



2022/23

# Annual report and accounts

For the period 1 April 2022 to 31 March 2023

**Ofcom**

HC 1506

# **The Office of Communications Annual Report and Accounts 2022–2023**

**For the period 1 April 2022 to 31 March 2023**

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# Chair's message

## Lord Grade, CBE Chair

It has been one of the great honours of my career to serve as the Chair of Ofcom for the past year. Ofcom is accountable to Parliament and to the people of the UK, and it is a responsibility and a privilege that our Board members and our colleagues fully recognise.

The communications sector today is characterised by rapid change and disruption, unhindered by the type of traditional sector boundaries that existed even five years ago. That's why Ofcom's role as a converged regulator is best suited to the cross-functional challenges of our era in telecoms, broadcasting, post, spectrum and online services. How we work reflects the way the public use communications and consumes content every day: simultaneously as consumers, audiences, content creators and citizens.

When I joined the Board in May 2022, Ofcom was already immersed in preparations for the passage of the Online Safety Bill, a crucial expansion of its duties as communications regulator. Now that the Bill is close to Royal Assent, the public we serve is about to see what I've witnessed first-hand since I took over as Chair: that Ofcom's entire team has the knowledge, data literacy, and mix of operational and policy experience to oversee the introduction of this world-leading piece of legislation.



**“Our work reflects the way the public use communications and consumes content every day: simultaneously as consumers, audiences, content creators and citizens.”**

I have been clear from the start that the Online Safety Bill is not going to solve overnight every challenge that the increasingly complex and sophisticated digital world presents. There is no magic switch we can flick to make platforms automatically safer for children or to minimise the risk of encountering hateful or dangerous material online. However, as an organisation, we are fully prepared, and indeed eager, to ensure the services and platforms that fall under the Bill's purview understand and fulfil their compliance responsibilities.

As with all of Ofcom's duties, impartiality, transparency and a commitment to consultation and feedback will be central to the implementation of the Online Safety Bill. That same spirit of independent, objective thinking, free from personal, political or commercial influence, has been essential to our work for the past 20 years. It will continue to animate our approaches to regulation of the communications sector, even as – especially as – new challenges, formats and opportunities present themselves.

Since our last annual report, the cost-of-living crisis has made life so much more difficult for very many people. A great deal of our work over the past 12 months has focused on consumers' rights when it comes to rising costs for home phone, mobile, broadband and postal services, not to mention the increasing risk of online and telecoms fraud. Competition in the telecoms sector is not just vital for consumers, but also for the wider health of the UK economy.

Value is also at the heart of our regulation of broadcasting and the media, be it preserving a plurality of news sources, or promoting fair and transparent complaints procedures. One of our tasks is ensuring that the BBC can adapt and thrive in a competitive environment. Earlier this year we issued a new statement modernising the BBC's Operating Licence, which, among other things, set broad requirements on the BBC's online services like iPlayer for the first time, while also ensuring that the BBC continues to deliver diverse content to viewers and listeners across the Nations. We want to make sure the BBC is ready for the future, while not ignoring the present.

We are ready to deliver on all this and more, always mindful of our core operating principle to further the interests of citizens and consumers while balancing effective regulation with freedom of expression.

# Chief Executive's report

## Dame Melanie Dawes, DCB Chief Executive

This year marks Ofcom's 20th anniversary. I think it is fair to say that in 2003 when we were founded, none of us could have anticipated the scale and breadth of change that would affect communications industries in those two decades.

In 2023, there are infinitely more ways for people and businesses to communicate. Mobile and broadband connections have improved immeasurably. New devices and services are constantly coming on stream, requiring ever greater bandwidths. All of us are changing the way we consume news and entertainment, run our businesses and stay in touch with each other.

Over the years to come, it is clear that innovation is going to keep driving change, whether through new platforms, further DAB digital radio expansion, or developments in the realms of AI and augmented reality. It is a big part of Ofcom's job to make sure we harness the opportunities and mitigate the challenges this will bring.

All of us in the UK need fast, reliable, and secure internet we can rely on. Services also need to be competitively priced and affordable. I am particularly proud of the work Ofcom has done this year to drive availability and raise awareness of social tariffs. Thanks to our regulatory investment framework, we have also seen fibre broadband rolled out rapidly, reaching more than half of UK homes in March 2023. Meanwhile, our commitment to the Shared Rural Network saw us travel 42,000 miles to test mobile coverage and ensure operators were providing accurate data to improve reception in hard-to-reach areas.



**“We are ready to begin the challenging work of implementing the Online Safety Bill, regulating the platforms and services that power the most popular and influential sites and apps.”**

In 2022/23 Ofcom continued to ensure the UK is served by media we can trust and value, delivering world-class entertainment and information that reflects our country, and accurate and impartial news that we can trust. We continued to hold the BBC and the wider industry to account, updating the BBC's Operating Licence for the digital age and working with the Government on the Media Bill which will support public service broadcasting to thrive in the years ahead.

Later in 2023 Ofcom will receive new powers through the Online Safety Bill to ensure a safer life for everyone online, particularly children. We have spent the past few years preparing for this important task – as our report into the first year of regulating video-sharing platforms (VSPs) published last October attests – so we can hit the ground running once Parliament has passed new laws. Our aim is to drive improvement on behalf of consumers across social media and search services, while ensuring that everyone can continue to enjoy the services they love.

Ofcom also played an important role in supporting the wider economy by ensuring that wireless spectrum is available to industries and people who needed it. We have strengthened our monitoring of Royal Mail and its delivery of the postal services on which consumers rely.

Over the past few years, Ofcom has grown as we prepare for our new duties as a regulator. We have welcomed people from the tech industry, charities, communications providers and the public sector, adding to an already talented team that is getting ever more diverse. We are lucky to have such passion, expertise and skill. Given the broad and expanding scope of our work I firmly believe that Ofcom provides great value for money for citizens and to the companies which pay our fees. On a like-for-like basis our budgets have been fixed in cash terms in every year but one since 2015. We have absorbed significant pressures from inflation by constantly striving for efficiencies, including lower IT costs and a smaller London office space.

For me, the great joy of Ofcom's work – and the responsibility it carries – comes from the fact that we help to protect things that people really value in their lives. Our phones, our favourite TV shows, social media that connects us with the people we love – these are the new necessities of life. But they are also things we truly care about.

If the past few years have taught us anything, it's that communications matter. I'm proud that Ofcom can be trusted to uphold those connections between people and businesses across the UK.

# Our powers and duties

## Ofcom's mission is to make communications work for everyone.

We regulate fixed-line and mobile telecoms, TV and radio broadcasting, video-on-demand services, post, and the radio spectrum used by wireless devices. We help UK businesses and individuals get the best from communications services and protect them from harmful treatment and practices. Where appropriate, we promote competition, investment and innovation as the basis for delivering good consumer outcomes. Ofcom regulates UK-established video-sharing platforms and we are set to take on additional responsibilities as the UK's online safety regulator under the Online Safety Bill. We are an independent public authority and accountable to Parliament for our public duties.

We are accountable to Parliament and through the Courts, and to perform our role effectively we need to engage openly and constructively with the UK and devolved Governments. We provide technical advice to governments (for example, our work regarding the implementation of a UK broadband universal service provider) and in some cases, we act as a formal representative of the UK Government (for example, in international negotiations on spectrum).

## 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 Parliament. The Communications Act 2003 states that our principal duty in carrying out our functions 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, our duty is to 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; our competition powers are outlined later in this section.

Our main legal duties guide the direction of our work and include making sure that:

- the UK has a wide range of electronic communications services;
- optimal use is made of the radio spectrum;
- a wide range of high-quality television and radio programmes are provided by different organisations, appealing to a variety of tastes and interests;
- people are protected from harmful or offensive material, unfair treatment and unwarranted invasion of privacy on television and radio;
- the BBC is held to account on its compliance with appropriate content standards, its performance against its Mission and Public Purposes, and the impact of its activities on fair and effective competition;
- the universal service obligation on postal services is secured in the UK; and
- digital infrastructure across the UK is strong, secure and resilient.

**“Where appropriate, we support competition as the basis for delivering good consumer outcomes.”**



In November 2020, new rules entered into force giving Ofcom responsibility for ensuring that UK-established video-sharing platforms take appropriate measures to protect consumers who engage with those services from the risk of viewing harmful content. Ofcom will become the wider online safety regulator once the Online Safety Bill - which is currently before Parliament - gains approval. The Online Safety Bill will, among other things, introduce a new duty for Ofcom to secure the adequate protection of users from harm caused by content on regulated services. This will require providers to design appropriate systems and processes to reduce the risk of such harm.

On 1 October 2022, the new regulatory regime established by the Telecommunications (Security) Act 2021 formally commenced. The Act introduces new strengthened security duties on telecoms providers, with new powers for the Government to set out security requirements. It also gives Ofcom new responsibilities to make sure providers comply.

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

### Ofcom’s competition law powers

In addition to our regulatory responsibilities set out above, we have powers in relation to communications matters to:

- enforce the prohibitions on anti-competitive agreements and abuse of a dominant position, defined in the Competition Act 1998; and
- investigate markets and make references under the Enterprise Act 2002 to the Competition and Markets Authority (CMA).

We consider whether it is more appropriate to exercise competition or sectoral powers in any given case, subject to the specific legislative requirements.

### Our values

In order to make communications work for everyone we: promote choice, secure standards and prevent harm. Excellence, collaboration, empowerment, agility and respect are the words that best explain how we work and the way we do things at Ofcom.

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.



Excellence



Agility



Collaboration



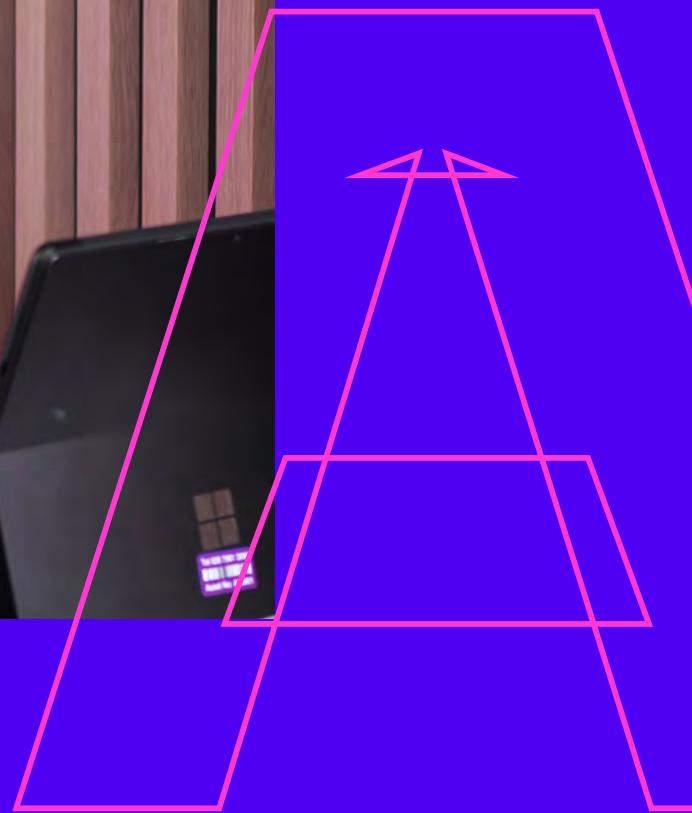
Respect



Empowerment





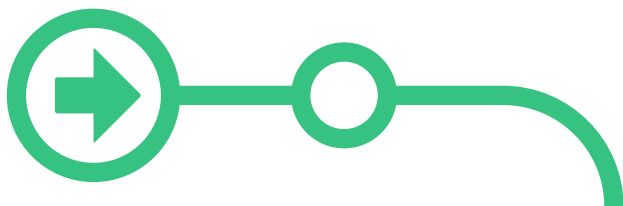


## SECTION A

# PERFORMANCE

This section sets out how we have performed against the objectives set out in Ofcom's Plan of Work. We look at the impact of our work on behalf of people and businesses in the UK.

# Highlights for 2022/23



## Investment in strong, secure networks

- **Better broadband** - new regulations, set in March 2021 and designed to incentivise and support investment in new full-fibre networks, are having a positive effect. Full-fibre-based networks are expanding rapidly, with over 50% of households across the UK in March passed by at least one provider, amounting to growth of 17 percentage points in just over a year - and a near seven-fold increase compared to five years ago.
- **The future of mobile** - demand for mobile services continues to grow rapidly. Investment is needed to support networks. To encourage investment, we clarified our future approach to the mobile market and the allocation of airwaves. To help people make informed decisions about which mobile provider to use, we are developing better information on network quality.
- **Safe and secure networks** - new duties introduced under the Telecommunications (Security) Act 2021 will help us protect people with safe and secure networks. We are working closer than ever before with industry to support security and resilience. We continued to help implement the UK Government's strategy on vendor diversification, designed to ensure a competitive, innovative, secure and resilient telecoms supply market.

## Getting everyone connected

- **Affordable, reliable post** - following a review of the future of postal regulation, postal users will continue to have access to the simple, affordable and reliable services. New rules mean greater protections for parcel customers too.
- **Universal mobile** - getting a good mobile signal is essential for people to keep in touch, live and work on the move. We oversaw the progress of mobile operators in building a Shared Rural Network to improve reception in hard-to-reach areas, including travelling 42,000 miles to test coverage and ensure operators are providing accurate data.
- **Universal telecoms** - we continue to implement the Broadband Universal Service Obligation scheme meaning decent broadband is now accessible to thousands more homes. We made decisions to protect call boxes where they are still needed most and to remove requirements around the provision of fax machine services.

## Fairness for customers

- **Affordable phone and broadband** - with living costs rising, we pushed more providers to offer social tariffs, and urged those who do so to promote them more effectively. Take-up has increased significantly, but millions more could still benefit.
- **Protecting consumers** - customers should get the right information, at the right time, about their contracts – helping them make better choices, often saving money as a result. We constantly monitor compliance with our rules, opening investigations where we think providers may be falling short.
- **Tackling scams** - scams cause financial and emotional harm to millions of people, especially the most vulnerable. Our intervention means providers must do more to help prevent telephone numbers being misused. We also raised awareness of nuisance calls through social media and other channels.

## Enabling wireless services in the broader economy

- **Freeing spectrum** - radio spectrum, a finite national resource, is the wireless infrastructure that supports modern lives, businesses and the digital economy. We identified new spectrum that can support growing and innovative services using mobile devices, drones and satellites, and explored how it could be freed up and released to organisations who want to offer these services.
- **Commonwealth Games support** - we worked closely with the organising committee of the Birmingham 2022 Commonwealth Games to deliver a highly successful event. Our spectrum team issued priority spectrum licences for a variety of critical wireless equipment such as microphones, cameras, in-ear monitors and walkie-talkies, providing us with further operational experience that we can apply to similar major sporting and cultural events going forward.
- **Space strategy** - people living in rural areas and passengers on planes and ships stand to receive better broadband, after we announced more airwaves for satellite services, doubling the capacity available.

## Supporting and developing UK media

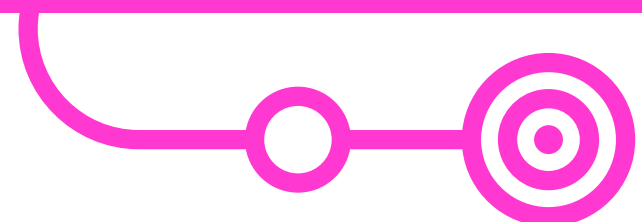
- **Ensuring diversity in broadcasting** - the broadcasting sector should be as diverse as the audiences it serves. We have expanded the breadth of data we collect on broadcasters' workforces to help promote equity, diversity and inclusion, after we identified further improvements the sector needed to make. We published a new framework and guidance on how we collect and use this diversity data.
- **Making sure regulation is fit for purpose** - we have continued to work with the Government and with industry to make sure regulation keeps pace with changes in the sector and in audience behaviours. We will continue to work with the Government to make sure its proposed new regulatory system, under the Media Bill, works for audiences, and we have already expanded our work examining the impacts of new and emerging technologies.
- **Regulating the BBC** - we completed a review of how we regulate the BBC, and how it engages with audiences, competitors and complainants. This review led to an updated Operating Licence for the BBC. In our annual report on the BBC we found that while it continues to deliver its remit, audiences from lower socio-economic groups are less likely to use its services and are less satisfied with it as a whole.

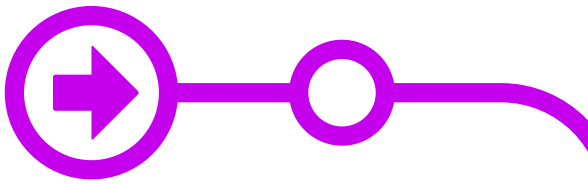
## Serving and protecting audiences

- **Upholding broadcast standards** - we have continued to set and enforce broadcast standards, to protect audiences from harmful content on TV and radio, and to take into account the importance of broadcasters' right to freedom of expression. This year we assessed 36,908 complaints, completed 78 investigations and found 70 cases in breach of our broadcasting rules.
- **New digital radio services** - this year we have continued to license new small-scale DAB digital radio services across the UK. Our licensing programme in this area has led to 177 new digital radio stations being on air around the UK, giving listeners access to a range of local and specialist content that meets their needs.
- **Making sure content is accessible for all** - we have continued to enforce minimum requirements for access services such as subtitles, audio description and signing. We found Channel 4 breached the conditions of its broadcast licence following an extended outage of its access services in 2021. It fell short of a requirement to subtitle 90% of its programme hours on Freesat and failed to communicate with audiences about the incident. A separate review found organisations who deliver broadcasting services should review the contingency plans they have in place for transmission failures. We also launched a review of our guidelines for broadcast accessibility, including specific guidance around on-demand.

## Establishing regulation of online safety

- **Preparing for new powers** - we set out a roadmap to regulation, including what we expect of regulated firms and what we will do in the first 100 days after our online safety powers are granted. We published two calls for evidence, one focusing on illegal content risks and mitigations and transparency requirements and the other on risks to children and how they can be reduced.
  - **Expanding our expertise** - ahead of taking on our new powers, we continued to grow our expertise in digital technologies, data analytics and cyber security, with new hires from major tech firms, academia and the policy world. We grew our Data and Innovation Hub and our Hub in Manchester.
- We also announced a new leader for our Online Safety Group, former Google executive Gill Whitehead.
- **Video-sharing platforms** - we used our statutory information gathering powers to feed into a report on what video-sharing platforms are doing to protect their users, finding many platforms are ready for regulation. The report set out our key findings from the first year of regulation. We have built a comprehensive baseline knowledge of the VSP sector through our programme of research, supervisory engagement and information gathering. While all platforms have safety measures in place, more robust measures are needed to prevent children accessing pornography.





## Progress on delivering our Plan of Work

This section sets out what we have done during the year in our priority areas, and the impact for people and businesses.

Every March, we publish Ofcom's Plan of Work. This sets out what we intend to deliver over the coming financial year, to make communications work for everyone across the UK and its Nations.

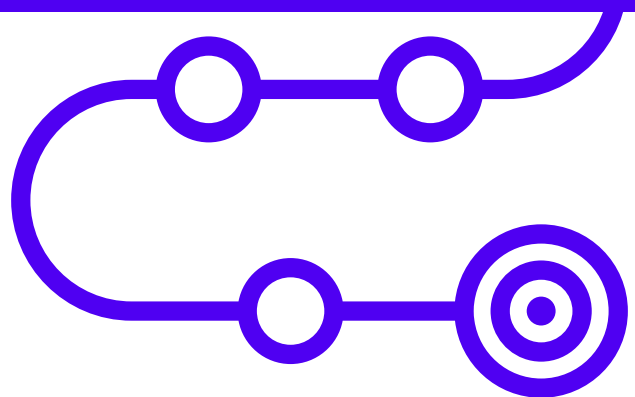
The work areas set for 2022/23 considered what was happening in the communications market and the evolving needs of people and businesses, against the backdrop of dynamic sectors which continue to invest and innovate, as well as high levels of inflation. Our plan recognised the increasing reliance on the UK's communications networks for the way we live, work, shop and use public services.

We consult on our plan every year to make sure it reflects the feedback we receive from interested parties as well as fulfilling Ofcom's duties. The Plan of Work also includes our work programme, which explains the key activities for the year.



**Note to the reader:** This Annual Report covers the period 1 April 2022 to 31 March 2023. Throughout the text, "this year" refers to that financial year.

Similarly, unless where indicated, months refer to the relevant month within the financial year. For example, "August" means August 2022; "January" means January 2023.



# Investment in strong, secure networks

The UK's phone and broadband networks must keep improving to meet the UK's future needs. Ofcom's rules provide the flexibility and stability for investment to make that happen.

## What we did – in brief

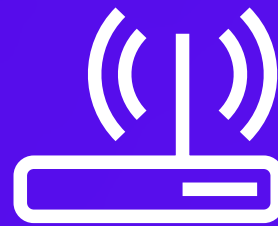
- Better broadband is reaching more people. The proportion of homes able to get ultrafast, full-fibre internet has risen this year from around a third to more than half. As of March, some 14.8m households across the UK can access at least one full-fibre network, a rise of over 5m premises in a year and a seven-fold increase from five years ago.
- Mobile markets have seen investment, competition and innovation – meaning customers have a wide choice of services, at prices that compare well with other countries. Our review of this sector means we can react quickly to maintain these benefits in a fast-changing market.
- We are using new powers introduced by the Telecommunications (Security) Act 2021 to ensure phone and broadband firms prioritise the security and resilience of their networks.

## Why this matters

- People rely on communications networks to live, work, shop and use public services – from video calls to remote working, online gaming, banking and healthcare. The average UK home now consumes almost six terabytes of data each year. We need fast, affordable broadband and mobile connections to extend to every part of the country.
- The new generation of gigabit-capable broadband networks are up to 30 times faster – and much more reliable – than the older copper lines they replace. 5G mobile networks are not only faster than previous generations, but also offer better coverage and capacity, opening up the potential for new, innovative services.
- As we depend on these networks, they must be strong, secure and resilient to outages and cyberattacks. People's expectations of the quality of service from these networks has never been higher.

**“Some 14.8m households across the UK can access at least one full-fibre network, a rise of over 5m premises in a year and a seven-fold increase from five years ago”**





# 70%

By September 2022, 70% of homes (20.8m) could access gigabit-capable broadband, compared to 47% (13.7m) in 2021.

Full-fibre based networks are expanding rapidly, with over 50%/14.8m premises in the UK in March passed by at least one provider, growth of 17 percentage points and 5.2m additional premises in just over a year - a near seven-fold increase compared to just five years ago.

# Our work this year

## Faster, more reliable broadband

In March 2021, at the conclusion of our Wholesale Fixed Telecoms Market Review, we put in place new regulations to help shape the UK's fixed network future. These rules will remain in place until March 2026. So far, they have succeeded in promoting investment in gigabit broadband.

This is translating into bigger, faster networks. By September 2022, 70% of homes (20.8m) could access gigabit-capable broadband, compared to 47% (13.7m) in 2021. Full-fibre-based networks are expanding rapidly, with over 50%/14.8m households across the UK in March passed by at least one provider, growth of 17 percentage points and 5.2m additional premises in just over a year – a near seven-fold increase compared to just five years ago.

This is being achieved by a combination of larger operators (Openreach and Virgin Media O2) supported by several newer providers across the UK. These smaller firms are doubling their collective footprint each year, and together they expect to reach 11.5m homes by the end of 2023.

As the market develops, we have an important role in ensuring that competition plays out fairly. We continue to monitor the compliance and effectiveness of commitments made by BT Group, and the behaviour of both BT Group and its network arm, Openreach. This year, we examined a new full-fibre pricing offer from Openreach (known as Equinox 2). After an extended period of review, in May 2023 we found that it did not raise any competition concerns requiring us to intervene and we will continue to monitor the fixed telecoms market.

Separately, we expanded our work related to the information provided to consumers on their broadband service. On quality of service, we now measure more of the factors that can affect broadband users' experiences. We also examined what extra information can support choice, investment and quality in the market. For example, we commissioned research on people's understanding of broadband terms, and proposed new guidance to promote clear, consistent language in how providers describe different types of connection.

## Digital markets

Completing the networks of the future will take several years. As more homes and offices are connected, we are continuing our wider work to promote investment and improve internet services for everyone using fixed and mobile networks:

- **Net neutrality:** People should control what they see and do online – not the broadband provider that connects them. In October 2022, we proposed new guidance for broadband and mobile firms to implement these 'net neutrality' laws. We consulted on greater flexibility for internet service providers to manage their networks and develop innovative products for users and content creators, while protecting users' rights to access the open internet.
- **Cloud market study:** Ofcom needs to keep pace with developments in digital markets, such as emerging technologies or changes in business models and supply chains. We have started a programme of work to examine these markets and identify any competition concerns, beginning in October 2022 with a year-long market study into cloud infrastructure services. The two leading providers in this market are Amazon and Microsoft. Google is their closest competitor. Cloud computing has become critical for many businesses across the economy – including telecoms companies, broadcasters and public sector organisations – and has transformed the way they deliver services on which we all rely every day. It uses data centres around the world to provide remote access to services such as software, storage and networking. In April 2023, we proposed to refer the market to the Competition and Markets Authority for further investigation. We also laid out plans for a broader programme of work to examine other digital markets – including online personal communications apps, such as WhatsApp, FaceTime and Zoom, and smart TVs and speakers.



## The future of mobile

Demand for mobile services is expected to continue to grow rapidly as more use is made of data-hungry services. In December we set out views on how mobile markets may develop over the next ten years; how networks might need to evolve; and the potential implications for radio spectrum, the finite resource that wireless devices and networks need to operate around the UK.

People need to make informed decisions about which mobile provider to use, which in turn encourages firms to improve. To support this, we have begun developing better information on network quality. We are also analysing customer-level data to measure the performance of the market, including pricing trends.

To encourage investment, we clarified our future approach to the mobile market and the allocation of airwaves. That includes a commitment to set out clearly how any future changes we make to regulation impacts the need for investment. We expect that existing mobile spectrum holdings, together with additional airwaves planned for release, could meet future demand until 2030 and beyond – with the help of technology improvements and more mobile sites.



## Keeping networks safe and secure

In October, Ofcom took on new duties introduced under the Telecommunications (Security) Act 2021 to ensure the UK's telecoms networks are safe and secure.

We published guidance on how we will carry out our new role, and the kind of incidents we would expect providers to report to us. We also updated our 2017 guidance on security and resilience requirements to reflect the new rules.

We are working more closely than ever before with industry to support security and resilience. And we continue to operate a threat intelligence-led penetration testing scheme (TBEST) to assess how well operators of essential services are managing risks to their security.

## Diversifying telecoms

We continued to help implement the UK Government's strategy of increasing the number of manufacturers in the supply chain for 5G mobile. This diversification is intended to ensure a competitive, innovative, secure and resilient telecoms supply market.

We worked with telecoms network vendors and operators to participate in our SONIC Labs initiative. This programme, a collaboration between Digital Catapult - the UK authority on advanced digital technology - and Ofcom which has been in place since 2021, tests how well alternative network products can operate and integrate.

We also continued to participate in the UKTL (UK Telecoms Lab) Programme Board, set up to support the Government's objectives. Alongside that, we have taken a more detailed view on network security by joining the OpenRAN Alliance, a global community of industry, researchers and academics that aims to make networks more intelligent, open and compatible.

## Telecoms security

Since 1 October, Ofcom has had new powers to enter providers' premises to make sure they are complying with their security duties introduced by the Telecommunications Security Act. We are required to report the number of times premises have been entered each year. In the reporting period from 1 October to 31 March we did not exercise these new powers of entry.

# Getting everyone connected

We want to make sure people and businesses can access the broadband, mobile, landline and postal services they need, wherever they live and work.

## What we did – in brief

- We oversaw the progress of mobile operators in building a Shared Rural Network to improve reception in hard-to-reach areas. And we travelled 42,000 miles to test coverage and ensure operators are providing accurate data.
- We set out a new framework of postal regulation for the next five years. Our decisions aimed to support the universal postal service, promote competition in the market and improve services for postal users – including greater protections for parcel customers.
- We examined whether elements of the telecoms universal service obligation (USO) and telecoms infrastructure meet people’s needs. This helped us make decisions on services like fax machines and phone boxes.
- We monitored how technological developments in telecoms services – such as the switch-off of 2G and 3G mobile services and the PSTN telephone network – might affect phone users, and worked with providers to make sure safeguards are in place.

**“The four mobile networks now provide good, indoor 4G reception to 92–95% of UK premises.”**

## Why this matters

- Getting a good mobile signal is essential for people to keep in touch and work on the move. The four mobile networks now provide good, indoor 4G reception to 92–95% of UK premises. But some areas are harder to reach, so we reported on operators’ progress in meeting commitments to improve rural reception.
- Our new postal regulations will allow letter and parcel firms to invest, innovate and compete on a level playing field. People sending and receiving parcels should be treated more fairly by delivery firms, under new protections we introduced in July.
- Telecoms services should meet customers’ needs both currently and as future developments are rolled out. This is especially true for people who are vulnerable or who can’t access all types of communication services.



## Supporting the postal service

We know how important a reliable postal service is to people who send and receive letters and parcels. When we reviewed the market this year, we maintained rules that are designed to support the Universal Postal Service, as well as important price protections. For example, the prices of Second Class standard letters were only allowed to rise in line with CPI between 2021/22 and 2022/23.

Under the Universal Postal Service, Royal Mail must deliver letters six days a week – and parcels five days a week – to every address in the UK, at a uniform price. Ofcom’s job is to secure that service, which means balancing the needs of postal users with the freedom required by Royal Mail to compete effectively in the market.

In November, our annual report on the market found that Royal Mail is facing a range of challenges. These include ongoing falls in the volume of letters being sent, accelerated by the Covid-19 pandemic; employee disputes leading to industrial action; problems reducing its costs; and wider economic uncertainty. The company expects to continue making losses until 2024-25, and has asked the Government to reduce its letters delivery requirement from six to five days a

week. This would require legislation to amend Royal Mail’s obligation to provide the Universal Postal Service.

To support the service in the face of these risks, Ofcom took several steps this year. First, we have strengthened our monitoring of Royal Mail. In February, we set new rules requiring the company to provide us with five-year financial forecasts, and to report to us each year on how it is seeking to become more efficient. Royal Mail must modernise to sustain the universal service, and the new rules will heighten our ability to identify risks to it.

In July, we concluded a wide-ranging review of the postal market and put in place rules that will apply for the next five years, until March 2027. We are continuing to give Royal Mail the flexibility it needs to set prices and innovate. But to keep prices affordable, we maintained existing price caps on Second Class letters and lighter parcels.

Our decisions also reflected the huge importance of parcels. More than 10 million are delivered, on average, every day in the UK. But we found around two-thirds of customers were experiencing problems with delivery. We introduced new guidance requiring all parcel firms to tighten up their complaints handling. We also required parcel firms to set clear, effective policies for treating disabled customers fairly.

Also this year, we concluded an investigation into Royal Mail’s failure during 2021-22 to meet some of the targets we set for how quickly it delivers mail. We decided not to take enforcement action against the company on this occasion, recognising the effect of the Covid-19 pandemic.

And as people struggle generally with household costs, we began work to assess the affordability of postal services, and to review the pricing rules we currently set for the market. We expect to conclude our review in the next financial year.

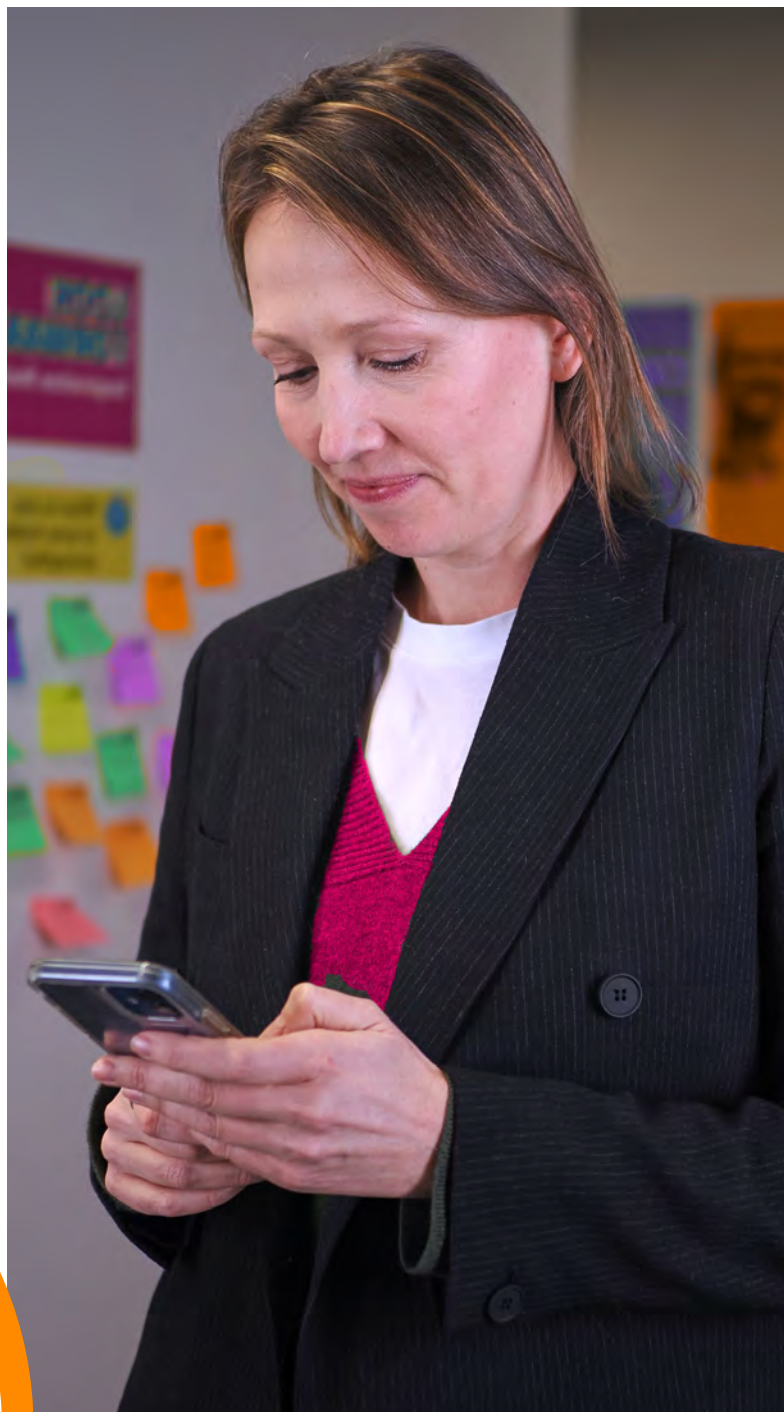


## Improving mobile coverage

This year we reported on mobile networks' progress in meeting their commitments under the Shared Rural Network (SRN) agreement. EE, O2, Three and Vodafone are committed to improving reception, particularly in rural areas. It will take 4G coverage by at least one operator to 95% of the UK's geographic area by 2025, up from 92% mobile coverage (by at least one operator) today. Our Connected Nations 2022 report found they had built 150 new mobile sites, to meet the SRN coverage commitments. We will assess whether they meet that in summer 2024.

To check mobile coverage more widely, we continued to carry out 'drive testing'. We took 2 billion measurements of signal strength, travelling over 42,000 miles, to ensure that operators are providing accurate data. And to help others develop tools and insights, we released these measurements as open data. This year we also used real world, crowd-sourced data to start improving how we report on the quality of 4G and 5G reception across the UK.

Many phones and devices, including some in the home, increasingly use the fifth-generation mobile network – 5G – which offers very fast, responsive communication. People can now check 5G reception using [our online coverage checker](#), which we updated to include this data in May. We also agreed new standards with operators for how they must show coverage on their own maps, so that consumers are getting reliable information.





# 435k

Overall, the number of properties unable to get decent, fixed-line broadband – with a download speed of 10Mbit/s – has fallen to around 435,000, from 527,000 in September 2022.

When factoring in fixed wireless broadband, USO-eligible properties fell to 80,000 (down from 123,000 last year).

This is mainly thanks to the commercial rollout of full-fibre services, as well as a number of publicly-funded initiatives.



## Switching off 2G and 3G

The managed transition away from legacy 2G/3G mobile services is a key component in the business case for new network investment by helping lower costs through efficiencies coming from operating fewer network technologies in parallel.

Ofcom has been looking ahead at how switching off 2G and 3G mobile services could affect the people and organisations who use them. We are working with mobile network operators to support the switch-off process, and to help reduce the disruption that customers might face.

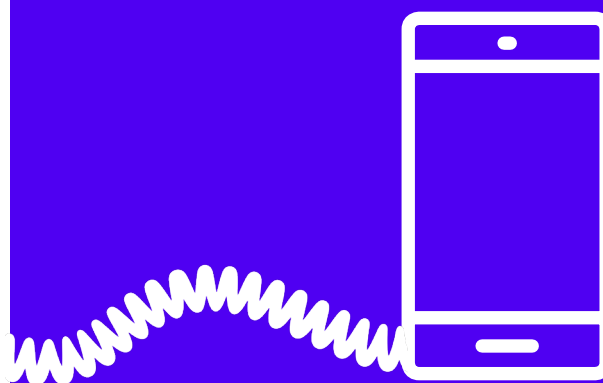
This year we worked with mobile operators to get updates and gather data on their switch-off plans and progress. We also set expectations for how companies should approach switch-off. We are helping to ensure customers are treated fairly, and that there will be minimal disruption for all users of 2G and 3G services. We will continue to monitor the switch-off process after it begins, maintaining quarterly meetings with mobile operators. Until switch-off is completed by 2033, we will publish measures of progress and the number of customers still using 2G and 3G devices.

## Monitoring the universal broadband service

Every home and business in the UK can request a decent, affordable broadband connection, under a universal service obligation (USO) applying to BT (and to KCOM in the Hull area). This year we continued to monitor how well these companies implemented the requirement.

We met regularly with BT and reviewed data from both operators. This has allowed us to track the remaining number of properties who are eligible, and how take-up is progressing. As of April 2023, BT had built USO connections to over 7,000 premises with a further 800 builds in progress (with none for KCOM to date).

Overall, the number of properties unable to get decent, fixed-line broadband – with a download speed of 10Mbit/s – has fallen to around 435,000, from 527,000 in September 2022. When factoring in fixed wireless broadband, USO-eligible properties fell to 68,000 (down from 80,000 last year). Of these 68,000 premises 14,000 lack a decent broadband connection but are due to be covered by a publicly funded rollout scheme within 12 months. The decrease in USO eligible premises is mainly thanks to the commercial rollout of full-fibre services, as well as a number of publicly-funded initiatives.



## The changing face of phone lines

**This year we made major decisions about two significant pieces of historic telecoms equipment, reflecting changes in the communications landscape.**

We confirmed updated rules on **public call boxes**, protecting those that are still needed most – for example, where there might not be full mobile coverage. We also permitted the removal of phone boxes that are no longer needed. Our rules also allow these famous features of the UK's streetscape to be kept on for important services such as free calls, wifi and charging points for devices.

Separately, we finalised rule changes meaning that BT and (and KCOM in Hull) will no longer be required to provide services to users of **fax machines**. This part of the universal telephone service was set out in 2003, when fax machines were still prevalent. Today, alternatives to facsimile such as email and messaging apps are commonplace. And as landline networks move to digital calls, fax machines can no longer be guaranteed to work in the same way.

## Moving to digital phone calls

Landline phone calls have traditionally been delivered over the ‘public switched telephone network’ (PSTN), ageing infrastructure which is becoming harder and more expensive to maintain. Every landline customer is having their service moved over to ‘voice over IP’ (VoIP) technology, which uses a modern broadband connection to connect calls with better quality. The PSTN is a privately-owned telecoms network and the decision to close it has been taken by the telecoms industry.

This must be handled carefully, so we are monitoring the process. We are working with Openreach and landline providers to make sure they are planning effectively and prioritising customers’ needs – particularly those who might be vulnerable or who don’t have access to a good mobile signal. This year we researched customers’ experience of the migration process, based on trials in Salisbury and Mildenhall, and published our expectations for companies to minimise disruption.

We are also examining how landline firms are meeting the requirement to provide uninterrupted access to emergency services in a power outage. Providers are required to ensure that consumers have at least one method to contact the emergency services during a power cut. Our monitoring will continue until migration is complete. BT has said it will close its PSTN network by December 2025, and other providers will follow a broadly similar timescale.



**“This year we researched customers’ experience of the migration process, based on trials in Salisbury and Mildenhall, and published our expectations for companies to minimise disruption.”**



# Fairness for customers

All UK communications customers should be protected from harm, treated fairly and able to access the best deal for their needs.

## What we did – in brief

- As living costs continued to rise, we pushed more providers to offer social tariffs, and urged those who do so to promote them more effectively. Take-up of these discounted deals has increased significantly, but millions more eligible people could still benefit.
- Our focus on consumer protection means customers should get the right information, at the right time, about their contracts – helping them make better choices, and often saving money as a result.
- We strengthened our rules so providers must do more to prevent telephone numbers from being misused by scammers. We are also raising awareness of nuisance calls through social media and other channels.

## Why this matters

- Ensuring people can access affordable broadband and mobile services remains a priority for Ofcom. Our work on affordability this year came at a time when many households faced growing financial pressures. Our research in this area led to us working with industry to ensure most major providers now offer social tariffs to eligible customers.
- Our long-standing Fairness for Customers programme is about ensuring providers treat people properly and make this central to the culture of their business. Customers should have access to clear information at the right time to help them make well-informed decisions before, during, and at the end of their telecoms or pay TV contract.
- People should also feel empowered to switch easily between providers, allowing them to access deals which could be cheaper, better suited to their needs, or both.
- The use of scam calls and texts is widespread, with our research finding they affect the vast majority of people in the UK. Scams can cause significant financial and emotional harm to victims, and also impose costs on the wider economy. We are working to disrupt scams, help consumers avoid them, and share information with others to help tackle the problem.

**“Ensuring people can access affordable broadband and mobile services remains a priority for Ofcom”**







# 8.1m

We have been closely monitoring affordability in our sector, reporting that as of January 8.1 million households were having problems affording communications services – almost twice as many as in April 2021. Telecoms firms must do more to support their customers.



# Our work this year

## Affordability of communications services

The rising cost of living has affected millions of households this year, and Ofcom has been focused on the affordability of the services we regulate.

Communications bills might account for a relatively small proportion of a typical home's overall budget; but for many customers, every penny counts. And while the UK still has some of the lowest broadband and mobile prices among similar countries, high inflation has driven some bills up by over 10%, and in some cases as much as 17%, this year, adding to the pressures facing customers from higher prices in areas such as food, energy and debt interest.

We have been closely monitoring affordability in our sector, reporting that as of January 8.1 million households were having problems affording communications services – almost twice as many as in April 2021. Telecoms firms must do more to support their customers.

Our research found that millions of low-income households were missing out on broadband 'social tariffs' – special discounted superfast connections for homes in receipt of certain benefits. These deals are available for as little as £12 a month, offering typical savings of around £200 per year. Crucially, the price does not rise mid-contract, meaning the cost is effectively frozen. But some providers have not done enough to advertise this support or have refused to offer it at all.

Since we highlighted this issue in 2020, the number of broadband providers offering social tariffs has increased from two to more than 20, and three mobile providers also now offer a social tariff. We have been calling on the remaining companies who don't offer a social tariff – including TalkTalk (broadband) and O2 (mobile) – to do so. Take-up of broadband social tariffs has quadrupled since January 2022, from 55,000 to 220,000 in February. But that still represents only 5% of eligible households which have signed up. That leaves 95% missing out on average annual savings of around £200 per year.

Awareness of these deals remains low, with more than half of eligible households (53%) unaware of their existence during the cost-of-living crisis.

We are maintaining pressure on all firms to promote social tariffs more widely and make them easier to find on their websites, including asking them to review the information to ensure it is accurate, clear and understandable for consumers.

Ofcom will also continue to report regularly on affordability more widely. In December, our latest Pricing Trends report – covering broadband, landline, mobile and pay TV – found that there are still good value deals available for people who shop around. We also found that those nearing the end of their contract, or already out of one, could save money by negotiating a new deal with their existing provider, or moving to a new one.

## Clear contract terms

Companies must be clear about price rises. Under our rules, any planned rises in a contract must be set out prominently and transparently when the customer signs up. To make sure companies are sticking to this, we launched in December an industry-wide enforcement programme on compliance with our rules on pricing transparency.

Since June, we have also required phone and broadband firms to give customers additional information and a short summary of their main contract terms before signing up. This must include information about the price, length of the contract and what happens if a customer decides to end it early. In October we opened an investigation into whether BT, and its subsidiaries EE and Plusnet, had breached these new rules.

Our research this year found that one in three mobile and broadband customers do not know whether their provider is allowed to increase their price. Among those who know they can, around half are unsure how it is calculated. We also announced a review to examine whether inflation-linked, mid-contract price rises give phone and broadband customers enough certainty and clarity about what they can expect to pay. We expect to publish our initial findings later in 2023.



## Ofcom will also continue to report regularly on affordability more widely.

In December, our latest Pricing Trends report – covering broadband, landline, mobile and pay TV – found that there are still good value deals available for people who shop around. We also found that those nearing the end of their contract, or already out of one, could save money by negotiating a new deal with their existing provider, or moving to a new one.

## Simpler switching

We know from our research that around two in five customers can be put off switching provider if the process involves too much time or hassle. Our new 'one touch' switching process will mean customers need only contact their new landline or broadband provider to make it happen.

This process was due to launch on 3 April 2023, but has been delayed due to companies not being ready. In response to this we have launched an industry-wide enforcement programme and will continue to work with industry to make sure the new switching process is delivered as soon as possible. Once this is completed, we will monitor the impact on customers' willingness to switch.

## Tackling nuisance calls and scams

Scams are a scourge on society, causing financial and emotional harm to millions of people, especially the most vulnerable. In recent years, cheap technology has enabled a significant and growing volume of scams to be attempted over phone calls and text messages.

This is a priority area of work for Ofcom. We have strengthened our rules on preventing the misuse of communications services and have pushed telecoms companies to develop technical solutions to tackle the problem. The use of fake telephone numbers, or spoofing, is a significant problem. Under new rules, providers must now validate the telephone numbers of calls that enter their networks, and block at source any calls coming from spoofed numbers.

Phone numbers are allocated by Ofcom to telecoms companies, who can then transfer them to other businesses or individuals. We place responsibilities on providers who use and transfer numbers. After we identified inconsistencies and gaps in the compliance with these rules, we updated the steps we expect firms to take to help prevent valid numbers being misused.

As a result of this work, people should benefit from receiving fewer calls with illegitimately spoofed numbers. This in turn should improve trust in the telephone system. We recognise that scammers are likely to explore more complex and sophisticated techniques, so we will continue to monitor the impact on customers and develop further approaches to tackle the problem.

To help people avoid falling victim to scams, we continue to provide information and advice on our website and social media channels, including signposting to other relevant bodies and agencies.



## Making sure our work is effective

In the past few years, Ofcom has put in place a wide range of measures to protect customers and ensure companies treat them fairly. Our focus has now shifted to monitoring and understanding the impact of these interventions, to ensure they are having the right effect.

- **Vulnerable customers:** As a priority, we want to make sure vulnerable people get the help, support and services they need. Under our rules, all communications providers must have clear, effective policies and procedures for identifying customers in vulnerable circumstances. On the whole, we have found that providers are treating these customers fairly. And since June, telephone and broadband firms must offer a free Emergency Video Relay service for deaf British Sign Language users to make it easier for them to get help in emergencies.
- **Fairness commitments:** We are working with providers to ensure they treat their customers fairly and meet the [Fairness for Customers Commitments](#) to which most signed up in 2019. To assist this, we are making greater use of consumer insights data. This includes research and intelligence from our consumer contact team, as well as information from ombudsman bodies and consumer groups.
- **Contract notifications:** New Ofcom rules came into force in February 2020 requiring phone, broadband and pay-TV providers to warn customers when their contract is ending, and to explain what they could save through a new deal. Our research this year found that more broadband and mobile customers are taking advantage of this. As a result of receiving a prompt, millions of customers took action to lower the amount they pay.
- **Comparing service quality:** Through the year we publish data on complaints about telecoms and pay-TV providers, and on their comparative level of customer service. This helps people to compare the levels of service they can expect from individual companies, before they sign up.



As a result of receiving a prompt, millions of customers took action to lower the amount they pay.

# Enabling wireless services in the broader economy

**We manage the UK's radio spectrum for the benefit of the whole UK. Our job is to ensure this valuable, finite national resource is used efficiently, which includes supporting investment and innovation in wireless services.**

## What we did – in brief

- We identified airwaves – or 'radio spectrum' – that can support growing and innovative services using mobile devices, drones and satellites. Our technical specialists explored how spectrum could be freed up and released to organisations who want to offer these services.
- We continued to highlight how radio spectrum can support new applications across a range of sectors and helped industry to collaborate on better methods of using and sharing spectrum.
- We worked with international counterparts and bodies to share knowledge and make sure the UK's interests are reflected in global spectrum decisions and debates.
- We reviewed spectrum licences and how they are priced and managed, helping to make the process easier for licensees.

## Why this matters

- Radio spectrum is the wireless infrastructure that supports modern lives, businesses and the digital economy. It is a finite national resource, used for everything from TV and radio to air traffic control, emergency services, healthcare, logistics and dozens of wireless devices in the typical home.
- Ofcom manages these airwaves so they are used efficiently and without causing interference. We help to ensure the many different users of spectrum can continue to do so safely, and to the greatest benefit of people across the UK.
- Technology is moving fast. We can support new and innovative services by managing spectrum in the right way.
- Simpler and more efficient licensing processes can benefit not just the licensee, but also the customers who use their products and services.



# Our work this year

## Working with industry on wireless spectrum

Demand for airwaves continues to grow, which makes spectrum sharing an important approach. By allowing different users to offer wireless applications using the same frequencies, these can be used more efficiently. We are progressing work to automate the faster allocation of shared access spectrum licences. We have also worked with counterparts in Europe to harmonise spectrum for industrial networks, helping to improve economies of scale for manufacturers of network equipment and devices.

This year we have continued to highlight the role of wireless spectrum in delivering digital transformation across different sectors of the economy. We attended and presented at conferences to promote the availability of spectrum and understand how it is evolving. We also started to work with industry on spectrum ‘sandboxes’ – collaborative test beds that will help to develop more flexible and efficient wireless networks. The lessons we learn from this will inform a review of the technical conditions for shared access spectrum licences, which are used by industry for private wireless networks.

## Commonwealth Games: Birmingham 2022

This year we supported the Government and the Commonwealth Games Organising Committee in delivering a successful Games in Birmingham.

Major sporting and cultural events like this are attended by staff and broadcasters from around the world, who use a range of wireless equipment such as microphones, cameras, in-ear monitors and walkie-talkies.

Each piece of kit uses its own frequency on the radio spectrum, and these need to be managed carefully to make sure they don't interfere with each other. Our programme-making and special events assurance teams work before and during events to make sure equipment works properly and safely.

Having developed an applications process and portal, we issued priority spectrum licences for the Games in March 2022. We carried out radio frequency surveys in critical areas, making sure the airwaves worked correctly and clearing any unlicensed use.

We finalised a joint operational plan in May, setting out how we would test and tag wireless equipment and resolve live interference issues and unlicensed use throughout the event.

This unseen work ensured that viewers and listeners in the UK and overseas could enjoy uninterrupted coverage of the largest Commonwealth Games ever held.

## Electromagnetic fields (EMF) and health

All applications of radio spectrum generate electromagnetic fields (EMF). There are internationally recognised guidelines for services to operate in a way that will not adversely affect people's health.

We continued to ensure spectrum users comply with EMF limits that we incorporated into licences in 2021, taking account of guidelines from the UK Health Security Agency. This included a programme of measurements close to mobile phone base stations, with 68 surveys carried out between April and January. We also provided a revised version of our EMF calculator to help licensees demonstrate compliance in frequencies below 10 MHz.

## Millimetre wave

In May we proposed to make millimetre wave (mmWave) spectrum available for new purposes. We published a statement and further consultation in March, confirming plans to make mmWave spectrum available across the 26 GHz and 40 GHz bands for new mobile technology, including 5G services.

As well as providing better services in busy areas like airports, mmWave spectrum can support fixed wireless broadband services with gigabit speeds, including in hard-to-reach areas. The spectrum can be used to deliver private networks across a wide range of sectors, enabling things like factory automation in manufacturing, smart farming in agriculture, and secure campus-style networks on business premises.



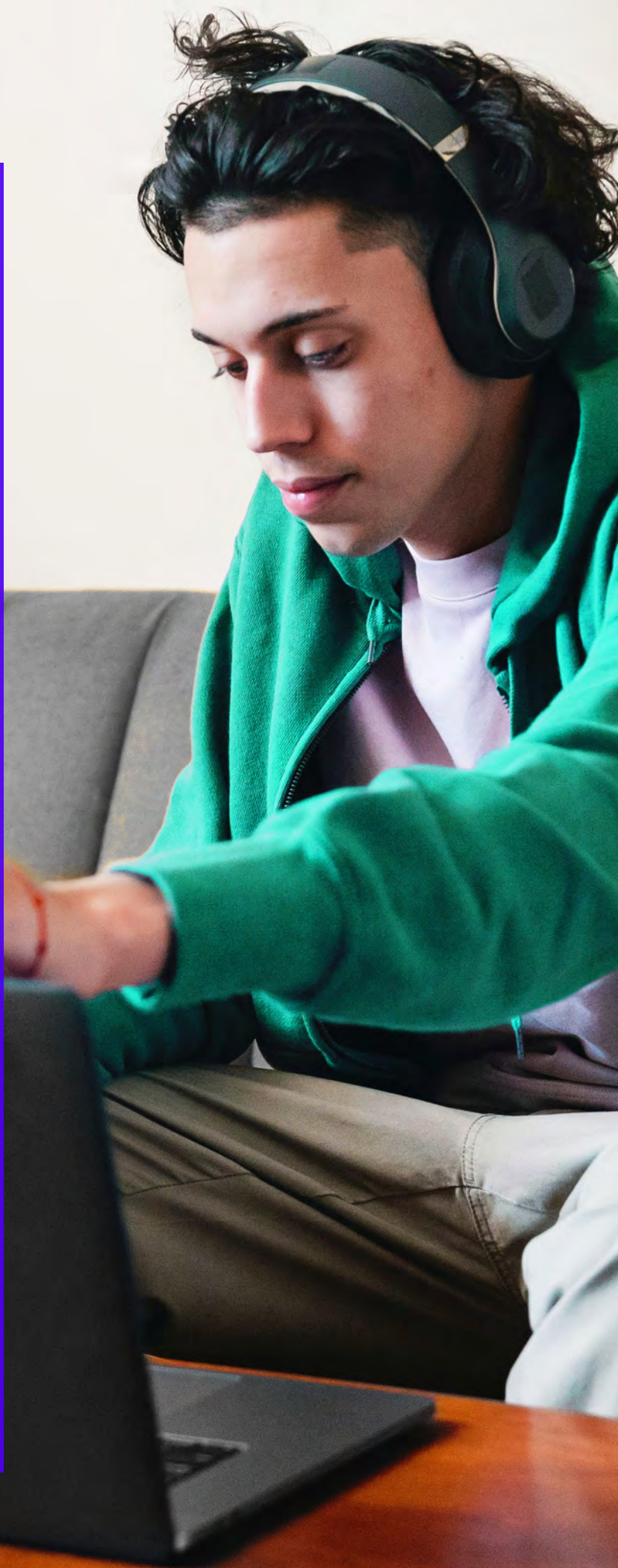
## Space spectrum strategy

**People living in rural areas and passengers on planes and ships stand to receive better broadband, after we announced more airwaves for satellite services within our space strategy.**

The space sector is expanding rapidly, with the number of launches increasing by almost 60% between 2017 and 2021. Companies such as OneWeb and SpaceX are deploying large numbers of new satellites – known as non-geostationary orbit (NGSO) satellite systems. Meanwhile, universities and start-ups are using smaller satellites to test and trial a range of exciting new projects.

Ofcom's space spectrum strategy in November explained how we will support the sector. It included more airwaves for NGSO operators to provide a wider range of broadband services – such as helping to connect homes and businesses in hard-to-reach rural areas, as well as on trains, in the air and at sea.

We are extending satellite spectrum access to include the 14.25-14.5 GHz band, doubling capacity available for transmitting data to satellites. Our strategy included protections for earth observation satellites, which are collecting vital data on weather and climate change. We are also supporting companies launching satellites from the UK and planning for future missions to the moon and Mars.





## Meeting growing demand for drones

New and innovative commercial services delivered by drones were able to take to the skies from January. Working with the Civil Aviation Authority, UK Government and industry, we finalised the first regime for authorising a range of drone equipment, introducing a new Unmanned Aircraft Systems (UAS) Operator Radio licence. This means companies can use mobile and satellite networks to offer more services from their drone fleets, over longer distances.

Our new regime followed a range of real-world trials. Royal Mail explored 'postal drone routes' to remote communities in rural Scotland. Other trials included a transport link between hospitals in Southampton and the Isle of Wight for delivering urgent medical supplies during the coronavirus pandemic.

## International work and mobile spectrum

We have continued to work with organisations and counterparts across Europe and globally to make sure the UK's interests are appropriately reflected in international spectrum decisions and debates. In June we invited views and set out our initial thinking on UK positions for the next World Radio Conference (WRC-23) in late 2023.

Among these considerations is intense, competing interest in using the upper 6GHz frequency band for higher-power mobile services, and for lower-power wifi. This band is currently used in the UK for services such as fixed links, short-range devices, earth exploration satellites and radio astronomy. We published a detailed position on the future of the band ahead of WRC-23, where it will be considered for mobile use.

Alongside our mobile strategy in December, we published our future approach to UK mobile markets and spectrum more widely. We explained how we will consider the need for additional mobile spectrum in the period up to 2035, taking account of competing demands.

## Other work this year

- Charging for spectrum creates long-term incentives for companies to use it efficiently. We proposed revised annual licence fees for blocks of spectrum in three bands (10 GHz, 28 GHz and 32 GHz). These were awarded via auction in 2008 and will attract charges from 2023. The fees are based on an estimated 'opportunity cost' - the value that licences could have in the hands of the highest-value alternative user. We aim to finalise the fees in 2023.
- In May we set out proposals to update spectrum licences to make it easier for newer technologies like 5G to be deployed and to help deliver the next generation of connectivity and services. Then in September we published our decision to update specific licences to make similar changes available to all UK mobile network operators in the relevant spectrum bands. These changes will support 5G and other technologies that provide faster, more reliable connections.
- We worked with the electricity industry, the Department for Business, Energy and Industrial Strategy and Ofgem to understand the future communication requirements of the electricity sector, as well as identifying potential spectrum options that could support them.



# Supporting and developing UK media

**As the media regulator, we support the UK's vibrant broadcasting sector – including public service media – helping it evolve and meet the changing needs of viewers and listeners.**

## What we did – in brief

- We completed a comprehensive review of how we regulate the BBC, and how the BBC itself engages with audiences, competitors and complainants. We explained how we have carried out our duties and assessed the BBC's compliance with the specified requirements in its Operating Framework and Operating Licence. Following our review of and Statement on Modernising the BBC's Operating Licence, we are developing new metrics for assessing the BBC's performance on its online services and will monitor how the BBC responds to the new reporting requirements.
- We set out areas where the BBC needs to improve, such as explaining planned changes to its services to audiences and broadcasters. And we announced a review of how the BBC serves lower socio-economic groups, who are less likely to use BBC services and are less satisfied with them.
- We worked with the Government ahead of planned legislation to reform broadcasting regulation and provided reports on the sustainability of Channels 3 and 5, as part of the licence renewal process.
- In a pioneering study of choice in UK news, we identified concerns around the impact of online 'gatekeepers' – such as Facebook, Apple News and Google News.
- We introduced a new framework for collecting data on the diversity of broadcasters' workforces, helping us to promote equality of opportunity, diversity and inclusion throughout the TV and radio industry.

## Why this matters

- The UK benefits from a unique broadcasting and media landscape – a powerful mix of public and commercial firms, large and small, and a vibrant independent production sector. Together with our national and regional media, this industry is central to the country's culture, creative economy and global voice.
- We want audiences to benefit from a choice of high-quality TV, radio and online content – including programmes made across the UK which reflect their lives and interests.
- We are also working to improve equality of opportunity, diversity and inclusion throughout the TV and radio industry, so that its workforce and output represent the full breadth of society.

**“We want audiences to benefit from a choice of high-quality TV, radio and online content”**



# Our work this year

## Holding the BBC to account

As the national broadcaster, the BBC is the cornerstone of the UK's public service broadcasting system. Ofcom's job is to hold the corporation to account, overseeing its role in the wider broadcasting market and making sure it provides high-quality content and services for its whole audience.

This year we completed a comprehensive review of how Ofcom regulates the BBC, and how the BBC itself engages with audiences, competitors and complainants. We acknowledged that the BBC is facing a challenging market and economic climate – including intense competition from well-funded global players, pressures on licence fee-funding, and rapid changes in audience behaviour. Our most recent [Media Nations report](#) showed that the downward trend in time spent watching broadcast TV content resumed last year, and live radio's share of audio listening time has also fallen.

We were also clear with the BBC that, as it addresses these challenges by shifting focus to online services, it must continue to provide for all its audiences. We also expect the BBC to do a better job of explaining planned changes to its services to viewers, listeners and other broadcasters in a consistent and open manner.

We set out in the review that we would:

- focus on how the BBC adapts the BBC First complaints process to ensure it is transparent and works well for audiences. We have directed the BBC to improve its transparency in relation to the final decisions it makes in response to complaints about due impartiality and due accuracy and publish its final reasoning in all these cases;
- monitor the implementation of the Serota Review findings (and Impartiality and Editorial Standards Action Plan) and how the BBC is working to improve public confidence in its approach to due impartiality;
- continue to review the impact of the BBC's public service and commercial activities on the market, to ensure it does not have an undue impact on competition.

Following our review we published a new Operating Licence for the BBC, which sets our expectations of the corporation's performance. The new Licence, which came into effect on 1 April 2023, will benefit audiences by safeguarding important content, while enabling the BBC to adapt and innovate in how it delivers content to viewers and listeners.

For the first time, the licence also sets broad requirements on the BBC's online services – BBC iPlayer, BBC Sounds and the BBC website – and requires the BBC to comprehensively report on its plans and performance, including the distinctiveness of its services. Our review and broader evidence will feed into the Government's Mid-Term review of the BBC's governance and regulation, due to be completed by the end of 2024.

In November we published our [Annual Report on the BBC](#). We found that the BBC continues to deliver its remit overall and has made progress against its strategy and plans. But we identified that audiences from lower socio-economic groups are less likely to use BBC services and are persistently less satisfied with the BBC as a whole. We have launched a review to examine the needs and habits of audiences from lower socio-economic groups, and how the BBC is delivering for them. Our findings will inform our next annual assessment of the BBC's performance.

## Reviewing changes to BBC services

This year we examined and consulted on several sets of changes proposed by the BBC to its services. For example, we reviewed plans to increase its catalogue of older content on iPlayer – such as past series of returning titles. We concluded that these changes, promising greater choice and better value for licence fee payers, were not material and that the BBC could proceed.

In July, the BBC set out plans to modernise its news offering, including bringing the BBC News and BBC World News channels together, and focusing more on multi-platform news and current affairs content. As the BBC seeks to make these changes, it must continue to provide a breadth of news and information for all UK audiences, however they want to access this content. We have retained a requirement for BBC News to provide high-quality local, regional, national, UK and international news and we will closely monitor the new service as it is implemented. We reviewed the BBC's assessment of the potential impact of its plans on online local news providers, and concluded that while the change was not 'material' we would monitor progress and report on this in our next BBC Annual Report.

In October, the BBC set out plans to transform its local services in England, including its local radio stations. We have scrutinised the BBC's proposals for local radio in detail and wrote to the BBC setting out the commitments it has made and how we intend to hold it to account. We will be monitoring the BBC's performance in this area closely. We also plan to commission new research to better understand what audiences need and value from local services.

## Media regulation and legislation

Following our Small Screen: Big Debate report in 2021, we continued to work with the UK Government and industry on new rules to make sure regulation keeps pace with changing audience habits and a highly dynamic market.

The Government set out its intention to legislate in several areas affecting our work in a [White Paper](#) in April, and published a draft Media Bill in March this year. We will continue to work closely with Government to help make sure the new regulatory system is proportionate, effective and works in the interests of all audiences. We have already expanded our work examining the impacts of new and emerging technologies.

## Promoting diversity and inclusion

Ofcom is expanding the breadth of data we collect annually from TV and radio broadcasters' workforces to help us promote equity, diversity and inclusion across the broadcasting industry. This follows a five-year review of progress in 2021, where we identified further improvements that the sector could make to reflect its diverse audience.

In November we published a new [framework and guidance](#) for how we collect and use diversity data from broadcasters. Our new toolkit will inform work over the coming year, helping us to collect and report on the industry's progress in our annual Equity, Diversity and Inclusion in Broadcasting report.

## Channels 3, 4 and 5

In June we [reported to the Secretary of State](#) on the sustainability for Channels 3 and 5 for the next ten-year licence period. These public service broadcasting (PSB) licences are held by subsidiaries of ITV plc, STV Group Ltd and Paramount Global (the owner of Channel 5). We found that the current obligations could be commercially sustainable, such that the licensees could continue to deliver them over the next licence period.

The existing Channel 3 and Channel 5 licence holders have recently applied for renewal, and we expect to finalise new licences by the end of 2023/24. The current Channel 4 licence will also expire at the end of 2024. Following the Government's recent announcement on continuing public ownership and [reforms to Channel 4](#), we have begun the licence renewal process during 2023/24.

In July we gave our [annual response](#) to Channel 4's Statement of Media Content Policy, with our position on how well the broadcaster is delivering its media content duties. We found that its services performed well with audiences over the last year. We noted Channel 4's planned online content strand for teenagers, and asked for a clear strategy on investing in a high-quality offer for children and teenagers.

## Safeguarding choice in news

Overseas tech firms increasingly shape the news stories that people in the UK see and read, leading to risks around transparency and choice in news. That was the finding of our November report on choice in news, or 'media plurality'.

We identified concerns around the impact of online news 'gatekeepers' – particularly social media, such as Facebook, but also search engines and news apps such as Apple News and Google News. Our study highlighted how far these companies – which are used by two in three online adults for news – determine not only how much of the online news people see, but also how they respond to it.

Our analysis suggested that new regulations may be required to understand and address the impact of online gatekeepers on media plurality. This might include new tools to require tech firms to be more transparent over the choices they make in determining the news we see online, as well as giving users themselves more choice and control. We will be working with industry and interested parties in the coming months, and we then intend to develop formal recommendations for consideration by the UK Government.

# Serving and protecting audiences

**We set and enforce standards on TV, radio and some on-demand services. By protecting audiences from harmful content and upholding due impartiality, we maintain trust in our broadcast media and ensure high standards for viewers and listeners.**

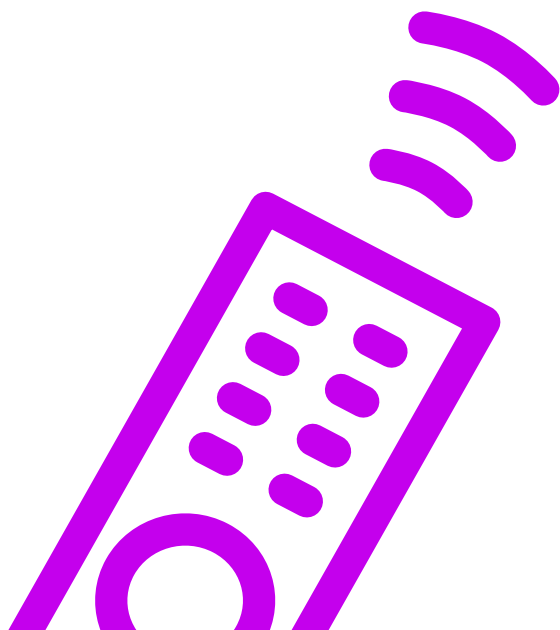
## What we did – in brief

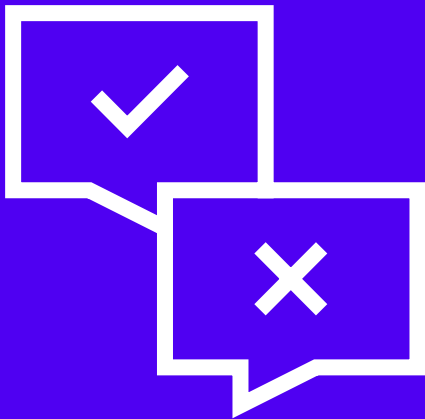
- We continued to uphold standards for programmes broadcast on TV, radio and on demand services. This year we assessed 36,908 complaints (8,725 cases), completed 78 investigations and found 70 cases in breach of our broadcasting rules .
- We carried out in-depth research to ensure our rules reflect the changing needs, views and behaviours of TV and radio audiences.
- We are enforcing rules and reviewing guidance that make subtitles, signing and audio description available to people with sight and/or hearing loss. This year we also reported on serious incidents that caused a subtitle outage on Channel 4, and a general broadcast TV and radio outage in north-east England.
- We developed an innovative new method for identifying small gaps in radio spectrum that can be used for special radio services – from hospital radio to drive-in cinemas and religious observances.

## Why this matters

- Audiences should be protected from harmful content on TV and radio. They should be able to trust what they see and hear, and feel able to complain to us about something on TV or radio which concerns them. We assess every single complaint we receive.
- Broadcasters have a right to transmit information, opinions and ideas; while viewers and listeners have a right to receive them without unnecessary interference. In all our standards work, Ofcom fully takes into account the importance of freedom of expression.
- TV and on-demand services should be accessible to everyone, including those with disabilities or sensory impairments. They should also be reliable, with broadcasters guarding against outages, so that people stay informed and entertained by the programmes they enjoy.

**“We carried out in-depth research to ensure our rules reflect the changing needs, views and behaviours of TV and radio audiences”**





This year we assessed  
**36,908**  
complaints



Completed  
investigations



Found 70 cases  
in breach of our  
broadcasting rules



# Our work this year

## Upholding content standards

We have continued to set and enforce content standards to protect audiences from potentially harmful and offensive content, while upholding broadcasters' and audiences' rights to freedom of expression. Our rules for TV and radio programmes are set out in the Broadcasting Code, and we are also the content regulator for video-on-demand services in the UK.

This year we assessed 36,908 complaints (8,725 cases), completed 78 investigations and found 70 cases in breach of our broadcasting rules.<sup>1</sup>

Our enforcement work continued to focus on areas of serious harm. We issued a draft notice to revoke the licence of Khalsa Television (KTV) following the broadcast of material likely to encourage or incite crime or lead to disorder. Ultimately KTV surrendered its licence. We also issued a fine of £15,000 to Loveworld Limited for broadcasting potential harmful statements soliciting donations on the basis of religious faith. This included claims they would improve the donor's health, wealth and success, without providing adequate protection to viewers. We also completed 29 investigations finding the Russian international news service RT in breach of our due impartiality rules.<sup>2</sup>

## Regulating TV, radio and streaming services

We continued to issue, manage and maintain licences for all national and local commercial TV, digital commercial and community radio services, as well as restricted service analogue radio services. This important work allows viewers and listeners to access a range of content across different platforms.

Ofcom's Broadcasting Code sets out the rules that must be followed by all TV and radio licensees. We also worked with the UK Government to help it develop draft statutory provisions in its draft Media Bill to introduce a new code for 'on-demand' (or streaming) services, which will work in a similar way to the Broadcasting Code, and we have continued to work closely on this with the Department for Culture, Media and Sport.

1. These figures do not include Fairness and Privacy complaints or complaints we referred to the BBC under BBC First because they had not completed the BBC's complaints process.

2. As reported last year we revoked the licences for RT to broadcast on 18 March 2022.

We also commissioned new research to help us better understand audiences' expectations of content available on streaming services.

### Small-scale DAB: a radio revolution

A local radio revolution is well underway thanks to small-scale DAB – a groundbreaking technology, developed within Ofcom, that provides a low-cost way for local commercial, community and specialist stations to broadcast on terrestrial digital radio to a small area.

In total, our licensing programme has so far led to 23 new 'multiplexes' – or groups of channels – being on air in locations around the UK, carrying a total of 177 radio stations between them. Of these, 131 are new, unique services. This is a huge step forward in providing radio listeners with a wider range of local and specialist content to meet their needs.

We also continued work this year on the long-term evolution of how TV and audio content is distributed through broadcast and over the internet. This might require changes to the broadcast licensing framework, and we will continue to work with the UK Government as it progresses its approach to regulating new broadcast technology.

## Making TV accessible to everyone

People who are deaf, have hearing loss, are blind or partially sighted need to be able to access and enjoy TV programmes that are available to everybody. This is why broadcast 'access services', such as subtitles, audio description and signing, are supplied by broadcasters.

We have continued to enforce minimum requirements for these essential services, and we report each year on levels of accessibility on broadcast and on-demand services. We are currently updating our best practice guidance for accessibility and will include guidance specific to on-demand services, informed by consultation and new research.

With the UK Government proposing accessibility requirements for on-demand programme services, such as Netflix and Disney+, we launched a review of our guidelines for broadcast accessibility, including specific guidance around on-demand. We will consult on changes to these guidelines in 2023.

This year, an Ofcom investigation found that Channel 4 breached the conditions of its broadcast licence following an extended outage of its subtitling, signing and audio description services in 2021. After an incident at a broadcast centre run by Red Bee Media, Freesat audiences who rely on subtitles were unable fully to access Channel 4 programmes for nearly two months. The outage meant Channel 4 fell short of a requirement to subtitle 90% of its programme hours on Freesat; and we found it breached another licence condition by failing effectively to communicate with audiences about the incident.

Our broader review of the Red Bee incident in June highlighted an urgent need for all broadcasters to improve and audit their disaster recovery plans. These must include clear communications plans in case of interruptions to services.

A separate Ofcom review this year found that organisations which deliver broadcasting services need to urgently review their contingency plans, to avoid the kind of transmission failure that occurred when Yorkshire's Bilsdale transmitter caught fire in 2021. We highlighted that their reviews should consider up-front planning for recovering services, how emergency equipment would be deployed, and greater clarity over how support and information would be provided to consumers affected by a major loss of TV or radio services. We will be monitoring the effectiveness of new initiatives put in place.

## Supporting special radio services

We have developed an innovative new method of spectrum planning, which enables us to identify small gaps in spectrum that can be used for 'restricted' radio service broadcasts.

These are radio services covering small areas, typically used for finite periods or within a particular establishment or location. Examples include dedicated radio services for religious observances such as Ramadan, hospital radio services, university radio services, drive-in movie soundtracks and commentary for events such as air shows. We have simplified our licensing approach for these services, providing opportunities for more of them to be licensed.

## Understanding viewers and listeners

Ofcom carries out regular, in-depth research to ensure our rules reflect the changing needs, views and behaviours of TV and radio audiences.

In December we reported on how audiences respond to commercial references in TV programmes, such as product placement and sponsorship. We will use the findings to develop new guidance in this area for broadcasters.

We have also undertaken a study of attitudes towards a range of issues relating to sexual and violent material, with a focus on protecting children and standards on offensive material. And we are carrying out research into generally accepted standards and offence across traditional TV and streaming services to continue to develop our understanding of audiences' changing expectations. Both these pieces of research will be published in 2023.





# Establishing regulation of online safety

**The UK is set to become among the first countries in the world to introduce new laws aimed at making online users safer. Ofcom is making final preparations to become the online safety regulator.**

## What we did – in brief

- We continued to work closely with Government as the Online Safety Bill passed through Parliament, offering technical advice and making further preparations to regulate this important new area.
- We set out detailed plans for online regulation, inviting evidence and working directly with industry, academia, civil society and expert groups.
- As part of our remit overseeing UK video-sharing platforms (VSPs), we used our information gathering powers to produce a groundbreaking report on what video-sharing platforms are doing to protect their users.
- We continued to invest in our own technology, data and sector knowledge, including a range of detailed research programmes to inform our thinking.
- We deepened and formed new partnerships with other digital regulators at home and abroad, allowing us jointly to tackle online safety issues through bodies such as the UK's Digital Regulation Cooperation Forum and the new Global Online Safety Regulators Network.
- We extended our media literacy programme around online safety, recruiting new advisors, commissioning local organisations and holding events across the UK to help improve people's online skills.

**“Wider lessons will help shape our regulation of online safety on behalf of millions of children and adults across the UK.”**

## Why this matters

- When we receive our new online safety powers, Ofcom needs to be ready to start making a difference.
- Our detailed research continues to show that online safety issues affect people in all corners of society. For example, three out of five internet users experience potentially harmful behaviour or content. Two-thirds of 10-year-olds now have their own social media profile. And only three in ten parents are using widely available parental controls to help manage their children's internet access.
- Ofcom is already helping to improve people's online safety through an existing set of laws relating to UK-established video-sharing platforms. After being regulated under these rules, several services such as TikTok and Snapchat have now made positive changes to protect users from harmful content.
- Around 2,500 people from underserved communities are expected to benefit directly from our pilot media literacy programmes. Wider lessons will help shape our regulation of online safety on behalf of millions of children and adults across the UK.



# Our work this year

## Getting ready for online safety

The forthcoming Online Safety Bill will introduce new duties for sites and apps such as search engines, social media and messaging platforms and other services that people use to share content online. As the online safety regulator, it will be Ofcom's job to enforce compliance with these duties.

As the Online Safety Bill progressed through Parliament this year, we gave evidence to lawmakers as they considered the legislation.

In July we set out a 'roadmap to regulation' providing more information about our approach to implementation of the Bill. The roadmap also provided initial thinking for regulated platforms on what they would need to do and by when, as well as what Ofcom will do in the first 100 days after our powers are granted. We explained how we will get the 'first phase' of regulation up and running, covering illegal content such as child sexual exploitation and abuse.

Also this year, we completed an initial 'call for evidence' on illegal content, mitigations and transparency requirements ahead of our first formal consultation in this area. We sought evidence on risks to children and how they can be reduced, as we prepare to develop Codes of Practice.

## Investing in technology, data and sector knowledge

Getting ready to regulate involves establishing Ofcom as a world leader in online research and expertise. This year we set up a programme of behavioural insights research, helping us to understand how the design of sites and apps can influence their users' behaviour. We began the collection of evidence to inform our codes and guidance: issuing two calls for evidence, one in July 2022 on child sexual abuse and exploitation, terrorism and other illegal harms and the second, in January 2023, on additional harms to children such as suicide and self-harm content and pornography. We released a range of detailed studies in specific areas, including a report on automated content classification systems, which use artificial intelligence to moderate content on a greater scale than could be achieved by human teams alone.

Meanwhile we have continued to grow our expertise in digital technologies, data analytics and cyber security, hiring expert minds from the likes of Meta, Amazon, academia and the policy world. We grew our data innovation unit and our technology hub in Manchester. And in November, we announced a new leader for our Online Safety Group, former Google executive Gill Whitehead.

## Video-sharing platforms

Ofcom received powers in 2020 to oversee video-sharing platforms (VSPs) based in the UK. These services must now have appropriate measures in place to protect all users from illegal content and the incitement of violence or hatred; and children from harmful material that might impair their physical, mental or moral development.

We are one of the first regulators in Europe to use these powers by gathering information from the companies in scope. In October, we released our findings in a groundbreaking report, revealing exactly what video-sharing platforms are doing to protect their users.

Our study showed some progress, with services such as TikTok, Snapchat and Vimeo making changes to reduce the risk of harm. But we also found many platforms were not equipped, prepared or resourced for regulation. In setting out our strategy for the coming year, we explained how we will seek improvements from platforms that fall under our regulation.

We also found that some smaller adult video-sharing sites needed stronger age control measures to stop children accessing pornography. We notified these firms that we expect urgent action to protect children and launched a formal enforcement programme in January. Separately, we opened a formal investigation into Tapnet Ltd, which operates the UK adult site RevealMe, for failing to meet our information requests. This led us to fining Tapnet Ltd after the company did not respond to a statutory request for information.

Our regulation of VSPs is both achieving results and allowing Ofcom to build the understanding, evidence and industry engagement that will be necessary in our coming role as online safety regulator. For example, this year we conducted and commissioned wide-ranging research on how people use VSPs, from parents and carers to users of platforms that host pornographic content.

## Partnerships at home and abroad

Online regulation is a global challenge and a shared goal for regulators and policymakers at home and overseas. Ofcom has been building and deepening partnerships in the UK and internationally.

We have continued to play a leading role in the Digital Regulation Cooperation Forum (DRCF), a world-leading example of collaboration between the UK's online regulators. Further details on the work of the DRCF this year are set out below.

We became a founder member this year of the Global Online Safety Regulators Network, joining forces with regulators from Australia, Fiji and the Republic of Ireland to encourage and coordinate global efforts to make the online world a safer place. We also worked with counterparts to launch an International Working Group on age assurance and verification.

## Raising awareness and understanding

We already have duties to promote people's understanding of the media, which also helps to inform our policy. This year, as we prepare to regulate online safety, we continued our online media literacy programme.

We refreshed our Making Sense of Media Advisory Panel, recruiting a diverse pool of media literacy experts to be our critical friends, challenge our thinking and advise on how their own work is evolving. We commissioned local organisations across the UK to help improve online media literacy skills among groups and communities most at risk of online harm. And we held events around the country, sharing our work and listening to others.

To help inform our regulation, we continued important research in this area. For example, our annual media literacy tracker highlighted that a third of internet users are unaware of the potential for inaccurate or biased information online; and that two-thirds of 10-year-olds now have their own social media profile.

To help build wider awareness of online issues, we launched a podcast, Life Online. One episode coincided with the launch of a joint report from Ofcom and the Alan Turing Institute on abuse of football players on Twitter, and a high-profile event in Manchester involving senior figures from the game.

We have also led roundtables with industry and civil society groups to discuss online safety issues – from the Confederation of British Industry to TechUK, Carnegie and Linklaters.



## The Buffalo shooting – a case study in online harm

In May 2022, a terrorist attack was carried out in Buffalo, New York, killing ten people and injuring three others. The attack was livestreamed, and versions of the footage disseminated to millions of people on online platforms, including in the UK.

As the regulator of video-sharing platforms (VSPs), Ofcom has sought to learn from this tragic event. After we became aware that the attack was livestreamed and being disseminated on UK-based VSPs, we urgently met the companies who run these sites and apps – such as TikTok, Twitch and BitChute – to establish what happened, and how effectively they responded.

We held more than 20 meetings with expert stakeholders such as companies, researchers, governments and regulators with expertise and experience of online radicalisation and the dissemination of terrorist content. In October this year, we set out our findings.



Our report on the Buffalo incident identified that there are benefits to platforms collaborating across a range of bodies and cross-industry initiatives; there are variations in the approaches different platforms take to tackling terrorism; and there is an opportunity for platforms to reduce the risk of online terrorist content by introducing features that limit access to livestreaming in particular circumstances.

We will take these insights into account in our future online safety work, and we expect to publish further research into this area of very serious harm to online users.



# Transforming Ofcom for the Future

**With widespread change across our regulated sectors and an expansion of Ofcom's duties, 2022/23 was a year of significant change and investment in the organisation, to get us ready for the challenges ahead.**

## **In 2022/23 we had three organisational priorities.**

- We overhauled and streamlined our performance management system and structures, stripping away unnecessary processes to improve efficiency, and investing in training and development to ensure every colleague at Ofcom has a capable career and performance manager. We have reduced the number of line managers by 15% from 360 in March 2022 to 307 in March 2023, while growing the organisation.
- We worked with our Board to clarify Ofcom's policy and regulatory choices over the next three years, to provide a stronger framework for future business planning, prioritisation and risk management.
- We finalised our organisational preparations for our new duties as the online safety regulator, putting in place new structures and recruiting over 150 new colleagues, with a focus on technology and data skills, as well as policy, and trust and safety.

## **In addition, we invested in improving efficiency and driving down cost**

We carried out a programme of improvements to automate repeatable activities and used technology to simplify operational processes (particularly in our spectrum and broadcast licensing teams). We also further enhanced our People and Finance system to drive greater efficiency within our HR and Finance processes.

We drove more efficient use of our estate, reducing our office footprint in London, recognising the increased role of flexible working after the pandemic. We continued to drive towards our goal of 30% of colleagues employed outside London by 2026. As of March 2023, 22.5% of colleagues were based out of London, compared to 20% in March 2022. In the same period, we have also increased the number of people based in our Edinburgh office (from 51 to 68) and Manchester office (from 26 to 74).

## **We delivered on several core investments in our people and capability**

After consultation with our staff, we implemented our new Connected Working framework to establish working practices following Covid. We set an expectation that we need to be together in the office more often than not, but have provided flexibility for managers and teams to establish the right arrangements in their area.

We delivered on the second year of our Diversity and Inclusion strategy, published in January 2021. We set a target for senior ethnic representation of 16% of colleagues at Principal level and above by 2026; this has already been exceeded, reaching 17% in March. We were proud to be recognised in the Times Top 50 employers for women in the UK for the third year running and achieved Bronze status in the Stonewall Equality Index. We continue to use our benchmarks to identify opportunities for further work to embed workplace inclusion.

We built significant new capabilities in data, technology and analytics, increasing the number of Technology, Data and Innovation Group colleagues from 33 (March 2022) to 90 (March 2023). As part of this we have expanded our Data Innovation Hub, providing greater central leadership and advice to colleagues on use of data across the organisation.



# Digital Regulation Cooperation Forum (DRCF)

**Established in 2020, the DRCF deepens joint working and collaboration between Ofcom, the Competition and Markets Authority (CMA), Financial Conduct Authority (FCA) and Information Commissioner's Office (ICO) on digital issues. .**

We share knowledge and expertise, and work together to tackle issues that affect people and businesses online.

## What we did – in brief

Last year was the second full year of operation for the DRCF, and the focus was on the DRCF's delivery, so that Parliament, industry and the public could see tangible outputs from the collaboration. Together, we set out an ambitious programme of work to tackle a wide range of complex digital issues. A report on progress against this plan was published in April 2023. Highlights included:

- work to examine the intersections between regulatory regimes: Ofcom and the CMA published a joint statement in July on how online safety interacts with market competition; and Ofcom and the ICO published a joint statement in November on how online users' safety interacts with their privacy;
- driving thinking on new regulatory issues such as algorithms: the DRCF members jointly published two discussion papers on algorithmic audit and the benefits and harms of algorithms; and
- thought leadership on the implications of emerging technologies, with blogs and insights papers published on the metaverse (May), Web3 (February) and quantum technologies (April).

## Why this matters

This work has meant that each regulator has a more holistic view of the digital landscape and can be more effective in their individual responsibilities, to the benefit of people and businesses.

## Our work this year

Over 2022/23, the DRCF has brought its member regulators together to tackle a series of complex digital issues, which has resulted in each regulator being able to develop a more cohesive, and informed approach to digital regulation, and to deliver positive outcomes for industry and the public.

The forum's work fostered a coherent and best practice approach; and our capability work helped join up approaches in horizon scanning, recruitment, and skills development. The DRCF engaged with consumer groups and charities to better understand how regulators could be working together to serve consumers.

Over the course of the year, the DRCF issued 10 joint publications which included statements, research and blogs, engaged with 13 international authorities and held multiple horizon scanning events that attracted a total of 450 attendants.

The DRCF published joint statements on the intersections between online safety, competition, and data protection as we seek to bring about a coherent regulatory landscape for businesses.

The forum also deepened its members' understanding of emerging technologies – such as the metaverse, Web3 and quantum technologies – through horizon scanning activities, including symposiums, insights papers and blogs. In November, the DRCF secured funding through the Government's Regulators' Pioneer Fund to research and pilot a multi-agency advice service for innovative companies.

# Principal risks and uncertainties

**Ofcom’s Strategic Risk Register captures risks with the potential to hinder our work and aims. During the year, the register was refreshed to incorporate our new duties and expanding remit.**

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.

The risk register is organised into eight principal areas.

## Principal risks

## Priority

## Mitigating actions

**Ofcom’s independence as a regulator is not seen to be independent, impartial and consistent**



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.

- We put in place effective governance and decision-making processes that give robust oversight of Ofcom’s decision making. We review these regularly throughout the year.
- We ensure colleagues are reminded of the importance of maintaining Ofcom’s independence in their dealings with stakeholders, Government, and Parliament.
- We undertake a regular stakeholder feedback exercise and each year we openly consult on our Plan of Work.

## Key to priorities



Investment in strong secure networks



Getting everyone connected



Preparing to regulate online safety



Developing new partnerships





Fairness for customers










Supporting and developing UK broadcasting





Strengthening Ofcom for the future

Principal risks	Priority	Mitigating actions
<p><b>Leading Thinking</b></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"> <li>Ofcom’s internal Research Committee continues to oversee cutting-edge research.</li> <li>We have hosted conferences and roundtable discussions on innovative topics and promote Ofcom representatives to participate in these discussions.</li> <li>We have a Data Ethics framework to reduce the risk of Ofcom infringing privacy driven by data collection activities.</li> <li>Through the DRCF, Ofcom and other member regulators can tackle complex digital issues together with a more holistic, cohesive, and informed approach to digital regulation.</li> <li>We continue to strengthen and develop industry partnerships, for example with our work promoting technology solutions through SONIC Labs.</li> <li>We regularly review and refresh our academic panel of subject matter experts and thought leaders in their respective fields.</li> </ul>
<p><b>Online Safety, Telecoms Security</b></p> <p>Risk that Ofcom fails to prepare for actual and potential changes to our remit.</p>		<p><b>Telecoms Security Requirements</b></p> <ul style="list-style-type: none"> <li>The new security regime commenced in October 2022. DCMS published the final Code of Practice on 1 December 2022; we subsequently published our final Procedural and Resilience Guidance, which sets the approach we will take to regulating this new regime.</li> <li>We continue to work closely with NCSC to understand the changing nature of the security threat.</li> </ul> <p><b>Online Safety</b></p> <ul style="list-style-type: none"> <li>Our cross-Ofcom programme to prepare for new online safety responsibilities is well established and advanced in our preparations for our new duties.</li> <li>We are providing ongoing advice to Government and Parliament to ensure the statutory framework is workable and effective.</li> </ul>








**Key to priorities**


 <p>Investment in strong secure networks</p>	 <p>Getting everyone connected</p>	 <p>Preparing to regulate online safety</p>	 <p>Developing new partnerships</p>
 <p>Fairness for customers</p>	 <p>Supporting and developing UK broadcasting</p>	 <p>Strengthening Ofcom for the future</p>	










Principal risks	Priority	Mitigating actions
<p><b>Strategy, Research and Horizon Scanning</b></p> <p>Risk that Ofcom fails to invest sufficiently in our strategy, research and horizon scanning work 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"> <li>▪ We strengthened and formalised our horizon scanning process throughout the year, feeding into our three-year planning and Board Strategy Day – we used this to develop Ofcom’s internal three-year strategic plan.</li> <li>▪ We invested resource in our horizon scanning programmes including ‘Future Megatrends’ report and Insights programme, and Tech Discovery (TDI).</li> <li>▪ We continue to expand our centrally located library of all insights which can be accessed by all teams based on their needs.</li> <li>▪ We have identified and progressed specific project areas: including telecoms and broadcast cloudification, online trust and safety tech, implications of the metaverse and Web 3.0.</li> </ul>
<p><b>Commercial Understanding</b></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"> <li>▪ We continue to have engagement with stakeholders’ strategy, technology and product teams and with other subject matter experts.</li> <li>▪ We have invested in our understanding of online platforms, business models through workshops and engagement with industry through our cross-cutting digital markets strategic work programme.</li> <li>▪ We have strengthened our research into the needs and demands of consumers, particularly online: e.g. behavioural insights, online research panel, and Making Sense of Media.</li> <li>▪ We have focused our recruitment to ensure we bring in high calibre colleagues with strong commercial and industry experience in their relevant area for key senior roles.</li> </ul>



**Key to priorities**

 <p>Investment in strong secure networks</p>	 <p>Getting everyone connected</p>	 <p>Preparing to regulate online safety</p>	 <p>Developing new partnerships</p>
 <p>Fairness for customers</p>	 <p>Supporting and developing UK broadcasting</p>	 <p>Strengthening Ofcom for the future</p>	








Principal risks	Priority	Mitigating actions
<p><b>Regulatory Decisions</b></p> <p>Risk that Ofcom fails to make appropriate, evidence-based and legally defensible, regulatory decisions, in line with our statutory duties, which take account of evolving market developments.</p>		<p><b>Interventions in the Telecoms Market</b></p> <ul style="list-style-type: none"> <li>Following the Wholesale Fixed Telecoms Market Review (WFTMR) statement in 2021 (setting out the regulatory framework to support the rollout of full-fibre networks across the UK), we continue to monitor implementation to ensure that consumers benefit from competitive markets.</li> <li>We published our statement on the future approach to mobile markets in December 2022 and maintain regular engagement with the market.</li> </ul> <p><b>Sustainable delivery of Universal Service Obligation by Royal Mail</b></p> <ul style="list-style-type: none"> <li>We concluded our review of postal regulation (2022-2027), which aims to provide regulatory certainty for investors, while giving Royal Mail the maximum opportunity to transform its business to support sustainability.</li> <li>We have introduced requirements which seek to make Royal Mail more accountable in reporting on its longer-term view of sustainability and efficiency ambition.</li> </ul> <p><b>Availability of Spectrum</b></p> <ul style="list-style-type: none"> <li>We are now delivering our spectrum management strategy as set out in our Spectrum Roadmap, published in March 2022.</li> <li>We have regular sector reviews to ensure that Ofcom is aware of market developments and spectrum demands in a timely manner, while noting the potential for direct impacts on current users if we change use.</li> </ul> <p><b>Support UK Broadcasting, including the PSB Sector</b></p> <ul style="list-style-type: none"> <li>We continue to provide advice to Government based on widespread audience research and stakeholder engagement, ensuring we remain across relevant commercial and technological developments and challenges.</li> </ul>

**Key to priorities**

 <p>Investment in strong secure networks</p>	 <p>Getting everyone connected</p>	 <p>Preparing to regulate online safety</p>	 <p>Developing new partnerships</p>
 <p>Fairness for customers</p>	 <p>Supporting and developing UK broadcasting</p>	 <p>Strengthening Ofcom for the future</p>	

Principal risks	Priority	Mitigating actions
<p><b>People</b></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 Plan of Work. Risk that our leadership and culture fail to create a productive, inclusive and effective working environment which means delivery is below expectation or potential.</p>		<ul style="list-style-type: none"> <li>▪ We embedded a new performance and career management system including a more streamlined management structure, investing in leadership and developing existing talent and skills, and are now moving to evolve this further.</li> <li>▪ We have a Connected Working Framework in place to ensure we support inclusive and collaborative working and to help support colleagues build strong and effective working relationships.</li> <li>▪ We are monitoring our performance against our Diversity and Inclusion targets, and we are progressing disability and LGBTQ+ action plans.</li> <li>▪ We launched the new Online Safety Group in April 2023 and work to date has put us in a strong position to plan talent and recruitment in a timely manner.</li> </ul>
<p><b>Cyber and Information Security</b></p> <p>Risk that Ofcom’s approach to cyber security proves ineffective leading to a cyber-attack on critical infrastructure of the business</p>		<ul style="list-style-type: none"> <li>▪ We have delivered ongoing mandatory cyber and information security training for all colleagues in Ofcom.</li> <li>▪ We are working with our partner organisations to continually monitor threats and implement security measures.</li> <li>▪ We review software procurement processes to limit use of unauthorised applications that may be compromised.</li> </ul>

**Key to priorities**

 <p>Investment in strong secure networks</p>	 <p>Getting everyone connected</p>	 <p>Preparing to regulate online safety</p>	 <p>Developing new partnerships</p>
 <p>Fairness for customers</p>	 <p>Supporting and developing UK broadcasting</p>	 <p>Strengthening Ofcom for the future</p>	

# Stakeholder engagement

## Work in the Nations and our international engagement

In 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 our new Manchester office 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, Scotland and Northern

Ireland who are appointed by the Welsh and Scottish Governments and the Northern Ireland Executive respectively, in consultation with the UK Secretary of State. Our Content Board and Consumer Panels also have members representing each part of the UK.

In February 2022, Ofcom published a report on how the media reported on Covid across the devolved nations.

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



## Northern Ireland

- We completed the appointment of two new Advisory Committee members, Aodhan O'Donnell and Colm Murphy, and a new Ofcom Content Board Member for Northern Ireland, Maria McCann.
- We continued to play a role in the Shared Rural Network NI working group and the Northern Ireland Executive's Mobile Action Plan working group and barrier busting taskforce, working with a range of stakeholders to help deliver improved 4G and 5G coverage across Northern Ireland.
- We engaged with consumer bodies and UK Government departments in relation to the Northern Ireland Protocol and the area of parcel movements between Great Britain and Northern Ireland.
- We provided data and analysis on Northern Ireland's media and communications sectors through our annual Media Nations and Connected Nations reports for Northern Ireland.
- We awarded licences for new small-scale DAB multiplexes in the Newry, and Belfast and Lisburn areas.
- A new Disability Action Plan for Northern Ireland was published, which reflects our UK-wide Diversity & Inclusion strategy.
- We engaged with government departments, agencies and law enforcement to build awareness of the forthcoming online safety regulatory regime.

## Scotland

- We completed the appointment of one new Advisory Committee member, Polly Tolley.
- We've spoken with a growing cohort of stakeholders within Scotland in preparation for our online safety duties, such as the Bayes Centre, the University of Edinburgh's Innovation Hub for Data Science and Artificial intelligence and Young Scot, the national youth information and citizenship charity for Scotland.
- Our stakeholder work has also seen us progress relationships with the radio sector, and we held a roundtable session involving established stations from Fort William and Campbeltown to new small-scale DAB services in Edinburgh, as well as larger commercial services from Bauer, DC Thomson and Nation radio.
- We were pleased to be able to appoint a new Chair of MG ALBA, as well as deepening our relationships with STV (on issues such as Channel 3 relicensing), BBC Scotland (as they renew their Partnership Agreement with MG ALBA in relation to the BBC Alba service) and Screen Scotland.
- In line with our Memorandum of Understanding, we continue to work closely with the Scottish Government, maintaining links between senior executive and Board members and Cabinet Secretaries in the Scottish Government; and providing technical and regulatory advice in relation to their Reaching 100% and Scottish 4G infill programmes and on issues such as resilience in the telecoms sector.



## Wales

- We continued to engage with the creative industries on the future of public service broadcasting, giving evidence to the Welsh Government and Plaid Cymru's expert panel on creating a Shadow Broadcasting and Communications Authority for Wales. We also gave evidence to the Welsh Affairs Select Committee's inquiry into Broadcasting in Wales.
- Political and industry stakeholder engagement has featured prominently during the year. We have ensured that our stakeholders are kept informed of developments in our work and are fully engaged with our consultations. Our event 'Improving mobile coverage in rural Wales' at the Royal Welsh Agricultural Show focused on the progress of the Shared Rural Network programme. We welcomed colleagues from the Broadcast Licensing team to host a roundtable discussion with radio sector stakeholders and colleagues from Online Safety who outlined our map to regulation to interested parties. We also accompanied Content Media Policy colleagues to a series of meetings with the independent production sector in Wales. In addition, it was our pleasure to welcome Lord Grade to Wales on his first visit as Ofcom's Chair.
- In line with our Memorandum of Understanding between the UK Government, the Welsh Government and Senedd Cymru, Ofcom's team in Wales has continued to work closely with all parties to help deliver improvements to communications services in Wales.
- We met with the new Welsh Language Commissioner and look forward to establishing a constructive working relationship with her. We are developing plans to implement two findings by the Welsh Language Commissioner.

## England

- We completed appointment of one new Advisory Committee member, Caroline Gardner.
- We continue to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.
- In October, the BBC set out plans to transform its local services in England, including its local radio stations. We discussed these plans with the BBC in detail and scrutinised its proposals. We expect the BBC to review the impact of its changes to local radio in England as they are implemented to ensure that they are meeting audience needs.
- Following a subtitle outage on Channel 4, and a general TV and radio outage in north-east England, we reported on these serious incidents. We are enforcing rules and reviewing guidance that make subtitles, signing and audio description available to people with sight and/or hearing loss.
- We maintained our engagement with diversity issues, focusing on the vulnerable, particularly in the switch to voice over IP, and on rural communities.



# Our international engagement

## Engaging internationally helps make communications work for everyone in the UK.

Our areas of responsibility are global and interdependent in nature, requiring us to work collaboratively with a range of international partners to deliver good outcomes for UK consumers. As our preparations for online safety regulation continue, we are investing in existing and new networks such as the World Economic Forum and Global Online Safety Regulators Network. We continue our preparatory work for the 2023 World Radio Conference, where we represent the UK in negotiations on the use and harmonisation of radio spectrum. We use our international engagement to bring knowledge and insights to inform how we design and implement regulation in the UK and as part of our horizon scanning activity. We also share our expertise with international partners and seek to influence regulatory developments in the sectors that matter to us.

We interact with international counterpart regulators, industry, and academia to exchange views on topics like online safety, network resilience and digital markets, alongside our broader programme of work which reflects the sectors Ofcom is responsible for regulating. While we continue to engage with partners in the EU, our relationships extend beyond Europe, including to the United States, Australia and Singapore, particularly as part of our online safety work. Building and expanding networks and strong international relationships in this emerging regulatory field will be crucial to the success of our domestic regulation.

We participate in formal and informal regulators' networks and working groups across the sectors we regulate, as well as multi-stakeholder forums such as the Internet Governance Forum and World Economic Forum. This regulatory cooperation helps to deliver benefits like creating a shared understanding of the tools available to regulators and, where possible, avoiding unnecessary divergences between comparable regulatory regimes in the UK and abroad. Our engagement also provides insights and best practice comparisons to inform our own work in areas such as media literacy, net neutrality and spectrum sharing.

Across our sectors, we face similar market and regulatory trends and challenges to many of our European counterparts, particularly when it comes to the regulation of digital platforms. Engaging with partners in Europe remains an important part of our international work, particularly where our powers are originally derived from EU legislation.



We have co-founded an International Working Group on Age Verification with other European regulators to help ensure consistent implementation of rules obliging video-sharing platforms to protect minors from restricted content on these services. We are active participants in regulatory dialogues at European level, including through our membership of the Independent Regulators Group (IRG), a group of 37 European communications regulatory authorities and the European Platform of Regulatory Authorities (EPRA), a network of 54 European media regulators.

We have continued to invest in our relationships beyond Europe, where we have had several constructive exchanges with regulators and governments from around the world across all our work areas, including regulatory collaboration (where we have shared our experience of the DRCF), cloud computing, wholesale access regulation and media literacy. In the online space, we were involved in the launch of the Global Online Safety Regulators Network in November 2022, which aims to develop shared norms and drive regulatory best practice in this emerging field of regulation.

### Intergovernmental Organisations

Ofcom is vice-chair of the European Conference of Postal and Telecommunications Administrations (CEPT) Conference Preparatory Group (CPG), which is responsible for developing European positions for the next International Telecommunication Union (ITU) World Radio Conference (WRC) taking place in late 2023. We also chair the European Electronic Communications Committee (ECC), the most senior spectrum group within the CEPT, which works 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). Ofcom also holds leadership positions in several ITU and CEPT project teams and study groups. Finally, Ofcom represents the UK on the ITU's governing body, the ITU Council.

We support the UK Government at the Universal Postal Union (UPU), the inter-governmental body which governs the price of international mail between Universal Postal Service Providers. We are 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).

Ofcom continues to participate in the policy development work of the Organisation for Economic Co-operation and Development (OECD), sitting on the Communications Services and infrastructure Committee (CSI) and engaging in the work of the Network of Economic Regulators (NER) and Regulatory Policy Committee (RPC).





# 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 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.



## Better regulation

We believe 'better regulation' means ensuring rules are properly targeted; do not impose undue burdens on businesses; or cause unnecessary barriers to innovation, investment and the development of choice and competition in the market.

During the past year we have made several significant regulatory decisions, but the volume of documents we publish has stayed broadly the same. Figure 1 below provides an overview of how the regulatory burden on stakeholders changed because of Ofcom's regulatory decisions and statements in 2022/23.

**Figure 1: Impact of our statements on the regulatory burden to stakeholders, 2022/23**

Of the 45 Major Statements delivered in the year:	Number	Percent
Increased/new regulation	5	11%
Mixed/no change/ongoing	37	82%
Reduced regulation	1	2%
Streamlined/co-regulatory	2	4%

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

## 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. Included in Figure 2 is an analysis of the length of our consultations by sector.

**Figure 2: Analysis of consultation duration, 2022/23**

	Consultation period at least ten weeks	Consultation period less than ten weeks (inc category 2 and category 3 consultations)
Telecoms	2	5
Broadcasting	1	8
Spectrum	7	11
Post	0	1
ECC	0	14
Other	0	4
<b>Total</b>	<b>10</b>	<b>43</b>
<b>Total (22/23)</b>	<b>19%</b>	<b>81%</b>
Total (21/22)	8%	92%

## Timelines of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2022/23, 100% of our decisions were announced within twelve weeks of closing a consultation.

### 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 March 2023, we published [Ofcom's draft impact assessment guidance](#)<sup>3</sup> which re-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 most 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 (IA) carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	7	6
Broadcasting	9	3
Spectrum	17	12
Post	1	1
ECC	14	13
Other	4	4
<b>Total</b>	<b>52</b>	<b>39</b>

Figure 3 highlights that, in 2022/23, 75% (2021/22: 80%) 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.

3. Ofcom's impact assessment guidance: [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0023/255560/Impact-Assessment-Guidance.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0023/255560/Impact-Assessment-Guidance.pdf)

# Financial review

While Ofcom is directly accountable to Parliament, our funding comes from stakeholders in the sectors we regulate (see Figure 4 on page 64).

Over the past decade, our overall fees have been largely flat in cash terms, meaning that the cost of our regulation has fallen significantly in real terms. Driving cost consciousness and value for money within all our activities continues to be a priority for us. We have delivered significant efficiencies, absorbing inflationary pressures through savings including reducing our London footprint and making ICT efficiency investments. This is reflected in Ofcom's ability to hold budgets flat since 2015/16, on a like for like basis (with only a one-off inflationary increase provided in 2020/21).

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 (all of which are set out in Section 400 accounts and do not form part of our annual accounts).

As a result of this, we are a net contributor to HM Treasury. Ofcom collected £1,163m of fees and penalties in 2022/23, of which we retained £112.1m to fund our spectrum management and other relevant duties. The balance was passed to HM Treasury and the Consolidated Funds.

## Financial performance

In 2022/23, our cash outturn of £176.4m was 2.4% lower than our spending cap and budget of £180.7m.

	Budget £m	Outturn £m	Variance £m
2022/23	180.7	176.4	4.3
2021/22	155.7	146.9	8.8
Variance	25.0	29.5	4.5

Our budget increased from 2021/22 to 2022/23 by £25.0m, reflecting additional funding for new duties including Online Safety (£22.4m), the Telecoms Security (£1.9m) and Advertising of products High in Fat Sugar and Salt (£0.7m). Our budget and spending cap for the existing duties remained flat at £131.9m.

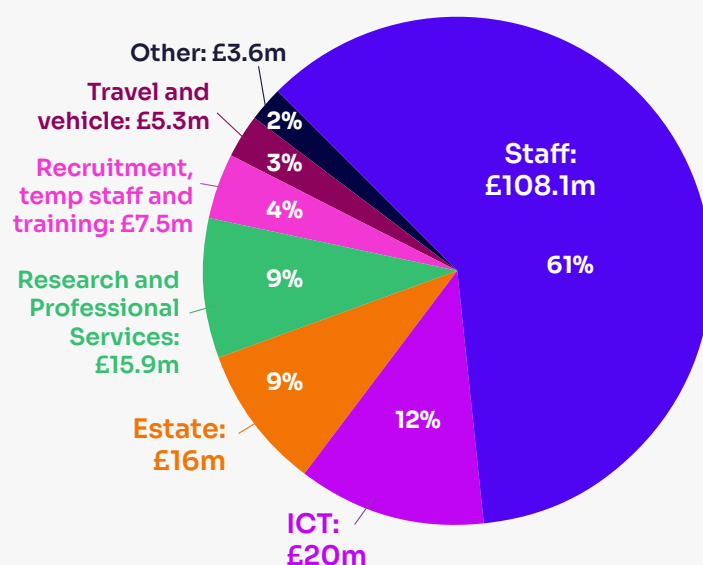
Costs relating to Spectrum Clearance and Awards Programme do not fall within Ofcom's spending cap and budget, and as such, are reported separately to differentiate from Ofcom's core activities. Further detail on this is set out on page 61.

## Operating income and expenditure

Income for 2022/23 was £179.4m (2021/22: £149.7m). See note 3 to the accounts (page 129) for a breakdown of income by the relevant regulated sector.

61% of our total cost base relates to staff costs, with a significant part (21%) of the remaining cost base fixed in relation to property and systems costs.

## Spend by key cost type 2022/23



Staff costs increased by £17.7m to £108.1m (2021/22: £90.0m), driven by FTE increase, see note 4 to the accounts (page 130) for FTE movements.

Excluding staff costs, expenditure in 2022/23 increased by £11.4m to £67.2m (2021/22 £55.8m). The main operating variances from the prior year are due to:

- Audience, consumer and technological research costs increased by £3.5m due to preparatory work for Online Safety.
- Premises costs increased by £1.9m with increases to our utilities and one-off spend refitting our estate to support our expanded workforce, in line with our connected working framework.
- Outsourced Services costs increased by £1.8m due to preparatory work for Online Safety;
- Travel and subsistence costs increased by £1.5m following the lifting of covid restrictions and due to preparatory work for Online Safety;
- Admin and Office expenses increased by £1.4m mainly due to external stakeholder events resuming which were minimal in 2021/22 due to Covid restrictions;
- Information and Technology costs increased by £1.3m driven by increased software and system development costs in preparation for the Online Safety regime;
- Temporary staff and recruitment costs increased by £0.4m due to use of contractor resource in preparation for the Online Safety regime.
- Professional Services decreased by £0.7m, compared to the previous year, due to recovery of legal costs in 2022/23 and one-off transformation spend in 2021/22.

## Surplus/deficit for financial year

### Funding surplus or deficit

The operating revenue required by Ofcom to fulfil our duties and deliver our 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 because 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 Income and Expenditure to Ofcom's actual operating outturn.

The funding surplus for the financial year relates to the accrued and deferred income balance as set out in Note 2 to the accounts and totals £2.9m (2021/22: £7.7m surplus).

### Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Income and Expenditure for the year under review, was £3.9m (2021/22: £3.3m surplus).

## Spectrum Clearance and Awards Programme

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

We incurred no expenditure on spectrum clearance this financial year (2021/22: £8.7m). Some additional work was found to be necessary and is due to be completed in Q1 of 2023/24, at no additional cost to the grant scheme. The remaining temporary mast decommissioning grant payments are due to be concluded by Q4 2023/24.

Thus, we did not claim grant in aid (2021/22: £10m) and the surplus of £1.3m from 2021/22 has been deferred for use in 2023/24.

## 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 details provided, within these Financial Statements in Note 23 to the accounts, with further information in Annex 1 on page 157.

During the 2022/23 financial year Ofcom collected £1,163m (2021/22: £1,800.5m) on behalf of HM Treasury. Further details can be found in the Section 400 Accounts.

Ofcom retained £112.2m (2021/22: £84.5m) to fund some of Ofcom's core responsibilities, including Spectrum Management and preparatory work for Online Safety.

A total of £1,045.4m was transferred to Government accounts in the financial year.



## During the 2022/23 financial year



**£1,163m**

(2021/22: £1,800.5m)

was collected by Ofcom  
on behalf of HM Treasury



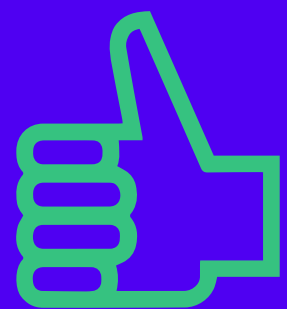
Further details can be found in the S400 Accounts.

**£112.2m**

(2021/22: £84.5m)

was retained to fund some of  
Ofcom's core responsibilities.

Including  
Spectrum  
Management and  
preparatory work  
for our online  
safety duties



**£1,045.4m**

was transferred to  
Government accounts

## Pensions

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

Colleagues who joined Ofcom from legacy regulators when Ofcom was established, 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 1 June 2011.

From this time, all existing members were provided with access to the Ofcom defined contribution plan. Notes 1(k) and 20 to the accounts provide further detail.

The actuarial valuations for both schemes as at the last formal valuation date of 31 March 2021, completed every three years, highlighted a combined funding deficit of £0.6m. The Ofcom Defined Benefit Pension Plan actuarial valuation shows a deficit of £0.6m. The Ofcom (Former ITC) Staff Pension Plan valuation liabilities have all been bought in and therefore there is no surplus or deficit.

However, the 2022/23 financial statements show a surplus of £11.5m, 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 in March 2021.

Ofcom makes cash payments to the Ofcom Defined Benefit Plan and the Ofcom (Former ITC) Staff Pension Plan on the basis of the actuarial valuations. Cash payments, rather than the amount charged to operating surplus as calculated under IAS 19, 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.





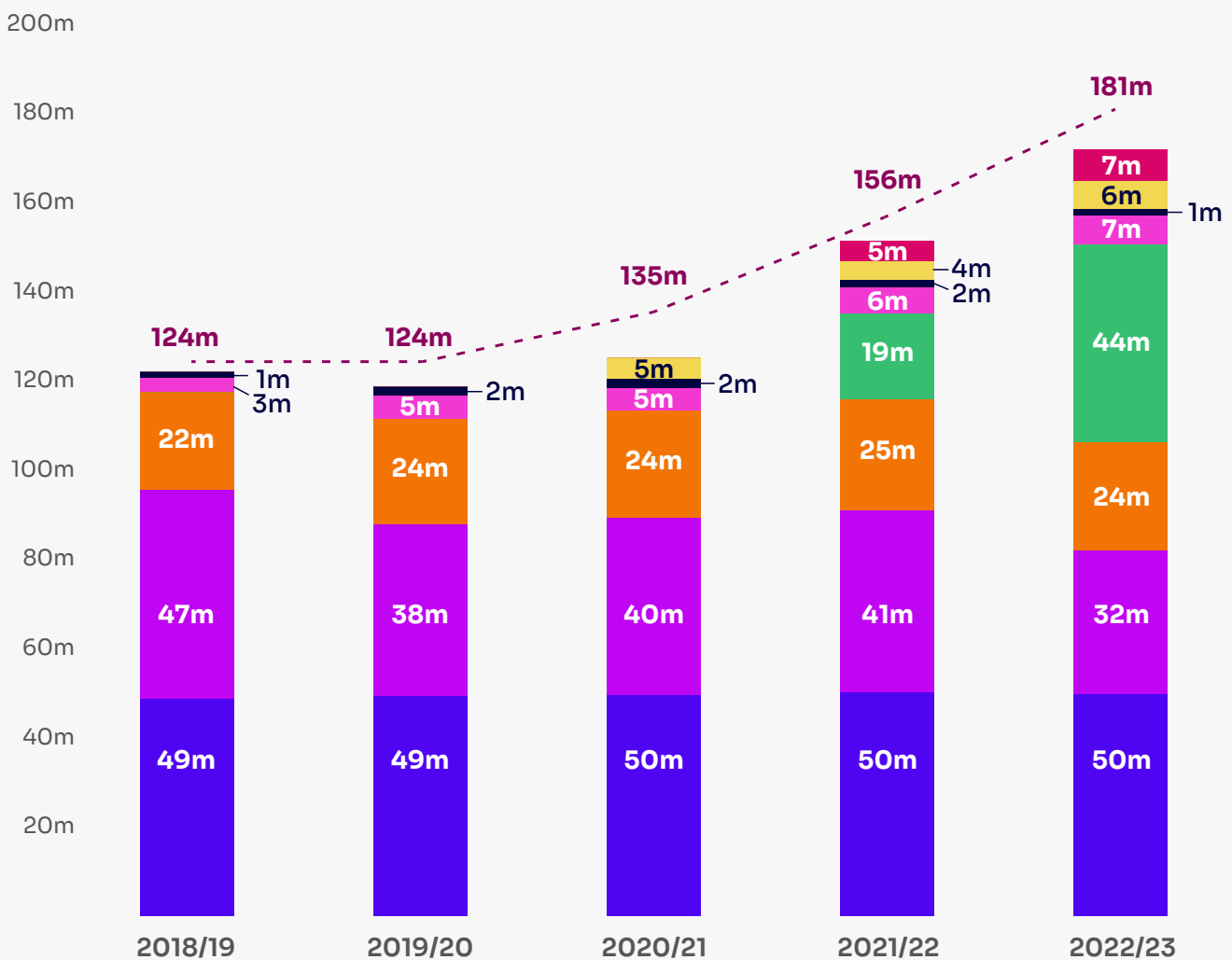
### Tariffs

Ofcom published the 2022/23 Tariff Tables on 25 March 2022. Ofcom’s core budget remains at the same level as the previous financial year, £131.9m. The overall spending cap was increased further by £48.8m to incorporate preparatory work for our new regulatory duties i.e., Online Safety and Telecommunications (Security) Act.

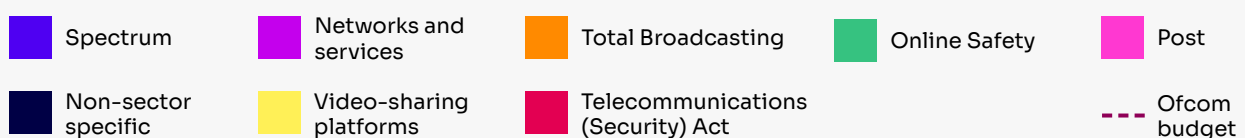
These activities were funded by the retention of Wireless Telegraphy Act 2006 (WTA) receipts and not stakeholder tariff. Further details can be found in the [2022/23 Tariff Tables](#) on our website.

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 five-year average, except for Networks & Services which has seen a shift of funding from security related work to WTA funding, thus reducing the charges to stakeholders in that sector.

**Figure 4: Five-year sector view of funding**



The difference between the budget and funding requirement in each financial year in the chart above, represent prior year adjustments which are incorporated in our fees.



# Corporate responsibility

## Ofcom's commitment to corporate responsibility.

We are stronger as an organisation when we are connected to the communities where we work, and we seek to reduce the environmental impact of our operations.

### To achieve this:

- We are committed to helping reduce the UK's overall carbon emissions and adopting and promoting sustainable practices wherever we can.
- We work closely with schools to explain our work and the opportunities on offer at Ofcom, as well as offering strong and highly sought-after graduate and apprenticeship programmes to a wide range of students.
- We act to build closer links with local communities in London, Manchester, Edinburgh, Cardiff and Belfast and have increased our paid volunteering leave for all colleagues to 5 days per year.

## Environmental Policy

Ofcom has a goal to reduce its environmental impact. We all have a part to play in addressing threats to our planet's natural systems and biodiversity. Ofcom is therefore committed to assessing, understanding and improving its environmental performance including via the delivery of contracted supplies and services.

In the last year, we have adopted a new environmental policy, which demonstrates our commitment to reducing our impact and obtained ISO14001:2015 accreditation (Environmental Management System), helping us take a more systematic approach to improving our environmental performance.

## Schools and institutions

We continued our extensive school outreach work, reaching students from more than 50 schools. We provided support to schools and institutions online, through virtual work experience sessions with the charity EY Foundation and outreach with a specialist social mobility organisation to help us identify, coach and support young people in taking the first step in their career, including applying for our apprenticeship programmes.

Working with EY Foundation, we sponsored 18 students to take part in their Smart Futures paid work experience programme in our Manchester location. This independent charity gives young people the skills, experiences and support to help them secure the roles they really want and connects employers to talented young people across the UK. As part of the programme, we reached young people (16+) from low-income backgrounds in Manchester, helping them to gain a variety of transferable skills that will give them a head start in their career in our industry. All the young people achieved an accredited qualification.

We have an ongoing programme to increase gender and ethnic diversity in our Science, Technology, Engineering and Maths (STEM) roles. As well as colleagues supporting and hosting events such as Ofcom's Women in Cyber event in October 2022, Ofcom has sponsored WeAreTechWomen and Digital Her, supporting and encouraging more women into careers in digital and technology. We also support the STEM Ambassadors programme which helps employers connect with young people, inspiring them to become the next generation of STEM professionals.

## Graduates

Ofcom's graduate programme has an annual intake of graduates into its two-year programme, with 29 joining us in September 2022. Working with a specialist graduate recruitment organisation, we are harnessing their reach across hundreds of universities across the UK and we were able to recruit high calibre graduates from very diverse backgrounds. Our graduate programme offers a choice of pathways including policy, technology, cyber security, spectrum, economics, data science and finance. Graduates can develop a broad range of technical and behavioural skills in their chosen area, building on the knowledge and skills they already have.

## Apprenticeships and internships

### Apprenticeships

In January 2022, we established a strategic partnership with Visionpath to develop an end-to-end early careers programme targeted at socially disadvantaged young people. We fundamentally reimagined apprenticeship attraction and recruitment at Ofcom, focusing on recruiting from 38 schools/colleges where we engaged with 355 students, plus a development pathway to create an inclusive and supportive candidate journey that delivers the skills and support that diverse talent needs. We delivered two-day Skills Bootcamps in London and Manchester to build workplace skills and help our candidates identify and harness their strengths. Each candidate had a mentor at Ofcom for three months to help them make informed choices about their career, with skills to support their success at Ofcom or elsewhere. This led to positive outcomes for all candidates regardless of destination. From this programme of work, we recruited 15 policy, digital and customer service apprentices who joined us in September 2022. We are currently running the programme again for our 2023 intake where we will be recruiting a further 16 apprentices.

As well as school leaver apprentices, we also have 16 existing colleagues enrolled onto apprenticeships to gain additional skills such as professional qualifications from CIMA (accountancy), CIPD (People Profession or HR) to BEng (engineering).

### Internships

In summer 2022, we hosted a three-week virtual Internship Experience UK programme for over 4,000 16–24-year-olds. We got involved in the public sector and technology streams to help give students an insight into the work we do at Ofcom.

Our Legal team partnered with the Sutton Trust's 'Pathways to Law' programme to host six students for paid work experience in August and September 2022. This ongoing programme aims to widen access to the legal profession, raise students' aspirations, and allow them to make informed decisions about their future career. It is open to students who attend non-fee-paying schools, with many students often being the first in their family to attend university.

In 2022, we were proud to take part in the 10,000 Black Interns programme. The initiative seeks to offer 10,000 internships to young Black people, involving more than 700 companies. We offered 13 students a six-week paid work experience programme at Ofcom and will be running the programme again in 2023 with 25 places already offered. During the programme interns are supported to apply for permanent positions, and one of our 2022/23 interns has subsequently joined our graduate programme for economics.

### Volunteering

In January 2023, we increased our paid volunteering leave from 3 days to 5 days. Colleagues can use this leave in a variety of different ways including working as magistrates, supporting young people in academic settings, as well community volunteering e.g. as trustees or scout leaders.

### Modern Slavery

Ofcom is committed to continually improving its policies and practices to play our part in tackling the serious issue of modern slavery. We do not tolerate slavery or human trafficking in our business or supply chains. We assess our contracts to identify risks and if any are found, we will work with our suppliers to monitor and manage them effectively. We publish an annual modern slavery statement to demonstrate how we deliver against these commitments.

# Sustainability report

## Ofcom has achieved the Greening Government Commitments targets (GGC Target: 58% reduction) and cut overall greenhouse gas (GHG) emissions by 60% from a 2017/18 baseline.

In 2022/23 our CO2 emissions increased compared to the previous year, reflecting the lifting of all Covid restrictions and our operations returning to a normal level. However, we have continued to reduce our energy consumption by switching to renewable energy across our estate, and we continue to manage business travel to the lowest possible levels through investment in technology and our flexible connected working framework.

### Reporting on sustainability going forward

Since 2007, Ofcom has continually reduced the carbon footprint of the activities with the most significant impact on the environment. We are now working to put in place a formal accreditation framework, including an environmental policy, enhancing our reporting across our seven sites, and raising the visibility of the sustainability work across the organisation.

As a public organisation, we want to lead by example. In July 2022 Ofcom attained ISO14001: 2015 accreditation for Environmental Management System, helping us take a more systematic approach to improving our environmental performance and calculating our environmental footprint and look for opportunities to improve.

We continue to:

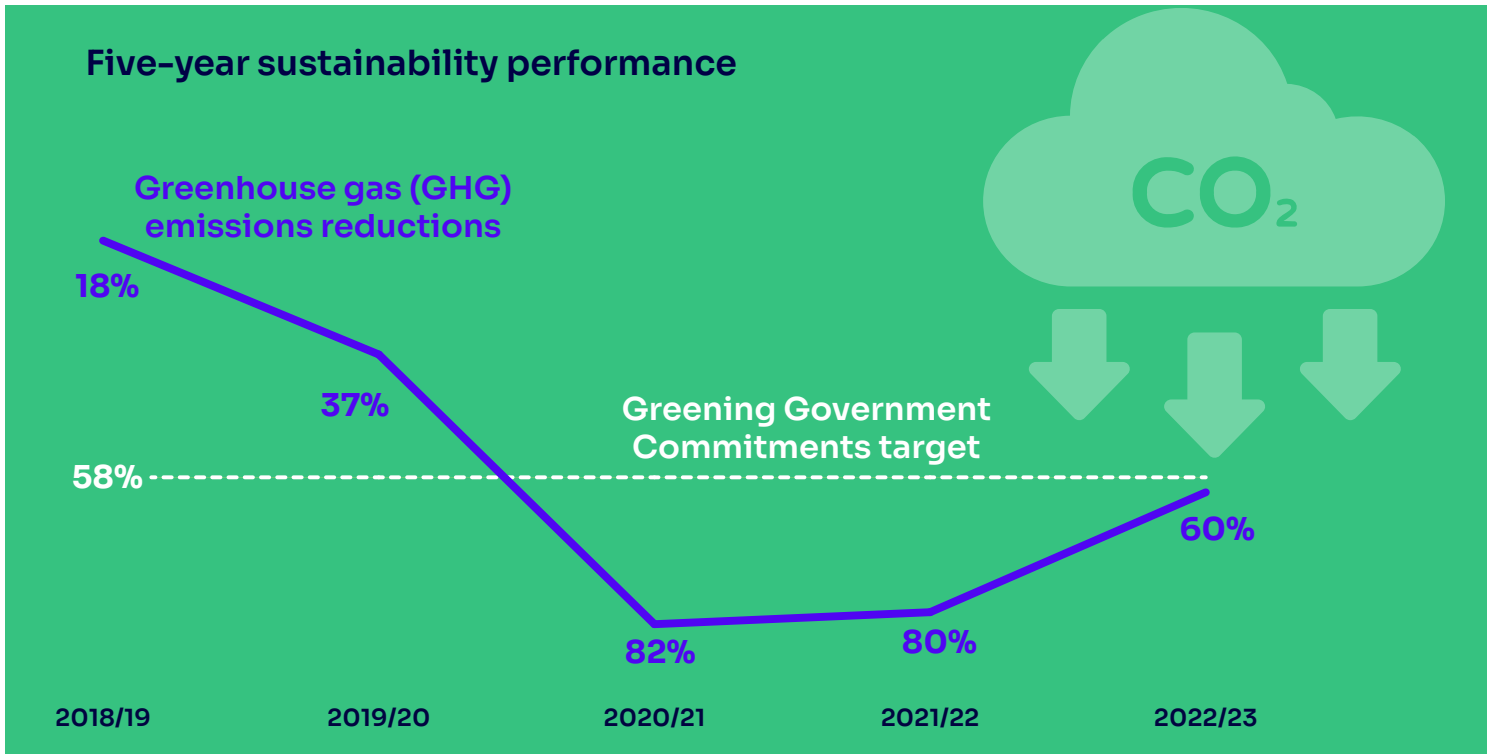
- follow the agreed Environmental Policy<sup>4</sup>, demonstrating our commitment to improving Ofcom's environmental performance;
- follow Plan-Do-Check-Act cycle, which is at the heart of all ISO management system standards, to improve all our systems, procedures and processes;
- identify the environmental aspects<sup>5</sup> of our activities which we can control and influence and their potential impacts on the environment;
- determine how all relevant legislation and requirements relate to these aspects. By working within this framework, we assessed the things that worked well, while refining the ones that we need to improve on;
- establish measurable objectives and targets consistent with the objectives of our new policy;
- we determined clear planning actions to meet our objectives<sup>6</sup> and ensure that we are compliant with all our obligations; and,
- empower colleagues to contribute to Ofcom's progress on the carbon impact and hold the organisation to account via the Green Champions programme.



4. <https://www.ofcom.org.uk/about-ofcom/policies-and-guidelines/environmental-policy>

5. Aspects are defined in the standard as the organisation's activities interacting with the environment.

6. Some of these planning actions include, for example: undertaking a waste audit across all our estate to better understand the waste we generate and measure it more accurately; establish a waste reduction strategy (including eliminating single use plastic from our operations); undertaking a biodiversity audit of our site in Baldock followed by a biodiversity improvement plan.



### Five-year sustainability performance overview

		2018/19	2019/20	2020/21	2021/22	2022/23
Oil, gas & fuel	tCO <sub>2</sub> e	327	185	108	115	140
	Expenditure	£117,133	£96,121	£54,969	£61,817	£105,672
Electricity	tCO <sub>2</sub> e	528	308	189	172	220
	Expenditure	£287,074	£158,351	£127,929	£146,021	£908,816 <sup>7</sup>
Business travel	tCO <sub>2</sub> e	555	594	7	57	330
	Expenditure	£742,876	£837,982	£5,458	£139,275	£660,125
<b>Total greenhouse gas emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>1,410</b>	<b>1,087</b>	<b>304</b>	<b>344</b>	<b>690</b>
	<b>Expenditure</b>	<b>£1,147,082</b>	<b>£1,092,454</b>	<b>£188,356</b>	<b>£347,112</b>	<b>£1,674,613</b>

Melanie Dawes

**Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

03 July 2023

7. Energy prices have significantly risen during 2022/23. Additionally, in one of our sites (Riverside house) from 2022/23, the apportionment of charges for energy use has been updated. This does not impact reported energy use.



SECTION B

# ACCOUNTABILITY

# Governance statement

## Governance overview by Lord Grade of Yarmouth, Chair

I am pleased to present our corporate governance report for 2022/23, having completed just over one year as Chair of Ofcom. This report details how Ofcom approaches governance, including the operation of the Board and the Board Committees.

The Board has adopted a new, medium-term strategic planning approach through the approval of Ofcom's first Three-Year Plan. The Three-Year Plan underpins Ofcom's approach to operational matters, including budgeting, and informs policy priorities and the creation of each annual Plan of Work.

The Board continues to focus on ensuring that Ofcom's structure and resources support the introduction of new responsibilities in online safety. The People Committee of the Board approved the creation of the new Online Safety Group to be headed by the first Online Safety Group Director.

The Board has retained its focus on supporting effective competition while ensuring fairness for consumers. We have reviewed the competitive framework in the telecoms market and looked at the cost-of-living for consumers. We plan our agendas through the year to ensure we give sufficient attention to all the sectors in our remit, as well as our operational and corporate responsibilities.

The Board continued its tradition of visiting Northern Ireland, Scotland or Wales each year for a stakeholder event and Board meeting. This year the Board visited Edinburgh and took the opportunity to visit the School of Informatics and the Bayes Centre at the University of Edinburgh, as well as meeting with industry stakeholders from across Scotland at an informal reception.

The Board held workshops on a variety of subjects during the year to further understand the new and evolving nature of the industries we regulate. Topics covered included online safety, media literacy, media plurality and age verification. Our annual Board strategy day also gave us the opportunity to look in more depth at industry trends and to hear from service users and external industry experts.

Board members attended seven informal lunches with colleagues from across Ofcom during this year. We welcome the opportunity this gives us to strengthen our understanding of Ofcom's culture and the experiences of our teams as they deliver our programme of work.

Governance continues to be a high priority in Ofcom and a review of Governance arrangements was undertaken during the year. The review built on strong foundations but with a look to the future. Changes were introduced to reflect the introduction of the new Online Safety Group and to facilitate a more agile and responsive organisation, and to align governance processes more closely with the UK Corporate Governance Code.

Each year, our People Committee reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of our Board, so that it can make recommendations to improve Board effectiveness.

I am pleased to welcome Will Harding who was appointed by DCMS as a Member of the Ofcom Board in October 2022. Will has extensive experience across a range of global media organisations and platforms, and has been a pioneer in the media sector for many years.

Several Board Members took on new responsibilities, and I would especially like to thank Karen Baxter and Will Harding, who both joined the Risk and Audit Committee and Maggie Carver, who took on the role of the Chair of the Content Board. I would also like to place on record my thanks to Maggie Carver for steering the Board through the challenges resulting from the pandemic and early preparations for Online Safety as Interim Chair from 1 January 2021 to 30 April 2022.

In February 2023, we said farewell to Graham Mather. Our sincere thanks are due to Graham for his significant and valuable contribution to Ofcom.

I am extremely grateful to Dame Melanie Dawes, the Board, Senior Management and all staff for their support as I have settled into my role as Chair.

**Lord Grade, Chair**

**This Governance Report summarises Ofcom’s governance arrangements, including the composition of our Board, how our governance framework operates in practice (including our governance structure and Board roles and responsibilities) and our main areas of focus in 2022/23.**

## Our Governance

As a statutory corporation, Ofcom’s principal governance compliance requirements are governed by the relevant legislation (namely, the Office of Communications Act (2002), the Communications Act (2003), the Postal Services Act (2011), the Digital Economy Act (2010), the Digital Economy Act (2017) and any other relevant supplementary legislation or Orders thereto) which determines matters such as the purposes of the organisation and the appointment of our Members.

Ofcom’s Board Members are also subject to the Code of Conduct for Board Members of Public Bodies. Our overall corporate governance approach is informed, but not bound by the 2018 UK Corporate Governance Code (“the UK Code”) and its related guidance, subject to where certain principles are considered to be disproportionate or less relevant in Ofcom’s case and/or there are other requirements placed on Ofcom by statute.

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

Examples of how our approach has been informed by certain principles of the UK Code include:

### Board Leadership & Purpose

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

### Division of Responsibilities

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

### Composition, Succession & Evaluation

Appointments to our Board follow a rigorous and transparent procedure, with our Chair and Non-Executive Members appointed by the

Secretary of State for Digital, Culture, Media and Sport (DCMS)<sup>8</sup>. As new Members are appointed to the Board, we will be actively working with the Department for Science, Innovation and Technology (DSIT) and the devolved Governments to increase our Board’s diversity. Our People Committee seeks to ensure that we have effective succession plans in place and that we properly identify and manage our talent pipeline.

### Audit, Risk & Internal Control

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

### Remuneration

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

8. The newly created Department for Science, Innovation and Technology became Ofcom’s sponsor department in March 2023.



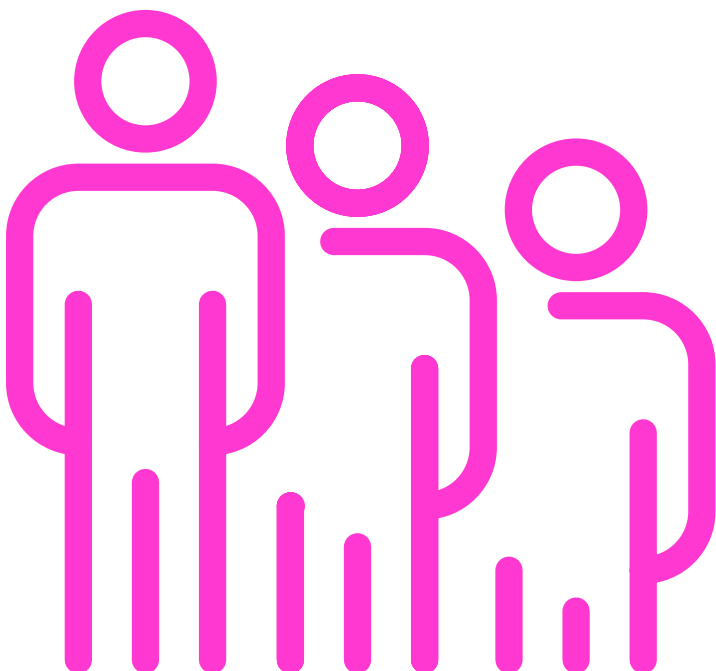
## Our Board: Activities & Purpose

The Board is responsible for setting the strategic direction and risk appetite of the organisation and is the ultimate decision-making body for matters of Ofcom-wide strategic, regulatory or reputational significance. Effective governance facilitates the delivery of Ofcom's purpose and strategy particularly in challenging times. The Board is committed, through its governance framework, to appropriate decision making at the correct level within Ofcom ensuring there is accountability, long term value and fulfilling our purpose of furthering the interests of consumers and citizens. The Board has adopted and implemented a bespoke Corporate Governance Framework which contains a statement of governance principles that guide the activities of the Board. This covers key responsibilities of the Board and matters reserved for the Board's decision and includes the following:

- approval of Ofcom's Plan of Work, long-term objectives and overall strategic policy framework;
- approval of Ofcom's annual budget, overall financial policy and Financial Authorities Framework;
- approval of Ofcom's annual report and accounts;
- risk management, internal controls and compliance; and
- undertaking a formal regular review of the Board's own performance and that of Board Committees and individual Members.

## Board Appointments

The Chair and the majority of the Non-Executive Members of the Board are appointed by the Secretary of State for DCMS, for periods of four years. The Scotland Member, the Wales Member and the Northern Ireland Member have been appointed by Scottish Ministers, the Welsh Government and the Department for the Economy respectively, following consultation with the Secretary of State. Executive Members of the Board are appointed by the Chair and the Non-Executive Members of the Ofcom Board, with the Chief Executive's appointment requiring approval by the Secretary of State for DCMS. We recognise that the current balance of the Board is not representative of the UK population. We are working with DSIT and the devolved Governments to align future recruitment with our strategic commitment to be a diverse and inclusive organisation. Having a Board that is representative of the different perspectives within our society will allow us to make the best decisions for all UK citizens and consumers. Efforts are ongoing to further complement the current range of skills on the Board to take account of our new regulatory duties.



# Board roles

## The Chair

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

- leading the Board in formulating Ofcom’s strategy for discharging our statutory duties;
- encouraging high standards of propriety;
- providing an assessment of the performance of individual Board Members;
- ensuring Ofcom meets regularly throughout the year and that minutes of meetings accurately record decisions taken; and
- representing the views of Ofcom externally.

## Non-Executive Board Members

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

## The Chief Executive

The Board has delegated responsibility for the day-to-day running of Ofcom to the Chief Executive and the Executive, namely the Senior Management Team (“SMT”) which consists of Ofcom’s Chief Executive, Group Directors, People & Transformation Director, Communications Director and Public Policy Director. The SMT, through the Policy Management Board (PMB), ensures that the strategy, policies and behaviours set at Board level are effectively communicated and implemented across Ofcom.

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

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

## Board members



### Lord Grade of Yarmouth, CBE Chair and Non-Executive Board Member, and People Committee Member

Appointed to the Ofcom Board as Chair on 1 May 2022

Michael Grade has had a long career in broadcasting, encompassing London Weekend Television, the BBC, ITV and Channel 4. He has chaired the BBC, ITV and Pinewood/Shepperton Film Studios. He is co-founder of the GradeLinnit company, which produces for the theatre. He is Chairman of the Arora Group's Heathrow Expansion Advisory Board and has also been Chairman of Ocado, First Leisure Corporation, Camelot, the Charity Fundraising Regulator and Bradford's Media Museum, as well as being a member of the former Press Complaints Commission and a trustee of the Science Museum. Michael Grade sits in the House of Lords as a non-affiliated Peer.

**Tenure** 1 year

**Membership**

P



### Karen Baxter Non-Executive Board Member (Board Member for Northern Ireland), and Risk and Audit Committee Member

Appointed to the Ofcom Board on 28 March 2022

Karen has a distinguished 30-year policing career, retiring as Commander from the City of London Police in 2020. She commenced her service as an officer in Northern Ireland, where she gained a strong understanding of the unique needs of communities in Northern Ireland. Karen's more recent roles have included Commander and National Coordinator for Economic Crime, Police Executive Lead, Managing Director for Intelligence Strategy at UK Finance. In September 2022 Karen joined the Financial Conduct Authority (FCA) as Director of Strategy, Policy, International and Intelligence in the Enforcement Team. In this role, Karen leads the specialised functions that support the breadth of the FCA's enforcement and market oversight activities.

**Tenure** 1 year

**Membership**

R

**P** People Committee

**C** Content Board

**E** Election Committee

**R** Risk and Audit Committee



### Maggie Carver, CBE

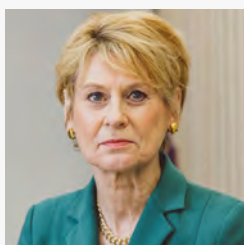
**Deputy Chair, Chair of the Content Board, Interim Chair of the Election Committee, and People Committee Member**

Appointed to the Ofcom Board as Deputy Chair on 30 September 2018. Interim Chair from 1 January 2021 to 30 April 2022

Maggie has extensive experience as a non-executive director on the boards of 19 companies, public, private and not-for-profit. These include chairing news and programme provider ITN, multiplex operator SDN, the British Board of Film Classification and the RCA, as well as being a director on the boards of Channel 5 Television, RDF Media plc, Satellite Information Services, armed forces broadcaster BFBS, British Waterways and the British Horseracing Authority. Maggie's executive career was in investment banking, television production, broadcasting and retail.

**Tenure** 4 years

#### Membership



### Dr Angela Dean

**Non-Executive Board Member and Chair of the Risk and Audit Committee, and People Committee Member**

Appointed to the Ofcom Board on 30 September 2018

Angela is currently a trustee of York Museums Trust and Chair of its Capital Projects Board. She is a Senior Independent Panel Member for Public Appointments. She has been non-executive director of several not-for-profit organisations including Chair of International House Trust, Vice Chair of the Council of King's College London, trustee of the National Lottery Heritage Fund and a member of the Museums, Archives and Libraries Council. Angela's executive career was in international finance, mainly as a Managing Director of Morgan Stanley where she headed its global technology research team. She was a member of the Working Group of the United Nations Global Compact for corporate social responsibility issues in investment.

**Tenure** 4 years

#### Membership



### Bob Downes

**Non-Executive Board Member (Board Member for Scotland), Content Board Member, and People Committee Member**

Appointed to the Ofcom Board on 1 February 2018; Re-appointed on 1 February 2022

Bob is the current Chairman of the Scottish Environment Protection Agency. He also chairs the Commission for Communications Regulation's Independent Oversight Body, which will oversee the implementation and operation of an enhanced Regulatory Governance Model in Ireland by Eir. Bob is an advisor to a number of small technology businesses, including Kube Networks. Formerly, he was a senior executive with BT Group.

**Tenure** 5 years

#### Membership



**P** People Committee

**C** Content Board

**E** Election Committee

**R** Risk and Audit Committee



### Will Harding

**Non-Executive Board Member, and Risk and Audit Committee Member**

Appointed to the Ofcom Board on 3 October 2022

Will has almost 30 years' experience in the media industry. He spent five years at BBC Worldwide, then helped to launch ask.com in the UK before becoming Commercial and Operations Director of Sky's new media business. He joined GCap Media plc in 2006 as Group Strategy Director and later became Chief Strategy Officer and Board Member at Global Media & Entertainment Ltd, where he established the Global Academy, a state school for young people from all backgrounds wanting to start a career in the creative industries. Will stood down from the Global board in December 2020. He is a Non-Executive Director of Primedia, the leading Africa-focused media and advertising group, and a Trustee of the Baker Dearing Educational Trust.

**Tenure** <1 year

**Membership**

R



### David Jones

**Non-Executive Board Member (Board Member for Wales), Risk and Audit Committee Member, and People Committee Member**

Appointed to the Ofcom Board on 8 April 2019

David is a technology and cyber security expert with vast experience in the fields of regulation and public sector governance. He spent a decade as Chief Technology Officer for a European airline and large leisure group then founded and grew a successful travel software business, which he later sold. David then spent a decade as an angel investor, consultant and mentor to several tech businesses. He regularly lectures on cyber security for institutions and was the joint founder of the cyber security software business Enclave. He is a Non-Executive Director for Ofwat. Aside from cyber security, his areas of specialism are the strategic impact of technology across the wider economy, including the public and private sectors.

**Tenure** 4 years

**Membership**

P

R



### Ben Verwaayen

**Non-Executive Board Member, and Chair of the People Committee**

Appointed to the Ofcom Board on 1 January 2016, Re-appointed on 1 January 2020

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

**Tenure** 7 years

**Membership**

P

**P** People Committee

**C** Content Board

**E** Election Committee

**R** Risk and Audit Committee

## Executive board members



**Tenure** 3 years

### **Dame Melanie Dawes**

#### **Executive Board Member and Chief Executive**

Appointed to the Ofcom Board on March 2020

Prior to joining Ofcom, Melanie was the Permanent Secretary at the Ministry of Housing, Communities and Local Government. She has held a range of senior roles across the Civil Service, working in partnership across public and private sectors. She started her career as an economist and spent 15 years at the Treasury, including as Europe Director between 2002 and 2006. She was Director General of the Economic and Domestic Affairs Secretariat at the Cabinet Office between 2011 and 2015. Before that she served on the Board of HMRC and as a Commissioner. Melanie has held various non-executive roles including with the consumer body Which? and is a trustee of the Patchwork Foundation, which helps under-represented young people engage in democracy.



**Tenure** 3 years

### **Kevin Bakhurst**

#### **Executive Board Member, and Group Director for Broadcasting and Media**

Appointed to the Ofcom Board in April 2020

Kevin joined Ofcom in October 2016 and is Group Director for Broadcasting and Media, overseeing our broadcast and media regulation and policy. From 2018-23, Kevin led the strategic planning and recruitment of Ofcom's Online Safety team. Prior to joining Ofcom, Kevin was Managing Director, News and Current Affairs, Deputy Director General, and then Acting Director General with Ireland's national broadcaster, RTÉ. After graduating from Cambridge University, Kevin worked at Price Waterhouse before joining the BBC as a researcher in 1989. He went on to edit the Ten O'Clock News, becoming Deputy Head of the BBC Newsroom and Controller of the BBC News channel and BBC News at One. Outside work, Kevin was a Magistrate from 2000 until 2006. Kevin resigned from the Ofcom Board on 19 April 2023.



**Tenure** 3 years

### **Lindsey Fussell**

#### **Executive Board Member, and Group Director for Networks and Communications**

Appointed to the Ofcom Board in December 2020

Lindsey Fussell joined Ofcom in 2016 and is Group Director for Networks and Communications, leading Ofcom's work in the telecoms, post and network sectors. Before joining Ofcom, Lindsey held a range of senior leadership roles in the Civil Service. She was Public Services Director at HM Treasury, where she led on devolution, education and culture, defence and criminal justice, and was responsible for delivering important aspects of the 2013 and 2015 Spending Reviews. Lindsey is also a lay member of York University's governing Council.

## Members who left during the year



### Graham Mather, CBE

**Non-Executive Board Member, and People Committee Member**

Appointed to the Ofcom Board on 1 June 2014; Re-appointed on 1 June 2018.  
Term ended on 28 February 2023.

Graham was a member of Ofcom's Consumer Panel from 2004 to 2008. He served as a member of the Monopolies and Mergers Commission and, between 2000 and 2012, was a member of the Competition Appeal Tribunal, the body that deals with appeals from UK regulators. Graham is currently the President of the European Policy Forum, Infrastructure Forum and Regulation Forum. He was appointed CBE for services to economic regulation, competition and infrastructure development and served as a member of the Board of the Office of Rail and Road from 2016 to 2021.

**Tenure** 8 years

**Membership**

P

**P** People Committee

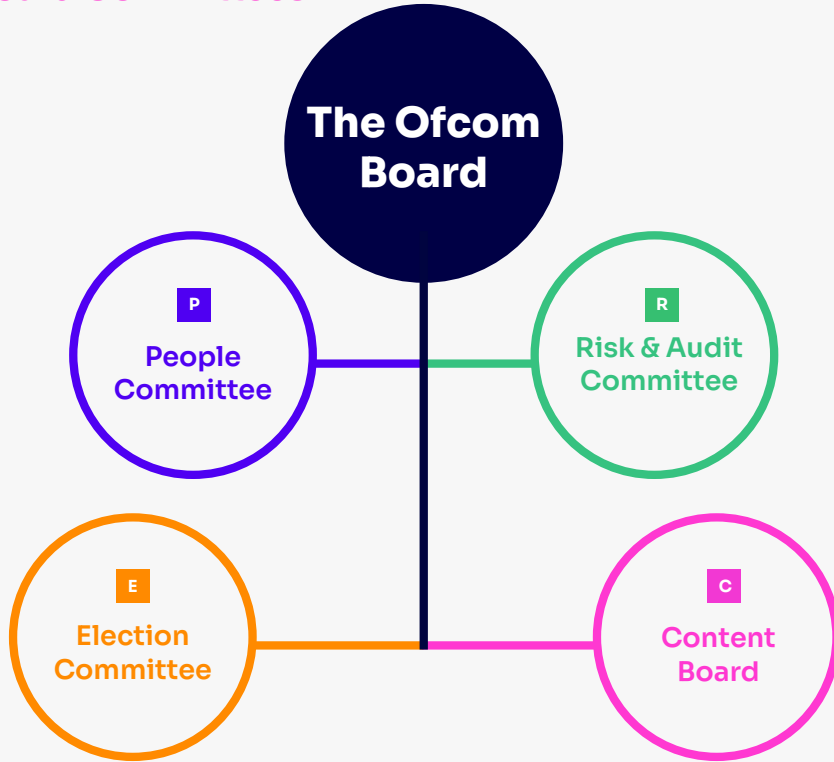
**C** Content Board

**E** Election Committee

**R** Risk and Audit Committee

# Governance at a glance

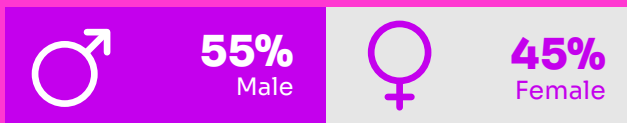
## Board Committees



The Policy and Management Board (PMB) has been set up to act as the executive committee for the management of the organisation and the performance of its regulatory functions. It is chaired by the CEO.

## Diversity of the Ofcom board

### Gender



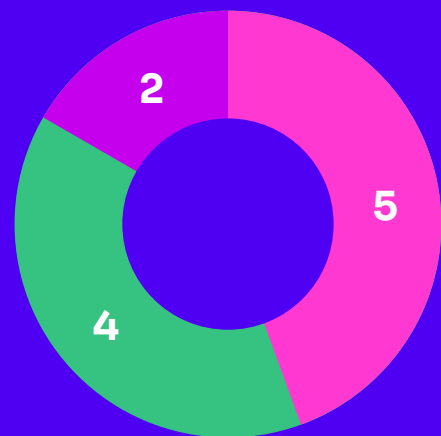
### Ethnicity



### Disability



## Tenure in role



■ Under 3 years    
 ■ 3-5 years    
 ■ 5+ years



## Attendance at the Board during the 2022/23 Financial Year

	<b>Ofcom Board</b>
<b>Number of meetings</b>	<b>10</b>
Michael Grade CBE	9 (out of 9)
Maggie Carver CBE	10
Karen Baxter	10
Dr Angela Dean	10
Bob Downes	10
Will Harding	5 (out of 5)
Graham Mather CBE	9 (out of 9)
Ben Verwaayen	9
David Jones	10
Dame Melanie Dawes DCB	10
Kevin Bakhurst	10
Lindsey Fussell	10

Michael Grade joined the Board on 1 May 2022. Will Harding joined on 3 October 2022. Graham Mather's term ended on 28 February 2023.

### Management Information

The Board and Board Committees are provided with regular management information to enable them to review Ofcom's performance and capability. This includes regular performance and finance reports, review of delivery against Ofcom's Budget and Plan, review on the delivery of Ofcom's Strategy and Plan of Work, the strategic risk register, status on the Board/ Board Committee effectiveness review outcomes and other corporate data.

The Board had ten scheduled meetings during the year. The scheduled meetings were held each month, except for August and January. The Board also undertakes a Strategy Session in October of each year, where medium to long-term strategy is examined and discussions take place on strategic and material issues. The Board papers relevant to the agenda of each Board and Board Committee meeting are distributed to Board and Committee Members, as appropriate, approximately one week in advance of the meeting via a secure digital portal.


### Board Administration

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

## Our board activities

The core activities of the Board and the Board Committees are recorded and planned through our work programme and forward agendas. The Board's annual agenda follows the strategic priority areas agreed in our annual Plan of Work plus the additional areas required to meet Board's main responsibilities.

The following chart shows how the Board allocated its agenda during the reporting period.

	Corporate governance	<b>14.6%</b>
	Regulatory, finance, risk and legal	<b>13.1%</b>
	Getting everyone connected	<b>12.6%</b>
	Supporting and Developing UK Media	<b>14.6%</b>
	Establishing Regulation of Online Safety	<b>14.6%</b>
	Fairness for customers	<b>6%</b>
	Investment in strong, secure networks	<b>6.5%</b>
	Serving and Protecting Audiences	<b>3%</b>
	Enabling Wireless Services in the Broader Economy	<b>4.5%</b>
	Strengthening Ofcom for the future	<b>10.5%</b>

Examples of some of the agenda items and activities undertaken by the Board in each of these areas during the reporting period are outlined below:

## Examples of some of the activities undertaken by the board

### Corporate Governance

▪ Reviewed and updated our Corporate Governance Framework, including the Code of Conduct for Board Members	March
▪ Approved Ofcom's three-year business plan	June, December
▪ Reviewed delivery against the Plan of Work; and	November
▪ Approved 2023/34 Plan of Work	March
▪ Evaluated the effectiveness of the Board, Committees, our Board Members and the Chair; and	March
▪ Reviewed progress against actions of previous evaluation	July
▪ Approved the process for and initial response to the Public Bodies Review	September, February
▪ Approved/recommended non-executive appointments to the Ofcom Board, Ofcom's Panels and Committees and the Content Board	April, June, September, November, February

### Regulatory, Finance, Risk & Legal

▪ Reviewed Ofcom's Strategic Risks	June, December, March
▪ Reviewed and approved Ofcom's : - Risk Appetite Statements - Business Continuity Management; and - Organisational Resilience Policy and Risk Management Policy, including assurance on the system of internal controls	March September December
▪ Approved Ofcom's: - Budget 2023/24; - Annual Report and financial statements; and - Financial Authorities Framework	March June December
▪ Reviewed Ofcom's annual health and safety report	October
▪ Reviewed Ofcom's litigation position	April
▪ Reviewed the scope and impact of regulation on industry sectors	February

### Getting Everyone Connected

▪ Published annual Online Nation report on use of the internet and the service of providers	May
▪ Reviewed Ofcom's: - Strategic approach to regulating postal services over the next five years; and - Developments in the postal market	June December, February
▪ Approved Ofcom's strategic approach to ensure effective competition in digital communications markets including Cloud and net neutrality	June
▪ Reviewed Ofcom's international strategy and priorities for international engagement	July
▪ Reviewed Ofcom's approach to promoting online media literacy	September

### Supporting and Developing UK Media

▪ Reviewed: - The future of BBC regulation; - The BBC programme of work and annual report; and - The BBC Operating Licence	April October March
▪ Reviewed market performance of main broadcasting and telecoms stakeholders	May
▪ Monitoring progress of Broadcasting White Paper and Media Bill	May
▪ Reviewed preparations for introductions of regulations on HFSS advertising	May
▪ Reviewed platforms' response to live streaming of mass shooting in Buffalo	July
▪ Reviewed rules on TV advertising	March

## Examples of some of the activities undertaken by the board

### Establishing regulation of online safety

<ul style="list-style-type: none"> <li>▪ Approved:           <ul style="list-style-type: none"> <li>– ‘Roadmap to Regulation’ and Ofcom’s strategy for initial years of the Online Safety regime; and</li> <li>– Approach to evaluation</li> </ul> </li> </ul>	<p>June</p> <p>December</p>
<ul style="list-style-type: none"> <li>▪ Reviewed organisational and operational preparedness for the Online Safety regime</li> </ul>	October, February
<ul style="list-style-type: none"> <li>▪ Reviewed progress following the first year of the Video-Sharing Platform regime and revised strategic priorities for Year 2</li> </ul>	September
<ul style="list-style-type: none"> <li>▪ Reviewed the approach to the Phase 1 online safety consultation, including planned governance processes and timelines for publication</li> </ul>	November
<ul style="list-style-type: none"> <li>▪ Monitored progress with the Online Safety Bill, including the timetable, proposed amendments and any associated risks</li> </ul>	December

### Fairness for customers

<ul style="list-style-type: none"> <li>▪ Reviewed Ofcom’s approach to consumer protection</li> </ul>	April
<ul style="list-style-type: none"> <li>▪ Reviewed actions of the Enforcement Team</li> </ul>	May, December
<ul style="list-style-type: none"> <li>▪ Reviewed the impact of cost-of-living increases on Ofcom’s regulated sectors and consumers</li> </ul>	September
<ul style="list-style-type: none"> <li>▪ Received updates on the work of the Communications Consumer Panel/ACOD</li> </ul>	September
<ul style="list-style-type: none"> <li>▪ Reviewed activity of the Digital Regulation Cooperation Forum and proposals for the 2023/24 DRCF work programme</li> </ul>	March

### Investment in strong, secure networks

<ul style="list-style-type: none"> <li>▪ Reviewed broadcast incidents at the Bilsdale transmitter and in the Red Bee Media Centre</li> </ul>	April
<ul style="list-style-type: none"> <li>▪ Reviewed developments in fixed telecoms markets, including scenario planning</li> </ul>	May, December
<ul style="list-style-type: none"> <li>▪ Reviewed the Openreach Equinox 2 FTTP Pricing Offer and Ofcom’s strategy to promote investment in networks</li> </ul>	February

### Serving and protecting audiences

<ul style="list-style-type: none"> <li>▪ Received regular reports on activities of the Content Board; and</li> </ul>	April, July, February
<ul style="list-style-type: none"> <li>▪ Approved the Content Board work programme</li> </ul>	February

### Enabling wireless services in the broader economy

<ul style="list-style-type: none"> <li>▪ Reviewed conclusions to consultations on Ofcom’s approach to mobile markets and the future demand for mobile</li> </ul>	November
<ul style="list-style-type: none"> <li>▪ Reviewed preparations for the World Radio Conference</li> </ul>	November
<ul style="list-style-type: none"> <li>▪ Reviewed proposals for enabling use of millimetre wave bands for 5G</li> </ul>	December

### Strengthening Ofcom for the future

<ul style="list-style-type: none"> <li>▪ Reviewed Ofcom’s Communications Strategy</li> </ul>	July
<ul style="list-style-type: none"> <li>▪ Reviewed Ofcom’s workplace strategy; and</li> </ul>	July, October
<ul style="list-style-type: none"> <li>▪ Approved a new lease for premises in Edinburgh</li> </ul>	October
<ul style="list-style-type: none"> <li>▪ Reviewed progress with Ofcom’s Diversity and Inclusion Strategy</li> </ul>	July
<ul style="list-style-type: none"> <li>▪ Reviewed findings of the Ofcom Colleague Survey</li> </ul>	September
<ul style="list-style-type: none"> <li>▪ Approved One Ofcom programme priorities for 2023/24</li> </ul>	February

## Keeping the Board informed

Ofcom is firmly committed to the ongoing development of its Board Members and we recognise the need to continually evolve their knowledge to enable them to effectively fulfil their duties. All newly appointed Board Members are provided with a comprehensive and bespoke induction programme upon joining Ofcom. The induction also includes Members' duties and Board procedures, internal control processes, strategy and planning, measures used to monitor performance, the Risk Management Policy and the Internal and External Audit.

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

## Board Performance and Effectiveness Review

Each year, the Board conducts an effectiveness review to evaluate the performance of the Board and Board Committees. As an externally facilitated review was undertaken in the 2021/22 year and there were significant changes to Board membership, including the appointment of Michael Grade as Chair, the 2022/23 review was internally facilitated.

The Board considered the outcomes of the review and its recommendations at its March 2023 Board meeting and agreed key areas of priority and focus for the 2023/24 financial year. The review concluded that Ofcom's governance arrangements continue to work well.

Encouragement of open discussion, balanced contributions and constructive challenge, Board relationships, and quality of support from the organisation were all highly rated. The review highlighted an improvement in a number of the areas of focus identified in the 2021/22 review, specifically in relation to Board dynamics, monitoring employee sentiment / culture and oversight of risk.

The Board noted that increasing its understanding of, and expertise in, online safety remains a key priority for the Board, notwithstanding the regular and helpful briefings from the executive in this area reflecting the challenge of the task and that there are no non-executive members currently with online safety expertise.

Further areas for focus identified through the review included:

- Board agendas and meeting support: agenda time to be focused on discussion of the most critical items, assisted by shorter and more concise papers and presentations.
- Board composition: as identified in 2021/22, the Board would benefit from greater diversity to strengthen its level of support and challenge. Since the Board does not appoint its members, it can seek to influence its composition but cannot control it, or the timing of appointments.
- Nation specific items: more time to be spent focusing on Nation specific items, reflecting the scope of Ofcom's remit.
- People Committee: the Committee continues to settle into its revised remit and there needs to be sufficient time for the Committee to provide input at the most appropriate time.

A series of actions responding to the focus areas have been agreed with the Chair and status updates will be reviewed periodically by the Board.

## Conflicts of Interest

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

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

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

## Board Committees and Statutory Boards

In the exercising of Ofcom's duties under the relevant legislation, the Board delegates certain responsibilities to the Executive within Ofcom and certain responsibilities to Board Committees, in accordance with clearly defined authorities and terms of reference.

Ofcom also has a number of other bodies with a governance or advisory role to the Board. The activities and main functions of these committees and bodies are described on pages 87-89.

## Risk and Audit Committee

The membership of the Risk and Audit Committee changed during the year. During the third quarter of the year Karen Baxter and Will Harding joined the Committee and Maggie Carver stood down. The membership is comprised of the following Non-Executive Members of the Board: Angela Dean (Chair), Karen Baxter, David Jones and Will Harding. The Chair of the Ofcom Board, the Chief Executive, the Chief Operating Officer, the Finance Director, the Financial Controller, the Head of Risk Management & Insurance and the Head of Governance are invited to attend Committee meetings, as are the Internal and External Auditors.

The role and responsibilities of the Risk and Audit Committee, together with the Committee's activities during the reporting period, are set out in the Report of the Chair of the Risk and Audit Committee on pages 94-98.



## The People Committee

The People Committee is made up of Non-Executive Members of the Ofcom Board. The principal purpose of the People Committee is to provide an early, long-term and strategic perspective on Ofcom's People and Workforce related areas and to periodically evaluate (in consultation with the Chief Executive) and challenge (where considered appropriate), the progress of Ofcom's People and Transformation Strategy. The Committee seeks assurance from Ofcom Management that there are effective measures and plans in place for talent management, talent development and succession planning, performance management, culture and values and colleague engagement and other people-related areas to support Ofcom's performance, skills and expertise.

The People Committee also sets the over-arching principles and parameters of performance and the remuneration policy across Ofcom and considers and approves individual terms and conditions of service, including the remuneration arrangements of the Chief Executive, the Senior Management Team and other "key" colleagues. The Committee also oversees the process on appointments of Executive Board Members and other Group Directors of the Senior Management Team and approves the succession plans for the Ofcom Board, the Senior Management Team and critical colleagues. The People Committee met four times during 2022/23.

## The Election Committee

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

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

The Committee consists of up to five members. The Chair of the Election Committee is appointed by the Ofcom Board. The current Interim Chair is Maggie Carver, Deputy Chair of the Ofcom Board and Chair of the Content Board. The remaining members are selected from the Content Board and/or Ofcom colleagues, as decided by the Chair of the Committee, with a quorum of three members (two of which need to be Content Board Members).

## The Content Board

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

During 2022/23 the Content Board continued its work to understand, analyse and champion the voices and interests of the viewer, the listener and citizen. It examined issues where the citizen interest extended beyond the consumer interest, including a focus on the public interest. Members considered and provided input to Ofcom's policy development at its formal meetings, sometimes in subgroups or individually. In addition, Members continued to assist Ofcom to set and enforce quality and standards for television and radio. The Content Board also performed an advisory role in relation to online safety.

The Board is made up of the following Non-Executive Members: Maggie Carver (Chair), Dekan Apajee, Jonathan Baker, Rachel Coldicutt, Maggie Cunningham, Bob Downes, Peter Horrocks, Tobin Ireland, Maria McCann, Ruth McElroy, Stephen Nuttall, Monisha Shah and Kim Shillinglaw and Executive Members: Kevin Bakhurst and Ali Marsden.

The Board met five times in 2022/23

## The Advisory Committees for the Nations

Section 20 of the Communications Act 2003 requires Ofcom to establish Advisory Committees for each of the UK nations. The function of each Committee is to provide advice to Ofcom about the interests and opinions, in relation to communications and postal matters, of people living in parts of the UK for which the Committee has been established. In addition to the appointed Members of the Advisory Committees, the Ofcom Board Member, the Content Board Member and the Communications Consumer Panel (CCP) Member for the respective nations attend the Advisory Committee meetings as observers.

The role of the National Advisory Committees, together with those of the Nations' Members of the Content Board and the Communications Consumer Panel is immensely valuable in helping Ofcom take into account specific issues in the devolved nations of the UK in our policy formulation and implementation.

The Advisory Committees each met four times in 2022/23. Information on the areas of focus for each of the Advisory Committees during the year can be found on the Ofcom website at <https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/committees>.

At the end of the reporting period the Advisory Committee Members and observers were:

### Advisory Committee for England

Members: Paula Carter (Chair), Aaqil Ahmed, Caroline Gardner, Matthew Littleford, Alan Nunn and Mark Smith.

Observers: Angela Dean (Ofcom Board), Monisha Shah (Content Board) and Richard Spencer (CCP).

### Advisory Committee for Northern Ireland (recruitment is currently underway for an additional Member)

Members: Carrie Matchett (Chair), John Ellison, Alan Meban, Aodhan O'Donnell, Colm Murphy, and Michael Wilson.

Observers: Karen Baxter (Ofcom Board), Maria McCann (Content Board) and Rick Hill (CCP).

### Advisory Committee for Scotland

Members: Elizabeth Partyka (Chair), Gerry Crawley, Ashe Hussein, Jessica McBeath, Stephen Speirs and Polly Tolley.

Observers: Bob Downes (Ofcom Board), Maggie Cunningham (Content Board) and Amanda Britain (CCP).

### Advisory Committee for Wales

Members: Hywel Wiliam (Chair), Robert Andrews, Tom Crick, Aled Eirug and Angharad Evans.

Observers: David Jones (Ofcom Board), Ruth McElroy (Content Board) and Dr Sian Phipps (CCP).



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

Section 16 of the Communications Act 2003 requires Ofcom to establish a Consumer Panel. The Communications Consumer Panel (CCP) represents the interest of consumers, citizens and microbusinesses in communications. It provides advice that is robust and independent but, at the same time, pragmatic and constructive. Ofcom shares information and ideas with the CCP at the early stages of policy development, allowing us to provide advice to ensure that the consumer voice is taken into account from the outset.

The Advisory Committee on Older and Disabled People (ACOD) advises Ofcom about communications sector issues relating to older and disabled people.

To take advantage of the synergy between the CCP and ACOD, and to avoid potential duplication, cross membership of the two bodies was established in 2012. The remits of the bodies, however, remain unchanged.

Independent of Ofcom, the CCP consists of up to twelve experts, including representatives from Scotland, Wales, Northern Ireland and England, with experience in many different fields. Further information can be found at [www.communicationsconsumerpanel.org.uk](http://www.communicationsconsumerpanel.org.uk). The current Members of the Communications Consumer Panel and ACOD are Rick Hill (Chair and Member for Northern Ireland), Kay Allen, Amanda Britain (Member for Scotland), Helen Froud, Clifford Harkness, Dr Sian Phipps (Member for Wales), Richard Spencer (Member for England), Michael Wardlow and Rick Williams. We are in the process of appointing additional Members to the Panel and ACOD.

The Communications Consumer Panel and ACOD met formally eleven times in 2022/23. The Panel and ACOD continued their work to strengthen the voices of consumers, citizens and microbusinesses in communications. Focusing on their strategic priorities of universal availability of communications services as a right for all; excellent standards of service and of customer service; and listening to the consumer voice, the Panel has delivered a wide-ranging programme of expert policy advice, research inputs and extensive stakeholder engagement across the UK.

Key interventions have included wide ranging engagement with Ofcom and consumer bodies on the affordability of communications services, working closely with Ofcom, DCMS and industry on the VOIP switchover programme; advising Ofcom and industry on the implications for consumers of 3G switch-off; and engagement with Royal Mail to ensure its stamp swap scheme was inclusive and met consumers' needs.

## The Ofcom Spectrum Advisory Board

The Ofcom Spectrum Advisory Board (OSAB) was established in 2004 to provide independent advice to Ofcom on strategic spectrum management issues.

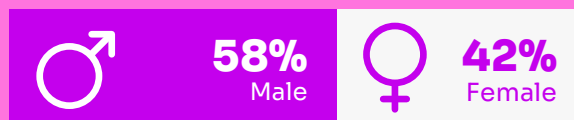
Further information can be found on the Ofcom website at: <https://www.ofcom.org.uk/about-ofcom/how-ofcom-is-run/committees/ofcom-spectrum-advisory-board>

The Members of OSAB are Gavin Young (Chair), Greg Bensberg, Wassim Chourbaji, Professor Mischa Dohler, Peter Hadinger, Alastair Macpherson, David Meyer, Niall Murphy, Robert Pepper, Peter Pitsch, Ros Singleton, Holly Creek (DCMS) (ex-officio Member) and Cristina Data (ex officio Member).

OSAB met four times in 2022/23.

### Diversity of the Non-executive population

The diversity of our wider Non-executive population across the Content Board, National Advisory Committees and the Communications Consumer Panel/ACOD at the end of the reporting period was as follows:

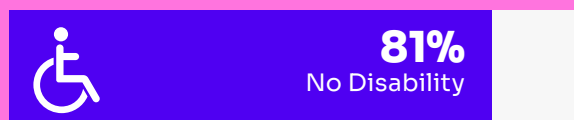


### Ethnicity



**12%** Minority Ethnic

### Disability



**19%** Disability Declared

## Policy and Management Board

The Policy and Management Board (PMB) has been set up to act as the executive committee for the management of the organisation and the performance of its regulatory functions.

The PMB is chaired by the CEO and made up of Group Directors, the People & Transformation Director and the Finance Director. The Corporation Secretary attends and other senior executives attend by invitation. The Policy and Management Board met ten times in 2022/23.

**At the end of the reporting period the membership of PMB was as follows:**

Name	Role
Dame Melanie Dawes DCB	Chief Executive
Luisa Affuso	Chief Economist, Group Director Economics
Kevin Bakhurst <sup>9</sup>	Group Director, Broadcasting and Media
Martin Ballantyne	General Counsel, Group Director Legal
Lindsey Fussell	Group Director, Networks and Communications
Aneen Blackmore	Finance Director
Kerri-Ann O’Neill	People and Transformation Director
Melissa Tatton CBE	Chief Operating Officer, Group Director Corporate
Sachin Jogia	Chief Technology Officer, Group Director Technology, Data and Innovation
Yih-Choung Teh	Group Director, Strategy and Research
David Willis	Group Director, Spectrum
<b>Former PMB Members</b>	
Helen Hearn (to September 2022)	Interim Group Director, Spectrum

Gill Whitehead started a period of induction from February 2023 and took up her role as Group Director, Online Safety on 1st April 2023, joining PMB and SMT.

## Our Senior Management Team

Our Senior Management Team fulfils a wider day-to-day leadership role across Ofcom and consists of all Group Directors, our Public Policy Director, our People & Transformation Director and our Communications Director.

### Diversity of Policy and Management Board

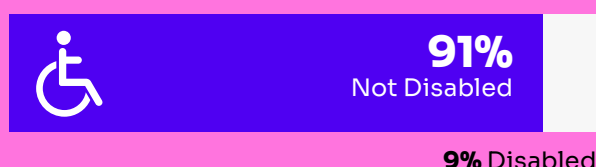
#### Gender



#### Ethnicity



#### Disability



9. Kevin Bakhurst resigned from Ofcom, and left PMB and the Ofcom Content Board on 19 April 2023

## Accountability

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

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

How Ofcom manages the public funds we receive, and our relationship with DCMS in this regard, is set out in the Framework Document.

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

## Transparency

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

During 2022/23, Ofcom responded to 395 requests (431 requests in 2021/22) for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Where we held relevant information, we provided all, or part of the information requested in 84% of cases. Information is only withheld if it is exempt from disclosure under legislation.

During 2022/23, Ofcom also received 62 Subject Access Requests under the Data Protection Act 2018 (31 requests in 2021/22). Where we held relevant information, we provided this.

## Engagement

Ofcom aims to take into account the views of a wide range of interested parties when making policy decisions. In addition to engaging with the CCP/ACOD, the Content Board and the National Advisory Committees, we also engage with other national regulatory authorities (including via participation in the UK Regulators' Network), European Institutions and global bodies. This also ensures that decisions taken in international fora are practical, proportionate and reflect the interests of citizens and consumers in the UK.

Consultation also plays an important role in Ofcom's decision making. It allows those who could be affected by or concerned about a particular issue to give us their views before we decide on a particular course of action.

Consequently, Ofcom consults publicly on all our major strategic priorities before making decisions. Details about Ofcom's method of consultation, and the consultations that took place during 2022/23, are set out in Ofcom's Regulatory Principle's section on pages 56–58 in the Performance Report.

### Physical and personal security arrangements

The current threat level set by the Joint Terrorism Analysis Centre (JTAC) and MI5 for terrorism in Great Britain and in Northern Ireland is substantial (an attack is likely). The Ofcom Board risk appetite statement for Health & Safety and Physical Security is set as “Minimal”. Threat assessments to ISO27001 standards are a continual occurrence using external consultancy and internal audit. This maintains a consistent and stable approach to physical security management.

### Major incident/disaster recovery/business continuity planning

The Pandemic allowed Ofcom to test its Business Continuity Plans (BCP) in a live situation and the plans proved to be robust. A fully remote approach to working was adopted, in line with Government guidance and Ofcom continued to operate effectively. During the 2022/23 year we continued our programme of BCP testing and created a Major Incident Checklist for all Group Directors to further enhance our resilience.

### Information Security

The management of Information/Cyber security risk is an ongoing process that is aligned to the Ofcom Board’s risk appetite of “Averse/Minimal”. Protecting Ofcom’s information systems against internal and external risks continues to be a priority. Attempts by external parties to breach Ofcom security continue, but these have been successfully dealt with, as a result of the security controls in place. The new responsibilities for online safety, video-sharing platforms and in relation to network security, could attract interest from nation states and hacktivists who would like to bring about social, political or ideological change and we continue to improve monitoring to detect potential attacks or vulnerabilities. Testing has included the use of simulated phishing attacks to improve user awareness and technical penetration testing against the Information and Communication Technology (ICT) and physical infrastructure. A nation state could infiltrate our systems and we have, therefore, increased our focus on testing and improving our ability to recover should such an attack occur. We have retained our certification to the international standard for information security management (ISO27001).

We investigated 48 breaches of data protection during the year, one was reportable to the Information Commissioner’s Office (ICO) although no further action was taken by the ICO. In May 2023 a third-party file transfer service used by Ofcom, MOVEit, suffered a widescale cyber-attack. Some Ofcom data, including some personal data, was on their server at the time it was attacked which resulted in breach of both external stakeholder data and colleague data accessed. Ofcom’s internal systems were not compromised during the attack. The breach was reported to the ICO.

### Whistleblowing policy and hotline

Our whistleblowing policy is reviewed annually to ensure it remains fit for purpose and aligned with best practice guidance. We have designated Whistleblowing Officers but also use an externally hosted and administered whistleblowing hotline that allows colleagues to make anonymous disclosures.

### Public interest disclosure

The Public Interest Disclosure Act 1998 gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. Ofcom is a ‘prescribed person’ as defined under the Public Interest Disclosure (Prescribed Persons) Order 2014. As such, individuals working outside Ofcom, but in the communications sector, may contact Ofcom if they have concerns about possible wrongdoing at their own organisation. During 2022/23 Ofcom received 38 disclosures under the Public Interest Disclosure Act 1998.



# Statement of Accounting Officer's Responsibilities

The accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of the organisation and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, as the principal Accounting Officer, I am required:

- to observe the Accounts Direction issued by the Secretary of State for the Department of Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- to make judgements and estimates on a reasonable basis;
- to state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts;
- to prepare the accounts on a going concern basis; and
- to confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Secretary of State for Department of Culture Media and Sport has designated the Chief Executive as Ofcom's Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofcom's assets, are set out in Managing Public Money published by HM Treasury.

I take personal responsibility for the annual report and accounts and confirm that they are as a whole, fair, balanced and understandable, as are any judgements used to determine this view.

As the Accounting Officer, I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that Ofcom's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

**"I am confident that Ofcom will continue to operate as a viable, successful and well-governed organisation."**



**Dame Melanie Dawes DCB**  
Chief Executive and Accounting Officer

03 July 2023

# The report of the Chair of the Risk and Audit Committee

The Committee has maintained its focus in 2022/23 on our risk reporting, particularly on the organisation's strategic risks. We have verified that our risk targets are appropriately scored, and align with our risk appetite, and we have evaluated the associated mitigations and actions. This ensures that Ofcom continues to be resilient with proportionate and effective controls. We have also sharpened our focus this year on Ofcom's performance against its budget and on budget drafting.

## Attendance of Members during 2022/23

The Committee met five times in 2022/23. The Members of the Committee during 2022/23 and their attendance is set out below:

<b>Number of meetings</b>	<b>5</b>
Angela Dean (Chair)	5
Karen Baxter (from December 2022)	2
Maggie Carver (until November 2022)	3
Will Harding	2
David Jones	5

All Members were in attendance for the meetings held whilst they were a Member of the Committee.

## Overview

On behalf of the Board, I am pleased to provide an overview of the operation and scope of the Risk and Audit Committee for the financial period ended 31 March 2023.

The Committee has responsibility, on behalf of the Ofcom Board, for oversight of the appropriateness and effectiveness of Ofcom's risk management, risk governance, internal systems and controls and financial statements. The Committee also maintains the relationship with the National Audit Office (NAO), Ofcom's external auditors, including a review of its fees and the scope of its audit of Ofcom's financial statements. This covers their assessment of the risks of material misstatement and material irregularity, its independence, resources and the effectiveness of the audit process. The Committee also works with Ofcom's internal audit provider to establish an Annual Plan for the audit of specific areas of Ofcom, and then monitors the progress and outcomes of those reviews.

The four Non-Executive Members of the Committee are independent and are considered to have the relevant skills and experience at a senior level. More than one Member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the communications sector in which Ofcom operates. In addition to my experience as a financial analyst, I was Chair of the Audit & Risk Committee of the National Lottery Heritage Fund & National Heritage Memorial Fund and I am a member of the Audit Committees of York Museums Trust and The Postal Museum.

The Committee has private sessions annually with the Finance Director and the Head of Risk Management and Insurance, in addition to the internal audit provider and the NAO. As part of my role as Chair of the Committee, I met regularly with the NAO and the internal audit provider in the reporting period, without Ofcom Management being present. Both the internal audit provider and the NAO have direct access to me in the event that they wish to raise anything which they feel is not appropriate to raise directly with Ofcom Management.

## Committee Activities

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

- review and advise the Board on Ofcom's risk appetite to ensure Ofcom has appropriate processes in place to identify the main strategic risks and any changes to the Strategic Risk Register;
- monitor financial reporting, including the accounting and financial reporting process of Ofcom's financial statements;
- ensure the effectiveness of Ofcom's internal control framework and Risk Management Policy and systems, and consider the implications of changes to legislation or regulations;
- review and monitor the whistleblowing, business continuity planning and disaster recovery arrangements, bribery and fraud arrangements and any significant conflicts of interest across Ofcom;
- oversee the appointment of the Internal Auditors, including any proposals for tender, Internal Audit fees, Internal Audit performance, capability and effectiveness; and
- review the External Auditors' independence and agree the nature and scope of the external audit of Ofcom's financial statements.

The work of the Committee follows an agreed annual work programme, with the Committee allocating its time in 2022/23 as follows:

- financial reporting and related matters;
- annual report and accounts;
- governance, including updates to Committee Terms of Reference and the Financial Authorities Framework;
- risk management;
- internal audit;
- external audit;
- cyber, ICT, physical & personal security; and
- other (e.g. litigation, bribery & fraud).

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

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

- Ofcom: Ofcom Chair, Chief Executive, Finance Director, Financial Controller, Head of Risk & Insurance Management, Group Director Corporate
- National Audit Office (NAO): representatives of Ofcom's External Audit Team
- Deloitte: representatives of Ofcom's Internal Auditor

## Financial Statements and Accounting Policies

In conjunction with Ofcom Management, the internal audit provider and the NAO, the Committee reviewed the Financial Statements and associated documentation to establish if these were free from material misstatement and prepared in accordance with the applicable financial reporting framework. The Committee also challenged the judgements made by Ofcom Management and the assumptions and estimates on which they were based.

The Committee considered and approved minor changes to accounting policies and discussed in detail with the NAO, Ofcom's approach to revenue recognition and related reporting.

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

### The Risk & Control Framework and Risk Management

The management of risk is an important part of Ofcom's internal control framework and encompasses both strategic and operational risks within a Risk Management Policy, which is reviewed and approved annually by the Committee and the Chief Executive, as the Accounting Officer. The existing internal control and risk management framework was in place for the reporting year and includes business continuity, financial controls and mechanisms to ensure compliance with laws and regulations. To ensure that our Risk and Control Management Framework is effective and aligned to our requirements, a review of our Risk Management Framework is undertaken periodically.

During 2022/23, the Committee continued to oversee the Strategic Risk Register and challenged changes to risk scores where it thought appropriate. In March 2023 the Committee considered updated Risk Appetite Statements and challenged the Executive to be especially clear on the risk appetite in areas such as cyber security. The Committee subsequently approved the updated Risk Appetite Statements for submission to the Ofcom Board. Ofcom's Strategic Risk Register is reviewed quarterly by the Ofcom Policy and Management Board, the Risk and Audit Committee and Ofcom Board. An oral update on matters considered by the Committee is provided to the next following Ofcom Board meeting. The Committee conducts a deep dive into a specific strategic risk at most meetings.

#### Strategic Risk Deep Dives undertaken by the Committee in 2022/23

- Horizon Scanning: Future Legal Risks
- Network Security – Telecommunications Security Regime
- Spectrum

### Internal Controls

Responsibility for operating and monitoring the internal control system is delegated by the Ofcom Board to specific individuals and committees. The Committee reported to the Board on the effectiveness of Ofcom's internal control systems and encouraged improvements in their effectiveness, where appropriate. A description of the organisation's system of internal control is included in the Corporate Governance Report on page 71.

In 2022/23 the Committee met with the Finance team to test the assumptions and controls behind the budget planning process, to provide assurance to the Board. The Committee also held a separate meeting with the Finance team to look ahead at the financial planning for the next few years. The Committee strengthened its Terms of Reference concerning its responsibility to monitor progress against the agreed budget, and to review the draft budget before submission to the Board. This provides assurance around Ofcom's commitment to offer value for money.

Additionally, assurance is taken from the work carried out by specialist teams across Ofcom, including the Security Committee, the Data Protection Steering Group, the Health, Safety, and Environmental Committee and the Business Continuity Group. A new Policy Framework is being introduced in 2023/24 which will provide further assurance to the Committee. The Committee has also been monitoring an Ofcom-wide programme to strengthen data management and retention processes.

#### Cyber & Network, Physical, Information and Personal Security

The Committee continued to monitor Ofcom's preparedness against cyber threats and other threats to its secure networks, in particular the Committee sought assurance that Ofcom's risk appetite in respect to cyber security was clear and set appropriately.

The Committee made recommendations in 2021/22 to help strengthen Ofcom's security processes and system. Building on this, during 2022/23 it received regular updates at each meeting on cyber & network, physical, information and personal security to ensure that work continued to be aligned with the requirements of the Information Security standard ISO27001.



## Annual Internal Audit Plan and Focus of Reviews in 2022/23

The reviews undertaken as part of the Internal Audits comprised a risk-based programme of work across a range of key control areas, discussed with management and approved by the Committee on a half yearly basis. The Committee received quarterly reports from the internal audit provider on the progress of its audits, final internal audit reports, including Ofcom Management's response to the findings (where appropriate) and the progress made in addressing any issues identified during the audits.

### Areas of Internal Audit covered during 2022/23

- Broadcasting complaints management
- Third party contract management
- Payroll
- Video-sharing platforms
- Recruitment
- Business Continuity Management
- Spectrum & Technology: System Security

### Other areas of review

Ofcom's Whistleblowing, Anti-Fraud and Bribery Policies are reviewed by the Committee in December of each year.

During 2022/23 the Committee approved a revised Policy combining Ofcom's Anti-Fraud, Bribery and Corruption policies in to one The Whistleblowing policy covers all of the necessary matters required under the Public Interests Disclosure Act 1998. This policy has been communicated to all colleagues who have been reminded that they can raise matters anonymously with Ofcom's whistleblowing hotline provider. There have been no cases of whistleblowing referred or reported since the annual review conducted in November 2021.

The Committee also received reports on Ofcom's Financial Authorities Framework (prior to Board approval being sought on changes to the Framework), Ofcom's accounting policies and data protection act compliance.

### Reporting to the Board

As Chair of the Risk and Audit Committee, I provide regular updates to the Board on the main issues discussed at Committee meetings.

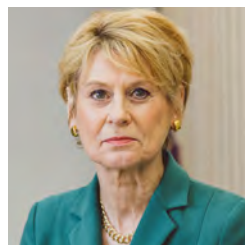
The expansion of Ofcom's remit, predominantly relating to powers gained through the Online Safety Bill remained an area of focus throughout the year. The Board sought reassurance on the potential impacts on budgets and revenue collection, noting that there remained uncertainties around the legislation, and ensured that the risks were properly scored in the Strategic Risk Register.

The Board has welcomed that a full review of Ofcom's risk register will be undertaken during the 2023/24 year. The current strategic risk register has served us well over the last three years and promoted high-quality discussions, but a review is timely, particularly in the light of Ofcom's new three-year plan.

As part of a wider review of governance, the Committee reviewed and updated its terms of reference. The changes formalised what happened in practice and aligned the role of the Committee more closely with the UK Corporate Governance Code and Corporate Governance Code for Central Government Bodies. The changes were approved by the Board in March 2023.

### Committee Performance and Effectiveness

An internally facilitated review of the Committee's performance and effectiveness was conducted as part of the Board Evaluation Review. The outcome was positive, with no average score below 'good'. The encouragement of open debate and constructive challenge at meetings were highlighted as areas in which the Committee was particularly effective. Making the financial reporting more strategic and transparent, and linking deep dive into key risk areas back to the Strategic Risk Register were identified as areas of focus for the future.



**Angela Dean**

Chair of the Risk and Audit Committee

# Our employees

Ofcom is growing as we take on new duties, and as a result, we are transforming our capabilities for the future.

Many roles are unique to Ofcom in the UK and joining us provides an exciting opportunity to develop new skills and career paths. Our internal change programme, One Ofcom, helps us to coordinate this effectively and make the most of our growth.

We are making progress in building in-house expertise in digital markets, online and emerging technologies and data analytics, as well as advanced techniques such as algorithmic design, machine learning and artificial intelligence. We also want to ensure our people bring a diversity of background and have a strong mix of commercial and industry experience to ensure effective regulation. As part of our wider strategy to become a more diverse organisation, we are recruiting people from across the UK.

We continued to grow our new hub in Manchester, and we are expanding our footprint in Edinburgh, as we prepare for our work on online safety.

As we grow, we are also modernising our People and Finance policies, processes and systems. This makes it easier for people to do their jobs more efficiently, but also provides better organisational data which informs our strategies and supports work to become more agile.

We have now completed a full year of our new performance management approach (which was launched in March 2022), which provides a streamlined management structure, underpinned by individually defined goals which are future focused and based on colleague-led discussions on personal performance and career development. We have provided a comprehensive package of leadership learning for all our performance conversations, for both colleagues and Career and Performance Managers. This will strengthen quality leadership capability and help us attract grow and retain the talent we need to carry out our responsibilities.

## Diversity, inclusion and wellbeing

Our five-year diversity and inclusion strategy supports Ofcom to deliver its mission – To make Communications Work for Everyone. To deliver on this, we will increase the diversity of our workforce and we will foster a culture in which everyone feels they are valued and can be themselves at work.

The strategy sets out our plans to create:

- a diverse workforce
- an inclusive culture
- processes, systems and policies that are fair
- colleagues who take personal responsibility for diversity and inclusion
- leaders who are role models
- stronger connections to the communities we serve

Underpinning this vision are our five values of excellence, collaboration, agility, empowerment and respect.

This year, we have made substantial progress. We transformed our approach to recruitment to ensure we maximise the opportunities to diversify our organisation as we grow. We have partnered with an external recruitment company which provides up-to-date information on our diversity recruitment outcomes and supports our hiring managers to consider diversity all the way through the process. As a result, we have met and exceeded our 2026 senior ethnicity target three years ahead of schedule and we are now in the process of revising the target.

In addition to this we have put more focus on our early careers hiring and have new partnerships to reach out to under-represented communities for our work experience, intern and apprenticeship / graduate opportunities.

We aim to foster a culture in which everyone feels they are valued and can be themselves at work. This doesn't mean that we agree all the time. It means we listen to each other, seek and give challenge, and treat each other with professionalism, respect and kindness. We measure inclusion through regular reporting across our diversity and inclusion indices. Our internal inclusion index, which is measured by an external company, went up this year. The results are shared with senior leaders to shape the culture and workplace of Ofcom.

Our policies and working practices are continuously reviewed, and through collaborative working with our colleague diversity networks, we remain committed to ensuring that they are aligned with the values of inclusivity and diversity.

### Wellbeing support

We refreshed our popular Thrive@Ofcom wellbeing programme to focus on the importance of taking preventative and proactive measures that support wellbeing at work. This is particularly important as we take on additional duties to regulate online safety. We set up regular reminders on support mechanisms such as our Employee Assistance Service, open 24 hours a day; virtual GP service, available 365 days a year; private medical cover, which provides access to trained counsellors and therapists; and a free Headspace meditation and mindfulness app for all.

We strengthened the inclusiveness of our wellbeing provision for colleagues from under-represented communities. We boosted the number of trained mental health first aiders to 95 employees, as well as 19 trained domestic abuse allies and 9 domestic abuse advisors and continued to provide information and tips on how to manage physical health and mental wellbeing.

### Monitoring and reporting

We monitor our policies, practices and processes through data analysis and internal reporting, annual and 'pulse' colleague surveys. We use external diversity and inclusion benchmarking, conduct a regular equal pay audit and publish a pay gap report annually.

In 2022, we were recognised as a Times Top 50 Employer for Women and received a bronze award within the Stonewall Workplace Equality Index and continue to benchmark highly. We are a Disability Confident Level 2 employer and have Carer Confident Accomplished (Level 2) accreditation.

**Table A: Diversity targets**

	Year one starting position (March 2021)	Closing position at year two (March 2023)	End ambition (March 2026)
Gender at senior levels	44% female	45% female	Balanced
Minority ethnic representation at senior levels	11%	17%	16% (exceeded)
Disabled representation	12%	13%	15%

Base: All colleagues as at end of March 2023. By gender we mean legal sex. Senior levels = Principal and senior managers and specialists (SMS).

## Colleague involvement and consultation

Ofcom colleagues play an important role in ensuring that the organisation has a diversity of perspectives in its work and its approach in the workplace. Our regular formal and informal methods for informing and consulting colleagues include:

- the Ofcom Colleague Forum, an information and consultation forum made up of elected representatives of colleagues across Ofcom which meets regularly with senior management at Joint Consultative Group meetings (includes members from Prospect Union)
- colleague surveys, inviting colleagues to share their views anonymously on a wide range of topics and which directly link to our diversity and inclusion strategy. The outcomes of these surveys provide a foundation for our organisational development and work
- our colleague diversity networks, of which we have eight covering a range of issues and communities
- open forums with the Chief Executive and the senior management team
- the Ofcom intranet, which is available to all colleagues in all of Ofcom's offices
- regular group meetings, to speak to and hear from colleagues.

Ofcom recognises Prospect Union as its only trade union.

## Employment policies and processes

At Ofcom, we believe that leaders and colleagues should work together to create an inclusive and empowering work environment. To support this, we have fit for purpose policies which make Ofcom an attractive employer. Our people policies and processes are always under review to ensure they are up to date with the requirements of employment law, reflect best practice and our values.

We launched a new connected working framework which set out our localised approach on working together in our offices and for remote working. In addition, we have this year introduced a new career break policy.

Finally, we introduced a Domestic Abuse support policy, with an allyship program to support any colleague facing domestic abuse at home.

## Engagement and turnover

We track levels of employee engagement at Ofcom through an engagement index in an independent annual colleague survey. In June 2022, this was at 72% (same as previous year). We have high levels of pride in Ofcom and this score has been consistently over 80% for this year and previous years. We correlate this with a monthly deep dive of our turnover data where we report the level of turnover and explore the reasons, which we gain through exit data. For 2022/23 our Ofcom wide turnover is 12.4% which is in line with previous years and within our established tolerance level.

## Absence

Our aim is to treat people who are unwell with compassion and fairness and, where possible, provide them with support to enable them to recover and attend work regularly. In 2022/23, 4.3 working days were lost per year per employee (2021/22 = 4.6 days) at Ofcom in comparison to the public sector average of 7.9 days per year as of end of March 2022.

## Off-payroll arrangements

In line with the Financial Reporting Manual and the Public Expenditure System (PES) guidance from HM Treasury, we have disclosed all off-payroll engagements for the financial year 2022/23 to the Department for Culture, Media and Sport (DCMS).

# Remuneration report

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

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

## Constitution of the People Committee

The People Committee is a sub-committee of the Ofcom Board. It consists of the following Members:

- Ben Verwaayen, Chair
- Maggie Carver
- Angela Dean
- Bob Downes
- Michael Grade
- David Jones

The Committee would also normally expect the Chief Executive, the Chief Operating Officer, the People and Transformation Director and the Corporation Secretary to attend meetings. Where necessary and appropriate, the People Committee will also take advice and/or obtain services from Ofcom colleagues or specialist external organisations. No individual is present for any discussion about their own remuneration.

## Remuneration Policy

In setting Ofcom's remuneration policy, the People Committee believes that Ofcom should, with consideration of it being a public body, provide a stable reward framework that will attract and retain the high-calibre people necessary to enable Ofcom to achieve its strategic priorities and to fulfil its statutory remit and responsibilities. Ofcom does not provide a long-term incentive plan scheme for any of its employees, nor does it pay sign-on bonuses.

## Components of remuneration

The main components of the remuneration for the Group Directors and the Chief Executive are in line with our approach to all colleague remuneration which includes basic salary, an all colleague defined contribution pension scheme and a range of flexible benefits which includes life assurance, group income insurance, private medical insurance, and an annual health check as standard elements.

### 1. Basic salary

### 2. Standard and flexible benefits

- Private medical insurance
- Life assurance
- Group income protection
- Annual health check
- Allowance to buy additional benefits (flexible)

### 3. Annual Bonus scheme

### 4. Pension

- All colleague defined contribution scheme
- Pension allowance as % of salary

## Basic salary

The basic salary for all colleagues is determined by considering each colleague's responsibilities, skills and experience, together with relevant market benchmarking analysis. All basic salaries are considered annually, and any changes are made effective from 1st July each year. We conduct an annual equal pay audit for gender, ethnicity, and disability.



## Flexible Benefits

Ofcom offers a flexible benefits allowance to colleagues based on their grade. For the purposes of the remuneration tables, only the value of private medical insurance is included. The total value of group income protection, life assurance and annual health checks is not disclosed under benefits in kind as these are not treated by HM Revenue & Customs as a taxable emolument.

## Annual Bonus Scheme

We have an annual bonus scheme in place for all colleagues which awards colleagues if Ofcom achieves its organisational priorities set at the beginning of the year. The People Committee approve the budget, priorities and awards. The annual bonus is paid in July for the prior financial year. The bonus figure is accrued annually.

Eligible colleagues will receive an award as a fixed amount per grade and on a pro-rated basis. Colleagues will not be eligible if they are going through a performance improvement process, or a live disciplinary sanction.

## Pension

Ofcom provides the option of a stakeholder (Defined Contribution) pension to all. All Ofcom colleagues are provided with a pension allowance, determined as a % of base salary. This can either be invested within one of two pension schemes – the Master Trust and Group Pension Plan (which allows deductions to be made via salary sacrifice) or taken as additional salary. No current Non- Executive Member received a pension benefit from Ofcom during the year under review.

## Fair pay disclosure (audited)

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

For comparison purposes, the remuneration figure is taken as of 31 March annually and includes base salary, annual benefits allowance, and taxable benefits in kind.

	2022/23	2021/22	2020/21	2019/20
Band of highest-paid individual's total remuneration (£000)	345-350	330-335	330-335	330-335
Median remuneration (£)	60,422	56,665	58,439	59,031
Remuneration ratio	5.78	5.88	5.69	5.64

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

The highest paid individual as of 31 March 2023 was the Chief Executive. At this date, the remuneration ranged from £20,461 to £349,191 (2021/22 range: £18,272 to £332,920).

The remuneration change for the highest paid individual from the previous year was 4.9% and the remuneration median change for all employees from the previous year was 6.6%.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	8.09	5.75	4.07



## Remuneration tables

Details of the remuneration received by members of the Board, the Content Board and the Group Directors have been audited by the Comptroller and Auditor General and are set out in the following tables and notes.

The tables reflect the remuneration for the part of the year during which individuals were either permanent members of the Board or the Content Board only, or Group Directors.

Those individuals marked with '+' against their name were in role for only part of financial year 2022/23 or 2021/22.

Where individuals are members of more than one Board or Committee (as set out on pages 74-78) they appear only once in the remuneration tables.

The Non-Executive Members of the Ofcom Board and Content Board Members received no additional remuneration beyond their fees. The Non-Executive Members of the Ofcom Board additionally have provision of IT equipment if required.

**Table 1: Ofcom Non-Executive, Board Member remuneration**

	Guidance note reference	Fees 2022/23 £	Fees 2021/22 £
Karen Baxter +	1	42,519	616
Maggie Carver +	1, 2	74,167	120,000
Angela Dean	1	42,519	42,519
Bob Downes	1	42,519	42,519
Michael Grade +	1, 2	130,625 (142,500)	-
Will Harding+	1, 2	21,260 (42,519)	-
David Jones	1	42,519	42,519
Graham Mather+	1, 2	38,976	42,519
Tim Suter +	1, 2	-	7,087
Ben Verwaayen	1	42,519	42,519
<b>Total</b>		<b>477,623</b>	<b>340,298</b>

### Guidance Note 1:

The fees for all the Non-Executive Members of the Ofcom Board are fixed in agreement with DCMS, for the duration of their appointment.

The fees shown in Table 1 represent the amount paid during the period under review. The fee of the Non- Executives of the Ofcom Board (excluding the Chair and Deputy Chair) has remained at £42,519 per annum since 1 April 2008.

### Guidance Note 2:

Maggie Carver continued as Interim Chair until 30 April 2022 and received fees of £120,000 per annum based on 3 days per week up to this point. She then resumed her role as Deputy Chair at full year fees of £70,000. Michael Grade joined as the Chair on 1 May 2022 and receives fees of £142,500 per annum based on 3 days per week.

Will Harding joined as an Ofcom Non-Executive Board Member October 2022.

Tim Suter and Graham Mather stepped down from the Ofcom Board in May 2021 and February 2023 respectively.



**Table 2: Ofcom Non-Executive, Content Board Member remuneration:**

Name	Guidance note reference	Actual fees 2022/23	Fees 2021/22
Dekan Apajee	3	16,800	16,800
Jonathan Baker	3	16,800	16,800
Rachel Coldicutt	3	16,800	16,800
Maggie Cunningham	3	16,800	16,800
Aled Eirug +	3	-	11,200
Robin Foster +	3	-	12,600
Angelina Fusco +	3	-	2,800
Anna-Sophie Harling +	3	-	5,600
Peter Horrocks	3	16,800	16,800
Tobin Ireland	3	16,800	16,800
Maria McCann +	3	6,109 (16,800)	-
Ruth McElroy +	3	16,800	1,400
Sophie Morgan +	3	-	9,800
Stephen Nuttall	3	16,800	16,800
Monisha Shah	3	16,800	16,800
Kim Shillinglaw	3	16,800	16,800
Janey Walker +	3	-	2,013
<b>Total</b>		<b>174,109</b>	<b>196,613</b>

**Guidance Note 3:**

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

The basic fee of the Content Board Members is £16,800 per annum.

The values shown represent the full-year amount paid or, where appropriate, part of the year (+), where the Non-Executive Member joined or left the Content Board.

**Table 3: Ofcom Executive, Board Member remuneration**

Name	Guidance note reference	Months of reporting period	Total salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus <sup>10</sup> £	2022/23 Total remuneration paid £	2021/22 Total remuneration £
Melanie Dawes	4	12	322,088	64,418	15,000	3,091	8,500	413,097	395,727
Kevin Bakhurst	4	12	253,888	38,083	15,000	3,091	6,500	316,562	303,272
Lindsey Fussell	4	12	253,888	38,083	15,000	3,091	6,500	316,562	303,272
<b>Total</b>								<b>1,046,221</b>	<b>1,002,271</b>

10. Performance bonus awarded for FY 2021/22, paid in July 2022.

**Table 4: Ofcom Executive member, Content Board remuneration**

Name	Guidance note reference	Months of reporting period employed	Total salary paid (full year equivalent in brackets where part year worked)	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2022/23 Total remuneration paid £	2021/22 Total remuneration £
Alison Marsden	4	12	153,375	23,006	15,000	3,091	4,000	198,472	179,773

**Table 5: Ofcom Group Directors remuneration**

Name	Guidance note reference	Months of reporting period	Total salary paid (full year equivalent in brackets where part year worked) £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2022/23 Total remuneration paid £	2021/22 Total remuneration paid £
Luisa Affuso	4	12	237,987	35,698	15,000	3,091	6,500	298,276	285,389
Martin Ballantyne	4	12	230,063	34,509	15,000	3,091	6,500	289,163	276,477
Sachin Jogia	4	12	270,962	40,644	15,000	3,091	2,708 <sup>11</sup>	332,405	159,602
Melissa Tatton	4	12	230,063	34,509	15,000	2,473	6,500	288,545	275,932
Yih-Choung Teh	4	12	230,063	34,509	15,000	3,091	6,500	289,163	276,477
Gillian Whitehead +	4,5	2	42,506 (285,000)	6,376	2,292	240	-	51,414	-
David Willis +	4,5	7	137,083 (235,000)	20,562	8,750	1,207	-	167,602	-
<b>Total</b>								<b>1,716,568</b>	<b>1,273,877</b>

11. Sachin Jogia joined in October 2021 and bonus for the year was prorated accordingly.

**Guidance Note 4:**

The total annual remuneration is shown for Ofcom executives who are, or were, Group Directors for the reporting period 2022/23. This figure is remuneration entitled to for the reporting period so will be less than the full year equivalent if a full year was not worked as a Group Director.

The total annual remuneration includes basic salary, annual performance bonus, flexible benefits allowance, a percentage of basic salary paid as a pension allowance and taxable benefits in kind reflecting the cost to Ofcom of the provision of private medical insurance for each executive.

**Guidance Note 5:**

David Willis joined as Group Director, Spectrum in September 2022. He relocated from Canada and was paid relocation expenses of £38,000 in accordance with our policy.

Gillian Whitehead joined Ofcom in November 2021 to lead the Digital Regulators Cooperation Forum (DRCF). She stood down as Chief Executive, DRCF on 20 February 2023 and commenced a period of induction with Ofcom prior to taking up her new role as Ofcom's Group Director, Online Safety in April 2023.

**Table 6: Interim Group Directors and leavers during the reporting period:**

Name	Guidance note reference	Months of reporting period	Total salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	2022/23 Total remuneration paid £	2021/22 Total remuneration £
Helen Hearn +	6	5	63,250 (150,000)	9,488	6,250	1,217	6,500	86,705	47,605
Phillip Marnick +	6	0							236,817
Jonathan Oxley +	6	0							27,827
<b>Total</b>								<b>86,705</b>	<b>312,249</b>

**Guidance Note 6:**

Helen Hearn was temporarily Interim Group Director, Spectrum following Phillip Marnick's departure in January 2022. Helen returned to her substantive post in September 2022 on appointment of David Willis.

Jonathan Oxley left Ofcom in April 2021 following a period of contractual gardening leave.

**Table 7: Annual Total Remuneration costs for all Ofcom Executives in reporting period:**

Total actual salary paid £	Pension entitlement/ allowance £	Flexible benefits allowance £	Benefits in kind £	Annual performance bonus £	Total remuneration paid 2022/2023 £	Total remuneration paid 2021/2022 £
2,425,216	379,885	152,292	29,865	60,708	3,047,966	2,768,170

The table above is an arithmetic total of the tables 3–6 above.

The bonus paid to Group Directors and the Chief Executive represents 2.5% of the total bonus paid in 2022/23 to all colleagues.

## Contract of employment

The Chief Executive has a notice period of 12 months. No other Executive Member of the Ofcom Board or other Ofcom colleague has a contract of employment containing a notice period exceeding nine months.

The Non-Executive Members are all on fixed-term appointments with a time commitment to Ofcom of up to two days per week (except for the Chair who commits up to 3 days a week and the Deputy Chair who commits up to two and a half days a week).

## Compensation for early termination

The arrangements for early termination of a contract of employment for an Executive Member of the Ofcom Board, or Group Directors are decided by the People Committee and will be made in accordance with the contract of employment of the relevant Executive Member or Group Director. Across all colleagues we have a policy in place where no ex-gratia payments in relation to early termination exceed £95,000. Each contract of employment provides for a payment in lieu of notice on early termination at Ofcom's discretion.

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

## Outside directorships

Details of our approach to conflicts of interest including outside interests for Non-Executives and Colleagues is referenced in the Governance section of the Annual Report and Accounts.

On behalf of Ofcom,

**Dame Melanie Dawes DCB**  
Chief Executive and Accounting Officer  
03 July 2023

**Ben Verwaayen**  
Chair of the People Committee  
03 July 2023



# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament, Scottish Parliament, Senedd Cymru and Northern Ireland Assembly

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Communications for the year ended 31 March 2023 under the Office of Communications Act 2002.

The financial statements comprise the Office of Communications'

- Statement of Financial Position as at 31 March 2023;
- Statement of Income and Expenditure, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office of Communications' affairs as at 31 March 2023 and its surplus after tax for the year then ended; and
- have been properly prepared in accordance with the Office of Communications Act 2002 and Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Office of Communications in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office of Communications' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office of Communications' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

## Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements nor my auditor's certificate. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Office of Communications Act 2002.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Office of Communications Act 2002; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

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

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

- adequate accounting records have not been kept by Ofcom, and returns adequate for my audit have not been received from any third parties;
- I have not obtained all the information and explanations which we consider necessary for the purposes of my audit;
- a material uncertainty exists related to events or conditions which may cause doubt on Ofcom's ability to continue as a going concern for a period of at least 12 months from the date of the approval of the financial statements; and
- the Governance Statement does not reflect compliance with HM Treasury's guidance. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of corporate governance procedures or its risk and control procedures.

## Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- preparing Ofcom financial statements, which give a true and fair view, in accordance with the Office of Communications Act 2002 and with directions made by Secretary of State;
- preparing the Annual Report, which includes the Remuneration Report, in accordance with the Office of Communications Act 2002 and with directions made by Secretary of State.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Office of Communications Act 2002. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Office of Communications' accounting policies.
- inquired of management, the Office of Communications' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office of Communications' policies and procedures on:
  - » identifying, evaluating and complying with laws and regulations;
  - » detecting and responding to the risks of fraud; and
  - » the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the controls relating to the Office of Communications' compliance with the Office of Communications Act 2002;

- inquired of management, the Office of Communications' head of internal audit and those charged with governance whether:
  - » they were aware of any instances of non-compliance with laws and regulations;
  - » they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant internal specialists, including pensions experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office of Communications for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Office of Communications' framework of authority and other legal and regulatory frameworks in which the Office of Communications operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office of Communications. The key laws and regulations I considered in this context included the Office of Communications Act 2002, the Wireless Telegraphy Act 2006, the Postal Services Act 2011, the Digital Economy Act 2010 & Digital Economy Act 2017, employment law, tax legislation and pension legislation.

### Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Risk and Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

### Other auditor's responsibilities

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

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

### Report

I have no observations to make on these financial statements.

**Gareth Davies**

7 July 2023

**Comptroller and Auditor General**

National Audit Office

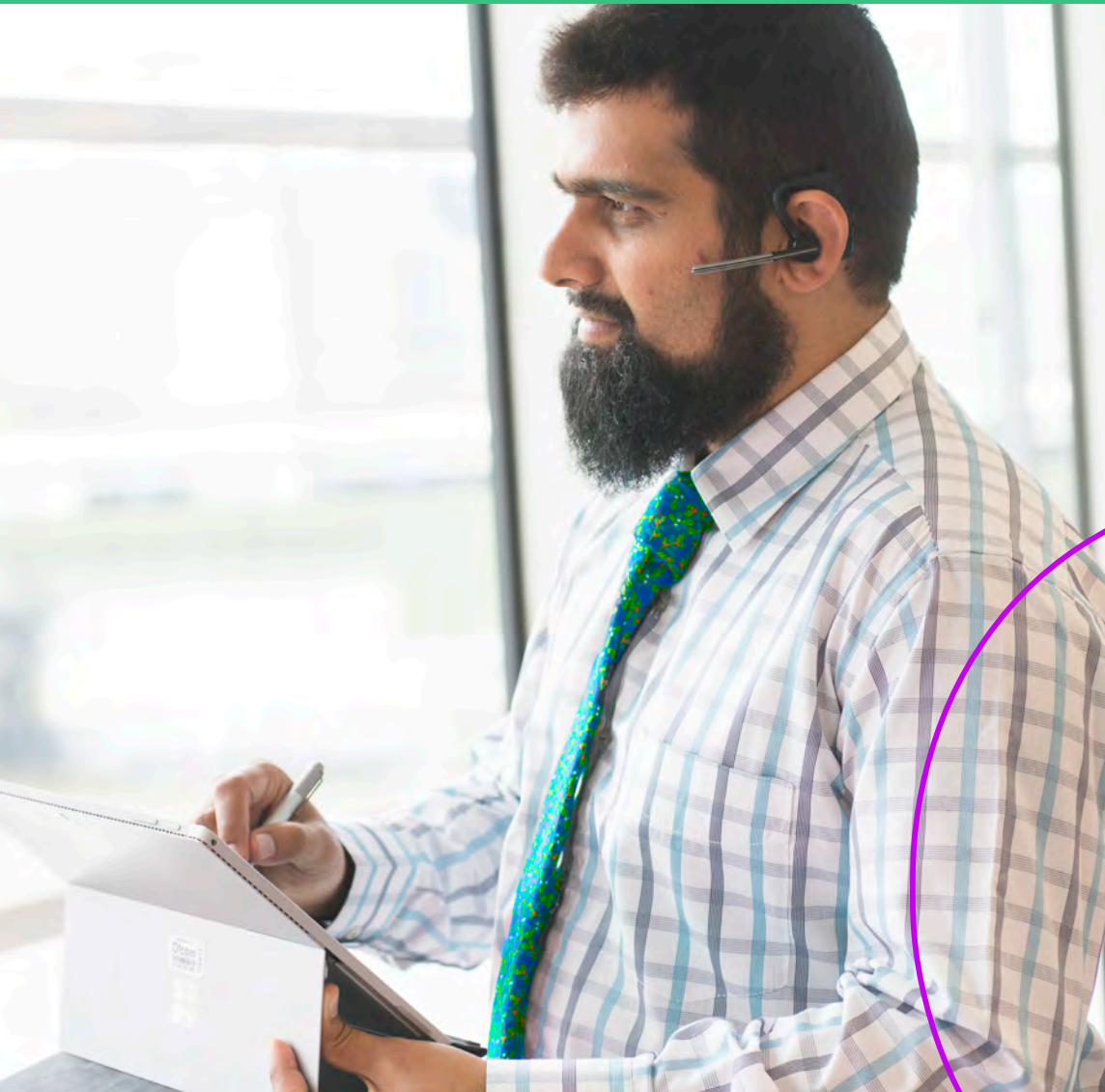
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## SECTION C

# FINANCIAL STATEMENTS

This section sets out our financial statements and notes to the accounts for the financial year ended 31 March 2023.

# Statement of income and expenditure

## For the year ended 31 March 2023

	Notes	2022/23 £'000	2021/22 £'000
Income	3	179,445	149,675
Spectrum clearance income	3	-	8,752
<b>Total income</b>		<b>179,445</b>	<b>158,427</b>
Staff costs	4	(108,055)	(89,993)
Other operating expenditure	6	(67,165)	(55,796)
Spectrum clearance expenditure	4,6	-	(8,752)
<b>Total operating expenditure</b>		<b>(175,220)</b>	<b>(154,541)</b>
<b>Operating surplus</b>		<b>4,225</b>	<b>3,886</b>
Finance income	14	66	-
Finance costs	17,18	(876)	(873)
Pension interest income	20	510	254
<b>Surplus before tax for the year</b>		<b>3,925</b>	<b>3,267</b>
Taxation	7	-	-
<b>Surplus after tax for the year</b>		<b>3,925</b>	<b>3,267</b>

The accounting policies and notes on pages 117-151 form part of these financial statements.

# Statement of comprehensive net expenditure

## For the year ended 31 March 2023

	Notes	2022/23 £'000	2021/22 £'000
<b>Surplus after tax for the year</b>		<b>3,925</b>	<b>3,267</b>
<b>Other comprehensive (expenditure)/income</b>			
Remeasurement on pensions	20	(9,284)	3,712
<b>Total comprehensive (expenditure)/income</b>		<b>(5,359)</b>	<b>6,979</b>

The accounting policies and notes on pages 117-151 form part of these financial statements.

# Statement of financial position

## As at 31 March 2023

	Notes	As at 31 March 2023 £'000	As at 31 March 2022 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	15,186	12,186
Right-of-use assets	9	35,663	39,623
Intangible assets	10	154	35
Trade and other receivables: non-current assets	12	2,023	542
Lease receivables: non-current assets	14	1,620	-
Retirement benefit assets	20	11,458	19,688
<b>Total non-current assets</b>		<b>66,104</b>	<b>72,074</b>
<b>Current assets</b>			
Trade and other receivables: current assets	11	12,621	20,672
Lease receivables: current assets	14	220	-
Cash and cash equivalents	13	13,396	20,920
<b>Total current assets</b>		<b>26,237</b>	<b>41,592</b>
<b>Total assets</b>		<b>92,341</b>	<b>113,666</b>
<b>Current liabilities</b>			
Trade and other payables: current liabilities	15	27,895	36,514
Lease liabilities: current liabilities	17	4,892	4,766
Provisions for liabilities and charges: current liabilities	18	12	12
<b>Total current liabilities</b>		<b>32,799</b>	<b>41,292</b>
<b>Non-current liabilities</b>			
Trade and other payables: non-current liabilities	16	237	5,547
Lease liabilities: non-current liabilities	17	34,163	36,009
Provisions for liabilities and charges: non-current liabilities	18	106	143
Retirement benefit liabilities	20	804	1,084
<b>Total non-current liabilities</b>		<b>35,310</b>	<b>42,783</b>
<b>Total liabilities</b>		<b>68,109</b>	<b>84,075</b>
<b>Assets less liabilities</b>		<b>24,232</b>	<b>29,591</b>
<b>Equity</b>			
Reserves		24,232	29,591
<b>Total equity</b>		<b>24,232</b>	<b>29,591</b>

The accounting policies and notes on pages 117-151 form part of these financial statements. These financial statements were approved by the Board and signed on 3 July 2023.

**Lord Michael Grade CBE**  
Chair

**Dame Melanie Dawes DCB**  
Chief Executive and Accounting Officer

# Statement of changes in equity

## For the year ended 31 March 2023

	Notes	Reserve £'000
<b>Balance as at 1 April 2021</b>		<b>22,612</b>
<b>Changes in equity for 2021/22</b>		
Remeasurement on pensions	20	3,712
Surplus for the year		3,267
<b>Total comprehensive income for 2021/22</b>		<b>6,979</b>
<b>Balance as at 31 March 2022</b>		<b>29,591</b>
<b>Changes in equity for 2022/23</b>		
Remeasurement on pensions	20	(9,284)
Surplus for the year		3,925
<b>Total comprehensive expenditure for 2022/23</b>		<b>(5,359)</b>
<b>Balance as at 31 March 2023</b>		<b>24,232</b>

The accounting policies and notes on pages 117-151 form part of these financial statements.

# Statement of cash flows

## For the year ended 31 March 2023

	Notes	2022/23 £'000	2021/22 £'000
<b>Cash flows from operating activities</b>			
Operating surplus		4,225	3,886
<b>Adjustments for non-cash transactions</b>			
Depreciation	8	2,266	2,128
Depreciation of right-of-use assets	9	5,098	4,993
Amortisation	10	22	135
Loss on disposal of non-current assets	6	104	1
Decrease/(Increase) in trade and other receivables	11, 12	6,570	(518)
(Decrease)/Increase in trade and other payables	15,16	(13,929)	7,086
Decrease in lease liabilities	17	-	(1,118)
Decrease in provisions	18	(12)	(11)
Decrease in retirement pension	20	(824)	(915)
<b>Net cash inflow from operating activities</b>		<b>3,520</b>	<b>15,667</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	8	(5,281)	(3,678)
Purchases of right-of-use assets	9	(111)	(58)
Purchases of intangible assets	10	(141)	(4)
<b>Net cash outflow from investing activities</b>		<b>(5,533)</b>	<b>(3,740)</b>
<b>Cash flows from financing activities</b>			
Receipt for lease receivables	14	104	-
Payments of lease liabilities	17	(5,615)	(5,192)
<b>Net cash outflow from financing activities</b>		<b>(5,511)</b>	<b>(5,192)</b>
<b>(Decrease)/Increase in cash and cash equivalents in the year</b>		<b>(7,524)</b>	<b>6,735</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>20,920</b>	<b>14,185</b>
(Decrease)/Increase in cash and cash equivalents in the year		(7,524)	6,735
<b>Closing net funds</b>	13	<b>13,396</b>	<b>20,920</b>

The accounting policies and notes on pages 117-151 form part of these financial statements.

# Notes to the accounts

## For the year ended 31 March 2023

### 1. Basis of presentation and principal accounting policies

The Office of Communications (Ofcom) is a statutory corporation that provides a broad range of regulatory services and is domiciled in the United Kingdom. The financial statements of Ofcom for 31 March 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) in conformity with the requirements of the Companies Act 2006. This is in line with Secretary of State directions under the accounts direction.

These financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair value, if any, under the accounts direction from the Department for Business and Trade (DBT) and the Department for Culture, Media and Sport (DCMS).

Amounts in the Financial Statements are stated in pounds sterling, to the nearest thousand, which is the functional currency of Ofcom.

#### a) Adoption of new and revised standards

Certain new standards, amendments and interpretations to existing standards, listed below, have been published but do not have any material impact on the financial statements of Ofcom. The standards and statements below relate to the current accounting period. For Ofcom, the transition dates were at the start of the financial year on 1 April 2022. These amendments have no impact on our figures for the financial year ended 31 March 2023.

- Annual Improvements to IFRS Standards 2018–2020 Cycle (Minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 9 Financial Instruments are applicable to annual reporting periods beginning on or after 1 January 2022).

- Amendments to IAS 16 Property, Plant and Equipment (Proceeds before Intended Use, applicable to annual reporting periods beginning on or after 1 January 2022). This requires amounts received from selling items produced while the entity is preparing the asset for its intended use to be recognised in the Statement of Income and Expenditure, and not as an adjustment to the cost of the asset.

Other new standard, amendment and interpretation to existing standards, listed below, has been published but do not have any material impact on the financial statements of Ofcom and this relate to future accounting periods.

- IFRS 17 Insurance Contracts applicable to annual periods beginning on or after 1 January 2023.

#### b) Income recognition

Income comprises the fair value of the consideration received or receivable in the ordinary course of Ofcom's activities. Income is shown net of value-added tax, returns, rebates and discounts. Ofcom recognises income when the amount can be reliably measured, and it is probable that future economic benefits will flow to the entity.

The implication of adopting IFRS 15 directly has been assessed, however given the nature of Ofcom's activities and that IFRS 15 relates to commercial organisations it was not considered fully appropriate. Accordingly, International Accounting Standard (IAS) 8(10) has been applied to adapt IFRS 15 to Public Sector context, in order to develop an accounting policy that provides information that is relevant and reliable. In doing so, the definition of a contract has been broadened to include legislation and regulation.

IFRS 15 Revenue from Contracts with Customers has a five-stage model for the recognition of income from contracts with customers. The core principle was to recognise income so that it depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Ofcom considered the five-step process and determined no change to the income recognition approach:

- Ofcom's regulatory activities are carried out at a sector level and thus not specific to individual customers. Ofcom is required by the statute to raise income from each of the sectors it regulates such that it covers the costs to be incurred by Ofcom in regulating that sector together with a proper apportionment of Ofcom's 'common costs' to each of those sectors. Therefore, legislation provides the enforceability on both parties to enable Ofcom to recover its costs from stakeholders.
- The performance obligations relate to the underlying work to be undertaken by Ofcom as regulator of the Communications sector, and as set out in the published Annual Plan. The performance obligations are satisfied when Ofcom has carried out its regulatory duties.
- In each financial year, Ofcom is required to balance its costs with its income. To ensure income reflect costs to the appropriate sector, costs are allocated to sectors/stakeholders in line with the Statement of Charging Principles.
- Ofcom updates the estimated income to represent faithfully the circumstances present at the end of the financial year and the changes in circumstances during the financial year; and publishes the fees and charges for the year ahead in the tariff tables.
- Thus, income is calculated and recognised in the year the performance obligations (costs) are incurred, on the basis of costs recovery as set out in the Ofcom budget and adjusted for any under or over recoveries from the previous year. These are accounted for respectively as accrued income in assets and deferred income in liabilities, as there is little or no uncertainty surrounding the recoverability of accrued income and the reimbursement of deferred income reported on the Statement of Financial Position.
- Income is also recognised for those costs where fees and charges cannot be raised to stakeholders, primarily for the cost of spectrum management through the retention of Wireless Telegraphy Act (WTA) licence fees in accordance with S401 of the Communications Act 2003 and the Statement of Funding Principles.
- Ofcom's income recognition policy is appropriate and in line with the requirements of IFRS 15 as adapted through IAS 8(10) and HM Treasury's interpretation for the Public Sector.

Ofcom's sources of income are grant-in-aid, WTA receipts retention, stakeholder income and other income.

### Grant-in-aid DCMS

Grant-in-aid is provided from DCMS for the funding of 700MHz clearance programme. This programme oversees the clearance (including mitigation of potential interference) of the UHF 700MHz band. Clearance is undertaken by third parties who are funded by way of capital grants that have been considered and approved in principle by the Spectrum Clearance and Awards Programme Management Board (SCAP-MB), with final approval by HM Treasury.

The grant recipients for the programme request funding from Ofcom once the grant conditions have been satisfied. For awarded grants, Ofcom will only pay monies for actual costs incurred, and will recognise the costs on agreement to pay the recipient for the requested funds.

### WTA Receipts Retention

Fees are payable to Ofcom in relation to our spectrum management function. Following the enactment of the Digital Economy Act 2017, Ofcom may retain such sums to fund its general spectrum management functions, as well as to meet the costs of undertaking its other functions for which it cannot otherwise levy fees and charges. As agreed with both HM Treasury and DCMS, WTA receipts will also be used to fund preparatory work for new duty regarding Online Safety. The monthly retention amount is determined by the planned expenditure for these functions. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following month's retention amount.

### Stakeholder income

#### Networks and services, postal services administrative fees

These fees are charged to stakeholders in the networks and services and postal services who operate under a non-licensed regime but fall within Ofcom's regulatory powers. These charges are a combination of both planned expenditure for our regulatory work as set out in the Plan of Work and prior year adjustments. This income is accounted for on an accrual basis. Following finalisation of costs at year end, income in excess of the cash expenditure is classified as deferred income and presented on the Statement of Financial Position as a payable. Conversely, cash expenditure in excess of income received is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date. Any over or under recovery is reflected in the following financial year's costs.

### Blockchain

In October 2018, we were awarded a grant from Innovate UK, part of UK Research and Innovation, a non-departmental public body funded by the UK government. The award was made under the Regulator's Pioneer Fund, set up for UK regulators to help drive forward innovation in the public sector. Our project was based on the use of blockchain technology to improve UK telephone number management and manage digital identity. The award amount is conditional on match funding (Ofcom 25%, grant 75%) and was extended in August 2019. Income recognition is on an accrual basis with any over or under recovery adjusted for in the following financial year. This project was completed in 2019/20 and finalised in 2022/23, following the completion of the required audit work.

### Broadcasting licence fees

Income from broadcasting licence fees represents the amount invoiced to holders of broadcasting licences for our planned regulatory works including any prior year adjustments. This income is accounted for on an accrual basis. Income in excess of the cash expenditure in the broadcasting's sector is classified as deferred income and presented on the Statement of Financial Position as a payable. Cash expenditure in excess of income received is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date. Any over or under recovery is reflected in the following financial year's costs.

### Application fees

For practical reasons, we charge fixed fees for discrete regulatory activities within the control of individual stakeholders (for example, a broadcasting licence application) or where relevant turnover is not an appropriate basis for charging (for example, community radio). These fees are non-refundable and accordingly, recorded as revenue on receipt of the stakeholder application. However, any under or over recovery is offset against the total sector's costs in the following year. For example, if the total expenditure for radio applications exceeds the revenue from the applications, the under recovery will be included in the total radio regulatory costs to be recovered from radio licence fee payers.

### Networks and information systems (NIS)

Income from NIS stakeholders represents the amounts due from designated operators of essential services for our regulatory work. This income is accounted for on an accrual basis. As per the NIS regulations, this income is recovered in arrears; thus the cash expenditure is classified as accrued income and presented on the Statement of Financial Position as a receivable at the end of the reporting date.

### Other income

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

Ofcom is required by legislation to produce a statement of income received, income outstanding, likely to be paid or recovered, and the costs in respect of its regulatory functions. This is shown in Note 2 to the financial statements, thus providing transparency on Ofcom's deferred and accrued income per sector.

### c) MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the sums paid by the Scottish Ministers to Ofcom are subsequently paid by Ofcom to the Gaelic Broadcasting Fund managed by MG Alba. As a result, this is not reflected in Ofcom's financial statements.

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

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

- WTA license fees
- Government Department spectrum fees
- Financial Penalties
- Additional Payments from television and radio licensees; and
- Geographic Numbering

The income collected (excluding those retained under the Digital Economy Act 2017) was passed to the UK Consolidated Fund at HM Treasury, the Department of Finance and Personnel - Northern Ireland (DFPNI) and to the Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey under Statutory Instrument 1991, Numbers 998, 1710 and 1709 respectively, directly or via the DCMS as Ofcom's sponsoring body.

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

Thus, no receipts, payments or related Statement of Financial Position items are made in Ofcom's Financial Statements in respect of Section 400 related transactions, unless payments and fees have been collected and deposited into Ofcom's main bank account at the end of the reporting date.



## e) Property, plant and equipment

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

The minimum capitalisation threshold is £2,500 and property, plant and equipment is recorded at cost or deemed cost, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value. For example, fixed computer hardware such as servers, firewalls and network switches used in offices are capitalised. Whereas, low value, short-life moveable IT equipment is expensed, as Ofcom has no control over the physical environment or manner in which usage takes place.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Ofcom and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on a straight-line basis, at rates estimated to write off their book values over their estimated useful lives as follows:

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

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

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

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

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

For any new contracts, Ofcom considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Ofcom assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to Ofcom.
- Ofcom has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- Ofcom has the right to direct the use of the identified asset throughout the period of use. Ofcom assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, Ofcom recognises right-of-use asset and lease liability excluding VAT on the Statement of Financial Position. Right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received) up to the end of or extension of lease, whichever is later, or up to termination of lease if any.

Ofcom depreciates the right-of-use assets on a straight-line basis at rates estimated to write off their book values from the month in which an asset is brought into service, to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Ofcom also assesses the right-of-use asset for impairment when such indicators exist.

The minimum capitalisation threshold is £2,500 and right-of-use assets are recorded at total costs of the leased contract, less accumulated depreciation and any impairment losses. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value.

Subsequent to initial measurement, the carrying amount of the right-of-use asset is adjusted by the same amount as the adjustment to the carrying value of the lease liability. There is no immediate gain or loss, but the revised cash flows will impact the Statement of Income and Expenditure over the remaining term of the lease. Exceptions to this principle are when a reduction in the carrying value of the lease liability is greater than the carrying value of the related right-of-use asset at the point of remeasurement, in which case the asset is reduced to nil and the excess is recognised in the Statement of Income and Expenditure, and in many cases where a lease modification decreases the scope of an existing lease. Revaluation of right-of-use assets, if any, will be recognised in the revaluation reserve.

Ofcom measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or in accordance with HM Treasury rate of 3.51% for calendar year 2023 (0.95% for calendar year 2022).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), and if any, the variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the Statement of Income and Expenditure if the right-of-use asset is already reduced to zero.

Ofcom has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expenditure in Statement of Income and Expenditure on a straight-line basis over the lease term.

Liability for leases not yet commenced to which Ofcom is committed to, is recorded on the Statement of Financial Position only from the date of a signed lease agreement.

### Initial direct cost

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

### Use of hindsight

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

### Subleases

IFRS 16 requires an intermediate lessor to classify subleases as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease, the sublease is classified as an operating lease;
- Otherwise, the sublease is classified with reference to the right-of-use asset arising from the head lease, rather than with reference to the underlying asset.

Ofcom has classified its subleases as finance lease and therefore:

- Derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee, and recognises the net investment in the sublease.
- Recognises any difference between the right-of-use asset and the net investment in the sublease in the Statement of Income and Expenditure as (Gain)/Loss on disposal of non-current assets.
- Retains the lease liability relating to the head lease in the Statement of Financial Position, which represents the lease payments owed to head lessor.

During the sublease, Ofcom as the intermediate lessor, recognises interest expense on the head lease (lease liability) and finance income on the sublease in the Statement of Income and Expenditure.

## g) Intangible assets

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses as per IAS 38 Intangible Assets. Expenditure capitalised includes the costs of software applications, related licence fees, and the information technology which relates to the development of our core systems. The minimum capitalisation threshold is £2,500. Capitalisation thresholds are applied to individual items unless it is more appropriate to apply the criteria to an aggregated value.

Internally generated intangible non-current assets, such as computer software, are recognised only if an asset is created that can be identified. Where no internally generated intangible asset can be recognised, development cost is recorded as an expenditure in the period in which it is incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Ofcom and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Amortisation on capitalised intangible assets is charged to the Statement of Income and Expenditure on a straight-line basis, from the month following that in which an asset is brought into service, over the estimated useful life of the asset of 3 to 5 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Systems under development comprise of costs incurred in developing software, which will replace some of the current applications. Upon completion, these assets will be transferred to the relevant asset class and amortised according to the accounting policy.

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

## h) Impairment of property, plant and equipment, intangible assets and right-of-use assets

At each reporting date, the carrying value of non-current assets are reviewed to determine if there is some indication that the carrying value of the assets may have been impaired as per IAS 36 Impairment of Assets.

An asset's carrying amount is written down immediately, as an impairment loss, to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

## i) Financial instruments

### Trade and other receivables

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

Trade and other receivables are non-interest bearing and recognised initially at fair value less any write off for impairment. Gains and losses on subsequent measurement are recognised as fair value entirely in the Statement of Income and Expenditure.

The global financial uncertainty arising from the pandemic has had little impact on the recoverability of debts during the year ended 31 March 2023 and therefore there is no significant increase to credit risk. During the year where stakeholders have had financial difficulties Ofcom has provided opportunities for payment plans and delaying the timing of the payment.

Prepayments are payments which have been made, but the benefits of which have not been consumed.

Accrued income – see Note 1(b) income recognition.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and amounts due to the Consolidated Fund. Interest income receivable on cash and cash equivalents is recognised as it is earned.

**Trade and other payables**

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

Trade and other payables are non-interest bearing and recognised initially at fair value.

Other payables represent money owing to third parties at the reporting date.

Deferred income – see Note 1(b) income recognition.

**Financial risks and impairment of financial instruments**

IAS 32 Financial Instruments: Presentation requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Ofcom has no significant exposure to liquidity, interest rate or currency risks. Because of the nature of activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risks faced by business entities.

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

The adoption of IFRS 9 Financial Instruments has no material impact to Ofcom's results. Ofcom's trade receivables or contract assets have no significant financing component nor exposure to credit risks, with any under recovery of stakeholder fees in a given year to be recovered through the following years' tariffs. Ofcom has assessed the loss allowance at initial recognition at an amount equal to lifetime expected credit loss, and the outcome was immaterial. Therefore, to ensure this remains the same throughout the life of the receivable, Ofcom continues to appraise the robustness of its monthly credit control and impairment of financial assets, if any, at the end of each financial year.

**j) Employee benefits****Pensions**

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

**Defined contribution scheme**

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

Obligations under Ofcom's defined contribution scheme are recognised within staff costs as an expenditure in the Statement of Income and Expenditure as incurred. New staff may join the stakeholder pension scheme, which is a defined contribution scheme.

**Defined benefit plans**

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

When the calculation results in a benefit to Ofcom, the recognised asset is limited to the present value of any future refunds. Actuarial gains and losses are recognised in other comprehensive income/ (expenditure) within the Statement of Comprehensive Net Income/(Expenditure) in full in the period in which they occur. Interest income and costs, and administration costs of the defined benefit plans are recognised in the Statement of Income and Expenditure in the current period.

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

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

IAS 19 requires that, where a scheme is in surplus according to the IAS 19 assumptions, the surplus can only be recognised on the Statement of Financial Position if an economic benefit is "available" to it as a result of the surplus.

#### Unfunded schemes

Ofcom also has liabilities in respect of pension payments to two former Chairmen of the Independent Television Commission, one former Chairman of the Radio Authority and two former Directors General of The Office of Telecommunications. These unfunded benefits are accounted for under IAS 19 Employee Benefits via a provision in the Statement of Financial Position equal to the actuarial value of these liabilities.

#### Colleague leave liability

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

Colleagues who have completed five years of continuous service are entitled to a paid sabbatical of five weeks and thereafter accrue one week for each additional year of service subject to a maximum of ten weeks.

An accrual, based on management's best estimates using current salary data is included as part of accruals. As from 1st January 2008, this benefit was withdrawn for new employees.

## k) Provisions

Provisions for early retirement and legal provisions are recognised when:

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

Ofcom has a present legal or constructive obligation as a result of past events and for estimated third party legal costs and damages in respect of challenges to regulatory decisions of Ofcom where it is judged probable that these will be payable; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

## l) Foreign exchange

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

## m) Current tax

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

Corporation Tax is assessable on interest received, and in respect of rental income.

## n) Segmental analysis

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

## o) Areas of judgement and key sources of estimation uncertainty

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

The areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follow:

- Legal provisions – accounting policy (k)
- Income recognition and assessment of unbilled income – accounting policy (b)

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

- Estimation of liabilities for pensions and other post-retirement benefits – accounting policy (j)
- Judgement about whether a contract contains a lease (f)



## 2. Sectoral Analysis

The analysis below refers to income by sector for the year ended 31 March 2023, together with attributable costs. This is prepared in accordance with the Communications Act 2003 and Postal Services Act 2011 and not in terms of IFRS 8 Operating Segments, as per the accounting policy Note 1 (n).

	Spectrum Management	Spectrum Clearance	Satellite Fillings	Network information & services	Networks & services	Broadcasting	Online Safety	Postal regulation	Other regulatory activities	2022/23 Total	2021/22 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>											
Licence, regulation & administration fees	-	-	176	-	45,374	20,618	-	5,165	-	71,333	78,887
Application fees	-	-	-	-	215	184	-	-	-	399	573
Grant-in-aid (GIA)	-	1,356	-	-	-	-	-	-	-	1,356	10,050
WTA receipts retention	53,643	-	-	-	-	-	42,944	-	12,280	108,867	76,534
Accrued/ (Deferred) income	627	(1,356)	645	268	(5,096)	1,531	2,508	(469)	(1,589)	(2,931)	(7,735)
<b>Operating income</b>	<b>54,270</b>	<b>-</b>	<b>821</b>	<b>268</b>	<b>40,493</b>	<b>22,333</b>	<b>45,452</b>	<b>4,696</b>	<b>10,691</b>	<b>179,024</b>	<b>158,309</b>
Other income	230	-	1	-	30	16	34	4	8	323	118
Interest receivable	29	-	-	-	22	13	25	3	6	98	-
<b>Cash income</b>	<b>54,529</b>	<b>-</b>	<b>822</b>	<b>268</b>	<b>40,545</b>	<b>22,362</b>	<b>45,511</b>	<b>4,703</b>	<b>10,705</b>	<b>179,445</b>	<b>158,427</b>
Adjustment to operating expenditure	(259)	-	(1)	-	(52)	(29)	(59)	(7)	(14)	(421)	(118)
Other costs	(54,270)	-	(821)	(268)	(40,493)	(22,333)	(45,452)	(4,696)	(10,691)	(179,024)	(158,309)
<b>Cash operating expenditure</b>	<b>(54,529)</b>	<b>-</b>	<b>(822)</b>	<b>(268)</b>	<b>(40,545)</b>	<b>(22,362)</b>	<b>(45,511)</b>	<b>(4,703)</b>	<b>(10,705)</b>	<b>(179,445)</b>	<b>(158,427)</b>
Legal settlement	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(54,529)</b>	<b>-</b>	<b>(822)</b>	<b>(268)</b>	<b>(40,545)</b>	<b>(22,362)</b>	<b>(45,511)</b>	<b>(4,703)</b>	<b>(10,705)</b>	<b>(179,445)</b>	<b>(158,427)</b>
<b>Surplus on cash costs basis</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Comparative costs by sector											
<b>Year ended 31 March 2023</b>	<b>(54,529)</b>	<b>-</b>	<b>(822)</b>	<b>(268)</b>	<b>(40,545)</b>	<b>(22,362)</b>	<b>(45,511)</b>	<b>(4,703)</b>	<b>(10,705)</b>	<b>(179,445)</b>	<b>-</b>
Year ended 31 March 2022	(55,688)	(8,752)	(761)	(116)	(37,839)	(23,752)	(15,987)	(5,494)	(10,038)	(158,427)	-

Other regulatory activities comprise:

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

In accordance with Ofcom's accounting policies, as set out in Note 1(b) to these accounts, grant-in-aid and WTA receipts retention are allocated and matched to costs in the year to which they relate.

The table on page 126 is prepared on an adjusted cash basis, which includes capital expenditure and actual contributions to pension schemes, but excludes depreciation and amortisation.

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

Broadcasting includes the charge to the BBC in relation to BBC regulatory responsibilities.

Income and Expenditure in the Spectrum Clearance was nil in 2022/23 due to final stage of our work recommencing in 2023/24.

Income and Expenditure for Online Safety has increased as Ofcom progress on the preparatory work in this sector.





## Reconciliation from operating expenditure to final operating costs outturn

	Notes	2022/23 £'000	2021/22 £'000
<b>Operating expenditure – Statement of Income and Expenditure</b>		<b>175,220</b>	<b>154,541</b>
Adjustments in respect of pension asset and liability		749	844
Capital expenditure less depreciation and amortisation	8,10	3,134	1,419
Right-of-use assets depreciation	9	(5,098)	(4,993)
Lease payments	17	5,615	5,192
Other adjustments		(175)	1,424
<b>Cash operating expenditure</b>		<b>179,445</b>	<b>158,427</b>
Spectrum clearance	4,6	-	(8,752)
International Telecommunication Union (ITU) subscription		(2,638)	(2,617)
Non-operating income	3	(418)	(118)
<b>Final operating costs outturn</b>		<b>176,389</b>	<b>146,940</b>

Other adjustments reflect the movement in year of non cash related matters.

As required by both the Communications Act 2003 and Postal Services Act 2011, the table below shows cash received during the financial year and the amount outstanding for the Network & services, Broadcasting and Post sectors.

	Cash received in 2022/23 £'000	Amount outstanding £'000
<b>Sectors</b>		
Networks & services	32,555	47
Broadcasting	22,947	104
Post	6,493	7
<b>Total</b>	<b>61,995</b>	<b>158</b>

### 3. Income

	Ofcom	Spectrum clearance	Total	Ofcom	Spectrum clearance	Total
	£'000	£'000	2022/23 £'000	£'000	£'000	2021/22 £'000
<b>Grant-in-aid DCMS</b>						
Spectrum clearance	-	-	-	-	8,752	8,752
<b>Total grant-in-aid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,752</b>	<b>8,752</b>
<b>WTA receipts retention</b>						
Spectrum management	54,273	-	54,273	55,645	-	55,645
Ex-post competition	444	-	444	1,092	-	1,092
Nuisance calls	52	-	52	147	-	147
Consumer protection	3	-	3	8	-	8
Video-sharing platform	5,095	-	5,095	5,696	-	5,696
Public interest test	-	-	-	100	-	100
Online safety	45,452	-	45,452	15,975	-	15,975
Telecoms security duties	4,773	-	4,773	2,808	-	2,808
Network and information systems	95	-	95	38	-	38
HFSS	207	-	207	140	-	140
Media bill	24	-	24	-	-	-
Satellite filings	821	-	821	761	-	761
<b>Total WTA receipts retention</b>	<b>111,239</b>	<b>-</b>	<b>111,239</b>	<b>82,410</b>	<b>-</b>	<b>82,410</b>
<b>Stakeholder income</b>						
Networks and services administrative and application fees	40,493	-	40,493	37,809	-	37,809
Broadcasting Act licence and application fees	21,974	-	21,974	23,733	-	23,733
Postal regulation	4,696	-	4,696	5,490	-	5,490
Video-on-demand	359	-	359	-	-	-
Networks and information systems	268	-	268	116	-	116
Sublease income	14	-	14	-	-	-
Other income	402	-	402	117	-	117
<b>Total stakeholder income</b>	<b>68,206</b>	<b>-</b>	<b>68,206</b>	<b>67,265</b>	<b>-</b>	<b>67,265</b>
<b>Total income</b>	<b>179,445</b>	<b>-</b>	<b>179,445</b>	<b>149,675</b>	<b>8,752</b>	<b>158,427</b>

Spectrum management includes the ITU annual subscription paid on behalf of the UK Government.

Broadcasting Act licence and application fees include the charge to the BBC in relation to BBC regulatory responsibilities.

Spectrum clearance income has been presented separately from core Ofcom income in order to provide a more meaningful comparison between the years.

## 4. Staff Costs

	Ofcom	Spectrum clearance	Total	Ofcom	Spectrum	Total
	£'000	£'000	2022/23 £'000	£'000	clearance £'000	2021/22 £'000
<b>Staff costs, including fees paid to Board Members, were:</b>						
Salaries and benefits	88,405	-	88,405	73,439	212	73,651
National Insurance costs	10,197	-	10,197	8,657	25	8,682
Pension costs	9,017	-	9,017	7,857	17	7,874
Restructuring costs	436	-	436	40	60	100
<b>Total staff costs</b>	<b>108,055</b>	<b>-</b>	<b>108,055</b>	<b>89,993</b>	<b>314</b>	<b>90,307</b>

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

During the year, 18 (2021/22: 24) employees were seconded to other organisations and therefore this credit is included within the staff costs line in the table above.

The restructuring costs in 2022/23 relate to restructuring activities completed in the year for 10 employees (2021/22: 3) and includes costs unpaid at year end relating to 2 employees (2021/22: Nil).

More detailed information in respect of the remuneration and pension entitlements of the senior executives and Group Directors is shown in the remuneration report on pages 100-107.

## 5. Employee Numbers

	2022/23	2021/22
The average number of employees (full time equivalents)	1,256	1,102

As at 31 March 2023, Ofcom had 1,353 employees (full time equivalents) (2021/22: 1,159), an increase from the previous year primarily as a result of the preparation work for our new duty regarding Online Safety.

Non-Executive Members of the Ofcom Board, Content Board, Advisory Committees and employees seconded to Ofcom are excluded from employee numbers.

## 6. Other operating expenditure

	Ofcom	Spectrum clearance	Total	Ofcom	Spectrum clearance	Total
	£'000	£'000	2022/23 £'000	£'000	£'000	2021/22 £'000
Auditor's remuneration – statutory audit fees	130	-	130	127	-	127
Auditor's remuneration – Section 400	17	-	17	16	-	16
Professional fees	5,980	-	5,980	6,627	191	6,818
Outsourced services	12,168	-	12,168	10,423	-	10,423
Audience and consumer research	7,822	-	7,822	5,183	-	5,183
Technological research and spectrum efficiency projects	1,184	-	1,184	281	-	281
Spectrum clearance scheme	-	-	-	-	8,243	8,243
Temporary staff and recruitment	5,787	-	5,787	5,405	-	5,405
Travel and subsistence	1,868	-	1,868	327	-	327
Premises costs	7,496	-	7,496	5,635	-	5,635
Administration and office expenses	8,760	-	8,760	7,365	-	7,365
Information and technology costs	8,227	-	8,227	6,972	4	6,976
Vehicles	190	-	190	179	-	179
Bad and doubtful debt	46	-	46	(1)	-	(1)
Amortisation	22	-	22	135	-	135
Depreciation	2,266	-	2,266	2,128	-	2,128
Depreciation ROU lease assets	5,098	-	5,098	4,993	-	4,993
Loss on disposal of non-current assets	104	-	104	1	-	1
<b>Total other operating expenditure</b>	<b>67,165</b>	<b>-</b>	<b>67,165</b>	<b>55,796</b>	<b>8,438</b>	<b>64,234</b>

Spectrum clearance costs have been presented separately from core Ofcom other operating expenditure in order to aid transparency and provide a more meaningful comparison between the years.

The loss of £104k on disposal of non-current assets is directly attributable to the partial sublease of the 4th floor at the London office.

The total expenditure incurred directly as a result of the implementation of Covid-19 measures is shown below. This has been presented as part of the total other operating expenditure for the year.

	Ofcom	Spectrum clearance	Total 2022/23	Ofcom	Spectrum clearance	Total 2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Covid-19	-	-	-	281	-	281

## 7. Taxation

	2022/23 £'000	2021/22 £'000
<b>Reconciliation of tax charge</b>		
Surplus before tax	3,925	3,267
Tax on profit at the UK standard rate of Corporation Tax of 19% (2021/22: 19%)	746	621
<b>Tax effect of:</b>		
Income not subject to tax	(34,070)	(30,093)
Expenses not subject to tax	33,349	29,480
Decrease to brought forward tax losses	(25)	(8)
<b>Tax charge</b>	-	-

At the reporting date, Ofcom had unutilised tax losses available for offset against future taxable income of £11,155k (2021/22: £11,285k). No deferred tax asset is recognised in respect of these losses as it is not probable that sufficient taxable income will arise against which the losses can be utilised.

## 8. Property, Plant and Equipment

	Leasehold improvements	Fixtures and fittings	Office and field equipment	Computer hardware	Vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
<b>At 1 April 2021</b>	<b>8,329</b>	<b>1,890</b>	<b>13,510</b>	<b>1,686</b>	<b>736</b>	<b>409</b>	<b>26,560</b>
Additions during year	-	114	29	546	-	2,989	3,678
Disposals	(5)	(13)	(2,972)	(25)	-	-	(3,015)
Transfers	-	-	323	94	-	(417)	-
<b>At 31 March 2022</b>	<b>8,324</b>	<b>1,991</b>	<b>10,890</b>	<b>2,301</b>	<b>736</b>	<b>2,981</b>	<b>27,223</b>
Additions during year	1,305	235	1,559	22	-	2,160	5,281
Disposals	(19)	-	(88)	(19)	-	-	(126)
Transfers	386	12	2,411	1,344	-	(4,153)	-
<b>Cost at 31 March 2023</b>	<b>9,996</b>	<b>2,238</b>	<b>14,772</b>	<b>3,648</b>	<b>736</b>	<b>988</b>	<b>32,378</b>
<b>Depreciation</b>							
<b>At 1 April 2021</b>	<b>2,173</b>	<b>778</b>	<b>10,988</b>	<b>1,385</b>	<b>599</b>	<b>-</b>	<b>15,923</b>
Charge for the year	716	266	761	306	79	-	2,128
Disposals	(5)	(11)	(2,973)	(25)	-	-	(3,014)
<b>At 31 March 2022</b>	<b>2,884</b>	<b>1,033</b>	<b>8,776</b>	<b>1,666</b>	<b>678</b>	<b>-</b>	<b>15,037</b>
Charge for the year	677	271	906	356	56	-	2,266
Disposals	(4)	-	(88)	(19)	-	-	(111)
<b>Accumulated depreciation at 31 March 2023</b>	<b>3,557</b>	<b>1,304</b>	<b>9,594</b>	<b>2,003</b>	<b>734</b>	<b>-</b>	<b>17,192</b>
<b>NBV 31 March 2023</b>	<b>6,439</b>	<b>934</b>	<b>5,178</b>	<b>1,645</b>	<b>2</b>	<b>988</b>	<b>15,186</b>
NBV 31 March 2022	5,440	958	2,114	635	58	2,981	12,186

Equipment purchased for the Spectrum Clearance and Awards programme has been included in Ofcom's asset registers under Field Equipment.

## 9. Right-of-use assets

Ofcom leases of assets include buildings, vehicles and office equipment. Information about leases for which Ofcom is a lessee is presented below.

	Buildings £'000	Vehicles £'000	Others £'000	Total £'000
<b>Cost</b>				
At 1 April 2021	52,116	241	233	52,590
Additions during year	1,020	516	7	1,543
At 31 March 2022	53,136	757	240	54,133
Additions during year	3,105	-	-	3,105
Disposals	(3,165)	(159)	(115)	(3,439)
<b>Cost at 31 March 2023</b>	<b>53,076</b>	<b>598</b>	<b>125</b>	<b>53,799</b>
<b>Depreciation</b>				
At 1 April 2021	9,224	179	114	9,517
Charge for the year	4,861	87	45	4,993
<b>Accumulated depreciation at 31 March 2022</b>	<b>14,085</b>	<b>266</b>	<b>159</b>	<b>14,510</b>
Charge for the year	4,950	123	25	5,098
Decreases	(1,198)	(159)	(115)	(1,472)
<b>Accumulated depreciation at 31 March 2023</b>	<b>17,837</b>	<b>230</b>	<b>69</b>	<b>18,136</b>
<b>NBV 31 March 2023</b>	<b>35,239</b>	<b>368</b>	<b>56</b>	<b>35,663</b>
NBV 31 March 2022	39,051	491	81	39,623

Ofcom entered into a lease for a new office in Edinburgh this financial year.

## 10. Intangible assets

	Software licences £'000	Information technology £'000	Systems under development £'000	Total £'000
<b>Cost</b>				
<b>At 1 April 2021</b>	<b>5,417</b>	<b>17,943</b>	<b>-</b>	<b>23,360</b>
Additions during year	-	-	4	4
Disposals	(305)	(268)	-	(573)
<b>At 31 March 2022</b>	<b>5,112</b>	<b>17,675</b>	<b>4</b>	<b>22,791</b>
Additions during year	-	55	86	141
Disposals	(734)	(5,375)	-	(6,109)
<b>Cost at 31 March 2023</b>	<b>4,378</b>	<b>12,355</b>	<b>90</b>	<b>16,823</b>
<b>Amortisation</b>				
<b>At 1 April 2021</b>	<b>5,306</b>	<b>17,888</b>	<b>-</b>	<b>23,194</b>
Charge for the year	111	24	-	135
Disposals	(305)	(268)	-	(573)
<b>At 31 March 2022</b>	<b>5,112</b>	<b>17,644</b>	<b>-</b>	<b>22,756</b>
Charge for the year	-	22	-	22
Disposals	(734)	(5,375)	-	(6,109)
<b>Accumulated amortisation at 31 March 2023</b>	<b>4,378</b>	<b>12,291</b>	<b>-</b>	<b>16,669</b>
<b>NBV 31 March 2023</b>	<b>-</b>	<b>64</b>	<b>90</b>	<b>154</b>
NBV 31 March 2022	-	31	4	35



## 11. Trade and other receivables: current assets

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Trade receivables	232	2,992
Other receivables	70	640
Prepayments	7,474	5,930
Staff loans and advances	36	48
Accrued Income – Other	9	-
Accrued Income – Stakeholder	980	4,865
Accrued Income – Grant-in-aid	-	134
Accrued income – WTA Receipts	3,820	6,063
<b>Total trade and other receivables: current assets</b>	<b>12,621</b>	<b>20,672</b>

The decrease in Trade receivables was due to a delay in raising stakeholder fees after the migration from SAP to Workday in the last quarter of 2021/22.

All invoices were raised and most settled in a timely manner in 2022/23.

The increase in Prepayments was due to inflationary rises in premises costs (e.g. electricity, service charges) and increases in Information Services costs due to a combination of rises in inflation and growth of the Online Safety group.

The decrease in Accrued Income – Stakeholder is due to actual spend for the year being more in line with the budgeted costs in 2022/23.

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

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Accrued Income – Stakeholder	2,023	542
<b>Total trade and other receivables: non-current assets</b>	<b>2,023</b>	<b>542</b>

The increase is mainly driven by the TV sector for this financial year (2022/23 £1,575k; 2021/22 £263k) due to the costs for the sector being higher than forecasted. This amount will be recovered from the sector in 2024/25.

## 13. Cash and cash equivalents

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Commercial banks and cash in hand	13,396	20,920
<b>Total cash and cash equivalents</b>	<b>13,396</b>	<b>20,920</b>

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

## 14. Lease receivables

A maturity analysis of lease payments receivable based on undiscounted gross and discounted net cash flows for building is reported in the table below:

### Maturity analysis - contractual cash flows: undiscounted

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Year 1	284	-
Year 2	290	-
Year 3	296	-
Year 4	301	-
Year 5	308	-
More than five years	634	-
<b>Total lease receivables: undiscounted</b>	<b>2,113</b>	<b>-</b>
Finance income for sublease	(273)	-
<b>Total lease receivables: discounted</b>	<b>1,840</b>	<b>-</b>

### Amounts recognised in the Statement of Financial Position

	As at 31 March 2023	As at 31 March 2022
	£'000	£'000
Lease receivables: current assets	220	-
Lease receivables: non-current assets	1,620	-
<b>Total lease receivables: discounted</b>	<b>1,840</b>	<b>-</b>

## Amounts recognised in the Statement of Income and Expenditure

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Interest on lease receivables (included in finance income)	(66)	-
Income from sub-leasing right-of-use assets (included in income)	(14)	-

## Amounts recognised in the Statement of Cash Flows

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Total cash inflow for sublease	104	-

Ofcom entered into a new sub-lease arrangement for part of the 4th floor in the London office in this financial year. Leases are discounted at a single nominal rate for leases, which for the full 2023 calendar year is 3.51 per cent.

The lease contract substantially transfers all the risks and benefits for using the space from Ofcom to the subtenant. This means that contractually, the right-of-use asset can only be used by the subtenant, and they must return the property to its original state at the end of the sublease. In addition to the rent paid the subtenant, other associated maintenance and running expenses will also be recharged to them. There is no impact on the terms and conditions of the original lease between Ofcom and the landlord and Ofcom will continue to meet its obligations to the landlord.

## 15. Trade and other payables: current liabilities

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Trade payables	1,163	5,894
Other tax and social security	7	-
Other payables	239	1,103
Value added tax payable	152	128
Accruals	9,683	8,854
Deferred Income – Other	-	852
Deferred Income – Stakeholder	11,567	13,508
Deferred income – Grant-in-aid	1,360	1,292
Deferred income – WTA Receipts	3,724	4,883
<b>Total trade and other payables: current liabilities</b>	<b>27,895</b>	<b>36,514</b>

The movement in trade payables is due to timing of the final supplier payment run for 2021/22 made in early April 2022.

The decrease in Deferred Income – Stakeholder is due to actual spend for the year being more in line with the budgeted costs in 2022/23. This amount will be returned to the sector in 2024/25.

## 16. Trade and other payables: non-current liabilities

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Deferred Income – Stakeholder	237	5,547
<b>Total trade and other payables: non-current liabilities</b>	<b>237</b>	<b>5,547</b>

The decrease in Deferred Income – Stakeholder is due to actual spend for the year being more in line with the budgeted costs in 2022/23, particularly in the Networks & Services Sector.

## 17. Lease liabilities

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

	Buildings £'000	Vehicles £'000	Other £'000	As at 31 March 2023 Total £'000	As at 31 March 2022 Total £'000
<b>Maturity analysis – contractual cash flows: undiscounted</b>					
Less than one year	5,565	119	24	5,708	5,564
One to five years	22,129	212	30	22,371	21,073
More than five years	14,737	-	-	14,737	18,050
<b>Total lease liabilities: undiscounted</b>	<b>42,431</b>	<b>331</b>	<b>54</b>	<b>42,816</b>	<b>44,687</b>

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

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
<b>Amounts recognised in the Statement of Financial Position</b>		
Lease liabilities: current liabilities	4,892	4,766
Lease liabilities: non-current liabilities	34,163	36,009
<b>Total lease liabilities: discounted</b>	<b>39,055</b>	<b>40,775</b>

Leases are discounted at a single nominal rate for leases, which for the full 2023 calendar year is 3.51 per cent (2022: 0.95 per cent, 2021: 0.91 per cent, 2020: 1.27 per cent). Leases that transitioned to IFRS 16 prior to January 2020 and in the 2019 calendar year are discounted at prior year discount rate of 1.99 per cent, in accordance with HM Treasury direction.

During the year 2022/23, Ofcom signed a lease contract for a new Edinburgh office. The lease commenced on the 13th of March 2023 and is scheduled to run until 12th of March 2033 with an initial 7 months' rent-free period, adding £3,050k to the right-of-use assets and £2,939k to the lease liabilities.

Each lease generally imposes a restriction that, unless there is a contractual right for Ofcom to sublet the asset to another party, the right-of-use asset can only be used by Ofcom. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. Ofcom is prohibited from selling or pledging the underlying leased assets as security. For leases over buildings, Ofcom must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, Ofcom must insure right-of-use assets and incur maintenance fees on such assets in accordance with the lease contracts.

	As at 31 March 2023 £'000	As at 31 March 2022 £'000
<b>Amounts recognised in the Statement of Income and Expenditure</b>		
Interest on lease liabilities (included in finance costs)	901	868
Expenditure relating to short-term leases (included in other operating expenditure)	14	3
Expenditure relating to leases of low-value assets (included in other operating expenditure)	27	23
<b>Amounts recognised in the Statement of Cash Flows</b>		
Total cash outflow for leases	(5,615)	(5,192)

## 18. Provisions for liabilities and charges

	Early retirement £'000	Legal £'000	Total £'000
<b>At 1 April 2021</b>	<b>161</b>	<b>-</b>	<b>161</b>
Discount unwound and changes in rate (included in finance costs)	5	-	5
Utilised in year	(11)	-	(11)
<b>At 31 March 2022</b>	<b>155</b>	<b>-</b>	<b>155</b>
Discount unwound and changes in rate (included in finance costs)	(25)	-	(25)
Utilised in year	(12)	-	(12)
<b>Total provisions as at 31 March 2023</b>	<b>118</b>	<b>-</b>	<b>118</b>

	Early retirement £'000	Legal £'000	Total £'000
<b>Analysis of expected timing of cashflows</b>			
<b>Current</b>			
Less than one year	12	-	12
<b>Total current</b>	<b>12</b>	<b>-</b>	<b>12</b>
<b>Non-current</b>			
One to five years	45	-	45
More than five years	61	-	61
<b>Total non-current</b>	<b>106</b>	<b>-</b>	<b>106</b>
<b>Total provisions as at 31 March 2023</b>	<b>118</b>	<b>-</b>	<b>118</b>

The provision for early retirement of £118k (2021/22: £155k) is for Annual Compensation Payments which is part of the severance package for some colleagues who transferred to Ofcom on their old Civil Service terms and conditions of employment.

Provisions are calculated in accordance with the requirements of IAS 37. Provisions for early retirement are discounted by 1.70 per cent (2021/22: -1.30 per cent) per annum in accordance with HM Treasury direction; all other provisions with a time boundary of 1 to 5 years are discounted by the short term discount rate of 3.27 per cent (2021/22: 0.47 per cent) and for provisions with a time boundary of 5 to 10 years the medium term rate of 3.20 per cent (2021/22: 0.70 per cent).

Ofcom's regulatory decisions may be subject to appeal. Appeals against Ofcom's decisions could give rise to liabilities for legal costs. Ofcom will make a provision in the financial statements for costs to the extent they are probable and quantifiable.

## 19. MG Alba

In accordance with Section 210 of the Communications Act 2003 and Section 183 of the Broadcasting Act 1990, the Scottish Ministers paid £13,380k (2021/22: £13,530k) to Ofcom. The sums have not been reflected in Ofcom's financial statements as these are subsequently paid by Ofcom to the Gaelic Broadcasting Fund under the management of the Seirbheis nam Meadhanan Gàidhlig (MG Alba). MG Alba prepares separate reports and financial statements to 31 March each year. These are sent by Ofcom to the Secretary of State for Scotland and Scottish Ministers to be laid before the Scottish Parliament.

## 20. Retirement benefit obligations

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

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

Ofcom's primary means of providing pension benefits to its colleagues is by contributing to a stakeholder pension plan. Employer contributions of £8,251k were made in the year ended 31 March 2023 (2021/22: £7,104k). There is also a defined contribution section in the Ofcom Defined Benefits Pension Plan. However, this is now closed and no further contributions are being made to this arrangement.

### b) Defined benefit pension plans

Ofcom operates two defined benefit pension plans, although both closed to future accrual on 1 June 2011:

- The Ofcom Defined Benefit Pension Plan was established on 29 December 2003. The employer contribution made to the Ofcom Defined Benefit Pension Plan for the year ending 31 March 2023 was £4k in relation to Plan expenses (2021/22: £3k). Employer contributions of £960k were transferred from the Feeder Trust account to the Ofcom Defined Benefit Pension Plan in the year ending 31 March 2023 (2021/22: £360k); and
- The Ofcom (Former ITC) Staff Pension Plan which Ofcom jointly participates in with three other organisations, S4C, S4C Masnachol and the Advertising Standards Authority (ASA). The employer contribution made to the Ofcom (Former ITC) Staff Pension Plan for the year ending 31 March 2023 was £11k in relation to Plan expenses (2021/22:

£10k). Employer contributions of £1,580k were transferred from the Feeder Trust account to the Ofcom (Former ITC) Staff Pension Plan in the year ending 31 March 2023 (2021/22: £180k).

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

Ofcom's cash contributions to these two plans are determined in accordance with the Pensions Act 2004. This requires a significantly more prudent measure of the liabilities than IFRS. Pensions Act 2004 funding valuations with an effective date of 31 March 2021 were completed for both defined benefit plans and, unlike under IFRS, showed a combined deficit of £0.6m.

Contribution schedules were agreed with the Trustee of both plans as a result of these valuations. Under the existing schedules Ofcom is expected to contribute £540k to the two defined benefit plans over the next 12 months to cover Plan expenses. In addition, Ofcom agreed to pay £1.4m by 31 July 2022 to cover deficit reduction contributions for the Ofcom (Former ITC) Staff Pension Plan and £0.6m by October 2022 in respect of revaluation deed implementation costs for the Ofcom Defined Benefit Pension Plan. These contributions were paid from the Feeder Trust on 21 July and 12 October 2022 respectively. Ofcom also reimburses the Plans for pension related levies.

Ofcom operates a Feeder Trust account, which is incorporated within the Pension Scheme Assets. Funds transferred to and held in the trust account can only be paid into one of the two defined benefit pension plans and are not able to be used for any other purpose. The Ofcom Feeder Trust is the mechanism by which Ofcom sets aside funds in order to make future contributions and to meet the running costs of our two defined benefit pension plans, the Ofcom Defined Benefit Pension Plan and the Ofcom (Former ITC) Staff Pension Plan.

Funds transferred to the Ofcom Feeder Trust are recognised in the financial year in which the transfer is made but these funds may then be used in future periods. Monies retained in the Feeder Account can only be used for funding the pension plans in accordance with the schedule of contributions for each Plan or by an ad hoc payment approved by Ofcom in respect of a particular project (such as a risk reduction exercise) as well as meeting the running costs of the plans.

Ofcom contributed, for the year ended 31 March 2023, £1,500k into the Feeder Trust (2021/22: £1,600k). The balance of the Feeder Trust as at 31 March 2023 was £7,762k (2021/22: £8,797k).

Ofcom is also responsible for meeting the unfunded pension liabilities for former Chairmen of the Independent Television Commission and the Radio Authority as well as former Directors General of Telecommunications. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Ofcom. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

### **GMP equalisation**

Following the High Court ruling in the Lloyds Bank case on 26 October 2018, which determined that schemes must adjust benefits so as to equalise Guaranteed Minimum Pensions (GMPs) between men and women, Ofcom made an allowance for the potential impact of this at 31 March 2019. This was allowed for as a past service cost in the Statement of Income and Expenditure. An allowance of £284k was made in respect of the Ofcom (Former ITC) Staff Pension Plan and an allowance of £14k was made in respect of the Ofcom Defined Benefit Pension Plan.

The Plans' Trustees continue to progress equalising GMPs. The ultimate cost of this will not be known until they have been fully equalised (which is likely to be a number of years away).

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

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

### **Deed of Amendment 2018**

An additional past service cost of £377k was allowed for in the Defined Benefit Plan at the 31 March 2019 year end. This was as a result of a Deed of Amendment which was executed in respect of the Ofcom Defined Benefit Plan on 28 July 2018.

As a result of these rule amendments, the benefits of some pensioner members had to be recalculated, leading to an increase in their benefits. As a result of revised calculations as part of this exercise, the total adjustment increased in FY22 and £500k was recognised on the Statement of Financial Position at 31 March 2022. Following completion of the Trustee's exercise, arrears payments and uplifts to pensions paid between 1 June 2022 and 31 March 2023 have been included as benefit payments in the FY23 IAS 19 disclosure. The recalculated impact of the exercise at 31 March 2023 was £400k. The £100k decrease compared with the allowance of £500k made at the prior accounting date has been recognised in Other Comprehensive Income.

### **Potential changes to RPI**

The UK Statistics Authority (UKSA) has advised that it intends to change the Retail Price Index (RPI), by 2030 at the latest, to bring it in line with CPIH (the Consumer Prices Index including owners-occupiers' housing costs). The Government carried out a public consultation on the matter during 2020, covering the timing and methodology used in any change. The results of this consultation were released on 25 November 2020. It concluded that RPI will be reformed to be in line with the CPIH with the transition taking place during 2030, and that no compensation would be paid to index-linked gilt holders. In response to this announcement, the derivation of RPI and CPI inflation assumptions were reviewed at 31 March 2021. Ofcom will continue to consider the outcome of the consultation to set the inflation assumptions used to determine the accounting DBO at 31 March 2023.

Ofcom has determined that the market-implied RPI inflation curve remains a reasonable basis for estimating long term future RPI-linked pension increases at 31 March 2023, including the changes in the RPI index to CPIH, and the derivation of the RPI inflation assumption at 31 March 2023 has remained consistent with prior years. For the derivation of the CPI assumption, Ofcom has determined that it is appropriate to maintain the approach adopted at the previous year end, resulting in an RPI-CPI differential of 0.75% at 31 March 2023, taking into account the DB plans' characteristics and membership profiles.



## Summary of Ofcom's defined benefit pension obligations

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pensions funded 31 March 2023 £'000	Unfunded pensions liability 31 March 2023 £'000	Total retirement benefits 31 March 2023 £'000	Defined benefit pensions funded 31 March 2022 £'000	Unfunded pensions liability 31 March 2022 £'000	Total retirement benefits 31 March 2022 £'000
Funded status, end of year						
- Benefit obligation in respect of deferred members	(45,814)	-	(45,814)	(64,977)	-	(64,977)
- Benefit obligation in respect of pensioner members	(158,150)	(804)	(158,954)	(188,273)	(1,084)	(189,357)
<b>Total benefit obligations</b>	<b>(203,964)</b>	<b>(804)</b>	<b>(204,768)</b>	<b>(253,250)</b>	<b>(1,084)</b>	<b>(254,334)</b>
Fair value of plan assets	215,422	-	215,422	272,938	-	272,938
<b>Funded status</b>	<b>11,458</b>	<b>(804)</b>	<b>10,654</b>	<b>19,688</b>	<b>(1,084)</b>	<b>18,604</b>

IAS 19 requires that, where a scheme is in surplus according to IAS 19 assumptions, the surplus can only be recognised on the Statement of Financial Position if an economic benefit is available to Ofcom as a result. All of the surplus in the funded arrangements can be recognised as it can be recovered by Ofcom.

## Changes over the year to 31 March 2023

	Defined benefit obligation	Assets	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2022	(253,250)	272,938	19,688	(1,084)	18,604
Administration expenses	-	(766)	(766)	-	(766)
Interest income/(cost)	(6,939)	7,478	539	(29)	510
Employer contributions	-	1,515	1,515	-	1,515
Benefits paid from scheme assets	13,474	(13,474)	-	-	-
Benefits paid directly by Ofcom	-	-	-	75	75
<b>Benefits paid total</b>	<b>13,474</b>	<b>(13,474)</b>	<b>-</b>	<b>75</b>	<b>75</b>
<b>Remeasurements</b>					
Actuarial gains/(losses)	42,751	(52,269)	(9,518)	234	(9,284)
<b>Closing value as at 31 March 2023</b>	<b>(203,964)</b>	<b>215,422</b>	<b>11,458</b>	<b>(804)</b>	<b>10,654</b>

## Changes over the year to 31 March 2022

	Defined benefit obligation	Assets	Funded pension	Unfunded pension	Total pensions
	£'000	£'000	£'000	£'000	£'000
Opening value as at 1 April 2021	(271,817)	286,693	14,876	(1,153)	13,723
Administration expenses	-	(769)	(769)	-	(769)
Interest income/(cost)	(4,935)	5,212	277	(23)	254
Employer contributions	-	1,613	1,613	-	1,613
Benefits paid from scheme assets	12,079	(12,079)	-	-	-
Benefits paid directly by Ofcom	-	-	-	71	71
<b>Benefits paid total</b>	<b>12,079</b>	<b>(12,079)</b>	<b>-</b>	<b>71</b>	<b>71</b>
<b>Remeasurements</b>					
Actuarial gains/(losses)	11,423	(7,732)	3,691	21	3,712
<b>Closing value as at 31 March 2022</b>	<b>(253,250)</b>	<b>272,938</b>	<b>19,688</b>	<b>(1,084)</b>	<b>18,604</b>

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

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>31 March 2023</b>			
Interest income/(cost)	539	(29)	510
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>539</b>	<b>(29)</b>	<b>510</b>
Administration expenses	(766)	-	(766)
<b>Net income/(cost) recognised in income and expenditure</b>	<b>(227)</b>	<b>(29)</b>	<b>(256)</b>

### The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>31 March 2023</b>			
Gains/(losses) on benefit obligations due to changes in financial assumptions	65,949	234	66,183
Gains/(losses) on benefit obligations due to changes in demographic assumptions	(888)	-	(888)
Gains/(losses) on benefit obligations as a result of member experience	(22,310)	-	(22,310)
<b>Total gains/(losses) arising on benefit obligations</b>	<b>42,751</b>	<b>234</b>	<b>42,985</b>
Gains/(losses) on plan assets	(52,269)	-	(52,269)
<b>Net gains/(losses)</b>	<b>(9,518)</b>	<b>234</b>	<b>(9,284)</b>

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that cause a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

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

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>31 March 2022</b>			
Interest income/(cost)	277	(23)	254
<b>Defined benefit credit/(cost) recognised in income and expenditure</b>	<b>277</b>	<b>(23)</b>	<b>254</b>
Administration expenses	(769)	-	(769)
<b>Net income/(cost) recognised in income and expenditure</b>	<b>(492)</b>	<b>(23)</b>	<b>(515)</b>

### The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
<b>31 March 2022</b>			
Gains/(losses) on benefit obligations due to changes in financial assumptions	21,337	21	21,358
Gains/(losses) on benefit obligations due to changes in demographic assumptions	201	-	201
Gains/(losses) on benefit obligations as a result of member experience	(10,115)	-	(10,115)
<b>Total gains/(losses) arising on benefit obligations</b>	<b>11,423</b>	<b>21</b>	<b>11,444</b>
Gains/(losses) on plan assets	(7,732)	-	(7,732)
<b>Net gains/(losses)</b>	<b>3,691</b>	<b>21</b>	<b>3,712</b>

Ofcom and the Plans' Trustees have implemented a number of steps to provide protection against events that cause a deterioration in the funding positions. In particular, annuity policies meet the benefit payments of pensioner members in both Plans and all non-pensioner members in the ITC Plan. However, movements in market conditions can still have an impact on the funding positions particularly on the DB Plan.

## The major categories of Level 1 Quoted Prices' plan assets are as follows:

	31 March 2023 Total £'000	31 March 2022 Total £'000
Global equities (not currency hedged)	3,007	6,429
Global equities (currency hedged)	3,021	6,225
Index linked gilts	1,151	-
Diversified growth fund	4,887	7,640
Liability driven investment portfolio	19,296	29,092
Annuities	175,739	214,333
Cash and cash equivalents	8,321	9,219
<b>Total</b>	<b>215,422</b>	<b>272,938</b>

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

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

	31 March 2023 (%) DB Plan	31 March 2023 (%) ITC Plan	31 March 2022 (%) DB Plan	31 March 2022 (%) ITC Plan
Discount rate	4.80	4.85	2.85	2.80
Retail Price Inflation	3.25	3.30	3.65	3.85
- Future pension increases (RPI max 5%)	2.90	2.95	3.50	3.65
- Future pension increases (CPI max 3%)	1.95	1.95	2.30	2.40

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

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

## Sensitivity to changes in principal assumptions used

Change in assumption	Impact on					
	Defined benefit obligations	DB Plan Assets	Funded status surplus	Defined benefit obligations	ITC Plan Assets	Funded status surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Discount rate</b>						
Increases by 0.50%	decrease by £3,668	decrease by £5,126	decrease by £1,458	decrease by £6,916	decrease by £6,916	No change
Decreases by 0.50%	increase by £4,102	increase by £5,773	increase by £1,671	increase by £7,555	increase by £7,555	No change
<b>Retail Price Inflation</b>						
Increases by 0.50%	increase by £3,582	increase by £5,538	increase by £1,956	increase by £5,917	increase by £5,917	No change
Decreases by 0.50%	decrease by £3,171	decrease by £4,921	decrease by £1,750	decrease by £5,346	decrease by £5,346	No change
<b>Expected lifetime of a member aged 60</b>						
Increases by 1 year	increase by £1,705	increase by £1,028	decrease by £677	increase by £7,515	increase by £7,515	No change
Decreases by 1 year	decrease by £1,713	decrease by £1,032	increase by £681	decrease by £7,398	decrease by £7,398	No change

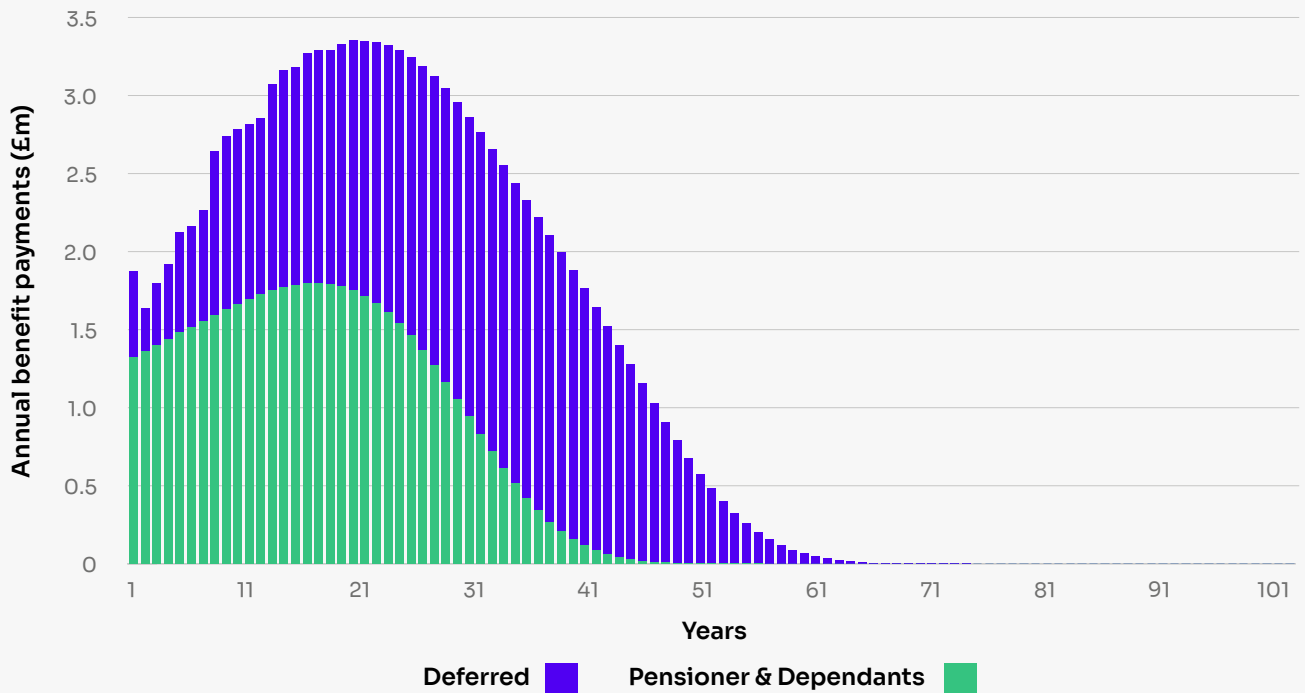
### Liability profile of defined benefit plans

The charts illustrate the expected benefits payable by the respective Plans as at 31 March 2021.

The expected future benefit payments are calculated based on a number of assumptions including future inflation, retirement ages, benefit options chosen and life expectancy and are therefore inherently uncertain.

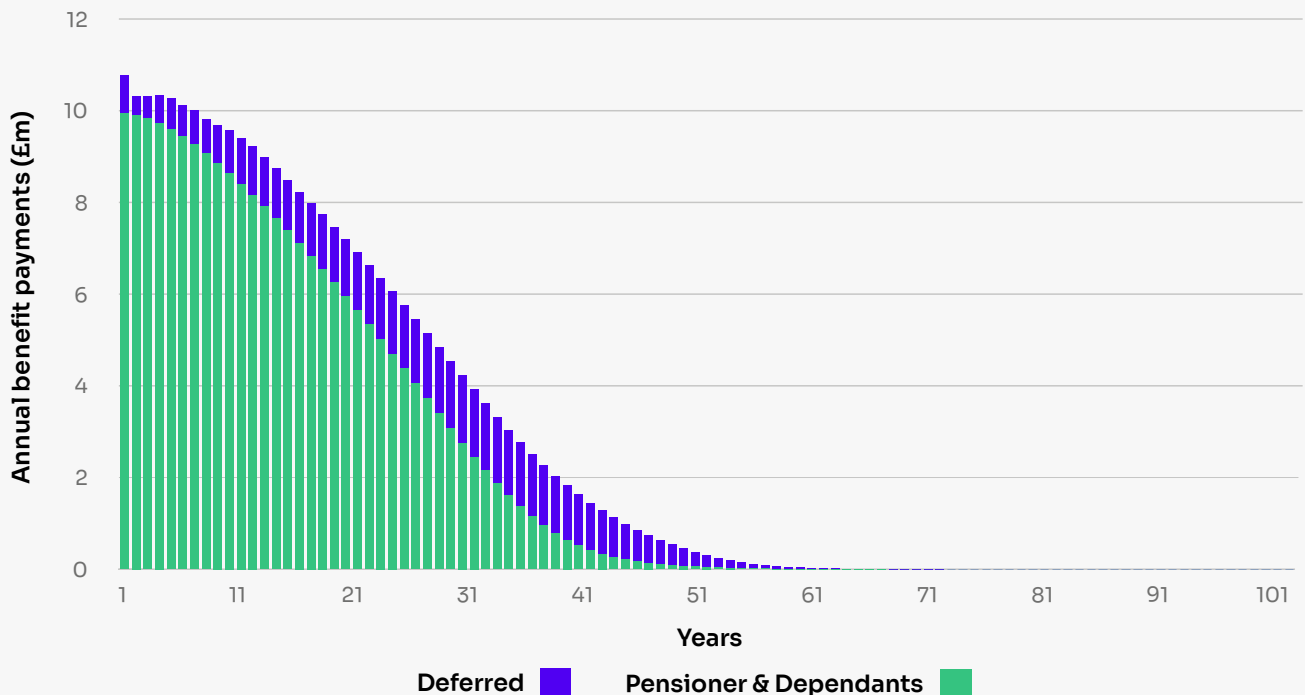
The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

### Ofcom Defined Benefit Pension Plan



The duration (average term to payment) of the Plan's liabilities is 15 years

### Ofcom (Former ITC) Staff Pension Plan



The duration (average term to payment) of the Plan's liabilities is 10 years

## 21. Financial instruments

Ofcom has no significant exposure to liquidity, interest rate or currency risks. IAS 32 Financial Instruments, specifies the presentation for financial instruments, requiring disclosure of the role they have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Ofcom is financed, it is not exposed to the degree of financial risk faced by business entities.

Moreover, financial instruments play a limited role in creating or changing risk as compared to listed companies to which IAS 32 mainly applies. Ofcom has very limited powers to borrow or invest surplus funds. Financial assets and liabilities that are generated by day-to-day operational activities do not change the risks facing Ofcom in undertaking its activities.

There is no material difference at the reporting date between the fair value and the carrying value of financial assets and liabilities.

As permitted by IAS 32, receivables and payables which mature or become payable within 12 months of the reporting date have been omitted from this assessment.

## 22. Related parties

Ofcom does not consider that its regulatory and licensing role creates the relationship of a related party between itself and licence holders as defined by IAS 24 Related Party Disclosures.

Members of the Board have not declared any interests prejudicial to their functions as a Member of Ofcom. There were no transactions between Ofcom and its Members other than remuneration as disclosed separately in the remuneration report.

The Secretaries of State for the DBT and the DCMS were regarded as the controlling related parties of Ofcom under the terms of the Office of Communications Act 2002 for the year ending 31 March 2023. In addition, the Secretary of State for DSIT will be regarded as related party going forward.

Details of all grant-in-aid revenue from DCMS are provided in Notes 2, 3, 11 and 15 of these financial statements.

A defined contribution pension scheme and two defined benefit pension schemes are operated. One of the two defined benefit schemes (both closed to future accruals) has a related party of S4C. Refer to Note 20 for further disclosure.

Ofcom did not make any grant in aid claims for spectrum clearance this financial year due to delays in the final phase of the programme, specifically the

decommissioning of the temporary mast at Emley Moor. At 31 March 2023, the balance held in respect of grant-in-aid paid by DCMS is £1,356k for spectrum clearance (2021/22: £1,298k). This deferred balance will offset some of our budgeted costs for 2023/24.

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

## 23. Capital commitments

At 31 March 2023, there were capital commitments of £626k relating to leasehold improvements for London and Edinburgh offices (2021/22: £515k for upgrade of the server room at London office).

## 24. Receipts transferred to/from the consolidated fund

In accordance with Section 400 of the Communications Act 2003, Ofcom remitted £56,299k (2021/22: £2,691k) of Broadcasting Act 1990 Additional Payments, Geographical Numbering and Fines to the Consolidated Fund.

In accordance with Section 401 of the Communications Act 2003, Ofcom retained £112,147k (2021/22: £84,481k) of WTA receipts to fund its relevant expenditure which include Spectrum Management.

WT Act 2006 license fees of £989,113k (2021/22: £331,273k) were remitted to DCMS for transfer to the Consolidated Fund.

## 25. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, post year end events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

## 26. Going concern

The future financing of Ofcom's liabilities is met through annual sector tariffs from regulated stakeholders and from WTA receipts retention collected through the Section 400 accounts and retained by Ofcom to fund spectrum related activities together with other non-tariff funded activities, as set out in Section 401 of the Communication Act 2003. The Ofcom spending cap is agreed by HM Treasury and DCMS, approval for the amounts required for the 2023/24 year has already been approved. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.





SECTION D

# ANNEXES

# A1. Section 400 Accounts

Under Section 400 of the Communications Act 2003, Ofcom is required to collect fees and payments including licence fees under the Wireless Telegraphy Act (WTA).

These receipts do not form part of Ofcom's reported revenue and are excluded from revenue in Ofcom's Financial Statements.

The Digital Economy Act 2017 introduced legislative amendments which permit Ofcom to retain sums received in connection with our functions under the WTA to fund our general spectrum management functions, as well to meet the costs of undertaking our other functions for which we cannot levy fees and charges.

The remaining revenue collected is passed to the UK Consolidated Fund at HM Treasury, the Department of Finance and Personnel – Northern Ireland (DFPNI), Treasuries of the Isle of Man, the Bailiwick of Jersey and the Bailiwick of Guernsey directly or via the Department for Digital, Culture, Media, and Sport (DCMS) as Ofcom's sponsoring body.

In 2022/23 Ofcom received £1,163m (2021/22: £1,800.5m). The material drop in receipts is a direct result of the spectrum auction held in 2021/22 (£1,379.4m), with no similar auction taking place in 2022/23. From these receipts, £112.2m (2021/22: £84.5m) was retained to fund Ofcom's relevant expenditure which includes Spectrum Management and our new Online Safety and Video-Sharing Platform duties.

Ofcom did not pay anything (2021/22: £1,710.7m) relating to spectrum auction receipts, WTA licence fees, spectrum fees from Government departments and the interest earned on cash balances to DCMS, payable to the Consolidated funds. A balance of £15.2m received in March 2023 was transferred to the exchequer in April 2023.

Additionally, Ofcom directly passed £56.3m (2021/22: £2.7m) to the Consolidated Funds relating to receipts arising from additional payments, financial penalties and geographic telephone number charges.



# A2. Regulatory statements

List of statements published in 2022/23, including regulatory impact on stakeholders.

## Broadcasting

B	Statement: National radio multiplex licence renewals
B	Statement: Restricted services – proposals to increase available spectrum and simplify our approach to licensing
B	Statement: How Ofcom regulates the BBC
B	Statement: Jack3 Chill – Request to change Format
B	Statement: Updating quantitative data collection tools
B	Statement: Review of proposed increased amount of archive content on BBC iPlayer
B	Statement: Guidance for ODPS providers on obligations relating to European works
B	Statement: Modernising the BBC's Operating Licence

## Spectrum

A	Statement: Notice of proposal to make the Wireless Telegraphy (Exemption) (Amendment) Regulations 2023
A	Statement: Telesat LEO Inc – application for non-geostationary orbit earth station (network) licence
B	Statement: An update on our sharing proposals for the upper 6 GHz band
B	Statement: Telesat LEO Inc – application for non-geostationary orbit earth station (network) licence
B	Statement: Starlink NGSO gateway application
B	Statement: Mangata Edge Ltd – application for non-geostationary earth station network licence
B	Statement: Notice of proposals to make the Wireless Telegraphy (Licence Charges) (Amendment) Regulations 2022
B	Conclusions: Meeting future demand for mobile data
B	Statement: Space spectrum strategy
B	Statement: More spectrum for satellite connectivity – extending access in the Ku band (14.25-14.5 GHz)
B	Statement: Aligning licence terms in the 3.4-3.8 GHz band
B	Statement: Decision to amend the licence exemption conditions for the use of certain Short-Range Devices
B	Statement: Arqiva's 28 GHz spectrum access licence
B	Statement: Notice of proposal to make the Wireless Telegraphy (Exemption) (Amendment) Regulations 2023
C	Statement: Proposed annual licence fees for 10 GHz, 28 GHz and 32 GHz spectrum

### Key to regulatory statements

**A** Increased/  
new regulation

**B** Mixed/no-change/  
ongoing

**C** Streamlined/  
co-regulatory

**D** Reduced  
regulation

## List of statements published in 2022/23, including regulatory impact on stakeholders.

### Post

<b>B</b>	Statement: Review of postal regulation
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### Telecoms

<b>A</b>	Statement: General policy on ensuring compliance with security duties
<b>A</b>	Statement: Template Notices resulting from Telecommunications Infrastructure
<b>A</b>	Statement: Update to the Residential and Business Voluntary Codes of Practice on Broadband Speeds
<b>B</b>	Conclusions: Ofcom's future approach to mobile markets
<b>B</b>	Statement: Treating vulnerable customers fairly guide – changes to the guide to help ensure customers in debt or struggling to pay are treated fairly (29 September 2022)
<b>D</b>	Statement: Removing fax from the universal service obligations on BT and KCOM

### Key to regulatory statements

<b>A</b>	Increased/ new regulation	<b>B</b>	Mixed/no-change/ ongoing	<b>C</b>	Streamlined/ co-regulatory	<b>D</b>	Reduced regulation
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## Ofcom statements published in 2022/23 where the earlier consultation included an impact assessment

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Statement: Review of postal regulation

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Proposal to apply Code powers to WHP Estates Limited

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Proposal to apply Code powers to Connect InfraCo Limited

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Proposal to modify the terms on which the Code is applied to Fibrus Networks Ltd

---

Proposal to apply Code powers to GCI Network Solutions Limited

---

Statement: Proposal to apply Code powers to BAI Communications Infrastructure Limited

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Proposal to apply Code powers to E-volve Solutions Limited

---

Proposal to apply Code powers to Last Mile Telecom Limited

---

Restricted services – proposals to increase available spectrum and simplify our approach to licensing

---

An update on our sharing proposals for the upper 6 GHz band

---

Proposal to apply Code powers to Transmitair Limited

---

Proposal to apply Code powers to Fibrus Networks GB Ltd

---

Removing fax from the universal service obligations on BT and KCOM

---

Spectrum for Unmanned Aircraft Systems (UAS)

---

Ofcom's approach to enforcement – revising the Regulatory Enforcement Guidelines

---

More spectrum for satellite connectivity – extending access in the Ku band (14.25-14.5 GHz)

---

Aligning licence terms in the 3.4-3.8 GHz band

---

Decision to amend the licence exemption conditions for the use of certain Short-Range Devices

---

Ofcom's response to Vodafone's and Telefónica's requests to update the technical conditions of their mobile licences to enable the deployment of newer technologies including 5G

---

Update to the Residential and Business Voluntary Codes of Practice on Broadband Speeds

---

Proposal to apply Code powers to Meliora Networks Limited

---

Proposal to apply Code powers to Kustom Konsulting Limited

---

Modernising the BBC's Operating Licence

---

Arqiva's 28 GHz spectrum access licence

---

Proposed annual licence fees for 10 GHz, 28 GHz and 32 GHz spectrum

---

Notice of proposal to make the Wireless Telegraphy (Exemption) (Amendment) Regulations 2023

---

Ofcom's plan of work 2023/24

---

Proposal to apply Code powers to Giggle Fibre Limited

---

**Ofcom consultations published in 2022/23 which included an impact assessment and where no final statement had been published by 31 March 2023**

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Review of postal regulation – changes to Royal Mail’s regulatory reporting requirements

---

Spectrum for the Police Service of Northern Ireland – Introducing new digital services

---

BBC’s request to change the Operating Licence

---

Changes to the digital television and digital radio technical codes

---

Proposed changes to Ofcom’s NIS Guidance focusing on Incident Reporting Thresholds for the digital infrastructure subsector

---

talkSPORT – proposals to reduce AM coverage

---

Openreach Proposed FTTP Offer starting 1 April 2023

---

Regulation of advertising of less healthy food and drink

---

Improving broadband information for customers

---

Exploring future use of the unpaired 2100 MHz (1900 - 1920 MHz) spectrum

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Proposal to modify the terms on which the Code is applied to KCOM Group Limited

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# A3. Investigations programme

Ofcom's investigations programme deals with complaints about anti-competitive behaviour, breaches of certain regulatory rules and regulatory disputes. The following table shows Ofcom's activities in conducting initial assessments and investigations during 2022/23. This reflects the picture as at 31 March 2023.

The data in the table below relates to initial assessment

More details of individual cases being investigated under the investigations programme are set out in [Ofcom's Competition and Enforcement Bulletin](#).

	Total handled	Total accepted for investigation	Total not accepted	Ongoing activity (as at 31/3/2023)
Disputes	6	5	1	6
Competition law	8	6	2	7
Other investigations	64	42	22	52
<b>Total</b>	<b>78</b>	<b>53</b>	<b>25</b>	<b>65</b>

The following table relates to formally opened cases:

	Total handled	Total opened	Total ongoing	Total closed	Ongoing activity (as at 31/3/2023)
Disputes	0	1	1	0	0
Competition law	1	0	0	1	0
Other investigations	6	4	2	4	2
<b>Enforcement programmes</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>3</b>

# A4. Broadcasting complaints, cases and sanctions

Ofcom has a statutory duty under the Communications Act 2003 to establish procedures for the handling and resolution of complaints from listeners and viewers about radio and television programmes broadcast on services licensed by us, and also S4C. We also have a duty under the BBC Charter and Agreement to set procedures to handle and resolve complaints referred to us about the BBC's television, radio and on-demand programmes. We also enforce content standards on UK-based video-on-demand services.<sup>12</sup>

All complaints are important to Ofcom as they help us to understand whether a broadcaster may be failing to comply with rules in the Broadcasting Code or other Ofcom codes.

As well as launching investigations following the assessment of complaints, we can also do so on our own initiative. We handle complaint-led and self-initiated investigations under the same procedures.

Individual complaints received by Ofcom are assigned to cases. A case is opened when Ofcom is assessing a specific programme or issue and may consist of one or more complaints. A total of 36,908 complaints were received, which led to 8,725 cases assessed in the period under review.

## Content standards

Complaints about content standards are handled under Ofcom's [Procedures for investigating breaches of content standards for television and radio](#).

Complaints about BBC content standards are handled under [Ofcom's Procedures for investigating breaches of content standards on BBC broadcasting services and BBC on demand programme services](#).

## Initial assessment of complaints

Based on an initial assessment of the complaint, and in most cases a consideration of the related television or radio content, Ofcom will consider whether there may have been a breach of the Broadcasting Code (or other Ofcom codes). If not, Ofcom will decide not to investigate further and publishes this decision in its [Broadcast and On Demand Bulletin](#).

A total of 8,725 cases (36,908 complaints) were assessed in this way during the reporting period.

## Complaints and cases assessed by year

Type	2022/23	2021/22	2020/21	2019/20	2018/19
Complaints	36,908	99,562	142,660	34,545	55,801
Cases	8,725	11,932	11,778	7,829	6,206

Ofcom aims to make an initial assessment of all complaints within 15 working days. In the period between 1 April 2022 and 31 March 2023, Ofcom assessed complaints on average within 10 working days.

## Investigations

If a case raises potentially substantive issues, we will investigate the matter further to decide whether a breach of the Broadcasting Code (or other Ofcom codes) has occurred. An investigation may consist of one or more related cases involving the same broadcaster.

Of the 8,725 cases, we referred 44 cases for investigation under our rules in the reporting period.

12. Under the statutory framework these are known as "on-demand programme services".



In this financial year we concluded 82 investigations.<sup>13</sup> Of the 82 investigations we concluded, 56 were launched before 2022/23. The other 26 were launched and completed within 2022/23.

## Complaint, case and investigation outcomes by main Broadcasting Code issue<sup>14</sup>

Type	Complaints	Cases	Investigations	Breaches
Offence	27,707	5,184	25	20
Harm	4,687	1,076	10	7
Due Impartiality	2,578	1,086	35	33
Protection of minors	1,392	784	24	19
Other <sup>15</sup>	1,341	1,086	12	10
<b>Total</b>	<b>37,705</b>	<b>9,216</b>	<b>106</b>	<b>89</b>

Ofcom found that:

- 70 investigated cases resulted in breaches of the Broadcasting Code (or other Ofcom codes) being recorded;
- 2 investigated cases were resolved<sup>16</sup>;
- 8 investigated cases were not in breach of the codes or were discontinued; and
- 2 investigated cases were not in breach and we issued guidance to the broadcaster.

We aim to complete those cases we take forward for investigation within 50 working days. In the period between 1 April 2022 and 31 March 2023, Ofcom completed investigations on average within 93.5 working days. This was due to the procedural and legal complexity of many of the cases we investigated.

13. An investigation may complete over more than one financial year depending on factors such as when it was launched and the complexity of the investigation.

14. The total complaints and cases for each year are slightly higher in this table than the figures in Figure 1 due to an overlap in the way cases are categorised in our case management system.

15. Other case types include commercial references, charity appeals and advertising minutage.

16. A 'resolved' outcome may be used in cases, for instance, where a broadcaster has taken immediate and appropriate steps to remedy a breach. In such cases, Ofcom may consider it appropriate not to record a breach and decide that the appropriate outcome is to determine that the case is 'resolved'. A 'resolved' finding is held on record and may be taken into account should there be further compliance concerns regarding a particular broadcaster.

## Fairness and Privacy

Fairness and Privacy complaints relate to unjust or unfair treatment in programmes, or about unwarranted infringements of privacy in programmes (or in connection with the obtaining of material included in them). These complaints are made by individuals or organisations participating in or otherwise directly affected by programmes as broadcast, or in the making of programmes.

Complaints about fairness and privacy are handled under Ofcom's [Procedures for the consideration and adjudication of Fairness & Privacy complaints](#). Fairness and privacy complaints about BBC television, radio and on demand programmes are handled under Ofcom's [Procedures for the consideration and adjudication of Fairness and Privacy complaints on BBC broadcasting services and BBC on demand programme service](#).

In 2022/23, we considered 205 Fairness and Privacy complaints.

## Entertainment Decisions

Ofcom aims to assess and decide whether to entertain Fairness and Privacy complaints within 25 working days of receipt of the complaint and any further information requested from the complainant. In the period between 1 April 2022 and 31 March 2023, Ofcom assessed and decided whether to entertain Fairness and Privacy complaints on average within 17.5 working days.

## Adjudications

If a Fairness and Privacy complaint is entertained by Ofcom, we will investigate the matter to decide whether a breach of the Broadcasting Code has occurred. A final adjudication will be taken after all relevant evidence and material has been considered.

A total of 46 complaints were adjudicated upon in the period under review. Of these:

- 6 complaints were upheld;
- 1 complaint was partially upheld;
- 17 complaints were not upheld; and
- 22 complaints were discontinued.<sup>17</sup>

Ofcom aims to complete the consideration and adjudication of Fairness and Privacy complaints within 90 working days of the complaint being entertained. In the period between 1 April 2022 and 31 March 2023, Ofcom completed the consideration and adjudication of Fairness and Privacy complaints on average within 130.7 working days. The past year has seen a high number of Fairness and Privacy cases being assessed by our team. A significant number of these have involved some very complex legal and procedural issues. Unfortunately, this has resulted in us taking longer than usual to complete our investigations.

## Sanctions

Where Ofcom decides that a broadcaster has breached the Broadcasting Code or other Ofcom code, and it considers the breach or breaches to be serious, deliberate, repeated and/or reckless, it may consider whether to impose a statutory sanction on the broadcaster.

Ofcom has a range of sanctions available, including to: issue a direction not to repeat a programme or advertisement; issue a direction to broadcast a correction or a statement of Ofcom's findings; impose a financial penalty<sup>18</sup>; shorten or suspend a licence (for some categories of licence); and revoke a licence (not applicable to the BBC, S4C or Channel 4).

17. A high number of cases were discontinued this year because those cases became subject to legal proceedings and therefore could not be proceeded with.

18. All financial penalties imposed by Ofcom are held in an account with Government Banking Services (GBS) for the benefit of the Exchequer. Funds are transferred to the HM Treasury GBS account for direct use by the Exchequer, or distributed to relevant Consolidated Funds. Ofcom neither receives financial benefits from nor makes use of any financial penalties received.

During the period between 1 April 2022 and 31 March 2023, Ofcom imposed the following statutory sanctions:

- Up and Coming TV Limited in respect of its service Samaa TV – financial penalty of £40,000 and a direction to broadcast a statement of Ofcom's findings;
- 965 TV Limited in respect of its service Studio 66 – financial penalty of £15,000; and
- Loveworld TV Limited in respect of its service Loveworld – financial penalty of £15,000 and a direction to broadcast a statement of Ofcom's findings.

In addition to the sanctions above, on 26 May 2022, Khalsa Television Limited surrendered its licence having received Ofcom's notice to revoke its broadcasting licence, which Ofcom had suspended after its channel KTV broadcast material that was likely to incite violence.<sup>19</sup>

## BBC content standards and investigations

Complaints about BBC programmes are considered under a 'BBC First' complaints framework. This means that if a viewer or listener has a complaint about something they have seen or heard in a BBC television, radio or on-demand programme, they must normally complain to the BBC in the first instance. The complainant can refer their complaint to Ofcom if they are dissatisfied with the BBC's response or if the BBC fails to respond in a timely manner. A complaint can also be referred if the complainant considers that the imposition by Ofcom of a sanction against the BBC may be appropriate.

During the last year, we received and assessed 1,834 complaints covering a range of standards issues for BBC content. Of these:

- 1,720 were referred to the 'BBC First' approach; and
- 114 went through our BBC Standards process.

There were a total of 1,310 cases, 1,204 of which were 'BBC First' and 106 which went through our BBC Standards process. Of these 106 cases we launched 1 investigation regarding BBC coverage of the run-up to the Northern Ireland Assembly Election.<sup>20</sup>

19. [Updated Breach Decision and Surrender of License – Khalsa Television Limited](#), 21 June 2022.

20. [Decision of the Election Committee on a due impartiality complaint from the Green Party Northern Ireland regarding BBC coverage of the run-up to the Northern Ireland Assembly Election 2022](#) 28 April 2022

In July 2022 we found the BBC in breach of the due impartiality rules for the first time since our current duties came into force in 2017.<sup>21</sup> We decided that the BBC had failed to uphold due impartiality in an interview with the then Scottish Conservative leader, Ruth Davidson, in an edition of *World at One* on BBC Radio 4.<sup>22</sup>

In November 2022 we concluded an investigation into the BBC's coverage of an antisemitic attack on Jewish students in London which was covered in both an online BBC news article and a news report broadcast on BBC One London.<sup>23</sup> We found that the BBC One London News report was not in breach of the Broadcasting Code, but, in our view, the BBC made a serious editorial misjudgement following the broadcast by not reporting on air at any point that a claim it had made in the news broadcast was disputed, once new evidence emerged.<sup>23</sup> We provide further information on our investigation into the online article in the "BBC online material" section below.

### BBC online material

Under the BBC's Charter and Agreement, set by Government and Parliament, the BBC is responsible for the editorial standards of its online material. Ofcom has a responsibility to consider and give an opinion on whether the BBC has observed relevant editorial guidelines in its online material.<sup>24</sup> Online material means content on the BBC's website and apps, such as articles, images and videos, and is defined in the Ofcom BBC Online Arrangement. The definition does not extend to the BBC's social media content and it does not include programmes on the BBC iPlayer which must comply with Ofcom's Broadcasting Code rules.

Between 1 April 2022 and 31 March 2023 we assessed and closed a total of 297 complaints about the BBC's online material.

A further 197 complaints about BBC online material were referred to the BBC under the 'BBC First' approach or found to be outside of our remit. Ofcom aims to make an initial assessment of these complaints within 15 working days. In the period between 1 April 2022 and 31 March 2023, Ofcom assessed complaints on average within 10.5 working days.

21. Investigation by Ofcom is only one of the ways, under the BBC First system, in which due impartiality standards on BBC services are enforced. The BBC's Executive Complaints Unit will from time to time uphold or partially uphold cases where it has found that the appropriate standard of due impartiality had not been applied.  
22. [Ofcom Broadcast and On Demand Bulletin 455](#), *World at One*, BBC Radio 4, 25 July 2022.

23. [Ofcom Broadcast and On Demand Bulletin 461](#), BBC News Online and BBC London News, 7 November 2022.

24. We handle complaints about the BBC's online material under Ofcom's Procedures for handling complaints relating to BBC online content.

Over the last year we concluded three investigations involving BBC online material:

- In July 2022 we issued an Opinion that the BBC did not observe Section 3: Accuracy and Section 8: Reporting Crime and Anti-social Behaviour of the BBC's Editorial Guidelines in relation to an article reporting criminal proceedings on the BBC News website "Man jailed after blaming speeding ticket on fictional Frenchman".<sup>25</sup>
- In November 2022 we concluded an investigation on a BBC online article about an antisemitic attack on Jewish students in London ("Oxford Street: Images issued after men filmed spitting at Jews on bus").<sup>26</sup> We issued an Opinion that the BBC failed to observe its editorial guidelines to report news with due accuracy and due impartiality.
- In April 2023 we issued an Opinion on whether the BBC has observed its own Editorial Guidelines in the content of an online article titled "We're being pressured into sex by some trans women". We agreed with the BBC that it did not breach its due impartiality or harm and offence rules and that it had failed to observe Section 3: Accuracy of the BBC's Editorial Guidelines.<sup>27</sup>

### On-demand programme services

We also consider complaints about content standards on notified on-demand programme services ("ODPS")<sup>28</sup> under Ofcom's [Procedures for investigating breaches of rules for on demand programme services](#). In 2022/23, we assessed 464 complaints (399 cases) about ODPS services.

In March 2023, the Government published the draft Media Bill<sup>29</sup> which includes details of the proposed new framework for VOD regulation. If passed, the new legislation will give Ofcom powers to draft and enforce a new VOD Code similar to the Broadcasting Code which will be applicable to larger providers. Ofcom will also have an ongoing duty to assess audience protection measures on VOD services.

25. [Ofcom Bulletin for complaints about BBC online material](#), Issue number 32, 11 July 2022.

26. [Ofcom Broadcast and On Demand Bulletin 461](#), BBC News Online and BBC London News, 7 November 2022.

27. [Ofcom Bulletin for complaints about BBC online material](#), Issue number 38, 3 April 2023.

28. With the exception of public service ODPS provided by the BBC, which are subject to the Broadcasting Code, ODPS that are notified to Ofcom must comply with a set of [Statutory Rules](#) which are separate to the Broadcasting Code.

29. [Draft Media Bill](#), March 2023

# A5. Spectrum engineering and enforcement

## Key performance indicator

### Main Activities

Work Programme Activity/Incident	April 22 – March 23	April 21 – March 22
Complaints of Interference received	1,674	1,694
Checking radio system licence compliance	1,953	988
Fixed Penalty Notices Issued	1	0
Prosecutions for criminal spectrum activity	0	1

### Quality of Service Targets for Complaints of Interference Received

Key Performance Indicator	Case Priority	Target	Target achieved	
			April 22 – March 23	April 21 – March 22
<b>Time to First Visit:</b> The time taken from reporting a complaint of interference to the time our engineer arrives on site to diagnose the problem (for those cases where a field visit is required).	1	8 hours	100%	100%
	2	18 hours	100%	100%
	3	2 working days	100%	100%
	4	5 working days	100%	100%
	5	15 working days	100%	100%
	6	No target		
<b>Resolution:</b> The time taken from reporting a complaint of interference to the time the customer is advised that the case is resolved .	1	2 calendar days	100%	100%
	2	3 calendar days	100%	100%
	3	6 working days	100%	98%
	4	20 working days	94%	94%
	5	40 working days	99%	99%
	6	60 working days	100%	99%

# A6. Spectrum licensing

## Category A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Business Radio Light – Simple UK (no base station)	1,685	1,879	14,801	15,886
Business Radio Simple Site	1,124	1,019	8,813	8,501
Business Radio Suppliers Light	117	126	1,213	1,395
Fixed Wireless Access (5.8 GHz)	47	24	346	358
GNSS Repeater	30	4	400	370
Police and Fire	1	4	122	124
<b>Subtotal for Business Radio products</b>	<b>3,004</b>	<b>3,056</b>	<b>25,695</b>	<b>26,634</b>
Radar Level Gauge	0	0	124	124
Amateur & Maritime	27,982	31,606	295,099	284,233
<b>Total for Category A</b>	<b>30,986</b>	<b>34,662</b>	<b>320,918</b>	<b>310,991</b>
KPI for Category A (100% in 7 days)	99%	100%		–
KPI for Category A (Amateur & Maritime) (100% in 10 days)	98.7%	100%		–

## Category B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22	
Automatic Identification System	58	33	463	412	
Business Radio Area Assigned	44	116	426	446	
Business Radio Technically Assigned	1662	1,632	21876	22,405	
Coastal Station Radio (International) Area Defined	5	0	9	4	
Coastal Station Radio (International)	6	8	379	390	
Coastal Station Radio (Marina)	17	10	375	392	
Coastal Station Radio (Training School)	61	74	622	565	
Coastal Station Radio (UK)	12	7	312	317	
Coastal Station Radio (UK) Area Defined	2	1	13	12	
Differential Global Positioning System	0	0	5	4	
Ground Probing Radar	35	15	231	236	
Maritime Nav aids and Radar	26	6	141	119	
Maritime Radio (Suppliers & Demonstration)	3	3	64	76	
Scanning Telemetry	1	3	28	29	
Self-co-ordinated links	16	16	146	148	
Shared Access (Low Power)	143	287	1,126	1,080	
Shared Access (Medium Power)	272	404	539	372	
<b>Total for Category B</b>	<b>2,363</b>	<b>2,615</b>	<b>26,755</b>	<b>27,007</b>	
KPI for Category B	90% in 21 days	82%	85%	-	-
	100% in 42 days	96%	94%	-	-

## Category C

Licences that require frequency assignment, and site clearance and/or international co-ordination	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Fixed Links	2,124	1,897	18,199	19,002
Satellite (Permanent Earth Station)	14	9	144	147
Satellite (Transportable Earth Station)	47	29	103	109
Satellite (Earth Station Network)	8	4	63	56
Satellite (Non-Fixed Earth Station)	2	12	15	16
Satellite (Non-Geostationary Earth Station)	10	5	10	6
<b>Total for Category C</b>	<b>2,205</b>	<b>1,956</b>	<b>18,534</b>	<b>19,336</b>
KPI for Category C	90% in 42 days	87%	96%	
	100% in 60 days	98%	100%	

## Aeronautical licences

Licences for aeronautical services	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Aeronautical Licences	1,738	2,074	14,211	19,214
<b>Total for Aeronautical</b>	<b>1,738</b>	<b>2,074</b>	<b>14,211</b>	<b>19,214</b>
KPI for Aeronautical (100% in 7 days)	100%	100%		

## Programme Making & Special Events (PMSE)

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
PMSE Licences	35,258	28,958	7383	6,851
<b>Total for PMSE</b>	<b>35,258</b>	<b>28,958</b>	<b>7383</b>	<b>6,851</b>
KPI for PMSE (100% in 7 days)	100%	100%		

## Test and development (T&D) licences

Licences and authorisations for outside broadcasts and programme-making and special events	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Innovation and Research Licence	405	518	543	1,127
Demonstration and Trial Licence	236	380	271	684
<b>Total for T&amp;D</b>	<b>641</b>	<b>898</b>	<b>814</b>	<b>1,811</b>
KPI for T&D (100% in 60 days)	100%	100%		

## Mobile and wireless broadband licences

Licences issued through spectrum auction or award processes	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Spectrum Access: 412 - 414 MHz			1	1
Spectrum Access: 700 MHz		3 <sup>30</sup>	3	3
Spectrum Access: 800 MHz, 2.6 GHz			6	6
Public Wireless Networks: 900, 1800 MHz			4	4
Spectrum Access: 1452 - 1492 MHz			2	2
Spectrum Access: 1785 MHz, Northern Ireland			1	1
Spectrum Access: 2100 MHz			1	4
Spectrum Access: 2.3 GHz			1	1
Spectrum Access: 3.4-3.6, 3.5, 3.6, 3.6-3.8 GHz	- 1	7 <sup>31</sup>	12	13
Spectrum Access: 3.9 GHz	+ 1 <sup>32</sup>		1	-
Spectrum Access: 10, 28, 32, 40 GHz	- 1 <sup>33</sup>		17	18
Spectrum Access Offshore		1	12	12
Spectrum Local Access	10	16	36	26
Spectrum Access: Channel Tunnel <sup>34</sup>			2	2
<b>Total for Mobile and Wireless Broadband</b>	<b>9</b>	<b>27</b>	<b>102</b>	<b>93</b>

30. 700 MHz / 3.6-3.8 GHz Award, (27/04/21)

31. 700 MHz / 3.6-3.8 GHz Award, (27/04/21) plus transition licences during defragmentation period (Vodafone & Telefónica)

32. Separation of UK Broadband's 3.6 GHz and 3.9 GHz spectrum into new licences

33. Arqiva surrendered London region 28 GHz licence

34. Separate licence for the out-bound (UK-France direction) and in-bound (France-UK direction) tunnels



## Channel Islands and Isle of Man licences

Licence applications made via local Regulators	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Public Wireless Network: 800, 900, 1800, 2100, 2600 MHz, Channel Islands & Isle of Man			33	33
Spectrum/ Wireless Access: 3.4, 3.6, 10, 28 GHz, Channel Islands and Isle of Man	-1		7	8
<b>Total for Channel Islands and Isle of Man</b>	<b>-1</b>	<b>0</b>	<b>40</b>	<b>41</b>

## Digital dividend spectrum licences

DOR GI Licences issued through spectrum award processes	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
Spectrum Access 541 - 550 MHz (Cardiff)			1	1
Spectrum Access 758 - 766 MHz (Manchester)			1	1
<b>Total for Digital Dividend licences</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>

## Total number of licences

	Licences issued April 22 – March 23	Licences issued April 21 – March 22	Total on issue as at 31 March 23	Total on issue as at 31 March 22
<b>Total number of licences - all categories</b>	<b>73,199</b>	<b>71,190</b>	<b>388,757</b>	<b>385,344</b>

# A7. Sustainability

**Scope 1** – This covers direct consumption of gas and oil, and fuel consumption from Ofcom’s fleet cars. Gas consumption data across all years cover Ofcom’s main offices in London, Belfast, Birmingham, Haydock (closed 2018) and Livingston (closed 2017). Gas charges for Edinburgh, Warrington and Cardiff offices are included in the service charge and therefore cannot be analysed. Gas consumption is dependent on weather conditions. Ofcom pays for diesel fuel for its fleet cars using fuel cards, and consumption is recorded and monitored on a monthly basis. Fuel consumption from our fleet cars is largely dependent on demand for our enforcement services.

**Scope 2** – This covers electricity supplies to Ofcom’s offices. Electricity data across all years cover Ofcom’s main offices in London, Baldoak, Belfast, Birmingham, Cardiff, Edinburgh, Haydock (closed 2018), Warrington, Manchester and some remote monitoring direction-finding sites around the UK. Electricity consumption is dependent on weather conditions.

**Scope 3** – Business travel financial data have been obtained from our reporting system and include travel by all colleagues regardless of where they are located. We have converted taxi and rail travel financial data into distances using guidance from the Carbon Trust Standard, and car travel financial data into distances using data from expense claims for mileage. Air travel data have been obtained directly from our business travel provider, and categorised into domestic, and-international flights as per Defra flight distance guidance.

## Waste minimisation and management

Waste consumption data for all years relate to Ofcom’s main office in London. Accurate waste consumption data is not available for other Ofcom offices, but the associated waste disposal costs have been included. From June 2017 waste cost is included in our service charge. Our managing agent operates on a ‘zero waste to landfill’ basis, and all waste is recycled or incinerated with energy recovery.

Non-Financial indicators	2018/19	2019/20	2020/21	2021/22	2022/23
Total waste	198	189	69	161	72
Waste sent to landfill	0	0	0	0	0
ICT waste recycled/re-used	0	0	0	0	0
Waste recycled/re-used	71	92	38	79	21
Waste composted	0	0	3	0	15
Waste incinerated with energy recovery	127	98	28	82	36
Waste incinerated without energy recovery	0	0	0	0	0
Total waste per FTE	0.220	0.198	0.067	0.139	0.057
Financial indicators					
Waste	£43,805	£35,000	£12,470	£28,576	£26,949

## Finite resource consumption

Water data across all years cover Ofcom's main offices in London, Baldock, Birmingham, and Haydock (closed 2018). Water charges for other offices are included in the service charge and therefore cannot be analysed.

<b>Non-Financial indicators</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Water consumption (m3)	13,988	18,874	6,375	13,075	20,842
Water consumption per FTE	15.53	19.71	6.19	11.28	16.59
Paper reams	2,579	2,446	23	16	168
A3 reams	127	106	0	1	9
A4 reams	2,452	2,305	23	15	159
A5 reams	0	35	0	0	0
<b>Financial indicators</b>					
Water	£19,583	£23,321	£14,820	£25,049	£35,851

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