Ofcom
making communications work
for everyone

Our mission is to make communications work **for everyone.**

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

For the period 1 April 2019 to 31 March 2020

This document is also available in Welsh: Adroddiad a Chyfrifon Blynyddol y Swyddfa Gyfathrebiadau

The Office of Communications Annual Report and Accounts

For the period 1 April 2019 to 31 March 2020

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Lord Burns, GCB

As society comes to terms with the impact of Covid-19, the nationwide lockdown and social distancing have emphasised the essential role of broadband and mobile networks in supporting our economy and keeping people connected, no matter how far apart.

Faced with these challenges, those networks have performed well – partly reflecting the steps that Ofcom, Government and industry took over the past year in getting better broadband and mobile connections to people around the UK.

More than 95% of UK properties can now get superfast broadband, with around six in ten of those taking it up. The latest full-fibre technology reaches 12% of premises and is growing fast. And the number of homes and offices that cannot get a decent broadband connection by any means has fallen to around 190,000. In March, we introduced the Government's universal broadband service, giving every home and business the right to request a decent connection.

In mobile, we prepared to auction new airwaves to support growing demand for data on smartphones, and to pave the way for innovative 5G services.

Another focus for us this year has been fairness for phone, broadband and pay-TV customers – particularly those more vulnerable due to age or financial circumstances. These people have always been a priority for Ofcom; and as the full impact of Covid-19 is felt by millions of vulnerable people, their needs must come first.

This year we obtained agreement from the UK's largest broadband providers to cut prices for longstanding customers – many of whom are older – and introduce extra protections for the vulnerable.

Ofcom wants everyone to get a fair deal. We introduced rules in February requiring all customers to be told when their contract is coming to an end, and be shown the best prices available to them. As in broadband, we reviewed mobile prices and secured commitments from all the major providers – except Three – to reduce bills for long-standing customers. We also made it much easier to switch mobile provider with just a simple text message.

As a result, millions of customers are likely to save money in the coming years. But people also need protection from mistakes that might cost them money. This year we imposed fines including £1.4m on the mobile company Giffgaff, for overcharging customers; and £245,000 on BT, after it overcharged some EE customers for directory enquiries.

Protecting people from harm is at the heart of Ofcom's work – not just in telecoms, but equally in broadcasting. This year we tackled problems such as hate speech and unfair treatment of individuals by conducting more investigations into TV and radio programmes, recording 82 breaches of our rules. We imposed a range of penalties, including a £200,000 fine on the TV news channel RT for failing to preserve due impartiality; and fines of £100,000 and £200,000 on the former licence holders of Peace TV and Peace TV Urdu, for broadcasting hate speech and highly offensive content.

Of course, most broadcasters work hard to maintain the high standards that make our creative industries the envy of the world. But this year the industry faced unprecedented challenges, as Covid-19 hit advertising revenues and halted the production of many shows. One of our priorities remains to support UK broadcasting, whose value was proven again by strong viewing and listening figures during the pandemic.

As the UK's largest public broadcaster, the BBC plays a central role. This year our review of the corporation's news – and our annual report on its performance – showed the breadth and quality of the BBC's content still connects with millions of people. But it must engage more younger people and strive to represent the whole of UK society in its programmes.

Our BBC findings were based on research among viewers and listeners. Hearing from people about their changing views and needs remains the foundation of our regulation in all sectors.

For example, we have also completed a major survey of postal users' needs and priorities – as letter volumes decline but parcel numbers continue to rise. With increasing parcel deliveries, postal workers were central to keeping our economy moving this year, as the lockdown shifted most retail activity online; and our consumer research will help shape our future regulation of Royal Mail at a time of great change for the industry.

Leading our work is Dame Melanie Dawes, whom I was delighted to welcome as our new Chief Executive in March. Melanie brings a wealth of experience, most recently as Permanent Secretary at the Ministry of Housing, Communities and Local Government, where she was also Diversity and Inclusion Champion for the Civil Service.

Melanie will oversee work in important areas – not only responding to Covid-19, but also preparing for a potential new remit tackling online harms, and helping our sector adapt to the UK leaving the European Union.

In a world of change, uncertainty and new opportunities, Ofcom's fundamental goals are unchanged: promoting better services for homes and businesses, protecting people from harm, and making communications work for everyone.

Chief Executive's report

Dame Melanie Dawes, Chief Executive

I was honoured to become Ofcom Chief Executive in March. Only a fortnight after taking up my role, Ofcom found itself – like so many organisations – switching overnight to home-working and rethinking our role as the country managed the Covid-19 crisis.

During this time, keeping communication going across the UK has never been more important. The sectors Ofcom regulates have been vital in supporting families, businesses and individuals during the pandemic.

Telecoms providers ensured resilience across landline, broadband and mobile services, and took specific steps to support their customers. Broadcasters adapted schedules to maintain high-quality programmes and provide accurate and high-quality news. Post and parcel companies ensured continued delivery throughout the lockdown.

Communications key workers were among those who kept the UK going during this period – from the telecoms engineers and postal workers who helped us stay connected, including a small team of Ofcom's own engineers, to the public service broadcasters who provided trusted information to viewers and listeners.

Even before Covid-19, we were witnessing continued and rapid evolution in communications, driven by social, economic and technological change.

This year our research showed rapid shifts in the nation's viewing habits, with half of UK homes now subscribing to TV streaming services. Young people now watch half as much traditional TV as they did a decade ago, spending over an hour each day on YouTube.

At the same time, four in five UK internet users are worried about harmful experiences online. In early 2021 we will begin exercising new duties to regulate illegal and damaging content on video-sharing services based in the UK. To reflect this new role – and the wider changes in how people communicate – Ofcom launched the Making Sense of Media programme, which expands and intensifies our media literacy activities through a range of research and events.

In February, the UK Government said that it was minded to appoint Ofcom as the regulator for a wider regulatory framework to protect against online harms. Should we be appointed as the regulator, we stand ready to develop effective and proportionate rules that reflect the aims set out in any new legislation.

Changing media habits and technology continue to transform broadcasting. Public service broadcasters have shown their value during the Covid-19 crisis, with record viewing figures. But they face tough competition from global tech giants and well-funded streaming services – most recently Disney+, which launched in the UK in March.

To reflect these shifts, we have been consulting widely – and holding events across the UK – to hear from audiences, academics and parliamentarians on how public-service broadcasting (PSB) should be redefined for the digital age. This year we will consult on what services should be provided – and how they might be delivered, funded and secured for the future.

During the Covid-19 lockdown, millions of people and businesses have had to adapt to home working – relying as never before, and in every corner of the UK, on good broadband and mobile services. This has underlined the importance of investing in gigabit-speed networks fit for the future.

Ofcom has been working to support this. We are adapting our regulatory approach to support investment in new fibre broadband networks, with pricing rules that provide a fair return for investors tomorrow, while ensuring people can still afford good broadband today.

People also need better connections on the move. We are preparing to auction new spectrum to support 5G networks, and we are holding mobile operators to their commitments to roll out good-quality 4G signals to remote parts of the UK within six years. We provided technical advice on their targets, which the operators agreed with Government, and we are making them legally binding.

As the regulator, we recognise the challenges posed to our sectors by the severe social and economic disruption of Covid-19. As the country adjusts to a new phase, we will continue to aim for sensible, supportive regulation – while holding companies to account and ensuring they serve their customers and audiences to the best possible standard.

Above all, companies must still treat people fairly. Following interventions by Ofcom, telecoms firms are now paying automatic compensation when things go wrong. They are telling customers about their contract status, providing guaranteed broadband speeds, and letting people switch easily to an alternative provider.

Ofcom too must continue to adapt and innovate as a regulator. We are appointing specialists to help us apply data more effectively in our decisions, and to understand its latest uses within industry. In addition, our Technology team is building on work to ensure that telecom firms keep their networks secure, as the UK Government plans enhanced duties for Ofcom to protect our fibre and 5G networks from cyber threats.

Finally, this year we continued to report on the protected characteristics of TV and radio workers, highlighting where opportunities should be extended. For the first time, we collected data on the socio-economic background of people in television; and we established a Diversity Advisory Panel of industry experts to provide new insights into how broadcasters can draw on the best talents from every section of society.

For our part, Ofcom is now revitalising its diversity and inclusion strategy, planning new targets and working hard to make sure that we are representative of the country and nations we serve. This will be a personal priority for me as Ofcom's new Chief Executive.

Performance Report

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

1. Overview

About Ofcom

UK consumers and businesses depend upon using communications services each and every day. Having reliable and robust communications across the UK has never been more important and is playing a vital role in the UK's response to the coronavirus. With many businesses moving to remote working and school closures, broadband and mobile networks are seeing shifting patterns of demand; many families are now online together during the day for home working and schooling.

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

Our remit covers the regulation of broadband and mobile telecoms, TV, radio, video-on-demand services, post, security and resilience of telecom networks and services, and we make sure that the radio spectrum is used in the most effective way.

The work we do benefits consumers and UK businesses to get the best from communications services and ensures that people are able to access services wherever they are in the UK. We ensure consumer fairness and protection from sharp practices and we actively support competition where appropriate to deliver good outcomes.

The priority for our sectors through the coming months is to maintain support for consumers and businesses and to ensure that the networks remain resilient and continue to operate effectively. It is also critical that we act to make sure people are protected from fraud and bad practices, in particular vulnerable or older people.

Across the UK, we have dedicated teams of engineers and technicians (designated key workers) who play a critical role in keeping the airwaves safe and functioning and we are working with industry and the Government to make sure telecoms customers stay connected and are supported during this unprecedented time.

We oversee the universal postal service, which means Royal Mail must deliver and collect letters six days a week, and parcels five days a week, at an affordable and uniform price throughout the UK.

We are independent of both Government and the companies we regulate and our duties are set out in statute, making us accountable to Parliament. Our priority is good consumer outcomes, where consumers can make informed choices, and we drive this by keeping you informed and promoting competition among companies we regulate.

Our powers and duties

Ofcom was established under the Office of Communications Act 2002 and operates under a number of Acts of Parliament[1].

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

In postal services, we must carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws.

Ofcom can enforce consumer law on behalf of consumers, but we cannot resolve individual consumer complaints about telecoms or postal services. Where appropriate, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. By contrast, we do deal with individual complaints about TV and radio.

Our legal duties guide the direction of our work and our main legal duties are to ensure that:

- the UK has a wide range of electronic communications services;

- radio spectrum is used in the most effective way;

- a wide range of high-quality television and radio programmes are provided by a range of different organisations, appealing to a range of tastes and interests;

- people are protected from harmful or offensive material, unfair treatment and invasion of privacy on the television and radio; and

- the universal service obligation on postal services is secured in the UK.

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

Our values

To help us with our work in promoting choice, securing standards and preventing harm, we need to make the best decisions for all UK consumers and citizens. To do this, every part of our organisation needs to be diverse and foster an inclusive culture. We aim to achieve this by adopting our four values: collaboration, empowerment, agility and excellence.

Our values shape how we treat one another, how we work together, how we relate to our stakeholders, how we judge performance and how we collaborate to achieve our priorities. Our values are central to our effectiveness and they support the organisation we want to be.
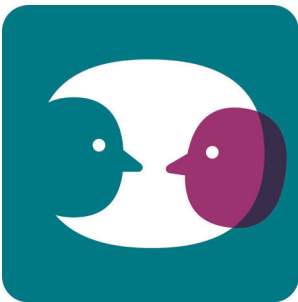
Collaboration

Empowerment

Agility
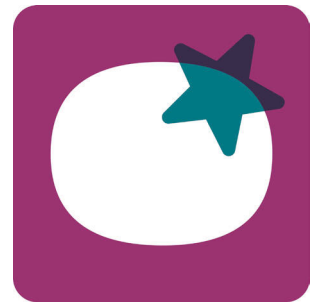
Excellence

2. Performance Review

Highlights for 2019/20

- **Broadband universal service obligation (USO)** – Ofcom is responsible for implementing the USO and from March 2020 consumers have been able to request a decent broadband connection.

Better broadband and mobile - *wherever you are*

- **Investment in full-fibre networks** – this year, we set out our proposed regulatory framework to support investment in full-fibre networks (Wholesale Fixed Telecoms Market Review). Current provider plans could see at least 50% full-fibre coverage of the UK within five years.

- **Shared Rural Network** - we provided technical advice to the Government on the mobile network operators proposals for a 'shared rural network' (SRN) which will help propel 4G coverage across the UK.

- **Shared spectrum access** - we confirmed plans to allow shared access in a number of spectrum bands and continued our programme of work to release more spectrum to enable the launch of new mobile services, such as 5G.

Fairness for customers

- Under our **Fairness for Customers** programme, we published a framework outlining how we will judge whether customers are being treated fairly by telecoms and pay-tv companies.

- Last year saw all of the UK's biggest providers make a landmark **commitment to put fairness first**.

- **Switching** - we've made it quicker and easier for customers to leave their current mobile company by switching with a simple text message. We've also made it easier to switch broadband provider and get a guaranteed speed.

- Broadband, phone and pay-tv firms must now **tell you when your contract is coming to an end**, and must also tell you about their best available deals.

- **Small Screen Big Debate** - we published a five-year review of Public Service Broadcasting (2014-18), to provoke a national conversation about how the benefits of PSB might be assured for the future.

Supporting UK broadcasting

- **Regional production review** - we published updated guidance for public sector broadcasting (PSB) around making programmes outside of London, and the criteria that defines a regional production.

- **Prominence of electronic programme guide (EPG)** - we published a statement with revisions to the electronic programme guide (EPG) Code, to ensure the main PSB channels remain easy to find. The revisions are due to come into effect in 2021.

- **On-demand programme services (ODPS)** - we worked with ODPS providers, consumer groups, and the Government around how forthcoming regulations should work to improve the accessibility of ODPS.

- **Broadcasting Code enforcement** - we recorded 82 breaches of the Code, and imposed 7 sanctions on broadcasters, including 6 financial penalties relating to:

  » harmful content
  » breaking rules relating to crime, disorder, hatred and abuse
  » breaches of the due impartiality rules.

- **Making Sense of Media (MSOM)** - we expanded our media literacy activities by launching the MSOM programme. The MSOM network brings together organisations and individuals with expertise in media literacy with a shared goal of improving the online skills, knowledge and understanding of UK adults and children.

Raising awareness of online harms

- **Online Nation Report** - we published Online Nation, an annual report which examines how people are served by internet content and services, and attitudes towards being online. Alongside this, we updated our analysis and research on adults' media use and attitudes.

- **Online harm** - we published further detailed research examining people's experiences of online harm. We also looked at how AI could help moderate online content over the next five years going forward.

Strong, Secure Networks

- **UK network security and resilience** - we are working DCMS on the legislative process which will give Ofcom new Telecoms Security Requirements (TSR) powers, aimed at improving levels of security within the telecoms sector.

- **Diversity and Equal Opportunities reports** - we published diversity reports for radio and TV. For the first time, we collected data on the socio-economic background of the TV workforce.

Diversity and inclusion

Progress on delivering against our Annual Plan priorities

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

We developed our priority work areas for 2019/20 in line with our duties and strategic goals. Our priorities consider the market context and, where possible, aim to reflect responses from stakeholder consultation.

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

Delivery RAG reflecting likelihood that the project will be completed on time:

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

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

project may not be completed or significantly delayed.

Better broadband and mobile – wherever you are

Encouraging investment and improving broadband and mobile coverage, so everyone benefits

Priority work areas	Comments
Broadband Universal Service Obligation ("USO") – designating providers and setting requirements.	**Broadband** (as at January 2020) a) 27.7m homes (95%) can now access superfast broadband (30Mbit/s) (27.1m homes Jan 2019); b) over 3.5 million homes (12%) now have access to full-fibre broadband connection (7% Jan 2019); 55% of homes can get ultrafast broadband (300Mbit/s) (51% Jan 2019); c) Eligible homes can now request a decent connection from a designated universal service provider (10Mbit/s download and 1Mbit/s upload speed)
Business Connectivity Market Review (provision of leased lines in the UK).	
Physical Infrastructure Market Review – to encourage investment for home broadband.	**Mobile** a) Stable 4G coverage – outdoor coverage from all four operators is at 67% of UK-land mass, with 9% of the UK still without good coverage from any operator; b) 5G rollout started May 2019 - now in over 70 UK towns and cities;
Access Review – statutory review of telecoms markets.	
700MHz Clearance – moving existing TV broadcast users.	**The Shared Rural Network will significantly improve consumer outcomes** a) Increasing outdoor UK 4G coverage to at least 90% (varying by operator). b) Collective mobile operator outdoor coverage ≥95%
Future spectrum auction (700 MHz and 3.6-3.8 GHz award) and improvements in mobile coverage and services.	c) new outdoor coverage to between 40,000 and 140,000 of premises (varying by operator), and between 4,000 and 10,000 km of road (varying by operator). These coverage improvements will be delivered by June 2026, with interim targets agreed for June 2024.

Better broadband

High-quality connections have never been so important. We want to make sure everyone can access fast and reliable broadband services, regardless of where they live or work.

Consumer Impact

We are living through a communications revolution. People are more reliant on fixed broadband connections to help them with their everyday needs.

People are also using more data over their fixed connections. In 2019, data use on fixed lines increased to an average of 315GB per connection per month, from 240GB in 2018.

This is roughly equivalent to watching three to four hours of high definition (HD) content (films, sports, video clips) per day. The trend shows no signs of slowing down and will place a strain on the UK's legacy copper networks in the coming years.

The growing availability of Fixed Wireless Access (FWA) will continue to reduce the number of premises unable to get a decent broadband connection (estimated in December to be around 189,000 premises).

The future is gigabit capable networks: ultrafast, fibreoptic networks offering speeds of up to 30 times the current average, as well as being more reliable.

What we've done

In March 2018 the UK Government finalised the terms of a new universal service obligation (USO). This means affordable broadband connections and services must be provided throughout the UK with a download speed of at least 10Mbit/s.

Ofcom is responsible for implementing the USO. This year, we designated BT and KCOM as the broadband universal service providers. The USO launched on 20 March 2020 so consumers can now request a decent broadband connection from BT or KCOM.

Enabling competition is central to our efforts. By creating the right competitive conditions for companies to invest, we expect investment in full-fibre to emerge from both new competing networks and BT.

We aim to create the best possible regulatory environment to encourage investment and innovation.

In July 2018, we outlined plans to provide longer-term regulatory certainty and support for competitive investment in fibre networks across the UK. We said that by 2021, we will regulate residential and business markets more holistically, bringing together our assessments into a single review, lasting at least five years instead of three.

In January 2020, we set out details on our proposed regulatory framework to support competition and investment in full-fibre networks. The Wholesale Fixed Telecoms Market Review consultation included proposals to:

- **provide access** for rival companies to Openreach's telegraph poles and underground ducts, helping to cut the upfront cost of building these networks by around half;

- **adopt different approaches** to regulating Openreach's residential broadband wholesale products in different parts of the UK, aimed at creating the right conditions to stimulate investment in both parts of the UK where we believe competing networks to Openreach are likely to be built and those where such competition is unlikely;

Fixed line broadband coverage across the UK

Percentage of UK homes that can now get:

Full fibre	12%
Ultrafast	55%
Superfast	95%
Decent	98%
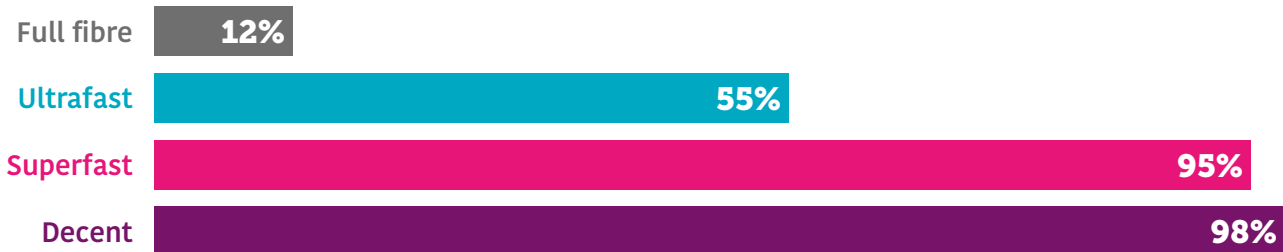
As of January 2020, reported in Ofcom's Connected Nations Update: Spring 2020

- **regulate Openreach's 'leased lines'** – high-speed data connections used by large organisations – in a similar way to residential broadband wholesale products, by varying our approach geographically to reflect the level of current or prospective competition;

- **support Openreach in managing a smooth transition from its older copper networks** and then to retire them, helping to lower costs and further consumer take-up of full-fibre based services.

The consultation process closed in May 2020 and we are now working towards confirming our plans in early 2021 before the new framework comes in to force from April 2021.

Outcomes and next steps

Ofcom's priority is to make good quality broadband networks a national reality, particularly for the thousands of people who cannot currently get a decent connection.

Our proposed new regulatory framework is designed to support and further the full-fibre business case of competing providers as well as Openreach.

Since announcing our plans:

- Openreach has increased its build target for Fibre to the Premises in stages, from 3 million by 2021, to initially 4 million and now 4.5 million premises. Similarly, having originally stated an intention to build reach up to 10 million premises by 2025, then 15 million by around 2025, this has now been extended to 20 million premises by the mid- to late -2020s;

- CityFibre has acquired FibreNation and extended its target to eight million premises from five million;

- Virgin Media has continued to build at a steady rate;

- Hyperoptic has secured a new majority shareholder; and

- Gigaclear is progressing with its targeted business model in rural areas.

The Government's ambition is to deliver gigabit-capable broadband nationwide by the middle of the decade. We will continue to work with industry, as well as central and devolved Government, to extend the availability of basic and full-fibre broadband services across the UK.

Better mobile

We want to make sure people can access mobile services wherever they happen to be, allowing them to make calls, access the internet, stream content and use smartphone apps.

Consumer Impact

In today's smartphone society, being able to make calls and get online on the move is crucial to people's personal and working lives. Data traffic over the mobile networks has almost doubled in the two years to 2019. However, while mobile coverage across the UK is gradually improving, there are still parts of the country where coverage is patchy and the consumer experience can be inconsistent.

Although most of the country can get coverage from at least one mobile company, there are significant differences in urban and rural areas. Ninety-six per cent of urban areas can get 4G reception from all four operators, compared to 63% of rural areas.

What we've done

In December 2018 we announced plans to make more spectrum available to support the demand for internet services on the move. Our consultation on the release of 200 MHz of new spectrum, across the 700 MHz (80 MHz) and 3.6-3.8 GHz (120 MHz) bands, included proposals to extend mobile coverage to at least 90% of the UK's entire land area within four years by two operators.

Following this, the four national mobile network operators – BT/EE, O2, Three and Vodafone – have developed a proposal for Government to support their plan for a 'shared rural network' (SRN) as an alternative to our proposals.
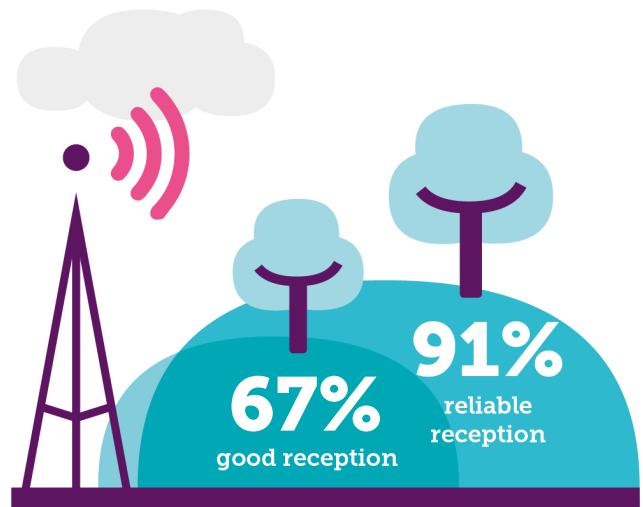
We provided technical advice to the Government throughout the process to negotiate this arrangement and have now varied the licences of each mobile operator to include binding commitments to deliver the SRN outcomes. We will also play a role in reporting on progress on a regular basis in the years ahead, and assessing compliance when the obligations fall due.

The key elements of the shared rural network agreement

The proposal has three key elements:

- Mobile operators extending their own coverage by closing existing partial not spots, where some, but not all, MNOs have coverage, at their own expense.

- Up to 292 mobile infrastructure sites built as part of the Government owned Emergency Services Network would be made available to all four operators, delivering additional coverage in some of the most remote, rural locations.

- New sites would be built in a number of areas where there is no coverage from any operator. These sites would host all MNOs and would be funded by Government.

In July 2019 we confirmed plans to allow shared access in a number of spectrum bands. For example, spectrum in the 1800 MHz and 2300 MHz bands is available for shared use and can be used by existing mobile handsets. Additionally, users can now access on a shared basis spectrum in the 3.8-4.2 GHz band where the ecosystem is starting to develop. We have also allowed third parties to use spectrum already licensed to mobile operators, in areas where it is not being used by them.

We are opening up spectrum as wireless technologies are starting to play a significant role in the digital transformation of many industry sectors from manufacturing, logistics, mining, agriculture and connected devices that will form the 'Internet of Things'. In March 2019 we started our engagement programme with different industry sectors, to provide insight over the role of wireless and support organisations in understanding the role of spectrum in delivering their digital transformation objectives.

Through the year we have also continued our programme of work releasing more spectrum to facilitate the launch of new mobile services for people and industry, including 5G.

The combination of different spectrum bands allows mobile network operators to increase data capacity to cope with significant demand in urban centres, enabling people to enjoy more reliable internet access.

In addition, we have worked with the Department for Transport, the Department for Digital, Culture, Media & Sport, Network Rail and a number of other stakeholders on the issue of rail connectivity. Our focus has been on gaining insight into passenger and operator requirements for connectivity to trains.

Outcomes and next steps

The shared rural network plan could see up to £1bn invested by Government and industry over the coming years to increase mobile coverage. We will be monitoring the progress made by the operators in meeting the coverage commitments included within their licences.

All UK mobile network operators have already launched new 5G services in the largest cities. We will finalise the rules for the award of 200 MHz of new spectrum across the 700 MHz and 3.6-3.8 GHz bands before the end of the year and will hold the auction as soon as practicable.

Our approach to enabling shared access and local access use of spectrum in several bands will enable wireless connectivity solutions across a wide range of companies, communities or organisations. The spectrum bands we have opened for sharing could also be used to deliver fixed wireless broadband, helping to connect homes and businesses in areas where it is particularly challenging to lay cables in the ground. Our next phase of work will consider the potential of a fully automated authorisation approach for providing wireless services over shared spectrum.

We will report on the progress that mobile operators are making towards delivering their new licence commitments, before assessing compliance as the commitments fall due. And we will continue to consider how we can further support people by making the best information available to them through our online coverage maps and consumer advice.

Fairness for customers

Ensuring broadband, phone and TV customers are treated fairly

Priority work areas	Comments
Fairness commitments – voluntary commitments from providers to treat customers fairly.	**End-of-contract and annual best tariff notifications:** Since February 2020, customers receive notifications 10-40 days before the end of their contract setting out any changes to price and service, and the best available deals from their provider. Out-of-contract customers (approx. 20m) will receive a similar best tariff notification each year.
Review of broadband and mobile handset pricing – ensuring fair and clear prices, particularly for those who are vulnerable.	
Simpler mobile switching – helping customers change provider through simpler switching processes.	**Bundled mobile handset customers:** c.70% of bundled out-of-contract customers could save on average £11pm switching to SIM-only (July 2019). Voluntary discounts from most providers came into effect from February 2020.
Implementing new consumer protections in the **European Electronic Communications Code** (EECC)	**Broadband price commitments:** range of commitments agreed with broadband providers that protect consumers who face barriers to getting a better deal.
Other fairness projects – including the fairness framework, End-of-contract notifications, Open Communications, Handset locking, Vulnerability guide	**Simpler mobile switching:** From July 2019 customers have been able to switch more easily (via text message).

The UK's telecoms markets are among the most competitive in the world. Together with market innovation, this has helped to deliver lower prices, better service, wider coverage and improved reliability. But choice can sometimes be confusing. Ofcom wants customers to get a fair deal for their services.

Consumer impact

Ensuring fairness for customers – particularly those who might find it difficult to navigate the market, such as those in vulnerable circumstances – is a priority for us.

What we've done

We want customers to take full advantage of the choice available, shop around with confidence and secure a fair price for their needs.

From February this year, broadband, phone and TV customers must be told when their contract is coming to an end, and be shown the best deals available to them, including SIM-only deals for customers on bundled mobile handset contracts. Those already out of contract will also have to be given reminders and shown the best deals every year.

Alongside these new rules, we secured commitments from providers to limit the potential harm for any customers who might not respond to these notifications, or who face barriers to engaging with their provider.

1. **Clear and fair handset charges for mobile users.**

   We conducted a review of the prices paid by mobile customers who bundle their handset and airtime together. We found around 1.4 million customers could save an average of £11 a month if they switched to a cheaper SIM-only deal. Our targeted action led to commitment from the major mobile companies – apart from Three – to reduce bills for customers who are past their initial contract period.

1.4m people could save money

We are also considering whether we need to act in relation to 'split' contracts, where the customer has separate contracts for their handset and airtime. These contracts provide more pricing transparency and offer customers another way to buy expensive handsets in instalments – but they might tie customers into overly long airtime contracts and make it harder for them to switch.

2. **Fair prices for out-of-contract broadband customers.**

   We undertook a comprehensive study of broadband pricing practices, to understand why some customers pay more than others – particularly those who may be vulnerable. Having analysed 20 million customer tariffs, we found around 8.8 million customers were out of contract and stood to make significant savings by negotiating a new deal with their existing provider (up to £8 to £9 per month) or by switching to a new one (up to £9 to £10 per month). While we found that vulnerable people are no more likely to be out-of-contract than broadband customers overall, we remain concerned that some vulnerable consumers are paying higher prices.

   Again, we secured a range of commitments from the UK's largest broadband companies to cut prices for those who are out of contract and to help protect vulnerable customers. Some committed to undertake annual price reviews for vulnerable customers. Others committed to reduce the difference between the monthly prices paid by new or re-contracted and out-of-contract customers.

   We will provide an update to our broadband pricing review in Q2 2020/21.

We will continue to monitor where households have difficulty paying for communications services, with a particular focus on broadband services, and consider if any measures are needed to support consumers who are financially vulnerable.

We continue to work to make sure people have access to the right information to help them shop around. We publish research and data including:

- information on how providers across different markets perform on customer satisfaction, complaints and value for money;

- provider-specific information on broadband pricing; and

- information campaigns such as Boost Your Broadband to help people get faster broadband and save money.

We recognise that giving people the right information might not always be enough to help them find a better deal, especially if they are put off by the hassle of switching provider. Last July we introduced text-to-switch, meaning mobile customers can now switch provider by simply sending a free text.

We also introduced a ban on notice period charges beyond the switch date for mobile customers. We have since also proposed new rules to ban mobile companies from selling handsets locked to their network.

We have previously made it easier for broadband customers on Openreach's copper network to switch. Last December, we proposed new rules to make it easier to switch broadband services between different networks or between providers of full-fibre broadband services on the same network. We also proposed a ban on notice period charges beyond the switch date for broadband customers.

Underpinning all this work is a drive to make sure providers put fairness first, good practices should be at the heart of every provider's business. Over the past year we have secured new fairness commitments from all the UK's biggest broadband, phone and pay TV companies. We plan to publish a progress update in the autumn to report on whether companies are delivering on their promises. To help ensure greater clarity about our approach, we have also published a new 'fairness framework' which sets out how we propose to assess fairness issues and the kinds of concerns that might prompt intervention.

Outcomes and next steps

If companies are not treating customers fairly, we will step in and take action. Our regular reporting on customers' experiences – including the prices they pay – will help shine a light on unfair practices.

We are continuing to make sure customers are treated fairly, pay fair prices and can easily take advantages of the best deals available to them. As well as monitoring the impact of the changes we have made or proposed, we will help improve the way providers identify and support vulnerable customers.

We will be carrying out a review of our automatic compensation scheme later this year. This was introduced in April 2019 and means landline and broadband customers are getting money back from their providers without having to ask for it for slow repairs, delayed installations or missed engineer appointments.

We have also consulted on a new package of consumer protection measures to implement the European Electronic Communications Code (EECC), a new EU Directive that updates the regulatory framework for communications services. In addition to some of the measures outlined above, we also outlined plans to:

- Bolster contract information and rights to exit. Customers should be given the information they need in writing, before they sign a contract. We also proposed giving customers the right to exit their contract if there are any changes to their contract that are not exclusively to their benefit; and

- Ensure customers with disabilities have equivalent access to, and choice of, communications services. We proposed that all phone and broadband providers enable British Sign Language (BSL) users to contact the emergency services using video relay services, and that all written communications are provided in accessible formats upon request.

Supporting UK broadcasting

Helping broadcasters to thrive, and ensuring audiences are well served by high-quality programmes

Priority work areas	Comments
PSB Review: Small Screen Big Debate – PSB sustainability given the rise of digital consumption.	We are asking fundamental questions about public service broadcasting (PSB), encouraging a national debate – about what it should deliver, how it should be delivered and funded, and what regulatory and policy tools may be needed to ensure PSB content continues to be delivered in future.
PSB Prominence – protecting the prominence of PSB content on different platforms.	**PSB outcomes:** (a) Viewing has fundamentally changed with viewing to live TV continuing to decline, especially amongst younger audiences. Average daily viewing of broadcast TV for all adults was down 5.4% to 3hrs 12 mins compared to a 15% drop to 1 hour 25 mins for the 16 to 24 age group.
BBC Competition Monitoring Programme	(b) Audiences still value PSB, with 74% of audiences satisfied with PSB and the channels accounting for 55% of viewing time.
BBC Commercial and Trading Activities regulation	(c) PSB also remains key to the UK's creative economy, investing £815m in over 32,000 hours of UK-made original content, investing in producers across the Nations and Regions and attracting 3rd party investment. However, as audience behaviour continues to change, other broadcast, online and on demand media also increasingly play an important role in offering audiences choice and investing in original UK content.
BBC Annual Report and Performance Report / News Review	(d) audience satisfaction (PSBs) – currently 73% of viewers are very or fairly satisfied, down from 79% in 2014.

The future of public service broadcasting - Small Screen: Big Debate

Ofcom has a role to ensure the UK's public service broadcasting (PSB) services continue to deliver for audiences.

In February we published 'Small Screen: Big Debate – A five-year review of public service broadcasting', our view of how public service broadcasting has performed between 2014 and 2018.

This review built on findings in our second Media Nations report, published last summer, which reviewed key trends in the television and video sector as well as the radio and audio sector. Separately, we have also published a five-year review of the Channel 4 Corporation's fulfilment of its content media duties.

Over the last year we set out our view that PSB is at a crucial juncture given changing audience behaviours and ever-increasing competition from global content providers. We decided now is the right time to consider fundamental questions about the future of PSB and in July 2019, we launched a nationwide debate to discuss the future of public service media – called Small Screen: Big Debate. Since then, we have organised discussions with audiences, broadcasters, production companies, government, parliament, industry bodies, national and regional representatives, and others. More information on the progress of the debate can be found on our dedicated website http://www.smallscreenbigdebate.co.uk.
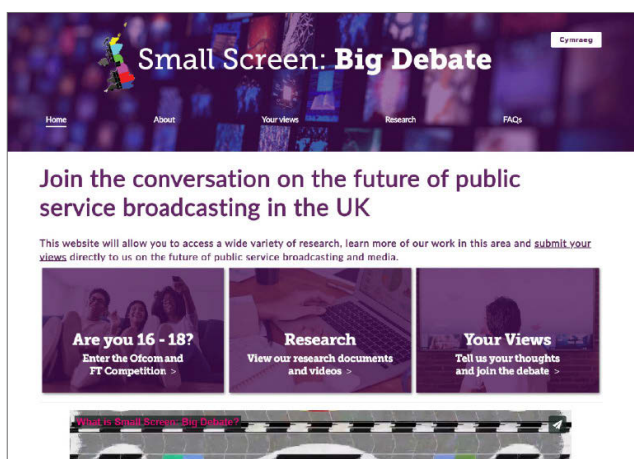
Over the next year we will continue with a range of activities around the Small Screen: Big Debate, asking what PSB should deliver, how it should be delivered and funded, and what regulatory and policy tools may be needed to ensure PSB content continues to be delivered in future. We are also considering the impact Covid-19 has had on the industry and the relationship audiences have with PSB.

The discussions in all the UK nations, together with our research, analysis and further evidence from stakeholders, will inform a consultation on options for the future of PSB which we plan to publish by the end of 2020. We will then invite views and evidence on these options before making recommendations to Government in 2021.

Review the guidance to public service broadcasters for production outside London

In June 2019 we published our final decisions on our regional production review and published updated guidance for the PSBs in meeting their quotas for making programmes outside of London.

The changes we have made include strengthening the criteria that define a regional production, excluding self-promotional content from counting towards the regional production quotas and adding more information to the guidance about each of the criteria and how they should be applied. To improve compliance and aid enforcement, we have also introduced spot-checks and a clearer reporting regime.

The new guidance comes into effect for programmes broadcast from January 2021. We believe our package of changes will bring more rigour and accountability to the regime, ensuring it better delivers the policy intention of supporting and stimulating the creative economies across the UK's nations and regions.

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

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

We published our response to C4C's 2018 SMCP when it published its Annual Report last June. We considered that C4C met its obligations well in 2018 in several important areas including spending on programmes in the nations and regions, its investment in content appealing to older children and teenagers, its commitment to diversity-related programmes and the performance of Film4 Productions. We identified some areas where C4C could do more, for example it did not show as many new ideas on screen or work with as many different producers compared with previous years.

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

Review of children's content

PSB was designed by Parliament to make sure audiences can enjoy a wide range of high-quality programmes, including original content for children.

In July 2019, we published our view on ITV, Channel 4 Corporation and Channel 5's responses to our Children's Content Review. Each broadcaster had demonstrated a renewed commitment to children's content, by creating and investing more in original UK programmes made just for UK children and teenagers, including live action, entertainment and news.

Taken together, our view is that their plans responded positively to the concerns we highlighted in our 2018 report. Importantly, the broadcasters' plans also reflect the many ways younger audiences are now watching PSB content - live, on-demand and online.

We continue to work with the broadcasters on the delivery of their plans as well as monitoring children's use and attitudes towards PSB.

PSB prominence and updating the electronic programme guide (EPG) code

In July 2019, we published a statement revising the prominence section of the linear electronic programme guide (EPG) Code. We have revised the EPG Code to ensure the main five PSB channels (BBC1, BBC2, Channel 3 services, Channel 4 and Channel 5) remain easy to find. We have also set minimum levels of prominence for other PSB and Local TV services. This will ensure that viewers can continue to find PSB channels easily and will make some PSB services easier to find. These revised sections of the Code are due to come into effect on 4 January 2021.
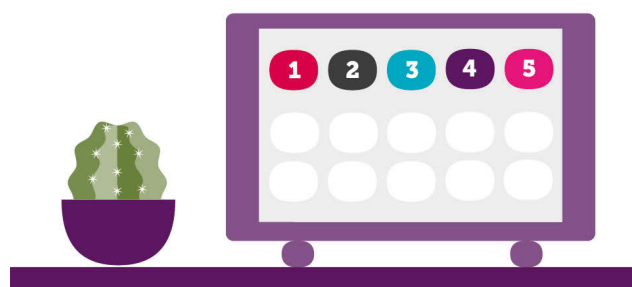
Alongside our revision of the EPG Code, we also published our recommendations to Government to protect the prominence of PSB, linear and on-demand services, online. Since then we have engaged extensively with industry stakeholders and with DCMS to consider how these new prominence rules would work in practice. We are also working with industry on whether new rules that guarantee the availability of PSB on-demand content may be desirable. These discussions will inform the options for the future of PSB, as part of our Small Screen: Big Debate work programme.

Audience expectations in a digital world

It is important that the rules we apply to broadcast and on-demand services reflect consumers' changing viewing behaviours and expectations.

We commissioned Ipsos MORI to conduct qualitative research to help us understand audiences' changing attitudes towards content standards and their experiences of programmes across platforms including TV, radio, on demand, subscription and video sharing services.

Findings from the research, published in March 2020, included that participants considered:

- content involving incitement to crime and hate speech to be the most serious;

- harmful content should be prioritised over offensive content; and

- offensive content which raises issues of discrimination is nevertheless a concern and should also be prioritised.

The full report is available on the Ofcom website.

A separate piece of research on the expectations of minority ethnic audiences has been commissioned, with a focus on harm and offence.

Protecting participants in TV and radio programmes

In early 2019, Ofcom's Content Board had started to consider whether broadcasters should be required to safeguard the welfare of programme participants. Following this and news reports about The Jeremy Kyle Show, in July 2019 we consulted on proposed new rules to help protect the wellbeing of people taking part in programmes, including reality TV programmes. Our proposed rules were based on the concept of 'due care'.

The consultation closed in September 2019. While there was overwhelming support for our policy aims, there were concerns expressed as to whether our proposed rules were the best method for achieving these. Having considered the points put forward, in March 2020 we published a further consultation asking for views on revised proposals. We aim to publish a Statement, new rules and detailed guidance in Autumn 2020.

Increasing the accessibility of TV and on-demand programme services (ODPS)

For people who are visually or hearing impaired, enjoying television can rely on high quality access services (subtitles, signing or audio description) accompanying programmes.

While many broadcasters are obliged to make their programmes accessible, the same is not true for on-demand providers and services. This year we worked with on-demand programme services (ODPS) providers, consumer groups, and the Government to establish how forthcoming regulations should work to improve the accessibility of ODPS. In December 2019, the Government wrote to us requesting that we conduct a second consultation on some practical aspects of the requirements, after which we will make further recommendations to the Government.

In due course, we also plan to consult on revisions to our best practice guidelines on television accessibility, expanding them to include guidance for on-demand providers.

BBC

Reviewing the BBC's news and current affairs output

In 2019 we published an in-depth review of the BBC's news and current affairs output. We asked people about their news habits, what matters to them about the news and current affairs they watch, listen to and read, and the role BBC news and current affairs plays in their lives.

We found that, despite an uncertain political environment, the BBC has broadly maintained its reputation for trusted and accurate reporting and remains the place people turn to, to find out about major and current events. Audiences told us they value the calibre of the BBC's journalism.

For some the BBC's unique history was a source of strength, however for others this heritage led them to question the impartiality of the BBC's reporting. We also found that the BBC could do better at representing the whole of the UK. In relation to online provision, we concluded that BBC News needs to do more to stand out or risk losing its reputation and status as a trusted voice.

We have continued to engage with the BBC on the steps it is taking in response to each of our recommendations. To ensure transparency, we expect the BBC to report on progress against these in its next annual report.

Material changes to BBC public service activities

In 2018/19, we directed the BBC to undertake a Public Interest Test (PIT) on its proposed changes to BBC iPlayer, which included making available all new programmes on BBC iPlayer for 12 months as standard.

In April 2019, the BBC said the proposals satisfied the PIT, as any impacts on fair and effective competition would be justified by the public value the changes would generate for audiences.

We undertook a competition assessment and sought evidence from stakeholders on how the BBC's proposals would affect their existing businesses or investment plans. We decided that the BBC should be able to go ahead with its proposals, subject to conditions and guidance, as we considered it was crucial that the BBC were able to evolve the iPlayer to meet the changing expectations of audiences.

The BBC's commercial and trading activities

We monitor the BBC's compliance with our trading and separation requirements to ensure its commercial activities do not distort the market or gain an unfair competitive advantage as a result of their relationship with the public service.

We also assess changes to the commercial activities to ensure fair and effective competition. In 2019/20 we undertook two such assessments.

ITV and the BBC announced in July 2019 their intention to launch a new subscription video on demand (SVoD) service in the UK, called BritBox, bringing together the 'best of British' programmes. The BBC's involvement in the service included its commercial arm holding a 10% share and a significant content supply deal with BBC Studios.

Following consultation, we concluded that the BritBox arrangements were not a material change to the BBC's commercial activities. However, we will monitor developments closely (particularly in relation to how the BBC makes programmes available on commercial services and any cross-promotion from the public service to BritBox) and we have the ability to step in if concerns arise. ITV and the BBC subsequently launched the new BritBox streaming service in November 2019.

In addition, BBC Studios and Discovery announced the dissolution of their UKTV joint venture in April 2019. Under the terms of this deal, Discovery took full control of the lifestyle channels and BBC Studios took full control of the entertainment channels, the UKTV brand and UKTV Play, a catch-up service.

We concluded that our trading and separation rules would be sufficient to safeguard against any potential market distortion or unfair advantage arising as a result of this deal.

BBC Studios review

We delayed the start of our review of BBC Studios given its evolving commercial and market position so we could take account of the changes to BBC Studios from the BritBox and UKTV deals as well as the NAO's review of BBC Studios. We now plan to publish the findings from this review in Q4 2020/21.

Ofcom's annual report on the BBC

In October 2019, we published our second annual report on the BBC, covering the period April 2018 to March 2019.

This report set out how we carried out our functions as the BBC's independent regulator and assessed the BBC's compliance with its regulatory requirements.

We also published a detailed report which measured the BBC's performance against its mission and public purposes across all its services and output and provides an overall perspective on how it is delivering for audiences.

Overall, we found that the BBC still plays a central role in audiences' media and news consumption through the breadth and quality of its output across its many services. It provides a significant volume of news and current affairs, a wide range of learning and educational content, as well as high-quality distinctive and creative content for all audiences across its mainstream and specialist services.

However, we also found that concerns that we had raised on behalf of audiences last year remained. Although the BBC had taken some steps to address issues that we'd previously raised, we said that we now expected the BBC to set out a clearly articulated plan to address recurring themes.

We expect the BBC to focus specifically on:

Taking significant steps to engage younger people

Like all public service broadcasters, the BBC is vulnerable to the rapidly changing media landscape, particularly in its struggle to attract and retain younger audiences. Unless it can address this, its ability to deliver its mission and public purposes to the same level in future will be at risk.

Continuing to improve how it represents and portrays the whole of UK society

We acknowledged that the BBC leads the way in collecting diversity workforce data and has in place a number of initiatives to improve diversity.

However, our research showed that certain groups continue to be dissatisfied with how they are represented and portrayed by the BBC.

We said the BBC needs to set out in more detail its plan for improving representation and portrayal of the whole of UK society, including how it is responding to the specific findings of our review of last year.

Embedding transparency into its working practices

We found good examples of the BBC engaging with Ofcom in a more transparent way around some of its proposed service changes, for example BritBox, and we welcomed the improvements that it has made in its governance arrangements.

However, we continued to find examples of the BBC not taking sufficient account of the need for external engagement to assess fully the

implications of its proposals on the broadcasting sector. Active engagement with the industry on proposed changes to BBC services will allow the BBC to deliver its duty to seek to avoid adverse impacts on competition which are not necessary for the effective fulfilment of the Mission and Public Purposes.

We also found that there is a lack of transparency in the way the BBC releases and explains its decisions on compliance with the Broadcasting Code.

We are working on new requirements on the BBC to help build trust in its decision making in this area.

Broadcast licensing

The opportunity for potentially hundreds of smaller local radio stations to start digital broadcasting came much closer this year. Parliament passed a law which will give Ofcom the power to issue licences for small-scale DAB, and we consulted on how we intend to use these new powers. We will announce when we expect to start inviting applications in due course.

We've continued to license TV and radio services over the past year to broaden the range of services available for viewers and listeners – with applications for almost 200 new TV, digital radio and short-term radio services being received. We've also licensed 12 new community radio services, while 17 new community radio services have launched – each of which will provide a locally-focused radio station for their community.

Following our invitation for existing community radio licensees to improve and extend their coverage area, we've approved over 100 requests for improvements and extensions to coverage areas. These decisions will allow these existing services to either improve the quality of reception within their coverage area and expand their reach, both of which have clear benefits for listeners.

We've also assessed and investigated just over 500 cases about radio and TV broadcasters failing to meet their licence obligations, which resulted in us publishing 249 breach findings. This work is important in ensuring that our licensees continue to meet specific requirements set out in their licence conditions - specifically, that radio broadcasters maintain the character of their licensed service, while TV broadcasters make their services accessible by providing subtitling, signing and audio description. This work is crucial to ensure that viewers and listeners continue to be able to access a wide range of high-quality TV and radio services.

Broadcast standards

We have continued to protect audiences by enforcing the Broadcasting Code. This year we recorded 82 breaches of the Code, and imposed seven sanctions on broadcasters, six of which were financial penalties.

These included a £75,000 fine for the national speech station Talk Radio for failing to preserve due impartiality. We also imposed a £200,000 fine on television channel RT for seven breaches of the due impartiality rules.

We imposed a £25,000 fine on television channel Ben TV for failing to provide viewers with adequate protection from potentially harmful content, because the channel invited viewers to order 'free miracle spring water' and claimed, or strongly implied, it could cure serious illnesses.

Ofcom imposed a fine on former licence holders Peace TV Urdu and Peace TV of £200,000 and £100,000 respectively for breaking our rules relating to crime, disorder, hatred and abuse. Our investigations found that programmes broadcast on the international satellite television channels, which broadcast religious programmes from an Islamic perspective, contained hate speech and highly offensive content, which in one instance was likely to incite crime.

After further breaches, Ofcom moved to suspend Peace TV Urdu's licence in November 2019, and both licences were surrendered.

We have seen an increase in these types of cases which are very complex and often take longer to complete, as we report in the section on our KPI performance.

During the December 2019 General Election, Ofcom expedited and assessed 2,124 complaints about election programming. Our Election Committee, comprising members of the Ofcom Board and Content Board, assessed a complaint from the Conservative Party about the Channel 4 News Climate Change Debate and its decision to use an ice sculpture in place of the Prime Minister, who chose not to take part. The Committee considered the programme did not raise issues warranting investigation.

In cases where there is significant public interest and to provide information to broadcasters, we occasionally publish our assessment decisions. One of these related to a discussion on BBC Breakfast between presenters Naga Munchetty and Dan Walker about comments made by US President Donald Trump on four US congresswomen. While we considered the discussion did not raise issues warranting investigation under our due impartiality rules, we highlighted our concern about the overall lack of transparency in the BBC's complaints process and the decisions it reaches. We welcome the positive steps the BBC is now taking to address the transparency of its published decisions on complaints.

We also consider complaints from people who believe they were unfairly treated in a programme or consider their privacy was unwarrantably infringed. In these cases, Ofcom acts as the adjudicator between the individual and the broadcaster.

Raising awareness of online harms

Developing and sharing expertise to protect against online harms; helping people to better use and understand media and communications

	Priority work areas	Comments
	Online Harms and Video Sharing Platforms – preparatory work around regulation of online harms, and implementation of Ofcom's VSP duties.	Monitoring consumer awareness and the use of online tools through ongoing research into online harms, and continued stakeholder engagement, including via MSOM Advisory Panel and MSOM network.
	Media Literacy – Making Sense of Media (MSOM) – supporting UK adults and children online through research and stakeholder collaboration.	Developing view on how best to evaluate the impact of media literacy activities via our work on the 'Making Sense of Media'.
	Online Markets – exploratory work around online competition, including current powers.	

Almost nine in 10 UK adults are online, with 64% saying it is an essential part of their life. As the internet becomes more important to people, the time they spend online increases. Ofcom research shows that adults who use the internet spend an average of 24 hours a week online, almost double the time spent online in 2007.

Consumer impact

There are growing concerns around protecting people online. Joint research from Ofcom and the Information Commissioner's Office showed that over four out of every five adults internet users have concerns about going online. Some of those concerns relate to areas like hacking or privacy. But, the most common, raised by three in four people, related to children's exposure to content or contact with other users. Our research found that some 22 million adults using the internet have personally experienced online content or conduct that is potentially harmful.

What we've done

In September 2018 Ofcom published a discussion document drawing on our experience regulating the broadcasting sector which set out the principles that could form the basis for future regulation addressing harmful online content.

We use various methodologies to develop a full picture of the behaviour and attitudes of UK adults and children in relation to their online, media and communications habits. Over the last year we have continued to report on both adults' and children's media literacy, and their levels of news consumption. We publish reports throughout the year, and hold events to promote the findings and discuss issues arising from them. For example, we held a major event at the British Library in July 2019 covering a range of subjects including critical understanding, online bullying, personal data, and digital inclusion.

In 2019 we expanded our media literacy activities by launching the Making Sense of Media (MSOM) programme. This incorporates and builds on our research activities with a focus on collaboration and co-ordination with relevant stakeholders and their activities. The MSOM network connects organisations and individuals with expertise in media literacy to work towards a shared goal of improving the online skills, knowledge and understanding of UK adults and children. The MSOM panel brings together expert representatives to debate and inform the development of our media literacy research and policy work.

In May 2019 we published a new annual report, Online Nation. It examined how people are served by internet content and services, and their attitudes towards being online. The research helps bring together data and insight on how the online landscape is evolving and the potential harms which arise from increasing use of online services.

Alongside this report we also updated our analysis and research on adults' media use and attitudes, and our latest research into online harms, which was conducted in January 2020 and jointly commissioned with the Information Commissioner's Office (ICO). The study found that most internet users in the UK have concerns about being online, with over four in every five harbouring concerns. Additionally, in 2020 we found that the proportion of adults with an unprompted concern about some aspect of using the internet had risen since 2019, from 78% to 81%. However, most adults (66%) agree that the benefits of going online outweigh the risks.

We examined where people came across their most recent potentially harmful experience, concluding that social media is the leading source – in particular Facebook, which was cited by 23% of its adult users, followed by Instagram, Twitter and TikTok (each cited by 9% of users). Only 45% of adults agreed that websites and social media sites provided the tools needed to keep them safe online, although this rises to 59% of 12- to 15-year-old children.

We have also found that support for greater online regulation has increased in the past two years in a range of areas. Most adults favour tighter rules for social media sites (66% in 2020, up from 52% in 2018); video-sharing sites (57% v. 46% in 2018); and instant-messaging services (56% v. 40% in 2018).

We followed this up in February 2020 when we published our reports into children's media literacy (based on research conducted in 2019). Our findings show that, in 2019 fewer parents feel that the benefits of their child being online outweigh the risks compared to five years ago. Also, parents are increasingly concerned about their child seeing self-harm related content online and some elements of online gaming, compared to 2018. We also found children are using a wider range of social media platforms than before, with TikTok and Twitch emerging as examples of new platforms being used.

In July 2019 we published further detailed research examining people's experiences of online harm, their response to it and the type of protection they expect when they go online – this qualitative study complemented the quantitative research from May. We also looked at how artificial intelligence technologies could evolve to help moderate online content over the next five years.

In October 2019 we published a paper outlining from an economic perspective how market failures in online services may cause a wide range of harms to individuals and society across many policy areas and the challenges faced in the regulation of such services.

In February 2020 the Government announced that it was minded to appoint Ofcom as the UK's online harms regulator. The scope and design of any new legislation is a matter for Government and Parliament. We share the Government's ambition to keep people safe online and will work with them to help ensure that regulation provides effective protection for people online. We will be working closely with the Government in the coming months, as the details of the new regime are developed.

Outcomes and next steps

In 2020/21 we will publish our adults' media literacy research and our annual news consumption survey in the summer, and our children's media literacy research later in the financial year. We will continue to use the findings to help develop policy thinking in these areas.

There is a clear need to improve how consumers are protected online. Building upon our work to date, we will continue to deepen our understanding of the harms being faced by people online and the steps we might take to help address them.

We will engage with Government and other industry partners as we continue our programme of work and further our research of the complex way in which online services affect peoples' lives.

As part of this work we will help raise users' understanding of online services and how to help protect themselves, including working with children and young people with the aim of improving their ability to benefit from online services while managing the risks.

There are unique challenges associated with developing effective regulation in this area. Our objective is to help curtail the internet's harmful aspects, while preserving its powerful benefits to society, culture, trade and freedom of expression.

Sustaining the Universal Postal Service

Ensuring a sustainable and efficient universal postal service

Priority work areas	Comments
Reviewing Royal Mail's efficiency and better understanding the needs of postal users.	We have carried out user research into the needs of postal users' across the United Kingdom to inform our review of postal users' reasonable needs, which we will report on later this year. We have also assessed efficiency and continue to closely monitor Royal Mail to ensure the sustainability of the universal service. We published our latest annual monitoring report in December 2019. In April 2020, Royal Mail announced its quality of service performance for the year 2019/20 showing improved performance in first class, second class and special delivery compared to the previous year. In particular, Royal Mail's first class performance has improved from 91.5% to 92.6%.

The postal sector is essential to the UK economy. As the regulator, our goal is to ensure postal users benefit from a universal postal service that meets users' needs. In doing so we have regard to the provision of the universal service being efficient and financially sustainable.

Consumer impact

The universal postal service is relied upon by millions of people and businesses across the UK, including those in rural areas. It requires Royal Mail to collect and deliver letters six days a week (and parcels five days a week), at an affordable and geographically uniform price to every address in the UK.

However, the continuing fall in the volumes of letters and changing customer expectations in the parcels market presents an ongoing challenge to its sustainability.

What we've done

We monitor and report on Royal Mail's efficiency, quality of service, the financial performance of the universal service network, market developments and competition in parcels and letters. We also monitor consumers' experiences in the postal sector.

Our eighth annual monitoring report found 10.2 billion addressed letters were sent in 2018/19, down 8% on the previous year; and 2.6 billion parcels were sent, up 10%. We also found the majority of residential customers are satisfied with postal services overall (86%), and with value for money (76%) when sending mail, as are most small businesses.

We found that Royal Mail's profit margin in the regulated business had contracted to 1.6% in 2018/19. We noted a downward trend across efficiency metrics at Royal Mail, including the company not achieving its target productivity range.

Since our last monitoring report (but even before Covid-19 started to impact), Royal Mail set out revised forecasts for letter volumes to fall further. Covid-19 has accelerated this trend, and on 25 June 2020, Royal Mail said it expects to be materially loss-making in 2020/21.

Considering the challenges facing Royal Mail, over the past year we moved to enhance our monitoring and to deepen our understanding of the parcels market, and continued our work on building a cost model of Royal Mail's network. During 2019/20 we started some important work on Royal Mail and the postal market including:

- **We began a detailed review of Royal Mail's efficiency.** This looks at the likely future sustainability of the universal postal service and highlighting areas where there is scope for Royal Mail to be more efficient.

- **We began a review of the reasonable needs of postal users.** We are exploring the extent to which the postal market is meeting users' needs in light of changes in the market, in particular the growth in online shopping and the continued fall in letter volumes. This will help to show whether the postal market is meeting users' needs and provide guidance on how to approach any changes that may be necessary to the postal regulatory framework. We will publish our findings this year.

In the run-up to the above work, and to help support our assessment of Royal Mail's efficiency, we concluded a review on costing methodologies and cost allocations at Royal Mail.

We have also undertaken a series of post related investigations over the course of the year:

- **Royal Mail compliance with certain quality of service targets.** Royal Mail is required to deliver 93.0% of all First-Class mail on the next working day after collection, and to deliver 91.5% of First Class mail the day after collection to 118 of 121 identified postcode areas (PCAs). Royal Mail did not meet its target for First Class in 2018/19, for the second year running, falling 1.5% short of the 93.0% target and only meeting the second target in 75 PCAs and we opened an investigation. We expect to issue our decision shortly.

- **Investigation into Royal Mail's compliance with the safeguard gap on second class letters.** In January 2019 we decided to increase the Second-Class standard letter cap from 60p to 65.2p from April 2019, followed by inflation-linked increases until 31 March 2024. We opened an investigation after Royal Mail increased prices on 25 March 2019 instead of 1 April. We expect to issue our decision shortly.

- **Competition Act investigation regarding business parcel delivery services.** In May 2018, Royal Mail reported to the Competition and Markets Authority (CMA) that its ParcelForce division had an agreement with one of its resellers – the SaleGroup, trading as Despatch Bay – that meant neither company would offer parcel delivery services to each other's business customers. Following referral to Ofcom by the CMA, our investigation found the agreement broke competition law. Both companies admitted to having broken the law. Royal Mail was granted immunity under the CMA's leniency policy and, given its cooperation during Ofcom's investigation, and was not fined. The SaleGroup accepted a £40,000 fine.

Outcomes and next steps

Our overarching goal remains to ensure postal users benefit from a service which meets their needs and is delivered efficiently and sustainably. Our monitoring regime helps safeguard the universal service.

In our annual monitoring update published in December 2019 we outlined our view that the universal service was likely to be sustainable in the immediate future.

However, longer-term sustainability depends on a range of factors, including the extent to which Royal Mail can execute efficiency improvements, such as the transformation programme it had outlined as part of its five-year strategy in May 2019.

We continue to monitor the sustainability of the universal service, including taking account of the short and longer term impacts of Covid-19 on Royal Mail. We will continue with our work to better understand users' needs and our review of postal users' reasonable needs will report in Q3 2020.

In the meantime, we have begun work, to conclude in 2022, on the future of postal regulation. This will include revised cost modelling of Royal Mail's operations and a review of Royal Mail's efficiency. We will also review access and parcels competition and consider whether additional consumer protections are required.

Supporting consumers and industry through Brexit

Supporting UK consumers and communications sector

	Priority work areas	Comments
	Brexit – ensuring Ofcom is prepared for Brexit, providing technical advice to Government, and supporting staff and stakeholders.	Ofcom are working to ensure consumer interests are protected as well as the sectors we regulate although some rules – such as mobile roaming while travelling in the EU – may change.

As the Government negotiates the terms of the UK's future relationship with the European Union, we have continued to make appropriate preparations for how this may affect Ofcom and the industries we regulate. This has included providing independent advice to Government on the priority issues for our sectors.

Consumer impact

People are unlikely to see major changes to the rules around how they use their communications services, although some rules – such as mobile roaming while travelling in the EU – will change. As the UK transitions out of the EU, we will provide a stable regulatory environment for businesses that supports investment, promotes competition and protects consumers.

What we've done

Where necessary, we have consulted on technical changes we will need to make to our rules so they comply with new legislation that will apply after the end of the transition period. We have also published advice for industry, such as our guidance for broadcasters on how the Government's new legislation will affect them. We have remained in close contact with various companies and consumer groups working in our sectors to ensure we are fully aware of any issues that could affect people and businesses.

Outcomes and next steps

We will continue to engage with consumer groups and the companies we regulate to understand their concerns and plans for after the end of the transition period. We will also continue to provide independent advice to government.

Increasing diversity and inclusion

Increasing diversity and inclusion at Ofcom and broadcasters

Priority work areas	Comments
Annual progress report on Ofcom's Diversity and Inclusion programme – to deliver diversity, inclusion and equality objectives as an employer and regulator. Annual statistical report on diversity and equality at Ofcom, Gender / Ethnicity Pay and Equal Pay Audits.	**A diverse and inclusive culture means better decisions on behalf of diverse of citizens and consumers.** **Ofcom progress in achieving diversity aims:** a) gender balance at 48% female/52% male (2020 target 50/50) b) female senior colleagues at 43% (target 40%) c) senior colleagues from minority ethnic backgrounds 11% (target 13%)
Diversity in Broadcasting – promoting diversity and inclusion across broadcasting.	**Across broadcasting sector:** a) women in senior television roles 42%; b) disability representation at 6%; c) senior level from minority ethnic backgrounds at 8%; d) total staff from minority ethnic backgrounds at 13%.

Monitoring diversity and equality of opportunity in broadcasting

In 2019 we continued to build on our Diversity in Broadcasting programme. We published our second Diversity and Equal Opportunities in Radio report in July and our third Diversity and Equal Opportunities in TV report in September. For the first time, we collected data on the socio-economic background of the TV workforce, and our report included a special section focusing on the diversity of freelance talent within the TV industry, a key part of the broader workforce although not one in respect of which Ofcom has formal powers to promote equality of opportunity. We fed back to broadcasters on their arrangements through a combination of letters, roundtables and individual meetings and offered guidance on where improvements can be made.

We continue to engage with broadcasters and a wide range of experts across sectors help inform our thinking. For 2020 we have launched a quarterly roundtable meeting to facilitate sharing knowledge and best practice, as well as encouraging greater collaboration.

In Autumn 2020 we will publish our next two Radio and TV Diversity and Equal Opportunities reports. These will include additional information to provide greater insights into how broadcasters are addressing their individual diversity challenges. The reports will be accompanied by an event to explore they key themes of the latest reports.

Enabling strong, secure networks

Working with companies on protection against outage/attack

🔒 Priority work areas	Comments
Network Security and Resilience – building Ofcom's capability and working with companies to ensure networks are resilient and secure.	We are working with DCMS on the legislative process which will give Ofcom new Telecoms Security Requirements (TSR) powers, aimed at improving levels of security within the telecoms sector. We plan to reduce vulnerability of major outages of the services used by consumers as a result of malicious action, accidents, or natural hazards by (a) identifying gaps in network resilience standards and best practice and proposing solutions, and (b) monitoring compliance with statutory guidance, including the Telecoms Security Requirements, once this comes into force under legislative powers for Ofcom.

Continuing to innovate approach to regulation

Better use of data and sharing best practice

💡 Priority work areas	Comments
Data Strategy – investing in the Data and Innovation Hub and data specialist profession to improve how Ofcom stores, analyses, extracts insights from and shares data.	Our Data and Innovation Hub has launched, working to support insightful policy decisions, such as combining information sources to improve understanding into areas affecting consumers. We are undertaking proof of concept using AI and machine learning to aid process automation. Preparation has started for the next phase focused on data engineering (i.e. preparing and sharing large volumes of complex data).

3. Principal risks and uncertainties

The framework for how we manage risks is set out on page 92. It is designed to ensure risks are recognised across the organisation and, in turn, to support efficient and effective decision making across Ofcom's work.

Ofcom's risk management policy seeks to:

- support the achievement of Ofcom's policies, aims and objectives by informing decision making;

- explain the principles of Risk Management at Ofcom;

- safeguard the public funds and departmental assets that Ofcom is responsible for;

- promote a culture where accepting appropriate risk is encouraged; and

- embed risk management within Ofcom's other business processes as a basis for good corporate governance.

Our strategic risk register captures risks which might threaten Ofcom's objectives. During March and April 2020, we carried out a full risk assessment as a result of the Covid-19 pandemic, recognising the disruptive impact on stakeholders and regulated entities - this is reflected in our current risk register going forward.

The risk register is organised around the risk areas, summarised in the following table.

Principal risks	Mitigating actions
	We frequently engage with relevant Ministers, Parliamentarians and officials across the UK and devolved Government departments, and with other stakeholders, to ensure they are aware of relevant market developments and our work programme, and to understand their positions and set out the benefits of independent regulation.
Regulation is seen to be independent, impartial and consistent	We monitor new legislation and work with Government to refine legislative proposals and make the case for changes where we feel this is necessary.
The risk that Ofcom is perceived as not being independent and/or Ofcom is seen not to practice what it preaches in relation to its operations, diversity, or the behaviours of its colleagues.	We ensure key areas of policy work are sufficiently well-resourced and that we are in close dialogue with Government when working on shared objectives.
	We continually seek industry backing around the value of our independence, our efficiency track-record and our consumer outcomes.
	We seek best practice on diversity and inclusion through membership and partnerships with practitioners such as Business in the Community, Stonewall, Business Disability Forum and Employers for Carers, working with consultants, participating in benchmarking indices (such as Stonewall's Workplace Equality Index) and engaging with other regulators.

Principal risks	Mitigating actions
Better broadband and mobile – wherever you are The risk that investment in ultra fast networks fails to materialise, better broadband and mobile coverage is not secured and some consumers don't have access to mobile and broadband services that meet their needs.	We continue to engage with industry stakeholders and investors on investment in ultra fast networks, as well as other perceived investment barriers. We will use the Access Review to provide certainty and incentives for investment. To align with the Government strategy on the delivery of nationwide gigabit-capable broadband and local full-fibre networks, we regularly engage with Building Digital UK (BDUK), the Department for Digital, Culture Media and Sport (DCMS), and with the governments in the nations on their separate fibre roll-out programmes.
Fairness for customers The risk that a significant number of consumers fail to get a fair deal, or fair treatment from their providers.	We continue to work on remedies to address customers getting a fair deal for their communication services, and we are implementing a programme of monitoring and testing to ensure the effectiveness of these remedies. These have been designed to have the largest impact and maximum effectiveness for consumers. We are engaging with providers on our monitoring and reporting plans having secured fairness commitments from all major providers. We are working closely with the Competition Markets Authority (CMA) and other relevant bodies who are close to this area, including Government, Citizens Advice and consumer groups.

Principal risks	Mitigating actions
Major programmes The risk that Ofcom does not secure positive consumer outcomes, or the efficient use of Radio spectrum or high-quality programmes for TV and radio audiences.	We are taking an active and robust approach to monitoring compliance by BT and Openreach to deliver a better network with improved customer service (under the Commitments and Governance Protocol). We have continued to consult with stakeholders to understand their concerns, and to undertake market research and forecasting to assess market trends and developments. We set out our decisions on an award of 700MHz and 3.6-3.8GHz spectrum bands to enable the industry to provide services with greater capacity and wider coverage, and we are now seeking to progress the availability of these spectrum bands. During the year, we released a number of consultations, statements and other communications relating to our BBC work, along with regular stakeholder, industry and government meetings. We use market research and intelligence to have good visibility of the BBC's plans and their strategic implications and to ensure we are able to take a long-term approach to prioritising action. We continue to work closely with Government, providing technical advice to help ensure a coherent domestic legislative framework around Brexit, and we continue to engage with stakeholders to understand their concerns and provide as much clarity as we can about a post-Brexit regime. We also completed the necessary preparations to ensure internal business continuity in various scenarios.
People The risk that Ofcom is unable to recruit or retain the necessary diverse talent at all levels to deliver services to a wide and expanding brief.	We are developing a People Strategy and Strategic Workforce plan to recognise the requirements of the organisation going forward. An internal review is underway of our current strategic talent and skills, and we are advancing a specialist skills development plan.

4. Work in the nations and our international engagement

Our work in the UK's nations and regions

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

In each of the UK's nations, we have offices to allow us to engage directly with governments, elected representatives and local stakeholders and to ensure we consider the views, interests and needs of people across the UK.

Each nation has a statutory Advisory Committee, and our Board has representative members for Wales and Scotland appointed by the Welsh and Scottish Governments respectively, in consultation with the UK Secretary of State. Our Content Board and Consumer Panels also have members representing each nation.

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

Northern Ireland

- Successful completion in clearing Digital Terrestrial Television (DTT) from the 700MHz band. The process had been carefully co-ordinated with the Republic of Ireland.

- We continued to offer regulatory and technical advice, and coverage data, provided to the Department for the Economy with its planned public investment in superfast and ultrafast broadband ('Project Stratum').

England

- We continued to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.

- New rules to give eligible UK homes and businesses the legal right to request a decent and affordable broadband connection under a universal service obligation are already starting to benefit consumers living in rural England. We will continue to work with industry and central Government, to extend the availability of basic and full-fibre broadband services.

- We have held discussions with stakeholders and viewers in England to gather a range of views about the future of public sector broadcasting.

Scotland

- We hosted events in Aberdeen, Edinburgh, Stirling and Stornoway in support of the Small Screen: Big Debate programme to reflect a range of views on the future of Public Sector Broadcasting.

- Oral and written evidence provided to the Scottish Parliament's Culture, Tourism, Europe and External Affairs Committee on our changes to the localness guidelines for local commercial radio.

- Regular engagement with the Scottish Government on improving rural mobile coverage and the implementation of the broadband USO, to help the Scottish Government with its own initiatives.

Wales

- Political and industry stakeholder engagement has featured prominently to keep stakeholders informed of developments in our work.

- Our 'Supporting Wireless Innovation for Agri-tech and Rural Connectivity' event brought together organisations facing connectivity challenges with those offering wireless solutions.

- Our 'Small Screen Big Debate' series of discussions enabled us to listen to the views of stakeholders regarding the future of Public Sector Broadcasting in Wales.

Our international engagement

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

Our policy work is informed through our attendance of regulatory and inter-governmental meetings, as well as international events, where we seek to learn and share regulatory experiences and good practice with our overseas counterparts. We also welcome delegations from around the world to exchange views on topics ranging from spectrum auctions to online content regulation and the promotion of investment in telecoms infrastructure.

Although the UK has now formally left the EU, it continues to apply EU law during the transition period. In 2019/20 we have continued our work supporting the Government in ensuring that the interests of UK consumers and citizens remain at the heart of legislative change, notably in the context of the ongoing implementations of the European Electronic Communications Code (the EECC, or 'the Code'), and the Audio-visual Media Services Directive (the AVMSD).

Prior to 31 January 2020, we contributed to the drafting of several Guidelines produced by the Body of European Regulators for Electronic Communications (BEREC), which provide guidance to National Regulatory Authorities in applying provisions stemming from the Code and other relevant European legislation.

In 2019, we contributed to the drafting of the European Commission's guidelines on European works and the scope of Video Sharing Platforms (VSPs) under the AVMSD. We also monitored the transposition process in other important EU jurisdictions, notably on VSPs, the protection of minors, advertising and European works promotion, to inform Ofcom's thinking as we prepare to apply new provisions in these areas. We discussed these and wider media policy topics with other regulators from Europe, North America and Australia.

We also contributed to monitoring by the European Regulators Group for Audiovisual Media Services (ERGA) of the EU's self-regulatory Code of Practice for Disinformation on digital platforms, which will inform the European Commission as it considers potential new legislation in this area.

Beyond the EU, we participated in several international conferences on media plurality, freedom of the media, sustainability of quality journalism and media literacy. Ofcom continues to hold a position on the Board of the European Platform of Regulatory Authorities (EPRA), and also represents EPRA in various fora including the EU's Better Internet for Kids mapping advisory group. Ofcom led discussions within that group on evidence-based policy making in relation to online child protection.

We have continued our engagement in global multi-stakeholder dialogues around internet regulation and governance, including at the Internet Governance Forum (IGF)[1], the European Dialogue on Internet Governance (Eurodig)[2], the Internet & Jurisdiction Project, and at RightsCon[3]. These initiatives have enabled Ofcom to play an active role in the emerging global conversations around key topics relevant to internet regulation, including the application of artificial intelligence to content moderation, regulatory responses to disinformation, child protection and the challenges of regulating cross-jurisdiction services.

1 An initiative of the UN Secretary General.
2 A regional "IGF type" meeting (geographically broader than the EU).
3 Global conference on human rights online, attended by major platforms, governments and civil society.

Given the interdependent nature of global network infrastructure and evolving cyber-security threats, we have become more involved in international cyber-security discussions and started to develop a dialogue with National Regulatory Authorities who have or will soon have duties in this area.

Ofcom continues to participate in the work of the Organisation for Economic Co-operation and Development (OECD), and holds a Vice Chair position in the Communication Infrastructures and Services Policy Committee (CISP), where topics such as net neutrality and "Operators of the Future" were explored over the last year.

Separately, we have continued to invest in our bilateral relationships with a range of European and global communications regulators and stakeholders to facilitate learnings in areas where we face similar challenges. Our discussions have largely focused on topics relating to Ofcom's strategic priorities, including the deployment of next generation networks, the implementation of data strategies by regulators, and addressing the emergence of new consumer harms.

In spectrum, Ofcom led the UK delegation to the ITU's World Radiocommunications Conference (WRC), which took place in late 2019, where the key issues addressed included the identification of spectrum for mobile broadband/5G, supporting the availability of spectrum for Wi-Fi, improving connectivity to ships and planes, spectrum use for scientific purposes, and satellite spectrum issues.

Negotiations at the WRC are conducted through regional groups, ours being the European Conference of Postal and Telecommunications Administrations (CEPT). Ofcom colleagues engaged extensively across many CEPT groups, including taking a number of leaderships roles as chair where we could add the most value.

Other work in the ITU this year has focused on discussions around emerging technologies, and reforms to the ITU's structures and ways of working, and we continue to co-ordinate European positions on these issues through our vice-chairmanship of the Com-ITU committee in CEPT.

Until 31 January 2020, Ofcom also closely engaged in the European committees that address spectrum policy: the EU's Radio Spectrum Policy Group (RSPG) and the Radio Spectrum Committee (RSC), where Ofcom actively contributed to discussions around European spectrum policy on mobile broadband and other consumer-facing services.

We continued to be active in European and international postal bodies, where we worked closely with fellow international postal ministries and regulators, including in both the European Regulators' Group for Post (ERGP) and the Committee on European Postal Regulation (CERP). We were also involved in the implementation and review in the UK of the EU cross-border parcels Regulation, which will continue to apply to Royal Mail's international parcels business once the UK transition period has ended.

Finally, we supported the UK Government at the Universal Postal Union (UPU), the inter-governmental body which governs the remuneration of international mail, including in relation to negotiations on the reform of international terminal dues[1], which kept the US from leaving the UPU.

1 The rates postal administrations pay each other for delivering each others' mail.

5. Who we work with and how we work

Engagement with stakeholders

Consumers and citizens

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

Ofcom's Consumer Contact Team received over 84,000 calls, web forms, emails and letters directly from consumers in 2019/20, and the information that consumers provide helps us target our policymaking and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

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

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

Industry and Government

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

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

Co-regulators and other bodies

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

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

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

When we regulate

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

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 focussed on reducing regulation where it is appropriate. We believe 'better regulation' means ensuring rules are properly targeted, and do not impose undue burdens on stakeholders.

During the past year we have made a number of significant regulatory decisions, but the volume of documents we publish has stayed broadly the same. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom's regulatory decisions and statements in 2019/20.

Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2019/20

Of the 36 Major Statements delivered in the year:	Number	%
Increased/new regulation	6	16%
Mixed/no change/ongoing	26	72%
Reduced regulation	2	6%
Streamlined/co-regulatory	2	6%

An overview of the key decisions and statements that we have made during the year can be found in the Annex on pages 157-158.

Consultations

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

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

Category 1: consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to respond); in these cases, we will normally consult for ten weeks.

Category 2: consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will have awareness of the issues; in these cases, we will normally consult for six weeks.

Category 3: consultations which fall within one or more of the following categories, where the normal time period for consultations is one month:

• technical issues;

• where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;

• where the issue has already been the subject of a consultation;

• where the proposal will have a limited effect on a market; or

• where the proposal is a limited amendment to an existing policy or regulation.

Included in figure 2 is an analysis of the length of our consultations by sector as determined by our categories of consultation.

Figure 2: Analysis of consultation duration: 2019/20

	Consultation period at least ten weeks	Consultation period less than ten weeks (incl. cat 2 and cat 3 consultations)
Telecoms	5	9
Broadcasting	2	18
Spectrum	1	8
Post	0	1
Other	0	2
Total	**8**	**38**
Total as a % of all consultations	**17%**	**83%**
2018/19 comparison	**(36%)**	**(64%)**

Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2019/20, more than 80% of our decisions were announced within twenty weeks of closing a consultation, the majority of which were within ten weeks.

Impact assessments

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

- a wide range of options are considered, including the option of not regulating;

- these options are clearly presented;

- the potential effects that would flow from each option are analysed carefully; and

- the costs associated with the chosen option are outweighed by the benefits.

We must publish a list of the impact assessments we carry out during the year; this is in the Annex on page 159.

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

Figure 3 highlights that, in 2019/20, 48% of consultations had conducted an impact assessment which was explicitly referenced in a specific section or annex of the consultation document.

In some circumstances, it may not be necessary or appropriate to conduct an impact assessment, or it may be integrated within the rest of the consultation. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Figure 3: Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	14	6
Broadcasting	20	7
Spectrum	9	7
Post	1	1
Other	2	1
Total	46	22
Total as a % of all consultations		48%

6. Financial Review

Whilst Ofcom is directly accountable to Parliament, our funding comes from fees charged out to the sectors we regulate.

We are committed to being a cost-conscious, value for money organisation in discharging our duties. Over the past 15 years, we have continued to deliver year on year, like-for-like real-terms budget reductions.

We are also a net contributor to HM Treasury; Ofcom collected £373.3m of fees and penalties in 2019/20, of which we retained £56.8m to fund our spectrum management and other relevant duties. The balance was passed to DCMS as our sponsor department, the UK Consolidated Fund, as well as the Department of Finance and Personnel - Northern Ireland (DFPNI) and to the Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey.

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

2019/20 Budgeted Cost Recovery by Sector

Spectrum 40%
Network and services 37%
TV 9%
BBC regulation 8%
Post 3%
Radio 2%
Orphan 2%
Networks & Information Systems Regulations 0%
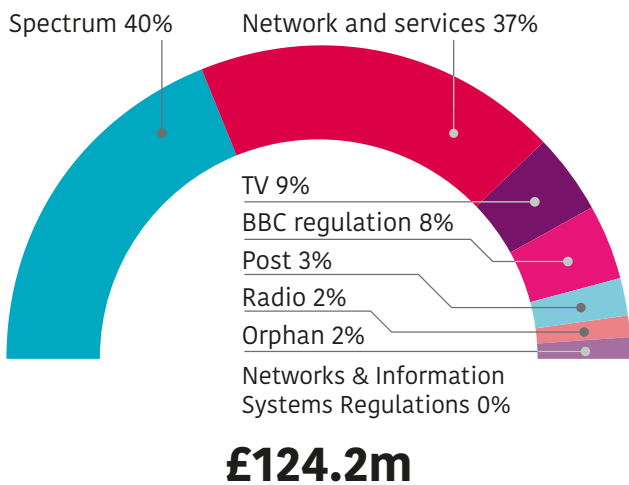
£124.2m

£373.3m of fees and payments collected under Section 400 of the Communications Act 2003

Wireless Telegraphy Act Payments	Government Fees	Financial Penalties	Additional payments	Geographical numbering
£262.3m	**£107.0m**	**£1.9m**	**£0.7m**	**£1.3m**
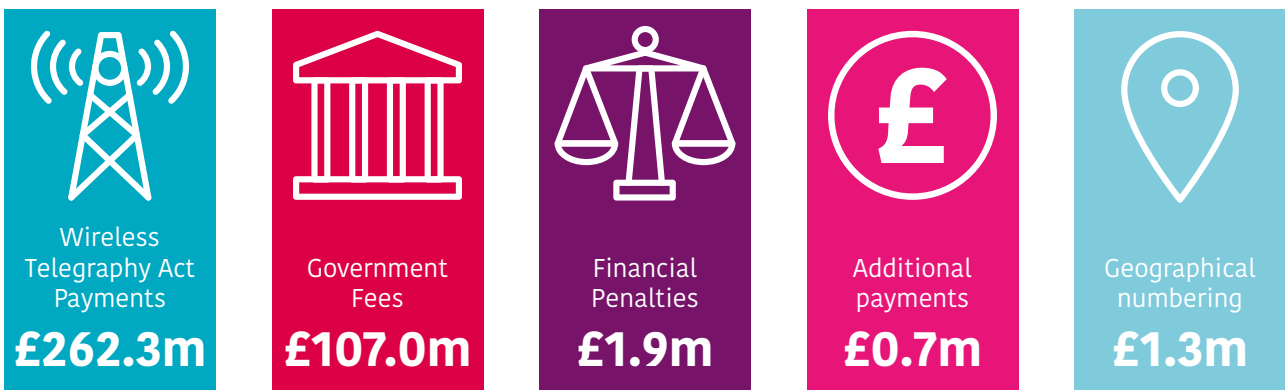
Financial performance

In 2019/20, our cash outturn of £124.0m was within 0.2% of our budget of £124.2m.

£m	Budget	Outturn	Variance
Expenditure	124.2	124.0	**0.2**

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

Note 2 of the accounts within Section C reconciles the total operating expenditure as presented in the Statement of Comprehensive Net Income to Ofcom's actual operating outturn. The note also reconciles income on the same basis and presents Ofcom's actual operating outturn and income by sector. The actual operating outturn represents the accrual-based costs for the financial year and excludes non-cash items such as depreciation, amortisation and provisions.

Ofcom present the costs relating to Spectrum Clearance separately to clearly differentiate from the core Ofcom operational activity. Further detail on this is set out on page 56.

Operating income

The £125.0m (2018/19: £124.3m) of income received in 2019/20 covers Ofcom's core responsibilities (excluding Spectrum Clearance). As part of this, we also received £0.7m of grant funding from Innovate UK under the Regulators Pioneer Fund, for innovative work on the use of blockchain for UK telephone number management.

Operating expenditure

Non-staff expenditure relating to Ofcom's core responsibilities in 2019/20 increased by £1.9m to £47.9m (2018/19 £46.0m), which excludes payroll staff costs. The main operating variances from the prior year are due to:

- IT costs increased by £1.4m as we refreshed our IT estate;

- Temporary staff and recruitment costs increased by £0.8m to cover vacancies; most of the increase in temporary staff costs is as a result of the need to quickly staff up in the network security and resilience area whilst permanent recruitment was underway for the specialist skills required, and also in the People & Transformation Team following a restructure. Both areas have now completed permanent appointments;

- Outsourced Services increased by £0.4m in respect of preparatory work for the upcoming auction of 700 MHz and 3.6 – 3.8 GHz Spectrum bands;

- Premises costs decreased by £0.8m as we recognised a rates credit in respect of Riverside House. Following the introduction of IFRS 16, property lease costs are presented on a separate line in the operating expenditure, Depreciation ROU lease assets.

Staff costs increased by £2.4m to £79.2m (2018/19 £76.8m). The average staff numbers were 937 full time equivalents (FTE) (2018/19 902 FTE). The increase in costs year on year relates to the annual pay award (£1.8m) and growth in our Technology team as we build our data and network security and resilience capabilities.

Reduced restructuring activity has seen restructuring costs decrease by £0.6m to £0.3m (2018/19 £0.9m).

Surplus/deficit for financial year

Funding surplus or deficit

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

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £8.6m (2018/19 £3.3m surplus).

Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Net Income for the year under review, was £226.7m (2018/19: £229.6m deficit). The significant variance to the prior year reflects the inclusion of the provision of £232m in the 2018/19 financial statements which was funded by DCMS and settled in this financial year. The large accounting surplus and deficit over the past two years are non-recurring events.

Spectrum Clearance

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

Clearance of the 700 MHz band continues as a major programme of work for Ofcom. The band is being cleared to make the spectrum available for mobile data. The incumbent users of the 700MHz band, digital terrestrial television (DTT) and programme making and special events devices (PMSE), will move to alternative frequencies.

Government has made grant-in-aid funding available for the grant scheme to allow Ofcom to disburse grants to scheme participants.

More information on the programme is provided in annex 8.

Spectrum Clearance expenditure amounted to £76.7m in 2019/20 (2018/19: £72.5m), which includes £73.7m of grants paid to grant scheme participants.

We received income totalling £79.2m (2018/19: £72.1m). The surplus of £2.6m will be adjusted for as part of 2020/21 grant-in-aid.

Additional funds collected on behalf of HM Treasury

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. These transactions are not included in the Financial Statements. The fees, payments and penalties are reported, with further detail provided, within these Financial Statements in Note 23 to the accounts, with further information in Annex 1 on page 156.

During the 2019/20 financial year Ofcom collected £373.3m (2018/19: £1,688.6m[1]) on behalf of HM Treasury of which £56.8m (2018/19: £54.3m) was retained to fund some of Ofcom's core responsibilities, including Spectrum Management. The variance to the previous year was due to the spectrum auction completed in 2018/19.

A total of £312.8m was transferred to Government accounts in the financial year.

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1 £1.3bn of receipts were collected in 2018/19 relating to the conclusion of the spectrum auction of the 2.3 and 3.4 GHz bands.

Tariffs

Ofcom published the 2020/21 Tariff Tables on 31 March 2020, based on the budget of £131.9m set for 2020/21 and incorporating the differences between the budgeted costs for 19/20 and the actual results, per sector.

The 2020/21 budget has increased from the 2019/20 budget due to our new Video Sharing Platform (VSPs) regulatory duty and increased spend on both the Universal Service Obligation and Network Security and Resilience work areas. The 2020/21 budget is in line with the HM Treasury's spending cap set for Ofcom.

The fees and charges will vary by sector as they reflect planned work for 2020/21, along with the variances between the 2019/20 budget and the actual final expenditure.

As shown in Figure 6 below, except for costs associated with our new responsibilities to regulate the BBC from 3 April 2017, Ofcom's 2020/21 tariffs for the various sectors (excluding the new VSP regulatory duty) are largely in line with the 5-year average.

5 year Tariff fees and charges summary
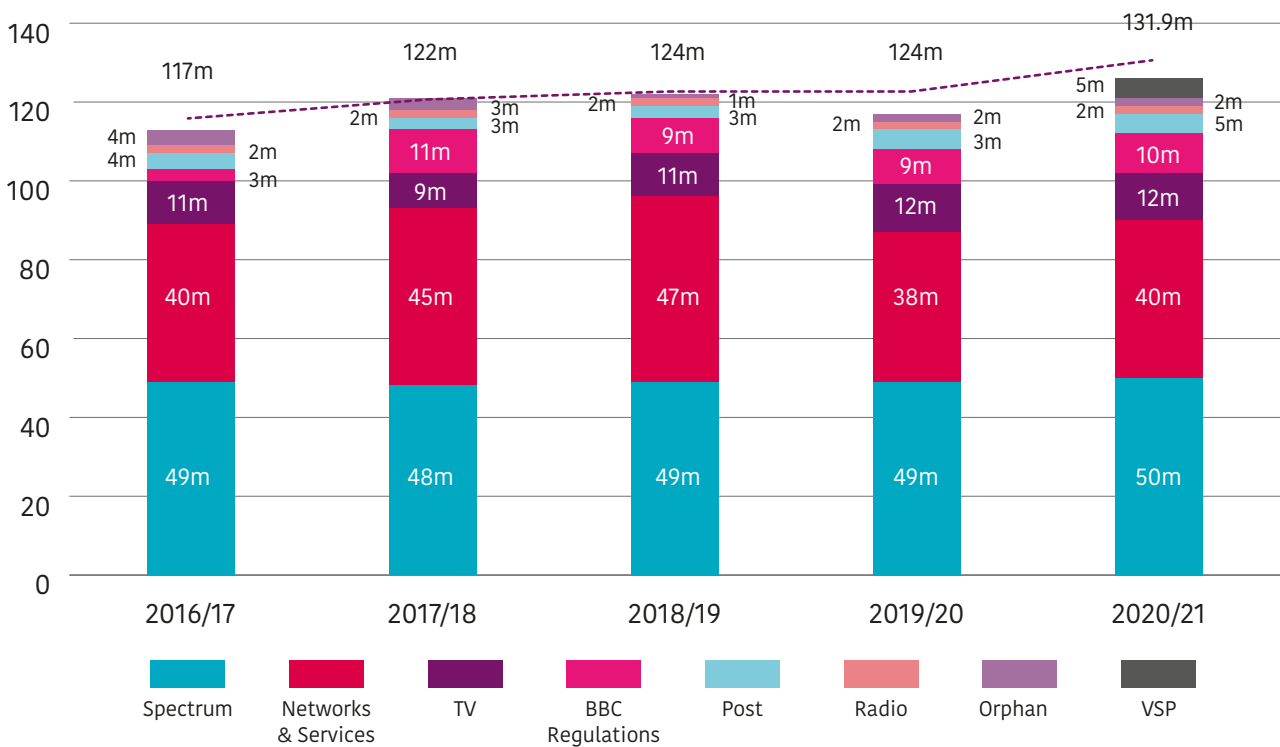
Pensions

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

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both plans are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time, all existing members were provided with access to the Ofcom stakeholder plan. Notes 1(k) and 20 to the accounts provide further detail.

The actuarial valuations for both schemes as at 31 March 2018 highlighted a combined funding surplus of £0.4m. The Ofcom Defined Benefit Pension Plan actuarial valuation shows a surplus of £0.4m. The Ofcom (Former ITC) pension plan valuation liabilities have all been bought in and thus there is no surplus or deficit.

However, the 2019/20 financial statements show a surplus of £22.4m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations.

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

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

7. Corporate Responsibility

Ofcom's commitment to corporate responsibility

We aim to be a responsible employer and to recognise and manage our impact on the wider environment and community through three key areas of activity:

- treating all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all, not only within Ofcom but also in the sectors we regulate (see Our Employees section on page 102);

- reducing our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on page 61); and

- engaging, inspiring and developing colleagues, while supporting local initiatives (see Volunteering and community section below).

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

- recognising and reflecting the diversity of the UK population we serve helps us to make better decisions for citizens and consumers, to make communications work for everyone;

- valuing, promoting and encouraging diversity and difference creates a more engaged, productive and content workforce; and

- being socially and environmentally responsible reduces our operational costs and builds closer links with our local community.

Volunteering and community

We encourage colleagues to volunteer and participate in community schemes as we believe this is an effective way for them to offer their skills; gain new ones, stay mentally healthy, boost their confidence and promote our diversity objectives. All colleagues are entitled to three days paid volunteer leave each year. In 2019, we engaged with our local stakeholders in many ways.

Schools and institutions

Ofcom colleagues have visited local schools and hosted school visits to Ofcom to engage with young people about future career options and routes into our organisation such as apprenticeships or our graduate scheme.

In January 2020 we hosted 50 A-level students from four London secondary schools to give students a chance to experience what it is like to work as an economist at Ofcom. The students spent the day with Ofcom economists and took part in workshops on problems that economists help solve. The day ended with a panel session with some of our economics graduates and apprentices talking about their routes into Ofcom.

In November, we held an open day for university students to showcase our Policy and Economics graduate pathways. This was facilitated by Bright Networks to ensure representation from a diverse range of universities and a diverse mix of students. We showcased the work that we do at Ofcom to around 40 students and current and past graduates at Ofcom shared their experiences and responded to questions from the students.

We continue to be corporate sponsors of the Institution of Engineering and Technology's (IET) Young Woman Engineer of the Year Award and work with them to promote women in engineering through presenting and participating in events, workshops and open days. In addition, we once again participated in the IET Engineering Open House Day event in August 2019, opening up our office in Baldock, Hertfordshire to children and their parents. Within Ofcom, our Technology and Spectrum Groups are currently developing a programme to increase gender and ethnic diversity in our STEM roles. Colleagues have also set up other volunteering opportunities on an ad-hoc basis, supporting causes that are important to them.

Apprenticeships and internships

We are committed to broadening the pathways for young people to join the organisation and developing skills for Ofcom. We pay the Apprenticeship Levy and are reviewing our overall approach to apprenticeships, to offer long-term, paid skills-based work placements. We currently employ twenty four colleagues on apprenticeship programmes working in roles in Business Administration, Spectrum Engineering, the Consumer Contact Centre, Competition Finance, Economics, Policy, Cyber Security, Data Analytics, Digital & Content and Market Research with a further seven using the Apprenticeship Levy to upskill and gain a qualification ranging from CIMA & CIPD to BEng.

We continued our decade long partnership with Business Education charity Career Ready to host six A Level students on four-week paid internships over the summer along with 17 students on a week's work experience through S4S NextGen. S4S Next Gen works with state schools, academies and college students aged between 14 - 18, to help them find inspiring work experience with top organisations. All the students were placed in a wide range of professional areas such as Technology, Finance and Strategy and Research.

Our Legal colleagues partnered with the Sutton Trust's 'Pathways to Law' programme to host six students for paid work experience throughout the summer. The programme aims to widen access to the legal profession, raise students' aspirations and allow them to make informed decisions about their future career. It is open to students who attend non fee-paying schools and are the first in their family to attend university.

Ofcom charity

During 2019 colleagues carried out a variety of activities to raise money for Ofcom's nominated charity, Macmillan Cancer Support. Our colleague diversity networks also raised donations for charities like the Red Box Project, to ensure no young woman misses out on education because they cannot afford to buy sanitary products they need during their period. As well as a monetary contribution, Ofcom colleagues donated sanitary products, underwear and tights which were given to local schools. Money was also raised for the African Caribbean Leukaemia Trust as part of a food festival during Black History Month 2019.

8. Sustainability report

Environmental management and impact on the environment form a key part of how we manage the organisation. We set ourselves ambitious environmental targets back in 2007 to reduce our carbon emissions by at least 50 per cent by 2020. By proactively changing the way we work across the UK, we have gone further than this with a 59% reduction in tonnes of carbon dioxide equivalent (tCO2e) since setting the target.

Ofcom also has an ongoing commitment to the Greening Government agenda, and we have been successful in meeting the targets to cut greenhouse gas (GHG) emissions, reducing waste sent to landfill and paper consumption from a 2009/10 baseline.
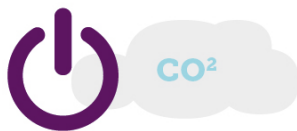
GHG emissions
Target 43% reduction
Achieved 59% reduction
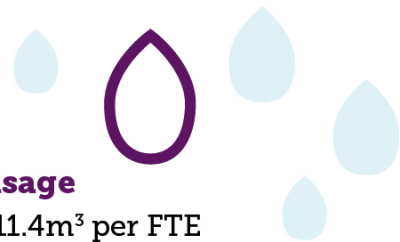
Water usage
Target <11.4m^3 per FTE
Actual 19.7m^3 per FTE

Perfomance against Greening Government environmental targets

Business Travel
Target 30% reduction in domestic flights
Actual 30% increase in domestic flights

Waste reduction
Target 1 - landfill waste <10%
Actual landfill waste 0%

Target 2 - reduce paper use by 50%
Actual paper reduction 79%

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

As we have grown our presence across the nations, and especially in Scotland, we have fallen short of the target to reduce domestic flights.

To limit the impact, we have offset the carbon emissions from all our air travel (both short haul and long haul) between April 2018 to March 2020 as an intermediate step, by supporting a UK carbon offsetting scheme creating woodland in Arnott's Loan (Scotland) and Lowther (England).

Looking forward, our approach to travel is under review with the intention of reducing the number of domestic flights we take.

Due to the nature of our work and the UK's recent exit from the EU, our global relationships are now more important than ever. By investing in common video-conferencing capabilities across all our offices and adopting Microsoft Teams and Surface Hubs, we now have the digital technology to avoid unnecessary travel.

Facilities and ICT

This year we saw a 35% increase in water consumption - this was an exception and due to an unexpected leak that was difficult to trace and has since been resolved.

Where possible, we moved all electric and gas contracts to renewable energy suppliers.

Having adopted an agile working strategy, this has had a two-fold effect of reducing our head office floor space and reducing the number of colleague journeys, as colleagues are able to work more flexibly from home or other locations. Using standard portable IT equipment has simplified the transition for colleagues.

Our cloud-first strategy means that we evaluate cloud-based solutions before considering other alternatives. As a result, we have moved to more efficient shared data centre providers; our providers have separately made firm environmental statements and commitments.

Looking forward, our aim is to achieve ISO 14001 certification for environmental management within the next two years.

5-year Sustainability performance overview

		2015/16	2016/17	2017/18	2018/19	2019/20
Greenhouse gas emissions (Scopes 1,2)	tCO2e	1,569	1,456	1,209	1,078	493
	Expenditure	£444,964	£405,810	£459,238	£404,206	£158,351
Business travel (Scope 3)	tCO2e	250	312	519	555	594
	Expenditure	£569,099	£663,705	£705,602	£742,876	£837,982
Waste	tCO2e	173	172	76	198	189
	Expenditure	£32,023	£37,984	£7,004	£43,805	£35,000
Finite resource consumption	Water consumption (m3)	10,767	11,282	9,379	13,988	18,874
	Expenditure	£16,784	£22,248	£6,929	£19,583	£23,321
	Paper reams	7,545	6,317	3,915	2,579	2,411

Procurement

In 2019, we developed an approach to questioning potential suppliers about wider sustainability issues by including social value evaluation criteria for all high value procurements. Social value covers the three pillars of sustainable procurement encouraging potential suppliers to include within their offer social, economic and environmental benefits, in addition to delivering the services required. The social value criteria carries a minimum weighting of 10% of the qualitative element to emphasise its importance. This change was fully supported and endorsed across the organisation and is now being embedded.

To assist with embedding these criteria into our processes we have introduced a Social Value Toolkit which supports commercial colleagues and stakeholders to include wider social, economic and environmental benefits within our contracts, by discussing and developing these considerations at the pre-procurement stage.

Biodiversity action planning

The sites we operate have limited green space to consider a biodiversity strategy. We have opted instead to support two woodland creation projects this year, to capture the carbon dioxide emissions from our air travel. These projects also provide a wider contribution to local environments and communities.

Both projects are registered with the independent Markit Registry and are certified to ISO standards by a UK Accreditation Service (UKAS). Our carbon credits are certified under the government backed UK Woodland Carbon Code and appear on the **Markit Registry**[1].

Ofcom continues to be re-certified to the Carbon Trust Standard.

Dame Melanie Dawes DCB
Chief Executive and Accounting Officer
17 July 2020

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1 https://mer.markit.com/br-reg/public/index.jsp?name=ofcom&entity=assignment&entity_domain=Markit,GoldStandard

Accountability Report

This section sets out governance arrangements and the lines of accountability to ensure delivery of our objectives and duties.

9. Governance

Chair's Governance Overview

On behalf of the Ofcom Board, I am pleased to introduce the Corporate Governance Report for the period 1 April 2019 to 31 March 2020. Corporate Governance continues to be a high priority in Ofcom and goes beyond adherence to a set of prescribed rules and guidelines. It is intrinsic to the way we are run and sets the tone for the organisation.

This year we have established and embedded a well-structured Corporate Governance Framework and we are constantly seeking to develop our practices to ensure that we remain at the forefront of governance best practice and are well placed to anticipate the ever-evolving communications sectors we regulate. The tone is set from the top and, as a Board, we set the strategic direction and risk appetite, and provide oversight and control of management in the day-to-day running of the organisation.

As Chair, it is my job to ensure that adequate time is set aside at Board meetings for open and challenging discussions of significant issues and, in particular, on our strategic priorities.

The next few pages detail how Ofcom approaches governance, including the operation of the Board and Board Committees. In April 2019, we carried out an externally facilitated formal evaluation of the Board and Board Committees' effectiveness. Our review established that Ofcom's governance arrangements are working well, with the structure of Board packs, management of meetings, focus of meetings and the Board's oversight of stakeholder, strategic and operational issues having been rated highly.

The top priorities identified for the Board over the 12 month period following the review were greater Board cohesion, improved agenda management, greater external engagement, more focus on the organisational structure and people priorities and greater engagement with the Executive.

A series of actions have been taken across all of these areas and a further externally facilitated evaluation was conducted in March 2020, which has enabled the Board to track improvements and changes year on year.

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

We have also established a new People Committee (in place of our Remuneration Committee and Nomination Committee) which has enabled us to provide a broader people and culture oversight role, as recommended by the Chartered Institute of Personnel Development (CIPD) in their guidance on the future role of Remuneration Committees published in January 2019. This also ensures we have the correct focus on our talent development and succession planning which are essential components of a well governed organisation.

" Our key priority is clear: to create long term sustainable value in all that we do for consumers and to excel in serving our other stakeholders. The Board's role is to set Ofcom's strategic aims, provide the right leadership to achieve these and ensure consistent delivery by monitoring performance against these strategic aims."

Lord Burns

I am committed to keeping these matters at the forefront of our agenda, with regular updates to the Board as we work to develop a strong talent pipeline for the future.

Over the past year, we have developed the composition of the Board and, as new Members are appointed to the Board, we will be seeking to improve the diversity on our Board. David Jones was appointed as our first Board Member for Wales in April 2019 and we are currently working with colleagues in the Northern Ireland Assembly and the Department for Digital, Culture, Media and Sport (DCMS) on the appointment of a new Board Member for Northern Ireland.

We have also seen a change of Chief Executive during the reporting period, with Jonathan Oxley having taken over as Chief Executive on an interim basis from Sharon White in late November 2019. We are deeply grateful to Sharon for all that she has done in developing Ofcom's progressive approach and real sense of direction. Sharon's contribution is also recognised by her well-deserved award of a damehood in this year's New Year's Honours list. We are also grateful to Jonathan for the stability he gave to Ofcom as interim Chief Executive pending Dame Melanie Dawes joining us as our new Chief Executive in early March 2020. The Board will continue to support Ofcom's leadership and colleagues over the coming year. I am confident that Melanie will ensure Ofcom continues to support a thriving communications sector, putting the consumer interest at the heart of Ofcom's work.

2019/20 was a significant year for Ofcom and the Ofcom Board. I am pleased with the progress we have made in delivering a number of our key objectives, including:

- **July 2019** – the publication of measures to ensure Public Service Broadcasters continue to deliver high quality content to listeners and viewers;

- **October 2019** – the publication of our plans to release crucial airwaves to meet the growing demand for mobile broadband and support the roll-out of 5G;

- **December 2019** – the implementation of new rules to improve mobile coverage to make broadband switching easier;

- **January 2020** – the publication of our Fixed Telecoms Access Review, while also continuing to strengthen consumer rights with our Fairness for Consumers publication.

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

Lord Burns
Ofcom Board Chair
3 July 2020

10. Our Board

We recognise that the current balance of the Board is not representative of a diverse UK population. We are working with DCMS to align future recruitment with our strategic commitment to be a diverse, inclusive and equal organisation. Having a Board that is representative of the different perspectives within our society will allow us to make the best decisions for all UK citizens and consumers. .

We are constantly looking for new ways to extend our reach so that we can attract applicants from a diverse range of backgrounds. We recognise that our Boards, Committees and Panels need to reflect the diversity of UK society and we have taken and will continue to take positive steps to address this.

Board Diversity

The diversity of our Board at the close of the reporting period ending 31 March 2020 was as follows:

Gender

70% Male	30% Female

Ethnicity

100% White Ethnic

0% Minority Ethnic

Tenure in role

63% Under 3 years
17% 3-5 years
20% 5+ years

■ Under 3 years   ■ 3-5 years   ■ 5+ years
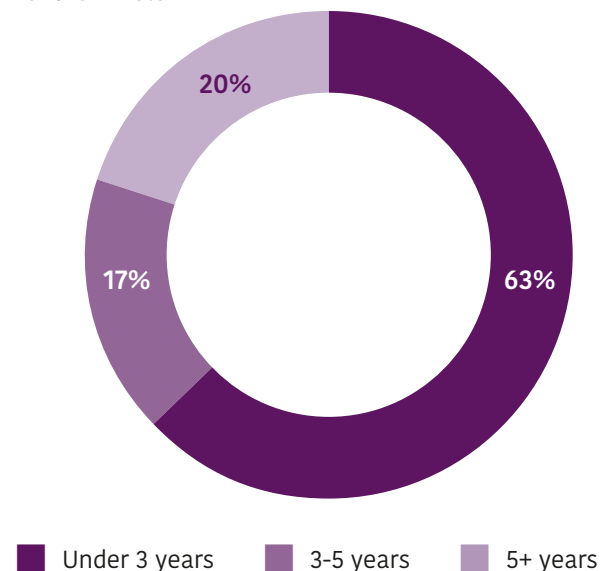
Board Appointments

The Chair and Non-Executive Members of the Board are appointed by the Secretary of State for Digital, Culture, Media & Sport (DCMS), for periods of four years. The Scotland Member and the Wales Member are appointed by Scottish Ministers and the Welsh Ministers respectively, following consultation with the Secretary of State for DCMS.

Executive Members of the Board are appointed by the Chair and the Non-Executive Members, with the Chief Executive's appointment requiring approval by the Secretary of State for DCMS. Members' roles and responsibilities are set out in a Corporate Governance Framework and **Members' Code of Conduct**[1]. A **Register of Members' Interests**[2] is also maintained.

1 https://www.ofcom.org.uk/__data/assets/pdf_file/0019/55045/members_code_of_conduct.pdf
2 https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/register-disclosable-interests

Lord Burns, GCB

Chair and Non-Executive Board Member

Lord Burns is a Senior Adviser to Banco Santander SA, Chairman of the Young Classical Artists Trust and Vice Chairman of the Hay Festival of Literature and the Arts Ltd. In addition, Lord Burns is Chairman of the Welsh Government's South East Wales Transport Commission, Chairman of the Mid Wales Music Trust and Vice President of the Royal Academy of Music. He is a former Chief Economic Advisor and Permanent Secretary to HM Treasury, Chairman of Santander UK plc, Chairman of Channel Four Television, Chairman of Marks and Spencer plc and Chairman of Welsh Water and was an Independent Adviser to the Secretary of State on the BBC Charter Review.

Appointment
Appointed as Chair of the Ofcom Board on 1 January 2018

Tenure 2 years

Membership P

Maggie Carver

Deputy Chair and Non-Executive Board Member

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

Appointment
Appointed to the Ofcom Board as Deputy Chair on 30 September 2018

Tenure 1 year

Membership P R

Key to Board and Committee Membership

People Committee	P	Content Board	C
Election Committee	E	Risk & Audit Committee	R

Dr Angela Dean

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

Angela is currently Chair of International House Trust, a member of Council of King's College London, and a trustee of York Museums Trust. She is a Senior Independent Panel Member for Public Appointments. She was a former Managing Director of Morgan Stanley where she headed its global technology research team. She was a member of the Working Group of the United Nations Global Compact for corporate social responsibility issues in investment, a trustee of the Heritage Lottery Fund and a member of the Museums, Archives and Libraries Council.

Appointment
Appointed to the Ofcom Board on 30 September 2018

Tenure 1 year

Membership P R

Bob Downes

Non-Executive Board Member (Board Member for Scotland)

Bob is the current chairman of the Scottish Environment Protection Agency and of CENSIS. He also chairs the Commission for Communications Regulation's Independent Oversight Body, which will oversee the implementation and operation of an enhanced Regulatory Governance Model in Northern Ireland by Eircom. Bob is a trustee of the Mackintosh Campus Renewal Appeal for Glasgow School of Art and is an advisor to a number of small technology businesses, including Kube Networks and Cryptic.

In addition to his role as the Board Member for Scotland, Bob ensures appropriate attention and focus is given to those special characteristics and challenges unique to Northern Ireland pending the appointment of a Board Member for Northern Ireland.

Appointment
Appointed to the Ofcom Board in February 2018

Tenure 2 years

Membership P C

David Jones

Non-Executive Board Member (Board Member for Wales)

David is currently a non-executive director of Aneurin Bevan University Health Board and is Chair of the Information Governance Committee. David is also Non-Executive Director of the Welsh Revenue Authority and is a member of the Board of Qualifications Wales. In addition, he owns Public Services Digital.

Appointment
Appointed to the Ofcom Board on 8 April 2019

Tenure 1 year

Membership P R

Graham Mather, CBE

Non-Executive Board Member

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. Graham is currently the President of the European Policy Forum and Chairman of its Regulatory Best Practice Group. He is a member of the Board of the Office of Rail and Road and is the Director of both the Greenham Trust and the Pelican Cancer Foundation.

Appointment
Appointed to the Ofcom Board in June 2014; Re-appointed in June 2018

Tenure 5 years

Membership P

Tim Suter

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

Tim was a BBC producer, editor and senior manager and Head of Broadcasting Policy in the Department for Culture, Media and Sport in 2002, responsible for the Communications Act of 2003 and the creation of Ofcom. He joined Ofcom at its inception and left to found Perspective Associates, advising on media policy and regulation. He has been a special advisor to the House of Lords Communications Committee and is the chair of an expert panel advising the Council of Europe. Tim is the chairman of the Intellectual Property Office Steering Board and is a founding partner in Communications Chambers.

Appointment
Appointed to the Ofcom Board in October 2017

Tenure 2 years

Membership P C E

Ben Verwaayen

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

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

Appointment
Appointed to the Ofcom Board in January 2016, Re-appointed in July 2019

Tenure 4 years

Membership P

Executive Board Members

Dame Melanie Dawes

Executive Board Member & Chief Executive from March 2020

Melanie was appointed Chief Executive in March 2020. Before joining Ofcom, Dame Melanie was the Permanent Secretary at the Ministry of Housing, Communities and Local Government. She has held senior roles across the Civil Service, working in partnership across the public and private sectors. She started her career as an economist and spent 15 years at the Treasury, including as Europe Director. She was Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office between 2011 and 2015. She has held a number of non-executive roles including with the consumer body Which? and is a trustee of the Patchwork Foundation, which promotes the participation of under-represented young people in democracy.

Appointment
Appointed to the Ofcom Board in March 2020

Tenure 1 year

Jonathan Oxley

Executive Board Member & Interim Chief Executive from November 2019 to March 2020

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

Appointment
Appointed to the Ofcom Board in January 2015

Tenure 4 years

Dame Sharon White

Executive Board Member & Chief Executive until November 2019

Before joining Ofcom, Sharon had a long career in the civil service. She was Second Permanent Secretary at HM Treasury, responsible for overseeing the public finances. Before that, she held Board-level positions at the Ministry of Justice and the Department for International Development and worked in the Prime Minister's Policy Unit and in Washington DC as a senior economist at the World Bank. Sharon is an independent Non-Executive Director of Barratt Developments plc and a Trustee of Sadler's Wells Theatre.

Appointment
Appointed to the Ofcom Board in March 2015 and resigned in November

Tenure 4 years

Kevin Bakhurst

Executive Board Member & Group Director for Content and Media Policy

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

Outside work, Kevin was a Magistrate from 2000 until 2006.

Appointment
Appointed to the Ofcom Board in April 2020

Tenure 1 year

11. Governance Statement

As a statutory corporation, Ofcom's principal governance compliance requirements are governed by the relevant legislation (namely, the Ofcom Act (2002), the Communications Act (2003), the Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders thereto) which determines matters such as the purposes of the organisation and the appointment of our Members. Ofcom is also subject to the Code of Conduct for Board Members of Public Bodies.[1] Our overall corporate governance approach is informed by the 2018 UK Corporate Governance Code ("the UK Code") and its related guidance[2].

How our approach is informed by the 2018 UK Corporate Governance Code

The Board is fully committed to high standards of corporate governance. Ofcom's approach has been informed by certain principles set out in the UK Code being mindful that a number of these are considered disproportionate or less relevant in Ofcom's case and that there are other requirements placed on Ofcom by statute. Examples of how our approach has been informed by certain principles of the UK Code include:

Board Leadership & Purpose – our Board has a clear purpose, values and strategy and is able to satisfy itself that these and its culture are aligned. Our Board, which is made up of a majority of Non-Executive Members, provides independent and objective challenge and thinking to our strategic aims.

Division of Responsibilities – the Chair of our Board provides strategic leadership of the Board and our Non-Executive Members are considered to be independent of management and free of any business or other relationship which could materially interfere with them exercising their judgement. However, should special circumstances arise, appropriate action is taken to ensure that independence is maintained.

Composition, Succession & Evaluation – appointments to our Board follow a rigorous and transparent procedure, with our Chair and Non-Executive Members being appointed by the Secretary of State for Digital, Culture, Media and Sport (DCMS). As new Members are appointed to the Board, we will be actively seeking to improve our Board's diversity. Our People Committee seeks to ensure that we have effective succession plans in place and that we properly identify and manage our talent pipeline.

Audit Risk & Internal Control – our Risk and Audit Committee oversees the structures and processes in place to manage our risks and ensure that appropriate controls are in place.

Remuneration – our Remuneration Report sets out how we ensure that our remuneration policies and practices support our strategic aims and that the remuneration we pay to our colleagues promotes Ofcom's success.

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

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

Our Board: Activities & Purpose

The Board's annual agenda follows the strategic priorities and themes set out in our Annual Plan of Work, plus our regulatory, risk and governance obligations.

The core activities of the Board and the Board Committees are documented and planned on an annual basis through our work programme and forward agendas, but this only forms the basic structure within which the Board operates.

The Board has adopted and implemented a Corporate Governance Framework which contains a statement of governance principles that guide the activities of the Board. This covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

- approval of Ofcom's annual plan, long term objectives and overall strategic policy framework;

- approval of Ofcom's annual budget, overall financial policy and Financial Authorities Framework;

- approval of Ofcom's annual report and accounts;

- risk management, internal controls and compliance; and

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

The Board's annual agenda principally falls under eleven main areas. The following chart shows how the Board allocated its agenda during the reporting period.

Allocation of Board Time
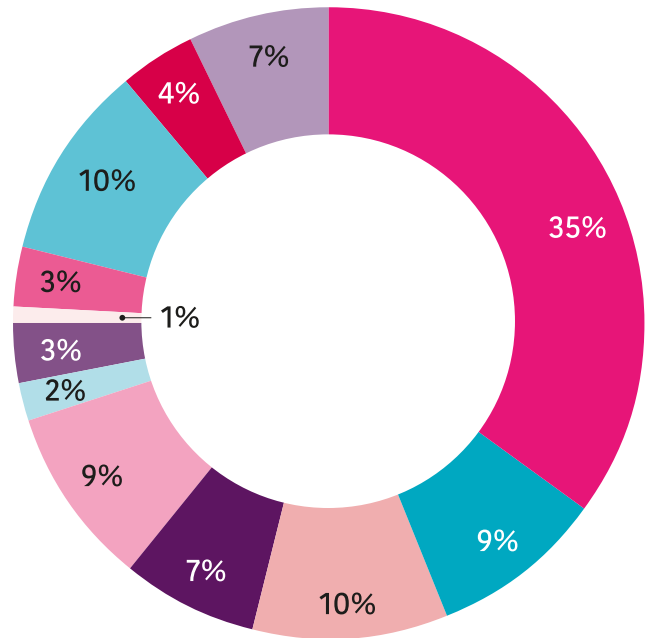
- ■ Chair and Chief Executive Updates (incl. issues across the other categories)
- ■ Corporate Governance
- ■ Regulatory, Finance, Risk and Legal
- ■ Better Broadband and Mobile
- ■ Supporting UK Broadcasting
- ■ Enabling strong, secure networks
- ■ Supporting consumers and industry through Brexit
- ■ Increasing Diversity and Inclusion
- ■ Fairness for Customers
- ■ Raising awareness of online harms
- ■ Sustaining the Universal Postal Service
- ■ Other (including market updates and research)

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

Corporate Governance

- Approved Ofcom's Corporate Governance Framework

- Approved & monitored delivery against Ofcom's Budget and Plan

- Evaluated the effectiveness of the Board, Committees, our Board Members and the Chair

Supporting UK Broadcasting

- Reviewed the BBC Annual Performance Review

- Reviewed BBC News and Current Affairs

- Reviewed the five-yearly report on Public Service Broadcasting (PSB)

- Reviewed the launch of "Small Screen: Big Debate" looking at the future for Public Service Broadcasters services and their sustainability given the rise of digital consumption

Enabling Strong Secure Networks

- Reviewed Ofcom's work programme of network security and resilience

Increasing Diversity and Inclusion

- Noted progress against and gave guidance on Ofcom's Diversity and Inclusion Programme to deliver diversity, inclusion and equality objectives as an employer and regulator

- Reviewed reports on diversity in broadcasting and programme of industry engagement to promote diversity and inclusion across broadcasting

- Retained focus on diversity in the recruitment to Ofcom's Boards/Panels/Committees

Regulatory, Finance, Risk & Legal

- Reviewed Ofcom's Strategic Risks each quarter

- Reviewed and approved Ofcom's Risk Appetite Statements

- Approved Ofcom's Annual Report & Accounts 2018/19

- Approved Ofcom's Budget 2019/20

Raising Awareness of Online Harms

- Reviewed Ofcom's Future of Online Work Programme

- Reviewed the preparatory work for regulating Video Sharing Platforms and potential wider online harm responsibilities

- Reviewed the wide-ranging Media Literacy - Making Sense of Media Programme

Sustaining the Universal Postal Service

- Reviewed Royal Mail's strategy and, in light of that, the sustainability of the universal post service

Continuing to innovate our approach to regulation

- Approved proposals in the Wholesale Fixed Telecoms Broadband Review

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

- Approved the promotion of competition and investment in fibre communications: measures to support Openreach's trial in Salisbury

Better Broadband and Mobile

- Approved updated spectrum auction plans to meet growing demand for mobile broadband and to support the roll out of 5G (700 MHz and 3.6-3.8 GHz spectrum bands)

- Steered the approach taken to the Wholesale Fixed Telecoms Market Review

Fairness for Customers

- Reviewed the Broadband USO Proposals and the work to support fair treatment and easier switching for broadband and mobile customers

- Reviewed other fairness projects including end of contract notifications and a ban on handset locking

Supporting Consumers and Industry through Brexit

- Received regular reports on Ofcom's engagement with industry, consumer groups and other regulators to understand any emerging concerns or risks

Other

- Regularly reviewed both Ofcom's and Stakeholders' plans for Brexit preparedness

- Considered the results of Ofcom's colleague survey.

The Role of the Board

The Board has a central governance function, with oversight over the fulfilment of Ofcom's general duties and specific statutory responsibilities and also its overall funding and expenditure. The Board is also responsible for approving the strategic objectives and priorities for Ofcom, agreeing an appropriate level of risk appetite and ensuring that management maintains an effective system of internal control.

Specific responsibilities have been delegated to Board Committees (the Risk and Audit Committee, the People Committee and the Election Committee) and the Content Board (which was created under statute) and each has its own terms of reference.

Our Governance Structure

Election Committee	Content Board	Risk and Audit Committee	People Committee

The Ofcom Board

Ofcom Spectrum Advisory Board	Policy and Management Board*	Advisory Committee for Scotland, Wales and Northern Ireland
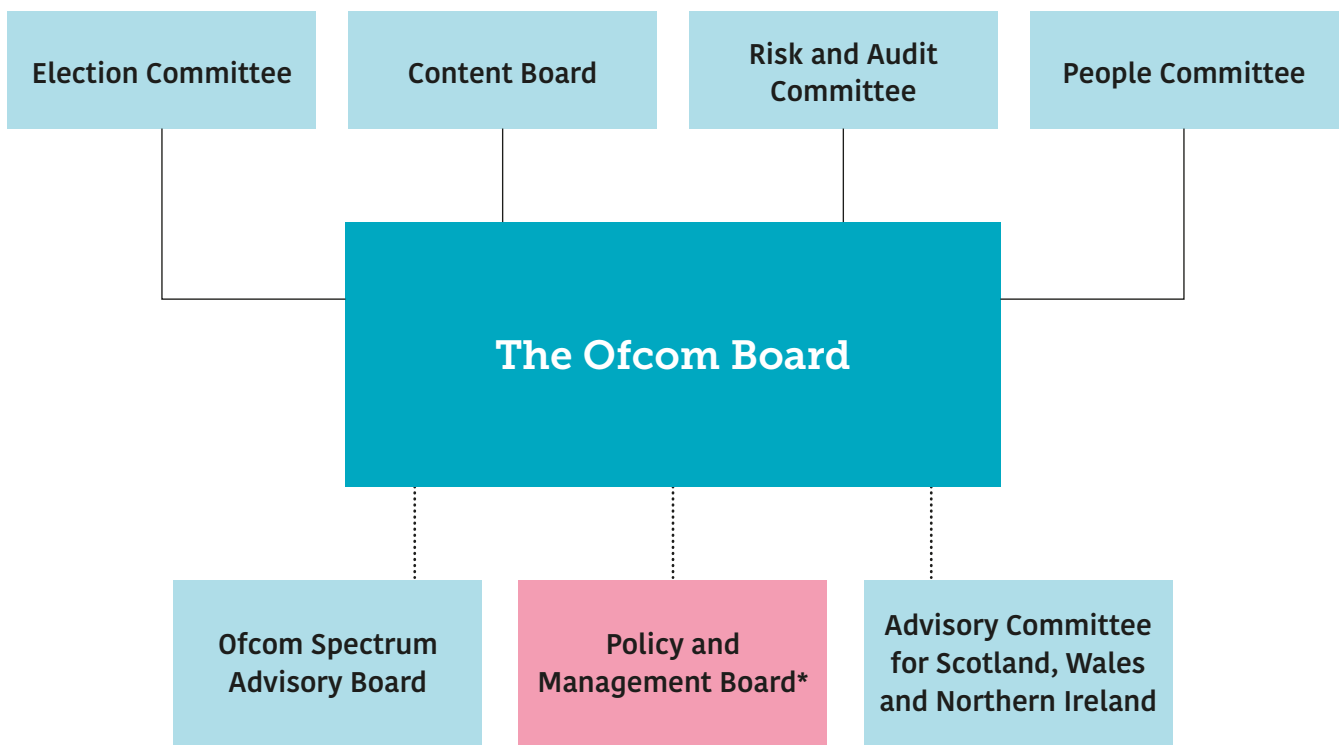
* The Policy and Management Board is the senior executive committee in Ofcom; its role and membership are set out on page 86.

Board Roles

The Chair

The Chair of the Board is responsible for chairing and providing leadership of the Board. Other responsibilities include:

- formulating Ofcom's strategy for discharging its statutory duties;

- representing the views of Ofcom externally;

- encouraging high standards of propriety;

- providing an assessment of the performance of individual Board Members; and

- ensuring that Ofcom meets regularly throughout the year and that the minutes of meetings accurately record decisions taken.

The Chair's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and statutory duties and responsibilities. This includes setting the Board agendas to ensure that adequate time is available for substantive discussion on strategy, performance and key value issues. The Chair also facilitates and encourages the informed and critical contribution of Board Members in discussion and decision-taking on matters of risk and strategy and promotes effective communication between Executive and Non-Executive Board Members.

Non-Executive Board Members

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

The Chief Executive

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

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

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

Conflicts of Interest

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

Ofcom manages, sensibly and appropriately, potential conflicts of interest that Board Members may have, or that may arise from time to time, and to ensure that the actions of Board Members do not bring into question Ofcom's impartiality and objectivity. Board Members are expected to avoid conduct that might bring Ofcom into disrepute or create a perception of bias or lack of impartiality. Board Members must also ensure that their conduct accords with the Seven Principles of Public Life.

Ofcom maintains a register of Board Members' interests which is updated annually.[1] This ensures that Ofcom has a current record of Board Members' interests and relevant information is published on Ofcom's website. Between annual declarations, Board Members are required to notify the Corporation Secretary when their interests change, so that the Register can be amended accordingly and, where necessary, any potential conflicts can be raised with the Chair and/or the full Ofcom Board.

Board Members' Training and Keeping the Board Informed

Ofcom is firmly committed to the on-going development of its Board Members and the need to continually evolve their knowledge to enable them to effectively fulfil their duties.

All newly appointed Board Members are provided with a comprehensive and bespoke induction programme on joining Ofcom, which includes sessions with each member of the Senior Management Team and other key senior directors. These sessions are intended to ensure familiarisation with Ofcom's Plan of Work and the challenges, opportunities and risks that Ofcom may face. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance and the Risk Management Policy and the Internal and External Audit.

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

Management Information

The Board and Board Committees are provided with regular management information to enable the Board to review Ofcom's performance and capability. This includes regular performance and finance reports, review of delivery against Ofcom's Budget and Plan, review on the delivery of Ofcom's Plan of Work, the strategic risk register, status on the Board / Board Committee Effectiveness Review outcomes and other corporate data. The Governance & Accountability Team (reporting to the Corporation Secretary) oversees this information and ensures that both the format of papers and data quality complies with Ofcom's guidance on writing Board / Board Committee papers, thereby facilitating informed discussion and decision making.

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1 https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/register-disclosable-interests

Board Administration

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

The Board had ten scheduled meetings during the year. These were held each month, with the exception of August and January. The Board also undertakes a Strategy Session in October of each year, where medium to long-term strategy is examined and discussions take place on strategic and material issues.

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

Attendance at the Board during the 2019/20 Financial Year

	Ofcom Board
Number of meetings	**10**
Lord Burns GCB	9
Maggie Carver	10
Dr Angela Dean	10
Bob Downes	10
Graham Mather CBE	10
Tim Suter	10
Ben Verwaayen	10
David Jones	10
Dame Sharon White DBE[1]	7
Jonathan Oxley	10
Dame Melanie Dawes DCB[2]	1

[1] Sharon left Ofcom at the end of November 2019

[2] Melanie joined Ofcom at the beginning of March 2020

Board Performance and Effectiveness

Each year, the Board conducts an effectiveness review to evaluate the performance of the Board, Board Committees and individual Board Members. In late April 2019, an externally facilitated review was conducted, with questions set by the Chair (assisted by the Corporation Secretary), with an external facilitator being responsible for the distribution and collation of questionnaire responses and the preparation of a report of key recommendations arising from the analysis of the responses received.

The Board reviewed and considered the outcomes of the review at its May 2019 Board meeting. The review established that Ofcom's governance arrangements are working well, with the structure of Board packs, management of meetings, focus of meetings and the Board's oversight of stakeholder, strategic and operational issues having been rated highly.

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

• ensuring Board cohesion following recent changes in Board composition;

• agenda and meeting management (essentially greater clarity of key issues where Board input / discussions are required, with a clear timetable and more focused reports);

• increased external engagement with regulated entities and stakeholders;

• organisational structure (shaping of the Ofcom organisational structure in response to any new statutory duties) and people issues (more focus on the people agenda and talent development and succession planning issues);

• engagement with the Executive (SMT) outside of Board meetings; and

• increasing Board understanding of the SMT and additional training / updates to aid greater understanding of the scope of Ofcom's role.

A series of action areas were identified by the Board in response to the recommended priorities for change and status updates were reviewed by the Board at Board meetings held in July and December 2019. At the December 2019 meeting, the Board noted that most of the recommended priorities for change were either complete or on track for completion and that there had been a marked improvement across all recommended priority areas. The Board also agreed to undertake a similar external review in March 2020 to that conducted in 2019, one of the key benefits of this being that the Board will be able to track any improvements and changes year on year.

Board Committees and Statutory Boards

In the exercising of Ofcom's duties under the Ofcom Act (2002), the Communications Act (2003), The Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders, the Board delegates certain of its responsibilities to the Executive within Ofcom and certain responsibilities to Board Committees, in accordance with clearly defined authorities and terms of reference. Ofcom also has a number of other governance bodies with a governance or advisory role to the Board. The activities and main functions of these committees and bodies are described below:

Board Committees

Risk and Audit Committee

The Risk and Audit Committee comprises three Non-Executive Members of the Board, namely Angela Dean (Chair), Maggie Carver and David Jones. The Chief Executive, the Group Director for Corporate Services, the Finance Director, the Financial Controller and the Head of Risk Management & Insurance are invited to attend Committee meetings, as are the Internal and External Auditors.

The role and responsibilities of the Risk and Audit Committee, together with the Committee's activities during the reporting period, are set out in the Report of the Chair of the Risk and Audit Committee on pages 90 to 94.

The People Committee

In May 2019, the Board created the People Committee to replace the former Nominations Committee and the Remunerations Committee. The Committee comprises all Non-Executive Members of the Ofcom Board.

The People Committee oversees and periodically evaluates the appropriateness of Ofcom's People & Workforce Strategy, providing the necessary challenge on the strength and effectiveness of the plans in place to support Ofcom in the achievement of its strategic and statutory purpose and duties, both in the short and long term. The Committee seeks assurance from Ofcom Management that there are effective talent management, talent development and succession planning, performance management, culture and values and colleague engagement and other such people measures and plans in place which will meet Ofcom's performance, skills and expertise.

The People Committee also sets the over-arching principles and parameters of the remuneration policy across Ofcom and considers and approves individual terms and conditions of service, including the remuneration arrangements of the Chief Executive, the Senior Management Team (SMT) and such other colleagues as agreed between the Chair of the Committee and the Chief Executive. The Committee also leads the process on appointments of Executive Board Members and the SMT and approves the succession plans for the Ofcom Board, the SMT and such other colleagues, as agreed between the Chair of the Committee and the Chief Executive.

The People Committee met eight times during 2019/20.

The Election Committee

Section 333 of the Communications Act 2003 requires Ofcom to ensure that party political broadcasts, (including party election broadcasts) and referendum campaign broadcasts are included in every licensed public service television channel (regional Channel 3, Channel 4, Channel 5), every local digital television programme service, and every national (i.e. UK-wide, commercial) analogue radio service, and their digital simulcast services (Classic FM, Talksport and Absolute Radio AM).

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

The Committee comprises three Non-Executive Members (Tim Suter, Jonathan Baker and Maggie Cunningham) and two Executive Members (Kevin Bakhurst and Ali Marsden), all of whom are Members of the Content Board. The Committee met once during 2019/20.

The Content Board

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

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

The Board comprises the following Non-Executive Members: Tim Suter (Chair), Jonathan Baker, Maggie Cunningham, Bob Downes, Aled Eirug, Robin Foster, Angelina Fusco, Sophie Morgan, Stephen Nuttall, Monisha Shah and Janey Walker and Executive Members: Kevin Bakhurst and Ali Marsden.

The Board met seven times in 2019/20.

The Advisory Committees for the Nations

Section 20 of the Communications Act 2003 requires Ofcom to establish Advisory Committees for each of the UK nations. The function of each Committee is to provide advice to Ofcom about the interests and opinions, in relation to communications and postal matters, of people living in parts of the UK for which the Committee has been established. This engagement in the devolved nations of the UK is increasingly important, where the role of the Nations' Members of the Content Board, the Communications Consumer Panel and the National Advisory Committees is immensely valuable in helping Ofcom take into account

specific issues in its policy formulation and implementation.

In-addition to the appointed Members of the Advisory Committees, the Content Board Member and the Communications Consumer Panel (CCP) Member for the respective nations are invited to attend the Advisory Committee meetings as observers.

The currently appointed Advisory Committee Members and observers are:

Advisory Committee for England - Paula Carter (Chair), Emma Davison, Mark Smith, Alan Nunn, Aaqil Ahmed, Matthew Littleford.

Caroline Roberts-Cherry's term expired on 31 January 2020.

Observers: Monisha Shah (Content Board) and Richard Spencer (CCP).

Advisory Committee for Northern Ireland – Carrie Matchett (Chair), John Ellison, Kathy Graham, Alan Meban, Paul Wilson and Phil Flanagan.

Observers: Angelina Fusco (Content Board) and Rick Hill (CCP).

Advisory Committee for Scotland – Liz Leonard (Chair), Carmel Teusner, David Connolly, Laura Anderson and Stephen Speirs (Stephen receives no remuneration for this position).

Julie Pirone resigned on 6 November 2019.

Observers: Maggie Cunningham (Content Board) and Amanda Britain (CCP).

Advisory Committee for Wales – Hywel William (Chair), Robert Andrews, Andrew Board, Dr Ruth McElroy, Rem Noormohamed and Peter Trott.

Observers: Aled Eirug (Content Board) and Dr Sian Phipps (CCP).

The Advisory Committees each met four times in 2019/20.

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

Section 16 of the Communications Act 2003 requires Ofcom to establish a Communications Consumer Panel. The Panel acts to provide advice that is robust and independent but, at the same time, pragmatic and constructive.

Independent of Ofcom, the CCP consists of up to twelve independent experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information can be found at www.communicationsconsumerpanel.org. uk. Ofcom shares information and ideas with the CCP at the early stages of policy development, allowing it to provide robust and independent advice to ensure that consumer, citizen and micro-business interests are taken into account from the outset.

The Advisory Committee on Older and Disabled People (ACOD) advises Ofcom about both general and specific issues concerning the communications and postal sectors relating to older and disabled people.

To take advantage of the synergy between the CCP and ACOD, and to avoid potential duplication, cross membership of the two bodies was established in 2012. The remits of the bodies, however, remain unchanged. The current Members of the Communications Consumer Panel and ACOD are Rick Hill (Chair and Member for Northern Ireland), Kay Allen, Amanda Britain (Member for Scotland), Dr David Holden, Dr Sian Phipps (Member for Wales), Richard Spencer (Member for England), Craig Tillotson, Clifford Harkness and Rick Williams. We are in the process of appointing an additional new Member to the Panel and ACOD.

Chris Holland's term expired on 30 July 2019 and Karen Lewis resigned on 31 December 2019.

The CCP and ACOD met eleven times in 2019/20.

The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues. Further information can be found on the OSAB website at: www.osab.org.uk

The Members of OSAB are Professor Linda Doyle (Chair), Greg Bensberg, Wassim Chourbaji, Professor Mischa Dohler, Peter Hadinger, Alastair Macpherson, David Meyer, Niall Murphy, Robert Pepper, Peter Pitsch, Ros Singleton and Gavin Young.

OSAB met four times in 2019/20.

Diversity of Our Non-Executive Members

As at 31 March 2020

Gender

66% Male	32% Female

2% not disclosed

Ethnicity

90% White		

7% Minority Ethnic

3% not disclosed

Disability

85% No disability		

10% Disability

5% not disclosed
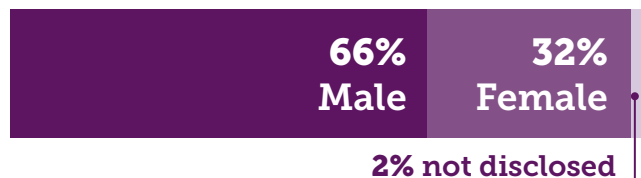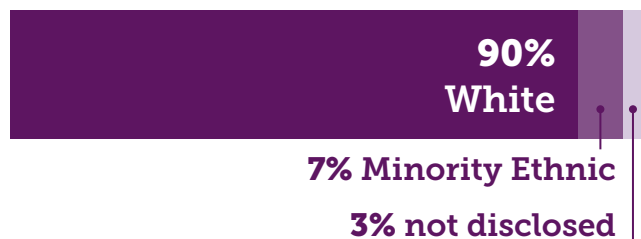
Our Senior Management Team

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

Current SMT members

Name	Role
Dame Melanie Dawes	Chief Executive[1]
Kevin Bakhurst	Group Director, Content and Media Policy
Lindsey Fussell	Group Director, Consumer and External Relations (and interim Group Director, Corporate Services)
Philip Marnick	Group Director, Spectrum
Dave Clarkson	Interim Group Director, Competition
Yih-Choung Teh	Group Director, Strategy and Research (and interim Chief Technology Officer)
Luisa Affuso	Chief Economist Officer
Martin Ballantyne	Interim General Counsel
Kerri-Ann O'Neill	People & Transformation Director[2]

SMT members during 2019/20 (now resigned)

Name	Role
Dame Sharon White	Chief Executive[3]
Jonathan Oxley	Interim Chief Executive and Group Director, Competition[4]
Alison Crosland	Group Director, Corporate Services[5]
Mansoor Hanif	Chief Technology Officer[6]
Polly Weitzman	General Counsel[7]

1 Melanie was appointed Chief Executive in March 2020

2 Kerri-Ann O'Neill joined the Senior Management Team in April 2020

3 Sharon resigned as an SMT Member in November 2019

4 Jonathan was interim Chief Executive from November 2019 to March 2020. He resigned as an SMT Member in June 2020

5 Alison resigned as an SMT Member in January 2020

6 Mansoor resigned as an SMT Member in November 2019

7 Polly Weitzman resigned as an SMT Member in June 2020 and Martin Ballantyne was appointed Interim General Counsel from that date

The diversity of our Senior Management Team at the close of the reporting period ending 31 March 2020 was as follows:

Gender

60% Male	40% Female

Ethnicity

90% White

10% Minority ethnic
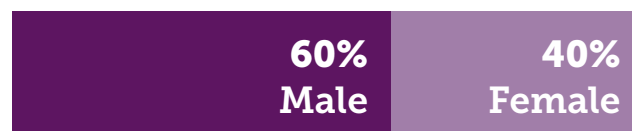
Policy and Management Board

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

The Policy and Management Board is made up of the Senior Management Team and the Finance Director (Curtis Juman). Other senior executives attend by invitation.

The Policy and Management Board met eleven times in 2019/20.

Accountability

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

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

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

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

Transparency

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

During 2019/20, Ofcom received 386 requests (332 requests in 2018/19) 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 66% of cases. Information is only withheld if it is exempt from disclosure under legislation.

During 2019/20, Ofcom also received 43 Subject Access Requests under the Data Protection Act 218 (38 requests in 2018/19). Where Ofcom held relevant information, this was provided.

Engagement

Ofcom recognises that it needs to take into account the views of those that have an interest in the outcome when making decisions. In addition to engaging with the CCP/ACOD, the Content Board and the National Advisory Committees, Ofcom also engages with other national regulatory authorities (including participation in the UK Regulators' Network), European Institutions and global bodies, so that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

Consultation also plays an important role in Ofcom's decision making. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a particular course of action. Consequently, Ofcom consults publicly on all its major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during 2019/20, are set out on pages 50 and 51, and in Annex 2.

Physical and personal security arrangements

The UK threat level for terrorism was downgraded from "Severe"(an attack is highly likely) to "Substantial" (an attack is likely) on 14 November 2019. The Ofcom Board risk appetite statement remains at "Averse" for Health and Safety, Physical security.

Following threat assessments undertaken at all our Nations' and Regions' offices in the previous year, a programme for implementing physical security enhancements to mitigate the risk from external physical attacks, is nearing completion. The remaining items from this programme of work are expected to be completed by September 2020. This is a delay in completion due to the impact of the Coronavirus. A process for assessing personal security is underway and expected to be completed across all Ofcom Groups by the end of 2020. This "Risk by Role" process will document the risk factors that are associated with each role and the mitigating controls that have been put in place. These measures are consistent with the Ofcom Board's risk appetite for physical and personal security.

Major incident/disaster recovery/business continuity planning

Our major incident management plans were tested in a desktop exercise in 2019. The tests that were planned for 2020 have been superseded by the invocation of a Major Incident for Covid-19. Plans will be reviewed and amended, as necessary, later in the year.

The implementation of flexible/agile working and moving services into the cloud has facilitated a smooth transition to remote working for all Ofcom colleagues when premises were closed following the Covid-19 lockdown. Almost all of Ofcom's employees, with the exception of key workers, moved to complete remote working in the middle of March, in line with Government guidance.

Information Security

Protecting Ofcom information systems against the increasing risk of cyber threats continues to be a priority. Attempts by external parties to breach Ofcom security are prevalent. These have been unsuccessful as a result of the security controls in place and we continue to improve monitoring to detect potential attacks or vulnerabilities. Testing has included the use of simulated phishing attacks to improve user awareness and technical penetration testing against the Information and Communication Technology (ICT) and physical infrastructure. A new security eLearning and mandatory reading of security policies were introduced in January 2020.

The move to remote working for all colleagues as a result of Covid-19 has been done without the need to remove or reduce the existing security controls. This maintains a consistency in the management of Information/ICT security risk that is aligned to the Ofcom Board risk appetite of "Averse"

From a governance perspective, work has continued with alignment to the international standard for information security management (ISO27001). The ISO27001 certification process has begun with the procurement of external audit services. The start of the certification audit was due in March but has been delayed until later in 2020, due to Covid-19. There was a successful re-certification against the UK National Cyber Security Centre (NCSC) Cyber Essentials Scheme.

Whistleblowing policy and hotline

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

Public interest disclosure

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. Ofcom is a 'prescribed person' as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014. As such, individuals working outside Ofcom, but in the communications sector, may contact Ofcom if they have concerns about possible wrongdoing at their own organisation. During 2018/19 Ofcom did not receive any disclosures under the Public Interest Disclosure Act 1998 or otherwise.

12. The Report of the Chair of the Risk and Audit Committee

" The Committee has been fully engaged in 2019/20, with continued focus on our risk reporting, particularly on Ofcom's strategic risks and associated mitigating controls and actions, as well as the strengthening of our internal control systems."

Angela Dean Chair of Risk and Audit Committee

Attendance of Members during 2019/20

The Committee met five times in 2019/20:

Angela Dean (Chair)	5/5
Maggie Carver	5/5
David Jones[1]	3/3
Graham Mather[2]	1/2

[1] Joined as a member in June 2019

[2] Resigned as a member in June 2019

Each member has served for the following periods of time:

- Angela Dean – 1 year (as Chair)

- Maggie Carver – 1 year

- David Jones – 9 months

- Graham Mather – 3 months

Committee Activities

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

- Review and recommend to the Board Ofcom's risk appetite and to ensure Ofcom has appropriate processes in place to identify the key Strategic Risks including, but not limited to, any operational, reputational and financial risks;

- Monitor financial reporting, including the accounting and financial reporting process of Ofcom's financial statements;

- Ensure the effectiveness of Ofcom's internal control framework and risk management policy and systems;

- Review and monitor the whistleblowing, business continuity planning and disaster recovery arrangements, bribery and fraud arrangements and any significant conflicts of interest across Ofcom;

- Oversee the appointment of the Internal Auditors, including any proposals for tender, internal audit fees, Internal Audit performance, capability and effectiveness;

- Review the External Auditors' independence and agree the nature and scope of the internal audit of Ofcom's financial statements.

The work of the Committee followed an agreed annual work programme, with the Committee allocating its time in 2019/20 as follows:

- Financial Reporting and related matters

- Governance and Risk Management

- Internal Audit

- External Audit

- Cyber & Network Resilience

- ICT, Physical & Personal Security

- Other Items (e.g. litigation, bribery & fraud etc)

How our approach is informed by the UK Corporate Governance Code

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

- Ofcom – Ofcom Chair, Chief Executive, Finance Director, Financial Controller, Head of Risk & Insurance Management, Group Director Corporate Services

- National Audit Office (NAO): representatives of Ofcom's External Audit Team

- Representatives of Ofcom's Internal Audit Team (this was KPMG in 2019/20)

Overview

On behalf of the Board, I am pleased to provide an overview of the operation and scope of the Risk and Audit Committee for the financial period ended 31st March 2020.

The Committee has responsibility, on behalf of the Ofcom Board, for oversight of the appropriateness and effectiveness of Ofcom's risk management, risk governance, internal systems and controls and financial statements. The Committee also maintains the relationship with the National Audit Office (NAO), Ofcom's external auditors, including a review of their fees and the scope of their audit of Ofcom's financial statements. This covers their assessment of the risks of material misstatement and material irregularity, their independence, resources and the effectiveness of the audit process. The Committee also works with Ofcom's internal auditors (KPMG during 2019/20), to establish an Annual Plan for the audit of specific areas of Ofcom, and then monitors the progress and outcomes of those reviews. As part of my role as Chair of the Committee, I met regularly with the NAO and KPMG in the reporting period, without Ofcom Management being present.

The Corporation Secretary assists in planning the Committee's work and ensures the Committee receives information and papers in a timely manner and in the appropriate format.

Each Member of the Committee brings relevant skills and experience at a senior level. The Risk and Audit Committee currently comprises three Non-Executive Directors, all of whom are independent. More than one Member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the communications sector in which Ofcom operates.

In addition to my experience as a financial analyst, I was Chair of the Audit & Risk Committee of the National Lottery Heritage Fund & NHMF and I am a member of the Audit

Committees of York Museums Trust and The Postal Museum.

The Committee has a private session annually with each of the Finance Director and the Head of Risk Management and Insurance, in addition to Internal Audit (KPMG in 2019/20) and our External Auditors the NAO. Both the Internal Auditors and External Auditors have regular discussions with me between Committee meetings and have direct access to me in the event that they wish to raise anything which they feel is not appropriate to raise directly with Ofcom Management.

Financial Statements and Accounting Policies

In conjunction with Ofcom Management and the Internal and External Auditors, the Committee reviewed the Financial Statements and associated documentation to establish if these were free from material misstatement and prepared in accordance with the applicable financial reporting framework. The Committee also challenged the judgements made by Ofcom Management and the assumptions and estimates on which they were based. The Committee placed particular emphasis on the fair presentation and the reasonableness of the judgement of factors and appropriateness of significant accounting policies used in their preparation.

During the year, the Committee considered the treatment of various assets in the Group's accounts and the accounting assumptions applied to the results, including the assessment undertaken at the year end.

The Risk & Control Framework and Risk Management

The management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a risk management policy, endorsed and approved by the Ofcom Board and the Chief Executive as the Accounting Officer. To ensure that our risk management framework is effective and aligned to our requirements, a review of

our risk management framework is undertaken periodically. In February 2020 the Ofcom Board undertook a review and update of the Ofcom Risk Management Policy and Risk Appetite Statements.

Ofcom's Strategic Risk Register is reviewed monthly by the Ofcom Policy and Management Board and quarterly by the Risk and Audit Committee. The Committee conducts a deep dive into a specific strategic risk at each meeting. An oral update on matters considered by the Committee is provided to the next Ofcom Board meeting.

The Committee has continued to engage with Senior Management regarding any identified risk areas and the Committee has reviewed the controls and mitigating actions. Since the start of the Covid-19 crisis, regular updates have been provided to the Committee on the steps Ofcom have taken to ensure continuous operation.

Internal Controls

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. The Committee reported to the Board regarding the effectiveness of Ofcom's internal control systems and encouraged continuous improvements in their effectiveness, where appropriate. A description of the Company's system of internal control is included in the Corporate Governance Report on page 74.

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

Cyber & Network Resilience

During 2019/20, the Committee monitored the work undertaken by the Risk, ICT and Technology Group functions to manage cyber risk and network resilience. Recommendations have been made to further strengthen Ofcom's IT processes, other systems and response plans as a result of this work. Further action will be taken in this area during 2020/21, with regular updates to be provided to the Committee.

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

Annual Internal Audit Plan and Focus of Reviews in 2019/20

Internal Audit's 2019/20 Annual Plan was reviewed and approved by the Committee in March 2019. The Internal Auditors have reported on progress against the Plan at each quarterly Committee meeting and the Committee approved any amendments considered necessary to the Plan. The reviews undertaken comprised a risk-based programme of work across a range of key control areas, agreed with management and approved by the Committee. The Committee received quarterly reports from KPMG on the audits carried out, Ofcom Management's response to the findings and the progress made in addressing any issues identified during the audits. Areas of internal audit during the year included Key Financial Controls, Network Security & Resilience, Brexit Response and Quality of Risk Reporting, in addition to focussed audits of particular areas.

Ofcom has undertaken a tender exercise for Internal Audit services. Deloitte have been appointed as Ofcom's new Internal Auditors with effect from April 2020 for a period of 3 years, with the option to extend for a further 1 year. The Committee would like to thank our former internal auditors, KPMG, for their support over many years.

Other Areas of Review

Ofcom's Whistleblowing Fraud and Anti-Bribery Policies are reviewed by the Committee in November of each year. The Whistleblowing policy covers all of the necessary matters required under the Public Interests Disclosure Act 1998. This policy has been communicated to all colleagues and colleagues have been reminded of the policy and that they can raise matters anonymously with Ofcom's whistleblowing hotline provider, Expolink. While a number of cases were referred through the whistleblowing hotline in 2019/20, none of these related to incidents of malpractice as defined under Ofcom's Whistleblowing Policy.

The Committee also received reports on bribery, fraud, significant conflicts of interest, data protection act conformance and the outcome of the Crisis Management exercise carried out in September 2019.

Reporting to the Board

As Chair of the Risk and Audit Committee, I provide regular updates to the Board on the key issues discussed at Committee meetings. The Committee reviewed and updated its terms of reference in 2019, recommending these to the Board for approval. A further review was undertaken in March 2020 and no changes proposed.

Committee Performance and Effectiveness

An externally facilitated review of the Committee's performance and effectiveness in respect of 2019/20 was conducted in late March / early April 2019, as part of the Board Evaluation Review, with each Ofcom Board Member asked to rate the overall effectiveness of the Committee. The outcome was very positive, with the effectiveness of the Risk and Audit Committee having been rated highly and, in particular, the communication of its activities and decisions to the Ofcom Board.

Angela Dean
Chair of the Risk and Audit Committee
3 July 2020

13. Remuneration report

This report has been prepared to be compliant so far as is practicable and appropriate with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, though Ofcom is not required to comply with the regulations.

The approach taken by the Board has been informed by certain principles of the UK Corporate Governance Code and fulfils the requirements of the Government Financial Reporting Manual only where appropriate and applicable.

Constitution of the People Committee

The People Committee comprises all non-executive members of the Ofcom Board, as determined by the Ofcom Board, details of which are set out on page 83. Only members of the Committee have the right to attend Committee meetings.

The Committee receives advice from Ofcom's People and Transformation Director and would normally expect the People and Transformation Director and the Chief Executive to attend all meetings of the Committee. Where necessary and appropriate, the People Committee will also take advice and/or obtain services from Ofcom colleagues or specialist external organisations.

No individual is present for any discussion about his or her own remuneration.

General policy

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

Components of remuneration

The main components of the remuneration of the Senior Management Team (SMT) and Executive Members are:

Salary

The basic salary for the SMT and Executive Members is determined by taking into account each colleague's responsibilities, performance and experience, together with relevant market benchmarking analysis. All basic salaries are reviewed each year and any changes are effective from 1 July each year.

Standard and flexible benefits

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

In addition, a flexible benefits allowance is made available from which the individual concerned may purchase certain benefits.

Pension

Ofcom provide the option of a stakeholder (Defined Contribution) pension to all colleagues, the provider of this scheme changed from Prudential to Aviva in April 2020.

All Ofcom colleagues are provided with a pension allowance, determined as a % of base salary. This can either be invested within the Ofcom Pension plan which allows deductions to be made via salary sacrifice or taken as additional salary.

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

Performance-related payments

Ofcom does not provide a long-term incentive plan scheme for its employees. Each Executive Member and Member of the SMT participates in an annual performance bonus scheme, which allows for recognition of high performers in any year without raising base salary levels. This is calculated as a percentage of salary (non-pensionable) based on the individual's performance, up to a maximum of 20%.

For this performance year, in light of the Covid-19 pandemic, a decision was unanimously taken by the SMT to voluntarily waive any performance bonuses for the period 1 April 2019 to 31 March 2020 which the People Committee may have been minded to offer members of the SMT.

Fair pay disclosure

Ofcom believes in fair pay. We track this through monitoring a fair pay ratio, comparing the highest-paid individual in their organisation and the median remuneration of the rest of the organisation. The calculation of, and presentation of the data is in line with the Government Financial Reporting Manual. The fair pay disclosure data is shown below:

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

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

The remuneration of the highest-paid director in Ofcom as at 31 March 2020, was the Chief Executive, and was in the band £330,000-£335,000 (£390,000-395,000 in 2018/19). This was 5.64 times (6.80 times in 2018/19) the median remuneration of £59,031 for Ofcom's workforce (2018/19: £57,548). The remuneration of the new Chief Executive is lower than the previous, as set out in Table 4.

As at 31 March 2020, annual remuneration ranged from £17,426 to £332,000 (2018/19 range: £17,537 to £395,000). This reflects the full-year equivalent remuneration of an individual as at the 31 March rather the total amount paid to any individual during the financial year.

The remuneration figure includes base salary, performance-related pay, flexible benefits allowance and benefits in kind. It excludes severance payments, any employer pension contributions and cash equivalent transfer values.

As at 31 March 2020, no employee had a remuneration package in excess of the highest-paid director.

Guidance to the remuneration tables

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

The tables reflect the remuneration for that part of the year during which individuals were either members of the Board or the Content Board only, or members of the SMT. Those individuals marked with '+' against their name (in Tables 1 and 4) were in role for only part of financial year 2019/20 or 2018/2019, in this case their full year equivalent salary is shown in brackets).

Where individuals are members of more than one Board or Committee (as set out on pages 81 to 86) they appear only once in the remuneration tables. All Executive Members are listed under the SMT in Table 4.

The guidance note reference numbers shown against the names of individuals refer to the notes on the remuneration tables on pages 100 and 101.

Table 1: Ofcom Non-Executive Board Member remuneration

Name	Guidance note reference	Fees 2019/20 £	Fees 2018/19 £
Lord Terence Burns	1	120,000	120,000
Maggie Carver	1	70,000	35,000
Angela Dean	1	42,519	21,259
Bob Downes	1	42,519	42,519
David Jones +	1,2	41,714	-
Graham Mather CBE	1	42,519	42,519
Baroness Noakes +		-	11,667
Nick Pollard +		-	4,930
Tim Suter	1	42,519	42,519
Ben Verwaayen	1	42,519	42,519
		444,309	**362,932**

Table 2: Ofcom Non-Executive Content Board Member remuneration

Name	Guidance note reference	Fees 2019/20 £	Fees 2018/19 £
Jonathan Baker	1,3	16,800	16,800
Maggie Cunningham	1,3	16,800	8,400
Aled Eirug	1,3	16,800	16,800
Robin Foster	1,3	16,800	16,800
Angelina Fusco	1,3	16,800	14,000
Sophie Morgan	1,3	16,800	7,000
Stephen Nuttall	1,3	16,800	5,267
Monisha Shah	1,3	16,800	16,800
Janey Walker	1,3	24,150	24,150
		158,550	126,017

Table 3 Ofcom executive member Content Board remuneration

Name	Guidance Note reference	Months of reporting period on Content Board	Salary paid £	Pension entitlement /allowance £	Flexible benefits Allowance £	Benefits In kind £	Annual Performance Bonus £	2019/20 Total remuneration paid £	2018/19 Total remuneration paid £
Tony Close	3,4	12	163,737	24,561	15,000	2,610	–	205,908	213,077
Total			**163,737**	**24,561**	**15,000**	**2,610**	**–**	**205,908**	**213,077**

Table 4 : Ofcom Senior Management Team remuneration

Members as 31 March 2020

| Name | Guidance Note reference | Months of reporting period employed in SMT | 2019/20 | | | | | | 2018/19 |
			Salary paid £	Pension entitlement /allowance £	Flexible benefits Allowance £	Benefits In kind £	Annual Bonus £	Total remuneration paid £	Total remuneration paid £
Luisa Affuso	4,5	12	217,375	32,606	15,000	2,610	-	267,591	113,600
Kevin Bakhurst	4,5	12	239,500	35,925	15,000	2,610	-	293,035	304,405
David Clarkson +	4,8	4	63,911 (190,000)	9,587	5,000	882	-	79,380	-
Dame Melanie Dawes +	4,9	1	26,250 (315,000)	5,250	1,250	222	-	32,972	-
Lindsey Fussell	4,5,8	12	227,375	34,106	15,000	2,610	-	279,091	275,131
Philip Marnick	4,5	12	225,125	33,769	15,000	2,610	-	276,504	280,449
Jonathan Oxley	4,5,8	12	280,042	46,131	15,000	2,610	-	343,783	339,193
Yih-Choung Teh	4,5,8	12	197,361	29,604	15,000	2,610	-	244,575	177,070
Polly Weitzman	4,5	12	257,500	38,625	15,000	2,610	-	313,735	321,655
Total			**1,734,439**	**265,603**	**111,250**	**19,374**		**2,130,666**	**1,811,503**

Leavers during the reporting period 2019 / 2020

Name	Guidance Note reference	Months	Salary paid £	Pension £	Flexible benefits £	Benefits In kind £	Annual Bonus £	Total remuneration paid £	Total remuneration paid £
Alison Crosland	4,6,7	12	202,250	30,338	15,000	1,044	-	248,632	245,462
Mansoor Hanif +	4,6	11	190,950 (226,500)	28,642	13,250	2,389	-	235,231	127,775
Dame Sharon White +	4,6	10	270,570 (350,000)	54,114	11,685	2,167	-	338,536	459,623
Total			**663,770**	**113,094**	**39,935**	**5,600**		**822,399**	**832,860**
Annual Total for all Senior Management Team in reporting period			**2,398,209**	**378,697**	**151,185**	**24,974**	**-**	**2,953,065**	**2,644,363**

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

   The fees for Non-Executive Members of the Content Board are fixed by Ofcom.

   The basic fee of the Content Board Members is £16,800 per annum (the exception being the fee paid to Janey Walker of £24,150 per annum to reflect her additional work and responsibilities for standards work). The values shown represent the full-year amount paid or, where appropriate, part of the year, if the relevant Non-Executive Member joined or retired from the Ofcom Board or the Content Board, or took on additional responsibilities, during the period under review.

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

2. The values shown in Table 1 reflect the amount paid out to Board members in 2019/20.

   The full-year equivalent annual fees are:
   - Maggie Carver £70,000
   - Non-Executive Members of the Board £42,519

   David Jones joined the Ofcom Board on 8 April 2019 as the first Ofcom Board Member for Wales, his full year equivalent fee is in line with other board members.

3. There were no changes to Non-Executive members of the Content Board during the reporting period 2019/2020.

   For Executive Members of the Content Board, Tony Close has been an Executive Member of the Content Board throughout the reporting period. Tony Close will leave Ofcom in the Summer 2020. This will be reflected in next year's renumeration tables.

   Ofcom announced that Alison Marsden, Director of Content Standards, Licensing and Enforcement joined the Content Board as an Executive Member in May 2020.

4. The total annual remuneration is shown for Ofcom executives who are, or were, members of the Ofcom's SMT during the reporting period 2019/2020.

   The total annual remuneration includes basic salary, annual performance bonus, flexible benefits allowance and a percentage of basic salary paid as a pension allowance and benefits in kind.

   The 'benefits in kind' column reflects the cost to Ofcom of the provision of private medical insurance for each executive.

   To note, in light of the Covid-19 pandemic, all SMT members voluntarily opted to waive any potential bonus payments for the performance year 2019/2020.

5. Luisa Affuso, Kevin Bakhurst, Lindsey Fussell, Philip Marnick, Jonathan Oxley, Yih-Choung Teh and Polly Weitzman have all been members of the Senior Management Team throughout the period.

6. Dame Sharon White left Ofcom in January 2020.

   Mansoor Hanif left Ofcom in February 2020. Alison Crosland left Ofcom at the end of April 2020.

7. Following Alison Crosland's departure and three-month gardening leave from Ofcom, and in line with Ofcom's policies set by the People Committee, she received compensation for

the loss of office in the form of contractual pay in lieu of notice for three months and a termination payment of £70,074. This compensation equates in total to £124,574 and was accrued in the 2019/2020 financial year and paid in 2020/21.

8. Jonathan Oxley was Interim Ofcom Chief Executive from November 2019 to February 2020 and during this time received a temporary annual salary uplift to £315,000 and a temporary pension allowance uplift to 20% of base salary.

   David Clarkson commenced his position as Acting Group Director, Competition in November 2019, the full year equivalent salary reflects his pay for this interim role only.

   Yih-Choung Teh has taken up additional responsibilities as interim Technology Officer since November 2019, and Lindsey Fussell additional responsibilities as interim Group Director for Corporate Services since February 2020, both have been in receipt of a customary temporary 5% salary uplift for the period of additional duties.

9. Dame Melanie Dawes commenced employment as Ofcom Chief Executive in March 2020

Contract of employment

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

The Non-Executive Members are all on fixed-term appointments for a set time commitment to Ofcom of approximately two days per week (with the exception of Lord Burns (Ofcom Board Chairman) and Maggie Carver (Ofcom Board Deputy Chair) who committed up to three days per week and two and a half days per week respectively).

Compensation for early termination

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

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

Outside directorships

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

During the financial year, Dame Sharon White DBE held an independent non-executive Director role for Barratt Developments Plc; a role she has held since January 2018; fees totalling £56,547 were paid directly to Ofcom in 2019/20 and Sharon White received no part of this during her tenure.

On behalf of Ofcom,

Dame Melanie Dawes DCB
Chief Executive and Accounting Officer
17 July 2020

Ben Verwaayen
Chair of the People Committee
3 July 2020

14. Our employees

Ofcom's values

Our values are central to the way we operate, shaping how we engage with our stakeholders and work together to achieve our priorities. We have four core values that reflect our desire to work in an open, effective and people-driven way.

They are:

- **Excellence**

- **Collaboration**

- **Agility**

- **Empowerment**

Diversity and inclusion

Our fourth diversity and inclusion strategy was published in March 2018 and reflects our ambition to put a sharp focus on diversity and inclusion in all our work, creating a culture where colleagues are valued on merits and talents and making us a more effective and responsible employer and regulator.

Ofcom's Diversity and Inclusion Programme (DIP) explains how diversity and equality are essential to how we operate, both as an employer and as the UK's communications regulator. It builds on the progress we have made since publishing our Single Equality Scheme in 2014 and sets out our objectives and actions.

These are to:

- build a diverse and inclusive workforce to better reflect the UK population we serve;

- ensure that diversity and inclusion are central to our work practices and culture, so everyone understands, supports and is accountable for diversity; and

- ensure that the differing needs and interests of all individuals are considered when carrying out our regulatory work.

An updated strategy for our internal diversity and inclusion work will be published in October 2020 and we will also confirm new five-year diversity targets for Ofcom, as the current targets which were set in 2015 expire at the end of 2020.

As an employer, we are committed to treating all colleagues with dignity and respect in an inclusive and fair working environment. We want all colleagues to feel that they can be themselves at work and to be able to fully participate and contribute to our work. We are determined to promote equality of opportunity for all colleagues, irrespective of race, disability, gender, gender identity, age, religion or belief, or sexual orientation. This commitment sits at the heart of our employment policies and our approach to recruitment and career development.

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

We reported the first of our yearly progress updates in July 2019 and set out our key areas of focus across 2019/2020 which we identified by looking at our data. These included increasing disability inclusion; improving the outcomes and experiences of colleagues from a minority ethnic background; focusing on wellbeing particularly around mental health and wellbeing; reviewing our family-friendly policies and building an inclusive culture so that colleagues can say 'I can be me'.

In March 2020 we published the outcomes of our regular pay audit covering both gender and ethnicity. The pay gap analysis again shows that we have narrowed our gender pay gap but our ethnicity pay gap has remained largely static. Our audit did find a high level of consistency within different professional categories indicating that pay decisions are made taking into account internal relativities and that we continue to act on any pay gaps that are uncovered.

A continued area of focus is on achieving our current workforce targets by the end of 2020. In 2015 we set ourselves targets for increasing the representation of women across Ofcom as a whole, and in senior roles and minority ethnic representation at senior levels.

We achieved and surpassed our senior female target ahead of time and we have made steady, but slower, progress on our overall gender target. Progress against our minority ethnic target was static compared to last year (see table below).

Looking ahead, we will publish our next set of five year diversity targets covering 2021-2025 later in the year.

Our next progress update on our DIP will be published in the autumn.

Gender

Current Ofcom composition		Economically active[1]		Targets: By 2020	
48% female	52% male	47% female	53% male	50% female	50% male
Principal/SMS					
43% female	57% male	N/A		40% female	60% male

Ethnicity

Current Ofcom composition				Economically active	Targets: By 2020
20% minority ethnic	74% white ethnic	0% not known	5% preferred not to say	13% minority ethnic	No target
Principal/SMS					
10% minority ethnic	85% white ethnic	0% not known	4% preferred not to say	N/A	13% to be from a minority ethnic background

Base: all colleagues as at end of March 2020.
Due to rounding, the totals may fall below 100%.

1 'Economically active' covers those who were in full- or part-time employment (2011 Census)

Colleague involvement and consultation

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

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

- colleague surveys, which invite colleagues to share their views anonymously on a wide range of topics. The outcomes of these surveys provide a foundation for our organisational development work.

- our colleague diversity networks;

- interactive group meetings with the Chief Executive and chair of the Ofcom Board, which provide a forum for colleagues to ask them questions directly;

- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices;

- regular group meetings, to speak to and hear from colleagues.

Professional development

The quality and commitment of our people are central to our ability to fulfil our duties. During 2019 we continued to support colleagues in their careers through a wide variety of training and development opportunities. We rolled out our targeted development programme, Ofcom Rise, aimed at enhancing and improving the diversity of our senior leadership community. It targets high performing Senior Associates and principals from under-represented groups focusing on

(but not exclusively) women, colleagues from a minority ethnic background and colleagues who are disabled. We have taken an intersectional approach to the programme wherever possible and development is tailored, to meet the individual needs of our colleagues.

Employment policies and processes

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

During 2019, building on our commitment to create an inclusive workplace, we undertook a review of or family-friendly policies (such as maternity, adoption and shared parental leave policies) to ensure that they were inclusive and reflective of modern families. We also adopted language that was non-gender specific. We worked to best practice guidelines from an external LGBT organisation as part of this.

We launched our refreshed workplace adjustments policy and process, replacing our previous reasonable adjustments policy. The revised policy extends beyond our legal duty to make changes at work to remove barriers for disabled people to include colleagues with parental responsibilities, caring responsibilities, those experiencing life events or trauma and colleagues who have religious or cultural observances. We placed emphasis on colleague and line manager having good quality conversations about any barriers faced (without needing to disclose any specific personal information) and for line managers to be supportive of their direct reports. As part of the refresh we introduced a workplace adjustments 'passport' which records any adjustments that have been agreed and which colleagues can take with them around the organisation.

Absence

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

Our aim is to treat staff who are ill with sympathy and fairness and, where possible, to provide them with support which will enable them to recover their health and attend work regularly. In 2019/20, the number of working days lost was 6.1 days per annum per employee (2018/19, 4.3 days).

Off-payroll arrangements

In line with the Financial Reporting Manual and the Public Expenditure System (PES) guidance from HM Treasury, we have disclosed all off-payroll engagements for the financial year 2019/20 to DCMS.

15. Statement of Accounting Officer's Responsibilities

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

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

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

- individual internal audit reports, management responses and progress against any actions raised;

- the internal auditor's annual report and opinion on the adequacy of our internal control system;

- National Audit Office reports and recommendations;

- regular reports on Ofcom's strategic risk register, including the identification of risks to the organisation's system of internal control and information about the controls that have been put in place to mitigate these risks; and

- any additional assurance reports that have been requested by the Risk and Audit Committee.

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

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

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

Dame Melanie Dawes DCB
Chief Executive and Accounting Officer
17 July 2020

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

Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2020 under the Office of Communications Act 2002. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Equity, and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2020 and of the surplus after tax for the year then ended; and

- the financial statements have been properly prepared in accordance with Office of Communications Act 2002 and the Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Office of Communications' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Office of Communications have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Office of Communications' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of Communications' internal control.

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• conclude on the appropriateness of the Office of Communications' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office of Communications' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Office of Communications to cease to continue as a going concern.

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

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

- in the light of the knowledge and understanding of the Office of Communications and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies   **20 July 2020**
Comptroller and Auditor General

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

Financial Statements

17. Statement of Comprehensive Net Income

for the year ended 31 March 2020

	Notes	2019/20 £'000	2018/19 £'000
Income	3	124,994	124,283
Spectrum clearance	3	76,651	72,452
Legal settlement funding	3	232,533	-
Total income		**434,178**	**196,735**
Operating expenditure			
Staff costs	4	(78,757)	(76,281)
Other operating expenditure	6	(47,890)	(46,035)
Spectrum clearance	4,6	(76,651)	(72,452)
Legal cost in year	6	(3,533)	(232,000)
Total operating expenditure		**(206,831)**	**(426,768)**
Operating surplus/(deficit)		**227,347**	**(230,033)**
Finance (costs)/income	16,17	(1,058)	1
Pension interest income	20	382	439
Surplus/(Deficit) before tax for the year		**226,671**	**(229,593)**
Taxation	7	-	-
Surplus/(Deficit) after tax for the year		**226,671**	**(229,593)**
Other comprehensive income/(expenditure)			
Remeasurement on pensions	20	4,534	**(196)**
Total comprehensive income/(expenditure)		**231,205**	**(229,789)**

The accounting policies and notes on pages 115 to 154 form part of these financial statements.

18. Statement of Financial Position

as at 31 March 2020

	Notes	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Non-current assets			
Property, plant and equipment	8	11,312	12,490
Right-of-use assets	9	47,650	-
Intangible assets	10	627	966
Trade and other receivables	12	541	484
Retirement benefit assets	20	22,426	17,691
Total non-current assets		**82,556**	**31,631**
Current assets			
Trade and other receivables	11	15,920	15,216
Cash and cash equivalents	13	13,827	7,685
Total current assets		**29,747**	**22,901**
Total assets		**112,303**	**54,532**
Current liabilities			
Trade and other payables	14	28,428	21,584
Lease liabilities	16	4,052	-
Provisions for liabilities and charges	17	3,014	232,031
Total current liabilities		**35,494**	**253,615**
Non-current liabilities			
Trade and other payables	15	1,290	1,000
Lease liabilities	16	44,522	-
Provisions for liabilities and charges	17	152	151
Retirement benefit liabilities	20	1,085	1,211
Total non-current liabilities		**47,049**	**2,362**
Total liabilities		**82,543**	**255,977**
Assets less liabilities		**29,760**	**(201,445)**
Equity			
Reserves		29,760	(201,445)
Total equity		**29,760**	**(201,445)**

The accounting policies and notes on pages 115 to 154 form part of these financial statements.
These financial statements were approved by the Board on 03 July 2020.

Lord Burns
Chair
3 July 2020

Dame Melanie Dawes DCB
Chief Executive and Accounting Officer
17 July 2020

19. Statement of Changes in Equity

for the year ended 31 March 2020

	Notes	Reserve £'000
Balance as at 1 April 2018		**28,344**
Changes in equity for 2018/19		
Remeasurement on pensions	20	(196)
Deficit for year		(229,593)
Total comprehensive expenditure for 2018/19		**(229,789)**
Balance as at 31 March 2019		**(201,445)**
Changes in equity for 2019/20		
Remeasurement on pensions	20	4,534
Surplus for year		226,671
Total comprehensive income for 2019/20		**231,205**
Balance as at 31 March 2020		**29,760**

The accounting policies and notes on pages 115 to 154 form part of these financial statements.

20. Statement of Cash Flows

for the year ended 31 March 2020

	Notes	2019/20 £'000	2018/19 £'000
Cash flows from operating activities			
Operating surplus/(deficit)		227,347	(230,033)
Adjustments for non-cash transactions			
Depreciation	8	2,115	2,448
Depreciation of right-of-use assets	9	4,775	-
Amortisation	10	265	636
Loss on disposal of non-current assets	6	97	93
Increase in trade and other receivables	11,12	(761)	(5,223)
Increase/(Decrease) in trade and other payables	14,15	7,134	(12,337)
(Decrease)/Increase in provisions	17	(229,032)	231,970
Decrease in retirement pension	20	55	790
Net cash inflow/(outflow) from operating activities		**11,995**	**(11,656)**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(895)	(5,558)
Purchases of intangible assets	10	(68)	(385)
Proceeds from sale of non-current assets		3	51
Net cash outflow from investing activities		**(960)**	**(5,892)**
Cash flows from financing activities			
Payments of lease liabilities	16	(4,893)	-
Net cash outflow from financing activities		**(4,893)**	**-**
Increase/(Decrease) in cash and cash equivalents in the year		**6,142**	**(17,548)**
Cash and cash equivalents at beginning of year		7,685	25,233
Increase/(Decrease) in cash and cash equivalents in the year		6,142	(17,548)
Closing net funds	13	**13,827**	**7,685**

The accounting policies and notes on pages 115 to 154 form part of these financial statements.

21. Notes to the Accounts

for the year ended 31 March 2020

1. Basis of presentation and principal accounting policies

The Office of Communications (Ofcom) is a statutory corporation that provides a broad range of regulatory services, and is domiciled in the United Kingdom. The financial statements of Ofcom for 31 March 2020 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, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair value, if any, on a going concern basis, in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared on the basis of all IFRS accounting standards and interpretations and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS and Article 4 of the European Union IAS Regulation, except where these are overridden by the Office of Communications Act 2002. These financial statements are prepared under the accounts direction from the Departments for Business, Energy and Industrial Strategy (BEIS) and Digital, Culture, Media and Sport (DCMS).

Amounts in the Financial Statements are stated in pounds sterling, to the nearest thousand, which is the functional currency of Ofcom.

a) Adoption of new and revised standards

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

- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement applicable to annual periods beginning on or after 1 January 2019. For Ofcom, the transition date is at the start of the financial year on 1 April 2019. For year ending 31 March 2020, this has no impact on our figures, as there have not been any circumstances that would lead to a past service cost or settlement flowing though the Statement of Comprehensive Net Income.

- IFRS Practice Statement 2 Making Materiality Judgements to be applied immediately, a non-mandatory guidance to help make materiality judgements when preparing accounts.

Certain new standard, amendment and interpretation to existing standards, listed below, has been published with material impact on the financial statements of Ofcom. The standard below relates to the current reporting period.

- IFRS 16 Leases is applicable to annual periods beginning on or after 1 January 2019. For Ofcom, the transition date is at the start of the financial year on 1 April 2019.

  This standard, which replaced IAS 17, along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal

Form of a Lease') requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is low value. As at 31 March 2020, Ofcom holds a number of operating leases which previously, under IAS 17, were expensed on a straight-line basis over the lease term.

Ofcom has applied the standard from the transitional date using the modified retrospective approach, adjusting opening retained earnings and not re-stating comparatives. This involves calculating the right-of-use asset and lease liability based on the present value of remaining lease payments on all applicable lease contracts as at the transition date, discounted in accordance with HM Treasury direction. Right-of-use assets and lease liabilities increased by £51,563k on 1 April 2019, adjusted for irrecoverable VAT balance. There is no impact on retained earnings on 1 April 2019.

The discount rate, the renewal of and changes to the lease portfolio were all subjected to change in future periods prior to the transition date, thus the actual transitional adjustment has resulted in an immaterial change to the quantitate disclosure estimated in prior year.

In applying IFRS 16 for the first time, Ofcom has used the following practical expedients permitted by the standard:

- Ofcom has collated the operating lease information in order to assess the updated cumulative adjustment on transition and elected not to apply IFRS 16 to contracts that are not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics

- The accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

- The accounting of operating leases for which the underlying asset is of low value.

- The exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application. At this date, Ofcom has also elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

	£'000
Operating lease commitments disclosed at 31 March 2019	68,320
Discounted using HM Treasury rate of 1.99%	(6,898)
(Less): short term leases recognised on a straight-line basis as expenditure	(49)
(Less): low-value leases recognised on a straight-line basis as expenditure	(25)
(Less): contracts reassessed as service agreements	-
(Add): adjustments as a result of a different treatment of extension and termination options	(9,785)
Add/(Less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liabilities recognised at 1 April 2019	**51,563**

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

b) Income recognition

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

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

• In each financial year, Ofcom is required to balance its expenditure with its income. Ofcom

is required by the statute to raise income from each of the sectors it regulates such that it covers the costs to be incurred by Ofcom in regulating that sector together with a proper apportionment of Ofcom's 'common costs' to each of those sectors. Therefore, Legislation provides the enforceability on both parties to enable Ofcom to recover its costs from third parties.

• The performance obligations relate to the underlying work to be undertaken by Ofcom as regulator of the Communications sector, and as set out in the published Annual Plan.

• The charges are calculated on the basis of costs recovery as set out in the Ofcom budget and adjusted for any under or over recoveries in the previous year. All charges are published in the tariff tables for each financial year.

• Costs are allocated to third parties in line with the Ofcom Statement of Charging Principles. This ensures charges reflect costs allocated to the appropriate sector and in line with relevant turnover.

- Income is recognised in the year the performance obligation (cost) is incurred. Any under or over recovery of income is accrued or deferred and future charges are adjusted accordingly.

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

Grant-in-aid DCMS

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

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

Wireless Telegraphy Act (WTA) Receipts Retention

Fees are payable to Ofcom in relation to our spectrum management function. Following the enactment of the Digital Economy Act 2017, Ofcom may retain such sums to fund its general spectrum management functions, as well as to meet the costs of undertaking its other functions for which it cannot otherwise levy fees and charges. The monthly retention amount is determined by the planned expenditure for these functions. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following month's retention amount.

Stakeholder income

Networks and services, postal services administrative fees

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

Blockchain

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

Broadcasting licence fees

Income from broadcasting licence fees represents the amount invoiced to holders of broadcasting licences for our planned regulatory works including any prior year adjustments. This income is accounted for on an accrual basis.

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

Application fees

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

Networks and information systems

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

Other income

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

c) MG Alba

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

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

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

- WTA licence fees

- Government Department spectrum fees

- Financial Penalties

- Additional Payments from television and radio licensees; and

- Geographic Numbering

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

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

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

e) Property, plant and equipment

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

The minimum capitalisation threshold is £2,500 and property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value. For example, fixed computer hardware such as servers, firewalls and network switches used in offices are capitalised. Whereas, low value, short-life moveable IT equipment is expensed, as Ofcom has no control over the physical environment or manner in which usage takes place.

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

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

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

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

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

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

f) Right-of-use assets and lease liabilities

As described in Note 1, Ofcom has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

For any new contracts entered into on or after 1 April 2019, Ofcom considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Ofcom assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Ofcom.

- Ofcom has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- Ofcom has the right to direct the use of the identified asset throughout the period of use. Ofcom assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

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

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

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

Ofcom measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or in accordance with HM Treasury rate of 1.27% for calendar year 2020 (1.99% for calendar year 2019).

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

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

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

g) Intangible assets

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

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

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

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

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

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

h) Impairment of Property, Plant and Equipment and Intangible Assets

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

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

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

i) Financial Instruments

Trade and other receivables

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

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

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

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

Cash and cash equivalents

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

Trade and other payables

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

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

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

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

Financial Risks and Impairment of Financial Instruments

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

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

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

j) Employee benefits

Pensions

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

Defined contribution scheme

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

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

Defined benefit plans

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in other comprehensive (expenditure)/income within the Statement of Comprehensive Net Income

in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in comprehensive (expenditure)/income within the Statement of Comprehensive Net Income in the current period.

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

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

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

Unfunded schemes

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

Colleague leave liability

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

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

k) Provisions

Provisions for early retirement and legal provisions are recognised when:

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

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

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

l) Foreign exchange

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

m) Current tax

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

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

n) Segmental analysis

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

o) Areas of judgement and key sources of estimation uncertainty

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

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

• Legal provisions – accounting policy (k)

• Income recognition and assessment of unbilled income – accounting policy (b)

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

• Estimation of liabilities for pensions and other post-retirement benefits – accounting policy (j)

• Judgement about whether a contract contains a lease (f)

• Calculation of expected credit loss allowance in respect of receivables (i)

2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2020, together with attributable costs. This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Operating Segments, as per the accounting policy 1 (n).

	Spectrum management	Spectrum clearance	Satellite filings	Third party litigation	Network information & services	Networks & services	Broad-casting	Postal regulation	Other regulatory activities	2019/20 Total	2018/19 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income											
Licence, regulation & administration fees	-	-	-	-	-	49,327	22,633	4,284	-	76,244	72,772
Application fees	-	-	-	-	-	370	214	-	-	584	437
Grant-in-aid (GIA)	-	79,241	-	230,826	-	-	-	-	-	310,067	72,245
WTA receipts retention	52,481	-	-	1,146	-	-	-	-	1,298	54,925	54,156
Accrued/(Deferred) income	437	(2,590)	930	561	93	(9,210)	1,303	911	(1,079)	(8,644)	(3,307)
Operating income	**52,918**	**76,651**	**930**	**232,533**	**93**	**40,487**	**24,150**	**5,195**	**219**	**433,176**	**196,303**
Other income	364	-	6	-	-	279	166	36	2	853	296
Interest receivable	63	-	1	-	-	48	31	6	-	149	136
Total income	**53,345**	**76,651**	**937**	**232,533**	**93**	**40,814**	**24,347**	**5,237**	**221**	**434,178**	**196,735**
Accrued rental income	1	-	-	-	-	1	-	-	-	2	12
Cash income	**53,346**	**76,651**	**937**	**232,533**	**93**	**40,815**	**24,347**	**5,237**	**221**	**434,180**	**196,747**
Adjustment to operating expenditure	(428)	-	(7)	-	-	(328)	(197)	(42)	(2)	(1,004)	(444)
Other costs	(52,918)	(76,651)	(930)	(561)	(93)	(40,487)	(24,150)	(5,195)	(219)	(201,204)	(196,303)
Cash operating expenditure	**(53,346)**	**(76,651)**	**(937)**	**(561)**	**(93)**	**(40,815)**	**(24,347)**	**(5,237)**	**(221)**	**(202,208)**	**(196,747)**
Legal settlement	-	-	-	(231,972)	-	-	-	-	-	(231,972)	-
Total	**(53,346)**	**(76,651)**	**(937)**	**(232,533)**	**(93)**	**(40,815)**	**(24,347)**	**(5,237)**	**(221)**	**(434,180)**	**(196,747)**
Surplus on cash costs basis	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Comparative costs by sector

	Spectrum management	Spectrum clearance	Satellite filings	Third party litigation	Network information & services	Networks & services	Broad-casting	Postal regulation	Other regulatory activities	2019/20 Total	
Year ending 31 March 2020	**(53,346)**	**(76,651)**	**(937)**	**(561)**	**(93)**	**(40,815)**	**(24,347)**	**(5,237)**	**(221)**	**(202,208)**	
Year ending 31 March 2019	(54,275)	(72,452)	-	-	-	(37,850)	(25,175)	(4,506)	(2,489)	(196,747)	

Other regulatory activities comprise:

- expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls and consumer protection; and WTA receipts used to fund these cost categories;

- expenditure in respect of duties relating to improving UK telephone number management, funded by grant from UK Research and Innovation;

- adjudicator income;

- commercial activities including spectrum interference work; and

- rental income from sub-letting surplus properties' space.

In accordance with Ofcom's accounting policies, as set out in note 1 (b) to these accounts, grant-in-aid and WTA receipts retention are allocated and matched to costs in the year to which they relate.

The table on page 127 is prepared on an adjusted cash basis, which includes capital expenditure and actual contributions to pension schemes, but excludes depreciation and amortisation.

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

Broadcasting includes the charge to the BBC in relation to BBC regulatory responsibilities.

Reconciliation from operating expenditure to final operating costs out-turn

	Notes	2019/20 £'000	2018/19 £'000
Operating expenditure - Statement of Comprehensive Net Income		**206,831**	**426,768**
Adjustments in respect of pension asset and liability		(131)	(790)
Capital expenditure less depreciation and amortisation	8,10	(1,417)	2,859
Right-of-use assets depreciation	9	(4,775)	-
Lease payments	16	4,893	-
Rent free adjustment		79	25
Other adjustments		(3,272)	(232,115)
Cash operating expenditure	-	**202,208**	**196,747**
Spectrum clearance	4,6	(76,651)	(72,452)
Third party litigation - WTA		(561)	-
Non-operating income		(1,004)	(444)
Final operating costs out-turn		**123,992**	**123,851**

The increase in non-operating income is driven by a full year's activity on Blockchain in comparison with 18/19, whereas the other adjustments reflect the movement in year of non cash related matters, such as holiday pay and provisions.

3. Income

	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20	Ofcom	Spectrum clearance	Third party litigation	Total 2018/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid DCMS								
Spectrum clearance	-	76,651	-	76,651	-	72,452	-	72,452
Legal settlement funding	-	-	230,826	230,826	-	-	-	-
Total government grant-in-aid	**-**	**76,651**	**230,826**	**307,477**	**-**	**72,452**	**-**	**72,452**
WTA Receipts Retention								
Spectrum management	52,918	-	-	52,918	54,082	-	-	54,082
Competition law enforcement	-	-	-	-	1,774	-	-	1,774
Nuisance calls	-	-	-	-	212	-	-	212
Consumer protection	95	-	-	95	28	-	-	28
Public interest test	124	-	-	124	102	-	-	102
Satellite filings	930	-	-	930	-	-	-	-
Legal settlement funding	-	-	1,707	1,707	-	-	-	-
Total WTA receipts retention	**54,067**	**-**	**1,707**	**55,774**	**56,198**	**-**	**-**	**56,198**
Stakeholder income								
Networks & services administrative and application fees	40,487	-	-	40,487	37,715	-	-	37,715
Blockchain	651	-	-	651	211	-	-	211
Broadcasting Act licence and application fees	24,150	-	-	24,150	25,084	-	-	25,084
Regulation of postal services	5,195	-	-	5,195	4,490	-	-	4,490
Networks and information systems	93	-	-	93	-	-	-	-
Other income	351	-	-	351	585	-	-	585
Total stakeholder income	**70,927**	**-**	**-**	**70,927**	**68,085**	**-**	**-**	**68,085**
Total income	**124,994**	**76,651**	**232,533**	**434,178**	**124,283**	**72,452**	**-**	**196,735**

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

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

Total income increase is due to GIA funds received for Annual Licence Fee related legal settlement.

4. Staff costs

	Ofcom £'000	Spectrum clearance £'000	Total 2019/20 £'000	Ofcom £'000	Spectrum clearance £'000	Total 2018/19 £'000
Staff costs, including fees paid to board members, were:						
Salaries & benefits	64,163	397	64,560	61,047	421	61,468
National Insurance costs	7,556	42	7,598	7,280	45	7,325
Pension costs	6,722	34	6,756	7,040	35	7,075
Restructuring costs	316	-	316	914	-	914
Total staff costs	**78,757**	**473**	**79,230**	**76,281**	**501**	**76,782**

The restructuring costs in 2019/20 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to seven (2018/19: 13) 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 95 to 101.

There is no pension service cost for the equalisation of Guaranteed Minimum Pension (GMPs), and Deed of Amendment executed in respect of the Ofcom Defined Benefit Plan for this financial year (2018/19: £675k). More information of these in Note 20.

During the year, thirty-one (2018/19: 22) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

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

5. Employee numbers

	2019/20	2018/19
The average number of employees (full time equivalents)	937	902

As at 31 March 2020, Ofcom had 958 employees (full time equivalents) (2018/19: 901).

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

6. Other operating expenditure

	Ofcom £'000	Spectrum clearance £'000	Third party litigation £'000	Total 2019/20 £'000	Ofcom £'000	Spectrum clearance £'000	Third party litigation £'000	Total 2018/19 £'000
Auditors remuneration – statutory audit fees	83	-	-	83	76	-	-	76
Auditors remuneration – Section 400	14	-	-	14	13	-	-	13
Professional fees	4,024	2,489	-	6,513	4,064	1,241	-	5,305
Outsourced services	8,108	-	-	8,108	7,684	-	-	7,684
Audience and consumer research	5,513	-	-	5,513	5,142	-	-	5,142
Technological research and spectrum efficiency projects	172	-	-	172	328	-	-	328
Spectrum clearance scheme	-	73,679	-	73,679	-	70,691	-	70,691
Temporary staff and recruitment	3,076	-	-	3,076	2,321	6	-	2,327
Travel and subsistence	1,465	7	-	1,472	1,311	9	-	1,320
Premises costs	4,320	-	-	4,320	9,859	-	-	9,859
Administration and office expenses	7,183	1	-	7,184	7,044	4	-	7,048
Profit on disposal of non capital	-	-	-	-	(50)	-	-	(50)
Information and technology costs	6,484	2	-	6,486	5,035	-	-	5,035
Vehicles	171	-	-	171	271	-	-	271
Bad and doubtful debt	25	-	-	25	(240)	-	-	(240)
Amortisation	265	-	-	265	636	-	-	636
Depreciation	2,115	-	-	2,115	2,448	-	-	2,448
Depreciation ROU lease assets	4,775	-	-	4,775	-	-	-	-
Loss on disposal of non-current assets	97	-	-	97	93	-	-	93
Total other operating expenditure	**47,890**	**76,178**	**-**	**124,068**	**46,035**	**71,951**	**-**	**117,986**

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

Legal cost in year

	Ofcom £'000	Spectrum clearance £'000	Third party litigation £'000	Total 2019/20 £'000	Ofcom £'000	Spectrum clearance £'000	Third party litigation £'000	Total 2018/19 £'000
Legal cost in year	-	-	3,533	3,533	-	-	232,000	232,000

7. Taxation

	2019/20 £'000	2018/19 £'000
Reconciliation of tax charge		
Surplus/(Deficit) before tax	226,671	(229,593)
Tax on profit at the UK standard rate of Corporation Tax of 20% (2018/19: 20%)	45,334	(45,919)
Tax effect of:		
Income not subject to tax	(86,802)	(39,298)
Expenses not subject to tax	41,501	85,266
Decrease to brought forward tax losses	(33)	(49)
Tax charge	**-**	**-**

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,379k (2018/19: £11,542k). No deferred tax asset is recognised in respect of these losses as it is not probable that sufficient taxable income will arise against which the losses can be utilised.

8. Property, plant and equipment

	Leasehold improvements	Fixtures & fittings	Office & field equipment	Computer hardware	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2018	**15,355**	**1,211**	**13,113**	**4,350**	**751**	**2,707**	**37,487**
Additions during year	3,529	656	411	128	3	831	5,558
Disposals	(11,949)	(667)	(616)	(2,347)	(109)	-	(15,688)
Transfers	2,130	398	1	3	91	(2,623)	-
At 31 March 2019	**9,065**	**1,598**	**12,909**	**2,134**	**736**	**915**	**27,357**
Additions during year	270	94	76	123	-	332	895
Disposals	(1,174)	(33)	(701)	(698)	-	-	(2,606)
Transfers	-	163	507	300	-	(912)	58
Cost at 31 March 2020	**8,161**	**1,822**	**12,791**	**1,859**	**736**	**335**	**25,704**
Depreciation							
At 1 April 2018	**12,957**	**684**	**10,285**	**3,690**	**347**	**-**	**27,963**
Charge for the year	928	316	735	344	125	-	2,448
Disposals	(11,839)	(660)	(602)	(2,342)	(101)	-	(15,544)
At 31 March 2019	**2,046**	**340**	**10,418**	**1,692**	**371**	**-**	**14,867**
Charge for the year	675	230	671	425	114	-	2,115
Disposals	(1,171)	(29)	(694)	(696)	-	-	(2,590)
Accumulated depreciation at 31 March 2020	**1,550**	**541**	**10,395**	**1,421**	**485**	**-**	**14,392**
NBV 31 March 2020	**6,611**	**1,281**	**2,396**	**438**	**251**	**335**	**11,312**
NBV 31 March 2019	7,019	1,258	2,491	442	365	915	12,490

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

9. Right-of-use assets

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

	Buildings £'000	Vehicles £'000	Others £'000	Total £'000
Cost				
At 1 April 2019	**51,145**	**292**	**126**	**51,563**
Additions during year	750	-	112	862
Cost at 31 March 2020	**51,895**	**292**	**238**	**52,425**
Depreciation				
At 1 April 2019	**-**	**-**	**-**	**-**
Charge for the year	4,605	118	52	4,775
Accumulated depreciation at 31 March 2020	**4,605**	**118**	**52**	**4,775**
NBV 31 March 2020	**47,290**	**174**	**186**	**47,650**
NBV 31 March 2019	-	-	-	-

10. Intangible assets

	Software licences £'000	Information technology £'000	Systems under development £'000	Total £'000
Cost				
At 1 April 2018	**6,282**	**20,079**	**455**	**26,816**
Additions during year	380	5	-	385
Disposals	(1,274)	(2,112)	-	(3,386)
Transfers	63	-	(63)	-
At 31 March 2019	**5,451**	**17,972**	**392**	**23,815**
Additions during year	-	-	68	68
Impairment	-	-	(84)	(84)
Transfers	-	1	(59)	(58)
Cost at 31 March 2020	**5,451**	**17,973**	**317**	**23,741**
Amortisation				
At 1 April 2018	**5,977**	**19,622**	**-**	**25,599**
Charge for the year	343	293	-	636
Disposals	(1,274)	(2,112)	-	(3,386)
At 31 March 2019	**5,046**	**17,803**	**-**	**22,849**
Charge for the year	147	118	-	265
Accumulated amortisation at 31 March 2020	**5,193**	**17,921**	**-**	**23,114**
NBV 31 March 2020	**258**	**52**	**317**	**627**
NBV 31 March 2019	405	169	392	966

11. Trade and other receivables: current assets

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade receivables	1,783	2,122
Other receivables	2,646	590
Prepayments	6,062	6,317
Staff loans and advances	205	249
Accrued income	2,695	3,463
Accrued income (Grant-in-aid)	561	520
Accrued income (WTA Receipts)	1,968	1,955
Total trade and other receivables: current assets	**15,920**	**15,216**

Staff loans relate to 112 (2018/19: 120) season ticket loans to colleagues repayable over 12 months.

12. Trade and other receivables: non-current assets

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Accrued income	541	484
Total trade and other receivables: non-current assets	**541**	**484**

13. Cash and cash equivalents

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Commercial banks and cash in hand	13,827	7,685
Total cash and cash equivalents	**13,827**	**7,685**

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. The movement in cash balances is primarily due to grants payable in relation to clearance of 700MHz spectrum, which was subsequently paid in 2020/21.

14. Trade and other payables: current liabilities

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade payables	4,845	1,171
Other payables	582	986
Value added tax payable	268	106
Accruals	9,765	10,416
Lease incentive accrual	-	38
Deferred income	9,215	8,847
Deferred income (Grant-in-aid)	2,634	4
Deferred income (WTA Receipts)	1,119	16
Total trade and other payables: current liabilities	**28,428**	**21,584**

The Government's target for payments to suppliers is five days for 80 per cent of undisputed invoices. In addition to small and medium suppliers, Ofcom also includes large suppliers in this scheme to encourage them to pay their small business suppliers within the shorter timeframe.

For 2019/20 Ofcom achieved on average a performance of 97.92 per cent against these targets (2018/19: 96.97 per cent).

The movement in trade payables and accruals is primarily due to grants payable in relation to clearance of 700MHz spectrum, which was subsequently paid in 2020/21.

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

15. Trade and other payables: non-current liabilities

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Lease incentive accrual	-	41
Deferred income	1,290	959
Total trade and other payables: non-current liabilities	**1,290**	**1,000**

16. Lease Liabilities

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

	Buildings £'000	Vehicles £'000	Other £'000	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Maturity analysis - contractual cash flows: undiscounted					
Less than one year	4,837	103	77	5,017	-
One to five years	19,828	80	118	20,026	-
More than five years	29,462	-	-	29,462	-
Total lease liabilities: undiscounted	**54,127**	**183**	**195**	**54,505**	**-**

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

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Amounts recognised in the statement of financial position		
Lease liabilities: current	4,052	-
Lease liabilities: non-current liabilities	44,522	-
Total lease liabilities: discounted	**48,574**	**-**

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

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

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Amounts recognised in the Statement of Comprehensive Net Income		
Interest on lease liabilities (included in finance costs)	1,042	-
Expenditure relating to short-term leases (included in other operating expenditure)	39	-
Expenditure relating to leases of low-value assets (included in other operating expenditure)	22	-
Amounts recognised in the Statement of Cash Flows		
Total cash outflow for leases	(4,893)	-

17. Provisions for liabilities and charges

	Early retirement £'000	Legal £'000	Total £'000
At 1 April 2018	**213**	**-**	**213**
Discount unwound and changes in rate (included in finance costs)	(1)	-	(1)
Utilised in year	(30)	-	(30)
Provision increased	-	232,000	232,000
At 31 March 2019	**182**	**232,000**	**232,182**
Discount unwound and changes in rate (included in finance costs)	16	-	16
Utilised in year	(32)	(231,972)	(232,004)
Provision increased	-	2,972	2,972
Total provisions as at 31 March 2020	**166**	**3,000**	**3,166**

	Early retirement £'000	Legal £'000	Total £'000
Analysis of expected timing of cashflows			
Current			
Less than one year	14	3,000	3,014
Total current	**14**	**3,000**	**3,014**
Non-current			
One to five years	46	-	46
More than five years	106	-	106
Total non-current	**152**	**-**	**152**
Total provisions as at 31 March 2020	**166**	**3,000**	**3,166**

The provision for early retirement of £166k (2018/19: £182k) is for Annual Compensation Payments (ACP) which is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by -0.50 per cent (2018/19: 0.29 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 1 to 5 years are discounted by the short term discount rate of 0.51 per cent (2018/19: 0.76 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 0.55 per cent (2018/19: 1.14 per cent).

Ofcom's regulatory decisions may be subject to appeal. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent they are probable and quantifiable.

Following the Annual Licence Fee (ALF) appeal outcome in February 2020, one third party has an ongoing appeal to the Court of Appeal seeking further penal interest on the original ALF repayment sum. This will now proceed (expected in June 2020), in which they will be seeking additional interest plus costs.

18. Amounts receivable under operating leases

	As at 31 March 2020 Buildings £'000	As at 31 March 2019 Buildings £'000
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Less than one year	-	9
One to five years	-	-
More than five years	-	-
Total amounts receivable under operating leases	**-**	**9**

Ofcom sub-lease contracts with regards to surplus office space within several of its office buildings have break options or leases ending in 2019/20.

19. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £12,950k (2018/19: £13,355k) to Ofcom. The sums have not been reflected in Ofcom's financial statements as these are subsequently paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and financial statements to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

20. Retirement benefit obligations

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

a) Defined contribution plan – stakeholder pension plan

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £6,070k were made in the year ended 31 March 2020 (2018/19: £5,732k). 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 2020 was £5k in relation to Plan expenses (2018/19: £3k). Employer contributions of £360k were transferred from the Feeder Trust account to the Plan in the year ending 31 March 2020 (2018/19: £360k); and

- The Ofcom (Former ITC) Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority. The employer contribution made to the Ofcom (Former ITC) Pension Plan for the year ending 31 March 2020 was £10k in relation to Plan expenses (2018/19: £10k). Employer contributions of £180k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ending 31 March 2020 (2018/19: £185k).

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

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 2018 were completed for both defined benefit plans and, unlike under IFRS, showed a combined surplus of £5.3m.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom would be expecting to contribute £540k to the two defined benefit plans over the next

12 months to cover Plan expenses. These contributions are payable from the Feeder Trust. Ofcom has also agreed to pay other levies directly. This compares to £555k paid over the year to 31 March 2020 (including the contribution paid from the Feeder Trust).

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Plans and are not able to be used for any other purpose. The Ofcom Feeder Trust is the mechanism by which Ofcom sets aside funds in order to make future contributions and to meet the running costs of its two defined benefit pension plans, the Ofcom Defined Benefit Pension Plan and the Ofcom (former ITC) Staff Pension Plan.

Funds transferred to the Ofcom Feeder Trust are recognised in the financial year in which the transfer is made but these funds may then be used in future periods. Monies retained in the Feeder Account can only be used for funding the pension plans in accordance with the schedule of contributions for each Plan or by an ad hoc payment approved by Ofcom in respect of a particular project (such as a risk reduction exercise) as well as meeting the running costs of the plans.

Ofcom contributed in year ended 31 March 2020 £540k into the Feeder Trust (2018/19: £540k). The balance of the Feeder Trust as at 31 March 2020 was £8,389k (2018/19: £8,345k).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission and the Radio Authority as well as former Directors General of Telecommunications. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofcom. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

GMP equalisation

Following the High Court ruling in the Lloyds Bank case on 26 October 2018, which determined that schemes must adjust benefits so as to equalise Guaranteed Minimum Pensions (GMPs) between men and women, Ofcom made an allowance for the potential impact of this at the previous year-end. This was allowed for as a past service cost in the Statement of Comprehensive Net Income. An allowance of £284k was made in respect of the Ofcom (Former ITC Plan) and an allowance of £14k was made in respect of the Ofcom Defined Benefit Plan.

An additional past service cost of £377k has been allowed for in the Defined Benefit Plan. This is a result of a Deed of Amendment which was executed in respect of the Ofcom Defined Benefit Plan on 28 July 2018. As a result of these rule amendments, the benefits of some pensioner members had to be recalculated, leading to an increase in their benefits.

The ultimate cost of equalising members' GMPs will not be known until they have been fully equalised (which is likely to be a number of years away).

Potential changes to RPI

The UK Statistics Authority (UKSA) has advised that it intends to change the Retail Price Index (RPI), by 2030 at the latest, to bring it in line with CPIH (the Consumer Prices Index including owners-occupiers' housing costs). The Government is intending to commence a public consultation on the matter this year, with the earliest effective date of any change in 2025. In response to this announcement, the derivation of RPI and CPI inflation assumptions were reviewed at 31 March 2020. Ofcom have determined that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases, including the potential changes in the RPI index to CPIH, and the derivation of the RPI inflation assumption at 31 March 2020 has remained consistent with prior years. For the derivation of the CPI assumption, Ofcom have determined that it is appropriate to reduce the assumed difference between RPI and CPI (known as the "RPI-CPI wedge") by 0.15% to 0.85% at 31 March 2020, taking into account the DB plans' characteristics and membership profiles.

The inflation assumptions will be reviewed once more information is provided by the government next year as part of the consultation.

Summary of Ofcom's defined benefit pension obligations

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits	Defined benefit pensions funded	Unfunded pensions liability	Total retirement benefits
	31 March 2020	31 March 2020	31 March 2020	31 March 2019	31 March 2019	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Funded status, end of year						
- Benefit obligation in respect of deferred members	(67,572)	–	(67,572)	(77,115)	–	(77,115)
- Benefit obligation in respect of pensioner members	(169,804)	(1,085)	(170,889)	(190,080)	(1,211)	(191,291)
Total benefit obligations	**(237,376)**	**(1,085)**	**(238,461)**	**(267,195)**	**(1,211)**	**(268,406)**
Fair value of plan assets	259,802	–	259,802	284,886	–	284,886
Funded status	**22,426**	**(1,085)**	**21,341**	**17,691**	**(1,211)**	**16,480**

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

Covid-19

Covid-19 has resulted in significant market volatility impacting both asset values and market yields, which in turn has impacted the pensions in Statement of Financial Position. In particular, for the Ofcom Defined Benefit Pension Plan, there is a mis-match between the change in liabilities due to changes in the IAS19 corporate bond discount rate and the movement in the plans assets over the year. This has been primarily driven by the increase in credit spreads on corporate bonds.

Changes over the year to 31 March 2020

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2019	(267,195)	284,886	17,691	(1,211)	16,480
Administration expenses	-	(686)	(686)	-	(686)
Service cost	-	-	-	-	-
Interest income/(cost)	(6,127)	6,536	409	(27)	382
Employer contributions	-	555	555	-	555
Benefits paid from scheme assets	13,012	(13,012)	-	-	-
Benefits paid directly by Ofcom	-	-	-	76	76
Benefits paid total	13,012	(13,012)	-	76	76
Remeasurements					
Actuarial gains/(losses)	22,934	(18,477)	4,457	77	4,534
Closing value as at 31 March 2020	(237,376)	259,802	22,426	(1,085)	21,341

Changes over the year to 31 March 2019

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2018	(265,558)	283,727	18,169	(1,142)	17,027
Administration expenses	-	(668)	(668)	-	(668)
Service cost	(675)	-	(675)	-	(675)
Interest income/(cost)	(6,628)	7,095	467	(28)	439
Employer contributions	-	553	553	-	553
Benefits paid from scheme assets	11,341	(11,341)	-	-	-
Benefits paid directly by Ofcom	-	-	-	-	-
Benefits paid total	11,341	(11,341)	-	-	-
Remeasurements					
Actuarial gains/(losses)	(5,675)	5,520	(155)	(41)	(196)
Closing value as at 31 March 2019	(267,195)	284,886	17,691	(1,211)	16,480

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

31 March 2020	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000
Service cost	-	-	-
Interest income/(cost)	409	(27)	382
Defined benefit credit/(cost) recognised in comprehensive income	**409**	**(27)**	**382**
Administration expenses	(686)	-	(686)
Net income/(cost) recognised in comprehensive income	**(277)**	**(27)**	**(304)**

The amounts recognised as Other Comprehensive Income/ (Expenditure) are as follows:

31 March 2020	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000
Gains/(losses) on benefit obligations due to changes in financial assumptions	21,480	77	21,557
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(187)	-	(187)
Gains/(losses) on benefit obligations as a result of member experience	1,641	-	1,641
Total gains/(losses) arising on benefit obligations	**22,934**	**77**	**23,011**
Gains/(losses) on plan assets	(18,477)	-	(18,477)
Net gains/(losses)	**4,457**	**77**	**4,534**

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

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

31 March 2019	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000
Service cost	(675)	-	(675)
Interest income/(cost)	467	(28)	439
Defined benefit credit/(cost) recognised in comprehensive income	**(208)**	**(28)**	**(236)**
Administration expenses	(668)	-	(668)
Net income/(cost) recognised in comprehensive income	**(876)**	**(28)**	**(904)**

The amounts recognised as Other Comprehensive Income/(Expenditure) are as follows:

31 March 2019	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000
Gains/(losses) on benefit obligations due to changes in financial assumptions	(12,660)	(41)	(12,701)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	13,128	-	13,128
Gains/(losses) on benefit obligations as a result of member experience	(6,143)	-	(6,143)
Total gains/(losses) arising on benefit obligations	**(5,675)**	**(41)**	**(5,716)**
Gains/(losses) on plan assets	5,520	-	5,520
Net gains/(losses)	**(155)**	**(41)**	**(196)**

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

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

	31 March 2020 (%) Total	31 March 2019 (%) Total
Global equities (not currency hedged)	2	2
Global equities (currency hedged)	2	2
Corporate bonds	6	3
Index-linked government bonds	5	4
Diversified growth fund	4	4
Liability driven investment portfolio	6	7
Annuities	73	75
Cash and cash equivalents	2	3
Total	**100**	**100**

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

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

	31 March 2020 (%) Total	31 March 2019 (%) Total
Discount rate	2.45	2.35
Retail Price Inflation	2.65	3.25
- Future pension increases (RPI)	2.65	3.25
- Future pension increases (CPI max 3%)	1 .70	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:

Expected lifetime of a member aged 60 who is...	DB Plan Currently aged 40	DB Plan Currently aged 60	ITC Plan Currently aged 40	ITC Plan Currently aged 60
Male	29	27	29	28
Female	31	30	31	30

Sensitivity to changes in principal assumptions used

	Impact on					
	DB Plan			ITC Plan		
	Defined benefit obligations	Assets	Funded status surplus	Defined benefit obligations	Assets	Funded status surplus
Change in assumption	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Discount rate						
Increases by 0.50%	decrease by £5,244	decrease by £5,264	decrease by £20	decrease by £10,229	decrease by £10,229	No change
Falls by 0.50%	increase by £5,986	increase by £6,103	increase by £117	increase by £11,359	increase by £11,359	No change
Retail Price Inflation						
Increases by 0.50%	increase by £5,684	increase by £5,257	decrease by £427	increase by £9,329	increase by £9,329	No change
Falls by 0.50%	decrease by £4,931	decrease by £4,536	increase by £395	decrease by £8,294	decrease by £8,294	No change
Expected lifetime of a member aged 60						
Increases by 1 year	increase by £2,253	increase by £653	decrease by £1,600	increase by £9,248	increase by £9,248	No change
Decreases by 1 year	decrease by £2,174	decrease by £647	increase by £1,527	decrease by £8,784	decrease by £8,784	No change

Liability profile of defined benefit plans

The charts below illustrate the expected benefits payable by the respective Plans at the most recent actuarial valuation (March 2018) over the next 80 years.

The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain.

The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

Ofcom Defined Benefit Pension Plan

The duration (average term to payment) of the Plan's liabilities is 19 years
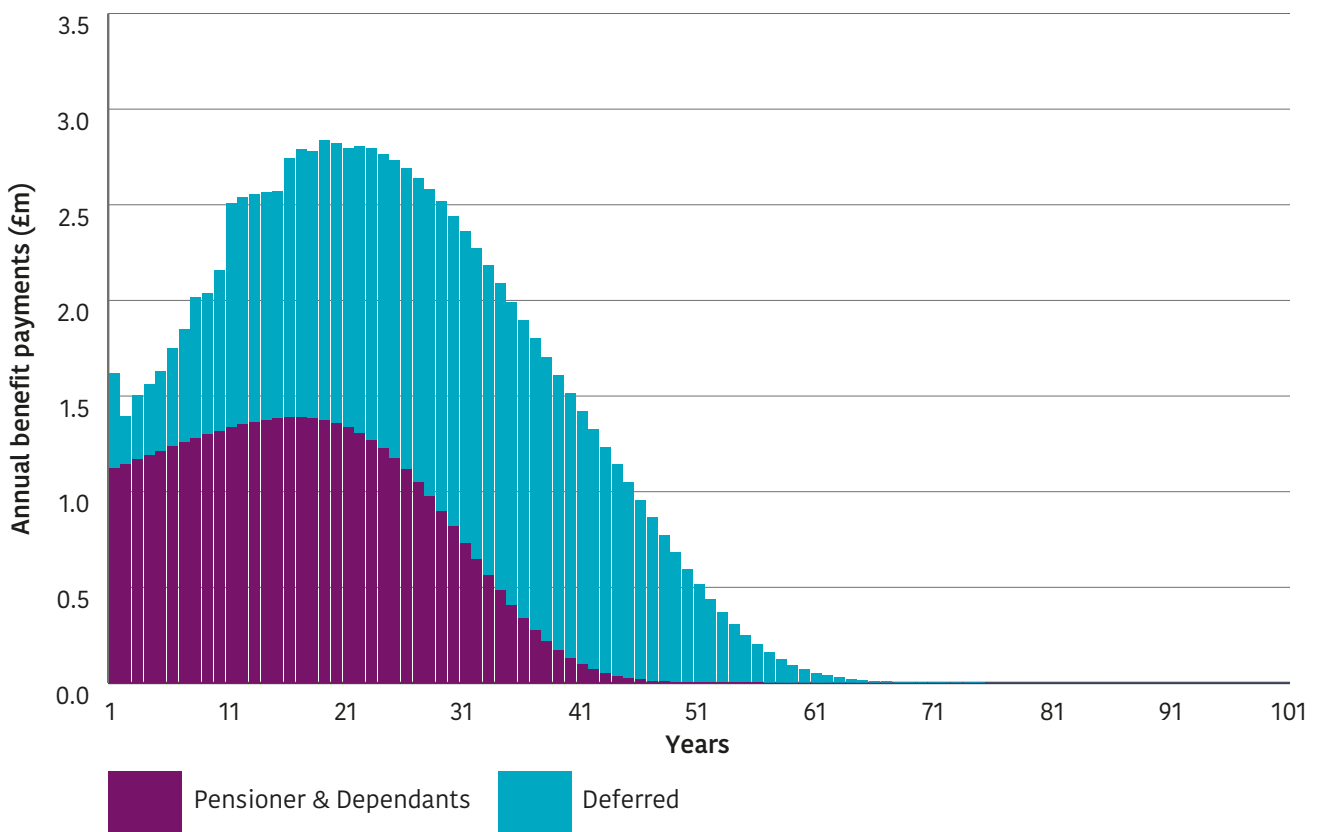
Ofcom (Former ITC) Pension Plan

The duration (average term to payment) of the Plan's liabilities is 13 years

21. Financial instruments

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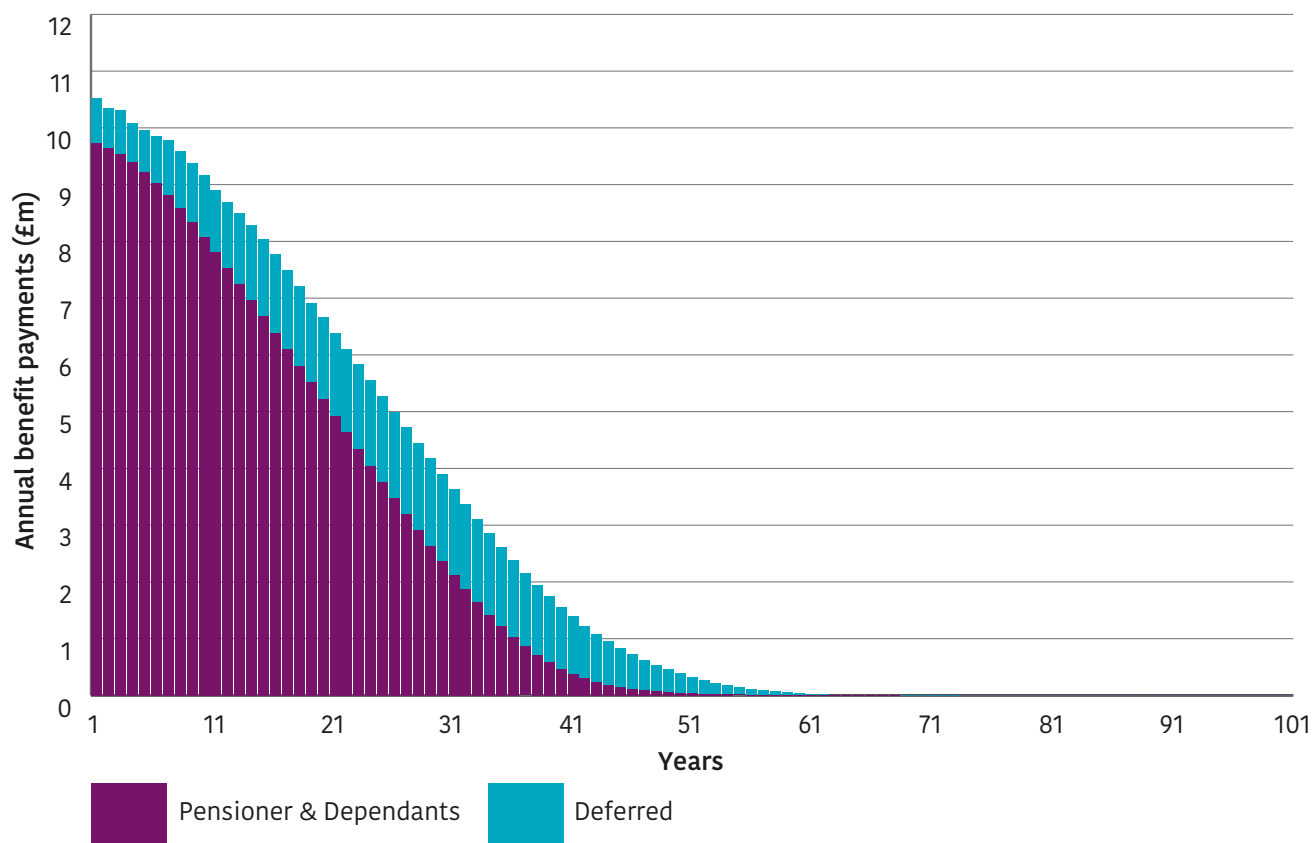 activities. Because of the nature of its activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from this assessment.

22. Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24, Related Party Disclosures.

Members of the Board have not declared any interests prejudicial to their functions as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

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

Details of all grant-in-aid revenue from DCMS are provided in Notes 2, 3, 11 and 14 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 20 for further disclosure.

At 31 March 2020, the following payable was held in respect of grant-in-aid due by DCMS:

• Spectrum clearance – £2,590k (2018/19: £310k receivable)

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

23. Capital commitments

At 31 March 2020, there were capital commitments of £1,323k (2018/19: £1,453k) relating to the landlord's funded capital commitment for the refurbishment work to their owned property.

24. Receipts transferred to/from the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £10,985k (2018/19: £8,493k) of Broadcasting Act Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

In accordance with Section 401 of the Communications Act 2003, Ofcom retained £56,828k (2018/19: £54,305k) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

WT Act license fees of £312,800k (2018/19: £239,942k) was remitted to DCMS for transfer to the Consolidated Fund. There is no WT Act Auction proceeds this financial year (2018/19: £1,370,354k).

25. Events after the reporting period

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

26. Going concern

The future financing of Ofcom's liabilities is met through annual sector tariffs from regulated stakeholders and from WTA receipts retention collected through the Section 400 accounts and retained by Ofcom to fund spectrum related activities together with other non-tariff funded activities, as set out in Section 401 of the Communication Act. The Ofcom spending cap is agreed by HMT and DCMS, approval for the amounts required for the 2020/21 year has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Since the start of the Covid-19 crisis, Ofcom has adapted to alternative working arrangements. Ofcom believes Covid-19 has no impact on the basis for going concern.

D

SECTION D

Annexes

A1. Section 400

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments including licence fees under the Wireless Telegraphy Act (WTA). These receipts do not form part of Ofcom's reported revenue and are excluded from revenue in Ofcom's Financial Statements.

The Digital Economy Act 2017 introduced legislative amendments which permit Ofcom to retain sums received in connection with its functions under the WTA to fund its general spectrum management functions, as well to meet the costs of undertaking its other functions for which it cannot levy fees and charges.

The remaining revenue collected is passed to the UK Consolidated Fund at HM Treasury, the Department of Finance and Personnel - Northern Ireland (DFPNI), Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey directly or via the Department for Digital, Culture, Media, and Sport (DCMS) as Ofcom's sponsoring body.

In 2019/20 Ofcom received £373m (2018/19: £1,689m).

From these receipts, £56.8m (2018/19: £54m) was retained to fund part of Ofcom's expenditure including spectrum management duties and legal costs (£1.1m) relating to the Annual licence fees following a Court of Appeal judgement in November 2017.

Ofcom paid £313m (2018/19: £1,610m) relating to, WTA licence fees, spectrum fees from Government departments and the interest earned on cash balances to DCMS, payable to the Consolidated funds. In 2018/19 we paid £1,370m in relation to the auction of the 2.3 GHz and 3.4-3.6 GHz spectrum bands.

Additionally, Ofcom directly passed £11m (2018/19: £8.0m) to the Consolidated Funds relating to receipts arising from Additional payments, financial penalties and geographic telephone number charges.

The remaining balance of £14.9m will be passed to the exchequer in April 2020/21.

A2. Regulatory statements

List of statements published in 2019/20, including regulatory impact on stakeholders.

Broadcasting

A	Review of Regional TV Production and Programming Guidance
A	'Specially restricted material' and Age Verification Guidance for Providers of On-Demand Programme Services (update)
B	Radio Faza – Request to change Key Commitments
B	BritBox materiality assessment
B	Request to change Format – Banbury Sound, Rugby FM and Touch FM
B	Short-term restricted service licensing review
B	Jack FM2 (Oxford) – Request to change Format
B	Bradford Asian Radio – request to change Key Commitments
B	XS Manchester – Request to change Format
B	Nation Radio (Ceredigion) - Request to change Format
B	BBC iPlayer Competition Assessment: statement on Ofcom's final determination
B	talkSPORT - proposals to reduce AM coverage
B	Listed Events - Rugby World Cup Finals Tournament 2019
B	Sheffield Live – Variation request
B	Communicorp radio stations in the East Midlands and Peterborough – Request to create a new approved area
B	Connect FM (Kettering, Corby and Wellingborough) – Request to change Format
B	Connect FM (Peterborough) – Request to change Format
B	Local Television Network – Variation Requests on behalf of 17 local TV licensees
B	Love Sport and Panjab Radio - Requests to change Format
C	Revisions to Digital Radio Technical Codes
C	Proposed extension of the remit of the Advertising Advisory Committee

A	Increased/new regulation	C	Streamlined/co-regulatory
B	Mixed/no-change/ongoing	D	Reduced regulation

Post

A	Review of regulatory financial reporting for Royal Mail - Phase II
B	Recovering postal regulation and consumer advocacy costs

Spectrum

A	Annual Licence Fees for UK Broadband's 3.4 GHz and 3.6 GHz spectrum
B	Enabling wireless innovation through local licensing
B	Notice of proposal to vary 3.4 GHz radio spectrum licences
B	Award of the 700 MHz and 3.6-3.8 GHz spectrum bands
B	Making of certain regulations in connection with the award of 700 MHz and 3.6-3.8 GHz spectrum - Notice of making a limitation order and amending the mobile trading and the register regulations
D	Decision to make the Wireless Telegraphy (Mobile Repeater) (Exemption) (Amendment) Regulations 2019

Telecoms

A	Upgrading broadband customers to superfast products
A	Delivering the Broadband Universal Service
B	BT regulatory financial reporting
B	Making communications markets work well for customers – a framework for assessing fairness in broadband, mobile, home phone and pay TV
B	Measures to support Openreach's trials in Salisbury and Mildenhall
B	Promoting competition and investment in fibre networks – review of the physical infrastructure and business connectivity markets
D	Promoting competition and investment in fibre networks – Measures to support Openreach's trial in Salisbury

A	Increased/new regulation	C	Streamlined/co-regulatory
B	Mixed/no-change/ongoing	D	Reduced regulation

Ofcom consultations published in 2019/20 which included an impact assessment and where no final statement had been published by 31 March 2020

Licensing small-scale DAB – how Ofcom will exercise its new functions

Trialling consumer remedies

Proposed guide for treating vulnerable consumers fairly

Secklow Sounds (Milton Keynes) – Request to change Key Commitments

Notice of Ofcom's proposals to amend the spectrum trading and register regulations

Compensating providers delivering universal services

BBC Children's news and first-run UK originated programmes

Review of Ofcom's Code on Television Access Services and Guidance on BBC Accessibility

Notice of Ofcom's proposals for changes to the licence exemption for Wireless Telegraphy Devices

Fair treatment and easier switching for broadband and mobile customers – Proposals to implement the new European Electronic Communications Code

Improving spectrum access for wifi – spectrum use in the 5 and 6 GHz bands

Supporting innovation in the 100-200 GHz range

Promoting competition and investment in fibre networks – BT Regulatory Financial Reporting

Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26

Proposed measures to require compliance with international guidelines for limiting exposure to electromagnetic fields (EMF)

Ofcom statements published in 2019/20 where the earlier consultation included an impact assessment

Revisions to Digital Radio Technical Codes

Review of Regional TV Production and Programming Guidance

Notice of proposal to vary 3.4 GHz radio spectrum licences

BT regulatory financial reporting

Review of regulatory financial reporting for Royal Mail - Phase II

Enabling wireless innovation through local licensing

Recovering postal regulation and consumer advocacy costs

Decision to make the Wireless Telegraphy (Mobile Repeater) (Exemption) (Amendment) Regulations 2019

Award of the 700 MHz and 3.6-3.8 GHz spectrum bands

BBC iPlayer Competition Assessment: statement on Ofcom's final determination

Making of certain regulations in connection with the award of 700 MHz and 3.6-3.8 GHz spectrum - Notice of making a limitation order and amending the mobile trading and the register regulations

'Specially restricted material' and Age Verification Guidance for Providers of On-Demand Programme Services (update)

Delivering the Broadband Universal Service

Promoting competition and investment in fibre networks – review of the physical infrastructure and business connectivity markets

Proposed measures to require compliance with international guidelines for limiting exposure to electromagnetic fields (EMF)

A3. Investigations programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes. The following table shows Ofcom's activities in conducting initial assessments and investigations during 2019/201. This reflects the picture as at 31 March 2020.

More details of individual cases being investigated under the investigations programme are set out in Ofcom's Competition and Enforcement Bulletin available at:

https://www.ofcom.org.uk/about-ofcom/latest/bulletins/competition-bulletins

The data in the table below covers both the Competition Group Investigations Team and the Consumer Enforcement Team, and relates to initial assessment.

	Total handled	Total accepted for investigation	Total not accepted	Ongoing activity (as at 31/3/20)
Disputes	0	0	0	0
Competition law	5	2	1	4
Complaints	5	1	2	2
Own-initiative	11	10	1	0

The following table relates to formally opened cases:

	Total handled	Total opened	Total ongoing	Total closed	Ongoing activity (as at 31/3/20)
Disputes	0	0	0	0	0
Competition law	3	2	1	1	2
Other investigations	17	11	6	9	8
Enforcement programmes	5	0	5	3	2

A4. Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by us, and also S4C. We also have a duty under the BBC Charter and Agreement to set procedures to handle and resolve complaints referred to us about the BBC's television, radio and on demand programmes.

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code or other Ofcom codes. As well as launching investigations following the assessment of complaints, we can also do so on our own initiative. We handle complaint-led and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 8,003 cases (which comprised 34,719 complaints) were closed in the period under review.

Content standards

Complaints about content standards are handled under Ofcom's Procedures for investigating breaches of content standards for television and radio. Complaints about BBC content standards are handled under Ofcom's Procedures for investigating breaches of content standards on BBC broadcasting services and BBC on demand programme services.

Initial assessment of complaints

Based on an initial assessment of the complaint, a consideration of the related television or radio content and any other relevant material, Ofcom will consider whether the case raises potentially substantive issues under the Broadcasting Code (or other Ofcom codes), which warrant investigation by Ofcom. If not, Ofcom will decide not to investigate further and publishes this decision in its Broadcast and On Demand Bulletin. A total of 7,829 cases (34,545 complaints) were assessed in this way during the reporting period. Ofcom found that:

- 130 cases (3,622 complaints) raised potentially substantive issues that warranted further investigation; and

- 7,699 cases (30,923 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 2019 and 31 March 2020, Ofcom assessed complaints on average within 11.2 working days.

Investigations

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

A total of 121 investigation cases were completed in the period between 1 April 2019 and 31 March 2020. Ofcom found that:

- 79 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes) being recorded;

- 13 investigated cases were resolved; and

- 29 investigated cases were not in breach of the codes or were discontinued.

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2019 and 31 March 2020, Ofcom completed investigations on average within 56.4 working days.

A significant number of the investigations closed this year have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our investigations.

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 made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

Complaints about fairness and privacy are handled under Ofcom's Procedures for the consideration and adjudication of Fairness & Privacy complaints. Fairness and privacy complaints about BBC television, radio and on demand programmes are handled under Ofcom's Procedures for the consideration and adjudication of Fairness and Privacy complaints on BBC broadcasting services and BBC on demand programme service.

Assessment and Entertainment

Ofcom assesses every Fairness and Privacy complaint it receives to decide whether to entertain the complaint. This assessment is based on whether: the complainant is the "person affected" and able to make the complaint; the matter complained of is the subject of proceedings in a court of law in the UK; or the complaint is frivolous.

A total of 174 Fairness and Privacy complaints were assessed in the period between 1 April 2019 and 31 March 2020. Of these:

- 32 complaints were entertained; and

- 142 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 2019 and 31 March 2020, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 16.8 working days.

Adjudications

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

A total of 32 complaints were adjudicated upon in the period under review. Of these:

- 3 complaints were upheld;

- 1 complaint was partially upheld;

- 22 complaints were not upheld; and

- 6 complaints were resolved (following appropriate action taken by the broadcaster).

Ofcom aims to complete the consideration and adjudication of Fairness and Privacy complaints within 90 working days of the complaint being entertained. In the period between 1 April 2019 and 31 March 2020, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 118.2 working days.

The past year has seen an unprecedented high number of Fairness and Privacy cases being assessed and investigated by our team. A significant number of these have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our adjudications.

Sanctions

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

Ofcom has a range of sanctions available, including to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty[1]; shorten or suspend a licence; and revoke a licence (not applicable to the BBC, S4C or Channel 4).

During the period between 1 April 2019 and 31 March 2020, Ofcom imposed the following statutory sanctions:

- City News Network (SMC) Pvt Ltd in respect of its service Channel 44 – a financial penalty of £75,000 and a direction to broadcast a statement of Ofcom's findings.

- Trace UK World Ltd in respect of its service Starz – a direction to broadcast a statement of Ofcom's findings.

- Autonomous Non-Profit Organisation (ANO) TV Novosti in respect of its service RT – a financial penalty of £200,000 and a direction to broadcast a statement of Ofcom's findings.

- Greener Technology Limited in respect of its service BEN TV – a financial penalty of £25,000, a direction to broadcast a statement of Ofcom's findings and a direction to not repeat the programme.

- Big City Radio CIC in respect of its service Big City Radio – a financial penalty of £500.

- Talksport Ltd in respect of its service Talk Radio – a financial penalty of £75,000 and a direction to broadcast a statement of Ofcom's findings.

- Baltic Media Alliance Limited in respect of its service NTV Mir Baltic – a financial penalty of £20,000 and a direction to broadcast a statement of Ofcom's findings.

1 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.

BBC content standards complaints

Complaints about BBC programmes are considered under a 'BBC First' complaints framework. This means that if a viewer or listener has a complaint about something they have seen or heard in a BBC television, radio or on-demand programme, they must normally complain to the BBC in the first instance. The complainant can refer their complaint to Ofcom if they are dissatisfied with the BBC's response or if the BBC fails to respond in a timely manner. A complaint can also be referred if the complainant considers that the imposition by Ofcom of a sanction against the BBC may be appropriate.

Of the 34,545 standards complaints received in the period between 1 April 2019, and 31 March 2020, 233 complaints were about BBC programmes. Of these 233 complaints, one was referred for investigation.

We also received an additional 2,826 complaints about BBC programmes where, on initial assessment, we found the complainant had not completed the BBC's complaints process before submitting their complaint to Ofcom, or we found that the complaint was outside of our remit. In these instances we redirected the complainant to the BBC. These complaints are published separately under 'BBC First' in our Broadcast and On Demand Bulletin.

BBC online material

Under the BBC's Charter and Agreement, set by Government and Parliament, the BBC is responsible for the editorial standards of its online material. Ofcom has a responsibility to consider and give an opinion on whether the BBC has observed relevant editorial guidelines in its online material. Online material means content on the BBC's website and apps, such as articles, images and videos. It does not include programmes on the BBC iPlayer which must comply with Ofcom's Broadcasting Code rules.

We handle complaints about the BBC's online material under Ofcom's **Procedures for handling complaints relating to BBC online content**.

Between 1 April 2019 and 31 March 2020 we closed a total of 47 complaints about the BBC's online material. One of these cases was referred for an Opinion. A further 184 complaints were redirected to the BBC under the 'BBC First' approach or found to be outside of our remit.

Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 1 April 2019 and 31 March 2020, Ofcom assessed complaints on average within 12.2 working days.

Between 1 April 2019 and 31 March 2020 Ofcom gave its Opinion on whether the BBC observed its own Editorial Guidelines on the content of one online article. This case was closed in 55 working days.

A5. Spectrum engineering and enforcement

Key performance indicator

Main Activities

Work Programme Activity/Incident	April 19 - March 20	April 18 - March 19
Complaints of Interference received[1]	1,585	1,937
Checking radio system licence compliance[2]	2,211	2,392
Fixed Penalty Notices Issued[3]	21	17
Prosecutions for criminal spectrum activity[4]	3	2

Quality of Service Targets for Complaints of Interference Received

Key Performance Indicator	Case Priority	Target	Target achieved	
			April 19 - March 20	April 18 - March 19
Time to First Visit: The time take from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	1	8 hours	100%	100%
	2	18 hours	100%	100%
	3	2 working days	99%	100%
	4	5 working days	98%	100%
	5	15 working days	98%	100%
	6	No target	-	-
Resolution: The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved	1	2 calendar days	100%	100%
	2	3 calendar days	100%	99%
	3	6 working days	99%	99%
	4	20 working days	96%	99%
	5	40 working days	96%	98%
	6	60 working days	99%	99%

1 Cases of interference reported by the public and businesses
2 Work carried out by Ofcom to ensure licence conditions are adhered to or unlicensed use is not taking place
3 Fixed Penalty Notices (FPN) are usually issued if an initial warning by Ofcom is subsequently ignored. Failure to pay a FPN can lead to legal action
4 Prosecutions in relation to "Pirate Radio" or failure to pay FPNs

A6. Spectrum Licensing

Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Business Radio Light – Simple UK (no base station)	2,030	2,036	15,226	14,790
Business Radio Simple Site	1,227	1,201	8,969	9,225
Business Radio Suppliers Light	135	231	1,301	1,286
Fixed Wireless Access (5.8 GHz)	61	65	408	403
GNSS Repeater	16	79	353	339
Police and Fire	0	2	123	124
Subtotal for Business Radio products	3,469	3,614	26,380	26,167
Radar Level Gauge	0	0	124	124
Amateur & Maritime	30,167	27,426	268,117	258,821
Total for Category A	**33,636**	**31,040**	**294,621**	**285,112**
KPI for Category A (100% in 7 days)	100%	100%	-	-
KPI for Category A (Amateur & Maritime) (100% in 10 days)	100%	100%	-	-

Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Automatic Identification System	15	97	385	373
Coastal Station Radio (International)	5	6	396	401
Coastal Station Radio (UK)	11	17	339	350
Coastal Station Radio (Marina)	10	16	401	408
Coastal Station Radio (Training School)	31	47	477	453
Maritime Radio (Suppliers & Demonstration)	1	1	84	83
Maritime Nav aids and Radar	4	14	118	120
Differential Global Positioning System	0	2	6	6
Shared Access (Low Power)[1]	124	-	786	-
Shared Access (Medium Power)[2]	6	-	2	-
Subtotal for Deregulation & Contracting-Out products	207	200	2,994	2,194
Business Radio Technically Assigned	2,438	2,631	24,630	25,074
Business Radio Area Assigned	25	28	309	301
Coastal Station radio (UK) Area Defined	4	3	12	8
Coastal Station radio (International) Area Defined	1	0	8	8
Ground Probing Radar	24	24	218	224
Scanning Telemetry	0	1	28	30
Self co-ordinated links	23	26	170	160
Subtotal for Business Radio products	2,515	2,713	25,375	25,805
Total for Category B	**2,722**	**2,913**	**28,369**	**27,999**

KPI for Category B			
	90% in 21 days	87%	87%
	100% in 42 days	97%	97%

1 New licence product
2 New licence product

Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Fixed Links	1,359	1,618	19,806	23,009
Satellite (Permanent Earth Station)	5	22	148	150
Satellite (Transportable Earth Station)	58	78	112	116
Satellite (Earth Station Network)	7	13	69	70
Satellite (Non Fixed Earth Station)	4	4	11	10
Total for Category C		**1,735**		**23,355**
KPI for Category C	90% in 42 days	99%	98%	
	100% in 60 days	99%	99%	

Aeronautical licences[1]

Licences for aeronautical services	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Aeronautical Licences	5,298	6,436	15,954	15,719
Total for Aeronautical	5,298	6,436	15,954	15,719
KPI for Aeronautical (100% in 7 days)	77%	82%	-	-

1 Licences issued by the Civil Aviation Authority on Ofcom's behalf up to 31 October 2018. After that date licences issued by Ofcom.

Programme Making & Special Events (PMSE)

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
PMSE Licences	36,130	62,222	7,974	8,144
Total for PMSE	**36,130**	**62,222**	**7,974**	**8,144**
KPI for PMSE (100% in 7 days)	100%	100%	-	-

Test and development (T&D) licences

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Innovation and Research Licence	402	426	335	354
Demonstration and Trial Licence	358	345	155	130
Total for T&D	**760**	**771**	**490**	**484**
KPI for T&D (100% in 60 days)	100%	100%	-	-

Mobile and wireless broadband licences[1]

Licences issued through spectrum auction or award processes	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Public Wireless Networks: 900, 1800 MHz	-1	1[2]	4	5
Spectrum Access: 2100 MHz	0	0	4	4
Spectrum Access: Channel Tunnel[3]	0	0	2	2
Spectrum Access: 800 MHz, 2.6 GHz	0	0	5	5
Spectrum Access: 412 – 414 MHz	0	0	1	1
Spectrum Access: 1452 – 1492 MHz	0	0	2	2
Concurrent Spectrum Access: 1781-1785 MHz	-12[4]	0	0	12
Spectrum Access: 1785 MHz, Northern Ireland	0	0	1	1
Spectrum Access: 2.3, 3.4-3.6, 3.6-3.8, 10, 28, 32, 40 GHz	0	5[5]	25	25
Spectrum Access Offshore	1	0	8	7
Total for Mobile and Wireless Broadband	**0**	**6**	**52**	**64**

1 Licences varied and/or re-issued, or fully traded from one company to another, are not included in these figures.

2 Licence holding, jointly, some Vodafone and Telefonica frequencies during transitional period for spectrum de-fragmentation – expired July 2019.

3 Separate licence for the out-bound (UK-France direction) tunnel.

4 Licences either surrendered or migrated to new 'Shared Spectrum Access' licence class.

5 Award of 2.3 and 3.4 GHz spectrum bands, April 2018.

Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
3G Cellular Telephones, Channel Islands	-1	0	0	1
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands and Isle of Man	1	0	33	32
Spectrum / Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man	0	0	9	9
Total for Channel Islands and Isle of Man	**0**	**0**	**42**	**42**

Digital dividend spectrum licences
Spectrum freed up for new uses as a result of digital switchover

DDR GI Licences issued through spectrum award processes	Licences issued April 19 – March 20	Licences issued April 18 – March 19	Total on issue as at 31 March 20	Total on issue as at 31 March 19
Spectrum Access 541 – 550 MHz (Cardiff)	0	0	1	1
Spectrum Access 758 – 766 MHz (Manchester)	0	0	1	1
Total for Digital Dividend licences	**0**	**0**	**2**	**2**
Total Number of Licenses – All Categories	**79,979**	**105,123**[1]	**367,650**	**360,921**[2]

1 Revised figures for 2018/19 from 105,076 to 105,123
2 Revised figures for 2018/19 from 360,468 to 360,921

25

A7. Sustainability

This section presents sustainability data and financial costs in more detail.

		2015/16	2016/17	2017/18	2018/19	2019/20
Non-Financial Indicators (tonnes CO2e)	**Scope 1** Gas	158	161	187	148	22
	Oil	18	19	22	11	0
	Fleet Fuel	180	185	192	168	163
	Scope 2 Electricity	1,214	1,090	809	528	308
	Scope 3 Business Travel	250	312	519	555	594
	Air	144	188	410	449	477
	Domestic	47	76	156	160	185
	Short haul	30	79	164	160	136
	Long haul	67	34	91	129	156
	Rail/bus/tube	59	78	66	67	73
	Car/Motorbike/Cycle	44	43	41	36	41
	Taxis	3	3	2	2	3
Related consumption data	**Scope 1** Gas (kWh)	855,056	874,478	1,014,202	802,709	120,016
	Gas per FTE (kWh)	1,070	1,012	1,136	891	125
	Oil (litres)	7,001	7,500	8,500	4,501	0
	Fleet Fuel (litres)	69,596	71,024	73,659	64,710	62,665
	Scope 2 Electricity (kWh)	2,425,743	2,426,666	2,103,652	1,720,333	1,112,349
	Electricity per FTE (kWh)	3,036	2,808	2,356	1,910	1,162
Financial Indicators	**Scope 1** Gas	£27,786	£22,293	£19,465	£23,494	£10,852
	Oil	£3,504	£2,128	£5,530	£3,347	£0
	Fleet Fuel	£78,996	£87,398	£93,911	£90,292	£85,269
	Scope 2 Electricity	£334,677	£293,991	£340,333	£287,074	£158,351
	Scope 3 Business Travel	£569,099	£663,705	£705,602	£742,876	£837,982
	Air	£197,408	£253,733	£333,723	£367,844	£402,945
	Rail/bus/tube	£264,211	£299,929	£266,725	£273,338	£315,574
	Car/Motorbike/Cycle	£67,721	£65,077	£64,329	£57,428	£66,212
	Taxis	£39,759	£44,966	£40,826	£44,266	£52,421

Greenhouse gas emissions

Scope 1

This covers direct consumption of gas and oil, and fuel consumption from Ofcom's fleet cars.

Gas consumption data across all years cover Ofcom's main office in London, Belfast, Birmingham, Haydock (closed 2018) and Livingston (closed 2017). Gas charges for Edinburgh, Warrington and Cardiff offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions.

Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services.

Scope 2

This covers electricity supplies to Ofcom's offices. Electricity data across all years cover Ofcom's main office in London, Baldock, Belfast, Birmingham, Cardiff, Edinburgh, Haydock (closed 2018), Warrington and some remote monitoring direction-finding sites around the UK Electricity consumption is dependent on weather conditions.

Scope 3

Business travel financial data have been obtained from our SAP reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, short-haul and-long haul flights as per Defra flight distance guidance.

Waste minimisation and management

Waste consumption data for all years relate to Ofcom's main office in London. Accurate waste consumption data is not available for other Ofcom offices, but the associated waste disposal costs have been included. From June 2017 waste cost is included in our service charge. Our managing agent operates on a 'zero waste to landfill' basis, and all waste is recycled or incinerated with energy recovery.

		2015/16	2016/17	2017/18	2018/19	2019/20
Non-Financial Indicators (tonnes)	Total waste	173	172	76	198	189.21
	Waste recycled/re-used	111	91	52	71	91.69
	Waste incinerated with energy recovery	41	63	20	127	97.52
	Total waste per FTE	0.216	0.199	0.086	0.220	0.198
Financial Indicators	Total waste	£32,023	£37,984	£7,004	£43,805	£35,000

Finite resource consumption

Water data across all years cover Ofcom's main office in London, Baldock, Birmingham, and Haydock (closed 2018). Water charges for other offices are included in the service charge and therefore cannot be analysed. Costs In 2017/18 include credit notes from suppliers due to overcharged bills in previous years. Water consumption is limited to operational use, including a catering facility in Ofcom's main office in London.

The is a slight increase in water consumption during 2019/20 due to a leak at our Baldock office, which has now been resolved.

		2015/16	2016/17	2017/18	2018/19	2019/20
Non-Financial Indicators	Water consumption (m3)	10,767	11,282	9,379	13,988	18,874
	Water consumption per FTE	13.48	13.06	10.50	15.53	19.71
	Paper reams	7,545	6,317	3,915	2,579	2,411
	A3 reams	80	92	50	127	106
	A4 reams	7,465	6,225	3,865	2,452	2,305
	A5 reams	0	0	0	0	0
Financial Indicators	Water	£16,784	£22,248	£6,929	£19,583	£23,321

Notes

1. The above tables have been prepared in accordance with guidelines laid down by the Treasury: https://www.gov.uk/government/publications/public-sector-annual-reports-sustainability-reporting-guidance-2019-to-2020

2. All information conforms to the normal public sector financial year of 1 April to 31 March.

3. Defra conversion factors have been used to calculate carbon emissions figures.

4. Emissions are not weather-corrected.

5. Where utility bills had not yet been received, cost and consumption data were estimated based on previous years' data.

A8. 700 MHz clearance

Purpose

To help meet increasing demand from consumers for mobile data, in 2014 Ofcom announced the decision to reallocate frequencies between 694 MHz and 790 MHz ("the 700 MHz band").

Digital Terrestrial Television (DTT), audio Programme Making and Special Events (PMSE) services and White Space Devices (WSDs), who currently use the 700 MHz band, will cease to have this spectrum available to them following completion of the programme.

Goals

The goals of the 700 MHz clearance programme are:

- to clear and release the 700 MHz band as soon as practically possible;

- to deliver value for money in the use of public funds;

- to avoid undue disruption to viewers; and

- to safeguard the ongoing delivery of the benefits DTT and PMSE provides.

Activities

Significant changes to the DTT network are required by the 700 MHz clearance programme as channels switch to new frequencies. This includes major infrastructure work – involving both air and ground works – undertaken by Arqiva. PMSE users are also affected by 700 MHz clearance. They will need to replace some equipment that can no longer operate in the frequencies available to PMSE. The 700 MHz clearance programme includes government funding to help affected equipment owners.

Consumer impact

Some DTT viewers need to make changes to their TV sets. Forecasts suggest that 14-20 million homes will need to retune their TV equipment when transmitter changes take occur near where they live. A further estimated 100,000 – 160,000 homes may need to replace their aerials as a result of the changes.

TV viewers receive notification of the need to retune their TVs on the date of changes that will affect them via press advertisements and on-screen captions prior to each clearance event. Sometimes clearance events take place in more than one stage and more than one retune may be needed in such instances.

Freeview supports viewers via its advice line and website. Digital UK has so far provided advice to viewers in more than 200,000 calls, emails, web chats and social media interactions.

In-home support, provided by the organisation DMSL, is available to some viewers where a retune is not successful in restoring channels. DMSL has provided over 30,000 home visits so far.
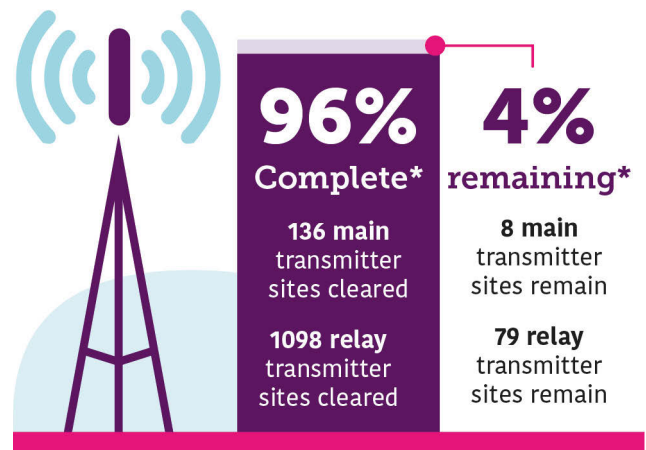
Timescale

The 700 MHz clearance programme was well advanced and on track to complete on time in April 2020 although throughout the programme there was some risk of delay posed by events of national significance.

The Covid-19 situation has developed swiftly, with significant implications for life in the UK, including restrictions on travel and the need for social isolation.
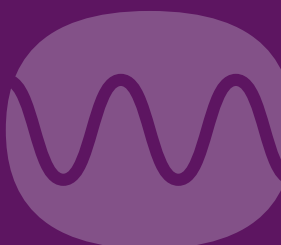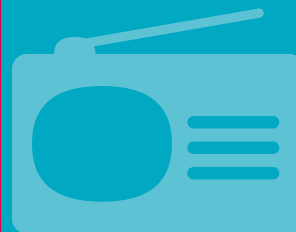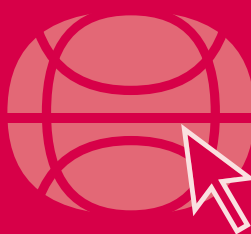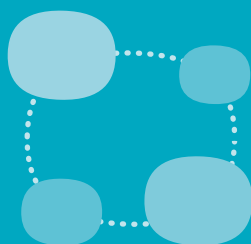
In light of this unprecedented situation, the decision has been taken to postpone carrying out the final two 700 MHz clearance events scheduled for April. As a result, the 700 MHz clearance programme will now be paused until the Covid-19 risk has subsided.

We are working with programme stakeholders to determine a revised timescale for delivering clearance of the 700 MHz band.

96% Complete*

4% remaining*

136 main transmitter sites cleared

8 main transmitter sites remain

1098 relay transmitter sites cleared

79 relay transmitter sites remain

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