
Section C

Operating and Financial Review

In this section we explain how we evaluate our performance and then focus on three key areas: the extent to which we have met our objectives and applied our regulatory principles; our effectiveness in service delivery and performance; and our financial performance.

Performance and evaluation

We are committed to reviewing and evaluating our performance, and then applying what we have learnt. We discuss below the various ways in which we measure our effectiveness and what the results tell us.

Unlike a private company that seeks to maximise profits on behalf of its shareholders, Ofcom does not have a single objective that lends itself to easy measurement. There are three main reasons for this. First, although our primary duty is to further the interests of citizens and consumers, including businesses, we have a wide range of specific duties and a diverse range of stakeholders. Second, it is often hard to differentiate between our impact on market developments and the impact of a wide range of other factors. And third, deciding whether we are fulfilling our duties and applying our regulatory principles is often subjective, meaning that assessing our performance in a measurable way is not straightforward.

This means that we need to use a number of methods to review our effectiveness. We measure:

- whether we are achieving our objectives and applying our regulatory principles;
- our internal efficiency and effectiveness;
- market developments; and
- stakeholder perceptions.

In the rest of this section we focus on the first two of these, the extent to which we are achieving our objectives and applying our regulatory principles, and our internal efficiency and effectiveness, including service delivery and enforcement.

Ultimately, however, we believe that our performance should be judged by reference to market developments and the outcomes that are delivered for citizens and consumers. We measure these outcomes in a number of ways and publish the results during the course of the year.

Progress against our Annual Plan is recorded on our website. We publish a table showing all our projects and planned outputs: http://www.ofcom.org.uk/about/account/reports_plans/annual_plan0809/projects/. This table is updated every quarter so that stakeholders can check when we will be publishing consultations they are interested in. The table also shows the extent to which we deliver on our plans.

Every year we publish our report, *The Communications Market*, which provides a comprehensive picture of developments in the communications

sector. This is supplemented by a number of special communications market reports, such as *Ethnic Minority Groups and Communications Services* (June 2007) and the *Nations and Regions Communications Market Report* (May 2007). We also publish reports on specific issues, such as the take-up of digital TV and broadband, and have an extensive programme of market research. In particular, we published a report called *The Consumer Experience* (November 2007), which provided a picture of the positive benefits that competition has delivered for consumers.

We also examine the impact of particular policy initiatives. For example, in December 2007 we published our second report evaluating *The Impact of the Telecoms Review*. This sought to assess the effectiveness of the action we took to stimulate competition in the telecoms sector and thereby deliver increased benefits for consumers.

We also measure stakeholders' perceptions of our performance, seeking their views on a wide range of issues, including the quality of our outputs and how well we have consulted. In addition, we conduct regular surveys of those stakeholders for whom we provide a service, such as spectrum users and individuals who contact the Ofcom Advisory Team (OAT), and the main findings are presented below alongside our key performance indicators (KPIs).

Ofcom's approach to regulation reflects the fast-moving nature of the communications sector. The speed with which the communications

Performance and evaluation

FIGURE 1: OFCOM'S REGULATORY PRINCIPLES

WHEN WE REGULATE

- Ofcom will operate with a bias against intervention, but with a willingness to intervene promptly and effectively where required.
- Ofcom will intervene where there is a specific statutory duty to work towards a public policy goal that markets alone cannot achieve.

HOW WE REGULATE

- Ofcom will always seek the least intrusive regulatory methods of achieving our policy objectives.
- Ofcom will strive to ensure that our interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome.
- Ofcom will regulate with a clearly articulated and publicly reviewed annual plan, with stated policy objectives.

HOW WE SUPPORT REGULATION

- Ofcom will research markets constantly and will aim to remain at the forefront of technological understanding.
- Ofcom will consult widely with all relevant stakeholders and assess the impact of regulatory action before imposing regulation on a market.

sector is changing makes it especially important for us to have clear guiding principles. We are required by the Communications Act 2003 to have regard to the principles of better regulation, namely that regulation should be transparent, proportionate, consistent, accountable and targeted. When Ofcom was established, we built on these principles by developing a more specific set of principles to inform our day-to-day work. These are set out in Figure 1.

In line with these principles, we have focused on evaluating Ofcom's performance in four key areas:

- our success in reducing regulation, where that has been appropriate;
- the effectiveness of our consultation with stakeholders;
- the timeliness of our decision-making following consultation; and
- our performance in carrying out impact assessments to inform our policy decisions.

Reducing regulation

A key element of better regulation is ensuring that regulation is properly targeted and does not impose undue burdens on our stakeholders. In December 2007, we published our *Simplification Plan*, which sets out all the initiatives we are taking to remove or reduce regulation. This shows how we are fulfilling our duty under Section 6 of the Communications Act to minimise the regulatory burden on our stakeholders.

Figure 2 summarises Ofcom's policy statements published during 2007/8. In this figure:

- we have assessed how each decision affected the direction of regulation and have reflected this in the colour of the circles; and
- we have assessed the impact of the decision by reference to the size of

the market affected by the impact of the regulation and this is reflected in the size of the circles.

The Figure provides a useful overview of Ofcom's regulatory decisions. From it we conclude that:

- in terms of the number of decisions, we reduced regulation in more cases than we increased it; and
- in terms of impact, the overall net effect was a significant reduction in regulation.

Figure 2 shows that we are reducing regulation in a range of areas, including:

- liberalising the use of the radio spectrum by, for example, removing the need for some spectrum users to buy licences and allowing mobile phones to be used on aircraft;
- extending spectrum trading;
- releasing more spectrum to the market;
- reducing the regulation on commercial radio stations; and
- reducing the regulation of retail telecoms markets to enable both consumers and businesses to benefit from increased competition.

It also demonstrates that Ofcom is prepared to take firm action to protect citizens and consumers where necessary. For example:

- we have acted to ensure that users of Voice over IP services will have access to the emergency services; and
- we have introduced more stringent regulation to protect consumers from the mis-selling of telecoms services.

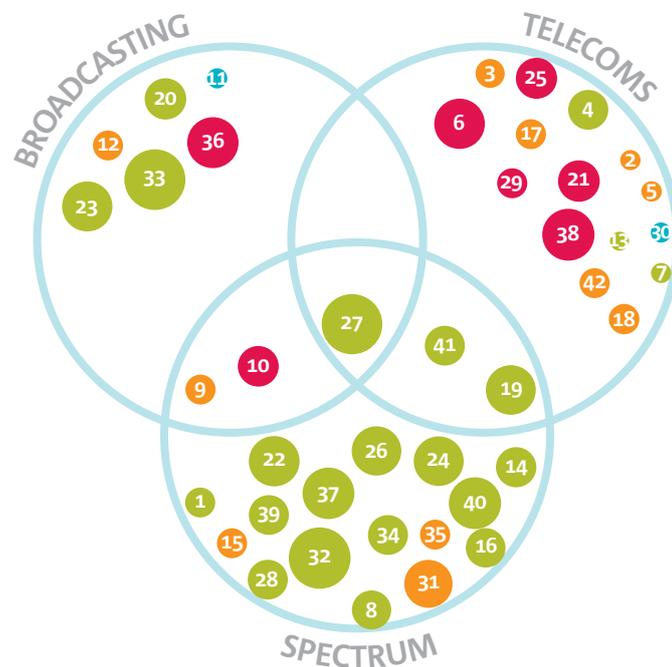
Performance and evaluation

FIGURE 2: OFCOM'S KEY DECISIONS – DIRECTION OF REGULATORY CHANGE

SIZE OF CIRCLES INDICATES AMOUNT OF REGULATION AND SIZE OF MARKETS AFFECTED

- Increased/new
- Mixed/no change
- Streamlined/co-regulatory
- Reduced/forbearance

Source: Ofcom's regulatory log



1. Wireless Telegraphy Exemption: Radio Frequency Identification Equipment
2. Geographic number conservation measures
3. Protecting consumers from mis-selling of telecommunications services
4. Replicability: the regulation of BT's retail business exchange line services
5. Changes to BT's regulatory financial reporting and audit requirements
6. Raising confidence in telephone numbers (Amending General Condition 17)
7. Public Call Boxes Consent for non-uniform charging for geographic tariffing trials
8. WRC-07 agenda item 1.4
9. Self-help TV relays and Digital Switchover
10. Future pricing of spectrum used for terrestrial broadcasting
11. BT OSS Separation
12. Guidance for PSBs commissioning from independent producers
13. Change to BT's regulatory financial reporting obligations 2006/7
14. Spectrum award: 10, 28, 32 and 40GHz Bands
15. Wireless Telegraphy Licence Charges - Amendment

16. Wireless Telegraphy Exemption: UltraWideband Equipment
17. BT exemptions re Undertakings
18. Number Availability: Supplying numbers for 09 premium rate services
19. UK Broadband application for licence variation
20. The Future of Radio: the next phase
21. Telephone number portability for consumers switching suppliers
22. Regulations in connection with the award of 10, 28, 32 and 40GHz Bands
23. Signing on television
24. Licence-Exemption Framework Review
25. Regulation of VoIP Services: Access to the Emergency Services
26. Award of available spectrum: 1452 – 1492 MHz
27. Digital Dividend Review
28. Spectrum Usage Rights
29. Monitoring Compliance with Charge Controls
30. Statement on the Outline procedures for sanctions in cases relating to broadcasting
31. Decision to make Wireless Telegraphy Licence Charges Regulations

32. Spectrum Framework Review: the Public Sector
33. The Future of Radio: Localness on analogue commercial radio and stereo and mono broadcasting on DAB
34. Decision to make the Wireless Telegraphy (Exemption) (Amendment) Regulations 2008
35. Decision to make the Wireless Telegraphy (Automotive Short Range Radar) (Exemption) (No.2) (Amendment) Regulations 2008
36. Participation TV Part 1: protecting viewers and consumers
37. Statement on the making of regulations in connection with the award of 1452-1492 MHz
38. Service level guarantees: incentivising performance
39. The future use of the 169MHz Ex-ERMES Band
40. Amending the Wireless Telegraphy (Exemption) Regulations 2003
41. Mobile Communications onboard Aircraft (MCA)
42. Approval of amendments to the PhonepayPlus Code of Practice (11th Edition)

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FIGURE 3: ANALYSIS OF CONSULTATION DURATION

	Consultation period at least 10 weeks	Consultation period less than 10 weeks and explanation given	Consultation period less than 10 weeks and no explanation given
Telecoms	5	13	1
Broadcasting	9	0	3
Spectrum	8	5	9
Other	1	1	0
Total	23 (42%)	19 (34%)	13* (24%)

*Nine of these documents were published after Ofcom revised its consultation guidelines which say that certain types of consultation may warrant a shorter consultation period.

Consultation periods and responses

Consultations are one of the key ways in which we engage with stakeholders and enable them to influence our policy decisions. We have updated the guidance on our approach to consultation: http://www.ofcom.org.uk/consult/consult_method/ofcom_consult_guide

If a consultation is too short, some of those with important views to share may not have enough time to prepare their responses. If it is too long, the market involved may have changed dramatically. This could affect our ability to deal with an issue as quickly as the organisations involved would like. When we decide how long a consultation should last, we need to strike the right balance between these two considerations. There are generally three categories of consultation:

- Category 1: consultations which contain major policy initiatives and/or are of interest to a wide range of stakeholders (especially those who may need a longer time to response); we will consult for ten weeks.
- Category 2: consultations which, while containing important policy proposals, will be of interest to a limited number of stakeholders who will be aware of the issues; we will consult for six weeks.

FIGURE 4: RESPONSES TO CONSULTATIONS

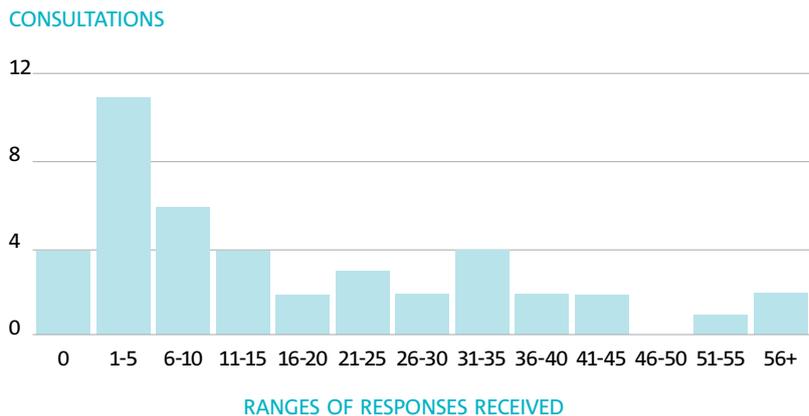
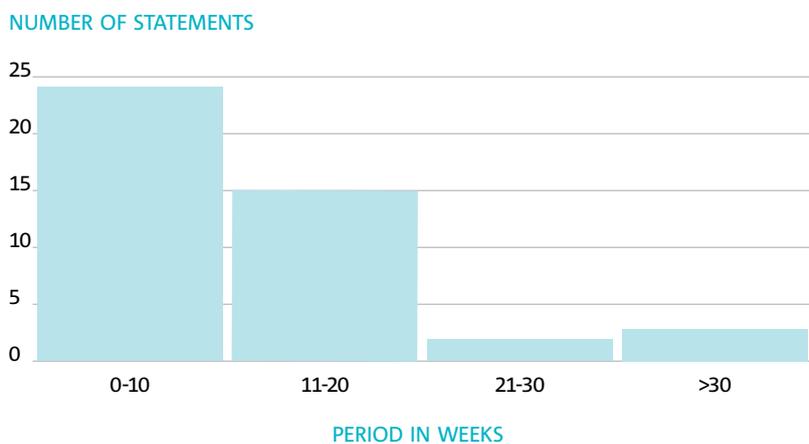


FIGURE 5: ANALYSIS OF THE TIME TAKEN TO PUBLISH AN OFCOM POLICY DECISION FROM THE CLOSE OF THE CONSULTATION PERIOD



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FIGURE 6: IMPACT ASSESSMENTS CARRIED OUT DURING 2007/8**OFCOM STATEMENTS PUBLISHED IN 2007/8 IN WHICH THE EARLIER CONSULTATION INCLUDED AN IMPACT ASSESSMENT:**

Licence Exemption Framework Review
The Future of Radio
Signing on television – Proposed changes
Notice of Ofcom's proposals to make licence charges regulations
Notice of Ofcom's proposal to make (Ultra-Wideband Equipment) (Exemption) Regulations
UK Broadband application for licence variation
Programme-making and special events: future spectrum access
Spectrum Framework Review: The Public Sector
Arrangements for porting phone numbers when customers switch supplier
Participation TV: protecting viewers and consumers, and keeping advertising separate from editorial
The award of available spectrum: 1452-1492MHz
Regulation of VoIP Services: Access to the Emergency Services
Notice of Ofcom's proposal to make regulations in connection with the award of 10 GHz, 28 GHz, 32 GHz and 40 GHz
Wireless Telegraphy Licence Charges (Amendment) Regulations 2007
Monitoring Compliance with Charge Controls
Wireless Telegraphy Licence Exemption
The future use of the 169MHz ex-ERMES Band
Mobile Communications onboard Aircraft
Notice of Ofcom's proposal to make Wireless Telegraphy Regulations relating to Satellite Services licences
Wireless Telegraphy Licence Exemption: Ofcom's proposals to amend the Wireless Telegraphy (Automotive Short Range Radar)(Exemption)(No. 2) Regulations 2005
The Future of Radio: The next phase
Wireless Telegraphy Licence Exemption: Proposal to amend the Wireless Telegraphy (Exemption) Regulations 2003
Notice of Ofcom's proposal to make regulations in connection with the award of 1452-1492 MHz
Service level guarantees: incentivising performance

OFCOM CONSULTATIONS PUBLISHED IN 2007/8 WHICH INCLUDED AN IMPACT ASSESSMENT AND WHERE NO STATEMENT HAS BEEN PUBLISHED YET:

Consumer protection test for telephone number allocation
Award of available spectrum: 2500-2690 MHz, 2010-2025 MHz
Application of spectrum liberalisation and trading to the mobile sector
Future broadband: policy approach to next generation access
Proposed BSkyB digital terrestrial television services
Proposals for co-regulation of equal opportunities
Procedures for the Management of Satellite Filings: Charges and amendments to procedures
Review of the wholesale broadband access markets 2006/07
The Future of Digital Terrestrial Television: Enabling new services for viewers
Television Multiplex Licence Renewals Multiplex A & Multiplex 2
The Ofcom Metering and Billing Scheme
Award of available spectrum: 2500-2690 MHz, 2010-2025 MHz
Authorisation of terrestrial mobile networks complementary to 2 GHz mobile satellite systems
Business Connectivity Market Review
Telephone Numbering: Proposals to accommodate geographic number demand in the Ebbsfleet region
Telephone directory information obligations and regulations
Protecting consumers from mis-selling of mobile telecommunications services
Review of television advertising and teleshopping regulation

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- Category 3: consultations which fall within one or more of the following categories, where the time period for consultations is one month:
 - detailed technical issues;
 - where there is a need to complete the project in a specified timetable because of market developments or other factors which require the project to be concluded within a short period;
 - the issue has already been the subject of a consultation;
 - a proposal will have a limited effect on a market; or
 - a proposal is only a limited amendment to existing policy or regulation.

Figure 3 sets out an analysis of the length of our policy consultations by sector.

Ofcom also collects statistics on the number of responses to consultations. This is shown in Figure 4. The chart illustrates the large number of responses we have had over the year, based on the 62 consultations where we subsequently published a statement. A small number of consultations have attracted a very wide range of responses, while most of the issues we consulted on were narrower in scope and of interest to a smaller constituency of stakeholders.

Timeliness of decision-making

We have also analysed the time that we take to publish a policy statement following the close of a consultation period.

There are a number of factors that affect the length of the period from the close of the consultation period until publication of the subsequent statement, including:

- the number and type of responses we get;
- whether our final decision is dependent on external factors; and
- the need for us to prioritise the use of our resources.

An analysis of our decision-making time is shown in Figure 5. Most of our statements are now published within ten weeks of the consultation period closing. This is a significant improvement on the performance that we reported last year and reflects a concerted effort to improve our efficiency.

Impact Assessments

Impact Assessments (IAs) are an important part of the policy-making process. They ensure that in relation to our policy decisions:

- a wide range of options is considered, including the option of not regulating;
- these options are clearly presented;

- the impacts that would flow from each option are analysed carefully; and
- the costs associated with the chosen option are outweighed by the benefits.

Ofcom has a statutory duty to publish a list of the impact assessments carried out during the year. This list is set out in Figure 6.

In July 2005, we published guidelines *Best-practice policy-making: Ofcom’s approach to impact assessment* that emphasised Ofcom’s commitment to conducting assessments as an integral part of the policy-making process and stated that we expected to carry out IAs in the great majority of our policy decisions. Figure 7 sets out an analysis of the extent to which Ofcom’s consultation documents contained a clearly-labelled IA, i.e. an IA that was set out in a specific section or annex of the consultation document.

The table shows that 75 per cent of consultation documents contained a clearly-labelled impact assessment. This analysis shows that we are meeting the commitment that we made in our guidelines, and we will continue to ensure that impact assessments are carried out and properly presented in all relevant cases.

FIGURE 7: ANALYSIS OF IMPACT ASSESSMENTS CARRIED OUT

Number of consultation documents	Total	IA explicit in published document
Telecoms	19	12
Broadcasting	12	8
Spectrum	22	20
Other	2	1
Total	55	41 (= 75%)

Statistical data

Service delivery and enforcement

As well as developing policy, Ofcom provides services to stakeholders and undertakes enforcement activity. Ofcom has a range of Key Performance Indicators (KPIs) to measure how we are delivering these services. Together with financial performance, they provide a measure of our internal efficiency and effectiveness.

The data in this section relates to the following areas:

- Numbering – KPIs for applications for telephone numbers;
- Spectrum licensing – issuing licences (categories A, B and C);
- Spectrum licensing – licensing KPIs;
- Spectrum operations – field operations activity;
- Spectrum operations – field operations KPIs;
- Broadcasting – programme complaints (including KPIs);
- Broadcasting – fairness and privacy (including KPIs);
- Broadcasting – Content Sanctions Committee;

- Investigations programme – KPIs;
- Central operations – KPIs.

In most areas Ofcom is operating on – or close to – the targets we believe are required in order to meet stakeholder needs.

Numbering

Ofcom is responsible for managing telephone numbers in the UK. As part of this, we process applications for blocks of telephone numbers from communication providers.

Ofcom is required to make a determination on applications for telephone numbers within three weeks of receipt of all relevant information. During the period under review, Ofcom achieved 100 per cent allocation in all but one month, which was August (99.5 per cent).

Spectrum licensing

Ofcom issues around 30 different kinds of non-discretionary Wireless Telegraphy Act (WT Act) licence. These are generally referred to by the name of the equipment they licence,

such as Ships' Radio Licence and Satellite Network Licence.

The non-discretionary licence types are divided into three larger categories: A, B and C.

- Category A are simple licences which involve no frequency assignment, site clearance or international co-ordination.
- Category B are more complex licences which involve frequency assignment but do not involve site clearance or international co-ordination.
- Category C are the most complex licences involving frequency assignment and site clearance and/or international co-ordination.

Ofcom is required to report on its spectrum management activity in detail; the tables which follow set out the non-discretionary and discretionary WT Act licensing activity undertaken during the period under review.

CATEGORY A

Licences that involve no frequency assignment, site clearance or international co-ordination	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
PBR UK General	1,099	1,085	5,508
Fixed Wireless Access (5.8 GHz) <i>formerly 5.8 GHz</i>	77	77	224
Business Radio (Self-Select) <i>formerly Self-Select (One-way Paging)</i>	627	1,148	6,471
Business Radio (Suppliers) <i>formerly PBR Suppliers</i>	32	41	422
Police and Fire	1	0	122
Subtotal for Business Radio products	1,836	2,351	12,747
Radar Level Gauge	0	13	124
CB, Amateur & Maritime	27,443	201,575	154,300
Total for Category A	29,279	203,939	167,171

Statistical data

CATEGORY B

Licences that involve frequency assignment, but no site clearance or international co-ordination	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
Automatic Identification System	31	20	75
Coastal Station Radio (International)	20	35	491
Coastal Station Radio (UK)	43	36	435
Coastal Station Radio (Marina)	18	17	406
Coastal Station Radio (Search & Rescue)	0	0	1
Coastal Station Radio (Training School)	37	78	198
Maritime Radio (Suppliers & Demonstration)	6	6	86
Maritime Navaisds and Radar	7	9	116
Differential Global Positioning System	3	3	17
Subtotal for Deregulation & Contracting-Out products	165	204	1,825
Business Radio (Standard) <i>formerly PMR Standard - (UK General) only</i>	0	0	0
Business Radio (IR 2008 Data) <i>formerly Interface Requirement 2008</i>	4	7	20
Business Radio (Speech and Data) <i>formerly On-site PBR (Speech and Data)</i>	2,588	2,981	23,150
Business Radio (On-Site Local Communications Systems) <i>formerly On-site PBR (Local Communications)</i>	31	51	1,093
Business Radio (On-Site Hospital Paging & Emergency Systems) <i>formerly On-site PBR (Hospital Paging and Emergency Speech)</i>	4	9	445
Business Radio (On-Site One-Way Paging & Speech Systems) <i>formerly On-site PBR (One-way Paging and Speech)</i>	144	151	1,687
Business Radio (Wide-Area Speech & Data Systems) <i>formerly Wide-Area PBR (Speech and Data)</i>	1,277	1,464	9,712
Business Radio (Wide-Area One-Way Paging and Speech Systems) <i>formerly Wide-Area PBR (One-way Paging and Speech)</i>	23	11	305
Business Radio (Wide-Area Distress Alarm Systems) <i>formerly Wide-Area PBR (Distress Alarms)</i>	28	6	77
Business Radio (National and Regional) <i>formerly National & Regional PBR</i>	7	7	31
Business Radio (GSM-R Railway Use)	0	1	1
Business Radio (Common Base Station) <i>formerly Common Base Station Operator</i>	11	17	524
Business Radio (CBS - (Band I and Sub Band I of Band III)) <i>formerly (Band I) and (Sub Band I of Band III) CBS</i>	5	2	16
Business Radio (Public Mobile Data, Non-voice) <i>formerly Public Mobile Data (Non-voice)</i>	1	0	4
Business Radio (Public Access Mobile Radio) <i>formerly Public Access Mobile Radio</i>	0	0	4
Business Radio (Public Wide-Area Paging) <i>formerly Public Mobile Operator (for public wide-area paging)</i>	0	0	3
Public Safety Radio	0	0	4
Remote Meter Reading	0	0	2
Scanning Telemetry	0	0	28
Self co-ordinated links 70/80GHz	10	0	10
Spectrum Access for frequencies 412-414MHz	1	0	2
Spectrum Access 10-40GHz	10	0	10
1785MHz NI Award	1	0	1
Subtotal for Business Radio products	4,145	4,707	37,129
Total for Category B	4,310	4,911	38,954

Statistical data

CATEGORY C

Licences that require frequency assignment and site clearance and/or international co-ordination	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
Fixed Links	25	27	333
Satellite (Permanent Earth Station)	51	13	149
Satellite (Transportable Earth Station)	28	30	153
Satellite (Earth Station Network) <i>formerly Very Small Aperture Terminal</i>	11	5	46
Total for Category C	115	75	681

TEST AND DEVELOPMENT LICENCES

	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
Non-Operational Development Licence	244	258	253
Non-Operational Temporary Licence	28	27	35
Total for Test & Development	272	285	288

MOBILE AND BROADBAND LICENCES

Licences issued through spectrum auction or awards	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
2G Cellular Telephones		0	4
3G Cellular Telephones		0	5
2G Channel Islands and Isle of Man Cellular Telephones		7	10
3G Channel Islands and Isle of Man Cellular Telephones		6	9
Fixed Wireless Access & Broadband Fixed Wireless Access 28GHz, 3.6GHz and 3.4GHz		6	16
Fixed Wireless Access & Broadband Fixed Wireless Access Channel Islands and Isle of Man 28GHz, 3.6GHz and 3.4GHz		3	10
Licences issued through spectrum auction or awards			
Spectrum Access 412-414MHz		1	1
Spectrum Access Dect Guardband 1781-1785MHz		12	12
Spectrum Access 1785NI	1		1
Spectrum Access 10-40GHz	10		10
Total for Mobile and Broadband Wireless	11	35	78

The Civil Aviation Authority (CAA) issues aircraft licences and the Joint Frequency Management Group (JFMG) issues licences and authorisations for outside broadcasts and programme-making and special events.

NON-DISCRETIONARY SPECTRUM LICENCES

Partners' activity	Licences issued April 07 - March 08	Licences issued April 06 - March 07	Total on issue as at 31 March 08
JFMG issues licences for Programme-Making & Special Events	2,742	2,472	3,182
CAA issues licences for Aeronautical	15,922	10,064	14,306
Total	18,664	12,536	17,488

TOTAL NUMBER OF LICENCES – ALL CATEGORIES	52,651	221,781	224,660
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Statistical data

Spectrum licensing KPIs

Key performance indicators (KPIs) are currently in place for each category of licence. These measure the time taken by Ofcom to issue the licence and vary according to the licence type. For Category A licences the KPI is for 100 per cent of valid licence applications for new or varied services to be awarded or rejected (with explanation) within seven days of receipt by Ofcom. The KPI for

Category B licences is 90 per cent of valid licence applications for new or varied services to be awarded, or rejected with explanation, within 21 days; the remainder to be awarded or rejected within 42 days of receipt by Ofcom. The Category C KPI is for 100 per cent of valid licence applications for new or varied services to be awarded or rejected (with explanation) within 42 days of receipt by Ofcom; except,

where international clearance is involved, applications to be awarded or rejected within 60 days or an explanation of the delay to be given. Overall customer service satisfaction levels are at 90 per cent, with 91 per cent satisfied with the speed of receipt of licences. (Source: Ofcom survey.)

KEY PERFORMANCE INDICATORS

Key Performance Indicators	KPI Target	KPIs achieved April 07 - March 08	KPIs achieved April 06 - March 07
Category A Licence	100% in 7 days	93%	97%
Category B Licence	90% in 21 days	99%	98%
	100% in 42 days	100%	100%
Category C Licence	90% in 42 days (100% excluding where international clearance is involved)	95%	96%
	100% in 60 days (including where international clearance is involved)	98%	99%

TEST AND DEVELOPMENT KEY PERFORMANCE INDICATORS

Test & Development Key Performance Indicators	KPI Target	KPIs achieved April 07 - March 08	KPIs achieved April 06 - March 07
Category A Licence	100% in 7 days	none issued	100%
Category B Licence	90% in 42 days	none issued	none issued
Category C Licence	100% in 60 days	100%	100%

PARTNERS' PERFORMANCE

Partners' Performance	KPI Target	KPIs achieved April 07 - March 08	KPIs achieved April 06 - March 07
JFMG	100% in 7 days	100%	100%
CAA	100% in 7 days	96%	94%

Statistical data

Spectrum operations – field operations KPIs

Ofcom's Field Operations Team is permanently on call to take action against illegal transmissions, to resolve interference and to undertake compliance audits of radiocommunications installations in every part of the UK. Table 1 lists our main activities.

TABLE 1

Work Programme Activity/Incident	Period 2007/8 Reporting Year	Period 2006/7 Reporting Year
Interference investigation requests received	3,629	3,050
Baldock: Spectrum Activities (see Note 1 below)	3,416	2,749
Interference investigation cases closed	3,777	3,155
Spectrum assignments completed	N/A (see Note 2 below)	N/A (see Note 2 below)
Enforcement operations against unlicensed and criminal activity	1,526	1,704
Radio system compliance inspections completed	253	712
Successful prosecutions for criminal spectrum activity	44	67
Unsuccessful prosecutions for criminal spectrum activity	1	0

Note 1: The work of the Baldock Monitoring Station is now recorded as 'Baldock Spectrum Activities', and this figure includes reports of interference, and spectrum monitoring and measurement operations.

Note 2: The large majority of spectrum assignments are now undertaken by Ofcom's Central Licensing Team and not by Field Operations. This is therefore no longer a reportable part of the Field Operations work programme.

Statistical data

TABLE 2

Case category (see Note 1)	Case Stage (see Note 2)	Quality of Service Target Achieved 2007/08 (see Note 3)	Quality of Service Target 2007/08
Safety of Life Services	QST 1a	Interaction	88.64%
	QST 1b	Customer liaison/Validation	97.73%
	QST 1c	Investigation	88.64%
	QST 1d	Closure (overall case duration)	54.55%
Critical Service (category 2)	QST 2a	Interaction	84.78%
	QST 2b	Customer liaison/Validation	97.83%
	QST 2c	Investigation	76.09%
	QST 2d	Closure (overall case duration)	43.48%
Critical Service (category 3)	QST 3a	Interaction	83.17%
	QST 3b		83.17%
	QST 3c	Customer liaison/Validation	95.19%
	QST 3d		97.12%
	QST 3e	Investigation	78.37%
	QST 3f		85.10%
	QST 3g	Closure (overall case duration)	40.87%
	QST 3h		63.94%
Business/Professional Radio Services	QST 4a	Interaction	82.93%
	QST 4b		82.93%
	QST 4c	Customer liaison/Validation	95.68%
	QST 4d		96.81%
	QST 4e	Investigation	59.29%
	QST 4f		65.67%
	QST 4g	Closure (overall case duration)	22.70%
	QST 4h		33.21%
Domestic Broadcast Reception	QST 5a	Interaction	74.18%
	QST 5b		74.18%
	QST 5c	Customer liaison/Validation	95.04%
	QST 5d		96.74%
	QST 5e	Investigation	79.93%
	QST 5f		87.83%
	QST 5g	Closure (overall case duration)	52.32%
	QST 5h		73.73%
Other Radio Comms	QST 6a	Interaction	80.39%
	QST 6b		80.39%
	QST 6c	Customer liaison/Validation	96.14%
	QST 6d		97.43%
	QST 6e	Investigation	85.53%
	QST 6f		91.64%
	QST 6g	Closure (overall case duration)	58.84%
	QST 6h		81.99%

Statistical data

Note 1: Case Category descriptions:

- Safety of Life (Cat 1) – significant interference to a radio service which could seriously jeopardise the safety of human life, and there is no immediate alternative form of communication.
- Critical Service (Cat 2) – significant interference to a radio service which could seriously jeopardise efficient public/emergency services (though with no immediate risk to the safety of human life), and there is no immediate alternative form of communication.
- Critical Service (Cat 3) – as for Cat 2, but an effective alternative communications network is currently available.
- Business/Professional Radio Services – significant interference to a radio service which is used for commercial or professional purposes, but which is not considered to be a Critical Service.
- Other Radio Services – significant interference to all other licensed radio services, including broadcast reception.

Note 2: There are two interim stages in the interference case management process:

- Customer Liaison/Validation – during which Field Ops specialists assess and validate the report/requirement, and liaise with customer to arrange investigative visit(s).
- Investigation – during which Field Ops specialists make field visits to trace interference source and take appropriate remedial action.

Note 3: In some cases we have not met our targets for quality of service. There are a number of reasons for this:

- During 2007/8 we made significant changes to our targets and, as a result, they are more stretching than in previous years.
- Our ability to diagnose the cause of interference, and so complete the investigation phase of a case, may be hampered if the interference that we are investigating is intermittent. This can affect our ability to meet our investigation targets.

- Before we can close a case we must resolve it, either informally, by reaching agreement with the owner of the system that is causing interference, or formally, by bringing legal proceedings. In both cases, whether we can meet the target is not entirely within our control.
- We are now reviewing our KPIs with a view to ensuring so that they focus on aspects of performance that are within our control and therefore provide a better measure of performance.

Statistical data

BROADCASTING – PROGRAMME COMPLAINTS

Ofcom has a statutory duty to consider and adjudicate on complaints from listeners and viewers about television and radio programmes transmitted by UK broadcast licensees, S4C and the BBC.

A total of 12,726 cases were closed in the period under review¹. A case represents an investigation into a specific programme and can relate to one or more complaints about that programme.

Ofcom reached decisions on a total of 67,742 programme complaints, of which 67,548 were complaints about programme standards (including issues relating to political advertising and the amount and distribution of advertising) and 194 were

complaints about alleged unfairness and/or unwarranted infringements of privacy. Of the 12,532 closed cases relating to programme standards:

- 135 cases were found to be partially in breach/in breach either of the Broadcasting Code or of licence conditions (accounting for 45,228 complaints including those about *Celebrity Big Brother*). Of these, 11 cases were subject to statutory sanctions² (9 broadcasters).
- 25 cases were resolved or partially resolved.
- 12,372 cases were not in breach. Number³ completed within target:
 - Straightforward cases – 96.6% closed within 30 working days (target: 80%)⁴.
 - Complex cases – 62.2% closed within 60 working days (target: 80%).

We did not achieve our target on performance indicators for complex standards cases in this reporting period, due principally to the handling of an unprecedented number of sanctions and complex cases (in particular, relating to the use of premium rate services (PRS) in programmes). This was because: the complexity of some of the investigations meant a number of cases significantly exceeded the 60-day target; and the workload involved in the sanctions cases resulted in a substantial proportion of available resources being diverted away from non-sanctions cases.

BROADCASTING – FAIRNESS AND PRIVACY

The Fairness Committee, chaired by Kath Worrall, is Ofcom's most senior decision-making body with respect to fairness and privacy cases. It is a committee of Ofcom (with delegated powers from the Ofcom Main Board) and consists of a minimum of three members, all of whom are drawn from the Content Board. It considers cases referred to it by the Executive (for example, due to their complexity). It also reviews decisions made by the Executive where either one or both of the parties have made a case for that decision to be reviewed.

Number of cases closed: 194

Of the fairness and privacy cases closed 27 were considered by the Fairness Committee.

Of these:

- 14 were upheld (of which 13 were partly upheld); and
- 13 were not upheld.

Decisions in relation to the remaining 167 closed fairness and privacy cases were reached by the Executive.

Of these:

- 9 were upheld (of which 7 were partly upheld);
- 38 were not upheld;
- 7 were resolved (following appropriate action taken by the broadcaster); and

- 113 were not entertained or discontinued after entertainment.

Number completed within target:

- Straightforward cases – 77.3% closed within 80 working days (target: 80%); and
- Complex cases – 67.5% closed within 130 working days (target: 80%).⁴

¹ This figure includes over 44,500 complaints relating to the *Celebrity Big Brother* case.

² These sanctions cases included *Celebrity Big Brother* and five cases relating to the use of premium rate services (PRS) in viewer competitions.

³ These figures reflect those cases handled under Ofcom's new performance indicators (introduced from 1 April 2007). Those cases which were closed during the reporting period but which had been received before 1 April 2007, and therefore handled under the former performance indicators, are excluded, for purposes of clarity.

⁴ Ofcom did not achieve its targets on performance indicators for fairness and privacy cases in this reporting period. This was due principally to the handling of an unprecedented number of sanctions cases which resulted in a substantial proportion of available resources being diverted away from non-sanctions cases. See comments on Standards cases above.

Statistical data

BROADCASTING – CONTENT SANCTIONS COMMITTEE

Cases which the Executive believe may warrant the consideration of a statutory sanction are referred to the Content Sanctions Committee, comprising five Members drawn from the Ofcom Board and the Content Board. The Content Sanctions Committee is quorate with three Content Board Members. The Content Sanctions Committee is chaired by either the Chairman of the Content Board or the Partner for Content and Standards.

During the period under review, the Content Sanctions Committee applied sanctions in eleven cases.

The Content Sanctions Committee decided to fine⁵ (in order of size of financial penalty):

- GMTV Limited in respect of viewer competitions on its National Channel 3 service – £2,000,000 and a Direction to transmit Ofcom’s statement of finding on three consecutive days.
- Channel 4 Television Corporation in respect of *You Say We Pay, Richard and Judy* on its service Channel 4 – £1,000,000 and a Direction to transmit Ofcom’s statement of finding on three separate days.
- Channel 4 Television Corporation in respect of *Deal or No Deal* on its service Channel 4 – £500,000 and a Direction to transmit Ofcom’s statement of finding on three separate days.
- Channel 5 Broadcasting Limited in respect of *Brainteaser* on its service, Channel 5 (“Five”) – £300,000 and a Direction to transmit Ofcom’s statement on two separate occasions on the same day.
- Life Show-Case Limited in respect of the service Life Show-Case – £125,000.
- Life TV Media Limited in respect of the service, Life TV – £100,000.
- British Broadcasting Corporation in respect of *Blue Peter* on its services, BBC1 and CBBC – £45,000 (for BBC1) and £5,000 (for CBBC).
- Islam Channel Limited in respect of its service, Islam Channel – £30,000.
- Connection Makers Limited in respect of *Babeworld* on its service, Babeworld / TV – £25,000.
- ARY Digital UK Limited in respect of its service ARY Digital – £15,000 and a Direction to transmit Ofcom’s statement of finding.
- Channel 4 Television Corporation in respect of *Celebrity Big Brother 2007* on its service Channel 4 (and S4C) – Direction to transmit Ofcom’s statement of finding on three separate days.

⁵ All monies received in fines are passed to the UK Exchequer.

Statistical data

Investigations programme – KPIs

Ofcom has an investigations programme to deal with complaints about anti-competitive behaviour, breaches of certain *ex ante* conditions and disputes. The following table examines Ofcom's activities in handling enquiries and full investigations during 2007/8, including performance against published targets (including statutory targets).

TABLE 3

CATEGORY AND TARGET	ACHIEVEMENT LEVEL (FOR ALL CLOSED CASES DURING THE REPORTING PERIOD IRRESPECTIVE OF WHEN OPENED)	ACHIEVEMENT LEVEL (FOR CLOSED CASES OPENED DURING THE REPORTING PERIOD)
Decision to reject or accept enquiry within 15 working days	52% (of 23 closed, 11 exceeded target with agreement; 100% with agreement for complex cases)	52% (of 24 opened, 21 closed, 10 exceeded target with agreement; 100% with agreement for complex cases)
Decision to reject or accept Competition Act enquiry within eight weeks (new target introduced in the summer of 2007)	100% (two closed) Note: For one of the closed enquiries recorded as being completed on time Ofcom set a ten-week enquiry period at the outset due to Christmas and the New Year	100% (of 3 opened, 2 closed, neither of which exceeded target). Note: For one of the closed enquiries recorded as being completed on time Ofcom set a ten-week enquiry period at the outset due to Christmas and the New Year. One enquiry opened during the reporting period remains ongoing and has exceeded target with agreement
Resolution of disputes (four months)	100% (eight cases closed, none exceeded target) Note: exceptional circumstances applied in three of the cases recorded as completed on time	100% (of four opened, three closed) Note: one dispute case opened during the reporting period remains open and has exceeded target - exceptional circumstances apply to this
Competition Act investigations (six months where 'no grounds for action' decision made; 12 months for an infringement decision)	0% (one case closed which exceeded target)	N/A (no cases opened). Note: two cases that were opened prior to the reporting period remain open and have exceeded target
Part 8 of the Enterprise Act investigations (six months to obtain undertakings)	N/A (no cases closed)	N/A (no cases opened)
Investigations into breaches of <i>ex ante</i> conditions and unfair terms in consumer contracts (four months for a closure statement or notification that a condition has been breached)	N/A (no cases closed)	N/A (no cases opened). Note: one case that was opened prior to the reporting period remains open and has exceeded target
Own-initiative investigations (six months)	90% (10 cases closed, one met an agreed extended target) Note: one of the eight cases shown as being completed on time was an Enforcement Programme that was extended for further six-month periods on three occasions	100% (of 11 cases opened, six closed). Note: one case that was opened as an Enforcement Programme has been extended for a further six-month period
Total investigations	89% (19 cases closed, of which one met an agreed extended target and one exceeded target) Note: As recorded above exceptional circumstances applied to three of the disputes recorded as being closed on time and similarly one own-initiative investigation shown as being completed on time was an Enforcement Programme that was extended	100% (of 15 cases opened, 9 closed, of which none exceeded target). One ongoing case opened during the reporting period as an Enforcement Programme had been extended for a further six-month period and Ofcom has cited exceptional circumstances for one ongoing dispute opened during the reporting period. No other ongoing cases opened during the reporting period had exceeded their targets as at 31 March 2008

Financial performance

Ofcom's statutory framework

Ofcom's duties and powers are derived principally from the Communications Act 2003, which received Royal Assent on 17 July 2003.

Ofcom is an independent statutory corporation accountable to Parliament. Its specific duties, which are derived principally from the Communications Act 2003, fall into six areas:

- ensuring the optimal use of the electro-magnetic spectrum;
- ensuring that a wide range of electronic communications services – including high-speed data services – are available throughout the UK;
- ensuring a wide range of television and radio services of high quality and wide appeal;
- maintaining plurality in the provision of broadcasting;
- applying adequate protection for audiences against offensive or harmful material; and
- applying adequate protection for audiences against unfairness or the infringement of privacy.

The Communications Act 2003 requires us to act in a way which is transparent, accountable, proportionate, consistent and targeted.

Financial framework

Under Paragraph 8(1) of the Schedule to the Office of Communications Act 2002, Ofcom is required to balance its expenditure with its income in each financial year.

Sections 38 and 347 of the Communications Act 2003 also require Ofcom to raise income from each of the sectors it regulates such that it covers the costs to be incurred by Ofcom in regulating that sector.

Ofcom must also apportion its common operating costs – those which do not relate directly to any one sector – in a proportionate manner across each of those sectors.

Ofcom raises its funds from the following sources:

- television broadcast licence fees;
- radio broadcast licence fees;
- administrative charges for electronic networks and services and the provision of broadcasting and associated facilities; and
- funding to cover Ofcom's operating costs for spectrum management in the form of grant-in-aid from the Department for Business, Enterprise and Regulatory Reform (BERR).

Grant-in-aid covers the costs of regulating and managing the UK radio spectrum. It also covers those statutory functions and duties, which Ofcom must discharge under the Communications Act but for which the Act provided no matching revenue stream. Examples include the statutory public interest test for media mergers and *ex post* Competition Act investigations in relation to networks and services.

Ofcom also receives rental income from properties surplus to its requirements and bank interest in respect of bank balances.

Operating results

Ofcom's actual operating expenditure outturn on an adjusted cash basis, and used to calculate the tariffs charged to stakeholders each year, was £130m in 2007/8 (2006/7: £129.4m), £0.2m lower than budget.

Ofcom's total operating expenditure in the income and expenditure account in 2007/8 increased by £8.8m from expenditure in 2006/7. Significant changes from previous year were as follows:

- An increase in average employee numbers of 21; pay increases in line with inflation; an increased provision in restructuring costs; an accrual for sabbaticals compensated by a release of National Insurance accrual from previous year has led to a net increase of £5m in staff costs.
- Operating costs increased by a net £3.7m after achieving savings of £2.6m in administrative expenses through the progression of a number of efficiency initiatives and a £4m reduction in spectrum-related research and development projects, mainly due to non-recurring expenditure including:
 - Development, data cleansing and training activities for our IS renewal programme, particularly relating to the implementation of new licensing systems.
 - Compensation payments made to license holders as part of our planned programme for spectrum liberalisation.
 - Increased facility costs arising from rent reviews and rates increases.
 - Increased legal provisions as explained further in Note 18.

Financial performance

A reconciliation is set out in Note 2 of Section E which highlights the differences between the total operating expenditure as presented in the income and expenditure account and Ofcom's actual operating outturn of £130m.

Note 2 to the financial statements also presents Ofcom's actual operating outturn for 2007/8, by sector.

Surplus for the Financial Year

Ofcom calculates its required operating revenue based on its statement of charging principles taking into account the actual funds that it needs to collect to discharge its cash liabilities during the year. This results in an accounting surplus only. Ofcom returns any surplus funds to stakeholders through a reduction in the annual tariffs raised in the following two financial years.

The surplus for the year under review, recorded in the income and expenditure accounts, was £8.3m (2006/7: £22.1m). In addition to the reduction explained above, the further reduction in the surplus is mainly due to:

- 2007/8 accelerated amortisation of certain assets which no longer provide economic benefit to Ofcom
- 2006/7 benefited from an exceptional credit in respect of a net adjustment from the surrender of a lease.

The surplus is required to cover expenditure not reflected in the Income and Expenditure Account, including capital expenditure and contributions to the two defined benefit pension plans.

HM Treasury Spending Caps

Ofcom collects fees from Wireless Telegraphy Act licensees. Ofcom then passes the monies collected to BERR, which remits a proportion back to Ofcom in the form of grant-in-aid to fund Ofcom's spectrum management activities and remits the remaining amount to the UK Exchequer. Ofcom's Section 400 accounts, published on the Ofcom website, details the monies collected and grant payments received.

During 2007/8 Ofcom agreed, under Section 401 of the Communications Act, to examine an alternative approach where Ofcom would collect the WT Act fees, deduct the costs of its spectrum management activities, and remit the remaining monies directly to the UK Exchequer. After a detailed review, Ofcom has decided not to implement Section 401 at this current time as the current legislation does not allow the anticipated process efficiency benefits for Ofcom and its stakeholders to be realised.

2007/8 Tariffs

On 31 March 2008, Ofcom published the Tariff Tables for 2008/9, which were based on an estimated operating expenditure outturn for 2007/8 of £129.8m.

A total of £0.4m – the difference between the original budget of £130.2m and the estimated operating expenditure outturn – is already being passed back to stakeholders in 2008/9 as part of the current regulatory tariffs or reimbursement of grant-in-aid claims.

On a like-for-like basis, Ofcom's budget for 2008/9 will be £133.7m, which is 1.5% lower in real terms than its budget for 2007/8. This is

the fourth consecutive real terms reduction in Ofcom's budget and 17.5% lower in real terms than Ofcom's original full-year budget set in 2004/5.

Ofcom is confident that, following several years of major efficiency improvements and initiatives, the organisation now operates with greater stable budgetary requirements.

The £133.7m operating budget is reflective of anticipated RPI increases and the rescheduling of some projects from 2007/8. The budget is based on an adjusted cash basis, which includes capital expenditure and actual contributions to pension schemes, but excludes depreciation.

However, some stakeholders will experience an increase in their regulatory fees for 2008/9 compared with the previous financial year due to a higher allocation of work planned for that sector.

Sector regulatory fees will specifically change by:

- an average decrease of 6.3% for the radio sector;
- an average decrease of 2.4% for the television sector; and
- an average increase of 4.1% for network and services operators.

People

At 31 March 2008, Ofcom had 812 employees (2006/7: 800).

Pensions

Ofcom's primary means of providing pension benefits is through a defined contribution pension allowance that is provided to all new employees and to those colleagues from the legacy regulators who have chosen this option. This allowance may be used to contribute to the Ofcom defined contribution stakeholder

Financial performance

pension plan. Over 80% of Ofcom, colleagues are employed on terms with access to a stakeholder pension plan. Other colleagues from the legacy regulators are provided with membership of the defined benefit pension schemes.

For those colleagues who joined Ofcom from the legacy regulators and who elected to retain membership of a defined benefit pension scheme, Ofcom operates two such schemes, which are closed to new entrants; Notes lj and 25b provide further detail.

The latest actuarial valuations (as at 1 January 2007 for the Ofcom (former ITC) Pension Plan and 31 March 2007 for the Ofcom Defined Benefit Pension Plan) highlighted a combined funding deficit of £17.7m. However, the financial statements show a surplus of £10m, primarily because the pension liabilities under the financial statements are prepared on the basis that the liabilities are discounted in line with the yields on high-quality bonds which (particularly under current market conditions) differs significantly from the approach used for determining Ofcom's contributions.

Ofcom made (and continues to make) cash contributions to the Ofcom Defined Benefit Plan and the Ofcom (former ITC) Pension Plan on the basis of the actuarial valuation. Cash contributions, rather than the amount charged to operating surplus (as calculated under FRS 17), are included in operating expenditure outturn used to calculate the tariffs charged to stakeholders each year.

During the year, contributions to the two defined benefit pension plans amounted to £6.9m; £1.8m of which was paid into a trust account. Funds

transferred to and held in the trust account can only be paid into one of the two Defined Benefit Pension Schemes and are not able to be used for any other purpose.

Additional funds collected on behalf of HM Treasury

In 2007/8, in accordance with Section 400 of the Communications Act, Ofcom invoiced and collected £232.4m (2006/7: £229.1m) from wireless communications and broadcasting companies in spectrum revenues and licence receipts. Ofcom prepares a separate set of Financial Statements for the purposes of S400 of the Communications Act 2003.

At 31 March 2008, requests for payment in respect of spectrum fees amounting to £52.5m (2006/7: £40.7m) remained unpaid. A significant proportion of these amounts are due by way of instalment payments. No significant debts may be written off without the written authorisation of HM Treasury. At the balance sheet date, an amount of £1m was outstanding for more than 12 months from Inquam Telecom (Holdings) Limited. Inquam has an agreed payment plan to reduce the debt over time.

Investments in fixed assets

Ofcom continues to deliver its Information Systems renewal programme; part of which has now been deployed into the business. As at the year-end, assets under construction, which relate to systems development amounted to £4.1m.

IS renewal programme

During 2007/8 Ofcom's IS renewal programme completed the development of a new system for spectrum licensing covering fixed links; this was implemented in

April 2008. The system will enable Ofcom to manage spectrum licensing and licence renewal more efficiently. Ofcom will leverage this investment by migrating the remainder of the spectrum licences in the following year.

The IS project, known internally as Unify, is wide-ranging and complex, bringing together a variety of information systems used by the legacy regulators that Ofcom replaced. During 2007/8 it emerged that the spectrum solution was more complex than originally understood. As a result, the duration of the programme and the overall cost of implementation has exceeded initial estimates.

The renewal programme was subject to a thorough internal review during the financial year, resulting in tasks being replanned, a revised financial forecast and the implementation of a new governance structure. Risks identified have been closely monitored at project management, Operations Board and Board level and appropriate action was taken to address cost, time and functionality risks and issues.

Payments of suppliers

Ofcom's target is to make all payments not in dispute within 30 days or less of acceptance of the relevant goods and services, or the receipt of a legitimate invoice if that is later. For 2007/8, we achieved a performance of 97.2 per cent against this target (2006/7: 98.8 per cent).

BERR loan

During 2007/8, Ofcom completed the repayment of the loan originally received to establish the organisation; this is further explained in Note 16.