



The Office of Communications Annual Report and Accounts

For the period 1 April 2013 to 31 March 2014

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

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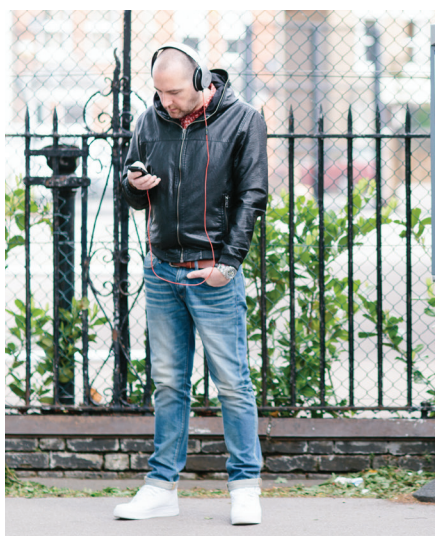
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Who we are and what we do

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



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

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

Established under the Office of Communications Act 2002, Ofcom operates under a number of Acts of Parliament and regulations.

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



The Communications Act 2003 states that Ofcom's principal duty is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.

This underpins much of what we do. In relation to postal services our primary duty is to carry out our functions in a way that we consider will secure the universal postal services in the UK.

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

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

What we do

Our main legal duties are to ensure that:

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

What we do not do

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

Highlights of 2013/14

Ensuring effective competition and investment in broadband

We proposed new quality of service requirements – for fault repairs and installations – on Openreach, better to serve consumers, while 73% of UK premises could access superfast broadband in June 2013, up from 65% a year earlier (page 16).

Simplifying non-geographic numbers

We finalised plans to simplify the costs of calling non-geographic telephone numbers for business and domestic consumers and make calls to 080 numbers from mobiles free for consumers, from next year (page 18).

Helping consumers to change communications providers more easily

We completed our work on a simple, single switching process for telephone and broadband on the Openreach telecoms network, effective from 2015 (page 19). This will make it much easier for consumers to change communications providers.

Ensuring that the airwaves were cleared for new mobile services

Four operators are now offering 4G mobile services and five million UK consumers are enjoying the benefits offered by superfast mobile broadband. This followed our 2013 clearance and auction of the airwaves (page 20).

Enabling new high-definition TV channels to launch on Freeview

Ofcom licensed new capacity on digital-terrestrial TV, which has provided viewers with access to a wider choice of high-definition TV channels (page 21).

Helping to secure a sustainable future for commercial public service broadcasting

We issued new broadcasting licences to Channel 3 (ITV, STV and UTV), Channel 4 and Channel 5 (page 27) bringing benefits to TV viewers.

Tackling the problem of nuisance calls

We continued our extensive programme of work to protect consumers from silent and abandoned calls (page 25).

Protecting consumers from mid-contract price rises

Ofcom stepped in to give consumers a fairer deal when prices go up in the middle of a contract (page 25).

Improving subtitles to TV viewers with hearing impairments

Broadcasters are now producing regular audits of subtitles following our intervention. We expect the quality of live TV subtitles to improve for viewers (page 31).

Increased protection for rural post boxes and protecting the universal postal service

We introduced new rules to give rural communities greater protection against the removal of local post boxes (page 32). Throughout the year we continued our work to secure provision of the universal postal service (page 23).

Licensing local TV

Ofcom awarded 25 licences to local TV stations by the end of the year (page 33).

Protecting children and upholding the TV watershed

We took action against a number of channels for broadcasting programmes unsuitable for children before the watershed (page 34).

Enforcement against extremist views on TV

We issued fines to a number of broadcasters for airing material that may encourage or incite crime or disorder (page 34).

A blueprint for managing the UK's wireless infrastructure

Our approach to managing spectrum over the next decade was published in April 2014. It explains how Ofcom can help the UK to meet the growing demands placed on its wireless infrastructure (page 35).

Supporting innovative wireless technologies

Up to ten trials are planned to test innovative 'white space' technology in the UK, among the first of its kind in Europe, and supported by Ofcom. Using tiny slivers of spectrum, white space technology can be used to deliver broadband access in rural communities, Wi-fi-like services or new machine-to-machine networks (page 36).

We also set out our broader views on how 'dynamic' spectrum access could support better sharing of spectrum between different users, to help ensure its efficient use while taking account of existing users. (page 36).

Chairman's message

Patricia Hodgson

2013 marked the tenth anniversary of Ofcom's foundation.

In 2003 Ofcom replaced the previous five bodies with responsibilities in telecoms, spectrum management and broadcast regulation, bringing a co-ordinated view to converging markets. In 2011, post was added to those responsibilities.

In these ten years technological innovation has revolutionised communications through the development of superfast broadband services, and the freeing-up of spectrum to support new 4G mobile offerings. At the same time, new applications from the broadcasters, making services available on demand and for sharing on social media, are changing the way society interacts. In all these areas, Ofcom has focused its interventions on encouraging competition, seeking to ensure that the market works to the benefit of citizens and consumers, and supporting economic growth in general.

In January we were able to publish a review of the growth of services over those ten years, showing that strong competition has helped drive down real-terms prices across most of the sectors Ofcom regulates, while investment and innovation has delivered increased quality and choice to consumers. Not only are consumers spending less on their communications services, they are generally getting more for their money.

In March we published a comparative study of broadband services in the UK and the four other major EU economies. It showed that the UK now has the highest take-up and coverage of superfast broadband, leads on most measures of usage and choice for both mobile and fixed broadband, and performs well on price.

Competition has served consumers well, but while the overall picture is strong there are signs that market demand and increasing consumer expectations may be outpacing the ability of parts of the sector to respond. Ofcom's initial response is to provide robust and well-sourced information, enabling customers to choose effectively, enabling competition and acting as a guide to policy makers. For example, our quarterly publication of comparative complaints data relating to broadband and mobile phone providers has stimulated the industry to action.

Should this approach not prove effective over the longer term, regulatory action may be required. We have already proposed new specific performance standards for Openreach, the company which installs and maintains connections to BT's network on behalf of competing telecoms providers. These should speed up repairs and new installations for the large majority of domestic and business consumers.

Access to certain communications services has been seen for many years as a necessary right in a democratic society, enabling everyone to participate fully and take up the services they want. This is the philosophy behind the universal right to a fixed telephone line and postal services, and the commitment of public service broadcasters to provide near-universal (98.5%) coverage via digital terrestrial television.

The challenge now is to adapt these aspirations to new services and the opportunities they bring. We are pleased that all the mobile networks have pledged to match the obligation placed on Telefonica (O2) to make 4G mobile coverage available to 98% of homes and businesses – and that they intend to do so by the end of 2015, ahead of our requirement.

Nevertheless, we are concerned at the poor coverage of more basic mobile connections in some rural areas and are working with the companies to seek solutions. Similarly, the availability of superfast broadband speeds (30Mbit/s or above) to 73% of potential customers is an achievement, but it does not conceal the problem some experience in obtaining reliability at more basic speeds. This is an area where the publication of more granular information may help consumers and spur infrastructure solutions.



This is my first Annual Report as Ofcom's Chair. It is a privilege to be able to pay tribute here to the work of my predecessor, Dame Colette Bowe, whose dedication has ensured that consumers are at the heart of everything Ofcom does.

This year we also said goodbye to Norman Blackwell and Stuart McIntosh from Ofcom's Board, and to H Nwana, who departed as Spectrum Policy Group Director. I wish Norman, Stuart and H well for the future and welcome Philip Marnick in succeeding H.

As Deputy Chair, and now as Chair, my thanks are due to the members of the Content Board, who dealt wisely with some knotty issues in 2013, and to our Advisory Committees for England, Scotland, Wales, Northern Ireland and for Older and Disabled people, as well as the Communications Consumer Panel for providing much needed and valued input to the Board's deliberations.



Dame Patricia Hodgson
Chairman

Chief Executive's Report

Ed Richards

Formed in the dial-up era with an eye to digital, Ofcom has regulated the communications sector for a decade.

In this period the sector has undergone an extraordinary transformation and today is almost unrecognisable from when we took over.

Dial-up internet has largely been replaced by broadband, which today is taken by three-quarters of all homes. The next generation of superfast broadband, which delivers speeds of 30Mbit/s and above, is now available to 73% of UK homes, the highest among the EU5 countries.

Wireless Application Protocol (WAP), a technology once used for accessing the internet on mobiles, that required time and patience in equal measure, was replaced by 3G. Today, four operators are rolling out 4G across the UK, with take-up among the fastest in the world. By the end of 2017, at the very latest, the UK will have 98% indoor 4G coverage, far exceeding that of 3G. Keeping the mobile momentum going, we are now starting the groundwork for the next generation of services, already dubbed 5G.

And the days of just five TV channels are long gone; digital terrestrial TV, cable, satellite and now internet TV offer a huge range of live and catch-up services, in both standard and high definition.

Almost unimaginable a decade ago, the UK's communications sector has made some extraordinary gains, serving consumers and the UK economy as a whole.

This is only part of the picture, however. Over the same decade consumers have benefited from significant reductions in the prices they pay for many of these services, driven by competition. The monthly average spend on mobile has declined by 23% in real terms; for broadband it is 48% and for landlines 28%.

The overall picture in the UK, therefore, is positive. Services have dramatically improved, spurred by innovation and investment, while healthy levels of competition have driven down prices.

But, a decade on, there are still many significant challenges. Not everyone has access to the best services. More work is needed to deliver wider availability of broadband and superfast broadband, particularly in rural communities but also in some locations within cities.

The quality of some services needs to improve, in particular the time it takes to get broadband lines installed and fixed.

And there is an ever-increasing demand on spectrum – the invisible asset essential to all wireless services, which is increasingly in demand from consumers as mobile innovation continues apace.

These are just some of the things that our activities in 2013/14 and in coming years are designed to address, working alongside other bodies responsible for specific issues, such as the government, for funding rural broadband.

Improving quality of service

While customer satisfaction scores are generally high for services in the communications sector, we know that quality of service is an area that is increasingly important to consumers. In 2013/14 we consulted on new requirements on Openreach, which manages access to BT's telephone network, to improve the speed of fault repairs and the installation of new lines. We know from consumer complaints that this is an area where improvement needs to be made.

We also know that for consumers to be able to take full advantage of the competition and innovation in the market they need to be able to switch provider easily. To help, we decided in 2013/14 that consumers should follow a single switching process where the gaining service provider leads the transfer process on behalf of the customer. These new measures will come into effect next year.

We also monitored the postal market closely to ensure the financial sustainability of the universal service – which guarantees delivery to every single address in the UK – and also Royal Mail's performance in meeting its delivery targets.

Consumer protection

Ofcom steps in to help consumers when we identify areas of harm. In 2013/14 we had two main areas of focus in telecoms. One was tackling nuisance calls, which can include silent and abandoned calls. We conducted further research to get to the bottom of the problem and worked closely with the Information Commissioner's Office and the government on a range of issues, including targeting enforcement action against non-compliant companies.

The other area of focus was protecting consumers against unexpected price rises in the middle of mobile, broadband and landline contracts. We published new guidance that gives customers the ability to exit their contract without penalty if their provider increases the monthly subscription beyond what was agreed at the point of sale. To further help consumers we published a clear guide that sets out the policies of the eight main providers.

Meeting the demands for mobility

I mentioned at the start of this report that we had successfully completed the 4G auction, and already roll-out and take-up are gaining pace. This alone, however, will not meet the UK's future wireless needs. Demand for the web and apps on the move, driven by smartphones and tablet computers, is experiencing extraordinary growth with mobile data predicted to grow 80-fold between 2012 and 2030.

To meet this demand we need spectrum. In 2013/14 we continued our work to potentially free up valuable frequencies currently used by digital terrestrial television (DTT). Our plan, on which we will consult in the coming year, involves moving DTT to adjacent bands in a way that preserves TV services and creates new opportunities for mobile broadband, not just in the UK, but across the globe. In a separate project, we began the preparatory work to release spectrum on behalf of the Ministry of Defence. Equivalent to around three-quarters of the 4G spectrum auctioned in 2013, this spectrum could be released in 2015/16 and be used for wireless broadband.

Working with 20 organisations, we launched Europe's first major pilot of an innovative new wireless technology. Called 'white spaces', it is designed to make better use of the existing spectrum bands and deliver new services in a diverse range of fields such as transport, healthcare, agriculture and energy.

Securing a sustainable future for public service broadcasters

The year 2013/14 was significant for the commercial public service broadcasters (PSBs). In the 12 months we completed the relicensing process for Channels 3, 4 and 5, with the award of new ten-year licences.

Our research shows that audiences value PSB programmes highly. The new licences will ensure that the PSB channels are put on a sustainable footing, while delivering local news and more programmes made in Wales and Scotland.

Section B of this report, starting on page 10, covers our work in greater detail, setting out our objectives and the early outcomes of our 2013/14 work.

Reducing our budget

Ofcom is funded by a mixture of fees collected from the stakeholders we regulate and government grant-in-aid. In the ten years since Ofcom's creation we have striven to reduce our costs wherever possible. Every year we seek to be more efficient in what we do without reducing our effectiveness; this is a culture that pervades the whole of the organisation.

The result of this can be seen in our financial performance. Between our first full year of operation, 2004/05, and 2014/15, we have reduced our budget by 38% in real terms. Over that period we have also taken on the responsibility for regulating postal services, from Postcomm, and in so doing have reduced the cost of regulation for this sector by more than 60%.

Our savings have been made by year-on-year budget reductions and through a major programme to reduce significantly Ofcom's expenditure over a four-year period, in response to the challenges facing the whole of the public sector. We set out to deliver a 28.2% real-terms saving by 2014/15 and we are on track to exceed that figure. By setting a budget of £117m for 2014/15 we will have achieved real-terms budgetary savings of 28.6% over this four-year period.

Ofcom's budget for 2013/14 was £117m. Its audited expenditure outturn for the year was £111.6m, with £5.4m savings made as a result of greater efficiency, one-off in-year savings and the re-phasing of some planned work.

Section D of this report, starting on page 66, covers Ofcom's budget and expenditure in more detail.

Work programme for 2014/15

Our budget will be used to deliver important work across the communications sector in six major areas:

1. Promote effective competition and informed choice.

Ofcom will focus on ensuring competition and investment in current and superfast broadband, and promoting choice for consumers through clear information and efficient switching processes.

2. Secure optimal use of spectrum.

This work will include encouraging spectrum sharing through 'white spaces', and delivering spectrum for the Glasgow 2014 Commonwealth Games.

3. Promote opportunities to participate.

Ofcom will seek to ensure the wide availability of communications services, and to reduce barriers to their adoption and effective use by consumers. As part of this, Ofcom will focus on its ongoing duty to secure the universal postal service. There will also be work to promote the provision of better mobile coverage and service information.

4. Protect consumers from harm.

Ofcom will continue to manage the reform of non-geographic telephone numbers, which will bring about clearer phone charges for consumers and free 080 calls on mobile phones from summer 2015. Ofcom will also work to protect consumers from harm in areas such as nuisance calls and unexpectedly high mobile bills.

5. Maintain audience confidence in broadcast content.

Ofcom will work with industry and other regulators to develop a consistent approach to media standards regulation. Ofcom will also support work to help keep children safe online. This will include reports for the Government on parental controls and an assessment of protection measures, put in place by internet service providers.

6. Contribute to and implement public policy defined by Parliament.

As part of this, Ofcom will work to ensure that the European Commission's 'Connected Continent' proposals support the interests of UK consumers and citizens.

Ofcom is required by Parliament to carry out reviews of public service broadcasting (PSB). In 2014/15, we will also begin our third PSB review, which will consider the challenges facing the industry and assess how the needs of citizens and consumers can best be delivered.

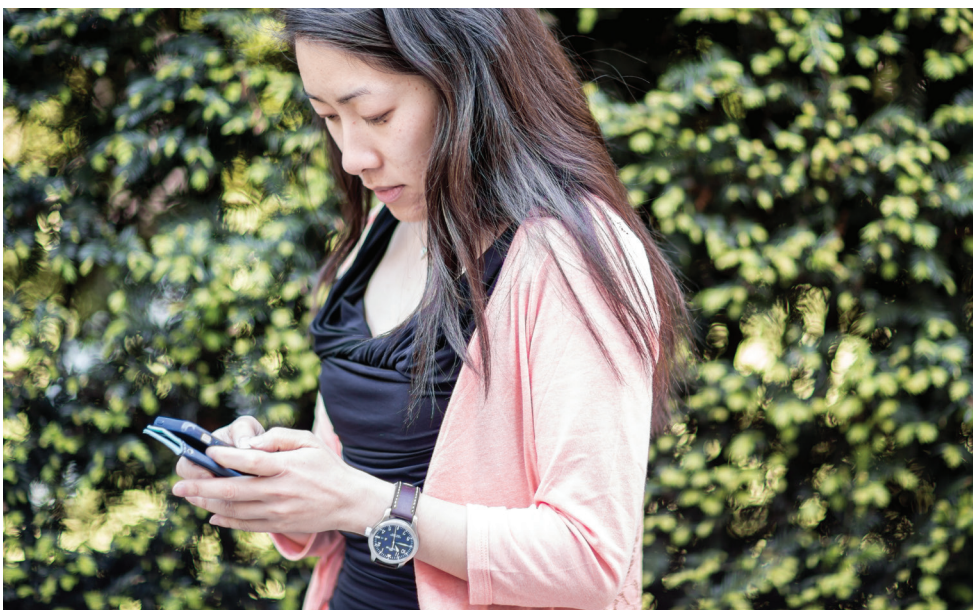
In addition, Ofcom wishes to help the UK to remain at the forefront of communications policy developments around the world. We are well under way with preparations for the World Radiocommunications Conference in 2015, which will consider increasingly important global questions such as how best to provide more capacity for mobile broadband services.

Ofcom also has a positive role to play in supporting the European Commission's aim of promoting a European single communications market, and improving conditions for investment in our sectors. Ultimately this can benefit UK citizens, and we want to help ensure that any new rules are proportionate and workable. One such area is mobile roaming, with proposals to bring an end to roaming charges within the EU. Ofcom is supporting the UK government in the negotiations, and working with stakeholders to ensure that any new rules work in the best interests of consumers.

As a final note I would like to say thank you to Dame Colette Bowe, who completed her five-year term as Ofcom Chairman in March 2014. Dame Colette and the Ofcom Board she led have been instrumental in achieving some of the positive changes in the sector that I described at the beginning of this report. It has been a privilege working with her. I very much look forward to working with our new Chairman, Dame Patricia Hodgson, who I know will continue the momentum.



Ed Richards
Chief Executive



Improving outcomes for consumers

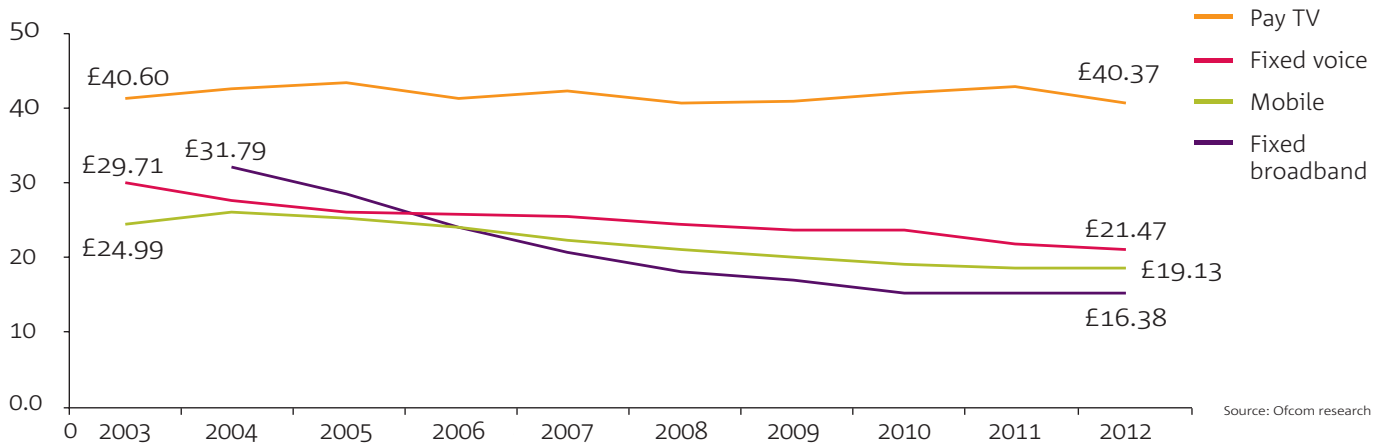
Ofcom is continually working towards delivering positive outcomes for business and domestic consumers, and the citizens it serves. We undertake research to understand what consumers think about the communications and entertainment services they use. We also monitor closely the take-up of different communications services to understand how many consumers are taking advantage of what's available in the market.

We also track consumers' satisfaction with these services.

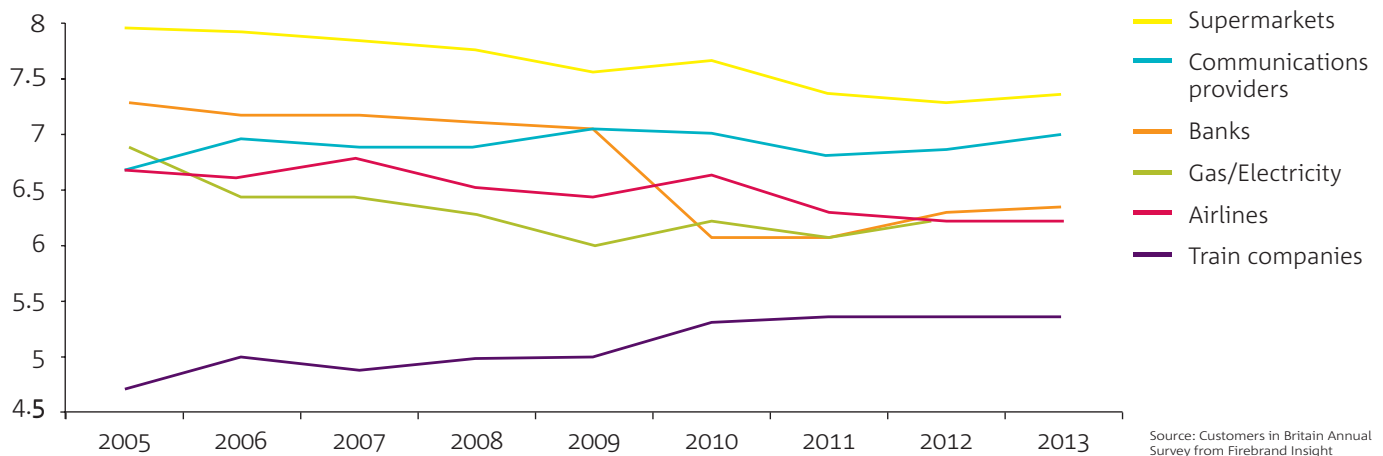
In January 2014, we published a report on the cost and value of communications services in the UK over the last ten years. This found that strong competition has helped drive down real-terms prices across the sectors Ofcom regulates, with the exception of postal and some pay TV services.

At the same time, investment and innovation have delivered new networks and services, and increased quality and choice to consumers. Not only are consumers spending less on their communications services, they are generally getting more for their money. The report also found that consumers said that communications services offered good value for money compared to some other sectors and services.

Average spending per connection on pay TV, landline, mobile and fixed broadband over the last 10 years (figures in real terms)
£ per month (2012 prices)



Consumers' views on value for money of communications services and those in other sectors
Consumer value for money rating (score out of 10)



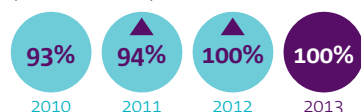


TV

TV viewing
(minutes per person per day)



Digital TV take-up
(% of homes)



Satisfaction with DTV service

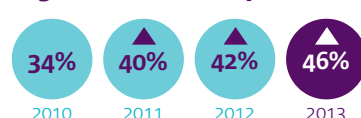


Radio

Radio listening
(per person per day in minutes)



Digital radio take-up

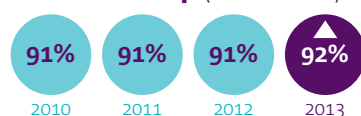


Note – As new information is received previous years' figures are restated and may not match those in earlier reports.



Mobile

Mobile take-up (% of adults)



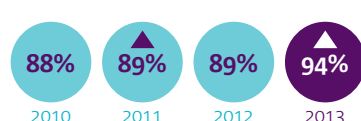
Smartphone take-up (% of adults)



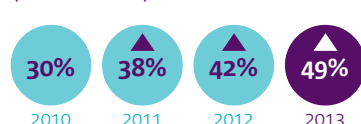
Mobile use
(in billion minutes)



Satisfaction

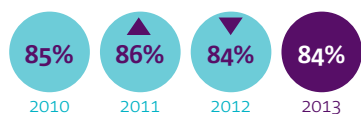


Mobile data take-up
(% of adults)



Landline phone

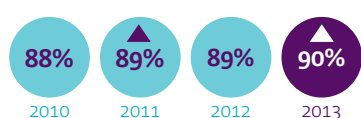
Take-up
(% of homes)



Use
(in billion minutes)

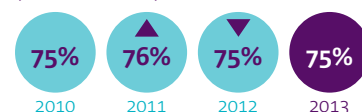


Satisfaction



Internet

Broadband take-up
(% of homes)



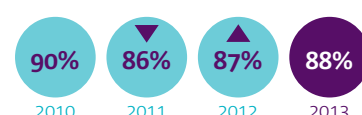
Average broadband speeds
(in Mbit/s for November)



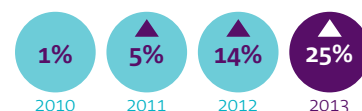
PC Internet use
(average hours per person per month on PC in hours)



Satisfaction with fixed broadband service



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



Post

Use
(volume of addressed letter items in billions)



Value of UK e-retail market
(in £bn)



Progress on delivering against our Annual Plan priorities

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

This principal duty is embodied in our five core purposes, under which sat 13 priorities for 2013/14.

Within the table on pages 13 to 15, for each strategic priority, we have assigned a status to four assessments of progress. The first two focus on the direct impact of Ofcom's own actions. The second pair of questions focuses on the outcomes for consumers and citizens, and typically will take longer to observe. They are dependent not only on Ofcom actions, but also on the actions of many other participants in the markets and industry.

Our first two assessments are concerned with whether we have achieved our plan and whether our action has enabled, or facilitated, the delivery of the interim and final outcome by and for market participants.

We ask:

- Have we done what we said we would do in relation to our programme of work?
- Has it been as effective as we intended it to be?

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

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

Certain priorities and outcomes identified in 2013/14 span multiple years, and have continued into 2014/15.

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

- Value of work budgeted – the expected value of work for the activities as at 1 April 2013, where firm plans were available.
- In-year forecast of value of work – the forecast for the full year as at 31 December 2013.
- Value of work completed – the actual value of work completed to 31 March 2014.

In the year 2013/14 £14.3m of directly attributable costs were incurred on our strategic priority projects.

Ofcom is responsive to new issues, emerging concerns that affect consumers across the UK, and new government requests. Consequently, individual project plans may vary throughout the year, with more resources being invested in some areas and less in others. It is not possible to fully scope all the activity required against each priority at the budget-setting phase. However, our drive to reduce costs and deliver value for money is ongoing. In 2013/14, Ofcom delivered significant budgetary savings, with an annual running cost of £111.6m against a budget of £117.0m.

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Value of work budgeted (£k)	Reforecasted value of work (£k)	Value of work completed (£k)
Core Purpose: Promote effective competition and informed choice								
Ensure effective competition and investment in both current and superfast broadband*	<ul style="list-style-type: none"> We have consulted on a range of issues, including the Fixed Access Market Review, LLU and WLR Charge Controls, and Quality of Service in Access Services Review, in order to promote competition, investment and take up. We published our conclusions in June 2014/15. 	●	●	●	●	4,820	7,339	7,123
						Due to the nature and quantity of the projects in this area we could not plan in detail at the time of setting the budget. In addition we faced increased costs to deliver our commitments due to a higher than expected work-rate on Market Reviews, Mobile Call Termination and responding to appeals against the BCMR.		
Promote effective choice for consumers by ensuring that clear and relevant information is readily available	<ul style="list-style-type: none"> We have published information to improve the transparency of services and markets for consumers and their representatives, e.g. our six-monthly report on broadband speeds research, and quarterly publication of Ofcom complaints data. We issued a range of online guides tailored for consumers. These have been accessed by a growing number of visitors. We continued to monitor the effectiveness of consumer information, including mystery shopping to assess compliance with the broadband speeds code of practice. 	●	●	●	●	755	983	1,062
						We increased the number of projects undertaken in this area over the course of the year in order to ensure coverage of emerging citizen interest. These include, most significantly, Mobile Broadband Performance Measurement.		
Develop and implement policies that will improve the ease of switching between communications providers	<ul style="list-style-type: none"> We have consulted on and published our position on mandating the harmonisation of switching on the Openreach network, with a 'gaining provider led' process. 	●	●	●	●	415	771	613
						Costs have increased due to the higher than anticipated volume of responses to our proposals.		

* Our programme of work was substantially complete at 31 March. However the publication of our conclusions was delayed to May 2014, hence we have rated our performance as amber.

Note: An explanation of the column headers is given on page 12. The value of the budget and of the work completed is based on the direct costs of related activities. Stakeholders are billed in accordance with our Statement of Charging Principles and not solely on the direct cost of an activity.

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

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Value of work budgeted (£k)	Reforecasted value of work (£k)	Value of work completed (£k)
Core Purpose: Secure optimal use of spectrum*								
Timely spectrum clearance in 800MHz and 2.6GHz to enable new awards while mitigating co-existence issues	<ul style="list-style-type: none"> We have completed our activities in the clearance of 800MHz, and the roll-out of services is underway. 	●	●	●	●	459	288	284
						A number of savings across the 14 projects in this area.		
Implement the UHF strategy to enable a potential release of 700MHz for harmonised mobile use	<ul style="list-style-type: none"> We requested inputs on a proposal to make the 700MHz band available for mobile. We expect to publish a Statement on this issue later in 2014/15. 	●	●	●	●	916	1,154	1,177
						The demands and complexity of the project were significantly higher than expected, however some of the adverse impact against the budget was mitigated by cost savings through leveraging internal expertise in lieu of external suppliers and cheaper procurement of external research.		
Support the release of 2.3 GHz and 3.4GHz bands to meet spectrum demand	<ul style="list-style-type: none"> We have published a call for inputs in advance of a consultation in 2014/15 and release of the spectrum in 2015/16. We are consulting on technical coexistence. 	●	●	●	●	552	792	664
						The scope of this project increased in Sept 2013 when it was agreed that Ofcom would release the spectrum to market. We have delivered under the reforecast that accommodated this additional scope.		
Core Purpose: Promote opportunities to participate								
Secure the provision of the universal postal service	<ul style="list-style-type: none"> Following the introduction of the new regulatory regime in 2012 we published our second annual monitoring update. The report noted the significant improvement in the financial performance of the Universal Postal Service and the need for Royal Mail to improve its quality of service. We undertook work on how we would assess efficiency improvements by Royal Mail and published two consultancy reports examining different methodologies. 	●	●	●	●	1,544	1,413	1,393
						Costs were lower in the year as we deferred our plans to develop a cost orientation framework for Post.		
Work in collaboration with Government and industry to promote the widespread availability of superfast broadband	<ul style="list-style-type: none"> We published our annual infrastructure report and the European Broadband Scorecard report for Government. We continue to advise and support the Government in its plans for the roll-out of superfast broadband. 	●	●	●	●	161	177	177

* Costs funded through the Spectrum Clearance and Awards Programme are excluded from this table but are included on page 83 of this Report.

Priority	What we have done	Have we done what we said we would do?	Has it been as effective as we'd intended?	Interim outcome	Final outcome	Value of work budgeted (£k)	Reforecasted value of work (£k)	Value of work completed (£k)
Core Purpose: Protect consumers from harm								
Implement reform of non-geographic numbering to ensure price transparency	<ul style="list-style-type: none"> We have published our policy position on non-geographic call services. The changes will come into effect in June 2015. 	●	●	●	●	136	397	403
						Due to the nature and timing of our activities in this area the projects were not fully scoped at the time the budget was set.		
Protect consumers in a range of priority areas, including silent calls and mid-contract price increases	<ul style="list-style-type: none"> We published research to reveal the extent to which nuisance calls are affecting UK consumers. We have taken action against companies that breach the law, and published a joint action plan with the ICO. We consulted and published our policy position on mid-contract price rises. Our guidance came into effect in January 2014. 	●	●	●	●	324	728	815
						The scope of our activities was extended during the year as the scale of action required in enforcement, policy and technology became apparent.		
Core Purpose: Maintain audience confidence in broadcast content								
Target licensing and enforcement to ensure effective protection for audiences	<ul style="list-style-type: none"> We introduced new General Procedures for the investigation of breaches of broadcast licences and introduced new key performance indicators for our assessment of complaints and completion of investigations. 	●	●	●	●	–	162	190
						Due to the nature and timing of our activities in this area the projects were not fully scoped at the time the budget was set.		
Relicensing of Channels 3, 4 & 5	<ul style="list-style-type: none"> We consulted on possible changes to the licences for public service broadcasters. As a consequence changes were made to ITV and Channel 4. The licences for Channel 3, 4 and 5 were all renewed for a period of ten years. 	●	●	●	●	136	285	315
						Higher than budget due to a greater level of activity than planned including re-consultation on C4 to finalise a position on nations' quotas.		
Develop approaches to future content regulation	<ul style="list-style-type: none"> Our work on the PSB review was put on hold this year, pending a decision on our statutory obligations. This has now been clarified and we have initiated the planning phase of the review. Additional activities relating to content regulation were also undertaken under the Licensing and Enforcement and Channel 3, 4 and 5 relicensing priorities. 	●	●	●	●	144	67	60
						Following confirmation of the requirement to conduct a PSB review, our work this year has been to plan for the project in 2014/15.		

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Progress on delivering against our Annual Plan priorities

We aim to deliver against the objectives set in our Annual Plan priorities.

This section explains how we performed against these priorities and provides detail on our objectives, the actions we took and the outcomes for consumers.

Our objective

Ensure effective competition and investment in both current and superfast broadband

Consumers' demand for broadband services and higher speeds continues to increase. Our aim is to create a regulatory framework that enables competition in current and superfast broadband, thereby ensuring that consumers benefit from a choice of services and providers.

Significant investment in broadband networks over the past decade has led to healthy competition, high consumer take-up and steadily increasing broadband speeds. The deployment and adoption of superfast broadband continues; services are now available to over 73% of premises, and around one in four broadband customers take a superfast service.

However, with the majority of consumers still using current-generation broadband services, we need to ensure that other regulated services, such as local loop unbundling, also continue to promote competition.

What we did

During the year we started our review of the fixed voice, broadband and local access markets. This process was completed in June 2014 with publication of our Fixed Access Market Review and Wholesale Broadband Access Market Review statements.



The Fixed Access Market Review retained many elements of the regulatory approach first introduced as part of our 2010 Wholesale Local Access Market Review. The key element is to give pricing flexibility to operators which invest in new superfast broadband networks. This recognises that the investment remains risky in nature. However, we added some important enhancements to benefit consumers.

We introduced new quality of service requirements – for fault repairs and installation of new lines – on Openreach, which manages access to BT’s telephone network. This will help ensure that Openreach’s performance remains at an acceptable standard to promote downstream competition and benefit consumers.

Additionally, to help promote competition in the superfast broadband market at the wholesale level, we significantly reduced the cost of switching a customer between superfast providers. We also reduced the minimum length of the wholesale contract between BT and the switched customer’s new supplier; from a year to just one month. These changes are expected to flow through to consumers in the form of lower retail prices and easier switching between superfast broadband providers.

We continue to believe that prices of superfast services are constrained by the prices of the copper-based alternative. Our market review led to the retention of charge controls on other regulated services, such as local loop unbundling, an important element given that these form key inputs into the pricing of copper-based broadband services.

Separately, we concluded our review of the fixed voice markets, proposing new charge controls covering wholesale voice services. Our decisions should help ensure the continuation of effective competition between fixed-line communications providers.



We are also consulting separately on imposing a requirement on BT to maintain a minimum margin between its wholesale and retail prices for superfast broadband. The size of this margin affects whether other superfast broadband providers can offer services on a competitive basis to BT.

Outcome

Effective competition has helped push the take-up of fixed-line broadband to 21.7 million in 2013, compared to 20.6 million in 2012.

Within current-generation broadband, the number of unbundled telephone lines exceeded 9 million in September 2013, having passed the 8 million mark in January 2012. Fixed line broadband take-up among SMEs is now at 75%.

At the same time, the deployment and adoption of superfast broadband services continues apace. We estimate that superfast broadband services are now available to over 73% of premises in the UK, compared to 65% a year ago. Over the same period, the percentage of broadband customers taking a superfast service, delivering speeds of 30Mbit/s or more, has increased by seven percentage points, to 22%.



BT is nearing the end of its commercial rollout of next-generation networks to deliver superfast broadband services. Over 19 million premises are now passed, with more than 2.7 million connected.

Competition in superfast broadband service is also increasing, with around 22% of the Openreach customer base now non-BT Retail customers, compared to 15% a year ago.

This year, Virgin Media completed its programme to double customers’ broadband speeds, and announced plans to further increase customers’ speeds by at least 20Mbit/s. Although its 4.4 million broadband customer base represents little change from a year ago (4.3 million), 3.4 million, or 77%, now subscribe to superfast broadband services. This compares to 58% a year ago.

As a result of investment, innovation and the accelerating take-up of superfast services, the UK’s average broadband speeds have been rising. Today, the average fixed-line speed stands at 17.6Mbit/s, a significant increase compared to 12.7Mbit/s a year ago. Meanwhile, our *European Broadband Scorecard*, a report for the UK Government on the UK’s broadband progress, finds that UK consumers continue to benefit from some of the lowest fixed-line broadband prices in Europe.

Our objective

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



Ofcom wants to make sure that consumers get the best choice and value for money from their communications services. In order to help consumers avoid potential pitfalls and make informed choices, we have a broad programme of work to ensure that they have access to clear and reliable information – whether this relates to the cost of making phone calls or to assist in making informed decisions when considering a service or provider.

What we did

Over the past four years we have undertaken a detailed review of non-geographic phone calls. These are calls made to numbers starting 08, 09 and 118, among others. Such non-geographic service numbers have a range of uses, from finding out information, to banking, directory enquiry and entertainment services. Our review found that the market is not working well, with consumers generally not knowing how much calls to these numbers may cost. This can lead to a lack of price competition, reduced access to services and ‘bill shock’.

Under major changes announced in December 2013, from June 2015 the cost of calling businesses and services will be clearer for consumers. The new rules include ensuring that Freephone (080 and 116) numbers are always free, whether from a landline or a mobile. For 084, 087, 09 and 118 numbers, the cost will in future be split: an access provider charge to the phone company and a service charge to the company being called.

We also published research designed to check internet service providers’ compliance with our Voluntary Code of Practice on broadband speeds. The code was introduced in December 2008 to help ensure that consumers are aware of the broadband speed they are likely to get from an ISP, before signing up to a service.

Our mystery shopping research confirmed that consumers are receiving better information on expected broadband speeds, compared with a year earlier. Areas needing improvement were also identified as part of the research, and Ofcom has sought assurances from ISPs that these will be dealt with.

Our broadband speeds research reports compare 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, both by ISP and by technology.

Additionally, we continue to publish quarterly complaints data, revealing which of the major telecoms and pay-TV providers receive the most and least complaints, to help consumers make informed decisions when considering a new service or provider.

During the past year we have published a number of new guides offering advice on key consumer protection issues, and information to help consumers make informed decisions when choosing a service or provider.

These include an ‘Easy Read’ guide to using a mobile phone, information on services to help prevent nuisance calls, and a guide to managing the costs of communications.

Outcome

Our decision on non-geographic calls represents the biggest change for telephone customers in more than a decade. It will not only make prices more transparent, but should also improve competition, restore consumer confidence in such numbers and increase their use.

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

Our research, and the publication of our complaints data, ensure that consumers have access to independent, comparative performance data on service providers in the market. We believe this incentivises providers to improve their performance.

To help consumers make informed choices, and to prevent their being left disappointed or frustrated, it is important that they receive correct and accurate information at the point of sale. Our ongoing monitoring, and identification of areas of improvement, helps to ensure the delivery of such information and furthers ISPs’ communications efforts.

Complaints data, and our satisfaction surveys, both indicate a continued improvement in broadband providers’ performance.

Evidence suggests that consumers are increasingly coming to Ofcom for advice and information. Ofcom received 1.65 million visits to the consumer area of its website during 2013 – up 62% on 2012 and 115% on 2011. Our consumer guides published between April 2013 and March 2014 have been viewed over 40,000 times.



Our objective

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

Well-functioning communications markets require effective processes for switching provider. The ability to change communications provider allows consumers to exercise choice, to buy the service, or combination of services, which best meets their needs, and to switch provider if they are dissatisfied. Conversely, ineffective processes constrain consumer choice, and hence can also be harmful to competition, investment and market entry.

Our research shows that consumers often face difficulties when changing their provider, with an estimated 690,000 or so households having faced problems during the switching process in the past year.



What we did

In February 2012, we published a consultation setting out our proposals to change the processes that are currently used for switching fixed voice and broadband services across BT Openreach's network – 80% of UK broadband and 83% of phone customers use this.

Our research showed that a switching process requiring the customer to contact the provider they are leaving can be difficult to follow, and risks giving too much control to the existing provider. The provider has an incentive to delay, or disrupt, the transfer and can also exert unwanted pressure on customers not to change.

To resolve the various problems identified, we decided that in future consumers need only follow a single switching process – 'gaining provider led' – in which the new provider leads the transfer process on behalf of the consumer.

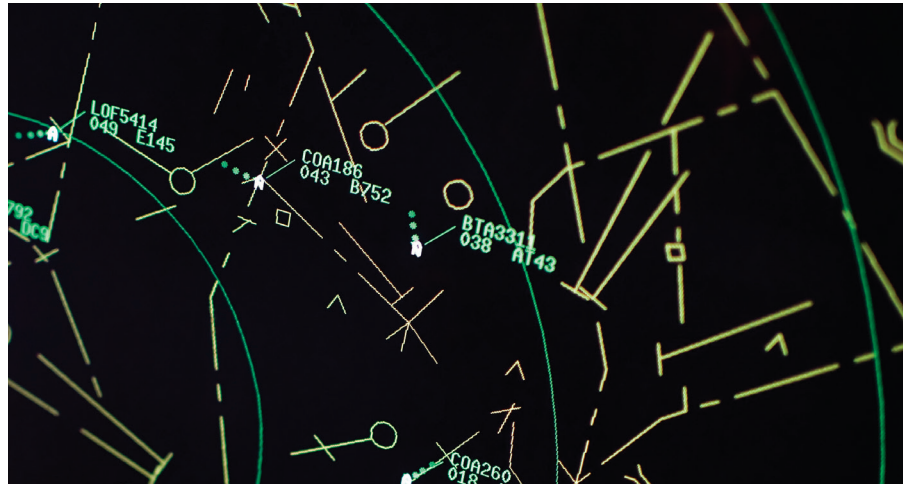
During the year we also developed additional measures to protect consumers during the process of switching. These included procedures to help prevent consumers losing their service during the changeover process and to guard against slamming, where a consumer is switched to a different provider without consent.

Outcome

The single switching process for fixed voice and broadband services across the Openreach network is due to come into effect in 2015.

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

Switching remains a priority for us, and we will continue working to ensure that barriers to switching, including process problems and other potential barriers (e.g. contract terms) are addressed.



Our objective

Timely spectrum clearance in the 800MHz and 2.6GHz bands to enable new awards while mitigating co-existence issues

In March 2013, Ofcom licensed the 800MHz and 2.6GHz spectrum bands to be used for 4G mobile services, which are set to deliver significantly faster mobile broadband to consumers.

However, before mobile operators could make full use of this spectrum, Ofcom needed to ensure that it was cleared of existing users, and that spectrum users in nearby bands could co-exist with their new 4G neighbours. Two key users of adjacent bands were digital terrestrial TV (DTT) and aeronautical radar.

What we did

A high proportion of households in the UK rely on DTT for at least some of their TV viewing via the Freeview service, so the frequency changes necessary to clear the 800MHz band had to be managed carefully.

The government and Ofcom worked together to minimise any potential interference from 4G mobile broadband into DTT reception. The government decided that a consumer help body should be set up by the mobile operators which won the 800 MHz spectrum, to help resolve TV signal interference problems. Following discussions with TV broadcasters, Digital UK and the transmission company, Arqiva, Ofcom, together with the government, successfully secured the early release of frequencies previously used for DTT broadcasting.

The clearance of the 800MHz band was achieved through a combination of transmitter upgrades by engineers at more than 600 sites across the UK, and retunes of TV receivers carried out by viewers themselves.

Similarly, the use of 2.6GHz spectrum by 4G operators required some air traffic control and radar systems in neighbouring frequency bands to be upgraded, in order to avoid interference. This process was successfully completed in autumn 2013.

Outcome

Ofcom's work to help secure an accelerated timetable for the release of frequencies enabled licence holders to launch 4G services five months earlier than originally planned.

Four of the five mobile network operators that won 4G spectrum have now launched 4G services, the exception being the new entrant, Niche Spectrum Ventures Ltd (a subsidiary of BT).

Around five million subscribers now enjoy the benefits offered by superfast mobile broadband, compared to 0.3 million a year ago, with services currently available across over 70% of the UK. The conditions imposed by Ofcom in the 4G auction will make these mobile services available to at least 98% of the UK population (by one operator) indoors, and even more outdoors, by the end of 2017 at the latest. All four of the incumbent mobile operators (EE, Hutchison 3G, Telefonica O2 and Vodafone) have stated plans to deliver such levels of coverage earlier than this.

To date, there have been few reported incidents of DTT interference from 4G signals.

Our objective

Implement the UHF strategy to enable a potential release of 700MHz spectrum for harmonised mobile use

Consumers' demand for internet data – especially mobile data, driven by smartphones and faster networks – is growing rapidly. We believe that consumers will benefit if new spectrum is made available to help meet this demand. The challenge we face is to carefully manage the limited supply of spectrum to ensure that all users have access to an appropriate amount.

Part of this spectrum, the 700MHz frequency band, is currently used for digital terrestrial television (DTT) and programme making and special events (PMSE). It is important that both these services have access to sufficient spectrum to be able to continue to deliver the important consumer benefits associated with them.

What we did

Our work in 2012 led to the publication of our *Ultra High Frequency (UHF) Strategy Statement*, in which we set out our long-term strategy to secure two objectives: to provide more low-frequency spectrum for mobile broadband, and to secure the continuing delivery of the benefits provided by DTT. We said that to achieve this we would:

- support the international process and seek to enable a harmonised release of the 700MHz band for mobile broadband use; and
- seek to ensure that the DTT platform can access the 600MHz band, assuming change of use at 700MHz takes place. We said that this approach would also help secure the ongoing delivery of other services sharing spectrum with DTT, such as wireless microphone links and new services based on white space technology.

The UHF Strategy Statement also set out our intention to award a licence for two temporary DTT multiplexes that will operate in the 600MHz band.

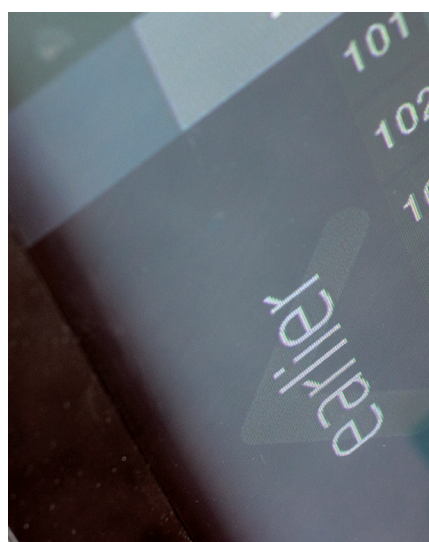
In May 2014, we published a consultation on the future use of the 700MHz band, including a detailed assessment of the costs and benefits associated with a potential change of use of the band.

Alongside the 700MHz band consultation, we published a discussion document on the future of free-to-view television. This forms part of our continued engagement with industry and government on issues around the potential upgrade path for free-to-view TV services, and the long-term future for DTT and alternative TV distribution technologies.

Whether, how and when any change of use of the 700MHz band might take place forms part of an ongoing international debate. We have therefore been actively involved throughout the year in international spectrum planning and harmonisation discussions.

Outcome

A range of new high-definition TV services have been launched on the recently-licensed 600MHz multiplexes, offering a wider choice to consumers. New channels include BBC Four HD,



BBC News HD, CBeebies HD and Al Jazeera English HD. Further services may start operating using the remaining capacity of the temporary multiplexes. This increases consumer choice and is likely to play a role in promoting interest in HDTV programming on the DTT platform.

Ofcom is working with the PMSE sector to understand its future needs to help ensure that enough alternative spectrum is available for audio applications for these services to continue to thrive. Several potential bands have already been identified.

No decisions have yet been made regarding the future use of the 700MHz band in the UK and we welcome stakeholders' feedback on our proposals. Our work in this area is geared towards securing an optimal outcome for UK citizens and consumers and we expect to make a decision on the future use of this band in late 2014 or early 2015.

Similarly, our ongoing international engagement in debate on the future of the band will help ensure that any potential programme of change can be delivered in a manner, and at a time, that maximises consumer and citizen benefits.





Our objective

Support the release of 2.3GHz and 3.4GHz bands to meet spectrum demand

Spectrum is a finite and valuable resource. The advent of smartphones over the past few years, and the launch of 4G services this year, have led to a material increase in the volume of data carried over mobile networks. Indeed, industry forecasts suggest that demand for data generated by wireless and mobile devices in 2030 could be 80 times higher than in 2012.

Such rapid growth in demand is set to place huge demands on the UK's wireless infrastructure.

To help meet these demands, the government announced in 2010 that at least 500MHz of public sector spectrum below 5GHz would be released by 2020, including a portion for mobile broadband.

What we did

Over the course of the year we undertook specific actions to support the release of this spectrum, including technical analysis to identify and resolve potential co-existence challenges between new users of the spectrum and existing users of adjacent spectrum. This was set out in our consultation document published in February 2014.

In September 2013 the MoD announced that Ofcom would be made responsible for the award of 190 MHz of spectrum across the 2.3GHz and 3.4GHz bands, for civil use. This is equivalent to around three-quarters of the 800MHz and 2.6GHz spectrum auctioned by Ofcom in January and February 2013.

In October 2013, we set out our initial thinking on the process to award the released spectrum. We invited stakeholders to comment, and to express any interest in acquiring an allocation of these frequencies. We were particularly interested in understanding the likely use of the spectrum, and to receive information to help us design the most appropriate means of awarding it. Using the responses we received, we have started considering the design of the award, and expect to consult on this during summer 2014.

Outcome

We plan to award licences for use of the released 2.3GHz and 3.4GHz frequencies as soon as is practical. We plan to do this during the 2015-16 financial year.

Our initial view, based upon how spectrum bands are currently being harmonised across European countries, is that the bands are likely to be attractive to companies wishing to deliver 4G wireless broadband services.

As well as easing anticipated capacity issues over the next decade, the use of these bands for 4G services across the UK would help enable the continued development of a dynamic, innovative and competitive 4G market, with associated benefits to consumers in respect of prices, quality of service and value for money.

Our objective

Secure the provision of the universal postal service

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

Ofcom's primary duty in relation to postal regulation is to carry out its functions in a way that it considers will secure the provision of a financially sustainable and efficient universal postal service that meets the needs of users. Where, in the light of the available evidence, we consider that such a service is threatened we have the powers to take regulatory action to secure it where necessary and appropriate.

What we did

In the light of our legal duties, we have continued to monitor, and report on, important areas of the postal market, such as the financial sustainability of the universal service, Royal Mail's performance, particularly with respect to the quality of universal services and its ability to improve efficiency, and the effect of competition in the market.

We undertook work to determine how we would assess what would constitute a reasonable rate of efficiency improvement by Royal Mail. The approach we take is an important factor, not just for assessing whether regulatory intervention is necessary to secure the continued provision of the universal service, in the light of market developments including end-to-end competition, but also in considering the success of the regulatory regime for post more broadly.



As part of this work, we published two consultancy reports examining the advantages and disadvantages of different methodologies for assessing a reasonable rate of efficiency improvement, and the efficiency programmes and cost savings made in some other European countries.

Our second annual monitoring update, published in November 2013, showed that the profitability of the universal service had further improved, and is moving closer to the 5%-10% range we consider to be consistent, in the longer term, with a reasonable commercial rate of return for a financially sustainable universal service. However, we also noted that Royal Mail missed some quality of service targets (including the requirement that 93% of First Class mail should be delivered the next day). We wrote to Royal Mail to underline our expectation that it improve important aspects of the service it provides to postal users.

In April 2014 we announced plans to review the pricing requirements of the universal service provider access condition. The condition (which we put in place in March 2012) requires Royal Mail to provide access services on fair, reasonable and not unduly discriminatory terms. We plan to consult on this over the summer and aim to complete the review by the end of 2014.



Outcome

The new framework that we put in place has helped improve Royal Mail's financial footing while ensuring that stamps remain affordable to users of the service. During 2013/14 Royal Mail's financial position improved. The government privatised the majority of the company in October 2013.

We continue to monitor market developments, and while this does not currently point towards the need for a full review of the regulatory framework, it does suggest that Royal Mail has work to do to improve important aspects of the service it provides to postal users. We continue to consider that it is not currently necessary to impose any additional regulatory conditions on end-to-end operators to secure the continued provision of a universal postal service. However, we will continue to monitor the competitive environment, and we remain committed to undertaking a review of the impact of end-to-end competition on the universal service towards the end of 2015 (if one has not already been started as a result of the monitoring regime).

Our work to safeguard the provision of a universal service continues.

Our objective

Work in collaboration with government and industry to promote the widespread availability of superfast broadband

The UK is currently in a phase of significant investment in new communications networks and technologies. As a result, the communications infrastructure is changing rapidly, with strong growth in the availability and take-up of superfast broadband.

As of June 2013, 73% of UK premises had access to superfast broadband networks that support download speeds of at least 30Mbit/s. The government's aim is to extend the reach of these networks to 90% of premises in 2016, and to ensure that virtually all homes across the UK have access to a broadband service offering speeds of 2Mbit/s or above. It also has a stated ambition that the UK should have the best superfast broadband network of any major European country by 2015.

What we did

Ofcom has a duty to report every three years to the Secretary of State for Culture, Media and Sport (DCMS) on the state of the UK's communications infrastructure. We published our first Infrastructure Report in November 2011, with subsequent annual updates.

In March 2014, we published our second *European Broadband Scorecard* report. This examines the coverage, take-up, use, price and choice of fixed and mobile broadband services in the UK. The report helps measure progress towards the Government's stated aims in respect of superfast broadband, and benchmark the UK's broadband infrastructure against the rest of Europe.

Over the past year Ofcom has continued to play an active role in advising and supporting the Government to help achieve its objectives. The Government made an initial funding allocation of £530m available to Broadband Development UK (BDUK) as part of its intervention into superfast broadband markets, particularly in the final third (rural areas), a programme that Ofcom supports. Additional funding of £250m has now been allocated to extend the coverage of superfast broadband from 90% to 95% by 2017. Beyond this, options to extend coverage to 99% are currently being explored with industry.

Outcome

Our research found that superfast broadband networks were available to 73% of UK premises in June 2013, up from 65% in June 2012. Progress towards the government's initial target of 90% availability continues. BT's fibre network currently (31 March 2014) passes over two-thirds of premises, compared with 57% in June 2013, with a target of exceeding 90% of premises passed as the company rolls out the BDUK contracts it has won.

Our March 2014 European Broadband Scorecard showed that the UK leads the EU's five biggest economies on most measures of coverage, take-up, use and choice for fixed broadband. The report found that the UK now leads within the EU5 (France, Germany, Italy, Spain and the UK) on the availability and take-up of superfast broadband. A year ago, the UK ranked third and second within the EU5 on availability and take-up.

Our research also found that the number of UK connections having a fixed broadband speed of less than 2Mbit/s continues to decline. The large majority of consumers receiving 2Mbit/s or slower now have the option to switch to superfast broadband services.

Separately, for those unable to receive superfast speeds via a fixed network, the ongoing roll-out of 4G networks in the UK should help the government deliver on its superfast ambition. All four of the incumbent mobile operators (EE, Hutchison 3G, Telefonica O2 and Vodafone) have stated plans to make superfast mobile broadband services available to at least 98% of the UK population indoors by the end of 2017 at the latest, if not before.

The progress on availability of superfast broadband across the UK is encouraging. At the same time, however, the benefits are not shared evenly across the UK. There is more work needed to deliver wider availability of superfast broadband, particularly in rural communities but also in some locations within cities. There is also more progress to be made to ensure that consumers receive consistently high quality of service, including faster line repairs and installations for broadband and telephony.



Our objective

Protect consumers in a range of priority areas, including silent calls and mid-contract price increases

As the communications landscape evolves, new forms of potential harm for consumers emerge. Our overall approach to consumer protection is to focus on those issues that generate a significant scale of consumer harm and where we can address the harm. We look to take firm enforcement action that is effective and proportionate, including fines, where necessary.

We identify key areas of consumer harm through our monitoring and enforcement programmes and complaints received by our Customer Contact Team.

Two key areas of consumer harm were a particular focus for Ofcom during the past year: silent and abandoned calls and mid-contract price increases.

Nuisance calls can cause annoyance, inconvenience or anxiety for consumers. Ofcom and the Information Commissioner's Office (ICO) share responsibility for enforcement in this area. The ICO takes the lead in tackling live and recorded telesales calls as well as spam texts, while Ofcom addresses abandoned and silent calls.

We were also concerned that mid-contract price rises were having unfair effects on consumers. Customer complaints to Ofcom revealed that many consumers were not made aware of the potential for price rises in what they believed to be fixed contracts.

What we did

Ofcom has powers to take enforcement action against those companies who are in breach of our guidelines on abandoned and silent calls. Formal investigations are currently ongoing in relation to Redress Financial Management Ltd and Ageas 50.

Ofcom also takes informal enforcement action against organisations, the result of which can be that companies are brought into compliance more quickly without having to pursue formal action.

In the first three months of 2014, for example, we took informal action against 20 companies. As a result, complaints about telephone numbers used by nine of these have stopped, while complaints have fallen significantly for four. We continue to gather evidence in seven cases, which may lead to formal investigations.

In order to help tackle the wider issue of nuisance calls, we published a joint action plan with the ICO in July 2013, representing a formal commitment to work in partnership on a series of initiatives to address the problem.

In March 2014, we provided an update on the progress made and set out key areas of focus for 2014.

A crucial area of work has been to improve call-tracing processes to track down those responsible for nuisance calls. Ofcom has worked with an industry standards setting body (NICC) on a new call tracing standard that, following a successful trial, will now be put into practice by industry and Ofcom.

Empowering as many consumers as possible with the knowledge to help protect themselves against nuisance calls and messages is also a key priority for Ofcom. A dedicated advice area on the Ofcom website, which is continually updated with the latest information, has been accessed over 300,000 times.

We have also worked with government, both directly and through a series of round-table discussions, on a range of nuisance-call issues, and contributed to the Culture, Media and Sport Committee and All-Party Parliamentary Group inquiries into nuisance calls.

In January 2013, we launched a consultation on how better to protect consumers from unexpected mid-contract price increases for mobile, landline and broadband services.

We published our decision in October, with guidance on how communications providers should interpret and apply current telecoms sector rules in relation to mid-contract price increases. Our guidance, which applies to contracts entered into from 23 January 2014, sets out that if a provider increases the monthly subscription price (or prices) agreed by the customer at the point of sale, the customer should be given at least one month's notice of the increase and be allowed to exit the contract without penalty.

Outcome

Tackling nuisance calls and messages remains a complex and challenging issue, requiring a coordinated effort from Government, regulators, industry and consumer groups.

We continue to take targeted enforcement action against organisations responsible for silent and abandoned calls, and are also reviewing our enforcement guidelines. The review will explore whether there is scope for improving these, and will look at any relevant developments in call centres' practices and technology.

As part of the Government's nuisance calls action plan, Ofcom will sit as a member of a new taskforce to look at the important issue of consumer consent to being contacted for marketing purposes.

We are progressing our joint action plan with the ICO and will report on further progress by the end of 2014. Further research will also be undertaken to help measure the extent of nuisance calls and inform our policies and priorities in this area.

Our guidance aimed at protecting consumers in relation to mid-contract price rises means consumers are now given a fairer deal. We will monitor providers' application of the guidance, and complaints, to assess the effectiveness of our new approach. Additionally, we plan to conduct research to assess the transparency of contractual information given to customers by providers at the point of sale.



Our objective

Target licensing and enforcement to ensure effective protection for audiences

Ofcom licenses around 2,000 television and radio broadcasting services. Our job is to make sure that broadcasting licences are issued to people who are suitable to hold them, and that audiences are appropriately protected – for example from potentially harmful content on those services – through our enforcement of broadcasting standards.

The assessment of complaints about, and investigations into, potential breaches of broadcasters' licences plays a crucial role in ensuring that audiences are appropriately protected.

To ensure that the licensing and enforcement regime is as effective as possible, and to provide ongoing assurance to audiences, we set out to review our approach in this area.



What we did

Our review covers how we license broadcast services and enforce relevant regulatory requirements – including both general licence conditions and content standards – on those services.

Ahead of the review, we had followed an unpublished procedure when investigating breaches of broadcasters' general licence conditions, whereby we notified the relevant broadcaster of the procedure at the start of an investigation.

Following consultation, in December 2013 we introduced new General Procedures for investigating breaches of broadcast licences, to:

- formalise the procedures and ensure transparency, consistency and fairness in our decision making; and
- provide clarity to stakeholders on the procedures we will usually follow when conducting investigations of this type.

We also introduced new Key Performance Indicators for Ofcom's assessment of complaints and completion of investigations in this area.

Furthermore, we undertook a comprehensive scoping assessment of our statutory powers and processes in this area, with a particular focus on how we issue broadcast licences and enforce both general licence and content standards requirements on licensees.

Outcome

Our review will create an effective approach to regulation, enabling us to better identify and respond to potential compliance failures, with a particular focus on those services which broadcast content that poses the greatest potential risk of harm to audiences.

Our scoping assessment has led to an increased focus on risk-based prevention and detection of compliance issues, whether relating to general broadcast licence conditions or content standards.

This should help ensure we tailor our interventions and target our resources on those licensed services which are likely to pose higher potential compliance risks.

Work in this area is ongoing. We are developing, and plan to implement, new processes that will provide more effective and continued protection for audiences.

We will inform licensees in advance of changes to our processes, and plan to publish a statement at the end of 2014 providing all stakeholders with an overview of this work.

We also intend to commence a long-term strategic review of our approach to licensing and enforcement, seeking to identify legislative and non-legislative vehicles for long-term reform.

Our objective

Relicensing Channels 3, 4 and 5

Under the Communications Act 2003, Ofcom has a number of duties in relation to the renewal of broadcast licences relating to Channels 3, 4 and 5. With the current licences due to expire at the end of 2014, our work to manage the renewal process started in 2012.

For Channel 3 (ITV, STV and UTV) and Channel 5, it is important for Ofcom to ensure, so far as possible, that the public service broadcasting obligations placed upon the licence holders not only provide benefits to TV viewers across the UK, but are also financially sustainable over the course of the new licence period.

For Channel 4, we have to consider whether its licence conditions remain appropriate to its specific public service remit (to demonstrate innovation and creativity as well as to experiment), and the appropriate term for which its licence should be renewed in order to secure financial sustainability.

What we did

During spring 2012, we reported to the Secretary of State on the renewal of the public service broadcasting licences held by ITV, STV, UTV (collectively Channel 3) and Channel 5.

After the Secretary of State's decision in November 2012 not to block renewal, we consulted during 2013 on possible changes to the terms of the licences and the financial terms under which to renew them.

Following consultation, we decided that ITV's programming obligations should be altered to require more localised news services across England, to benefit viewers. As a result, ITV now provides regional news services in 14 separate news regions, compared to eight previously.

In all but three of ITV's licences, the requirement for a weekday regional news bulletin in the early evening was reduced from 30 minutes to 20 minutes. However, ITV plans to retain the length of the bulletins at 30 minutes, including ten minutes of out-of-region news stories.

Additionally, we decided to create separate licences for Wales, and for the West of England. In the Border region, which straddles the border between England and Scotland, we required the licensee to enhance its regional news programming, and to provide additional current affairs programming for viewers in the Scottish part of the region. We maintained the existing regional content obligations in the two other Channel 3 licences for Scotland, and the Channel 3 licence for Northern Ireland.

No changes were made to the Channel 5 programming obligations.

As part of the renewal process, a decision was made to increase Channel 4's out-of-England original production quota for (programme commissions by hours and spend, set at 3% in 2010) to a minimum of 9% of original production by 2020.

We also decided it was appropriate to renew the Channel 4 licence for a further ten-year period, the same duration as the new Channel 3 and 5 licences.

Outcome

The renewal of the Channel 3 and 5 licences marked an important step in securing a sustainable future for commercial public sector broadcasting in the UK over the next decade.

The changes to the regional news obligations of Channel 3 licences in England mean that viewers in many areas will receive TV news that is more relevant to their local area. We believe that the benefits to viewers of a more localised news service will more than offset the reduction in the amount of regional news that ITV is required to provide under its new licences.

Similarly for Channel 4, we believe that our decisions and the business certainty they provide will underpin further investments in distribution and content to help safeguard the sustainability of Channel 4 over the next ten years, helping the broadcaster deliver on its licence obligations.





Our objective

Develop approaches to future content regulation

As content is distributed to an increasing number of devices, the regulatory demands of securing a healthy and mixed content ecosystem are constantly shifting.

We see a number of challenges in this area. Changes in technology, including the emergence of mass-market IPTV services in the UK, will challenge the existing regulatory structures, which were designed predominantly for linear broadcasting.

Hence we continually review our regulatory approaches to content regulation and how these should further evolve to remain fit for purpose and proportionate to serve the interests of citizens and consumers.

What we did

Ofcom is required by statute to carry out a Public Service Broadcasting Review every five years. Planning for this latest review had been delayed by uncertainty on whether the requirement would remain, but upon receiving the clarity required we established a plan of action. This commenced with the publication of our Terms of Reference in May 2014.

The core focus of the Review will be on the public service television channels operated by the BBC, ITV, Channel 4, Five and S4C. Following changes made under the Digital Economy Act, the Review will also include the portfolio channels and non-linear catch-up services offered by the PSBs, as well as assessing the degree to which other broadcasters and content providers have contributed to the delivery of the PSB objectives.

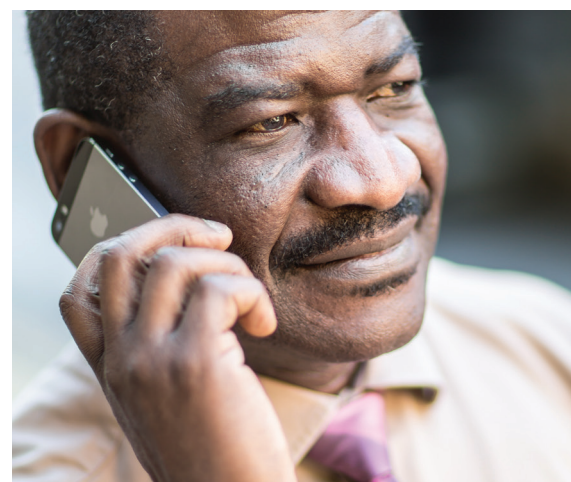
We plan to publish a consultation document in the autumn of 2014.

Outcome

In a world of increasing choice of programmes, platforms and services, keeping PSB relevant to large audiences and making it available where consumers want it are critical challenges.

Our work in this area is designed to meet the challenges faced by PSBs while also helping deliver appropriate minimum levels of protection and assurance for audiences across linear broadcast television and VoD.

The constantly changing nature of the marketplace makes it essential that we review our regulatory approach to content regulation on a continuous basis.



Previous years' Annual Plan priorities

As communications sectors develop and consumers' needs change, so does the focus of our key priorities, each year. However, in 2013/14 we remained focused on a number of issues from 2012/13.

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

In 2010 we published our Pay TV Statement, setting out our decision under section 316 of the Communications Act that Sky should be required to offer to wholesale Sky Sports 1 and 2 (SS1&2) to other pay TV retailers. The decision reflected two concerns: (a) that Sky was restricting wholesale supply of its SS1&2 channels in negotiations with rival pay-TV retail platforms; and (b) that entrant pay-TV retail platforms could not make a profit at the rate-card price for SS1&2.

Our decision was appealed to the Competition Appeal Tribunal (CAT) by various parties. In 2012 the CAT decided our decision should be set aside, based on an analysis of whether Sky had actively restricted supply of SS1&2 in negotiations. The CAT did not directly consider the rate-card issue, but decided it was not necessary to do so as Sky might offer penetration discounts to the rate-card under commercial negotiations.

The CAT's decision was appealed to the Court of Appeal by BT, and the appeal was supported by Ofcom. In February 2014 the Court of Appeal issued its judgment. It found that the CAT had failed to interpret correctly the Ofcom decision, that it had not dealt with the rate-card and penetration discount issues, and that its reasons for not dealing with them were inadequate. It therefore found that the CAT had failed to deal with the matter "on the merits" and its decision to set aside the wholesale must-offer was based on an incomplete set of conclusions. It ordered the case to be remitted back to the CAT.

The Court of Appeal also rejected cross-appeals from Sky and the FA Premier League which argued that Ofcom did not have jurisdiction under section 316 to regulate competition in broadcasting at the retail level of the market. The Court of Appeal clarified that section 316 allows Ofcom to impose conditions to ensure fair and effective competition in the wholesale and retail provision of broadcasting services to consumers generally.

We welcome the Court of Appeal's decision and continue to monitor the market to establish whether further action may be required to promote competition for consumers. In this regard, we have announced plans to review the wholesale must-offer placed on Sky Sports 1 and 2.

Develop a future-looking spectrum policy work programme taking account of market developments and future demand for spectrum

Progress on this priority is ongoing and is encapsulated within our spectrum work described on page 35.

Our ongoing responsibilities and the resources we manage

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

Consumer protection: ensuring communications markets work well for consumers

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

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

Ensuring high quality services and value for money in the communications sector

In January 2014, we outlined a major programme of work to ensure that consumers receive value for money and a good quality of service from their communications providers.

This work has been informed by findings from our *Customer Experience Report 2013* and its accompanying report analysing price and quality trends during the ten-year period that Ofcom has been regulating UK communications services.

These findings revealed that, over the past decade, consumers have benefited from significant reductions in prices across most communications services and that the UK compares favourably against international comparators.

At the same time, consumers say that landline phone, broadband, mobile, and pay-TV compare favourably on value for money relative to other services. They are spending less but receiving more.

Our consumer agenda for 2014 is focused on ensuring that the market works to deliver further improvements in the value and quality of communications services, and ensuring that consumers can make informed purchasing decisions.

This work (some of which is covered in more detail in other sections of this report) includes:

- ensuring consumer-friendly and efficient switching processes;
- ensuring swifter landline and broadband installations and fault repairs;
- assessing whether key communications services are affordable;
- protecting consumers from harm through enforcement action; and
- publishing information and advice to help consumers make informed choices about services, products and providers.

We are also leading, or supporting, initiatives to ensure good mobile coverage and high quality service, as part of a five-point plan launched in November 2013. As part of this, we will work with operators to improve the information we make available to consumers.

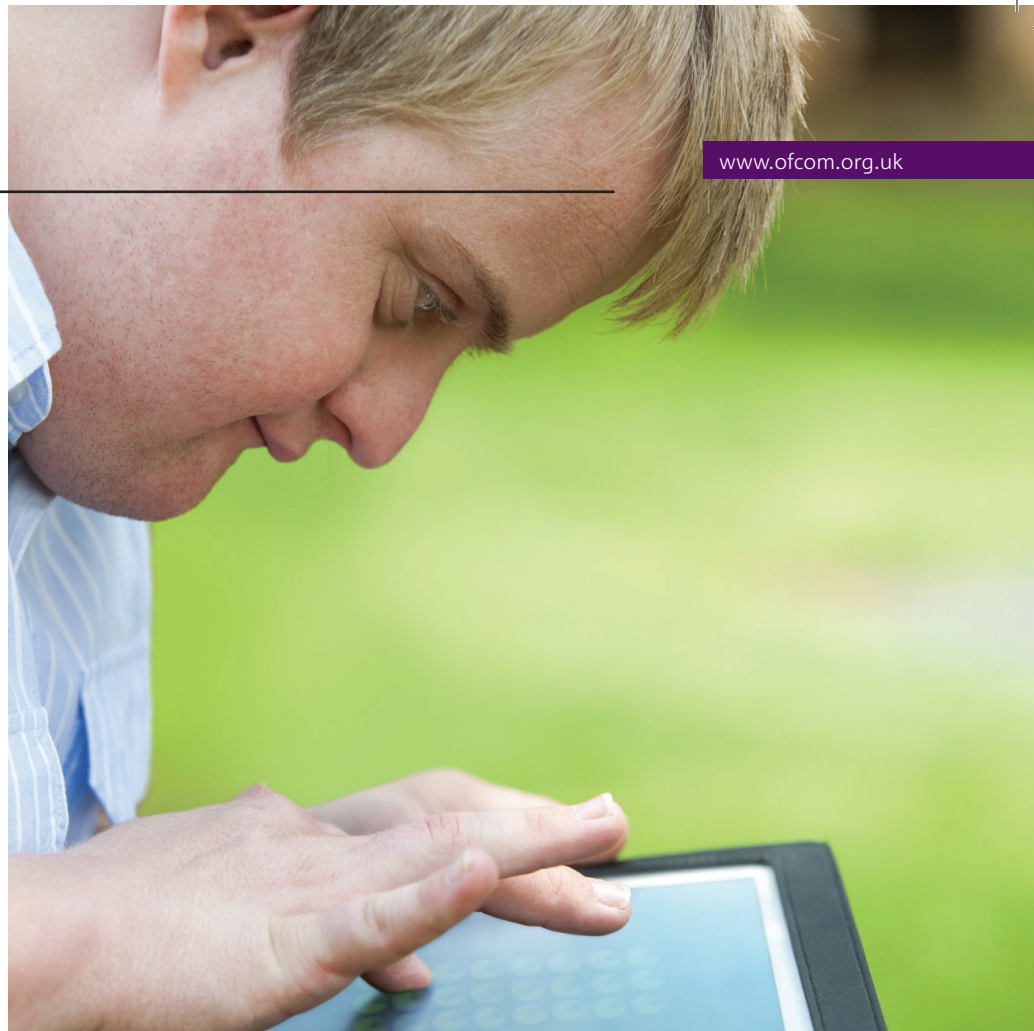
We plan to publish research later this year on the average mobile broadband speeds received by 3G and 4G customers.

Delivering an improved experience to disabled users of communications services

During the past year, Ofcom has progressed a number of projects to deliver an improved experience to disabled users of communications services.

Next-generation text relay

Rules put in place by Ofcom to protect the interests of disabled consumers required that a next-generation text relay service must be made available by all landline and mobile providers from 18 April 2014. Relay services enable people with hearing and/or speech impairments to communicate with others through telephone or textphone equipment or other devices such as PCs and tablets. A relay assistant acts as an intermediary to convert speech to text and vice versa for the two parties.



The enhanced text relay service is required to deliver improvements to users, enabling them to have faster, more fluent conversations, and to use a variety of devices to access the service – including easier use of text relay on the move via smartphones and tablets.

Ofcom was very disappointed that the next-generation text relay service, developed by BT, was not launched in time to meet the long-standing deadline.

BT informed Ofcom that its testing of the new service revealed technical problems relating to the connection of emergency calls. Access to emergency calls is a critical factor underpinning Ofcom's approval of any next-generation text relay service.

We are working to ensure that BT, with any necessary co-operation from the rest of industry, does what is needed to deliver a fully operational service as soon as possible. We will also be investigating the circumstances behind the delay.

Subtitles audit

More than a million people with hearing impairments use subtitles to watch television. While pre-prepared subtitling is generally of good quality, viewers have made clear that there are continuing problems with the speed, accuracy, synchronisation and presentation of live subtitles.

Ofcom therefore decided to undertake regular audits of the quality of TV broadcasters' live subtitles to help improve the service for viewers with hearing impairments.

Under measures that we announced in October 2013, broadcasters are required to measure the quality of their subtitling on live TV programmes – speed, accuracy and latency – every six months, for two years.

Samples of live subtitling from broadcasters provided in the first audit report showed that the median

latency of subtitles (5.6 seconds) – the time between speech on screen and the subtitle appearing – exceeded the recommended guidelines (maximum 3 seconds). The report also showed that accuracy, another key measure, was variable but generally good, and that all samples from the live programmes sampled met the current guidelines for maximum speed.

We are committed to publishing these data on a regular basis in order to encourage broadcasters to address those aspects where quality could be improved.

We have issued copies of the guides to every social services director in the UK and have also secured support from organisations, including Mencap and the National Autistic Society, for help with distributing the guides to those people who will benefit most.

Increased protection for rural post boxes

Ofcom sets specific criteria on the location and density of post boxes to ensure Royal Mail meets the reasonable needs of UK postal users.

In June 2013 we introduced new criteria for post boxes, to apply nationwide for the first time.

As a result of this decision, rural communities are now afforded greater protection against the removal of their local post boxes.

The requirements under the new nationwide criteria specify that:

- there must be a post box within half a mile of at least 98% of 'delivery points' nationally; and
- for the remaining 2% of delivery points, Royal Mail must provide sufficient post boxes or other means of access to the universal service (e.g. collection on delivery) to meet the reasonable needs of those users, having regard to the costs and operational practicalities of doing so.

Ensuring consumers' rights to effective redress

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

Ofcom requires all providers to have complaints handling procedures that conform to the Ofcom-approved Code of Practice for Complaints Handling. All communications providers must also be members of an Ofcom-approved alternative dispute resolution (ADR) scheme, which acts as an independent middleman between consumer and provider to resolve disputes. Disputes that have not been resolved within eight weeks, or sooner, if the provider sends its customer an acknowledgment of a 'deadlock', may be eligible for ADR.

Ofcom has an active monitoring and enforcement programme to assess communications providers' compliance with Ofcom's complaints handling requirements (covered by General Condition 14.4) and to ensure that providers are making consumers aware of ADR. As a result of evidence gathered as part of this programme, we have opened separate investigations into two companies, Hutchison 3G Limited (trading as Three) and EE Limited (trading as EE, Orange and T-Mobile), to examine whether there are reasonable grounds for believing that these companies have failed to comply with these obligations. These investigations are ongoing.

Tackling mis-selling of landline telephone services

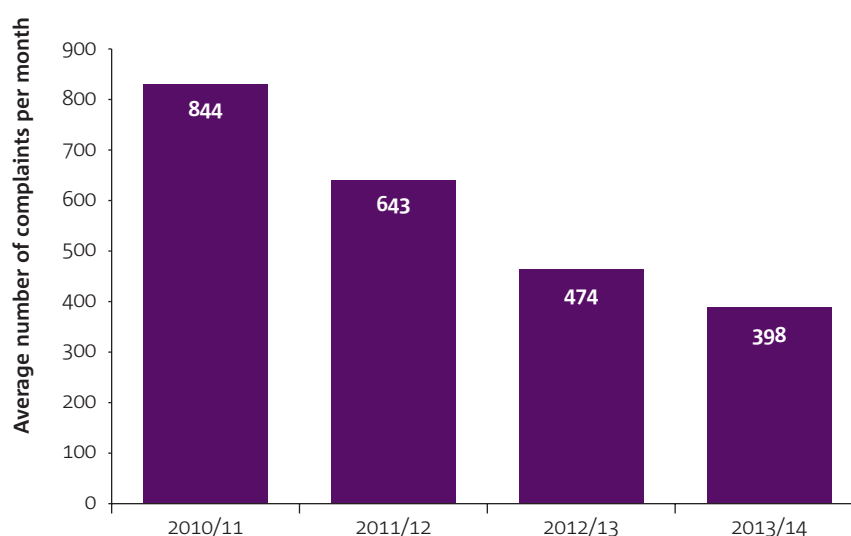
Ofcom is committed to ensuring that consumers are protected from mis-selling of landline telephone services. This includes 'slamming', which happens when a customer is switched to another provider without their express knowledge and/or consent.

We have an open monitoring and enforcement programme on landline mis-selling. As part of this programme we monitor allegations of mis-selling and look to identify communications providers whose sales and marketing activities may require further investigation. These investigations, and our informal engagement with communications providers, allow us to take action, where necessary, to protect the interests of consumers.

As shown in Figure 1, we continue to see a positive reduction in overall complaints about fixed-line mis-selling, from a peak of over 1,000 in June 2010.

In June 2013, we concluded an investigation into Supatel Limited for its contravention of the prohibition against 'slamming' in General Condition 24. Ofcom fined Supatel £60,000 and required the company to compensate affected consumers for any charges they may have had to pay as a result of being slammed. In March 2014, we opened an investigation into Universal Utilities Limited's (trading as Unicom) compliance with GC24.

Figure 1: Complaints to Ofcom about fixed-line mis-selling



Protecting consumers against unexpectedly high bills

Ofcom has continued working to reduce the level and impact of unexpectedly high bills (UHBs) experienced by mobile contract consumers. The steps operators have taken as a result of our engagement with them, along with work to increase consumer awareness of how to avoid a UHB, appear to be having a positive effect.

There has been a notable reduction in the number of UHB complaints received by our Consumer Contact Team (CCT) and consumer research from March 2013 indicates a decline in the overall proportion of consumers experiencing UHBs, along with a drop in the average level of harm experienced.

Work during the past year has focused on ensuring that operators comply with consumer protection measures in the EU Roaming Regulation; encouraging operators to adopt or improve measures to help reduce UHBs; publishing new consumer guides on using data abroad; and a guide to help parents who are looking to buy their child a new mobile phone or tablet.

Ofcom continues to have particular concerns about UHBs caused by lost/stolen phones. Having raised this issue with the Department for Culture Media and Sport (DCMS), we were pleased to see the Government committing to work with operators to introduce a monetary cap on customers' liability for usage charges associated with a lost or stolen mobile phone. We will continue to play a full part in these discussions.

Content and standards in broadcasting

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

TV and radio licensing

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

In December 2013, we published new General Procedures for investigating breaches of broadcast licences.

The procedures ensure transparency, consistency and fairness in our decision making, and provide clarity to stakeholders on the procedures we will usually follow when conducting investigations of this type.

Licensing local TV

This year Ofcom continued licensing local TV services, advertising licences for 25 new channels across the UK. The local TV multiplex licence (to run the transmission network) was granted and the first local service launched in Grimsby (Estuary TV) in November 2013. Two further services have launched, in Norwich (Mustard TV) and London (London Live). A final phase of local TV licensing is planned and Ofcom intends to advertise the remaining local licences shortly.

Community radio

Ofcom continues to license new community radio services. In the past year five new services have been awarded licences for locations in Northern Ireland, and a further five in the north-east of England, Cumbria and the Yorkshire Dales. Over 200 stations are already broadcasting around the UK, bringing community-focused output, opportunities for volunteering, and community benefits such as training to the communities they serve.

Broadcasting complaints and investigations

Audience complaints about broadcasters' possible breaches of their obligations play an important role in ensuring that viewers and listeners are appropriately protected. Ofcom assesses each complaint it receives against the Broadcasting Code, or other relevant code or licence condition, to decide whether it raises issues that may require further investigation. During the past year, Ofcom assessed 12,774 complaints about broadcasting standards or licence conditions (down from 16,151 in the previous year), and 241 complaints about unfairness and/or unwarranted infringements of privacy (compared to 183 in the previous year). See pages 116 and 117 for further details.

Protecting under-18s

Ofcom has a statutory duty to protect those aged under 18 in relation to broadcasting. This is one of our most fundamental duties. Our Broadcasting Code contains a number of rules to protect children from unsuitable programmes, including rules about the television watershed at 9pm.

Protecting children and upholding the watershed

As part of its continued work to enforce the watershed, Ofcom has taken action against a number of broadcasters for broadcasting content before the watershed that was unsuitable for children.

In June 2013, Ofcom imposed a fine of £10,000 on CSC Media Group Limited for broadcasting a music video at 20:40 that featured sexual content, nudity, the most offensive language and illegal drug use.

Pre-watershed violence

In the past year in particular Ofcom's work has focused on protecting children from inappropriate violence on screen.

In August 2013, Ofcom found Channel 4 in breach of the Broadcasting Code for showing a fight scene which ended with a character being pushed into the path of a high speed train, in an episode of *Hollyoaks* at 18:30.

In January 2014, Ofcom found Discovery Communications Europe Limited in breach of the Code for showing disturbing dramatic reconstructions of torture, mutilation and murder in its true-life crime series *Deadly Women*, broadcast on Investigation Discovery during the daytime in school holidays. Given the serious nature of this breach, Ofcom put Discovery on notice that it would consider imposing a statutory sanction.

Ofcom has commissioned two research reports on violence on television; before and just after the watershed. The first report focuses on how television audiences judge pre-watershed violence, the second whether the amount and type of violence in television soaps has changed across the period 2001-2013. This research will inform

our revision of the Code guidance in this area, and our approach to assessing violence on television.

On-demand services

For the first time, Ofcom issued a Direction under Section 368K of the Communications Act 2003 against the 'Jessica Pressley' video-on-demand service, which provided free-to-view R18-equivalent pornographic content and did not have appropriate protections in place for its premium content. The Direction suspended the service provider's right to provide that, or any other, VOD service.

Ofcom has developed a research tracker focusing on online and on-demand content, which will explore the attitudes and opinions of users of these services. In particular, the survey will provide valuable insight into people's concerns about content standards and potential online harm.

Protecting children who participate in television programmes

Ofcom completed a monitoring exercise of programmes involving under-18s to assess broadcasters' compliance in this area. Best practice recommendations arising from this work will inform a review of our guidance in this area, to be published as soon as possible in 2014.

Protection against extremist views

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

In the past year, Ofcom has fined a number of broadcasters for broadcasting material which incited crime, and the broadcast of offensive or abusive treatment of religion. These included fines against DM Digital (£85,000), Noor TV (£85,000), Sangat TV (£30,000), and Takbeer TV (£25,000).

Broadcast news coverage related to the murder of Fusilier Lee Rigby

Ofcom received almost 680 complaints about the broadcast news coverage of the killing of Fusilier Lee Rigby in Woolwich on 22 May 2013. Complainants considered that the pre-watershed coverage of the incident was too graphic, and gave one of the attackers a platform to justify his actions.

Ofcom carefully assessed the potential for this content to cause offence and weighed this against the broadcaster's right to freedom of expression and the audience's right to receive information. We considered it was important for news programmes to be able to report freely on these important events in the public interest. We concluded that the content featured in the news programmes, although potentially distressing to some viewers, was appropriately limited and was likely to fall within audience expectations for news programmes covering such a serious and grave event. Ofcom, therefore, did not find the broadcasters it investigated in breach of the Code for their news coverage. However, we did issue clear guidance to some news outlets underlining the need for explicit warnings before the broadcast of challenging material before the watershed.

International

Ofcom engages closely with other national regulatory authorities, the European Union (EU) institutions and relevant global bodies.

We do this with a view to exchanging regulatory best practice and, where appropriate, informing decisions to be taken in international fora to ensure that as far as possible they are practical, proportionate and reflect the interests of UK citizens and consumers. In 2013/14, Ofcom:

- welcomed 53 groups of international visitors from global peers, academic institutions and industry on issues covering the whole range of Ofcom's responsibilities;
- gave the keynote address at the International Institute of Communications' Annual Conference in London, and hosted the International Regulators Forum, the pre-eminent event for global regulators to discuss regulatory challenges informally and within the security of the Chatham House rule;
- met key regulatory bodies, government ministries and companies in Hong Kong and China in order to share best practices and further our understanding of technology and market developments in these countries;
- participated in the work of the Body of European Regulators in Electronic Communications (BEREC). Key regulatory policy issues for BEREC in 2013/14 included international roaming, next-generation access network regulation and net neutrality. BEREC also provided its views on the Commission's draft Connected Continent Regulation to the Commission and the European Parliament;
- represented UK interests at the International Telecommunication Union (ITU), including leading the UK preparation for the 2014 World Telecommunication Development Conference;
- continued to play a strong role in European and global organisations responsible for spectrum, including:
 - EC Radio Spectrum Committee
 - Radio Spectrum Policy Group
 - ITU-R and preparations for WRC-15
 - CEPT Electronic Communications Committee (ECC);
 - continued our contribution to the work on broadcasting content regulation carried out by the European Platform of Regulatory Authorities (EPRA), including through our presence on EPRA's Board;
- collaborated with our fellow regulators and the European Commission on the establishment of a new European regulators' group for Audiovisual Media services (ERGA);
- participated in the work of the European Regulators' Group for Postal Services (ERGP) and in the European Committee for Postal Regulation (CERP);
- chaired the Organisation for Economic Co-operation and Development (OECD) Working Party on Communication, Infrastructures and Services Policy (CISP);
- provided technical and regulatory briefings to the UK Government and Members of the European Parliament on European dossiers including the Connected Continent Regulation and the Regulation on reducing the costs of high-speed broadband rollout; and

- contributed to the European debates, both through the UK Government and directly with MEPs and the European Commission, on a wide range of EU initiatives that affect our day-to-day work, including the Commission green paper on Convergence and the review of the R&TTE Directive.

Spectrum

Apart from the spectrum-related priority areas evaluated on pages 20, 21 and 22, we acted on a wide range of spectrum-related issues during the year.

Spectrum management strategy

Ofcom's first strategic review of spectrum management took place in 2005. Over the past eight years we have largely completed the work programme we set out then. This included a number of major initiatives, culminating recently with the completion of digital switchover, the 4G spectrum auction and the liberalisation of mobile licences.

A number of important trends are emerging that could have a significant impact on spectrum use, including mobile broadband growth, an increase in the number of devices that are connected to the internet wirelessly (the 'internet of things'), and increasingly sophisticated techniques for sharing spectrum.

To prepare for these challenges, following consultation we outlined our approach to managing spectrum over the next decade and assessed the current and likely future needs for each individual sector that uses spectrum – such as broadcasting, mobile broadband and programme making and special events (PMSE). As a result we have identified a number of priority areas on which we will need to focus our efforts over the next ten years.

Mobile data strategy

Following consultation, our Mobile Data Strategy statement, published in May 2014, establishes how we will prepare for the growing demands that will be placed on the UK's wireless communications infrastructure over the coming two decades. It identifies and prioritises a number of bands where we will undertake further work to consider their future use. We recognise that these priorities will need to be flexible to keep pace with developments in the market and internationally, and we will review them periodically.

White space devices pilot

Ofcom has been working with stakeholders concerning their interest in offering commercial services in TV white spaces. We have implemented a pilot study to allow white space devices to access spectrum in the UHF band, subject to ensuring a low probability of harmful interference to other services in, and adjacent to, the band. If this form of spectrum sharing can be made to work in practice, it has the potential to secure optimal use, not only in the UHF band, but in other parts of the spectrum in the future.

The pilot consists of a number of trial deployments of white space devices and databases by stakeholders, and a programme of coexistence testing led by Ofcom. We are in the process of qualifying the databases for the pilot. Four databases are close to completing the qualification process, with others likely to follow. Additionally, stakeholders are planning about ten trials to explore a range of machine-to-machine and internet access applications.

An extensive programme of coexistence testing is under way to help establish regulatory white space device emission limits that result in a low probability of harmful

interference to both DTT and PMSE, and provide evidence on how best to implement our coexistence policy.

During the year, we also contributed to an ETSI draft harmonised standard (EN 301 598) for the requirements for white space devices. A final version (v1.1.1) has been published and delivered to the European Commission, due for citation in the Official Journal of the European Union in July 2014.

During the next year Ofcom will, subject to the pilot confirming the feasibility of the policy, move forwards an effective way of spectrum sharing using geolocation databases.

Glasgow Commonwealth Games 2014

Building on our work at the London Olympic Games, in 2013/14, Ofcom continued to work to ensure there is sufficient spectrum for the Commonwealth Games, while creating minimum disruption to other, day-to-day users. We have published a Spectrum Plan, identifying all the frequency bands that will be available for assignment to Games Family users. To gain access to the spectrum that we believe will be required to ensure the games run smoothly, we have agreed short-term loans of spectrum from public-sector bodies such as the Ministry of Defence. We will also ensure that civil spectrum is used efficiently, by making unused frequencies available.

We have worked closely with Arqiva PMSE to undertake specific assignments of spectrum to rights holders and Games Family users, and to co-ordinate these with assignments to non-Games users.

We have installed a network of sensors within key Games venues and across the city of Glasgow to help us to locate the sources of any interfering radio signals and to carry out monitoring to help ensure that the frequencies are clean in time for the Games.

Programme making and special events (PMSE)

This year we have worked closely with stakeholders to assess the potential impact of changes in spectrum access and to identify viable mitigations. We have published a long-term spectrum strategy for wireless camera users and continue to work on the measures necessary to implement this.

We are also investigating a range of actions that are needed to reduce the impact of a potential loss of access to the 700MHz band for audio PMSE users. This includes identifying alternative spectrum options, changes to equipment and radio planning and engaging with other spectrum users and European administrations.

The work identified above will continue into the next year, when we will also discuss with stakeholders our ideas for future management of the PMSE sector.

Competition

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

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

Apart from the competition-related priority areas evaluated on pages 16 to 19 we acted on a wide range of competition-related issues during the year.

Improving regulatory financial reporting

BT is required to publish and provide regulatory financial reports to Ofcom. This allows us to make informed regulatory decisions and monitor compliance with BT's 'significant market power' conditions.

Since this reporting was introduced in 2004, the use of financial data has evolved. In December 2013 we proposed improvements to the current framework for BT's regulatory reporting. These would give Ofcom a greater role in determining how BT should prepare its statements, starting with the introduction of a new set of regulatory accounting principles.

We believe our proposals should lead to greater consistency between BT's reported data and our regulatory decisions, and provide stakeholders with greater confidence in how financial information is prepared.

We intend to notify our decision to the European Commission in 2014, and formally to implement the changes to relevant markets as they are reviewed in the course of future market reviews.

Geographic numbering

In October 2013, we decided to close local dialling in five areas of the UK where supplies of geographic telephone numbers are running low. This means that, from 1 October 2014, residents in Aberdeen, Bradford, Brighton, Middlesbrough and Milton Keynes will need to include their code when calling someone else in the local area. The change will free up new numbers for allocation, and comes after Ofcom successfully implemented a similar process in the Bournemouth area in 2012.

Competition in the postal sector

In addition to our work during 2013/14 to secure provision of the universal postal service in the UK, covered on page 23, we conducted a range of other work in respect of the postal sector. We completed a review of the postcode address file, looking in particular at the terms under which this is made available, the licensing regime and how the costs of maintaining the database are recovered. We have also made some changes to the regulatory financial reporting requirements on Royal Mail, to better support our monitoring regime, and reviewed the process for exceptions to Royal Mail's collection and delivery universal service requirements.

Mobile call termination

In October 2013, Ofcom began a review of the wholesale market for mobile voice call termination (MCT), the service by which mobile operators connect incoming calls to customers on their network. As a result of regulation by Ofcom and its predecessor Oftel, mobile termination rates have fallen by more than 90% over the past decade, supporting a competitive market to the benefit of consumers.

Ofcom's last review of the MCT market concluded in 2011. Since then the mobile landscape has changed, through the roll-out of new networks, such as 4G, and a greater amount of spectrum being available to operators. As part of our current review, we are proposing a new charge control that would reflect market changes, and see termination rates continue to fall in the coming years. Our review will conclude in 2015, to provide a new regulatory regime for the period April 2015 to March 2018.

Resolving industry disputes

Ofcom's Competition Investigations team resolves regulatory disputes between companies. During 2013/14, we resolved seven disputes covering a wide range of topics, including BT's tiered wholesale charges for number translation services, used to route non-geographic calls, and whether Openreach should offer a single 'jumped' metallic path facility – a type of equipment in the local telephone exchange.

The Competition Investigations team also investigates allegations of anti-competitive conduct. During 2013/14 we reached a final decision on a case relating to BT's conduct in relation to wholesale call pricing. As at 1 April 2014 there were a further four ongoing dispute cases, three of which have since been resolved. These disputes looked at issues ranging from BT's compliance with its cost-orientation obligations for certain wholesale products to service level agreements for local loop unbundling services. As at 1 April 2014 we had two ongoing competition cases, with one further competition case opened since then.

The Competition Investigations team also considers complaints about breaches of certain regulatory rules, including those concerning number portability and access to 999 services. A summary of these activities, and those of the Consumer Protection Team, is given in the Annex on page 115.

How we work and who we work with

Ofcom's duties and powers are set out in statute.

As the independent regulator for the communications industries, we are required to further the interests of citizens and consumers.

We are funded both by stakeholders (television and radio broadcast licence fees and administrative charges to regulate communications networks and postal providers) and through grant-in-aid funding from the UK Government. Further details of our funding arrangements can be found in the Operating and Financial Review in Section D. Every year, following consultation, we publish our Annual Plan, which outlines new initiatives and ongoing activities that we carry out in support of our duties.

Measuring and communicating outcomes

In our 2013/14 Annual Plan, we identified 13 priorities with around 70 projects and programmes allocated against them. Underpinning this is the requirement to meet our Spending Review settlement with the Treasury by delivering efficiencies throughout the organisation. Ofcom, as has been set out in this Report, made significant progress in delivering outcomes against many of its Annual Plan priorities and its "business as usual" work in 2013/14.

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

We measure these outcomes thoroughly in a number of ways, using a comprehensive and robust framework for measuring, reporting on and communicating our performance, both internally and externally. During the past three years we have focused on how we communicate these outcomes, and have sought to measure our own performance as we progress through the lifetime of a work programme. The table on pages 13 to 15 measures our performance against the 13 priorities we set out in our 2013/14 Annual Plan.

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

When we regulate

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

Ofcom's regulatory principles

When we regulate

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

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

How we regulate

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

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

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

How we support regulation

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

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



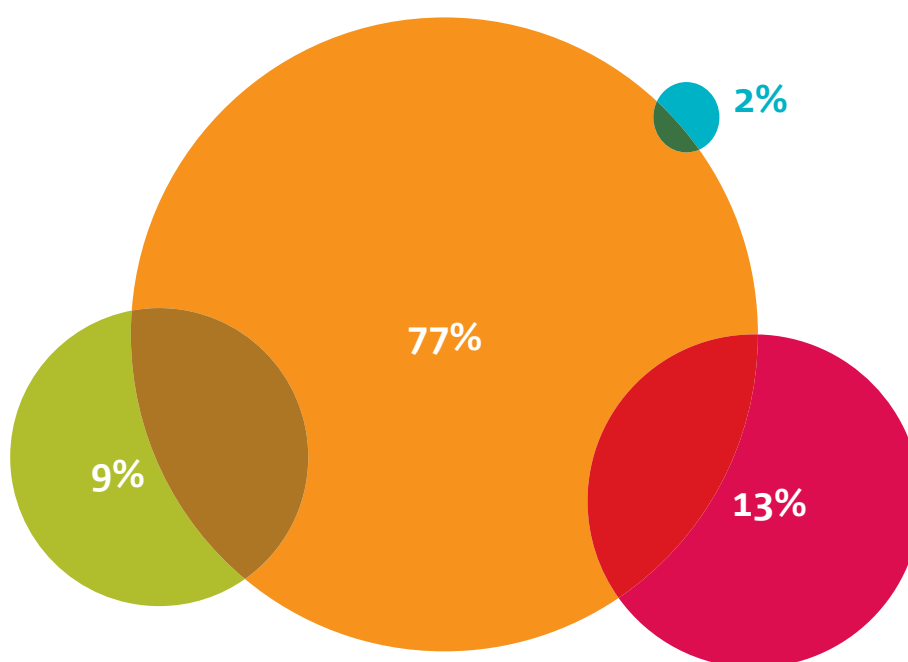
Reducing regulation

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

During the past year we made a number of significant regulatory decisions. Some decisions followed a continuing trend towards reduced regulation. In order to safeguard the interests of citizens and consumers, some decisions required additional or strengthened regulation. Figure 2 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2013/14.

Figure 2: Impact of our statements on the regulatory burden to stakeholders: 2013/14

	Number	%
● Reduced regulation	4	9
● Streamlined/co-regulatory	1	2
● Mixed/no change/ongoing	36	77
● Increased/new regulation	6	13



An overview of the key decisions and statements that we have made during the year can be found in the tables in the Annex on pages 110 to 112.

Contact with consumers and citizens

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

our policy-making and enforcement work. Consumers can also contact us through our website.

While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the Alternative Dispute Resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

An Advisory Committee in each of the nations of the UK provides Ofcom with detailed and expert

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

Relationships with stakeholders

Ofcom's role as a regulator requires us to engage with a wide range of stakeholders, including companies and industry bodies in the sectors we regulate, consumers and consumer groups, the UK Government and devolved institutions, co-regulators and other regulators. We are members of the UK Regulators Network, 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 a senior Director in Glasgow, Cardiff, Belfast and London and work to ensure that the views, needs and special circumstances of the nations receive Ofcom's attention.

Consultations

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

- **Category 1:** consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to respond); in these cases we will normally consult for 10 weeks.
- **Category 2:** consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will have awareness of the issues; in these cases we will normally consult for six weeks.

- **Category 3:** consultations which fall within one or more of the following categories, where the normal time period for consultations is one month:
 - technical issues;
 - where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;
 - the issue has already been the subject of a consultation;
 - the proposal will have a limited effect on a market; or
 - the proposal is only a limited amendment to an existing policy or regulation.

Figure 3 sets out an analysis of the length of our consultations by sector.

Ofcom collects statistics on the number of responses to consultations, as shown in Figure 4. We received 1,235 responses to our consultations, up 8% since 2012/13 (1,147).

Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 5). In 2013/14 82% of decisions were announced within 20 weeks of closing a consultation, the majority of which were within ten weeks.

Impact assessments

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

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

Ofcom must publish a list of the IAs carried out during the year, which appears in the Annex on pages 113 and 114.

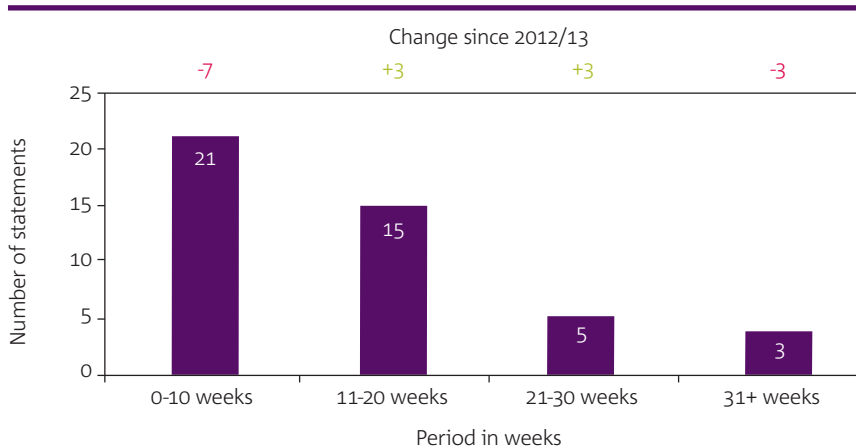
Figure 3: Analysis of consultation duration: 2013/14

	Consultation period of at least 10 weeks	Consultation period of less than 10 weeks (including category 2 and category 3 consultations)
Telecoms	4	17
Broadcasting	3	7
Spectrum	6	14
Post	0	6
Other	1	1
Total	14 (=24%) (In 2012/13 22%)	45 (=76%) (In 2012/13 78%)

Figure 4: Responses to consultations: 2013/14



Figure 5: Analysis of the time taken to publish an Ofcom decision from the close of the consultation period: 2013/14



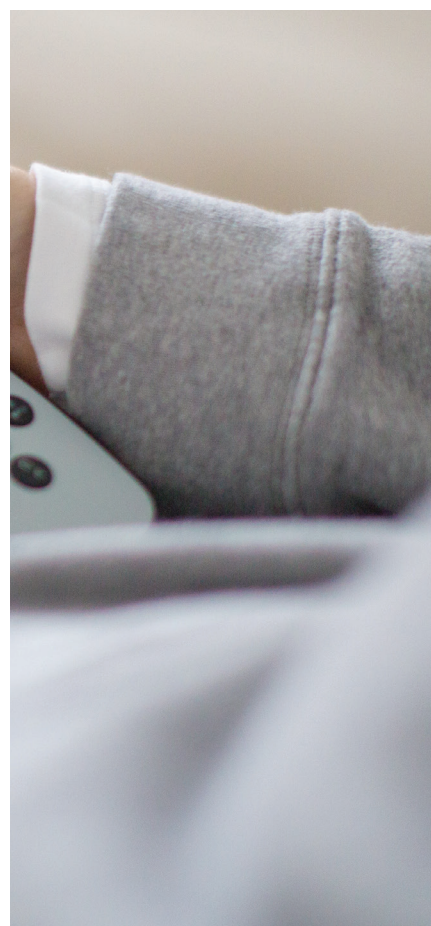


Figure 6: Analysis of impact assessments carried out

Number of consultation documents		Total	IA explicit in published document
Telecoms		21	20
Broadcasting		10	3
Spectrum		20	15
Post		6	4
Other		2	0
Total		59	42 (= 71%)

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

Figure 6 highlights that, in 2013/14, 71% of consultation documents contained an impact assessment, set out in a specific section or annex of the consultation document, compared to 60% in 2012/13. In some circumstances, it may not be necessary or appropriate to conduct an IA. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Co-regulators

Ofcom shares regulatory responsibilities in certain areas with other regulators.

The Authority for Television on Demand (ATVOD) has responsibility for handling complaints relating to editorial content of UK-based video-on-demand (VoD) services.

Ofcom also 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.

However, where necessary, the ASA is able to refer licensees to Ofcom.

PhonepayPlus is another regulatory agency that carries out day-to-day regulation on behalf of Ofcom. PhonepayPlus works with the industry and enforces a code of practice for premium-rate services, that enable consumers to purchase goods and services by charging the cost to their phone bills and pre-pay accounts.

Our employees

Ofcom's mission and values

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

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

Colleague involvement and consultation

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

- the Ofcom Colleague Forum, a consultation forum which is made up of representatives of colleagues from across Ofcom and which meets regularly with senior management at Joint Consultative Group meetings (which include two members from the union);
- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices;
- presentations hosted by senior managers during which new strategic initiatives are explained to colleagues and updates are provided regarding continuing projects;

- regular group meetings, both to listen to colleagues and to disseminate information; and
- regular interviews with, and messages from, the Chief Executive.

We also carry out regular surveys through which colleagues have the opportunity to contribute their views on a range of topics.

The outcomes from these surveys provide a key foundation for much of our organisational development work. In 2013 we issued a short survey with questions which focused on commitment, motivation, leadership, and performance evaluation. The results were very encouraging.

Professional development and employment policies

The quality and commitment of our people are central to our ability to fulfil our duties. During 2013 we rolled out a number of organisation-wide training programmes, which included management development training as well as sessions covering the specific industry sectors Ofcom regulates.

We also run an internal mentoring scheme and offer our most senior colleagues the opportunity to gain a formal coaching qualification so that they can support the career development of more junior colleagues.

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

In October 2013 we auto-enrolled 213 colleagues into our pension scheme and made changes to our employment contracts to ensure that we remained compliant with the new legislation.

We also introduced an applicant tracking system to enable us to manage our recruitment process more efficiently and effectively.

Absence

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

Ofcom aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly.

In 2013/14, the number of working days lost was 4.97 days per annum per employee (2012/13: 4.14 days). This compares favourably to the public sector average of 8.7 days per annum per employee in 2013 (2012: 7.9 days).

The Ofcom values are:

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

Corporate responsibility

Ofcom's commitment to equality, diversity and human rights

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

Our Single Equality Scheme (SES) is central to our determination to do what we can to promote equality and diversity inside our organisation, and we have already delivered many of our key objectives in the scheme.

In January 2014 we published a revised Equality Scheme for Northern Ireland. This sets out how we will promote equality of opportunity and good relations across different groups of people when carrying out our functions relating to Northern Ireland.

In 2013 we developed a disability action plan setting out how we would ensure that Ofcom is a positive place for disabled employees and consumers. We made significant progress in implementing our improvements and, as a result, gained a place in the Business Disability Forum's Roll of Honour, with a bronze award.

As part of our commitment to increasing the gender mix of our engineering staff, we sponsored the Institute of Electrical Engineering's 'Young Female Engineer of the Year' award for the second year in a row.

We have continued to take part in benchmarking activities to ensure that we are operating in line with best practice. We were pleased to improve our score in the Stonewall Workplace Equality Index, which looks at our attitude to lesbian, gay and bisexual staff. We also scored above the public sector average in Business in the Community's gender and ethnicity benchmarks and were included in the Times Top 50 Employers for Women for the second year running.

In May 2013 we announced our support for Time to Change, a campaign group that works to end discrimination and stigma relating to mental health, and we launched an organisation-wide programme of awareness-raising activities aimed at promoting colleague wellbeing.

We also signed the Government Equalities Office's 'Think, Act, Report' campaign. This initiative encourages organisations to identify issues they have around gender equality, to take action to remedy those issues, and to report on their progress. In line with this commitment we reported on the diversity composition of our colleagues, and are using the findings to help us consider what we might need to do in relation to recruiting and retaining a diverse mix of employees.

Corporate responsibility

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

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

In the wider community we have run a reading mentoring scheme with a local primary school in Southwark, giving colleagues the opportunity to coach young children to improve their literacy skills. A number of colleagues also volunteered, via our Digital Friends programme, to help older citizens with ICT skills.

In addition, we work with Career Academies UK, mentoring 16-to-17-year-old students and helping them prepare for corporate life, and in summer 2013 we hosted four interns from local academies. We also recruited two Business Administration apprentices through a scheme based in the city of London.

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 2013/14.

Ofcom's sustainability strategy

Introduction

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

Overview of reduction targets

Ofcom's 25% reduction target represented a reduction across seven areas: information services, utilities, waste, business travel, procurement materials, procurement capital and commuting. In 2009, Ofcom commissioned a second independent carbon audit which confirmed that a 15% reduction in carbon emissions had already been achieved. A subsequent audit in 2012 confirmed that a further 6% reduction had been achieved, bringing the total reduction to 21%. A final carbon audit was undertaken in 2013 which confirmed that Ofcom had achieved a 30% reduction in its

carbon emissions and had therefore exceeded the original carbon reduction target. Further detail about Ofcom's sustainability performance can be found on our website: www.ofcom.org.uk/about/footprint-and-sustainability

Governance

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

2013/14 performance

Greenhouse gas emissions

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

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

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

We have recently upgraded our video-conferencing facilities across all of our UK offices and encourage our colleagues to make use of these facilities, in order to reduce the level of travel. We also have a number of strict travel policies in place.

Ofcom has a fleet of vehicles used by our Spectrum Engineering and Enforcement colleagues, chosen, in part, for their low emissions per mile, and we monitor fuel use on a monthly basis.

In addition to the actions noted above, our emissions results were improved by a reduction in Ofcom's occupied footprint in Riverside House of over 5%, and an unusually mild winter.

Waste minimisation and management

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

Finite resource consumption

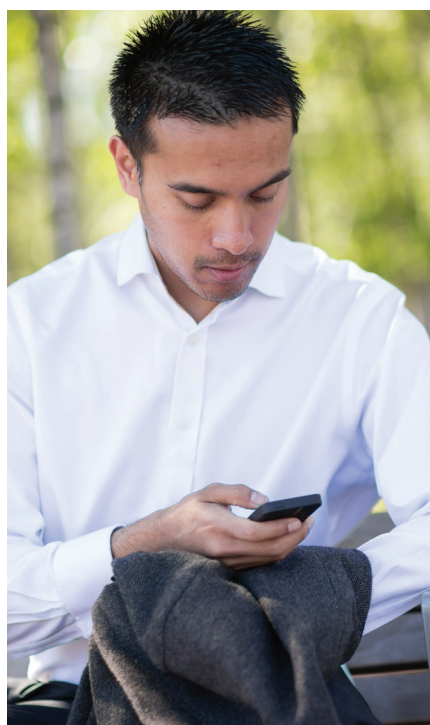
Water consumption comes primarily from washrooms and drinking water in all offices, as well as catering facilities in our London office. Ofcom monitors water consumption on a monthly basis.

Biodiversity action planning

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

Sustainable procurement

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



Other

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

Future plans

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

A summary of Ofcom's emissions over the past five years is provided in Figure 7. Please refer to the Annex on pages 122 and 123 for more detail.

Figure 7: Sustainability performance overview

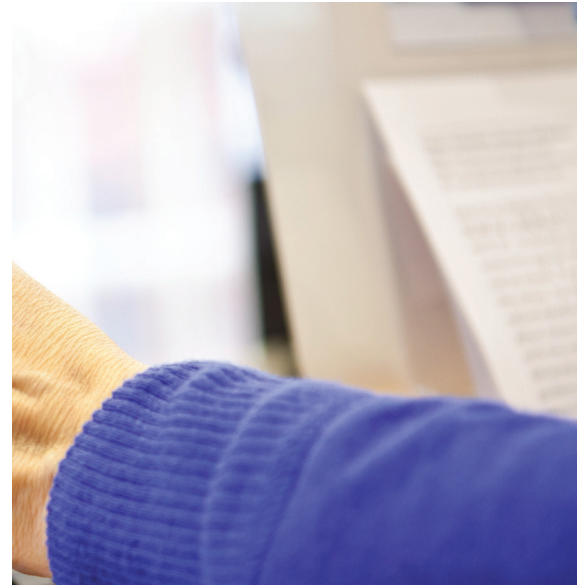
		Performance Year				
		2009/10	2010/11	2011/12	2012/13	2013/14
Greenhouse gas emissions (Scopes 1,2)	tCO ₂ e	2,035	2,103	1,789	1,730	1,498
	Expenditure	£657,649	£623,059	£486,769	£457,486	£442,226
Business travel*	tCO ₂ e	366	341	360	359	311
	Expenditure	£820,896	£627,606	£713,021	£705,867	£628,340
Waste**	Tonnes	156	150	159	166	173
	Expenditure	£56,181	£62,256	£53,345	£46,068	£60,796
Finite Resource consumption	Water consumption (m ³)	9,915	10,495	7,715	9,492	7,523
	Expenditure	£21,505	£18,573	£22,771	£26,610	£20,506
	Paper reams	11,702	10,067	9,286	7,623	7,721

* Business travel emissions increased in 2011/12 and 2012/13, due to enhanced levels of regulatory activity in Europe including the negotiation of the Roaming Regulation and the RSPP, the WRC 2012 and work with BEREC.

** The increase in waste volume in 2013/14 was primarily due to an increase in the disposal of ICT equipment.

Note: Following revised guidance from HMT the conversion factors for Tonnes used to Greenhouse gas emissions have been updated for current and prior years. Data net of space sub-let by Ofcom in Riverside House.

Governance statement



Chairman's and Chief Executive's statement

Earlier in this report, we have highlighted the priorities and activities of Ofcom during the past financial year. In this section, we discuss the framework of governance we have implemented to lead the organisation and underpin the achievement of our objectives, while ensuring that we safeguard public funds.

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

funds it receives and its relationship in this regard with DCMS. We are currently working with DCMS to update the Financial Memorandum.

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

The Board continues to develop and its membership offers a strong balance of skills, knowledge and experience. It is supported in its work by a number of committees, including the Content Board, the Communications Consumer Panel, the Advisory Committee for Older and Disabled People, the four National Advisory Committees and the Ofcom Spectrum Advisory Board. The work

of these parts of the governance structure in advising both the Ofcom Board and the Executive is extremely valuable and we thank all of the members of these bodies for their challenging and incisive advice and decision making. We particularly thank Dame Colette Bowe, Lord Blackwell and Stuart McIntosh, who have all recently stepped down from the Ofcom Board, for their tireless service.

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

Dame Patricia Hodgson, Chairman and **Ed Richards**, Chief Executive and Accountable Officer

17 June 2014

The Ofcom Board

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



**Dame Patricia
Hodgson, DBE**



Ed Richards



**Dame Lynne
Brindley, DBE**



Tim Gardam



Mike McTighe



Jill Ainscough



**The Baroness
Noakes, DBE**



Graham Mather

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 Chair of the School Teachers' Review Body from 2012 to 2014. She is Chairman of Ofcom's Nominations Committee, a Member of the Remuneration Committee and a Member of the Risk and Audit Committee, which she chaired during Mike McTighe's leave of absence from Ofcom between January and May 2013.

ED RICHARDS

Ed Richards has been Chief Executive of Ofcom since October 2006, having joined the Board in 2003. He is currently a Non-Executive Director of Thames Water Utilities Limited and the Donmar Warehouse, and a Governor of the London School of Economics and Political Science.

DAME LYNNE BRINDLEY, DBE

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

TIM GARDAM

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

MIKE MCTIGHE

Mike McTighe has been a Non-Executive Member of the Ofcom Board since September 2007. He is Chairman of WYG plc. He is the Chairman of Ofcom's Risk and Audit Committee and a Member of the Remuneration and Nominations Committees.

JILL AINSCOUGH

Jill Ainscough joined Ofcom in August 2007 as Chief Operating Officer and was appointed to the Board in October 2010. Prior to joining Ofcom she was Managing Director of Easynet.

THE BARONESS NOAKES, DBE

Baroness Noakes was appointed as a Non-Executive Member of Ofcom's Board and Deputy Chairman in June 2014. She is a qualified chartered accountant and previously headed KPMG's European and International Government practices. She has also been President of the Institute of Chartered Accountants in England and Wales. Baroness Noakes was appointed to the House of Lords in 2000. She is an experienced non-executive director and her current directorships include the Royal Bank of Scotland Group Plc, where she chairs its Risk Committee.

GRAHAM MATHER

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

The governance structure

The Ofcom Board leads the organisation, with a shared commitment to the mission and values described on page 43. Its core activities include:

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

The Ofcom Board

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

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

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

- the Board considers all of the Non-Executive Members to be independent of management and free of any business or other relationship which could materially interfere with the exercising of their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained;
- the Board believes that the Members have, between them, a wide range of experience which ensures an effective Board to lead and control Ofcom;
- the Non-Executive Members comprise a majority of the Board. The Deputy Chairman is regarded as being the senior Non-Executive Member for the purposes of the UK Corporate Governance Code; and
- the Board meets at regular intervals during the year. During 2013/14 the Board met on 12 occasions. The role of executive management is to implement Board policies. The work of both the Board and Executive is informed by the contributions of a number of advisory bodies.



Figure 8: Ofcom's Board and Committees

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 107 to 109.

The Nominations Committee

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

The Remuneration Committee

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

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

Advisory Committees and other Non-Executive Members of other bodies in Ofcom's governance structure.

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

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

Risk and Audit Committee

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

The Risk and Audit Committee comprises three Non-Executive Members of the Ofcom Board, and an independent external Non-Executive Member.

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

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

The Content Board

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

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

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

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

Ofcom Board and Board Committees

	Ofcom Board	Remuneration Committee	Risk and Audit Committee
Number of meetings	12	5	5
Role and attendance			
Dame Colette Bowe DBE ¹	Chairman, 12	Member, 4	Member, 4
Ed Richards	Chief Executive, 12		
Dame Patricia Hodgson DBE ²	Deputy Chairman, 11	Chairman, 4	Member, 5
Lord Blackwell	Member, 12	Member, 1	
Dame Lynne Brindley DBE	Member, 12	Member, 4	
Tim Gardam	Member, 11	Member, 3	
Mike McTighe	Member, 10	Member, 2	Chairman, 3
Jill Ainscough	Member, 12		
Stuart McIntosh ³	Member, 12		
The Baroness Noakes, DBE ⁴	Member		
Graham Mather ⁵	Member		
Simone Pennie			Member, 5

1. Dame Colette Bowe DBE retired from the Board with effect from 31 March 2014.
2. Dame Patricia Hodgson DBE was appointed Chairman of the Board with effect from 1 April 2014.
3. Stuart McIntosh resigned from the Board with effect from 30 May 2014.
4. The Baroness Noakes, DBE was appointed as a non-executive member and Deputy Chairman of the Board with effect from 1 June 2014.
5. Graham Mather was appointed as a non-executive member of the Board with effect from 1 June 2014.

Executive Committees

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

The Chief Executive also chairs a weekly meeting of the Policy Executive, which consists of the members of the Executive Committee and other senior executives by invitation. Policy Executive is designed to be an internal forum for senior executives to scrutinise and oversee the internal development of Ofcom's policy agenda. The Operations Board meets fortnightly and is chaired by the Chief Operating Officer. It has senior representatives from all parts of Ofcom, and deals with all operational matters for the organisation. It reports to the Executive Committee monthly.

Board performance and effectiveness

The Board meets regularly; it is provided with regular strategic updates, briefings on the markets Ofcom regulates, the activities of key stakeholders, and reports on Ofcom's operational and policy activities. In addition, all Members have access to the Secretary to the Corporation to assist them with the provision of information and the making of arrangements for informal meetings with executives within Ofcom to gain greater knowledge of specific issues. Figure 9 shows the numbers of papers considered at Board meetings from April 2013 to March 2014.

Executive Committee Members

Name	Role
Ed Richards	Chief Executive
Jill Ainscough	Chief Operating Officer
Philip Marnick ¹	Group Director, Spectrum Policy
H Nwana ²	Group Director, Spectrum Policy
Stuart McIntosh ³	Group Director, Competition
Claudio Pollock	Group Director, Content, Consumer and External Affairs
Steve Unger	Group Director, Strategy, International, Technology and Economists
Polly Weitzman	General Counsel

1. Philip Marnick was appointed to the Committee with effect from 18 November 2013.
2. H Nwana resigned from the Committee with effect from 30 September 2013.
3. Stuart McIntosh resigned from the Committee with effect from 16 May 2014.

An internal review of Board effectiveness was carried out in spring 2013. It concluded that the Board contains a good mix of skills and experience and provides effective governance of Ofcom.

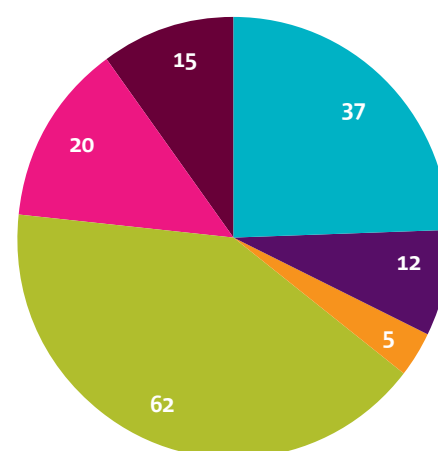
The performance of individual Board members is assessed by the Chairman and each member receives a performance review annually.

In July 2013, Dame Colette Bowe formally announced that she would step down as Chairman in March 2014. In late 2013, DCMS advertised publicly for prospective candidates for Chairman and also appointed an executive search firm to assist in identifying candidates. A selection panel, comprising a senior DCMS civil servant, a non-executive director from DCMS, a senior civil servant from HM Treasury and an independent assessor from The Office of the Commissioner for Public Appointments (OCPA) considered all applications received.

In December 2013, Dame Patricia Hodgson, who was Deputy Chairman of the Ofcom Board, was named as preferred candidate. Following a Culture, Media and Sport Committee pre-appointment hearing in December 2013 and confirmation by the Secretary of State, Dame Patricia Hodgson was announced as the next Chairman.

A similar exercise has been undertaken to appoint three new non-executive members to the Ofcom Board. In this case, the selection panel comprised Dame Patricia Hodgson, a senior civil servant from DCMS and an independent assessor from the OCPA. Following interviews, the candidates recommended by the selection panel were approved for appointment by the Secretary of State. The Baroness Noakes, DBE and Graham Mather joined the Ofcom Board with effect from 1 June 2014 and Stephen Hill will join from 1 October 2014.

Figure 9: Number of papers considered at Board meetings: April 2013 – March 2014



Chief Exec/Finance/Operations

Governance

EU/International

Regulatory

Comms Market Updates

Others

Accountability

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

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

Compliance with the Corporate Governance Code

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

However, its principles 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 2013 to 31 March 2014.

Transparency

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

During 2013/14, Ofcom received 511 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 87% of cases. Information is withheld only if it is exempt from disclosure under legislation.

Ofcom also received 14 requests for information under the Data Protection Act 1998 and where we held relevant information, we provided the requested information in 100% of cases.

Additionally, Ofcom has contributed to studies undertaken by the National Audit Office. These have included work in relation to infrastructure investment, the rural broadband scheme, public phone lines, the 4G spectrum auctions and the privatisation of Royal Mail.

Engagement

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

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

Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. More details about Ofcom's method of consultation and the consultations that took place during the year are set out on pages 40 and 41.

Ofcom also takes advice from all parts of its governance structure during consultations. Ofcom executives attend appropriate meetings to outline and discuss projects that are either out for, or being considered for, consultation, and advice and challenge is welcomed. The membership of the bodies that make up the governance structure has been designed to offer specific levels of expertise, so that Ofcom's policies and projects can be tested and challenged robustly before decisions are reached. This engagement is increasingly important in the devolved nations of the UK, where the role of the 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, 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.

Additionally, Ofcom will play a key role in the newly established UK Regulators Network (UKRN). The UKRN comprises the main economic regulators from across the UK. The main objectives of the new network are to improve the consistency of economic regulation across sectors, deliver efficiency of regulation, and improve understanding of how independent economic regulation works in the interests of consumers, markets, investment and economic performance. Ofcom will lead UKRN workstreams on Security and Resilience, and Quality of Service. Other UKRN workstreams will include cross-sector infrastructure, consumer engagement and switching, affordability, cost of capital and organisational development.

The control framework

Ofcom’s 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 clear areas of responsibility:

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

Each of these areas of responsibility is embedded across the organisation and they come together to provide the Executive and the Board with the assurance needed to manage the business effectively (see Figure 10). The control framework is consistent with guidance on compliance with the 8th EU Company Law Directive provided by the Federation of European Risk Management Associations (FERMA).

Management and internal control

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board through specific Boards and Committees to Group Directors and senior managers. This scheme of delegation is outlined in the Financial Authorities Framework, which was reviewed in 2014 to ensure that it is consistent with the priorities of the organisation and its appetite for risk. Group Directors are asked to provide assurance that the system of internal controls is working effectively within their area of responsibility by completing an annual internal control assurance statement. 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.

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

- preparation for the Glasgow 2014 Commonwealth Games (please refer to the case study on page 56 for further information);
- detailed planning and governance in preparation for the award of the 2.3GHz and 3.4GHz spectrum bands on behalf of the Ministry of Defence in 2015;
- oversight of the implementation of a new numbering system in support of our work around both geographic and non-geographic call services;
- the introduction of a revised health and safety policy and associated e-learning module;
- an ongoing review of our security framework (both information and physical security);
- the introduction of a new broadcast licensing system;
- a detailed business impact assessment as part of our wider business continuity planning;

- ongoing work to develop a new five-year strategic financial plan, to ensure that we can continue to deliver value for money beyond the Spending Review 2013 period;
- further enhancements to the Financial Control Reporting Pack which provides comprehensive assurance to the Financial Controller, the Finance Director and the Chief Operating Officer;
- the introduction of a new asset management system;
- an annual, formalised review of Ofcom’s key operational policies and guidance in the light of the organisation’s business priorities as defined in the Annual Plan;
- further improvements to the planning and performance measurement process, which have included further improvements to the planning tools and reporting to the Executive, the Board and the wider organisation;
- a review of the processes around the prioritisation of projects on the IT development pipeline;
- a cyber-scenario crisis management exercise with the Operations Board; and
- a review of the Financial Authorities Framework.

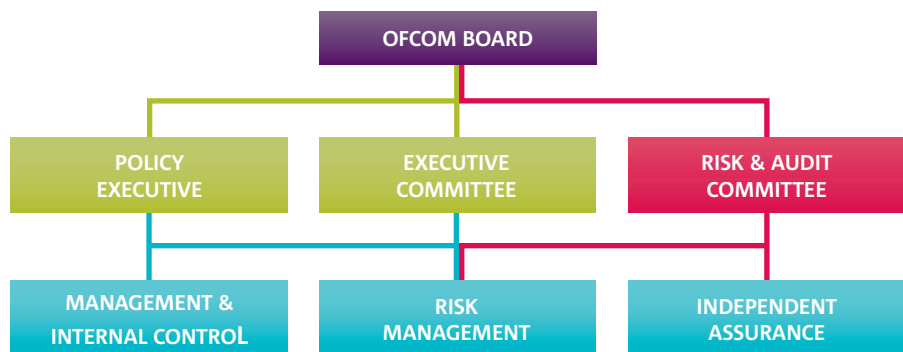


Figure 10: Ofcom Control Framework

Case study: Glasgow 2014 Commonwealth Games

On 9 November 2007, Glasgow was awarded the right to host the XX Commonwealth Games. These Games will take place between 23 July and 3 August 2014. As part of Glasgow's bid for the Games, the then Secretary of State for Trade and Industry gave two binding guarantees to the Commonwealth Games Federation concerning the spectrum required to ensure the safe and efficient delivery of the Games: that a full frequency plan would be organised and spectrum licences in place in good time and that the fees payable for the frequencies would be waived. These guarantees mirror those given to the IOC by the UK government for the London 2012 Olympic and Paralympic Games.

Consistent with our approach for the London 2012 Olympic and Paralympic Games, our approach to the governance and management of our work in respect of the Glasgow 2014 Commonwealth Games has been informed by a very low tolerance for risk. Ofcom's Board, its Operations Board and the Risk and Audit Committee form an integral part of the project's governance and risk management structure. The governance structure for the Games was reviewed as part of the internal audit plan during 2013. We published our Spectrum Plan for the Games in November 2013 following extensive consultation and subsequently agreed a Joint Operating Plan with the Organising Committee.

In addition to managing risks throughout the life of the project, we have clearly articulated the risks we currently expect to carry into the Games period. Work is ongoing to mitigate any residual risk as fully as possible. Following the completion of the Games, we will undertake a post project review and present the findings to the Risk and Audit Committee.



Risk management

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

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

Ofcom's risk management policy and procedures clearly define its approach to risk management, its objectives and its processes, as well as identifying specific risk management roles, accountabilities and responsibilities across the organisation. During the year the Board initiated a review of Ofcom's risk appetite statements, which were updated to include additional statements for health and safety, and security.

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

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

The table on pages 58 and 59 highlights some of the key risks being managed by the organisation.

Figure 11: Ofcom risk hierarchy



Key Risks

The table below highlights some of the key risks being managed by the organisation.

Objective/business area	Risk	Mitigation
TV white spaces.	<p>A high profile, innovative project requiring complex technical solutions and engagement with multiple stakeholders.</p> <p>Delays to the full solution may undermine consumer benefits and damage the prospects of dynamic spectrum access more generally.</p> <p>White space devices may cause Interference to existing services in or adjacent to the UHF band if co-existence is not managed effectively.</p>	<p>White space devices pilot project is under way.</p> <p>Ongoing engagement with stakeholders during the pilot project and planning for the full solution.</p> <p>An extensive programme of co-existence testing is under way.</p>
Ofcom budget.	<p>The potential requirement to find additional savings beyond the Spending Review 2013 period together with any unplanned or unanticipated work required by Government may undermine the delivery of Ofcom's strategic priorities.</p>	<p>Planning is under way to agree the 2015/16 budget.</p> <p>Work is under way to complete a new five-year strategic financial plan.</p>
Implementation of reforms to non-geographic calls services.	<p>Our decision on non-geographic calls will make prices more transparent and improve competition.</p> <p>However, communications providers may not be able to implement key requirements within the required timeframes, resulting in a slip to the go-live date.</p> <p>Additionally, consumers and businesses may not be sufficiently aware of the changes, which would undermine the benefits of the decision.</p>	<p>Ongoing, senior-level engagement with all stakeholders.</p> <p>We are leading and co-ordinating a comprehensive national communications campaign.</p> <p>We have established an appropriately resourced project management and governance structure, which includes quarterly reporting to the Risk and Audit Committee.</p>
Silent and abandoned calls.	<p>Consumers may suffer harm if we are seen to have been ineffectual in preventing unwanted calls/messages and silent calls.</p>	<p>We published an updated joint action plan with the ICO in July 2013 to tackle the wider issue of nuisance calls.</p> <p>We continue to target enforcement action against non-compliant organisations.</p> <p>We continue to work closely with Government on a range of nuisance calls issues.</p>

Objective/business area	Risk	Mitigation
Capacity to regulate in an efficient and timely manner.	Increasing volume of appeals and litigation may result in potential delays to the implementation of regulatory change and may result in significant additional cost.	<p>We make sure that our decisions are evidence-based and robust. We also carry out impact assessments to ensure that our decisions are made in the interests of citizens and consumers.</p> <p>We engage with stakeholders throughout our consultation processes to ensure we understand their views and can give them due consideration.</p>
Release of 2.3GHz and 3.4GHz spectrum bands.	<p>In September 2013, Ofcom was asked by the Ministry of Defence (MoD) to take on responsibility for the award of spectrum in the 2.3GHz and 3.4GHz bands.</p> <p>Any potential delays to the award may result in additional costs and undermine the benefits to consumers.</p> <p>Technical co-existence issues with adjacent spectrum users could impact on other services.</p>	<p>Detailed planning and agreement with the MoD regarding funding and their remediation plans.</p> <p>Ongoing discussions with Europe on harmonisation plans.</p> <p>Lesson learned during the 4G auction included in all planning.</p> <p>Consultation outlining technical co-existence issues plans issued February 2014.</p>
Mobile coverage programme.	<p>The government's Mobile Infrastructure Project (MIP) is aimed at significantly improving mobile coverage across the UK.</p> <p>If MIP fails to address not-spots across the UK benefits to consumers will be undermined.</p> <p>Rail coverage remains a specific concern.</p>	<p>We will continue to provide strategic input to Government on MIP as required.</p> <p>Additionally, we will undertake further analysis on roaming as a potential mitigation for not-spots.</p> <p>We will continue to support the Network Rail industry solution, working with DfT.</p>
Rapid change in the sectors regulated by Ofcom.	<p>The sectors regulated by Ofcom are characterised by rapid change, making it challenging to develop plans to anticipate significant activities or events which may require Ofcom's involvement.</p> <p>In the current environment, additional unplanned work may result in the re-prioritisation of ongoing and planned activities, which could lead to delays in delivering benefits for consumers and citizens.</p>	<p>We seek to maintain breadth of expertise and scope for flexibility in project teams so that resources can be adapted or redeployed at short notice if necessary.</p> <p>Ofcom's Executive Committee is responsible for prioritising projects and adjusting work plans as required.</p> <p>Ofcom's Annual Plan, which outlines its strategic priorities, is subject to public consultation each year.</p>

Independent assurance

Ofcom outsources its internal audit function to KPMG. KPMG carries out its work in line with the Annual Audit Plan, which is informed by an assessment of the strategic risk register, discussions with management and the National Audit Office and an ongoing consideration of the environment in which Ofcom operates. The Plan is approved by the Risk and Audit Committee. During 2013/14, a total of 14 internal audits were completed, including reviews of the Financial Authorities Framework, the tariff-setting process, preparations for the Glasgow 2014 Commonwealth Games, fraud and bribery risk management and Ofcom's overall risk management framework.

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

Protected personal data incidents

Ofcom did not report any protected personal data-related incidents to the Information Commissioner's Office in 2013/14.

Statement of Accountable Officer

As Chief Executive and Accountable 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 and management responses;
- 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 2013/14.

Ed Richards

Chief Executive and
Accountable Officer

17 June 2014

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 with the Accounts Direction issued by the Secretaries of State for Business, Innovation and Skills and for Culture, Media and Sport. The Board is also responsible for sending a copy of the Statement of Accounts to the Comptroller and Auditor General.

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

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

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

Chief Executive's responsibilities

The Chief Executive is appointed by the Board, which delegates responsibility to him for the day-to-day management of Ofcom. The Secretaries of State for Business, Innovation and Skills and for Culture, Media and Sport have designated the Chief Executive as Ofcom's Accountable Officer. He is not formally appointed as the Accounting Officer in Government terms; however, the appointment carries with it duties of responsibility in respect of regularity, propriety, value for money and good financial management, and the safeguarding of public funds.

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

As a Member of the Board, the Chief Executive has to ensure that his accountability responsibilities do not conflict with his 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 his duties.

Remuneration report

In preparing the remuneration report, and establishing its remuneration policy, the Board has given consideration to, and adopts the provisions of, the UK Corporate Governance Code, where appropriate and applicable, and compliance with the Government Financial Reporting Manual. Ofcom is not required to comply with the Directors' Remuneration Report Regulations 2002 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 51.

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

Standard benefits

Each Executive Member and Group Director receives certain standard benefits: specifically, life assurance, group income protection and the ability 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 2013 to 31 March 2014 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.

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.

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

Guidance to the remuneration schedules

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

These schedules refer to remuneration during the financial year. The schedule reflects remuneration for that part of the year during which individuals were either providing services to, or were members of, the Board or the Content Board, or members of the Executive Committee. Those individuals with the note '+' against their name in the schedules were in their roles for only part of 2012/13 or 2013/14.

Where individuals are members of more than one Board/Committee (as set out on pages 52 and 53) they appear only once in the remuneration schedules, and all the Executive Members are listed under the Executive Committee. The numbered points against the names of individuals refer to the notes on pages 64 and 65.

As a result of the various changes in membership in 2012/13 and 2013/14, an annualised figure is given below each table, to provide a clearer comparison of total costs.

The following tables are subject to audit.

Ofcom Non-Executive Board Member remuneration: 2013/14

Name	Guidance note reference	Fees 13/14 £	Fees 12/13 £
Norman Blackwell	1	42,519	42,519
Dame Colette Bowe DBE	1	180,000	180,000
Dame Lynne Brindley DBE	1	42,519	42,519
Tim Gardam	1	42,519	42,519
Dame Patricia Hodgson DBE	1	70,000	70,000
Mike McTighe	1, 2	35,433	31,889
		412,990	409,446

Annualised costs were £420,076 for 2013/14 and £420,076 for 2012/13.

Ofcom Non-Executive Content Board Member remuneration: 2013/14

Name	Guidance note reference	Total Fees 13/14 £	Total Fees 12/13 £
David Levy	1	10,800	10,800
Anthony Lilley OBE +	1	4,500	10,800
Iseabail Mactaggart	1, 9	10,800	12,600
Glyn Mathias	1, 3	12,300	21,300
Dr Paul Moore +	1,	4,500	11,400
Joyce Taylor +	1	6,625	15,900
Janey Walker	1, 3	14,975	18,600
Lesley Mackenzie +	1	5,774	–
Andrew Colman +	1	5,774	–
Andrew Chitty +	1	5,774	–
		81,822	101,400

Annualised costs for the Content Board were £80,700 for 2013/14 and £80,700 for 2012/13.

Ofcom Executive Committee and Executive Content Board Member remuneration: 2013/14

Name	Guidance Note reference	Salary 13/14 £	Pension entitlement/ allowance 13/14 £	Flexible benefits allowance 13/14 £	Benefits in kind 13/14 £	Performance Bonus 13/14 £	Total remuneration 13/14 £	Total remuneration 12/13 £
Jill Ainscough	4	200,837	30,126	15,000	2,014	15,000	262,977	267,217
Philip Marnick +	4, 6	71,571	10,736	5,577	585	–	88,469	–
Stuart McIntosh	4	243,225	36,484	15,000	2,014	20,000	316,723	313,513
H Nwana +	4, 6	96,250	14,438	7,500	997	–	119,185	251,860
Claudio Pollack	4	182,500	27,375	15,000	2,014	20,000	246,889	220,714
Ed Richards	4, 5	284,362	56,872	19,956	2,014	30,000	393,204	378,158
Steve Unger	4	182,500	27,375	15,000	2,014	20,000	246,889	225,506
Polly Weitzman	4	218,375	32,756	15,000	2,014	20,000	288,145	285,578
Christopher Woolard +	4, 6	–	–	–	–	–	–	174,748
		1,479,620	236,162	108,033	13,666	125,000	1,962,481	2,117,294

Annualised costs were £1,993,216 for 2013/14 and £1,942,546 for 2012/13.

Notes to the remuneration tables

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

under review. The basic fee of the Content Board Members is £10,800 per annum (the exception being the fee paid to Janey Walker of £15,900 per annum to reflect her additional work and responsibility for standards work). The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees (save only for the sums referred to in note 3 below), other than the entitlement for the Non-Executive Members of the Ofcom Board only, to the provision of IT equipment. Not all Non-Executive Members of the Ofcom Board took up the entitlement during the period under review.

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

3. During the period 2013/14, Glyn Mathias and Janey Walker received additional fees for the extra time they provided to Ofcom (over and above their contracted time commitment) as part of the local TV licensing process, where they each sat (for differing periods of time) on the Broadcast Licensing Committee.

4. The total annual remuneration shown for Ofcom executives, who are all members of the Executive Committee, includes basic salary, performance bonus, a cash allowance for flexible benefits and a percentage of basic salary paid as a pension allowance. The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive. Ed Richards, Stuart McIntosh and Jill Ainscough are Executive Members of the Ofcom Board and Claudio Pollack was an Executive Member of the Content Board during the period.
5. In addition to the remuneration shown in the table, Ed Richards earned £48,000 in fees for services as a Non-Executive Director of Thames Water Utilities Ltd, which were paid direct to Ofcom. He did not retain any part of these fees.
6. Christopher Woolard left the organisation on 31 December 2012. H Nwana left the organisation on 30 September 2013. Philip Marnick joined the organisation on 18 November 2013.
7. 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 2013/14 was £336,394 (£322,945 in 2012/13). This was 6.32 times (6.11 times in 2012/13) the median remuneration of Ofcom's workforce, which was £53,190 in 2013/14 (£52,894 in 2012/13). No employees

received remuneration in excess of the highest-paid director. In 2013/14, remuneration ranged from £14,890 to £336,394 and in 2012/13 from £20,769 to £322,945. For comparison purposes, total remuneration includes base salary, performance bonus, flexible benefits and benefits in kind. It does not include any pension allowance, in line with the Treasury Financial Reporting Manual.

8. Board Members did not hold any directorships or significant interests that conflicted with their management responsibilities.
9. Iseabail Mactaggart resigned on 31 May 2014.

Contract of employment

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

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

There were no payments or compensation for loss of office during 2013/14.

Compensation from early termination

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

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

Outside directorships

No Executive Member of the Ofcom Board may accept a non-executive appointment without the prior approval of the Board to ensure that it does not give rise to conflicts of interest.

On behalf of Ofcom,

Lynne Brindley
Chairman of the
Remuneration Committee

17 June 2014

Operating and Financial Review

In 2013/14, Ofcom delivered another year of significant budgetary savings with an annual running cost of £111.6m on a cash basis, as set out in note 2 to the accounts, and which represents a £5.4m saving, against a cash budget of £117m. The savings were made through the efficient use of resources available, the prioritisation of activities and the re-scheduling of some work. In particular work relating to online copyright infringement (OCI) was delayed and a one-off credit relating to the successful conclusion of a supplier dispute contributed to the reduction in costs for the year.

The actual operating outturn has however increased from the previous year due to costs incurred in mitigating future risks in key areas such as our legacy defined benefit pension obligation, and ICT infrastructure. This approach will ensure that Ofcom is able to continue to fulfil its strategic purposes in the future.

In addition, Ofcom collected a total of £278.4m for the public purse in the year from Wireless Telegraphy Act licensees, additional payments from broadcasting licensees and the levying of fines and penalties on stakeholders, as presented in the Section 400 Accounts.

For 2014/15, Ofcom has set a budget of £117m; this is a 2.6 per cent reduction in real terms on the 2013/14 budget and maintains our record of reducing Ofcom's budget in real terms (on a like-for-like basis) in each year of operation. In setting this budget we will have delivered a real terms savings of 28.6 per cent relative to 2010/11, thus exceeding our original commitment to deliver 28.2 per cent real terms savings required over the current Spending Review period to 2014/15.

Financial framework

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

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

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

Ofcom raises its funds from the following sources:

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

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

Financial management

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

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

Work has also been undertaken in the year regarding our financial plans for 2015/16, as part of our commitment to the Spending Review, and a further 5% real terms reduction in our running costs.

Operating income

Ofcom's total operating income in the Statement of Income and Expenditure separates out the income received relating to the Spectrum Clearance and Awards programme (SCAP) as this is an additional duty outside our core operating budget.

Income for Spectrum Clearance and Awards was £6.1m for the year (2012/13: £39.8m)

- a decrease of £33.7m in spectrum clearance and award grant-in-aid claims as the programme of work and clearance activity, relating to the 800MHz and 2.6GHz spectrum bands for the competitive provision of next generation wireless broadband services, has been completed during the year. Funding primarily relates to third-party grant applications. The auction of this spectrum was completed in March 2013 and generated £2,368.3m of licence fees, with an additional £2m interest. During the year work also commenced on the efficient release of the 2.3GHz and 3.4GHz bands on behalf of the Ministry of Defence (MoD);

Ofcom income exclusive of Spectrum Clearance and Awards for 2013/14 was £112.1m (2012/13: £111.1m). Significant changes from the previous year include:

- a decrease of £8.0m in spectrum management grant-in-aid. This is primarily as a result of the completion of our spectrum work in relation to the London 2012 Olympic and Paralympic Games. In addition, a lower proportion of IT costs were allocated to this sector following the review of costs relating to the management of the UK spectrum in 2013/14 as set out in our 2012/13 annual report. The latter resulted in a rebalancing of costs between commercial stakeholders and the taxpayer via grant-in-aid funding;

- an increase in the regulatory charges of £6.2m for the network and services operators. This is primarily due to the impact of the review of the apportionment of IT costs in 2013/14, and carrying out a number of major telecoms market reviews including the Fixed Access Markets and Wholesale Broadband reviews;
- an increase in regulatory charges of £1.8m in the broadcasting sector. This is primarily due to the impact of the review of the apportionment of IT costs in 2013/14 and increased costs relating to our work on audience analysis and assurance;
- an increase of £1.3m in grant-in-aid income to cover other statutory duties. This is largely due to increased activities in our competition law enforcement work. This increase was offset by savings on the online copyright infringement (OCI) work which we did not undertake in 2013/14 pending government approval; and
- an increase in grant-in-aid funding of £0.5m in line with our agreed plans and budget, was received from the Scottish Government to fund Ofcom's continuing preparatory work to meet our responsibilities for spectrum management at the Glasgow 2014 Commonwealth Games.

Operating expenditure

Ofcom's total operating expenditure in the Statement of Income and Expenditure separates out the costs of work relating to spectrum clearance and awards, as this responsibility is funded outside our core operating budget.

Expenditure for spectrum clearance and awards for 2013/14 mainly comprises compensation grants of £2.3m (2012/13: £33.1m) being made to licensees for the clearance of the 800MHz and 2.6GHz spectrum bands. Clearance activity was completed in the year; this explains the significant reduction in expenditure from the previous financial year.

Other operating costs relating to Ofcom's core responsibilities in 2013/14 were £49.6m. This was £2.1m lower than the previous year (2012/13: £51.7m). The significant variances between financial years were as follows:

- a decrease in amortisation of £2.0m, due to a number of assets reaching the end of their depreciation period;
- a decrease in professional fees of £0.4m, largely due to the initial element of work undertaken to release the 2.3GHz and 3.4GHz spectrum bands being funded through Ofcom's core budget last year;
- a decrease in temporary staff and recruitment of £0.4m as a consequence of Olympics-related expenditure in the previous year; and
- a decrease in travel and subsistence of £0.3m as a consequence of Olympics-related expenditure in the previous year.

These savings were partially offset by:

- an increase in outsourced services of £0.7m, primarily as a result of operating expenditure relating to the essential upgrades and maintenance to the ICT enterprise applications and further enhancements to our ICT infrastructure;
- an increase in audience and consumer research of £0.3m, reflecting the programme of work undertaken during 2013/14.

Staff numbers (790) at the end of the financial year are broadly consistent with the previous year (778) and as a consequence staff costs are in line with previous years, having reduced by £0.4m to £62.3m. This is largely driven by a decrease in restructuring costs to £300k against the previous year cost of £1.1m, due to the completion of the work relating to the London 2012 Olympic and Paralympic Games.

Surplus/deficit for financial year Funding surplus or deficit

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

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £6.9m (2012/13: £14.1m).

Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Income and Expenditure for the year under review, was £3.1m (2012/13: £0.4m deficit).

Additional funds collected on behalf of HM Treasury

In 2013/14, Ofcom collected £278.4m (2012/13: £2,635.4m) on behalf of HM Treasury. The significant reduction is due to the proceeds of £2,370m, inclusive of interest from the auction of 800MHz and 2.6GHz of spectrum in 2012/13. These funds have been passed on to the public purse. The revenue is collected from three sources:

- Wireless Telegraphy Act licence fees;
- additional payments from television and radio licensees; and
- financial penalties.

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. The above fees, payments and penalties are reported within these Financial Statements.

Statement of charging principles

Ofcom is funded through a combination of licence fees and administrative charges from stakeholders and Grant in Aid from central Government.

Regarding stakeholder funding under the Communications Act 2003 ("the Act"), Ofcom is required to set licence fees in the broadcasting sector and administrative charges in the electronic communications sector in accordance with charging principles that it has published. There are similar provisions in the Postal Services Act 2011 in relation to the setting of charges for the postal services sector. On a year-on-year basis, such charges and fees must be set so as to meet, but not to exceed, Ofcom's annual costs of regulating the relevant sector.

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

Our current statement of charging principles applying to the TV, radio and electronic communications ("networks and services") sectors was published in 2005, and in 2012 we published a statement of charging principles for the postal services sector. During this time all these sectors have experienced market and regulatory change.

Therefore, while the current statements fulfil their statutory and operational purposes, it is now an appropriate time to review our charging principles and their application to ensure that they continue to do so in the future.

On 26 March 2014, Ofcom published a preliminary consultation on the Review of Ofcom's Statement of Charging principles. The consultation can be found at the following link:

http://stakeholders.ofcom.org.uk/binaries/consultations/statementofchargingprinciples/summary/SoCP_review_preliminary_consultation.pdf

Following consideration of responses to this first consultation, Ofcom intends to publish a more detailed, second-stage consultation reflecting stakeholders; views on the issues identified and incorporate them, as appropriate, into more detailed analysis and proposals with the changes to flow through to stakeholder tariffs in 2015/16.

2014/15 Tariffs

On 31 March 2014, Ofcom published its Tariff Tables for 2014/15, which were based on an estimated operating expenditure outturn for 2013/14 of £113.0m. A total of £4m, the difference between the 2013/14 budget of £117m and the estimated operating expenditure outturn, is already being passed back to stakeholders in 2014/15 as part of the regulatory tariffs, or to Government – and therefore the taxpayer – in reduced grant-in-aid.

The amount of £1.4m, which is the difference between the actual operating outturn and the estimated operating outturn used to set fees and charges for 2014/15, will be passed back to stakeholders through tariffs for 2015/16.

Ofcom’s budget for 2014/15 is £117.0m, which includes capital expenditure and actual payments to pension schemes, but excludes depreciation and amortisation. This represents a 2.6 per cent real-terms reduction in the total annual cost of regulation.

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

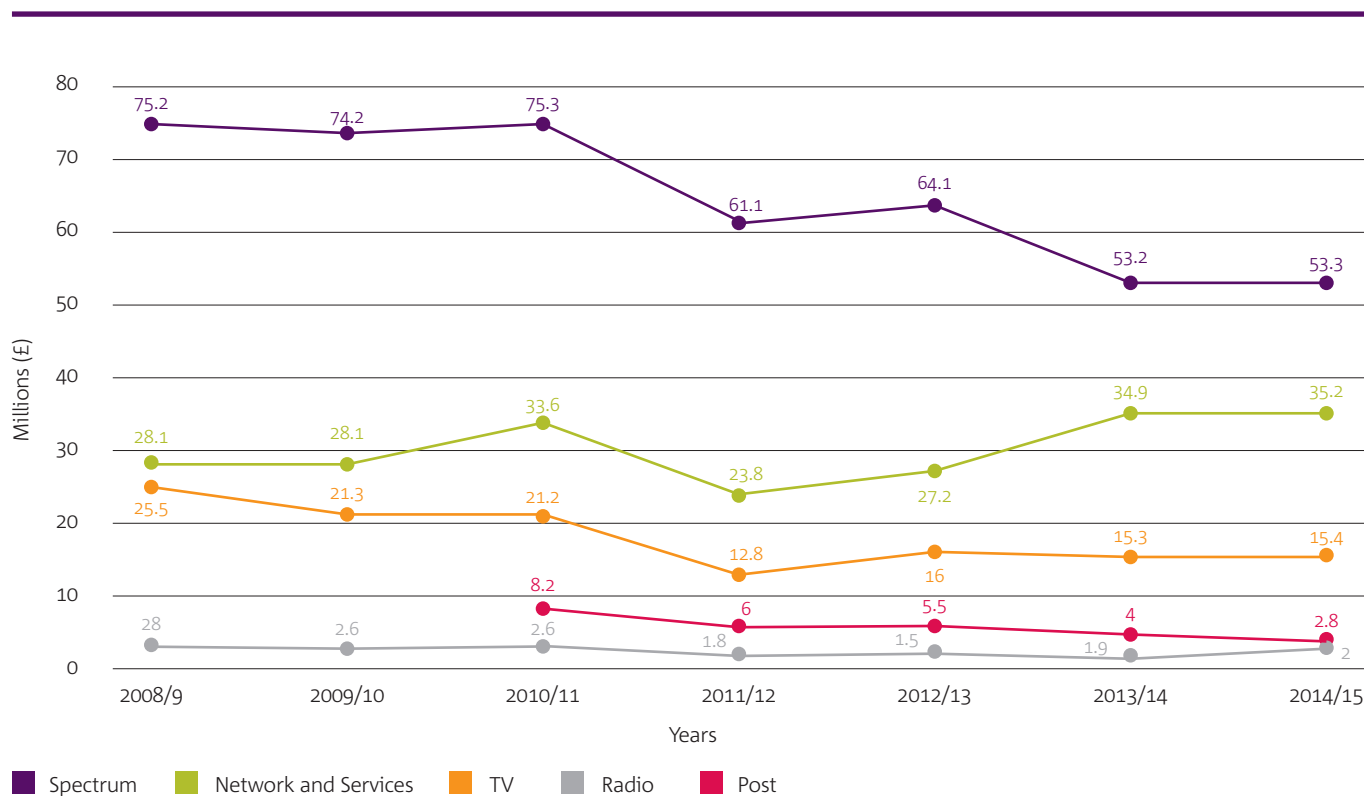
Specifically, sector fees and charges for 2014/15 will change as follows:

- spectrum management regulatory costs will increase by 0.1 per cent (2.5 per cent decrease in real terms);
- an average increase of 0.7 per cent (1.9 per cent real-terms decrease) for the network & services operators;
- an average increase of 0.6 per cent (2.0 per cent real-terms decrease) for the TV sector;
- an average decrease of 31.5 per cent (33.3 per cent real-terms decrease) for the postal sector; and
- an average increase of 3.2 per cent (0.5 per cent real terms increase) for the radio sector.

Notwithstanding the increase in tariffs for some sectors in 2014/15, fees and charges remain materially lower in real terms than those set prior to the start of the savings programme in 2010/11.

Figure 12, below, shows Ofcom funding over the past seven years.

Figure 12: Ofcom funding over past seven years



Spectrum clearance and awards

During 2013/14, clearance of the spectrum bands at 800MHz and 2.6GHz was successfully completed. The completion of this clearance activity has allowed the licence holders to launch 4G services in these spectrum bands, following the auction completed in March 2013.

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

Payments relating to Spectrum Clearance and Awards have reduced significantly in 2013/14, reflecting the completion of the work and remaining grant commitments being paid in the year of £2.3m and a further £2.2m of costs for related expenses.

Following agreement with MoD to release the 2.3GHz and 3.4GHz spectrum bands to Ofcom for auction, the Public Sector Spectrum Reform project (PSSR), initially covering technical co-existence work, has now progressed to early auction design towards awarding the spectrum in 2015/16.

Pensions

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

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

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

However, the 2013/14 financial statements show a surplus of £22.0m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations and the deficit repair payments made by Ofcom.

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

During the year, payments to the two defined benefit plans amounted to £2.9m, £0.4m directly from Ofcom to the plans and £2.5m transferred to the feeder trust account. Additionally, a further £1.1m was transferred from the feeder trust account to the plans. The trust account can only be used to make payments into either of the two defined benefit pension plans.

As part of the ongoing activity to manage and mitigate the risks of the plans, a further insurance-backed benefit buy-in in respect of pensioner members of one of the plans, was completed via annuity purchase during the course of 2013/14. As a consequence of this risk mitigation work between Ofcom, Trustees and Actuaries, 62 per cent of plan liabilities are now backed by annuities.

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

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2014 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Income and Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accountable Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Office of Communication's 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 Communication's affairs as at 31 March 2014 and of the net operating surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Office of Communications Act 2002 and Secretaries of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretaries of State directions made under the Office of Communications Act 2002; and
- the information given in Sections A, B and C and the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General
19 June 2014

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

Statement of income and expenditure

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £'000	Year ended 31 March 2013 Restated £'000
Income	3	112,131	111,110
Spectrum Clearance and Awards	3	6,101	39,795
Total Income		118,232	150,905
Operating expenditure			
Staff costs	4	(60,920)	(61,634)
Other operating costs	6	(49,629)	(51,755)
Spectrum Clearance and Awards	4,6	(5,844)	(39,851)
Total operating expenditure		(116,393)	(153,240)
Operating surplus/(deficit)		1,839	(2,335)
Vacant property income	7	26	544
Finance income		76	99
Finance costs	8	–	–
Other finance income	17,21	1,143	1,418
Surplus/(deficit) on ordinary activities for financial year before tax		3,084	(274)
Taxation	9	(19)	(121)
Surplus/(deficit) for financial year after tax		3,065	(395)

The accounting policies and notes on pages 76 to 106 form part of these financial statements. PSSR is included in Spectrum Clearance Awards.

A prior period adjustment has been applied to the year ended 31 March 2013 figures due to the introduction of IAS 19 (revised) which deals with pensions.

This has had the effect of increasing pension costs included within staff costs by £1.1m, and increasing other finance income by £1.4m.

Consequently 2013 staff costs have increased from £60.6m as reported in last year's report to £61.6m, and operating deficit as reported last year at £1.3m is restated to £2.3m.

The 2013 deficit before tax has also been restated from last year's figure of £0.6m to £0.3m before tax and the deficit after tax as reported at £0.7m is restated to £0.4m.

This net decrease in costs in the Statement of Income and Expenditure has been exactly matched by an increase in pension costs in reserves as shown in the Statement of Changes in Equity. The net pension asset as at year ended 31 March 2013 has not changed.

Statement of financial position

For the year ended 31 March 2014

	Notes	As at 31 March 2014 £'000	As at 31 March 2013 £'000
Non-current assets			
Property, plant and equipment	10	8,702	11,083
Intangible assets	11	3,733	4,523
Deferred tax asset	9	2,461	2,480
Trade and other receivables	13	967	335
Retirement benefit asset	21	21,969	26,038
Total non-current assets		37,832	44,459
Current assets			
Trade and other receivables	12	10,805	9,687
Cash and cash equivalents	14	10,547	23,627
Total current assets		21,352	33,314
Total assets		59,184	77,773
Current liabilities			
Trade and other payables	15	21,201	33,612
Provisions for liabilities and charges	17	507	1,328
Total current liabilities		21,708	34,940
Non-current liabilities			
Trade and other payables – amounts falling due after more than one year	16	5,355	6,416
Provisions for liabilities and charges	17	696	842
Total non-current liabilities		6,051	7,258
Total liabilities		27,759	42,198
Assets less liabilities		31,425	35,575
Equity			
Reserves		31,425	35,575
Total equity		31,425	35,575

The accounting policies and notes on pages 76 to 106 form part of these financial statements. These financial statements were approved by the Board on 17 June 2014.

Patricia Hodgson
Chairman

Ed Richards
Chief Executive

Statement of changes in equity

For the year ended 31 March 2014

	Notes	Reserve £'000
Balance as at 1 April 2012		43,856
Changes in equity for 2012/13		
Actual return less expected return on plan assets		24,730
Experience losses on pension scheme liabilities		(1,254)
Changes in assumptions underlying the present value of pension scheme liabilities		(32,331)
Decrease in minimum funding requirement liability		1,310
Deficit for year		(736)
Total recognised income and expense for 2012/13		(8,281)
Balance as at 31 March 2013 as previously reported		35,575
Reversal of IAS 19 (old) pension movements in reserves		7,545
Reversal of I&E for 2012/13 as previously reported		736
Restatements due to IAS 19 (revised) requirements		
IAS 19 (revised) restated remeasurements on pensions	21	(7,886)
Restated I&E for 2012/13		(395)
Balance as at 31 March 2013 as restated		35,575
Changes in equity for 2013/14		
Remeasurement on pensions	21	(7,215)
Surplus/(Deficit) for year		3,065
Total recognised income and expense for 2013/14		(4,150)
Balance as at 31 March 2014		31,425

Further details on pensions are found in Note 21.
The accounting policies and notes on pages 76 to 106 form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £'000	Year ended 31 March 2013 Restated £'000
Cash flows from operating activities			
Operating surplus/(deficit)		1,839	(2,335)
Adjustments for non-cash transactions			
Amortisation	11	2,072	4,041
Depreciation	10	3,222	3,277
Loss on disposal of property, plant and equipment	6	244	13
(Increase)/Decrease in trade and other receivables	12,13	(1,750)	38
(Decrease)/Increase in trade and other payables	15,16	(13,471)	9,094
Decrease in provisions	17	(974)	(1,276)
Increase in pension assets	21	(1,971)	(1,079)
Net cash (outflow) inflow/from operating activities		(10,789)	11,773
Cash flows from investing activities			
Interest received		76	99
Purchases of property, plant and equipment	10	(841)	(738)
Purchases of intangibles	11	(1,527)	(1,185)
Proceeds from sale of property, plant and equipment		1	1
Net cash outflow from investing activities		(2,291)	(1,823)
Cash flows from financing activities			
Repayment of borrowings		–	–
Net cash outflow from financing activities		–	–
(Decrease)/Increase in cash and cash equivalents in the year		(13,080)	9,950
Cash and cash equivalents at beginning of year	14	23,627	13,677
(Decrease)/Increase in cash and cash equivalents in the year		(13,080)	9,950
Closing net funds	14	10,547	23,627

The accounting policies and notes on pages 76 to 106 form part of these financial statements.

Notes to the Accounts

For the year ended 31 March 2014

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 2014 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 revaluation of certain non-current assets, on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared on the basis of all IFRS accounting standards and interpretations and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation, except where these are overridden by the Office of Communications Act 2002. These financial statements are prepared under the accounts direction from the Departments for Business, Innovation and Skills (BIS) and Culture, Media and Sport (DCMS) issued on 16 January 2008 which forms part of the Financial Memorandum (FM) as approved by BIS and DCMS.

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

a) Adoption of new and revised standards

Change in accounting policy

Defined benefit schemes

Ofcom adopted in 2013 IAS 19 Employee Benefits (revised), effective 1 April 2013, which changed its basis for determining the income or expense related to defined benefit schemes.

As a result of the change, Ofcom now determines the net interest income/expense by applying the same discount rates used to measure the defined benefit obligation and the net defined benefit assets/liabilities. An adjustment is made to take into account any changes in the net defined benefit assets/liabilities during the year as a result of contributions and benefit payments. The net interest on the defined benefit assets/liabilities comprises interest cost on the defined benefit obligations and interest income on the scheme assets.

Previously Ofcom determined interest income on scheme assets based on their long-term rate of expected return. Scheme administration costs which were previously deducted from the expected return on assets in finance income are now included in pension costs.

Impact of change in accounting policy

The change in accounting policy has been applied retrospectively in line with IAS19 (revised).

The impact of the change was to reduce the defined benefit expense recognised in income and expenditure by £341,000 for the year ended 31 March 2013. There was a corresponding increase in the defined benefit scheme measurement loss recognised in reserves as follows.

	2013
Scheme administration costs increased in pension costs	£1,060,000
Increase in other finance income	£1,401,000
Increase in profit for the year	£341,000
Increase in losses for net remeasurement in reserves	£341,000

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

- IFRS 7 Financial Instruments (Amendment): Disclosures effective 1 January 2013
- IFRS 10 Consolidated Financial Statements (New) effective 1 January 2014
- IFRS 11 Joint arrangements (New) effective 1 January 2014
- IFRS 12 Disclosure of Interest in other entities (New) effective 1 January 2014

- IAS 27 Separate Financial Statements (Amendment) effective 1 January 2014
- IAS 28 Investments in Associates and Joint Ventures effective 1 January 2014
- IAS 32 Financial Instruments: Presentation (Amendment) effective 1 January 2014
- IAS 36 Impairment of Assets (amendment) effective 1 January 2014
- IAS 39 Financial instruments: recognition and Measurement (amendments) effective 1 January 2014

b) Income recognition

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

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

Grant-in-aid

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

The Spectrum Clearance and Awards Programme (SCAP) oversee the clearance (including mitigation of potential interference) and auction of 800MHz and 2.6GHz spectrum. Clearance is undertaken by third parties who

are funded by way of a capital grant that has been considered and approved by the Spectrum Clearance Finance Committee. SCAP is funded via grant-in-aid.

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

Postal services, networks and services administrative fees

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

Broadcasting licence fees

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

Application fees

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

Other income

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

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

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

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

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

d) Leases

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

e) Property, plant and equipment

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

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

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

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

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

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

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

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

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

f) Intangible assets

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

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified; if it is probable that the asset created will generate future economic benefits; and if the development cost of the asset can be measured reliably. Where no internally-generated intangible asset can be recognised, development expenditure is recorded as an expense in the period in which it is incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period.

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

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

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

g) Impairment of assets

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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.

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

h) Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

i) Cash and cash equivalents

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

j) Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Employee benefits

Pension schemes

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

Defined contribution plans

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

Obligations under Ofcom's defined contribution scheme are recognised within staff costs as an expense in the statement of income and expenditure as incurred.

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

Defined benefit plans

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in the Statement of Changes in Equity in full in the period in which they occur.

Service costs, interest income and costs, and administration costs of the defined benefit plans are recognised in the Statement of Income and Expenditure in the current period.

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

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

IAS19 requires that, where a scheme is in surplus according to the IAS19 assumptions, the surplus can only be recognised on Ofcom's Statement of Financial Position if an economic benefit is "available" to it as a result of the surplus.

IFRIC 14 applies to all post-employment defined benefits and other long term employee defined benefits. Ofcom follows the interpretation of this standard.

Unfunded schemes

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

Other employee benefits

Early retirement costs

The Radiocommunications Agency and Oftel operated an Early Retirement Scheme which gave retirement benefits to certain qualifying employees. These benefits conform to the rules of the PCSPS. The liability of the Agency and Oftel to bear the costs of these benefits transferred to Ofcom on 29 December 2003. The liability remains until the normal retirement age of the employees retired under the Early Retirement Scheme. These additional costs are based on the discounted value of the annual amounts payable at the reporting date and are included in provisions. The actual amounts payable increase annually in accordance with PCSPS rules.

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

Colleague leave liability

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

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

l) Provisions

Provisions for early retirement 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 the published Treasury discount rates. The provisions represent the net present value of the future estimated costs after recognising reasonably certain future rental income. The unwinding of the discount is included within other finance costs in the Statement of Income and Expenditure.

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

m) Settlement of claims

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

n) Foreign exchange

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

o) Financial instruments and credit risk

Borrowings

Ofcom has limited powers to borrow money to fund short-term fluctuations in cash flow.

Cash and cash equivalents

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

Trade receivables

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

Trade payables

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

p) Current and deferred income tax

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

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

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

Deferred tax

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

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

Recognition of deferred tax assets

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

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

q) Segmental analysis

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

r) Areas of judgement and key sources of estimation uncertainty

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

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

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

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

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

2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2014, together with attributable costs. This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Segmental Reporting, as per the accounting policy 1 (q).

	Spectrum management £'000	Spectrum clearance £'000	Spectrum awards £'000	Networks & services £'000	Broadcasting £'000	Postal Regulation £'000	Other income £'000	31 March 2014 Total £'000	31 March 2013 Total £'000
Revenue									
Licence and administration fees	–	–	–	35,011	18,158	6,462	–	59,631	51,884
Application fees	–	–	–	50	532	–	–	582	728
Grant-in-aid	52,875	5,980	1,420	–	–	–	4,148	64,423	111,483
Fire Brigade rebate	–	–	–	–	–	–	–	–	(316)
Other income	–	–	–	–	–	–	–	–	–
Accrued/(Deferred) income	(70)	(1,220)	(79)	(903)	(1,920)	(2,144)	(567)	(6,903)	(14,054)
Total revenue	52,805	4,760	1,341	34,158	16,770	4,318	3,581	117,733	149,725
Rental and other income	236	–	–	153	75	19	16	499	1,180
Operating income	53,041	4,760	1,341	34,311	16,845	4,337	3,597	118,232	150,905
Interest receivable	36	–	–	23	12	3	2	76	99
Total income	53,077	4,760	1,341	34,334	16,857	4,340	3,599	118,308	151,004
Loan repayments	–	–	–	–	–	–	–	–	–
Interest payable	–	–	–	–	–	–	–	–	–
Net operating income	53,077	4,760	1,341	34,334	16,857	4,340	3,599	118,308	151,004
Onerous property and accrued rental income	638	–	–	413	203	52	43	1,349	1,918
Cash income	53,715	4,760	1,341	34,747	17,060	4,392	3,642	119,657	152,922
Total costs	(53,715)	(4,760)	(1,341)	(34,747)	(17,060)	(4,392)	(3,642)	(119,657)	(152,922)
Surplus on cash cost basis	–	–	–	–	–	–	–	–	–
Comparative costs by sector									
Year ending 31 March 2014	(53,715)	(4,760)	(1,341)	(34,747)	(17,060)	(4,392)	(3,642)	(119,657)	
Year ending 31 March 2013	(62,046)	(37,617)	(2,178)	(28,753)	(15,395)	(4,578)	(2,355)	(152,922)	

Other income comprises:

- grant-in-aid relating to orphan expenditure in respect of duties for competition enquiries, media literacy work, public interest test activity, local media assessments, nuisance calls, consumer protection and joint ventures;
- grant-in-aid funded online copyright infringement work;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting vacant property space.

Fire Brigade rebate relates to refunds paid out to police and fire services in England and Wales in respect of released spectrum. The fees were originally collected under the Wireless Telegraphy Act 2006 and reported in the Financial Statements for the purposes of Section 400 of the Communications Act 2003 in 2012. As the monies were already surrendered to the Consolidated Fund it could only be reimbursed through an additional grant-in-aid claim to DCMS.

In accordance with Ofcom's accounting policies, as set out in note 1(b) to these accounts, grant-in-aid is accounted for in the period in which it is received.

The above table is prepared on an adjusted cash basis, which includes capital expenditure and actual contributions to pension schemes, but excludes depreciation.

Ofcom's licence and administrative fees are based on an estimate of cash costs in accordance with its Statement of Charging Principles. Where in the current year there is an excess of income over expenditure, the surplus will be rebated to the relevant stakeholders, in accordance with Ofcom's Statement of Charging Principles. Where in the current year there is an excess of expenditure over income, the deficit will be collected from the relevant stakeholders, in accordance with Ofcom's Statement of Charging Principles.

Reconciliation from operating expenditure to actual operating out-turn

	Notes	2014 £'000	2013 £'000
Operating expenditure – Statement of Income and Expenditure		116,393	153,240
Adjustments in respect of pension asset and liability		1,887	1,002
Vacant property costs	17	876	1,165
Capital expenditure less depreciation		(2,924)	(5,402)
Actual rent payments less expenditure		1,423	1,309
Other adjustments		2,003	1,609
Proceeds from fixed assets		(1)	(1)
Cash operating expenditure		119,657	152,922
Spectrum clearance		(4,760)	(37,617)
Spectrum awards		(1,341)	(2,178)
Non-operating income		(1,923)	(3,199)
Actual operating costs out-turn		111,633	109,928

3. Income

	2014 £'000	2013 £'000
Grant-in-aid DCMS		
Spectrum management	52,134	60,142
Spectrum awards	1,341	2,178
Spectrum clearance	4,760	37,617
Competition law enforcement	2,328	431
Public interest test	–	206
Local media assessment	–	55
Joint ventures	–	24
Nuisance calls	1,055	656
Consumer protection	103	148
Online copyright infringement (OCI)	–	595
Media literacy	95	173
Grant-in-aid Scottish Government		
Commonwealth Games	671	151
Total Government grant-in-aid	62,487	102,376
Networks & services administrative charges	34,158	27,940
Broadcasting Act licence and application fees	16,770	14,961
Regulation of postal services	4,318	4,448
Rental income	7	39
Other income	492	1,141
Total income	118,232	150,905

4. Staff costs

	Other staff costs £'000	Spectrum Clearance & Awards £'000	Total 2014 £'000	Other staff costs £'000	Spectrum Clearance & Awards £'000	Total 2013 £'000
Staff costs, including fees paid to Board Members, were:						
Salaries and benefits	49,094	1,051	50,145	49,209	918	50,127
National Insurance costs	6,094	129	6,223	5,985	105	6,090
Pension costs	5,530	87	5,617	5,391	74	5,465
Restructuring costs	202	72	274	1,049	7	1,056
Total staff costs	60,920	1,339	62,259	61,634	1,104	62,738

The restructuring costs in 2014 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to five (2013: 11) 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 62 to 65.

During the year four (2013: 4) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

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

Due to the introduction of IAS 19 (revised) a prior period adjustment was made to 2013 figures, thereby increasing pension administration costs, which are included in staff costs, by £1.1m. The comparative cost for the current year 2014 is £1.0m.

5. Employee numbers

	2014	2013
The average number of employees	785	781

As at 31 March 2014, Ofcom had 790 employees (2013: 778).

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

	Other Operating costs £'000	Spectrum Clearance & Awards £'000	Total 2014 £'000	Other Operating costs £'000	Spectrum Clearance & Awards £'000	Total 2013 £'000
Auditors remuneration – statutory audit fees	75	–	75	77	–	77
Auditors remuneration – Section 400	14	–	14	14	–	14
Professional fees	5,796	1,486	7,282	6,179	4,753	10,932
Outsourced services	11,450	–	11,450	10,788	172	10,960
Audience and consumer research	5,275	–	5,275	4,916	–	4,916
Technological research and spectrum efficiency projects	1,074	35	1,109	1,163	26	1,189
Spectrum clearance scheme	–	2,312	2,312	–	33,060	33,060
Temporary staff and recruitment	2,708	536	3,244	3,089	513	3,602
Travel and subsistence	1,020	33	1,053	1,338	36	1,374
Premises costs	6,786	–	6,786	6,990	85	7,075
Administration and office expenses	6,172	46	6,218	6,089	33	6,122
Information and technology costs	3,288	2	3,290	3,307	5	3,312
Vehicles	480	–	480	544	–	544
Bad and doubtful debt	8	–	8	(6)	–	(6)
Amortisation	2,065	7	2,072	4,032	9	4,041
Depreciation	3,174	48	3,222	3,222	55	3,277
Loss on disposal of non-current assets	244	–	244	13	–	13
Total other operating costs	49,629	4,505	54,134	51,755	38,747	90,502
The costs, above, include:						
Operating leases – land and buildings	5,857	–	5,857	5,859	–	5,859
Operating leases – vehicles	341	–	341	378	–	378
Operating leases – other	237	–	237	230	–	230

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

7. Vacant property income/(charge)

	2014 £'000	2013 £'000
Future costs of vacant properties	26	544

During the course of 2013/14 tenants have been found for all surplus floors at Riverside House. In addition, leases with existing tenants in Riverside House have been renegotiated to align with the term and break option of Ofcom's head-lease. As a result of these changes, a further release of the provision for vacant properties has been made, as reported in Note 17.

8. Interest paid

	2014 £'000	2013 £'000
Interest paid	–	–

9. Taxation

	2014 £'000	2013 £'000
Tax (charge)/credit for the year		
United Kingdom Corporation Tax (expense)	–	–
Deferred tax (debit)	(19)	(121)
Tax charged to Statement of Income and Expenditure	(19)	(121)

Reconciliation of tax charge	2014 £'000	2013 £'000
Surplus (Deficit) before tax	3084	(615)
Tax on profit at the UK standard rate of Corporation Tax of 20% (2013: 20%)	617	(124)
Income not subject to tax	(23,648)	(30,188)
Expenses not deductible	23,050	30,433
Utilisation of brought forward tax losses	(19)	(121)
Tax charge	–	–

Note: Last year's deficit before tax was restated in these accounts for pension adjustments relating to IAS19 (revised) changing the deficit before tax from £615,000 as originally stated to £274,000. Further details are in the accounting policy note.

Deferred tax	Tax losses £'000
Analysis of movements in the net deferred tax balance during the year	
Deferred tax asset at 1 April 2012	2,601
Utilisation of brought forward tax losses	(121)
Deferred tax asset at 31 March 2013	2,480
Utilisation of brought forward tax losses	(19)
Deferred tax asset at 31 March 2014	2,461
Deferred tax asset to be recovered within 12 months	7
Deferred tax asset to be recovered after more than 12 months	2,454
	2,461

All deferred tax assets relate to brought forward tax losses. Utilisation of the deferred tax asset is dependent on future taxable profits arising.

The assessed losses have arisen predominantly as a result of onerous lease provisions on properties inherited from predecessor bodies that were in excess of requirements when Ofcom was incorporated.

10. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings £'000	Office & field equipment £'000	Computer hardware £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost							
At 1 April 2012	14,535	854	14,123	7,832	119	266	37,729
Additions during year	47	31	211	175	125	149	738
Impairment	–	–	–	–	–	–	–
Disposals	(32)	(127)	(185)	(1,257)	–	–	(1,601)
Transfers	–	–	136	130	–	(266)	–
At 31 March 2013	14,550	758	14,285	6,880	244	149	36,866
Additions during year	20	84	491	45	201	–	841
Impairment	–	–	–	–	–	–	–
Disposals	–	–	(7)	(67)	(36)	–	(110)
Transfers	–	–	149	–	–	(149)	–
Cost at 31 March 2014	14,570	842	14,918	6,858	409	–	37,597
Depreciation							
At 1 April 2012	9,387	583	10,490	3,515	119	–	24,094
Charge for the year	883	68	766	1,538	22	–	3,277
Impairment	–	–	–	–	–	–	–
Disposals	(20)	(126)	(185)	(1,257)	–	–	(1,588)
Transfers	–	–	–	–	–	–	–
At 31 March 2013	10,250	525	11,071	3,796	141	–	25,783
Charge for the year	807	71	772	1,547	25	–	3,222
Impairment	–	–	–	–	–	–	–
Disposals	–	–	(7)	(67)	(36)	–	(110)
Transfers	–	–	–	–	–	–	–
Accumulated depreciation at 31 March 2014	11,057	596	11,836	5,276	130	–	28,895
NBV 31 March 2014	3,513	246	3,082	1,582	279	–	8,702
NBV 31 March 2013	4,300	233	3,214	3,084	103	149	11,083

All assets set out in the table above are Ofcom-owned assets.

Equipment purchased for the Spectrum Clearance and Awards has been included in Ofcom's asset registers under Field Equipment. During 2013/14 these costs amounted to £0m (2012/13 £0.4m).

11. Intangible assets

	Website development £'000	Software licences £'000	Information technology £'000	Development expenditure £'000	Total £'000
Cost					
At 1 April 2012	39	5,016	23,746	1,181	29,982
Additions during year	18	17	509	641	1,185
Impairment	–	–	–	–	–
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
At 31 March 2013	57	5,033	24,255	1,822	31,167
Additions during year	–	3	413	1,111	1,527
Impairment	–	–	–	–	–
Disposals	–	(143)	(1,343)	–	(1,486)
Transfers	–	–	808	(808)	–
Cost at 31 March 2014	57	4,893	24,133	2,125	31,208
Amortisation					
At 1 April 2012	24	3,875	18,704	–	22,603
Charge for the year	14	587	3,440	–	4,041
Impairment	–	–	–	–	–
Disposals	–	–	–	–	–
Transfers	–	–	–	–	–
At 31 March 2013	38	4,462	22,144	–	26,644
Charge for the year	19	470	1,583	–	2,072
Impairment	–	–	–	–	–
Disposals	–	(143)	(1,098)	–	(1,241)
Transfers	–	–	–	–	–
Accumulated amortisation at 31 March 2014	57	4,789	22,629	–	27,475
NBV 31 March 2014	–	104	1,504	2,125	3,733
NBV 31 March 2013	19	571	2,111	1,822	4,523

All assets set out in the table above are Ofcom-owned assets.

12. Trade and other receivables – amounts falling due within one year

	2014 £'000	2013 £'000
Trade receivables	2,084	2,247
Other receivables	2,552	153
Value added tax receivable	–	36
Prepayments	5,692	5,302
Staff loans and advances	239	243
Accrued income	130	866
Accrued income (Grant-in-aid DCMS)	108	840
Total trade and other receivables – amounts falling due within one year	10,805	9,687

Staff loans relate to 156 (2013:169) season ticket loans to colleagues repayable over 12 months.

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

	2014 £'000	2013 £'000
Prepayments	–	172
Accrued income	967	163
Total trade and other receivables – amounts receivable after more than one year	967	335

14. Cash and cash equivalents

	2014 £'000	2013 £'000
Commercial banks and cash in hand	10,547	23,627
Balance of funds relating to Section 400	–	–
Total cash and cash equivalents	10,547	23,627

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

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

	2014 £'000	2013 £'000
Trade payables	2,706	929
Other tax and social security	3	1,739
Other payables	202	1,239
Value added tax payable	116	–
Deferred income (Grant-in-aid DCMS)	2,078	9,631
Accruals	10,076	13,165
Lease incentive accrual	1,289	1,309
Deferred income	4,731	5,600
Total trade and other payables – amounts falling due within one year	21,201	33,612

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 2013/14 Ofcom achieved on average a performance of 95.04 per cent against these targets (2012/13: 84.97 per cent).

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

	2014 £'000	2013 £'000
Lease incentive accrual	4,486	5,890
Deferred income	869	526
Total trade and other payables – amounts falling due after more than one year	5,355	6,416

17. Provisions for liabilities and charges

	Early retirement £'000	Vacant property £'000	Total £'000
At 1 April 2012	476	3,415	3,891
Discount unwound in year	13	75	88
Utilised in year	(130)	(1,165)	(1,295)
Provision increased/(released)	30	(544)	(514)
At 31 March 2013	389	1,781	2,170
Discount unwound in year	9	13	22
Utilised in year	(106)	(876)	(982)
Provision increased/(released)	19	(26)	(7)
Total provisions as at 31 March 2014	311	892	1,203

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 1.8 per cent (2013: 2.35 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 0.7 per cent (2013 0.4 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 2.35 per cent (2013: 1.45 per cent).

Analysis of expected timing of cashflows	Early retirement £'000	Vacant property £'000	Total £'000
Current			
Not later than one year	69	438	507
	69	438	507
Non-current			
Later than one year and not later than five years	105	454	559
Later than five years	137	–	137
	242	454	696
	311	892	1,203

The provision for early retirement of £0.3m (2013: £0.4m) is primarily for Annual Compensation Payments (ACP). The ACP is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment. The remainder relating to early retirement costs of former employees of Oftel, the Radiocommunications Agency and Ofcom was paid up in the year to 2014 and is now complete.

The provision for vacant properties includes one property (2013: one) which has space that is surplus to requirements. Professional advice has been taken in marketing vacant property, and future income streams are recognised as and when sub-letting of properties is reasonably certain. The provision is the net present value of the expected cash outflows calculated to the next lease break, net of the discounted value of future income streams secured from committed or reasonably certain future sub-letting agreements.

18. Commitments under operating leases

	Buildings £'000	Vehicles £'000	Other £'000	Total £'000
The future aggregate minimum lease payments under operating leases are as follows:				
Not later than one year	8,344	43	238	8,625
Later than one year and not later than five years	28,944	–	42	28,986
Later than five years	745	–	–	745
Total commitments under operating leases	38,033	43	280	38,356

The rental agreement of Riverside House is until September 2022 with a break option in September 2018. A rent review is due as at 29 September 2012, and the matter is being progressed with the landlord.

19. Amounts receivable under operating leases

	Buildings 2014 £'000
The future minimum lease payments receivable under non-cancellable operating leases are as follows:	
Not later than one year	2,008
Later than one year and not later than five years	9,158
Later than five years	–
	11,166

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

20. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £12.3m (2013: £12.3m) to Ofcom. This sum has not been reflected in these accounts but has been paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and accounts to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

21. Retirement benefit obligations

Ofcom has a range of pension schemes which include defined contributions plans, defined benefit plans and unfunded plans. The accounting standard on pensions, IAS 19, was revised and is applicable for these accounts. The comparative figures have been adjusted and further information is included in the accounting policy note.

A) Defined contribution plans – stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £4.6m were made in the year ended 31 March 2014 (2013: £4.5m).

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 2014 was £0.4m (2013:£0.5m). An additional £1.05m was transferred from the Feeder Trust account (2013:£0m); and

- The Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. No employer contributions were made to the Ofcom (Former ITC) Pension Plan in 2014 (2013: £0.1m, and an additional £1.5m was transferred from the Feeder Trust account). Both of these Plans are managed by a Board of Trustees that is independent of Ofcom.

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2012 have been completed for both defined benefit plans and, unlike under IFRS, showed a significant combined deficit of £5.2m.

Contribution schedules have been agreed with the Trustee of both plans as a result of these valuations. In accordance with these schedules, Ofcom is not expecting to contribute to the defined benefit plans over the next 12 months.

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.

In addition, 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 2014 £2.5m into the Feeder Trust (2013, £1.5m). The balance of the Feeder Trust as at 31 March 2014 was £16.5m.

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
	2014 £'000	2014 £'000	2014 £'000	2013 £'000	2013 £'000	2013 £'000
Funded status, end of year						
– Benefit obligation in respect of deferred members	(72,134)	–	(72,134)	(67,068)	–	(67,068)
– Benefit obligation in respect of pensioner members	(160,104)	(1,177)	(161,281)	(159,984)	(1,162)	(161,146)
Total benefit obligations	(232,238)	(1,177)	(233,415)	(227,052)	(1,162)	(228,214)
Fair value of plan assets	264,012	–	264,012	264,312	–	264,312
Funded status	31,774	(1,177)	30,597	37,260	(1,162)	36,098
Amount not recognised due to asset limit *	(8,628)	–	(8,628)	(10,060)	–	(10,060)
Net funded status	23,146	(1,177)	21,969	27,200	(1,162)	26,038

* IAS19 requires that, where a scheme is in surplus according to IAS19 assumptions, the surplus can only be recognised on a company's balance sheet if an economic benefit is available to the company as a result of the surplus. Per the Ofcom (former ITC) Plan's Trust Deed and Rules a refund of any surplus is not available to Ofcom and therefore a limitation of the IAS19 asset is required.

Changes over the year 2014

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value	(227,053)	264,312	(10,059)	27,200	(1,162)	26,038
Past service cost	–	–	–	–	–	–
Current service cost	–	–	–	–	–	–
Gains on curtailment	–	–	–	–	–	–
Administration expenses	–	(1,017)	–	(1,017)	–	(1,017)
Total service cost	–	(1,017)	–	(1,017)	–	(1,017)
Interest income/(cost)	(10,077)	11,763	(458)	1,228	(51)	1,177
Employer contributions	–	2,903	–	2,903	–	2,903
Employer contributions total	–	2,903	–	2,903	–	2,903
Benefits paid from scheme assets	11,277	(11,277)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	83	83
Benefits paid total	11,277	(11,277)	–	–	83	83
Remeasurements						
Actuarial gains/(losses)	(6,385)	(2,672)	1,889	(7,168)	(47)	(7,215)
Closing value	(232,238)	264,012	(8,628)	23,146	(1,177)	21,969

Changes over the year 2013

	Defined benefit obligation £'000	Assets £'000	Asset ceiling £'000	Funded pension scheme £'000	Unfunded pensions £'000	Total pension £'000
Opening value	(194,567)	238,354	(11,367)	32,420	(1,091)	31,329
Past service cost	(146)	–	–	(146)	–	(146)
Current service cost	–	–	–	–	–	–
Gains on curtailment	–	–	–	–	–	–
Administration expenses	–	(1,060)	(3)	(1,063)	–	(1,063)
Total service cost	(146)	(1,060)	(3)	(1,209)	–	(1,209)
Interest income/(cost)	(9,927)	12,240	(597)	1,716	(55)	1,661
Employer contributions	–	2,064	–	2,064	–	2,064
Employer contributions total	–	2,064	–	2,064	–	2,064
Benefits paid from scheme assets	11,095	(11,095)	–	–	–	–
Benefits paid directly by Ofcom	–	–	–	–	79	79
Benefits paid total	11,095	(11,095)	–	–	79	79
Remeasurements						
Actuarial gains/(losses)	(33,508)	23,809	1,908	(7,791)	(95)	(7,886)
Closing value	(227,053)	264,312	(10,059)	27,200	(1,162)	26,038

	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
2014 The amounts recognised in the Statement of Income and Expenditure are as follows:					
Current service cost	–	–	–	–	–
Past service cost	–	–	–	–	–
Curtailment or settlement gain/(loss)	–	–	–	–	–
Service cost	–	–	–	–	–
Net interest credit/(cost)	1,686	(458)	1,228	(51)	1,177
Defined benefit credit/(cost) recognised in income and expenditure	1,686	(458)	1,228	(51)	1,177
Administration expenses	(1,017)	–	(1,017)	–	(1,017)
Income/(cost) recognised in income and expenditure	669	(458)	211	(51)	160

2014 The amounts recognised as Other Comprehensive Income are as follows:

Gains/(losses) on benefit obligations due to changes in financial assumptions	(6,599)	–	(6,599)	(22)	(6,621)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	–	–	–	–	–
Gains/(losses) on benefit obligations as a result of member experience	213	–	213	(25)	188
Total gain/(loss) arising on benefit obligations	(6,386)	–	(6,386)	(47)	(6,433)
Gains/(losses) on plan assets	(2,671)	–	(2,671)	–	(2,671)
Gains/(losses) as a result of change in asset limit	–	1,889	1,889	–	1,889
Net gain/(loss)	(9,057)	1,889	(7,168)	(47)	(7,215)

	Funded pension assets and liabilities before asset ceiling £'000	Asset ceiling £'000	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
2013 The amounts recognised in the Statement of Income and Expenditure are as follows:					
Current service cost	–	–	–	–	–
Past service cost	(146)	–	(146)	–	(146)
Curtailment or settlement gain/(loss)	–	–	–	–	–
Service cost	(146)	–	(146)	–	(146)
Net interest credit/(cost)	2,313	(597)	1,716	(55)	1,661
Defined benefit credit/(cost) recognised in income and expenditure	2,167	(597)	1,570	(55)	1,515
Administration expenses	(1,060)	(3)	(1,063)	–	(1,063)
Income/(cost) recognised in income and expenditure	1,107	(600)	507	(55)	452

2013 The amounts recognised as Other Comprehensive Income are as follows:

Gains/(losses) on benefit obligations due to changes in financial assumptions	(22,809)	–	(22,809)	(101)	(22,910)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(9,433)	–	(9,433)	–	(9,433)
Gains/(losses) on benefit obligations as a result of member experience	(1,266)	–	(1,266)	6	(1,260)
Total gain/(loss) arising on benefit obligations	(33,508)	–	(33,508)	(95)	(33,603)
Gains/(losses) on plan assets	23,809	–	23,809	–	23,809
Gains/(losses) as a result of change in asset limit	–	1,908	1,908	–	1,908
Net gain/(loss)	(9,699)	1,908	(7,791)	(95)	(7,886)

Movements in market conditions over the year resulted in a change in the assumptions used to value the benefit obligation. However, Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against such events, such as buying annuity policies to meet the benefit payments of most pensioner members. The net impact on the funded status was therefore relatively limited.

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

	2014 (%) Total	2013 (%) Total
UK Equities	8	11
Overseas Equities	6	5
Corporate bonds	5	9
Index-linked bonds	12	13
Fixed interest government bonds	1	–
Annuities	62	56
Cash/interest on bank deposit	6	6
Other	–	–
	100	100

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

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

	2014 (%) Total	2013 (%) Total
Discount rate	4.45	4.55
Retail Price Inflation	3.45	3.35
– Future pension increases (RPI)	3.45	3.35
– Future pension increases (CPI max 3%)	2.10	2.00

The Ofcom pension plan is composed of two separate plans and the Principal demographic assumptions at the date of the Statement of Financial Position are as follows:

	DB Plan	DB Plan	ITC Plan	ITC Plan
Expected lifetime of a member aged 60 who is...	Currently aged 40	Currently aged 60	Currently aged 40	Currently aged 60
– Male	29	27	30	28
– Female	32	30	33	31

Sensitivity to changes in principal assumptions used

Change in assumption	Impact on					
	DB Plan			ITC Plan		
	Defined Benefit obligations £'000	Assets £'000	Funded status £'000	Defined Benefit obligations £'000	Assets £'000	Funded status £'000
Discount rate						
Increases by 0.50%	decrease by 5,403	decrease by 1,961	decrease by 3,442	decrease by 11,921	decrease by 8,171	decrease by 3,750
Falls by 0.50%	increase by 6,094	increase by 2,186	increase by 3,908	increase by 12,808	increase by 8,688	increase by 4,120
Retail price inflation						
Increases by 0.50%	increase by 5,488	increase by 3,631	increase by 1,857	increase by 11,323	increase by 7,881	increase by 3,442
Falls by 0.50%	decrease by 4,922	decrease by 3,211	decrease by 1,711	decrease by 10,719	decrease by 7,520	decrease by 3,199
Expected lifetime of a member aged 60						
Increases by 1 year	increase by 2,109	increase by 643	increase by 1,466	increase by 5,035	increase by 4,057	increase by 978
Decreases by 1 year	decrease by 2,020	decrease by 616	decrease by 1,404	decrease by 5,017	decrease by 4,043	decrease by 974

Liability profile of defined benefit plans

The charts below illustrate the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2012) over the next 80 years.

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

Ofcom Defined Benefit Pension Plan



Ofcom (Former ITC) Pension Plan



22. Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24, "Related Party Disclosures".

Members of the Board submit an annual declaration confirming that they have no interests prejudicial to their function as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

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

Details of all grant-in-aid income from DCMS are provided in Notes 2, 3, 12 and 15 of these financial statements.

A defined benefit scheme and two defined contribution schemes are operated. Refer to Note 21 for further disclosure.

At 31 March 2014, the following creditors were held in respect of grant-in-aid provided by DCMS:

- Spectrum management – £0.1m (2013: £1.7m);
- Spectrum clearance and awards – £1.3m (2013: £7.8m);
- Other sectors – £0.7m (2013: £0.1m)

At 31 March 2014, the following debtor was held in respect of grant-in-aid due by DCMS:

Orphan expenditure (functions which cannot be funded through fees and charges set under the Communications Act 2003) – £0.1m (2013: £0.8m)

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

23. Financial instruments

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

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from this assessment.

24. Capital commitments

At 31 March 2014 there were capital commitments of £0.3m (2013: £0.1m); in 2012/13 this related to development work for a broadcast licensing solution.

25. Receipts transferred to the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £2.4m (2013: £2.3m) of Broadcasting Act Additional Payments and Fines to the Consolidated Fund.

£276.0m (2013: £2,633.2m) of WT Act licence fees was remitted to DCMS for transfer to the Consolidated Fund. The material difference relates to the WT Act fees received from the auction of 800MHz and 2.6GHz (£2,370.6m). Details on amounts due to the Consolidated Fund at 31 March 2014 are disclosed in Note 14 to these financial statements.

26. Contingent liabilities

Ofcom may be subject to appeal of decisions made in carrying out its functions as regulator of the communications sector. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent that they are probable and quantifiable. For the 2013/14 financial year no provision was required.

However, there is a contingent liability in relation to the appeal by British Sky Broadcasting limited (Sky) in respect of Ofcom's decision made in March 2010 pursuant to its powers and duty under Section 316 of the Communications Act. In August 2012 the Competition Appeal Tribunal (CAT) upheld in part Sky's appeal against Ofcom's decision. In May 2013 the Tribunal ordered that Ofcom should pay part of Sky's costs of its appeal. In June 2013 Ofcom applied for permission to appeal the Tribunal's award of costs to Sky. The CAT's ruling was then appealed and the case was heard at the Court of Appeal. In February 2014 the Court of Appeal made its judgment, ruling that the CAT did not properly consider Ofcom's 2010 finding that there was ineffective competition in the pay TV market. The Court of Appeal has now asked the CAT to reconsider the case.

27. Whole of Government accounts

At 31 March 2014, Ofcom owed £2.1m (2013: £10.5m) to central Government bodies. There are no amounts owing in respect to GIA received to local authorities, NHS Trusts or public corporations and trading funds.

Section 400 shows £3.2m (2013: £2.2m) owing to central Government bodies.

28. Events after the reporting period

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

Ofcom Boards and Committees

Board Committees

The Content Board

Further details of the Content Board are on page 51.

Members
Tim Gardam (Chairman)
Lord Blackwell ³
Lynne Brindley, DBE ⁴
Andrew Chitty ²
Andrew Colman ²
Dr David Levy
Glyn Mathias
Lesley MacKenzie ²
Iseabail Mactaggart ⁵
Claudio Pollack ¹
James Thickett ¹
Janey Walker

1. Claudio Pollack and James Thickett were appointed to the Content Board with effect from 1 April 2013.
2. Andrew Chitty, Andrew Colman and Lesley MacKenzie were appointed to the Content Board with effect from 18 September 2013.
3. Lord Blackwell resigned from the Content Board with effect from 31 March 2014.
4. Lynne Brindley was appointed to the Content Board with effect from 1 April 2014.
5. Iseabail Mactaggart resigned on 31 May 2014.

Broadcast Licensing Committee

The Broadcast Licensing Committee has delegated authority from the Ofcom Board to discharge Ofcom's functions in relation to radio (sound) and local television broadcast licensing. The Committee's responsibilities include decisions on the award of new and re-advertised licences, and on licence variations and revocations. The membership of the Committee will be on a rolling basis and involves all Content Board members from time to time.

Community Radio Fund Panel

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

Members
Wendy Pilmer (Chairman) ¹
Richard Hilton
Fiona Lennox ²

1. Wendy Pilmer was appointed to the Panel with effect from 1 January 2013 and was appointed Chairman with effect from 1 January 2014.
2. Fiona Lennox was appointed to the Panel with effect from 1 January 2014.

Election Committee

Section 333 of the Communications Act requires Ofcom to ensure that Party Political Broadcasts (including Party Election Broadcasts) and Referendum Campaign Broadcasts are included in the UK regional ITV, Channel 4, Five, Classic FM, talkSPORT and Virgin 1215 services. Unresolved disputes between any licensee and any political party, as to the length, frequency, allocation or scheduling of broadcasts, are brought to Ofcom for resolution. The Ofcom Board has delegated the adjudication on such disputes to a committee known as the Election Committee. The Committee meets as and when required and consists of members drawn from the Content Board.

The Spectrum Clearance Finance Committee

The Spectrum Clearance and Awards Programme was established to bring together all the projects associated with the clearance and award of the 800MHz and 2.6GHz spectrum bands under a single programme management structure. In order to ensure that appropriate financial controls are in place and to consider proposals for spectrum clearance grants, the Ofcom Board has delegated to this Committee responsibility for making grants on spectrum efficiency grounds for any proposed spectrum clearance under section 1(5) of the Wireless Telegraphy Act 2006 and the terms and conditions on which grants are made: grants and their terms and conditions require the consent of the Treasury.

Members

Sir David Brown (Chairman)

Peter Teague (Deputy Chairman)

Peter Davies¹

H. Nwana^{1,2}

Graham Plumb^{1,2}

Kate Stross

1. Executive Members

2. H Nwana resigned from the Committee and was replaced by Graham Plumb with effect from 9 May 2013

Nations Committee

The Nations Committee is a direct Committee of the Ofcom Board. Its role includes: understanding the political dynamics in each nation of the UK and advising on Ofcom's engagement in each nation; agreeing appropriate processes for Ofcom's engagement with each National Advisory Committee; monitoring stakeholder events in each nation and overseeing the involvement of, and engagement of, the Ofcom Board in each nation. Its membership comprises two Non-Executive Members of the Ofcom Board and the Chairmen of the National Advisory Committees. The Executive Directors of each nation, together with other senior Ofcom executives, are invited to attend Nations Committee meetings.

Nations Advisory Committee members

	England	Scotland	Wales	Northern Ireland
Chairman	Professor William Dutton	Professor Philip Schlesinger	John Davies ¹	Maureen Edmondson OBE ²
Members	Barnie Choudhury	Laura Alexander	Julie Barton	Andrew Colman ³
	Andrew Chitty	Stuart Gibson	Nerys Evans	Isolde Goggin
	Graham Creelman OBE	Liz Leonard	Glyn Mathias	Lesley Holmes
	Andrew Davis	Ian McKay	Huw Roberts	Fiona MacMillan
	Becky Hogge	Peter Peacock CBE		Brendan Mulgrew
	Duncan Ingram			Ben Preston
	John Varney			

1. John Davies replaced Ian Clarke as Chairman of the National Advisory Committee for Wales (ACW) on 31 December 2013.

2. Maureen Edmondson replaced Wallace Ewart as Chairman of ACNI on the retirement of Wallace Ewart with effect from 1 December 2014.

3. Andrew Colman was appointed to the Advisory Committee for Northern Ireland (ACNI) with effect from 18 September 2013.

Note 1: Simon Gibson retired from the ACW on 31 December 2013.

Note 2: Andrew Davies resigned from the ACW with effect from 30 April 2014

Note 3: Iseabail Mactaggart resigned on 31 May 2014.

Non-Board committees

The Communications Consumer Panel

Section 16 of the Communications Act requires Ofcom to establish a Consumer Panel. The Panel acts as a ‘critical friend’ to Ofcom, providing advice that is robust and independent, but at the same time pragmatic and constructive.

Independent of Ofcom, the Panel is made up of independent experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information on the Panel can be found at www.communicationsconsumerpanel.org.uk

Members

Jo Connell OBE (Chairman)

Kim Brook

Jaya Chakrabarti

Chris Holland

Mairi Macleod

Craig Tillotson

Bob Twitchin

The Advisory Committee on Older and Disabled People

Section 21(1) of the Communications Act 2003 requires Ofcom to establish a Committee to advise Ofcom on issues in the communications sector that particularly affect older and disabled people. To take advantage of the synergy between the Communications Consumer Panel and the Advisory Committee on Older and Disabled People and to avoid potential duplication, cross-membership of the two bodies was established in 2012. The remits of the bodies remain unchanged.

Members

Jo Connell OBE (Chairman)

Kim Brook

Jaya Chakrabarti

Chris Holland

Mairi Macleod

Craig Tillotson

Bob Twitchin

The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues. Further information can be found on the OSAB website at www.osab.org.uk

Members

David Meyer (Chairman)

Professor Linda Doyle

Robin Foster

Philippa Marks

Dr Robert Pepper

Jean-Jacques Sahel

Professor Simon Saunders

Simon Towler (ex-officio)

Mike Walker

Professor William Webb

Gavin Young

1. Philip Marnick resigned from the Ofcom Spectrum Advisory Board (OSAB) on his appointment to the Ofcom Executive Committee in November 2013.

Regulatory statements

The figure below summarises Ofcom's policy statements published during 2013/14.

It includes a colour-coded key that indicates how the regulatory burden on stakeholders has changed as a result of Ofcom's regulatory decisions and statements in 2013/14. It shows that 77% of the statements saw no

change in regulatory burden or the work is ongoing; 9% of statements resulted in reduced regulatory burden on stakeholders; 13% of statements saw the introduction of increased or new regulation, while 2% resulted in streamlined or co-regulatory outcomes.

We have categorised each statement in the table below as an Annual Plan priority or an ongoing major work area, as set out in the Annual Plan 2013/14.

List of statements published in 2012/13 including regulatory impact on stakeholders

Contribute to and implement public policy defined by Parliament
Major Work Area – License new local TV services
DAB multiplex change request: Cardiff and Newport: Request to extend coverage area and change frequency of Cardiff & Newport local radio multiplex
Extending DAB Services in Northern Ireland – Request to extend coverage area of national radio multiplex service
Request to change frequency of Herefordshire & Worcestershire local DAB multiplex: Statement
Programmatic – Provide support and advice to Government on policy implementation where appropriate
Postcode Address File
Programmatic – Undertake ongoing work to support network resilience cyber security and access to emergency services
GC4 and the performance of emergency call handling agents
Maintain audience confidence in broadcast content
Priority – Relicensing of Channels 3 & 4 & 5
Channel 3 and Channel 5: Statement of Programming Obligations
Determination of financial terms for the Channel 3 and Channel 5 licences
Methodology for determining the financial terms for the Channel 3 and Channel 5 licences
Publication of varied licences for Channel 3 and 5
Renewal of Channel 3 licences: proposed changes to licensed area for Wales and West of England Licence and South West of England Licence
Renewal of the Channel 4 licence

■ Increased/new regulation
 ■ Mixed/no-change/ongoing
 ■ Streamlined/co-regulatory
 ■ Reduced regulation

Priority – Target licensing and enforcement to ensure effective protection for audiences

General procedures for investigating breaches of broadcast licences

Major Work Area – License new local TV services

Invitation for views on merging further planned local TV coverage areas

Invitation for views on merging planned local TV coverage areas

Programmatic – Ensure efficient and effective programme standards enforcement

Review of Ofcom list of major political parties for elections taking place on 22 May 2014

Promote effective competition and informed choice**Priority – Develop and implement policies that will improve the ease of switching between communications providers**

“Consumer Switching A statement on the GPL NoT+ elements”

Priority – Ensure effective competition and investment in both current and superfast broadband

Charge control for LLU and WLR services – Adoption of revised SMP Services Conditions further to paragraph 3 of the Competition Appeal Tribunal's Directions of 29 April 2013

Review of the fixed narrowband services markets – final statement on the proposed markets, market power determinations and remedies

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

Accreditation scheme for price calculators

Major Work Area – Review framework for regulatory financial reporting in telecommunications

Changes to BT and KCOM's regulatory and financial reporting 2012/13 update – Statement

Programmatic – Enforce competition e.g. through resolving disputes and investigating complaints under the Competition Act and imposing penalties where appropriate

Payment of costs and expenses in regulatory disputes

Programmatic – Implement measures to ensure availability of geographic numbers for allocation to communications providers

Changes to making local calls in five area codes

Promote opportunities to participate**Priority – Secure the provision of the universal postal service**

Modification to the control preventing Royal Mail margin squeeze: Statement

Regulation of the provision of post boxes – Decision on the modification to the regulatory obligations on Royal Mail for the provision of post boxes (DUSP 1.8)

Technical and minor amendments in postal regulation – Notifications of technical and other minor amendments to the Universal Postal Service Order and related conditions

Updating the Regulatory Reporting Framework – Statement USP Accounting Condition

Major Work Area – Ensure the adequate provision of services for consumers with hearing impairments

Measuring the quality of live subtitling: Statement

Next Generation Text Relay

Programmatic – Understanding and promoting the interests of older and disabled consumers

Access to electronic communications services for disabled customers

Protect consumers from harm**Priority – Implement reform of non-geographic numbering to ensure price transparency**

Access condition for free-to-caller 080 and 116 numbers

Simplifying non-geographic numbers – Final statement

Programmatic – Provide protection from and enforcement against unfair terms and practices by Communications Providers

Price rises in fixed term contracts

Secure optimal use of spectrum**Priority – Implement reform of non-geographic numbering to ensure price transparency**

Statement on 870-876 MHz and 915-921 MHz – Update and Way Forward

Major Work Area – Develop a forward-looking spectrum work programme

Spectrum pricing for terrestrial broadcasting

The Spectrum Plan for the Glasgow Commonwealth Games

Major Work Area – Progress the release of spectrum

Award of the 600 MHz spectrum band

Programmatic – Plan spectrum assignments and grant licences

Citizens Band (CB) radio – Authorising Amplitude Modulation (AM) modes of operation – Permitting AM double and single side band CB radio in the UK

Decision to make the Wireless Telegraphy (Automotive Short Range Radar) (Exemption) Regulations 2013

Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2013

Decision to make the Wireless Telegraphy (Limitations of Number of Licences) Order 2014

Decision to make Wireless Telegraphy licence exemption regulations

Spectrum Management Approach in the 71-76 GHz and 81-86 GHz bands

Statement on the Authorisation of Earth Stations on Mobile Platforms

Statement on the Requests for Variation of 28 GHz Broadband Fixed Wireless Access Licences

Statement on the Requests for Variation of 900 MHz, 1800 MHz and 2100 MHz Mobile Licences

Programmatic – Spectrum enforcement: advise and assist in cases of interference confiscate unauthorised equipment and prosecute where appropriate

Spectrum Pricing: A framework for setting cost based fees – statement

Other – Business Planning & Management

Annual Plan 2014/15

■ Increased/new regulation
 ■ Mixed/no-change/ongoing
 ■ Streamlined/co-regulatory
 ■ Reduced regulation

Ofcom statements published in 2013/14 which the earlier consultation included an impact assessment

Changes to BT and KCOM's regulatory and financial reporting 2012/13 update – Statement
Decision to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2013
Regulation of the provision of post boxes – Decision on the modification to the regulatory obligations on Royal Mail for the provision of post boxes (DUSP 1.8)
GC4 and the performance of emergency call handling agents
Decision to make Wireless Telegraphy licence exemption regulations
Decision to make the Wireless Telegraphy (Automotive Short Range Radar) (Exemption) Regulations 2013
Statement on the Requests for Variation of 900 MHz, 1800 MHz and 2100 MHz Mobile Licences
Award of the 600 MHz spectrum band
Statement on the Requests for Variation of 28 GHz Broadband Fixed Wireless Access Licences
Postcode Address File
Channel 3 and Channel 5: Statement of Programming Obligations
Renewal of Channel 3 licences: proposed changes to licensed area for Wales and West of England Licence and South West of England Licence
Methodology for determining the financial terms for the Channel 3 and Channel 5 licences
Spectrum pricing for terrestrial broadcasting
Review of the fixed narrowband services markets – final statement on the proposed markets, market power determinations and remedies
Changes to making local calls in five area codes
Price rises in fixed term contracts
Access condition for free-to-caller 080 and 116 numbers
Accreditation scheme for price calculators
Citizens' Band (CB) radio – Authorising Amplitude Modulation (AM) modes of operation – Permitting AM double and single side band CB radio in the UK
Technical and minor amendments in postal regulation – Notifications of technical and other minor amendments to the Universal Postal Service Order and related conditions
Simplifying non-geographic numbers – Final statement
Spectrum Management Approach in the 71-76 GHz and 81-86 GHz bands
“Consumer Switching
A statement on the GPL NoT+ elements”
Statement on the Authorisation of Earth Stations on Mobile Platforms
Review of Ofcom list of major political parties for elections taking place on 22 May 2014
Next Generation Text Relay
Access to electronic communications services for disabled customers
Spectrum Pricing: A framework for setting cost based fees – statement
Decision to make the Wireless Telegraphy (Limitations of Number of Licences) Order 2014

Ofcom consultations published in 2013/14 which included an impact assessment and where no statement had been published by 31 March 2014

Public Sector Spectrum Release: Amateur use of 2310 to 2450MHz and 3400 to 3475MHz

Fixed access market reviews: wholesale local access, wholesale fixed analogue exchange lines, ISDN2 and ISDN30

TV white spaces: approach to coexistence

Changes to BT and KCOM's regulatory and financial reporting 2013/14 update

The 0500 Number Range – Re-consultation on specific elements of Ofcom's proposal for the withdrawal of 0500 Freephone telephone numbers

Telephone number application form – Proposed modifications to the telephone number application forms within existing numbering policy

Licence Exempt Short Range Devices in the 870 to 876MHz and 915 to 921MHz Bands: Technical Proposals

Fixed access market reviews: Openreach quality of service and approach to setting LLU and WLR Charge Controls

Regulatory Financial Reporting: a review

Fixed access market reviews: Further consultation on notification periods, compliance with requirements on the VULA margin, and approach to pricing for TRCs and SFIs

Review of the wholesale broadband access markets: Update on the impact of fibre roll-out and further consultation on the proposed charge control

Amendments to regulatory conditions DUSP 1.8 and CP 1 and minor amendments to other regulatory conditions – Proposed amendments to post box reporting and relevant turnover for the calculation of qualifying consumer expenses

Notice of Proposal to make the Wireless Telegraphy (Mobile Communications Services on Aircraft) (Exemption) Regulations 2014

Excess Construction Charges for Openreach Ethernet Access Direct: Proposed Directions in relation to the Leased Lines Charge Control

Public Sector Spectrum Release (PSSR): Technical coexistence issues for the 2.3 and 3.4GHz award

Review of the Metering and Billing Direction

Porting charges under General Condition 18

Responses to the Call for Input and Consultation on next steps of the release of spectrum within the frequency ranges 143 MHz to 169 MHz

Local commercial analogue radio licence durations

Notice of proposals to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2014

Variation of 1800MHz mobile licences – A consultation on requests for an increase of 3dB in the maximum permissible base station power

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 2013/14 and how we have

performed against our statutory and published targets. This reflects the picture as at 31 March 2014.

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

set out in our six-monthly reports, Ofcom's Investigations Activity. <http://stakeholders.ofcom.org.uk/enforcement/competition-bulletins/six-monthly-roundup-complaints>

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

Activity and target	Performance against targets					Outgoing activity
	Total handled	Total accepted for investigation	Total not accepted for investigation	Total closed		
				of which, within target	of which, outside of target	
Enquiries						
Disputes (<i>ex ante</i>) 15 working days	9	6	3 (includes 2 withdrawn)	7 *	2	0
Competition law (<i>ex post</i>) 8 weeks	3	2	1	3	0	0
Complaints (<i>ex ante</i>) 15 working days	1	1	0	1	0	0
Own-initiative (<i>ex ante</i>) 15 working days	6	2	4	0	6	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 (<i>ex ante</i>)	11	6	5	3	4 **	4 ***
Competition law investigations						
No specific 'one size fits all' target. (<i>ex post</i>)	3	2	1	1		2
Other investigations and enforcement programmes						
Individual investigations have a target of completion (i.e. the issuing of a first notification or closure) within 6 months (<i>ex ante</i>)	7	5	2	2	1	4
Enforcement programmes are not subject to time targets. (<i>ex ante</i>)	7	1	6	0	0	7

* Includes two dispute enquiries for which Ofcom set an extended target at the outset and one extended at the request of the party which submitted the dispute.

** Three were delayed by related litigation. The other case was delayed by reconsultation on the provisional conclusions.

*** The four disputes ongoing at 31 March 2014 have all subsequently been resolved.

Broadcasting standards

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by Ofcom, and the BBC and S4C (with certain exceptions).

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code¹, or other Ofcom codes or licence conditions². Ofcom may launch investigations on its own initiative as well as launching investigations following the assessment of complaints. Ofcom handles complaint-led investigations and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 6,578 cases (comprising 13,015 complaints) were closed in the period under review.

Content standards

Initial assessment of complaints

All complaints about content standards are handled under Ofcom's procedures for investigating breaches of content standards for television and radio³.

Ofcom assesses every complaint it receives. Based on an initial assessment of the complaint and a consideration of the related television or radio content, Ofcom will consider whether there may have been a breach of the Broadcasting Code (or other Ofcom codes or licence conditions). If not, Ofcom will decide not to investigate further and publishes this decision in its Broadcast Bulletin⁴.

A total of 6,337 cases (12,774 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 253 cases (1,012 complaints) raised substantive issues that warranted further investigation; and
- 6,084 cases (11,732 complaints) did not require further investigation or fell outside Ofcom's remit.

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2013 and 31 March 2014, Ofcom assessed complaints on average within six working days.

Investigations

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

A total of 241 investigation cases were completed in the period between 1 April 2013 and 31 March 2014. Ofcom found that:

- 124 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes or licence conditions) being recorded;
- 29 investigated cases were resolved; and
- 88 investigated cases were not in breach of the codes.

Ofcom aims to complete those cases that it takes forward for investigation within 50 working days. In the period between 1 April 2013 and 31 March 2014, Ofcom completed investigations on average within 47.7 working days.

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

2. On 19 December 2013, Ofcom published new General Procedures for investigating breaches of broadcast licence conditions. We intend to report on the number of complaints assessed and investigations completed under these new procedures after a full year of data in the next Annual Report.

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

4. Available to view at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins>

Fairness and Privacy

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

A total of 241 complaints relating to Fairness and Privacy were closed.

Assessment and entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether or not to entertain the complaint. This assessment is based on whether: the complainant is the 'person affected' and able to make the complaint; the matter complained about is the subject of proceedings in a court of law in the UK; or the complaint is frivolous.

A total of 241 Fairness and Privacy complaints were assessed in the period between 1 April 2013 and 31 March 2014. Ofcom decided that:

- 72 complaints were entertained; and
- 169 complaints were not entertained or discontinued before entertainment.

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2013 and 31 March 2014, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 17.7 working days.

Adjudications

If Ofcom entertains a Fairness and Privacy complaint, it will investigate the matter further to decide whether a breach of the Broadcasting Code has occurred and, if so, it will uphold the complaint. Ofcom will then make its final adjudication.

A total of 72 complaints were adjudicated upon in the period under review. Ofcom decided that:

- 22 complaints were upheld (of which ten were partially upheld);
- 42 complaints were not upheld;
- seven complaints were resolved (following appropriate action taken by the broadcaster); and
- one complaint was discontinued after entertainment.

Ofcom also found that a self-initiated Fairness and Privacy investigation was not in breach of the Broadcasting Code⁵.

Ofcom aims to complete the consideration and adjudication of Fairness and Privacy complaints within 90 working days of the complaint being entertained. In the period between 1 April 2013 and 31 March 2014, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 87.5 working days.

Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other relevant Ofcom code or licence condition, and it considers the breach to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

The range of sanctions available to Ofcom include a decision to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty⁶; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

During the period between 1 April 2013 and 31 March 2014, Ofcom decided to impose the following statutory sanctions:

- Al Ehya Digital Television Limited in respect of its service Noor TV – £85,000 and a direction to transmit Ofcom's statement of findings

on one occasion and a direction not to repeat the programme.

- DM Digital Television Limited in respect of its service DM Digital – £85,000 and a direction to transmit Ofcom's statement of findings on one occasion and a direction not to repeat the programme.
 - Satellite Entertainment Limited in respect of its services Northern Birds, Essex Babes, Sport XXX Girls and Live XXX Babes – £40,000.
 - Regis 1 Limited in respect of its service Sangat TV – £30,000 and a direction to transmit Ofcom's statement of findings on one occasion.
 - Takbeer TV Limited in respect of its service Takbeer TV – £25,000 and a direction to transmit Ofcom's statement of findings on one occasion.
 - DM Digital Television Limited in respect of its service DM Digital – £20,000 and a direction to transmit Ofcom's statement of findings on one occasion.
 - Majestic TV Limited in respect of its service Psychic Today – £12,500 and a direction to transmit Ofcom's statement of findings on one occasion.
 - CSC Media Group Limited in respect of its service Scuzz TV – £10,000 and a direction to transmit Ofcom's statement of findings on one occasion.
 - Square 1 Management Limited in respect of its service Big Deal – £10,000.
5. Ofcom's decision on this investigation can be read in full in issue 233 of its Broadcast Bulletin, available at: <http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/obb233>.
6. All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

Spectrum engineering and enforcement – key performance indicators

Main activities

Work programme activity/incident		April 13 – March 14	April 12 – March 13
Interference cases received	Domestic cases *	670	728
	Business cases	1,166	1,163
	Not specified	27	61
Baldock: spectrum activities		5,418	4,416
Enforcement cases opened		833	821
Radio system compliance inspections completed		1,539	616
Successful prosecutions for criminal spectrum activity		11	10
Unsuccessful prosecutions for criminal spectrum activity		–	–

* Domestic cases relate to interference affecting radiocommunications equipment used in a domestic environment.

KPI 1 Time to first visit: The time 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).

KPI 2 Resolution: The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved.

Key performance indicators (interference cases)

Case Priority	KPI	Target	Quality of Service target achieved	
			April 13 – March 14	April 12 – March 13
Priority 1	First Visit	8 hours	100%	100%
	Resolution	2 calendar days	100%	100%
Priority 2	First Visit	18 hours	96%	96%
	Resolution	3 calendar days	100%	98%
Priority 3	First Visit	2 working days	99%	97%
	Resolution	6 working days	95%	93%
Priority 4	First Visit	5 working days	99%	97%
	Resolution	20 working days	97%	94%
Priority 5	First Visit	15 working days	100%	98%
	Resolution	40 working days	99%	97%
Priority 6	First Visit	n/a	n/a	n/a
	Resolution	60 working days	98%	98%

Spectrum licensing

Category A

Licences that involve no frequency assignment, site clearance or international coordination	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Business Radio light – simple UK (no base station)	1,677	1,503	10,630	9,190
Business Radio – simple site	758	601	8,131	7,557
Business Radio Suppliers – light	107	79	739	655
Fixed Wireless Access (5.8GHz)	69	64	364	350
GNSS repeater	47	32	61	17
Police and Fire	4	14	142	138
Subtotal for Business Radio products	2,662	2,293	20,067	17,907
Radar Level Gauge	–	–	124	124
CB, Amateur & Maritime	26,683	25,748	216,383	206,682
Total for Category A	29,345	28,041	236,574	224,713
KPI for Category A (100% in 7 days)	99%	97%	–	–
KPI for Category A (CB, Amateur & Maritime) (100% in 10 days)	99%	99%	–	–

Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13	
Automatic Identification System	18	33	196	184	
Coastal Station Radio (International)	13	23	447	487	
Coastal Station Radio (UK)	14	36	381	416	
Coastal Station Radio (Marina)	36	42	445	429	
Coastal Station Radio (Training School)	32	31	302	276	
Maritime Radio (Suppliers & Demonstration)	3	7	89	86	
Maritime Nav aids and Radar	24	10	131	113	
Differential Global Positioning System	–	–	6	6	
Subtotal for deregulation and contracting-out products	140	182	1,997	1,997	
Business Radio technically assigned	2,099	2,305	27,079	27,000	
Business Radio area assigned	42	34	228	199	
Coastal Station Radio (UK) area defined	–	1	1	1	
Coastal Station Radio (International) area defined	4	1	5	2	
Ground Probing Radar	17	18	155	153	
Scanning Telemetry	9	5	34	29	
Self co-ordinated links	31	81	57	94	
Subtotal for Business Radio products	2,202	2,445	27,559	27,478	
Total for Category B	2,342	2,627	29,556	29,475	
KPI for Category B	90% in 21 days	98%	98%	–	–
	100% in 42 days	99%	99%	–	–

Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Fixed Links	2,048	2,499	31,549	32,459
Satellite (Permanent Earth Station)	15	34	158	146
Satellite (Transportable Earth Station)	101	97	114	115
Satellite (Earth Station Network)	2	15	59	62
Satellite (Non-Fixed Earth Station)	3	–	2	0
Total for Category C	2,169	2,645	31,882	32,782
KPI for Category C	90% in 42 days	99%	98%	–
	100% in 60 days	100%	99%	–

Test and development (T&D) licences

	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Non-Operational Development Licence	321	402	295	274
Non-Operational Temporary Licence	242	110	79	64
Total for T&D	563	512	374	338
KPI for T&D (100% in 60 days)	100%	100%	–	–

Mobile and wireless broadband licences¹

Licences issued through spectrum auction or award processes	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Public Wireless Networks	–	1	4	4
Spectrum Access 2100 MHz ²	–	–	4	4
Spectrum Access – Channel Tunnel ³	1	1	2	1
Spectrum Access 800 MHz/2.6GHz	–	5	5	5
Spectrum Access 412 – 414MHz	–	–	1	1
Spectrum Access 1452 – 1492MHz	–	–	1	1
Concurrent Spectrum Access 1781-1785MHz	–	–	12	12
Spectrum Access 1785MHz, Northern Ireland	–	–	1	1
Spectrum Access 3.5, 3.6, 10, 28, 32 and 40GHz	–	–	12	12
Broadband Wireless/Spectrum Access 28GHz	–	–	15	15
Total for Mobile and Wireless Broadband	1	7	57	56

1. Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.
2. Previously 3G Cellular Telephones.
3. Separate licence for the out-bound (UK-France direction) tunnel.

Channel Islands and Isle of Man licences

Licence applications made via local regulators	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
2G Cellular Telephones, Channel Islands and Isle of Man ¹	–	–	8	8
3G Cellular Telephones, Channel Islands and Isle of Man ²	–	–	9	9
Spectrum Access 800MHz, Isle of Man	2	–	2	–
Spectrum/Wireless Access 3.4, 3.6, 10 and 28GHz,	–	–	9	8
Channel Islands and Isle of Man	2	–	28	27

1. Isle of Man licences now liberalised for 2G/3G/4G.

2. Isle of Man licences now liberalised for 2G/3G/4G.

Digital dividend spectrum licences

Spectrum freed up for new uses as a result of digital switchover.

DDR GI licences issued through spectrum award processes	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Spectrum Access 541 – 550MHz (Cardiff)	–	–	1	1
Spectrum Access 758 – 766MHz (Manchester)	–	–	1	1
Total for digital dividend licences	–	–	2	2

London 2012 Olympic Games and Paralympic Games licences

Spectrum freed up for new uses as a result of digital switchover.

	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Total licences for London 2012 Olympic Games and Paralympic Games	n/a	5,858	–	–

Non-discretionary spectrum licences

The Civil Aviation Authority (CAA) issues aircraft licences and Arqiva PMSE (formally the Joint Frequency Management Group) issues licences and authorisations for outside broadcasts and programme-making and special events.

Partners' activity	Licences issued April 13 – March 14	Licences issued April 12 – March 13	Total on issue as at 31 March 14	Total on issue as at 31 March 13
Arqiva PMSE issues licences for Programme-Making & Special Events	5,340	4,648	5,912	5,061
KPI for Arqiva PMSE (100% in 7 days)	100%	100%	–	–
CAA issues licences for Aeronautical	5,087	4,555	14,521	13,855
KPI for CAA (100% in 7 days)	79%	79%	–	–
Total	10,427	9,203	20,433	18,916
Total number of licences – all categories	44,849	48,893	318,906	306,309

Sustainability

This section presents sustainability data and financial costs in more detail.

Cost and consumption information for Bristol, Caterham, Peterborough and Wyndham House has been included where applicable. These offices have been closed following a rationalisation of Ofcom's property portfolio.

Greenhouse gas emissions

		2009/10	2010/11	2011/12	2012/13	2013/14	
Non-Financial Indicators (tonnes CO₂e)	Scope 1	Gas	173	220	131	182	142
		Oil	11	20	22	19	18
		Fleet Fuel	259	233	224	204	210
	Scope 2	Electricity	1,592	1,630	1,413	1,325	1,129
	Scope 3	Business Travel	366	341	360	359	311
		– Air	145	143	159	178	206
		– Domestic	20	10	10	11	17
		– Short haul	78	88	124	121	137
		– Long haul	47	44	25	45	52
		– Rail/bus/tube	109	81	102	103	61
– Car/Motorbike/Cycle		106	114	97	75	41	
– Taxis	7	3	3	3	2		
Related consumption data	Scope 1	Gas (kWh)	941,947	1,185,315	711,692	984,238	772,668
		Gas per FTE (kWh)	1,083	1,650	914	1,262	975
		Oil (litres)	4,500	7,953	8,500	7,500	7,000
		Fleet Fuel (litres)	96,964	87,320	87,206	78,923	80,558
	Scope 2	Electricity (kWh)	3,291,355	3,370,121	2,921,480	2,739,161	2,334,436
		Electricity per FTE (kWh)	3,784	4,692	3,752	3,512	2,945
Financial Indicators	Scope 1	Gas	£41,431	£49,655	£25,432	£34,991	£33,060
		Oil	£2,262	£5,510	£6,827	£7,081	£5,317
		Fleet Fuel	£112,491	£109,219	£123,748	£113,770	£113,397
	Scope 2	Electricity	£501,465	£458,675	£330,763	£301,645	£290,452
	Scope 3	Business Travel	£820,896	£627,606	£713,021	£705,867	£628,340
		– Air	£330,286	£194,477	£239,722	£280,526	£301,014
		– Rail/bus/tube	£258,160	£233,081	£297,685	£276,531	£226,171
		– Car/Motorbike/Cycle	£126,424	£150,046	£129,466	£104,276	£58,458
	– Taxis	£106,026	£50,002	£46,148	£44,534	£42,696	

Scope 1 – This covers direct consumption of gas and oil, and fuel consumption from Ofcom's fleet cars.

Gas consumption data across all years cover Ofcom's main office in London, Belfast, Birmingham, Haydock and Livingston. For 2009/10 and 2010/11 this also includes cost and consumption data from offices in Caterham and Peterborough where available. Gas consumption is dependent on weather conditions.

Oil consumption data relate only to Ofcom's office in Baldock.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services. Fuel data were not available for the 2009/10 financial year, so we have assumed that fuel consumption was the same as for the 2008/9 financial year. Fuel consumption for 2012/13 includes fuel used for the purpose of providing spectrum services for the 2012 Olympic Games and Paralympic Games.

Scope 2 – This covers electricity supplies to Ofcom's offices. Electricity data across all years cover Ofcom's main office in London, Baldock, Belfast, Birmingham, Cardiff, Glasgow, Haydock, Livingston and some Remote Monitoring Direction Finding sites around the UK. For 2009/10 and 2010/11 it also includes cost and consumption data from offices in Peterborough, Leeds and Wyndham House. For 2009/10, 2010/11 and 2011/12 it also includes cost and consumption data from an office in Caterham. For 2009/10, 2010/11,

2011/12 and 2012/13 it also includes cost data from an office in Bristol. For 2010/11 onwards it also includes consumption from our Project Park office in London. Electricity consumption is dependent on weather conditions.

Scope 3 – Business travel financial data have been obtained from our SAP reporting system and includes travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage.

Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short haul and long haul flights as per Defra flight distance guidance.

Waste minimisation and management

Waste consumption data for all years relate to Ofcom's main office in London, and for 2010/11 onwards also includes data from our Project Park office in London. Accurate waste consumption data are not available for other Ofcom offices, but the associated waste disposal costs have been included. Ofcom pays an overall waste management fee which cannot be attributed to individual waste categories. Ofcom operates on a 'zero waste to landfill' basis, and all waste is recycled or incinerated with energy recovery.

Finite resource consumption

Water data across all years cover Ofcom's main office in London, Baldock, Birmingham and Haydock. For 2009/10, 2010/11 and 2011/12 it also includes cost data from offices in Bristol, Caterham, Leeds and Peterborough where applicable. For 2010/11 onwards it also includes consumption from our Project Park office in London. Water charges for other offices are included in the service charge and therefore cannot be analysed. Water consumption is limited to operational use, including a catering facility in Ofcom's main office in London.

Data on paper reams purchased cover Ofcom's main office in London, Birmingham, Haydock, Caterham and Peterborough. Paper reams purchased by other offices have not been included.

Waste minimisation and management		2009/10	2010/11	2011/12	2012/13	2013/14
Non-Financial Indicators (tonnes)	Total waste	156	150	159	166	173
	Waste sent to landfill	–	–	–	–	–
	ICT waste recycled/re-used	–	–	8	2	9
	Waste recycled/re-used	92	83	89	91	98
	Waste composted	10	10	9	13	14
	Waste incinerated with energy recovery	54	57	53	60	51
	Waste incinerated without energy recovery	–	–	–	–	–
	Total waste per FTE	0.180	0.209	0.204	0.213	0.218
Financial Indicators	Total waste	£56,181	£62,256	£53,345	£46,068	£60,796

Finite Resource Consumption		2009/10	2010/11	2011/12	2012/13	2013/14
Non-Financial Indicators	Water consumption(m ³)	9,915	10,495	7,715	9,492	7,523
	Water consumption per FTE	11.40	14.61	9.91	12.17	9.49
	Paper reams	11,702	10,067	9,286	7,623	7,721
	A3 reams	5	1,002	60	121	156
	A4 reams	11,697	9,065	9,226	7,502	7,565
	A5 reams	–	–	–	–	–
Financial Indicators	Water	£21,505	£18,573	£22,771	£26,610	£20,506

Notes

- The above tables have been prepared in accordance with guidelines laid down by the Treasury: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/279330/PU1632_Sustainability_Reporting_Guidance.pdf
- 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 with the 2013/14 sustainability reporting guidance.
- Quantity of paper purchased is a new reporting requirement introduced in the 2013-14 sustainability reporting guidance. We have only reported on paper purchased directly through our stationery suppliers; this information is available only for selected offices.

Glossary

3G Third generation of mobile systems. Provides high-speed data transmission and supports multimedia applications such as full-motion video, video-conferencing and internet access, alongside conventional voice services.

4G Fourth generation of mobile phone technology, which follows on from 2G and 3G. It allows faster data transmission and download speeds than 3G networks.

BDUK Broadband Delivery UK – responsible for delivering the Rural Broadband Programme.

Bit-rates The rate at which digital information is carried within a specified communication channel. Broadband speeds are commonly measured in Mbit/s.

Bill shock A negative reaction that a person can have if their bill is unexpectedly high.

Community radio Refers to radio stations that typically cover a small geographical area with a coverage radius of up to 5km and run on a not-for-profit basis.

DCMS Department for Culture, Media and Sport.

DTT Digital terrestrial television. The television technology that carries the Freeview service.

EU5 France, Germany, Italy, Spain, United Kingdom.

End-to-end competition This is where commercial postal operators collect, process and deliver mail directly to the recipient without the need to use Royal Mail's network.

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 which is leased by an end user from a public carrier, and which is dedicated to that user's traffic.

Linear broadcasting traditional TV transmitted to a TV for watching at a particular time on a particular device.

LLU (local loop unbundling) LLU is the process whereby the incumbent operators (in the UK it is BT and Kingston Communications) make their local network (the lines that run from customers' premises to the telephone exchange) available to other communications providers.

Mobile broadband Various types of wireless high-speed internet access through a portable modem, telephone or other device.

Multiplex Digital terrestrial television services are transmitted using a 'multiplex' structure, with each multiplex containing a number of concurrent TV services, as well as radio stations and text services. These services are digitally combined into a single signal to form the transmitted multiplex.

Next generation core networks (NGN) Internet protocol-based core networks that support a variety of existing and new services, typically replacing multiple, single service legacy networks.

Next generation access networks (NGA) New or upgraded access networks that allow substantial improvements in broadband speeds and quality of service. This can be based on a number of technologies including cable, fixed wireless and mobile. Most often used to refer to networks using fibre optic technology.

Service provider A provider of electronic communications services to third parties, whether over its own network or otherwise.

Silent call An incoming telephone call where there is no-one on the other end of the line.

Superfast broadband Broadband services allowing speeds of 30Mbit/s and above.

Text relay A service that allows people with hearing and speech impairments to communicate with others through telephone or textphone equipment.

VoD (Video on demand) A service or technology that enables TV viewers to watch programmes or films whenever they choose to, not restricted by a linear schedule.