

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

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
Surplus after tax for the year		3,925	3,267
Other comprehensive (expenditure)/income			
Remeasurement on pensions	20	(9,284)	3,712
Total comprehensive (expenditure)/income		(5,359)	6,979

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
Non-current assets			
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
Total non-current assets		66,104	72,074
Current assets			
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
Total current assets		26,237	41,592
Total assets		92,341	113,666
Current liabilities			
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
Total current liabilities		32,799	41,292
Non-current liabilities			
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
Total non-current liabilities		35,310	42,783
Total liabilities		68,109	84,075
Assets less liabilities		24,232	29,591
Equity			
Reserves		24,232	29,591
Total equity		24,232	29,591

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

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
Cash flows from operating activities			
Operating surplus		4,225	3,886
Adjustments for non-cash transactions			
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)
Net cash inflow from operating activities		3,520	15,667
Cash flows from investing activities			
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)
Net cash outflow from investing activities		(5,533)	(3,740)
Cash flows from financing activities			
Receipt for lease receivables	14	104	-
Payments of lease liabilities	17	(5,615)	(5,192)
Net cash outflow from financing activities		(5,511)	(5,192)
(Decrease)/Increase in cash and cash equivalents in the year		(7,524)	6,735
Cash and cash equivalents at beginning of year		20,920	14,185
(Decrease)/Increase in cash and cash equivalents in the year		(7,524)	6,735
Closing net funds	13	13,396	20,920

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
Income											
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)
Operating income	54,270	-	821	268	40,493	22,333	45,452	4,696	10,691	179,024	158,309
Other income	230	-	1	-	30	16	34	4	8	323	118
Interest receivable	29	-	-	-	22	13	25	3	6	98	-
Cash income	54,529	-	822	268	40,545	22,362	45,511	4,703	10,705	179,445	158,427
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)
Cash operating expenditure	(54,529)	-	(822)	(268)	(40,545)	(22,362)	(45,511)	(4,703)	(10,705)	(179,445)	(158,427)
Legal settlement	-	-	-	-	-	-	-	-	-	-	-
Total	(54,529)	-	(822)	(268)	(40,545)	(22,362)	(45,511)	(4,703)	(10,705)	(179,445)	(158,427)
Surplus on cash costs basis	-	-	-	-	-	-	-	-	-	-	-
Comparative costs by sector											
Year ended 31 March 2023	(54,529)	-	(822)	(268)	(40,545)	(22,362)	(45,511)	(4,703)	(10,705)	(179,445)	-
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
Operating expenditure – Statement of Income and Expenditure		175,220	154,541
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
Cash operating expenditure		179,445	158,427
Spectrum clearance	4,6	-	(8,752)
International Telecommunication Union (ITU) subscription		(2,638)	(2,617)
Non-operating income	3	(418)	(118)
Final operating costs outturn		176,389	146,940

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
Sectors		
Networks & services	32,555	47
Broadcasting	22,947	104
Post	6,493	7
Total	61,995	158

3. Income

	Ofcom	Spectrum clearance	Total	Ofcom	Spectrum clearance	Total
	£'000	£'000	2022/23 £'000	£'000	£'000	2021/22 £'000
Grant-in-aid DCMS						
Spectrum clearance	-	-	-	-	8,752	8,752
Total grant-in-aid	-	-	-	-	8,752	8,752
WTA receipts retention						
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
Total WTA receipts retention	111,239	-	111,239	82,410	-	82,410
Stakeholder income						
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
Total stakeholder income	68,206	-	68,206	67,265	-	67,265
Total income	179,445	-	179,445	149,675	8,752	158,427

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
Staff costs, including fees paid to Board Members, were:						
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
Total staff costs	108,055	-	108,055	89,993	314	90,307

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
Total other operating expenditure	67,165	-	67,165	55,796	8,438	64,234

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
Reconciliation of tax charge		
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
Tax effect of:		
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)
Tax charge	-	-

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
Cost							
At 1 April 2021	8,329	1,890	13,510	1,686	736	409	26,560
Additions during year	-	114	29	546	-	2,989	3,678
Disposals	(5)	(13)	(2,972)	(25)	-	-	(3,015)
Transfers	-	-	323	94	-	(417)	-
At 31 March 2022	8,324	1,991	10,890	2,301	736	2,981	27,223
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)	-
Cost at 31 March 2023	9,996	2,238	14,772	3,648	736	988	32,378
Depreciation							
At 1 April 2021	2,173	778	10,988	1,385	599	-	15,923
Charge for the year	716	266	761	306	79	-	2,128
Disposals	(5)	(11)	(2,973)	(25)	-	-	(3,014)
At 31 March 2022	2,884	1,033	8,776	1,666	678	-	15,037
Charge for the year	677	271	906	356	56	-	2,266
Disposals	(4)	-	(88)	(19)	-	-	(111)
Accumulated depreciation at 31 March 2023	3,557	1,304	9,594	2,003	734	-	17,192
NBV 31 March 2023	6,439	934	5,178	1,645	2	988	15,186
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
Cost				
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)
Cost at 31 March 2023	53,076	598	125	53,799
Depreciation				
At 1 April 2021	9,224	179	114	9,517
Charge for the year	4,861	87	45	4,993
Accumulated depreciation at 31 March 2022	14,085	266	159	14,510
Charge for the year	4,950	123	25	5,098
Decreases	(1,198)	(159)	(115)	(1,472)
Accumulated depreciation at 31 March 2023	17,837	230	69	18,136
NBV 31 March 2023	35,239	368	56	35,663
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
Cost				
At 1 April 2021	5,417	17,943	-	23,360
Additions during year	-	-	4	4
Disposals	(305)	(268)	-	(573)
At 31 March 2022	5,112	17,675	4	22,791
Additions during year	-	55	86	141
Disposals	(734)	(5,375)	-	(6,109)
Cost at 31 March 2023	4,378	12,355	90	16,823
Amortisation				
At 1 April 2021	5,306	17,888	-	23,194
Charge for the year	111	24	-	135
Disposals	(305)	(268)	-	(573)
At 31 March 2022	5,112	17,644	-	22,756
Charge for the year	-	22	-	22
Disposals	(734)	(5,375)	-	(6,109)
Accumulated amortisation at 31 March 2023	4,378	12,291	-	16,669
NBV 31 March 2023	-	64	90	154
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
Total trade and other receivables: current assets	12,621	20,672

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
Total trade and other receivables: non-current assets	2,023	542

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
Total cash and cash equivalents	13,396	20,920

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	-
Total lease receivables: undiscounted	2,113	-
Finance income for sublease	(273)	-
Total lease receivables: discounted	1,840	-

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	-
Total lease receivables: discounted	1,840	-

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
Total trade and other payables: current liabilities	27,895	36,514

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
Total trade and other payables: non-current liabilities	237	5,547

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
Maturity analysis – contractual cash flows: undiscounted					
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
Total lease liabilities: undiscounted	42,431	331	54	42,816	44,687

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
Amounts recognised in the Statement of Financial Position		
Lease liabilities: current liabilities	4,892	4,766
Lease liabilities: non-current liabilities	34,163	36,009
Total lease liabilities: discounted	39,055	40,775

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
Amounts recognised in the Statement of Income and Expenditure		
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
Amounts recognised in the Statement of Cash Flows		
Total cash outflow for leases	(5,615)	(5,192)

18. Provisions for liabilities and charges

	Early retirement £'000	Legal £'000	Total £'000
At 1 April 2021	161	-	161
Discount unwound and changes in rate (included in finance costs)	5	-	5
Utilised in year	(11)	-	(11)
At 31 March 2022	155	-	155
Discount unwound and changes in rate (included in finance costs)	(25)	-	(25)
Utilised in year	(12)	-	(12)
Total provisions as at 31 March 2023	118	-	118

	Early retirement £'000	Legal £'000	Total £'000
Analysis of expected timing of cashflows			
Current			
Less than one year	12	-	12
Total current	12	-	12
Non-current			
One to five years	45	-	45
More than five years	61	-	61
Total non-current	106	-	106
Total provisions as at 31 March 2023	118	-	118

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)
Total benefit obligations	(203,964)	(804)	(204,768)	(253,250)	(1,084)	(254,334)
Fair value of plan assets	215,422	-	215,422	272,938	-	272,938
Funded status	11,458	(804)	10,654	19,688	(1,084)	18,604

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
Benefits paid total	13,474	(13,474)	-	75	75
Remeasurements					
Actuarial gains/(losses)	42,751	(52,269)	(9,518)	234	(9,284)
Closing value as at 31 March 2023	(203,964)	215,422	11,458	(804)	10,654

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
Benefits paid total	12,079	(12,079)	-	71	71
Remeasurements					
Actuarial gains/(losses)	11,423	(7,732)	3,691	21	3,712
Closing value as at 31 March 2022	(253,250)	272,938	19,688	(1,084)	18,604

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

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
31 March 2023			
Interest income/(cost)	539	(29)	510
Defined benefit credit/(cost) recognised in income and expenditure	539	(29)	510
Administration expenses	(766)	-	(766)
Net income/(cost) recognised in income and expenditure	(227)	(29)	(256)

The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
31 March 2023			
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)
Total gains/(losses) arising on benefit obligations	42,751	234	42,985
Gains/(losses) on plan assets	(52,269)	-	(52,269)
Net gains/(losses)	(9,518)	234	(9,284)

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
31 March 2022			
Interest income/(cost)	277	(23)	254
Defined benefit credit/(cost) recognised in income and expenditure	277	(23)	254
Administration expenses	(769)	-	(769)
Net income/(cost) recognised in income and expenditure	(492)	(23)	(515)

The amounts recognised as Other Comprehensive (Expenditure)/Income are as follows:

	Funded pension £'000	Unfunded pension £'000	Total pensions £'000
31 March 2022			
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)
Total gains/(losses) arising on benefit obligations	11,423	21	11,444
Gains/(losses) on plan assets	(7,732)	-	(7,732)
Net gains/(losses)	3,691	21	3,712

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
Total	215,422	272,938

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
Discount rate						
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
Retail Price Inflation						
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
Expected lifetime of a member aged 60						
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

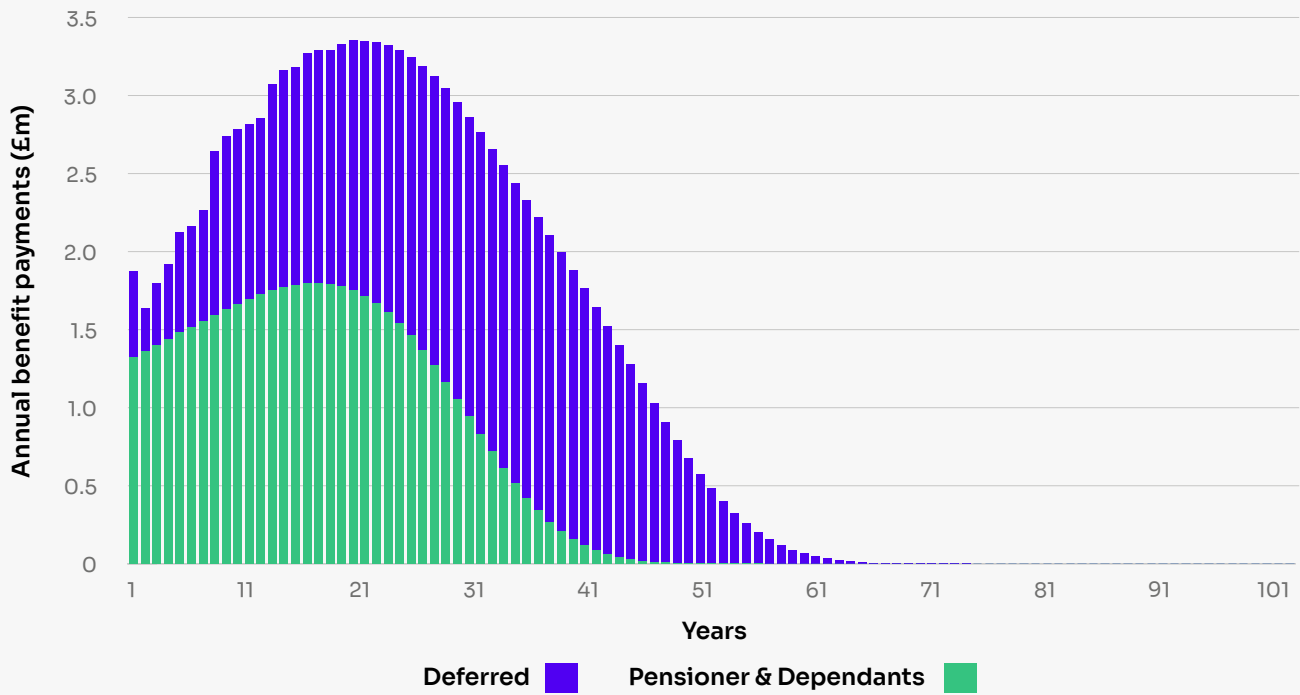
Liability profile of defined benefit plans

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.

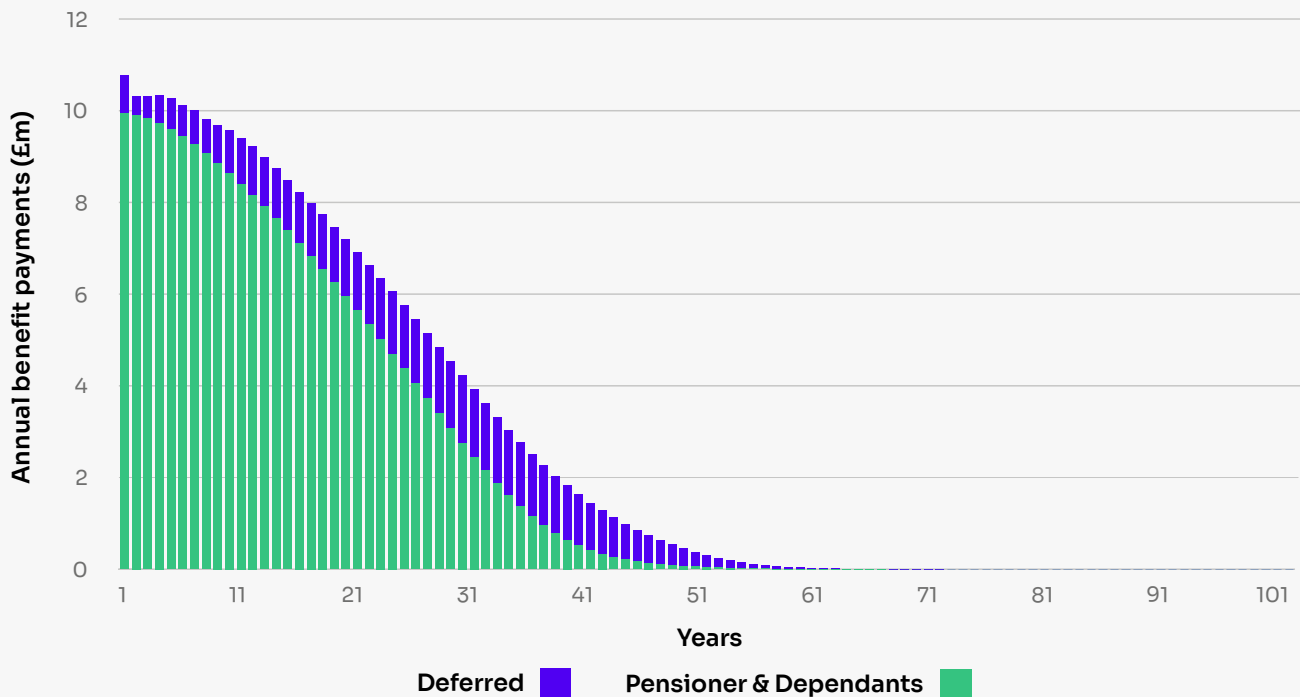
The actual benefit payments in a given year may be higher or lower, for example if members retire sooner or later than assumed, or take a greater or lesser cash lump sum at retirement.

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.