

SECTION A

Performance Report

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



Overview

Our powers and duties

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

Our principal duty is to further citizen and consumer interests

Ofcom was established under the Office of Communications Act 2002 and operates under a number of Acts of Parliament¹. The Communications Act 2003 states that our principal duty is 'to further the interests of citizens in relation to communications matters, and to further the interests of consumers in relevant markets, where appropriate by promoting competition'. In postal services, we must carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws.

We are independent of Government and the companies we regulate, and our duties are set out in statute, making us accountable to Parliament.



Our legal duties guide the direction of our work

Our main legal duties are to ensure that:

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

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

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

Our values

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

Our values shape how we treat one another, how we work together, how we relate to our stakeholders, how we judge performance and how we collaborate to achieve our priorities.

Our values are central to our effectiveness and they support the organisation we want to be.



collaboration



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Performance Review

Highlights for 2020/21

Playing our part in supporting the UK through the pandemic

- We put measures in place to help people stay connected especially where they might have been struggling to pay for broadband and mobile services.
- We worked with Telecom providers and the UK Government to protect critical telecoms networks.
- Our engineers and technicians worked to keep the mobile airwaves safe and functioning.
- We've allowed companies more flexibility to make decisions in support of critical services, vulnerable people and those reliant on communications.
- We worked with broadcasters to help them maintain high quality production, including changing our approach to enforcement of requirements.
- We made new arrangements for TV and Radio broadcast licence fee payments; worked with DCMS and the Community Radio Fund Panel to pay grants totalling £607k so they could provide crucial local programming;
- We developed new licences for groups and organisations to provide information and alternative services to their communities during the pandemic, such as drive-in entertainment and church services.
- We triggered emergency measures for postal services, allowing Royal Mail to remove Saturday letter deliveries from late April, before resuming six-day deliveries in mid-June.
- As an organisation, we moved to implement remote working of all our colleagues. We put in extra support for our people, both in terms of equipment and their wellbeing, and undertook full risk assessments to ensure our offices met the official guidance.

Better broadband and mobile

- We concluded the Wholesale Fixed Telecoms Market Review, a project to create a regulatory environment to encourage competition and investment in the UK's telecoms network by BT and its competitors. Industry reacted positively and is progressing from 21% today towards 70%+ coverage of the UK with these new networks by mid-2020's.
- The Broadband Universal Service Obligation (USO) allows people who can't get a broadband service with a download speed of 10 Mbit/s and an upload speed of 1 Mbit/s to request an upgraded connection. We confirmed the regulations for the process of compensating Universal Service Providers (BT and KCOM), including how customers' claims would be assessed and determined
- We concluded the award of 700 MHz and 3.6-3.8 GHz spectrum to boost capacity, including 5G mobile services, increasing total spectrum available to the mobile operators by around 18%. This will support future growing data demands and substantially boost consumers' experiences.
- We continued to provide support for the UK Government's Shared Rural Network programme to ensure mobile coverage is widely available to people and businesses. Ongoing progress reporting on compliance with the initial obligations in 2024 will begin in 2021.

Fairness for Customers

- We continued our work to make providers put fairness first. We published a progress report after telecoms and pay-TV companies committed in 2019 to offering fairness for their customers.
- We consulted on a new process to make it easier for all home broadband customers to switch providers across different networks. This is expected to be available to use by December 2022.
- We instructed phone, broadband and pay-TV firms to tell customers when their contract is coming to an end and also inform them about their best available deals. We are monitoring and enforcing these new rules which together with commitments made by the providers will help people save, including the most vulnerable, a total of around £300 million a year.
- We outlined measures to protect customers, especially those who are vulnerable, through the transition from the traditional public switched telephone network (PSTN) to new digital Voice over Internet Protocol services.

Sustaining the universal postal service

- We completed a comprehensive review of the needs of postal users across the UK. This will help to inform future decisions about the universal postal service. Postal regulation must keep pace with changes in the market and remain relevant, fit for purpose, and effective.
- We issued a call for inputs on the future of postal regulation, examining competition in the bulk mail and parcels markets among other things, including whether additional protections for consumer are needed.
- We concluded two post-related investigations looking at Royal Mail's compliance with targets for quality of service and the safeguard cap on second-class letters. We issued fines totalling £1.6 million.

Supporting UK broadcasting

- We continued with Small Screen: Big Debate, our programme of work focused on public service broadcasting (PSB), consulting on options for modernising the PSB framework .
- We assessed 142,660 complaints about TV and radio programmes, a 300% increase compared to last year (2019/20: 34,545), issued 28 breaches of the Broadcasting Code, and imposed 14 sanctions on broadcasters, including 6 financial penalties.
- We launched a review of the interaction between BBC Studios and the BBC's public service activities publishing a call for evidence on this matter. We also consulted on whether the changes BBC Studios had made to its lines of business were appropriate.
- We engaged with the Government on its approach to restrictions on high in fat, salt and sugar (HFSS) advertising on TV and online.

Making sure online communications work for people and businesses

- The Government confirmed it intends to appoint us as the regulator responsible for overseeing online safety. Ofcom will support and inform the development of the Online Safety Bill by providing technical advice on how the regime can work.
- We conducted new consumer research to help our understanding of the potentially harmful experiences of video-sharing platform (VSP) users and their awareness of online safety tools. We consulted on draft guidance for providers on the regulatory requirements.
- We built on our Making Sense of Media (MSOM) programme to help improve the online skills, knowledge and understanding of UK adults and children. We delivered new research into online behaviours to inform the approach to our forthcoming duties.

- We formed the Digital Regulation Cooperation Forum (DRCF) together with the Competition and Markets Authority (CMA), the Information Commissioner's Office (ICO) and the Financial Conduct Authority (FCA) to help bring about greater cooperation in regulating online platforms.

Enabling strong, secure networks

- We worked closely with, and provided guidance and advice to the Government, the National Cyber Security Centre and industry to monitor potential risks to the UK's telecoms networks.
- We provided guidance on updated legislation on Network & Information Systems.
- We engaged with Government, industry, the Telecoms Vendor Diversification Taskforce, and others on strategies to improve telecoms vendor diversity, and the development of open, interoperable telecom systems.
- We worked with Digital Catapult, an agency that works to encourage the adoption of new and emerging technologies, to establish our SONIC (SmartRAN Open Network Interoperability Centre) Labs. These facilities will help to assess and bring about open interoperability in UK telecoms networks, as a step to diversifying equipment supply chains.
- We worked with industry to identify and close gaps in standards and best practice in the resilience of telecoms networks and continue to monitor resilient design in existing telecoms networks.

Increasing Diversity and inclusion

- We published our latest diversity reports for radio and TV, calling on broadcasters to deliver greater change in the number of disabled people they employ and improve the level of representation of people from minority ethnic backgrounds employed in senior decision-making roles.
- We expanded our engagement with major TV and radio broadcasters, to include a quarterly diversity and inclusion roundtable with them. We also continued to participate in public events and meeting with experts, industry bodies and interest groups.

Continuing to innovate in our approach to regulation

- We published a report, Technology Futures, which looked at technologies with the potential to significantly impact communications markets, positively or negatively, in the medium to long term across fixed and wireless networks for broadcast, broadband, mobile and satellite services.

Support through the EU exit transition period and continued international relationships

- We consulted on technical changes to our rules, so they comply with new legislation applicable after the end of the transition period.
- We continued to represent the UK on communications matters internationally.

Response to the pandemic

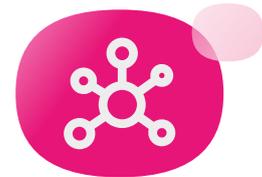
This has been an exceptional year, and keeping communications going across the UK has never been more important. There was significant focus from Ofcom, and the organisations we work with, on responding to the impacts of the pandemic.

Our response to the pandemic focused on four main areas:

Objective	Response from March 2020	Industry response
<p>To protect customers, especially the vulnerable, and ensure high quality content</p> <p>Help people stay connected, provide support through financial struggles, protect them from unexpectedly high bills and ensure the accuracy and impartiality of news and content.</p>	<ul style="list-style-type: none"> ▪ Shift to avoid disconnections for those unable to pay bills, provide connectivity to those who lost fixed services, provide free 101 calls and tackle high charges for hospital phone services. ▪ Worked with telecoms providers to provide practical information to help people and small businesses make the most of their mobile and broadband connections, through our Stay Connected campaign. ▪ Expedited standards enforcement cases involving potentially harmful broadcast content relating to the pandemic. Supported wider efforts to combat disinformation through weekly research on how people receive and act on information during the pandemic. ▪ We issued tips for postal users on post and parcel deliveries during the pandemic, to set consumer expectations and support postal workers and deliverers to keep items moving safely. 	<ul style="list-style-type: none"> ▪ Some telecoms providers took specific additional steps to support their customers, such as providing unlimited calls or increased data allowances. ▪ Broadcasters adapted their schedules to maintain high-quality content to entertain and inform the public, and to ensure accurate and high-quality news. ▪ Postal providers ensured continued delivery, particularly to vulnerable customers, adapting to shifting demand patterns which saw parcels volumes increase significantly.

Objective	Response from March 2020	Industry response
<p>To ensure network resilience and protect critical services</p> <p>Ensure the networks continued to work well as people moved to work and learn from home, stay in touch with friends and family, and keep themselves entertained.</p>	<ul style="list-style-type: none"> ▪ We worked closely with network providers and the UK Government to make sure we were kept informed of the measures that they were taking to manage network demands/congestion effectively, where necessary prioritising action required to protect critical services. ▪ The reliability of 999 and 111 calls was a critical priority. Under Ofcom's rules, providers must ensure that emergency calls can be connected at all times, even in challenging circumstances. We kept in close contact with those responsible for connecting 999 and 111 calls, receiving detailed assurances on the capacity and resilience of both services. At Government request, we acted to introduce the '119' number for use as part of the National Health Service's pandemic response programme. ▪ Ofcom plays a vital role to keep the UK airwaves free from interference. We prioritised action that required us to protect critical services, such as for power networks. Our engineers and technicians were designated as key workers and worked to keep the airwaves safe and functioning. ▪ Investment in fibre and 5G connections remained of critical importance. We pressed ahead with decisions aimed at promoting investment and competition in fibre networks and the release of more airwaves for 5G services. 	<ul style="list-style-type: none"> ▪ Telecoms providers closely monitored traffic on their networks, and measures were taken by content providers, streaming services, content delivery networks and gaming companies, to mitigate the impact of the increased load on the network. Boxing Day saw a new peak of internet traffic, with 210 petabytes of data consumed via the Openreach network. ▪ Fixed data usage has increased almost 80% in two years to 429 GB per connection. Lockdowns also saw a shift in how people use their services. Peak traffic was still in the evenings, but daytime traffic increased significantly. Upload traffic also increased, driven by more use of video calling. ▪ Networks had the capacity to meet these demands and stayed well within capacity limits. Our research shows average broadband speeds dipped slightly in March 2020. ▪ Mobile networks also successfully coped with the increased demands and changes in network traffic patterns, including a shift of hotspots from city centres to the suburbs and residential areas.

Objective	Response from March 2020	Industry response
<p>How best to deliver our full programme of planned work for 2020/21</p> <p>We set out an ambition to conclude our full programme of planned work for 2020/21 despite the pandemic.</p>	<ul style="list-style-type: none"> Engaged closely with stakeholders to review our plans, amending timelines where necessary, to reflect the reality that many of the businesses and organisations we regulate would have to focus time and attention on business-critical issues in the early months of the pandemic. Having moved to initially suspend all existing consultation deadlines, new consultations and information request deadlines, from the beginning of June, we began to issue new publications and information requests in line with our plan of work, focused on priority areas. We kept our plans live and flexible, publishing an updated plan in September, together with quarterly updates on our outputs and milestones. 	<ul style="list-style-type: none"> Ofcom acknowledged that in some cases the implementation of new obligations may need to be delayed. Working with the industry, we moved to establish revised timelines for new obligations, as restrictions eased.



Objective	Response from March 2020	Industry response
<p>Adapt our regulatory approach</p> <p>Taking a pragmatic approach. Compliance with regulation is important. However, we recognised that the impact of the pandemic meant that it may not always be possible to meet certain obligations.</p>	<ul style="list-style-type: none"> ▪ On 24 March 2020 we announced that we would suspend all existing consultation deadlines and information requests, and put on hold new consultations, decisions and information requests. ▪ We took a pragmatic approach to enforcement. We took the view that companies should take decisions that support critical services, vulnerable people and those who were relying on communications services. We supported those decisions where they were in the interests of people and businesses. ▪ We did not formally relax broadcasting licence conditions, but we did consider that ‘force majeure’ was in effect, meaning we would not pursue enforcement action on licence requirements such as programme or production commitments. ▪ With telecoms operators, we temporarily relaxed some requirements (e.g. on automatic compensation and quality of service regulation) and took a pragmatic approach to the enforcement of our rules on end-of-contract notifications which had come into force in mid-February 2020. ▪ In post, we acknowledged that the pandemic represented an emergency situation, allowing Royal Mail to modify its operations and step away from quality of service targets without formal authorisation. 	<ul style="list-style-type: none"> ▪ In the early stages of the pandemic, we recognised that our businesses would need to focus their time and effort on business-critical matters. ▪ As the situation became more manageable and lockdown restrictions began to ease, we moved to ensure that our stakeholders complied with their regulatory obligations as soon as operationally possible.

Our internal response to the pandemic, including how we prepared for any disruption or eventuality and how we supported colleagues, is covered on page 94.

Progress on delivering against our Annual Plan priorities

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

We developed our priority work areas for 2020/21 in line with our duties and strategic goals. Our priorities consider the market context and,

where possible, aim to reflect responses from stakeholder consultation.

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

Delivery key:

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

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

Project may not be completed or significantly delayed.



Better broadband – wherever you are

We will support continued investment and competition in gigabit-capable fixed networks and help customers throughout the UK to get the connectivity they need, by ensuring they can request access to a minimum specification broadband connection.

Priority work areas	Consumer outcomes
Wholesale Fixed Telecoms Market Review (WFTMR) – statutory review of telecoms markets with a focus on deployment of fibre networks.	Broadband: a) We expect gigabit-capable networks to 85%, or more, of the country by 2025 – up from just 3% in 2017 and 37% currently; b) 98% premises receive decent broadband (10Mbit/s download and 1Mbit/s upload speed). Remaining 2% eligible homes can now request a decent connection from a designated universal service provider.
Broadband USO – designating providers and setting requirements.	

Consumer impact

The pandemic has underlined the importance of reliable broadband. And with UK households using 40% more data every year, investment in upgrading the UK's telecoms infrastructure is vital.

The future is gigabit-capable networks, which offer speeds of up to 30 times the current average and are significantly more reliable. These are available to 37% of the UK at present, with Openreach covering around 15% of the country with its own full-fibre gigabit-capable network.

What we've done

Our approach to supporting competition and investment in gigabit-capable networks is focused on encouraging competition between different networks where viable.

In March 2020 we concluded our Wholesale Fixed Telecoms Market Review, a project aimed at creating the regulatory environment to encourage competition and investment by BT and its competitors.

The review laid out the framework for the next five years, which:

- sets wholesale price regulation that encourages investment and promotes competition;
- means the fastest fibre services will be free of pricing regulation;
- allows Openreach to charge a small premium for regulated products that are delivered over full fibre instead of copper, to reflect the superior quality of service;
- lays the foundations for closing Openreach's copper network;
- mandates access for rival companies to Openreach's telegraph poles and underground ducts; and
- addresses the risk of anti-competitive behaviour to give all network builders the opportunity to compete fairly.

The universal service obligation

In 2018, the UK Government introduced legislation for a broadband USO², which was launched on 20 March 2020, giving consumers the right to request a decent broadband connection from British Telecom Plc or Kingston Communication in the Hull area. BT will assess whether consumers are eligible for the broadband USO under established rules. Legislation limits the cost of each connection to £3,400. Where this is exceeded, people have the choice to pay the excess costs themselves.

Ofcom is responsible for implementing the USO, including establishing an industry fund to compensate BT³ for any unfair costs it incurs when delivering the scheme.

In May 2020, we confirmed the regulations for the process of compensating Universal Service Providers, including how such claims would be assessed and determined.

We continue to work with BT and monitor the delivery of the USO. In October we opened an investigation following concerns that BT may not be complying with the regulatory conditions correctly where it assesses excess costs for a given connection. This could result in some customers' quote for a connection being higher than necessary. Our investigation is continuing and we are currently considering our next steps. We will provide further updates over the summer.

Outcomes and next steps

Network competition has helped full-fibre coverage increase at its fastest ever rate over the past year – and this has continued throughout the pandemic. Our regulations build on this momentum – driving competitive commercial investment and supporting the closure of Openreach's 100-year-old copper network, while making sure customers are protected from high prices.

We believe this approach will lead to properties in around 70% of the UK having a choice of networks from competitive commercial providers. Openreach has committed to deploy full fibre to over 6 million properties (c.20%) in more rural areas. The Government plans to cover the remaining portion of the country through public funding.



We can look forward to delivering a gigabit-capable future to around 85%, or more, of the country by the second half of the decade – up from just 3% in 2017.

- The technical specification of the USO include download sync speed of at least 10 megabits per second; an upload sync speed of at least 1 megabit per second; a contention ratio of no higher than 50:1; latency which is capable of allowing the end-user to make and receive voice calls over the connection effectively; and the capability to allow data usage of at least 100 gigabytes per month.
- KCOM considers there are no premises in the Hull area that will need a broadband USO connection as all customers can already receive a decent broadband connection via KCOM's fibre or ADSL services. We don't expect KCOM to submit a net cost claim for this broadband USO.

Our work to deliver the broadband USO will help ensure everyone will have the right to request a decent affordable broadband connection. However, the very high costs of building to the most remote locations might mean the USO will not cater for them so we are considering, with Government, how access to services in the hardest to reach areas can be improved.

Better mobile – wherever you are

We want people to be able to access the mobile services they want wherever they are. To do this, Ofcom continues to make sure that service providers have access to the right spectrum, at the right time, balancing the needs of continually growing consumer demand for mobile services with the needs of other spectrum users.

Priority work areas	Consumer outcomes
700MHz Clearance – moving existing TV broadcast users.	Mobile: a) The clearance of the airwaves was completed in August '20 and additional spectrum was awarded to the mobile operators at the recent Spectrum auction supporting the 5G rollout across UK. b) Stable 4G coverage – More than 91% of the UK landmass has good coverage from at least one operator; c) 5G rollout started May 2019 - There has been around a ten-fold increase in 5G enabled base stations, with around 3,000 base stations now live for 5G services across the UK.
Future spectrum auction (700 MHz and 3.6-3.8 GHz award) and improvements in mobile coverage and services.	

Consumer impact

The pandemic related restrictions experienced over the past year have impacted how and where people have accessed these services, but have only emphasised the importance of good connections.

Meanwhile, mobile operators have now deployed 5G on more than 3,000 mobile sites and an increasing number of private networks offered both by mobile operators and by other service providers.

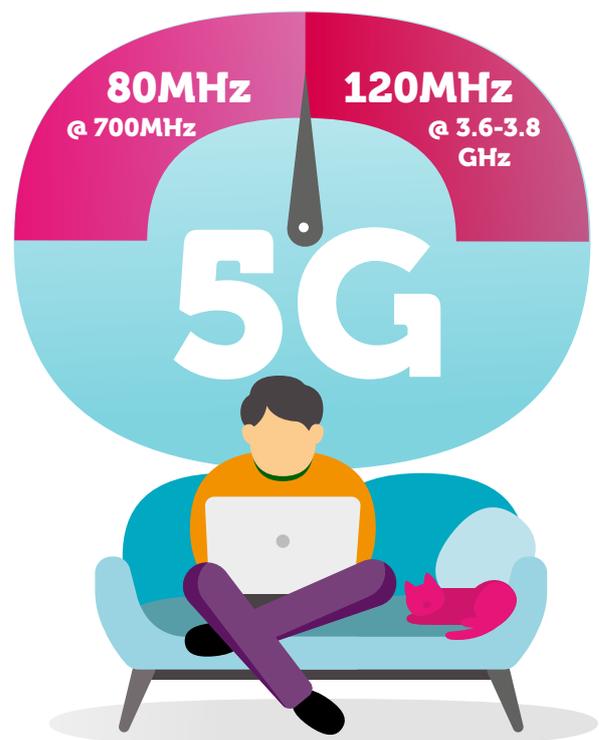
significantly below the original budgetary estimate of up to £550m. The migration of PMSE services was also supported by a funding scheme that disbursed £26m to over 280 claimants.

What we've done

Over the last year, we have continued our programme of work to facilitate innovation and meet growing demand for wireless broadband.

In April this year we concluded the award of additional spectrum to be used by mobile network operators to deliver a range of services, including 5G mobile. This encompasses 80 MHz of spectrum at 700 MHz and 120 MHz at 3.6-3.8 GHz, for which mobile operators paid a total of £1.379 billion. This award has increased the total spectrum available to the mobile operators by around 18%.

The award marks the culmination of more than eight years of work by Ofcom, from the inception of early planning for the clearance of the 700 MHz band in 2012. 700 MHz clearance was successfully completed in the summer of 2020. At £350m, the cost of the DTT clearance programme came in



In 2016, as part of this work, we identified a new spectrum-sharing opportunity for the programme-making and special events (PMSE) sector to mitigate the loss of access to the 700 MHz band and allow the sector space to grow. The Department for Digital, Culture, Media and Sport (DCMS) provided funding for an Ofcom scheme to support PMSE equipment owners who were required to vacate the band. The scheme processed 22,000 applications, including from schools and places of worship, theatres, large hire companies and broadcasters.

We have also undertaken a range of activity that will support spectrum users in the telecoms sector and beyond, including:

- led the way globally in opening access to additional spectrum at 6 GHz for wifi (and short range low powered devices such as connected glasses), which will improve consumer experience at home and support new industrial use cases;
- opened access at 100-200GHz, which will provide further opportunities for innovation from health to precision engineering in years to come;
- consulted on a new spectrum strategy which will provide the foundation for our spectrum management approach, and support wireless innovation, over the next decade;
- ensured efficient use of spectrum through facilitating trading;
- taken steps to ensure WT Act licensees take account of exposure to electromagnetic fields (EMF) when installing and using radio equipment;
- undertaken work to remove fixed link licensees from the 1492 – 1517 MHz band and 1350 – 1375 MHz sub-band, in line with a pan-Europe position to assign this band for wireless broadband and in preparation for making such an assignment in the UK; and
- continued keeping the airwaves safe and free from interference across the UK, working with and across a range of sector from flight control to shipping, satellite, emergency services and the utilities sector.

Throughout the public health restrictions, we have continued with our spectrum monitoring work and continued to respond to reports of harmful interference affecting our spectrum users and critical national infrastructure.



Outcomes and next steps

With the spectrum auction complete, mobile operators can use these airwaves to rapidly rollout better mobile services to people across the UK, supporting the ongoing launch of new 5G connections for people and businesses.

In March 2020, the Government announced funding for the Shared Rural Network (SRN) being built by the four mobile network operators (EE, O2, Three and Vodafone), designed to improve mobile coverage, particularly in rural areas, by taking 4G coverage to 95% (between 79% and 85% for individual operators today) of the UK's landmass by 2025. We will continue to provide support for the programme, including reviewing progress of the operators on the delivery of their commitments.

We will also build on our ongoing work to understand demand for wireless connectivity across different industry sectors. As part of this,

we will continue to raise awareness of the new local licensing approaches we have introduced and look to implement a fully automated authorisation approach for access to the shared bands and to provide a platform for more efficient access to more spectrum in specific locations in the future.

We will bring forward proposals for access to the 26 GHz band for mobile services, and additional consumer information on the availability of new 5G services in the year ahead.

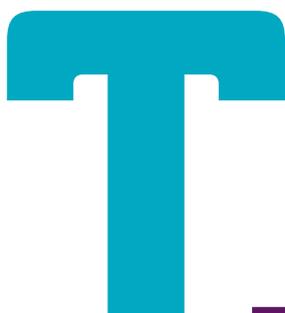
This year we are consulting on our mobile strategy to consider how we can best support the delivery of high-quality mobile connectivity and innovation. We will look at changes taking place within the sector, as well as the impact of changes outside it, to assess how the market operates and how it is likely to evolve over the next five to ten years.



Fairness for customers

The UK's telecom markets are among the most competitive in the world. But it is vital that people are treated fairly by their providers, and can trust that markets operate with integrity.

Priority work areas	Consumer outcomes
Treatment of vulnerable customers – ensuring vulnerable customers have the support they need, particularly the pandemic.	Vulnerability Guide: In July 2020 we published our 'treating vulnerable customers fairly' guide which suggests practical measures providers can adopt. We are monitoring whether vulnerable customers are experiencing a level of service in line with the expectations set out in the guide.
Affordability – ensuring affordable connections are available for the financially disadvantaged.	COVID-19: We worked closely with DCMS to secure commitments from all major providers (and several smaller ones) to offer additional support and protection to customers during the pandemic, including removing any data caps on broadband and providing additional minutes/data so customers could stay connected.
Simpler switching – helping broadband customers change provider through simpler switching processes.	Simpler broadband switching: Our decision on new high-level rules to make it easier for broadband customers to switch between different networks, and between full-fibre services on the same network, was published in October 2020.
Fairness Commitments – launched in June 2019 to create a step change on how providers treat their customers.	Open Communications: In August 2020 we consulted on our initial Open Communications proposal, an initiative to allow customers to share data about themselves (e.g. their accounts and usage) with digital comparison tools and others.
Other fairness projects – Open Communications, European Electronic Communications Code (EECC) and personalised pricing.	Personalised pricing: We published a discussion paper in August 2020 and held a virtual seminar in November 2020 attended by broad range of stakeholders, including communications providers and consumer groups.



The UK's telecom markets are among the most competitive in the world. But it is vital that people are treated fairly by their providers, and can trust that markets operate with integrity



Consumer impact

Fairness for customers, particularly those who are vulnerable, remains a key priority for us. During the pandemic we asked phone, broadband and pay TV providers to prioritise keeping people connected and on supporting the vulnerable and consumers suffering from financial or health problems.

What we've done

Our priority during the year was to make sure customers stayed connected, were supported if they were struggling financially and were also protected from unexpectedly high bills.

We worked with the Government and telecom providers on measures to support vulnerable customers, which included:

- avoiding disconnections for those unable to pay by deferring bills;
- fixing connections for customers who lost services;
- providing free 101 calls; and
- tackling high charges for hospital phone services.

Fairness is not just about what we can ask of the providers, but also about empowering customers so they can exercise choice, shop around with confidence and secure a fair price.

In October 2020 we confirmed the implementation of a new package of consumer protection measures contained within the European Electronic Communications Code (EECC), a new EU directive that updates the regulatory framework for communications services. The new rules will be phased in from December 2021 onwards and include a number of elements:

- Ban mobile companies from selling locked phones, allowing people to move to a different network with their existing handset. Our research found this can be a potentially complicated process, which can put people off switching providers.
- Improve contract information and rights to exit. This means customers should be given the information they need in writing, before they sign a contract, and be given the right to exit their contract if there are any changes to their contract that are not exclusively to their benefit.
- Make sure customers with disabilities have equivalent access to, and choice of, communications services. This includes being able to request that all communications (except marketing) are provided in accessible formats.

We continue to work to make sure people have access to the right information to help them shop around, including:

- research and data on how providers across different markets perform on customer satisfaction, complaints and value for money;
- provider-specific information on broadband pricing;
- information campaigns to help people get faster broadband and save money;
- as of February 2020, broadband, phone and TV customers must be told when their contract is coming to an end, and be shown the best deals available to them. Those already out of contract will also have to be given, reminders and shown the best deals every year; and
- examining whether people need more or better information to help them make informed decisions about the right broadband services for them, including information about the characteristics and capabilities of gigabit-capable, ultrafast fixed and mobile broadband technologies.

We welcome the swift action taken by providers in response to the pandemic, but there is more they can do to support their customers. We have therefore strongly encouraged providers to consider introducing targeted tariffs designed for customers on low incomes. And where providers already offer such tariffs, more action is needed to help promote them to eligible customers, given take up is currently low.

In 2019, we secured a landmark commitment from the UK's biggest providers to put fairness first. In May 2021, we reported on the progress by providers against our framework to determine whether customers are being treated fairly.

In our May 2021 update on fairness, we found that many providers had taken steps to provide fairer deals, clearer information and better support for their customers. However, further action was needed on areas such as customer service.

We have previously made it easier for broadband customers to switch between providers on Openreach's copper network. On 3rd February this year we proposed a new 'One Touch Switch' process to make it easier for all residential customers to switch broadband services. This includes switching between providers using different networks as well as between providers of full-fibre broadband services on the same network.

We have also secured commitments from the UK's major broadband providers to conduct price reviews for their vulnerable customers, including providing discounts that don't require customers to contact them. This could ultimately amount to support of over £70m per year for these customers.



Some phone providers are already gradually moving their landline customers from the country's traditional telephone network – the 'public switched telephone network' (PSTN) – to 'voice over internet protocol' (VoIP).

This change is led by telephone providers to replace obsolete technology and will help make sure the UK's landline telephone services are fit for the future.

We have a role to play in making sure providers have reasonable measures in place, so customers experience minimal disruption and are protected from harm. We have been working with providers to help make sure issues are identified and addressed at an early stage, and have outlined measures that we expect them to adopt to protect customers, especially vulnerable people.

Outcomes and next steps

If providers are not treating customers fairly, we will step in and take action to protect them.

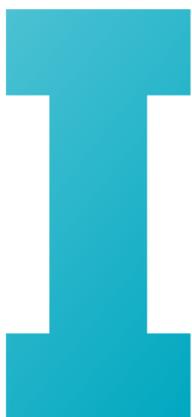
The response from providers to the pandemic has been swift, positive, and supportive of customer circumstances. It has also identified that some face difficulties in affording services and often

have to make difficult decisions as a result. We are working with providers to increase the availability of low-cost packages for people on benefits, and to improve promotion of such services. Given the challenging economic outlook, we plan to carry out further research on affordability and debt this year.

In the event that providers fail to address our concerns through their current levels of support, to customers in financial difficulty, we will consider further action.

Following a period of consultation, this year we will conclude our initial thinking on "Open Communications", which will enable people to share their data safely with third parties to help them to navigate the market and get a better deal. We will work with the Government as it develops legislation to enable smart data initiatives across sectors.

Home broadband customers should be able to use a new easy, quick and reliable switching process from December 2022 helping them to take advantage of deals available in the market.



In our May 2021 update on fairness, we found that many providers had taken steps to provide fairer deals, clearer information and better support for their customers.



Sustaining the universal postal service

Our goal is to make sure postal users benefit from a universal postal service that meets their needs. In doing so we consider whether the provision of the universal service is efficient and financially sustainable.

Priority work areas	Consumer outcomes
Reviews of Postal User Needs and Royal Mail’s efficiency – reviewing reasonable needs of postal service users and Royal Mail’s operational efficiency / annual plan.	<p>We published our Review of User Needs in November 2020 alongside our Annual Monitoring Update on the postal market.</p> <p>Despite the uncertainties and challenges caused by the pandemic, Royal Mail’s financial position has now improved. This is due to increasing demand for parcel delivery. We continue to monitor Royal Mail to ensure the sustainability of the universal service.</p>

Consumer impact

The postal market has changed dramatically in recent years. The number of letters people send and receive has fallen by around 5% each year since 2015, as they increasingly rely on email and other online communications. Meanwhile, growth in online shopping has seen overall parcel volumes increase at a rate of around 10% per year since 2015.

These trends have accelerated during the pandemic⁴.



What we’ve done

The existing universal service requires Royal Mail to deliver letters six days a week (Monday to Saturday) and parcels five days a week (Monday to Friday) to every address in the UK, at a uniform price. We must make sure our postal regulation keeps pace with changes in the market and remains relevant, fit for purpose, and effective. This year we carried out a comprehensive review of the needs of postal users across the UK, to find out how people and businesses feel about a range of hypothetical changes to the universal service.

We found that the current six-day-a-week letter delivery requirement meets the needs of 98% of residential users and 97% of small and medium businesses (SMEs) in the UK. Reducing this to five days a week, but leaving all other elements of the service unchanged, would still meet the needs of 97% of residential and SME users. Indeed, in the early stages of the pandemic, Royal Mail announced a temporary reduction in the frequency of letter delivery from six to five days a week, before resuming the Saturday delivery of letters in mid-June.

Any changes to the universal service’s minimum requirements could only be made by Government and Parliament.

We constantly scrutinise Royal Mail’s efficiency, quality of service, the financial performance of the universal service network, market developments and competition in parcels and letters. We also monitor users’ experience of the postal sector and

4. For example, in February 2021, Royal Mail reported a 31% year on year increase in parcel volumes in the nine month to end December 2020, while addressed letter volumes fell by 23% during the same period.

publish an annual monitoring report. Royal Mail suffered significant impacts on its quality of service as a result of the pandemic – it has been operating in an emergency period, where normal quality of service standards does not apply. We have worked closely with Royal Mail during the year to ensure that customers receive the best quality of service possible and that customers are clear about what they can expect.

While the pandemic has made 2020 a particularly challenging year for Royal Mail, the issues facing the company due to the changing market and consumer behaviour were apparent before the pandemic.

In March this year, we published a call for inputs on the future of postal regulation. As part of this, we are also looking at competition in the bulk mail and parcels markets and whether additional consumer protections are needed. The findings of our review of users' needs are a fundamental element to this broad review. Detailed consultation proposals will be published later this year before we move to conclude the review next year.

Over the course of the year we concluded two post-related investigations:

- Royal Mail compliance with certain quality of service targets. Royal Mail did not meet its target for First Class in 2018/19, for the second year running, falling 1.5% short of the 93.0% target and only meeting the second target in 75 of 118 postcode address areas (PCAs). We imposed a fine £1.5m on the company.
- Investigation into Royal Mail's compliance with the safeguard cap on second-class letters. In January 2019 we decided to increase the second-class standard letter cap from 60p to 65.2p from April 2019, followed by inflation-linked increases until 31 March 2024. We opened an investigation after Royal Mail increased prices on 25 March 2019 instead of 1 April. We imposed a fine of £100,000.

Outcomes and next steps

We will work with Royal Mail to make sure it improves to meet its quality of service standards as we move out of the disruption caused by the pandemic.

The review of users' needs and work on the new framework for postal regulation will help ensure the buildings blocks are in place to deliver a relevant, fit for purpose, efficient and financial sustainable universal service which can meet the rapidly evolving requirements of society in a post pandemic world.

However, as highlighted by our ongoing monitoring work, Royal Mail has a significant part to play in ensuring the longer-term viability of the service – most notably its ability to adapt to market changes, deliver necessary efficiency improvements and execute on its own strategic transformation programme.

Supporting UK broadcasting

Consumer impact

We support the UK's media sector, including public service broadcasting, helping it to evolve to meet the changing needs of viewers and listeners and to help make sure it serves all UK audiences. We also work to secure content quality and standards for audiences. In addition, we report on the BBC's performance and monitor its impact to make sure it is delivering its mission and public purposes.

Priority work areas	Consumer outcomes
PSB Review: Small Screen Big Debate – PSB sustainability given the rise of digital consumption.	We have completed two phases of audience research, hosted a three-day virtual conference and received over 100 responses to our consultation, which set out the need for a new framework for public service media.
BBC Competition Monitoring Programme	After considering the market impact implications of BBC changes in response to the pandemic, for example additional educational content, we allowed the BBC to proceed with the launch of its voice search function ('OK Beeb').
BBC Commercial and Trading Activities regulation	We published our BBC annual report in November 2020, concluding that the BBC had delivered on its remit in 2019/20 and had responded strongly to the pandemic.
BBC Annual Report and Performance Report / News Review	We received significantly high complaints this year (142.7K in 2020/21 vs 34.5k in 2019/20), driven by the pandemic, and race related issues. This led to 14 sanctions and 6 penalties.
Setting content standards and enforcing compliance with the Broadcasting Code.	

Standards and Audience Protection

In the last year Ofcom has received and assessed higher number of broadcasting complaints, the highest since our inception. The vast majority of the complaints we received were about content that audiences found offensive.

In many instances we may receive more than one complaint about a particular programme or more than one issue within a programme.

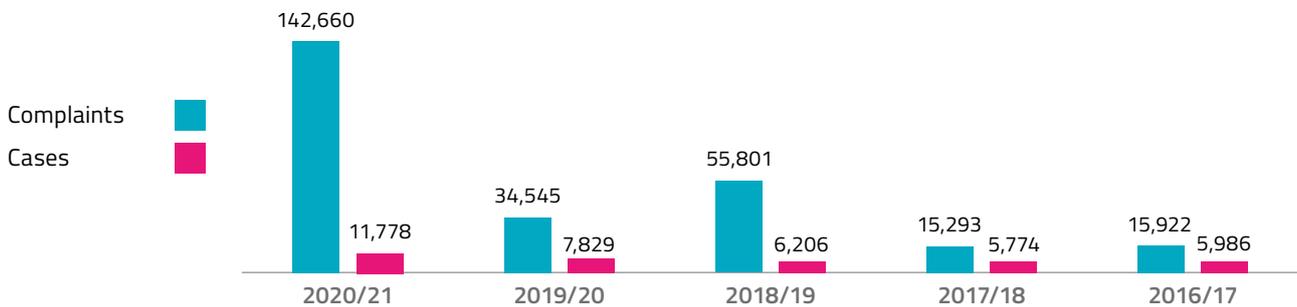
We assess each issue as one case, so:

- 142,660⁵ complaints we received in 2020/21 resulted in 11,778 cases,
- 60 investigations were completed, and
- 28 found to be in breach of our rules, 1 breach of the Code on scheduling of TV advertising (COSTA).

A full analysis of our standards processes, together with complaints breakdown, can be found in Annex 4.

5. This figure does not include Fairness and Privacy complaint or complaints we sent back to the BBC under BBC First because they had not completed the BBC's complaints process.

Figure 1 – complaints and cases assessed by year



Public service broadcasting programme: Small Screen: Big Debate

Over the past year we have continued our nationwide debate – called Small Screen: Big Debate – looking at how to strengthen and maintain public service media in the UK for the next decade and beyond.

We talked to people across the UK about what they valued about PSB, and met broadcasters, producers, streaming services, academics and analysts in the UK and abroad to gather a wide range of industry perspectives. In October 2020, we held a virtual conference to debate the big issues facing public service broadcasting. Reports on this work, along with panel discussions and interviews, can be found at <http://www.smallscreenbigdebate.co.uk>.

In December 2020, we marked the start of a new phase in our review with a consultation summarising the main themes from our work to date. We also published a call for evidence in February 2021 to take a closer look at the relationship which exists today between the PSBs and the production sector.

In July we will publish our statement setting out what we have learned, including our recommendations to Government to inform policy thinking about a new public service media system. We will also look at whether there are areas of existing PSB regulation that can and should be updated. This will include working with the Government on the future of the Digital Terrestrial Television platform and looking at the possible options to renew the Channel 3, 4 and 5 broadcast licences.

Pandemic response and the impact on broadcasters

Throughout the pandemic, Ofcom has been committed to working with broadcasters to make sure they could continue to broadcast the best possible services. We adopted a pragmatic and flexible approach to the enforcement of programming and production requirements if broadcasters were unable to meet conditions as a result of the disruption caused by Covid-19. We also undertook a range of specific actions, including:

- recognising the financial difficulty some broadcasters were in due to a sudden drop in advertising, we made new arrangements for licence fee payments where needed;
- working with DCMS and the Community Radio Fund Panel to administer 165 grants totalling £607,370 in emergency cash funding to the community radio sector; and
- developing a new version of an existing radio licence designed for those wanting to provide sources of information, news and updates on the pandemic for specific communities across the UK.

Given the ongoing and changing nature of the pandemic, we will continue to take appropriate steps to support the broadcasting sector and will work closely with Government and industry to help support the recovery of the broadcast and production sector more broadly.

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

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

In a difficult broadcasting market, C4C broadly fulfilled its obligations in 2019, particularly in the increase in the number of new producers it worked with, the performance of Channel 4 News in reaching young and diverse audiences including through online platforms, and the ambitious ideas that made their way on screen notably in factual and comedy commissions. With its new bases in Leeds, Bristol and Glasgow operational, we also recognised that C4C was well-placed to deliver on its plans to improve how the whole of the UK is represented and portrayed on screen. We identified some areas of concern, for example investment in content that appeals to children and teenagers dropped back in 2019 and may be further affected due to pandemic-related budget cuts and production delays.

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

Advertising policy and regulation

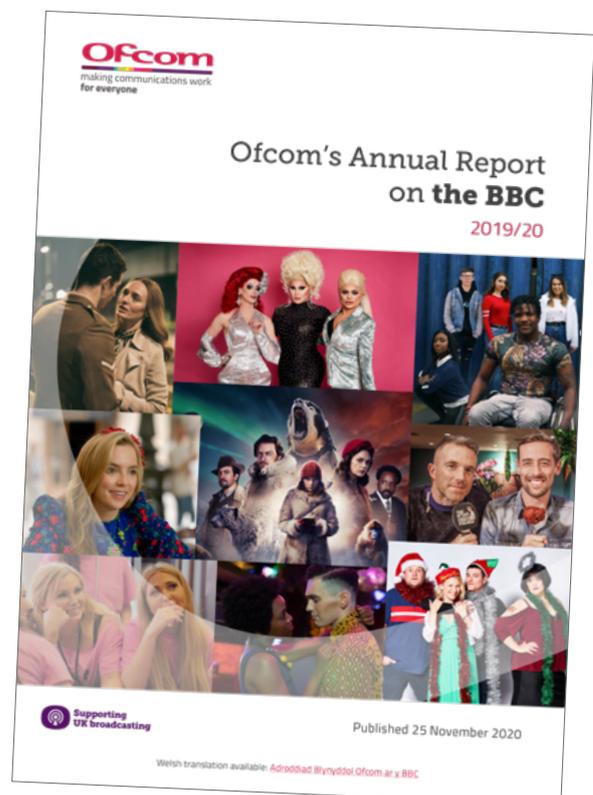
In 2019, the Government consulted on introducing additional restrictions on TV advertising for food and drinks high in fat, salt and sugar (HFSS), including a pre-watershed ban. If tighter TV advertising restrictions are introduced, Ofcom and its co-regulators (BCAP and the ASA) will be required to administer these. In 2020, the Government published a further consultation on a proposal to ban HFSS advertising online. The Government has committed to introducing any new restrictions on HFSS advertising on TV and online together by the end of 2022. We have been working with the Government as it develops its approach, and we will continue to do so.

Ofcom's annual report on the BBC

In November 2020 we published our third annual report on the BBC, setting out how we carried out our functions as the BBC's independent regulator and assessed the BBC's compliance with its regulatory requirements. We also set out our assessment of the BBC's performance in delivering its mission and public purposes to audiences.

The BBC broadly delivered on its remit over the year. It provided a high volume of news and current affairs, learning and educational content, and distinctive high-quality content across its services. The BBC responded effectively when the pandemic struck, rapidly responding to audience needs.

We welcomed the priorities set by the BBC's new director-general, Tim Davie, on impartiality, on high impact content, building commercial income and the renewed focus online. These reflect the messages that Ofcom has been delivering to the BBC since our regulation began in 2017. We now want to see clearer metrics and progress to ensure these priorities are delivered. We will carry out a periodic review on the BBC this year, leading up the Government's mid-charter review.



BBC Studios review

We have [rules](#) on how the BBC operates its commercial activities and we monitor how it has implemented these rules.

Given the recent changes to BBC Studios, the environment it operates in and the focus placed by new BBC director-general Tim Davie on building the BBC's commercial income, it is important for us to understand better how the BBC has implemented our rules and to provide additional transparency on this to stakeholders. In October 2020 we launched a review of the interaction between BBC Studios and the BBC's public service activities publishing a [call for evidence](#). At the same time, we consulted on changes BBC Studios made to its lines of business and we have now published our [statement on this](#). We plan to issue our findings on the broader review in the Summer.

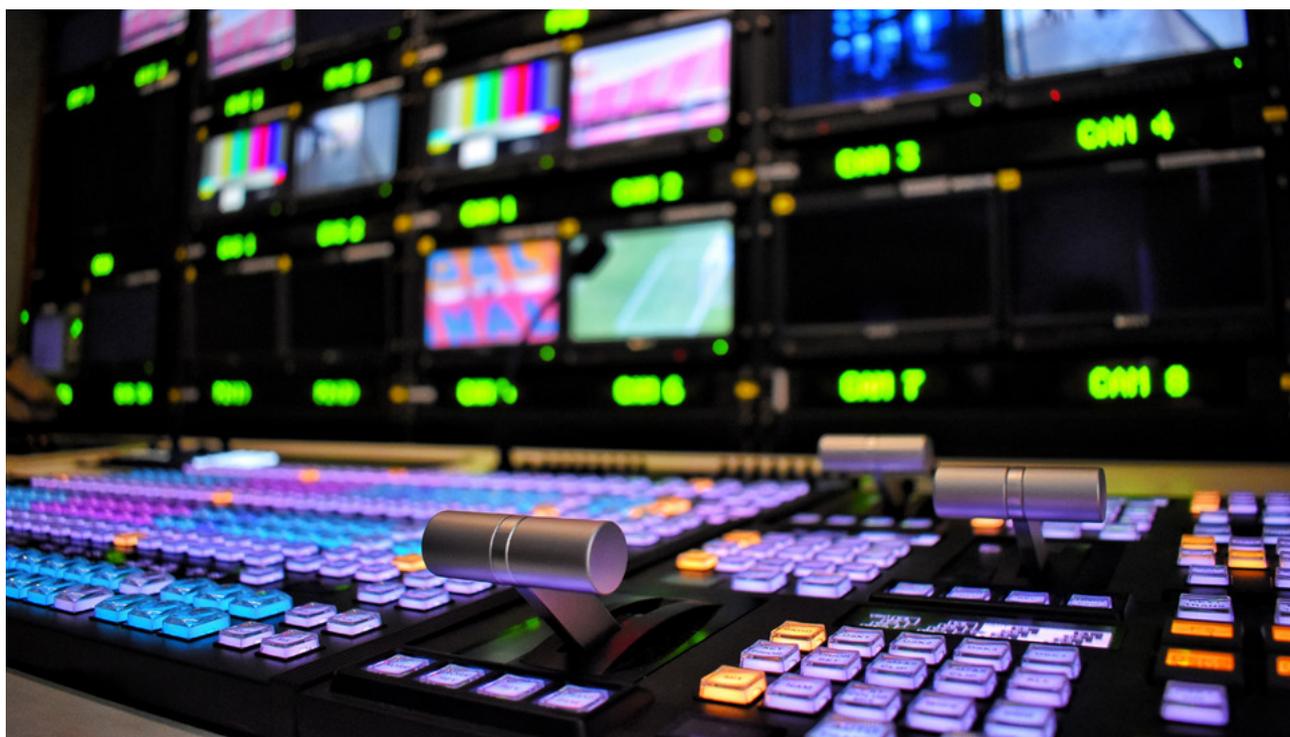
BBC Sounds

BBC Sounds is now established within the BBC's audio offer, so we considered it appropriate to take stock of BBC Sounds' market position and impact. In October 2020, we sought evidence and information from its competitors and other interested parties to inform our view.

Having carefully considered this feedback and our own evidence, we have come to the provisional view that there are no reasonable grounds to believe BBC Sounds is currently having a significant adverse impact on fair and effective competition. We are now consulting on this provisional view and plan to issue a final statement later in autumn 2021.

Next steps

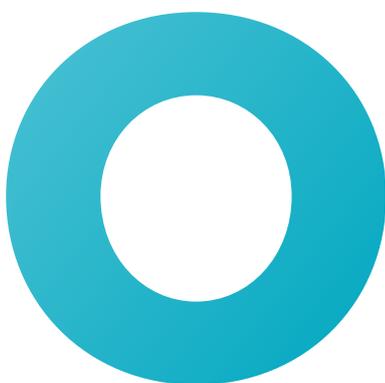
We will continue to support the UK's broadcasting sector to deliver benefits to all UK audiences. Our work in this area includes: continuing our Small Screen: Big Debate programme of work, monitoring and engaging with broadcasters to support diversity in broadcasting and reviewing the rules for media ownership for television, radio and newspapers to make sure people can access a wide range of viewpoints. We will continue to report on the BBC's performance to make sure it is delivering its mission and public purposes, and will also continue our ongoing work to secure content quality and standards for audiences.



A safer life online

Our work in this area is focused on preparing for the introduction of new regulation, and promoting understanding of how people engage online.

Priority work areas	Consumer outcomes
Online Safety – preparatory work around regulation of online safety	We continue to develop our regulatory model to support ongoing engagement with the Government on priority areas of the statutory framework including Codes of Practice, the balance of obligations between primary and secondary legislation, powers to mandate monitoring, and the protection of journalistic content.
Video Sharing Platforms (VSP) – preparatory work around implementation of Ofcom’s VSP duties	VSP Regulations came into force in November 2020. To develop our understanding and inform regulatory policy, we engaged with a broad range of stakeholders including academic experts. We have issued guidance to help services understand if they are in scope of Ofcom’s regulation
Media Literacy – Making Sense of Media (MSOM) – supporting UK adults and children online through research and stakeholder collaboration.	Monitoring consumer awareness and through the adult media use and attitudes research (June 2020), and have undertaken regular reporting of pandemic research on how people are getting online news and information on the pandemic.
Online Markets – exploratory work around online competition, including current powers.	We worked as part of the CMA-led Digital Markets Taskforce to provide advice to the Government (Dec 2020) on a new digital markets regime and continue to work with the Government as it develops its consultation.
Digital Regulation Cooperation Forum (DRCF) – cooperation forum between digital regulators (ICO, CMA and FCA) to support coherent regulation of digital services.	The DRCF formally launched in July 2020, published a work plan in March 2021, with further engagement ongoing on future plans and actions.



Our work in this area is focused on preparing for the introduction of new regulation, and promoting understanding of how people engage online.



Consumer impact



**Almost nine in 10
UK adults are online,**
with adults who use the internet
spending an average of
24 hours a week online.

But there are growing concerns around protecting people online. Some of those concerns relate to areas like hacking or privacy, but the most common relate to children's exposure to content or contact with other users. Our research also found some 22 million adults using the internet have experienced harmful online content or conduct.

What we've done

In December last year Government confirmed its plans to appoint Ofcom as the regulator responsible for overseeing the new online safety regime, alongside its intention to lay a draft Online Safety Bill before Parliament later in 2021.

Government and Parliament will determine the shape of the new regime, but Ofcom will provide technical advice on how it can work. We will also make sure legislative debates draw upon the latest evidence around users' online experiences based on our research. We are well prepared to take on these new responsibilities and have identified key areas where we need to develop and scale up our technical and operational capabilities.

To further improve our capabilities in this area we will be recruiting for specialist roles and will establish a new tech hub in Manchester, allowing us to tap in to a highly skilled workforce, alongside the research strengths of world-class universities and their deep pool of graduate talent.

Initially we will set out our high-level plans for developing the regime. Following the introduction of primary legislation we will publish our more detailed regulatory strategy. Once legislation has been approved by Parliament we will consult on Codes of Practice alongside other key elements of our regulatory framework.

On 1 November 2020, the Audiovisual Media Services Regulations 2020 came into force, requiring UK-established video-sharing platforms (VSPs) to take appropriate measures to protect users from certain types of harmful material in videos. VSPs are also required to make sure certain standards around advertising are met.

To prepare for VSP regulation, we have conducted research to help further our understanding of the potentially harmful experiences of VSP users and their awareness of online safety tools. We have consulted on draft guidance for VSP providers on measures they should take to protect users from harmful material. Through this we have gained more insight on good practice, and a greater understanding of the issues and challenges across the VSP sector. We are working with international regulators to understand their approaches to VSP regulation and to align approaches where possible.

This year we built on our Making Sense of Media (MSOM) programme and continued our work to help improve the online skills, knowledge and understanding of people in the UK, to support our expanding online duties. We also continued to develop our MSOM panel and network, to bring together experts to debate, inform and collaborate on online media literacy research and policy. We continue to build our understanding of the role of media literacy in the context of new video-sharing platforms and online safety regulatory powers.

In July 2020, Ofcom, the Competition and Markets Authority (CMA) and the Information Commissioner's Office (ICO) formed the Digital Regulation Cooperation Forum (DRCF), established to ensure a greater level of cooperation given the unique challenges posed by regulating online platforms. The Financial Conduct Authority (FCA) is also now part of this. The Government also announced that a Digital Markets Unit (DMU) will be established in the CMA to oversee its new pro-competition regime.

In March, the DRCF workplan for 2021/22 set out a roadmap for how to increase the scope and scale of cooperation, including bringing together expertise and resources, working more closely on online regulatory matters of mutual importance, and reporting on results annually.

Outcomes and next steps

Over the next 12 months we will focus our preparatory work for the proposed new online safety regime on five main areas:

- Supporting the legislative process;
- Developing our regulatory approach;
- Building public awareness of our proposed future role;
- Setting up our operation; and
- Investing in technology, data and sector knowledge and capability.

We recognise that it is impossible to prevent all harm, but under the VSP regime we expect providers to take a proactive approach to identifying and mitigating the risk of harmful material occurring on their platform. We will monitor and assess compliance and will take action if necessary.

We will continue to track and research users' exposure to harmful material online when using VSPs, as well as their awareness of, and engagement with, safety measures. We will also continue to cooperate with other regulators, including coordinating on matters of jurisdiction and working to ensure cross-border compliance.

Following the advice from the Competition and Markets Authority (CMA) led Digital Markets Taskforce, we will continue to engage with the Government as it considers a pro-competition regime for digital markets and establishes a Digital Markets Unit within the CMA.



Enabling strong, secure networks

People across the UK expect and rely on strong and secure networks today and in the future. Ofcom has a key role to play alongside other actors to make this happen.

Priority work areas	Consumer outcomes
Telecommunications (Security) Bill – building Ofcom’s capability and working with communication providers to ensure networks are secure	<p>We are working with DCMS on the Telecommunications (Security) Bill, which will strengthen security obligations for the telecoms sector.</p> <p>We issued updated guidance in February 2021 to organisations we regulate under Network & Information Systems (NIS) regulations, to reflect statutory changes in December 2020.</p>
Resilience – working with network providers to ensure networks are resilient	During lockdown traffic volume increased for both fixed (20%) and mobile (30%) networks through which Quality of Service was maintained at the required level.
Telecoms Vendor Diversification – ensuring there is a competitive, innovative, secure and resilient telecoms supply market that benefits UK	We have provided regular technical advice to the Government and have engaged with the Telecoms Diversification Taskforce. We have also partnered with Digital Catapult on our SONIC labs; facilities in which suppliers will be able to test and demonstrate open, interoperable solutions.

Consumer impact

An increasing dependency on communications services makes it imperative that networks are reliable, resilient and protected from cyber-attacks – especially during times of crisis and challenge. We expect network providers to invest to make sure their networks are strong, secure and protected in the face of potential outages and attack. Ofcom will have an enhanced role in telecoms security following legislation.

What we’ve done

We continue to work closely with the Government, the National Cyber Security Centre and industry to monitor potential risks to the resilience and security of our telecoms networks. We continue to develop our cyber-security capability and work with network providers across multiple areas such as:

- working with the Government to implement the outcomes of the Telecoms Supply Chain Review, including providing technical advice on the Government’s vendor diversification strategy;
- prepare to take on new responsibilities as part of the Telecommunications (Security) Bill;
- ensuring all network providers and operators of essential services adhere to their security obligations and follow relevant guidance; and
- continuing to engage with network providers to carry out a threat intelligence-led penetration testing scheme (TBEST).

Telecoms security implementation

Ofcom's remit in network security is growing and we are preparing ourselves to take on new responsibilities as part of the Government's Telecommunications (Security) Bill. As part of our preparations, we will be building our capability and capacity, and will look to attract talent in Manchester and London.

We continue to work with the Government to implement its new Telecommunications (Security) Bill and with industry, to make sure that operators adhere to strengthened security obligations.

Telecoms vendor diversification

We are working with the Government, industry, the Telecoms Vendor Diversification Taskforce, and other bodies on strategies to improve vendor diversity, and the development of open, interoperable systems. This includes the creation of our SONIC⁶ labs, which will provide a platform for existing and emerging suppliers, to test the interoperability and integration of open and software-centric networking solutions, including Open RAN and advanced networking technologies. Jointly funded by DCMS and Ofcom, the SONIC labs are being developed in partnership with Digital Catapult.

Network resilience

For many decades the only mass market telecoms service was fixed telephony, delivered by BT's public switched telephony network (PSTN). The PSTN was engineered to deliver extremely high levels of resilience.

There are important questions about how the next generation of networks should be built and the levels of resilience that should be achieved. We are working with industry to identify and close gaps in standards and best practice, in relation to network resilience. We are also continuing to monitor resilient design in current network deployments.

In January 2020 we introduced a scheme to improve how we gather evidence of service-affecting incidents.

We have also helped to establish a resilience working group within the Electronic Communications Resilience and Response Group (EC RRG).

Additionally, we are supporting the working group in developing a resilience assessment framework, that can employ the updated resilience best practice guidance to help us and network providers to evaluate future service-affecting incidents.

Increasing diversity and inclusion

Priority work areas	Consumer outcomes
Diversity in Broadcasting – promoting diversity and inclusion across broadcasting.	A diverse and inclusive culture means better decisions on behalf of diverse of citizens and consumers.
Launched a new diversity & inclusion strategy – to deliver diversity, inclusion and equality objectives as an employer and regulator.	Across broadcasting sector:
Annual statistical report on diversity and equality at Ofcom.	a) women in senior television roles 47%;
Gender / Ethnicity Pay and Equal Pay Audits.	b) disability representation at 7%;
	c) senior level from minority ethnic backgrounds at 8%;
	d) total staff from minority ethnic backgrounds at 15%.
	Ofcom target in 2026:
	a) gender balanced at senior levels (current 44% female 56% male)
	b) senior colleagues from minority ethnic backgrounds 16% (current 11%)
	c) disability 15% (current 12%)

Monitoring diversity and equality of opportunity in broadcasting

In 2020 we maintained our commitment to support broadcasters' efforts to achieve more diverse workforces. In November 2020 we published our diversity and equal opportunities in broadcasting report, which included a fourth year of workforce data for TV and a third year of data for radio.

We called on broadcasters to deliver greater change in the number of disabled people they employ and improve the level of representation of people from minority ethnic backgrounds employed in senior decision-making roles. We also requested that broadcasters begin to collect and share data on the geographic diversity of their workforces.

We expanded our programme of stakeholder engagement to include a quarterly diversity and inclusion roundtable with major TV and radio broadcasters. We continued to participate in public events and met with experts, industry bodies and interest groups from across sectors to help inform and develop our thinking.

In Autumn 2021 we will publish a five-year review of equality of opportunity in broadcasting data. We will also share the findings of research into diversity in the broadcasting sector, to determine where new research may be helpful in taking our work forward.

Diversity and inclusion at Ofcom

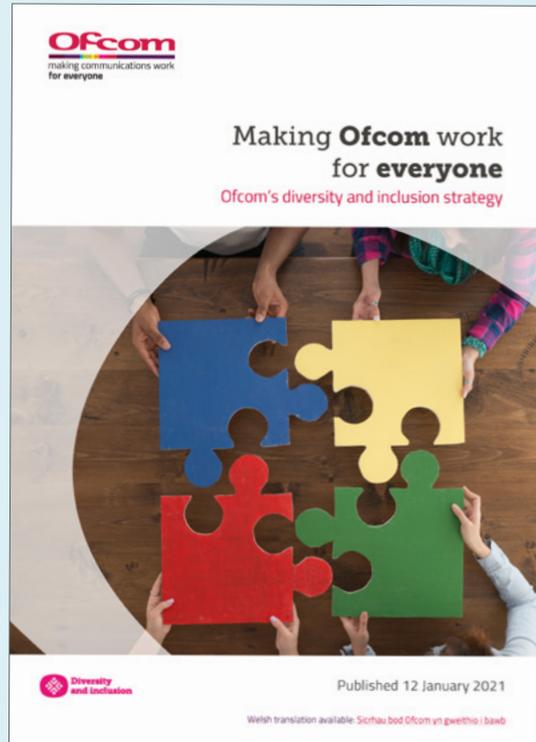
Diversity and inclusion within Ofcom is essential in achieving our aim of making communications work for everyone and to make the best decisions for all people in the UK.

Our [diversity and inclusion strategy](#) explains how diversity and equality are essential to the way we operate, both as an employer and as the UK's communications regulator. It outlines our priority areas of work, including our workforce diversity targets and vision as an organisation.

To help us determine the strategic priorities and objectives within the diversity and inclusion strategy we produce an annual diversity report on the profile of Ofcom colleagues and processes.

We monitor our policies and practices extensively through colleague surveys, benchmarking and a biennial equal pay audit. We are members of the Business Disability Forum, Business in the Community for Race, Gender and Age, and have signed Stonewall's Diversity Champions charter. We keep such memberships under review.

Regular updates are given to the Ofcom Board and Policy Management Board on the progress of various initiatives under our diversity and equality work programmes. Please refer to Figure 6 in Our employees section for the closing position in 2020 and the new targets for 2026.



Continuing to innovate

Priority work areas	Consumer outcomes
Data Strategy – investing in the Data and Innovation Hub and data specialist profession to improve the use of data	Delivered 15 experimental pilots intended to demonstrate how new data analytics or engineering techniques can solve business problems. We have worked to identify policy questions relating to algorithmic audit (i.e. how we check the operation of machine learning algorithms).

We have developed an emerging technology programme through which we monitor technologies which could have a major impact on people and the industries we regulate. This also help us guide our future work programme towards the technologies most likely to have the greatest impact.

As the first main output from this programme, we published the Technology Futures report in January 2021. It looked at technologies with the potential to significantly impact communications markets, positively or negatively, in the medium to long term. We also examined new communication services, particularly in immersive multi-sensory and inclusive communications.

We continue to work with experts in technology areas and aim to share the outcomes of these interactions over the course of 2021.

We have adopted new working practices to be innovative in our work, and in preparation for taking on responsibility for overseeing online safety we have embarked on a recruitment campaign to increase our capacity and capability in this area.

Radio spectrum connects our digital world. Spectrum is a finite resource but used wisely it can continue to transform the way we live and work – helping to make us more productive, reducing our environmental impact and benefiting industries across the economy.

Given the rapidly evolving demand for wireless connectivity and therefore for spectrum, we look to put innovation at the heart of our support for the sectors that we work with, enabling growth in existing sectors and innovation coming from new uses of wireless.

Our ongoing work in this area includes:

- authorising spectrum and assuring correct and compliant use – this includes carrying out detailed technical analysis and real-world measurements to optimise the use and sharing of spectrum;
- analysing and releasing information on spectrum use – we analyse the use of spectrum to inform policy;
- managing spectrum and planning for future requirements - we consider the evolving needs of existing users and the future demand for innovative wireless services; and
- enabling wireless innovation across a variety of industry sectors - we work with different industry sectors, to understand their business requirements and the potential for wireless connectivity to meet their needs. Our objective is to make sure different businesses and organisations can access the spectrum they need, where and when they need it.

Support through the EU exit transition period

Priority work areas	Consumer outcomes
<p>Providing support through the EU exit transition period – and building on international relationships.</p>	<p>We engage with and provided advice to the Government and stakeholders; preparing for the new broadcasting licensing and VSP notification regimes; updating consumer advice on our website; and supporting our EU nationals.</p> <p>At the same time, we have continued to invest in our EU relationships (with the European Commission as well as our regulatory counterparts) to support the new arrangements.</p>

As the Government negotiated the terms of the UK's exit from the European Union, we considered how this might affect people and the industries we regulate.

As well as providing advice to the Government on priority issues for our sectors, we also consulted on technical changes we will need to make to our rules so they comply with new legislation applicable after the end of the transition period.

For example, a new broadcast licensing framework for linear television services came into force for the UK on 31 December 2020.

The rules have also changed around how we regulate video-on-demand (VOD) services. UK-based VOD services no longer have an automatic right to be received in the EU (although many will still be available under national laws in EU member states). We now only regulate VOD services if their head office and editorial decision-making are based in the UK.

We worked closely with the mobile telephony sector and EU counterparts to ensure roaming arrangements were maintained and seamless for the consumer.

We continue to represent the UK on communications matters internationally. We maintain relationships with relevant counterparts around the world and take part in key global and regional regulatory debates. Please see page 49 for more detail of our international engagement work.

Principal Risks and Uncertainties

Risks are recognised across the organisation to support the successful delivery of Ofcom’s objectives. During the course of the year the strategic risk register was refreshed to incorporate our new duties and expanding remit.

A Covid-19 specific risk register was also maintained through the height of the pandemic.

Ofcom’s risk management policy seeks to:

- support the achievement of Ofcom’s policies, aims and objectives by informing decision making;
- explain the principles of Risk Management at Ofcom;

- safeguard the public funds and departmental assets that Ofcom is responsible for;
- promote a culture where accepting appropriate risk is encouraged; and
- embed risk management within Ofcom’s other business processes as a basis for good corporate governance.

Our strategic risk register captures risks which might threaten the achievement of Ofcom’s objectives. The risk register is organised around the following risk areas.

Principal risks	Priority	Mitigating actions
<p>Regulation is seen to be independent, impartial and consistent</p> <p>Risk that Ofcom’s reputation for independence and for making sound judgements that are trusted by our industries and by wider stakeholders, including Parliament, and consumers is damaged.</p>		<ul style="list-style-type: none"> ▪ We put in place effective governance and decision-making processes that give robust oversight of Ofcom’s decision making and reviewed these regularly throughout the year. ▪ We provide regular briefings to Ofcom colleagues to emphasise the importance of maintaining Ofcom’s independence in their dealings with Government, Parliament and other stakeholders. We have refreshed key policies during the year to ensure there are effective processes in place to safeguard Ofcom’s independence in those dealings. ▪ We undertake a regular stakeholder feedback exercise and each year we openly consult on our Plan of Work.

Key to priorities

 Better broadband and mobile	 Sustaining the universal postal service	 Safer life, online	 Increasing diversity and inclusion
 Fairness for customers	 Supporting UK broadcasting	 Enabling strong, secure networks	 Continuing to innovate

Principal risks	Priority	Mitigating actions
<p>Leading Thinking</p> <p>Risk that Ofcom is not seen as a trusted and respected thought leader and market shaper of the communications sector.</p>		<ul style="list-style-type: none"> ▪ We established a new internal Research Committee to shape our work ▪ We produced a series of discussion papers for external publication, published blog posts to encourage debate. ▪ We encouraged greater Ofcom participation in conferences and roundtable discussions in our regulated areas and with other regulators. ▪ We have instigated a programme of work to renew our strategies across sectors, incorporating horizon scanning of consumer, technological and commercial developments.
<p>Online Safety, Telecoms Security, VSPs</p> <p>Risk that Ofcom fails to prepare for actual and potential changes to its remit.</p>		<p>Telecoms Security Requirements</p> <ul style="list-style-type: none"> ▪ We have established a cross-Ofcom programme to prepare for new security responsibilities ▪ We continue to provide advice to the Government and engage with Parliament to ensure the statutory framework is workable and effective and that Ofcom is sufficiently resourced to deliver against our new responsibilities <p>Online Safety/VSPs</p> <ul style="list-style-type: none"> ▪ We have established a cross-Ofcom programme to prepare for new online safety responsibilities. ▪ We are providing ongoing advice to Government and Parliament to ensure the statutory framework is workable and effective.
<p>Strategy, Research and Horizon Scanning</p> <p>Risk that Ofcom fails to invest sufficiently in our strategy, research and horizon-scanning work in order to understand future developments in our sectors, in the context of cross-cutting macro developments (political, economic, social, technology, legal and environmental).</p>		<ul style="list-style-type: none"> ▪ We strengthened and formalised our horizon-scanning process throughout the year: including PESTLE analysis framework (April) and Board Strategy Day (October) to inform our 3-year plans. ▪ We invested resource in our horizon-scanning programmes: including Insights (Strategy & Research) and Tech Discovery (Technology). ▪ We identified and progressed specific project areas: climate change, future consumer and market dynamics, telecoms and broadcast cloudification and online tech.

Key to priorities

 <p>Better broadband and mobile</p>	 <p>Sustaining the universal postal service</p>	 <p>Safer life, online</p>	 <p>Increasing diversity and inclusion</p>
 <p>Fairness for customers</p>	 <p>Supporting UK broadcasting</p>	 <p>Enabling strong, secure networks</p>	 <p>Continuing to innovate</p>

Principal risks	Priority	Mitigating actions
<p>Commercial Understanding</p> <p>Risk that Ofcom fails to have a sufficient commercial understanding of the markets we regulate, both the industry priorities of businesses driven by commercial incentives and technological developments, and the changing needs and demands of consumers.</p>		<ul style="list-style-type: none"> ▪ We have increased regular engagement with stakeholders’ strategy, technology, and product teams. ▪ We have strengthened our research into the needs and demands of consumers, particularly online: e.g. behavioural insights, VSP Panel, and MSOM (media literacy). ▪ We have focused our recruitment to ensure we bring in high calibre colleagues with strong commercial experience in their relevant area.
<p>Regulatory Decisions</p> <p>Risk that Ofcom fails to make appropriate, evidence-based and legally defensible, regulatory decisions, in line with its statutory duties, which take account of evolving market circumstances.</p>		<p>Interventions in the Telecoms market.</p> <ul style="list-style-type: none"> ▪ We delivered the Fixed Telecoms Market Review (FTMR) in March 2021, setting out the regulatory framework to support the roll-out of full-fibre networks across the UK. We will continue to monitor implementation of the FTMR to ensure that consumers benefit from competitive markets. <p>Sustainable delivery of Universal Service by Royal Mail.</p> <ul style="list-style-type: none"> ▪ We published user needs findings which demonstrate that a reduction in the USO (from 6 to 5 days) would meet the reasonable needs of users. <p>Support UK broadcasting, including the PSB sector.</p> <ul style="list-style-type: none"> ▪ We are undertaking a PSB review to identify areas where new legislation is needed to better promote good outcomes for audiences across online and on-demand services. ▪ We delivered new licence types to respond to changing demands (e.g. outdoor cinema) and administered the Community Radio Fund as a pandemic support package.

Key to priorities

 <p>Better broadband and mobile</p>	 <p>Sustaining the universal postal service</p>	 <p>Safer life, online</p>	 <p>Increasing diversity and inclusion</p>
 <p>Fairness for customers</p>	 <p>Supporting UK broadcasting</p>	 <p>Enabling strong, secure networks</p>	 <p>Continuing to innovate</p>

Principal risks	Priority	Mitigating actions
<p>People</p> <p>Risk that Ofcom fails to have the right people strategies, leadership and culture to ensure we have the right people with the right skills and diversity of backgrounds at the right time to deliver the Annual Plan. Our leadership and culture fails to create a productive, inclusive and effective working environment which means delivery is below expectation or potential.</p>		<ul style="list-style-type: none"> ▪ We established a Senior Talent Committee to focus on senior talent planning and development and succession planning. ▪ We published our Diversity and Inclusion strategy in January with new 5-year targets. ▪ We undertook market analysis of key roles linked to the new Online Safety regime to inform our recruitment strategy and build organisational capability. ▪ We launched a new colleague pulse survey reviewing our culture and leadership, results informing local change plans.

Managing our Cyber and Information Security Risk

We recognise the importance of maintaining strong cyber and information security. We have continued to develop our approach to this, and during 2020/21 we have:

- Delivered ongoing mandatory cyber and information security training for all colleagues in Ofcom;
- Worked with our partner organisations to continually monitor threats and implement security measures;
- Completed an internal audit of our cyber security alongside our regular ongoing threat testing and have implemented the recommendations made; and
- Commissioned external assessors to review our Information Security Management System (ISMS) and benchmark against the internationally recognised Information Security Standard (ISO 27001). We achieved full accreditation in April 2021.

Key to priorities

 Better broadband and mobile	 Sustaining the universal postal service	 Safer life, online	 Increasing diversity and inclusion
 Fairness for customers	 Supporting UK broadcasting	 Enabling strong, secure networks	 Continuing to innovate

Stakeholder Engagement

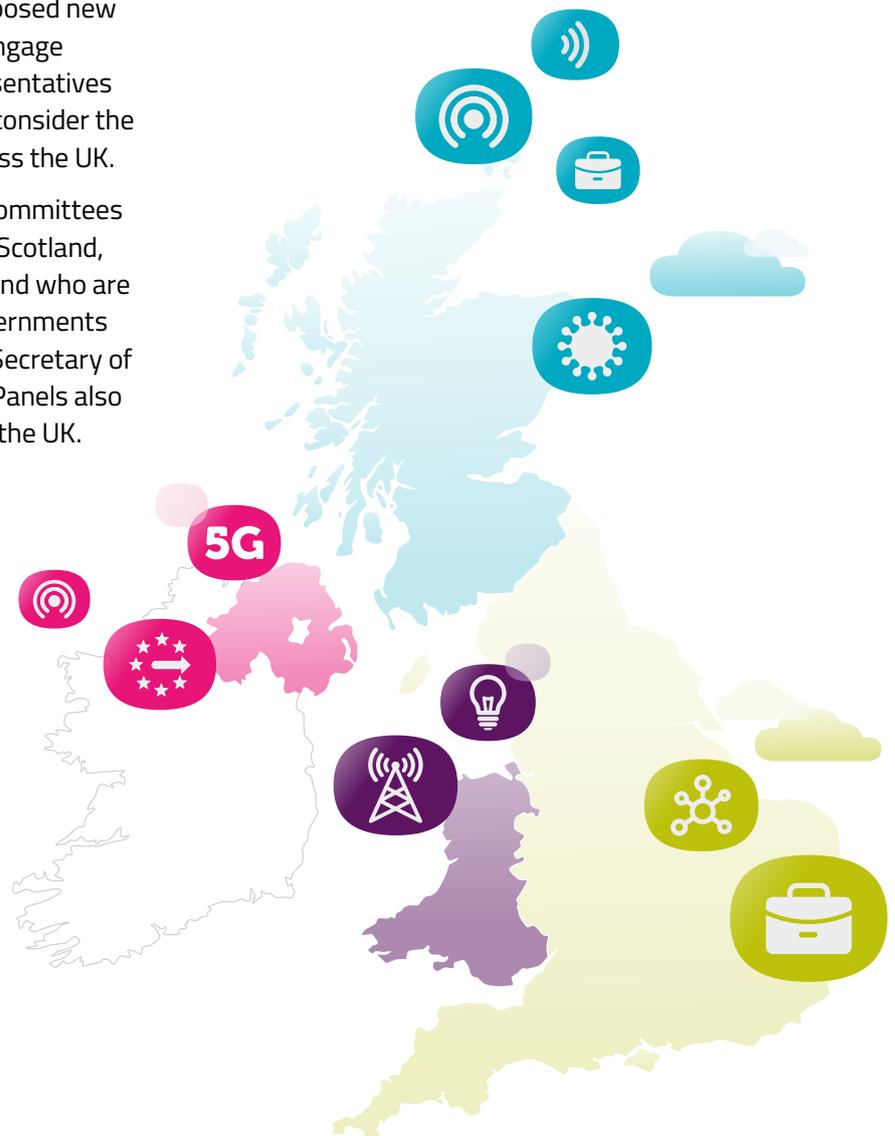
Our work in the UK's nations and regions

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

Our offices in Cardiff, Belfast, Edinburgh, London, Warrington and Birmingham and the proposed new tech Hub in Manchester will allow us to engage directly with governments, elected representatives and local stakeholders and to ensure we consider the views, interests and needs of people across the UK.

In addition, we have statutory Advisory Committees for England, Wales, Northern Ireland and Scotland, and Board members for Wales and Scotland who are appointed by the Welsh and Scottish Governments respectively, in consultation with the UK Secretary of State. Our Content Board and Consumer Panels also have members representing each part of the UK.

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



England

- We continued to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.
- We published our annual Connected Nations and Media Nations reports specifically for England.
- We began local engagement on our plans to open a new Ofcom digital and technology hub in Manchester, creating up to 150 new jobs at Ofcom in the North West.

Northern Ireland

- Throughout the pandemic we gave advice and support to local telecoms providers and broadcasters, helping them continue to deliver their services. We also issued short-term radio licenses for numerous outdoor cinemas and church services.
- We concluded our investigation into BT's behaviour during the tender for the Northern Ireland public sector telecoms contract, resulting in a £6.3m fine for BT Group for breaching our rules.
- As the UK left the European Union, we continued to advise the UK Government about the potential harm to consumers in Northern Ireland, especially in relation to parcel movements between Great Britain and Northern Ireland.
- We joined the Shared Rural Network NI working group and the Northern Ireland Executive's Mobile Action Plan working group, helping to deliver improved 4G and 5G coverage across Northern Ireland.
- We awarded the first small-scale DAB multiplex licence for Northern Ireland, in Derry/Londonderry.

Scotland

- Throughout the pandemic we gave advice and support to telecoms providers and broadcasters in Scotland, helping them to continue to deliver their services.
- Virtual events with representatives of the TV sector in Scotland on diversity in broadcasting and with the University of the West of Scotland on the future of public service media.
- Engagement with the Scottish Government on our preparations to regulate online safety.
- Provision of technical and regulatory advice to help the Scottish Government deliver key digital infrastructure projects, such as the 'Reaching 100%' broadband programme and the S4Gi mobile programme.
- Publication of our annual [Connected Nations Scotland](#) and Media Nations Scotland reports.

Wales

- Political and industry stakeholder engagement has featured prominently to keep stakeholders informed of developments in our work.
- Our 'Supporting Wireless Innovation for Agri-tech and Rural Connectivity' event brought together organisations facing connectivity challenges with those offering wireless solutions.
- Our 'Small Screen Big Debate' series of discussions enabled us to listen to the views of stakeholders regarding the future of Public Service Broadcasting in Wales.
- We have maintained our work in the Welsh language, developing the way we manage telephone calls and the manner in which we undertake research in Wales. Ofcom remains fully committed to promoting the use of the Welsh language in its activities and ensuring that those wishing to communicate with us in Welsh are able to do so naturally.

Our international engagement

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

Our policy work is informed through our participation in regulatory and inter-governmental meetings, as well as international events, where we seek to learn from our overseas counterparts and exchange experiences and good practice. We regularly engage with international regulators bilaterally to exchange views on topics including telecoms security and resilience, consumer protection and online safety, and last year we formed an informal group to discuss the challenges of online regulation with counterparts from Australia, Ireland and Canada.

Europe

Although the EU exit transition period ended on 31 December 2020, we continue to closely follow regulatory developments in the EU and responded to the European Commission's public consultation covering the Digital Services Act and the Digital Markets Act. We remain active participants in regulatory dialogue at European level, including through our ongoing membership of the Independent Regulators Group (IRG), a group of 37 European telecommunications regulatory authorities. We have also continued our programme of engagement with EU regulators, including to exchange views on the European proposals and to support our implementation work on the revised Audiovisual Media Services (AVMS) Directive, which was transposed into UK law in 2020.

Beyond the EU

We participated in several international conferences on media plurality, policy and media literacy, and on competition in and the sustainability of the content sector. Through our Vice-Presidency of the European Platform of Regulatory Authorities (EPRA), a network of 54 European broadcast regulators, we led the creation of a media literacy network. We also remain involved in the work of the Council of Europe, where we chair the Expert Committee on Media Environment and Reform.

Engagement on online regulation and cyber-security

We take part in global multi-stakeholder dialogues on internet regulation and governance, including the Internet Governance Forum (IGF), the European Dialogue on Internet Governance (EuroDIG) and RightsCon. We joined the Internet & Jurisdiction Policy Network's Content Working Group as well as working groups within the Global Platform Governance Network, a Canada-based multi-stakeholder initiative seeking solutions for online policy and regulation.

Given the interdependent nature of global network infrastructure and evolving cyber-security threats, we are becoming more involved in international cyber-security discussions and have deepened dialogue with regulators with duties in this area, as well as the European Commission as it reviews the EU's cyber legislation. We also started to discuss frameworks for network resilience with regulatory counterparts. As the UK seeks to address the global challenge of a narrow telecoms supply chain, we have increased our engagement on the subject of vendor diversification and the adoption of solutions using open interface specifications, such as Open Radio Access Networks (RAN).

Ofcom also continues to participate in the policy development work of the Organisation for Economic Co-operation and Development (OECD), sitting on the Communication Infrastructures and Services Policy Committee (CISP).

Spectrum

In spectrum, Ofcom takes part in relevant international fora including the European Conference of Postal and Telecommunications Administrations (CEPT), where Ofcom chairs the European Electronic Communications Committee (ECC), the most senior spectrum group within CEPT. We work across a wide range of issues related to spectrum use including mobile broadband and 5G, improving consumer and business connectivity with increased Wi-Fi, satellite communications and navigation, broadcasting and transport (including road, rail and aeronautical).

Further work with international bodies

We also chair several project teams and study groups in different international groups including in the International Telecommunication Union (ITU). Most recently, Ofcom has been appointed as the Vice-Chair of CEPT Conference Preparatory Group (CPG) which will be responsible for developing European positions for the next World Radio Conference which is scheduled to take place in 2023.

Other work in the ITU this year has focused on emerging technologies, and reforms to the ITU's structures and ways of working. We coordinate European positions on these issues through our role as Vice-Chair of the Com-ITU Committee in CEPT.

We remain active in European and international postal bodies, where we work closely with fellow international postal ministries and regulators, including in the Committee on European Postal Regulation (CERP).

Finally, we support the UK Government at the Universal Postal Union (UPU), the inter-governmental body which governs the remuneration of international mail between Universal Postal Service Providers, including in relation to changes to the international terminal dues arrangements and the proposed opening of the UPU to wider sector operators.



Engagement with other stakeholders

Consumers and citizens

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

Ofcom's Consumer Contact Team received 96,051 calls, web forms, emails and letters directly from consumers in 2020/21, and the information that consumers provide helps us target our policymaking and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

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

We carry out regular research into consumer needs and behaviours, helping to inform our work and providing us with insight into how it affects the users of the products and services we regulate.

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

Industry and Government

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

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

Co-regulators and other bodies

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

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

The Competition and Markets Authority (CMA) has concurrent powers under specific consumer protection legislation and within the framework of

competition law for the communications sector. We work with the CMA to ensure that a consistent and co-ordinated approach is taken in relation to issues where we have concurrent powers, and we discuss which body is best placed to lead in each case.

When we regulate

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

Reducing regulation

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

During the past year we have made a number of significant regulatory decisions, but the volume of documents we publish has stayed broadly the same. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom’s regulatory decisions and statements in 2020/21.

Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2020/21

Of the 40 Major Statements delivered in the year:	Number	%
Increased/new regulation	10	25%
Mixed/no change/ongoing	27	67%
Reduced regulation	1	3%
Streamlined/co-regulatory	2	5%

An overview of the key decisions and statements that we have made during the year can be found in Annex 2.

Ofcom’s regulatory principles

When we regulate

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

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

How we regulate

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

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

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

How we support regulation

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

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

Consultations

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

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

- **Category 1:** consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to respond); in these cases, we will normally consult for ten weeks.
- **Category 2:** consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will have awareness of the issues; in these cases, we will normally consult for six weeks.
- **Category 3:** consultations which fall within one or more of the following categories, where the normal time period for consultations is one month:
 - technical issues;
 - where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;
 - where the issue has already been the subject of a consultation;
 - where the proposal will have a limited effect on a market; or
 - where the proposal is a limited amendment to an existing policy or regulation.

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

Figure 2: Analysis of consultation duration: 2020/21

	Consultation period at least ten weeks	Consultation period less than ten weeks (inc cat 2 and cat 3 consultations)
Telecoms	3	40
Broadcasting	2	15
Spectrum	1	4
Post	0	2
Other	1	2
Total	7	63
% Total	11%	89%
% Total (19/20)	17%	83%

Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2020/21, more than 90% of our decisions were announced within twenty weeks of closing a consultation, the majority of which were within ten weeks.

Impact assessments

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

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

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

We publish a list of the impact assessments we carry out during the year; this is in Annex 2.

Figure 3: Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	43	38
Broadcasting	17	4
Spectrum	5	2
Post	2	2
Other	3	1
Total	70	47 (=67%)

Figure 3 highlights that, in 2020/21, 67% of consultations had conducted an impact assessment, explicitly referenced in a specific section or annex of the consultation document. In some circumstances, it may not be necessary or appropriate to conduct an impact assessment, or it may be implicit within the consultation. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Financial Review

Whilst Ofcom is directly accountable to Parliament, our funding comes from fees charged out to the sectors we regulate (see figure 4 on page 60).

We are committed to being a cost-conscious, value for money organisation in discharging our duties. Over the past decade, the cost of regulation has fallen significantly in real terms.

We are also a net contributor to HM Treasury; Ofcom collected £415.5m of fees and penalties in 2020/21, of which we retained £63.8m to fund our spectrum management and other relevant duties. The balance was passed to HM Treasury and the Consolidated Funds.

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

Financial performance

In 2020/21, our cash outturn of £129.8m was 3.9% lower than our budget of £135.0m. This was largely due to reduced activity (recruitment of staff and travel) primarily driven by the pandemic.

£m	Budget	Outturn	Variance
2020/21	135.0	129.8	5.2
2019/20	124.2	124.0	0.2
Variance	10.8	5.8	5.0

The increase in 2020/21 budget of £10.8m relates to incremental spend on new duties including Video Sharing Platforms (£5.0m), Preparing for Online Safety (£3.1m), Networks Infrastructure & Security (£1.7m) and delivering Broadband Universal Service Obligation (£1.1m), an increase for inflation (£2.4m) offset by the removal of the International Telecoms Union subscription (£2.5m) paid for on behalf of the UK (still paid by Ofcom but funded by WTA receipt retention).

62% of our total cost base relates to staff costs, with a significant part (22%) of the remaining cost base fixed in relation to property and systems costs.

Ofcom presents the costs relating to Spectrum clearance and awards separately to differentiate from the Ofcom's core activities. Further detail on this is set out on page 57.

Operating income

The £132.5m (2019/20: £125m) of income received in 2020/21 covers Ofcom's core responsibilities (excluding Spectrum clearance and awards).

Operating expenditure

Excluding staff costs, expenditure relating to Ofcom's core responsibilities in 2020/21 increased by £2.5m to £50.4m (2019/20 £47.9m). The main operating variances from the prior year are due to:

- Professional Services increased by £0.8m, driven by a one-off recovery of legal costs in 2019/20;
- Outsourced Services costs increased by one-off £1.7m as we invest in our finance, people and planning systems;
- Technology Research increased by £0.8m relating to the preparation of Online Safety duties;
- Premises costs increased by £1.2m as a result of increased cleaning and security costs due to the pandemic and a one-off rates credit in respect of Riverside House in 2019/20.

This is offset by

- £1.4m of lower travel costs due to pandemic restrictions
- £0.4m of lower spend on IT operational equipment

Staff costs increased by £4.2m to £83.5m (2019/20 £79.2m), including £0.5m relating to spectrum clearance expenditure. The average staff numbers were 992 full time equivalents (FTE) (2019/20 937 FTE). The increase in costs year on year relates to the annual pay award (£1.6m) relating to 2019/20 performance, and growth in our teams supporting the new duties outlined above.



Surplus/deficit for financial year

Funding surplus or deficit

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

Note 2 of the accounts within Section C reconciles the total operating expenditure by regulated sector, as presented in the Statement of Comprehensive Net Income to Ofcom's actual operating outturn.

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £7.6m (2019/20 £8.6m surplus).

Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Net Income for the year under review, was £1.5m (2019/20: £226.7m deficit). The significant variance to the prior year reflects the inclusion of legal settlement funding of £232m in the 2019/20 financial statements which was funded by DCMS. The large accounting surplus in the previous year is a non-recurring event.

Spectrum clearance

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

The 700 MHz clearance programme has successfully made available this band of spectrum to meet the growing demand for mobile data. The programme is now in its final phase and is due to complete in autumn 2021.

The pandemic necessitated the pausing of clearance events and the adoption of a revised timescale for the programme. The clearance of the airwaves was finally completed on 19 August 2020.

The Spectrum clearance and awards grant-in-aid funding supports the changes required e.g. to the DTT infrastructure, which are necessary to clear the spectrum band. Government has made funding available for a grant scheme to disburse grants to facilitate the clearance.

More information on the programme is provided in annex 8.

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

Spectrum clearance and awards expenditure amounted to £22.7m in 2020/21 (2019/20: £76.7m), the reduction largely driven by completion of clearance activities by August 2020.

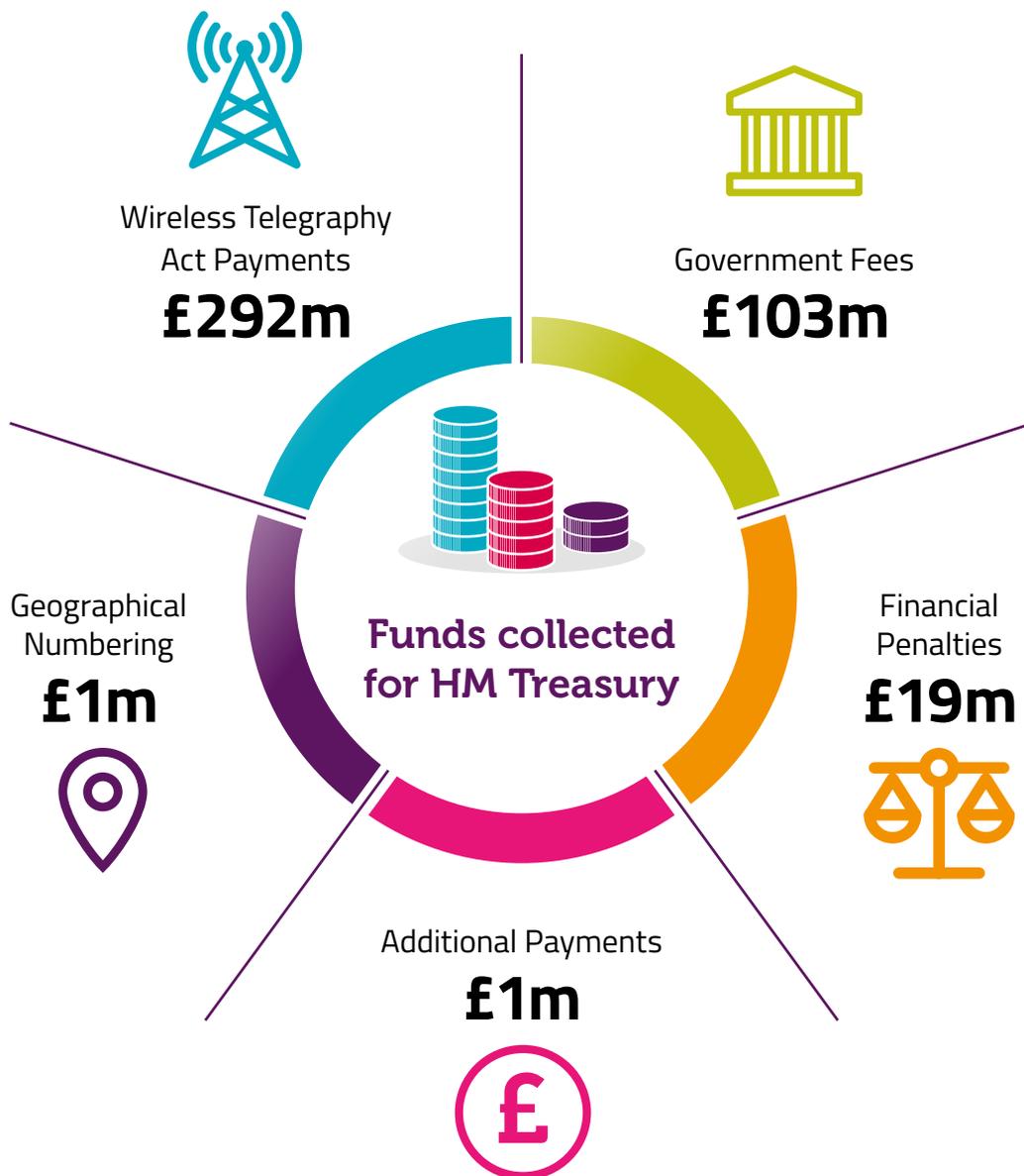
The remainder of the programme focuses on the removal of temporary measures, site decommissioning works and Grant Reconciliation.

Additional funds collected on behalf of HM Treasury

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. These transactions are not included in the Financial Statements. The fees, payments and penalties are reported, with further detail provided, within these Financial Statements in Note 23 to the accounts, with further information in Annex 1 on page 149.

During the 2020/21 financial year Ofcom collected £415.5m (2019/20: £373.2m) on behalf of HM Treasury of which £63.8m (2019/20: £56.8m) was retained to fund some of Ofcom’s core responsibilities, including Spectrum Management. The variance to the previous year receipts is due to an increase in the annual licence fees paid by mobile operators for the public wireless networks.

A total of £328.3m was transferred to Government accounts in the financial year.



Pensions

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

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both plans are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time, all existing members were provided with access to the Ofcom stakeholder plan. Notes 1(k) and 19 to the accounts provide further detail.

However, the 2020/21 financial statements show a surplus of £14.8m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations.

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

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



Tariffs

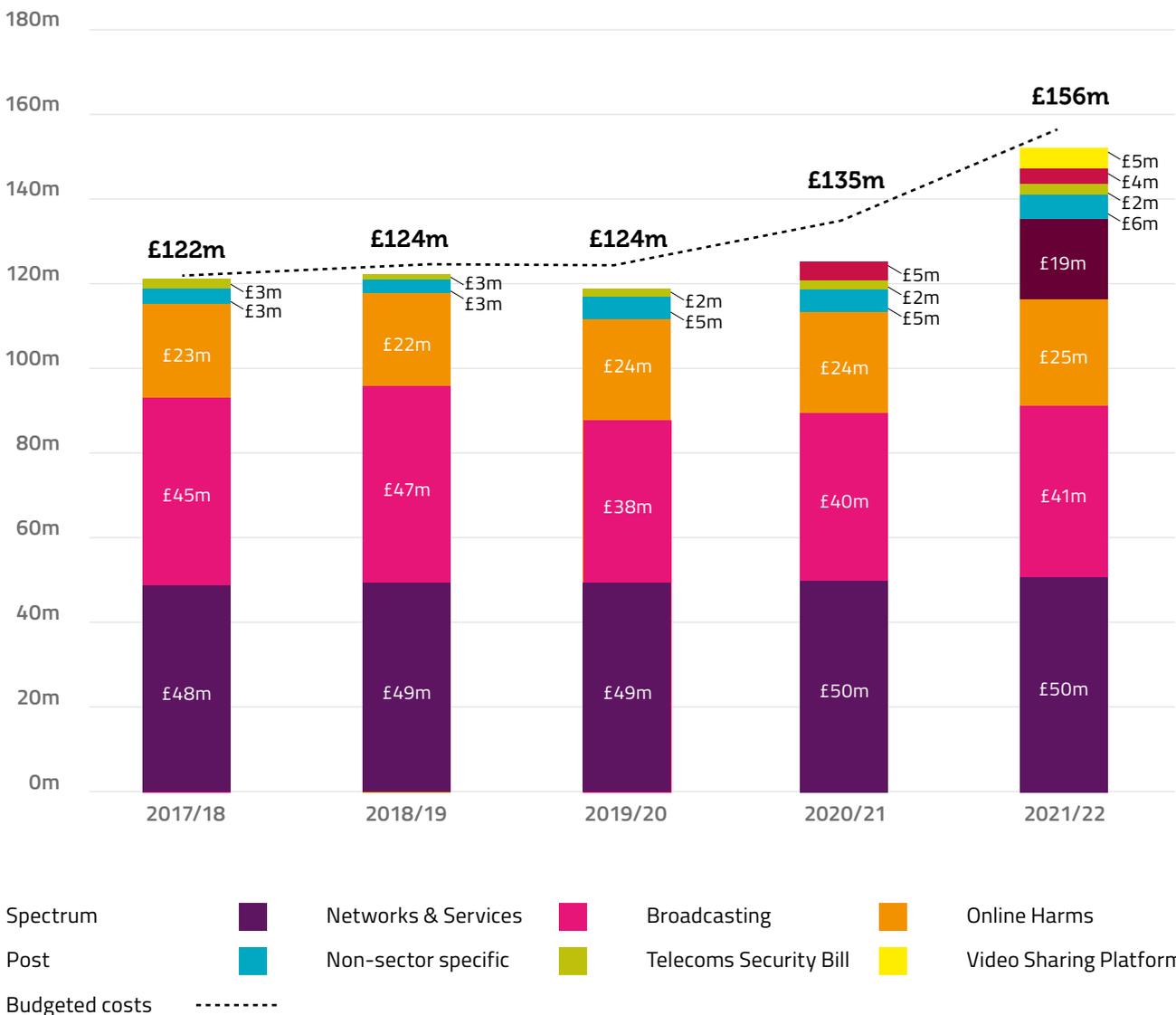
Ofcom published the 2021/22 Tariff Tables on 26 March 2021. Ofcom’s core budget remains at the same level as the previous financial year, £131.9m. The overall spending cap will be increased further by £23.8m to incorporate preparatory work for our new regulatory duties i.e. Online Safety and enhanced Telecommunications (Security) Bill. These activities will be funded by the retention of Wireless Telegraphy Act (WTA) receipts and not stakeholder

Further details can be found in the 2021/22 Tariff

Tables on our website.

As shown in Figure 4 below, except for costs associated with our new responsibilities, the overall tariffs for each regulatory sector are broadly in line with the 5-year average.

Figure 4: Five year sector view of funding



Corporate Responsibility

Ofcom's commitment to corporate responsibility

As a responsible employer we focus on our environmental impact and our ability to build a strong sense of community and purpose at Ofcom. To achieve this we:

- work to reduce our carbon footprint, ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on page 64); and
- build closer links with local communities in London, Manchester, Edinburgh, Cardiff and Belfast.

Volunteering and community

"We are connected to communities" is one of the six foundations in our new Diversity and Inclusion Strategy. Volunteering and community work also form a key strand in our organisation-wide Thrive@Ofcom wellbeing programme which we've called 'doing good to feel good'.

We encourage colleagues to participate actively in community initiatives and volunteering opportunities. We support participation in local communities with three days paid volunteer leave each year during working hours for any registered charity. We enhanced this with five additional days in 2020, bringing the total to eight paid volunteering days, specifically to provide support to any charitable, community or public sector organisations in relation to the pandemic. We believe sharing time is an effective way for people in Ofcom to offer their skills and expertise; gain new skills and perspectives, stay mentally healthy and boost their confidence. It also promotes our diversity objectives by learning about the society that we serve and

appreciating its diverse needs and challenges. Our ambition is that we further grow our connections to communities and under-served groups so we can hear consumers' voices and create positive social outcomes as an employer, and as a regulator.

Schools and institutions

We continued our extensive school outreach work during the pandemic, moving quickly to provide support to schools and institutions online, hosting large virtual work experience sessions and internships.

We have partnered with Speakers for Schools since 2018, offering students from state schools, academies and colleges a week's work placement during school holidays. Ordinarily we meet travel costs up to £50 and provide a £5 daily meal allowance to make sure that the placement does not create a financial burden. The aim is to inspire students to think about working in industries and sectors they wouldn't otherwise have considered or wouldn't normally have access to and for employers to reach a pool of new students from different backgrounds as they think about their future careers. This year we hosted three Digital Work Experience weeks with Speakers for Schools and provided career experience to over 100 students. The virtual format meant we were able to offer experiences to students around the country who otherwise might not be able to travel to our offices. The programme provided:

- a volunteer mentor line manager to work with every student who applied.
- Presentation opportunities for students on our remit and sectors
- Direct feedback from our Chief Executive and our People and Transformation Director.

In addition we offered 12 annual, four-week paid work experience internships to A-level students from business education charity, Career Ready, during the summer months. Career Ready links employers with schools and colleges whose students have little family background of higher education or professional careers, to give young people support, experiences and insights to kick-start their futures. In monthly meetings mentors coached their young person about career options and pathways, helping them to understand more about the world of work, making the transition from education to the workplace, and the skills they'll need towards a rewarding future.

We donated 245 of our pre-owned business laptops and Business 2 Schools distributed them to schools in areas around the UK where they were most needed.

Our reading mentoring scheme in partnership with local schools was suspended, but will resume in the Summer of 2021.

We sponsored the Institution of Engineering and Technology's (IET) Young Woman Engineer of the Year Award supporting women in engineering. This year in March, the IET held their awards ceremony virtually and six of our female engineers were able to present on their roles at Ofcom. Our Technology and Spectrum Groups are currently developing a programme to increase gender and ethnic diversity in our STEM roles.



Apprenticeships and internships

We are committed to providing more opportunities for young people to join us. We pay the Apprenticeship Levy and use it to enrol people onto apprenticeships ranging from intermediate to Masters level. We also use the levy to upskill existing employees by gaining professional qualifications ranging from CIMA (accountancy), CIPD (People Profession or HR) to BEng (engineering) through an apprenticeship. In 2021 we will review our overall approach to apprenticeships, supporting the programme with long-term, paid skills-based work placements. We currently employ 17 apprentices working in Spectrum Engineering, Consumer Contact Centre, Competition Finance and Market Research with a further 21 colleagues using the Apprenticeship Levy to develop their skills and gain an additional qualification.

Our Legal team partnered with the Sutton Trust's 'Pathways to Law' programme to host five students for paid work in September 2020. The programme

is ongoing and aims to widen access to the legal profession, raise students' aspirations and allow them to make informed decisions about their future career. It is open to students who attend non-fee-paying schools, and they are also often the first in their family to attend university.

Ofcom charity

During 2020 colleagues carried out a variety of activities to raise money for causes they care about. Our colleague employee networks launched their '#ChallengeforCharity' event support the provision of crucial services during the pandemic. These charities included those that support people who suffer from domestic abuse or have a hostile home environment as well as homelessness charities and food banks. Our annual charity Christmas raffle in 2020 raised money for our corporate charity, Macmillan, and two charities chosen by colleagues in Belfast and Edinburgh.

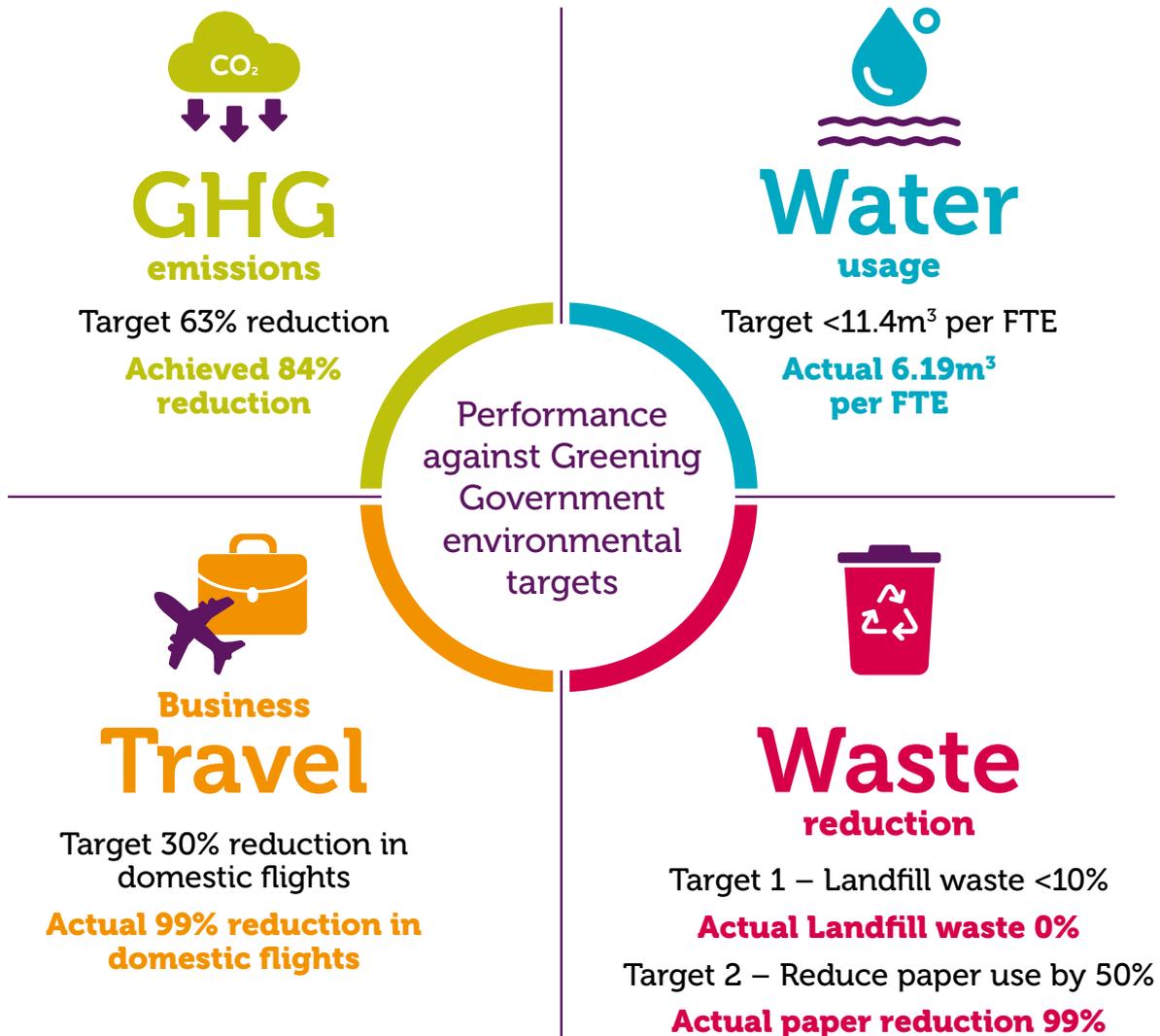


Sustainability Report

Managing our impact on the environment is important to us in how we run the organisation. We set ourselves an ambitious environmental target in 2007 to reduce our carbon emissions by at least 50 per cent by 2020. We had already achieved 59% at the end of March 20, before the exceptional impact of the pandemic, which led to a 72% reduction in tonnes of carbon dioxide equivalent (tCO₂e) compared to last year. While we recognise that emissions will increase

in 2021/22 as we return to pre-pandemic levels of travel and building occupancy, we will seek to embed many of the efficiencies in our future ways of working.

Ofcom also has an ongoing commitment to the Greening Government agenda, and we have been successful in meeting the targets to cut greenhouse gas (GHG) emissions, reducing waste sent to landfill and paper consumption from a 2009/10 baseline.



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

By investing in video-conferencing capabilities across all our offices and adopting Microsoft Teams and Surface Hubs, we now have the digital technology to avoid unnecessary travel.

We had unavoidable air travel in 2019/20, where we opted to offset the greenhouse gas emissions by supporting two woodland creation projects, to capture the carbon dioxide emissions from our air travel. Both projects are registered with the government backed UK Woodland Carbon Code and appear in the independent Markit Registry and are certified to ISO standards by a UK Accreditation Service (UKAS). We will continue to offset unavoidable air travel in future years.

Developing our approach to environmental management

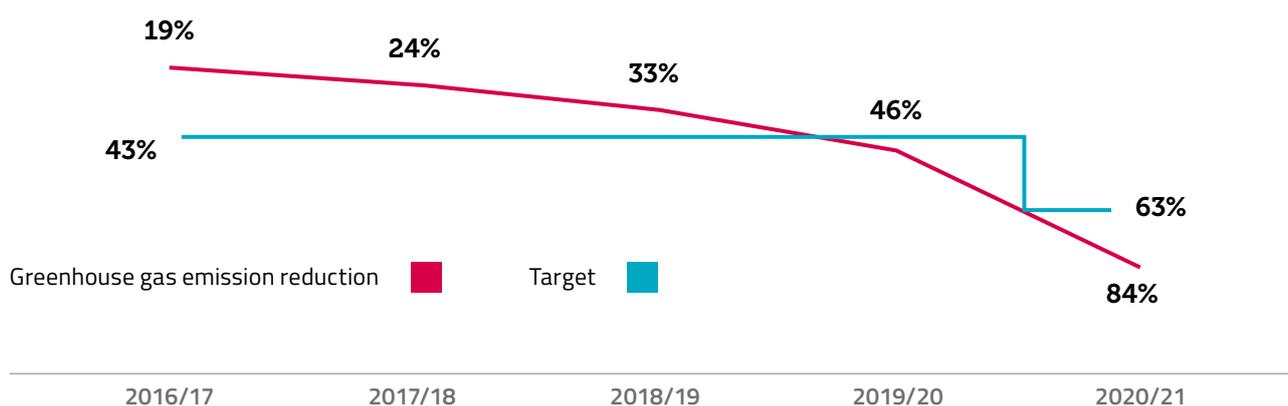
We are now working towards achieving ISO 14001 certification for environmental management. We will develop targets to meet any new Government Greening environmental requirements, with an ambition to achieve net zero over the coming decade.

Dame Melanie Dawes DCB

Chief Executive and Accounting Officer

23 June 2021

Figure 5: 5-year sustainability performance overview



		2016/17	2017/18	2018/19	2019/20	2020/21
Greenhouse gas emissions (Scopes 1,2)	tCO2e	1,456	1,209	1,078	493	297
	Expenditure	£405,810	£459,238	£404,206	£158,351	£182,803
Business travel (Scope 3)	tCO2e	312	519	555	594	7
	Expenditure	£663,705	£705,602	£742,876	£837,982	£5,458
Waste (Scope 3)	tCO2e	172	76	198	189	69
	Expenditure	£37,984	£7,004	£43,805	£35,000	£12,470
Finite resource consumption	Water consumption (m3)	11,282	9,379	13,988	18,874	6,375
	Expenditure	£22,248	£6,929	£19,583	£23,321	£14,820
	Paper reams	6,317	3,915	2,579	2,411	23