

Radio Authority

**Annual Report and Financial
Statements**

For the year ended 31 December 2003

RADIO AUTHORITY
ANNUAL REPORT, 2003

Statement by the Executive Chairman

This is the Authority's last Annual Report, covering the final year of its existence before the hand-over to Ofcom on 29 December 2003. Thirteen years is not a long life, but it has been a very full one. The Authority can be proud of its achievements, and in the significant contribution it made to the development of radio broadcasting in the United Kingdom.

Inevitably and rightly, a great deal of effort during the year was expended on Ofcom matters: in contributing to the final stages of the Communications Bill, in helping to get Ofcom up and running, in the processes by which staff would be selected to move over to the new body, in ensuring an orderly transfer of duties and responsibilities, and ultimately of closing down and 'switching off the lights'.

At the same time, what one might call the normal work of the Authority continued with little easing off. The pressures on staff were enormous, and I would like thank them very warmly and to pay tribute to their professionalism, good humour and commitment during a period of very great personal uncertainty. By the time the Ofcom recruitment process had concluded in the Autumn, 35 staff had been 'matched' or appointed into Ofcom posts, and nine had had their voluntary redundancy applications accepted. Not to have been faced with forced redundancies was a most satisfactory outcome.

The setting up of Ofcom also had repercussions in terms of the governance of the Authority and its senior management. In June, Tony Stoller – who had been an outstanding Chief Executive for eight years – moved across full-time as External Relations Director. A month later, Richard Hooper, who had been appointed Deputy Chairman of Ofcom in 2002, stepped down as Chair of the Authority. Thus it was that I found myself in the dual, if temporary, role of Executive Chairman for the final months.

Richard was a great leader of the Authority – charismatic, involving, shrewd, fair – and it was a pleasure to have served under him. The pattern of the year's work had been set by Richard and Tony before they moved across to Riverside House and, of the many examples of objectives which had been met by the end of the year, I would mention just a few which seem to me of particular note.

First, the analogue licensing programme. In 2002 we had announced our intention to continue advertising new local FM licences up to the point at which the Authority could be confident of being able to reach an award decision before its licensing functions ceased. In effect that meant the last award would be in November 2003. This timetable was adhered to, and the last major analogue licence to be awarded by the Authority was for an FM frequency covering the Glasgow area, decided at the Authority's November meeting. Thirteen companies applied for that licence, and

eleven had applied for a regional West Midlands licence awarded the month before, reflecting the continuing intense interest in such opportunities as the amount of available analogue spectrum reduces.

Beyond those licences which we were able to award in the time left to us, we handed over to Ofcom a strategy document setting out our views on what further opportunities might exist for FM stations, covering a range of metropolitan and non-metropolitan development possibilities. It would of course be for Ofcom to decide what course to pursue, but we felt it would be helpful both to the new regulator and to the industry to have some indications as to what might be possible, and in the same spirit we also passed on to Ofcom our thoughts on the future of AM.

Second, I take a particular satisfaction in the role the Authority has taken in the development of DAB digital radio. During the course of the year, with the award of the 46th local multiplex licence in November (in addition to the national licence awarded to Digital One in 1998), the Authority completed the programme it had formulated for the use of the spectrum made available in relation to the Broadcasting Act 1996. The United Kingdom is the world leader in this new transmission technology. But while the Authority planned the frequencies and awarded the licences, it is of course the industry as a whole which has taken up the opportunities – at some considerable risk and expense – and provided listeners in many parts of the United Kingdom with a wide variety of simulcast and new services. With an increasing and more affordable range of receivers on the market, and extensive promotion by the BBC as well as commercial radio companies, there was a real feeling in the industry that DAB had – at last – reached the take-off point.

Third, in 2003 a new ‘third tier’ of radio, conceived and championed by the Authority as Access Radio, was given an assured future through the Communications Act 2003. An evaluation of the pilot scheme by Professor Anthony Everitt was extremely positive, to the extent that in his judgement Access Radio promised to be “the most important cultural development to take place in this country for many years”. Much of the credit for the birth of this new sector goes to Tony Stoller, who had the vision and saw the need. We were pleased that Ofcom agreed to an extension of the licences of the pilot services pending the definition of an on-going licensing regime for what, under the Act, will in future be called Community Radio Stations.

Fourth, discussions with Ofcom also helped to avoid any interruption in the issuing of Restricted Service Licences. These have been increasingly popular during the lifetime of the Authority, and during the year it issued its 4000th licence – to Sabrang Radio in Bradford.

Finally, despite a busy and testing year, there was again no increase in the level of fees paid by our licensees. As Richard Hooper pointed out last year, over its lifetime the costs of the Authority in real terms reduced by over 30%.

Organisational sclerosis was never a danger in the final twelve months of the Authority, and looking back at the objectives set at the beginning of the year, it was satisfying to note at the end of it how well the Authority had performed against them.

The achievements listed above are a major part of this performance. But they are not the full story. There was a huge amount of other on-going work which had to be carried out to the highest possible standards, from commissioning transmitters to dealing with complaints; from deciding whether to agree format changes to issuing the actual licences for new or re-appointed stations, analogue and digital, and to satellite and cable stations.

In addition, individual members of staff were increasingly engaged part-time or full-time in helping the Authority meet another of its key objectives: seeking to implement the transition to Ofcom effectively. This included, for instance, assisting the new body in setting up its consultation exercises on licence application procedures and on advertising regulation; on preparing and issuing notices of variation to amend Radio Authority licences to reflect changes made by the Communications Act, and in ensuring that Ofcom licences were available to be issued to new applicants.

Another important objective with long-term implications was to prepare and pass over working files to the new body while also developing an archiving policy which would allow future public access to the key documents which chart the history of independent radio regulation in the United Kingdom. We were grateful to the Independent Television Commission for agreeing to release the IBA Radio Division files so that those could be kept together with the Authority's historical records. By the end of the year the selection and cataloguing of the Radio Authority's archival records had been completed. They were passed to Ofcom for further preparatory work so that they could be transferred to their eventual home at the National Archive.

And of course the staff themselves had to be prepared as far as possible for the personal transition, either to Ofcom or to other work (and retirement in a few cases). As I have said, this was an exceptionally difficult time for all the staff, at whatever level: senior managers often faced as much uncertainty as more junior members. My internal observation as to the professionalism of all concerned was supported by external comments – from licensees and others – as to the continued commitment and helpfulness which they experienced in their dealings with the Authority.

The final year objectives had also included working with Government and Parliament in progressing the Communications Bill. The last Parliamentary stages produced a flurry of amendments, particularly during the Bill's progress through the House of Lords. The Authority was concerned that in the case of radio, some of these might have affected the Government's carefully crafted balance between liberalisation of ownership rules and what had come to be called appropriate regulation to ensure local plurality and the local character of stations. One of the issues concerned whether or not to include a localness code: in the event a compromise was reached whereby the word 'code' was dropped in favour of 'guidance' (and with pressure from music industry interests, 'music' was inserted along with 'news, information and other spoken material' as a local programming consideration). Another issue concerned the rules for the ownership of local multiplexes and the services on them. The Government decided to introduce the rules by Order, and during the Autumn the Authority worked with the Commercial Radio Companies Association on an (in the main) agreed approach.

The year ended with a round of farewell events, farewells for the current Members and staff, but also involving many of the other people who had helped to set up the Authority and had contributed to what it had done over the years. At the main event in the London Transport Museum, we were joined by industry leaders, Parliamentarians, officials, former Members and staff, and representatives of our licensee stations. The Secretary of State at the DCMS, Tessa Jowell, and Lord Gordon of Strathblane spoke, and it was a particular pleasure to have with us the three former Chairmen of the Authority – Lord Chalfont, Sir Peter Gibbings and Richard Hooper – and the two former Chief Executives, Peter Baldwin and Tony Stoller.

Inevitably, among those most involved there was regret at the passing of the Authority, but at the same time a recognition that the time had come to hand over the baton. As a medium for information and entertainment – and indeed for companionship – radio remains as popular and appealing as ever. The commercial sector has come a long way since 1990, and is now a much more mature industry, and a much stronger one. We are sure it will continue to flourish under the new regime.

I would like to pass on a final word of very warm thanks to all those who worked so hard over this last period of the Authority's life, and who gave me so much help and support in my own duties: the Members of the Authority (Sheila Hewitt, Kate O'Rourke, Sara Nathan, Feargal Sharkey, Thomas Prag and Geraint Talfan Davies); the Chief Operating Officer, David Vick, and the Deputy Chief Operating Officer, Neil Romain; the other senior executives; and all the staff.

David Witherow
Executive Chairman
19 July 2004

Review of the Year by the Chief Operating Officer

2003 was a challenging year for Radio Authority staff; however, despite the extra demands placed upon us by the passage of the new legislation and the preparations for the transition to Ofcom, all of our operating objectives were achieved, with duties performed to the same high standard as had been maintained throughout the Authority's existence.

The development of new services under the licensing process established by the Authority continued up until the end of the year. It was particularly rewarding to be able to complete the roll-out of digital multiplex services according to the schedule set at the outset of this programme of work, with no loss of momentum. We also completed the re-advertisement process for existing analogue licences which were approaching their expiry dates. The transmitter commissioning programme for all new services also continued unaffected throughout the year.

We worked very closely with Ofcom to ensure the smooth transition of relevant staff in December. This involved a period of intense activity during the middle part of the year, as Ofcom's 'job matching' process reached a climax and we sought to secure acceptable outcomes for as many of our staff as possible. Important legacy material has been passed to Ofcom, including working files and archiving material.

Radio Authority expenditure

	2003	2002
	£	£
Staff & Related Costs	3,440,743	2,982,063
Travel and Subsistence	90,681	129,391
General Office	160,630	206,749
Administration	429,634	313,685
WTA Fees - RSLs	361,245	308,955
Premises	486,281	482,471
Information Services	175,203	209,317
Finance & Related Costs	810,300	205,600
	5,954,717	4,838,231

FINANCE

Under the provisions of the Communications Act 2003, the Radio Authority's functions and duties have been transferred to Ofcom with effect from 29 December 2003, in line with the terms of a statutory transfer scheme approved by the Secretary of State for the Department of Culture, Media & Sport. For a period from 1 December 2003 to 28 December 2003, new delegations were set in place to ensure that the Authority's day-to-day requirements could be met despite the fact that those staff who were transferring to Ofcom had already taken up their roles in shadow form during December 2003.

As a direct consequence of this, the Radio Authority has drawn up its financial statements for the period 1 January 2003 to 28 December 2003. For this period the Authority made a deficit on operating activities amounting to £461,681 (2002: deficit £118,957) and a deficit after exceptional items, interest and tax of £1,009,004 (2002: deficit £97,438). This deficit cannot be fully covered by the funds in the Authority's income reserve and it will transfer a cumulative deficit to Ofcom of £128,580 under the provisions of the transfer scheme. The Authority received income of £4,919,953 principally from licence and application fees. This represents a 4% increase on 2002 (£4.72m). The Radio Authority's income also includes recharges to Ofcom of £165k that relate mainly to the provision of staff. The Authority concluded that it would not recharge for those staff who were directly seconded to Ofcom with effect from 1 August 2003. Its decision is consistent with the request made by the Secretaries of State in a letter to all of the regulators which set out their expectations of the assistance that the regulators would provide to Ofcom in its start up phase. Therefore, during the period 1 August to 28 December the Authority has forgone recharge income amounting to £138k. Exceptional redundancy payments of £569,243 have been provided for in the Authority's accounts to 28 December 2003. Ofcom will meet these payments after 29 December 2003.

Additional Payments

The Authority is required to prepare a separate annual report for Additional Payments which are made by Independent Radio licensees to the Consolidated Funds of the United Kingdom and Northern Ireland, or to the Treasury of the Isle of Man, under the Broadcasting Act 1990. These include INR and Additional Service cash bids, qualifying revenue and financial penalties imposed by the Authority. These payments do not form part of the Authority's revenue and are not contained in these financial statements. The Radio Authority will prepare an Additional Payments account for the period to 28 December after which the requirement will pass to Ofcom. The Additional Payments account for the year ended 31 March 2003 identified that additional payments of £8.325m were made by radio licensees (2002: £9.220m).

Staffing

The Authority employed 44 staff as at 28 December 2003 – 23 female and 21 male staff. This represents 43 full-time equivalents. No additional permanent posts were created in 2003. A large amount of staff resource was assigned to work related to the creation of Ofcom during 2003, including secondments of a number of staff for varying periods up to 28 December 2003. 33 staff transferred to Ofcom on continuous employment provisions. Nine staff applied for and were granted voluntary redundancy terms in accordance with the Authority's terms and conditions. Two others resigned or retired. All staff who transferred to Ofcom moved to Ofcom's premises from 1 December 2003.

Internal audit

During 2002, in accordance with its policy of adopting current best practice throughout its operations, the Radio Authority developed a risk management policy with its internal auditors, Pritchard Wood. In its 2003 report, Pritchard Wood identified two medium risk areas where internal controls could be upgraded. Both of these recommendations were directly linked to the impact of the introduction of Ofcom. These recommendations were implemented and Pritchard Wood declared itself content that the control environment within the Authority was satisfactory.

DEVELOPMENT

In 2003, the Authority was engaged in three main streams of local radio licensing activity: the advertisement of new local analogue licences; the development of local digital radio; and the re-advertisement (where applicable) of existing local licences which were approaching their expiry dates.

New local analogue licences

In the first quarter of 2003 the Authority advertised its last four new analogue local licences. No new licences were advertised after March, as the Authority could not be confident of being in a position to reach an award decision in advance of the date when radio licensing would become the responsibility of Ofcom. These four local licences were subsequently awarded, and along with a further seven licences which had been advertised in 2002, brought to eleven the total number of new analogue licences awarded during the year. The new local licences are for: Barnsley (six applicants - awarded to Dearne FM); Buxton (five applicants - awarded to High Peak Radio); Carmarthenshire (two applicants, one of whom subsequently withdrew - awarded to Radio Carmarthenshire); Gairloch & Loch Ewe (one applicant - awarded to Two Lochs Radio); Glasgow (thirteen applicants - awarded to Saga Radio); Helensburgh (two applicants - awarded to Castle Rock FM); Maidstone (six applicants - awarded to 20/20, now called CTR); North Norfolk (two applicants - awarded to North Norfolk Radio); West Lothian (one applicant - awarded to River FM); West Midlands (eleven applicants - awarded to Kerrang! Radio); and Yeovil (four applicants - awarded to Ivel FM).

The total number of analogue local licences in issue at the end of 2003 was 272.

Re-advertisement of existing local analogue licences

Twelve existing licences were re-awarded in 2003, all of them to the incumbent licensee. Just one of these attracted competition from another applicant, with the rest being re-awarded under an abbreviated 'fast-track procedure' after no competing applicants declared an interest in applying for them.

The licence which attracted competition was: Dumfries & Galloway (two applicants - re-awarded to South West Sound).

The eleven licences re-awarded under the 'fast-track' procedure were: Chichester, Bognor Regis & Littlehampton (Spirit FM); The Borders (Radio Borders); Crawley & Reigate FM (102.7 Mercury FM); Heads of South Wales Valleys (Valleys Radio); Milton Keynes (FM 103 Horizon); Oban (Oban FM); Oxford/Banbury (FOX FM); Stratford-upon-Avon (FM102 The Bear); Taunton & Yeovil (Orchard FM); Wrexham & Chester FM (MFM 103.4/Buzz 97.1); and Wrexham & Chester AM (Classic Gold Marcher).

Local licences in issue, 1991-2003

1991: 130
1992: 143
1993: 154
1994: 166
1995: 172
1996: 177
1997: 205
1998: 226
1999: 242
2000: 248
2001: 255
2002: 261
2003: 272

Local digital radio multiplex licences

During the year, the Authority awarded seven new local digital multiplex licences, for: Cambridge (one applicant - awarded to Now Digital); Kent (one applicant - awarded to Capital Radio Digital); Nottingham (one applicant - awarded to Now Digital [East Midlands]); Plymouth/Cornwall (one applicant - awarded to South West Digital Radio); Reading & Basingstoke (one applicant - awarded to Now Digital); Stoke-on-Trent (one applicant - awarded to TWG Emap Digital); and Sussex Coast (one applicant - awarded to Capital Radio Digital).

The total number of local digital multiplex licences in issue at the end of the year was 46.

Local digital multiplex licences in issue, 1999-2003

1999: 8
2000: 20
2001: 33
2002: 39
2003: 46

Licence renewal

During 2003, a total of 39 local licences were renewed under the provisions of the Broadcasting Act 1996 which give an existing local analogue licence holder the opportunity to apply for an automatic renewal of its eight-year analogue licence if it provides (or is committed to provide) a programme service on a local digital multiplex in its area.

These were the licences for: Belfast AM (Downtown Radio); Birmingham FM (96.4 BRMB); Birmingham AM (Capital Gold 1152); Brighton/Eastbourne & Hastings FM (Southern FM); Brighton/Eastbourne & Hastings AM (Capital Gold 1323/945); Crawley & Reigate AM (Classic Gold 1521); East Lancashire AM (Asian Sound); Edinburgh FM (Forth One); Edinburgh AM (Forth 2); Great Yarmouth & Lowestoft FM (103.4 The Beach); Humberside FM (96.9 Viking FM); Humberside AM (Magic 1161 AM); Kent FM (Invicta FM); Kent AM (Capital Gold 1242/603); Liverpool FM (Radio City); Liverpool AM (Magic 1548); Manchester FM (Key 103 FM); Manchester AM (Magic 1152 AM); Northern Ireland FM (Downtown Radio/Cool FM); Norwich FM (Broadland FM); Norwich AM (Classic Gold Amber); Nottingham/Derby FM (96 Trent FM/102.8 Ram FM); Nottingham/Derby AM (Classic Gold GEM); Reading, Basingstoke & Andover FM (2-Ten FM); Reading, Basingstoke & Andover AM (Classic Gold 1431/1485); South Hampshire FM (Ocean FM/103.2 Power FM); South Hampshire AM (Capital Gold 1170/1557); South Yorkshire FM (Hallam FM); South Yorkshire AM (Magic AM); Stoke-on-Trent FM (Signal 1); Stoke-on-Trent AM (Signal 2); Swansea FM (96.4 The Wave); Swansea AM (Swansea Sound); Teesside FM (TFM); Teesside AM (Magic 1170); Tyne & Wear FM (Metro Radio FM); Tyne & Wear AM (Magic 1152 AM); Wolverhampton/Shrewsbury & Telford FM (Beacon FM); Wolverhampton/Shrewsbury & Telford AM (Classic Gold WABC).

Short-term restricted service licences

Short-term restricted service licences (RSLs) are for small-scale community use, for a maximum of 28 days. They are licensed at the discretion of the Authority for a wide variety of purposes, such as festivals, sports coverage, religious events, student services, training or educational purposes, youth and community projects, or as trials for groups considering applying for a full local licence in future.

During the year (until the end of November, when responsibility for RSL licensing passed to staff based at Ofcom), the Authority received 668 applications for short-term restricted service licences, which in these eleven months represents an increase of 17% on the total of 571 received in 2002. Over the same period, 493 RSLs were licensed (compared with 450 in the whole of 2002). These figures demonstrate that the RSL scheme continues to be very popular, and the Authority was delighted by Ofcom's announcement in August that it intends to continue licensing RSLs from the end of 2003. In the thirteen years of the Radio Authority's existence, a total of 4,415 licences have been issued.

Annual totals of short-term restricted service licences issued, 1991-2003

1991: 178
1992: 241
1993: 188
1994: 262
1995: 318
1996: 324
1997: 350
1998: 344
1999: 393
2000: 464
2001: 423
2002: 450
2003: 493 (to 30 Nov.)

Long-term restricted service licences

Long-term restricted service licences (LRSLs) are issued to stations wishing to provide a radio service within the boundaries of a single site occupied by a non-commercial establishment, such as a hospital or a university. There are three types of LRSL, each one utilising a different transmission system. Low-powered AM (LPAM) licences are available throughout the UK except within the M25 orbital motorway around London, and allow for freely-radiating transmission on the AM waveband. Low-powered FM (LPFM) licences are available only in pre-defined, sparsely populated, areas of England, Wales and Scotland, and allow for freely-radiating transmission on the FM waveband. The third type of LRSL utilises an induction loop system, which allows for coverage within selected buildings only on the AM waveband.

During the year, the Authority received 21 new applications for LRSLs. Twelve of these applicants were subsequently issued with licences and are now broadcasting, a further seven have had their proposals approved, while the remaining two are due to have their proposals considered in 2004. A further five applicants, whose proposals were originally approved in 2001 or 2002, were also licensed in 2003. A total of 124 LRSLs were in issue at the end of the year. Most of these stations serve either hospitals or universities, but there are also LRSL stations serving schools, colleges and Forces establishments.

Licensable sound programme services

These licences relate to those services (other than in-area licensed local, national, and satellite services) provided by a cable system. Licences are issued for periods of up to five years. At the end of the year, twelve licences were in force.

Satellite licences

The Authority licenses services which are transmitted by means of satellite. Licences are issued for periods of up to five years. Satellite services need to be licensed by the

Authority if they are for general reception in the UK, uplinked from the UK, or the editorial control rests with the UK, even if they are uplinked from elsewhere. During the year, 37 new satellite licences were issued. At the end of the year, 98 licences were in force.

Digital sound programme service licences

Local digital sound programme service (DSPS) licences are issued to those providing programmes on digital multiplexes. One licence can cover numerous services being provided on any number of local multiplexes by one programme provider. A DSPS licence has an unlimited duration. This year the Authority issued eleven DSPS licences to potential digital programme providers.

The Authority also issues national digital sound programme service licences to non-simulcast programme providers wishing to broadcast on the national digital multiplex operated by Digital One. A total of six non-simulcast national DSPS licences were in force by the end of the year.

Digital restricted service licences

Digital restricted service licences (DRSLs) are issued on demand for the provision of a digital radio multiplex. They are issued for a single 28-day period only, unless the purpose is technical testing, in which case licences may be issued on a rolling basis for as long as the licensee and the Authority are willing to see the service continue.

During 2003, the Authority issued licences on a rolling basis to NTL for the purpose of testing the properties of digital radio receivers. This multiplex, which operated in London, utilised a frequency in the 1.5 GHz (the so-called L-Band) part of the radio spectrum.

Access Radio

The Access Radio pilot project continued throughout 2003. Professor Anthony Everitt's independent evaluation of the project, 'New Voices', published in March 2003, was well received by the industry, Government and the general public. Government drew on the report's conclusions and recommendations in drafting the Order that will empower Ofcom to license this new tier of community radio. Anthony Everitt updated his evaluation during the summer, and 'New Voices - An Update' was published in December. This report looked specifically at the sustainability of the pilots, both in terms of finance and of local support, and provided a further assessment of the extent to which each had delivered 'social gain' to their relevant communities.

Fifteen projects were licensed during 2002 for one year. Fourteen of these subsequently had their licence term extended to the end of 2003. (Shine FM in Banbridge, Northern Ireland, was licensed for a three-month period in late 2002, only.) One group, Northern Visions Radio in Belfast, ceased broadcasting in June, as it wished to direct its resources towards the establishment of a community TV service. The remaining pilot stations continued to provide socially-purposive programming, and in many cases have established themselves as an important community resource to their target audience. All operators are not-for-profit organisations.

In September, Ofcom announced that it intended to offer a further extension to the pilot scheme licences for a another year (i.e. until the end of 2004). The Radio Authority administered this extension process on behalf of Ofcom.

Public interest tests and determinations

The Authority carried out nine public interest tests during 2003. In one of the cases it determined that the proposals could operate against the public interest, and in one case that they would not. The other seven tests did not require final determinations to be made. Details of the public interest tests carried out in 2003 are as follows:

Radio-specific

JULY

'Short-form' public interest test carried out for Capital Radio (West Midlands) Ltd for the West Midlands regional licence. If Capital Radio (West Midlands) Ltd, a wholly owned subsidiary of Capital Radio plc, were to be awarded the licence to provide a service for this area, it would have significantly overlapped with two other services which broadcast to Birmingham: Capital Gold (1152) on the AM waveband and 96.4 FM BRMB on the FM waveband, both of which are owned by Capital Radio plc.

The Authority was not required to make a final determination as Capital Radio (West Midlands) Ltd was not awarded the licence for this area.

Radio-specific

JULY

'Short-form' public interest test carried out for The Storm (West Midlands) Ltd for the West Midlands regional licence. If The Storm (West Midlands) Ltd, in which GWR Group plc has a controlling interest, were to be awarded the licence to provide a service for this area, it would have significantly overlapped with another service, Beacon FM (Wolverhampton, Shrewsbury & Telford), also owned by GWR Group plc.

The Authority was not required to make a final determination as The Storm (West Midlands) Ltd was not awarded the licence for this area.

Radio-specific

JULY

'Short-form' public interest test carried out for the acquisition of Mean Radio Holdings Ltd by Sunrise Radio Ltd. If Sunrise Radio Ltd, which holds the licence for Sunrise Radio in Greater London, were to acquire Mean Radio Holdings Ltd., which holds the licence for Mean Country 1035 AM, it would control two local licences, on the same waveband, whose services would share a potential audience in the Greater London area.

AUGUST

Determination: that the public interest would not be adversely affected by this acquisition.

Cross-media

SEPTEMBER

'Short-form' public interest test carried out for Jazz FM West Midlands Ltd's application for the West Midlands regional licence. If Jazz FM West Midlands Ltd, a wholly owned subsidiary of Guardian Media Group plc, were to be awarded the licence, the station would be owned by a company connected to a national newspaper.

The Authority was not required to make a final determination as Jazz FM West Midlands Ltd was not awarded the licence for this area.

Radio-specific and cross-media

OCTOBER

'Short-form' public interest tests carried out for Smooth FM Ltd's application for the Glasgow licence. If Smooth FM Ltd, a wholly owned subsidiary of Guardian Media Group plc, were to be awarded the licence to provide a service for this area, it would have significantly overlapped with another service on the same waveband, Real Radio, also owned by Guardian Media Group plc, and the station would be owned by a company connected to a national newspaper.

The Authority was not required to make a final determination as Smooth FM Ltd was not awarded the licence for this area.

Radio-specific

OCTOBER

'Short-form' public interest test carried out for Glasgow Gold Ltd's application for the Glasgow licence. If Glasgow Gold Ltd, a wholly owned subsidiary of Capital Radio plc, were to be awarded the licence to provide a service for this area, it would have significantly overlapped with another service on the same waveband, Beat 106, also owned by Capital Radio plc.

The Authority was not required to make a final determination as Glasgow Gold Ltd was not awarded the licence for this area.

Radio-specific

OCTOBER

'Short-form' public interest test carried out for 3C Glasgow Ltd's application for the Glasgow licence. If 3C Glasgow Ltd, in which Scottish Radio Holdings plc has a controlling interest, were to be awarded the licence to provide a service for this area, it would have significantly overlapped with three other services, Clyde 1 FM, Clyde 2, and West Sound AM, also owned by Scottish Radio Holdings plc. In order to comply

with media ownership rules, Scottish Radio Holdings plc intended to dispose of the West Sound AM licence if 3C Glasgow was awarded the new Glasgow FM licence.

The Authority was not required to make a final determination as 3C Glasgow Ltd was not awarded the licence for this area.

Cross-media

OCTOBER

'Short-form' public interest test carried out on the proposed acquisition of a controlling interest in Telford Radio Ltd by Shropshire Newspapers Ltd. Telford Radio Ltd broadcasts as 107.4 Telford FM, the small-scale local radio station in the Telford area. Shropshire Newspapers Ltd is a wholly-owned subsidiary of Midland News Association Ltd which publishes several local newspapers in the Telford area, including the Shropshire Star, the Telford Journal, the Newport & Market Drayton Advertiser, the Bridgnorth Journal and the Shropshire Magazine. A company cannot run a local newspaper and a local radio station in the same area unless the Authority determines that the arrangement would not be against the public interest.

DECEMBER

Determination: that the acquisition could be expected to operate against the public interest, and accordingly the acquisition was not permitted.

PROGRAMMING AND ADVERTISING REGULATION

Programming and advertising issues were, naturally, dealt with against the backdrop of the establishment of Ofcom by the end of the year.

The promotion and protection of stations' local character has always been an important element of the Authority's stewardship of ILR. The Communications Act takes this issue as a specific remit for Ofcom.

It was, therefore, not surprising that the localness aspect of regulatory decisions involving programming and advertising appeared to be very much to the fore. This was certainly the case with the Authority's reiteration of its findings following the news consultation, which impacts greatly on the whole question of localness.

Product placement and the 'over-egging' of sponsorship arrangements are both areas that require close supervision if they are to be avoided, and this year the Authority discussed an 'off-shoot' of such practices which were occurring to the US; that of pay-for-play.

News delivery

As outlined in last year's Radio Authority Annual Report, in 2002 we carried out a consultation involving news arrangements within Independent Local Radio, and

followed it up with clear guidelines about the extent to which news could be 'farmed out' to be generated or read from outside a station's measured coverage area (MCA).

Those guidelines affect every local and regional analogue station, and during 2003 we had detailed discussions about some Formats that led us to spell out clearly what we expect from licensees.

Unless specific agreement had been given by the Authority, local news was covered as part of the 'locally produced and presented' programming requirements in the Format, and therefore local news operations should be carried out, in the main, from within a station's MCA. Furthermore, the Authority required a journalistic presence based at each station, unless other arrangements had been discussed and agreed with us. We therefore expected all stations to be operating an in-house news operation unless permission for any other arrangement had been given, even when a news hub had been agreed.

If stations were operating news services which used readers from outside the area, and that arrangement had not been agreed, then such an arrangement amounted to a breach of the Format requirements.

At the heart of the Authority's requirements was the protection of the presence of local, on-site journalists. It was not a demand for an in-house news desk for the sake of it. The Authority had already accepted that for certain licensees some news could be read from outside a station area on the understanding that there would still be a full-time journalistic presence based at the station itself. Further requests would be considered, each on its merits.

During the consultation exercise, the Authority considered views on all aspects of the location, preparation and presentation of local news, and came to the conclusion that although there might be some instances where a news sharing arrangement might be appropriate for the generation and processing of news outside an area, such proposals should only be assessed on a case-by-case basis in order to keep local output safe.

When we reported the conclusions of the consultation we stated clearly that, knowing Ofcom was to be given a duty in respect of local content in the Communications Act 2003, it would be inappropriate to bind our successor at a time of transition. We were unwilling to allow news services outside a station's MCA to take over local news roles to any greater degree than would be expected from normal news networking and sharing.

In summary, where a promise of local journalists and newsreaders was made within an application, the Authority expected this to be delivered.

Pay-for-play

There had been stirrings in the United States about what went on behind the scenes before certain tracks made it on to radio station playlists. Many of the allegations may prove to be unfounded, but it was clear there were practices being carried out that

should be prevented from permeating UK radio. At its January meeting the Authority took stock. It felt determined to do all it could to prevent the shoots of such practices from springing up in the UK.

'Pay-for-play' would be perfectly legal, both here and in the US, if such tracks were played clearly as paid-for commercials. There have been a couple of isolated examples of this. However, in creative radio terms the growth of such broadcasting would produce far too many drawbacks. No comment could be made about the music (because that would be to comment on commercials) and the station would be destroying any suggestion that the listener was being handed carefully selected output.

'Pay-for-play' is product placement by another name, but mindful that the radio world shares and adapts many practices, the Authority flagged up as clearly as possible its position with regard to all aspects of pay-for-play: that such practices lie firmly outside that which legislation permits, and that any movement in the direction of such practices should be opposed.

Lyrics in popular songs

During the year, various accusations were made about the role of song lyrics in the so-called 'gun culture', and how programmers should respond. Rap music had the finger pointed at it in no uncertain terms and that, in turn, demanded that radio and TV stations looked to the role they might, inadvertently or otherwise, be playing.

It is the recognition of this responsibility that the Authority saw as the most important aspect of the debate. The question of art's capacity to influence life is a fascinating one, but provides no real answers without this sense of responsibility coming into play.

The Authority's recently revised Programme Code urged stations to think carefully and make "considered judgements". This would undoubtedly involve considering Formats, radio edits, scheduling, audience composition, editing possibilities, research, 'school run' times and the like. There is no 'anything goes' rule with music any more than there is with presenter chat. It is all about context.

Anything that offends against good taste or decency, or might incite crime or lead to disorder, is prohibited. Song lyrics might have that capacity. The important thing is that programmers are aware of what they are playing, when they are playing it, to whom they are playing it, and whether playing it is a responsible move. If a decision is made with such considerations in mind, and those questions answered satisfactorily, then radio can count itself as a truly responsible contributor to the debate.

Political advertising

The whole area of political advertising became more high profile this year. In the UK commercial radio political advertising is effectively banned, although this year we had a number of queries involving politically sensitive advertisements.

As more and more local councils, in tandem with agencies, tried to get messages across, it was a suitable time to ensure that station staff were aware of the state of play with advertisements that fall in or near to the political arena.

The Central Office of Information is one of the biggest spenders in broadcasting. It has been using radio for years to get messages across. Using COI output as examples, it is relatively easy for the radio industry to recognise the difference between public service and political messages.

Local authorities tend to be inexperienced users of radio advertising, so the test against which such commercials are assessed needs to be straightforward. Any messages that local authorities or council-related bodies want to convey have to be matter of fact. If the messages have any political push to them they will be unacceptable.

The move within the Communications Act to allow local authorities to own stations makes this an area of particular interest.

Programme logging

The move towards self-regulation and co-regulation – particularly as far as advertisements on commercial radio are concerned – puts a spotlight firmly on the obligation upon stations to record and retain tapes of output.

The period over which such tapes need be kept under Ofcom, as under the Authority, is 42 days. The importance of logging, therefore, in no way diminishes.

At the February meeting, the Authority Members fined one radio group £5,000 for its failure to produce logging tapes for two consecutive days' output.

This episode raised a number of extra issues of particular interest to licensees, for three major reasons. Firstly, this was a 'first offence' by the station involved. Secondly, it raised the whole question of the importance of the maintenance and checking of logging systems. Also, because of the station's failure to provide tapes, Members were unable to adjudicate a potentially serious breach of rules regarding impartiality during an industrial dispute.

In the past the Authority tended to allow stations one 'slip' before imposing sanctions. As a consequence, when a station faced a fine for non-production of tapes it was normally because it was not the first such instance. However, the change in the regulatory climate towards self- and co-regulation demands a display of responsibility by stations. Logging is one issue at the heart of that responsibility, and will doubtless be a high priority area for Ofcom.

Conflict coverage

The events in Iraq raised a number of issues concerning conflict coverage generally, and highlighted the whole question of making significant changes to the output of all commercial radio, whether local, regional or national.

This year the Authority issued advice to stations, trying to answer some of the questions likely to arise, based on queries that had arisen during similar past events, with regard to formats, schedules, bulletins, contacts, emergency procedures and general programming.

The general Radio Authority rules and guidelines revolved almost entirely around licensees' sense of responsibility, and situations such as that involving Iraq highlight that responsibility. Through the year we received enquiries regarding the actual amount of programming and programme change expected in times of conflict and emergency.

Clearly much depends on the nature of the conflict at any particular stage, but in the event of war each station has a requirement to strive for accuracy.

Stations will of course want to have in place clear plans to allow for whatever extra coverage is required. Such plans need not involve staffing alone, but also arrangements to adapt or drop automation systems where necessary in order to react adequately to changing circumstances.

A number of licensees told us of their contingency plans in case of emergencies directly involving stations. These plans included the possibility of switching transmitters, taking or sharing programming or studios to keep output on air during any emergency, and so on. It was obviously a wise precaution both to review contingency plans and make relevant staff aware, and many stations did this during 2003.

Tobacco advertising

This year saw tobacco products, and sponsorship agreements where the purpose or effect is to promote tobacco products, prohibited on commercial radio.

Transitional arrangements having regard to deals already signed were put in place, but the end of an era was reached.

Licensees approached by events that are sponsored by tobacco brands now need to seek assurance concerning exceptions before accepting advertising for the event, or sponsorship of output by the event, for transmission during the appropriate transition period.

As always, references to the event (in advertisements, sponsorship credits or programming) may only mention the tobacco brand as part of the event name if it is generally known by that title (e.g. Embassy World Snooker); otherwise no mention of the associated product may be made.

Complaints

In the eleven months to the end of November 2003, when responsibility for handling complaints passed to staff based at Ofcom, the Authority considered 471 complaints about programming and advertising matters. This compares with 479 in the whole of 2002. Of these, 224 related to programming matters and 247 related to advertising. 39 programming and 66 advertising complaints were upheld.

Number of Complaints: January – November 2003

Programming:	Accuracy	Balance/ bias/ fairness	Taste/ decency/ offence	Promise/ Format	Other
Upheld	1	9	25	0	4
Total received	7	31	131	15	40
Issues covered	7	25	91	10	37

Advertising:	Harmful	Misleading	Offensive	Other
Upheld	6	44	15	1
Total received	23	126	85	13
Issues covered	11	93	57	11

Yellow cards and financial penalties

Part of the Authority's brief was to ensure stations follow their Format. Any likely breach might sometimes be followed by a letter setting out our concerns in the hope that matters could be resolved before any further action became necessary. This was effectively a 'yellow card' warning. The following sanctions were applied during 2003:

February	97.6 Chiltern FM	£5,000 fine	Failure to produce logging tapes for output on two successive days.
March	96.3 QFM	Yellow card	Insufficient localness of content.
June	Asian Sound Radio	£3,000 fine	Breach of rules on undue prominence and for broadcasting an advertisement of a political nature.
July	105.4 Century FM	Yellow card	Format compliance: music and speech output.

ENGINEERING

Although the Authority's advertisement of new analogue and digital licences ended relatively early in the year, the subsequent phases of technical work which accompany

the introduction of new services to air continued as normal throughout. This forms the bulk of the work undertaken by Engineering staff, as applications are assessed, licensees develop their proposals into firm plans, frequencies are cleared and services are brought to air compliant with their licence requirements. The practical difficulties for licensees of finding space for aerials at good transmitter sites can make this an iterative process.

As the Authority was subsumed by Ofcom, this activity continued. The technical requirements of Broadcasting Act licences were actively regulated – of necessity in detail – by the Authority. Some of these conditions overlapped with those of corresponding Wireless Telegraphy Act licences issued by the Radiocommunications Agency. However, once up and running, Ofcom was likely to undertake an exercise – not insignificant – to restructure the respective licences in order to remove regulatory overlap.

In April the Authority published a new version of its coverage policy document for local analogue licences. This introduces some new flexibility for changes to existing services' transmission arrangements. Licensees had always been able to change transmitter sites to improve coverage provided this did not take up more of the spectrum's effective resource, and this principle was maintained in two new provisions. One was to allow additional relay transmitters if an existing frequency on the same licence was re-used and various other criteria could be met. The other was an allowable change to one of a transmission's characteristics, known as 'polarisation', which might improve reception in some cases.

The conclusion of the Authority's digital licensing programme this year all but exhausted the opportunities for licence areas of more than 200,000 population using the existing UK allocation for DAB digital radio. This still left 20% of the population beyond the potential coverage of the existing licences. The Authority was therefore very pleased to launch a consultation jointly with the Radiocommunications Agency towards the end of the year in respect of two bands of frequencies which could be used to expand digital radio services (in VHF Band III and the '1.5 GHz', or 'L-Band' range). The consultation covered potential use by a range of services (especially private and public mobile services) of which digital radio is just one. The Communications Act 2003 not only continued the licensing framework for digital radio, but also provided for the licensing of 'general multiplexes', which would allow the DAB technology, or others like it, to carry a mix of services in any proportion, including sound broadcasting. This also enters the equation when contemplating the future.

During the year, the Authority participated in a formal group – including several sub-groups – known as the 'Spectrum Transition Advisory Group' (STAG). This was led jointly by Ofcom and the Radiocommunications Agency, with the objective of developing and carrying forward policy on spectrum management across the transition to Ofcom. This was a very important area to all the sectors regulated by Ofcom, and change was already under way under the auspices of the Radiocommunications Agency (on behalf of government). The agenda had, inevitably, been dominated by the expected introduction of spectrum trading in 2004. Ofcom launched a consultation

late in the year, with specific proposals. The public policy dimension of broadcasting limits the extent to which trading can be applied to it. In particular, the Broadcasting Acts specify an explicit role for the regulator in the design of the broadcasting landscape.

However, the Authority placed a proposal in this consultation that a particular trading framework could apply to digital radio. Specifically, residual capacity not needed to support the local multiplex plan, but insufficient to support whole new multiplexes, might be traded. Also, digital radio transmitter networks might develop more fluently if trading of interference rights could be allowed to ease some of the existing constraints relating to adjacent channel interference around some new transmitters. However, such an arrangement would, in these cases, require Ofcom involvement to assure an adequate maintenance of coverage by its licensed services.

CONCLUDING REMARKS

The Radio Authority was established by the Broadcasting Act of 1990 as a sector-specific regulator, primarily in order to provide more focused attention on the commercial radio medium, which previously had been regulated jointly with television by the IBA. Over the period of our stewardship of independent radio, we have met the objectives envisaged by Government at that time, as documented in this and previous Annual Reports. In particular, the Radio Authority has generated and overseen the development of a much greater number and wider range of non-BBC radio services, of varying scale and character: national, regional and local, permanent and short-term. In recent years, we have established an effective framework for digital radio, which will gradually replace analogue as the dominant form of transmission. Services licensed by the Authority have been regulated in a way that has sought to stimulate and reflect the flexibility of radio while maintaining the necessary basic standards and procedures. The finite amount of spectrum available for independent radio services has been planned and utilised to optimise efficiency. However, with the platforms available for the delivery of audio services now proliferating, the pendulum has swung back in favour of a converged regulatory structure, more appropriate to the future evolution of radio which, through all technological changes, continues to be a vibrant medium at the centre of people's lives. The Radio Authority is proud to have played its part, since 1991, in facilitating and encouraging the progress of radio, as we now hand over this responsibility to Ofcom.

David Vick
Chief Operating Officer

Supplementary Information to the Financial Statements

The financial statements that follow this report are those of the Radio Authority for the period ended 28 December 2003. Previous financial statements were drawn up to 31 December, however the Secretary of State has determined that these financial statements should be made up to the date of transfer of the Radio Authority's functions and powers to Ofcom.

Principal Activities

Under the terms of the Broadcasting Acts 1990 and 1996, the principal activity of the Radio Authority during this period was to license and regulate Independent Radio in the UK, which encompassed:

- Independent National Radio
- Independent Local Radio
- Digital Radio
- Restricted Service Licences
- Licensable Sound Programme Services
- Additional Services
- Satellite Services

On 29 December 2003, the Radio Authority's functions and powers were transferred to Ofcom.

Radio Authority Members

The Members who held office during the period were as follows:

Richard Hooper (resigned 10 July 2003)
Kate O'Rourke +
Feargal Sharkey, Member for Northern Ireland *
David Witherow *
Sheila Hewitt +
Sara Nathan
Thomas Prag, Member for Scotland +
Geraint Talfan Davies, Member for Wales *

Members are appointed by the Secretary of State for Culture, Media and Sport, normally for a period between three and five years. The appointments of all Members ended on 28 December 2003, with the exception of David Witherow .

* - member of the Audit Committee.

+ - member of the Remuneration Committee.

David Witherow was appointed Executive Chairman of the Radio Authority by the Secretary of State for the Department of Media, Culture and Sport with effect from the 10 July 2003, following the secondment of the Radio Authority's Chief Executive, Tony Stoller, to Ofcom and the appointment of Richard Hooper as the Deputy Chairman of Ofcom. David Witherow resigned his role as Chairman of the Audit Committee but remained a member of it and resigned his role as a member of the Remuneration Committee.

Feargal Sharkey was appointed Chair of the Audit Committee in July 2003.

Sheila Hewitt was appointed Chair of the Remuneration Committee in July 2003.

Employment Policy

The Radio Authority had a policy of providing equal opportunities in employment irrespective of colour, race, nationality, ethnic or national origin, sex, mental or physical handicaps, marital status or sexual preference. It reviewed its policies to ensure that they were consistent with the requirements of the Race Relations (Amendment) Act 2001 and in particular, the general duty set out at section 71 (1) of the Act. The Authority had a system of ethnic monitoring which is consistent with the ethnic monitoring guide.

The Radio Authority was committed to the promotion of equal opportunities and to ensure that the talent and skills of all employees are maximised. The Authority's policy was to treat all employees with respect and dignity and to ensure that employees were not victimised or subjected to sexual or racial harassment or discrimination on the grounds of disability.

The Radio Authority sought to fulfil this commitment to equal opportunities through the application of policies and procedures which were consistent and equitable and which recognised the expertise and ability of each individual.

The Radio Authority consulted with staff and had a procedural agreement with its recognised union, the Broadcasting Entertainment Cinematography and Theatre Union (BECTU).

Training and Development

The Radio Authority was committed to developing the skills of its staff to enable them to fulfil their potential. Within the general constraints of maintaining the efficient operation, the Authority did all it could to enable its staff to undertake training and development programmes, both formal and informal.

Corporate Governance

The Radio Authority aimed for the highest standard of corporate governance. The Combined Code, issued by the Hampel Committee in June 1998, aims to be a set of principles of good governance and a Code of Best Practice, which embraces that Committee's work and also that of the Cadbury and Greenbury Committees. The Turnbull report covers the adoption of a risk-based approach to the establishment of a system of internal control and a review of its effectiveness. The Combined Code provides a benchmark for bodies who wish to make a statement about their Corporate Governance performance and contains recommendations as to best practice in terms of control and reporting functions.

Statement of Compliance

It is the Authority's view that, insofar as they are appropriate, it has complied with the provisions of the Code throughout the period ended 28 December 2003. Some provisions of the Code are not applicable to the Authority, given its status as a statutory corporation. Where non-compliance is reported the reasons for such non-compliance are set out in the relevant sections below.

The Authority

Members were appointed to the Authority by the Secretary of State for Culture, Media and Sport. The Authority therefore considers that the Code's requirement for re-election at least every three years and for contract periods of not more than one year does not apply.

The Members were responsible and accountable for the Radio Authority's operations. Their duties and responsibilities were set out in the Authority's own Code of Best Practice. An up to date register of their relevant interests was maintained and available for view on the Authority's website. The Members meet regularly throughout the year. They reserved certain matters to themselves but otherwise delegated specific responsibilities to the Executive Staff ("The Executive"), who are not Members of the Radio Authority, and to committees, as described below.

The Members provided independent judgement on strategic matters, the performance of the Radio Authority, the adequacy of resources and standards of conduct. They considered themselves to be independent but not non-executive. Up to 10 July 2003, the roles of Chair and Chief Executive were split and the Chief Executive was not a Member of the Authority. Since then, David Witherow has taken on the role of Executive Chairman. This appointment was made by the Secretary of State following the appointments of the Chair and Chief Executive to Ofcom. As part of this reorganisation, David Vick was appointed as the Radio Authority's Chief Operating Officer. It remains the case that the Authority does not consist of a balance of executive and non-executive Members as required by the Code. However, in this context it is considered that this provision does not apply.

All Members had access to advice from the Authority's Director of Legal Services and independent professionals at the Authority's expense. New Members were given a full induction programme and information, including budgets, strategy papers, reviews of the Radio Authority's financial performance and accounts, were provided to the Authority on a timely basis.

The Authority had an Audit Committee and a Remuneration Committee, both with formal terms of reference.

The Audit Committee comprised three Members. It was chaired by David Witherow until 10 July and then by Feargal Sharkey. The Committee meet at least twice a year. It would normally review the Annual Report and Financial Statements prior to submission to the Authority Members, however, in the period under review, the financial statements and annual report have been reviewed by Ofcom. The terms of reference of the Committee included reviewing the scope and results of both the internal and external audits to ensure an appropriate control environment, identifying any major business risks and evaluating the implications of such risks. As described above, Members were appointed by the Secretary of State for Culture, Media and Sport and as such were independent. The Authority therefore considers that the requirement for members of the Audit Committee to be non-executive does not apply.

The Remuneration Committee normally comprised three Members. It was chaired by Richard Hooper until 10 July and then by Sheila Hewitt. The Committee advised the Authority on the remuneration for all Radio Authority employees. The remuneration of Members was determined by the Secretary of State for Culture, Media and Sport, and is set out in detail in note 3 to the financial statements. Consequently no Member was involved in the setting of his or her own remuneration. The Authority therefore considers that the requirement for members of the Remuneration Committee to be non-executive did not apply for the same reasons as the Audit Committee.

Internal Control

The Authority Members had overall responsibility for the Radio Authority's system of internal control, and for reviewing its effectiveness, whilst it is a staff role to implement the Authority's policies. The Authority developed a 3-year strategic plan, which was designed to minimise and manage the risk within the organisation. The Authority through the Audit Committee satisfied itself that the strategic plan was appropriate and the Members have reviewed the effectiveness of the Authority's system of internal control.

The strategy comprised the following major elements:

- Full formal assessment of key risks by the internal auditors, reviewed in detail by the Audit Committee on a triennial basis.
- Annual review by the internal auditors and Audit Committee of the status of risks identified.
- Annual review by the internal auditors and Audit Committee for any other risks arising during the year, or anticipated for the future, but not previously identified.
- Regular reviews and updates of the Authority's risk register and risk management plan.

In line with its strategic plan, the Authority developed a strong control framework, which included a comprehensive system of financial reporting. The annual budget and long-term plan were reviewed in detail and approved by the Authority as a whole. Other financial, operational and compliance controls were reviewed by the Executive staff and remedial action was taken where appropriate. All key procedures in respect of the Radio Authority's licensing and regulatory activities were documented and reviewed on a regular basis.

Relations with Shareholders

The Authority, which is a statutory corporation, has no shareholders and therefore Section C of the Code did not apply. It did, however, enter into relevant dialogue with the Department of Culture, Media and Sport.

Statement of Members' and Executives' Responsibilities in respect of the Financial Statements

Schedule 8 of the Broadcasting Act requires that "*The Authority shall keep proper accounts and proper records in relation to the accounts, and shall prepare in respect of each financial year a statement of accounts in such form as the Secretary of State may direct with the approval of the Treasury*". The Authority is also required "*to conduct their affairs such that their revenues become at the earliest possible date, and continue thereafter, at least sufficient to enable them to meet their obligations and discharge their functions under this Act*". The Authority is required, therefore, to ensure that it is a going concern and its budgets and accounts are prepared on that basis.

Under the terms of the Transfer Scheme required under section 30 of the Communications Act 2003 and agreed with Ofcom and approved by the Secretary of State, all of the Authority's assets and liabilities (including contingent liabilities) have been transferred to Ofcom with effect from 29 December. The Transfer Scheme also provided for the transfer of staff under continuing employment provisions.

The financial statements of the Radio Authority are prepared, in so far as applicable, in accordance with the Companies Act 1985 and the United Kingdom accounting standards. The financial statements give a true and fair view of the state of affairs of the Authority and of its income and expenditure and cashflows. The Authority is satisfied that suitable accounting policies, consistently applied on the basis of reasonable and prudent judgements and estimates, have been used in the preparation of these accounts.

The Authority consists wholly of Members appointed by the Secretary of State for Culture, Media and Sport. Neither the Chief Executive nor other staff are Members of the Authority, although senior staff normally attend Authority meetings. The Authority reviewed its systems of governance and drew up a Code of Practice for its Members appropriate to its statutory duties and responsibilities. The Code of Practice was revised in September to take account of changed circumstances during the run-down period and transition to Ofcom.

The Members have delegated the preparation of these financial statements to the Executive Staff of the Radio Authority. In preparing these financial statements, the Executive is required to:

- i) select suitable accounting policies and then apply them consistently,
- ii) make judgements and estimates that are reasonable and prudent,
- iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The Executive are responsible for keeping proper accounting records, for safeguarding the assets of the Radio Authority and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. The members consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Policy on the Payment of Creditors

The Authority's policy in respect of its suppliers is to agree terms of payment at or before entering into each large transaction or contract and to adhere to such terms, subject to satisfactory completion of the transaction concerned. All other invoices are dealt with in a timely manner as part of a systematic payment process. There were no billings outstanding to suppliers at 28 December. (2002 – 0 days). The trade creditor balance outstanding at 28 December represents security pay and compensation payments which were(?) met by Ofcom in January 2004.

Taxation

HM Customs and Excise have ruled that the Radio Authority's regulatory functions do not constitute a VAT business. The effect of this decision is that the Radio Authority is unable to recover VAT that it incurs on its expenditure. The Radio Authority, however, does reclaim VAT in respect of expenditure incurred on behalf of third parties and which is recovered from those third parties under agency agreements.

Additional Payments

Additional payments are payments made by Independent Radio licensees to the Consolidated Funds of the United Kingdom and of Northern Ireland, and to the Treasury of the Isle of Man, under the terms of Section 122 of the Broadcasting Act 1990. Additional payments are defined as any amount received in respect of the cash bids for Independent National Radio (INR) and Additional Service licences (Section 102(1) and 118(1)), any amounts received in respect of qualifying revenue (Section 102(2) and 118(2)) together with any receipts in respect of financial penalties imposed by the Radio Authority (Section 110). The Radio Authority is responsible for collecting amounts due on behalf of the Exchequer; they form no part of the revenue of the Radio Authority and are not contained in these financial statements.

Additional payment accounts, for financial years ended 31 March, with a report by the Comptroller and Auditor General, are laid before each House of Parliament annually. The Account for the year ended 31 March 2003 reported additional payments by radio licensees of £8.325m (2002: £9,220m).

Broadcasting Standards Commission

Under the terms of Section 149 of the Broadcasting Act 1990, the Secretary of State for Culture, Media and Sport notified the Radio Authority that for the financial year 2003-2004 Independent Radio licensees are required to make a contribution of £60,921 towards the expenses of the Commission (2002-2003: £77,310). The Radio Authority collects this amount from the licensees on behalf of the Secretary of State. Such payments made by the licensees do not form part of the revenue of the Radio Authority and are not contained in these financial statements.

Radio Advertising Clearance Centre

Under the terms of an agreement between the Radio Authority and the Commercial Radio Companies Association (CRCA), the Radio Authority collects copy clearance payments from the Independent Radio licensees on behalf of the CRCA. These payments do not form part of the revenue of the Radio Authority and are not included within these financial statements. Copy clearance payments for the year ended 28 December 2003 totalled £416,761 (2002: £437,912).

Report of the Independent Auditors to the Members of The Radio Authority
Under Schedule 8(14) of the Broadcasting Act 1990

We have audited the financial statements of the Radio Authority for the period ended 28 December 2003 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of accounting policies, and notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Members, in accordance with the Broadcasting Act 1990. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members, the executive and auditors

The Radio Authority's Members' and Executives' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Members' and Executives' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Broadcasting Act 1990. We also report to you if, in our opinion, the supplementary report is not consistent with the financial statements, if the Authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Members' and Executives' remuneration and transactions with the Authority is not disclosed.

We read other information contained in the Annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the Statement by the Chairman, Review of the year by the Chief Operating Officer, and the Supplementary Information to the Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the organisation's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Authority's affairs as at 28 December 2003 and of its result for the period then ended and have been properly prepared in accordance with the Broadcasting Act 1990.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

19 July 2004

The maintenance and integrity of the Radio Authority's website is the responsibility of the Members: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Income and Expenditure Account
for the Period ended 28 December 2003

	Notes	2003 £	2002 £
Income			
Licence Fees	1	3,625,948	3,545,836
Wireless Telegraphy Act (WTA) Fees	1	361,245	308,955
Other Income	1	932,760	860,957
		4,919,953	4,715,748
Expenditure			
Staff costs	2	(3,156,440)	(2,731,182)
Depreciation		(59,468)	(77,581)
Wireless Telegraphy Act (WTA) Fees	1	(361,245)	(308,955)
Other operating costs	4	(1,804,481)	(1,716,987)
		(5,381,634)	(4,834,705)
Operating deficit		(461,681)	(118,957)
Exceptional costs	5	(569,243)	0
Interest receivable	6	25,760	25,045
Interest payable		(97)	0
Deficit on ordinary activities			
Before taxation		(1,005,261)	(93,912)
Taxation on ordinary activities	7	(3,743)	(3,526)
Deficit for the financial year			
Transferred to reserves	15	(1,009,004)	(97,438)

There were no recognised gains or losses other than the deficit for the period.

The accompanying accounting policies and notes form part of these financial statements.

Balance Sheet
as at 28 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible Assets	8	72,942	134,011
Current assets			
Debtors	9	900,757	281,161
Cash at bank and in hand		823,479	1,724,349
		1,724,236	2,005,510
Creditors – amounts falling Due within one year	10	(1,847,958)	(1,181,525)
Net current (liabilities)/assets		(123,722)	823,985
Creditors – amounts falling Due after more than one year	11	(77,800)	(77,572)
Total assets less liabilities		(128,580)	880,424
Reserves			
Income Reserve	15	(128,580)	880,424

The accompanying accounting policies and notes form part of these financial statements.

These financial statements were approved on 19 July 2004.

David Witherow
Executive Chairman

Cash Flow Statement
for the Period ended 28 December 2003

	Notes	2003 £	2002 £
Net cash (outflow)/inflow from operating Activities	12	(923,453)	264,621
Returns on investments and servicing of Finance:			
Interest received		25,760	25,045
Interest Paid		(97)	
Net cash inflow from returns on investments servicing of finance		25,663	25,045
Taxation			
Tax paid		(3,773)	(5,110)
Capital expenditure and financial investment			
Payments to acquire tangible assets		(4,751)	(47,015)
Receipts from disposal of tangible assets		5,444	0
Net cash inflow/(outflow) from capital expenditure and financial investment		693	(47,015)
(Decrease)/Increase in cash	13	(900,870)	237,541

The accompanying accounting policies and notes form part of these financial statements.

Statement of Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and meet the requirements of the Broadcasting Act 1990 and the direction made by the Secretary of State within the commencement order dated 28 December 2003. The form of the financial statements complies with the requirements of Schedule 4 of the Companies Act 1985, except where these are overridden by the Broadcasting Act. They also comply with applicable accounting standards. The financial statements have been prepared in a form determined by the Secretary of State for the Department for Culture, Media and Sport, with the approval of the Treasury, in accordance with Schedule 8 of the Broadcasting Act 1990. The principal accounting policies have remained unchanged from the previous year-end and are set out below.

Transfer of the Radio Authority's activities to the Office of Communications (Ofcom)

A Memorandum of Understanding was agreed between Ofcom and the Radio Authority, the Radiocommunications Agency, Office of Telecommunications, Independent Television Commission and the Broadcasting Standards Commission to reflect the statutory provisions included in the Office of Communications Act 2002. The provisions required the Radio Authority to facilitate the effective transfer of its functions, property, rights and liabilities to Ofcom. In consequence, the entire activities, assets and liabilities, and commitments of the Authority were transferred to Ofcom on 28 December 2003. Since the activities were transferred on a going concern basis, these financial statements have also been prepared on a going concern basis.

Income

Licence fees, in respect of all licences issued by the Radio Authority, are invoiced periodically over the duration of the licence and are non-refundable. Income from licence fees is recognised when due. Non-refundable application fees and sundry income are recognised on a cash received basis.

Wireless Telegraphy Act (WTA) fees are collected alongside Radio Authority licence fees as a single composite fee. An amount calculated by reference to the appropriate fees order is then remitted to the Radiocommunications Agency. Such fees therefore form part of the Authority's income and are included in its financial statements, together with a corresponding amount in the expenditure line. RACC fees, BSC fees and Additional Payments (to the consolidated fund) do not form part of the Authority's income and are therefore not included as income or expenditure lines in the financial statements.

Leases

Rentals payable under operating leases are charged to the Income and Expenditure account on a straight-line basis over the lease term.

Fixed Assets

The depreciation of tangible fixed assets is calculated on a straight-line basis to write off the cost of the assets over their useful economic lives, as follows:

Vehicles	33.3% per annum
Computer Equipment	20% to 50% per annum
Furniture and Equipment	10% to 25% per annum.

Research and Development

Research and development expenditure is written off as incurred.

Pension Costs

ITC Staff Pension Plan (Defined benefits pension scheme)

The Authority has chosen to adopt the transitional requirements of FRS 17 “Retirement Benefits”. The Authority is a participating employer in the ITC staff pension plan. The scheme is accounted for as if it were a defined contribution scheme on the grounds that it is a multi-employer scheme and the Authority cannot separately identify its share of the underlying assets and liabilities.

Lord Chalfont Pension Plan (Defined benefits pension scheme)

In 1994, a pension plan was set in place for the former Chair of the Authority, Lord Chalfont. This pension scheme is a scheme by analogy with reference to the ITC staff pension plan.

Richard Hooper Pension Plan (Defined benefits pension scheme)

During 2001, a pension plan was set in place with effect from the 1 January 2000 for the former Chair, Richard Hooper. Contributions to this pension plan ceased with effect from his date of resignation. This pension scheme is also a scheme by analogy with reference to the ITC staff pension plan.

Neither the former Chair’s pension, nor the current Chair’s pension are disclosed in accordance with FRS 17 because the amounts involved are not considered to be material and because these are not schemes in their own right, but merely accruals which mirror the ITC scheme.

Notes to the Financial Statements for the Period ended 31 December 2003

1. Income

Licence fee income is principally derived from fees payable by the licensees appointed by the Authority to provide national and local programme services. Licence fees are also payable in respect of restricted services licences, licensable sound programme services, additional services and satellite services. The Radio Authority collects Wireless Telegraphy Act (WTA) fees for RSLs in addition to its own licence fee. This WTA income is passed over to the Radiocommunications Agency, without deduction.

Other income principally comprises application fees.

2. Staff Costs

Staff costs, including fees paid to Members, were:

	2003	2002
	£	£
Wages and salaries	2,358,756	2,071,043
Deferred retention bonuses	0	123,027
Social security costs	264,297	181,100
Other pension costs (note 14)	533,387	356,012
	3,156,440	2,731,182

Wages and salaries include £482k of bonuses paid to staff in December 2003 under various arrangements. These include deferred retention bonuses of £392k paid to the senior management team. These crystallised on the 28 December 2003, when the Radio Authority ceased to operate on its current basis following the creation of the Office of Communications (Ofcom). This was consistent with the scheme rules.

A separate scheme was set in place for all other staff employed throughout the year, which resulted in payments of £90k.

The average number of persons employed by the Radio Authority in 2003, not including Members of the Radio Authority, was 46 (2002: 47), which represents 44 full time equivalents, working in the following departments:

	2003	2002
	Number	Number
Secretariat	6	5
Engineering	9	9
Development	9	9
Programming and Advertising	9	9
Finance	8	9
Executive	5	6
	46	47

3. Emoluments

Members:

The fees and pensions paid to Members of the Radio Authority in the year, as determined by the Department for Culture, Media and Sport under Schedule 8 of the Broadcasting Act 1990, were as follows:

	2003	2002
	£	£
Remuneration	166,536	181,953
Former Chair's pension contribution (Richard Hooper)	3,861	10,016
Pension paid to former Chair (Lord Chalfont)	4,757	4,677
	175,154	196,646
Remuneration includes:		
Former Chair's remuneration (Richard Hooper)	22,848	59,268

No pension contributions are payable on behalf of the other serving Members of the Radio Authority.

Other Members' Remuneration comprised:	2003	2002
	£	£
Feargal Sharkey	15,559	15,208
David Witherow*	56,498	20,058
Sheila Hewitt	15,559	15,208
Sara Nathan	15,559	15,208
Kate O'Rourke	15,559	15,208
Mark Adair	0	11,383
Thomas Prag	16,288	15,208
Geraint Talfan Davies	19,512	15,208

Seven Members, excluding the Chair, served on the Radio Authority during the course of the year.

No element of Members' remuneration is performance related. The Secretary of State is responsible for appointments to the Authority and Members' remuneration.

David Witherow's remuneration included £29k representing his appointment as Chairman of the Radio Authority and an additional element of £11k relating to his executive responsibilities for the Radio Authority.

Staff:

The remuneration, including all benefits, paid to the Chief Executive was as follows:

Chief Executive-Tony Stoller	Salary	Bonus	Benefits*	Pension	2003	2002
	£	£	£	£	£	£
Total	151,807	92,976	1,778	28,954	275,515	168,212

*Benefits are the provision of medical health cover and gym membership.

Although Tony Stoller remained employed by the Radio Authority until the 28 December, he relinquished his day to day duties as Chief Executive of the Radio Authority following his appointment as External Relations director at Ofcom with effect from 16 June 2003. His secondment to Ofcom was based on his Radio Authority terms and conditions. His bonus relates to the deferred retention scheme discussed above which crystallised on 28 December 2003.

Higher Paid Employees

The numbers of higher paid employees, excluding the Chief Executive, who received emoluments (excluding pension contributions) in the following bands, were:

	2003	2002
	Number	Number
£40,001 to £45,000	1	5
£45,001 to £50,000	3	3
£50,001 to £55,000	4	2
£55,001 to £60,000	2	1
£60,001 to £65,000	1	0
£65,001 to £70,000	1	1
£75,001 to £80,000	0	1
£80,001 to £85,000	0	1
£85,001 to £90,000	0	1
£95,001 to £100,000	0	1
£105,001 to £110,000	1	0
£125,001 to £130,000	1	0
£140,001 to £145,000	1	0
£165,001 to £170,000	1	0
£170,001 to £175,000	1	0

Emoluments include the payment of deferred retention bonuses and other bonuses.

4. Other Operating Costs

	2003	2002
	£	£
Loss on disposal of assets	909	7,508
Auditors Remuneration		
- audit	30,200	19,505
- non audit services	4,994	0
Other Finance & Legal Costs	141,655	97,480
Other Staff Costs	284,303	250,881
Travel and Subsistence	90,681	129,391
General Office	160,630	206,749
Administration	429,634	313,685
Premises	486,272	482,471
Information Services and Audience Research	175,203	209,317
	1,804,481	1,716,987

Premises costs include payments under other operating leases of £389,397 (2002; £380,606)

5. Exceptional costs

	£	£
Security Pay	565,864	0
Compensation for loss of office	3,379	0
	569,243	0

Nine staff applied for and were granted voluntary redundancy in line with the Radio Authority's terms and conditions. Two of the Authority's Members, Thomas Prag and Geraint Talfan Davies were compensated for the early termination of their contracts which did not expire until 17 January 2004 and 1 March 2004 respectively. All these payments were met by Ofcom during January 2004.

6. Interest Receivable

Interest receivable represents interest on short-term deposits and other interest.

7. Taxation on Ordinary Activities

The Radio Authority's business of licensing and regulating Independent Radio is not liable to Corporation Tax. Income received from other sources and capital gains are subject to Corporation Tax.

	2003	2002
	£	£
UK Corporation Tax @ 19% (2002: 19%)	3,743	3,573
Adjustment in respect of Prior Years	0	(47)
	3,743	3,526

Interest receivable is the only income subject to corporation tax in either year. The table below reconciles interest receivable to the current tax charge for the year.

	2003	2002
	£	£
Interest receivable	25,760	25,045
Interest receivable multiplied by the standard rate of Corporation tax in the UK of 19% (2002: 19/20%)	4,894	4,820
Effect of:		
Marginal Relief	(1,151)	(1,047)
Other adjustments	0	(200)
Current tax charge	3,743	3,573

8. Tangible Fixed Assets

	Vehicles	Computer Equipment	Furniture And Equipment	Total
	£	£	£	£
Cost:				
At 1 January 2003	28,429	349,828	484,123	862,380
Additions	0	3,122	1,629	4,751
Disposals	0	(154,793)	(43,047)	(197,840)
At 28 December 2003	28,429	198,157	442,705	669,291
Depreciation:				
At 1 January 2003	28,429	311,323	388,617	728,369
Charge for the year	0	26,514	32,953	59,467
Disposals	0	(154,002)	(37,485)	(191,487)
At 28 December 2003	28,429	183,835	384,085	596,349
Net Book Value				
At 28 December 2003	0	14,322	58,620	72,942
At 31 December 2002	0	38,505	95,506	134,011

Before the date of transfer to Ofcom, the Authority disposed of a number of assets which Ofcom had confirmed that it did not wish to receive under the terms of the transfer scheme. These assets were disposed of in a manner which generated a reasonable value. The remaining assets are those which Ofcom specifically requested to be transferred to it and those for which it was not practical to obtain a reasonable price on disposal.

9. Debtors - Amounts falling due within one year

	2003	2002
	£	£
Trade Debtors	756,750	54,724
Other Debtors	8,752	21,310
Prepayments	135,255	205,127
	900,757	281,161

Trade debtors include £714,760 relating to licence fees for the first quarter of 2004 which were billed in December 2003 on behalf of Ofcom. These do not form part of the Authority's income.

Included within Other Debtors are season ticket loans made to staff as follows:

	2003	2002
	£	£
Loans outstanding at 1 January	17,814	14,706
Loans made during the year	24,115	40,305
Loans repaid during the year	(34,210)	(37,197)
Loans outstanding at 28 December	7,719	17,814

During the year 14 employees (2002: 23) took out season ticket loans.

10. Creditors - Amounts falling due within one year

	2003	2002
	£	£
Trade Creditors	570,705	1,623
Corporation Tax	3,542	3,571
Social Security and other taxes	0	87,535
Other Creditors	574,321	506,461
Accrued Pension Contributions	4,890	4,757
Accruals and deferred income	694,500	159,439
Deferred retention bonuses	0	243,739
Payments Received on Account	0	174,400
	1,847,958	1,181,525

Trade creditors includes £570,546 relating to security pay and compensation payments referred to in note 5 above.

£446,915 (2002: £500,839) of other creditors relates to INR additional payments which were paid over to the consolidated fund in January 2004.

£627,316 of deferred income represents income that has been invoiced by the Radio Authority, but which should form part of Ofcom's income in the period post vesting.

11. Creditors – Amounts falling due after more than one year

	2003	2002
	£	£
Accrued Pension Contributions	77,800	77,572

12. Reconciliation of Operating Deficit to Net Cash Outflow from Operating Activities

	2003	2002
	£	£
Operating deficit	(461,681)	(118,957)
Exceptional Costs	(569,243)	-
Depreciation charge	59,467	77,581
Loss on disposal of tangible fixed assets	909	7,508
Increase in debtors	(619,596)	(109,438)
Increase in creditors	666,691	407,927
Net cash (outflow)/inflow from operating activities	(923,453)	264,621

13. Analysis of Changes in Net Funds

	At 1 Jan 2003	Cash Flows	At 28 Dec 2003
	£	£	£
Cash in hand, at bank	1,724,349	(900,870)	823,479

14. Pensions Costs

The Radio Authority is a participating employer of the ITC Staff Pension Plan, a contributory defined benefits pension scheme, the assets of which are held in separate trustee administered funds. In addition, in 1994 the Secretary of State for National Heritage determined that the Radio Authority should establish pension arrangements for former Chair, Lord Chalfont from the date of his appointment as Chair. Similarly during 2001, a pension plan was set in place with effect from 1 January 2000 for the former Chair, Richard Hooper. These separate schemes provide benefits identical to that of the ITC Staff Pension Plan.

The total staff pension costs of £356,012 (2002: £356,012) are determined in accordance with the advice of a qualified actuary on the basis of triennial valuations. The contribution rate for the Radio Authority during the whole of 2003 was 16.9% on the advice of the actuary (2002: 16.9%). The contribution rate for scheme members was 5.5% (2002: 5.5%).

The last actuarial valuation of the ITC Staff Pension Plan was as at 1 January 2001, which used the projected 'accrued benefit' and 'unit' methods, the main assumptions being a yield on the fund of 7% per annum for assets backing non-pensioner liabilities and 4.5% for investments backing pensioner liabilities. There was an allowance of 5% for salary increases. The valuation showed that the plan had a surplus of £14.7m.

The market value of the invested assets of the ITC Staff Pension Plan scheme as at 28 December 2003 was £ 170,515,587 (2002: £158,539,889).

During 2003 a pension of £4,757 was paid to the Authority's former Chair, Lord Chalfont. At 28 December 2003 the balance of the plan stood at £33,020. This balance was transferred to Ofcom under the provisions of the transfer scheme.

The balance of the pension for the current Chair, Richard Hooper, will be transferred to Ofcom under the provisions of the transfer scheme. At 28 December 2003, this figure stood at £49,670.

15. Income Reserve

	2003	2002
	£	£
Income Reserve brought forward	880,424	977,862
Deficit sustained on ordinary Activities for the year	(1,009,004)	(97,438)
Accumulated deficit carried forward	(128,580)	880,424

The accumulated deficit was transferred to Ofcom on 29 December 2003.

16. Financial Commitments

The Radio Authority had annual commitments under non-cancellable operating leases:

	2003	2002
	Land & Buildings	Land & Buildings
	£	£
Under 1 year	-	-
Between 2 and 5 years	385,527	380,606
Over 5 years	-	-
	385,527	380,606

17. Related Parties

The Authority does not consider that its regulatory and licensing role with Independent Radio stations creates the relationship of a related party between itself and licence holders as defined by Financial Reporting Standard 8, "Related Party Disclosures". Members of the Authority have made it their practice to declare annually, for the purposes of notification to the Department for Culture, Media and Sport, that they have no interests prejudicial to their function as a Member of the Authority. The Authority now makes its register of interests publicly available on its website.

The Secretary of State for Culture, Media and Sport is regarded as the controlling related party of the Authority under the terms of the Broadcasting Act 1990.