



## SECTION A

# Performance Report

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

# 1. Overview

## About Ofcom

UK consumers and businesses depend upon using communications services each and every day. Having reliable and robust communications across the UK has never been more important and is playing a vital role in the UK's response to the coronavirus. With many businesses moving to remote working and school closures, broadband and mobile networks are seeing shifting patterns of demand; many families are now online together during the day for home working and schooling.

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

Our remit covers the regulation of broadband and mobile telecoms, TV, radio, video-on-demand services, post, security and resilience of telecom networks and services, and we make sure that the radio spectrum is used in the most effective way.

The work we do benefits consumers and UK businesses to get the best from communications services and ensures that people are able to access services wherever they are in the UK. We ensure consumer fairness and protection from sharp practices and we actively support competition where appropriate to deliver good outcomes.

The priority for our sectors through the coming months is to maintain support for consumers and businesses and to ensure that the networks remain resilient and continue to operate effectively. It is also critical that we act to make sure people are protected from fraud and bad practices, in particular vulnerable or older people.

Across the UK, we have dedicated teams of engineers and technicians (designated key workers) who play a critical role in keeping the airwaves safe and functioning and we are working with industry and the Government to make sure telecoms customers stay connected and are supported during this unprecedented time.

We oversee the universal postal service, which means Royal Mail must deliver and collect letters six days a week, and parcels five days a week, at an affordable and uniform price throughout the UK.

We are independent of both Government and the companies we regulate and our duties are set out in statute, making us accountable to Parliament. Our priority is good consumer outcomes, where consumers can make informed choices, and we drive this by keeping you informed and promoting competition among companies we regulate.

## Our powers and duties

Ofcom was established under the Office of Communications Act 2002 and operates under a number of Acts of Parliament<sup>1</sup>.

The Communications Act 2003 states that our principal duty is ‘to further the interests of citizens in relation to communications matters, and to further the interests of consumers in relevant markets, where appropriate by promoting competition’.

In postal services, we must carry out our functions in a way that we consider will secure provision of a universal postal service in the UK. We implement and enforce communications, competition and consumer protection laws.

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

Our legal duties guide the direction of our work and our main legal duties are to ensure that:

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

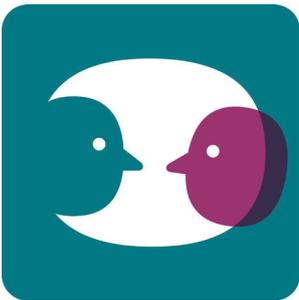
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<sup>1</sup> These include the Communications Act 2003, the Wireless Telegraphy Act 2006, the Broadcasting Acts 1990 and 1996, the Digital Economy Acts 2010 and 2017 and the Postal Services Act 2011.

## Our values

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

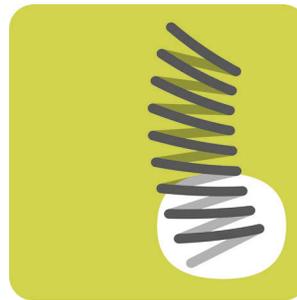
Our values shape how we treat one another, how we work together, how we relate to our stakeholders, how we judge performance and how we collaborate to achieve our priorities. Our values are central to our effectiveness and they support the organisation we want to be.



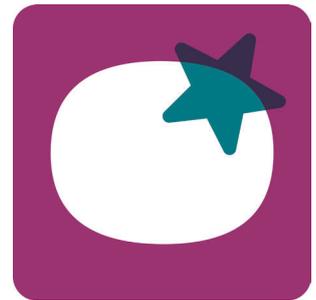
**Collaboration**



**Empowerment**



**Agility**



**Excellence**

## 2. Performance Review

# Highlights for 2019/20

- **Broadband universal service obligation (USO)** - Ofcom is responsible for implementing the USO and from March 2020 consumers have been able to request a decent broadband connection.



**Better broadband and mobile - wherever you are**

- **Investment in full-fibre networks** – this year, we set out our proposed regulatory framework to support investment in full-fibre networks (Wholesale Fixed Telecoms Market Review). Current provider plans could see at least 50% full-fibre coverage of the UK within five years.
- **Shared Rural Network** - we provided technical advice to the Government on the mobile network operators proposals for a ‘shared rural network’ (SRN) which will help propel 4G coverage across the UK.
- **Shared spectrum access** - we confirmed plans to allow shared access in a number of spectrum bands and continued our programme of work to release more spectrum to enable the launch of new mobile services, such as 5G.



**Fairness for customers**

- Under our **Fairness for Customers** programme, we published a framework outlining how we will judge whether customers are being treated fairly by telecoms and pay-tv companies.
- Last year saw all of the UK’s biggest providers make a landmark **commitment to put fairness first**.
- **Switching** - we’ve made it quicker and easier for customers to leave their current mobile company by switching with a simple text message. We’ve also made it easier to switch broadband provider and get a guaranteed speed.
- Broadband, phone and pay-tv firms must now **tell you when your contract is coming to an end**, and must also tell you about their best available deals.

- **Small Screen Big Debate** - we published a five-year review of Public Service Broadcasting (2014-18), to provoke a national conversation about how the benefits of PSB might be assured for the future.



**Supporting UK broadcasting**

- **Regional production review** - we published updated guidance for public sector broadcasting (PSB) around making programmes outside of London, and the criteria that defines a regional production.

- **Prominence of electronic programme guide (EPG)** - we published a statement with revisions to the electronic programme guide (EPG) Code, to ensure the main PSB channels remain easy to find. The revisions are due to come into effect in 2021.
- **On-demand programme services (ODPS)** - we worked with ODPS providers, consumer groups, and the Government around how forthcoming regulations should work to improve the accessibility of ODPS.
- **Broadcasting Code enforcement** - we recorded 82 breaches of the Code, and imposed 7 sanctions on broadcasters, including 6 financial penalties relating to:
  - » harmful content
  - » breaking rules relating to crime, disorder, hatred and abuse
  - » breaches of the due impartiality rules.

- **Making Sense of Media (MSOM)** - we expanded our media literacy activities by launching the MSOM programme. The MSOM network brings together organisations and individuals with expertise in media literacy with a shared goal of improving the online skills, knowledge and understanding of UK adults and children.



### Raising awareness of online harms

- **Online Nation Report** - we published Online Nation, an annual report which examines how people are served by internet content and services, and attitudes towards being online. Alongside this, we updated our analysis and research on adults' media use and attitudes.
- **Online harm** - we published further detailed research examining people's experiences of online harm. We also looked at how AI could help moderate online content over the next five years going forward.



### Strong, Secure Networks

- **UK network security and resilience** - we are working DCMS on the legislative process which will give Ofcom new Telecoms Security Requirements (TSR) powers, aimed at improving levels of security within the telecoms sector.

- **Diversity and Equal Opportunities reports** - we published diversity reports for radio and TV. For the first time, we collected data on the socio-economic background of the TV workforce.



### Diversity and inclusion

## Progress on delivering against our Annual Plan priorities

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

We developed our priority work areas for 2019/20 in line with our duties and strategic goals. Our priorities consider the market context and, where possible, aim to reflect responses from stakeholder consultation.

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

### Delivery RAG reflecting likelihood that the project will be completed on time:

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

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

project may not be completed or significantly delayed.



## Better broadband and mobile – wherever you are

Encouraging investment and improving broadband and mobile coverage, so everyone benefits

Priority work areas	Comments
<p><b>Broadband Universal Service Obligation (“USO”)</b> – designating providers and setting requirements.</p>	<p><b>Broadband</b> (as at January 2020)</p> <p>a) 27.7m homes (95%) can now access superfast broadband (30Mbit/s) (27.1m homes Jan 2019);</p>
<p><b>Business Connectivity Market Review</b> (provision of leased lines in the UK).</p>	<p>b) over 3.5 million homes (12%) now have access to full-fibre broadband connection (7% Jan 2019); 55% of homes can get ultrafast broadband (300Mbit/s) (51% Jan 2019);</p>
<p><b>Physical Infrastructure Market Review</b> – to encourage investment for home broadband.</p>	<p>c) Eligible homes can now request a decent connection from a designated universal service provider (10Mbit/s download and 1Mbit/s upload speed)</p> <p><b>Mobile</b></p> <p>a) Stable 4G coverage – outdoor coverage from all four operators is at 67% of UK-land mass, with 9% of the UK still without good coverage from any operator;</p>
<p><b>Access Review</b> – statutory review of telecoms markets.</p>	<p>b) 5G rollout started May 2019 - now in over 70 UK towns and cities;</p>
<p><b>700MHz Clearance</b> – moving existing TV broadcast users.</p>	<p><b>The Shared Rural Network will significantly improve consumer outcomes</b></p> <p>a) Increasing outdoor UK 4G coverage to at least 90% (varying by operator).</p>
<p><b>Future spectrum auction</b> (700 MHz and 3.6-3.8 GHz award) and improvements in mobile coverage and services.</p>	<p>b) Collective mobile operator outdoor coverage ≥95%</p> <p>c) new outdoor coverage to between 40,000 and 140,000 of premises (varying by operator), and between 4,000 and 10,000 km of road (varying by operator).</p> <p>These coverage improvements will be delivered by June 2026, with interim targets agreed for June 2024.</p>



## Better broadband

High-quality connections have never been so important. We want to make sure everyone can access fast and reliable broadband services, regardless of where they live or work.

### Consumer Impact

We are living through a communications revolution. People are more reliant on fixed broadband connections to help them with their everyday needs.

People are also using more data over their fixed connections. In 2019, data use on fixed lines increased to an average of 315GB per connection per month, from 240GB in 2018.

This is roughly equivalent to watching three to four hours of high definition (HD) content (films, sports, video clips) per day. The trend shows no signs of slowing down and will place a strain on the UK's legacy copper networks in the coming years.

The growing availability of Fixed Wireless Access (FWA) will continue to reduce the number of premises unable to get a decent broadband connection (estimated in December to be around 189,000 premises).

The future is gigabit capable networks: ultrafast, fibreoptic networks offering speeds of up to 30 times the current average, as well as being more reliable.

### What we've done

In March 2018 the UK Government finalised the terms of a new universal service obligation (USO). This means affordable broadband connections and services must be provided throughout the UK with a download speed of at least 10Mbit/s.

Ofcom is responsible for implementing the USO. This year, we designated BT and KCOM as the broadband universal service providers. The USO launched on 20 March 2020 so consumers can now request a decent broadband connection from BT or KCOM.

Enabling competition is central to our efforts. By creating the right competitive conditions for companies to invest, we expect investment in full-fibre to emerge from both new competing networks and BT.

We aim to create the best possible regulatory environment to encourage investment and innovation.

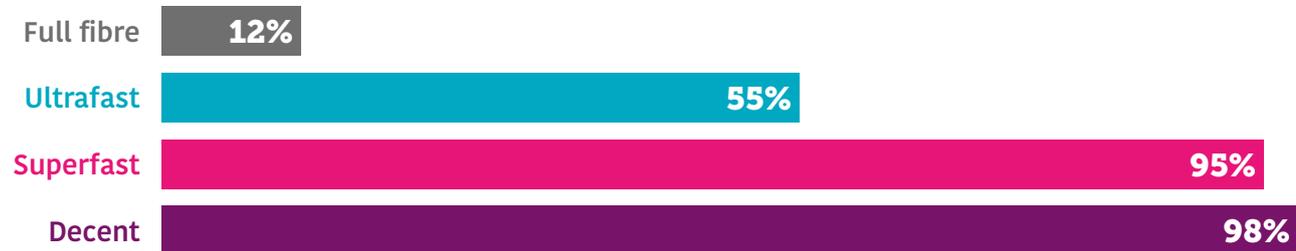
In July 2018, we outlined plans to provide longer-term regulatory certainty and support for competitive investment in fibre networks across the UK. We said that by 2021, we will regulate residential and business markets more holistically, bringing together our assessments into a single review, lasting at least five years instead of three.

In January 2020, we set out details on our proposed regulatory framework to support competition and investment in full-fibre networks. The Wholesale Fixed Telecoms Market Review consultation included proposals to:

- **provide access** for rival companies to Openreach's telegraph poles and underground ducts, helping to cut the upfront cost of building these networks by around half;
- **adopt different approaches** to regulating Openreach's residential broadband wholesale products in different parts of the UK, aimed at creating the right conditions to stimulate investment in both parts of the UK where we believe competing networks to Openreach are likely to be built and those where such competition is unlikely;

## Fixed line broadband coverage across the UK

Percentage of UK homes that can now get:



As of January 2020, reported in Ofcom's Connected Nations Update: Spring 2020

- **regulate Openreach's 'leased lines'** – high-speed data connections used by large organisations – in a similar way to residential broadband wholesale products, by varying our approach geographically to reflect the level of current or prospective competition;
- **support Openreach in managing a smooth transition from its older copper networks** and then to retire them, helping to lower costs and further consumer take-up of full-fibre based services.

The consultation process closed in May 2020 and we are now working towards confirming our plans in early 2021 before the new framework comes in to force from April 2021.

### Outcomes and next steps

Ofcom's priority is to make good quality broadband networks a national reality, particularly for the thousands of people who cannot currently get a decent connection.

Our proposed new regulatory framework is designed to support and further the full-fibre business case of competing providers as well as Openreach.

Since announcing our plans:

- Openreach has increased its build target for Fibre to the Premises in stages, from 3 million by 2021, to initially 4 million and now 4.5 million premises. Similarly, having originally stated an intention to build reach up to 10 million premises by 2025, then 15 million by around 2025, this has now been extended to 20 million premises by the mid- to late -2020s;
- CityFibre has acquired FibreNation and extended its target to eight million premises from five million;
- Virgin Media has continued to build at a steady rate;
- Hyperoptic has secured a new majority shareholder; and
- Gigaclear is progressing with its targeted business model in rural areas.

The Government's ambition is to deliver gigabit-capable broadband nationwide by the middle of the decade. We will continue to work with industry, as well as central and devolved Government, to extend the availability of basic and full-fibre broadband services across the UK.

## Better mobile

We want to make sure people can access mobile services wherever they happen to be, allowing them to make calls, access the internet, stream content and use smartphone apps.

### Consumer Impact

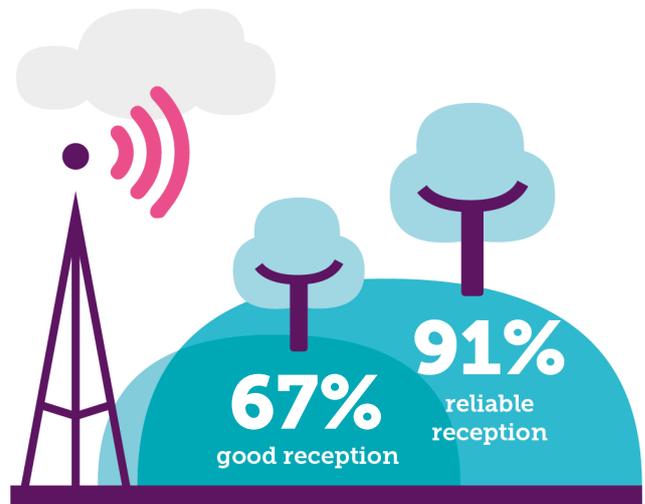
In today's smartphone society, being able to make calls and get online on the move is crucial to people's personal and working lives. Data traffic over the mobile networks has almost doubled in the two years to 2019. However, while mobile coverage across the UK is gradually improving, there are still parts of the country where coverage is patchy and the consumer experience can be inconsistent.

Although most of the country can get coverage from at least one mobile company, there are significant differences in urban and rural areas. Ninety-six per cent of urban areas can get 4G reception from all four operators, compared to 63% of rural areas.

### What we've done

In December 2018 we announced plans to make more spectrum available to support the demand for internet services on the move. Our consultation on the release of 200 MHz of new spectrum, across the 700 MHz (80 MHz) and 3.6-3.8 GHz (120 MHz) bands, included proposals to extend mobile coverage to at least 90% of the UK's entire land area within four years by two operators.

Following this, the four national mobile network operators – BT/EE, O2, Three and Vodafone – have developed a proposal for Government to support their plan for a 'shared rural network' (SRN) as an alternative to our proposals.



We provided technical advice to the Government throughout the process to negotiate this arrangement and have now varied the licences of each mobile operator to include binding commitments to deliver the SRN outcomes. We will also play a role in reporting on progress on a regular basis in the years ahead, and assessing compliance when the obligations fall due.

### The key elements of the shared rural network agreement

#### The proposal has three key elements:

- Mobile operators extending their own coverage by closing existing partial not spots, where some, but not all, MNOs have coverage, at their own expense.
- Up to 292 mobile infrastructure sites built as part of the Government owned Emergency Services Network would be made available to all four operators, delivering additional coverage in some of the most remote, rural locations.
- New sites would be built in a number of areas where there is no coverage from any operator. These sites would host all MNOs and would be funded by Government.

In July 2019 we confirmed plans to allow shared access in a number of spectrum bands. For example, spectrum in the 1800 MHz and 2300 MHz bands is available for shared use and can be used by existing mobile handsets. Additionally, users can now access on a shared basis spectrum in the 3.8-4.2 GHz band where the ecosystem is starting to develop. We have also allowed third parties to use spectrum already licensed to mobile operators, in areas where it is not being used by them.

We are opening up spectrum as wireless technologies are starting to play a significant role in the digital transformation of many industry sectors from manufacturing, logistics, mining, agriculture and connected devices that will form the 'Internet of Things'. In March 2019 we started our engagement programme with different industry sectors, to provide insight over the role of wireless and support organisations in understanding the role of spectrum in delivering their digital transformation objectives.

Through the year we have also continued our programme of work releasing more spectrum to facilitate the launch of new mobile services for people and industry, including 5G.

The combination of different spectrum bands allows mobile network operators to increase data capacity to cope with significant demand in urban centres, enabling people to enjoy more reliable internet access.

In addition, we have worked with the Department for Transport, the Department for Digital, Culture, Media & Sport, Network Rail and a number of other stakeholders on the issue of rail connectivity. Our focus has been on gaining insight into passenger and operator requirements for connectivity to trains.

## Outcomes and next steps

The shared rural network plan could see up to £1bn invested by Government and industry over the coming years to increase mobile coverage. We will be monitoring the progress made by the operators in meeting the coverage commitments included within their licences.

All UK mobile network operators have already launched new 5G services in the largest cities. We will finalise the rules for the award of 200 MHz of new spectrum across the 700 MHz and 3.6-3.8 GHz bands before the end of the year and will hold the auction as soon as practicable.

Our approach to enabling shared access and local access use of spectrum in several bands will enable wireless connectivity solutions across a wide range of companies, communities or organisations. The spectrum bands we have opened for sharing could also be used to deliver fixed wireless broadband, helping to connect homes and businesses in areas where it is particularly challenging to lay cables in the ground. Our next phase of work will consider the potential of a fully automated authorisation approach for providing wireless services over shared spectrum.

We will report on the progress that mobile operators are making towards delivering their new licence commitments, before assessing compliance as the commitments fall due. And we will continue to consider how we can further support people by making the best information available to them through our online coverage maps and consumer advice.

## Fairness for customers

### Ensuring broadband, phone and TV customers are treated fairly

	Priority work areas	Comments
<p><b>Fairness commitments</b> – voluntary commitments from providers to treat customers fairly.</p>	<p><b>Review of broadband and mobile handset pricing</b> – ensuring fair and clear prices, particularly for those who are vulnerable.</p>	<p><b>End-of-contract and annual best tariff notifications:</b> Since February 2020, customers receive notifications 10-40 days before the end of their contract setting out any changes to price and service, and the best available deals from their provider. Out-of-contract customers (approx. 20m) will receive a similar best tariff notification each year.</p>
<p><b>Simpler mobile switching</b> – helping customers change provider through simpler switching processes.</p>	<p>Implementing new consumer protections in the <b>European Electronic Communications Code (EECC)</b></p>	<p><b>Bundled mobile handset customers:</b> c.70% of bundled out-of-contract customers could save on average £11pm switching to SIM-only (July 2019). Voluntary discounts from most providers came into effect from February 2020.</p> <p><b>Broadband price commitments:</b> range of commitments agreed with broadband providers that protect consumers who face barriers to getting a better deal.</p>
<p><b>Other fairness projects</b> – including the fairness framework, End-of-contract notifications, Open Communications, Handset locking, Vulnerability guide</p>		<p><b>Simpler mobile switching:</b> From July 2019 customers have been able to switch more easily (via text message).</p>

The UK's telecoms markets are among the most competitive in the world. Together with market innovation, this has helped to deliver lower prices, better service, wider coverage and improved reliability. But choice can sometimes be confusing. Ofcom wants customers to get a fair deal for their services.

### Consumer impact

Ensuring fairness for customers – particularly those who might find it difficult to navigate the market, such as those in vulnerable circumstances – is a priority for us.

## What we've done

We want customers to take full advantage of the choice available, shop around with confidence and secure a fair price for their needs.

From February this year, broadband, phone and TV customers must be told when their contract is coming to an end, and be shown the best deals available to them, including SIM-only deals for customers on bundled mobile handset contracts. Those already out of contract will also have to be given reminders and shown the best deals every year.

Alongside these new rules, we secured commitments from providers to limit the potential harm for any customers who might not respond to these notifications, or who face barriers to engaging with their provider.

### 1. Clear and fair handset charges for mobile users.

We conducted a review of the prices paid by mobile customers who bundle their handset and airtime together. We found around 1.4 million customers could save an average of £11 a month if they switched to a cheaper SIM-only deal. Our targeted action led to commitment from the major mobile companies – apart from Three – to reduce bills for customers who are past their initial contract period.

**1.4m**  
people could  
save money



We are also considering whether we need to act in relation to 'split' contracts, where the customer has separate contracts for their handset and airtime. These contracts provide more pricing transparency and offer customers another way to buy expensive handsets in instalments – but they might tie customers into overly long airtime contracts and make it harder for them to switch.

### 2. Fair prices for out-of-contract broadband customers.

We undertook a comprehensive study of broadband pricing practices, to understand why some customers pay more than others – particularly those who may be vulnerable. Having analysed 20 million customer tariffs, we found around 8.8 million customers were out of contract and stood to make significant savings by negotiating a new deal with their existing provider (up to £8 to £9 per month) or by switching to a new one (up to £9 to £10 per month). While we found that vulnerable people are no more likely to be out-of-contract than broadband customers overall, we remain concerned that some vulnerable consumers are paying higher prices.

Again, we secured a range of commitments from the UK's largest broadband companies to cut prices for those who are out of contract and to help protect vulnerable customers. Some committed to undertake annual price reviews for vulnerable customers. Others committed to reduce the difference between the monthly prices paid by new or re-contracted and out-of-contract customers.

We will provide an update to our broadband pricing review in Q2 2020/21.

We will continue to monitor where households have difficulty paying for communications services, with a particular focus on broadband services, and consider if any measures are needed to support consumers who are financially vulnerable.

We continue to work to make sure people have access to the right information to help them shop around. We publish research and data including:

- information on how providers across different markets perform on customer satisfaction, complaints and value for money;
- provider-specific information on broadband pricing; and
- information campaigns such as Boost Your Broadband to help people get faster broadband and save money.

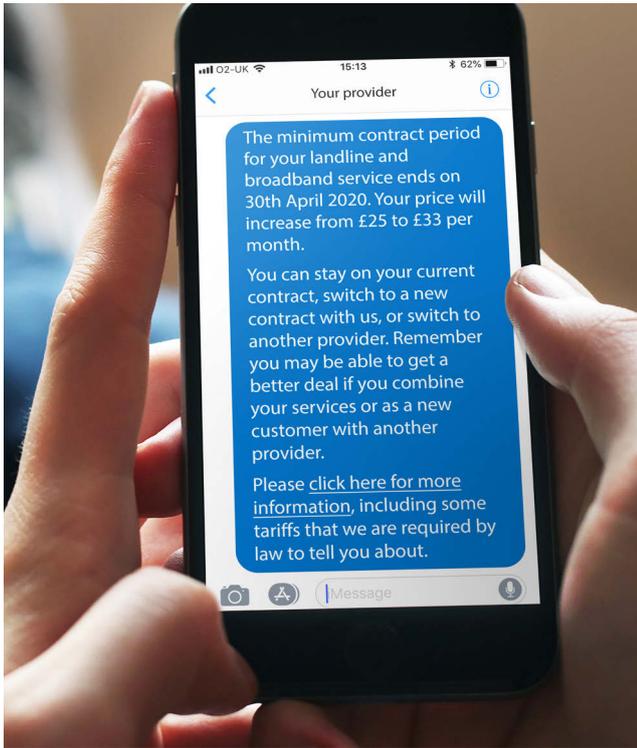
We recognise that giving people the right information might not always be enough to help them find a better deal, especially if they are put off by the hassle of switching provider. Last July we introduced text-to-switch, meaning mobile customers can now switch provider by simply sending a free text.

We also introduced a ban on notice period charges beyond the switch date for mobile customers. We have since also proposed new rules to ban mobile companies from selling handsets locked to their network.

We have previously made it easier for broadband customers on Openreach's copper network to switch. Last December, we proposed new rules to make it easier to switch broadband services between different networks or between providers of full-fibre broadband services on the same network. We also proposed a ban on notice period charges beyond the switch date for broadband customers.

Underpinning all this work is a drive to make sure providers put fairness first, good practices should be at the heart of every provider's business. Over the past year we have secured new fairness commitments from all the UK's biggest broadband, phone and pay TV companies. We plan to publish a progress update in the autumn to report on whether companies are delivering on their promises. To help ensure greater clarity about our approach, we have also published a new 'fairness framework' which sets out how we propose to assess fairness issues and the kinds of concerns that might prompt intervention.





We have also consulted on a new package of consumer protection measures to implement the European Electronic Communications Code (EECC), a new EU Directive that updates the regulatory framework for communications services. In addition to some of the measures outlined above, we also outlined plans to:

- Bolster contract information and rights to exit. Customers should be given the information they need in writing, before they sign a contract. We also proposed giving customers the right to exit their contract if there are any changes to their contract that are not exclusively to their benefit; and
- Ensure customers with disabilities have equivalent access to, and choice of, communications services. We proposed that all phone and broadband providers enable British Sign Language (BSL) users to contact the emergency services using video relay services, and that all written communications are provided in accessible formats upon request.

## Outcomes and next steps

If companies are not treating customers fairly, we will step in and take action. Our regular reporting on customers' experiences – including the prices they pay – will help shine a light on unfair practices.

We are continuing to make sure customers are treated fairly, pay fair prices and can easily take advantages of the best deals available to them. As well as monitoring the impact of the changes we have made or proposed, we will help improve the way providers identify and support vulnerable customers.

We will be carrying out a review of our automatic compensation scheme later this year. This was introduced in April 2019 and means landline and broadband customers are getting money back from their providers without having to ask for it for slow repairs, delayed installations or missed engineer appointments.

## Supporting UK broadcasting

Helping broadcasters to thrive, and ensuring audiences are well served by high-quality programmes

 <b>Priority work areas</b>	<b>Comments</b>
<b>PSB Review: Small Screen Big Debate</b> – PSB sustainability given the rise of digital consumption.	<p>We are asking fundamental questions about public service broadcasting (PSB), encouraging a national debate – about what it should deliver, how it should be delivered and funded, and what regulatory and policy tools may be needed to ensure PSB content continues to be delivered in future.</p>
<b>PSB Prominence</b> – protecting the prominence of PSB content on different platforms.	<p><b>PSB outcomes:</b></p> <p>(a) Viewing has fundamentally changed with viewing to live TV continuing to decline, especially amongst younger audiences. Average daily viewing of broadcast TV for all adults was down 5.4% to 3hrs 12 mins compared to a 15% drop to 1 hour 25 mins for the 16 to 24 age group.</p>
BBC Competition Monitoring Programme	<p>(b) Audiences still value PSB, with 74% of audiences satisfied with PSB and the channels accounting for 55% of viewing time.</p>
BBC Commercial and Trading Activities regulation	<p>(c) PSB also remains key to the UK’s creative economy, investing £815m in over 32,000 hours of UK-made original content, investing in producers across the Nations and Regions and attracting 3rd party investment. However, as audience behaviour continues to change, other broadcast, online and on demand media also increasingly play an important role in offering audiences choice and investing in original UK content.</p>
BBC Annual Report and Performance Report / News Review	<p>(d) audience satisfaction (PSBs) – currently 73% of viewers are very or fairly satisfied, down from 79% in 2014.</p>

### The future of public service broadcasting - Small Screen: Big Debate

Ofcom has a role to ensure the UK’s public service broadcasting (PSB) services continue to deliver for audiences.

In February we published ‘Small Screen: Big Debate – A five-year review of public service broadcasting’, our view of how public service broadcasting has performed between 2014 and 2018.

This review built on findings in our second Media Nations report, published last summer, which reviewed key trends in the television and video sector as well as the radio and audio sector. Separately, we have also published a five-year review of the Channel 4 Corporation's fulfilment of its content media duties.

Over the last year we set out our view that PSB is at a crucial juncture given changing audience behaviours and ever-increasing competition from global content providers. We decided now is the right time to consider fundamental questions about the future of PSB and in July 2019, we launched a nationwide debate to discuss the future of public service media – called Small Screen: Big Debate. Since then, we have organised discussions with audiences, broadcasters, production companies, government, parliament, industry bodies, national and regional representatives, and others. More information on the progress of the debate can be found on our dedicated website

<http://www.smallscreenbigdebate.co.uk>.



Over the next year we will continue with a range of activities around the Small Screen: Big Debate, asking what PSB should deliver, how it should be delivered and funded, and what regulatory and policy tools may be needed to ensure PSB content continues to be delivered in future. We are also considering the impact Covid-19 has had on the industry and the relationship audiences have with PSB.

The discussions in all the UK nations, together with our research, analysis and further evidence from stakeholders, will inform a consultation on options for the future of PSB which we plan to publish by the end of 2020. We will then invite views and evidence on these options before making recommendations to Government in 2021.

## Review the guidance to public service broadcasters for production outside London

In June 2019 we published our final decisions on our regional production review and published updated guidance for the PSBs in meeting their quotas for making programmes outside of London.

The changes we have made include strengthening the criteria that define a regional production, excluding self-promotional content from counting towards the regional production quotas and adding more information to the guidance about each of the criteria and how they should be applied. To improve compliance and aid enforcement, we have also introduced spot-checks and a clearer reporting regime.

The new guidance comes into effect for programmes broadcast from January 2021. We believe our package of changes will bring more rigour and accountability to the regime, ensuring it better delivers the policy intention of supporting and stimulating the creative economies across the UK's nations and regions.

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

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

We published our response to C4C's 2018 SMCP when it published its Annual Report last June. We considered that C4C met its obligations well in 2018 in several important areas including spending on programmes in the nations and regions, its investment in content appealing to older children and teenagers, its commitment to diversity-related programmes and the performance of Film4 Productions. We identified some areas where C4C could do more, for example it did not show as many new ideas on screen or work with as many different producers compared with previous years.

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

### Review of children's content

PSB was designed by Parliament to make sure audiences can enjoy a wide range of high-quality programmes, including original content for children.

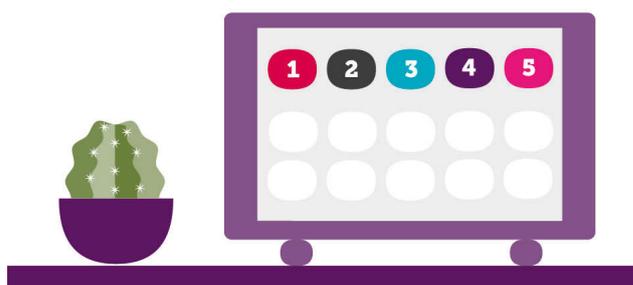
In July 2019, we published our view on ITV, Channel 4 Corporation and Channel 5's responses to our Children's Content Review. Each broadcaster had demonstrated a renewed commitment to children's content, by creating and investing more in original UK programmes made just for UK children and teenagers, including live action, entertainment and news.

Taken together, our view is that their plans responded positively to the concerns we highlighted in our 2018 report. Importantly, the broadcasters' plans also reflect the many ways younger audiences are now watching PSB content - live, on-demand and online.

We continue to work with the broadcasters on the delivery of their plans as well as monitoring children's use and attitudes towards PSB.

### PSB prominence and updating the electronic programme guide (EPG) code

In July 2019, we published a statement revising the prominence section of the linear electronic programme guide (EPG) Code. We have revised the EPG Code to ensure the main five PSB channels (BBC1, BBC2, Channel 3 services, Channel 4 and Channel 5) remain easy to find. We have also set minimum levels of prominence for other PSB and Local TV services. This will ensure that viewers can continue to find PSB channels easily and will make some PSB services easier to find. These revised sections of the Code are due to come into effect on 4 January 2021.



Alongside our revision of the EPG Code, we also published our recommendations to Government to protect the prominence of PSB, linear and on-demand services, online. Since then we have engaged extensively with industry stakeholders and with DCMS to consider how these new prominence rules would work in practice. We are also working with industry on whether new rules that guarantee the availability of PSB on-demand content may be desirable. These discussions will inform the options for the future of PSB, as part of our Small Screen: Big Debate work programme.

## **Audience expectations in a digital world**

It is important that the rules we apply to broadcast and on-demand services reflect consumers' changing viewing behaviours and expectations.

We commissioned Ipsos MORI to conduct qualitative research to help us understand audiences' changing attitudes towards content standards and their experiences of programmes across platforms including TV, radio, on demand, subscription and video sharing services.

Findings from the research, published in March 2020, included that participants considered:

- content involving incitement to crime and hate speech to be the most serious;
- harmful content should be prioritised over offensive content; and
- offensive content which raises issues of discrimination is nevertheless a concern and should also be prioritised.

The [full report is available](#) on the Ofcom website.

A separate piece of research on the expectations of minority ethnic audiences has been commissioned, with a focus on harm and offence.

## **Protecting participants in TV and radio programmes**

In early 2019, Ofcom's Content Board had started to consider whether broadcasters should be required to safeguard the welfare of programme participants. Following this and news reports about The Jeremy Kyle Show, in July 2019 we consulted on proposed new rules to help protect the wellbeing of people taking part in programmes, including reality TV programmes. Our proposed rules were based on the concept of 'due care'.

The consultation closed in September 2019. While there was overwhelming support for our policy aims, there were concerns expressed as to whether our proposed rules were the best method for achieving these. Having considered the points put forward, in March 2020 we published a further consultation asking for views on revised proposals. We aim to publish a Statement, new rules and detailed guidance in Autumn 2020.

## **Increasing the accessibility of TV and on-demand programme services (ODPS)**

For people who are visually or hearing impaired, enjoying television can rely on high quality access services (subtitles, signing or audio description) accompanying programmes.

While many broadcasters are obliged to make their programmes accessible, the same is not true for on-demand providers and services. This year we worked with on-demand programme services (ODPS) providers, consumer groups, and the Government to establish how forthcoming regulations should work to improve the accessibility of ODPS. In December 2019, the Government wrote to us requesting that we conduct a second consultation on some practical aspects of the requirements, after which we will make further recommendations to the Government.

In due course, we also plan to consult on revisions to our best practice guidelines on television accessibility, expanding them to include guidance for on-demand providers.

## BBC

### Reviewing the BBC's news and current affairs output



In 2019 we published an in-depth review of the BBC's news and current affairs output. We asked people about their news habits, what matters to them about the news and current affairs they watch, listen to and read, and the role BBC news and current affairs plays in their lives.

We found that, despite an uncertain political environment, the BBC has broadly maintained its reputation for trusted and accurate reporting and remains the place people turn to, to find out about major and current events. Audiences told us they value the calibre of the BBC's journalism.

For some the BBC's unique history was a source of strength, however for others this heritage led them to question the impartiality of the BBC's reporting. We also found that the BBC could do better at representing the whole of the UK. In relation to online provision, we concluded that BBC News needs to do more to stand out or risk losing its reputation and status as a trusted voice.

We have continued to engage with the BBC on the steps it is taking in response to each of our recommendations. To ensure transparency, we expect the BBC to report on progress against these in its next annual report.

### Material changes to BBC public service activities

In 2018/19, we directed the BBC to undertake a Public Interest Test (PIT) on its proposed changes to BBC iPlayer, which included making available all new programmes on BBC iPlayer for 12 months as standard.

In April 2019, the BBC said the proposals satisfied the PIT, as any impacts on fair and effective competition would be justified by the public value the changes would generate for audiences.

We undertook a competition assessment and sought evidence from stakeholders on how the BBC's proposals would affect their existing businesses or investment plans. We decided that the BBC should be able to go ahead with its proposals, subject to conditions and guidance, as we considered it was crucial that the BBC were able to evolve the iPlayer to meet the changing expectations of audiences.

### The BBC's commercial and trading activities

We monitor the BBC's compliance with our trading and separation requirements to ensure its commercial activities do not distort the market or gain an unfair competitive advantage as a result of their relationship with the public service.

We also assess changes to the commercial activities to ensure fair and effective competition. In 2019/20 we undertook two such assessments.

ITV and the BBC announced in July 2019 their intention to launch a new subscription video on demand (SVoD) service in the UK, called BritBox, bringing together the ‘best of British’ programmes. The BBC’s involvement in the service included its commercial arm holding a 10% share and a significant content supply deal with BBC Studios.

Following consultation, we concluded that the BritBox arrangements were not a material change to the BBC’s commercial activities. However, we will monitor developments closely (particularly in relation to how the BBC makes programmes available on commercial services and any cross-promotion from the public service to BritBox) and we have the ability to step in if concerns arise. ITV and the BBC subsequently launched the new BritBox streaming service in November 2019.

In addition, BBC Studios and Discovery announced the dissolution of their UKTV joint venture in April 2019. Under the terms of this deal, Discovery took full control of the lifestyle channels and BBC Studios took full control of the entertainment channels, the UKTV brand and UKTV Play, a catch-up service.

We concluded that our trading and separation rules would be sufficient to safeguard against any potential market distortion or unfair advantage arising as a result of this deal.

### **BBC Studios review**

We delayed the start of our review of BBC Studios given its evolving commercial and market position so we could take account of the changes to BBC Studios from the BritBox and UKTV deals as well as the NAO’s review of BBC Studios. We now plan to publish the findings from this review in Q4 2020/21.

### **Ofcom’s annual report on the BBC**

In October 2019, we published our second annual report on the BBC, covering the period April 2018 to March 2019.



This report set out how we carried out our functions as the BBC’s independent regulator and assessed the BBC’s compliance with its regulatory requirements.

We also published a detailed report which measured the BBC’s performance against its mission and public purposes across all its services and output and provides an overall perspective on how it is delivering for audiences.

Overall, we found that the BBC still plays a central role in audiences’ media and news consumption through the breadth and quality of its output across its many services. It provides a significant volume of news and current affairs, a wide range of learning and educational content, as well as high-quality distinctive and creative content for all audiences across its mainstream and specialist services.

However, we also found that concerns that we had raised on behalf of audiences last year remained. Although the BBC had taken some steps to address issues that we'd previously raised, we said that we now expected the BBC to set out a clearly articulated plan to address recurring themes.

We expect the BBC to focus specifically on:

### **Taking significant steps to engage younger people**

Like all public service broadcasters, the BBC is vulnerable to the rapidly changing media landscape, particularly in its struggle to attract and retain younger audiences. Unless it can address this, its ability to deliver its mission and public purposes to the same level in future will be at risk.

### **Continuing to improve how it represents and portrays the whole of UK society**

We acknowledged that the BBC leads the way in collecting diversity workforce data and has in place a number of initiatives to improve diversity.

However, our research showed that certain groups continue to be dissatisfied with how they are represented and portrayed by the BBC.

We said the BBC needs to set out in more detail its plan for improving representation and portrayal of the whole of UK society, including how it is responding to the specific findings of our review of last year.

### **Embedding transparency into its working practices**

We found good examples of the BBC engaging with Ofcom in a more transparent way around some of its proposed service changes, for example BritBox, and we welcomed the improvements that it has made in its governance arrangements.

However, we continued to find examples of the BBC not taking sufficient account of the need for external engagement to assess fully the

implications of its proposals on the broadcasting sector. Active engagement with the industry on proposed changes to BBC services will allow the BBC to deliver its duty to seek to avoid adverse impacts on competition which are not necessary for the effective fulfilment of the Mission and Public Purposes.

We also found that there is a lack of transparency in the way the BBC releases and explains its decisions on compliance with the Broadcasting Code.

We are working on new requirements on the BBC to help build trust in its decision making in this area.

## **Broadcast licensing**

The opportunity for potentially hundreds of smaller local radio stations to start digital broadcasting came much closer this year. Parliament passed a law which will give Ofcom the power to issue licences for small-scale DAB, and we consulted on how we intend to use these new powers. We will announce when we expect to start inviting applications in due course.

We've continued to license TV and radio services over the past year to broaden the range of services available for viewers and listeners – with applications for almost 200 new TV, digital radio and short-term radio services being received. We've also licensed 12 new community radio services, while 17 new community radio services have launched – each of which will provide a locally-focused radio station for their community.

Following our invitation for existing community radio licensees to improve and extend their coverage area, we've approved over 100 requests for improvements and extensions to coverage areas. These decisions will allow these existing services to either improve the quality of reception within their coverage area and expand their reach, both of which have clear benefits for listeners.

We've also assessed and investigated just over 500 cases about radio and TV broadcasters failing to meet their licence obligations, which resulted in us publishing 249 breach findings. This work is important in ensuring that our licensees continue to meet specific requirements set out in their licence conditions - specifically, that radio broadcasters maintain the character of their licensed service, while TV broadcasters make their services accessible by providing subtitling, signing and audio description. This work is crucial to ensure that viewers and listeners continue to be able to access a wide range of high-quality TV and radio services.

## Broadcast standards

We have continued to protect audiences by enforcing the Broadcasting Code. This year we recorded 82 breaches of the Code, and imposed seven sanctions on broadcasters, six of which were financial penalties.

These included a £75,000 fine for the national speech station Talk Radio for failing to preserve due impartiality. We also imposed a £200,000 fine on television channel RT for seven breaches of the due impartiality rules.

We imposed a £25,000 fine on television channel Ben TV for failing to provide viewers with adequate protection from potentially harmful content, because the channel invited viewers to order 'free miracle spring water' and claimed, or strongly implied, it could cure serious illnesses.

Ofcom imposed a fine on former licence holders Peace TV Urdu and Peace TV of £200,000 and £100,000 respectively for breaking our rules relating to crime, disorder, hatred and abuse. Our investigations found that programmes broadcast on the international satellite television channels, which broadcast religious programmes from an Islamic perspective, contained hate speech and highly offensive content, which in one instance was likely to incite crime.

After further breaches, Ofcom moved to suspend Peace TV Urdu's licence in November 2019, and both licences were surrendered.

We have seen an increase in these types of cases which are very complex and often take longer to complete, as we report in the section on our KPI performance.

During the December 2019 General Election, Ofcom expedited and assessed 2,124 complaints about election programming. Our Election Committee, comprising members of the Ofcom Board and Content Board, assessed a complaint from the Conservative Party about the Channel 4 News Climate Change Debate and its decision to use an ice sculpture in place of the Prime Minister, who chose not to take part. The Committee considered the programme did not raise issues warranting investigation.

In cases where there is significant public interest and to provide information to broadcasters, we occasionally publish our assessment decisions. One of these related to a discussion on BBC Breakfast between presenters Naga Munchetty and Dan Walker about comments made by US President Donald Trump on four US congresswomen. While we considered the discussion did not raise issues warranting investigation under our due impartiality rules, we highlighted our concern about the overall lack of transparency in the BBC's complaints process and the decisions it reaches. We welcome the positive steps the BBC is now taking to address the transparency of its published decisions on complaints.

We also consider complaints from people who believe they were unfairly treated in a programme or consider their privacy was unwarrantably infringed. In these cases, Ofcom acts as the adjudicator between the individual and the broadcaster.

## Raising awareness of online harms

Developing and sharing expertise to protect against online harms; helping people to better use and understand media and communications



### Priority work areas

### Comments

**Online Harms and Video Sharing Platforms** – preparatory work around regulation of online harms, and implementation of Ofcom’s VSP duties.

**Media Literacy** – Making Sense of Media (MSOM) – supporting UK adults and children online through research and stakeholder collaboration.

**Online Markets** – exploratory work around online competition, including current powers.

Monitoring consumer awareness and the use of online tools through ongoing research into online harms, and continued stakeholder engagement, including via MSOM Advisory Panel and MSOM network.

Developing view on how best to evaluate the impact of media literacy activities via our work on the ‘Making Sense of Media’.

Almost nine in 10 UK adults are online, with 64% saying it is an essential part of their life. As the internet becomes more important to people, the time they spend online increases. Ofcom research shows that adults who use the internet spend an average of 24 hours a week online, almost double the time spent online in 2007.

### Consumer impact

There are growing concerns around protecting people online. Joint research from Ofcom and the Information Commissioner’s Office showed that over four out of every five adults internet users have concerns about going online. Some of those concerns relate to areas like hacking or privacy. But, the most common, raised by three in four people, related to children’s exposure to content or contact with other users. Our research found that some 22 million adults using the internet have personally experienced online content or conduct that is potentially harmful.

## What we've done

In September 2018 Ofcom published a discussion document drawing on our experience regulating the broadcasting sector which set out the principles that could form the basis for future regulation addressing harmful online content.

We use various methodologies to develop a full picture of the behaviour and attitudes of UK adults and children in relation to their online, media and communications habits. Over the last year we have continued to report on both adults' and children's media literacy, and their levels of news consumption. We publish reports throughout the year, and hold events to promote the findings and discuss issues arising from them. For example, we held a major event at the British Library in July 2019 covering a range of subjects including critical understanding, online bullying, personal data, and digital inclusion.

In 2019 we expanded our media literacy activities by launching the Making Sense of Media (MSOM) programme. This incorporates and builds on our research activities with a focus on collaboration and co-ordination with relevant stakeholders and their activities. The MSOM network connects organisations and individuals with expertise in media literacy to work towards a shared goal of improving the online skills, knowledge and understanding of UK adults and children. The MSOM panel brings together expert representatives to debate and inform the development of our media literacy research and policy work.

In May 2019 we published a new annual report, Online Nation. It examined how people are served by internet content and services, and their attitudes towards being online. The research helps bring together data and insight on how the online landscape is evolving and the potential harms which arise from increasing use of online services.



Alongside this report we also updated our analysis and research on adults' media use and attitudes, and our latest research into online harms, which was conducted in January 2020 and jointly commissioned with the Information Commissioner's Office (ICO). The study found that most internet users in the UK have concerns about being online, with over four in every five harbouring concerns. Additionally, in 2020 we found that the proportion of adults with an unprompted concern about some aspect of using the internet had risen since 2019, from 78% to 81%. However, most adults (66%) agree that the benefits of going online outweigh the risks.

We examined where people came across their most recent potentially harmful experience, concluding that social media is the leading source – in particular Facebook, which was cited by 23% of its adult users, followed by Instagram, Twitter and TikTok (each cited by 9% of users). Only 45% of adults agreed that websites and social media sites provided the tools needed to keep them safe online, although this rises to 59% of 12- to 15-year-old children.

We have also found that support for greater online regulation has increased in the past two years in a range of areas. Most adults favour tighter rules for social media sites (66% in 2020, up from 52% in 2018); video-sharing sites (57% v. 46% in 2018); and instant-messaging services (56% v. 40% in 2018).

We followed this up in February 2020 when we published our reports into children's media literacy (based on research conducted in 2019). Our findings show that, in 2019 fewer parents feel that the benefits of their child being online outweigh the risks compared to five years ago. Also, parents are increasingly concerned about their child seeing self-harm related content online and some elements of online gaming, compared to 2018. We also found children are using a wider range of social media platforms than before, with TikTok and Twitch emerging as examples of new platforms being used.

In July 2019 we published further detailed research examining people's experiences of online harm, their response to it and the type of protection they expect when they go online – this qualitative study complemented the quantitative research from May. We also looked at how artificial intelligence technologies could evolve to help moderate online content over the next five years.

In October 2019 we published a paper outlining from an economic perspective how market failures in online services may cause a wide range of harms to individuals and society across many policy areas and the challenges faced in the regulation of such services.

In February 2020 the Government announced that it was minded to appoint Ofcom as the UK's online harms regulator. The scope and design of any new legislation is a matter for Government and Parliament. We share the Government's ambition to keep people safe online and will work with them to help ensure that regulation provides effective protection for people online. We will be working closely with the Government in the coming months, as the details of the new regime are developed.

## Outcomes and next steps

In 2020/21 we will publish our adults' media literacy research and our annual news consumption survey in the summer, and our children's media literacy research later in the financial year. We will continue to use the findings to help develop policy thinking in these areas.

There is a clear need to improve how consumers are protected online. Building upon our work to date, we will continue to deepen our understanding of the harms being faced by people online and the steps we might take to help address them.

We will engage with Government and other industry partners as we continue our programme of work and further our research of the complex way in which online services affect peoples' lives.

As part of this work we will help raise users' understanding of online services and how to help protect themselves, including working with children and young people with the aim of improving their ability to benefit from online services while managing the risks.

There are unique challenges associated with developing effective regulation in this area. Our objective is to help curtail the internet's harmful aspects, while preserving its powerful benefits to society, culture, trade and freedom of expression.

## Sustaining the Universal Postal Service

### Ensuring a sustainable and efficient universal postal service

Priority work areas	Comments
<p><b>Reviewing Royal Mail's efficiency</b> and better understanding the needs of postal users.</p>	<p>We have carried out user research into the needs of postal users' across the United Kingdom to inform our review of postal users' reasonable needs, which we will report on later this year. We have also assessed efficiency and continue to closely monitor Royal Mail to ensure the sustainability of the universal service. We published our latest annual monitoring report in December 2019.</p> <p>In April 2020, Royal Mail announced its quality of service performance for the year 2019/20 showing improved performance in first class, second class and special delivery compared to the previous year. In particular, Royal Mail's first class performance has improved from 91.5% to 92.6%.</p>



The postal sector is essential to the UK economy. As the regulator, our goal is to ensure postal users benefit from a universal postal service that meets users' needs. In doing so we have regard to the provision of the universal service being efficient and financially sustainable.

#### Consumer impact

The universal postal service is relied upon by millions of people and businesses across the UK, including those in rural areas. It requires Royal Mail to collect and deliver letters six days a week (and parcels five days a week), at an affordable and geographically uniform price to every address in the UK.

However, the continuing fall in the volumes of letters and changing customer expectations in the parcels market presents an ongoing challenge to its sustainability.

#### What we've done

We monitor and report on Royal Mail's efficiency, quality of service, the financial performance of the universal service network, market developments and competition in parcels and letters. We also monitor consumers' experiences in the postal sector.

Our eighth annual monitoring report found 10.2 billion addressed letters were sent in 2018/19, down 8% on the previous year; and 2.6 billion parcels were sent, up 10%. We also found the majority of residential customers are satisfied with postal services overall (86%), and with value for money (76%) when sending mail, as are most small businesses.

We found that Royal Mail's profit margin in the regulated business had contracted to 1.6% in 2018/19. We noted a downward trend across efficiency metrics at Royal Mail, including the company not achieving its target productivity range.

Since our last monitoring report (but even before Covid-19 started to impact), Royal Mail set out revised forecasts for letter volumes to fall further. Covid-19 has accelerated this trend, and on 25 June 2020, Royal Mail said it expects to be materially loss-making in 2020/21.

Considering the challenges facing Royal Mail, over the past year we moved to enhance our monitoring and to deepen our understanding of the parcels market, and continued our work on building a cost model of Royal Mail's network. During 2019/20 we started some important work on Royal Mail and the postal market including:

- **We began a detailed review of Royal Mail's efficiency.** This looks at the likely future sustainability of the universal postal service and highlighting areas where there is scope for Royal Mail to be more efficient.
- **We began a review of the reasonable needs of postal users.** We are exploring the extent to which the postal market is meeting users' needs in light of changes in the market, in particular the growth in online shopping and the continued fall in letter volumes. This will help to show whether the postal market is meeting users' needs and provide guidance on how to approach any changes that may be necessary to the postal regulatory framework. We will publish our findings this year.

In the run-up to the above work, and to help support our assessment of Royal Mail's efficiency, we concluded a review on costing methodologies and cost allocations at Royal Mail.

We have also undertaken a series of post related investigations over the course of the year:

- **Royal Mail compliance with certain quality of service targets.** Royal Mail is required to deliver 93.0% of all First-Class mail on the next working day after collection, and to deliver 91.5% of First Class mail the day after collection to 118 of 121 identified postcode areas (PCAs). Royal Mail did not meet its target for First Class in 2018/19, for the second year running, falling 1.5% short of the 93.0% target and only meeting the second target in 75 PCAs and we opened an investigation. We expect to issue our decision shortly.
- **Investigation into Royal Mail's compliance with the safeguard gap on second class letters.** In January 2019 we decided to increase the Second-Class standard letter cap from 60p to 65.2p from April 2019, followed by inflation-linked increases until 31 March 2024. We opened an investigation after Royal Mail increased prices on 25 March 2019 instead of 1 April. We expect to issue our decision shortly.
- **Competition Act investigation regarding business parcel delivery services.** In May 2018, Royal Mail reported to the Competition and Markets Authority (CMA) that its ParcelForce division had an agreement with one of its resellers – the SaleGroup, trading as Despatch Bay – that meant neither company would offer parcel delivery services to each other's business customers. Following referral to Ofcom by the CMA, our investigation found the agreement broke competition law. Both companies admitted to having broken the law. Royal Mail was granted immunity under the CMA's leniency policy and, given its cooperation during Ofcom's investigation, and was not fined. The SaleGroup accepted a £40,000 fine.

## Outcomes and next steps

Our overarching goal remains to ensure postal users benefit from a service which meets their needs and is delivered efficiently and sustainably. Our monitoring regime helps safeguard the universal service.

In our annual monitoring update published in December 2019 we outlined our view that the universal service was likely to be sustainable in the immediate future.

However, longer-term sustainability depends on a range of factors, including the extent to which Royal Mail can execute efficiency improvements, such as the transformation programme it had outlined as part of its five-year strategy in May 2019.

We continue to monitor the sustainability of the universal service, including taking account of the short and longer term impacts of Covid-19 on Royal Mail. We will continue with our work to better understand users' needs and our review of postal users' reasonable needs will report in Q3 2020.

In the meantime, we have begun work, to conclude in 2022, on the future of postal regulation. This will include revised cost modelling of Royal Mail's operations and a review of Royal Mail's efficiency. We will also review access and parcels competition and consider whether additional consumer protections are required.



## Supporting consumers and industry through Brexit

### Supporting UK consumers and communications sector



#### Priority work areas

**Brexit** – ensuring Ofcom is prepared for Brexit, providing technical advice to Government, and supporting staff and stakeholders.

#### Comments

Ofcom are working to ensure consumer interests are protected as well as the sectors we regulate although some rules – such as mobile roaming while travelling in the EU – may change.

As the Government negotiates the terms of the UK's future relationship with the European Union, we have continued to make appropriate preparations for how this may affect Ofcom and the industries we regulate. This has included providing independent advice to Government on the priority issues for our sectors.

#### Consumer impact

People are unlikely to see major changes to the rules around how they use their communications services, although some rules – such as mobile roaming while travelling in the EU – will change. As the UK transitions out of the EU, we will provide a stable regulatory environment for businesses that supports investment, promotes competition and protects consumers.

#### What we've done

Where necessary, we have consulted on technical changes we will need to make to our rules so they comply with new legislation that will apply after the end of the transition period. We have also published advice for industry, such as our guidance for broadcasters on how the Government's new legislation will affect them. We have remained in close contact with various companies and consumer groups working in our sectors to ensure we are fully aware of any issues that could affect people and businesses.

#### Outcomes and next steps

We will continue to engage with consumer groups and the companies we regulate to understand their concerns and plans for after the end of the transition period. We will also continue to provide independent advice to government.

## Increasing diversity and inclusion

### Increasing diversity and inclusion at Ofcom and broadcasters

Priority work areas	Comments
<p><b>Annual progress report on Ofcom's Diversity and Inclusion programme</b> – to deliver diversity, inclusion and equality objectives as an employer and regulator.</p> <p>Annual statistical report on diversity and equality at Ofcom, Gender / Ethnicity Pay and Equal Pay Audits.</p>	<p><b>A diverse and inclusive culture means better decisions on behalf of diverse of citizens and consumers.</b></p> <p><b>Ofcom progress in achieving diversity aims:</b></p> <ul style="list-style-type: none"> <li>a) gender balance at 48% female/52% male (2020 target 50/50)</li> <li>b) female senior colleagues at 43% (target 40%)</li> <li>c) senior colleagues from minority ethnic backgrounds 11% (target 13%)</li> </ul>
<p><b>Diversity in Broadcasting</b> – promoting diversity and inclusion across broadcasting.</p>	<p><b>Across broadcasting sector:</b></p> <ul style="list-style-type: none"> <li>a) women in senior television roles 42%;</li> <li>b) disability representation at 6%;</li> <li>c) senior level from minority ethnic backgrounds at 8%;</li> <li>d) total staff from minority ethnic backgrounds at 13%.</li> </ul>

### Monitoring diversity and equality of opportunity in broadcasting

In 2019 we continued to build on our Diversity in Broadcasting programme. We published our second Diversity and Equal Opportunities in Radio report in July and our third Diversity and Equal Opportunities in TV report in September. For the first time, we collected data on the socio-economic background of the TV workforce, and our report included a special section focusing on the diversity of freelance talent within the TV industry, a key part of the broader workforce although not one in respect of which Ofcom has formal powers to promote equality of opportunity. We fed back to broadcasters on their arrangements through a combination of letters, roundtables and individual meetings and offered guidance on where improvements can be made.

We continue to engage with broadcasters and a wide range of experts across sectors help inform our thinking. For 2020 we have launched a quarterly roundtable meeting to facilitate sharing knowledge and best practice, as well as encouraging greater collaboration.

In Autumn 2020 we will publish our next two Radio and TV Diversity and Equal Opportunities reports. These will include additional information to provide greater insights into how broadcasters are addressing their individual diversity challenges. The reports will be accompanied by an event to explore they key themes of the latest reports.

## Enabling strong, secure networks

### Working with companies on protection against outage/attack



#### Priority work areas

##### Network Security and Resilience

– building Ofcom’s capability and working with companies to ensure networks are resilient and secure.

#### Comments

We are working with DCMS on the legislative process which will give Ofcom new Telecoms Security Requirements (TSR) powers, aimed at improving levels of security within the telecoms sector.

We plan to reduce vulnerability of major outages of the services used by consumers as a result of malicious action, accidents, or natural hazards by

- (a) identifying gaps in network resilience standards and best practice and proposing solutions, and
- (b) monitoring compliance with statutory guidance, including the Telecoms Security Requirements, once this comes into force under legislative powers for Ofcom.

## Continuing to innovate approach to regulation

### Better use of data and sharing best practice



#### Priority work areas

**Data Strategy** – investing in the Data and Innovation Hub and data specialist profession to improve how Ofcom stores, analyses, extracts insights from and shares data.

#### Comments

Our Data and Innovation Hub has launched, working to support insightful policy decisions, such as combining information sources to improve understanding into areas affecting consumers.

We are undertaking proof of concept using AI and machine learning to aid process automation.

Preparation has started for the next phase focused on data engineering (i.e. preparing and sharing large volumes of complex data).

### 3. Principal risks and uncertainties

The framework for how we manage risks is set out on page 92. It is designed to ensure risks are recognised across the organisation and, in turn, to support efficient and effective decision making across Ofcom's work.

Ofcom's risk management policy seeks to:

- support the achievement of Ofcom's policies, aims and objectives by informing decision making;
- explain the principles of Risk Management at Ofcom;
- safeguard the public funds and departmental assets that Ofcom is responsible for;

- promote a culture where accepting appropriate risk is encouraged; and
- embed risk management within Ofcom's other business processes as a basis for good corporate governance.

Our strategic risk register captures risks which might threaten Ofcom's objectives. During March and April 2020, we carried out a full risk assessment as a result of the Covid-19 pandemic, recognising the disruptive impact on stakeholders and regulated entities - this is reflected in our current risk register going forward.

The risk register is organised around the risk areas, summarised in the following table.

#### Principal risks

#### Mitigating actions

#### Regulation is seen to be independent, impartial and consistent

The risk that Ofcom is perceived as not being independent and/or Ofcom is seen not to practice what it preaches in relation to its operations, diversity, or the behaviours of its colleagues.

We frequently engage with relevant Ministers, Parliamentarians and officials across the UK and devolved Government departments, and with other stakeholders, to ensure they are aware of relevant market developments and our work programme, and to understand their positions and set out the benefits of independent regulation.

We monitor new legislation and work with Government to refine legislative proposals and make the case for changes where we feel this is necessary.

We ensure key areas of policy work are sufficiently well-resourced and that we are in close dialogue with Government when working on shared objectives.

We continually seek industry backing around the value of our independence, our efficiency track-record and our consumer outcomes.

We seek best practice on diversity and inclusion through membership and partnerships with practitioners such as Business in the Community, Stonewall, Business Disability Forum and Employers for Carers, working with consultants, participating in benchmarking indices (such as Stonewall's Workplace Equality Index) and engaging with other regulators.

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## Principal risks

## Mitigating actions

### Better broadband and mobile – wherever you are

The risk that investment in ultra fast networks fails to materialise, better broadband and mobile coverage is not secured and some consumers don't have access to mobile and broadband services that meet their needs.

We continue to engage with industry stakeholders and investors on investment in ultra fast networks, as well as other perceived investment barriers. We will use the Access Review to provide certainty and incentives for investment.

To align with the Government strategy on the delivery of nationwide gigabit-capable broadband and local full-fibre networks, we regularly engage with Building Digital UK (BDUK), the Department for Digital, Culture Media and Sport (DCMS), and with the governments in the nations on their separate fibre roll-out programmes.

### Fairness for customers

The risk that a significant number of consumers fail to get a fair deal, or fair treatment from their providers.

We continue to work on remedies to address customers getting a fair deal for their communication services, and we are implementing a programme of monitoring and testing to ensure the effectiveness of these remedies. These have been designed to have the largest impact and maximum effectiveness for consumers.

We are engaging with providers on our monitoring and reporting plans having secured fairness commitments from all major providers.

We are working closely with the Competition Markets Authority (CMA) and other relevant bodies who are close to this area, including Government, Citizens Advice and consumer groups.

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## Principal risks

## Mitigating actions

### Major programmes

The risk that Ofcom does not secure positive consumer outcomes, or the efficient use of Radio spectrum or high-quality programmes for TV and radio audiences.

We are taking an active and robust approach to monitoring compliance by BT and Openreach to deliver a better network with improved customer service (under the Commitments and Governance Protocol).

We have continued to consult with stakeholders to understand their concerns, and to undertake market research and forecasting to assess market trends and developments.

We set out our decisions on an award of 700MHz and 3.6-3.8GHz spectrum bands to enable the industry to provide services with greater capacity and wider coverage, and we are now seeking to progress the availability of these spectrum bands.

During the year, we released a number of consultations, statements and other communications relating to our BBC work, along with regular stakeholder, industry and government meetings. We use market research and intelligence to have good visibility of the BBC's plans and their strategic implications and to ensure we are able to take a long-term approach to prioritising action.

We continue to work closely with Government, providing technical advice to help ensure a coherent domestic legislative framework around Brexit, and we continue to engage with stakeholders to understand their concerns and provide as much clarity as we can about a post-Brexit regime. We also completed the necessary preparations to ensure internal business continuity in various scenarios.

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### People

The risk that Ofcom is unable to recruit or retain the necessary diverse talent at all levels to deliver services to a wide and expanding brief.

We are developing a People Strategy and Strategic Workforce plan to recognise the requirements of the organisation going forward.

An internal review is underway of our current strategic talent and skills, and we are advancing a specialist skills development plan.

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## 4. Work in the nations and our international engagement

### Our work in the UK's nations and regions

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

In each of the UK's nations, we have offices to 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.

Each nation has a statutory Advisory Committee, and our Board has representative members for Wales and Scotland appointed by the Welsh and Scottish Governments respectively, in consultation with the UK Secretary of State. Our Content Board and Consumer Panels also have members representing each nation.

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



#### Northern Ireland

- Successful completion in clearing Digital Terrestrial Television (DTT) from the 700MHz band. The process had been carefully co-ordinated with the Republic of Ireland.
- We continued to offer regulatory and technical advice, and coverage data, provided to the Department for the Economy with its planned public investment in superfast and ultrafast broadband ('Project Stratum').



### England

- We continued to work closely with the UK Government, local MPs and local authorities, providing regulatory and technical advice.
- New rules to give eligible UK homes and businesses the legal right to request a decent and affordable broadband connection under a universal service obligation are already starting to benefit consumers living in rural England. We will continue to work with industry and central Government, to extend the availability of basic and full-fibre broadband services.
- We have held discussions with stakeholders and viewers in England to gather a range of views about the future of public sector broadcasting.



### Scotland

- We hosted events in Aberdeen, Edinburgh, Stirling and Stornoway in support of the Small Screen: Big Debate programme to reflect a range of views on the future of Public Sector Broadcasting.
- Oral and written evidence provided to the Scottish Parliament's Culture, Tourism, Europe and External Affairs Committee on our changes to the localness guidelines for local commercial radio.
- Regular engagement with the Scottish Government on improving rural mobile coverage and the implementation of the broadband USO, to help the Scottish Government with its own initiatives.



### Wales

- Political and industry stakeholder engagement has featured prominently to keep stakeholders informed of developments in our work.
- Our 'Supporting Wireless Innovation for Agri-tech and Rural Connectivity' event brought together organisations facing connectivity challenges with those offering wireless solutions.
- Our 'Small Screen Big Debate' series of discussions enabled us to listen to the views of stakeholders regarding the future of Public Sector Broadcasting in Wales.

## Our international engagement

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

Our policy work is informed through our attendance of regulatory and inter-governmental meetings, as well as international events, where we seek to learn and share regulatory experiences and good practice with our overseas counterparts. We also welcome delegations from around the world to exchange views on topics ranging from spectrum auctions to online content regulation and the promotion of investment in telecoms infrastructure.

Although the UK has now formally left the EU, it continues to apply EU law during the transition period. In 2019/20 we have continued our work supporting the Government in ensuring that the interests of UK consumers and citizens remain at the heart of legislative change, notably in the context of the ongoing implementations of the European Electronic Communications Code (the EECC, or ‘the Code’), and the Audio-visual Media Services Directive (the AVMSD).

Prior to 31 January 2020, we contributed to the drafting of several Guidelines produced by the Body of European Regulators for Electronic Communications (BEREC), which provide guidance to National Regulatory Authorities in applying provisions stemming from the Code and other relevant European legislation.

In 2019, we contributed to the drafting of the European Commission’s guidelines on European works and the scope of Video Sharing Platforms (VSPs) under the AVMSD. We also monitored the transposition process in other important EU jurisdictions, notably on VSPs, the protection

of minors, advertising and European works promotion, to inform Ofcom’s thinking as we prepare to apply new provisions in these areas. We discussed these and wider media policy topics with other regulators from Europe, North America and Australia.

We also contributed to monitoring by the European Regulators Group for Audiovisual Media Services (ERGA) of the EU’s self-regulatory Code of Practice for Disinformation on digital platforms, which will inform the European Commission as it considers potential new legislation in this area.

Beyond the EU, we participated in several international conferences on media plurality, freedom of the media, sustainability of quality journalism and media literacy. Ofcom continues to hold a position on the Board of the European Platform of Regulatory Authorities (EPRA), and also represents EPRA in various fora including the EU’s Better Internet for Kids mapping advisory group. Ofcom led discussions within that group on evidence-based policy making in relation to online child protection.

We have continued our engagement in global multi-stakeholder dialogues around internet regulation and governance, including at the Internet Governance Forum (IGF)<sup>1</sup>, the European Dialogue on Internet Governance (Eurodig)<sup>2</sup>, the Internet & Jurisdiction Project, and at RightsCon<sup>3</sup>. These initiatives have enabled Ofcom to play an active role in the emerging global conversations around key topics relevant to internet regulation, including the application of artificial intelligence to content moderation, regulatory responses to disinformation, child protection and the challenges of regulating cross-jurisdiction services.

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1 An initiative of the UN Secretary General.

2 A regional “IGF type” meeting (geographically broader than the EU).

3 Global conference on human rights online, attended by major platforms, governments and civil society.

Given the interdependent nature of global network infrastructure and evolving cyber-security threats, we have become more involved in international cyber-security discussions and started to develop a dialogue with National Regulatory Authorities who have or will soon have duties in this area.

Ofcom continues to participate in the work of the Organisation for Economic Co-operation and Development (OECD), and holds a Vice Chair position in the Communication Infrastructures and Services Policy Committee (CISP), where topics such as net neutrality and “Operators of the Future” were explored over the last year.

Separately, we have continued to invest in our bilateral relationships with a range of European and global communications regulators and stakeholders to facilitate learnings in areas where we face similar challenges. Our discussions have largely focused on topics relating to Ofcom’s strategic priorities, including the deployment of next generation networks, the implementation of data strategies by regulators, and addressing the emergence of new consumer harms.

In spectrum, Ofcom led the UK delegation to the ITU’s World Radiocommunications Conference (WRC), which took place in late 2019, where the key issues addressed included the identification of spectrum for mobile broadband/5G, supporting the availability of spectrum for Wi-Fi, improving connectivity to ships and planes, spectrum use for scientific purposes, and satellite spectrum issues.

Negotiations at the WRC are conducted through regional groups, ours being the European Conference of Postal and Telecommunications Administrations (CEPT). Ofcom colleagues engaged extensively across many CEPT groups, including taking a number of leaderships roles as chair where we could add the most value.

Other work in the ITU this year has focused on discussions around emerging technologies, and reforms to the ITU’s structures and ways of working, and we continue to co-ordinate European positions on these issues through our vice-chairmanship of the Com-ITU committee in CEPT.

Until 31 January 2020, Ofcom also closely engaged in the European committees that address spectrum policy: the EU’s Radio Spectrum Policy Group (RSPG) and the Radio Spectrum Committee (RSC), where Ofcom actively contributed to discussions around European spectrum policy on mobile broadband and other consumer-facing services.

We continued to be active in European and international postal bodies, where we worked closely with fellow international postal ministries and regulators, including in both the European Regulators’ Group for Post (ERGP) and the Committee on European Postal Regulation (CERP). We were also involved in the implementation and review in the UK of the EU cross-border parcels Regulation, which will continue to apply to Royal Mail’s international parcels business once the UK transition period has ended.

Finally, we supported the UK Government at the Universal Postal Union (UPU), the inter-governmental body which governs the remuneration of international mail, including in relation to negotiations on the reform of international terminal dues<sup>1</sup>, which kept the US from leaving the UPU.

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<sup>1</sup> The rates postal administrations pay each other for delivering each others’ mail.

## 5. Who we work with and how we work

### Engagement with stakeholders

#### Consumers and citizens

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

Ofcom's Consumer Contact Team received over 84,000 calls, web forms, emails and letters directly from consumers in 2019/20, and the information that consumers provide helps us target our policymaking and enforcement work. Consumers also contact us through our website. While we cannot resolve individual complaints about telecommunications services, we provide advice to complainants and refer them to the alternative dispute resolution (ADR) schemes that we have approved. We do, however, handle complaints about TV and radio programmes.

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

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

#### Industry and Government

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

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

#### Co-regulators and other bodies

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

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

The Competition and Markets Authority (CMA) has concurrent powers under specific consumer protection legislation and within the framework of competition law for the communications sector. We work with the CMA to ensure that a consistent and co-ordinated approach is taken in relation to issues where we have concurrent powers, and we discuss which body is best placed to lead in each case.

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## Ofcom's Regulatory Principles

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### 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.

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### 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.

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### How we support regulation

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

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

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### When we regulate

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

## Reducing regulation

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

During the past year we have made a number of significant regulatory decisions, but the volume of documents we publish has stayed broadly the same. Figure 1 provides an overview of how the regulatory burden on stakeholders changed as a result of Ofcom’s regulatory decisions and statements in 2019/20.

Figure 1: Impact of our statements on the regulatory burden to stakeholders: 2019/20

Of the 36 Major Statements delivered in the year:	Number	%
Increased/new regulation	6	16%
Mixed/no change/ongoing	26	72%
Reduced regulation	2	6%
Streamlined/co-regulatory	2	6%

An overview of the key decisions and statements that we have made during the year can be found in the Annex on pages 157-158.

## Consultations

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

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

**Category 1:** consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to respond); in these cases, we will normally consult for ten weeks.

**Category 2:** consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will have awareness of the issues; in these cases, we will normally consult for six weeks.

**Category 3:** consultations which fall within one or more of the following categories, where the normal time period for consultations is one month:

- technical issues;
- where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;
- where the issue has already been the subject of a consultation;
- where the proposal will have a limited effect on a market; or
- where the proposal is a limited amendment to an existing policy or regulation.

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

Figure 2: Analysis of consultation duration: 2019/20

	Consultation period at least ten weeks	Consultation period less than ten weeks (incl. cat 2 and cat 3 consultations)
Telecoms	5	9
Broadcasting	2	18
Spectrum	1	8
Post	0	1
Other	0	2
<b>Total</b>	<b>8</b>	<b>38</b>
Total as a % of all consultations	<b>17%</b>	<b>83%</b>
2018/19 comparison	<b>(36%)</b>	<b>(64%)</b>

### Timeliness of decision making

We analyse how long it takes us to publish a decision following the close of a consultation (see Figure 2). In 2019/20, more than 80% of our decisions were announced within twenty weeks of closing a consultation, the majority of which were within ten weeks.

## Impact assessments

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

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

We must publish a list of the impact assessments we carry out during the year; this is in the Annex on page 159.

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

Figure 3 highlights that, in 2019/20, 48% of consultations had conducted an impact assessment which was 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 integrated within the rest of the consultation. We will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

Figure 3: Analysis of impact assessments carried out

Number of consultation documents	Total	IA explicit in published document
Telecoms	14	6
Broadcasting	20	7
Spectrum	9	7
Post	1	1
Other	2	1
<b>Total</b>	<b>46</b>	<b>22</b>
Total as a % of all consultations		48%

## 6. Financial Review

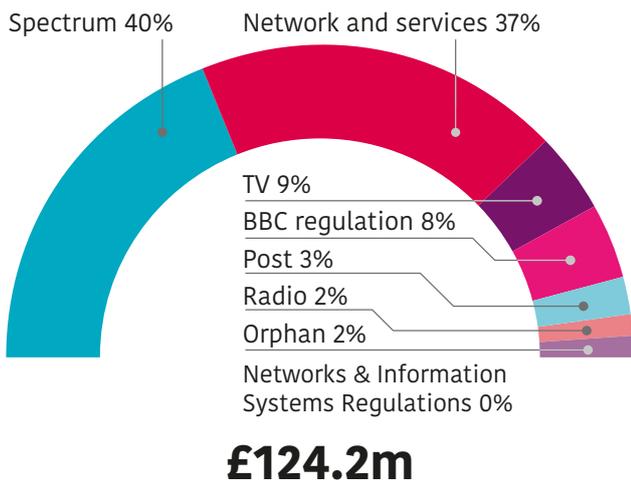
Whilst Ofcom is directly accountable to Parliament, our funding comes from fees charged out to the sectors we regulate.

We are committed to being a cost-conscious, value for money organisation in discharging our duties. Over the past 15 years, we have continued to deliver year on year, like-for-like real-terms budget reductions.

We are also a net contributor to HM Treasury; Ofcom collected £373.3m of fees and penalties in 2019/20, of which we retained £56.8m to fund our spectrum management and other relevant duties. The balance was passed to DCMS as our sponsor department, the UK Consolidated Fund, as well as 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.

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.

2019/20 Budgeted Cost Recovery by Sector



£373.3m of fees and payments collected under Section 400 of the Communications Act 2003



## Financial performance

In 2019/20, our cash outturn of £124.0m was within 0.2% of our budget of £124.2m.

£m	Budget	Outturn	Variance
Expenditure	124.2	124.0	0.2

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

Note 2 of the accounts within Section C reconciles the total operating expenditure as presented in the Statement of Comprehensive Net Income to Ofcom's actual operating outturn. The note also reconciles income on the same basis and presents Ofcom's actual operating outturn and income by sector. The actual operating outturn represents the accrual-based costs for the financial year and excludes non-cash items such as depreciation, amortisation and provisions.

Ofcom present the costs relating to Spectrum Clearance separately to clearly differentiate from the core Ofcom operational activity. Further detail on this is set out on page 56.

## Operating income

The £125.0m (2018/19: £124.3m) of income received in 2019/20 covers Ofcom's core responsibilities (excluding Spectrum Clearance). As part of this, we also received £0.7m of grant funding from Innovate UK under the Regulators Pioneer Fund, for innovative work on the use of blockchain for UK telephone number management.

## Operating expenditure

Non-staff expenditure relating to Ofcom's core responsibilities in 2019/20 increased by £1.9m to £47.9m (2018/19 £46.0m), which excludes payroll staff costs. The main operating variances from the prior year are due to:

- IT costs increased by £1.4m as we refreshed our IT estate;
- Temporary staff and recruitment costs increased by £0.8m to cover vacancies; most of the increase in temporary staff costs is as a result of the need to quickly staff up in the network security and resilience area whilst permanent recruitment was underway for the specialist skills required, and also in the People & Transformation Team following a restructure. Both areas have now completed permanent appointments;
- Outsourced Services increased by £0.4m in respect of preparatory work for the upcoming auction of 700 MHz and 3.6 – 3.8 GHz Spectrum bands;
- Premises costs decreased by £0.8m as we recognised a rates credit in respect of Riverside House. Following the introduction of IFRS 16, property lease costs are presented on a separate line in the operating expenditure, Depreciation ROU lease assets.

Staff costs increased by £2.4m to £79.2m (2018/19 £76.8m). The average staff numbers were 937 full time equivalents (FTE) (2018/19 902 FTE). The increase in costs year on year relates to the annual pay award (£1.8m) and growth in our Technology team as we build our data and network security and resilience capabilities.

Reduced restructuring activity has seen restructuring costs decrease by £0.6m to £0.3m (2018/19 £0.9m).

## Surplus/deficit for financial year

### Funding surplus or deficit

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

The funding surplus for the financial year is set out in Note 2 to the accounts and totals £8.6m (2018/19 £3.3m surplus).

### Accounting surplus or deficit

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

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

The accounting surplus for the financial year after tax, recorded in the Statement of Comprehensive Net Income for the year under review, was £226.7m (2018/19: £229.6m deficit). The significant variance to the prior year reflects the inclusion of the provision of £232m in the 2018/19 financial statements which was funded by DCMS and settled in this financial year. The large accounting surplus and deficit over the past two years are non-recurring events.

## Spectrum Clearance

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

Clearance of the 700 MHz band continues as a major programme of work for Ofcom. The band is being cleared to make the spectrum available for mobile data. The incumbent users of the 700MHz band, digital terrestrial television (DTT) and programme making and special events devices (PMSE), will move to alternative frequencies.

Government has made grant-in-aid funding available for the grant scheme to allow Ofcom to disburse grants to scheme participants.

More information on the programme is provided in annex 8.

Spectrum Clearance expenditure amounted to £76.7m in 2019/20 (2018/19: £72.5m), which includes £73.7m of grants paid to grant scheme participants.

We received income totalling £79.2m (2018/19: £72.1m). The surplus of £2.6m will be adjusted for as part of 2020/21 grant-in-aid.

## Additional funds collected on behalf of HM Treasury

Ofcom prepares a separate set of Financial Statements for the purposes of Section 400 of the Communications Act 2003. These transactions are not included in the Financial Statements. The fees, payments and penalties are reported, with further detail provided, within these Financial Statements in Note 23 to the accounts, with further information in Annex 1 on page 156.

During the 2019/20 financial year Ofcom collected £373.3m (2018/19: £1,688.6m<sup>1</sup>) on behalf of HM Treasury of which £56.8m (2018/19: £54.3m) was retained to fund some of Ofcom's core responsibilities, including Spectrum Management. The variance to the previous year was due to the spectrum auction completed in 2018/19.

A total of £312.8m was transferred to Government accounts in the financial year.

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<sup>1</sup> £1.3bn of receipts were collected in 2018/19 relating to the conclusion of the spectrum auction of the 2.3 and 3.4 GHz bands.

## Tariffs

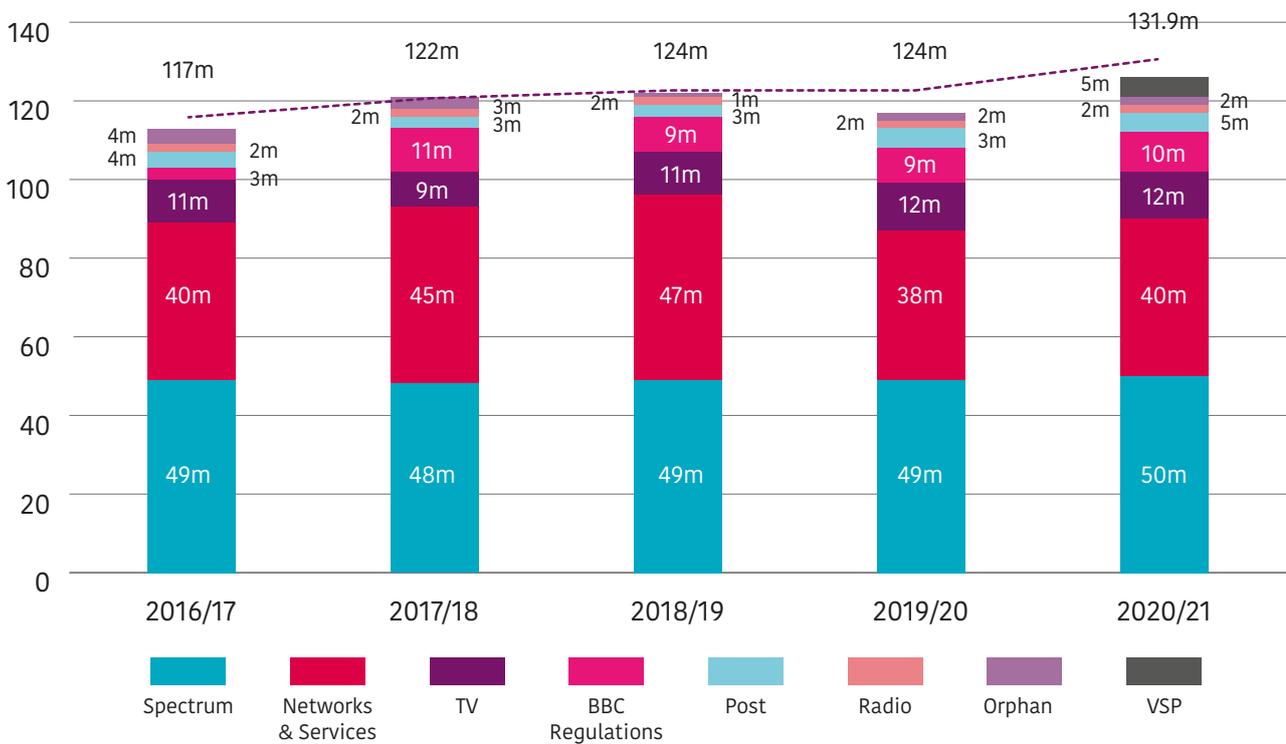
Ofcom published the 2020/21 Tariff Tables on 31 March 2020, based on the budget of £131.9m set for 2020/21 and incorporating the differences between the budgeted costs for 19/20 and the actual results, per sector.

The 2020/21 budget has increased from the 2019/20 budget due to our new Video Sharing Platform (VSPs) regulatory duty and increased spend on both the Universal Service Obligation and Network Security and Resilience work areas. The 2020/21 budget is in line with the HM Treasury’s spending cap set for Ofcom.

The fees and charges will vary by sector as they reflect planned work for 2020/21, along with the variances between the 2019/20 budget and the actual final expenditure.

As shown in Figure 6 below, except for costs associated with our new responsibilities to regulate the BBC from 3 April 2017, Ofcom’s 2020/21 tariffs for the various sectors (excluding the new VSP regulatory duty) are largely in line with the 5-year average.

5 year Tariff fees and charges summary



## Pensions

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

Colleagues who joined Ofcom from legacy regulators were entitled to retain membership of one of two defined benefit (DB) pension plans. Both plans are closed to new entrants and benefits accruals ceased on 31 May 2011. From this time, all existing members were provided with access to the Ofcom stakeholder plan. Notes 1(k) and 20 to the accounts provide further detail.

The actuarial valuations for both schemes as at 31 March 2018 highlighted a combined funding surplus of £0.4m. The Ofcom Defined Benefit Pension Plan actuarial valuation shows a surplus of £0.4m. The Ofcom (Former ITC) pension plan valuation liabilities have all been bought in and thus there is no surplus or deficit.

However, the 2019/20 financial statements show a surplus of £22.4m, in part because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which, under current market conditions, differ significantly from the approach used for determining Ofcom's contributions. This also reflects the significant movements in financial markets since the date of the actuarial valuations.

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

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

## 7. Corporate Responsibility

### Ofcom's commitment to corporate responsibility

We aim to be a responsible employer and to recognise and manage our impact on the wider environment and community through three key areas of activity:

- treating all colleagues with dignity and respect in an inclusive and fair working environment, promoting equality of opportunity for all, not only within Ofcom but also in the sectors we regulate (see Our Employees section on page 102);
- reducing our carbon footprint, providing value for money and ensuring that Ofcom's practices are environmentally sustainable (see Sustainability section on page 61); and
- engaging, inspiring and developing colleagues, while supporting local initiatives (see Volunteering and community section below).

We believe that taking a proactive approach towards corporate responsibility fundamentally contributes to our success as a regulator. Some of the benefits are that:

- recognising and reflecting the diversity of the UK population we serve helps us to make better decisions for citizens and consumers, to make communications work for everyone;
- valuing, promoting and encouraging diversity and difference creates a more engaged, productive and content workforce; and
- being socially and environmentally responsible reduces our operational costs and builds closer links with our local community.

### Volunteering and community

We encourage colleagues to volunteer and participate in community schemes as we believe this is an effective way for them to offer their skills; gain new ones, stay mentally healthy, boost their confidence and promote our diversity objectives. All colleagues are entitled to three days paid volunteer leave each year. In 2019, we engaged with our local stakeholders in many ways.

#### Schools and institutions

Ofcom colleagues have visited local schools and hosted school visits to Ofcom to engage with young people about future career options and routes into our organisation such as apprenticeships or our graduate scheme.

In January 2020 we hosted 50 A-level students from four London secondary schools to give students a chance to experience what it is like to work as an economist at Ofcom. The students spent the day with Ofcom economists and took part in workshops on problems that economists help solve. The day ended with a panel session with some of our economics graduates and apprentices talking about their routes into Ofcom.

In November, we held an open day for university students to showcase our Policy and Economics graduate pathways. This was facilitated by Bright Networks to ensure representation from a diverse range of universities and a diverse mix of students. We showcased the work that we do at Ofcom to around 40 students and current and past graduates at Ofcom shared their experiences and responded to questions from the students.

We continue to be corporate sponsors of the Institution of Engineering and Technology's (IET) Young Woman Engineer of the Year Award and work with them to promote women in engineering through presenting and participating in events, workshops and open days. In addition, we once again participated in the IET Engineering Open House Day event in August 2019, opening up our office in Baldock, Hertfordshire to children and their parents. Within Ofcom, our Technology and Spectrum Groups are currently developing a programme to increase gender and ethnic diversity in our STEM roles. Colleagues have also set up other volunteering opportunities on an ad-hoc basis, supporting causes that are important to them.

### **Apprenticeships and internships**

We are committed to broadening the pathways for young people to join the organisation and developing skills for Ofcom. We pay the Apprenticeship Levy and are reviewing our overall approach to apprenticeships, to offer long-term, paid skills-based work placements. We currently employ twenty four colleagues on apprenticeship programmes working in roles in Business Administration, Spectrum Engineering, the Consumer Contact Centre, Competition Finance, Economics, Policy, Cyber Security, Data Analytics, Digital & Content and Market Research with a further seven using the Apprenticeship Levy to upskill and gain a qualification ranging from CIMA & CIPD to BEng.

We continued our decade long partnership with Business Education charity Career Ready to host six A Level students on four-week paid internships over the summer along with 17 students on a week's work experience through S4S NextGen. S4S Next Gen works with state schools, academies and college students aged between 14 - 18, to help them find inspiring work experience with top organisations. All the students were placed in a wide range of professional areas such as Technology, Finance and Strategy and Research.

Our Legal colleagues partnered with the Sutton Trust's 'Pathways to Law' programme to host six students for paid work experience throughout the summer. The 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 and are the first in their family to attend university.

### **Ofcom charity**

During 2019 colleagues carried out a variety of activities to raise money for Ofcom's nominated charity, Macmillan Cancer Support. Our colleague diversity networks also raised donations for charities like the Red Box Project, to ensure no young woman misses out on education because they cannot afford to buy sanitary products they need during their period. As well as a monetary contribution, Ofcom colleagues donated sanitary products, underwear and tights which were given to local schools. Money was also raised for the African Caribbean Leukaemia Trust as part of a food festival during Black History Month 2019.

## 8. Sustainability report

Environmental management and impact on the environment form a key part of how we manage the organisation. We set ourselves ambitious environmental targets back in 2007 to reduce our carbon emissions by at least 50 per cent by 2020. By proactively changing the way we work across the UK, we have gone further than this with a 59% reduction in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) since setting the target.

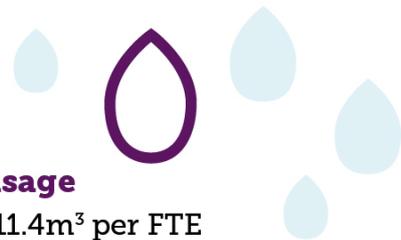
Ofcom also has an ongoing commitment to the Greening Government agenda, and we have been successful in meeting the targets to cut greenhouse gas (GHG) emissions, reducing waste sent to landfill and paper consumption from a 2009/10 baseline.



### GHG emissions

Target 43% reduction

**Achieved 59% reduction**



### Water usage

Target <11.4m<sup>3</sup> per FTE

**Actual 19.7m<sup>3</sup> per FTE**

## Performance against Greening Government environmental targets



### Business Travel

Target 30% reduction in domestic flights

**Actual 30% increase in domestic flights**



### Waste reduction

Target 1 - landfill waste <10%

**Actual landfill waste 0%**

Target 2 - reduce paper use by 50%

**Actual paper reduction 79%**

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

As we have grown our presence across the nations, and especially in Scotland, we have fallen short of the target to reduce domestic flights.

To limit the impact, we have offset the carbon emissions from all our air travel (both short haul and long haul) between April 2018 to March 2020 as an intermediate step, by supporting a UK carbon offsetting scheme creating woodland in Arnott's Loan (Scotland) and Lowther (England).

Looking forward, our approach to travel is under review with the intention of reducing the number of domestic flights we take.

Due to the nature of our work and the UK's recent exit from the EU, our global relationships are now more important than ever. By investing in common video-conferencing capabilities across all our offices and adopting Microsoft Teams and Surface Hubs, we now have the digital technology to avoid unnecessary travel.

## Facilities and ICT

This year we saw a 35% increase in water consumption - this was an exception and due to an unexpected leak that was difficult to trace and has since been resolved.

Where possible, we moved all electric and gas contracts to renewable energy suppliers.

Having adopted an agile working strategy, this has had a two-fold effect of reducing our head office floor space and reducing the number of colleague journeys, as colleagues are able to work more flexibly from home or other locations. Using standard portable IT equipment has simplified the transition for colleagues.

Our cloud-first strategy means that we evaluate cloud-based solutions before considering other alternatives. As a result, we have moved to more efficient shared data centre providers; our providers have separately made firm environmental statements and commitments.

Looking forward, our aim is to achieve ISO 14001 certification for environmental management within the next two years.

## 5-year Sustainability performance overview

		2015/16	2016/17	2017/18	2018/19	2019/20
Greenhouse gas emissions (Scopes 1,2)	tCO2e	1,569	1,456	1,209	1,078	493
	Expenditure	£444,964	£405,810	£459,238	£404,206	£158,351
Business travel (Scope 3)	tCO2e	250	312	519	555	594
	Expenditure	£569,099	£663,705	£705,602	£742,876	£837,982
Waste	tCO2e	173	172	76	198	189
	Expenditure	£32,023	£37,984	£7,004	£43,805	£35,000
Finite resource consumption	Water consumption (m3)	10,767	11,282	9,379	13,988	18,874
	Expenditure	£16,784	£22,248	£6,929	£19,583	£23,321
	Paper reams	7,545	6,317	3,915	2,579	2,411

## Procurement

In 2019, we developed an approach to questioning potential suppliers about wider sustainability issues by including social value evaluation criteria for all high value procurements. Social value covers the three pillars of sustainable procurement encouraging potential suppliers to include within their offer social, economic and environmental benefits, in addition to delivering the services required. The social value criteria carries a minimum weighting of 10% of the qualitative element to emphasise its importance. This change was fully supported and endorsed across the organisation and is now being embedded.

To assist with embedding these criteria into our processes we have introduced a Social Value Toolkit which supports commercial colleagues and stakeholders to include wider social, economic and environmental benefits within our contracts, by discussing and developing these considerations at the pre-procurement stage.

## Biodiversity action planning

The sites we operate have limited green space to consider a biodiversity strategy. We have opted instead to support two woodland creation projects this year, to capture the carbon dioxide emissions from our air travel. These projects also provide a wider contribution to local environments and communities.

Both projects are registered with the independent Markit Registry and are certified to ISO standards by a UK Accreditation Service (UKAS). Our carbon credits are certified under the government backed UK Woodland Carbon Code and appear on the [Markit Registry](#)<sup>1</sup>.

Ofcom continues to be re-certified to the Carbon Trust Standard.

### **Dame Melanie Dawes DCB**

Chief Executive and Accounting Officer

17 July 2020

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<sup>1</sup> [https://mer.markit.com/br-reg/public/index.jsp?name=ofcom&entity=assignment&entity\\_domain=Markit,GoldStandard](https://mer.markit.com/br-reg/public/index.jsp?name=ofcom&entity=assignment&entity_domain=Markit,GoldStandard)