



Section 400 Licence Fees and Penalties Account

Year ended 31 March 2008

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SECTION 400 ACCOUNTS: REVIEW OF 2007/08

Background

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments. The revenue collected is from three sources:

- Wireless Telegraphy Act licence fees;
- Additional Payments from television and radio licensees; and
- Financial penalties.

These monies are passed to the UK Exchequer 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, either directly or via the Department for Business Enterprise & Regulatory Reform (BERR).

There are no sums included in these accounts under Section 400(1b) of the Act, relating to bids for the allocation of telephone numbers, because no amounts were received in the year.

In total Ofcom passed £230.9m (2006/07: £229.9m) to the public purse, as outlined below.

Wireless Telegraphy Act licence fees

On 31 March 2008 there were 52,506 (2006/07: 53,498) Wireless Telegraphy Act (WT Act) licences under issue, divided into a number of categories. WT Act licenses are held by a wide variety of users, from taxi companies to mobile phone operators and television and radio broadcasters.

In 2007/08 Ofcom passed £173.6m (2006/07: £170.4m) collected from WT Act licensees and the interest earned on cash balances held to BERR.

Additional Payments

The Broadcasting Act 1990 required that certain television and radio licences should be awarded after a process of competitive tender. The applicable licences for the 2007/08 accounts are the television programmes services for Channel 3, Channel 5, Public Teletext, commercial additional services licences and the national radio and additional services licences.

Holders of these licences are required to make additional payments to Ofcom. These payments are made up of two components: a pre-determined annual fixed payment (known as cash bids) which is increased annually in line with RPI; and a fee based on a percentage of the broadcasters' advertising and sponsorship revenue (qualifying revenue).

In 2007/08 Ofcom received £53.1m (2006/07: £63.4m) in additional payments from broadcasters. The cash bid element totalled £9.4m (2006/07: £8.9m) and payments generated from the percentage of qualifying revenue were £43.7m (2006/07: £54.5m).

The overall reduction is predominantly due to the trend in the increase of digital penetration rates in Television and Radio sectors reducing the advertising and sponsorship revenues of licence holders. The review of financial terms for the Independent Radio Licences undertaken in 2006 also led to one licensee paying a lower percentage rate of qualifying revenue from October 2007 and a reduced cash bid payment in 2008.

Financial penalties

Under the Communications Act 2003 and the Broadcasting Act 1990 & 1996, Ofcom has the power to fine individuals/organisations for breaches of a code or licence terms.

During 2007/08 Ofcom collected fines totalling £4.2m (2006/07: £0.4m). The material increase is a result of the financial penalties imposed in the broadcasting sector due to serious breaches of the ITC Programme Code 2002 by broadcasters in respect of the use of Premium Rate Telephone Services in Participation TV.

List of penalties imposed during 2007/08 are published on Ofcom's website and can be found at:
http://www.ofcom.org.uk/about/accoun/reports_plans/annrep0708/penalties/

Section 400 Licence Fees and Penalties do not form part of Ofcom's reported revenue, and all receipts on the face of these accounts were excluded from revenue in Ofcom's Financial Statements.

All monies were passed to the UK Exchequer and, where appropriate, to the Treasuries of Northern Ireland, the Isle of Man, Jersey and Guernsey.

Auditors

These financial statements are audited by the Comptroller and Auditor General. So far as the Accountable Officer is aware, there is no relevant audit information of which the National Audit Office is unaware, and the Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Ed Richards
Chief Executive
Office of Communications

Date: June 2008

STATEMENT ON OFCOM'S RESPONSIBILITIES WITH RESPECT TO THE FINANCIAL STATEMENTS

Under Section 400(4) of the Communications Act 2003 Ofcom is required to prepare a statement of accounts for each financial year in respect of the Licence Fees & Penalties listed in Section 400(1), and the payment of such receipts to the Consolidated Funds of the United Kingdom and Northern Ireland respectively. The accounts also show payments to the Treasury of the Bailiwick of Jersey, the Treasury of the Bailiwick of Guernsey, and the Treasury of the Isle of Man.

The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year, and the cash balances held at the beginning and end of the year.

As the senior full time official of Ofcom, the Chief Executive is the Accountable Officer for these accounts. His relevant responsibilities as Accountable Officer include responsibility for the propriety and regularity of the public finances for which he is responsible and for the keeping of proper records. The Chief Executive has specific responsibilities for ensuring that the terms of the Financial Memorandum issued by the Secretaries of State for Business, Enterprise and Regulatory Reform and for Culture, Media and Sport are complied with.

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Ofcom's policies, aims and objectives, including those specified by Section 400 of the Communications Act 2003, while safeguarding the public funds and Ofcom's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money and in the Ofcom Financial Memorandum issued to me by the Secretaries of State for Business, Enterprise and Regulatory Reform and for Culture, Media and Sport.

I am required to advise the Board if any action would infringe upon the requirements of propriety or regularity or upon my wider responsibilities for value for money.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Ofcom's system of internal control is based on an ongoing process designed to:

- identify and prioritise risks to the achievement of Ofcom's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and their impact should they be realised;
- manage those risks efficiently, effectively and economically; and
- integrate risk management into Ofcom's wider set of management processes.

The system of internal control based on the above objectives has been in place in Ofcom for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

Capacity to handle risk

Ofcom has developed an effective risk management strategy around four key principles:

- clear ownership of roles and responsibilities;
- establishment of corporate systems to identify, report and evaluate risks and their potential impact;
- ensuring colleagues have the appropriate skills to identify and assess the potential for risks to arise in the delivery of Ofcom's remit; and
- The creation of a culture which supports well-managed risk-taking where to do so is likely to lead to sustainable improvements in service delivery.

Ofcom recognises, however, that organisational risk tolerance will vary dependent on the circumstances. Ofcom remains highly risk averse in certain areas of its core operational activities but will tolerate, or even encourage, greater risk-taking in other, more policy-focused areas in order to achieve beneficial changes for citizens and consumers. This acceptance of a higher level of risk does not, of course, override the need for a full evaluation of such risk before such activities are undertaken, nor override the need to take appropriate actions to manage risk effectively within the tolerances adopted.

Ofcom has therefore developed appropriate processes for the systematic identification, evaluation and control of risk and has further enhanced these in 2007/08.

The risk and control framework

Executive Committee Role

Under Ofcom's risk management arrangements the Executive Committee has a key role in managing Ofcom's risk profile and considering the main risks which might prevent achievement of its policies, aims and objectives. The Committee met weekly for most of 2007/08 and is the most senior internal management committee of Ofcom. To reflect Ofcom's maturing management arrangements, the committee moved to monthly meetings from February 2008 onwards with a newly reconstituted Operations Management Board, meeting every two weeks, taking on more of the decision making processes.

All members of the Executive Committee are committed to undertake regular reviews of the major areas of risk for which they are responsible and to work with their teams to ensure that all Ofcom colleagues are able to identify and highlight risks attached to their areas of activity and to take appropriate action to manage such identified risks.

This identification process is intended to establish the priority policy and operational risks which could affect Ofcom's ability to deliver its Annual Plan objectives. Actions to address priority risks are reviewed by the Executive Committee on a monthly basis and, periodically, the list of priority risks is reviewed to assess its continuing relevance with risks added or removed as appropriate.

In addition, individual risk registers have been maintained, in an appropriate form, for each functional area within the organisation. Members of the Executive Committee are responsible for managing the risks in their areas. They must do so in a manner in keeping with Ofcom's overall tolerance of risk.

As part of the annual planning process carried out in relation to 2008/09, all projects have been assigned a risk ranking to help prioritise Ofcom's forthcoming work. All project managers are required to identify risks attached to their projects and to put in place measures to manage such identified risks, and a section within decision papers is designed to make key risks and their management visible to decision makers.

The Directorate of Planning and Development, is responsible for the overall co-ordination of the risk identification and assessment process and works with the Executive Committee and the project teams on risk identification and management.

Ofcom's profile of prioritised risks is reviewed annually following the business planning cycle.

Risk management reporting and reviews

Actions identified, implemented and embedded into Ofcom include:

- a weekly report by the Communications Director and Director of the Chief Executive's office of current concerns in terms of stakeholder relations;

- a monthly Management Information report circulated to all members of the Executive Committee which incorporates:
 - the register of priority risks updated by the Executive Committee risk owners. Each month this is reviewed by the Executive Committee to help monitor risks at a corporate level; and
 - exception-based reporting of other high and medium level risk status projects across the organisation, litigation risks, financial and other operational risks.
- a review at each meeting of the Audit Committee of Ofcom's litigation risks and security risks. The Committee annually reviews Ofcom's financial statements and committee members regularly receive Ofcom's monthly management information pack;
- an annual risk review to analyse the adequacy of the risk identification and monitoring process, based on the Government's Risk Management Assessment Framework;
- an annual review and discussion of internal controls by the Board with the Chairman of the Audit Committee; and
- the carrying out of impact assessments (as required by the Communications Act 2003) designed to identify, *inter alia*, the risks attached to proposed policies to be introduced by Ofcom.

Ofcom has taken action during 2007/08 to tighten security over its handling of personal and sensitive information. Further steps to ensure continued security of information will be taken during 2008/09.

Integrated approach to risk management

Risk management processes, set out in a risk management policy document incorporating risk assessment criteria, are integrated into project management system for policy projects. Other aspects of the integrated approach are set out below:

- colleagues capacity to handle risk is reinforced by face to face risk management briefings for management teams in policy groups and by the continuing focus of management review boards on what could prevent delivery of planned outputs or achievement of policy or operational outcomes;
- during 2007/08 the role of steering groups was expanded including responsibility, where appropriate, for considering the risk approach relevant for projects within its remit and to review risk management actions at a more detailed level;
- application of Treasury management policy and procedures aligned with the risk management policy;
- appropriate controls on the delegated authorities from the Board to colleagues both to agree policy decisions and to commit to expenditure;
- an internal audit plan agreed annually between the Audit Committee and the internal auditors with regular reviews by the internal auditors of the appropriateness of Ofcom's system of internal controls together with recommendations for improvement;
- the maintenance of a 'whistle-blowing' or 'protected disclosure' policy to enable Ofcom colleagues to communicate concerns to an independent member of the Executive Committee;
- the operation of a security policy dealing with all aspects of security including personal, document and IT; and
- a Health and Safety Policy including required practices for risk assessment and management.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the executive managers within Ofcom who have responsibility for the development and maintenance of the internal control framework, the work of the internal auditors and comments made by the external auditors in their management letter and other reports.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is as follows:

The Board

The Board has overall responsibility for monitoring the effectiveness of Ofcom's system of internal controls and receives regular reports from the Audit Committee.

The Audit Committee

The Audit Committee plays an important role in managing risk within Ofcom. It is constituted in line with Treasury guidance, with Non-Executive Members of the Ofcom Board on the Committee and an independent Non-Executive in the Chair with direct access to the Chairman of Ofcom. The Audit Committee reviews the effectiveness of the risk management process. It meets not less than three times each year.

I am not a member of the Committee but attend most of its meetings, as do our internal auditors and our external auditors, the National Audit Office. The Committee's terms of reference incorporate a right of access to the Chair for both the internal and external auditors.

Internal Audit

The internal audit function was outsourced to KPMG in November 2003 and re-tendered and won by KPMG in 2006. It carries out its work in accordance with the Internal Audit plan that is approved by the Audit Committee and which is designed to allow internal audit to make a statement on the adequacy and effectiveness of Ofcom's risk management, governance and control processes for the year.

The Audit Committee receives regular reports from internal audit. These reports identified a number of opportunities for improving controls and procedures, which management has responded to positively, and concluded in the year under review that based on the work undertaken; Ofcom has a satisfactory system of risk management, governance and control.

Annual risk review

A number of recommendations arising from the risk review carried out in the first half of 2007/08 were addressed during the year, enhancing Ofcom's risk profile and processes. These enhancements included:

- new role for steering groups: remit to include, as appropriate, agreeing risk approach with project teams;
- integrate risk refresh as part of 2008/09 strategy planning in Sept 2007 Board away day;
- improving our prediction and response to emerging risks, through better understanding of stakeholders particularly regarding new business models;
- more robust internal review and challenge of significant linked policy-implementation-operational activities;
- more scenario planning to consider possible risks to policy outcomes and potential responses.

Other assurance mechanisms

A number of financial control processes have been maintained. The Finance department produces monthly management accounts which are reviewed by budget holders, the Executive Committee and Board on a monthly basis to identify departures from the original budget.

Ofcom re-forecasts its expenditure and outputs (primarily planned consultation documents and policy statements) on a quarterly basis to take into account changes in the work required to meet its strategic objectives and ensure that it operates within the financial targets of the Annual Plan. The Annual Plan is prepared following consultation with stakeholders and a rigorous internal approach involving project managers, the Executive Committee and final approval by the Board.

Capital expenditure projects are approved on an individual basis through presentation of a business justification, risk assessment and discounted cash flow forecast to the Operations Board, and where they exceed certain expenditure thresholds, the Executive Committee and the Board.

During 2007/8 Ofcom's IS renewal programme completed the development of a new system for spectrum licensing covering fixed links; this was implemented in April 2008. The renewal programme was subject to an internal review in the year resulting in re-planning of tasks and a new governance structure. Risks

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identified have been closely monitored at project management, Operations Board and Board level and appropriate action taken to address cost, time and functionality risks and issues.

Executive Committee members provide to the Accountable Officer a signed annual assurance statement in relation to their operation of internal controls for the major areas of risk they are responsible for.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. It is my belief that there are satisfactory processes in place for identifying, evaluating and managing the significant risks faced by Ofcom in connection with the requirements under section 400 (4) of the Communications Act 2003.

Ed Richards
Chief Executive
Office of Communications

Date: June 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office of Communications Section 400 Licence Fees and Penalties for the year ended 31 March 2008 under Section 400(6) of the Communications Act 2003. These comprise the Receipts and Payments Account, Statement of Cash Balances and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Office of Communications, Chief Executive and Auditor

The Office of Communications and Chief Executive as accountable officer are responsible for preparing the Review of 2007/08 and the financial statements in accordance with Section 400 (4) of the Communications Act 2003 and the Secretaries of State for Business Enterprise and Regulatory Reform and Culture, Media and Sport, and directions made there under for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Office of Communications' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with Section 400 (4) of the Communications Act 2003 and the Secretaries of State for Business Enterprise and Regulatory Reform and Culture, Media and Sport directions made there under. I report to you whether, in my opinion, the information included in the Review of 2007/08 is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

In addition, I report to you if the Office of Communications has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or the information specified by relevant authorities is not disclosed.

I review whether the Statement on Internal Control reflects the Office of Communications compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Office of Communications corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Office of Communications and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of Communications circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion:

- the financial statements properly present in accordance with Section 400 (4) of the Communications Act 2003 and directions made there under by the Secretaries of State for Business Enterprise and Regulatory Reform and Culture, Media and Sport, the receipts and payments of the Office of Communications Section 400 Licence Fees and Penalties for the year ended 31 March 2008, and the cash balances held at that date;
- the financial statements have been properly prepared in accordance with Section 400 (4) of the Communications Act 2003 and Secretaries of State for Business Enterprise and Regulatory Reform and Culture, Media and Sport directions made there under; and
- the information included in the Review of 2007/08 is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

**T J Burr
Comptroller and Auditor General**

**National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS**

Date: 2008

RECEIPTS AND PAYMENTS ACCOUNTS
for the year ended 31 March 2008

	Notes	Year Ended 31 March 2008 £'000	Year Ended 31 March 2007 £'000
Additional Payments by licensees	2	53,098	63,405
Refunds	3	(32)	(4,300)
Interest paid on overpayments		-	(29)
NET ADDITIONAL PAYMENTS BY LICENSEES		53,066	59,076
Payments under the Wireless Telegraphy Act 1998 (c.6)	4	124,324	119,536
Fees received from Government Departments	5	50,339	49,907
Interest Received		507	193
TOTAL SPECTRUM FEE PAYMENTS RECEIVED		175,170	169,636
Financial penalties	7	4,199	422
TOTAL RECEIPTS FOR THE YEAR		232,435	229,134
Payments to Department for Business Enterprise & Regulatory Reform	4 & 6	(173,607)	(170,443)
Payments to the United Kingdom Consolidated Fund		(55,870)	(58,117)
Payments to the Northern Ireland Consolidated Fund		(1,363)	(1,351)
Payments to the Treasury of the Isle of Man		(18)	(16)
Payments to the Treasury of the Bailiwick of Jersey		(12)	(5)
Payments to the Treasury of the Bailiwick of Guernsey		(8)	(3)
NET PAYMENTS TO CONSOLIDATED FUNDS AND TREASURIES		(57,271)	(59,492)
TOTAL PAYMENTS FOR THE YEAR		(230,878)	(229,935)
EXCESS/(DEFICIT) OF RECEIPTS OVER PAYMENTS FOR THE YEAR		1,557	(801)

STATEMENT OF CASH BALANCES
as at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
Balance at beginning of the year		3,024	4,175
Refund to auction bidders from previous year	9	(50)	(400)
Excess/(Deficit) of receipts over payments for the year		1,557	(801)
Balance at end of year		4,531	2,974
Spectrum auction deposits	9	-	50
TOTAL CASH BALANCE		4,531	3,024
CASH BALANCE OWED TO			
Department for Business Enterprise & Regulatory Reform	8	4,530	2,967
Consolidated Funds and Treasuries		1	7
		4,531	2,974
Refundable to auction bidders		-	50
		4,531	3,024

The Notes on pages 13 to 15 form part of these accounts.

Ed Richards
Chief Executive
Office of Communications

Date: June 2008

NOTES TO THE ACCOUNTS For the year ended 31 March 2008

1. Basis of Accounting

These accounts are prepared on a receipts and payments basis in accordance with the provisions of Section 400(4) of the Communications Act 2003. They also show the amounts paid to the Treasury of the Isle of Man, the Treasury of the Bailiwick of Jersey, and the Treasury of the Bailiwick of Guernsey under Statutory Instrument 1991, Nos. 998, 1710, and 1709 respectively.

There were no receipts or payments to disclose in these accounts in accordance with the provision of Section 38(5) of the Broadcasting Act 1996 because the Secretary of State has, by Order, set the percentage of multiplex revenue on multiplex licences at zero for the first twelve years.

2. Additional Payments

Additional payments by television licensees are stated after the deduction of £167.5m (2006/07: £155m) from licensees' payments which is as a result of applying the digital terrestrial and multi-channel penetration percentage rates to the qualifying revenue. This included rebates totalling £0.8m (2006/07: £0.8m) relating to the first quarter of the previous financial year. Data from BARB reports, which are published quarterly, were used to calculate the correct digital terrestrial television and multi-channel penetration rates and rebates totalling £5.2 m (2006/07: £2.4m) were made to the television licensees pertaining to the first three quarters of this financial year.

For radio licensees, additional payments stated are calculated after the deduction of £11.0m (2006/07: £8.2m) which is as a result of applying the digital penetration percentage rates to the qualifying revenue. Following the decision to use RAJAR data to calculate a digital rebate for the national radio licensees, rebates totalling £0.1m (2006/07: £0.8m) were made during the year to the holders of the three independent national radio licences.

3. Refunds

In 2007/08 £0.03m was refunded due to an overpayment. In 2006/07, £4.3m was refunded, of which £2.1m related to the financial review of the television programme services licences that took place during 2006 and 2007. This was funded from cash received from other licensees in the month but not transferred to the Consolidated Funds and Treasuries.

4. Payments under the Wireless Telegraphy Act 1998

Section 400(2) of the Communications Act requires that, subject to the refunds described in Note 2 and the retention of funds to cover costs as described in Note 6, all amounts from the list in Section 400(1) paid to Ofcom, including payments under the Wireless Telegraphy Act 1998 (c.6), should be passed to the appropriate Consolidated Fund. Currently, however, Wireless Telegraphy Act receipts are being paid to BERR, as directed by the Treasury in accordance with its powers under the Government Resources and Accounts Act 2000 and the annual Appropriation Act.

In the period of these accounts, £173.6m (2006/07: £170.4m) was paid to BERR in respect of spectrum fees received and interest earned on cash balances held.

5. Fees Received from Government Departments

Under Section 163 of the Communications Act, Ofcom receives fees for spectrum use from certain Government departments. These are not Wireless Telegraphy Act payments, but are in all respects treated in the same manner as described in these notes for cash received from commercial licensees. During the period under review, fees totalling £50.3m (2006/07: £49.9m) was received from Government

departments. They have been included in these accounts, although this is not specifically required by Section 400 of the Communications Act.

6. Sums Retained from Wireless Telegraphy Act Payments

Under Section 401 of the Communications Act, Ofcom has the power, subject to Treasury approval, to make a statement of principles under which any or all of the amounts collected under the Wireless Telegraphy Act can be retained to offset the costs of carrying out the spectrum functions detailed in subsection 401(4) of the Act.

To date, no such statement has been made and no sums have been retained for this purpose. Instead, during the year under review, grants totalling £74.7m (2006/07: £71.2m) were received from BERR, under the legislative powers referred to in Note 4, to cover the costs of spectrum management, of which £25.8m (2006/07: £23.8m) was received in advance to cover costs in the first quarter of the following year.

During the year under review, the actual costs, net of prior year unused grant, incurred by Ofcom was £73.1m (2006/07: £71.9m), leaving no (2006/07: £0.5m) grant outstanding to be set against future costs. These grants and the related costs are accounted for in Ofcom's main accounts.

A statement of the net spectrum fees payable by BERR to the Consolidated Fund is given below.

	31 March 2008	31 March 2007
	£'000	£'000
Spectrum fees transferred		
Wireless Telegraphy Act cash transferred	123,268	120,536
Non-WTA spectrum fees transferred	50,339	49,907
Total spectrum fees transferred by Ofcom to BERR for surrender to the Consolidated Fund	173,607	170,443
Related Costs		
Grant in Aid paid to Ofcom for other spectrum funding (including spectrum auctions)	(6,920)	(5,939)
Spectrum management Grant in Aid paid to Ofcom	(74,735)	(71,187)
Total Spectrum Grant received by Ofcom from BERR	(81,655)	(77,126)

7. Financial Penalties

Penalties imposed and paid in the year were as follows:

	31 March 2008	31 March 2007
	£'000	£'000
Sector		
Broadcasting	4,154	210
Networks & Services	45	212
	4,199	422

All details of the penalties can be found on the following Ofcom website:
http://www.ofcom.org.uk/about/accoun/reports_plans/annrep0708/penalties/

NOTES TO THE ACCOUNTS- continued
For the year ended 31 March 2008

8. Balance at End of the Financial Year

The cash balance of £4.5m (2006/07: £3.0m) at the end of the year was deposited in a bank account controlled by Ofcom. It predominantly consisted of Wireless Telegraphy Act fees received into the bank account on the last day of the year and payable to BERR for onward transmission to the Consolidated Fund. This balance will be included in the payment made to BERR in the following month.

9. Spectrum Auctions

On the 21 March 2007, Ofcom received £0.05m initial deposits from companies taking part in the auction of a WT Act licence for use of the 1785-1805 MHz band in Northern Ireland of spectrum. Ofcom held the funds in respect of two deposits in a separate bank account. Except in certain circumstances specified in the relevant Regulations, these deposits are refundable to unsuccessful bidders. The licence was awarded on 10 May 2007 at a price of £0.4m. The deposits of the unsuccessful bidders were repaid in May 2007 and the deposit of the successful bidder was included in the receipts and payments accounts.

A further auction took place in January 2008 for the 10, 28, 32 & 40 GHz spectrum. Eleven initial deposits totalling £0.3m were received in mid January. 10 Licences totalling £1.4m were awarded before the end of February. The deposits of the unsuccessful bidders were refunded in February 2008.

After year-end, 10 deposits totalling £0.5m were received for the auction of 1452-1492 MHz in early April. These deposits are not included in the amounts above.

The receipts from the auction awards are included in the payments under the Wireless Telegraphy Act figure and the amount received was transferred to BERR.