

**NOTES OF THE ILP (BUDGET) MEETING NO 53rd HELD ON
TUESDAY 6th DECEMBER 2016
10am-11.15am**

At Phone-paid Services Authority Ltd, 25th Floor, 40 Bank Street, Canary Wharf, E14 5NR

Present:

Ann Cook – ITV (Chair & PSA Board Member)
Gavin Daykin – Ofcom
David Edmonds – PSA Chairman
Eric Feltin – Safari Mobile
Robert Franks – Telefonica
Cathy Gerosa – FCS
Rickard Granberg – UKCTA
Claire Harding – 118118
Anne Hoitink – EE
Phil Jones - Ofcom
Justin Kempley – Three
Nitin Khattar - TNUK (118118)
Hamish MacLeod – Mobile UK (via conference call)
Jeremy Stafford Smith – Vodafone (PFIMG)
Mike Steel – BT Agilemedia
Andrew Ailwood – BBC
Rory Maguire – AIME
Steve Ricketts – PSA Board Member

Phone-paid Services Authority Executive:

Joanne Prowse (Chief Executive)
Peter Barker
Ayo Omidéyi
Simon Towler
Stephanie Ratcliffe (minutes)

Apologies

Holly Fairweather – Channel 4
Julia Freeman - AIME
Suzanne Gillies – Action 4
Rob Weisz - Fonix

Welcome:

Ann Cook welcomed representatives to the meeting and apologies were noted.

The ILP noted that the minutes and actions from the previous meeting, held on 18th October 2016, will be covered at the next ILP meeting, held on 21st February 2017.

Ann Cook advised the ILP that Jo Prowse and Peter Barker will present on the business plan and budget 2017/18. Discussion will then follow.

1. Presentation of PSA Business Plan and Core Budget 2017/18

1.1. Overview

Jo Prowse provided an overview of the Business Plan and Budget for 2017/18. Jo explained that while mindful of the overall cost of regulation and the need to deliver cost efficiencies (which is part of our values and strategic priorities), PSA's primary aim is to ensure it can operate effectively and carry out its objectives as a regulator as set out and required by Ofcom. PSA must have the capacity and capability to support and protect consumers using premium rate services.

Jo explained that significant efficiencies had been delivered in 2016/17 in terms of resources required to meet increased numbers of contacts, complaints and cases, and reported these had been achieved alongside key activity including:

- Project 30 and review of the regulatory framework;
- New name changeover;
- Launch of Code 14 and implementation of the Investigatory Oversight and Code Adjudication Panels;
- Cultural shift organisational programme;
- Data reporting improvements;
- Automation of processes;
- Compliance monitoring enhancements;
- Research and stakeholder engagement;
- Legislation engagement to assist premium rate services, such as PSD2.

Jo then set out the number of activities planned to deliver effective regulation for 2017/18, to include:

- Hard-wiring the levels of efficiency achieved in 2016/17;
- Ongoing review of effectiveness of Special Conditions;
- Full implementation of risk assessment and controlled risk services framework;
- Extension of stakeholder engagement programme;
- Streamlining and consistency with other regulators and MoUs;
- Consumer experience focus;
- Review of Code 14 implementation and the sanctions regime;
- Further guidance revisions around consent to charge and method of exit.

1.2. Levy and budget

Peter Barker provided a more detailed analysis behind the levy and budget. This included:

- Reminding everyone of the three key components affecting the levy i.e. the PSA budget for 17/18, retained funds from 16/17 (fines/admin charges), and estimated market size for 17/18;
- Outlining that the 11% reduction in budget in real terms, representing £500k savings, is being delivered in 16/17;
- Providing a two-year overview (2016/17-2017/18), whereby the proposed PSA budget is a 16% real term saving from the previous year of £730k;
- Setting out the PSA budget for 2017/18 at £3,850k;
- Explaining that the amount of collected fines available to offset the levy are expected to be higher than last year and, subject to a level of uncertainty, are currently estimated at £1,500k;
- Estimating the PRS market size (as measured by network outpayments) will remain the same as the previous year at £430.5m;
- Proposing the fees for registration remain unchanged at £155 + VAT;
- In conclusion, outlining an unadjusted levy 17/18 at 0.83% and an adjusted levy at 0.48%. Peter reported that this would see a 24% reduction overall in the amount of levy required to be collected from networks during 17/18.

2. Discussion

Robert Franks welcomed the clear, concise presentation, representing a transparent approach and agreed industry and PSA need to work together to:

- address the large number of consumer complaints;
- drive innovation;
- discuss wider business plans and ways to work collaboratively to improve and establish more outcomes based KPIs.

The Executive agreed to consider developing appropriate outcome measures (while recognising the difficulty in measuring much of PSA's regulatory impact) and to provide a progress update at the next meeting.

(Action: PSA)

Eric Feltin emphasised the valuable work Project Slimline is achieving for consumer confidence and recommended customer complaints are reviewed and monitored industry wide, not just those that reach PSA. Consequently, this will lead to an improved understanding of consumer confidence.

Within the context of the PSA budget, discussion ensued on the feasibility of joint compliance monitoring with MNOs. Jeremy Stafford Smith recommended urgent consideration of a joint compliance monitoring system to help identify and drive complaints down. Peter confirmed this project was ongoing and advised additional costs for compliance monitoring have not been factored into the current proposed budget. Jeremy Stafford Smith requested a business development budget line to enhance the functionality/data captured on the Registration Scheme. Peter informed that the PSA is currently in the process of upgrading the PSA CRM system and has a planned project to consider the future data requirements for the Registration Scheme. Eric recommended that the focus remains on current/future models of monitoring as opposed to past models, in order to keep pace with the rapid market changes. The Chair requested an update is provided at the next meeting.

(Action: PSA)

Gavin Daykin advised that Ofcom is looking at ways to improve complaint handling and will shortly be publishing a statement on network engagement, which addresses complaints at first point of contact.

Hamish MacLeod asked about overseas providers registering with PSA. Jo outlined that PSA strives to use all existing channels to ensure the derogation process is as efficient as possible. Good lines of communication and processes are in place with other regulators and checks and monitoring are regularly undertaken. Jo also reported that increased engagement with L1 providers is underway to better understand their client base, which in turn will lead to further developments and improvements.

On behalf of Ofcom, Gavin Daykin thanked Jo Prowse and Peter Barker for the clear presentation and advised that Ofcom welcomes responses from the consultation on the proposed budget 2017/18.

3. Conclusion

The ILP noted the budget as outlined and welcomed PSA's desire to continue to build on the improved collaboration with industry stakeholders.

The ILP were asked to provide feedback on the consultation, which will be circulated on 14th December, with responses required by the deadline date of 27th January 2017. All views will be taken into consideration.

(Action: ILP Members)

A final statement confirming the Levy and Registration Scheme fee will then be published ahead of the start of the financial year 1st April 2017, subject to formal approval by Ofcom sought early March 2017.

David Edmonds thanked the ILP for their contribution and views on the business plan and budget 2017/18. He advised that the Board had worked hard to deliver cost efficiencies and staff at PSA are highly motivated and committed to the organisation's strategic priorities, as outlined by the positive results of the staff engagement survey.

Ann Cook thanked the ILP for their contributions over the year and wished everyone a very happy Christmas.

ILP meetings in 2017 at Phone-paid Services Authority Offices

- Tuesday 21 February, 10.00am-12.30pm with a networking lunch at 12.30pm-1.00pm
- Tuesday 23 May, 10.00am-12.30pm followed by a networking lunch at 12.30pm-1.00pm
- Tuesday 11 July, 10.00am-12.30pm followed by a networking lunch at 12.30pm-1.00pm
- Tuesday 10 October, 10.00am-12.30pm followed by a networking lunch at 12.30pm-1.00pm
- Tuesday 12 December, 10.00am-11.30am (Budget Meeting only)