

## SECTION C

# Financial Statements

This section sets out our financial statements and notes to the accounts for the financial year ended 31 March 2021.



# Statement of Income and Expenditure

For the year ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
Income	3	132,468	124,994
Spectrum clearance income	3	22,689	76,651
Legal settlement funding	3	919	232,533
<b>Total income</b>		<b>156,076</b>	<b>434,178</b>
<b>Operating expenditure</b>			
Staff costs	4	(83,044)	(78,757)
Other operating expenditure	6	(50,444)	(47,890)
Spectrum clearance expenditure	4,6	(22,689)	(76,651)
Legal cost in year	6	2,081	(3,533)
<b>Total operating expenditure</b>		<b>(154,096)</b>	<b>(206,831)</b>
<b>Operating surplus</b>		<b>1,980</b>	<b>227,347</b>
Finance costs	16,17	(970)	(1,058)
Pension interest income	19	516	382
<b>Surplus before tax for the year</b>		<b>1,526</b>	<b>226,671</b>
Taxation	7	-	-
<b>Surplus after tax for the year</b>		<b>1,526</b>	<b>226,671</b>

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

	Notes	2020/21 £'000	2019/20 £'000
<b>Surplus after tax for the year</b>		<b>1,526</b>	<b>226,671</b>
<b>Other comprehensive (expenditure)/income</b>			
Remeasurement on pensions	19	(8,674)	4,534
<b>Total comprehensive (expenditure)/income</b>		<b>(7,148)</b>	<b>231,205</b>

The accounting policies and notes on pages 111 to 147 form part of these financial statements

# Statement of Financial Position

As at 31 March 2021

	Notes	As at 31 March 2021	As at 31 March 2020 (Restated)
		£'000	£'000
<b>Non-current assets</b>			
Property, plant and equipment	8	10,637	11,312
Right-of-use assets	9	43,073	47,650
Intangible assets	10	166	627
Trade and other receivables: non-current assets	12	1,069	4,145
Retirement benefit assets	19	14,876	22,426
<b>Total non-current assets</b>		<b>69,821</b>	<b>86,160</b>
<b>Current assets</b>			
Trade and other receivables: current assets	11	19,627	15,920
Cash and cash equivalents	13	14,185	13,827
<b>Total current assets</b>		<b>33,812</b>	<b>29,747</b>
<b>Total assets</b>		<b>103,633</b>	<b>115,907</b>
<b>Current liabilities</b>			
Trade and other payables: current liabilities	14	27,875	28,428
Lease liabilities: current liabilities	16	4,079	4,052
Provisions for liabilities and charges: current liabilities	17	12	3,014
<b>Total current liabilities</b>		<b>31,966</b>	<b>35,494</b>
<b>Non-current liabilities</b>			
Trade and other payables: non-current liabilities	15	7,100	4,894
Lease liabilities: non-current liabilities	16	40,653	44,522
Provisions for liabilities and charges: non-current liabilities	17	149	152
Retirement benefit liabilities	19	1,153	1,085
<b>Total non-current liabilities</b>		<b>49,055</b>	<b>50,653</b>
<b>Total liabilities</b>		<b>81,021</b>	<b>86,147</b>
<b>Assets less liabilities</b>		<b>22,612</b>	<b>29,760</b>
<b>Equity</b>			
Reserves		22,612	29,760
<b>Total equity</b>		<b>22,612</b>	<b>29,760</b>

The accounting policies and notes on pages 111 to 147 form part of these financial statements. These financial statements were approved by the Board on 23 June 2021.

Maggie Carver  
Chairman

Dame Melanie Dawes DCB  
Chief Executive and Accounting Officer

# Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Reserve £'000
<b>Balance as at 1 April 2019</b>		<b>(201,445)</b>
<b>Changes in equity for 2019/20</b>		
Remeasurement on pensions	19	4,534
Surplus for the year		226,671
<b>Total comprehensive income for 2019/20</b>		<b>231,205</b>
<b>Balance as at 31 March 2020</b>		<b>29,760</b>
<b>Changes in equity for 2020/21</b>		
Remeasurement on pensions	19	(8,674)
Surplus for the year		1,526
<b>Total comprehensive expenditure for 2020/21</b>		<b>(7,148)</b>
<b>Balance as at 31 March 2021</b>		<b>22,612</b>

The accounting policies and notes on pages 111 to 147 form part of these financial statements.

# Statement of Cash Flows

For the year ended 31 March 2021

	Notes	2020/21	2019/20 (Restated)
		£'000	£'000
<b>Cash flows from operating activities</b>			
Operating surplus		1,980	227,347
<b>Adjustments for non-cash transactions</b>			
Depreciation	8	2,033	2,115
Depreciation of right-of-use assets	9	4,742	4,775
Amortisation	10	211	265
(Gain)/Loss on disposal of non-current assets	6	(175)	13
Impairment	6	250	84
Increase in trade and other receivables	11,12	(631)	(4,365)
Increase in trade and other payables	14,15	1,653	10,738
Increase in lease liabilities	16	139	-
Decrease in provisions	17	(3,014)	(229,032)
(Increase)/Decrease in retirement pension	19	(540)	55
<b>Net cash inflow from operating activities</b>		<b>6,648</b>	<b>11,995</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	8	(1,366)	(895)
Purchases of right-of-use assets	9	(165)	-
Purchases of intangible assets	10	-	(68)
Proceeds from sale of non-current assets	6	183	3
<b>Net cash outflow from investing activities</b>		<b>(1,348)</b>	<b>(960)</b>
<b>Cash flows from financing activities</b>			
Payments of lease liabilities	16	(4,942)	(4,893)
<b>Net cash outflow from financing activities</b>		<b>(4,942)</b>	<b>(4,893)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>358</b>	<b>6,142</b>
<b>Cash and cash equivalents at beginning of year</b>		13,827	7,685
Increase in cash and cash equivalents in the year		358	6,142
<b>Closing net funds</b>	13	<b>14,185</b>	<b>13,827</b>

The accounting policies and notes on pages 111 to 147 form part of these financial statements.

# Notes to the Accounts

**For the year ended 31 March 2021**

## 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 2021 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) in conformity with the requirements of the Companies Act 2006.

These financial statements have been prepared on a going concern basis 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, and 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 standards and statements below relate to the current accounting period.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of Material across the various standards and clarify certain aspects of the definition, is applicable to annual periods beginning on or after 1 January 2020. For Ofcom, the transition date is at the start of the financial year on 1 April 2020. For year ended 31 March 2021, this has no impact on our figures.

- Amendments to References to the Conceptual Framework in IFRS Standards applicable to annual periods beginning on or after 1 January 2020. These are minor amendments to various accounting standards to reflect the revised Conceptual Framework for Financial Reporting and have no impact on our figures.
- Amendments to IFRS 16 – Covid19-Related Rent Concessions

IFRS 16 Leases contains accounting requirements for lease modifications, including rent concessions. Ofcom, as a lessee, must determine whether to treat the modification as a separate lease or to adjust the existing lease liability and right of use asset.

The expedient permits a company to elect not to assess whether a rent concession is a lease modification, where the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Ofcom did not request for any pandemic related rent concessions during the year ended 31 March 2021.

No 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 reflects 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. As agreed with both HMT & DCMS, WTA receipts will also be used to fund preparatory work for new duties such as Video Sharing Platforms and Online Harms. 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. This project was completed in 2019/20 but there remains an accrued income balance owing to delays in the required audit due to the pandemic.

### 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 license 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 - Northern Ireland 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 Income and Expenditure, from the month following that in which an asset is brought into service. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

#### f) Right-of-use assets and lease liabilities

For any new contracts, 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 Income and Expenditure 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 Income and Expenditure, 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 0.91% for calendar year 2021 (1.27% for calendar year 2020).

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 Income and Expenditure 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 Income and Expenditure on a straight-line basis over the lease term.

**Initial direct cost**

These are the incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained. These might include costs such as finder's fees, commissions to agents for establishing the lease and up-front fees. Ofcom has incurred such costs as a result of signing new leases during the year and these have been added to the right-of-use assets in the financial statements.

**Use of hindsight**

A company may use hindsight in determining the lease term if the contract contains options to extend or terminate the lease. It is available only when a company follows a modified retrospective approach. A key benefit of a modified retrospective approach is that a company can transition its operating leases using information as at the date of initial application.

**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 Income and Expenditure 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.

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

**h) Impairment of Property, Plant and Equipment, Intangible Assets and Right-of-use 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.

On adoption of IFRS 16, all impairment and onerous leases across existing leased properties were remeasured to take account of the impact of the change in accounting for leases on the measurement of impairments. No changes in underlying assumptions were made during this remeasurement.

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

## 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 fair value less any write off for impairment. Gains and losses on subsequent measurement are recognised as fair value entirely in Statement of Income and Expenditure.

The global financial uncertainty arising from the pandemic has had little impact on the recoverability of debts during the year ended 31 March 2021 and therefore there is no significant increase to credit risk. During the year where stakeholders have had financial difficulties Ofcom have provided opportunities for payment plans and delaying the timing of the payment.

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 Income and Expenditure 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 Expenditure in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in the Statement of Income and Expenditure in the current period.

Ofcom participates in two defined benefit pension schemes which relate to staff that transferred to Ofcom from legacy 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 Income and Expenditure 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 Income and Expenditure 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)

## 2. Sectoral analysis

The analysis below refers to income by sector for the year ended 31 March 2021, 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	Broadcasting	Postal regulation	Other regulatory activities	2020/21 Total	2019/20 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>											
Licence, regulation & administration fees	-	-	-	-	-	48,496	22,508	4,362	-	75,366	72,640
Application fees	-	-	-	-	-	290	274	-	-	564	584
Grant-in-aid (GIA)	-	26,500	-	-	-	-	-	-	-	26,500	310,067
WTA receipts retention	51,957	-	-	919	-	-	-	-	8,208	61,084	58,529
Accrued/ (Deferred) income	644	(3,811)	701	-	110	(9,657)	2,798	1,232	399	(7,584)	(8,644)
<b>Operating income</b>	<b>52,601</b>	<b>22,689</b>	<b>701</b>	<b>919</b>	<b>110</b>	<b>39,129</b>	<b>25,580</b>	<b>5,594</b>	<b>8,607</b>	<b>155,930</b>	<b>433,176</b>
Other income	46	-	1	-	-	33	24	5	12	121	853
Interest receivable	10	-	-	-	-	7	5	1	2	25	149
<b>Total income</b>	<b>52,657</b>	<b>22,689</b>	<b>702</b>	<b>919</b>	<b>110</b>	<b>39,169</b>	<b>25,609</b>	<b>5,600</b>	<b>8,621</b>	<b>156,076</b>	<b>434,178</b>
Accrued rental income	-	-	-	-	-	-	-	-	-	-	2
<b>Cash income</b>	<b>52,657</b>	<b>22,689</b>	<b>702</b>	<b>919</b>	<b>110</b>	<b>39,169</b>	<b>25,609</b>	<b>5,600</b>	<b>8,621</b>	<b>156,076</b>	<b>434,180</b>
Adjustment to operating expenditure	(56)	-	(1)	-	-	(40)	(29)	(6)	(14)	(146)	(1,004)
Other costs	(52,601)	(22,689)	(701)	-	(110)	(39,129)	(25,580)	(5,594)	(8,607)	(155,011)	(201,204)
<b>Cash operating expenditure</b>	<b>(52,657)</b>	<b>(22,689)</b>	<b>(702)</b>	<b>-</b>	<b>(110)</b>	<b>(39,169)</b>	<b>(25,609)</b>	<b>(5,600)</b>	<b>(8,621)</b>	<b>(155,157)</b>	<b>(202,208)</b>
Legal settlement	-	-	-	(919)	-	-	-	-	-	(919)	(231,972)
<b>Total</b>	<b>(52,657)</b>	<b>(22,689)</b>	<b>(702)</b>	<b>(919)</b>	<b>(110)</b>	<b>(39,169)</b>	<b>(25,609)</b>	<b>(5,600)</b>	<b>(8,621)</b>	<b>(156,076)</b>	<b>(434,180)</b>
<b>Surplus on cash costs basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Comparative costs by sector											
<b>Year ended 31 March 2021</b>	<b>(52,657)</b>	<b>(22,689)</b>	<b>(702)</b>	<b>-</b>	<b>(110)</b>	<b>(39,169)</b>	<b>(25,609)</b>	<b>(5,600)</b>	<b>(8,621)</b>	<b>(155,157)</b>	<b>-</b>
Year ended 31 March 2020	(53,346)	(76,651)	(937)	(561)	(93)	(40,815)	(24,347)	(5,237)	(221)	(202,208)	-

Other regulatory activities comprise:

- expenditure in respect of duties for competition enquiries, public interest test activity, nuisance calls, consumer protection, preparatory work for both video sharing platforms and online harms duties and the costs of our telecom security duties; WTA receipts are used to fund these cost categories;
- adjudicator income;
- commercial activities including spectrum interference work; and
- rental income from sub-letting surplus properties' space.

The funding for our Telecoms security related work in the Telecoms sector has been revised from stakeholder funding to WTA receipts retention following discussions with DCMS. The revised funding covers the period 2011 to December 2020 when the Communications Act was amended. Consequently, a prior year adjustment is required. A total of £5,220k (of which £3,604k relates to prior years and £1,616k to 2020/21) has been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. The matching accrued income (total of £5,220k) has also been reflected in the WTA receipts funded sector; to reflect the revised funding source. Note 24 provides further details.

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 120 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	2020/21 £'000	2019/20 £'000
<b>Operating expenditure – Statement of Income and Expenditure</b>		<b>154,096</b>	<b>206,831</b>
Adjustments in respect of pension asset and liability		470	(131)
Capital expenditure less depreciation and amortisation	8,10	(878)	(1,417)
Right-of-use assets depreciation	9	(4,742)	(4,775)
Lease payments	16	4,942	4,893
Rent free adjustment		-	79
Other adjustments		1,269	(3,272)
<b>Cash operating expenditure</b>		<b>155,157</b>	<b>202,208</b>
Spectrum clearance	4,6	(22,689)	(76,651)
Third party litigation – WTA		-	(561)
ITU Subscription		(2,553)	-
Non-operating income		(146)	(1,004)
<b>Final operating costs out-turn</b>		<b>129,769</b>	<b>123,992</b>

Other adjustments reflect the movement in year of non cash related matters primarily from the release of the legal provision made in 2019/20.

As required by both the Communications & Postal Services Act, the table below shows cash received during the financial year and the amount outstanding for the Network & services, Broadcasting and Post sectors. Cash received during the year includes accrued income from prior years.

	Cash received in 2020/21 £'000	Amount outstanding £'000
<b>Sectors</b>		
Networks & services	40,220	153
Broadcasting	23,071	40
Post	5,122	-
<b>Total</b>	<b>68,413</b>	<b>193</b>

### 3. Income

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Grant-in-aid DCMS</b>								
Spectrum clearance	-	22,689	-	22,689	-	76,651	-	76,651
Legal settlement funding	-	-	-	-	-	-	230,826	230,826
<b>Total government grant-in-aid</b>	<b>-</b>	<b>22,689</b>	<b>-</b>	<b>22,689</b>	<b>-</b>	<b>76,651</b>	<b>230,826</b>	<b>307,477</b>
<b>WTA Receipts Retention</b>								
Spectrum management	52,601	-	-	52,601	52,918	-	-	52,918
Nuisance calls	817	-	-	817	-	-	-	-
Consumer protection	14	-	-	14	95	-	-	95
Video sharing platform	3,385	-	-	3,385	-	-	-	-
Public interest test	-	-	-	-	124	-	-	124
Online harm	2,722	-	-	2,722	-	-	-	-
Telecoms security duties	1,616	-	-	1,616	3,604	-	-	3,604
Satellite filings	701	-	-	701	930	-	-	930
Networks and information systems	53	-	-	53	-	-	-	-
Legal settlement funding	-	-	919	919	-	-	1,707	1,707
<b>Total WTA receipts retention</b>	<b>61,909</b>	<b>-</b>	<b>919</b>	<b>62,828</b>	<b>57,671</b>	<b>-</b>	<b>1,707</b>	<b>59,378</b>
<b>Stakeholder income</b>								
Networks and services administrative and application fees	39,129	-	-	39,129	36,883	-	-	36,883
Blockchain	-	-	-	-	651	-	-	651
Broadcasting Act licence and application fees	25,580	-	-	25,580	24,150	-	-	24,150
Regulation of postal services	5,594	-	-	5,594	5,195	-	-	5,195
Networks and information systems	110	-	-	110	93	-	-	93
Other income	146	-	-	146	351	-	-	351
<b>Total stakeholder income</b>	<b>70,559</b>	<b>-</b>	<b>-</b>	<b>70,559</b>	<b>67,323</b>	<b>-</b>	<b>-</b>	<b>67,323</b>
<b>Total income</b>	<b>132,468</b>	<b>22,689</b>	<b>919</b>	<b>156,076</b>	<b>124,994</b>	<b>76,651</b>	<b>232,533</b>	<b>434,178</b>

Spectrum management includes the International Telecommunication Union (ITU) annual subscription paid on behalf of the UK Government.

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.

The decrease in total income for 2020/21, when compared to 2019/20, relates to the exceptional item of GIA funding received in 2019/20 for the Annual Licence Fee related legal settlement.

Prior year income for both 'Telecoms security duties' and 'Networks and services administrative and application fees' have been restated. This is due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. The revised funding covers the period 2011 to December 2020 when the Communications Act was amended.

Consequently, a prior year adjustment of £3,604k is required for the period 2011 to 2019/20. This amount has thus been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. The matching accrued income has also been reflected in the WTA receipts funded sector; to reflect the revised funding source. Note 24 provides further details.

## 4. Staff costs

	Ofcom	Spectrum clearance	Total 2020/21	Ofcom	Spectrum clearance	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Staff costs, including fees paid to Board Members, were:</b>						
Salaries and benefits	68,024	351	68,375	64,163	397	64,560
National Insurance costs	7,831	38	7,869	7,556	42	7,598
Pension costs	7,037	33	7,070	6,722	34	6,756
Restructuring costs	152	-	152	316	-	316
<b>Total staff costs</b>	<b>83,044</b>	<b>422</b>	<b>83,466</b>	<b>78,757</b>	<b>473</b>	<b>79,230</b>

Salaries and benefits in core Ofcom included costs directly related to the implementation of Covid-19 measures of £384k (2019/20: £13k) and EU Exit of £54k (2019/20: Nil). Nil for Spectrum Clearance.

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

During the year, twenty-four (2019/20: 31) employees were seconded to other organisations and thus this credit is included within the staff costs line in the table above.

The restructuring costs in 2020/21 relate to restructuring activities completed in the year and includes an accrual for those costs unpaid at year end relating to two (2019/20: 7) 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 96 to 102.

## 5. Employee numbers

	2020/21	2019/20
The average number of employees (full time equivalents)	992	937

As at 31 March 2021, Ofcom had 1,031 employees (full time equivalents) (2019/20: 958).

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	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Auditors remuneration – statutory audit fees	89	-	-	89	83	-	-	83
Auditors remuneration – Section 400	16	-	-	16	14	-	-	14
Professional fees	4,815	1,324	-	6,139	4,024	2,489	-	6,513
Outsourced services	9,791	-	-	9,791	8,108	-	-	8,108
Audience and consumer research	5,322	-	-	5,322	5,513	-	-	5,513
Technological research and spectrum efficiency projects	1,018	-	-	1,018	172	-	-	172
Spectrum clearance scheme	-	20,937	-	20,937	-	73,679	-	73,679
Temporary staff and recruitment	3,038	-	-	3,038	3,076	-	-	3,076
Travel and subsistence	17	2	-	19	1,465	7	-	1,472
Premises costs	5,565	-	-	5,565	4,320	-	-	4,320
Administration and office expenses	7,525	-	-	7,525	7,183	1	-	7,184
Profit on disposal of non capital	-	-	-	-	-	-	-	-
Information and technology costs	6,062	4	-	6,066	6,484	2	-	6,486
Vehicles	103	-	-	103	171	-	-	171
Bad and doubtful debt	22	-	-	22	25	-	-	25
Amortisation	211	-	-	211	265	-	-	265
Depreciation	2,033	-	-	2,033	2,115	-	-	2,115
Depreciation ROU lease assets	4,742	-	-	4,742	4,775	-	-	4,775
(Gain)/Loss on disposal of non-current assets	(175)	-	-	(175)	13	-	-	13
Impairment	250	-	-	250	84	-	-	84
<b>Total other operating expenditure</b>	<b>50,444</b>	<b>22,267</b>	<b>-</b>	<b>72,711</b>	<b>47,890</b>	<b>76,178</b>	<b>-</b>	<b>124,068</b>

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. For the same reason, impairment for prior year's comparison is now presented separately from (gain)/loss on disposal of non-current assets. The gain on disposal of non-current assets is primarily due to proceeds from an insurance claim of £170k received during the year, in addition there was a further £13k proceeds from disposal of non-current assets.

The total expenditure incurred directly as a result of the implementation of Covid-19 measures and EU Exit are shown below. These have been presented as part of the total other operating expenditure for the year.

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Covid-19	1,901	1,372	-	3,273	51	-	-	51
EU Exit	73	-	-	73	-	-	-	-

	Ofcom	Spectrum clearance	Third party litigation	Total 2020/21	Ofcom	Spectrum clearance	Third party litigation	Total 2019/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Legal cost in year</b>	-	-	<b>(2,081)</b>	<b>(2,081)</b>	-	-	<b>3,533</b>	<b>3,533</b>

The movement in Legal cost in year, from the previous financial year, is as a result of the reversal of a proportion of the legal provision made in the previous year that was not required when the matter was settled in 2020/21.

## 7. Taxation

	2020/21	2019/20
	£'000	£'000
<b>Reconciliation of tax charge</b>		
Surplus before tax	1,526	226,671
Tax on profit at the UK standard rate of Corporation Tax of 19% (2019/20: 20%)	290	45,334
<b>Tax effect of:</b>		
Income not subject to tax	(29,645)	(86,802)
Expenses not subject to tax	29,365	41,501
Decrease to brought forward tax losses	(10)	(33)
<b>Tax charge</b>	-	-

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,325k (2019/20: £11,379k). 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.

Ofcom has not restated the 2019-20 corporation tax rate from 20% to 19%, as the change is immaterial and no tax is charged for that year.

## 8. Property, plant and equipment

	Leasehold improvements	Fixtures & fittings	Office & field equipment	Computer hardware	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
<b>At 1 April 2019</b>	<b>9,065</b>	<b>1,598</b>	<b>12,909</b>	<b>2,134</b>	<b>736</b>	<b>915</b>	<b>27,357</b>
Additions during year	270	94	76	123	-	332	895
Disposals	(1,174)	(33)	(701)	(698)	-	-	(2,606)
Transfers	-	163	507	300	-	(912)	58
<b>At 31 March 2020</b>	<b>8,161</b>	<b>1,822</b>	<b>12,791</b>	<b>1,859</b>	<b>736</b>	<b>335</b>	<b>25,704</b>
Additions during year	319	56	500	82	-	409	1,366
Disposals	(151)	(14)	(83)	(262)	-	-	(510)
Transfers	-	26	302	7	-	(335)	-
<b>Cost at 31 March 2021</b>	<b>8,329</b>	<b>1,890</b>	<b>13,510</b>	<b>1,686</b>	<b>736</b>	<b>409</b>	<b>26,560</b>
<b>Depreciation</b>							
<b>At 1 April 2019</b>	<b>2,046</b>	<b>340</b>	<b>10,418</b>	<b>1,692</b>	<b>371</b>	<b>-</b>	<b>14,867</b>
Charge for the year	675	230	671	425	114	-	2,115
Disposals	(1,171)	(29)	(694)	(696)	-	-	(2,590)
<b>At 31 March 2020</b>	<b>1,550</b>	<b>541</b>	<b>10,395</b>	<b>1,421</b>	<b>485</b>	<b>-</b>	<b>14,392</b>
Charge for the year	767	251	675	226	114	-	2,033
Disposals	(144)	(14)	(82)	(262)	-	-	(502)
<b>Accumulated depreciation at 31 March 2021</b>	<b>2,173</b>	<b>778</b>	<b>10,988</b>	<b>1,385</b>	<b>599</b>	<b>-</b>	<b>15,923</b>
<b>NBV 31 March 2021</b>	<b>6,156</b>	<b>1,112</b>	<b>2,522</b>	<b>301</b>	<b>137</b>	<b>409</b>	<b>10,637</b>
NBV 31 March 2020	6,611	1,281	2,396	438	251	335	11,312

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	Vehicles	Others	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At 1 April 2020</b>	<b>51,895</b>	<b>292</b>	<b>238</b>	<b>52,425</b>
Additions during year	243	-	-	243
Disposals	(22)	(51)	(5)	(78)
<b>Cost at 31 March 2021</b>	<b>52,116</b>	<b>241</b>	<b>233</b>	<b>52,590</b>
<b>Depreciation</b>				
<b>At 1 April 2020</b>	<b>4,605</b>	<b>118</b>	<b>52</b>	<b>4,775</b>
Charge for the year	4,619	61	62	4,742
<b>Accumulated depreciation at 31 March 2021</b>	<b>9,224</b>	<b>179</b>	<b>114</b>	<b>9,517</b>
<b>NBV 31 March 2021</b>	<b>42,892</b>	<b>62</b>	<b>119</b>	<b>43,073</b>
NBV 31 March 2020	47,290	174	186	47,650

## 10. Intangible assets

	Software licences	Information technology	Systems under development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
<b>At 1 April 2019</b>	<b>5,451</b>	<b>17,972</b>	<b>392</b>	<b>23,815</b>
Additions during year	-	-	68	68
Impairment	-	-	(84)	(84)
Transfers	-	1	(59)	(58)
<b>At 31 March 2020</b>	<b>5,451</b>	<b>17,973</b>	<b>317</b>	<b>23,741</b>
Impairment	-	-	(250)	(250)
Disposals	(34)	(97)	-	(131)
Transfers	-	67	(67)	-
<b>Cost at 31 March 2021</b>	<b>5,417</b>	<b>17,943</b>	<b>-</b>	<b>23,360</b>
<b>Amortisation</b>				
<b>At 1 April 2019</b>	<b>5,046</b>	<b>17,803</b>	<b>-</b>	<b>22,849</b>
Charge for the year	147	118	-	265
<b>At 31 March 2020</b>	<b>5,193</b>	<b>17,921</b>	<b>-</b>	<b>23,114</b>
Charge for the year	147	64	-	211
Disposals	(34)	(97)	-	(131)
<b>Accumulated amortisation at 31 March 2021</b>	<b>5,306</b>	<b>17,888</b>	<b>-</b>	<b>23,194</b>
<b>NBV 31 March 2021</b>	<b>111</b>	<b>55</b>	<b>-</b>	<b>166</b>
NBV 31 March 2020	258	52	317	627

## 11. Trade and other receivables: current assets

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Trade receivables	858	1,783
Other receivables	501	2,646
Prepayments	7,444	6,062
Staff loans and advances	23	205
Accrued Income – Stakeholder	4,061	2,695
Accrued Income – Grant-in-aid	134	561
Accrued income – WTA Receipts	6,606	1,968
<b>Total trade and other receivables: current assets</b>	<b>19,627</b>	<b>15,920</b>

The decrease in staff loans and advances to 4 in 2020/21 (2019/20: 112) was due to a reduction in season tickets as a result of the pandemic.

## 12. Trade and other receivables: non-current assets

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Accrued Income – Stakeholder	1,069	541
Accrued Income – WTA Receipts	-	3,604
<b>Total trade and other receivables: non-current assets</b>	<b>1,069</b>	<b>4,145</b>

Prior year 'Accrued Income - WTA Receipts' has been restated due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. Note 24 provides further details.

## 13. Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Commercial banks and cash in hand	14,185	13,827
<b>Total cash and cash equivalents</b>	<b>14,185</b>	<b>13,827</b>

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

## 14. Trade and other payables: current liabilities

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Trade payables	78	4,845
Other payables	1,575	582
Value added tax payable	204	268
Accruals	11,079	9,765
Deferred Income – Stakeholder	7,900	9,215
Deferred income – Grant-in-aid	3,811	2,634
Deferred income – WTA Receipts	3,228	1,119
<b>Total trade and other payables: current liabilities</b>	<b>27,875</b>	<b>28,428</b>

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 2020/21 Ofcom achieved on average a performance of 99.51 per cent against these targets (2019/20: 97.92 per cent).

The movement in trade payables and accruals is primarily due to prior year's grant payments settled in 2020/21 in relation to clearance of 700MHz spectrum.

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 2021	As at 31 March 2020
	£'000	£'000
Deferred Income – Stakeholder	7,100	4,894
<b>Total trade and other payables: non-current liabilities</b>	<b>7,100</b>	<b>4,894</b>

Prior year 'Deferred Income - Stakeholder' has been restated due to a revision in the funding source of our Telecoms security duties from stakeholder funding to WTA receipts retention following discussions with DCMS. Note 24 provides further details.

## 16. Lease Liabilities

A maturity analysis of lease liabilities based on undiscontinued gross cash flows is reported in the table below:

	Buildings	Vehicles	Other	As at 31 March 2021	As at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
<b>Maturity analysis – contractual cash flows: undiscounted</b>					
Less than one year	4,894	28	44	4,966	5,017
One to five years	20,286	39	80	20,405	20,026
More than five years	24,331	-	-	24,331	29,462
<b>Total lease liabilities: undiscounted</b>	<b>49,511</b>	<b>67</b>	<b>124</b>	<b>49,702</b>	<b>54,505</b>

Ofcom does not face a significant liquidity risk with regard to its lease liabilities.

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
<b>Amounts recognised in the statement of financial position</b>		
Lease liabilities: current liabilities	4,079	4,052
Lease liabilities: non-current liabilities	40,653	44,522
<b>Total lease liabilities: discounted</b>	<b>44,732</b>	<b>48,574</b>

Leases are discounted at a single nominal rate for leases, which for the full 2021 calendar year is 0.91 per cent (2020: 1.27 percent). 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 2021	As at 31 March 2020
	£'000	£'000
<b>Amounts recognised in the Statement of Income and Expenditure</b>		
Interest on lease liabilities (included in finance costs)	961	1,042
Expenditure relating to short-term leases (included in other operating expenditure)	21	39
Expenditure relating to leases of low-value assets (included in other operating expenditure)	21	22
<b>Amounts recognised in the Statement of Cash Flows</b>		
Total cash outflow for leases	(4,942)	(4,893)

## 17. Provisions for liabilities and charges

	Early retirement	Legal	Total
	£'000	£'000	£'000
<b>At 1 April 2019</b>	<b>182</b>	<b>232,000</b>	<b>232,182</b>
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
<b>At 31 March 2020</b>	<b>166</b>	<b>3,000</b>	<b>3,166</b>
Discount unwound and changes in rate (included in finance costs)	9	-	9
Utilised in year	(14)	(940)	(954)
Provision released	-	(2,060)	(2,060)
<b>Total provisions as at 31 March 2021</b>	<b>161</b>	<b>-</b>	<b>161</b>

<b>Analysis of expected timing of cashflows</b>	Early retirement	Legal	Total
	£'000	£'000	£'000
<b>Current</b>			
Less than one year	12	-	12
<b>Total current</b>	<b>12</b>	<b>-</b>	<b>12</b>
<b>Non-current</b>			
One to five years	48	-	48
More than five years	101	-	101
<b>Total non-current</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>Total provisions as at 31 March 2021</b>	<b>161</b>	<b>-</b>	<b>161</b>

The provision for early retirement of £161k (2019/20: £166k) 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 -0.95 per cent (2019/20: -0.50 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 -0.02 per cent (2019/20: 0.51 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 0.18 per cent (2019/20: 0.55 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 had an ongoing appeal to the Court of Appeal seeking further penal interest on the original ALF repayment sum. This matter was resolved in this financial year with a final payment of £940k awarded. As a result the balance of the provision from 2019/20 year end was released accordingly.

## 18. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £13,580k (2019/20: £12,950k) 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.

## 19. Retirement benefit obligations

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

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

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £6,447k were made in the year ended 31 March 2021 (2019/20: £6,070k). 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 ended 31 March 2021 was £3k in relation to Plan expenses (2019/20: £5k). Employer contributions of £1,560k were transferred from the Feeder Trust account to the Plan in the year ended 31 March 2021 (2019/20: £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 ended 31 March 2021 was £10k in relation to Plan expenses (2019/20: £10k). Employer contributions of £180k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Pension Plan in the year ended 31 March 2021 (2019/20: £180k).

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

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act funding valuations with an effective date of 31 March 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 is expected 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 (further details below). Ofcom also reimburse the Plans for pension related levies.

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.

At the end of May 2020, the Trustee purchased a bulk annuity contract with Legal & General to cover the benefits of all the uninsured members of the Ofcom Defined Benefit Plan who were receiving a pension as at 30 November 2019. In support of this buy in the company paid £1.2m from the Feeder Trust.

Ofcom contributed for the year ended 31 March 2021 £1,080k into the Feeder Trust (2019/20: £540k), the additional funding paid this year provides the opportunity for further de-risking of the liabilities of the Plans. The balance of the Feeder Trust as at 31 March 2021 was £7,737k (2019/20: £8,389k).

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 31 March 2019. This was allowed for as a past service cost in the Statement of Comprehensive Net Expenditure. 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 was allowed for in the Defined Benefit Plan at the 31 March 2019 year end. This was as 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).

### **GMP equalisation of Historic Values**

On 20 November 2020 the latest High Court judgement on GMP equalisation in relation to transfer value payments was made. It concluded that historic transfers since 17 May 1990, which contained GMP accrued after this date, will now need to be equalised. An analysis has not been undertaken to establish the potential liability for the Plans as a result of the latest ruling as there has been relatively limited transfer value activity in the past and therefore the additional liability in relation to any historic transfer values is not expected to be material.

### **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 carried out a public consultation on the matter during 2020, covering the timing and methodology used in any change. The results of this consultation were released on 25 November 2020. It concluded that RPI will be reformed to be in line with the CPIH with the transition taking place during 2030, and that no compensation would be paid to index-linked gilt holders. In response to this announcement, the derivation of RPI and CPI inflation assumptions were reviewed at 31 March 2021.

Ofcom has determined that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases at 31 March 2021, including the changes in the RPI index to CPIH, and the derivation of the RPI inflation assumption at 31 March 2021 has remained consistent with prior years. For the derivation of the CPI assumption, Ofcom has determined that it is appropriate to maintain the approach adopted at the previous year end, resulting in an RPI-CPI differential of 0.85% at 31 March 2021, taking into account the DB plans' characteristics and membership profiles.

## 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 2021	31 March 2021	31 March 2021	31 March 2020	31 March 2020	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Funded status, end of year						
▪ Benefit obligation in respect of deferred members	(85,476)	-	(85,476)	(67,572)	-	(67,572)
▪ Benefit obligation in respect of pensioner members	(186,341)	(1,153)	(187,494)	(169,804)	(1,085)	(170,889)
<b>Total benefit obligations</b>	<b>(271,817)</b>	<b>(1,153)</b>	<b>(272,970)</b>	<b>(237,376)</b>	<b>(1,085)</b>	<b>(238,461)</b>
Fair value of plan assets	286,693	-	286,693	259,802	-	259,802
<b>Funded status</b>	<b>14,876</b>	<b>(1,153)</b>	<b>13,723</b>	<b>22,426</b>	<b>(1,085)</b>	<b>21,341</b>

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

### Covid-19

The pandemic has resulted in significant market volatility impacting both asset values and market yields, which in turn has impacted the pensions in the Statement of Financial Position. In particular, for the DB Plan, there is a mis-match between the change in liabilities and the movement in the plans assets over the year. This has been primarily driven by the decrease in corporate bond yields and increases in inflation expectations, which has increased the liabilities by more than the increase in assets.

### Changes over the year to 31 March 2021

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
<b>Opening value as at 1 April 2020</b>	<b>(237,376)</b>	<b>259,802</b>	<b>22,426</b>	<b>(1,085)</b>	<b>21,341</b>
<b>Administration expenses</b>	<b>-</b>	<b>(623)</b>	<b>(623)</b>	<b>-</b>	<b>(623)</b>
<b>Interest income/(cost)</b>	<b>(5,668)</b>	<b>6,210</b>	<b>542</b>	<b>(26)</b>	<b>516</b>
<b>Employer contributions</b>	<b>-</b>	<b>1,093</b>	<b>1,093</b>	<b>-</b>	<b>1,093</b>
Benefits paid from scheme assets	12,120	(12,120)	-	-	-
Benefits paid directly by Ofcom	-	-	-	70	70
<b>Benefits paid total</b>	<b>12,120</b>	<b>(12,120)</b>	<b>-</b>	<b>70</b>	<b>70</b>
<b>Remeasurements</b>					
<b>Actuarial gains/(losses)</b>	<b>(40,893)</b>	<b>32,331</b>	<b>(8,562)</b>	<b>(112)</b>	<b>(8,674)</b>
<b>Closing value as at 31 March 2021</b>	<b>(271,817)</b>	<b>286,693</b>	<b>14,876</b>	<b>(1,153)</b>	<b>13,723</b>

### Changes over the year to 31 March 2020

	Defined benefit obligation	Assets	Funded pension scheme	Unfunded pensions	Total pension
	£'000	£'000	£'000	£'000	£'000
<b>Opening value as at 1 April 2019</b>	<b>(267,195)</b>	<b>284,886</b>	<b>17,691</b>	<b>(1,211)</b>	<b>16,480</b>
<b>Administration expenses</b>	<b>-</b>	<b>(686)</b>	<b>(686)</b>	<b>-</b>	<b>(686)</b>
<b>Interest income/(cost)</b>	<b>(6,127)</b>	<b>6,536</b>	<b>409</b>	<b>(27)</b>	<b>382</b>
<b>Employer contributions</b>	<b>-</b>	<b>555</b>	<b>555</b>	<b>-</b>	<b>555</b>
Benefits paid from scheme assets	13,012	(13,012)	-	-	-
Benefits paid directly by Ofcom	-	-	-	76	76
<b>Benefits paid total</b>	<b>13,012</b>	<b>(13,012)</b>	<b>-</b>	<b>76</b>	<b>76</b>
<b>Remeasurements</b>					
<b>Actuarial gains/(losses)</b>	<b>22,934</b>	<b>(18,477)</b>	<b>4,457</b>	<b>77</b>	<b>4,534</b>
<b>Closing value as at 31 March 2020</b>	<b>(237,376)</b>	<b>259,802</b>	<b>22,426</b>	<b>(1,085)</b>	<b>21,341</b>

**The amounts recognised in the Statement of Income and Expenditure are as follows:**

31 March 2021	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Interest income/(cost)	542	(26)	516
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>542</b>	<b>(26)</b>	<b>516</b>
Administration expenses	(623)	-	(623)
<b>Net income/(cost) recognised in income and expenditure</b>	<b>(81)</b>	<b>(26)</b>	<b>(107)</b>

**The amounts recognised as Other Comprehensive Expenditure are as follows:**

31 March 2021	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Gains/(losses) on benefit obligations due to changes in financial assumptions	(42,556)	(112)	(42,668)
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(1,066)	-	(1,066)
Gains/(losses) on benefit obligations as a result of member experience	2,729	-	2,729
<b>Total gains/(losses) arising on benefit obligations</b>	<b>(40,893)</b>	<b>(112)</b>	<b>(41,005)</b>
Gains/(losses) on plan assets	32,331	-	32,331
<b>Net gains/(losses)</b>	<b>(8,562)</b>	<b>(112)</b>	<b>(8,674)</b>

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 Income and Expenditure are as follows:**

31 March 2020	Funded pension	Unfunded pension	Total pension
	£'000	£'000	£'000
Interest income/(cost)	409	(27)	382
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>409</b>	<b>(27)</b>	<b>382</b>
Administration expenses	(686)	-	(686)
<b>Net income/(cost) recognised in income and expenditure</b>	<b>(277)</b>	<b>(27)</b>	<b>(304)</b>

**The amounts recognised as Other Comprehensive Income are as follows:**

31 March 2020	Funded pension	Unfunded pension	Total pension
	£'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
<b>Total gains/(losses) arising on benefit obligations</b>	<b>22,934</b>	<b>77</b>	<b>23,011</b>
Gains/(losses) on plan assets	(18,477)	-	(18,477)
<b>Net gains/(losses)</b>	<b>4,457</b>	<b>77</b>	<b>4,534</b>

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 2021 (%)	31 March 2020 (%)
	<b>Total</b>	<b>Total</b>
Global equities (not currency hedged)	2	2
Global equities (currency hedged)	2	2
Corporate bonds	-	6
Index-linked government bonds	-	5
Diversified growth fund	4	4
Liability driven investment portfolio	9	6
Annuities	80	73
Cash and cash equivalents	3	2
<b>Total</b>	<b>100</b>	<b>100</b>

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

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

	31 March 2021 (%)	31 March 2020 (%)
	<b>Total</b>	<b>Total</b>
Discount rate	2.00 <sup>1</sup> / 1.80 <sup>2</sup>	2.45
Retail Price Inflation	3.35	2.65
<ul style="list-style-type: none"> <li>▪ Future pension increases (RPI)</li> </ul>	3.35	2.65
<ul style="list-style-type: none"> <li>▪ Future pension increases (CPI max 3%)</li> </ul>	2.15	1.70

1 DB Plan

2 Ofcom Plan (Former ITC Plan)

**The Ofcom pension plan is composed of two separate plans and the Principal demographic assumptions at the date of the Statement of Financial Position are as follows:**

	DB Plan	DB Plan	ITC Plan	ITC Plan
Expected lifetime of a member aged 60 who is...	Currently aged 40	Currently aged 60	Currently aged 40	Currently aged 60
Male	29	28	29	28
Female	31	30	32	30

### Sensitivity to changes in principal assumptions used

Change in assumption	Impact on					
	DB Plan			ITC Plan		
	Defined benefit obligations	Assets	Funded status surplus	Defined benefit obligations	Assets	Funded status surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Discount rate</b>						
Increases by 0.50%	decrease by £6,583	decrease by £6,980	decrease by £397	decrease by £11,634	decrease by £11,634	No change
Falls by 0.50%	increase by £7,545	increase by £7,995	increase by £450	increase by £12,971	increase by £12,971	No change
<b>Retail Price Inflation</b>						
Increases by 0.50%	increase by £7,335	increase by £7,787	increase by £452	increase by £11,021	increase by £11,021	No change
Falls by 0.50%	decrease by £6,473	decrease by £6,880	decrease by £407	decrease by £10,020	decrease by £10,020	No change
<b>Expected lifetime of a member aged 60</b>						
Increases by 1 year	increase by £3,131	increase by £1,623	decrease by £1,508	increase by £10,976	increase by £10,976	No change
Decreases by 1 year	decrease by £3,076	decrease by £1,611	increase by £1,465	decrease by £10,637	decrease by £10,637	No change

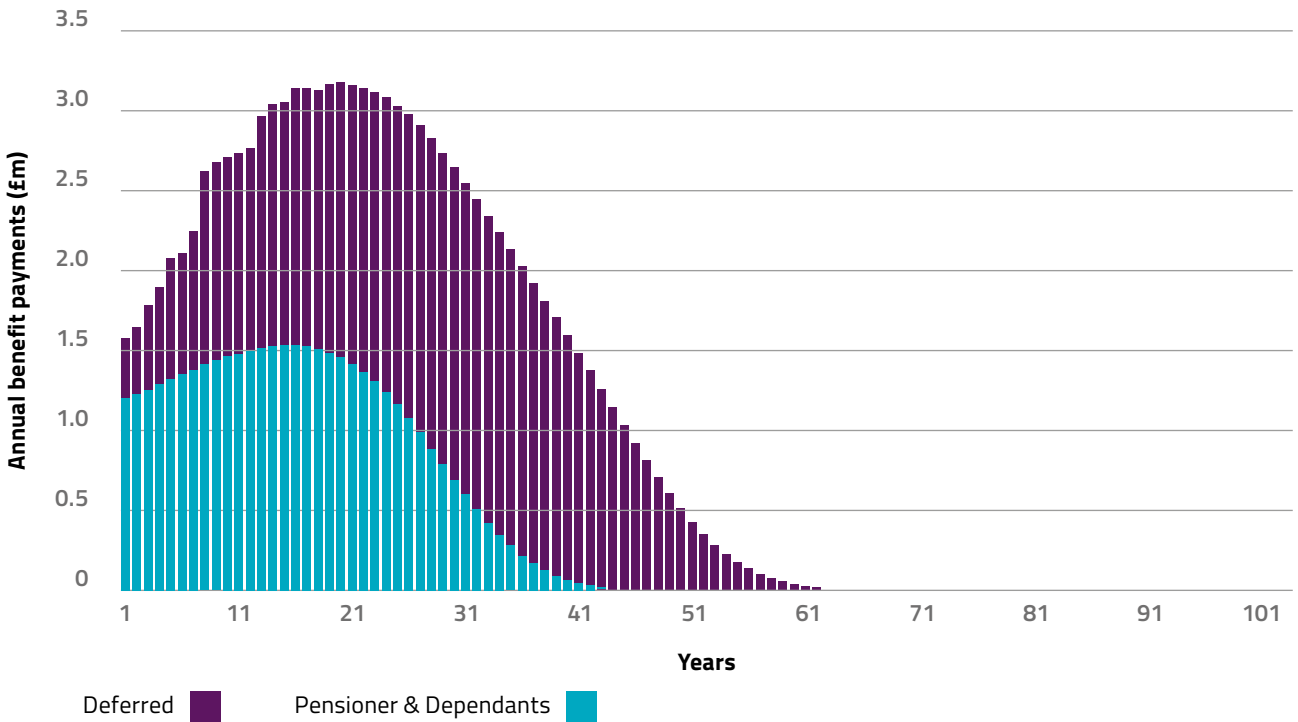
### Liability profile of defined benefit plans

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.

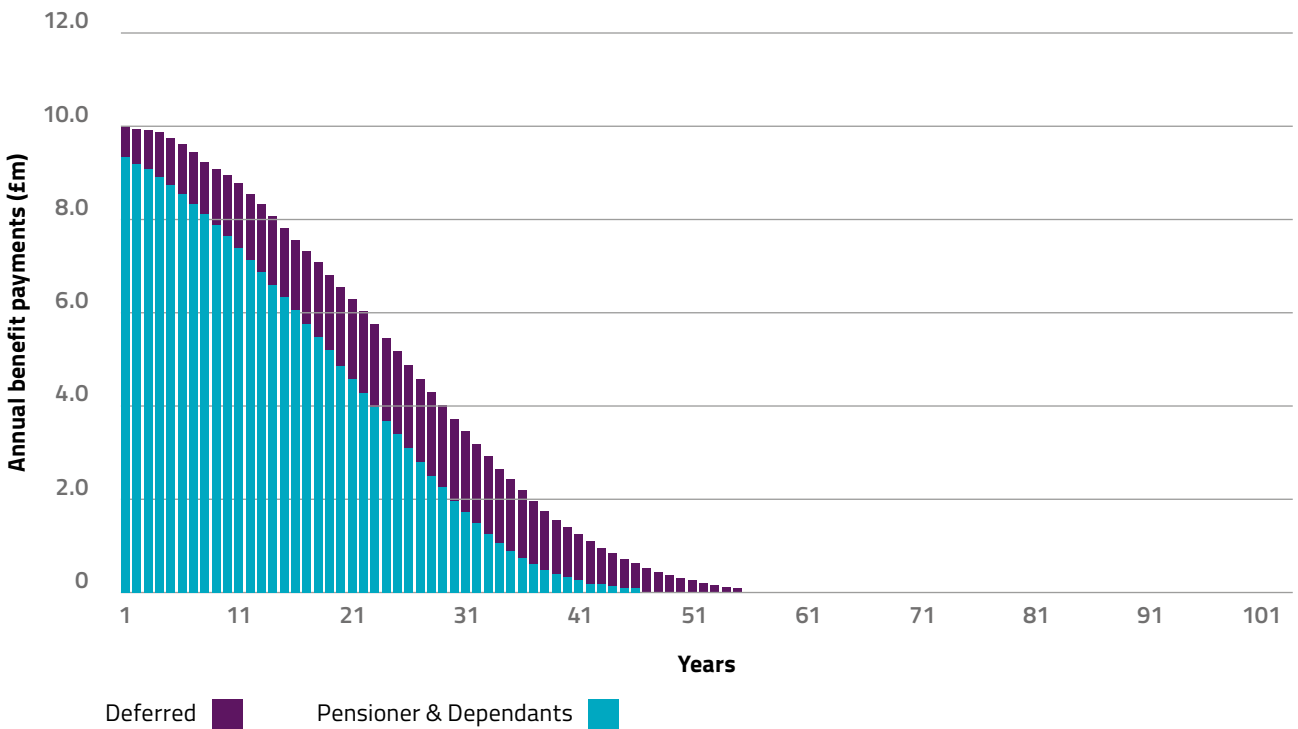
The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

### 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



## 20. Financial instruments

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32 Financial Instruments, specifies the presentation for financial instruments, requiring disclosure of the role they 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.

## 21. 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 19 for further disclosure.

At 31 March 2021, the following payable was held in respect of grant-in-aid due by DCMS:

- Spectrum clearance – £3,811k (2019/20: £2,590k payable)

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

## 22. Capital commitments

At 31 March 2021, there were capital commitments of £136k for the purchase of various office and field equipment (2019/20: £1,323k – Landlord funded capital commitment for the refurbishment work to their property).

## 23. Receipts transferred to/from the Consolidated Fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £20,647k (2019/20: £10,985k) 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 £63,840k (2019/20: £56,828k) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

WT Act license fees of £328,321k (2019/20: £312,800k) was remitted to DCMS for transfer to the Consolidated Fund.

## 24. Prior Year Adjustment

A prior period adjustment has been made to recognise a change in funding for our Telecoms security related work in the Telecoms sector which has been revised from stakeholder funding to WTA receipts retention following discussions with DCMS. An amendment to the Communications Act in 2011 which required Ofcom to carry out Telecoms security functions did not permit those costs to be recovered from stakeholders. An agreement has been reached with DCMS for these costs to be funded via WTA retention as the alternative funding source available to Ofcom. Note 2 has been amended to reflect that the amounts collected from stakeholders, £5,220k (of which £3,604k relates to prior years and £1,616k to 2020/21) has now been recognised as deferred income in the Networks & Services sector, to be offset against the 2022/23 fees. Note 3 and Note 12 have been amended in respect of the matching prior year accrued income £3,604k reflecting these costs have now been funded from WTA receipts. Note 15 has been amended in respect of the additional prior year element of stakeholder income £3,604k now treated as deferred.

## 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 2021/22 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 the pandemic, Ofcom has adapted to alternative working arrangements. Ofcom believes the pandemic continues to have no impact on the basis for going concern.