones and tablet devices.

We need to manage the limited supply of spectrum, and balance the needs of different users by ensuring they have access to an appropriate amount.

**What we have done**

During the year we focused on three specific spectrum bands – all of interest to mobile network operators and others involved with mobile broadband. The 700MHz band is currently used for digital terrestrial television (DTT) and 'programme making and special events' (PMSE). The 2.3GHz and 3.4GHz bands were formerly used by the Ministry of Defence, but form part of the Government's plan to release 750MHz of public sector spectrum in bands under 10GHz by 2022, of which 500MHz will be made available by 2020.

For the 2.3 and 3.4GHz bands, we published two statements (in May and October 2015) outlining the planned auction of 190MHz of spectrum across the two bands. These confirmed the details of the auction format, design and reserve prices. The latter statement also examined potential competition concerns around the award of the spectrum, concluding that the auction could proceed without the application of specific competition measures.

In November 2014, we decided to change the use of the 700MHz band to mobile data, aiming to make it available for such use by the start of 2022 at the latest.



Ahead of this, we continue to work on the challenges associated with clearing the band and safeguarding the interests of existing DTT and PMSE users.

The past year has seen us continue to engage on international spectrum planning and harmonisation discussions. We have carried out further work with broadcasters to help plan for necessary DTT infrastructure modifications, while co-ordinating with the PMSE industry to ensure it retains access to spectrum for its services to thrive in the future.

**Outcome**

Our decision to release the 700MHz frequencies for mobile broadband will inevitably affect current users of the band. DTT continues to perform a vital role in providing viewers with low-cost, near-universal access to public service TV channels (such as Freeview).

However, we are working to ensure that there is minimal disruption to DTT viewers; the vast majority will need only a simple retune of their existing equipment.

We have also identified a number of frequency bands that wireless microphones can use. Working closely with the PMSE community, we hope to limit any problems associated with the transition to these new bands.

Following the European Commission's decision on the merger between Hutchison 3G UK and Telefónica UK, we are now in a position to proceed with the auction of the 2.3 and 3.4GHz bands. We will look to bring the frequencies into use as soon as possible so that businesses and consumers benefit from lower prices, improved quality of service and faster network speeds.



### **Our objective: Monitor and ensure improved quality of service and customer service performance**

Competition, innovation and investment in telecommunications over the past decade has benefited customers in the form of lower prices. But while consumers have generally received good value for money, too often they have faced poor quality of service. Some have suffered unacceptable delays with installation or fault repair, or frequent incidents of dropped mobile calls.

We are identifying quality of service problems in our sectors, while developing policies and taking enforcement action to improve the level of service provided to customers.

#### **What we have done**

As part of our 2014 *Fixed Access Market Review*, we introduced new service quality requirements on Openreach for fault repair and the installation of standard phone and broadband lines.

Over the course of the past year we have closely monitored Openreach's performance against its obligations, and conducted a detailed review of its annual compliance statement.

While the performance of Openreach has improved, we think it can do better. We are currently reviewing the minimum standards we apply to Openreach as part of the *Wholesale Local Access Review*, due to conclude in 2017.

**94%**  
**Minimum standards**

**Result of objective**  
94% of faults must be fixed within five hours.



Separately, we have introduced minimum quality of service performance requirements on Openreach for the installation of leased lines. This follows concerns that Openreach was taking too long to install such lines, and was too often changing the date on which it promised to deliver services.

The new rules mean that by 2017 Openreach will have to provide a new Ethernet line (the most common type of leased line used by businesses) within 40 working days (down from 46 days today). It must also meet the original installation date agreed with customers in 80% of cases by 2016 (from around 50% today), rising to 90% by 2018.

We will establish minimum standards in new areas, such as fault rates, to complement existing requirements for improved repair times. For Ethernet leased lines, we have imposed a rule that at least 94% of faults must be fixed within five hours.

Our digital review identified other ways to improve quality of service. We plan to introduce rules to incentivise Openreach to go beyond minimum standards and deliver better service. When things do go wrong, we want consumers and businesses to receive automatic compensation for a loss of or reduction in service.

Today there is virtually no publicly-available information on telecoms quality of service. We plan to address this with an annual report on service quality, naming the best and worst performers – both mobile and fixed operators – on a range of performance measures.

Alongside this, we have been working to address poor customer service by improving providers' complaints handling and ensuring they comply with our rules.

During the year we continued to publish our regular telecoms complaints research and bulletins, and in January 2016 we published research into the quality of customer service by providers. This helps us monitor consumer's experiences and evaluate changes in customer service over time, by market and provider.



We reviewed the current arrangements for complaints handling and dispute resolution in postal services, concluding that there is no need to change anything for now. During 2016 we will be conducting a similar review for telecommunications.

We published two new advice guides that set out how consumers can get their service problems resolved, and how to seek appropriate redress.

We also continued to take action when providers failed to deal with customer complaints in accordance with our rules.

We imposed a penalty of £1m on EE in July 2015 after finding deficiencies in its complaints handling processes. An investigation into Vodafone's complaints handling procedures is still on-going. In September we announced an action plan to improve how providers inform their customers about dispute resolution schemes.

Separately, we worked with providers to ensure they offer appropriate redress for network problems – such as price reduction, compensation, or the right to leave the contract where appropriate.

### Outcome

Ultimately, quality of service is best improved through competition, not by regulation. By giving a full picture of the quality offered by the main providers, we not only empower consumers to choose services that better meet their needs; we also give providers an incentive to improve their performance and enhance their reputation among customers.

Our enforcement work backs this up, ensuring that consumers can be confident their complaints will be handled properly.

### Protect consumers from harm

We want to ensure that people do not face sharp practices and that vulnerable people are protected from specific harms.

We do this by implementing additional measures where there is a risk of exposure to harmful behaviour by firms, or to harmful content on television and radio.

#### **Our objective: Protect consumers from harm in a range of priority areas including nuisance calls**

Nuisance calls take many forms, from unwanted sales calls and messages (both live and recorded), to silent and abandoned calls. We estimate that UK consumers receive around 4.8 billion nuisance calls each year.

Our objective is to minimise consumer harm by encouraging communications providers, wherever feasible, to block or stop these calls; by empowering consumers to make informed judgements about these calls; and by taking effective enforcement action against those who make these calls unlawfully.



#### **What we have done**

Ofcom takes enforcement action against companies making silent or abandoned calls using its 'persistent misuse' powers under the Communications Act 2003.

In 2015/16 we issued three enforcement notifications. One of these resulted in a £150,000 penalty, while the other two investigations are on-going. During the calendar year 2015, we also opened 98 informal investigations, closing 80 after complaints stopped or dropped significantly.

In December 2015 we published a consultation on our 'persistent misuse' policy. We proposed to make our enforcement faster, tougher, and more effective. The consultation closed in February 2016, and we are progressing towards our statement.

In April 2015 we formed a working group of ten communications providers to explore ways to reduce nuisance calls on their networks. As a result, the providers have agreed to monitor traffic on their networks and, wherever feasible, take steps such as blocking or stopping calls that meet agreed criteria. As part of this initiative, we will receive regular reports on the volume of calls stopped and, wherever possible, the source of the calls.

We are also working to improve calling line identification (CLI). This service allows people to see the number of the person calling them, before they answer.

We continued our engagement with the global standards body, the Internet Engineering Task Force (IETF), on standardising CLI authentication, in order to prevent 'number spoofing', where the caller deliberately presents a false number. The aim is to make it easier for people to determine who is calling them, and for regulators to trace calls.

We intend to implement CLI authentication in the UK as quickly as possible. However, we recognise that it will only be fully effective when it is adopted on a global scale, which may take a number of years.

Ofcom has responsibility for tackling silent and abandoned calls, and for maintaining the Telephone Preference Service (TPS) register. The UK Information Commissioner's Office (ICO) is the primary enforcement agency of the Privacy and Electronic Communications Regulation 2003, which makes certain kinds of direct marketing calls illegal. Ofcom and the ICO are working together to tackle the problem.

In July 2013 we adopted a joint action plan to combat nuisance calls, and together we update it regularly. In 2015 we focused on sharing intelligence and coordinated law enforcement, joining the ICO on an enforcement raid and providing technical assistance.

We have continued to coordinate with international regulators, sharing information and strategies about consumer empowerment and enforcement intelligence.

### Outcome

Persistent enforcement work, co-ordination with UK and international regulators, and measures being taken by providers will all help to reduce the number of unwanted calls consumers receive.

While there is no simple answer to preventing nuisance calls, we will continue to pursue all available solutions to ensure consumers are better protected.

We face a number of challenges, but believe we are deploying the right strategy and tactics to address the problem. This remains a priority work area for Ofcom.

### Our objective: Implement reform of non-geographic numbering to ensure price transparency

Every day, people use non-geographic numbers – those starting 08, 09 and 118 – to find out information, contact a business or helpline, or for using competition, directory-enquiry, entertainment and voting services.

Ofcom research found that people were sometimes confused about the cost of calling these numbers and did not know who was setting the charges. This created a lack of confidence in these numbers, and at times meant people avoided using them.

We decided consumers needed access to better information. At the end of 2013, we announced decisions to make the cost of calling businesses and services clearer for consumers from 2015.

### What we have done

On 1 July 2015, Freephone numbers (starting 080 and 116) became free from all consumer phones, whether landline or mobile.

For numbers starting 084, 087, 09 and 118, the cost now comes in two parts, helping callers understand where their money is going: an 'access charge' to the phone company, and a 'service charge' set by the company being called.

Before the changes came into force, we worked with the UK telephone industry to launch a consumer information programme, explaining the biggest changes to calls in more than a decade. This six-month national campaign launched under the banner UK Calling, and included a new website, [ukcalling.info](http://ukcalling.info).

Broadcasters often use non-geographic numbers so audiences can interact with programmes; for example, by voting in a television programme or participating in a radio phone-in show. In October 2014, we consulted on how the UK Calling changes should affect the Broadcasting Code. We published our statement on amendments to the Code in April 2015, designed to make the cost of non-geographic numbers clearer and simpler for viewers and listeners to understand.

### Outcome

Our work on non-geographic calls is designed to make prices more transparent, help improve competition, restore consumer confidence and lead to an increase in use of such numbers.

Consumers have benefited directly in several ways. Freephone numbers are now free from mobile phones; the service charge for premium-rate (09) numbers has been capped; and the cost of calling 084 and 087 numbers is clearer.

We commissioned research to measure consumer awareness of the changes across the UK. This found that, by the time it concluded in August 2015, UK Calling had generated awareness among more than half of the adult population. More than nine in ten adults said they were not concerned by the changes, and more than half a million individuals had visited the UK Calling website.

## 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 55.

Principal risks	Key mitigating actions
<b>Outcome of the Government’s review of the BBC’s Royal Charter</b>	
<p>The Government’s White Paper on the renewal of the BBC Royal Charter sets out significant new responsibilities for Ofcom. These include areas such as editorial standards, competition issues and periodic reviews of BBC performance. There will be a debate about the precise shape and scope of these new responsibilities, and we can expect considerable public interest.</p> <p>There is significant work required before Ofcom is ready to take on its new responsibilities, and the final transition timetable will need to reflect this.</p> <p>While Ofcom has extensive experience of broadcast and competition regulation, the new responsibilities will require additional resources.</p>	<ul style="list-style-type: none"> <li>• We will work with the Government and the BBC on the next steps, ensuring clear and transparent communications with the media, the public and industry.</li> <li>• We will be involved in the process of drafting the new Charter and Agreement insofar as they relate to Ofcom’s role.</li> <li>• We have launched a structured organisational change process to ensure we have the capacity and skills in place to meet any new responsibilities.</li> <li>• Early engagement with DCMS and the BBC on funding arrangements for our new responsibilities.</li> </ul>
<b>Ensuring the digital communications markets continue to work for consumers and businesses</b>	
<p>The pace of change and innovation witnessed in the markets we regulate over the last ten years will continue in the future.</p> <p>In February, we published our initial conclusions of the <i>Strategic Review of Digital Communications</i>, which set out our approach to regulating communications markets over the next decade.</p> <p>Failure to implement our proposals may mean that we do not meet the needs of consumers and businesses and stifle new investment and innovation.</p>	<ul style="list-style-type: none"> <li>• We published our initial work plan for implementing the recommendations made in our initial conclusions publication in our 2016/17 Annual Plan.</li> <li>• We continue to work closely with industry, Government and consumers.</li> </ul>
<b>Securing positive outcomes for consumers</b>	
<p>We have a challenging programme of work aimed at promoting choice, securing standards and preventing harm. This includes work in the following areas:</p> <ul style="list-style-type: none"> <li>• Auto-compensation;</li> <li>• Switching;</li> <li>• Nuisance calls; and</li> <li>• Quality of Service information.</li> </ul> <p>Failure to successfully deliver this broad programme of work may undermine benefits to consumers and lead to consumer harm.</p>	<ul style="list-style-type: none"> <li>• Our programme of work in this area is outlined in our 2016/17 Annual Plan.</li> <li>• We will consult on a requirement for retail communications providers to provide compensation automatically when they fail to provide a service to designated standards.</li> <li>• We’ve outlined options to make it easier for consumers to change mobile suppliers and are reviewing consumers’ experiences of switching bundled services.</li> <li>• We have a joint action plan with the ICO to tackle nuisance calls and continue to work with industry on technical solutions.</li> <li>• We propose to establish a new annual report, covering a range of network and customer service quality measures for all providers in the communications sector.</li> </ul>

Principal risks	Key mitigating actions
<p><b>Cyber security and data handling</b></p> <p>The protection of our IT systems and the data we hold, and the processes and safeguards we have in place to ensure that we handle data securely, are critically important. A failure in any of these areas could result in harm to our customers and stakeholders and cause Ofcom considerable reputational damage.</p>	<p>We have an ongoing programme of work designed to ensure that we have a robust set of defences and policies in place. These include:</p> <ul style="list-style-type: none"> <li>• independent tests of our network to ensure that we have appropriate defences against external threats;</li> <li>• continued work to ensure, maintain and enhance our existing control framework; and</li> <li>• ongoing assurance as part of the internal audit plan.</li> </ul>
<p><b>Consolidation in the markets we regulate</b></p> <p>In January 2016, BT completed its acquisition of mobile operator EE. In March 2015, the mobile operator Three announced plans to acquire its competitor O2, although this acquisition has subsequently been blocked by the European Commission.</p> <p>We are mindful that consolidation in the markets we regulate may have advantages, but could weaken competition and lead to increasing prices and lower quality in the wholesale and consumer markets.</p>	<ul style="list-style-type: none"> <li>• We will continue to work closely with the European Commission and the Competition and Markets Authority in relation to mergers.</li> <li>• As needed, we will consider alternative interventions that lead to better outcomes in the event of a merger.</li> </ul>
<p><b>Clearance of the 700MHz spectrum bands</b></p> <p>In November 2014 we published our decision to change the use of the 700MHz band from DTT and PMSE use to mobile data use. The Government announced in the 2015 budget that it would provide up to £600 million to support the delivery of this change of use of the spectrum. Ensuring value for money is a key priority.</p>	<p>We have implemented a robust assurance framework for the use of funds. This includes expert and financial review of grant applications, non-executive scrutiny of decisions and independent assurance, including oversight from the National Audit Office.</p>
<p><b>Ability to attract and retain high quality, diverse talent</b></p> <p>Our colleagues are our most valuable asset. An upturn in the external jobs market may undermine our ability to attract and retain high quality, diverse talent.</p>	<p>We have undertaken a comprehensive review of our colleague strategy which includes salary levels, terms and conditions, work content and job titles and continue to explore options to offer colleagues greater working flexibility.</p>

# WORK IN THE NATIONS AND OUR INTERNATIONAL ENGAGEMENT

## Our work in the nations

Improving the availability and quality of communications services for consumers and citizens, wherever they live, remains at the forefront of our work.

This work must be informed by the views and interests of people across the UK. We have offices in each of the nations, to ensure direct engagement with national governments, elected representatives and local stakeholders; we have Advisory Committees for each nation; and a Nations Committee that reports directly to the Ofcom Board. Our Content Board and Consumer Panels also contain members representing each nation.

Over the past year, the UK Parliament and respective nations' parliaments and assemblies have been considering devolution proposals which include giving additional roles to the devolved nations, in relation to Ofcom. As a result of this, our Board structure will be expanded over the coming year to incorporate members directly appointed by national governments.

We will also look at other ways we can continue to improve our engagement with and responsiveness to the nations.



In Northern Ireland we have continued to support initiatives to roll-out broadband and improve mobile coverage, providing advice to the Northern Ireland Executive, the Northern Ireland Assembly and local authorities.

Over the past year we also briefed the Assembly's Culture Committee on TV standards and the *Public Service Broadcasting (PSB) Review*. We compiled a report for the Assembly's Enterprise Committee on viewers' access to the RTÉ and TG4 online players, and gave evidence to the Committee on mobile coverage improvements.

A major piece of work for us in Scotland has been implementing the recommendations of the Smith Commission, including the drafting of a new Memorandum of Understanding between Ofcom, the UK Government, the Scottish Government and Scottish Parliament.

We have also been preparing for the opening of our new policy base in Edinburgh later this year. The new office is likely to include policy and competition advisers, economists and legal experts.

In Wales we have continued to work with the Welsh Government to support the roll-out of the Superfast Cymru project, and have provided advice on broadband and mobile availability in rural areas.

We are committed to implementing the Welsh Language Scheme, which delivers an excellent service to anyone wishing to conduct their business with Ofcom in Welsh. We have continued to work with the Welsh Language Commissioner preparing for the transition to the new Welsh Language Standards regime.

In England, we have been working on plans to open a new office in Warrington, which will be home to our consumer-facing contact centre and spectrum licensing teams.

We have also provided advice and evidence to the UK Government and Parliament throughout the year, including presenting the findings of our *Strategic Review of Digital Communications*, and holding a drop-in event for MPs to try Ofcom's new interactive coverage checker.

## Our international engagement work

Ofcom's activities, and those of the companies we regulate, are influenced by international developments.

The communications sector is increasingly global in nature; we work closely with European institutions, other national communications regulators, international partners and multilateral organisations.

We also seek to learn from and share regulatory experiences and good practice with our overseas counterparts. This includes attending regulatory and inter-governmental meetings, multilateral debates, and speaking at international events, to share our insights and experiences.

Over the course of the year we provided support – including the short-term secondment of a technical expert – to the European Commission while it assessed the proposed takeover of O2 by rival mobile operator Three. We made formal submissions to the Commission setting out our concerns about a transaction which, if approved, would have created a new market leader in the UK mobile market and removed an important competitor. The proposed acquisition was subsequently blocked by the Commission, as it had strong concerns that UK mobile customers would have had less choice and paid higher prices as a result of the takeover, and that the deal would have harmed innovation.

We worked throughout the year to ensure that the interests of UK citizens and consumers remain at the heart of the policy debate. We provided input to the European Commission ahead of its review of the Electronic Communications Framework, a set of Directives that governs telecommunications regulation in Europe. We were active in the Body of European Regulators of Electronic Communications (BEREC) as it continues to develop guidelines to implement EU legislation, adopted last year on mobile roaming and net neutrality.

Spectrum policy is a growing part of the European debates around the Framework. Our Spectrum Director, Philip Marnick, has been elected Chair of the Radio Spectrum Policy Group (RSPG) for 2016/17. This is a high-level body which advises the European Commission on spectrum matters.

The RSPG has already produced an Opinion on the Framework Review, and Philip's chairmanship will enable Ofcom and the UK to play a leading role during this crucial period. The Commission has brought forward legislative proposals to make the 700MHz spectrum band available for mobile broadband, and we are engaging on this and other matters through the Radio Spectrum Committee.

In May 2016, the Commission issued proposals to update the Audiovisual Media Services Directive, which sets EU-level minimum rules for content regulation. We have collaborated with regulators in Europe, providing expert advice to the Commission through the European Regulators Group for Audiovisual Media Services (ERGA), ensuring the UK's interests are well represented in this important review.

We have been active in European postal committees, to understand the challenges facing the sector, and to prepare for an EU initiative on cross-border parcels.

Outside Europe, we represented the UK in the telecoms standardisation and radiocommunications working groups of the International Telecommunications Union (ITU). In November 2015 we represented the UK's interests at the World Radiocommunications Conference (see page 19).

We also contributed to the work of the Organisation of Economic Cooperation and Development (OECD).

We will continue to work hard to ensure that the outcomes of international policy debates are positive for the communications sector in the UK and in Europe.



# OTHER WORK TO SUPPORT OUR GOALS

As well as fulfilling our Annual Plan priorities, we work to deliver on our long-term goals and achieve the best outcomes for citizens and consumers within our day-to-day responsibilities.

## Secure standards and improve quality

### Content standards, licensing and enforcement in broadcasting

Ofcom has a range of duties relating to broadcasting content. These include securing adequate protection for the public from harmful or offensive material; the protection of children; and ensuring a wide range of TV and radio services of high quality and wide appeal.

## Protecting audiences from harm and offence

This year we commissioned research on audience attitudes towards offensive language. The findings will inform how we assess offensive language before 9:00pm on television, and when children are particularly likely to be listening to radio.

We also carried out research into adults' media use and attitudes across TV, radio, games, mobile and the internet, with a particular focus on online use and attitudes.

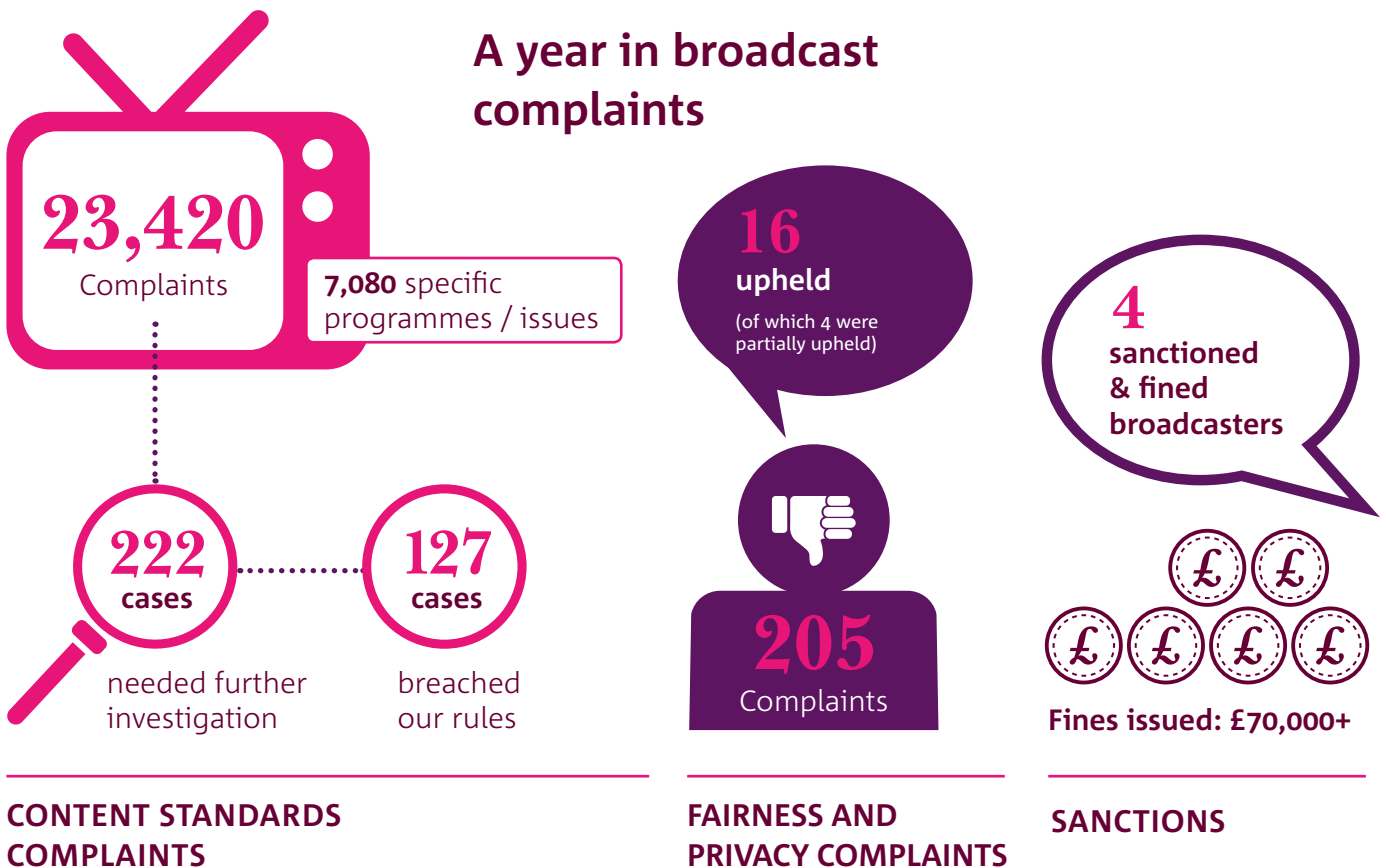
We fined Asia TV Limited £25,000 for broadcasting claims that serious medical conditions could be treated by alternative remedies alone.

We also found the broadcaster Governance Ministries in breach of the Code, for broadcasting a personal testimony suggesting that cancer had been treated by prayer alone.

## Protecting freedom of speech

As well as enforcing against breaches of the Code, we must have due regard to the broadcaster's right to freedom of expression, and the audience's right to freedom of information.

This year we found no breach in "Fighting Terror with Torture" (Panorama, BBC One), a documentary exploring extreme interrogation methods. We noted the strong public interest, and that the programme was not aimed at children.



We also found no breach in “*Politicians for Hire*” (Dispatches, Channel 4), which reported allegations that two Parliamentarians were willing to use their positions and contacts for personal gain. We found no unfairness to the subjects, and that secret filming was warranted.

### Protecting children

We have a duty to protect children from unsuitable broadcast material and harmful content on video-on-demand services.

This year we found Paramount UK Partnership in breach of the Broadcasting Code for including offensive language, sexual themes and adult humour in pre-watershed trailers on Comedy Central and Comedy Central Extra.

We also found ITV in breach of the Code for showing fantasy violence scenes that were unsuitable for children in the first episode of *Jekyll and Hyde* at 6:30pm.

We took rapid action to protect children from the on-demand programme service ShebangTV, by issuing a notice to comply. This was in response to the service containing unrestricted adult content and prohibited content that was accessible to minors.

We also carried out wide-ranging research into how children and young people access and use different types of media, and the role parents play in overseeing them.



### Protection against extremist views

Ofcom has a duty to prohibit broadcast material that is likely to encourage or incite crime or disorder.

In January 2016, we consulted on changes to our rules which prohibit material that is likely to encourage or incite crime, or lead to disorder. The revised rules took effect from 9 May 2016.

We expanded our programme of content monitoring, with a focus on channels posing greater potential risks of harm to the public.

We also found broadcaster Club TV Limited in breach of the Code for broadcasting highly offensive and discriminatory comments about Jewish people in lectures on Peace TV Urdu.

### Diversity in broadcasting

The UK is a world leader in television production, and it is important that there are equal opportunities for everyone who wants a career in broadcasting.

Ofcom has a duty to promote equality of opportunity in broadcasting. In August 2015, together with the Equality and Human Rights Commission, we published a report called ‘*Thinking Outside the Box*’. This provides guidance for the television broadcasting sector on what action can be taken to increase diversity in the industry. It aims to tackle some of the misunderstandings about what equality law prohibits and permits.

#### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm

## Public service broadcasting review

Public service broadcasting (PSB) means TV programmes that are broadcast for the public benefit, rather than for purely commercial purposes. This kind of broadcasting brings significant cultural benefits to society in a number of ways. It ensures diversity in the media and plurality in news, and provides programmes that reflect and examine wider society. PSB also plays an important economic role in supporting the creative industries, particularly the independent production sector.


As the UK broadcast regulator, Ofcom has duties to conduct regular PSB reviews. We examine how well the system is working, whether broadcasters are delivering its purposes, and how the quality of PSB can be maintained and strengthened in future.

In July 2015 we published our annual report on PSB, alongside the conclusions of our most detailed review since 2008.

### Main conclusions

We found that public service broadcasters continue to make a significant contribution to UK broadcasting. Viewers value PSB programmes, and audience satisfaction is high.

Over half of all TV viewing is to the main PSB channels – BBC One, BBC Two, ITV, UTV, STV, Channel 4 and Channel 5. That rises to over 70% when all the channels broadcast by PSBs, such as time-shifted ‘+1’ channels, are taken into account. Additionally, eight in ten viewers (79%) believe PSB is delivering on its purposes – such as trustworthy news and high quality programmes that reflect the UK – a notable increase from 69% in 2008.



**79%**  
of TV viewers

**PSB is delivering on its purposes**

Watching online, on demand and across a range of devices is increasingly important to viewers, especially younger people. We believe this presents challenges as well as opportunities for PSBs, who need new ways of connecting with audiences and remaining effective in the digital age.

Investment in new UK content from the PSBs fell by around £440m in real terms between 2008 and 2014, a decline of 15%. Broadcasters have responded through a mixture of savings and changes to the types of programmes they make. As a result, the volume of new content from PSBs remained high, with 32,491 hours of new UK programmes in 2014, compared to 33,981 hours in 2008.

### Representing different audiences

Audiences across the UK attach a high degree of importance to the portrayal of their nation or region. But one in five (21%) viewers in Scotland, and one in four (26%) viewers in Northern Ireland, felt they were portrayed negatively in PSB programmes.

Ofcom research found that more than half (55%) of respondents from black ethnic groups also felt they were under-represented in PSB programmes and a similar proportion (51%) felt they were negatively portrayed.

Around half (51%) of disabled people felt under-represented.

Ensuring PSB reflects the diversity of the UK is an area broadcasters must monitor closely to ensure they meet their responsibilities and audience expectations.

### Future challenges

We believe broadcasters need to continue adapting their models to maximise commercial revenues and efficiencies. Otherwise, they are likely to face difficult choices about which content and services they are able to fund.

PSB is supported by certain benefits such as access to valuable digital TV spectrum, prominence on electronic programme guides and, in the BBC's case, the licence fee. Policy makers will need to consider whether the benefits designed to enable PSB will remain effective in the internet age.

## Spectrum for audio programme making and special events (PMSE) uses

PMSE relies on radio spectrum for wireless applications that are essential to the production and staging of a wide range of live and broadcast entertainment events, such as location-based news broadcasts and theatre productions.

The planned release of the 700MHz band for mobile services will reduce the amount of spectrum available for using audio PMSE equipment – such as wireless microphones and in-ear monitors.

In October 2015 Ofcom consulted on plans to make spectrum available for users of wireless audio equipment in the PMSE sector.

In March 2016 we published our decision to allow PMSE users to share access to the 960-1164MHz band with aeronautical radio navigation services. We will implement this decision in accordance with spectrum management rules agreed with the Civil Aviation Authority.

## Promote competition and ensure that markets work effectively for consumers

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

In 2010, we required Sky to offer Sky Sports 1 and 2 to other retailers at a wholesale price set by Ofcom. This rule, known as ‘wholesale must-offer’ (WMO), was introduced to ensure competition, leading to choice and innovation for sports audiences.

In December 2014 we began a review of the WMO rule to determine whether it remained appropriate.

The market for premium sports has evolved markedly since 2010. As a result of commercial wholesale arrangements, Sky Sports is now available from a range of pay-TV providers – including TalkTalk, Virgin Media and BT Vision. Sky Sports channels are also available on Sky’s internet-based NOW TV service, which can be accessed on a range of devices.

Meanwhile, new providers such as EE and Vodafone have entered, or plan to enter, the TV market, and companies are increasingly competing to bundle pay-TV services with broadband and mobile.

Having considered Sky’s supply arrangements, and market developments since 2010, we removed the wholesale must-offer regulation in November 2015.

We recognise that pay-TV is an important market valued by consumers, with 58% of UK homes now subscribing to a service. We want to ensure choice and innovation is delivered to consumers through fair and effective competition, and we will continue to monitor the market closely. Should evidence emerge of anti-competitive practices, we will reassess the need for regulation.

### Takeovers

BT announced plans to acquire the mobile operator EE in December 2014, a deal which was reviewed by the Competition and Markets Authority (CMA). The following month, the UK’s smallest mobile network operator, Three, announced plans to acquire its competitor O2. This proposal was reviewed by the European Commission (EC).



Over the course of the year, we provided support to the CMA and the EC during their respective merger review processes. We analysed the markets affected by each merger, provided market data; made formal submissions setting out our concerns, and suggested potential remedies. We also arranged the short-term secondment of a technical expert to both the CMA and the EC.

Consolidation has the potential to undermine competition and lead to increasing prices in wholesale and consumer markets. Following any given merger, we will consider any alternative interventions that may be necessary to help foster better outcomes. For example, we feel our decision to introduce ‘dark fibre’ access, as part of our *Business Connectivity Market Review*, will help mitigate some of the concerns raised by stakeholders on the provision of wholesale mobile services following the acquisition of EE by BT.

### Wholesale Local Access and Narrowband Market Reviews

Both of these market reviews will be heavily influenced by the initial conclusions of our *Strategic Review of Digital Communications*.

Ofcom’s *Wholesale Local Access Market Review* is a three-yearly study of competition in the landline voice and fixed broadband markets.



We have sought stakeholders' initial views, and plan to follow this up during the current year with a formal consultation. We aim to introduce any necessary changes to the regulatory framework in 2017.

The *Narrowband Market Review* looks at competition in making and connecting landline calls. We sought initial views on this market in 2015, and plan to consult in detail before reaching a conclusion during the current year. The consultation process will consider how far we can deregulate traditional voice telephony while maintaining protection for vulnerable users and those who remain dependent on their landline.

### Competition investigations and industry disputes

Ofcom's Competition Investigations Team investigates suspected breaches of rules and resolves regulatory disputes between companies.

During 2015/16, we resolved two disputes relating to BT's average porting conveyancing charges and the company's use of a mechanism for postponing Ethernet installations, known as 'deemed consent'.

We closed one complaint during the year on the grounds of administrative priority. As of 1 April 2016 we had two on-going competition law investigations.

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

Statistical data covering our casework and that of the Consumer Protection team is given in the Annex on page 110.

### New annual licence fees for mobile spectrum

In September 2015, we published revised annual fees for mobile operators. These are the amounts of money operators must pay to use the 900MHz and 1800MHz spectrum bands to provide their voice and data services.

In 2010, the Government directed Ofcom to revise these fees to fully reflect their market value.

Following extensive analysis and consultations, we concluded that mobile operators should pay a combined annual total of £199.6m per year, compared with £64.4m previously.

### Protect consumers from harm

We want to make sure that consumers get the best choice and value for money from their communications services, and we are ready 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 are reviewed here.

#### Tackling mis-selling

We continue to monitor complaints about landline mis-selling and 'slamming' – where a customer's line is transferred without them knowing – and have taken action as appropriate.

As a result, complaints about landline mis-selling have remained low throughout the year, at around 300 per month, from a peak of more than 1,000 per month in June 2010.

In July we concluded our investigation into Universal Utilities Limited (trading as Unicom), and imposed a £200,000 penalty.

### Ensuring disabled consumers are given the right information

An Ofcom 'mystery shopping' exercise revealed that disabled customers may not be getting the information they need from communication providers.

In August 2015, we opened a monitoring and enforcement programme to assess providers' practices for publishing and promoting the services they offer to users with disabilities. We are currently assessing the responses, and will take further action where necessary.

### New rights and clearer information for residential broadband customers

We strengthened our existing Broadband Speeds Code of Practice for residential consumers in January 2016, allowing them to walk away from a contract without penalty, at any point, if their provider fails to deliver the minimum speeds initially promised. As part of the changes, signatories agree to provide customers with transparent and accurate information on their likely broadband speeds, so that customers fully understand what they are signing up to.

Separately, acting on Ofcom research, the Advertising Standards Authority (ASA) announced new rules to make the advertising of line rental and broadband deals clearer, which will help people compare deals more easily.

# HOW WE WORK AND WHO WE WORK WITH

## 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.

### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm

## 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**

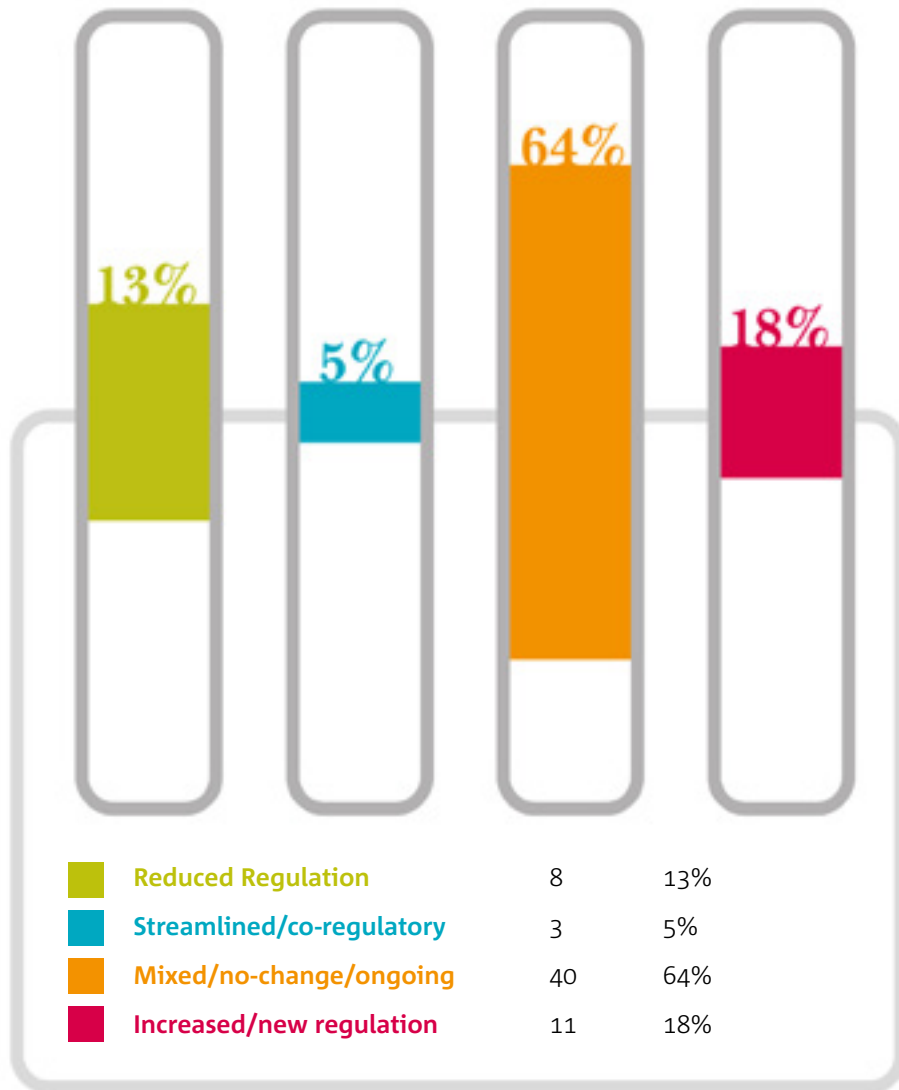
Ofcom is focused on reducing regulation where possible. We believe that ‘better regulation’ means ensuring rules are properly targeted, and do not impose undue burdens on stakeholders.

During the past year we made a number of significant regulatory decisions. Some of these decisions

supported our focus on reducing regulation. In order to safeguard the interests of citizens and consumers, some decisions required additional or strengthened regulation, mainly around our work to secure the optimal use of spectrum. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom’s regulatory decisions and statements in 2015/16.

**Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2015/16**

Impact of our statements on the regulatory burden to stakeholders in 2015/16 of the 62 major statements made in the year:



An overview of the key decisions and statements that we have made during the year can be found in the Annex on pages 105 to 107.

**Consultations**

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

If the period for consultation is too short, some of those with important views to share may not have enough time to prepare their responses. If it is too long, the market concerned may have changed dramatically. When we decide how long a consultation should last, we need to strike the right balance between these two considerations. There are generally three categories of consultation:

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

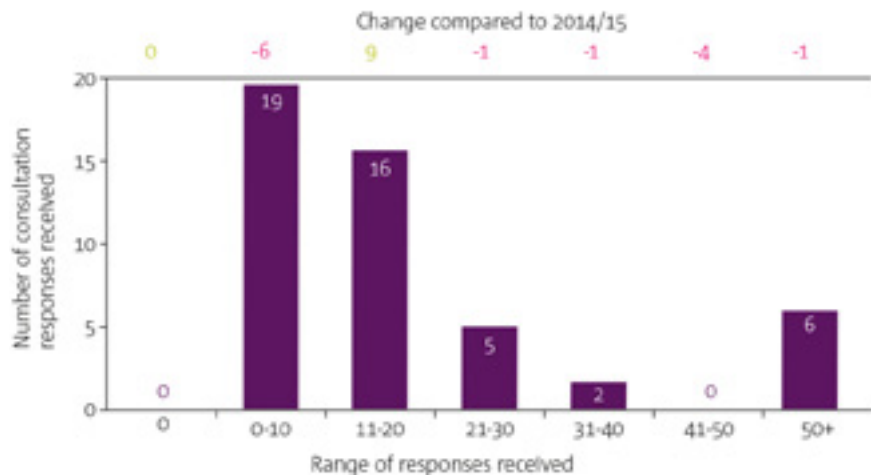
**Figure 2: Analysis of consultation duration: 2015/16**



Ofcom collects statistics on the number of responses to consultations, as shown in Figure 3. We received 1,411 responses to our consultations, down from 10,519 in 2014/15. The significant increase in responses in 2014/15 was mainly due to our consultation on the *Review of Ofcom List of Major Political Parties for Elections Taking Place on 7 May 2015*.



**Figure 3: Responses to consultations: 2015/16**

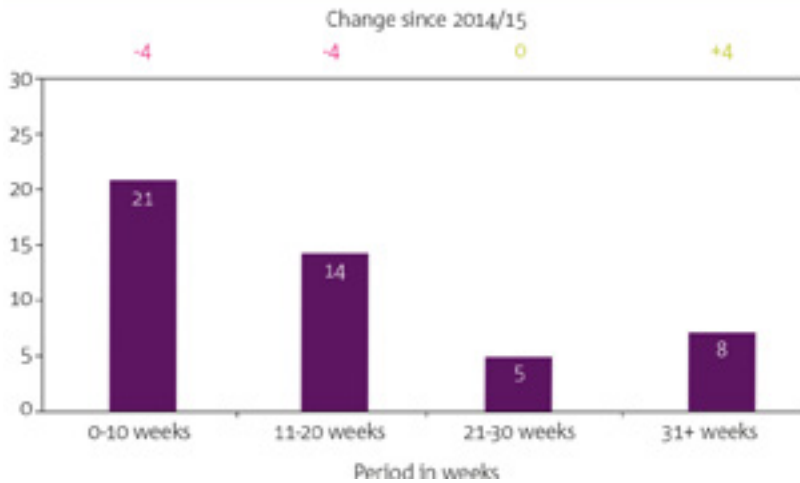




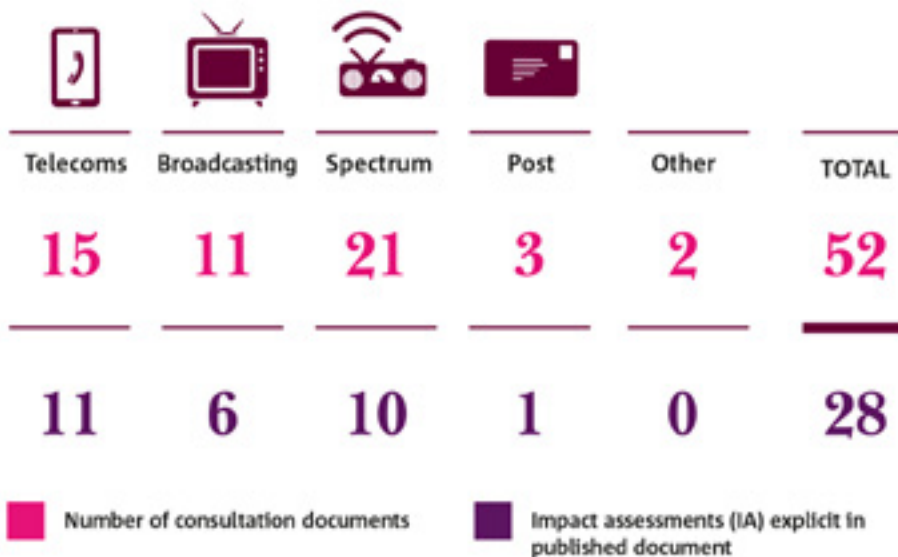
**Timeliness of decision making**

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 4). In 2015/16 73% of decisions were announced within 20 weeks of closing a consultation, the majority of which were within ten weeks.

**Figure 4: Analysis of the time taken to publish an Ofcom decision from the close of the consultation period: 2015/16**



**Figure 5: Analysis of impact assessments carried out**



**Impact assessments**

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

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

We must publish a list of the impact assessments we carry out during the year and this is in the Annex on pages 108 and 109.

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

Figure 5 highlights that, in 2015/16, 54% of consultations had conducted an impact assessment, explicitly referenced in a specific section or annex of the consultation document. In some circumstances, it may not be necessary or appropriate to conduct an impact assessment. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

## Engagement with stakeholders

### Consumers and citizens

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

Ofcom's Consumer Contact Team receives around 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.

Our separate offices in each of the nations of the UK provide Ofcom with detailed and expert insights into the particular challenges faced by citizens and consumers in different parts of the UK. Our advisory committees for each nation of the UK offer information and advice to Ofcom on aspects of its work, and of communications in general, which

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

### Industry and Governments

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

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

## New and revised duties

The former Authority for Television on Demand (ATVOD) had responsibility for handling complaints relating to the editorial content of UK-based video-on-demand (VoD) services. This has now been integrated into Ofcom, and we have taken on this work alongside our other regulatory duties.

## Co-regulators and other bodies

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

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

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

# FINANCIAL REVIEW

## Delivering our duties and value for money

In 2015/16 Ofcom set a budget that delivered further real term savings against the previous year. In setting a budget of £114.3m, we achieved a budgetary reduction of £2.7m (a reduction of 3.4% in real terms) compared to the 2014/15 budget. We were able to do this through the focus on cost saving initiatives such as bringing our programme-making and special events licensing (PMSE) in-house, utilising cloud-based ICT services where appropriate and successfully securing savings in our contracts providing facilities management and employee payroll and benefits service provision.

Our budget for 2016/17 builds on previous efficiencies and reflects our ongoing commitment to provide value for money. By identifying areas where we can do things differently, as well as responding to new challenges in the markets we regulate, we have set our budget at £114.3m for 2016/17, the same as our 2015/16 budget. This represents a 1.5% real-term reduction.

In 2016/17 we will continue to look at how we carry out our work and where resources are limited, we will make choices in line with our goals and overall duty to promote citizen and consumer interests. In 2015/16 we undertook an internal review to look at the challenges Ofcom faces, and how we should respond to these challenges, to ensure that we are as effective as possible in the future.

Our internal review included an assessment of our property requirements. It involved looking at where our teams are located, and at more agile working arrangements for colleagues, to reduce our London footprint and deliver further efficiencies.



Note 25 to the Accounts sets out our progress on this in more detail including after the end of the reporting period. In 2016/17 we are relocating Ofcom's Customer Contact Team away from our London office to the North-West of England. As we move some spectrum licensing services online, this function will also move from London to Warrington. We have reviewed how we manage our properties, consolidating and simplifying our approach, to bring greater efficiencies and cost savings.

### Financial performance 2015/16

Note 2 to the accounts provides Ofcom's £114.1m annual running cost on a cash accounting basis. This running cost is broadly in line with the budget set, and we delivered our annual plan of work in addition to managing emerging priorities,

including our work on the *Strategic Review of Digital Communications*, through effective and efficient use of the resources available. Savings achieved in the year were offset by additional costs for some specific software licences, an accrual in respect of additional business rates liabilities for our London property, and by advancing some expenditure previously planned for the following financial year.

During the year Ofcom also invoiced and collected a total of £270.0m for the public purse from Wireless Telegraphy Act licensees, geographic telephone numbers, 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:

### Sector stakeholder funding

Broadcast licence fees for:

- Television
- Radio

Administrative charges for:

- Electronic networks and services and making available associated facilities
- Postal services regulation

## Grant-in-aid

- To cover Ofcom's operating costs for spectrum management
- To cover the costs for spectrum clearance and awards, including spectrum efficiency grants
- 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, Ofcom continues to focus on 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 relating to Spectrum Clearance and Awards, as this is an additional duty outside our core operating budget.

Income for Spectrum Clearance and Awards was £5.9m (2014/15: £4.3m). The increase of £1.6m reflects the commencement of grants payments to facilitate the clearance of the 700MHz band.

Ofcom's income excluding Spectrum Clearance and Awards for 2015/16 was £114.8m (2014/15: £111.2m). Changes from the previous year include:

- an increase in the regulatory charges of £4.1m for the networks and services operators. This is primarily due to increased activity in the sector, including the extensive work carried out for the *Strategic Review of Digital Communications* and the continued programme of market reviews required under the EU framework; and
- a decrease in grant-in-aid funding of £0.8m from the Scottish Government following completion of the work undertaken for the Glasgow 2014 Commonwealth Games in 2014/15.

Ofcom continued to be the host regulator for the UK Regulators Network (UKRN) in 2015/16, and will continue to do this for the first part of 2016/17. The hosting responsibilities will then transfer to the Civil Aviation Authority (CAA) from 1 November 2016. Any surplus held by Ofcom at this time will be passed onto the CAA.

### Operating expenditure

Operating costs relating to Ofcom's core responsibilities in 2015/16 were £48.0m, which is £1.7m lower than the prior year (in 2014/15 our operating costs were £49.7m). The differences from the prior year expenditure are attributable to the following costs.

Reductions:

- £2.0m from outsourced services costs by bringing programme making and special events (PMSE) licensing in-house, early in 2015/16;
- £1.3m of depreciation costs, with a number of assets fully depreciated in 2014/15;
- Enil impairment costs in 2015/16 compared to £0.6m in 2014/15 relating to the development of our e-licensing and programme making and special events licensing system; and
- £0.4m of technological research costs reflecting the programme of work in 2015/16, and a prioritisation of costs for the *Strategic Review of Digital Communications*.

Offset by the following increases:

- £1.4m of additional premises costs, partly as a result of recognising higher rates liability on our principal office. The previous year benefited from a release of an accrual of £0.9m following the successful conclusion of our rent review;
- £0.9m of temporary staff costs to moderate the use of consultants, and additional recruitment costs to fill critical organisational vacancies;

- £0.5m of audience and consumer research costs to assist policy development and investigation decisions to further the interests of consumers; and
- £0.4m of additional software maintenance and licence costs with the roll out of improved IT systems.

Staff costs are £2.7m above prior year (as set out in note 4 to the accounts) primarily as a result of the transfer of PMSE staff as part of the insourcing of the PMSE licensing arrangements, an increase in restructuring costs following the conclusion of reorganisation plans, the annual colleague pay review and successful recruitment into vacant positions throughout the year.

Spectrum Clearance and Awards expenditure of £5.9m (2014/15: £4.1m) increased as a result of commencing the 700MHz clearance programme grant scheme, set up to clear digital terrestrial television (DTT) licensees from the band.

### 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 raised in the two following financial years.

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £2.7m (in 2014/15 this was £6.8m).



### 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 deficit for the financial year after tax, recorded in the Statement of Income and Expenditure for the year under review, was £0.9m (2014/15: £0.1m surplus). The deficit for the year reflects the write down of deferred tax asset of £2.4m following our review of London property requirements.

### Additional funds collected on behalf of HM Treasury

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

In 2015/16, Ofcom collected £270.0m (2014/15: £272.6m) on behalf of HM Treasury.

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.

**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.

Regarding stakeholder funding 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 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 to 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.

At the time of last year’s annual report, a second-stage consultation regarding our Statement of Charging Principles was intended to take place during 2015/16. After considering stakeholders’ responses and assessing Ofcom’s current ongoing programme of work, Ofcom have taken the view that it is most appropriate at this

time to put the second stage of the consultation on hold. Once Ofcom considers it appropriate to progress with the review, details will be published on the Ofcom website.

**2016/17 tariffs**

On 30 March 2016, Ofcom published the Tariff Tables for 2016/17, which were based on an estimated operating expenditure outturn for 2015/16 of £114.3m; this was aligned with the 2015/16 budget.

The £0.2m variance between the actual operating outturn and the estimated operating outturn used to set fees and charges for 2016/17, will be passed back to stakeholders through tariffs for 2017/18 in line with our Statement of Charging Principles.

Ofcom’s budget for 2016/17 is £114.3m, which includes capital expenditure and actual payments to pension schemes, but excludes depreciation and amortisation. This represents a 1.5% real terms reduction in the total annual cost of regulation.

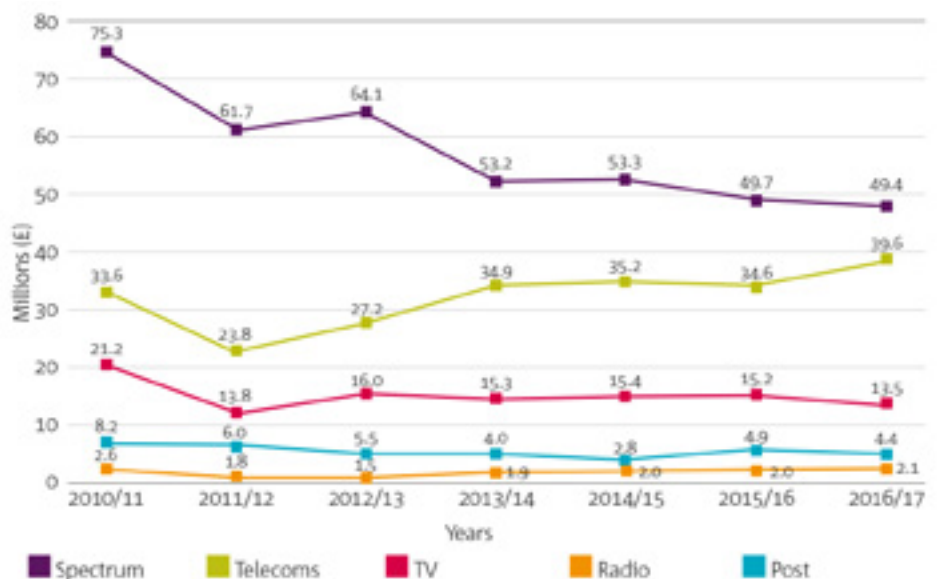
While the overall level of costs for Ofcom remains flat, within these total costs there will be year-on-year

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 2016/17 will change by:

- an average increase of 14.3% (12.6% real terms increase) for network and service operators (telecoms) which is largely due to the significant work carried out on the *Strategic Review of Digital Communications in 2015/16* and the planned work stemming from the review in 2016/17;
- an average decrease of 11.1% (12.4% real terms decrease) for the TV sector;
- an average increase of 8.9% (7.3% real terms increase) for the radio sector, which is driven by the savings from 2014/15 that were incorporated in the 2015/16 fees not being repeated; and
- a decrease of 9.1% (10.5% real terms decrease) for the postal services sector.

**Figure 6: Ofcom funding trends over the past seven years**





### Spectrum clearance and awards

In 2015/16, total expenditure of £5.9m relates to Spectrum Clearance and Awards (2014/15: £4.1m), which is outside Ofcom's core budget.

Statute defines Ofcom's powers to award grants to promote the efficient use of spectrum, and the efficient management of that use under the Wireless Telegraphy Act 2006, subject to HM Treasury approval. Ofcom has initiated a grant scheme to clear DTT licensees from the 700MHz band to facilitate a change of use of the band to mobile. Changes are required to a significant part of the DTT infrastructure (e.g. to DTT masts and antennas).

The 700MHz clearance programme will span a number of financial years and Government has made funding available until 2022, with the objective of clearing the band as early as possible. The first DTT grant awards were made in January 2016 and the scale of the infrastructure work will intensify over subsequent financial years.

The timing of the auction of the 2.3GHz and 3.4GHz bands under the Public Sector spectrum reform project (PSSR) is impacted by the competition and convergence issues of the mobile market. The auction is likely to proceed in 2016/17 following the EU decision to block a merger.

In line with prior years, costs relating to spectrum clearance and awards 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 access to the Ofcom stakeholder plan. Notes 1(k) and 19 to the accounts provide further detail.

The latest actuarial valuations for both schemes as at 31 March 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 has been made to the DB plans in accordance with the respective recovery plans.

However, the 2015/16 financial statements show a surplus of £15.4m, 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 makes cash payments to the Ofcom Defined Benefit Plan and the Ofcom (Former ITC) Pension Plan on the basis of the actuarial valuations. Cash payments, rather than the amount charged to operating surplus as calculated under IAS19, are included in operating expenditure outturn used to calculate the tariffs charged to stakeholders each year.

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

The triennial funding valuations for both plans, as at 31 March 2015, are currently in the process of being finalised and must conclude by 30 June 2016. Ofcom's contributions to both these plans are not expected to materially change once the 2015 funding valuations are finalised.

# OUR EMPLOYEES

## Ofcom's values

Our values are central to the way we operate, shaping how we engage with our stakeholders and work together to achieve our priorities. This year, colleagues across Ofcom have been instrumental in updating the four core values that reflect our desire to work in an open, effective and people-driven way. These are:

- Excellence
- Collaboration
- Agility
- Empowerment

## Colleague involvement and consultation

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

- 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 the Chief Executive and senior managers, during which initiatives and projects are explained to colleagues;
- regular group meetings, to speak to – and hear from – colleagues; and
- the Colleague Engagement Panel, a panel of colleagues responsible for interviewing applicants for senior roles and contributing their views to the overall selection process.

We also carry out regular surveys, allowing colleagues to contribute their views on a range of topics. The outcomes from these surveys provide a 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 2015 we introduced 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 coaching and mentoring scheme, and have sponsored some of our senior colleagues to gain a formal coaching qualification. This allows them to support the career development of more junior colleagues.

We actively encourage colleagues to shadow senior colleagues. In 2015 we launched a new shadowing scheme, giving all colleagues the chance to gain insight into the variety of our work.

## Employment policies and processes

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



During 2015 colleagues took part in a review of our appraisal, promotion and recruitment processes, in line with our new set of values.

## Absence

Ofcom encourages a culture where 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 2015/16, the number of working days lost was 4.57 days per annum per employee (2014/15: 4.55 days). This compares favourably to the public sector average of 8.7 days per annum per employee in 2015 (2014: 7.9 days)<sup>9</sup>.

<sup>9</sup> CIPD Absence Management 2015: Public Sector, published October 2015.





# 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.

*Our Single Equality Scheme (SES)* describes how we go about ensuring that diversity and equality are at the heart of how we operate. Our latest SES, published in 2014, builds on 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.



In the past year, Ofcom has:

- been rated a gold-banded employer within Business in the Community's gender and race equality indexes;
- continued to improve our score in the Stonewall Workplace Equality Index, which looks at our attitude to lesbian, gay and bisexual staff;
- sponsored the Institute of Electrical Engineering's 'Young Female Engineer of the Year' award for the fourth year in a row; and
- made significant progress in implementing the improvements set out in our disability action plan.

As part of our commitment to providing a fair and equitable pay structure at Ofcom, in 2016 we carried out 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 will use the findings to help us recruit and retain a diverse mix of employees.

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

**Corporate responsibility**

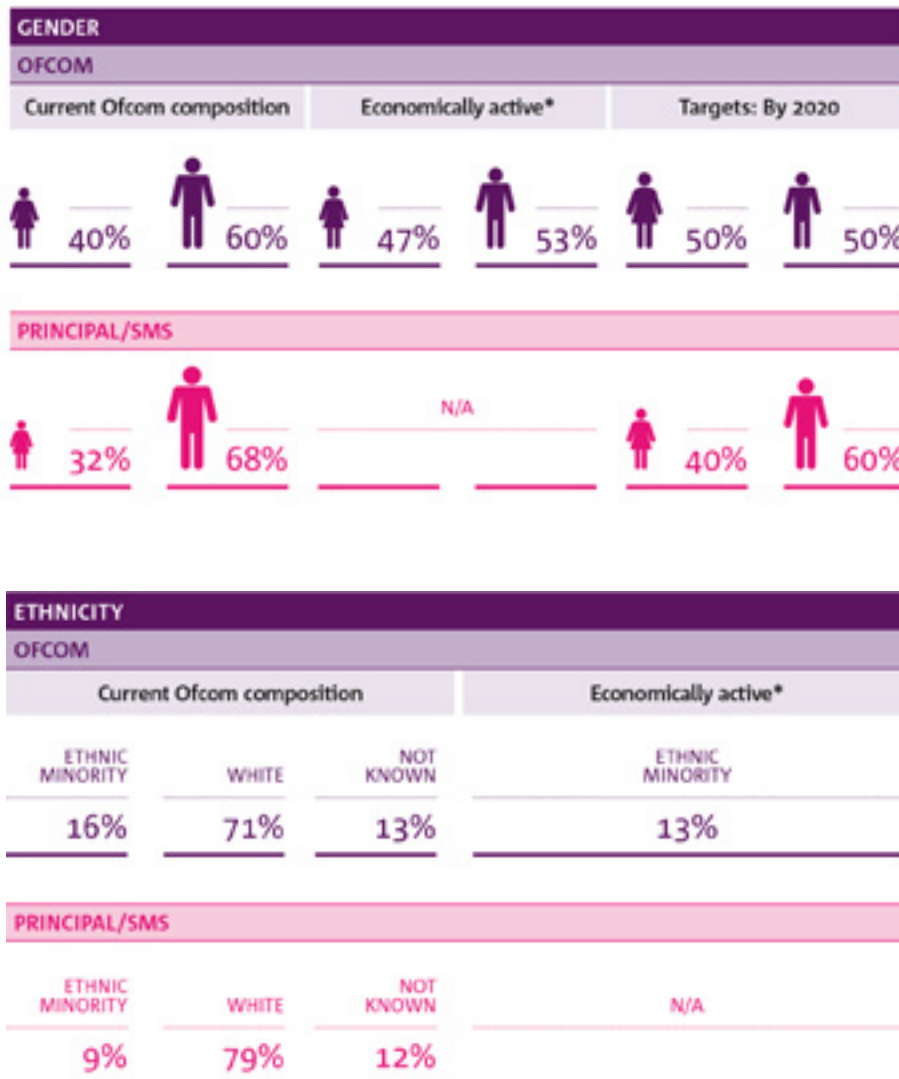
Ofcom has corporate responsibilities not only to its colleagues, but to the wider community. We aim to:

- treat all colleagues with dignity and respect, in an inclusive and fair working environment, promoting equality of opportunity for all;
- reduce our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable; and
- engage, inspire and develop colleagues, while 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 Ready, mentoring 16-to-17-year-old students and helping them prepare for corporate life. In the summer of 2015 we hosted four interns from local academies. We have also promoted opportunities for colleagues to speak at schools through campaigns such as Inspiring the Future, Inspiring Women and STEMNET.

**Figure 7: In 2015 we set ourselves the following targets for increasing the representation of women across Ofcom as a whole, and ethnic minority groups at senior levels.**



\* (2011 census)

# 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 2015/16.

## Ofcom’s sustainability strategy

### Introduction

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

### Overview of reduction targets

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

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



In 2015, Ofcom was recertified to the Carbon Trust Standard, achieving a further reduction in our footprint of 10.5% since 2013. The report produced by the Carbon Trust alongside our recertification contains a number of recommendations which we will seek to implement.

Further detail about Ofcom’s sustainability performance can be found on our website: [www.ofcom.org.uk/about/corporate-responsibility/footprint-and-sustainability](http://www.ofcom.org.uk/about/corporate-responsibility/footprint-and-sustainability).

## 2015/16 performance

### Greenhouse gas emissions

In 2015, Ofcom awarded a single Total Facilities Management contract for the entirety of our property portfolio. This contract came into effect on 1 January 2016 and replaced approximately 150 individual facilities contracts. The contract was awarded

to an organisation with a track record of delivering efficiencies in energy consumption in conjunction with the International Performance Measurement and Verification Protocol (IMPVP), which is a global standard for quantifying the performance of energy control measures.

Last year we undertook a project to rationalise the fleet of leased vehicles used by our Spectrum Engineering and Enforcement Team. The project resulted in a significant reduction in the number of leased vehicles, and the introduction of a fleet of vehicles that are 20% more fuel efficient and deliver a 30% reduction in carbon emissions.

We have continued to invest in our video-conferencing capability across our offices, to reduce the need for travel and to support more agile working. Our expenses policy requires colleagues to consider the impact on Ofcom’s carbon footprint before planning to travel.

## Waste minimisation and management

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

## Finite resource consumption

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

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

## Future plans

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

A summary of Ofcom's emissions over the past five years is provided in Figure 8. Please refer to the Annex on pages 118 and 119 for more detail.

**Sharon White**  
Chief Executive and  
Accounting Officer  
21 June 2016

**Figure 8: Sustainability performance overview**

		2011/12	2012/13	2013/14	2014/15	2015/16
<b>Greenhouse gas emissions (Scopes 1,2)</b>	<b>tCO<sub>2</sub>e<sup>2</sup></b>	1,639	1,550	1,498	1,632	1,559
	<b>Expenditure</b>	£486,769	£457,486	£442,226	£475,261	£440,044
<b>Business travel<sup>1</sup></b>	<b>tCO<sub>2</sub>e</b>	375	375	346	290	250
	<b>Expenditure</b>	£713,021	£705,867	£628,340	£596,116	£569,099
<b>Waste</b>	<b>Tonnes</b>	159	166	173	168	173
	<b>Expenditure</b>	£53,345	£46,068	£60,796	£45,500	£32,023
<b>Finite resource consumption</b>	<b>Water consumption (m<sup>3</sup>)</b>	11,508	11,509	13,694	14,213	10,767
	<b>Expenditure</b>	£22,771	£26,610	£20,506	£24,931	£16,784
	<b>Paper reams<sup>3</sup></b>	9,286	7,623	7,721	7,880	7,545

<sup>1</sup> In our 2014/15 Annual Report & Accounts emissions data relating to business travel (flights) was restated for 2011/12, 2012/13 and 2013/14 following enhanced data provided by our travel company.

<sup>2</sup> We have re-stated our greenhouse gas emissions (tCO<sub>2</sub>e) for 2011/12 and 2012/13 and our water consumption figures from 2011/12 following clarification of the allocation of consumption across our estate.

<sup>3</sup> We have restated our paper consumption figure for 2014/15 following clarification from our supplier.



## ACCOUNTABILITY REPORT

# DIRECTORS' REPORT

## The Ofcom Board

### 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 and Risk and Audit Committees and a Member of Ofcom's 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.

### 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. He is a Member of Ofcom's Nations Committee, Remuneration and Nominations Committees and was appointed to the Risk and Audit Committee in January 2016.

### Bill Emmott

Bill Emmott was appointed as a Non-Executive Member of Ofcom's Board in January 2016. He is currently a freelance journalist, broadcaster, documentary film-maker and writer, having worked at 'The Economist' for 26 years with 13 years as Editor-in-Chief and as a main Board Director, until 2006. He was Chairman of

the London Library from 2009 to 2015, is one of Swiss Re's panel of advisers, Group Economic Adviser to Stonehage Fleming wealth managers and a visiting professor at Shujitsu University in Okayama, Japan. He is a Member of Ofcom's Remuneration and Nominations Committees and Chairman of Ofcom's Content Board.



**Dame Patricia Hodgson, DBE**



**Sharon White**



**Baroness Noakes, DBE**



**Dame Lynne Brindley, DBE**



**Graham Mather**



**Bill Emmott**



**Ben Verwaayen**



**Jonathan Oxley**



**Dr Steve Unger**

### Ben Verwaayen

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

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

<http://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. Note 1 in the Notes to the Accounts refers to the relevant accounting policy and Note 19 in the Notes to the Accounts provides details of Ofcom's retirement benefit obligations.

The pension allowance paid to Executive Directors during 2015/16 is detailed in the Remuneration Report on page 64.

### Non-audit work

No fees for non-statutory audit work were paid to the National Audit Office during 2015/16 (no fees for non-statutory 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 2015/6.

### Sickness absence data

Sickness absence data is reported in the *Our Employees* section of the Annual Report on page 47.

### 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**  
 21 June 2016

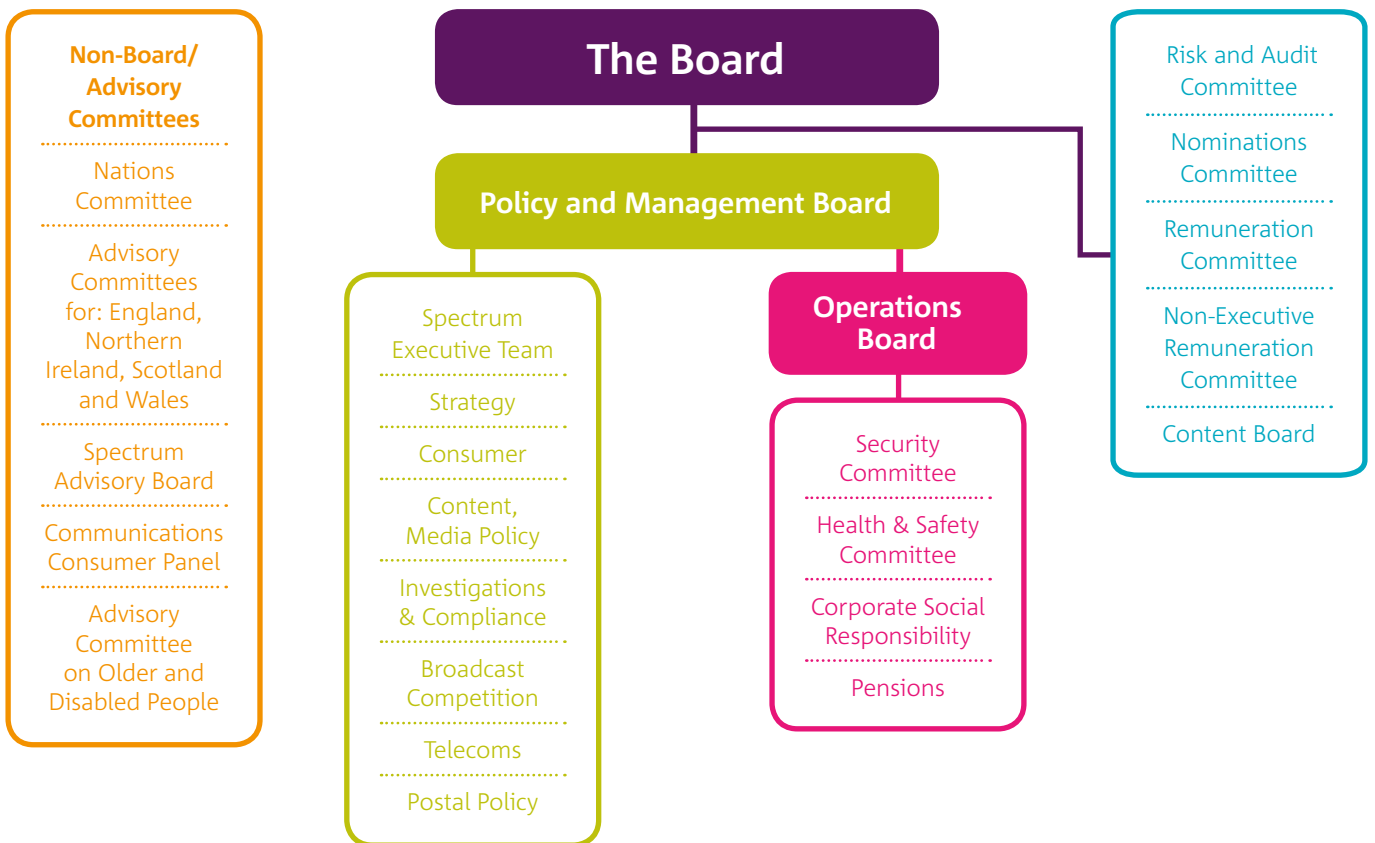
# GOVERNANCE STATEMENT

## The governance structure

The Ofcom Board leads the organisation, with a shared commitment to the mission and values described on page 47. Its core activities include:

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

Figure 9: Ofcom’s Board and Committees





### 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 & 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 & 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 2015/16 the Board met on 13 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.

Minutes and notes from Ofcom Board meetings are available on the website at <http://www.ofcom.org.uk/about/how-ofcom-is-run/ofcom-board/minutes-notes/>

### 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 10). 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 103 and 104.

### The Nominations Committee

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

Board members and the Senior Management Team. The Chairman works with the Department for Culture, Media & Sport (DCMS) on the process for selecting Non-Executive Members for the Ofcom Board (and, where relevant, their re-appointment) and ensures that the views of the Committee are available to DCMS, which makes the appointments. Appointments of Executive Members to the Board are made by all the Non-Executive Members of the Board on the recommendation of the Committee.

### The Remuneration Committee

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

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

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

The remuneration of Non-Executive Members of the Ofcom Board is determined by the Secretary of State for Culture, Media & 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

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

The role of the Risk and Audit Committee is to provide assurance to the Board and the Accounting Officer regarding the appropriateness and effectiveness of Ofcom's risk management processes and the

internal control framework and to advise in respect to the accounting policies and the process for review, and the content of, the draft annual financial accounts and annual report. The Committee is also responsible for overseeing the appointment of the internal auditors and the work undertaken by both the internal and external auditors. This includes the approval of the annual internal audit plan. The Committee's functions are fully described in its terms of reference, available on the Ofcom website.

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

### The Content Board

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

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

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

**Figure 10: Ofcom Board and Board Committees**

	Ofcom Board	Remuneration Committee	Risk and Audit Committee	Nominations Committee	Content Board	Broadcast Licensing Committee <sup>5</sup>	Nations Committee	Election Committee
<b>Number of meetings</b>	<b>13</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>7</b>	<b>4</b>	<b>0</b>
<b>Attendance</b>								
Dame Patricia Hodgson DBE	13	5	5	1	–	–	–	–
Sharon White	13	5	5	–	–	–	–	–
Baroness Noakes DBE	13	5	5	1	–	–	–	–
Dame Lynne Brindley DBE	13	4	–	1	5	–	4	–
Tim Gardam <sup>1</sup>	9	4	–	1	4	6	–	–
Stephen Hill <sup>2</sup>	6	1	–	–	–	–	–	–
Graham Mather <sup>3</sup>	13	5	1	1	–	–	3	–
Mike McTighe <sup>1</sup>	9	4	4	1	–	–	–	–
Jonathan Oxley	13	–	–	–	–	–	–	–
Dr Stephen Unger	13	–	–	–	–	–	–	–
Bill Emmott <sup>4</sup>	4	1	–	–	1	–	–	–
Ben Verwaayen <sup>4</sup>	4	1	–	–	–	–	–	–

<sup>1</sup> Tim Gardam and Mike McTighe both retired as Non-Executive Members of the Board with effect from 31 December 2015.

<sup>2</sup> Stephen Hill retired as a Non-Executive Member of the Board with effect from 11 November 2015.

<sup>3</sup> Graham Mather was appointed as a member of the Risk and Audit Committee in January 2016.

<sup>4</sup> Bill Emmott and Ben Verwaayen were appointed as Non-Executive Members of the Board with effect from 1 January 2016.

<sup>5</sup> At the Board meeting on 15 March 2016 it was agreed to adopt a revised approach to decision-makers for broadcast licensing decisions. The Broadcast Licensing Committee ceased to exist with effect from this date.

**Policy and Management Board and Operations Board**

Membership of the Policy and Management Board is made up of the Senior Management Team and the Chief Economist. The Finance Director, Human Resources Director, Corporation Secretary, Communications Director and other senior executives attend by invitation. The Board provides an internal forum for senior executives to scrutinise and oversee the internal

development of Ofcom’s agenda policy agenda and for overseeing the management of Ofcom.

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

**Board performance and effectiveness**

The Board meets regularly; it is provided with regular strategic updates, briefings on the markets Ofcom regulates, the activities of key stakeholders, and reports on Ofcom’s operational and policy activities. In addition, all Members have access to the Secretary to the Corporation to assist them with the provision of information and the making of arrangements for informal meetings with executives within Ofcom to gain greater knowledge of specific issues. The Board undertook an evaluation of its performance during summer 2015 utilising the services of external consultants, Condign Board Consulting.

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

**Figure 11: Senior Management Team**

Name	Role
Sharon White	Chief Executive
Philip Marnick <sup>1</sup>	Group Director, Spectrum
Jonathan Oxley	Group Director, Competition
Claudio Pollack <sup>2</sup>	Group Director, Content, Consumer and External Affairs
Dr Steve Unger <sup>3</sup>	Group Director, Strategy, International, Technology and Economists and Acting Group Director, Consumer and Acting Group Director, Content and Media Policy
Alison Crosland <sup>4</sup>	Group Director, Corporate Services
Polly Weitzman	General Counsel

<sup>1</sup> Philip Marnick was appointed Acting Group Director for the Corporate Services Group between 28 October 2014 and 10 January 2015.

<sup>2</sup> Claudio Pollack left Ofcom on 31 December 2015.

<sup>3</sup> Dr Steve Unger became Acting Group Director for the Consumer Group and Acting Group Director for the Content and Media Policy Group on 1 January 2016.

<sup>4</sup> Alison Crosland joined Ofcom on 11 January 2016.

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

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

## 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 2015 to 31 March 2016.

## Transparency

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

During 2015/16, Ofcom received 399 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 69% 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 five cases.

## Engagement

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

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

Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during the year, are set out on pages 38 and 39.

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

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

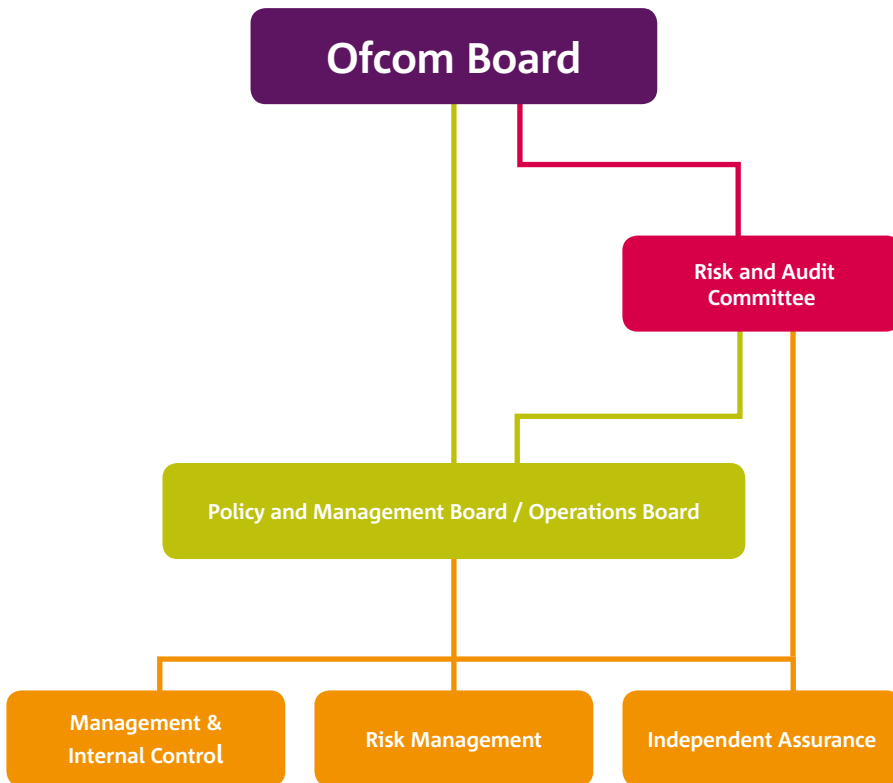
This engagement is increasingly important in the devolved nations of the UK, where the role of the nations' members of the Content Board, Communications Consumer Panel and the National Advisory Committees is immensely valuable in helping Ofcom take into account specific issues in its policy formulation 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.

### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm

Figure 12: Ofcom’s control framework



**The risk and control framework**

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

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

Each of these areas of responsibility is embedded across the organisation and they come together to provide the Senior Management Team and the Board with the assurance needed to manage the business effectively (see Figure 12). 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 refreshed during 2015/16 to ensure that it is aligned with the structure of the organisation and appropriately reflects its appetite for risk. Group Directors are asked to provide assurance that the system of internal controls is working effectively within their area of responsibility by completing an annual internal control assurance statement. Additionally, assurance is taken from the work carried out by specialist teams across the organisation, including the Security Committee, the Health and Safety Committee, 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 & Sport 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 until a new Framework Document is agreed between Ofcom and DCMS. During the year, work has continued with DCMS to agree a new Framework Document.

**Security arrangements**

In light of the heightened security driven by a perceived increased terrorist threat, we commissioned a globally recognised, independent organisation to undertake a comprehensive review of the physical security arrangements at all of our offices. The review was completed in March 2015 and during the year we have taken action to implement the recommendations in the report. We have also implemented steps to enhance the security arrangements for colleagues when they are required to travel. Both the travel and the physical security arrangements remain under constant review in line with the current security threat.

During the year, we also commenced a comprehensive, cross-organisational review of our information security policies and procedures. The review is led by a member of the Senior Management Team and focuses on five key areas:

- i. Information security strategy;
- ii. Information assets and classification;
- iii. Governance and risk management;
- iv. Use of technology to enhance security; and
- v. Education and awareness

The working group that is leading the review has reported its initial findings to both the Policy and Management Board and the Risk and Audit Committee. Work is underway to implement the recommendations.

### Further initiatives

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 include:

- a review of Ofcom’s Expenses Policy, which included an exercise to benchmark the policy against other, similar organisations;
- a review of the Financial Authorities Framework in conjunction with a broader review of Board delegations;
- the completion of competitive tender processes for the provision of outsourced ICT services, internal audit services, insurance broker services and facilities management. The facilities management contract replaced approximately 150 individual facilities contracts;
- the implementation of financial control arrangements regarding cash management activities relating to the insourcing of PMSE licensing responsibilities from Arqiva;
- the implementation of a new outsourced payroll and benefits solution;

- further progress with the Trustees of the two Ofcom Defined Benefit pension plans regarding more efficient governance; and
- continued oversight by the Policy and Management Board of our list of business critical models, together with further work to share best practice for the quality assurance frameworks which support our use of business models. This is in line with the recommendations made in the Macpherson Report.

### Risk management

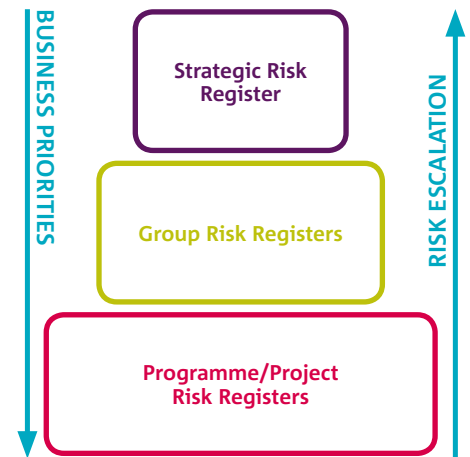
Ofcom continues to demonstrate strong leadership in the management of risk through the work of the Board and its Committees. In providing support to the Board, the Policy and Management Board and the Operations Board are responsible for providing leadership on the management of risks arising from specific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

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

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

Ofcom’s strategic risk register is reviewed monthly by the Policy and Management Board and quarterly by the Risk and Audit Committee. The strategic risk register is submitted monthly to the main Board for information.

Figure 13: Ofcom risk hierarchy



During the past year, the strategic risk register continued to evolve, to ensure that it allowed the Policy and Management Board to focus on the key risks which might undermine the delivery of the organisation’s objectives. Group level risks are reviewed by the Group Directors, their senior management teams and the Risk and Insurance Manager on a monthly cycle, and escalated onto the strategic risk register where appropriate. Senior managers are responsible for ensuring that colleagues have the appropriate skill levels to identify, assess and manage risk in line with Ofcom’s policy to embed and support a culture of well-managed risk. In support of senior managers’ role in championing the risk process, the Risk and Insurance Manager, together with 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.

Ofcom’s Board and Executive undertook a review of the organisation’s risk appetite statements in March 2015. Work has continued to embed the consideration of risk appetite into the organisation’s decision-making and planning processes.

The table on page 28 highlights some of the key risks being managed by the organisation.

**Independent assurance**

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Internal 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 2015/16 a total of 13 internal audits were completed, including reviews of health & safety, information security, cross entity programme governance and payroll and flexible benefits. Where appropriate, Ofcom has sought independent, third-party assurance for key business processes.

**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 2015/16 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998 or otherwise.

**Statement of Accounting Officer**

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

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

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

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

To my knowledge, and based on the advice I have received from those managers with designated responsibilities for managing risks and the risk management system, I am not aware of any significant internal control findings for 2015/16.

**Sharon White**  
**Chief Executive and Accounting Officer**  
21 June 2016



## 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 & Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General.

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

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

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

### Chief Executive's responsibilities

The Chief Executive is appointed by the Board, which delegates responsibility to her for the day-to-day management of Ofcom. The Permanent Secretary for the Department for 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.

### MAKING COMMUNICATIONS WORK FOR EVERYONE

- Promoting choice
- Securing standards
- Preventing harm



# REMUNERATION REPORT

In preparing the remuneration report, and establishing its remuneration policy, the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code, and compliance with the Government Financial Reporting Manual where appropriate and applicable.

Ofcom is not required to comply with the 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 56.

## Advisers

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

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

## General policy

In setting Ofcom's remuneration policy the Remuneration Committee believes that Ofcom should, within the constraints of being a public body, provide rewards 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 Executive Members and Group Directors is determined by taking into account each colleague's responsibilities, performance and experience, together with market trends. In addition, a flexible benefits allowance is made available to each Executive Member and Group Director from which the individual concerned may purchase certain benefits. All basic salaries are reviewed annually with effect from 1 July each year.

### Standard benefits

Each Executive Member and Group Director receives certain standard benefits: specifically, private medical insurance, life assurance, group income protection and the opportunity to undertake an annual health check. The total value of group income protection, life assurance and annual health checks 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 2015 to 31 March 2016 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 2015/16 was £320,200 (£317,782 in 2014/15). This was 5.71 times (5.79 times in 2014/15) the median remuneration of Ofcom's workforce, which was £56,085 in 2015/16 (£54,971 in 2014/15). No employees received remuneration in excess of the highest-paid director. In 2015/16, remuneration ranged from £17,357 to £320,200 and in 2014/15 from £13,401 to £317,782. 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.

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 Senior Management Team, 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 Senior Management Team. Those individuals with the note '+' against their name in the schedules were in their roles for only part of 2014/15 or 2015/16. Where individuals are members of more than one Board/Committee (as set out on pages 65 and 66) they appear only once in the remuneration schedules. All Executive Members are listed under the Senior Management Team in Table 3.

The guidance note reference numbers against the names of individuals refer to the notes on pages 66 and 67.

As a result of the various changes in membership in 2014/15 and 2015/16, an annualised figure is given below each table, to provide a clearer comparison of total costs.

The following tables are subject to audit.

**Table 1: Ofcom Non-Executive Board Member remuneration: 2015/16**

Name	Guidance note reference	Fees 15/16 £	Fees 14/15 £
Dame Lynne Brindley DBE	1	42,519	42,519
Bill Emmott +	1,2	10,630	–
Tim Gardam +	1,2	31,889	42,519
Stephen Hill +	1,2	28,346	21,260
Dame Patricia Hodgson DBE	1	142,500	142,500
Graham Mather +	1,2	42,519	35,433
Mike McTighe +	1,2	31,889	42,519
Baroness Noakes DBE +	1,2	70,000	58,333
Ben Verwaayen +	1,2	10,630	–
		<b>410,922</b>	<b>385,082</b>

*Annualised costs were £425,095 for 2015/16 and £425,095 for 2014/15*

**Table 2: Ofcom Non-Executive Content Board Member remuneration: 2015/16**

Name	Guidance note reference	Fees 15/16 £	Fees 14/15 £
Andrew Chitty	1	10,800	10,800
Juan Andrew Colman	1	10,800	10,800
Aled Eirug +	1,3	3,600	–
Robin Foster +	1,3	2,700	–
Zahera Harb +	1,3	3,600	–
David Levy	1	10,800	10,800
Lesley Mackenzie	1	10,800	10,800
Iseabail Mactaggart+	1,3	–	2,700
Glyn Mathias +	1,3	7,800	15,900
Nick Pollard +	1,3	1,800	–
Philip Schlesinger +	1	10,800	3,600
Mary Ann Sieghart +	1	10,800	6,300
Janey Walker	1	15,900	20,100
		<b>100,200</b>	<b>91,800</b>

*Annualised costs were £134,700 for 2015/16 and £91,500 for 2014/15*

**Table 3: Ofcom Senior Management Team and Executive Content Board remuneration: 2015/16**

Name	Guidance Note reference	Salary 15/16 £	Pension entitlement/ allowance 15/16 £	Flexible benefits Allowance 15/16 £	Benefits In kind 15/16 £	Performance Bonus 15/16 £	Total remuneration 15/16 £	Total Remuneration 14/15 £
Jill Ainscough +	4,5	–	–	–	–	–	–	175,855
Tony Close +	3,4	119,083	17,862	12,500	2,254	12,000	163,699	–
Alison Crosland +	4,7	44,107	6,616	3,393	461	–	54,577	–
Philip Marnick	4,6	208,075	31,211	15,000	2,700	15,000	271,986	265,549
Stuart McIntosh +	4,5	–	–	–	–	–	–	49,804
Jonathan Oxley	4,6	253,750	38,062	15,000	2,700	15,000	324,512	110,984
Claudio Pollack +	4,5	146,300	21,945	11,250	2,008	–	181,503	256,445
Ed Richards +	4,5,8	27,185	5,437	1,817	446	–	34,885	376,902
James Thickett	4,6	157,625	23,644	15,000	2,700	10,000	208,969	206,911
Steve Unger	4,5,6	252,865	37,930	15,000	2,700	25,000	333,495	294,144
Polly Weitzman	4,6,9	229,390	34,408	15,000	2,700	25,000	306,498	305,401
Sharon White +	4,6	275,000	55,000	15,000	2,700	27,500	375,200	28,973
		<b>1,713,380</b>	<b>272,115</b>	<b>118,960</b>	<b>21,369</b>	<b>129,500</b>	<b>2,255,324</b>	<b>2,070,968</b>

Annualised costs were £2,240,611 for 2015/16 and £1,981,305 for 2014/15

## 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 or 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 and the fee paid to Nick Pollard to reflect their additional work and responsibilities for standards work). The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees, other than the entitlement for the Non-Executive Members of the Ofcom Board only, to the provision of IT equipment. Not all Non-Executive Members of the Ofcom Board took up the entitlement during the period under review.

**2.** Graham Mather and Baroness Noakes joined the Ofcom Board on 1 June 2014 and Stephen Hill joined the Ofcom Board on 1 October 2014. Bill Emmott and Ben Verwaayen were appointed to the Ofcom Board on 1 January 2016. Stephen Hill resigned from the Ofcom Board on 11 November 2015; Mike McTighe and Tim Gardam retired from the Ofcom Board on 31 December 2015.

**3.** Iseabail Mactaggart resigned from the Content Board on 30 June 2014; Glyn Mathias retired from the Content Board on 30 June 2015; Zahera Harb and Aled Eirug were appointed to the Content Board on 1 December 2015; Robin Foster was appointed to the Content Board on 1 January 2016 and Nick Pollard was appointed to the Content Board on 1 March 2016. Tony Close was appointed as an Executive Member of the Content Board on 1 June 2015 and the full-year equivalent of his salary is £150,000.

**4.** The total annual remuneration shown for Ofcom executives who are, or were, all members of the Senior Management Team, apart from James Thickett and Tony Close who are Executive Members 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.

**5.** 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. The full-year equivalent of his salary is £298,650. 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. In early 2016, Ofcom's Consumer, Content and External Affairs Group was split into two new groups – Consumer, and Content and Media Policy – to ensure that each group had sufficient focus on key areas of Ofcom's remit. As a result of this restructure, Claudio Pollack left Ofcom on 31 December 2015 and ceased to be a member of the Senior Management Team and an Executive Member of the Content Board with effect from this date. The full-year equivalent of his salary is £196,350. In line with his contract of employment and Ofcom's redundancy policy, Claudio received a payment in lieu of notice of £105,675 and the cost of his redundancy payment of £151,038 has been included in the accounts for the year. Steve Unger was appointed as an Executive Member of the Ofcom Board on 23 March 2015.

**6.** Sharon White, Jonathan Oxley, Philip Marnick, Steve Unger and Polly Weitzman have been members of the Senior Management Team throughout the period; James Thickett has been an Executive Member of the Content Board throughout the period.

**7.** Alison Crosland joined Ofcom as a member of the Senior Management Team on 11 January 2016. The full-year equivalent of her salary is £195,000. Lindsey Fussell joined Ofcom as a member of the Senior Management Team on 18 April 2016, outside the reporting period.

**8.** 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'.

**9.** 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.

**10.** As of 31 March 2016, the Senior Management Team comprised six members (there were six members as at 31 March 2015).

## Contract of employment

The Chief Executive and Jonathan Oxley, Group Director of Competition, have a notice period of 12 months. No other Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months. The 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 Patricia Hodgson and Sheila Noakes who committed up to three days per week and two-and-a-half days per week respectively).

There was one redundancy payment relating to a member of the Senior Management Team included in the accounts for the year for loss of office during 2015/16, as set out in Note 5 above.

## Compensation for early termination

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

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

## Outside directorships

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

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**

21 June 2016

**Baroness Noakes DBE**  
**Chairman of the**  
**Remuneration Committee**

21 June 2016

# 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 2016 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Income and Expenditure, Financial Position, Changes in Equity, Cash Flows; 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities, the Board and Accounting Officer are 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 misstatement, 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 misstatements 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 2016 and of the deficit after tax for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and Secretaries of State directions issued thereunder.

### Opinion on other matters

In my opinion:

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

- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the 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  
27 June 2016**

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

# STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31 March 2016

	Notes	2015/16 £'000	2014/15 £'000
Income	3	114,813	111,208
Spectrum Clearance and Awards	3	5,911	4,290
<b>Total income</b>		<b>120,724</b>	<b>115,498</b>
<b>Operating expenditure</b>			
Staff costs	4	(65,723)	(62,678)
Other operating costs	6	(48,009)	(49,737)
Spectrum Clearance and Awards	4,6	(5,916)	(4,054)
<b>Total operating expenditure</b>		<b>(119,648)</b>	<b>(116,469)</b>
<b>Operating surplus/(deficit)</b>		<b>1,076</b>	<b>(971)</b>
Vacant property (cost)/income		(152)	170
Finance income		94	61
Finance costs		–	–
Other finance income	15,19	537	881
<b>Surplus on ordinary activities for financial year before tax</b>		<b>1,555</b>	<b>141</b>
Taxation	7	–	(46)
Write down of deferred tax asset	7	(2,415)	–
<b>(Deficit)/Surplus for financial year after tax</b>		<b>(860)</b>	<b>95</b>

The accounting policies and notes on pages 74 to 101 form part of these financial statements.

# D

## FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL POSITION

## As at 31 March 2016

	Notes	As at 31 March 2016 £'000	As at 31 March 2015 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	6,166	6,621
Intangible assets	9	3,290	3,212
Deferred tax asset	7	–	2,415
Trade and other receivables	11	1,464	745
Retirement benefit assets	19	15,370	17,200
<b>Total non-current assets</b>		<b>26,290</b>	<b>30,193</b>
<b>Current assets</b>			
Trade and other receivables	10	8,194	6,557
Cash and cash equivalents	12	11,570	14,279
<b>Total current assets</b>		<b>19,764</b>	<b>20,836</b>
<b>Total assets</b>		<b>46,054</b>	<b>51,029</b>
<b>Current liabilities</b>			
Trade and other payables	13	20,232	19,930
Provisions for liabilities and charges	15	68	204
<b>Total current liabilities</b>		<b>20,300</b>	<b>20,134</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	2,381	4,362
Provisions for liabilities and charges	15	274	466
Retirement benefit liabilities	19	1,148	1,206
<b>Total non-current liabilities</b>		<b>3,803</b>	<b>6,034</b>
<b>Total liabilities</b>		<b>24,103</b>	<b>26,168</b>
<b>Assets less liabilities</b>		<b>21,951</b>	<b>24,861</b>
<b>Equity</b>			
Reserves		21,951	24,861
<b>Total equity</b>		<b>21,951</b>	<b>24,861</b>

The accounting policies and notes on pages 74 to 101 form part of these financial statements. These financial statements were approved by the Board on 21 June 2016.

Dame Patricia Hodgson, DBE  
Chairman

Sharon White  
Chief Executive and Accounting Officer



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Notes	Reserve £'000
<b>Balance as at 1 April 2014</b>		<b>31,425</b>
<b>Changes in equity for 2014/15</b>		
Remeasurement on pensions	19	(6,659)
Surplus for year		95
<b>Total recognised income and expense for 2014/15</b>		<b>(6,564)</b>
<b>Balance as at 31 March 2015</b>		<b>24,861</b>
<b>Changes in equity for 2015/16</b>		
Remeasurement on pensions	19	(2,050)
Deficit for year		(860)
<b>Total recognised income and expense for 2015/16</b>		<b>(2,910)</b>
<b>Balance as at 31 March 2016</b>		<b>21,951</b>

The accounting policies and notes on pages 74 to 101 form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2015/16 £'000	2014/15 £'000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		1,076	(971)
Adjustments for non-cash transactions			
Amortisation	9	1,137	908
Depreciation	8	2,046	3,368
(Profit)/Loss on disposal of non-current assets	6	(14)	110
Impairment	6	–	624
(Increase)/Decrease in trade and other receivables	10,11	(2,356)	4,470
(Decrease)/Increase in trade and other payables	13,14	(1,679)	(2,264)
(Decrease)/Increase in provisions	15	(490)	(389)
Increase/(Decrease) in retirement pension	19	269	223
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(11)</b>	<b>6,079</b>
<b>Cash flows from investing activities</b>			
Interest received		94	61
Purchases of property, plant and equipment	8	(1,229)	(1,002)
Purchases of intangible assets	9	(1,598)	(1,407)
Proceeds from sale of non-current assets		35	1
<b>Net cash outflow from investing activities</b>		<b>(2,698)</b>	<b>(2,347)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		–	–
<b>Net cash outflow from financing activities</b>		<b>–</b>	<b>–</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(2,709)</b>	<b>3,732</b>
<b>Cash and cash equivalents at beginning of year</b>	12	<b>14,279</b>	<b>10,547</b>
(Decrease)/Increase in cash and cash equivalents in the year		(2,709)	3,732
<b>Closing net funds</b>	12	<b>11,570</b>	<b>14,279</b>

The accounting policies and notes on pages 74 to 101 form part of these financial statements.

# NOTES TO THE ACCOUNTS

For the year ended 31 March 2016

## 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 2016 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 & 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 do not have any material impact on the financial statements of Ofcom. All standards below will relate to future accounting periods.

- IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets (Amendment) applicable to annual periods beginning on or after 1 January 2016.
- IAS 27 Separate Financial Statements (Amendment) applicable to annual periods beginning on or after 1 January 2016.
- IAS 1 Presentation of Financial Statements (Amendment) applicable to annual periods beginning on or after 1 January 2016.
- Annual Improvement to IFRSs 2012-2014 cycle (Minor Amendments to the following standards are applicable for annual periods beginning on or after 1 January 2016). These standards are IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting.

### b) Income recognition

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

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

### Grant-in-aid

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

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

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

### 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 Cash and cash equivalents.

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

### d) Leases

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

### e) Property, plant and equipment

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

The minimum capitalisation threshold is £2,500 and property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. A Treasury direction on property, plant and equipment allows Ofcom to use depreciated historical cost as a proxy for current valuation for non-property assets of a short useful life or low value. All Ofcom assets fall in this category.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Ofcom and the

cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

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

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

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

Gains and losses on disposals are recognised within '(Profit)/Loss 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 as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications and development and related licences fees. The minimum capitalisation threshold is £2,500.

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

Amortisation on capitalised 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 of three to five years.

Information technology relates to the development of our core systems whilst systems under development comprise costs incurred in developing computer systems, which will replace some of the current applications. No amortisation is provided on these assets in the course of development or construction. Research expenditure is written off as incurred to the Statement of Income and Expenditure.

### g) Impairment of assets

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

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

Material impairments are disclosed separately in the notes to the Statement of Income and Expenditure and Statement of Financial Position. 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, rent deposits and amount due to the Consolidated Fund.

### 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 plan

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

Obligations under Ofcom's defined contribution scheme are recognised within staff costs as an expense in the Statement of 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, and S4C as participating employers. The assets of both schemes are held in separately administered trusts.

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

#### Unfunded schemes

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

#### Other employee benefits

##### Early retirement costs

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

#### Colleague leave liability

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

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

#### l) Provisions

Provisions for early retirement, legal provisions and 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.

#### m) Settlement of claims

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

#### n) Foreign exchange

Transactions designated in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities designated in foreign currencies are translated at the rates prevailing at the reporting date with the resulting profit or loss recognised in the Statement of 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, rent deposits and amount due to the Consolidated Fund. Interest income receivable on cash and cash equivalents is recognised as it is earned.

##### Trade receivables

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

##### Trade payables

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

### p) Current and deferred 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 of £12,104k (2015: £12,067k). 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 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 unused tax losses, to the extent that it is probable that future taxable profit will be available against which they can be utilised.

### 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)

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

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

## 2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2016, 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	2015/16 Total £'000	2014/15 Total £'000
<b>Revenue</b>									
Licence and administration fees	–	–	–	36,438	17,913	5,145	–	<b>59,496</b>	58,716
Application fees	–	–	–	10	619	–	–	<b>629</b>	1,003
Grant-in-aid	50,744	7,432	963	–	–	–	3,441	<b>62,580</b>	61,924
Other income	–	–	–	–	–	–	330	<b>330</b>	330
Accrued/(Deferred) income	90	(2,386)	(98)	1,858	(1,945)	(178)	(58)	<b>(2,717)</b>	(6,769)
<b>Total revenue</b>	<b>50,834</b>	<b>5,046</b>	<b>865</b>	<b>38,306</b>	<b>16,587</b>	<b>4,967</b>	<b>3,713</b>	<b>120,318</b>	<b>115,204</b>
Rental and other income	181	–	–	136	59	18	12	<b>406</b>	294
<b>Operating income</b>	<b>51,015</b>	<b>5,046</b>	<b>865</b>	<b>38,442</b>	<b>16,646</b>	<b>4,985</b>	<b>3,725</b>	<b>120,724</b>	<b>115,498</b>
Interest receivable	42	–	–	31	14	4	3	<b>94</b>	61
<b>Total income</b>	<b>51,057</b>	<b>5,046</b>	<b>865</b>	<b>38,473</b>	<b>16,660</b>	<b>4,989</b>	<b>3,728</b>	<b>120,818</b>	<b>115,559</b>
Onerous property and accrued rental income	1,266	–	–	954	413	123	85	<b>2,841</b>	2,507
<b>Cash income</b>	<b>52,323</b>	<b>5,046</b>	<b>865</b>	<b>39,427</b>	<b>17,073</b>	<b>5,112</b>	<b>3,813</b>	<b>123,659</b>	<b>118,066</b>
<b>Total costs</b>	<b>(52,323)</b>	<b>(5,046)</b>	<b>(865)</b>	<b>(39,427)</b>	<b>(17,073)</b>	<b>(5,112)</b>	<b>(3,813)</b>	<b>(123,659)</b>	<b>(118,066)</b>
<b>Surplus on cash cost basis</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Comparative costs by sector									
<b>Year ending 31 March 2016</b>	<b>(52,323)</b>	<b>(5,046)</b>	<b>(865)</b>	<b>(39,427)</b>	<b>(17,073)</b>	<b>(5,112)</b>	<b>(3,813)</b>	<b>(123,659)</b>	
Year ending 31 March 2015	(52,811)	(2,658)	(1,632)	(35,072)	(17,104)	(4,860)	(3,929)	<b>(118,066)</b>	



## NOTES TO THE ACCOUNTS

Other income comprises:

- grant-in-aid relating to 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	2015/16 £'000	2014/15 £'000
<b>Operating expenditure – Statement of Income and Expenditure</b>		<b>119,648</b>	<b>116,469</b>
Adjustments in respect of pension asset and liability		(351)	(305)
Vacant property costs	15	401	379
Capital expenditure less depreciation		(356)	(1,867)
Actual rent payments less expenditure		1,286	1,262
Other adjustments		3,031	2,128
<b>Cash operating expenditure</b>		<b>123,659</b>	<b>118,066</b>
Spectrum clearance		(5,046)	(2,658)
Spectrum awards		(865)	(1,632)
Non-operating income		(3,640)	(3,061)
<b>Actual operating costs out-turn</b>		<b>114,108</b>	<b>110,715</b>

### 3. Income

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015/16 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2014/15 £'000
<b>Grant-in-aid DCMS</b>						
Spectrum management	50,834	–	<b>50,834</b>	50,637	–	50,637
Spectrum awards	–	865	<b>865</b>	–	1,632	1,632
Spectrum clearance	–	5,046	<b>5,046</b>	–	2,658	2,658
Competition law enforcement	2,450	–	<b>2,450</b>	2,459	–	2,459
Nuisance calls	921	–	<b>921</b>	1,090	–	1,090
Consumer protection	44	–	<b>44</b>	87	–	87
<b>Grant-in-aid Scottish Government</b>						
Commonwealth Games	–	–	–	844	–	844
<b>Total government grant-in-aid</b>	<b>54,249</b>	<b>5,911</b>	<b>60,160</b>	<b>55,117</b>	<b>4,290</b>	<b>59,407</b>
<b>Stakeholder income</b>						
Networks & services administrative and application fees	38,306	–	<b>38,306</b>	34,188	–	34,188
Broadcasting Act licence and application fees	16,587	–	<b>16,587</b>	16,673	–	16,673
Regulation of postal services	4,967	–	<b>4,967</b>	4,737	–	4,737
Other income	704	–	<b>704</b>	493	–	493
<b>Total stakeholder income</b>	<b>60,564</b>	<b>–</b>	<b>60,564</b>	<b>56,091</b>	<b>–</b>	<b>56,091</b>
<b>Total income</b>	<b>114,813</b>	<b>5,911</b>	<b>120,724</b>	<b>111,208</b>	<b>4,290</b>	<b>115,498</b>

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

## 4. Staff costs

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015/16 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2014/15 £'000
<b>Staff costs, including fees paid to Board Members, were:</b>						
Salaries & benefits	52,601	542	<b>53,143</b>	50,562	896	51,458
National Insurance costs	6,042	63	<b>6,105</b>	6,007	105	6,112
Pension costs	5,583	46	<b>5,629</b>	5,375	79	5,454
Restructuring costs	1,497	–	<b>1,497</b>	734	–	734
<b>Total staff costs</b>	<b>65,723</b>	<b>651</b>	<b>66,374</b>	<b>62,678</b>	<b>1,080</b>	<b>63,758</b>

The restructuring costs in 2016 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to six (2015: 2) 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 64 to 67.

During the year, seven (2015: 7) 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

	2015/16	2014/15
<b>The average number of employees (full time equivalents)</b>	<b>795</b>	<b>787</b>

As at 31 March 2016, Ofcom had 799 employees (2015: 783).

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 2015/16 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2014/15 £'000
Auditors remuneration – statutory audit fees	76	–	76	76	–	76
Auditors remuneration – Section 400	13	–	13	13	–	13
Professional fees	5,538	988	6,526	5,832	588	6,420
Outsourced services	10,177	19	10,196	12,146	60	12,206
Audience and consumer research	5,759	150	5,909	5,273	–	5,273
Technological research and spectrum efficiency projects	646	14	660	1,007	1,586	2,593
Spectrum clearance scheme	–	3,852	3,852	–	47	47
Temporary staff and recruitment	4,061	156	4,217	3,126	499	3,625
Travel and subsistence	1,042	24	1,066	1,178	51	1,229
Premises costs	7,294	13	7,307	5,914	15	5,929
Administration and office expenses	6,340	26	6,366	6,433	122	6,555
Information and technology costs	3,774	15	3,789	3,350	3	3,353
Vehicles	247	–	247	273	–	273
Bad and doubtful debt	(119)	–	(119)	109	–	109
Amortisation	1,137	–	1,137	908	–	908
Depreciation	2,038	8	2,046	3,365	3	3,368
(Profit)/Loss on disposal of non-current assets	(14)	–	(14)	110	–	110
Impairment	–	–	–	624	–	624
<b>Total other operating costs</b>	<b>48,009</b>	<b>5,265</b>	<b>53,274</b>	<b>49,737</b>	<b>2,974</b>	<b>52,711</b>
The costs, above, include:						
Operating leases – land and buildings	5,387	–	5,387	4,737	–	4,737
Operating leases – vehicles	117	–	117	136	–	136
Operating leases – other	245	–	245	246	–	246

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. Taxation

	2015/16 £'000	2014/15 £'000
<b>Tax (charge)/credit for the year</b>		
Deferred tax charge	–	(46)
<b>Taxation</b>	<b>–</b>	<b>(46)</b>
	2015/16 £'000	2014/15 £'000
<b>Write down of deferred tax asset</b>	<b>(2,415)</b>	<b>–</b>
	2015/16 £'000	2014/15 £'000
<b>Reconciliation of tax charge</b>		
Surplus before tax	1,555	141
Tax on profit at the UK standard rate of Corporation Tax of 20% (2015: 20%)	311	28
Tax effect of:		
Income not subject to tax	(24,141)	(23,100)
Expenses not subject to tax	23,822	23,118
Deferred tax charge	–	(46)
Increase to brought forward tax losses	8	–
<b>Tax charge</b>	<b>–</b>	<b>–</b>
Deferred tax	Tax losses £'000	
Analysis of movements in the net deferred tax balance during the year		
<b>Deferred tax asset at 1 April 2014</b>	<b>2,461</b>	
Utilisation of brought forward tax losses	(46)	
<b>Deferred tax asset at 31 March 2015</b>	<b>2,415</b>	
Write down of deferred tax asset	(2,415)	
<b>Deferred tax asset at 31 March 2016</b>	<b>–</b>	
Deferred tax asset to be recovered within 12 months	–	
Deferred tax asset to be recovered after more than 12 months	–	
	–	

In line with IAS 12, following a review, Ofcom has insufficient future taxable profits to utilise this tax asset and as a result has written down the deferred tax asset accordingly.

## 8. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings £'000	Office & field equipment £'000	Computer hardware £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
<b>At 1 April 2014</b>	<b>14,570</b>	<b>842</b>	<b>14,918</b>	<b>6,858</b>	<b>409</b>	<b>37,597</b>
Additions during year	–	282	595	125	–	1,002
Impairment	–	–	–	–	–	–
Disposals	(384)	(109)	(1,907)	(137)	(11)	(2,548)
Transfers	–	–	–	396	–	396
<b>At 31 March 2015</b>	<b>14,186</b>	<b>1,015</b>	<b>13,606</b>	<b>7,242</b>	<b>398</b>	<b>36,447</b>
Additions during year	4	57	955	54	159	1,229
Impairment	–	–	–	–	–	–
Disposals	(44)	(66)	(566)	(200)	–	(876)
Transfers	–	–	131	251	–	382
<b>Cost at 31 March 2016</b>	<b>14,146</b>	<b>1,006</b>	<b>14,126</b>	<b>7,347</b>	<b>557</b>	<b>37,182</b>
<b>Depreciation</b>						
<b>At 1 April 2014</b>	<b>11,057</b>	<b>596</b>	<b>11,836</b>	<b>5,276</b>	<b>130</b>	<b>28,895</b>
Charge for the year	814	82	813	1,594	65	3,368
Impairment	–	–	–	–	–	–
Disposals	(303)	(87)	(1,899)	(137)	(11)	(2,437)
Transfers	–	–	–	–	–	–
<b>At 31 March 2015</b>	<b>11,568</b>	<b>591</b>	<b>10,750</b>	<b>6,733</b>	<b>184</b>	<b>29,826</b>
Charge for the year	670	101	901	308	66	2,046
Impairment	–	–	–	–	–	–
Disposals	(28)	(64)	(563)	(200)	–	(855)
Transfers	–	–	–	(1)	–	(1)
<b>Accumulated depreciation at 31 March 2016</b>	<b>12,210</b>	<b>628</b>	<b>11,088</b>	<b>6,840</b>	<b>250</b>	<b>31,016</b>
<b>NBV 31 March 2016</b>	<b>1,936</b>	<b>378</b>	<b>3,038</b>	<b>507</b>	<b>307</b>	<b>6,166</b>
NBV 31 March 2015	2,618	424	2,856	509	214	6,621

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

## 9. Intangible assets

	Software licences	Information technology	Systems under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At 1 April 2014</b>	<b>4,893</b>	<b>24,190</b>	<b>2,125</b>	<b>31,208</b>
Additions during year	594	184	629	1,407
Impairment	(624)	–	–	(624)
Disposals	–	–	–	–
Transfers	1,083	–	(1,479)	(396)
<b>At 31 March 2015</b>	<b>5,946</b>	<b>24,374</b>	<b>1,275</b>	<b>31,595</b>
Additions during year	1,321	–	277	1,598
Impairment	–	–	–	–
Disposals	(125)	(102)	–	(227)
Transfers	20	18	(420)	(382)
<b>Cost at 31 March 2016</b>	<b>7,162</b>	<b>24,290</b>	<b>1,132</b>	<b>32,584</b>
<b>Amortisation</b>				
<b>At 1 April 2014</b>	<b>4,789</b>	<b>22,686</b>	<b>–</b>	<b>27,475</b>
Charge for the year	216	692	–	908
Impairment	–	–	–	–
Disposals	–	–	–	–
Transfers	–	–	–	–
<b>At 31 March 2015</b>	<b>5,005</b>	<b>23,378</b>	<b>–</b>	<b>28,383</b>
Charge for the year	481	656	–	1,137
Impairment	–	–	–	–
Disposals	(125)	(102)	–	(227)
Transfers	1	–	–	1
<b>Accumulated amortisation at 31 March 2016</b>	<b>5,362</b>	<b>23,932</b>	<b>–</b>	<b>29,294</b>
<b>NBV 31 March 2016</b>	<b>1,800</b>	<b>358</b>	<b>1,132</b>	<b>3,290</b>
NBV 31 March 2015	941	996	1,275	3,212

## 10. Trade and other receivables – amounts receivable within one year

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trade receivables	584	617
Other receivables	24	20
Prepayments	5,776	5,372
Staff loans and advances	246	236
Accrued income	1,400	300
Accrued income (Grant-in-aid DCMS)	164	12
<b>Total trade and other receivables – amounts receivable within one year</b>	<b>8,194</b>	<b>6,557</b>

Staff loans relate to 167 (2015:165) season ticket loans to colleagues repayable over 12 months.

## 11. Trade and other receivables – amounts receivable after more than one year

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Prepayments	–	13
Accrued income	1,464	732
<b>Total trade and other receivables – amounts receivable after more than one year</b>	<b>1,464</b>	<b>745</b>

## 12. Cash and cash equivalents

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Commercial banks and cash in hand	11,570	14,279
Balance of funds relating to Section 400 – due to the Consolidated Fund	–	–
<b>Total cash and cash equivalents</b>	<b>11,570</b>	<b>14,279</b>

All activities and cash balances relating to Licence Fees and Penalties are separated from the Ofcom accounts and are disclosed in the Section 400 accounts.



### 13. Trade and other payables – amounts falling due within one year

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Trade payables	796	2,060
Other tax and social security	–	–
Other payables	100	171
Value added tax payable	42	55
Grant-in-aid DCMS	2,594	2,539
Accruals	12,315	9,818
Lease incentive accrual	1,291	1,289
Deferred income	3,094	3,998
<b>Total trade and other payables – amounts falling due within one year</b>	<b>20,232</b>	<b>19,930</b>

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 2015/16 Ofcom achieved on average a performance of 93.06% against these targets (2014/15: 93.79%).

### 14. Trade and other payables – amounts falling due after more than one year

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Lease incentive accrual	1,936	3,224
Deferred income	445	1,138
<b>Total trade and other payables – amounts falling due after more than one year</b>	<b>2,381</b>	<b>4,362</b>

## 15. Provisions for liabilities and charges

	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
<b>At 1 April 2014</b>	<b>311</b>	<b>892</b>	<b>–</b>	<b>1,203</b>
Discount unwound in year	5	5	–	10
Utilised in year	(70)	(379)	–	(449)
Provision increased/(released)	16	(170)	60	(94)
<b>At 31 March 2015</b>	<b>262</b>	<b>348</b>	<b>60</b>	<b>670</b>
Discount unwound in year	3	2	–	5
Utilised in year	(29)	(401)	–	(430)
Provision increased/(released)	5	152	(60)	97
<b>Total provisions as at 31 March 2016</b>	<b>241</b>	<b>101</b>	<b>–</b>	<b>342</b>

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 1.37% (2015: 1.3%) 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 0.70% (2015: 0.58%) and for provisions with a time boundary of 5 to 10 years the medium term rate of 1.60% (2015: 2.18%).

Analysis of expected timing of cashflows	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
<b>Current</b>				
Not later than one year	29	39	–	<b>68</b>
	<b>29</b>	<b>39</b>	<b>–</b>	<b>68</b>
<b>Non-current</b>				
Later than one year and not later than five years	97	62	–	<b>159</b>
Later than five years	115	–	–	<b>115</b>
	<b>212</b>	<b>62</b>	<b>–</b>	<b>274</b>
<b>Total provisions as at 31 March 2016</b>	<b>241</b>	<b>101</b>	<b>–</b>	<b>342</b>

The provision for early retirement of £241k (2015: £262k) is for Annual Compensation Payments (ACP). The ACP is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

The provision for vacant property relates to one property which although occupied by Ofcom has some 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.

## 16. Commitments under operating leases

	As at 31 March 2016				As at 31 March 2015			
	Buildings £'000	Vehicles £'000	Other £'000	Total £'000	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
<b>The future aggregate minimum lease payments under operating leases are as follows:</b>								
Not later than one year	8,802	28	112	<b>8,942</b>	8,787	22	67	<b>8,876</b>
Later than one year and not later than five years	13,514	–	180	<b>13,694</b>	21,969	–	1	<b>21,970</b>
Later than five years	512	–	–	<b>512</b>	616	–	–	<b>616</b>
<b>Total commitments under operating leases</b>	<b>22,828</b>	<b>28</b>	<b>292</b>	<b>23,148</b>	<b>31,372</b>	<b>22</b>	<b>68</b>	<b>31,462</b>

The lease agreement for Riverside House runs until September 2022 with a break option in September 2018.

## 17. Amounts receivable under operating leases

	As at 31 March 2016 Buildings £'000	As at 31 March 2015 Buildings £'000
<b>The future minimum lease payments receivable under non-cancellable operating leases are as follows:</b>		
Not later than one year	<b>2,338</b>	2,297
Later than one year and not later than five years	<b>3,514</b>	6,861
Later than five years	–	–
<b>Total amounts receivable under operating leases</b>	<b>5,852</b>	<b>9,158</b>

Ofcom has entered into sub-lease contracts with regards to surplus office space within its main office building.

## 18. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £10,225k (2015: £12,870k) to Ofcom. In addition DCMS paid £1,000k (2015: £1,000k) to Ofcom. These sums have not been reflected in these accounts but have been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

## 19. Retirement benefit obligations

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

### A) Defined contribution plan – stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £4,903k were made in the year ended 31 March 2016 (2015: £4,774k). There is also a defined contribution section in the Ofcom Defined Benefits Pension Plan. However, this is now closed and no further contributions are being made to this arrangement.

### B) Defined benefit pension plans

Ofcom operates two defined benefit pension plans, although both closed to future accrual on 1 June 2011:

- The Ofcom Defined Benefit Pension Plan was established on 29 December 2003. The employer contribution made to the Ofcom Defined Benefit Pension Plan for the year ending 31 March 2016 was £366k in relation to Plan expenses (2015: £365k). No funds were transferred from the Feeder Trust account to this Plan in the year ending 31 March 2016 (2015: £0k); and
- The Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. The employer contribution made to the Ofcom (Former ITC) Pension Plan for the year ending 31 March 2016 was £9k in relation to Plan expenses (2015: £10k). Employer contributions of £180k was transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2016 (2015: £8,042k).

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 £5,218k.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom would be expecting to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. This compares to £555k over the year to 31 March 2016 (including the contribution paid from the Feeder Trust).

The funding valuations as at 31 March 2015 are currently in the process of being finalised. Ofcom's contributions to both these plans are not expected to materially change once the 2015 funding valuations are finalised.

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 2016 into the Feeder Trust (2015: £0k). The balance of the Feeder Trust as at 31 March 2016 was £8,369k (2015: £8,505k).

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
	31 March 2016 £'000	31 March 2016 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2015 £'000	31 March 2015 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(71,806)	–	(71,806)	(83,200)	–	(83,200)
– Benefit obligation in respect of pensioner members	(170,811)	(1,148)	(171,959)	(172,164)	(1,206)	(173,370)
<b>Total benefit obligations</b>	<b>(242,617)</b>	<b>(1,148)</b>	<b>(243,765)</b>	<b>(255,364)</b>	<b>(1,206)</b>	<b>(256,570)</b>
Fair value of plan assets	257,987	–	257,987	272,564	–	272,564
<b>Funded status</b>	<b>15,370</b>	<b>(1,148)</b>	<b>14,222</b>	<b>17,200</b>	<b>(1,206)</b>	<b>15,994</b>
Amount not recognised due to asset limit *	–	–	–	–	–	–
<b>Net funded status</b>	<b>15,370</b>	<b>(1,148)</b>	<b>14,222</b>	<b>17,200</b>	<b>(1,206)</b>	<b>15,994</b>

\* IAS19 requires that, where a scheme is in surplus according to IAS19 assumptions, the surplus can only be recognised on Ofcom's Statement of Financial Position if an economic benefit is available to Ofcom as a result. The surplus in the DB Plan and Feeder Account has economic value as it can be recovered by Ofcom. However, the Trust Deed and Rules of the Ofcom (former ITC) Plan do not permit a surplus asset in this Plan to be recovered.

## Changes over the year to 31 March 2016

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
<b>Opening value</b>	<b>(255,364)</b>	<b>272,564</b>	<b>–</b>	<b>17,200</b>	<b>(1,206)</b>	<b>15,994</b>
Administration expenses	–	(726)	–	(726)	–	(726)
<b>Total service cost</b>	<b>–</b>	<b>(726)</b>	<b>–</b>	<b>(726)</b>	<b>–</b>	<b>(726)</b>
<b>Interest income/(cost)</b>	<b>(8,608)</b>	<b>9,195</b>	<b>–</b>	<b>587</b>	<b>(40)</b>	<b>547</b>
Employer contributions	–	375	–	375	–	375
<b>Employer contributions total</b>	<b>–</b>	<b>375</b>	<b>–</b>	<b>375</b>	<b>–</b>	<b>375</b>
Benefits paid from scheme assets	11,845	(11,845)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	82	82
<b>Benefits paid total</b>	<b>11,845</b>	<b>(11,845)</b>	<b>–</b>	<b>–</b>	<b>82</b>	<b>82</b>
<b>Remeasurements</b>						
<b>Actuarial gains/(losses)</b>	<b>9,510</b>	<b>(11,576)</b>	<b>–</b>	<b>(2,066)</b>	<b>16</b>	<b>(2,050)</b>
<b>Closing value</b>	<b>(242,617)</b>	<b>257,987</b>	<b>–</b>	<b>15,370</b>	<b>(1,148)</b>	<b>14,222</b>

Changes over the year to 31 March 2015

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
<b>Opening value</b>	<b>(232,238)</b>	<b>264,012</b>	<b>(8,628)</b>	<b>23,146</b>	<b>(1,177)</b>	<b>21,969</b>
Administration expenses	–	(680)	–	(680)	–	(680)
<b>Total service cost</b>	<b>–</b>	<b>(680)</b>	<b>–</b>	<b>(680)</b>	<b>–</b>	<b>(680)</b>
<b>Interest income/(cost)</b>	<b>(10,091)</b>	<b>11,433</b>	<b>(384)</b>	<b>958</b>	<b>(51)</b>	<b>907</b>
Employer contributions	–	375	–	375	–	375
<b>Employer contributions total</b>	<b>–</b>	<b>375</b>	<b>–</b>	<b>375</b>	<b>–</b>	<b>375</b>
Benefits paid from scheme assets	11,080	(11,080)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	82	82
<b>Benefits paid total</b>	<b>11,080</b>	<b>(11,080)</b>	<b>–</b>	<b>–</b>	<b>82</b>	<b>82</b>
<b>Remeasurements</b>						
<b>Actuarial gains/(losses)</b>	<b>(24,115)</b>	<b>8,504</b>	<b>9,012</b>	<b>(6,599)</b>	<b>(60)</b>	<b>(6,659)</b>
<b>Closing value</b>	<b>(255,364)</b>	<b>272,564</b>	<b>–</b>	<b>17,200</b>	<b>(1,206)</b>	<b>15,994</b>

31 March 2016	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
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The amounts recognised in the Statement of Income and Expenditure are as follows:

Service cost	–	–	–	–	–
Net interest credit/(cost)	587	–	587	(40)	547
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>587</b>	<b>–</b>	<b>587</b>	<b>(40)</b>	<b>547</b>
Administration expenses	(726)	–	(726)	–	(726)
<b>Income/(cost) recognised in income and expenditure</b>	<b>(139)</b>	<b>–</b>	<b>(139)</b>	<b>(40)</b>	<b>(179)</b>

31 March 2016	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
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The amounts recognised as Other Comprehensive Income are as follows:

Gains/(losses) on benefit obligations due to changes in financial assumptions	(1,762)	–	(1,762)	(5)	<b>(1,767)</b>
Gains/(losses) on benefit obligations due to changes in demographic assumptions	3,378	–	3,378	18	<b>3,396</b>
Gains/(losses) on benefit obligations as a result of member experience	7,894	–	7,894	3	<b>7,897</b>
<b>Total gains/(losses) arising on benefit obligations</b>	<b>9,510</b>	<b>–</b>	<b>9,510</b>	<b>16</b>	<b>9,526</b>
Gains/(losses) on plan assets	(11,576)	–	(11,576)	–	<b>(11,576)</b>
Gains/(losses) as a result of change in asset limit	–	–	–	–	–
<b>Net gains/(losses)</b>	<b>(2,066)</b>	<b>–</b>	<b>(2,066)</b>	<b>16</b>	<b>(2,050)</b>

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that causes a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.



## NOTES TO THE ACCOUNTS

31 March 2015	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
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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
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>1,342</b>	<b>(384)</b>	<b>958</b>	<b>(51)</b>	<b>907</b>
Administration expenses	(680)	–	(680)	–	(680)
<b>Income/(cost) recognised in income and expenditure</b>	<b>662</b>	<b>(384)</b>	<b>278</b>	<b>(51)</b>	<b>227</b>

31 March 2015	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
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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
<b>Total gains/(losses) arising on benefit obligations</b>	<b>(24,115)</b>	<b>–</b>	<b>(24,115)</b>	<b>(60)</b>	<b>(24,175)</b>
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
<b>Net gains/(losses)</b>	<b>(15,611)</b>	<b>9,012</b>	<b>(6,599)</b>	<b>(60)</b>	<b>(6,659)</b>

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that causes a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

The major categories of plan assets as a percentage of total plan assets are as follows:

	31 March 2016 (%) Total	31 March 2015 (%) Total
UK Equities	4	3
Overseas Equities	3	3
Corporate bonds	3	3
Index-linked bonds	7	6
Fixed interest government bonds	1	2
Annuities	78	80
Cash/interest on bank deposit	4	3
<b>Total</b>	<b>100</b>	<b>100</b>

Ofcom and the Plans' Trustees have implemented a number of steps to reduce the level of investment risk. In particular, both main defined benefit plans hold annuity policies that largely eliminate risk in respect of most members and the Ofcom Defined Benefit Pension Plan has a strategy in place that will increase the allocation to lower risk assets that better match liabilities, such as gilts and bonds, when it is affordable to do so.

Principal economic assumptions at the date of the Statement of Financial Position:

	31 March 2016 (%) Total	31 March 2015 (%) Total
Discount rate	3.40	3.45
Retail Price Inflation	3.10	3.10
- Future pension increases (RPI)	3.10	3.10
- Future pension increases (CPI max 3%)	1.85	1.85

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		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
<b>Discount rate</b>						
Increases by 0.50%	decrease by £4,732	decrease by £1,230	increase by £3,502	decrease by £11,857	decrease by £11,851	increase by £6
Falls by 0.50%	increase by £6,680	increase by £1,571	decrease by £5,109	increase by £12,727	increase by £12,720	decrease by £7
<b>Retail Price Inflation</b>						
Increases by 0.50%	increase by £6,593	increase by £4,483	decrease by £2,110	increase by £9,898	increase by £9,893	decrease by £5
Falls by 0.50%	decrease by £4,705	decrease by £3,666	increase by £1,039	decrease by £9,443	decrease by £9,438	increase by £5
<b>Expected lifetime of a member aged 60</b>						
Increases by 1 year	increase by £1,916	increase by £492	decrease by £1,424	increase by £5,650	increase by £5,647	decrease by £3
Decreases by 1 year	decrease by £1,680	decrease by £432	increase by £1,248	decrease by £5,626	decrease by £5,623	increase by £3

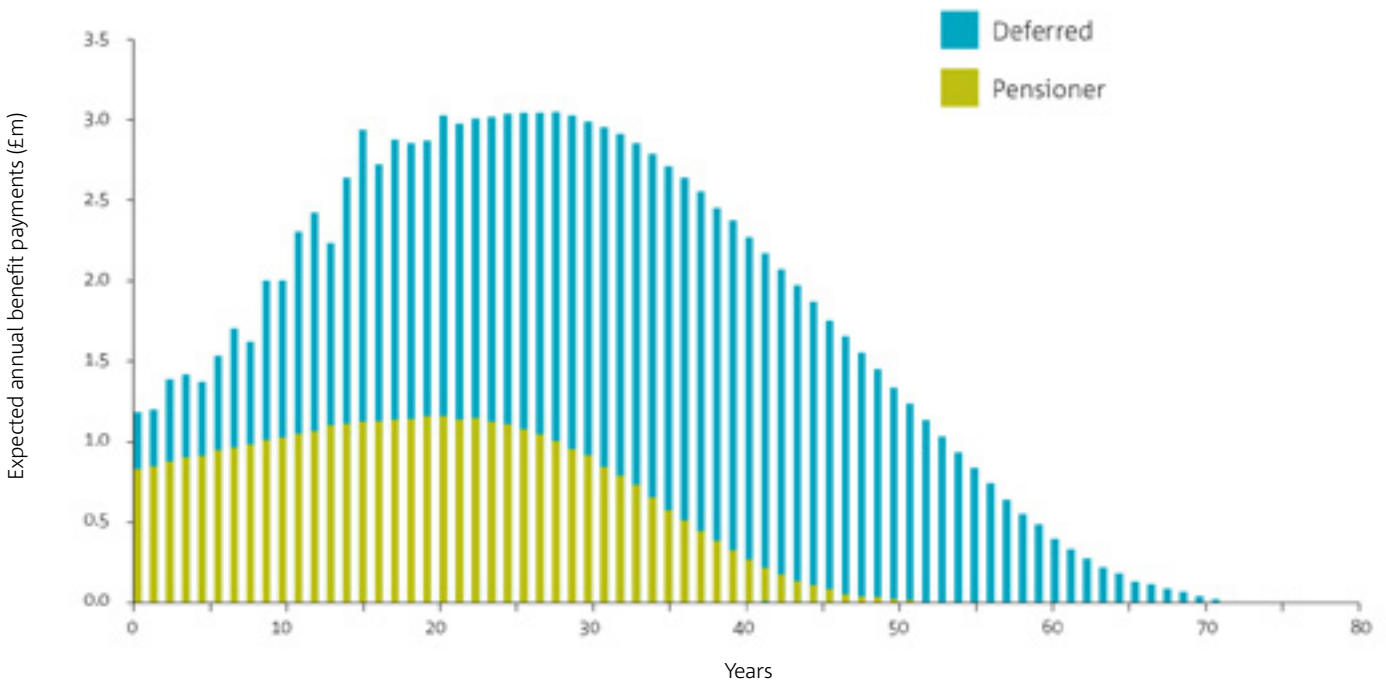
**Liability profile of defined benefit plans**

The charts below illustrates the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2015) over the next 80 years.

The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain. The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

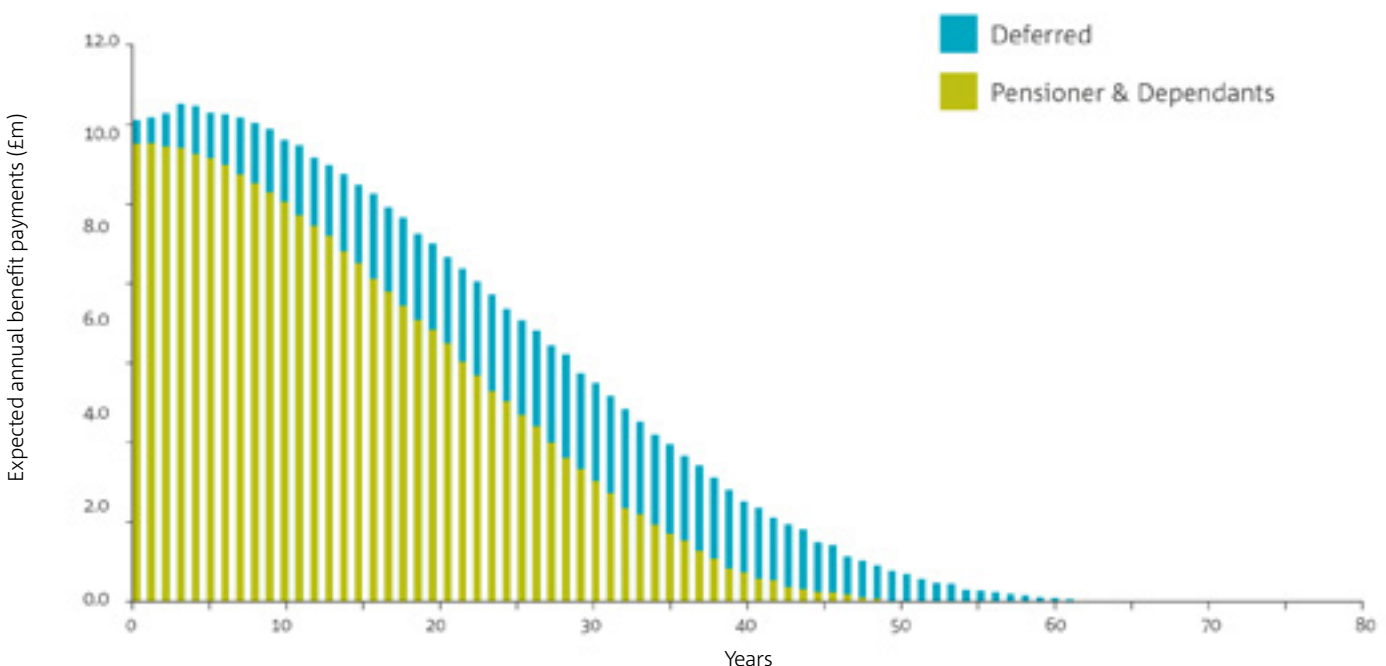
**Ofcom Defined Benefit Pension Plan**

The duration (average term to payment) of the Plan’s liabilities is 20 years



**Ofcom (Former ITC) Pension Plan**

The duration (average term to payment) of the Plan’s liabilities is 14 years



## 20. 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 & Sport (DCMS) are regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002.

Details of all grant-in-aid income from DCMS are provided in Notes 2, 3, 10 and 13 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 19 for further disclosure.

At 31 March 2016, the following payables were held in respect of grant-in-aid provided by DCMS:

- Spectrum clearance and awards – £2,484k (2015:£1,208k); and
- Other sectors (functions which cannot be funded through fees and charges set under the Communications Act 2003) – £27k (2015: £272k).

At 31 March 2016, the following receivables were held in respect of grant-in-aid due by DCMS:

- Spectrum management – £110k (2015: £1,035k payables).

No other related party transactions were entered into during the financial year.

## 21. 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.

## 22. Capital commitments

At 31 March 2016 there were capital commitments of £113k (2015: £0k).

## 23. Receipts transferred to the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £4,444k (2015: £3,237k) of Broadcasting Act Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

£265,571k (2015: £269,378k) 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 2016 are disclosed in Note 12 to these financial statements.

## 24. Contingent liabilities

Ofcom may be subject to appeal of decisions made in carrying out its functions as regulator of the communications sector. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent that they are probable and quantifiable.

## 25. Events after the reporting period

Between the reporting date and the date when the accounts were certified, Ofcom entered into new lease arrangements for two offices, which are non-adjusting events after the end of the reporting period.

On 29 April 2016, Ofcom entered into a lease for a new office in Warrington with a lease from 29 July 2016 until 28 July 2026 at £92k excluding VAT per annum after a rent free and transitional period.

On 23 May 2016, Ofcom has also signed an agreement for a new lease for its London head office which is effective from 23 June 2017 until 28 September 2030 on a new rent starting at £4,803k excluding VAT per annum. The new secured lease is a reduction of its existing head office space.

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

# E

## ANNEX

# OFCOM BOARDS AND COMMITTEES

## Board Committees

### The Content Board

Further details regarding the Content Board are on page 57.

#### Members

Bill Emmott (Chairman)<sup>1</sup>  
Dame Lynne Brindley, DBE  
Andrew Chitty  
Tony Close<sup>2</sup>  
Andrew Colman  
Aled Eirug<sup>3</sup>  
Robin Foster<sup>4</sup>

Zahera Harb<sup>3</sup>  
Dr David Levy  
Lesley MacKenzie  
Nick Pollard<sup>5</sup>  
James Thickett  
Philip Schlesinger  
Mary Ann Sieghart  
Janey Walker

<sup>1</sup> Bill Emmott was appointed to the Content Board on 1 January 2016.

<sup>2</sup> Tony Close was appointed as an Executive Member of the Content Board on 1 June 2015.

<sup>3</sup> Aled Eirug and Zahera Harb were appointed to the Content Board on 1 December 2015.

<sup>4</sup> Robin Foster was appointed to the Content Board on 1 January 2016.

<sup>5</sup> Nick Pollard was appointed to the Content Board on 1 March 2016.

Glyn Mathias retired from the Content Board on 30 June 2015, Tim Gardam retired from the Content Board on 31 December 2015 and was Chairman until 31 December 2015, Claudio Pollack resigned as an Executive Member of the Content Board on 31 December 2015.



### Community Radio Fund Panel

Section 359 of the Communications Act makes it possible for a fund for community radio operators to be set up, and for Ofcom to administer it and “make such grants as they consider appropriate” to community radio licensees. The Panel meets as required to examine applications and make awards from the Fund. It is independent of the Broadcast Licensing Committee which awards community radio licences.

#### Members

Wendy Pilmer (Chairman)  
Richard Hilton  
Fiona Lennox

### Election Committee

Section 333 of the Communications Act requires Ofcom to ensure that party political broadcasts (including party election broadcasts) and referendum campaign broadcasts are included in the UK regional ITV, Channel 4, Five,

Classic FM, talkSPORT and Virgin 1215 services. Unresolved disputes between any licensee and any political party, as to the length, frequency, allocation or scheduling of broadcasts, are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to a committee known as the Election Committee. The Committee meets as and when required and consists of members drawn from the Ofcom Board, Content Board and Ofcom Executive.

### 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. In addition to the appointed members of the National Advisory Committees, the Content Board member and the Communications Consumer Panel member for the respective nations are invited to attend the Advisory Committee meetings as observers.



**Nations Advisory Committee members**

	England	Scotland	Wales	Northern Ireland
<b>Chairman</b>	John Varney	Laura Alexander	John Davies	Maureen Edmondson OBE
<b>Members</b>	Barnie Choudhury	Amanda Bryan <sup>1</sup>	Nerys Evans	Fiona Boyle
	Graham Creelman OBE	Stuart Gibson <sup>3</sup>	Karen Lewis <sup>2</sup>	Fiona MacMillan
	Andrew Davis	Liz Leonard	Glyn Mathias <sup>2</sup>	Brendan Mulgrew
	Becky Hogge	Ian McKay	Huw Roberts	Sharon O'Connor
	Duncan Ingram	Peter Peacock CBE	Hywel Wiliam	Paul Wilson
		John Trower <sup>1</sup>		

**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](http://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

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

**Members**

- David Meyer (Chairman)
- Mischa Dohler<sup>4</sup>
- Professor Linda Doyle
- John Fuller (DCMS) (ex officio)<sup>4</sup>
- Philippa Marks
- Dr Robert Pepper
- Jean-Jacques Sahel
- Mike Walker
- Gavin Young
- David Harrison (ex officio)<sup>5</sup>
- David Hendon (ex officio)<sup>5</sup>
- Chris Pook (DCMS) (ex officio)<sup>4</sup>
- Greg Bensberg
- Niall Murphy

<sup>1</sup> Amanda Bryan and John Trower were appointed to the Advisory Committee for Scotland on 1 September 2015.  
<sup>2</sup> Karen Lewis was appointed to the Advisory Committee for Wales on September 1 2015. Glyn Mathias attended the Advisory Committee for Wales from 1 April 2015 to 30 June 2015 as an observer in his capacity as Content Board member for Wales. With effect from 1 July 2015 he became a member of the Advisory Committee for Wales.  
<sup>3</sup> Stuart Gibson retired from the Advisory Committee for Scotland on 31 May 2016.  
<sup>4</sup> Mischa Dohler joined the Spectrum Advisory Board with effect from 1 January 2016, Nick Munn from DCMS has been attending the Spectrum Advisory Board throughout 2015/16 in a deputising capacity for John Fuller and Chris Pook.  
<sup>5</sup> David Harrison and David Hendon are both employees of Ofcom.

# REGULATORY STATEMENTS

## List of statements published in 2015/16 including regulatory impact on stakeholders

<b>Contribute to and implement public policy defined by Parliament</b>
<b>Significant Work Area: Complete the Ofcom review of public service broadcasting</b>
Public Service Broadcasting in the internet age
A review of Channel 4 – Channel 4 Corporation's performance in meeting its media content duties
<b>Significant Work Area: Develop a framework for measuring media plurality</b>
Measurement Framework for Media Plurality: Ofcom's advice to the Secretary of State for Culture, Media & Sport
<b>Maintain audience confidence in broadcast content</b>
<b>Priority: Promote audience safety and assurance in traditional and online environments</b>
Future regulation of on-demand programme services
<b>Significant Work Area: Complete our review of music formats regulation on radio</b>
Review of music in radio formats
<b>Significant Work Area: Develop plans for the implementation and licensing of small-scale DAB</b>
Small Scale DAB trial licence awards
<b>Programmatic: Assign broadcast licences including those for local TV stations and promote diversity and equality of opportunity in broadcasting</b>
Statement on Radio City 2 and City Talk (Liverpool) format change requests
Statement on Blast 106 Limited's request to change the Key Commitments for Blast 106 (Belfast)
Statement on Chorley FM Limited's request to change its Key Commitments (1)
Statement on Chorley FM Limited's request to change its Key Commitments (2)
Review of the approach to Community Radio Key Commitments
Statement on ESTV request to change programming commitments
<b>Programmatic: Ensure efficient and effective programme standards enforcement</b>
The Ofcom Broadcasting Code (Incorporating the Cross-promotion Code)
Changes to signing arrangements for relevant domestic TV channels
Channel 3 networking arrangements: 2015 review
Non-domestic TV channels: extension of transitional signing arrangements
The scheduling of television advertising
Review of Ofcom's list of larger parties for elections taking place on 5 May 2016

**Promote effective competition and informed choice**

**Priority: Ensure effective competition in the provision of communications services for businesses**

Request from BT for an exemption from the Undertakings for the Microconnect Distributed Antenna service

Business Connectivity Market Review – draft statement

Broadband services for SMEs: assessment and action plan

**Priority: Improve the process of switching providers for consumers**

Consumer Switching: a statement on modifications to General Conditions to effect changes to switching processes for fixed voice and broadband on the KCOM Access Network

**Priority: Undertake a Strategic Review of Digital Communications**

Making communications work for everyone: Initial conclusions from the Strategic Review of Digital Communications

**Significant Work Area: Commence the fixed access and narrowband market reviews**

Supplementary guidance on assessment of the VULA margin

**Significant Work Area: Undertake MIAs in support of Public Value Tests by the BBC Trust**

Market impact assessment of proposed changes to BBC Three, BBC iPlayer, BBC One and CBBC

BBC Trust Significance Test – BBC Radio 5 live Sports Extra proposals

**Significant Work Area: Work to ensure fair and effective competition in broadcasting services**

Review of the Pay-TV wholesale must-offer obligation

**Programmatic: Implement measures to ensure availability of geographic numbers and conduct further work as required on non-geographic numbers**

A three-digit number for the national power cut and electricity network safety service

Telephone number application form

The use of non-geographic numbers in broadcasting

**Promote opportunities to participate**

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

Improving mobile coverage – enabling the benefits of consumer installed mobile repeaters

**Priority: Review the factors that potentially affect the sustainability of the universal postal service**

An Exception to Royal Mail's Universal Service Obligation – no requirement for deliveries and collections when 26 December falls on a Saturday

Modification to Consumer Protection Condition 1 – Collection of qualifying consumer expenses of the Consumer Advocacy Bodies

**Significant Work Area: Carry out other work in light of our duty to secure the provision of the universal postal service**

Ofcom's review of complaint handling and redress in the postal market

**Significant Work Area: Understand and promote the interests of vulnerable citizens and consumers**

Television channels required to provide television access services in 2016

**Programmatic: Carry out and publish market and consumer research**

PSB Nations and Regions compliance reporting, 2014

**Protect consumers from harm**

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

Approval of the PhonepayPlus Code of Practice (thirteenth edition)

Tackling nuisance calls and messages: Update on the ICO and Ofcom Joint Action Plan

Metering and billing approval logo

**Significant Work Area: Ensure consumers have access to redress for service failures and poor quality of service**

2015 Voluntary Code of Practice: broadband speeds

## Secure optimal use of spectrum

### Priority: Work towards the timely release and effective award of spectrum

VHF radio spectrum for the Internet of Things

Public Sector Spectrum Release: Award of the 2.3 and 3.4GHz spectrum bands

Public Sector Spectrum Release (PSSR) – Competition and auction design issues for the 2.3 and 3.4GHz spectrum award, including reserve prices

### Priority: Represent the UK in international negotiations to agree how best to use spectrum effectively

Final UK Positions on key issues for the World Radiocommunication Conference 2015 (WRC-15)

### Significant Work Area: Conclude our review of spectrum requirements for the programme-making and special events sector

New spectrum for Audio PMSE

### Significant Work Area: Annual licence fees for 900MHz and 1800MHz spectrum

Annual licence fees for 900MHz and 1800MHz spectrum

### Significant Work Area: Explore and implement opportunities for spectrum sharing

Licensing manually configurable white space devices

Decision to make the Wireless Telegraphy (White Space Devices) (Exemption) Regulations 2015

### Programmatic: Plan spectrum assignments and grant licences

Decision to make the Wireless Telegraphy (Limitations of Number of Licences) (Amendment) Order

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2015

Licence Exemption of Wireless Telegraphy Devices: Candidates for 2015

Decision to make the Wireless Telegraphy (Licensing Procedures) (Amendment) Regulations 2016

Variation of the Spectrum Access licence for 1452–1492MHz and changes to fixed link use in the paired bands 1350–1375MHz and 1492–1517MHz

Inclusion of the 1452–1492MHz, 2350–2390MHz and 3410–3600MHz bands in the Mobile Trading Regulations

Trade of frequencies in the 1452–1492MHz band from Qualcomm UK Spectrum Ltd to Vodafone Limited and Hutchison 3G UK Limited

Fees for Spectrum Access 28GHz Licences

Recognised Spectrum Access (RSA) for Receive Only Earth Stations – statement

### Programmatic: Advise and assist in cases of interference and conduct enforcement action where appropriate

Procedures for the Management of Satellite Filings – update on position with regard to proposed changes to the bringing into use of frequency assignments to stations of non-geostationary orbit satellite systems

Procedures for the Management of Satellite Filings: a statement on amendments to the procedures

Decision to make the Wireless Telegraphy (Control of Interference from Apparatus) Regulations 2016

## Other

Annual Plan 2016/17

Revising the penalty guidelines

### Ofcom statements published in 2015/16 where the earlier consultation included an impact assessment

Request from BT for an exemption from the Undertakings for the Microconnect Distributed Antenna service

The use of non-geographic numbers in broadcasting – statement

Changes to signing arrangements for relevant domestic TV channels

Public Sector Spectrum Release: award of the 2.3 and 3.4GHz spectrum bands

Variation of the Spectrum Access licence for 1452–1492MHz and changes to fixed link use in the paired bands 1350–1375MHz and 1492–1517MHz

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2015

A three-digit number for the national power cut and electricity network safety service

Recognised Spectrum Access (RSA) for Receive Only Earth Stations – statement

Review of music in radio formats: statement

Telephone number application form

Approval of the PhonepayPlus Code of Practice (thirteenth edition) – final statement

The scheduling of television advertising – statement

Supplementary guidance on assessment of the VULA margin

Licensing manually configurable white space devices

An exception to Royal Mail's universal service obligation – no requirement for deliveries and collections when 26 December falls on a Saturday – statement

Licence Exemption of Wireless Telegraphy Devices: candidates for 2015

Revising the penalty guidelines – statement

Fees for Spectrum Access 28GHz Licences

Non-domestic TV channels: extension of transitional signing arrangements – statement

New spectrum for Audio PMSE

**Ofcom statements published in 2015/16 where the earlier consultation included an impact assessment**

Review of Ofcom's list of larger parties for elections taking place on 5 May 2016

Business Connectivity Market Review – draft statement

Decision to make the Wireless Telegraphy (Licensing Procedures) (Amendment) Regulations 2016

VHF radio spectrum for the Internet of Things

Decision to make the Wireless Telegraphy (Control of Interference from Apparatus) Regulations 2016

Procedures for the management of satellite filings: a statement on amendments to the procedures

Future regulation of on-demand programme services

Ofcom consultations published in 2015/16 which included an impact assessment and where no statement had been published by 31 March 2016

Business Connectivity Market Review: very low bandwidth leased lines

Business Connectivity Market Review: leased lines charge controls and dark fibre pricing

Review of BT's cost attribution methodologies (2 consultations)

What's on the telly? Proposed improvements to EPG accessibility for people with visual impairments

700MHz clearance – management of transitional coverage issues: consultation on updates to the Code of Practice on changes to existing transmission and reception arrangements

Review of how we use our persistent misuse powers: focus on silent and abandoned calls

Broadcasting Code Review – Section Three: Crime

Authorisation of terrestrial mobile networks complementary to 2GHz Mobile Satellite Service (MSS) – a consultation on the licensing of 2GHz MSS Complementary Ground Component (CGC) for aeronautical use

Maximising the benefits of 700MHz clearance

Approval of the PhonepayPlus Code of Practice (fourteenth edition)

Consumer switching: proposals to reform switching of mobile communications services

Broadcasting Transmission Services: a review of the market

# 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 2015/16 and how we have performed against our statutory and published targets. This reflects the picture as at 31 March 2016.

It should be noted that the number of cases recorded in the table tends to be small and the reported performance indicators 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 31/3/2016)
	Total handled	Total accepted for investigation	Total not accepted for investigation	Total closed		
				of which, within target	of which, outside of target	
<b>Enquiries</b>						
Disputes ( <i>ex ante</i> ) 15 working days	7	2	4	6	0	1
Competition law ( <i>ex post</i> ) 8 weeks	0	0	0	0	0	0
Complaints ( <i>ex ante</i> ) 15 working days	1	0	1	0	1	0
Own-initiative ( <i>ex ante</i> ) 15 working days	4	2	2	0	4	0
	Total handled	Total opened	Total ongoing from previous reporting period	Total closed		
				of which, within target	of which, outside of target	
<b>Disputes</b>						
Completion within 4 months ( <i>ex ante</i> )	2	2	0	2	0	0
<b>Competition law investigations</b>						
No specific ‘one size fits all’ target ( <i>ex post</i> )	3	0	2	1		2
<b>Other investigation and enforcement programmes (<i>ex ante</i>)</b>						
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> )	12 investigations 11 enforcement programmes	10 investigations 3 enforcement programmes	2 investigations 8 enforcement programmes	2 investigations	2 investigation	8 investigations 6 enforcement programmes
				5 enforcement programmes		

# BROADCASTING STANDARDS

## Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by 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 Code<sup>10</sup> or other Ofcom codes. 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 7,285 cases (comprising 23,625 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<sup>11</sup>.

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 and On-demand Bulletin<sup>12</sup>.

A total of 7,080 cases (23,420 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 222 cases (2,236 complaints) raised substantive issues that warranted further investigation; and
- 6,858 cases (21,184 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 2015 and 31 March 2016, Ofcom assessed complaints on average within 5.57 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 205 investigation cases were completed in the period between 1 April 2015 and 31 March 2016. Ofcom found that:

- 127 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes) being recorded;
- 17 investigated cases were resolved; and
- 61 investigated cases were not in breach of the codes or were discontinued.

<sup>10</sup> Available at: <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code/>.

<sup>11</sup> Available at: <http://stakeholders.ofcom.org.uk/broadcasting/guidance/complaints-sanctions/standards/>.

<sup>12</sup> Available at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/>.



Ofcom aims to complete those cases that it takes forward for investigation within 50 working days. In the period between 1 April 2015 and 31 March 2016, Ofcom completed investigations on average within 49.7 working days.

## Fairness and Privacy

Fairness and Privacy complaints are complaints about unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are 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 205 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 205 Fairness and Privacy complaints were assessed in the period between 1 April 2015 and 31 March 2016. Ofcom decided that:

- 60 complaints were entertained; and
- 145 complaints were not entertained or discontinued before entertainment.

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2015 and 31 March 2016, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 17.1 working days.

### Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, then it will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred and, if so, it will uphold the complaint. Ofcom will then make its final adjudication.

A total of 60 complaints were adjudicated upon in the period under review. Ofcom decided that:

- 16 complaints were upheld (of which four were partially upheld);
- 40 complaints were not upheld;
- two complaints were resolved (following appropriate action taken by the broadcaster); and
- two complaints were discontinued after entertainment.

Ofcom also found that a self-initiated fairness and privacy investigation was not in breach of the Broadcasting Code<sup>13</sup>.

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 2015 and 31 March 2016, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 89.3 working days.

## Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other relevant Ofcom code, and it considers the breach to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

The range of sanctions available to Ofcom include a decision to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom’s findings; impose a financial penalty<sup>14</sup>; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

During the period between 1 April 2015 and 31 March 2016, Ofcom decided to impose the following statutory sanctions:

- Asia TV Limited in respect of its service Lamhe TV – £25,000
- DM Global Media Limited in respect of its service DM News Plus – £25,000
- International Television Channel Europe Limited in respect of its service NTV – £20,000
- Leith Community Mediaworks Ltd in respect of its service Castle FM – £850

<sup>13</sup> Ofcom’s Decision on this investigation can be read in full in issue 295 of its Broadcast Bulletin, available at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/obb295/>.

<sup>14</sup> All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

# SPECTRUM ENGINEERING AND ENFORCEMENT

## Spectrum engineering and enforcement

### Key performance indicators

#### Main activities

Work programme activity/incident <sup>1</sup>	April 15 – March 16	April 14 – March 15
Complaints of Interference received <sup>2</sup>	1,933	1,954
Checking radio system licence compliance <sup>3</sup>	3,873	3,850
Fixed penalty notices Issued <sup>4</sup>	66	67
Prosecutions for criminal spectrum activity <sup>5</sup>	19	19

#### Quality of service targets for complaints of interference received

Key performance indicator	Case priority	Target	Target achieved	
			April 15 – March 16	April 14 – March 15
<b>Time to first visit:</b>	1	8 hours	100%	100%
The time taken from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	2	18 hours	100%	100%
	3	2 working days	97%	96%
	4	5 working days	99%	99%
	5	15 working days	99%	99%
	6	No target	–	–
<b>Resolution:</b>	1	2 calendar days	100%	100%
The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.	2	3 calendar days	100%	100%
	3	6 working days	93%	89%
	4	20 working days	96%	94%
	5	40 working days	98%	95%
	6	60 working days	96%	94%

<sup>1</sup> Processes for managing activities and incidents were revised in 2014-15 and this is reflected in the new table format

<sup>2</sup> Cases of interference reported by the public and businesses

<sup>3</sup> Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

<sup>4</sup> Fixed Penalty Notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action

<sup>5</sup> Prosecutions in relation to "Pirate Radio" or failure to pay FPNs

# SPECTRUM LICENCING

## Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Business Radio Light – Simple UK (no base station)	1,777	1786	12,215	11,455
Business Radio Simple Site	922	985	7,905	7907
Business Radio Suppliers Light	99	94	826	751
Fixed Wireless Access (5.8GHz)	71	82	424	403
GNSS Repeater	25	120	206	181
Police and Fire	1	0	124	124
<b>Subtotal for Business Radio products</b>	<b>2,895</b>	<b>3,067</b>	<b>21,700</b>	<b>20,821</b>
Radar Level Gauge	0	0	124	124
Amateur & Maritime <sup>1</sup>	82,312	58,058	232,743	224,372
<b>Total for Category A</b>	<b>85,207</b>	<b>61,125</b>	<b>254,567</b>	<b>245,317</b>
KPI for Category A (100% in 7 days)	100%	100%	–	–
KPI for Category A (Amateur & Maritime) (100% in 10 days)	100%	100%	–	–

## Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Automatic Identification System	53	14	262	210
Coastal Station Radio (International)	10	1	405	411
Coastal Station Radio (UK)	15	16	377	373
Coastal Station Radio (Marina)	16	22	421	436
Coastal Station Radio (Training School)	19	29	349	330
Maritime Radio (Suppliers & Demonstration)	4	1	94	90
Maritime Nav aids and Radar	4	17	140	142
Differential Global Positioning System	0	0	5	5
<b>Subtotal for Deregulation &amp; Contracting-Out products</b>	<b>121</b>	<b>100</b>	<b>2,042</b>	<b>1,997</b>
Business Radio Technically Assigned	2,542	2,272	27,302	27,202
Business Radio Area Assigned	40	37	261	245
Coastal Station radio (UK) Area Defined	0	9	2	2
Coastal Station radio (International) Area Defined	2	2	8	7
Ground Probing Radar	27	26	186	173
Scanning Telemetry	3	1	33	32
Self co-ordinated links	34	28	107	79
<b>Subtotal for Business Radio products</b>	<b>2,648</b>	<b>2,375</b>	<b>27,899</b>	<b>27,740</b>
<b>Total for Category B</b>	<b>2,769</b>	<b>2,475</b>	<b>29,952</b>	<b>29,737</b>
<b>KPI for Category B</b>	<b>90% in 21 days</b>	<b>98%</b>	<b>–</b>	<b>–</b>
	<b>100% in 42 days</b>	<b>99%</b>	<b>–</b>	<b>–</b>

## Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Fixed Links	2,983	2,333	30,855	30,622
Satellite (Permanent Earth Station)	8	17	152	157
Satellite (Transportable Earth Station)	101	113	114	118
Satellite (Earth Station Network)	6	12	66	66
Satellite (Non Fixed Earth Station)	2	2	4	2
<b>Total for Category C</b>	<b>3,100</b>	<b>2,477</b>	<b>31,191</b>	<b>30,965</b>
<b>KPI for Category C</b>	<b>90% in 42 days</b>	<b>100%</b>	<b>99%</b>	<b>–</b>
	<b>100% in 60 days</b>	<b>100%</b>	<b>100%</b>	<b>–</b>

## Programme Making & Special Events (PMSE)

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
PMSE Licences <sup>2</sup>	33,380 <sup>3</sup>	8,863	2,854	6,461
<b>Total for PMSE</b>	<b>33,380</b>	<b>8,863</b>	<b>2,854</b>	<b>6,461</b>
<b>KPI for PMSE (100% in 7 days)</b>	<b>100%</b>	<b>100%</b>	<b>–</b>	<b>–</b>

## Test and Development (T&D) licences

	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Non-Operational Development Licence	332	334	309	282
Non-Operational Temporary Licence	242	274	77	90
<b>Total for T&amp;D</b>	<b>574</b>	<b>608</b>	<b>386</b>	<b>372</b>
<b>KPI for T&amp;D (100% in 60 days)</b>	<b>100%</b>	<b>100%</b>	<b>–</b>	<b>–</b>

<sup>1</sup> 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.

<sup>2</sup> Up until June 2015 PMSE licences were issued by Arqiva on Ofcom's behalf (including for the Glasgow 2014 Commonwealth Games), after that date, PMSE licences have been issued by Ofcom.

<sup>3</sup> Calculation changed in 2015/16 to include Licence Notice of Variations.

Mobile and Wireless broadband licences<sup>1</sup>

Licences issued through spectrum auction or award processes	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Public Wireless Networks: 900, 1800MHz		–	4	4
Spectrum Access: 2100MHz		–	4	4
Spectrum Access: Channel Tunnel <sup>2</sup>		–	2	2
Spectrum Access: 800MHz, 2.6GHz		–	5	5
Spectrum Access: 412 – 414MHz		–	1	1
Spectrum Access: 1452 – 1492MHz	2 (-1)	–	2	1
Concurrent Spectrum Access: 1781–1785MHz		–	12	12
Spectrum Access: 1785MHz, Northern Ireland		–	1	1
Spectrum Access: 3.5, 3.6, 10, 28, 32, 40GHz	6 <sup>3</sup>	2 (-1) <sup>4</sup>	19	28
<b>Total for Mobile and Wireless Broadband</b>	<b>8</b>	<b>2</b>	<b>50</b>	<b>58</b>

## Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
2G Cellular Telephones, Channel Islands	–	(-6)	0	0
3G Cellular Telephones, Channel Islands	–	(-6)	1	1
Public Wireless Network: 800, 900, 1800, 2100, 2600MHz, Channel Islands and Isle of Man	2	12 (+ 12) <sup>5</sup>	32	30
Spectrum / Wireless Access: 3.4, 3.6, 10, 28GHz, Channel Islands and Isle of Man	3 (-2)	(-1)	9	8
<b>Total for Channel Islands and Isle of Man</b>	<b>5</b>	<b>12</b>	<b>42</b>	<b>39</b>

<sup>1</sup> Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

<sup>2</sup> Separate licence for the out-bound (UK-France direction) tunnel.

<sup>3</sup> Regional Spectrum Access 28GHz licences consolidated into 6 geographic licences; 1 regional BFWA licence expired.

<sup>4</sup> One 32 / 40GHz licence partitioned and traded separately.

<sup>5</sup> Jersey/Guernsey mobile licences liberalised for 2G/3G/4G in 2014/15 – 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 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
Spectrum Access 541 – 550MHz (Cardiff)	–	–	1	1
Spectrum Access 758 – 766MHz (Manchester)	–	–	1	1
<b>Total for Digital Dividend licences</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>

## Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences

Partner's activity	Licences issued April 15 – March 16	Licences issued April 14 – March 15	Total on issue as at 31 March 16	Total on issue as at 31 March 15
CAA issues licences for Aeronautical	6,523	4,350	14,826	15,431
KPI for CAA (100% in 7 days)	81%	83%		
<b>Total</b>	<b>6,523</b>	<b>4,350</b>	<b>14,826</b>	<b>15,431</b>
<b>TOTAL NUMBER OF LICENCES – ALL CATEGORIES</b>	<b>131,566</b>	<b>79,912</b>	<b>333,850</b>	<b>328,382</b>

# 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

			2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial indicators (tonnes CO<sub>2</sub>e)</b>	<b>Scope 1</b>	Gas	107	161	142	134	158
		Oil	22	19	18	14	18
		Fleet fuel	224	204	210	200	180
	<b>Scope 2</b>	Electricity	1,285	1,166	1,129	1,283	1,203
	<b>Scope 3</b>	Business travel	375	375	346	290	250
		– Air	173	194	241	182	144
		– Domestic	47	48	100	63	47
		– Short haul	102	110	83	71	30
		– Long haul	24	37	57	48	67
		– Rail/bus/tube	102	103	61	59	59
		– Car/motorbike/cycle	97	75	41	46	44
		– Taxis	3	3	2	3	3
	<b>Related consumption data</b>	<b>Scope 1</b>	Gas (kWh)	583,483	869,185	772,668	726,410
Gas per FTE (kWh)			749	1,114	975	928	1,070
Oil (litres)			8,500	7,500	7,000	5,697	7,001
Fleet fuel (litres)			87,206	78,923	80,558	76,898	69,596
<b>Scope 2</b>		Electricity (kWh)	2,658,244	2,411,198	2,334,436	2,387,352	2,404,949
		Electricity per PTE (kWh)	3,414	3,091	2,945	3,049	2,010
<b>Financial indicators</b>	<b>Scope 1</b>	Gas	£25,432	£34,991	£33,060	£34,677	£27,786
		Oil	£6,827	£7,081	£5,317	£3,500	£3,504
		Fleet fuel	£123,748	£113,770	£113,397	£102,026	£78,996
	<b>Scope 2</b>	Electricity	£330,763	£301,645	£290,452	£335,058	£329,757
	<b>Scope 3</b>	Business travel	£713,021	£705,867	£628,340	£596,116	£569,099
		– Air	£239,772	£280,526	£301,014	£257,364	£197,408
		– Rail/bus/tube	£297,685	£276,531	£226,171	£227,260	£264,211
		– Car/motorbike/cycle	£129,466	£104,276	£58,458	£66,876	£67,721
		– Taxis	£46,148	£44,534	£42,696	£44,615	£39,759

1 We have re-stated our gas and electricity consumption data for 2011/12 and 2012/13 following clarification of the allocation of consumption across our estate

**Scope 1** – This covers direct consumption of gas and oil, and fuel consumption from Ofcom’s fleet cars.

Gas consumption data across all years cover Ofcom’s main office in London, Belfast, Birmingham, Haydock and Livingston. Gas 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 2011/12 it also includes cost and consumption data from an office in Caterham. For 2011/12 and 2012/13 it also includes cost data from an office in Bristol. For the period 2011/12 to

2014/15 it also includes consumption from our Project Park office in London. Electricity consumption is dependent on weather conditions.

**Scope 3** – Business travel financial data have been obtained from our SAP reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short haul and long haul flights as per Defra flight distance guidance.

## Waste minimisation and management

Waste consumption data for all years relate to Ofcom's main office in London, and for the period 2011/12 to 2014/15 also includes 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 2011/12 this includes cost data from offices in Bristol, Caterham, Leeds and Peterborough, where applicable. For the period 2011/12 to 2014/15 it also includes consumption from our Project Park office in London. Water charges for other offices are included in the service charge and therefore cannot be analysed. Water consumption is limited to operational use, including a catering facility in Ofcom's main office in London.

		2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial indicators (tonnes)</b>	Total waste	159	166	173	168	173
	Waste sent to landfill	0	0	0	0	0
	ICT water recycled/re-used	8	2	9	4	7
	Waste recycled/re-used	89	91	98	94	111
	Waste composted	9	13	14	14	13
	Waste incinerated with energy recovery	53	60	51	55	41
	Waste incinerated without energy recovery	0	0	0	0	0
	Total waste per FTE	0.204	0.213	0.218	0.214	0.216
<b>Financial indicators</b>	Total waste	£53,345	£46,068	£60,796	£45,500	£32,023

		2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial indicators</b>	Water consumption (m3)	11,508	11,509	13,694	14,213	10,767
	Water consumption per FTE	14.78	14.76	17.27	18.15	13.48
	Paper reams	9,286	7,623	7,721	5,993	7,545
	– A3 reams	60	121	156	103	80
	– A4 reams	9,226	7,502	7,565	5,890	7,465
	– A5 reams	0	0	0	0	0
<b>Financial indicators</b>	Water	£22,771	£26,610	£20,506	£24,931	£16,784

1 We have re-stated our water consumption figures from 2011/12 following clarification of the allocation of consumption across our estate

## 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-2015-to-2016>
- 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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