



# The Office of Communications Annual Report & Accounts

For the period 1 April 2016 to 31 March 2017

# **The Office of Communications Annual Report & Accounts**

For the period 1 April 2016 to 31 March 2017

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

Ordered by the House of Commons to be printed 13 July 2017

**© Ofcom Copyright 2017**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Ofcom copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at: [ofcomcontactcentre@ofcom.org.uk](mailto:ofcomcontactcentre@ofcom.org.uk)

This publication is available at:  
[www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Print ISBN 9781474143271

Web ISBN 9781474143288

ID P002873961 07/17

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by Hobbs the Printers Ltd on behalf of the Controller of Her Majesty's Stationery Office.

# Contents

## A Performance Report

Overview	1
Chairman's message	4
Chief Executive's report	6
Progress on delivering against our Annual Plan priorities	10
Broadcasting related work	26
Principal risks and uncertainties	30
Work in the nations and our international engagement	33
Who we work with and how we work	35
Financial review	39
Corporate responsibility	45
Sustainability report	46

## B Accountability Report

Directors' report	49
Governance statement	51
Our employees	63
Remuneration report	66
Certificate and report of the Comptroller and Auditor General to the Houses of Parliament	71

## C Financial Statements

Statement of comprehensive income	73
Statement of financial position	74
Statement of changes in equity	75
Statement of cash flows	76
Notes to the accounts	77

## D Annex

Ofcom Boards, Panels and Committees	105
Regulatory statements	108
Investigations programme	114
Spectrum engineering and enforcement	115
Spectrum licensing	116
Sustainability	120

# Performance Report



# Overview

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

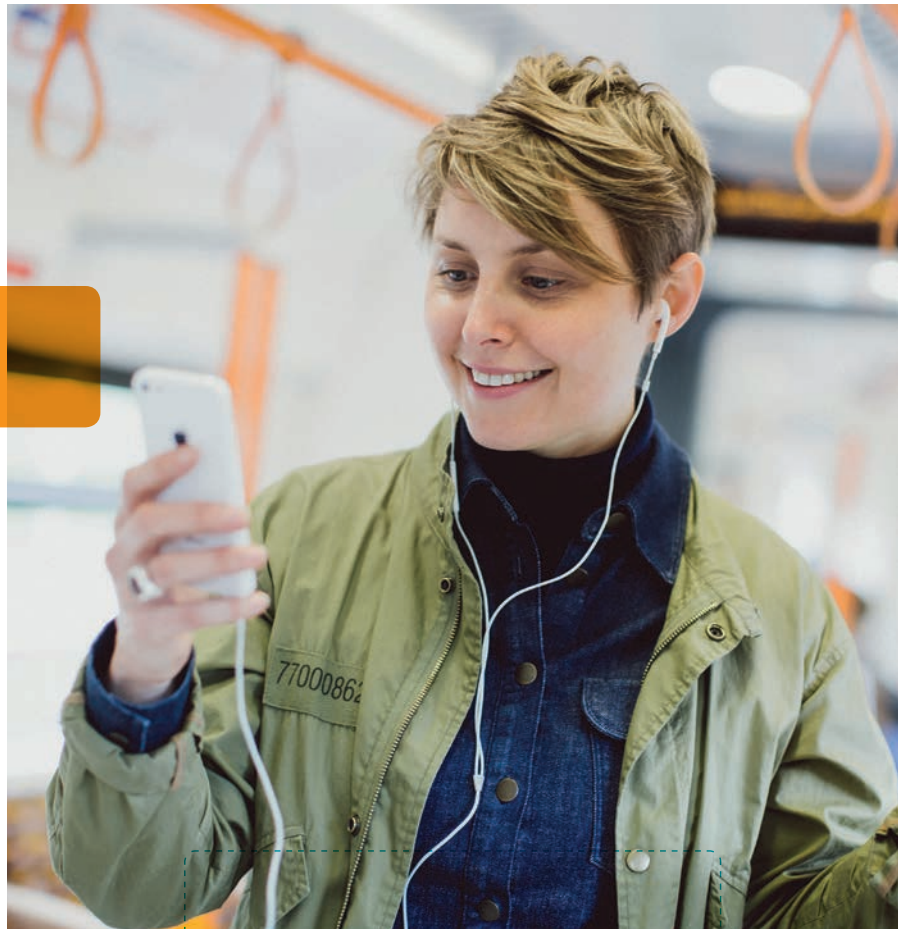
## What we do

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. But 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 the UK 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, and our competition powers are outlined later in this section.



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



## Our legal duties guide the direction of our work

Our main legal duties are to ensure that:

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

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



## Integrating our new regulatory responsibilities for the BBC

Ofcom became the independent regulator for the BBC on 3 April 2017. This followed the Government's review and replacement of the BBC's Royal Charter, which expired at the end of 2016. As part of this Charter Review process, the Government published a White Paper in May 2016 setting out its key policy proposals. A central plank of the new arrangements in the new Charter and Framework Agreement was the reform of the BBC's governance and regulation, including the creation of a new unitary Board to run the BBC, and responsibility for external regulation of the BBC passing to Ofcom.

Under the previous Charter, the BBC Trust was the BBC's main regulator and governance body. Ofcom regulated the BBC only in relation to certain content standards issues (but not accuracy and impartiality complaints), supported the BBC Trust's decision making around competition concerns, and periodically reported on BBC performance as part of our public service broadcasting reviews.

Under the new BBC Charter, Ofcom's responsibilities include three key areas: responsibility for investigating the full range of content standards complaints (including accuracy and impartiality complaints); assessing the BBC's performance against its Mission and Public Purposes; and regulating the impact of the BBC's activities on fair and effective competition.

We have consulted on and published new frameworks and procedures relating to our role in overseeing the BBC's broadcasting standards and the BBC's impact on competition in the wider market. We have also consulted on a performance framework for the BBC, including a draft operating licence. In 2017/18 we will complete our preparatory work, including publishing a final operating licence, and will embed and deliver our new responsibilities to ensure the BBC is held to account by a strong and effective regulatory framework that recognises the BBC's role as the cornerstone of public service broadcasting in the UK.



**Ofcom’s competition law powers**

In addition to our regulatory responsibilities set out above, we have powers in relation to communications matters;<sup>2</sup> to

- enforce the prohibitions on anti-competitive agreements and abuse of a dominant position, set out in the Competition Act 1998, and the corresponding provisions under the Treaty on the Functioning of the European Union; and
- investigate markets and make references under the Enterprise Act 2002 to the Competition and Markets Authority (CMA).

Ofcom considers whether it is more appropriate to exercise Competition Act or sectoral powers in any given case, subject to the specific legislative requirements.

<sup>2</sup> The term ‘communications matters’ covers various aspects of electronic communications, as well as broadcasting and the provision of postal services. We exercise these powers concurrently with the CMA.

“ Ofcom became the independent regulator for the BBC on 3 April 2017





# Chairman's message

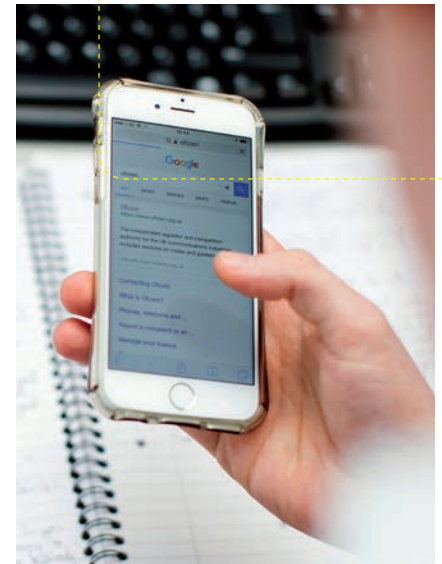
## Patricia Hodgson

Changes in phone, broadband and broadcast services over the past few years have been revolutionary.

So, Ofcom's focus on high standards and on ensuring the benefits are available to all has been core to a new ten-year digital strategy. This looks ahead to full fibre broadband in the UK, improved coverage and speeds for fixed and mobile lines and has a fresh focus on better service standards. Competition is the key to thriving markets, but consumers need protection when things go wrong.

During the past year, BT met our requirements for a new, legally separate Openreach subsidiary. This is designed to run network infrastructure more independently of BT and thereby facilitate investment decisions to benefit the wider sector. We will focus on these new arrangements over the coming year to test whether they will drive that improved investment. We have also taken steps towards opening up BT's physical network of telegraph poles and underground ducts to competitors. And we have set out our proposals for how an automatic compensation scheme might work when consumers are let down by missed service commitments.

On 3 April this year we became the BBC's first independent, external regulator. A new Royal Charter established an integrated BBC Board with non-executive and executive members.



Its task is the strategic and creative direction of the BBC and responsibility for delivering excellent services. But Ofcom will now adjudicate independently on complaints about programme standards, on fair trading issues and the balance to be struck between the BBC's public service mission and its impact on the wider competitive market, as well as holding the BBC to account for the services it delivers to viewers and listeners. We want to see a strong BBC, held to the highest standards, editorially independent and encouraged to inform, educate, entertain - and innovate. We have worked hard during the year on putting in place the right people and processes to deliver this new role.





These are significant changes. But, at the heart of Ofcom’s responsibilities, remains our focus on the interests of citizens and consumers. This spring we set out plans to reduce landline bills for the most vulnerable consumers. We have dealt with over 16,000 complaints under the Broadcasting Code, protecting viewers and listeners from harm and upholding broadcast standards.

Ofcom is a regulator for the whole of the United Kingdom. Understanding the needs and priorities of people across the UK is key to effectiveness. We have offices in each of the UK’s nations, and this year opened an expanded base in Edinburgh, as well as completing the move of our Consumer Contact Team and Spectrum Licensing Team to Warrington. In the spring we signed a Memorandum of Understanding with the UK Government and Scottish Government and Parliament, and similar MoUs for Wales and Northern Ireland are planned. We look forward to appointments to the Ofcom Board by each of the devolved administrations in the near future.

Last November, we welcomed a new appointment to the Board in Nick Pollard, who brings strong editorial experience to the task of chairing Ofcom’s Content Board and to all our standards work.

At the end of this calendar year, I shall retire from Ofcom after a productive and enjoyable five and a half years as Deputy Chairman and then Chairman. I have worked with two excellent Chief Executives, initially with Ed Richards, an experienced and longstanding colleague. I then had the privilege of recruiting the very effective Sharon White, and working with her and the rest of an outstanding Board.



**At the heart of Ofcom’s responsibilities, remains our focus on the interests of citizens and consumers**



# Chief Executive's Report

Sharon White

It has been an important year for Ofcom. Along with working towards our vision to make communications work for everyone, we also prepared for the biggest extension to Ofcom's duties in our 13-year history.



On 3 April, Ofcom became the first independent, external regulator of the BBC. We understand the scale and significance of this task and I believe we will provide strong, effective regulation, to help ensure the BBC delivers for everybody in the UK.

We hear every day from viewers and listeners, and those views help inform how we regulate the BBC in the interest of licence fee payers.

Our responsibilities span three areas: we uphold standards in the BBC's TV and radio programmes; we protect competition in the market; and ensure the BBC delivers for viewers and listeners.

The granting of a new Royal Charter was approved by Her Majesty The Queen in November 2016. Following confirmation that we would become the regulator of the BBC, we consulted with the public on how we would carry out this new duty.

At the heart of that is a new operating licence. This seeks to translate the BBC's Public Purposes, set out in the new Charter, into a clear framework for how the BBC should deliver for viewers and listeners. We expect to publish our conclusions in the autumn.

Taking on our new BBC duties has not distracted us from the other important priorities we set for 2016/17.



## Promote competition and ensure markets work effectively for consumers

We continued to implement our Strategic Review of Digital Communications, designed to ensure people get the communications services they need to live and work in the 21st century.

In March 2017, BT agreed to our requirements to reform Openreach, its telecoms network division. Openreach will become a distinct company with its own staff and management, together with its own strategy and a legal purpose to serve all its customers equally. We are now consulting on the details and how we will monitor closely Openreach's performance.

We announced measures designed to promote investment in new fibre networks and ensure that consumers are protected from higher prices.

We also consulted on plans to maintain our policy of pricing flexibility for Openreach's fastest broadband products. We plan to protect broadband customers and promote competition, by cutting the wholesale price that Openreach can charge telecoms companies for its most popular 40 Mbit/s superfast broadband product.



We would expect these savings to be passed on to residential customers through cheaper prices. This promotes competition in the superfast broadband services most used today by consumers, while companies construct their own full-fibre ultrafast networks to compete with Openreach.

Furthermore, we issued detailed proposals on how competing telecoms companies can build their own advanced fibre networks by gaining access to Openreach's telegraph poles and underground ducts. This will level the playing field by making it cheaper and easier for competing providers to connect their own fibre broadband directly to homes and offices.

Another important part of our digital communications review is to help consumers navigate the market by giving them better information to compare providers.

During the year, we worked on a report that revealed communication providers' quality of service, showing how they compare on call waiting, complaints handling and reliability. This was published in early April 2017, along with an online comparison tool at [www.ofcom.org.uk/servicequality](http://www.ofcom.org.uk/servicequality).

## Secure standards and improve quality

We announced plans for Openreach to deliver faster repairs and installations on broadband and telephone services. This means Openreach would be required to complete 93% of fault repairs within one to two working days of being notified, compared with 80% today.

### Improving availability

At the end of 2016, we provided the UK Government with technical advice on the implementation of 'a Universal Service Obligation' for broadband services. This should ensure that by 2020, everyone in the UK would have a legal right to a decent broadband connection. We will support the Government in helping to achieve this.

In November 2016, we set out plans to release new airwaves to meet the growing demand for mobile broadband. We consulted on how we would auction 190 MHz of spectrum in the 2.3 GHz and 3.4 GHz bands – an increase of just under a third of the total mobile spectrum currently available. We expect to confirm plans in the summer.

As the postal regulator, Ofcom secures the provision of a universal postal service. Millions of people and businesses across the UK's nations, and in rural areas, rely on this. We completed a wide-ranging review of the universal service, which found that our rules and safeguards continue to work well for those that use the post.

### Protect consumers from harm

Ofcom is a regulator that stands up for consumers, working to protect them from harm when the market does not provide for them.

Supporting the interests of vulnerable people is particularly important. That's why, in February this year, we published proposals to cut the line rental prices for BT's landline-only customers by at least £5 per month.

We also put forward proposals to require landline and broadband providers to pay automatic compensation – either a cash payment, or a credit on a bill – to customers who suffer from slow repairs, or missed deadlines or appointments.

## Fining companies for poor behaviour

When companies break our rules, we can issue fines, which we believe act as a strong deterrent against poor behaviour. In October 2016, we fined Vodafone a total of £4.6m for breaches of consumer protection rules.

In January 2017, we fined EE £2.7m for overcharging its customers. We levied an £880,000 fine against BT-owned Plusnet in March 2017 for continuing to charge former customers after they had cancelled their service.

The largest fine of the year was imposed on BT: £42m for a serious breach of our rules. An investigation found that, between January 2013 and December 2014, BT misused the terms of its contracts to reduce compensation payments owed to other telecoms providers for failing to deliver high speed business lines - or Ethernet services - on time. BT set aside £300m to compensate those companies affected by its breach.



We will work towards creating the conditions for increased investment in new fibre broadband networks.

To support this, we will oversee the changes to the governance of Openreach to make it a more independent and legally separate part of the BT Group. We will also make it easier for BT's competitors to invest in their own infrastructure by improving access to Openreach's network of telegraph poles and underground ducts.

We will seek to build further on our existing media oversight, responsible for securing standards and quality in TV and radio.

As part of our new responsibilities for regulating the BBC, we will introduce a new approach to assessing the BBC's performance, including the distinctiveness of its programmes and services. We will also help ensure the BBC serves its audiences in all four of the UK's nations, reflecting their diversity and that of communities up and down the country.

Our work to help consumers and citizens will be supported by new legislation passed this year. The Digital Economy Act received Royal Assent in April and includes powers to regulate the BBC; measures designed to support our plans for automatic compensation; and wider, more frequent access to up-to-date information to compare different services and providers.

The Act also reforms how companies can appeal our regulatory decisions, putting us more in line with other public bodies. This change strikes an appropriate balance between companies properly being able to hold us to account, and ensuring Ofcom is able to promptly and effectively do the job that Parliament requires: to further the interests of UK citizens and consumers.

### Deregulating where possible

We look to remove regulation when we believe it is no longer needed to protect or serve consumers and businesses. In our December 2016 consultation on the Narrowband Market Review, which looks at telephone services in the UK, we recognised some market developments had resulted in a decline in BT's market power. So, we proposed to reduce regulation on BT in some areas. We expect to publish our statement in the autumn.

### Improving our efficiency

Ofcom continues to play its part in meeting the challenge facing public finances and we have delivered 12 consecutive years of like-for-like, real-terms budget reductions.

We relocated a number of roles to our offices in Scotland and the north west of England, including Ofcom's Consumer Contact Team and Spectrum Licensing Team. As well as helping us to better represent the nations and regions, this enables us to reduce our London footprint and make ongoing cost savings.

Our 2017/18 Annual Plan reflects our commitment to providing value for money and our budget, set at £121.7m, includes our new responsibilities regulating the BBC.

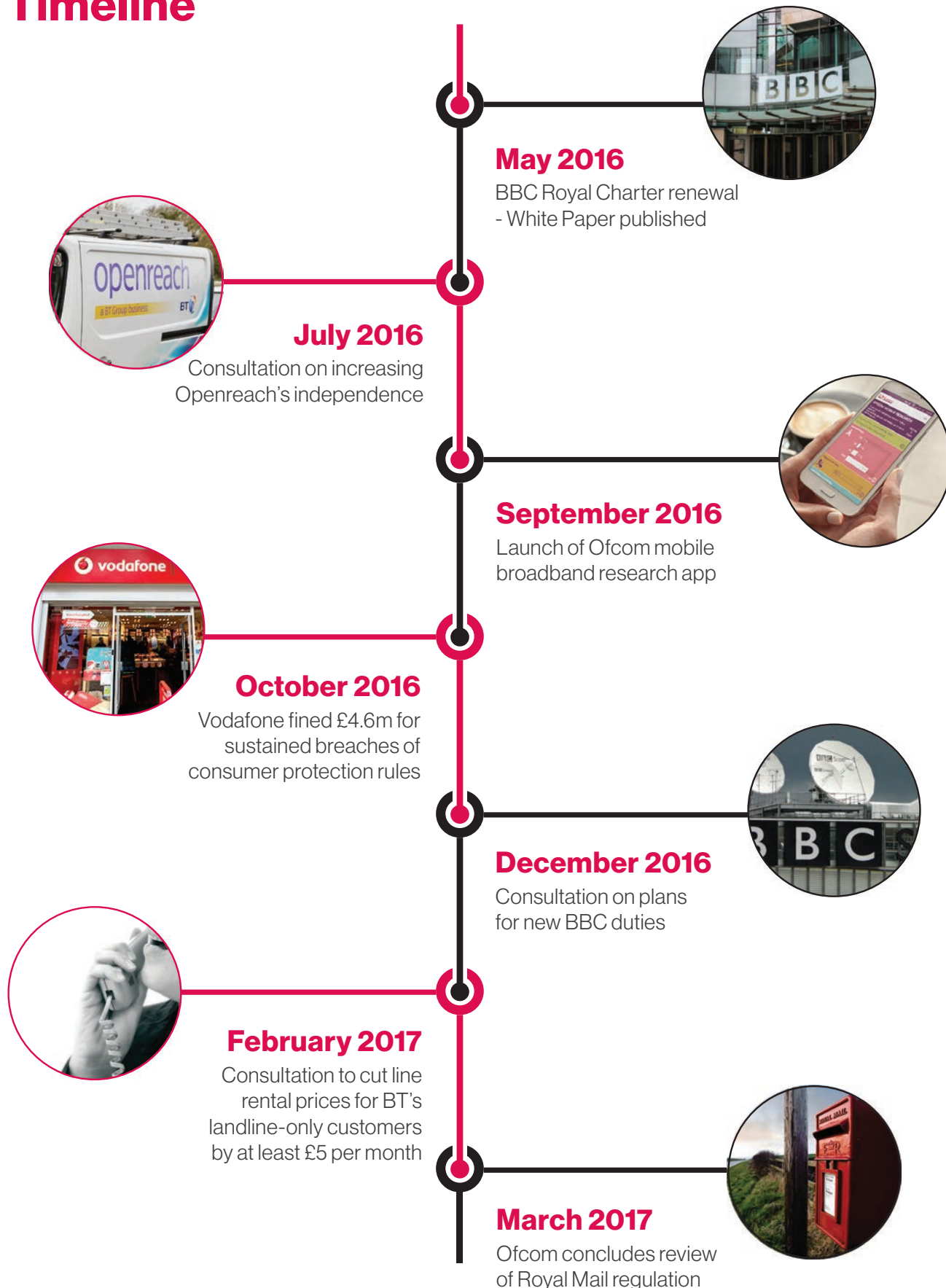
Excluding the additional costs related to our new BBC responsibilities and the costs we are bringing forward from 2018/19 in respect of our London headquarters, our budget for the coming financial year represents a 1.8% real-terms reduction from 2016/17.

### Work programme for 2017/18

Our Annual Plan for 2017/18 provides more detail on our priorities and our work programme.

We remain focused on improving communications services for people and businesses, and one of my main priorities is for the industry to get to grips with poor customer service. We know that service quality must improve and we want companies to serve their customers better.

# Timeline



# Progress on delivering against our Annual Plan priorities

Ofcom's vision is to make communications work for everyone. To achieve this, we have set out three long-term goals, and each has a set of objectives attached to it.

Our three goals are:

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

Below, we look at each in more detail, explaining our objectives, what action we have taken, and the outcomes so far.



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

Ofcom wants consumers and businesses to benefit from a range of communications products and services.

We also want to see markets that provide wide choice, fair prices, high quality, investment and innovation.

We aim to achieve this by ensuring markets can work effectively, using regulation where appropriate, so consumers benefit from competition.

### **Our objective:** Implementing our proposals to increase Openreach's independence

Our Strategic Review of Digital Communications in 2015 outlined measures to help make the UK a world-leading digital economy over the next decade and beyond, by delivering a step-change in telecom services for everyone.

This involves encouraging the large-scale deployment of new ultrafast networks. Network-based competition is likely to take time to emerge. Until then, the Openreach network is the only fully national network, and competition based on access to its network remains equally important.

Openreach is the part of BT Group that develops and maintains the UK's main telecoms network, which is used both by BT Consumer and by its direct competitors, such as Sky, TalkTalk, and Vodafone, to deliver phone and broadband services to their own customers.

Although there was already a degree of separation between Openreach and BT, Ofcom was concerned that BT retained influence over significant decisions about the Openreach network and had an incentive to make decisions in its own interest, rather than in the interest of competing users and, therefore, customers as a whole.

This led us to propose complete reform of Openreach's relationship with BT, making it a distinct standalone company with its own board.



## What we have done

In July 2016 we opened a consultation on how this reform would work. The main elements of our proposed structure included:

- Openreach would become a distinct company, legally separate from BT but remaining in the BT Group, with its own Articles of Association;
- Openreach would have its own board with a majority of non-executive directors, including the Chair, not affiliated with BT;
- Openreach would be obliged to consult formally with customers such as Sky and TalkTalk on large-scale investments, including a 'confidential' phase when those customers could discuss ideas without them being disclosed to BT Group; and
- Openreach should be free to develop its own strategy and annual operating plans, within an overall budget set by BT Group.

In March 2017, BT agreed to all these requirements. Openreach will become a distinct company with its own staff and management, together with its own strategy and a legal purpose to serve all of its customers equally.

The reforms will begin this year, and will also extend the benefits of the Openreach changes to BT Northern Ireland, where Openreach does not operate.

## Outcome

The legal separation of Openreach represents the biggest reform in its history, strengthening its independence from BT and creating a distinct company with its own board.

The agreed reforms provide a sound foundation for addressing our competition concerns. Over the next decade, this will provide clarity and confidence to the industry. During that time, consumers and businesses stand to benefit from greater competition, leading to improved broadband, better service quality, lower prices and increased investment.

In the coming years, we will scrutinise and monitor the effectiveness of the new structure. Although some outcomes – such as large-scale investments in infrastructure – may take longer to deliver, others such as improvements in customer engagement and consultation should be demonstrated more quickly.





**Our objective:**  
**Creating the opportunity for large-scale deployment of more ultrafast networks**

While digital communications have become much more affordable and available over the last decade, greater investment will be needed to meet increasing consumer demand for better service, and to get the best from the latest ultrafast broadband technologies.

We want the UK to be a world leader in this area, with widespread availability of competing ultrafast digital networks, which we define as those offering a minimum download speed of 300Mbit/s.

In our 2015/16 Strategic Review of Digital Communications, we outlined our strategy to promote the large-scale rollout of these new networks, including fibre connected directly to homes and businesses, as an alternative to the existing copper-based networks.

We want to make it easier for telecoms providers to access Openreach's network of telegraph poles and underground tunnels ('ducts') that carry telecoms cables. Competitors will then be able to connect their own fibre-optic cables directly to homes and businesses, at lower cost.



**What we have done**

We have engaged with Openreach and industry on the practical aspects of providing better duct and pole access, launching an initial consultation in December 2016.

This considered:

- **Fair terms for competitors.** We intend to make sure rivals are not disadvantaged when using BT's infrastructure to deploy their own ultrafast broadband services. We have also considered changes to Openreach's rental charges for accessing its duct network, including an explicit cap on prices.
- **Faster access.** BT would need to streamline the process of conducting site surveys for its competitors. Alongside this, we considered a requirement for service-level agreements and guarantees, or alternatively allowing competitors to undertake engineering work themselves, to give them greater certainty and to reduce timescales and costs.

- **Connecting fibre to buildings.** For around half of UK homes, the final connection between the home and network is a 'drop wire' from a nearby telegraph pole. But providers wanting to connect fibre directly to premises can face problems such as space and load constraints on BT's poles. We consulted on whether Openreach should be required to upgrade its drop wires with fibre, at the request of any telecoms provider offering full-fibre broadband to a customer.

Based on the responses we received, we followed up with more detailed proposals in April 2017 to help reduce the hurdles, costs and time associated with building new networks.

Ofcom also wants Openreach to help competing operators by providing comprehensive data on the nature and location of its ducts and poles. BT is developing this 'digital map' of the UK, and plans to make it available by mid-2017.

Encouragingly, BT is working with five other telecoms companies on trialling new, simpler processes for sharing its network.

Alongside our work, new Access to Infrastructure (ATI) regulations came into force in July 2016. These set out measures to reduce the cost of deploying high-speed networks, including sharing the physical infrastructure across different sectors, not only the telecoms infrastructure. Over the course of the year we consulted, and set guidance on, how disputes would be handled in relation to these new regulations.

Equally important to these new broadband networks is the need to secure appropriate planning permission. The Digital Economy Act includes measures to cut the cost and simplify the building of new high speed networks, via a reformed Electronic Communications Code. The Act came into force in April 2017.

## Outcome

Our ten-year strategic vision includes widespread availability of full-fibre, ultrafast broadband across the UK.

Some operators' plans in this market are under way. BT intends to connect up to two million premises to full-fibre networks by 2020, while Virgin Media plans to extend its ultrafast cable and fibre network to reach a further four million premises. Other providers such as TalkTalk, CityFibre and KCOM are also expanding current trials or deploying full-fibre broadband.

However, there is more to be done to help deliver on our long-term strategy. Other countries have seen duct and pole access used to extend fibre to people's doorsteps. In Spain and Portugal, the resulting competition has helped deliver full-fibre broadband coverage of 79% and 70% respectively. In the UK, coverage currently stands at just 2%.

Widespread ultrafast broadband networks could provide an alternative to the copper-based technologies currently planned by BT, spur continued investment in high-quality fibre networks, and reduce the country's reliance on Openreach. Over the next decade, our work should deliver real benefits to people and businesses.





### **Our objective:** **Supporting competition in fixed-line services, through market reviews**

Ofcom is required to carry out reviews of certain markets every three years. These reviews provide in-depth assessments of the state of competition within these markets and, if there is a concern, develop remedies to address them.

The aim is to ensure that, as markets evolve, consumers and businesses continue to benefit fully from competition and the resulting boost to choice, competitive prices, investment, innovation and quality of service.

### **What we have done**

In the past year, we have started or concluded a number of significant market reviews across the fixed telecoms sector.

The Business Connectivity Market Review (BCMR), completed in April 2016, examined the dedicated high-speed data links (leased lines) used by large businesses and mobile broadband operators to transfer data on their networks.

Most of these lines, which form a critical building block of the UK's infrastructure, are owned and maintained by BT on behalf of competing providers. As well as retaining price controls on the wholesale provision of leased lines, we concluded that BT should also open up its optical fibre network, through a process known as 'dark fibre'. We believe this will allow competitors to develop new high-capacity services for their customers.

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

In December 2016, we consulted on the Narrowband Market Review (NMR), which considers the products and services that underpin the delivery of retail fixed telephony services in the UK. We proposed to maintain a number of the rules already in place following historic reviews.

However, we also recognised market developments and a decline in BT's market power. So, we proposed to reduce regulation on BT in some areas, including removing price controls on the wholesale provision of standard fixed lines used by homes and businesses, and the wholesale cost of telephony over these lines.

We followed this in March 2017 with the Wholesale Local Access (WLA) Market Review. This concerns fixed telecommunications infrastructure: the physical connection between a home or business and the local telephone exchange/street cabinet. This connection can be based on copper, cable, fibre, or a mixture of these. It is used to provide fixed-line services such as voice calls and broadband internet.

We proposed to continue controlling the wholesale prices that BT can charge for standard broadband, and to introduce new controls on the prices BT can charge for wholesale superfast broadband services at lower speeds (40Mbit/s and below, which are used by the large majority of customers).

However, for higher speed superfast broadband services (above 40Mbit/s), we proposed that BT retains flexibility over wholesale prices, including the next generation of ultrafast services. We believe this approach will help promote investment in competing ultrafast networks.

### **Outcome**

Our decisions from the BCMR should help foster competition, thereby boosting investment, innovation and choice.

Our WLA market review proposals have also been designed to increase competition in the current generation of superfast and ultrafast broadband services. We believe our proposals will promote investment and competition, while protecting consumers from the risk of higher prices. Over time, this should flow through to consumers in the form of greater choice and better priced deals. We aim to conclude our review in 2017/18.

For landlines and voice calls, some regulation may not be necessary in future. However, in this market review period, we believe regulation of BT's 'narrowband' services – those underpinning landline voice services – is still needed to support competition for various groups of consumers, and in areas where alternative wholesale infrastructure has had less effect on competition.

In older markets where we find competition to be sufficient, we plan to deregulate. We expect to publish our statement in the autumn.



**Our objective:**  
**Monitoring price increases, providing advice and information on pricing, and making sure all consumers receive value from their communications providers**

Overall, the communications market in the UK offers consumers good choice and value.

However, the landscape is becoming more complex, with a wider range of products, prices and technologies. As providers tailor services to different customer groups and combine or bundle different services, it has become harder for consumers to easily understand the overall price and make comparisons between providers.

The past year has also seen several providers make significant increases to their standard tariff prices. Although new customers may enjoy attractive introductory discounts, we believe that all consumers, not just those actively switching supplier or tariff, should receive value for money.

Ofcom aims to help in two ways. First, by providing consumers with practical information and tools to take advantage of what the market can offer. Second, by intervening to help vulnerable consumers and those facing a reduction in choice.

**What we have done**

We are concerned that people who buy a landline-only service from a provider are not being well served by the market or getting value for money. Often these are older customers, who rely on their landline and are less likely to switch.

All the major landline providers have increased their line rental charges significantly in recent years – by between 25% and 49% in real terms. This is despite providers benefiting from a fall of around 25% in the underlying wholesale cost of providing a landline service.

So, in February we launched a review of the retail market for standalone landline telephone services. As part of this review, we are proposing to cut the cost of BT's line rental for customers with landline-only contracts, by at least £5 per month. We are also planning measures to encourage customers to be better informed about their options.

We also published a report assessing recent changes in tariffs, and what consumers are actually paying for communications services. The report analysed recent pricing trends, identifying consumer benefits as well as potential areas of concern.

In January 2016, Ofcom published joint research with the Advertising Standards Authority (ASA) into consumers'

understanding of how broadband prices are advertised, including how line rental charges are separated out.

The research showed that consumers found it difficult to calculate the true cost of a contract when elements of a broadband package are presented separately. Following this work, the ASA ruled in October that providers may no longer advertise the price of broadband and line rental separately, and that contract lengths, post-discount pricing and any up-front costs should be made more prominent.

Price comparison websites (PCWs) play an important role in helping consumers to identify the deals which best meet their needs. We continue to work with PCWs to achieve genuine like-for-like comparisons, and we run an accreditation scheme which certifies those websites which have had their price comparison services put through a rigorous independent audit. Over the year, we also supported the Competition and Markets Authority (CMA) in its market study into digital comparison tools.

**Outcome**

Our assessment of current pricing trends indicates that competition is delivering value for most consumers. However, we have identified areas where further work is needed, such as standalone landline contracts. Our work in this area could result in vulnerable consumers saving at least £5 per month from early 2018.

We will continue to monitor prices closely, and work with industry to make pricing information more widely available and easier to compare.

**“ We are planning to cut the cost of BT's line rental for customers with landline-only contracts, by at least £5 per month ”**





### Satisfaction with...

#### ...Overall service



87%



89%



92%

#### ...Reception with mobile network operator



### Landline Overview of key data (2016)

Ofcom metrics	Overall Average	BT	EE	Plusnet	Post Office	Sky	TalkTalk	Virgin Media
Ofcom complaints per 100,000 subscribers	56	71	76	89	89	25	85	36
<b>Consumer research metrics</b>		<i>Figures marked in <b>bold</b> are statistically better than average, those in <b>bold</b> are statistically worse.</i>						
Satisfaction	89%	<b>92%</b>	-	-	-	90%	83%	85%
Satisfaction with reliability	91%	93%	-	-	-	91%	88%	91%
Customers with reason to complain	5%	6%	4%	5%	3%	4%	6%	4%
Satisfaction with complaint handling	62%	62%	-	-	-	65%	61%	58%
<b>Industry metrics</b>		<i>Landline and broadband</i>						
Average call waiting time (mm:ss)	02:51	0:59	00:52	07:72	01:29	01:42	00:47	01:39
Customers hanging up before speaking to someone	10%	13%	4%	21%	9%	7%	4%	7%



### Broadband Overview of key data (2016)

Ofcom metrics	Overall Average	BT	EE	Plusnet	Sky	TalkTalk	Virgin Media
Ofcom complaints per 100,000 subscribers	75	127	108	113	26	98	40
<b>Consumer research metrics</b>		<i>Figures marked in <b>bold</b> are statistically better than average, those in <b>bold</b> are statistically worse.</i>					
Satisfaction	87%	84%	-	-	88%	83%	<b>91%</b>
Satisfaction with reliability	86%	83%	-	-	88%	83%	<b>90%</b>
Customers with reason to complain	13%	13%	12%	<b>8%</b>	12%	<b>16%</b>	<b>16%</b>
Satisfaction with complaint handling	56%	56%	56%	-	<b>61%</b>	<b>51%</b>	54%
<b>Industry metrics</b>		<i>Landline and broadband</i>					
Average call waiting time (mm:ss)	02:51	3:59	00:52	07:72	01:42	00:47	01:39
Customers hanging up before speaking to someone	10%	13%	4%	21%	7%	4%	7%



### Satisfaction with...

#### ...how Broadband complaints were handled



#### ...how Mobile complaints were handled



#### ...average call waiting time



Sales:  
**1m:19s**



Techsupport:  
**3m:54s**

**Our objective:**  
**Improving consumers’  
 and businesses’ ability to  
 make informed choices**

Competition is often the best way to deliver good results for consumers. However, for this to work, people need to be able to make an informed choice.

As our Strategic Review of Digital Communications explained, we want to empower consumers to understand the array of choices open to them – and then be able to switch easily if they find a better deal.

Each year we publish a range of research and complaints data to ensure consumers are well informed, and to help them make effective choices. We also work with a range of third parties, such as price comparison websites accredited by Ofcom, consumer representatives such as Which? and Citizens Advice, and through media outlets.

We also recognise the importance of making it easier for small and medium-sized enterprises (SMEs) to engage in communications markets.

**What we have done**

In mobile, we followed our work in 2016 with a new consultation in May 2017, outlining plans to make it easier for people to switch provider.

We undertook comprehensive market research to aid choices. We have continued our programme of regular research publications to help consumers make informed decisions when considering a new service or provider.

This includes publishing telecoms complaints data each quarter, as well as an annual report into customer service satisfaction. In April 2017, we also published our first Comparing Service Quality report, examining service delivery by provider.



**Broadband and mobile checker**

**592,000**  
**views** since December 2016

We also publish annual research data comparing the speeds of residential fixed-line broadband in the UK. The research sets out the average actual speeds delivered to consumers, and compares differences between speeds, and other performance measures, across providers and technologies.

In December 2016, we published our latest research on the 4G performance of the UK’s four national mobile providers in seven cities. The report forms part of our wider programme of work into mobile quality of service in the UK, which includes our interactive coverage maps.

Alongside our annual Connected Nations Report, which provides an in-depth look at the state of the UK’s telecoms and wireless networks, we launched an app for smartphones and tablets to help people check their mobile and broadband coverage. The app shows voice, 3G and 4G coverage from all major network operators, both indoors and outdoors, at any location in the UK. For the first time, it also includes information on broadband availability and speeds, using address-level data.

We believe this is the most accessible and comprehensive tool available to people and businesses for assessing the availability and speeds of fixed and mobile networks.

We have continued to help small and medium-sized enterprises (SMEs) in their dealings with communications markets, first outlined in our 2015 SME action plan. In particular, we carried out further research into their needs and experiences, and implemented a voluntary SME broadband code of practice. This code came into force in September 2016, and allows businesses to leave a contract if speeds fall below what was promised.

**Outcome**

Our research and consumer information gives people access to independent, comparative performance data on services and providers.

We believe this not only helps people make informed decisions, but also incentivises providers to improve their performance. Our published complaints data and satisfaction surveys have shown a steady improvement in the overall performance of communications providers.

However, providing good information is only part of the task. Consumers need to be able to act on it to switch provider. We have made progress in this area, but there is more to be done.

**Our objective:****Ensuring European regulatory frameworks work for the UK**

The European Commission is reviewing its frameworks for communications regulation, to reflect market changes such as convergence, new technologies and changing consumer behaviour. We are focusing on making sure that any new EU legislation delivers positive outcomes for UK citizens and consumers.

Over the past year, the Commission tabled plans to review two major pieces of European legislation: the Audiovisual Media Services Directive (AVMSD) and the European Regulatory Framework for Electronic Communications.

The AVMSD governs EU-wide coordination of national legislation on audiovisual media. It covers both traditional TV broadcasts and on-demand services, and provides a minimum set of common rules to enable cross-border broadcasting within the EU.

The regulatory framework for electronic communications governs the regulation of telecoms across Europe, including promoting competition, the single market and the protection of end-user rights.

In 2016, the Commission also adopted a framework for regulating the open internet (April), and took the first steps towards the abolition of retail roaming surcharges (June).

**What we have done**

Throughout 2016, Ofcom prepared for these new legislative plans to be tabled.

On the AVMSD, we worked with many stakeholders, organisations and broadcasters, and provided expert advice to the European Parliament. We also worked with the Government, holding joint stakeholder roundtables with the Department for Culture, Media & Sport (DCMS), and collaborated with other European regulators to provide expert advice to the European Commission.

In September 2016, the European Commission published a European Electronic Communications Code (EECC), intended to replace the current framework. We continue to discuss these proposals with a variety of stakeholders, and to engage with fellow regulators through the Body of European Regulators for Electronic Communications (BEREC) and the Radio Spectrum Policy Group (RSPG).

The Telecoms Single Market Regulation was adopted in April 2016, and Ofcom played a leading role in drafting BEREC's guidelines on the implementation of its net-neutrality provisions. We also advised the UK Government and European Parliament on provisions for the gradual abolition of retail roaming charges in the EU.

**Outcome**

Negotiations in the European Parliament and Council on the AVMSD review are unlikely to conclude before the end of 2017. We have already been successful in reaching influential audiences, and communicating the need for proportionate and practical regulation. We hope that the revised framework will deliver the protection and assurances that UK audiences expect, promote a vibrant European content market, and enable growth in audio-visual markets in the digital age.

By participating in the EECC negotiations, we aim to secure legislation that works for the UK market, reflects the challenges facing our sector, and meets the current and future needs of consumers.

The continued reduction of EU-wide retail roaming charges will see UK consumers and businesses benefit from lower charges when they use their mobile phones abroad to make phone calls, or when they access apps or services that use data.

As the UK leaves the European Union, Ofcom will continue to work closely with European institutions and fellow EU regulators.

“ Ofcom played a leading role in drafting BEREC's guidelines on the implementation of its net-neutrality provisions ”





## Secure standards and improve quality

Ofcom works to create a market environment that makes good quality communication services accessible and affordable for everyone in the UK.

Although healthy competition drives higher quality and better prices, sometimes markets do not serve everyone equally well. Where this happens, Ofcom needs to make targeted interventions to protect consumers or improve service quality.

We also secure standards in television, radio and video-on-demand, holding broadcasters to account for their output. This year we took on new duties relating to the BBC's standards, performance and services.

## Our objective: Implementing the conclusions of the BBC Charter Renewal

During 2016, the Government ran a review process for renewing the BBC's Royal Charter for 2017-2027. As part of this, an independent review was commissioned by Sir David Clementi to look at how the BBC is governed and regulated.

Following the Clementi report, the Government published its White Paper on the renewal of the BBC Royal Charter in May 2016. This set out the biggest reform of the governance and regulation of the BBC since it was founded, with governance of the BBC transferred to a new BBC Unitary Board, and regulatory responsibilities transferred to Ofcom.

The subsequent new Charter and Agreement confirmed these arrangements and set out major new responsibilities for Ofcom.

Separately, the National Audit Office is now responsible for ensuring the BBC delivers value for money. The licence fee remains a matter for Government.

## What we have done

We played an active part in the Government's Charter Review process during 2016.

In March 2017 we published our draft 'operating framework' for the BBC, which sets out the tools Ofcom will use to hold the BBC to account. This framework will ensure the BBC meets the requirements set out in the Charter.

Regulation of the BBC sits within Ofcom's existing teams, and focuses on three core areas as laid out in the Charter: content standards; protecting fair and effective competition; and reviewing the BBC's performance.

We also published a number of consultations on the finer details of our role in each of these core areas.





### Content standards:

The Charter gives Ofcom regulatory responsibility for the content standards of BBC broadcasting and on-demand programme services.

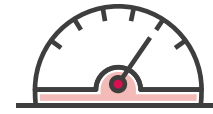
This includes, for the first time, the accuracy and impartiality of BBC news and current affairs programmes. We have updated the rules in our Broadcasting Code to fulfil these new responsibilities. We have also created procedures for conducting investigations and sanctions of the BBC, and for handling complaints about BBC content standards. Under the new Charter, BBC complaints will be reviewed by the BBC in the first instance. If the complainant is not happy with the final response, they can make a complaint to Ofcom. We will assess each complaint carefully to see if our rules may have been broken.



### Protecting fair and effective competition:

We have set out how we will assess the effect of the BBC's activities on the wider UK media sector, and published rules on how the BBC should behave in relation to protecting fair and effective competition.

We have also set out how we will seek to protect fair and effective competition in relation to the BBC's distribution of its public services.



### Performance:

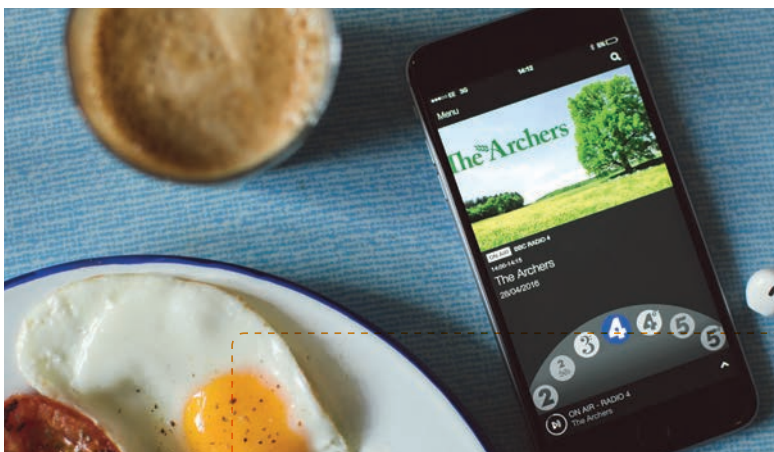
We have developed a set of tools to regulate the BBC's performance. This includes an operating licence, which will hold the BBC to account for delivering its new Mission and Public Purposes.

As explained in the Charter, Ofcom will have a particular focus on assessing the distinctiveness of the BBC's output. As part of the approach to performance, we expect to carry out both ad hoc and periodic reviews of the BBC's services. We are currently consulting on this and expect to publish our first operating licence for the BBC in autumn 2017.

### Outcome

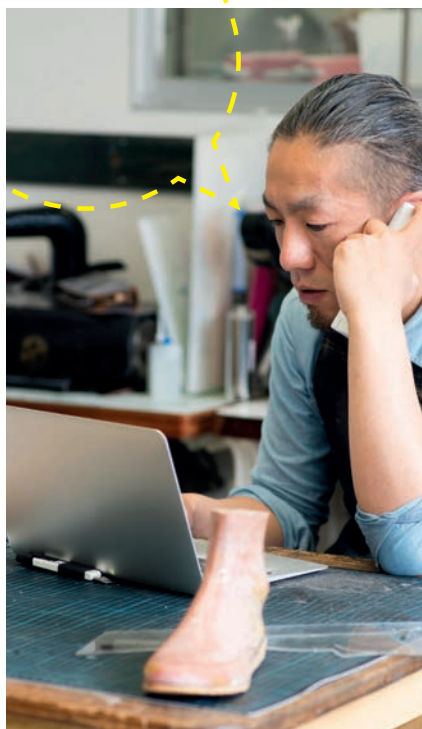
Our goal as the BBC's first external regulator is for the BBC's programmes and services to deliver for audiences. We also intend to ensure that the BBC's actions do not have a disproportionate impact on fair and effective competition.

Our regulation will help to ensure the BBC delivers high-quality, distinctive output for all its audiences, while meeting the needs of audiences in all four nations of the UK. We also aim to uphold standards in the BBC's programmes, dealing efficiently and effectively with complaints.



“ Our regulation will help to ensure that the BBC delivers high quality, distinctive output for all its audiences, while meeting the needs of audiences in all four nations of the UK





**Our objective:**  
**Supporting the implementation of a new broadband universal service obligation (USO)**

Broadband is an essential part of most people's daily lives. Digital participation is already important for social and economic cohesion, and will become increasingly important as more services move online and new applications become available.

Fixed broadband download speeds across the UK have risen rapidly, from an average of 3.6Mbit/s in November 2008 to 37Mbit/s in 2016. But many homes and businesses, particularly in rural areas, still receive only a fraction of these speeds. For example, around a quarter of premises in rural areas are unable to access download speeds of 10Mbit/s, compared to just 2% of premises in urban areas.

In November 2015, the Government set out its intention to introduce a broadband universal service obligation (USO) by 2020. This would give everyone throughout the UK the right to a decent broadband connection on reasonable request.

**What we have done**

In March 2016, the Department for Culture, Media & Sport (DCMS) asked Ofcom to provide technical analysis and recommendations to support the design of the USO.

To inform this, we sought views from consumers and industry, and in August 2016 we published a summary of the wide range of responses we received.

After considering the responses and conducting further analysis, we set out our advice to the Government on how to achieve a decent broadband connection for everyone. We examined factors such as speeds, eligibility, affordability and funding, as well as the potential cost.

**Outcome**

The number of properties without access to decent broadband has declined significantly in recent years, and is likely to fall further, given on-going investment by industry and governments. But delivering broadband to the hardest-to-reach premises is commercially challenging, and existing public rollout schemes are not designed to support the universal provision of decent broadband. In 2016, around 5% of UK premises (1.4 million) were unable to receive broadband speeds faster than 10Mbit/s.

We provided the Government with analysis and options in December 2016. It will be for the Government to decide which options best fit its policy objectives. The detailed specification of the USO would need to be set in secondary legislation and will be for Ofcom to implement, for example by designating universal service providers.



**Our objective:**  
**Enforcing a step-change in the quality of telecoms services**

As telecommunications services become more critical to our daily lives, expectations around quality of service are rising. Consumers and businesses need high-quality, reliable services.

Although most consumers tell us they're satisfied with their phone and broadband, some have suffered poor quality of service, with issues such as having to wait too long for installations or repairs, or poor mobile coverage.

Our Strategic Review of Digital Communications set out plans to deliver a step change in quality of service, which has now led to a range of specific measures.

**What we have done**

We introduced fault repair and installation targets for Openreach as part of 2014's Fixed Access Market Review. Then in March 2017, as part of the Wholesale Local Access (WLA) market review, we consulted on plans to strengthen these minimum quality targets and extend them to new areas. Importantly, this updated approach aims to incentivise Openreach to go beyond minimum standards and deliver further service quality improvements.

If competition on service quality is to be effective, consumers need to be able to compare providers' performances. However, until now there has been virtually no information available to the public.

So in April 2017, we published our first annual report on service quality comparing telecoms providers on a range of criteria, such as customer care, installation, performance, missed appointments, and repairs.

We are also moving ahead with plans for consumers and businesses to receive automatic compensation from their providers when things go wrong. We published plans in March which could enable up to 2.6 million additional landline and broadband customers to receive up to £185m in new compensation payments each year. We expect to issue a statement together with a timeframe to implement these plans later this year.

Separately, we continue to work with providers to ensure they offer appropriate redress for network problems. This may include price reductions, compensation or, where appropriate, giving customers the right to leave a contract due to poor performance.

In mobile, more than one in 12 mobile customers are dissatisfied with their mobile reception – increasing to one in five in rural areas. And, while mobile broadband is being rolled out across the country, 28% of UK homes and offices cannot get a good indoor 4G signal from every operator.

The Government has set out a clear policy objective to widen broadband and mobile coverage across the UK, and agreed licence conditions requiring the UK's four national mobile operators to achieve voice coverage across 90% of the UK landmass by the end of 2017. This sits alongside our rules to ensure that 98% of homes and offices get a good indoor 4G signal from at least one mobile operator, also by the end of 2017.

## Outcome

Ultimately, competition helps to improve quality of service. By providing a full picture of the service offered by all providers, we help empower customers to make informed choices, while giving providers an incentive to improve their performance.

Automatic compensation will mean that, when things do go wrong, customers will be compensated easily and quickly. The policy will also provide a financial and reputational incentive for providers to improve overall levels of service quality.

Equally important will be the tougher minimum requirements we plan to impose on Openreach. These targets for repairs and installations will rise over time, moving with consumers' expectations, and Openreach will face substantial fines if it fails to deliver.

The sector needs to deliver significantly better quality of service than it does today. Over time, our initiatives will help improve industry performance levels. We will monitor progress closely and, if needed, develop further measures.

## Making 700 MHz available earlier

Spectrum is a finite and valuable resource that underpins wireless services ranging from TV to radio communications and broadband. 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.

Mobile providers need more airwaves to support consumers' growing demand for internet services on the move, which is fuelled particularly by smartphones and tablet devices.

In November 2014, we announced that the 700 MHz band – which is currently used for digital terrestrial TV (DTT) and wireless microphone applications – would be repurposed for mobile data.

In November 2016 we announced a decision to accelerate the national clearance programme and release the spectrum 18 months earlier than originally planned, by the middle of 2020. We also decided that 20 MHz of spectrum in the part of the 700MHz band, known as the 'centre gap', should be allocated for use by mobile data.

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

We have also identified a number of frequency bands that wireless microphones can use. Working closely with the programme-making and special events (PMSE) community, we work to limit any problems associated with the transition to these new bands. As part of its funding for the 700MHz clearance programme, the Government has agreed to fund a grant scheme to support PMSE users who will have to vacate the 700MHz band.

We expect to conduct an award for the 700MHz band in 2018/19. We will consult on the conditions for the award closer to the time.

## Protect consumers from harm

We want to ensure consumers 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 businesses, and by addressing offensive content on television and radio through our broadcasting rules.

### Our objective: Addressing nuisance calls

Nuisance calls take many forms, ranging from unwanted sales calls and messages, to silent and abandoned calls. We have estimated that UK consumers receive around 4.8 billion nuisance calls each year.

Our aim is to minimise consumer harm by blocking nuisance calls from reaching consumers in the first place; by empowering consumers to know what to do when they receive them; and by taking enforcement action against those who make these calls unlawfully.

### What we have done

We have made progress against each of these objectives over the past year.

Since early 2017, at least three UK providers have been blocking or filtering nuisance calls at network level, or offering their subscribers the opportunity to apply additional blocks or filters. These initiatives follow the work of a strategic working group of ten of the largest UK providers, convened by Ofcom, to reduce nuisance calls.

We issued our first call blocking directions in 2016 after learning that millions of calls were being made to some providers' customers from 084 numbers. As well as the general annoyance this caused, the recipients were also incurring charges if they called the numbers back. We used our rules to get providers to block access to the numbers in question.

Ofcom also issued two enforcement notifications in 2016, and in December we published a revised policy statement on persistent misuse that guides our enforcement work on nuisance calls.

We are working to make calling line identification (CLI) more reliable so that consumers can decide whether to answer a given call. In December 2016, we proposed that providers must offer CLI facilities when technically feasible and economically viable to do so.

We also want CLI to be free for customers, and providers to take reasonable steps to identify and block calls if the CLI is invalid or non-dialable. We also continue to work 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.

While Ofcom has specific responsibility for tackling silent and abandoned calls, the Information Commissioner's Office (ICO) regulates marketing calls and messages. In July 2013, Ofcom and the ICO agreed a joint action plan to tackle the issue of nuisance calls. We published an update on this work in December 2016, and we plan to issue a further update in 2017.



### Outcome

Our work, combined with that of the ICO and industry, will help to reduce the number of unwanted calls consumers receive.

Several providers have successfully acted upon our call to industry to block nuisance calls; Vodafone announced in February that its network blocking service had prevented 100 million nuisance calls from getting through to consumers, while, earlier this year, BT launched its own call filtering service which has been taken up by more than two million subscribers.

Evidence suggests our work is having a positive effect. Ofcom's annual complaints volumes in this area fell by about 10% from 2015 to 2016 – the first year-on-year fall in a decade.

There is no single answer to preventing nuisance calls, but we will continue to pursue all available solutions to protect consumers. This remains a priority area for Ofcom.

### Our objective: Continuing to respond to emerging consumer issues

We want consumers to get the best from their communications services, and we are ready to take action if companies break the rules.

We use our monitoring and enforcement activities to inform our work in this area and will penalise companies when they break the rules. This also acts as a deterrent to other providers.

We keep our consumer protection work under review, and revise our strategy to keep pace with emerging problems.

### What we have done

In October 2016, we fined Vodafone a total of £4.6m for serious and sustained breaches of consumer protection rules.

**Vodafone**  
**£4.6m**

Our investigation uncovered mis-selling, inaccurate billing and poor complaints-handling procedures.

We also fined EE £2.7m for overcharging its customers in January 2017.

**EE**  
**£2.7m**

This followed an investigation which found that EE broke a fundamental billing rule on two separate occasions. Almost 40,000 EE customers were overcharged around £250,000 in total.

In March 2017, we also levied an £880,000 fine against Plusnet for continuing to charge former landline and broadband customers after they had cancelled their service.

**Plusnet**  
**£880k**

More than a thousand ex-customers were overcharged by more than £500,000 in total.

In May 2017, we announced a number of changes to the rules which apply to all UK communications providers – known as the ‘General Conditions of Entitlement’.

Following an in-depth review last year, we identified areas where new or strengthened regulation was needed to protect consumers. Some of the key improvements we made concerned complaints-handling, nuisance calls, billing and debt collection. Other important changes addressed the particular needs of vulnerable and disabled customers.

In January 2017, we proposed updates to our Enforcement Guidelines, to introduce changes to increase transparency and clarity in how our investigations and enforcement process will work.

Separately, we have been taking steps to make sure providers do more to publicise their customers’ right to escalate a complaint to an alternative dispute resolution scheme, if it cannot be resolved.

We have also continued to ensure compliance with rules on contract terms and mid-contract price increases. We contact providers where we have concerns, ensuring customers are treated fairly through clear terms, and are made aware of any right to exit contracts.

### Outcome

Our investigations have led Vodafone, EE and Plusnet to improve their procedures and processes to prevent any similar breaches in future. We have also made sure they have taken all possible steps to remedy the harm to their customers, including offering refunds to those affected.

The fines we levied were considerable, acting as a strong deterrent to others.

We have also worked closely with a number of communications providers to:

- improve their cancellation procedures;
- improve the switching procedures of certain mobile providers, including their processes for issuing porting authorisation codes (PACs); and
- further improve complaints-handling processes.

We continue to monitor companies’ compliance with our rules.

We require providers to make sure customers can obtain clear, accurate and relevant information about the special services and support available for disabled people. In August 2016, we published a guide setting out the reasonable steps we expect companies to take to ensure that these measures are widely publicised. We also set out examples of good practice.

## BT fined £42m for breaching contracts with telecoms providers

In March we concluded an investigation into delays on connecting high-speed business Ethernet lines by BT's network arm, Openreach.

Ofcom opened the investigation in November 2015, shortly after Vodafone brought allegations to Ofcom that BT had misused its contractual terms through the late delivery of Ethernet services without Vodafone's consent, and by failing to compensate the company for these delays.

The investigation found that, between January 2013 and December 2014, BT misused the terms of its contracts to reduce compensation payments owed to other telecoms providers for failing to deliver Ethernet services on time.

BT admitted failings, and agreed to compensate the companies affected, estimating such payments at approximately £300 million.

**BT**  
**£42m**

We fined the company £42m<sup>3</sup> for this serious breach of our rules. BT was also fined £300,000 for failing to provide information to Ofcom.



## Securing the continuing provision of the universal postal service

As the postal regulator, Ofcom secures the provision of a universal postal service. This requires Royal Mail to deliver to every address in the UK, six days a week (and parcels five days a week), at the same price, to every address in the UK. The service is relied upon by millions of people and businesses across the UK's nations, and in rural areas.

Our duty to secure the provision of a universal postal service extends to ensuring it is financially sustainable and efficient. During the course of the year we completed a comprehensive review of Royal Mail and its delivery of the universal postal service.

The universal service had been under significant pressure, incurring a loss of more than £100m in 2011, as people continued to send fewer letters.

These concerns prompted Ofcom to introduce a new framework for postal regulation in 2012 to secure the universal postal service. This included greater commercial freedom for Royal Mail, alongside a safeguard cap on Second Class stamp prices to protect vulnerable consumers.

Our wide-ranging review found that these rules and safeguards continue to generally work well for people and businesses who use the post.

Ofcom's review has also concluded that:

- Royal Mail's profit margin was within, but at the lower end of, the 5-10% range, considered to be consistent with a sustainable universal service;
- Royal Mail has made efficiency improvements, but there is scope for it to go further;
- the company's delivery performance has improved since 2012, but some targets are still being missed;

- consumer satisfaction with postal services, and value for money, is generally high; and
- consumers in the UK benefit from a competitive parcels markets, but Royal Mail retains a strong position in the delivery of small, individual parcels.

We decided to retain the 2012 framework for postal regulation (which had been due to expire in 2019) until 2022. We decided against imposing new controls on Royal Mail's wholesale or retail prices, concluding that the company already has strong commercial incentives to improve its efficiency.

Our goal remains to ensure postal users benefit from a universal service which delivers innovation and lower prices, recognising our duty to balance this against the financial sustainability of the company providing that service. Royal Mail has room to improve further. We will monitor all aspects of the company's performance, and step in if we need to protect consumers from high prices.

<sup>3</sup> This fine has been recognised within the Section 400 Accounts and paid over to the consolidated fund.



## Broadcasting related work



### General broadcasting work

As well as preparing to take on responsibility for the external regulation of the BBC, over the past year we have worked on a number of other broadcasting-related activities as part of our day-to-day responsibilities.

### Channel 4 review

In May 2016 we published a response to Channel 4 Corporation (C4C)'s sixth Statement of Media Content Policy, as part of Ofcom's broader role in overseeing the public service broadcasting system.

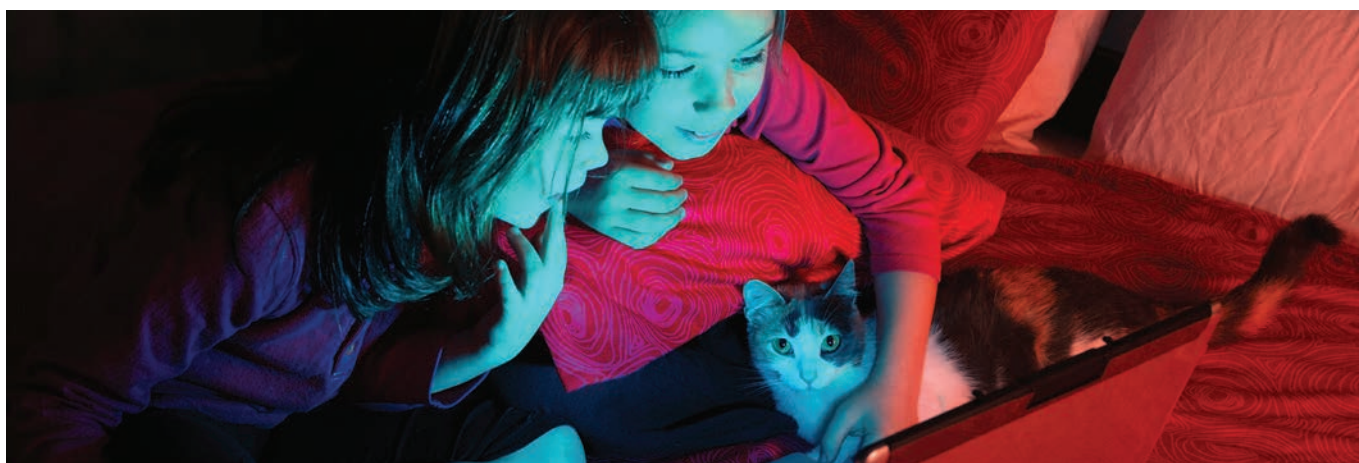
For the first time, alongside our response we published a more comprehensive report, providing greater detail and analysis.

Our key findings were that C4C had broadly delivered its remit and obligations in 2015, building on strong performance in previous years. We expressed our concerns about C4C's approach to providing content that appeals to older children, and asked the Corporation to further consider how it could better assess the impact it is having among older children, and how it could play an even greater role in providing older children with alternative provision.

We will continue to engage with C4C and closely monitor its output.

### UTV, EPG prominence and DAB broadcasting

We also concluded the UTV Change of Control process in May 2016 – the culmination of a process that began in 2015. We contributed to the Government's work on EPG prominence and children's TV and oversaw the continuation of trials of a new approach to DAB broadcasting, which is designed to enable community radio and small-scale commercial radio services to be available on digital radio. This will hugely expand the range of digital radio services for consumers.



## Content standards, licensing and enforcement in broadcasting

As the media regulator, Ofcom has a range of duties relating to broadcasting content. We help to protect the public from harmful or offensive material. We promote diversity in broadcasting, and work with broadcasters to make it more accessible. And we put in place rules to ensure a wide range of TV and radio services of high quality and wide appeal.

### Diversity in broadcasting

Ofcom has a duty to promote equal opportunities for men and women, people of different racial groups, and disabled people who are employed or in training at television and radio broadcasters.

In November 2016 we hosted an industry diversity event with Sky at which we launched an online resource for broadcasters. This provides practical advice on assessing and improving equal opportunities.

We also began our new annual Diversity in Broadcasting monitoring programme. This involves gathering a wide range of equal opportunities

data across the broadcasters we regulate. The information will be used to produce Ofcom's first annual *Diversity in Broadcasting* report in summer 2017, which will set out how broadcasters are doing on equality and diversity overall; steps being taken to make improvements; the make-up of individual broadcasters; areas where the industry is doing well; and which groups are under-represented.

### Protecting audiences from incitement and hate speech

Ofcom has a duty to prohibit broadcast material that is likely to encourage or incite crime or disorder. In May 2016 we strengthened our Broadcasting Code by introducing two new rules to make clear that content which includes hate speech, or material containing abusive or derogatory treatment of individuals, groups, religions or communities, and which is not justified by the context of the programme, must not be included in TV or radio broadcasts.

We take this duty very seriously, and have taken action against two services for broadcasting hate speech: Kanshi Radio, for broadcasting a highly offensive song which included aggressive, pejorative references to the Islamic faith; and Ariana International, for broadcasting a video which included highly inflammatory views that were likely to encourage crime or lead to disorder. We are considering whether to impose sanctions on both broadcasters.

### Promoting the accessibility of content

As the popularity of video-on-demand services increases, we published a report on how many of these carried access services such as subtitles, signing or audio description in 2015/16. We found that 68% of providers did not provide any access services. While 32% did provide some subtitling, only 6% provided audio description and signing. The report also featured an interactive tool to enable consumers to see which on-demand services are accessible to them. Ofcom is now requiring on-demand providers to submit information on accessibility more frequently, which will help consumers choose between services.

### Ensuring a wide range of TV and radio services

We continue to ensure UK audiences have access to a diverse range of television and radio services. This year we have issued 56 radio licences, including 14 community radio licences, as well as 105 TV services, including eight local TV licences. We have also issued 218 short-term radio licences for periods up to 28 days, such as religious holidays.



## 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<sup>4</sup>.

All complaints are important to us as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code<sup>5</sup> or other Ofcom codes. We may launch investigations on our own initiative as well as launching investigations following the assessment of complaints. We handle complaint-led and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 6,157 cases (comprising 16,093 complaints) were closed in the period under review.

## Content standards

All complaints about content standards are handled under Ofcom's procedures for investigating breaches of content standards for television and radio<sup>6</sup>.

### Initial assessment of complaints

Based on an initial assessment of the complaint and a consideration of the related television or radio content, we will consider whether there may have been a breach of the Broadcasting Code or other Ofcom codes. If not, we will decide not to investigate further and we will publish this decision in our Broadcast and On Demand Bulletin<sup>7</sup>.

A total of 5,986 cases (15,922 complaints) were assessed in this way during the reporting period. We found that:

- 155 cases (1,665 complaints) raised substantive issues that warranted further investigation; and
- 5,831 cases (14,257 complaints) did not require further investigation or fell outside our remit.

We aim to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2016 and 31 March 2017, we assessed complaints on average within 8.4 working days.

## Investigations

If a case raises potentially substantive issues, we will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

A total of 162 investigation cases were completed in the period between 1 April 2016 and 31 March 2017. We found that:

- 97 investigated cases resulted in breaches of the Broadcasting Code or other Ofcom codes being recorded;
- 15 investigated cases were resolved; and
- 50 investigated cases were not in breach of the codes or were discontinued.

We aim to complete those cases that we take forward for investigation within 50 working days. In the period between 1 April 2016 and 31 March 2017, we completed investigations on average within 47.4 working days.

## Broadcasting code breaches

### Cases **IN** breach



### Cases **NOT IN** breach or discontinued



<sup>4</sup> A new BBC Royal Charter and Agreement was published in December 2016 under which Ofcom became the new independent regulator of the BBC. On 29 March 2017, Ofcom published new procedures for handling complaints and investigations about BBC programmes. At the same time, Ofcom also published new procedures for handling complaints and investigations about all other broadcasters and on demand service providers. The cases referred to here were considered under Ofcom's previous procedures which were in force at the time.

<sup>5</sup> Available at: <https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/broadcast-code>

<sup>6</sup> Available at: <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/guidance/procedures>

<sup>7</sup> Available at: <https://www.ofcom.org.uk/about-ofcom/latest/bulletins/broadcast-bulletins>

## Fairness and Privacy

Fairness and Privacy complaints are complaints about unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are normally made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

All complaints about fairness and privacy are handled under Procedures for the consideration and adjudication of Fairness & Privacy complaints<sup>8</sup>.

A total of 171 complaints relating to Fairness and Privacy were closed.

### Assessment and entertainment

We assess every Fairness and Privacy complaint we receive 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 171 Fairness and Privacy complaints were assessed in the period between 1 April 2016 and 31 March 2017. We decided that:

- 24 complaints were entertained; and
- 147 complaints were not entertained or discontinued before entertainment.

We aim 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 2016 and 31 March 2017, we assessed and decided whether to entertain Fairness and Privacy complaints on average within 12.8 working days.

## Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, we will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred and, if so, we will uphold the complaint. We will then make a final adjudication.

A total of 24 complaints were adjudicated upon in the period under review. We decided that:

- 6 complaints were upheld;
- 13 complaints were not upheld;
- 4 complaints were resolved (following appropriate action taken by the broadcaster); and
- 1 complaint was discontinued after entertainment.

We aim 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 2016 and 31 March 2017, we completed the consideration and adjudication of Fairness and Privacy complaints on average within 80.5 working days.

## Sanctions

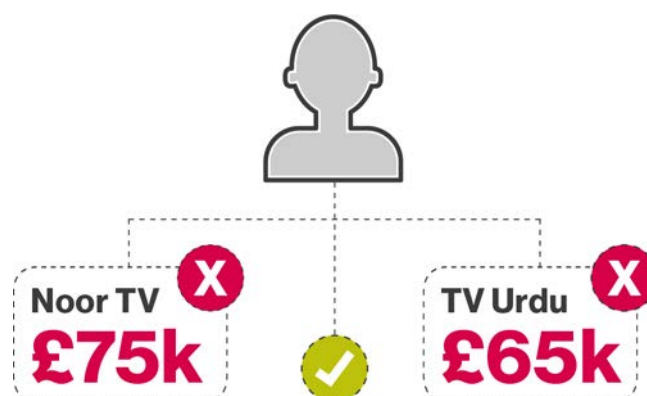
Where we decide that a broadcaster has breached the Broadcasting Code or other Ofcom code, and we consider the breach to be serious, deliberate, repeated and/or reckless, we may consider whether to impose a statutory sanction on the broadcaster.

The range of sanctions available 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 our findings; impose a financial penalty<sup>9</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 2016 and 31 March 2017, we decided to impose the following statutory sanctions:

- Mohiuddin Digital Television Limited in respect of its service Noor TV – £75,000
- Club TV Limited in respect of its service Peace TV Urdu – £65,000

## Sanctions



<sup>9</sup> All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

<sup>8</sup> Available at: <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/guidance/procedures>

# 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 59.

Principal risks	Key mitigating actions
<p><b>Consumer programme</b></p> <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>• Promoting competition in telecoms networks.</li> <li>• Improving the coverage of home, office and mobile communications services.</li> <li>• Improving the quality of service provided by telecoms companies;</li> <li>• Protecting audiences from harmful content in TV, radio and on-demand services.</li> <li>• Tackling nuisance calls.</li> </ul> <p>Additional work is also being undertaken following our review of the digital communications markets (see below).</p> <p>If we were unable to deliver this programme of work in full, consumers and citizens would not realise the complete benefits.</p>	<ul style="list-style-type: none"> <li>• Our programme of work in these areas is outlined in our 2017/18 Annual Plan.</li> <li>• We propose to require providers of landline and broadband to pay automatic compensation to customers who receive poor quality service.</li> <li>• We will open up and improve access to Openreach's underground ducts and telegraph poles and apply appropriate price controls on the wholesale services offered by BT to other broadband providers.</li> <li>• We will strengthen Openreach's strategic and operational independence from BT.</li> <li>• We will implement any UK Government decision on a universal broadband service, and examine how regulation can promote better mobile coverage.</li> <li>• We will ensure sufficient resource is available to deliver the programme of work and will prioritise projects where required.</li> </ul>
<p><b>Digital communications markets</b></p> <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 2016, we published initial conclusions of our Strategic Review of Digital Communications, which set out our approach to regulating communications markets over the next decade. The resultant programme of work includes:</p> <ul style="list-style-type: none"> <li>• Making it easier for competing operators to invest in super- and ultra-fast broadband networks.</li> <li>• Strengthening Openreach's strategic and operational independence from BT.</li> <li>• Improving coverage and quality of service across the telecoms industry.</li> </ul> <p>Going forward, it is important that consumers and businesses benefit both from continued, efficient investment in new networks and services whilst also benefiting from competitive prices and effective choice.</p> <p>Our plans for future regulation of the digital communications markets may not meet the particular demands of stakeholders. Additionally, current uncertainty around the European regulatory framework in the UK may slow our progress in delivering elements of the strategy.</p>	<ul style="list-style-type: none"> <li>• We published our initial work plan for implementing the Strategic Review of Digital Communications in our 2016/17 Annual Plan. This programme of work is carried forward into our 2017/18 Annual Plan.</li> <li>• We have established a dedicated Programme Management Office to coordinate these policy areas.</li> <li>• We continue to work closely with industry, Government and consumers.</li> <li>• We are explicitly considering how to meet our aims for efficient investment, competition, choice and competitive prices in our full range of regulatory decisions, including our market reviews and associated charge controls.</li> </ul>

## Principal risks

## Key mitigating actions

### Regulation of the BBC

On 3 April 2017, we took on new responsibilities for the BBC which included:

- Investigating the full range of BBC editorial standards complaints (including accuracy and impartiality).
- Assessing the BBC's performance against its Mission and Public Purposes.
- Regulating the impact of the BBC's activities on fair and effective competition.

Failure to deliver our new regulatory framework effectively could harm citizens and consumers – the BBC's viewers and listeners.

- Arrangements were put in place to ensure an effective transition between the old and new regulatory regimes.
- We undertook a comprehensive recruitment programme to ensure we had the required skills and resources to undertake our new duties.
- We established clear and transparent lines of communication with the media, industry, political stakeholders and the public regarding our new role.
- We will ensure that we focus our attention on where we can best deliver positive results for consumers, citizens, viewers and listeners, by targeting our regulation to address their needs.

### Making spectrum available

#### 700 MHz spectrum band

In November 2014, we published our decision to make the 700 MHz spectrum band available for carrying mobile data. This band has previously been used for digital television and programme makers and special events, which are being moved to alternative airways.

The Government announced in the 2015 Budget that it would provide up to £600 million to support this change. A key objective of the programme is to prevent undue harm to existing DTT and PMSE users of the spectrum. We currently aim to make the 700 MHz band available for mobile services by May 2020.

Delays to the timetable may hold-up benefits for consumers and potentially erode the value for money delivered by the decision to bring forward the clearance date to 2020.

#### 2.3 GHz and 3.4 GHz spectrum bands

In November 2016, we set out our plans to award 190 MHz of spectrum in the 2.3 GHz and 3.4 GHz bands. The spectrum is likely to be used to provide additional capacity to meet growing demand for mobile broadband services.

Negative reaction to our auction proposals by stakeholders may delay the auction timetable and, in turn, delay benefits to consumers.

#### 700 MHz spectrum band

- We propose to publish a formal review of the timing of the clearance programme during 2017/18.
- We have implemented a robust set of procedures to make sure that the grants required to allow the change of spectrum use are handled appropriately.
- Grant review is focussed on a critical examination of costs to remove / minimise the impact of the accelerated clearance timetable on Value for Money.

#### 2.3 GHz and 3.4 GHz spectrum bands

- We will publish a statement on the auction of the 2.3 GHz and 3.4 GHz bands and proceed to conduct the award thereafter.

### Cyber security and data handling

The protection of our IT systems and the data we hold is critically important. So too are the processes and safeguards we have in place to ensure that we handle data securely.

A failure in any of these areas could result in harm to consumers and stakeholders and damage Ofcom's reputation.

We have an ongoing programme of work designed to ensure that we have a strong set of defences and policies in place.

These include:

- Testing of our network to ensure that we are appropriately defended against external threats.
- An information security classification scheme with associated handling instructions.
- Colleagues are required to complete a security e-learning module within one month of starting employment and annually thereafter.



# Work in the nations and our international engagement

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

Ofcom's work in regulating communications, broadcasting and postal services must take into account that the UK is made up of different nations, cultures, population densities and topography.

For example, providing fixed broadband, mobile and postal services that meet the needs of consumers and SMEs in rural and remote areas presents particular challenges. Northern Ireland, Scotland, and Wales, as well as some English regions, have a high proportion of these remote areas. Similarly, public service broadcasting should reflect different cultural identities, at national and regional levels.

Our work must therefore be informed by the views, interests and needs of people across the UK. We have offices in each of the UK's nations, allowing us to engage directly with governments, elected representatives and local stakeholders. We have statutory Advisory Committees for each nation, and a Nations Committee that reports directly to the Ofcom Board. Our Content Board and Consumer Panels also have members representing each nation.

Although much of Ofcom's work affects citizens and consumers right across the UK, this section highlights some specific work we have carried out in each of the UK's nations in 2016/17. In addition to activity highlighted here, we have published dedicated Communications Market and Connected Nations reports for England, Scotland, Wales and Northern Ireland.

## Northern Ireland

Our team in Northern Ireland has worked closely with ComReg, our regulatory counterpart in the Republic of Ireland, to coordinate the future clearance of the 700 MHz frequencies in both jurisdictions and to minimise any potential disruption for digital terrestrial television viewers.

Separately, we published our Change of Control Review of ITV's purchase of UTV Television, and approved a proposal from ITV to increase UTV's current affairs quota. We have also provided advice to the Northern Ireland Executive on its draft Programme for Government commitment to increase access to superfast broadband, and briefed the Assembly's Economy Committee on broadband and mobile connectivity.

## Scotland

We have significantly expanded our new policy and operational hub in Edinburgh. There are now around 25 Ofcom colleagues located there, and we expect the team to continue to grow in 2017/18. This is roughly a three-fold increase in our presence in Scotland, and has meant we can engage more fully with a wide range of Scottish stakeholders across the breadth of our responsibilities. A stronger presence in Scotland helps to further our understanding of the challenges that are common to all of the UK nations.

Our Scotland-specific Communications Market and Connected Nations reports found that fixed and mobile communications services are more widely available, but there are still many

areas that cannot access fast broadband services and where mobile coverage is poor. We have worked closely on these issues with the Scottish Government and with Scottish Parliamentary committees for Rural Economy and Connectivity and Culture, Tourism, Europe and External Relations. We have also been working with them on matters ahead of our new regulatory responsibilities for the BBC.

## Wales

We have continued to work with the Welsh Government to support the rollout of the Superfast Cymru project, and have provided advice on broadband and mobile availability in rural areas.

We also implemented the new Welsh Language Standards regime, replacing our existing Welsh Language Scheme. This reflects Ofcom's commitment to provide an excellent service to anyone wishing to conduct their business with Ofcom in Welsh. The new standards applying to Ofcom came into force on 25 January 2017.

## England

In England, in addition to our main office in London, we opened our new office in Warrington, which is now home to our UK-wide Consumer Contact Team and Spectrum Licensing Team. We continued to provide advice and evidence to the UK Government and Parliament throughout the year.

## Devolution

Further devolution to Scotland, Wales and Northern Ireland will bring changes to our Board in the near future, with the administrations in Edinburgh, Cardiff and Belfast each appointing a new Ofcom board member. In addition, new Memoranda of Understanding will set out formal arrangements for Ofcom to consult with devolved governments and legislatures on our strategic priorities, and to provide evidence to Committees of the Scottish Parliament, the Northern Ireland Assembly and National Assembly for Wales, as requested.

## Our international engagement

The communications sector is increasingly global in nature; Ofcom recognises the importance of engaging internationally if we want to make communications work for everyone in the UK. We have always sought to participate in international policy and legislative debates, and to maintain a regular dialogue with our peers, as well as European and international institutions.

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

This year we have worked to ensure the interests of UK citizens and consumers remain at the heart of legislative change, notably in the context of the ongoing reviews of the Audiovisual Media Services Directive (AVMSD) and of the Electronic Communications Framework (EECC).

For a detailed report of Ofcom's activities in this area please see page 18, 'Ensuring European regulatory frameworks work for the UK'.

Ofcom represents the UK in a number of European and international committees that address spectrum policy. The Group Director of Spectrum at Ofcom was elected Chair of the Radio Spectrum Policy Group (RSPG) from 1 January 2016 and we have closely engaged in RSPG working groups on 5G and the Electronic Communications Framework, and led working groups on the internet of things and intelligent transport.

Through this work, the RSPG has already delivered timely strategic advice to the European Commission on the pioneer bands for 5G, which has enabled the Conference of Postal and Telecommunications Administrations (CEPT) to begin work on advancing the development and implementation of 5G in Europe.

Ofcom is a member of the Radio Spectrum Committee (RSC), which has produced technical conditions for the EU-wide use of 700 MHz band for mobile. We also helped secure sufficient flexibility in the decision to facilitate use of the band for innovative spectrum services in the UK.

Ofcom also represents the UK in the telecoms standardisation and radiocommunications working groups of the International Telecommunications Union (ITU), which works to provide a global framework for telecommunications and spectrum usage. Ofcom led the UK delegation to the World Telecommunication Standardisation Assembly in Tunisia in October 2016.

Ofcom plays a leading role in the Body of European Regulators for Electronic Communications (BEREC), and we have been heavily involved with BEREC's work programme over the past year. This includes jointly leading the development of European guidelines on net neutrality following the adoption of European legislation in 2015.

We are also active in European and international postal bodies, and work closely with fellow regulators on cross-border parcel delivery issues. We have also collaborated with audiovisual regulators in Europe, providing expert advice to the Commission through the European Regulators Group for Audiovisual Media Services (ERGA).

## Leaving the European Union

As the UK leaves the European Union, we will seek to ensure that electronic communications are given sufficient priority, given their critical importance to the UK economy, and we will continue our engagement work with European and international institutions.

# Who we work with and how we work

## Engagement with stakeholders



- Promoting choice
- Securing standards
- Preventing harm



## Consumers and citizens

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

Ofcom’s Consumer Contact Team received around 90,000 calls and items of correspondence directly from consumers in 2016/17, and the information that consumers provide helps us target our policy-making and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved.

We do, however, handle complaints about TV and radio programmes.

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

## Industry and Government

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

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.

## Co-regulators and other bodies

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



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

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

**When we regulate**

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

The speed with which the communications sector is changing makes it especially important for us to have clear guiding principles.

**Reducing regulation**

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

During the past year we have made a number of significant regulatory decisions. While our longer-term focus is on reducing regulation, this year in preparation for our new regulatory responsibilities for the BBC our work has led to increased regulation in the broadcasting sector. In order to safeguard the interests of citizens and consumers, some of our other decisions also required additional or strengthened regulation, for example supporting investment in ultrafast broadband networks. The volume of documents we published has stayed broadly the same. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom’s regulatory decisions and statements in 2016/17.

**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.

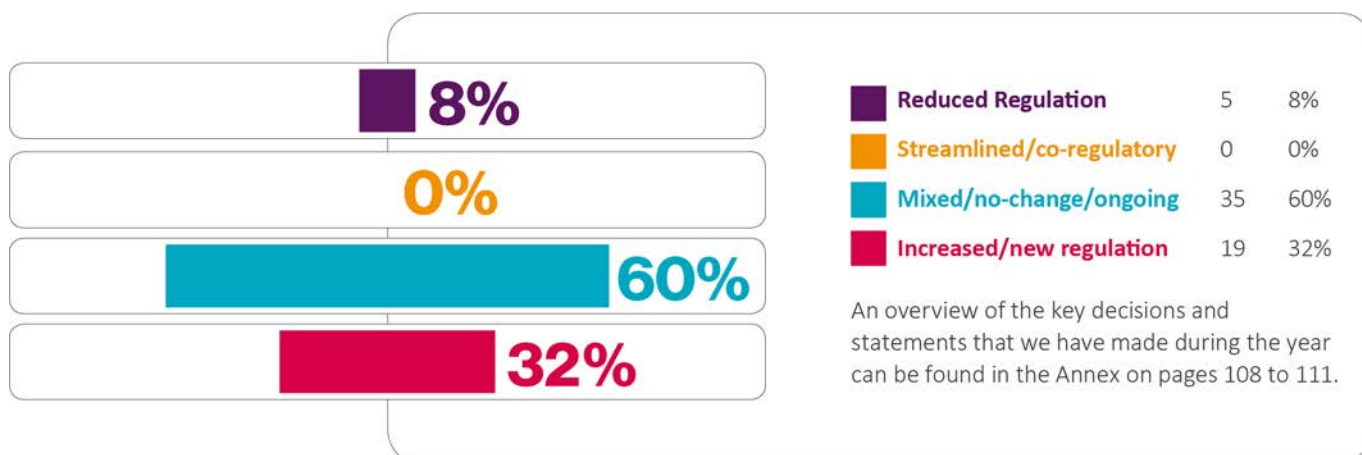
Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated objectives.

**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.

**Figure 1:** Impact of our statements on the regulatory burden to stakeholders in 2016/17 of the 59 major statements delivered in the year:



## Consultations

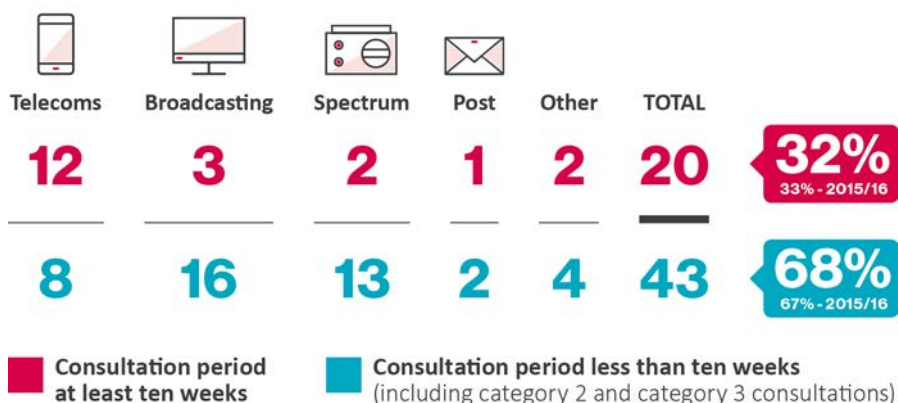
Public consultations allow stakeholders to comment on, and respond to, our proposals before any final decisions are made.

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.

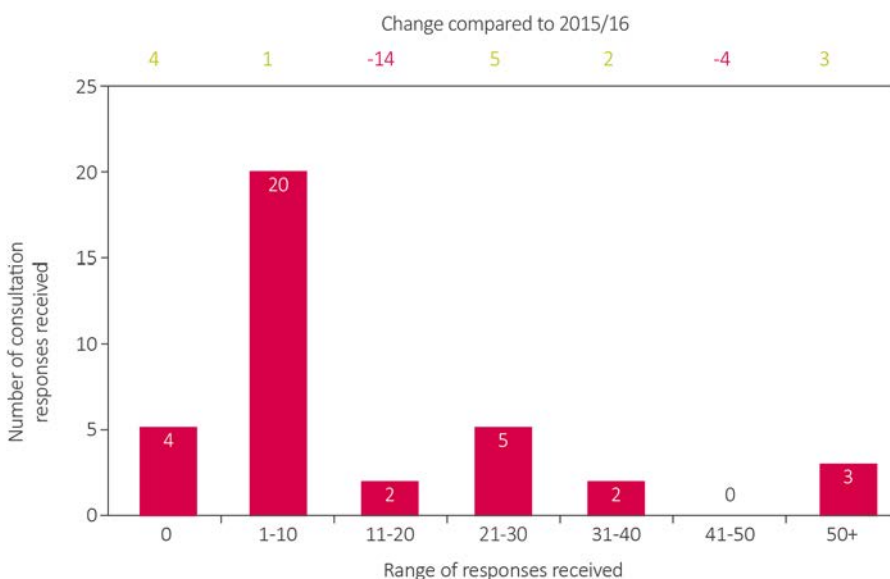
Figure 2 sets out an analysis of the length of our consultations by sector.

**Figure 2:** Analysis of consultation duration 2016/17



Ofcom collects statistics on the number of responses to consultations, as shown in Figure 3. We received more than 500 responses to our consultations where we subsequently issued statements in 2016/17.

**Figure 3:** Responses to consultations: 2016/17



## 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 2016/17, more than two-thirds 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 2016/17

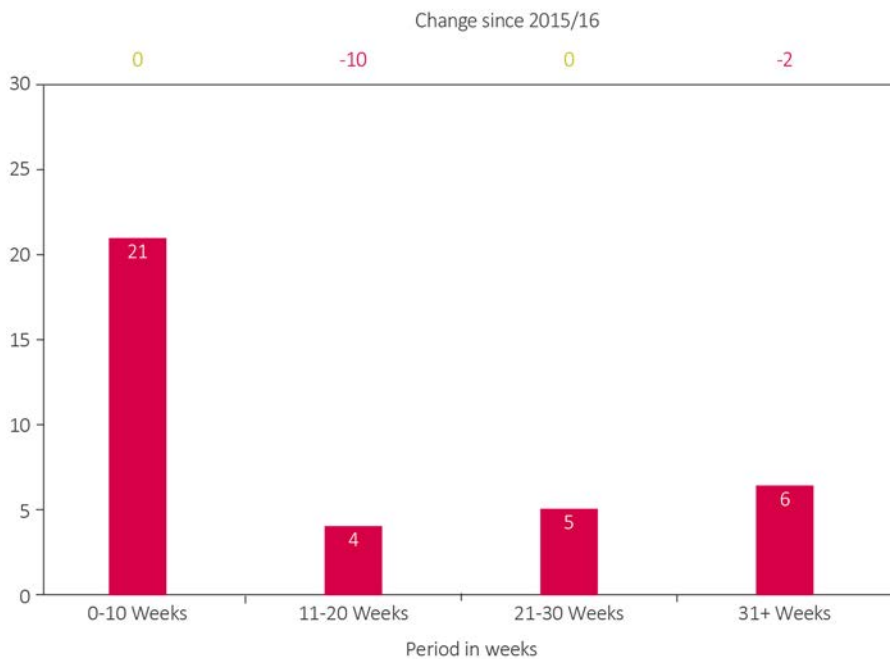
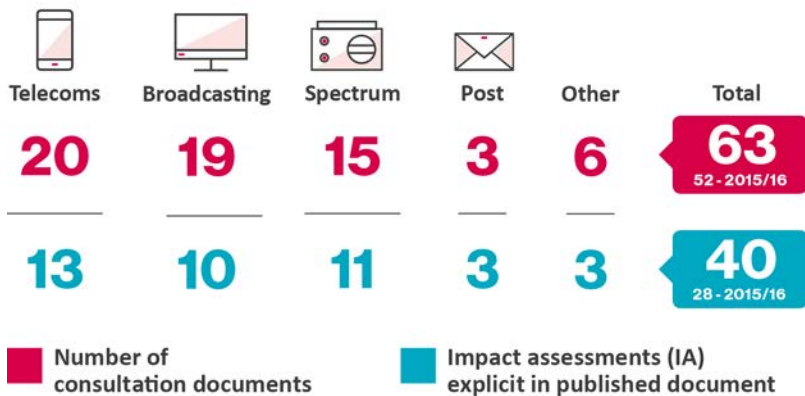


Figure 5: Analysis of impact assessments carried out



### 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; this is in the Annex on pages 112 and 113.

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 2016/17, 64% of consultations had conducted an impact assessment, explicitly referenced in a specific section or annex of the consultation document. In some circumstances, it may not be necessary or appropriate to conduct an impact assessment or it may be implicit within the consultation. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

# Financial Review

In 2016/17, Ofcom originally set a budget of £114.3m that delivered further real term savings of 1.5% against the previous year.

## Delivering our duties and value for money

Our budget for 2016/17 built on Ofcom's track record of delivering efficiency. Ofcom has delivered 12 consecutive years of like-for-like real-terms budget reductions, and we will continue to reduce our spending where we can.

The BBC's Royal Charter sets out that Ofcom's general duties under the Communications Act apply to our BBC functions from 3 April 2017. We agreed with Government to an increase of the 2016/17 Ofcom spending cap and set our budget to £116.6m to cover the implementation of these new responsibilities.

Our budget for 2017/18 continues to build on efficiencies delivered in previous financial years. It also reflects our commitment to providing value for money, particularly important as we respond to new challenges in the markets we regulate.

In 2016/17 we relocated Ofcom's Consumer Contact Team and Spectrum Licensing Team away from our London office to the North-West of England. Additionally, we expanded our Scottish office, moving from Glasgow to Edinburgh and relocating several roles from London.

Following the negotiation of our new lease in June 2017 we will be reducing our London office space by a further 25% as we look to further improve our efficiencies regarding how we undertake our duties. The new lease on our London office fixes costs over the duration of the lease, reducing volatility and mitigating financial risk in future rent. Additionally, as part of this arrangement the Landlord is committed to significant investment in the building infrastructure. We will move to agile working to ensure that we are using our remaining property space as efficiently and effectively as possible and we will move some of our functions and systems to cloud-based platforms to support more collaborative working to continue to save 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 for 2017/18 at £121.7m. This incorporates our new regulatory duties with respect to the BBC and also the modifications to our London headquarters brought forward from 2018/19 into 2017/18. Bringing forward this expenditure will enable us to accelerate our plans to reduce our London footprint by almost six months, thereby delivering cost savings earlier than originally planned.

Excluding the additional costs related to our new BBC responsibilities and the costs we are bringing forward from 2018/19 in respect of our London headquarters, our budget for the coming financial year represents a 1.8% real-terms reduction from 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 making communications work for everyone.



### Financial performance 2016/17

Note 2 to the accounts provides Ofcom's £115.3m annual running cost on an adjusted cash accounting basis versus a budget set of £116.6m.

In preparation for Ofcom's new BBC responsibilities, we incurred incremental operating costs for the transition and build up to the steady state resources required. This included the costs of recruiting new staff to undertake the additional duties, expert advice, legal and market research work required to shape the new regime, modifications to IT systems and purchase of software licences and equipment. Our 2016/17 spending cap was increased to reflect these additional transitional costs as agreed with Government.

During the year Ofcom invoiced and collected a total of £381.3m 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.

This is an increase of £111.6m from 2015/16 and is largely driven by the implementation of the revised annual licence fees (ALF) paid by mobile operators for the public wireless networks effective from October 2015 and October 2016.

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



### Ofcom funding

The Digital Economy Act 2017 introduced legislative amendments which simplify Ofcom's funding model. The Act permits Ofcom to retain sums received in connection with its functions under the Wireless Telegraphy Act (WTA receipts). Ofcom may retain such sums in order to fund its general spectrum management functions, as well as to meet the costs of undertaking its other functions for which it cannot otherwise levy fees and charges. These changes mean that Ofcom will be funded entirely through industry fees and charges, a more efficient model that also helps to underline our independence from Government. Ofcom may continue to receive grant-in-aid for the delivery of certain major projects on behalf of Government. Ofcom currently receives grant-in-aid in respect of the 700 MHz clearance project.

As a result, subject to the implementation of the new regime via statutory instrument and the agreeing of a Statement of Principles between DCMS and HM Treasury setting out the basis on which Ofcom is to retain fees, Ofcom will no longer receive grant-in-aid funding for its core responsibilities. Grant-in-aid arrangements have been agreed with Government and will remain in place during the year until the change of funding approach begins.

### Financial management

A thorough understanding of our costs and financial management is critical to allow Ofcom to fulfil its goals while meeting the challenging targets set as part of the 2015 Spending Review.

To achieve this, Ofcom continues to focus on 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 Comprehensive Income separates out the income received relating to Spectrum Clearance and Awards, as this is an additional duty outside our core operating budget.

Income excluding Spectrum Clearance and Awards for 2016/17 was £115.8m (2015/16: £114.8m). Changes from the previous year include:

- a decrease in grant-in-aid across spectrum management following the appointment of our new principal ICT provider and lower premises costs; and reduced activity on cases under the Competition Act. This is partially offset by;
- an increase in the broadcasting regulatory charges which primarily reflects the preparatory work for our new duties regarding the BBC.

Income for Spectrum Clearance and Awards was £24.7m (2015/16: £5.9m). The increase reflects the full year of grants payments to facilitate the clearance of the 700 MHz band.

Ofcom hosted the UK Regulators Network (UKRN) until the end of October 2016; responsibility transferred to the Civil Aviation Authority (CAA) on 1 November 2016.

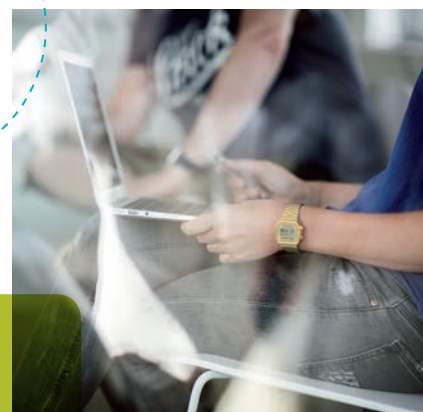
## Operating expenditure

Staff costs are £2.7m higher than the previous year to allow for the transition of BBC duties and the additional staff required, recruitment activity to fill vacancies and restructuring costs following the relocation of teams.

Operating costs relating to Ofcom's core responsibilities in 2016/17 were £45.7m, which is £2.3m lower than the previous year (in 2015/16 our operating costs were £48.0m). The differences from the previous year's expenditure are attributable to the following:

- Reductions:
  - £1.2m year-on-year lower premises costs following successful appeal of an increase in property rates liability.
  - £0.9m of outsourced services savings derived from our new ICT contract and from bringing programme-making and special events (PMSE) licensing in-house.
  - £0.7m of professional services, following successful conclusion of a number of appeals with successful legal cost awards;
  - £0.5m reduction in audience and consumer research, reflecting our programme of work;
- Offset by the following increases:
  - £2.0m additional expenditure relating to the investment in IS and IT required to support our move to agile working;
  - £0.5m one off expense relating to the transition and relocation of teams and colleagues from our London base to Warrington and Edinburgh offices.

Spectrum clearance and awards expenditure of £24.7m (2015/16: £5.9m) increased, with the scale of 700 MHz clearance infrastructure work undertaken and the grants paid out to facilitate clearance including optimising the 2016/17 main station air-works build season.



## Surplus/deficit for financial year

### Funding surplus or deficit

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

The funding deficit for the financial year is set out in Note 2 to the accounts and totals £0.6m (in 2015/16 this was £2.7m surplus).

### Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Income for the year under review, was £1.5m (2015/16: £0.9m deficit).

### 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 2016/17, Ofcom collected £381.6m (2015/16: £270.0m) on behalf of HM Treasury. The increase is primarily as a result of the implementation of the revised annual licence fees (ALF).

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.

### 2017/18 tariffs

On 30 March 2017, Ofcom published the Tariff Tables for 2017/18, which were based on an estimated operating expenditure outturn for 2016/17 of £115.7m.

The £0.3m variance between the actual operating outturn and the estimated operating outturn used to set fees and charges for 2017/18 will be passed back to stakeholders through tariffs for 2018/19 in line with our Statement of Charging Principles.

Ofcom’s budget for 2017/18 is £121.7m, which reflects both Ofcom’s new regulatory duties with respect to the BBC and the acceleration of work regarding the changes to Ofcom’s London headquarters necessary to achieve substantial long-term savings in premises costs. This represents a 2.5% real terms increase in the total annual cost of regulation.

Although Ofcom’s headline budget has increased since last year, the fees and charges will vary by sector as they reflect planned work for 2017/18 and the expected variances to the 2016/17 budget.

As we focus on the implementation of the Strategic Review of Digital Communications, this is reflected in the way fees are recovered from stakeholders.

Specifically, sector fees and charges for 2017/18 will change by:

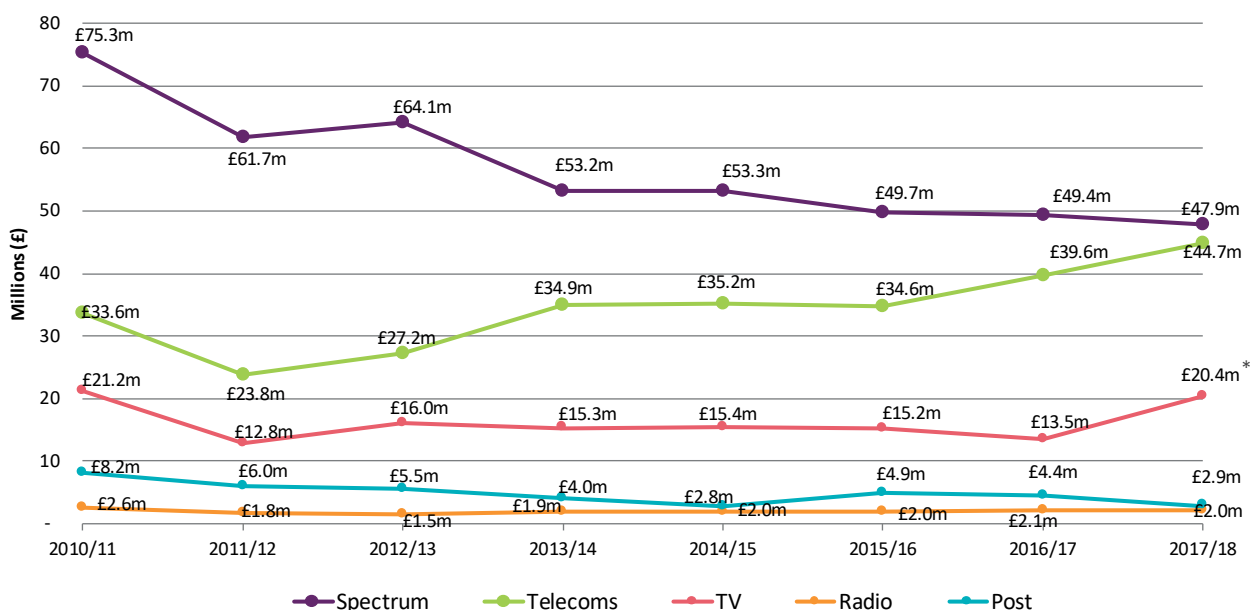
- an average increase of 12.9% (10.9% real-terms increase) for network and service operators. The planned

costs for 2017/18 are higher than last year and include further implementation of the Strategic Review of Digital Communications outcomes and a continued programme of market reviews required under the EU framework;

- A decrease of 35.2% (36.3% real terms decrease) for the postal services sector. Having completed our comprehensive review of the regulation of the universal service provider in February 2017, we decided to retain the current framework for postal regulation until 2022. As such, our planned work for postal regulation is significantly lower for 2017/18;
- an average decrease of 4.5% (6.2% real-terms decrease) for the radio sector, which is driven by the expected savings for the sector in 2016/17; and
- whilst the overall TV sector which includes Ofcom’s new duties with respect to the BBC shows an increase of 50.9% (48.3% real-terms increase), the underlying charges for the sector excluding the new responsibilities in respect of the BBC, have decreased.

Figure 6 shows Ofcom funding over the past eight years.

Figure 6: Ofcom funding trends over the past eight years



\*This reflects the costs of additional duties in respect of BBC regulation.



## Spectrum clearance and awards

One of our priorities is delivering the 700MHz clearance programme. This involves a major programme of modifications to the digital terrestrial television (DTT) transmission infrastructure. Government is funding this and we are operating a grant scheme to disburse the funds in question.

The Spectrum Clearance and Awards funding supports the changes required to the DTT infrastructure necessary to clear the spectrum band, to enable broadcasters to operate at lower frequencies.

The 700MHz clearance programme spans several financial years, with the aim of clearing the spectrum by mid-2020. Infrastructure work will intensify in 2017/18 in preparation for regional clearance events.

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

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

Spectrum Clearance and Awards expenditure amounted to £24.7m in 2016/17 (2015/16: £5.9m).

In line with previous 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 with 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 2015 highlighted a combined funding surplus of £1.3m.

However, the 2016/17 financial statements show a surplus of £17.0m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations.

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

As a consequence of the risk mitigation work between Ofcom and the Trustees and Actuaries of both pension plans, approximately 80% of the plans' liabilities are now backed by annuities. As part of the ongoing activity to manage and mitigate risks of the plans, further insurance-backed benefit buy-ins in respect of pensioner members will be considered in the future. To aid this de-risking, a further £1m was made to the Feeder Trust during 2016/17.

The next triennial funding valuations for both plans is due at 31 March 2018.

# Corporate responsibility

Ofcom's commitment to equality, diversity and human rights.

Through our corporate responsibility (CR) programme we aim to be a responsible employer and to manage our impact on the wider environment and community by:

- engaging, inspiring and developing colleagues, while supporting local initiatives; and
- reducing our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable.

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

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

## Volunteering & community

We encourage colleagues to volunteer and participate in community schemes as we believe this is an effective way for them to gain new skills and promote our diversity objectives.

There is more information about our diversity objectives in the *Our Employees* section on page 63. In 2016 we engaged with our local stakeholders in the following ways:

### Schools

We continued to 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.

Ofcom colleagues are encouraged to visit schools to engage with young people about future career options. Last year we developed a new relationship with an Academy in Peckham, helping students and teachers to understand the skills that employers look for in job applicants.

During 2016 we continued to support colleagues speaking at schools through STEMNET, which aims to inspire young people in science, technology, engineering and mathematics. Our colleagues also supported the Access Project, which pairs students from disadvantaged areas with graduates who help to boost the student's grades and confidence with weekly tutorials.



## Apprenticeships and internships

We are committed to broadening the pathways for young people to join the organisation. Ofcom's apprenticeship scheme offers long-term paid skills-based work placements.

We also work with Career Ready, mentoring 16- to 17-year-old students and helping them prepare for corporate life. In the summer of 2016 we again supported the Career Ready internship programme, hosting seven interns from local academies.

## Ofcom charity

During 2016 colleagues carried out a variety of fundraising activities to raise money for Ofcom's nominated charity, Macmillan Cancer Support.

# Sustainability report

This section presents an overview of Ofcom's sustainability strategy and our performance in this area.

It contains sustainability data and associated financial costs, presented in a format that conforms to the sustainability reporting guidelines issued by HM Treasury for 2016/17.

## Sustainability strategy

### Introduction

Over the years, Ofcom has conducted a number of initiatives to deliver carbon reductions. This includes substantial energy reduction projects at Riverside House, using more energy-efficient offsite servers, and moving from printed publications to online publications. We also actively promote recycling, sustainable travel and good energy practice to our colleagues.

### History of reduction targets

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



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

In 2009, Ofcom commissioned 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 re-certified 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. We plan to be re-certified to the Carbon Trust Standard again in the next financial year.

## 2016/17 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.

This year, we opened two new offices in Edinburgh and Warrington as part of our out-of-London project. We sub-let our offices in Glasgow and are using our Haydock office for storage since our staff vacated the premises.

Due to our out-of-London project, our business travel consumption increased by 25% during the year. This was due to staff travelling to the new offices, conducting interviews, training and relocation. We anticipate that this is a one-off increase and travel will return to a more sustainable level in the next financial year.

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 and to consider lower-carbon travel alternatives such as email, audio and video conferencing.

## 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.

Our use of paper has reduced by 16% compared to 2015/16 as we start to use mobile devices as an alternative. These devices will be rolled out to all staff during 2017/18.

## Biodiversity action planning

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

## Sustainable procurement

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

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

A summary of Ofcom's emissions over the past five years is provided in Figure 7. Please refer to the Annex on pages 120 to 122 for more detail.

**Sharon White**  
Chief Executive and Accounting Officer  
13 June 2017

Figure 7: Sustainability performance overview

		2012/13	2013/14	2014/15	2015/16	2016/17
<b>Greenhouse gas emissions (Scopes 1,2)<sup>1,2</sup></b>	<b>tCO2e</b>	1,550	1,498	1,649	1,569	1,456
	<b>Expenditure</b>	£457,486	£442,226	£475,135	£444,964	£405,810
<b>Business travel (Scope 3)<sup>3</sup></b>	<b>tCO2e</b>	375	346	290	250	312
	<b>Expenditure</b>	£705,867	£628,340	£596,116	£569,099	£663,705
<b>Waste</b>	<b>Tonnes</b>	166	173	166	173	172
	<b>Expenditure</b>	£46,068	£60,796	£45,500	£32,023	£37,984
<b>Finite resource consumption<sup>4</sup></b>	<b>Water consumption (m3)</b>	11,509	13,694	14,213	10,767	11,282
	<b>Expenditure</b>	£26,610	£20,107	£24,931	£16,784	£22,248
	<b>Paper reams</b>	7,623	7,721	5,993	7,545	6,317

<sup>1</sup> We have re-stated our greenhouse gas emissions (tCO2e) for 2012/13 and our water consumption figures from 2011/12 following clarification of the allocation of consumption across our estate.

<sup>2</sup> We have re-stated our electricity consumption for 2015/16 following clarification of the allocation of consumption in our remote sites.

<sup>3</sup> In our 2014/15 Annual Report & Accounts emissions data relating to business travel (flights) was restated for 2012/13 and 2013/14 following enhanced data provided by our travel company.

<sup>4</sup> We have restated our paper consumption figure for 2014/15 following clarification from our supplier.

# Accountability Report



# Directors' report

## The Ofcom Board

### 1 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 Principal of Newnham College, Cambridge (2006-2012), Chair of the School Teachers' Review Body (2012-2014), 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.

### 2 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 HM Treasury, responsible for overseeing the public finances. Before that she held Board level positions at the Ministry of Justice and the Department for International Development and has worked in the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank.

### 3 Baroness Noakes, DBE



Baroness Noakes, DBE 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.

### 4 Dame Lynne Brindley, DBE



Dame Lynne Brindley, DBE was appointed as a Non-Executive Member of the Ofcom Board on 1 September 2011. She was CEO of the British Library (2000-2012), before becoming Master of Pembroke College, Oxford in 2013. Lynne is a member of the Council of City University, is on the Court of the Goldsmiths' Company and chairs the Goldsmiths' Centre charity. She was a council member of the Arts and Humanities Research Council (AHRC) (2009-2014), chaired the national Online Learning Taskforce set up by HEFCE and was a member of the UK's Strategic Advisory Board for Intellectual Property (SABIP). She is Chairman of Ofcom's Nations Committee and a Member of the Remuneration Committee, the Content Board and the Nominations Committee.

### 5 Graham Mather



Graham Mather was appointed to the Ofcom 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, the body that deals with appeals from the UK regulators. Graham is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group. Graham is a member of the Board of the Office of Rail and Road. He is also a member of Ofcom's Nations Committee, Nominations Committee, Remuneration Committee, and Risk and Audit Committee.

### 6 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 at Akamai in the US and mobile operator Bharti Airtel in India. He is a Member of Ofcom's Remuneration and Nominations Committees.



### 7 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.

### 8 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.

### 9 Nick Pollard



Nick Pollard was appointed to the Content Board in April 2016. He was appointed as an Ofcom Board Member in November 2016.

Nick Pollard has had a long career as a journalist and broadcasting executive. He was Executive Producer of News at Ten at ITN (1987-1992), Head of Sky News (1996-2006), and Chief Executive of SSSVC, the organisation that runs the British Forces Broadcasting Service (2009-2015).

Nick led the independent inquiry into the BBC's handling of the Newsnight-Jimmy Savile story in 2012. He is a former chairman of the Royal Television Society Journalism Awards and a recipient of the RTS's Lifetime Achievement Award for Television Journalism. Nick chairs the Content Board and is a member of the Nominations Committee and Remuneration Committee.



## Register of disclosable interests

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

<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 2016/17 is detailed in the Remuneration Report on page 66.

## Non-audit work

No fees for non-statutory audit work were paid to the National Audit Office during 2016/17 (no fees for non-statutory audit work were paid to the National Audit Office during 2015/16).

## Protected personal data-related incidents

Ofcom reported one protected personal data-related incident to the Information Commissioner's Office (ICO) in 2016/17. The ICO decided that no further action was necessary.

## Sickness absence data

Sickness absence data is reported in the Our Employees section of the Annual Report on page 63.

## 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  
13 June 2017

# Governance statement

## The governance structure

The Ofcom Board leads the organisation, with a focus on its core activities.

**Its core activities include:**

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

Figure 8: 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
- 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 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 2016/17 the Board met on 13 occasions. The role of executive management is to implement Board policies. The work of both the Board and the 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 8). The activities and main functions of these principal committees are described below. Ofcom has a number of other specialist committees with a governance role or an advisory role to the Board, described in the Annex on pages 105 to 107.

### 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 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 of 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.

Figure 9: Ofcom Board and Board Committees

	Ofcom Board	Remuneration Committee	Risk and Audit Committee	Nominations Committee	Content Board	Nations Committee	Election Committee
<b>Number of meetings</b>	<b>13</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>8</b>	<b>4</b>	<b>0</b>
<b>Attendance</b>							
Dame Patricia Hodgson DBE	13	4	4	1	2	1	–
Sharon White	13	4	4	1	3	–	–
Baroness Noakes DBE	13	4	5	1	–	–	–
Dame Lynne Brindley DBE	13	4	–	1	8	4	–
Graham Mather	13	4	4	1	2	4	–
Jonathan Oxley	13	–	–	–	–	–	–
Dr Stephen Unger	13	–	–	–	–	–	–
Bill Emmott <sup>1</sup>	4	2	–	1	3	–	–
Ben Verwaayen	12	4	–	1	–	–	–
Nick Pollard <sup>2</sup>	6	2	–	–	8	–	–

### 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.

### 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 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 includes 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 effectiveness of the Board is reviewed on an annual basis. In 2017 this review was undertaken by the Corporation Secretary under the guidance of the Deputy Chairman. Externally facilitated evaluation is undertaken periodically.

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

<sup>1</sup> Bill Emmott left as a Non-Executive Member of the Board with effect from November 2016.

<sup>2</sup> Nick Pollard was appointed to the Content Board on 1 March 2016 and as a Non-Executive Member of the Board with effect from 14 November 2016.

**Figure 10:** Senior Management Team

Name	Role
Sharon White	Chief Executive
Philip Marnick	Group Director, Spectrum
Jonathan Oxley	Group Director, Competition
Lindsey Fussell <sup>1</sup>	Group Director, Consumer
Dr Steve Unger	Group Director, Strategy, International, Technology and Economists
Kevin Bakhurst <sup>2</sup>	Group Director, Content and Media Policy
Alison Crosland	Group Director, Corporate Services
Polly Weitzman	General Counsel



## Accountability

Ofcom's Annual Report and Accounts is sent to DCMS, which lays copies of it before both Houses 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 the Framework Document.

## 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 2016 to 31 March 2017.

## Transparency

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

During 2016/17, Ofcom received 406 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 85% of cases. Information is withheld only if it is exempt from disclosure under legislation.

Ofcom also received 12 requests for information under the Data Protection Act 1998 and, where we held relevant information, we provided the requested information in nine cases.

<sup>1</sup> Lindsey Fussell started on 18 April 2016.

<sup>2</sup> Kevin Bakhurst started on 31 October 2016.

## 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 page 37.

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 invites representation from a broad range of consumer advocate bodies.

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

## The risk and control framework

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

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

Each of these areas of responsibility is embedded across the organisation and they come together to provide the Senior Management Team and the Board with the assurance needed to manage the business effectively (see Figure 11).

Figure 11: Ofcom's control framework



### Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. This scheme of delegation is outlined in the Delegations Framework and the Financial Authorities Framework, both of which were refreshed during 2016/17 to ensure that they are aligned with the structure of the organisation and appropriately reflect 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.

### Framework Document

In June 2016, we signed a new Framework Document with the Department for Culture, Media & Sport. This sets out the broad framework within which we operate in respect of the public funds we receive to carry out our statutory functions, duties and powers and the respective responsibilities of the Secretary of State, the Ofcom Board and Ofcom's Chief Executive. The Framework also includes a reference to the number of members on Ofcom's Board, to allow the Government to fulfil its commitment to the devolved administrations to each appoint a member to Ofcom's Board. The Framework also sets out the approach to grant-in-aid funding. However, we plan to update this in due course as the Digital Economy Act 2017 includes an amendment to the Communications Act 2003 that would enable Ofcom to fund those activities in respect of which it currently receives Grant-in-Aid funding, by retaining a portion of the spectrum licence fees it collects and passes to Government.

The Framework Document does not cover Ofcom's activities under the Postal Services Act 2011, which are covered by a separate Framework Document we have in place with the Department for Business, Energy and Industrial Strategy (BEIS).

The Framework Document replaces the original Financial Memorandum which was drawn up by the Department for Business, Enterprise and Regulatory Reform (now BEIS) in consultation with Ofcom and the Department for Culture, Media & Sport in 2008.

### Delegations framework

During the year, the Board undertook a comprehensive review of its delegations framework. The framework sets the delegations made by the Board giving authority to specific individuals and committees to take decisions so that Ofcom can operate efficiently. As decision-making authority has been vested in Ofcom's Board by statute, authority for any committee or individual must be conferred directly by Ofcom's Board. As part of this programme of work, the Board reviewed the terms of reference for a number of its committees. The terms of reference for both the Content Board and the Risk and Audit Committee were subject to separate reviews.

Alongside the review of the Board review of the delegations framework, we have undertaken a review of the Financial Authorities Framework, which defines a separate set of delegations covering corporate operations.

## Security arrangements

Last year we commenced a comprehensive, cross-organisational review of our information security policies and procedures. The review was led by a member of the Senior Management Team and focused 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

During the year considerable progress has been made across all five areas including:

- i. the publication of a new information security strategy for the organisation;
- ii. the introduction of a revised information classification and labelling policy alongside clear handling instructions for sensitive documents; and
- iii. the introduction of new technology solutions which provide a more robust platform for information security.



## Health and safety framework

2016/17 represented a period of significant change for the organisation, with the planning for our new responsibilities for the BBC, the opening of our new offices in Warrington and Edinburgh and our preparations to migrate to a new agile way of working just a few of the headline activities we tackled

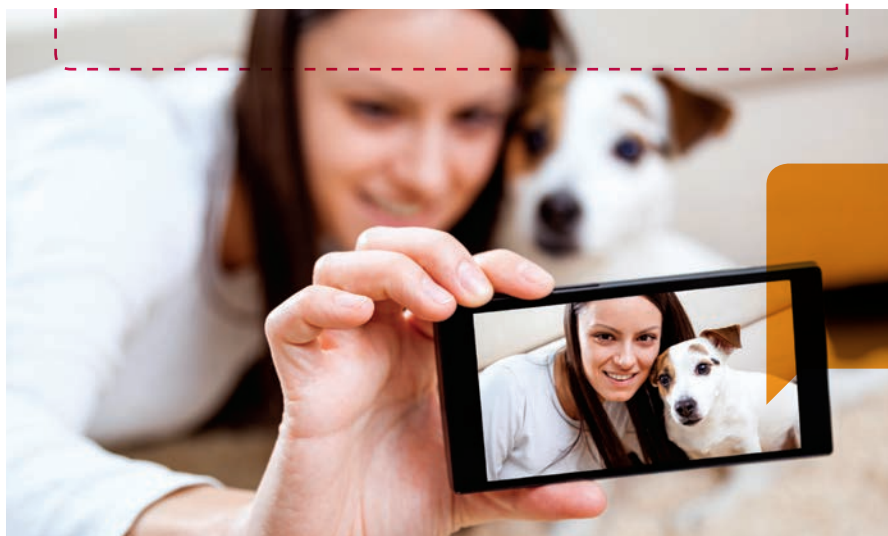
During the year we continued to undertake a significant programme of work to ensure that our health and safety framework was aligned with the good practice and the needs of the business.

Key initiatives included:

- embedding health and safety considerations in the planning and implementation of our new offices and our move to a more agile way of working;
- revising both our health and safety strategy and policy to ensure they are aligned with our values and support the delivery of our priorities. As part of these revisions, both the strategy and the policy were benchmarked against industry good practice;
- delivering health and safety leadership training to members of Ofcom's Health & Safety Committee and Operations Board;
- introducing a formal travel safety policy to further safeguard colleagues when they travel, in the light of the increase in global threat levels; and
- an ongoing programme of drills including fire, bomb and lockdown.

**“ Ofcom continues to demonstrate strong leadership in the management of risk through the work of the Board and its Committees ”**





### Further initiatives

A number of initiatives were started or implemented as part of the ongoing programme to review and enhance the existing internal control framework. These include:

- an update to Ofcom's expenses policy following the comprehensive review undertaken last year;
- a review and test of our crisis management plans and procedures. This forms part of a wider review of our overall resilience programme which includes disaster recovery and business continuity;
- a review of our internal whistleblowing policy and the associated communications plan; 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 periodically as part of the internal audit plan. The recommendations that emerge from the review form part of an ongoing programme to improve our risk management framework.

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

Ofcom's strategic risk register is reviewed monthly by the Policy and Management Board and quarterly by the Risk and Audit Committee. On a quarterly basis, the Chairman of the Risk & Audit Committee provides an oral update to the main Board on the outcome of the Committee's review of the strategic risk register. During the past year, the Strategic risk register continued to evolve, to ensure that it allowed the Policy and Management Board to focus on the key risks that might undermine the delivery of the organisation's objectives.

Group level risks are reviewed by the Group Directors, their senior management teams and the 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 representatives from the Finance Department, works across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.



Figure 12: Ofcom’s risk hierarchy



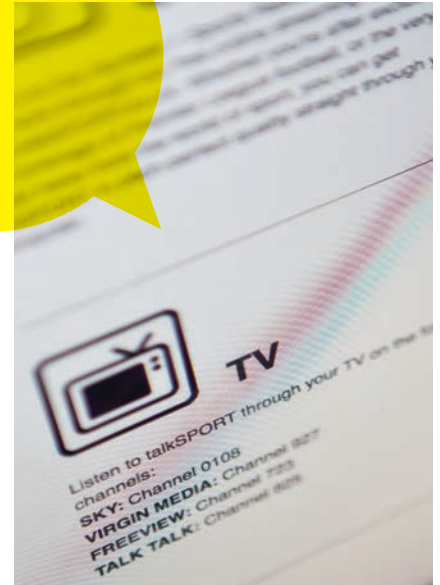
Ofcom has a statement of its risk appetite which is approved by the Board. It was last reviewed in December 2016. Work has continued to embed the consideration of risk appetite into the organisation’s decision-making and planning processes.

The table on page 30 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 2016/17, eight internal audits were undertaken, including reviews of key financial controls, cost allocation and tariff setting, 700 MHz clearance project, talent management, software asset and ICT contract management, risk management, information security and a review of the governance processes we have in place to oversee the adoption of our new responsibilities for the BBC. 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 2016/17 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 2016/17.

**Sharon White,**  
**Chief Executive and Accounting Officer**  
 13 June 2017

## Statement of responsibilities

### The Board's responsibilities

Under the terms of the Office of Communications Act 2002, the Board is required to prepare a Statement of Accounts for each financial year. This conforms to the Accounts Direction issued by the Secretaries of State for Business, Energy & Industrial Strategy and for 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.

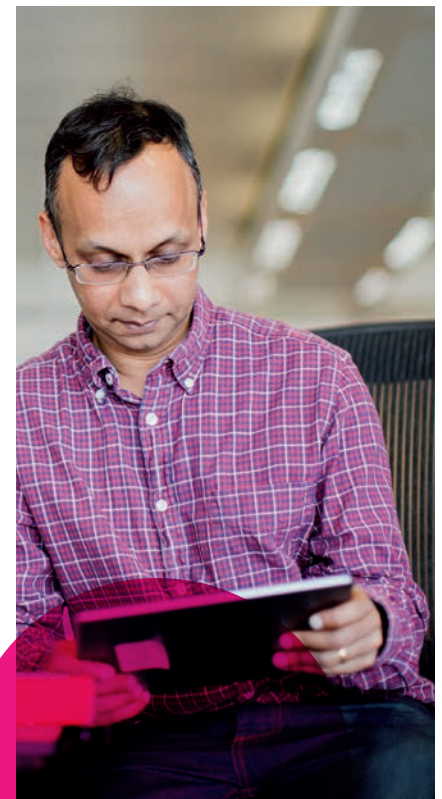


### Chief Executive's responsibilities

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 Framework Document.

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



# Our employees

Our values are central to the way we operate, shaping how we engage with our stakeholders and work together to achieve our priorities.

## Ofcom's values

We have four core values that reflect our desire to work in an open, effective and people-driven way.

They are:

- **Excellence**
- **Collaboration**
- **Agility**
- **Empowerment**

## Diversity and inclusion

As an employer, we are committed to treating all colleagues with dignity and respect in an inclusive and fair working environment. We are determined to promote equality of opportunity for all colleagues, irrespective of race, disability, gender (including gender reassignment), age, religion or belief, and sexual orientation. This commitment sits at the heart of our employment policies and our approach to recruitment and career development.

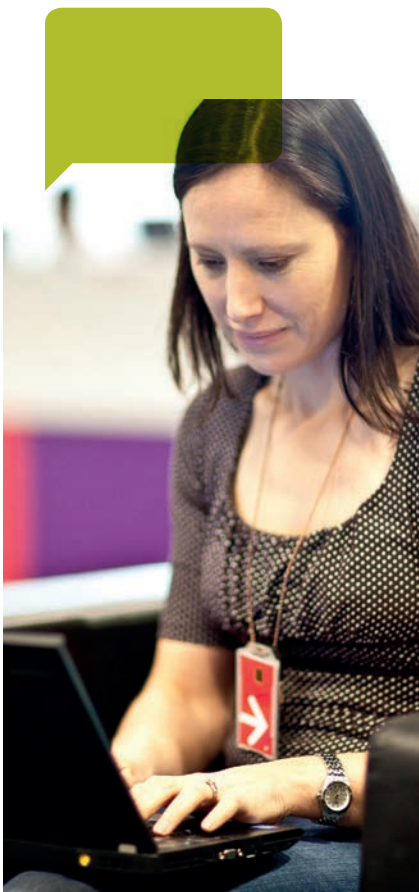
Our Single Equality Scheme (SES) describes how we go about ensuring that diversity and equality are at the heart of how we operate. It outlines our action plan, including a detailed account of our objectives and programme of work. We report regularly to the Ofcom Board and the Policy and Management Board on the progress of our various initiatives under the SES.

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.

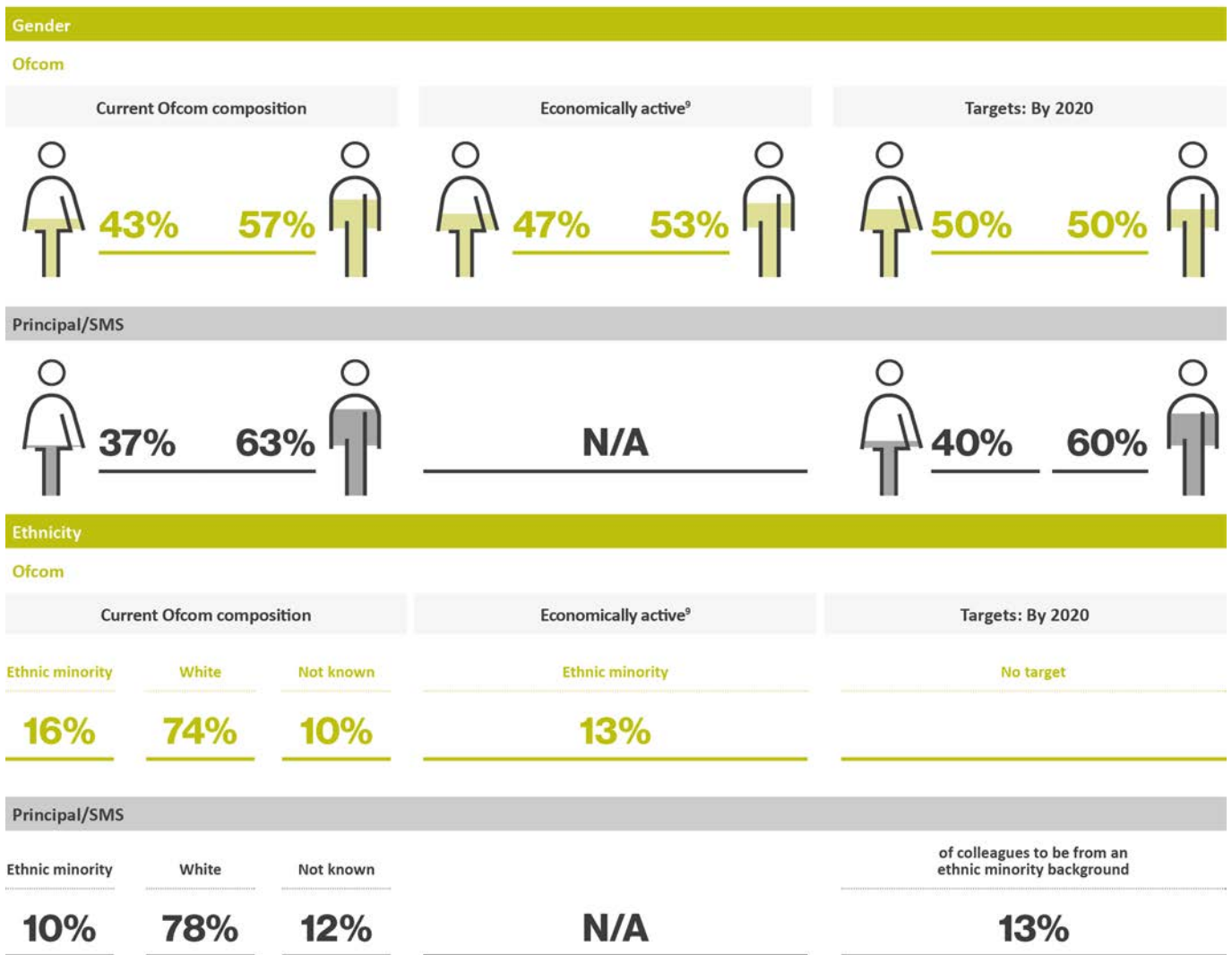
To help us determine the strategic priorities and objectives in our equality schemes we conduct an annual report on the profile of Ofcom colleagues and processes. We monitor our policies and practices extensively through colleague surveys, benchmarking and a biennial equal pay audit. Our 2016 audit showed 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.

In the past year, we have:

- built a network of Leadership Team colleagues responsible for driving our diversity initiatives across Ofcom;
- rolled out an extensive programme of unconscious bias training for all our people managers and for colleagues involved in recruitment;
- maintained our gold-banded employer status within Business in the Community's gender and race equality indexes;
- been included in The Times Top 50 Employers for Women List 2017;
- continued to score well in the Stonewall Workplace Equality Index, which looks at our attitude to LGBT staff;
- sponsored the Institution of Electrical Engineering's 'Young Woman Engineer of the Year' award for the fifth consecutive year.



**Figure 13:** 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.



**Colleague involvement and consultation**

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

- the Ofcom Colleague Forum, a consultation forum 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);

<sup>9</sup> (2011 census)

- 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 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 2016 we ran a number of organisation-wide training programmes, which included management development training as well as sessions covering the specific industry sectors Ofcom regulates.

We actively encourage senior colleagues to support the career development of more junior colleagues. We run an internal coaching and mentoring scheme, and have sponsored some of our senior colleagues to gain a formal coaching qualification. We also have a shadowing scheme, which gives 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 2016 we rolled out a new approach to appraisal and initiated a review of our recruitment, induction and colleague progression processes.

### Absence

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

Our aim is to treat staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. In 2016/17, the number of working days lost was 4.2 days per annum per employee (2015/16: 4.57 days). This compares favourably to the public sector average of 8.5 days per annum per employee in 2016 (2015: 8.7 days)<sup>10</sup>.

**“ The quality and commitment of our people are central to our ability to fulfil our duties ”**



<sup>10</sup> CIPD Absence Management 2016: Public Sector, published October 2016

## 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 53.

#### 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 2016 to 31 March 2017 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 2016/17 was £361,683<sup>11</sup> (£320,200 in 2015/16). This was 6.44 times (5.71 times in 2015/16) the median remuneration of Ofcom's workforce, which was £56,173 in 2016/17 (£56,085 in 2015/16). No employees received remuneration in excess of the highest-paid director. In 2016/17, remuneration ranged from £16,673 to £361,683 and in 2015/16 from £17,357 to £320,200. For comparison purposes, total remuneration includes base salary, performance bonus paid in year, 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.

<sup>11</sup> Sharon White's base salary £316,250, performance bonus paid in year £27,500, flexible benefits £15,000 and benefits in kind £2,933. For the purposes of this calculation, benefits in kind have been calculated using their value as at 31 March 2017.



## 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 2015/16 or 2016/17. Where individuals are members of more than one Board or Committee (as set out on pages 68 and 69) 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 69 and 70.

As a result of the various changes in membership in 2015/16 and 2016/17, an annualised figure is given below each table, to provide a clearer comparison of total costs. This reflects the total annual cost for those members in place at 31 March of the year end.

The following tables are subject to audit.

**Table 1:** Ofcom Non-Executive Board Member remuneration: 2016/17

Name	Guidance note reference	Fees 16/17 £	Fees 15/16 £
Dame Lynne Brindley DBE	1	42,519	42,519
Bill Emmott +	1,2	25,447	10,630
Tim Gardam +	1,2	-	31,889
Stephen Hill +	1,2	-	28,346
Dame Patricia Hodgson DBE	1	142,500	142,500
Graham Mather	1	42,519	42,519
Mike McTighe +	1,2	-	31,889
Baroness Noakes DBE	1	70,000	70,000
Nick Pollard +	1,2,3	29,603	1,800
Ben Verwaayen +	1,2	42,519	10,630
		<b>395,107</b>	<b>412,722</b>

*Annualised costs were £382,576 for 2016/17 and £425,095 for 2015/16*

**Table 2:** Ofcom Non-Executive Content Board Member remuneration: 2016/17

Name	Guidance note reference	Fees 16/17 £	Fees 15/16 £
Andrew Chitty	1	10,800	10,800
Juan Andrew Colman	1	10,800	10,800
Aled Eirug +	1,3	10,800	3,600
Robin Foster +	1,3	10,800	2,700
Zahera Harb +	1,3	10,800	3,600
David Levy	1	10,800	10,800
Lesley Mackenzie +	1,3	5,400	10,800
Glyn Mathias +	1,3	-	7,800
Philip Schlesinger	1	10,800	10,800
Mary Ann Sieghart	1	10,800	10,800
Janey Walker	1	15,900	15,900
		<b>107,700</b>	<b>98,400</b>

*Annualised costs were £102,300 for 2016/17 and £134,700 for 2015/16*

**Table 3:** Ofcom Senior Management Team and Executive Content Board remuneration: 2016/17

Name	Guidance Note reference	Salary 16/17 £	Pension entitlement/ allowance 16/17 £	Flexible benefits Allowance 16/17 £	Benefits In kind 16/17 £	Performance Bonus 16/17 £	Total remuneration 16/17 £	Total Remuneration 15/16 £
Kevin Bakhurst +	3,4,7	96,746	14,512	6,310	1,195	-	118,763	-
Tony Close +	3,4,6	152,813	22,922	15,000	2,809	12,000	205,544	163,699
Alison Crosland +	4,6,7	195,000	29,250	15,000	1,400	10,000	250,650	54,577
Lindsey Fussell +	4,7	172,143	25,821	14,345	2,578	15,000	229,887	-
Philip Marnick	4,6	212,237	31,835	15,000	2,809	10,000	271,881	271,986
Jonathan Oxley	4,6	258,825	38,824	15,000	2,809	15,000	330,458	324,512
Claudio Pollack +	4,5	-	-	-	-	-	-	181,503
Ed Richards +	4,5	-	-	-	-	-	-	34,885
James Thickett +	3,4	39,500	5,925	3,750	692	-	49,867	208,969
Steve Unger	4,6	258,825	38,824	15,000	2,809	25,000	340,458	333,495
Polly Weitzman	4,6,8	233,981	35,097	15,000	2,809	25,000	311,887	306,498
Sharon White	4,6	316,250	63,250	15,000	2,809	33,000	430,309	375,200
		<b>1,936,320</b>	<b>306,260</b>	<b>129,405</b>	<b>22,719</b>	<b>145,000</b>	<b>2,539,704</b>	<b>2,255,324</b>

Annualised costs were £2,663,304 for 2016/17 and £2,240,611 for 2015/16

## 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 (except for 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 basic fee of the Content Board Members is £10,800 per annum (the exception being the fee paid to Janey Walker of £15,900 per annum to reflect her additional work and responsibilities for standards work). 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 Ofcom

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

2. Bill Emmott and Ben Verwaayen were appointed to the Ofcom Board on 1 January 2016, and Bill Emmott left the Ofcom Board in November 2016. Nick Pollard was appointed to the Ofcom Board on an interim basis on 14 November 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. Non-Executive Members of the Content Board:

Lesley Mackenzie left the Content Board on 17 September 2016; 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 and was appointed interim Chairman of the Content Board on 14 November 2016.

#### Executive Members of the Content Board:

James Thickett left the Content Board on 28 June 2016. The full-year equivalent of his salary was £158,000. Tony Close was appointed as an Executive Member of the Content Board on 1 June 2015 and Kevin Bakhurst was appointed as an Executive Member of the Content Board on 24 January 2017. The full-year equivalent of his salary was £230,000.



equivalent of his salary is shown in note 3 above. Kevin Bakhurst is excluded from consideration for 2016/17 bonus because of the date he joined.

4. The total annual remuneration shown for Ofcom executives who are, or were, members of the Senior Management Team, includes basic salary, performance bonus, a cash allowance for flexible benefits and a percentage of basic salary paid as a pension allowance. This excludes James Thickett and Tony Close who were Executive Members of the Content Board during the reporting period. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive.
5. Ed Richards left the organisation on 4 May 2015 after resigning on 31 December 2014. The full-year equivalent of his salary was £298,650. 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 was £196,350.
6. Sharon White, Alison Crosland, Philip Marnick, Jonathan Oxley, Steve Unger and Polly Weitzman have been members of the Senior Management Team throughout the period; Tony Close has been an Executive Member of the Content Board throughout the period.
7. Alison Crosland joined Ofcom as a member of the Senior Management Team on 11 January 2016. Lindsey Fussell joined Ofcom as a member of the Senior Management Team on 18 April 2016. The full-year equivalent of her salary was £180,000. Kevin Bakhurst joined Ofcom as a member of the Senior Management Team on 31 October 2016. The full-year

8. 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.

### Contract of employment

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

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of 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 were no redundancy payments relating to a member of the Senior Management Team included in the accounts for the year for loss of office during 2016/17.

### 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 Executive Board Member holds or held any such directorship during the year.

On behalf of Ofcom,

**Sharon White**  
Chief Executive and  
Accounting Officer  
13 June 2017

**Baroness Noakes DBE**  
Chairman of the Remuneration  
Committee  
13 June 2017

# The certificate & report of the Comptroller & 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 2017 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 2017 and of the surplus 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 Secretary 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 Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

## Sir Amyas C E Morse Comptroller and Auditor General

29 June 017

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

# Financial Statements



# Statement of comprehensive income

For the year ended 31 March 2017

	Notes	2016/17 £'000	2015/16 £'000
Income	3	115,781	114,813
Spectrum Clearance and Awards	3	24,685	5,911
<b>Total income</b>		<b>140,466</b>	<b>120,724</b>
<b>Operating expenditure</b>			
Staff costs	4	(68,459)	(65,723)
Other operating costs	6	(45,721)	(48,009)
Spectrum Clearance and Awards	4,6	(24,694)	(5,916)
<b>Total operating expenditure</b>		<b>(138,874)</b>	<b>(119,648)</b>
<b>Operating surplus</b>		<b>1,592</b>	<b>1,076</b>
Vacant property cost	15	(551)	(152)
Finance income		58	94
Finance costs	15	(22)	(10)
Pension interest income	19	475	547
<b>Surplus on ordinary activities for financial year before tax</b>		<b>1,552</b>	<b>1,555</b>
Taxation	7	-	-
Write down of deferred tax asset	7	-	(2,415)
<b>Surplus/(Deficit) for financial year after tax</b>		<b>1,552</b>	<b>(860)</b>
<b>Other comprehensive income/(expenditure)</b>			
Remeasurement on pensions	19	615	(2,050)
<b>Total comprehensive income/(expenditure)</b>		<b>2,167</b>	<b>(2,910)</b>

The accounting policies and notes on pages 77 to 103 form part of these financial statements.

# Statement of financial position

As at 31 March 2017

	Notes	As at 31 March 2017 £'000	As at 31 March 2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	6,429	6,166
Intangible assets	9	2,177	3,290
Trade and other receivables	11	687	1,464
Retirement benefit assets	19	17,030	15,370
<b>Total non-current assets</b>		<b>26,323</b>	<b>26,290</b>
<b>Current assets</b>			
Trade and other receivables	10	14,870	8,194
Cash and cash equivalents	12	10,097	11,570
<b>Total current assets</b>		<b>24,967</b>	<b>19,764</b>
<b>Total assets</b>		<b>51,290</b>	<b>46,054</b>
<b>Current liabilities</b>			
Trade and other payables	13	25,348	20,232
Provisions for liabilities and charges	15	84	68
<b>Total current liabilities</b>		<b>25,432</b>	<b>20,300</b>
<b>Non-current liabilities</b>			
Trade and other payables	14	299	2,381
Provisions for liabilities and charges	15	227	274
Retirement benefit liabilities	19	1,214	1,148
<b>Total non-current liabilities</b>		<b>1,740</b>	<b>3,803</b>
<b>Total liabilities</b>		<b>27,172</b>	<b>24,103</b>
<b>Assets less liabilities</b>		<b>24,118</b>	<b>21,951</b>
<b>Equity</b>			
Reserves		24,118	21,951
<b>Total equity</b>		<b>24,118</b>	<b>21,951</b>

The accounting policies and notes on pages 77 to 103 form part of these financial statements. These financial statements were approved by the Board on 13 June 2017.

**Dame Patricia Hodgson, DBE**  
Chairman

**Sharon White**  
Chief Executive and Accounting Officer

# Statement of changes in equity

For the year ended 31 March 2017

	Notes	Reserve £'000
<b>Balance as at 1 April 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 comprehensive expenditure for 2015/16</b>		<b>(2,910)</b>
<b>Balance as at 31 March 2016</b>		<b>21,951</b>
<b>Changes in equity for 2016/17</b>		
Remeasurement on pensions	19	615
Surplus for year		1,552
<b>Total comprehensive income for 2016/17</b>		<b>2,167</b>
<b>Balance as at 31 March 2017</b>		<b>24,118</b>

The accounting policies and notes on pages 77 to 103 form part of these financial statements.



# Statement of cash flows

For the year ended 31 March 2017

	Notes	2016/17 £'000	2015/16 £'000
<b>Cash flows from operating activities</b>			
Operating surplus		1,592	1,076
Adjustments for non-cash transactions			
Amortisation	9	1,244	1,137
Depreciation	8	2,180	2,046
Profit on disposal of non-current assets	6	(7)	(14)
Increase in trade and other receivables	10,11	(5,899)	(2,356)
Increase/(Decrease) in trade and other payables	13,14	3,034	(1,679)
Decrease in provisions	15	(604)	(490)
(Decrease)/Increase in retirement pension	19	(504)	269
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,036</b>	<b>(11)</b>
<b>Cash flows from investing activities</b>			
Interest received		58	94
Purchases of property, plant and equipment	8	(2,503)	(1,229)
Purchases of intangible assets	9	(131)	(1,598)
Proceeds from sale of non-current assets		67	35
<b>Net cash outflow from investing activities</b>		<b>(2,509)</b>	<b>(2,698)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>-</b>
<b>Decrease in cash and cash equivalents in the year</b>		<b>(1,473)</b>	<b>(2,709)</b>
<b>Cash and cash equivalents at beginning of year</b>	12	<b>11,570</b>	14,279
Decrease in cash and cash equivalents in the year		(1,473)	(2,709)
<b>Closing net funds</b>	12	<b>10,097</b>	11,570

The accounting policies and notes on pages 77 to 103 form part of these financial statements.

# Notes to the Accounts

For the year ended 31 March 2017

## 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 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union.

These financial statements have been prepared under the historical cost convention modified by the evaluation of certain non-current assets, on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared on the basis of all IFRS accounting standards and interpretations and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation, except where these are overridden by the Office of Communications Act 2002. These financial statements are prepared under the accounts direction from the Departments for Business, Energy and Industrial Strategy (BEIS) and Culture, Media and Sport (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 of existing standards, listed below, have been published but do not have any material impact on the financial statements of Ofcom. All standards below relate to the current accounting period.

- 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.

Other new standards, amendments and interpretations of existing standards, listed below, have been published but do not have any material impact on the financial statements of Ofcom and these relate to future accounting periods.

- IFRS 9 Financial Instruments applicable to annual periods beginning on or after 1 January 2018
- IFRS15 Revenue from Contracts with Customers applicable to annual periods beginning on or after 1 January 2018

### 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 700 MHz clearance programme oversees the clearance (including mitigation of potential interference) of the UHF 700 MHz 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 and presented on the Statement of Financial Position as a payable. Cash costs in excess of income received are classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date.

### Broadcasting licence fees

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

### Application fees

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

### 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.

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.

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

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

## f) Intangible assets

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications 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 Statement of Comprehensive Income 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 software, which will replace some of the current applications.

No amortisation is provided on these assets in the course of development.

## g) Impairment of assets

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

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

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

## h) Trade and other receivables

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

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

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

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

## i) Cash and cash equivalents

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

## j) Trade and other payables

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

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

## k) Employee benefits

### Pension Schemes

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

### Defined contribution plan

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

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

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

### Defined benefit plans

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in other comprehensive income within the Statement of Comprehensive Income in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in comprehensive income within the Statement of Comprehensive Income 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 is included as part of accruals. As from 1st January 2008, this benefit was withdrawn for new employees.

### l) Provisions

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

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

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

### m) Settlement of claims

Provision is made for estimated third party legal costs and damages in respect of challenges to regulatory decisions of Ofcom 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 Comprehensive Income 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 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.

## 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 Comprehensive Income 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.

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

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

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

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

## 2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2017, 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	2016/17 Total £'000	2015/16 Total £'000
<b>Revenue</b>									
Licence and administration fees	-	-	-	38,775	20,534	4,749	-	<b>64,058</b>	59,496
Application fees	-	-	-	90	578	-	-	<b>668</b>	629
Grant-in-aid	47,597	25,518	-	-	-	-	1,601	<b>74,716</b>	62,580
Other income	-	-	-	-	-	-	174	<b>174</b>	330
Accrued/(Deferred) income	629	(833)	-	3,128	(1,269)	(910)	(126)	<b>619</b>	(2,717)
<b>Total revenue</b>	<b>48,226</b>	<b>24,685</b>	<b>-</b>	<b>41,993</b>	<b>19,843</b>	<b>3,839</b>	<b>1,649</b>	<b>140,235</b>	<b>120,318</b>
Rental and other Income	96	-	-	84	40	8	3	<b>231</b>	406
<b>Operating income</b>	<b>48,322</b>	<b>24,685</b>	<b>-</b>	<b>42,077</b>	<b>19,883</b>	<b>3,847</b>	<b>1,652</b>	<b>140,466</b>	<b>120,724</b>
Interest receivable	24	-	-	21	10	2	1	<b>58</b>	94
<b>Total income</b>	<b>48,346</b>	<b>24,685</b>	<b>-</b>	<b>42,098</b>	<b>19,893</b>	<b>3,849</b>	<b>1,653</b>	<b>140,524</b>	<b>120,818</b>
Onerous property and accrued rental income	1,194	-	-	1,040	491	95	37	<b>2,857</b>	2,841
<b>Cash income</b>	<b>49,540</b>	<b>24,685</b>	<b>-</b>	<b>43,138</b>	<b>20,384</b>	<b>3,944</b>	<b>1,690</b>	<b>143,381</b>	<b>123,659</b>
<b>Total costs</b>	<b>(49,540)</b>	<b>(24,685)</b>	<b>-</b>	<b>(43,138)</b>	<b>(20,384)</b>	<b>(3,944)</b>	<b>(1,690)</b>	<b>(143,381)</b>	<b>(123,659)</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 2017</b>	<b>(49,540)</b>	<b>(24,685)</b>	<b>-</b>	<b>(43,138)</b>	<b>(20,384)</b>	<b>(3,944)</b>	<b>(1,690)</b>	<b>(143,381)</b>	
Year ending 31 March 2016	(52,323)	(5,046)	(865)	(39,427)	(17,073)	(5,112)	(3,813)	<b>(123,659)</b>	

**Other income comprises:**

- grant-in-aid relating to expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls and consumer protection;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting vacant properties' space.

In accordance with Ofcom's accounting policies, as set out in note 1(b) to these accounts, grant-in-aid is allocated and matched to costs in the year to which it relates.

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.

Broadcasting includes the charge to the BBC in relation to the transition costs incurred so that Ofcom is able to take on the new BBC regulatory responsibilities from 3 April 2017.

**Reconciliation from operating expenditure to actual operating costs out-turn**

	Notes	2016/17 £'000	2015/16 £'000
<b>Operating expenditure – Statement of Comprehensive Income</b>		<b>138,874</b>	<b>119,648</b>
Adjustments in respect of pension asset and liability		421	(351)
Vacant property costs	15	576	401
Capital expenditure less depreciation		(790)	(356)
Actual rent payments less expenditure		2,255	1,286
Other adjustments		2,045	3,031
<b>Cash operating expenditure</b>		<b>143,381</b>	<b>123,659</b>
Spectrum clearance		(24,685)	(5,046)
Spectrum awards		-	(865)
Non-operating income		(3,320)	(3,640)
<b>Actual operating costs out-turn</b>		<b>115,376</b>	<b>114,108</b>



### 3. Income

	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2016/17 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015/16 £'000
<b>Grant-in-aid DCMS</b>						
Spectrum management	48,226	-	<b>48,226</b>	50,834	-	50,834
Spectrum awards	-	-	-	-	865	865
Spectrum clearance	-	24,685	<b>24,685</b>	-	5,046	5,046
Competition law enforcement	678	-	<b>678</b>	2,450	-	2,450
Public interest test	154	-	<b>154</b>	-	-	-
Nuisance calls	613	-	<b>613</b>	921	-	921
Consumer protection	30	-	<b>30</b>	44	-	44
<b>Total government grant-in-aid</b>	<b>49,701</b>	<b>24,685</b>	<b>74,386</b>	<b>54,249</b>	<b>5,911</b>	<b>60,160</b>
<b>Stakeholder income</b>						
Networks & services administrative and application fees	41,993	-	<b>41,993</b>	38,306	-	38,306
Broadcasting Act licence and application fees	19,843	-	<b>19,843</b>	16,587	-	16,587
Regulation of postal services	3,839	-	<b>3,839</b>	4,967	-	4,967
Other income	405	-	<b>405</b>	704	-	704
<b>Total stakeholder income</b>	<b>66,080</b>	-	<b>66,080</b>	<b>60,564</b>	-	<b>60,564</b>
<b>Total income</b>	<b>115,781</b>	<b>24,685</b>	<b>140,466</b>	<b>114,813</b>	<b>5,911</b>	<b>120,724</b>

Broadcasting Act licence and application fees includes the charge to the BBC in relation to the transition costs incurred so that Ofcom is able to take on the new BBC regulatory responsibilities from 3 April 2017.

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	Spectrum Clearance & Awards	Total 2016/17	Ofcom	Spectrum Clearance & Awards	Total 2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Staff costs, including fees paid to Board Members, were:</b>						
Salaries & benefits	55,498	379	<b>55,877</b>	52,601	542	53,143
National Insurance costs	6,325	41	<b>6,366</b>	6,042	63	6,105
Pension costs	5,590	30	<b>5,620</b>	5,583	46	5,629
Restructuring costs	1,046	-	<b>1,046</b>	1,497	-	1,497
<b>Total staff costs</b>	<b>68,459</b>	<b>450</b>	<b>68,909</b>	<b>65,723</b>	<b>651</b>	<b>66,374</b>

The restructuring costs in 2016/17 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to nineteen (2015/16: 6) 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 66 to 70.

During the year, eleven (2015/16: 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

	2016/17	2015/16
<b>The average number of employees (full time equivalents)</b>	<b>828</b>	<b>795</b>

As at 31 March 2017, Ofcom had 864 employees (full-time equivalents) (2015/16: 799). Of this, 44 roles reflect incremental responsibilities from the BBC.

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 2016/17 £'000	Ofcom £'000	Spectrum Clearance & Awards £'000	Total 2015/16 £'000
Auditors remuneration – statutory audit fees	76	-	<b>76</b>	76	-	76
Auditors remuneration – Section 400	13	-	<b>13</b>	13	-	13
Professional fees	4,824	368	<b>5,192</b>	5,538	988	6,526
Outsourced services	9,317	-	<b>9,317</b>	10,177	19	10,196
Audience and consumer research	5,196	19	<b>5,215</b>	5,759	150	5,909
Technological research and spectrum efficiency projects	611	-	<b>611</b>	646	14	660
Spectrum clearance scheme	-	23,614	<b>23,614</b>	-	3,852	3,852
Temporary staff and recruitment	3,577	172	<b>3,749</b>	4,061	156	4,217
Travel and subsistence	1,207	22	<b>1,229</b>	1,042	24	1,066
Premises costs	5,632	-	<b>5,632</b>	7,294	13	7,307
Administration and office expenses	5,891	38	<b>5,929</b>	6,340	26	6,366
(Profit)/Loss on disposal of non capital	(88)	-	<b>(88)</b>	-	-	-
Information and technology costs	5,742	2	<b>5,744</b>	3,774	15	3,789
Vehicles	254	-	<b>254</b>	247	-	247
Bad and doubtful debt	61	-	<b>61</b>	(119)	-	(119)
Amortisation	1,244	-	<b>1,244</b>	1,137	-	1,137
Depreciation	2,171	9	<b>2,180</b>	2,038	8	2,046
(Profit)/Loss on disposal of non-current assets	(7)	-	<b>(7)</b>	(14)	-	(14)
<b>Total other operating costs</b>	<b>45,721</b>	<b>24,244</b>	<b>69,965</b>	<b>48,009</b>	<b>5,265</b>	<b>53,274</b>
The costs, above, include:						
Operating leases – land and buildings	5,638	-	<b>5,638</b>	5,387	-	5,387
Operating leases – vehicles	121	-	<b>121</b>	117	-	117
Operating leases – other	100	-	<b>100</b>	245	-	245

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

	2016/17 £'000	2015/16 £'000
<b>Tax (charge)/credit for the year</b>		
Deferred tax charge	-	-
<b>Taxation</b>	-	-
	2016/17 £'000	2015/16 £'000
<b>Write down of deferred tax asset</b>	-	(2,415)
	2016/17 £'000	2015/16 £'000
<b>Reconciliation of tax charge</b>		
Surplus before tax	1,552	1,555
Tax on profit at the UK standard rate of Corporation Tax of 20% (2015/16: 20%)	310	311
Tax effect of:		
Income not subject to tax	(28,085)	(24,141)
Expenses not subject to tax	27,684	23,822
Increase to brought forward tax losses	91	8
<b>Tax charge</b>	-	-
<b>Deferred tax</b>	Tax losses £'000	
Analysis of movements in the net deferred tax balance during the year		
<b>Deferred tax asset at 1 April 2015</b>	2,415	
Write down of deferred tax asset	(2,415)	
<b>Deferred tax asset at 31 March 2016</b>	-	
Utilisation of brought forward tax losses	-	
<b>Deferred tax asset at 31 March 2017</b>	-	

In line with IAS 12, following a review, Ofcom had insufficient future taxable profits to utilise this tax asset and as a result had written down the deferred tax accordingly as at 31 March 2016.

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £12,556k (2015/16: £12,104k). 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.

## 8. Property, plant and equipment

	Leasehold improvements	Fixtures & fittings	Office & field equipment	Computer hardware	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
<b>At 1 April 2015</b>	<b>14,186</b>	<b>1,015</b>	<b>13,606</b>	<b>7,242</b>	<b>398</b>	<b>391</b>	<b>36,838</b>
Additions during year	4	57	955	54	159	-	1,229
Disposals	(44)	(66)	(566)	(200)	-	-	(876)
Transfers	-	-	131	251	-	(391)	(9)
<b>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>-</b>	<b>37,182</b>
Additions during year	298	66	1,002	497	44	596	2,503
Disposals	(202)	-	(2,115)	(3,821)	(59)	-	(6,197)
Transfers	-	-	(19)	-	19	-	-
<b>Cost at 31 March 2017</b>	<b>14,242</b>	<b>1,072</b>	<b>12,994</b>	<b>4,023</b>	<b>561</b>	<b>596</b>	<b>33,488</b>
<b>Depreciation</b>							
<b>At 1 April 2015</b>	<b>11,568</b>	<b>591</b>	<b>10,750</b>	<b>6,733</b>	<b>184</b>	<b>-</b>	<b>29,826</b>
Charge for the year	670	101	901	308	66	-	2,046
Disposals	(28)	(64)	(563)	(200)	-	-	(855)
Transfers	-	-	-	(1)	-	-	(1)
<b>At 31 March 2016</b>	<b>12,210</b>	<b>628</b>	<b>11,088</b>	<b>6,840</b>	<b>250</b>	<b>-</b>	<b>31,016</b>
Charge for the year	692	84	994	314	96	-	2,180
Disposals	(182)	-	(2,097)	(3,821)	(37)	-	(6,137)
Transfers	-	-	(8)	-	8	-	-
<b>Accumulated depreciation at 31 March 2017</b>	<b>12,720</b>	<b>712</b>	<b>9,977</b>	<b>3,333</b>	<b>317</b>	<b>-</b>	<b>27,059</b>
<b>NBV 31 March 2017</b>	<b>1,522</b>	<b>360</b>	<b>3,017</b>	<b>690</b>	<b>244</b>	<b>596</b>	<b>6,429</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>-</b>	<b>6,166</b>

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

Assets under construction relate to tangible assets being developed prior to being brought into service. Assets under construction have been restated, previously presented within intangible assets to more fairly reflect the nature of the asset.

## 9. Intangible assets

	Software licences	Information technology	Systems under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At 1 April 2015</b>	<b>5,946</b>	<b>24,374</b>	<b>884</b>	<b>31,204</b>
Additions during year	1,321	-	277	1,598
Disposals	(125)	(102)	-	(227)
Transfers	20	18	(29)	9
<b>At 31 March 2016</b>	<b>7,162</b>	<b>24,290</b>	<b>1,132</b>	<b>32,584</b>
Additions during year	-	-	131	131
Disposals	(936)	(5,026)	-	(5,962)
Transfers	-	524	(524)	-
<b>Cost at 31 March 2017</b>	<b>6,226</b>	<b>19,788</b>	<b>739</b>	<b>26,753</b>
<b>Amortisation</b>				
<b>At 1 April 2015</b>	<b>5,005</b>	<b>23,378</b>	<b>-</b>	<b>28,383</b>
Charge for the year	481	656	-	1,137
Disposals	(125)	(102)	-	(227)
Transfers	1	-	-	1
<b>At 31 March 2016</b>	<b>5,362</b>	<b>23,932</b>	<b>-</b>	<b>29,294</b>
Charge for the year	782	462	-	1,244
Disposals	(936)	(5,026)	-	(5,962)
Transfers	-	-	-	-
<b>Accumulated amortisation at 31 March 2017</b>	<b>5,208</b>	<b>19,368</b>	<b>-</b>	<b>24,576</b>
<b>NBV 31 March 2017</b>	<b>1,018</b>	<b>420</b>	<b>739</b>	<b>2,177</b>
NBV 31 March 2016	1,800	358	1,132	3,290

Systems under development have been restated to take into account the reallocation of assets into tangible assets and presented as Assets under construction (per Note 8).

**10. Trade and other receivables: current assets**

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade receivables	1,188	584
Other receivables	57	24
Prepayments	6,258	5,776
Staff loans and advances	215	246
Accrued income	6,419	1,400
Accrued income (Grant-in-aid DCMS)	733	164
<b>Total trade and other receivables: current assets</b>	<b>14,870</b>	<b>8,194</b>

Staff loans relate to 151 (2015/16:167) season ticket loans to colleagues repayable over 12 months.

**11. Trade and other receivables: non-current assets**

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Accrued income	687	1,464
<b>Total trade and other receivables: non-current assets</b>	<b>687</b>	<b>1,464</b>

**12. Cash and cash equivalents**

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Commercial banks and cash in hand	10,097	11,570
<b>Total cash and cash equivalents</b>	<b>10,097</b>	<b>11,570</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: current liabilities

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Trade payables	2,035	796
Other payables	5,942	100
Value added tax payable	61	42
Grant-in-aid DCMS	1,072	2,594
Accruals	9,814	12,315
Lease incentive accrual	910	1,291
Deferred income	5,514	3,094
<b>Total trade and other payables: current liabilities</b>	<b>25,348</b>	<b>20,232</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 2016/17 Ofcom achieved on average a performance of 95.46 per cent against these targets (2015/16: 93.06 per cent).

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

### 14. Trade and other payables: non-current liabilities

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Lease incentive accrual	104	1,936
Deferred income	195	445
<b>Total trade and other payables: non-current liabilities</b>	<b>299</b>	<b>2,381</b>



## 15. Provisions for liabilities and charges

	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
<b>At 1 April 2015</b>	<b>262</b>	<b>348</b>	<b>60</b>	<b>670</b>
Discount unwound and changes in rate	8	2	-	10
Utilised in year	(29)	(401)	-	(430)
Provision increased/(released)	-	152	(60)	92
<b>At 31 March 2016</b>	<b>241</b>	<b>101</b>	<b>-</b>	<b>342</b>
Discount unwound and changes in rate	22	-	-	22
Utilised in year	(28)	(576)	-	(604)
Provision increased	-	551	-	551
<b>Total provisions as at 31 March 2017</b>	<b>235</b>	<b>76</b>	<b>-</b>	<b>311</b>

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 0.24 per cent (2015/16: 1.37 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 0 to 5 years are discounted by the short term discount rate of 0.29 per cent (2015/16: 0.70 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 1.12 per cent (2015/16: 1.60 per cent).

Discount unwound for 2015/16 has been restated to also include changes in discount rate.

Analysis of expected timing of cashflows	Early retirement £'000	Vacant property £'000	Legal £'000	Total £'000
<b>Current</b>				
Not later than one year	30	54	-	<b>84</b>
<b>Total current</b>	<b>30</b>	<b>54</b>	<b>-</b>	<b>84</b>
<b>Non-current</b>				
Later than one year and not later than five years	83	22	-	<b>105</b>
Later than five years	122	-	-	<b>122</b>
<b>Total non-current</b>	<b>205</b>	<b>22</b>	<b>-</b>	<b>227</b>
<b>Total provisions as at 31 March 2017</b>	<b>235</b>	<b>76</b>	<b>-</b>	<b>311</b>

The provision for early retirement of £235k (2015/16: £241k) 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 two (2015/16: one) properties, which although occupied by Ofcom, have 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 2017				As at 31 March 2016
	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	6,810	37	93	<b>6,940</b>	8,802	28	112	<b>8,942</b>
Later than one year and not later than five years	22,707	-	65	<b>22,772</b>	13,514	-	180	<b>13,694</b>
Later than five years	51,446	-	-	<b>51,446</b>	512	-	-	<b>512</b>
<b>Total commitments under operating leases</b>	<b>80,963</b>	<b>37</b>	<b>158</b>	<b>81,158</b>	<b>22,828</b>	<b>28</b>	<b>292</b>	<b>23,148</b>

A new lease agreement for Ofcom's main office was signed in May 2016 which changed the lease end date from September 2018 to September 2030 under new terms. In addition Ofcom entered leases in April 2016 for a new office in Warrington which has a lease end date of July 2026 and in June 2016 for a new office in Edinburgh with a lease end date of May 2021.

## 17. Amounts receivable under operating leases

	As at 31 March 2017 Buildings £'000	As at 31 March 2016 Buildings £'000
<b>The future minimum lease payments receivable under non-cancellable operating leases are as follows:</b>		
Not later than one year	<b>872</b>	2,338
Later than one year and not later than five years	<b>193</b>	3,514
Later than five years	-	-
<b>Total amounts receivable under operating leases</b>	<b>1,065</b>	<b>5,852</b>

Ofcom has entered into sub-lease contracts with regards to surplus office space within several of its office buildings and reduced its office space in its main office from June 2017.

## 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 £12,865k (2015/16: £10,225k) to Ofcom. There was no additional payment from DCMS to Ofcom (2015/16: £1,000k). These sums have not been reflected in these accounts but have been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

## 19. Retirement benefit obligations

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

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

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £5,023k were made in the year ended 31 March 2017 (2015/16: £4,903k). 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 2017 was £9k in relation to Plan expenses (2015/16: £366k). Employer contributions of £360k were transferred from the Feeder Trust account to the Plan in the year ending 31 March 2017 (2015/16: £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 2017 was £9k in relation to Plan expenses (2015/16: £9k). Employer contributions of £180k was transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2017 (2015/16: £180k).

Both of these Plans are managed by a Board of Trustees that is independent of Ofcom.

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2015 were completed for both defined benefit plans and, unlike under IFRS, showed a significant combined surplus of £1,345k.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom would be expecting to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. These contributions are payable from the Feeder Trust. Ofcom has also agreed to pay other levies directly. This compares to £558k over the year to 31 March 2017 (including the contribution paid from the Feeder Trust).

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose.

Ofcom contributed in year ended 31 March 2017 £1,000k into the Feeder Trust (2015/16: £0k). The balance of the Feeder Trust as at 31 March 2017 was £8,842k (2015/16: £8,369k).

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 2017 £'000	31 March 2017 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2016 £'000	31 March 2016 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(92,044)	-	<b>(92,044)</b>	(71,806)	-	<b>(71,806)</b>
– Benefit obligation in respect of pensioner members	(182,833)	(1,214)	<b>(184,047)</b>	(170,811)	(1,148)	<b>(171,959)</b>
<b>Total benefit obligations</b>	<b>(274,877)</b>	<b>(1,214)</b>	<b>(276,091)</b>	<b>(242,617)</b>	<b>(1,148)</b>	<b>(243,765)</b>
Fair value of plan assets	291,907	-	<b>291,907</b>	257,987	-	<b>257,987</b>
<b>Funded status</b>	<b>17,030</b>	<b>(1,214)</b>	<b>15,816</b>	<b>15,370</b>	<b>(1,148)</b>	<b>14,222</b>

IAS19 requires that, where a scheme is in surplus according to IAS19 assumptions, the surplus can only be recognised on Ofcom's Statement of Financial Position if an economic benefit is available to Ofcom as a result. All of the surplus is attributable to the DB Plan and Feeder Account which has economic value as it can be recovered by Ofcom.

## Changes over the year to 31 March 2017

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value	(242,617)	257,987	15,370	(1,148)	14,222
Administration expenses	-	(597)	(597)	-	(597)
Interest income/(cost)	(8,042)	8,555	513	(38)	475
Employer contributions	-	1,018	1,018	-	1,018
Benefits paid from scheme assets	12,278	(12,278)	-	-	-
Benefits paid directly by Ofcom	-	-	-	83	83
Benefits paid total	12,278	(12,278)	-	83	83
<b>Remeasurements</b>					
Actuarial gains/(losses)	(36,496)	37,222	726	(111)	615
Closing value	(274,877)	291,907	17,030	(1,214)	15,816

## Changes over the year to 31 March 2016

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

31 March 2017	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
---------------	-------------------------	---------------------------	-------------------------

The amounts recognised in the Statement of Comprehensive Income are as follows:

Service cost	-	-	-
Interest income/(cost)	513	(38)	475
<b>Defined benefit credit/(cost) recognised in comprehensive income</b>	<b>513</b>	<b>(38)</b>	<b>475</b>
Administration expenses	(597)	-	(597)
<b>Net income/(cost) recognised in comprehensive income</b>	<b>(84)</b>	<b>(38)</b>	<b>(122)</b>

31 March 2017	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
---------------	-------------------------	---------------------------	-------------------------

The amounts recognised as Other Comprehensive Income are as follows:

Gains/(losses) on benefit obligations due to changes in financial assumptions	(38,088)	(111)	(38,199)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(220)	-	(220)
Gains/(losses) on benefit obligations as a result of member experience	1,812	-	1,812
<b>Total gains/(losses) arising on benefit obligations</b>	<b>(36,496)</b>	<b>(111)</b>	<b>(36,607)</b>
Gains/(losses) on plan assets	37,222	-	37,222
<b>Net gains/(losses)</b>	<b>726</b>	<b>(111)</b>	<b>615</b>

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

31 March 2016	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
---------------	-------------------------	---------------------------	-------------------------

The amounts recognised in the Statement of Comprehensive Income are as follows:

Service cost	-	-	-
Interest income/(cost)	587	(40)	547
<b>Defined benefit credit/(cost) recognised in comprehensive income</b>	<b>587</b>	<b>(40)</b>	<b>547</b>
Administration expenses	(726)	-	(726)
<b>Net income/(cost) recognised in comprehensive income</b>	<b>(139)</b>	<b>(40)</b>	<b>(179)</b>

31 March 2016	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
---------------	-------------------------	---------------------------	-------------------------

The amounts recognised as Other Comprehensive Income are as follows:

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



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

	31 March 2017 (%) Total	31 March 2016 (%) Total
Global equities (not currency hedged)	4	4
Global equities (currency hedged)	4	3
Corporate bonds	3	3
Index-linked government bonds	4	4
Liability driven investment portfolio	6	5
Annuities	76	78
Cash and cash equivalents	3	3
<b>Total</b>	<b>100</b>	<b>100</b>

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

Ofcom has reclassified the DB Plan assets for 31 March 16, in a consistent manner with the Statement of Investment Principles. In doing so, the assets' percentages have been restated to disaggregate the fair value of the plan assets into classes that distinguish the nature and risks of those assets.

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

	31 March 2017 (%) Total	31 March 2016 (%) Total
Discount rate	2.50	3.40
Retail Price Inflation	3.20	3.10
- Future pension increases (RPI)	3.20	3.10
- Future pension increases (CPI max 3%)	1.95	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 Currently aged 40	DB Plan Currently aged 60	ITC Plan Currently aged 40	ITC Plan Currently aged 60
Expected lifetime of a member aged 60 who is...				
- Male	29	27	30	29
- 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 £6,535	decrease by £7,207	decrease by £672	decrease by £13,329	decrease by £13,323	increase by £6
Falls by 0.50%	increase by £7,265	increase by £8,067	increase by £802	increase by £14,320	increase by £14,313	decrease by £7
<b>Retail Price Inflation</b>						
Increases by 0.50%	increase by £6,704	increase by £7,227	increase by £523	increase by £11,707	increase by £11,702	decrease by £5
Falls by 0.50%	decrease by £6,132	decrease by £6,523	decrease by £391	decrease by £11,132	decrease by £11,127	increase by £5
<b>Expected lifetime of a member aged 60</b>						
Increases by 1 year	increase by £2,496	increase by £422	decrease by £2,074	increase by £7,319	increase by £7,315	decrease by £4
Decreases by 1 year	decrease by £2,463	decrease by £843	increase by £1,620	decrease by £7,228	decrease by £7,224	increase by £4

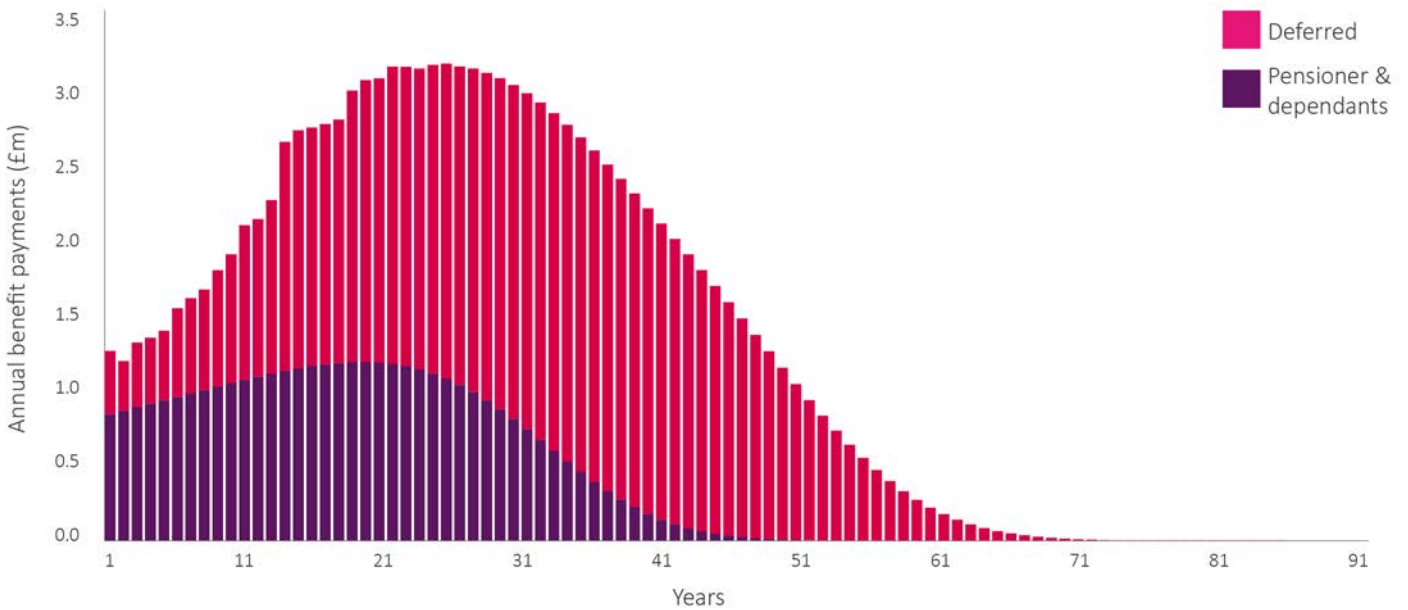
### Liability profile of defined benefit plans

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.

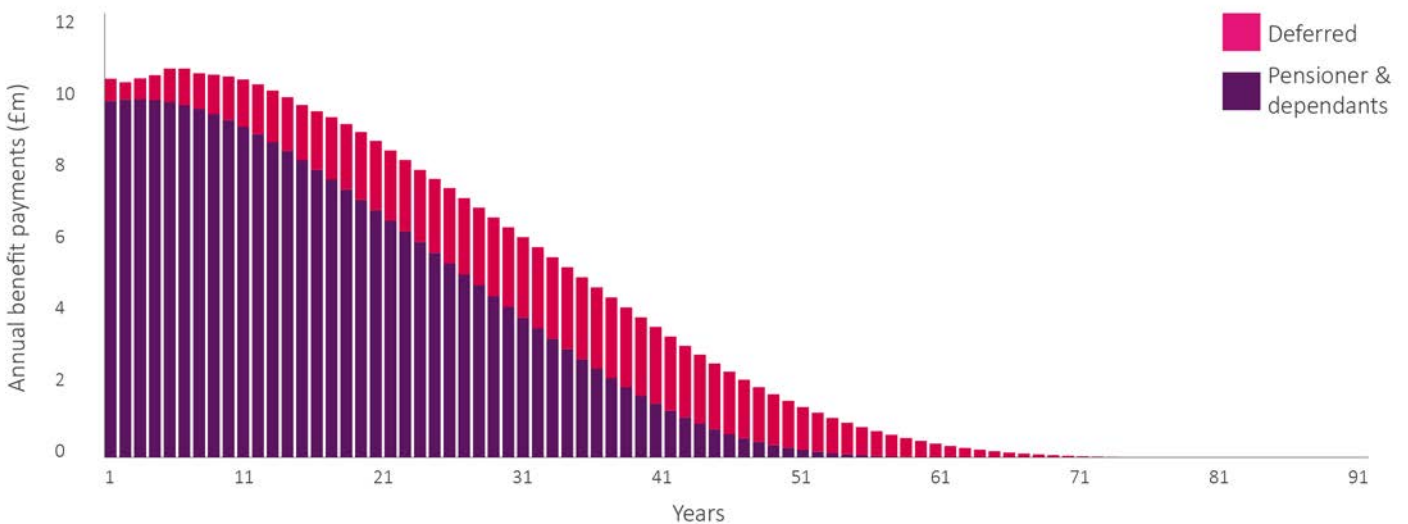
#### Ofcom Defined Benefit Pension Plan

The duration (average term to payment) of the Plan's liabilities is 21 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 have not declared any interests prejudicial to their functions as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

The Secretaries of State for the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Culture, Media and Sport (DCMS) are regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002.

Details of all grant-in-aid income from DCMS are provided in Notes 2, 3, 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 2017, the following payables were held in respect of grant-in-aid provided by DCMS:

- Spectrum clearance and awards – £833k (2015/16: £2,484k);
- Other sectors (including functions which cannot be funded through fees and charges set under the Communications Act 2003) – £126k (2015/16: £48k)

At 31 March 2017, the following receivable was held in respect of grant-in-aid due by DCMS:

- Spectrum management – £629k (2015/16: £110k);

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 2017 there was no capital commitment (2015/16: £113k).

## 23. Receipts transferred to the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £9,370k (2015/16: £4,444k) of Broadcasting Act Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

£367,329k (2015/16: £265,571k) of WT Act licence fees was remitted to DCMS for transfer to the Consolidated Fund.

## 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

There were no reportable events between the reporting date and the date when the accounts were certified. The financial statements do not reflect events after this date.

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.

# Annex



# Ofcom Boards, Panels and Committees

## The Content Board

Further details regarding the Content Board are on page 54.

Nick Pollard (Chairman) <sup>1</sup>
Dame Lynne Brindley DBE
Andrew Chitty
Kevin Bakhurst <sup>2</sup>
Andrew Colman
Tony Close
Aled Eirug
Robin Foster
Zahera Harb
Dr David Levy
Philip Schlesinger
Mary Ann Sieghart
Janey Walker

## 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.

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.

<sup>1</sup> Nick Pollard was appointed to the Content Board on 1 March 2016, and was appointed Chairman on 15 November 2016.

<sup>2</sup> Kevin Bakhurst was appointed to the Content Board on 24 January 2017.

Bill Emmott left the Content Board in August 2016, Lesley MacKenzie retired from the content board on 17 September 2016. Graham Mather acted as a Member of the Board between August 2016 and 15 November 2016, James Thickett retired from the Content Board in June 2016.

## Nations Advisory Committee members

Chairman	John Varney	Laura Alexander	Glyn Mathias	Maureen Edmondson OBE
Members	Barnie Choudhury	Peter Peacock CBE	Nerys Evans	Fiona Boyle
	Graham Creelman OBE	Liz Leonard	Karen Lewis	Fiona MacMillan
	Andrew Chitty	Ian McKay	Huw Roberts	Brendan Mulgrew
	Becky Hogge	John Trower	Hywel Wiliam	Sharon O'Connor
	Emma Davidson <sup>1</sup>	Amanda Bryan	Aled Eirug	Paul Wilson
	Caroline Roberts-Cherry <sup>1</sup>	Philip Schlesinger	Rhys Evans	Andrew Colman
	Chris Holland	Mairi McLeod <sup>2</sup>	John Davies <sup>2</sup>	Rick Hill

### 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 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.

### 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

Jo Connell OBE, DL (Chair)

Jaya Chakrabarti MBE

Rhys Evans

Chris Holland

Rick Hill MBE

Mairi Macleod<sup>3</sup>

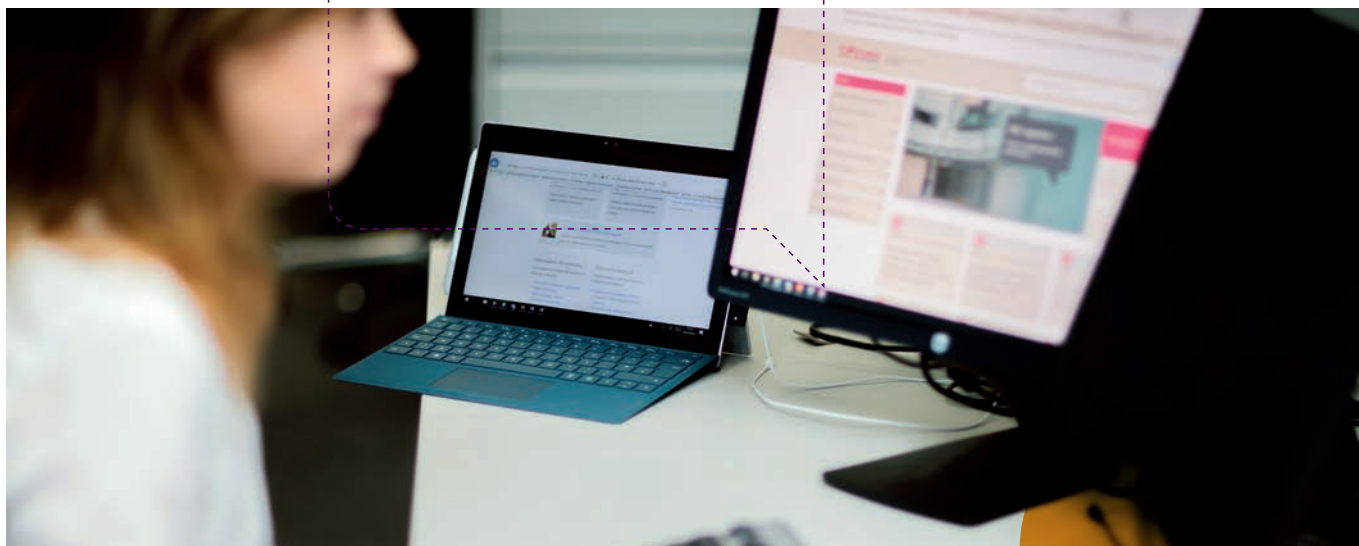
Craig Tillotson

Bob Twitchin MBE

<sup>1</sup> Emma Davison and Caroline Roberts-Cherry were appointed to the Advisory Committee for England on 1 February 2017.

<sup>2</sup> John Davies retired from the Advisory Committee for Wales on 28 February 2017. Mairi Macleod retired from the Advisory Committee for Scotland on 31 March 2017.

<sup>3</sup> Mairi Macleod retired from the Communications Consumer Panel on 31 March 2017.



### 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.

Jo Connell OBE, DL (Chair)
Jaya Chakrabarti MBE
Rhys Evans
Chris Holland
Rick Hill MBE
Mairi Macleod <sup>1</sup>
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)
John Fuller (DCMS) (ex officio) <sup>2</sup>
Professor Mischa Dohler
David Harrison (ex-officio) <sup>3</sup>
David Hendon (ex-officio) <sup>3</sup>
Gavin Young
Greg Bensberg
Mike Walker
Niall Murphy
Professor Linda Doyle
Wassim Chourbaj <sup>3</sup>
Peter Pitsch <sup>3</sup>
Jean-Jacques Sahel <sup>4</sup>
Philippa Marks <sup>4</sup>
Robert Pepper <sup>5</sup>

<sup>1</sup> Mairi Macleod retired from the Advisory Committee on Older and Disabled People on 31 March 2017  
<sup>2</sup> Nick Munn from DCMS has been attending the Spectrum Advisory Board throughout 2016 in a deputising capacity for John Fuller.  
<sup>3</sup> Wassim Chourbaj and Peter Pitsch were appointed to the Spectrum Advisory Board in October 2016. David Harrison and David Hendon are both employees of Ofcom.  
<sup>4</sup> Jean-Jacques Sahal and Philippa Marks retired from the Spectrum Advisory Board in July 2016.  
<sup>5</sup> Robert Pepper resigned from the Spectrum Advisory Board in May 2016.



# Regulatory statements

## List of statements published in 2016/17, including regulatory impact on stakeholders

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

#### Highlight: Creating the opportunity for large-scale deployment of more ultra-fast networks

Progress update: supporting investment in ultrafast broadband networks: Strategy focussed on network investment and competition

Proposed guidance under the Communications (Access to Infrastructure) Regulations 2016

#### Highlight: Implementing our proposals to increase Openreach independence

Treatment of pension costs arising from Openreach reform

#### Highlight: Supporting competition in fixed-line services through market reviews

Business Connectivity Market Review - Final Statement

BCMR Very Low Bandwidth Services - Final Statement

Amendment to the VULA Margin Control: Adoption of revised SMP Services Condition and guidance further to paragraph 2 of the Competition Appeal Tribunal's Directions of 25 July 2016

#### Highlight: Improving consumers and businesses ability to make informed choices

The SME experience of communications services: research report

#### Highlight: Further projects to promote choice and ensure that markets work effectively

Broadcasting Transmission Services: a review of the market

Channel 4 Schedule 9 arrangements

Broadcasting Transmission Services: a review of the market

### Protect consumers from harm

#### Highlight: Addressing nuisance calls

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

Persistent Misuse: A statement of Ofcom's general policy on the exercise of its enforcement powers

#### Ongoing work: Competition enforcement and consumer protection

Approval of the PhonepayPlus Code of Practice (fourteenth edition) - Statement

■ Increased/new regulation

■ Streamlined/co-regulatory

■ Mixed/no-change/ongoing

■ Reduced regulation

## Secure standards and improve quality

### Highlight: Delivering a step-change in the quality of telecoms services

Quality of Service for WLR and MPF: Proposed Directions and Consents relating to the minimum standards and KPIs imposed in the 2014 Fixed Access Market Reviews

Quality of Service direction for WLR Direction setting further minimum standards for WLR provisions under the SMP conditions imposed in the 2014 Fixed Access Market Reviews

Update on 5G spectrum in the UK

### Highlight: Implementing the conclusions of the BBC Charter Renewal

Ofcom's preparations for regulation of the BBC

Statement of reasons for renewing the Wireless Telegraphy Act licences held by the British Broadcasting Corporation (BBC)

Broadcasting Code Review: Preparing for Ofcom's new responsibilities for regulating the BBC

New procedures for handling content standards complaints, investigations and sanctions for BBC programmes

Regulating the BBC's impact on competition

Statement on requirements and guidelines

Assessing the impact of proposed changes to the BBC's public service activities: Ofcom's procedures and guidance

Assessing the impact of the BBC's public service activities: Ofcom's procedures and guidance

The BBC's commercial activities: Requirements and guidance

Distribution of BBC public services: Ofcom's requirements and guidance

Procedures for enforcement of requirements in the BBC Agreement and compliance with Ofcom enforcement action

Introduction to Ofcom's Operating Framework for the BBC

■ Increased/new regulation  
■ Mixed/no-change/ongoing

■ Streamlined/co-regulatory  
■ Reduced regulation

**Highlight: Supporting the implementation of a new broadband universal service obligation**

Achieving decent broadband connectivity for everyone: Technical advice to UK Government on broadband universal service

**Highlight: Further projects to secure standards and improve quality**

Regulation of e-cigarette advertising and sponsorship on television and radio: Amendments to the Ofcom Broadcasting Code and the BCAP Code: the UK Code of Broadcast Advertising

Change of Control of the Channel 3 licence for Northern Ireland

Broadcasting Code Review - Section Three: Crime

Response to Channel 4 Corporation's Statement of Media Content Policy

Regulation of e-cigarette product placement and sponsorship on broadcast television and on-demand programme services: Amendments to the Ofcom Broadcasting Code and Rules and Guidance

Rules and Guidance: Statutory Rules and Non-Binding Guidance for Providers of On-Demand Programme Services (ODPS)

Small-scale DAB trials: final report

Attitudes to potentially offensive language and gestures on TV and radio

Maximising the benefits of 700 MHz clearance

Non-domestic TV channels: extension of transitional signing arrangements

Channel 3 networking arrangements: 2016 Review

Review of the regulation of Royal Mail

Ofcom's rules on due impartiality, due accuracy, elections and referendums

Ofcom rules on Party Political and Referendum Broadcasts

**Ongoing work: Programme standards enforcement**

Procedures for handling content standards and licensing investigations and sanctions: Revising the procedures for TV, radio and video-on-demand services

**Ongoing work: Radio and TV broadcast licences**

Renewal of the Independent National Radio licences: Methodology for review of financial terms

Additional Services Licence

■ Increased/new regulation

■ Streamlined/co-regulatory

■ Mixed/no-change/ongoing

■ Reduced regulation

### Ongoing work: Spectrum authorisation

Ofcom's decision to make the Wireless Telegraphy (Licence Charges for the 900 MHz frequency band and the 1800 MHz frequency band) (Amendment and Further Provisions) (Amendment) Regulations 2016

Decision to make regulations amending the Wireless Telegraphy (Exemption) Regulations 2003

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2016

Decision to make the Wireless Telegraphy (White Space Devices) (Exemption) (Amendment) Regulations 2016

Decision to make Wireless Telegraphy Exemption Regulations 2016: User Terminal Exemptions

EE application for licence variations in support of enhanced mobile communications for the emergency services

Variation of Concurrent Spectrum Access 1781 MHz Licence: A statement on a request for variation of a Spectrum Access licence in the concurrent spectrum bands 1781.7-1785 MHz paired with 1876.7-1880 MHz

### Ongoing work: Technical studies to inform future requirements for spectrum

A framework for spectrum sharing

Mobile data strategy - Update on our strategy for mobile spectrum

Broadcast TV technical codes

Space spectrum

Statement on improving spectrum access for consumers in the 5 GHz band

### Other work across our goals

Disability Action Plan for Northern Ireland

Annual Plan 2017/18

■ Increased/new regulation

■ Mixed/no-change/ongoing

■ Streamlined/co-regulatory

■ Reduced regulation

**Ofcom statements published in 2016/17 where the earlier consultation included an impact assessment**

Decision to make regulations amending the Wireless Telegraphy (Exemption) Regulations 2003

A framework for spectrum sharing

Business Connectivity Market Review – Final Statement

BCMR Very Low Bandwidth Services – Final Statement

Broadcasting Code Review- Section Three: Crime

Decision to make the Wireless Telegraphy (White Space Devices) (Exemption) (Amendment) Regulations 2016

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2016

Approval of the PhonepayPlus Code of Practice (fourteenth edition)- Statement

Renewal of the Independent National Radio licences: Methodology for review of financial terms

Maximising the benefits of 700 MHz clearance

Quality of Service for WLR and MPF: Proposed Directions and Consents relating to the minimum standards and KPIs imposed in the 2014 Fixed Access Market Reviews

Decision to make Wireless Telegraphy Exemption Regulations 2016: User Terminal Exemptions

Broadcast TV technical codes

Broadcasting Transmission Services: a review of the market

Quality of Service direction for WLR

Direction setting further minimum standards for WLR provisions under the SMP conditions imposed in the

2014 Fixed Access Market Reviews

EE application for licence variations in support of enhanced mobile communications for the emergency services

Review of the Regulation of Royal Mail

Statement on improving spectrum access for consumers in the 5 GHz band

Ofcom's rules on due impartiality, due accuracy, elections and referendums

Broadcasting Code Review: Preparing for Ofcom's new responsibilities for regulating the BBC

New procedures for handling content standards complaints, investigations and sanctions for BBC programmes

Procedures for handling content standards and licensing investigations and sanctions: Revising the procedures for TV, radio and video-on-demand services

Variation of Concurrent Spectrum Access 1781 MHz Licence: A statement on a request for variation of a Spectrum Access licence in the concurrent spectrum bands 1781.7-1785 MHz paired with 1876.7-1880 MHz

**Ofcom consultations published in 2016/17 which included an impact assessment and where no final statement had been published by 31 March 2017**

Making switching easier and more reliable for consumers: Proposals to reform landline, broadband and pay TV switching between different platforms

Consumer switching: Further proposals to reform switching of mobile services

Review of the General Conditions of Entitlement: Consultation on the general conditions relating to network functioning, public payphones, directory information and numbering

Accessibility of on demand programme services

Improving consumer access to mobile services at 3.6 GHz to 3.8 GHz

Community radio: future licensing and technical policy

Promoting efficient use of geographic telephone numbers

Award of the 2.3 and 3.4 GHz spectrum bands. Competition issues and auction regulations

Narrowband Market Review

Broadcasting Code Review: Preparing for Ofcom's new responsibilities for regulating the BBC

Strategic Review of UHF Band 1 and Band 2- 410 to 470 MHz

Review of the General Conditions of Entitlement: Consultation on the general conditions relating to consumer protection

Proposed changes to spectrum trading regulations

Ofcom's approach to enforcement: Consultation on revising the Enforcement Guidelines and related documents

Draft enforcement guidelines

Draft enforcement guidelines for Competition Act investigations

Regulatory fees for on-demand programme services

The review of the market for standalone landline telephone services

Further consultation of Postal Common Operational Procedures Proposals

Notice of proposal to make Wireless Telegraphy Exemption Regulations 2017: Consultation on Regulations and proposed technical parameters

Automatic compensation: Protecting consumers from quality of service problems

Holding the BBC to account for the delivery of its mission and public purposes, inc. Draft operating licence for the BBC's UK Public Services

Wholesale Local Access Market Review – Volume 1: Consultation on the proposed market, market power determinations and remedies

Wholesale Local Access Market Review – Volume 2: Consultation on proposed charge control designs and implementation

Quality of Service for WLR, MPF and GEA: Consultation on proposed quality of services remedies

Review of Regulatory Financial Reporting for Royal Mail

## 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 2016/17 and how we have performed against our statutory and published targets. This reflects the picture as at 31 March 2017.

It should be noted that the number of cases recorded in the table tends to be small and the reported KPIs can be volatile as a result.

More information on the investigations programme is set out in our six-monthly reports, Ofcom's Investigations Activity <https://www.ofcom.org.uk/about-ofcom/latest/bulletins/competition-bulletins>.

The data in the table below cover the performance of both the Competition Group Investigations Team and the Consumer Protection Team.

Activity	Target	Performance against targets					Ongoing activity (as at 31/3/2017)
		Total handled	Total accepted for investigation	Total not accepted for investigation	Total closed		
					of which, within target	of which, outside of target	
Enquiries	Disputes (ex ante) 15 working days	6	3	3	3	3	0
	Competition law (ex post) 8 weeks	1	0	1	1	0	0
	Complaints (ex ante) 15 working days	1	0	1	0	1	0
	Own-initiative (ex ante) 15 working days	5	2	3	1	4	0
		Total handled	Total opened	Total ongoing from previous reporting period	Total closed		
					of which, within target	of which, outside of target	
Disputes	Completion within 4 months (ex ante)	3	3	0	2	1	0
		Total handled	Total opened	Total ongoing from previous reporting period	Total closed		
Competition Law	No specific 'one size fits all' target (ex post)	2	0	1	1		1
		Total handled	Total opened	Total ongoing from previous reporting period	Total closed		
					of which, within target	of which, outside of target	
Other investigation and enforcement programmes (ex ante)	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. (ex ante)	13 investigation	5 investigations	3 investigations	2 investigations	5 investigations	6 investigations 4 enforcement programmes
		6 enforcement programmes	0 enforcement programmes	4 enforcement programmes	2 enforcement programmes		

# Spectrum engineering and enforcement

## Key performance indicators

### Main activities

Complaints of interference received <sup>1</sup>	1,637	1,933
Checking radio system licence compliance <sup>2</sup>	3,663	3,873
Fixed penalty notices Issued <sup>3</sup>	29	66
Prosecutions for criminal spectrum activity <sup>4</sup>	7	19

### Quality of service targets for complaints of interference received

<b>Time to first visit:</b> The time take from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	1	8 hours	100%	100%
	2	18 hours	100%	100%
	3	2 working days	96%	97%
	4	5 working days	94%	99%
	5	15 working days	100%	99%
	6	No target	-	-
<b>Resolution:</b> The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.	1	2 calendar days	100%	100%
	2	3 calendar days	100%	100%
	3	6 working days	97%	93%
	4	20 working days	92%	96%
	5	40 working days	97%	98%
	6	60 working days	99%	96%

<sup>1</sup> Cases of interference reported by the public and businesses

<sup>2</sup> Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place

<sup>3</sup> Fixed penalty notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action

<sup>4</sup> Prosecutions in relation to 'pirate radio' or failure to pay FPNs



# Spectrum licencing

## Category A

Business Radio Light – Simple UK (no base station)	2,165	1,777	12,281	12,215
Business Radio Simple Site	1,100	922	8,110	7,905
Business Radio Suppliers Light	121	99	875	826
Fixed Wireless Access (5.8 GHz)	55	71	427	424
GNSS Repeater	33	25	239	206
Police and Fire	4	1	124	124
<b>Subtotal for Business Radio products</b>	<b>3,478</b>	<b>2,895</b>	<b>22,056</b>	<b>21,700</b>
Radar Level Gauge	0	0	124	124
CB, Amateur & Maritime <sup>1</sup>	25,096	82,312	240,538	232,743
KPI for Category A (100% in 7 days)	100%	100%	-	-
KPI for Category A (CB, Amateur & Maritime) (100% in 10 days)	100%	100%	-	-

## Category B

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 16 - March 17	Licences issued April 15 - March 16	Total on issue as at 31 March 17	Total on issue as at 31 March 16
Automatic Identification System	27	53	276	262
Coastal Station Radio (International)	21	10	412	405
Coastal Station Radio (UK)	15	15	368	377
Coastal Station Radio (Marina)	13	16	412	421
Coastal Station Radio (Training School)	15	19	361	349
Maritime Radio (Suppliers & Demonstration)	1	4	80	94
Maritime Nav aids and Radar	7	4	138	140
Differential Global Positioning System	0	0	5	5
<b>Subtotal for Deregulation &amp; Contracting-Out products</b>	<b>99</b>	<b>121</b>	<b>2,052</b>	<b>2,053</b>
Business Radio Technically Assigned	2,611	2,542	26,966	27,302
Business Radio Area Assigned	42	40	286	261
Coastal Station radio (UK) Area Defined	1	0	3	2
Coastal Station radio (International) Area Defined	0	2	8	8
Ground Probing Radar	40	27	215	186
Scanning Telemetry	4	3	34	33
Self co-ordinated links	30	34	128	107
<b>Subtotal for Business Radio products</b>	<b>2,728</b>	<b>2,648</b>	<b>27,640</b>	<b>27,899</b>
<b>Total for Category B</b>	<b>2,827</b>	<b>2,769</b>	<b>29,692</b>	<b>29,952</b>
KPI for Category B (90% in 21 days)	98%	98%	-	-
KPI for Category B (100% in 41 days)	99%	99%	-	-

## Category C

Fixed Links	2,734	2,983	29,848	30,855
Satellite (Permanent Earth Station)	23	8	152	152
Satellite (Transportable Earth Station)	102	101	110	114
Satellite (Earth Station Network)	5	6	62	66
Satellite (Non Fixed Earth Station)	1	2	4	4
KPI for Category C (90% in 42 days)	100%	99%	-	-
KPI for Category C (100% in 60 days)	100%	100%	-	-

## Programme Making & Special Events (PMSE)

PMSE Licences <sup>2</sup>	35,236	33,380 <sup>3</sup>	3,305	2,854
KPI for PMSE (100% in 7 days)	100%	100%	-	-

## Test and development (T&D) licences

	Licences issued April 16 - March 17	Licences issued April 15 - March 16	Total on issue as at 31 March 17	Total on issue as at 31 March 16
Non-Operational Development Licence	402	332	351	309
Non-Operational Temporary Licence	294	242	121	77
<b>Total for T&amp;D</b>	<b>696</b>	<b>574</b>	<b>472</b>	<b>386</b>
KPI for T&D (100% in 60 days)	100%	100%	-	-

<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>4</sup>

Public Wireless Networks: 900, 1800 MHz	—	—	4	4
Spectrum Access: 2100 MHz	—	—	4	4
Spectrum Access: Channel Tunnel <sup>5</sup>	—	—	2	2
Spectrum Access: 800 MHz, 2.6 GHz	—	—	5	5
Spectrum Access: 412 – 414 MHz	—	—	1	1
Spectrum Access: 1452 – 1492 MHz	—	2 (-1)	2	2
Concurrent Spectrum Access: 1781-1785 MHz	—	—	12	12
Spectrum Access: 1785 MHz, Northern Ireland	—	—	1	1
Spectrum Access: 3.5, 3.6, 10, 28, 32, 40 GHz	1 <sup>6</sup>	6 <sup>7</sup>	20	19
Spectrum Access Offshore <sup>8</sup>	6	—	6	—

## Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 16 - March 17	Licences issued April 15 - March 16	Total on issue as at 31 March 17	Total on issue as at 31 March 16
3G Cellular Telephones, Channel Islands	—	—	1	1
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands and Isle of Man	—	2	32	32
Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man	—	3 (-2)	9	9
<b>Total for Channel Islands and Isle of Man</b>	—	<b>5</b>	<b>42</b>	<b>42</b>

<sup>4</sup> Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures

<sup>5</sup> Separate licence for the out-bound (UK-France direction) tunnel

<sup>6</sup> Partial spectrum trades of 28 GHz spectrum resulting in a new licence covering 6 geographic locations

<sup>7</sup> 14 Regional Spectrum Access 28 GHz licences consolidated into 6 geographic licences; 1 regional BFWA licence expired

<sup>8</sup> A new licence product created 2016 for Wind Farms, Platforms and Rigs beyond the licensed areas of UK spectrum users

## Digital dividend spectrum licences

Spectrum freed up for new uses because of digital switchover

DDR GI Licences issued through spectrum award processes	Licences issued April 16 - March 17	Licences issued April 15 - March 16	Total on issue as at 31 March 17	Total on issue as at 31 March 16
Spectrum Access 541 – 550 MHz (Cardiff)	—	—	1	1
Spectrum Access 758 – 766 MHz (Manchester)	—	—	1	1
<b>Total for Digital Dividend licences</b>	—	—	<b>2</b>	<b>2</b>

## Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences

DDR GI Licences issued through spectrum award processes	Licences issued April 16 - March 17	Licences issued April 15 - March 16	Total on issue as at 31 March 17	Total on issue as at 31 March 16
CAA issues Licences for Aeronautical	6,035	6,523	13,427	14,826
<b>KPI for CAA (100% in 7 days)</b>	<b>86%</b>	<b>81%</b>	-	-
<b>Total</b>	<b>6,035</b>	<b>6,523</b>	<b>13,427</b>	<b>14,826</b>
<b>TOTAL NUMBER OF LICENCES – ALL CATEGORIES</b>	<b>76,240</b>	<b>131,566</b>	<b>339,891</b>	<b>303,928</b>

# Sustainability

This section presents sustainability data and financial costs in more detail.

Our two new offices in Edinburgh and Warrington have been included for 2016/17. Cost and consumption data for Glasgow has been included. This office was sub-let in June 2016. Cost and consumption data for Project Park have been included. This office was closed in March 2015.

## Greenhouse gas emissions

			2012/13	2013/14	2014/15	2015/16	2016/17
<b>Non-Financial Indicators (tonnes CO2e)</b>	<b>Scope 1</b>	Gas	161	142	135	158	161
		Oil	19	18	14	18	19
		Fleet Fuel	204	210	200	180	185
	<b>Scope 2</b>	Electricity	1,166	1,129	1,299	1,214	1,090
		<b>Scope 3</b>	Business Travel	375	346	290	250
	– Air		194	241	182	144	188
	– Domestic		48	100	63	47	76
	– Short haul		110	83	71	30	79
	– Long haul		37	57	48	67	34
	– Rail/bus/tube		103	61	59	59	78
	– Car/Motorbike/Cycle		75	41	46	44	43
	– Taxis		3	2	3	3	3
<b>Related consumption data</b>	<b>Scope 1</b>	Gas (kWh)	869,185	772,668	730,047	855,056	874,478
		Gas per FTE (kWh)	1,114	975	932	1,070	1,012
		Oil (litres)	7,500	7,000	5,697	7,001	7,500
		Fleet Fuel (litres)	78,923	80,558	76,898	69,596	71,024
	<b>Scope 2</b>	Electricity (kWh)	2,411,198	2,334,436	2,416,678	2,425,743	2,426,666
		Electricity per FTE (kWh)	3,091	2,945	3,086	3,036	2,808
<b>Financial Indicators</b>	<b>Scope 1</b>	Gas	£34,991	£33,060	£34,677	£27,786	£22,293
		Oil	£7,081	£5,317	£3,500	£3,504	£2,128
		Fleet Fuel	£113,770	£113,397	£102,026	£78,996	£87,398
	<b>Scope 2</b>	Electricity	£301,645	£290,452	£334,932	£334,677	£293,991
		<b>Scope 3</b>	Business Travel	£705,867	£628,340	£596,116	£569,099
	– Air		£280,526	£301,014	£257,364	£197,408	£253,733
	– Rail/bus/tube		£276,531	£226,171	£227,260	£264,211	£299,929
	– Car/Motorbike/Cycle		£104,276	£58,458	£66,876	£67,721	£65,077
	– Taxis	£44,534	£42,696	£44,615	£39,759	£44,966	

We have re-stated our gas and electricity consumption data for 2012/13, and our electricity consumption for 2015/16 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 charges for Edinburgh and Warrington offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions.

Oil consumption data relate only to Ofcom’s office in Baldock.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services. 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, Edinburgh, Glasgow, Haydock, Warrington and some remote monitoring direction-finding sites around the UK. For 2012/13 it also includes cost data from an office in Bristol. For the period 2012/13 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 2012/13 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.

		2012/13	2013/14	2014/15	2015/16	2016/17
<b>Non-Financial Indicators (tonnes)</b>	Total waste	166	173	166	173	172
	Waste sent to landfill	0	0	0	0	0
	ICT waste recycled/re-used	2	9	4	7	4
	Waste recycled/re-used	91	98	94	111	91
	Waste composted	13	14	14	13	14
	Waste incinerated with energy recovery	60	51	53	41	63
	Waste incinerated without energy recovery	0	0	0	0	0
	Total waste per FTE	0.213	0.218	0.212	0.216	0.199
<b>Financial Indicators</b>	Total waste	£46,068	£60,796	£45,500	£32,023	£37,984

## Finite resource consumption

Water data across all years cover Ofcom's main office in London, Baldock, Birmingham, Glasgow and Haydock. For the period 2012/13 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.

Finite Resource Consumption		2012/13	2013/14	2014/15	2015/16	2016/17
<b>Non-Financial Indicators</b>	Water consumption(m <sup>3</sup> )	11,509	13,694	14,213	10,767	11,282
	Water consumption per FTE	14.76	17.27	18.15	13.48	13.06
	Paper reams	7,623	7,721	5,993	7,545	6,317
	A3 reams	121	156	103	80	92
	A4 reams	7,502	7,565	5,890	7,465	6,225
	A5 reams	0	0	0	0	0
<b>Financial Indicators</b>	Water	£26,610	£20,107	£24,931	£16,784	£22,248

### 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-2016-to-2017>
- 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.
- BEIS**  
Department for Business, Energy and Industrial Strategy.
- 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.
- EPG**  
Electronic Programme Guide.
- 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.
- 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.





making communications work  
for everyone

**Ofcom**

Office of Communications  
Riverside House  
2a Southwark Bridge Road  
London SE1 9HA

Switchboard:

**+44 (0)300 123 3000** or

**+44 (0)20 7981 3000**

Facsimile:

**+44 (0)20 7981 3333**

Textphone:

**+44 (0)20 7981 3043**

Ofcom Customer Contact Team:

**+44 (0)300 123 3333** or

**+44 (0)20 7981 3040**

**[ofcom.org.uk](http://ofcom.org.uk)**

**Scotland:**

125 Princes Street  
Edinburgh EH2 4AD

Tel: **0131 220 7300**

**Wales:**

2 Caspian Point  
Caspian Way  
Cardiff CF10 4DQ

Tel: **029 2046 7200**

Fax: **029 2046 7233**

**Northern Ireland:**

Landmark House  
The Gasworks  
Ormeau Road,  
Belfast BT7 2JD

Tel: **028 9041 7500**

Fax: **028 9041 7533**

ISBN 978-1-4741-4327-1



9 781474 143271

Of 575 (July 2017)