

Business Plan and Budget 2021/22 Final

23 March 2021

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1. Executive summary

- 1.1. We are the UK regulator for content, goods and services charged to a phone bill. We act in the interests of consumers.

Phone-paid services are the goods and services that can be bought by charging the cost to a phone bill or pre-pay account. They include charity donations by text, music streaming, broadcast competitions, directory enquiries, voting on TV talent shows and in-app purchases. In law, phone-paid services are referred to as premium rate services (PRS).

We build consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We do this by:

- establishing regulatory standards for the phone-paid services industry
- verifying and supervising organisations and services operating in the market
- gathering intelligence about consumers, the market and individual services
- engaging closely with all stakeholders
- enforcing our Code of Practice
- delivering organisational excellence.

- 1.2. 2021/22 will be a transitional year for the PSA, as we intend to move from regulating under Code 14 to putting in place the detailed processes that will allow us, subject to consultation, to implement Code 15 which we are aiming to do by 1 April 2022. Section 3 reviews the work we have undertaken during 2020/21, including much of the preparatory work behind the development of Code 15, and Section 4 sets out our planned activity for the transitional year ahead.

- 1.3. The proposed PSA budget for 2021/22 is £4,087,290. It has been built bottom-up and is the costing of the activities set out in Section 4. There is a reduction of 1.4 full-time equivalent (FTE) staff, and overall the budget represents a neutral change in real terms¹ over 2020/21 (a cash increase of £45,000). Real terms savings of 20% (£1.0m) have been delivered since 2015/16.

| | Cash budget £,000 | Real terms budget £,000 |
|----------------|----------------------|----------------------------|
| 2015/16 | 4,444 | 5,092 |
| 2016/17 | 3,995 | 4,519 |
| 2017/18 | 3,850 | 4,208 |
| 2018/19 | 3,850 | 4,042 |
| 2019/20 | 3,939 | 4,086 |
| 2020/21 | 4,042 | 4,086 |
| 2021/22 | 4,087 | 4,087 |

- 1.4. This business plan and budget is subject to approval by Ofcom and is required to satisfy their statutory obligation to ensure that we are adequately funded to meet our regulatory obligations.

¹ Based on RPI at August 2020 of 0.5%

1.5. As communicated widely to industry funders during 2020/21, the fund of collected fines and administration charges previously used to adjust the levy downwards has been deliberately and now fully depleted. The adjusted levy required to fund the PSA budget for 2021/22 is therefore the same as the unadjusted levy.

1.6. We expect the market size in terms of qualifying outpayments to be £470m. After allowing for income from Registration and bank interest, the PSA budget to be funded by the levy is £3,878,290, which means a levy of 0.83% is required.

| Levy summary | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Estimated market size (outpayments) | £448,342,000 | £430,500,000 | £430,500,000 | £410,000,000 | £480,000,000 | £500,000,000 | £470,000,000 |
| PSA full operational budget | £4,444,074 | £3,995,266 | £3,849,650 | £3,849,585 | £3,939,475 | £4,042,213 | £4,087,290 |
| Income from Registration and bank interest | £293,250 | £262,500 | £275,000 | £255,000 | £250,000 | £190,500 | £209,000 |
| PSA budget to be funded by unadjusted levy | £4,150,824 | £3,732,766 | £3,574,650 | £3,594,585 | £3,689,475 | £3,851,713 | £3,878,290 |
| Unadjusted levy | 0.93% | 0.87% | 0.83% | 0.88% | 0.77% | 0.77% | 0.83% |
| Accumulated fines available to adjust levy | £1,471,243 | £999,000 | £1,700,010 | £1,794,585 | £1,889,475 | £2,051,713 | £0 |
| PSA budget to be funded by adjusted levy | £2,679,581 | £2,733,766 | £1,874,640 | £1,800,000 | £1,800,000 | £1,800,000 | £3,878,290 |
| Adjusted levy | 0.60% | 0.64% | 0.44% | 0.44% | 0.38% | 0.36% | 0.83% |

1.7. In previous years, the end of year levy reckoning-up process generated either an overall over or under recovery of the levy, depending on the variance of the actual size of the market compared with the estimate used to calculate the levy %. For 2021/22, the PSA will make year-end adjustments with each of its funders such that:

- the budget is exactly recovered, without any over or under recovery of the levy required to fund the PSA budget
- each funder only collects and pays the correct apportionment of the levy on the PSA's behalf, based on their share of total outpayments for the year.

1.8. In addition to the operating budget, the PSA also expects to incur extraordinary costs in respect of Code 15 implementation during 2021/22. A provision of £100,000 has been

identified and will be funded from PSA's existing retained surplus. This provision is therefore not part of the levy funding calculations.

- 1.9. The proposed Registration fee has been increased for the first time in six years, from £155 + VAT to £200 + VAT.

2. Strategic purpose

2.1. About the PSA

- 2.1.1. We are the UK regulator for content, goods and services charged to a phone bill. We act in the interests of consumers.
- 2.1.2. Phone-paid services are the goods and services that can be bought by charging the cost to a phone bill or pre-pay account. They include charity donations by text, music streaming, broadcast competitions, directory enquiries, voting on TV talent shows and in-app purchases. In law, phone-paid services are referred to as premium rate services (PRS).
- 2.1.3. We are a non-profit making company limited by guarantee. We carry out the day-to-day regulation of phone-paid services in the UK, primarily through our Code of Practice approved under the Communications Act 2003. Ofcom defines the scope of our regulatory remit and also approves our annual Business Plan and Budget to ensure we are sufficiently resourced to carry out our functions.
- 2.1.4. We are a designated public body and, as such, an arm's-length body of the Department for Digital, Culture, Media and Sport (DCMS). We are audited by the National Audit Office.

2.2. What we do

We build consumer trust in phone-paid services and ensure they are well-served through supporting a healthy market that is innovative and competitive. We do this by:

2.2.1. Establishing regulatory standards for the phone-paid services industry

We set standards to ensure that consumers who charge a purchase to their phone-bill do so knowingly and willingly and receive good customer service.

These standards are designed to ensure all consumers have a similar positive experience of phone-paid services, including consumers who may be considered vulnerable.

Our standards are clearly set out in our Code of Practice. They deliver the necessary technical and operational protections in the market and are aligned with consumer expectations, including those based on experiences with other payment mechanisms. We evolve these standards in response to industry best practice, advances in technology, risk, and consumer behaviour and expectations.

The Code standards are supported by guidance, free compliance advice, and examples of best practice.

2.2.2. Verifying and supervising organisations and services operating in the market

Consumers should be able to trust that they are dealing with genuine service providers. We require all² organisations operating in the phone-paid services market to register comprehensive details about themselves and the services they provide.

We support consumers to access this information easily, helping them to have sufficient details to be able to resolve any individual issues.

We require all parties in the phone-paid services industry to check the credentials and behaviour of who they work with, and to have systems in place to identify and deal quickly with issues affecting consumers.

We work with networks and intermediaries to ensure they meet our requirements around due diligence, risk assessment and control. We do this by actively monitoring and regularly auditing for compliance with the Code.

2.2.3. Gathering intelligence about consumers, the market and individual services

We invest in research and our expert monitoring capabilities to improve our understanding of market trends, consumer behaviour, experience and expectations, and use this to inform and enforce the standards we set.

We continually receive and assess information about individual services, including complaints. We engage directly with consumers to understand the issues they are raising, we undertake detailed monitoring of individual services, and we ask service providers for further information when necessary.

We actively monitor the wider market to identify potential consumer harm, address issues early and share information.

2.2.4. Engaging closely with all stakeholders

We engage with all stakeholders - consumers, industry, government and other regulators, and the media - to inform and facilitate our regulatory approach.

We support industry to understand what our regulatory approach means for them in practice. This support is driven by our desire for consumers to be able to access services that they want, in a market that competes on price, product innovation, quality and customer service.

We work to identify and remedy any instances where our approach may unnecessarily hinder consumers who knowingly and willingly want to charge a purchase to their phone bill from doing so.

² Where service providers have successfully applied for an exemption on behalf of the merchants they represent (e.g. App stores), then only that service provider needs to register.

We promote consumer choice by enabling credible organisations to enter the market with ease and by creating the conditions where providers can innovate safely and invest with confidence.

We communicate with consumers to improve understanding and awareness of phone payment, and the various ways consumers can charge content, goods or services to their phone bill.

We work with Ofcom, DCMS and other regulators to ensure that consumer interests are best served through a co-ordinated approach to regulation.

2.2.5. Enforcing our Code of Practice

Where apparent breaches of the Code are committed, we investigate and enforce where appropriate in the most efficient and effective way possible. We aim to eliminate sharp practices, negligent behaviour and the deliberate use of phone payment as a mechanic to exploit consumers.

We ensure we are fair and proportionate, with enforcement delivered through the appropriate means. We will always be transparent in our decision-making, and our approach to investigations and sanctioning, including fines and ordering consumer redress, is detailed in the Supporting Procedures to the Code of Practice.

Where our remit and sanctions are unable to wholly or partially hold to account those providers causing consumer harm, we will refer them to the relevant enforcement authorities.

2.2.6. Delivering organisational excellence

As a regulator, we are committed to acting in a transparent, accountable, proportionate, consistent and targeted manner in everything we do. We uphold high standards in our governance, legal, finance, human resources, information systems, and customer service functions.

2.3. Our values

To deliver the best consumer protection and maximise how we further their interests, we need to behave in the right way. We are committed in all we do as an organisation to the following values:

| | |
|-----------------------------|---|
| Fair and proportionate | <ul style="list-style-type: none">• Be fair, reasonable and well-informed.• Ensure our actions support good regulatory outcomes for all stakeholders and give certainty and confidence. |
| Aware of the bigger picture | <ul style="list-style-type: none">• Anticipate developments that may affect us and those around us.• Be curious and inquisitive, ask questions and challenge assumptions. Be flexible and enabling of responsible innovation.• Plan for the future and think of the impact of our work. |
| Open | <ul style="list-style-type: none">• Look outward, share ideas, listen to others and embrace their knowledge. Collaborate with everyone. Be approachable, transparent and accountable. |
| Decisive | <ul style="list-style-type: none">• Make decisions in a timely manner with confidence and clarity. |
| Effective and productive | <ul style="list-style-type: none">• Pursue our priorities energetically.• Get it right first time and swiftly deliver effective outcomes.• Innovate to find creative solutions and work more efficiently. |
| Professional | <ul style="list-style-type: none">• Be experts: we are role models and we support others.• Be reliable because we are consistent, pay attention to detail and are focused on quality. |

3. 2020/21 Review

Our work in 2020/21 has been principally focussed on maintaining effective regulation of a phone-paid services market that continues to evolve into a new landscape for consumers, and on preparing the ground for a new regulatory approach best suited to that landscape.

We have taken the impact of the Covid-19 pandemic in our operational stride, but have also made allowances where necessary to mitigate this impact on regulated parties.

The assumptions that underpinned our plans for 2020/21 have proven to be broadly accurate, and during the year our activity can be placed in the following context:

- there has been more engagement in the phone-paid services market from blue-chip organisations, bringing challenges of scale and expectations for consumers
- some areas of the mobile market have continued to (relatively) thrive in line with expectations (e.g. radio and TV competitions), while some other service type areas have continued with their expected decline
- traditional voice services have continued to decline, again in line with expectations
- the mass consumer engagement with phone-paid services³ is proving to be consistent over time and in its underlying drivers of “fit” with mobile phone usage, convenience, impulse purchasing and price
- the market has become increasingly compliant and healthy, as a result of the impact of regulatory changes made in 2019/20, the focussed application of our enforcement strategy, and collaborative policy developments with industry providers.

Outlined below is an overview of the work we have delivered, against each of our strategic purpose areas:

3.1. Establishing regulatory standards for the phone-paid services industry

3.1.1. Much of our activity in 2020/21 has centred around the development of Code 15, with preparation for the formal consultation process being underpinned by prior extensive stakeholder engagement:

- we issued a discussion document in Q4 of 2019/20, in which we set out a clear rationale for why a new Code is needed, the objectives we were seeking to achieve, and made a call for input from stakeholders. In response to concerns from industry stakeholders about the impact of Covid-19 on their resources and capabilities, we extended the period of time for stakeholder responses by 12 weeks, taking it up to the end of Q1.
- during this timeframe we were also able to conduct a range of stakeholder workshops/webinars online, organising them so that discussions could be focussed where relevant, e.g., on consumer issues, or on particular aspects of the value chain for industry providers (networks, aggregators, merchants). These workshops allowed us to replace in part the engagement we had hoped to have through an Industry Forum, which was cancelled due to Covid-19.

³ Our most recent research indicates that around 52% of the UK population over 16 years of age used at least one phone-paid service in 2019-20 (source – Annual Market Review for Phone-paid Services 2019-20)

- in addition to individual discussions and correspondence, we have provided regular status updates on Code development to the Industry Liaison Panel.
- 3.1.2. The extra time allowed for industry engagement meant that our timetable for the development of Code 15 during 2020/21 was pushed back, with formal consultation now planned to start in Q1 of 2021/22. However, subject to consultation we remain on track to publish the new Code in Q2 of 2021/22, aiming for implementation effective from 1 April 2022.
- 3.1.3. In developing the standards we wish to establish in the phone-paid services market, we engaged with all stakeholders on how these standards can deliver for consumers in terms of protection, increased confidence and a healthy market. Our work during the year included:
- learning from other regulators who take a similar standards-based approach, and aligning our articulation of expectations with the language used to express standards elsewhere
 - drafting practical standards that fully draw on our experience of applying previous codes, our understanding of the market and consumer expectations within that, and our statutory remit and role as a regulatory body
 - developing a Code that will allow for individual bespoke agreements with providers, where they are able to demonstrate their delivery of phone-paid services meets the required standards but in a different way to that specified in the Code.
- 3.1.4. Alongside developing Code 15, we also continued to work in the consumer interest through the efficient and effective application of Code 14. We continuously review our policy work and its impact, and during the year we ensured:
- the Special conditions for subscription services and ICSS are supporting the knowing and willing purchase of these services by consumers, with part of this work including sharing with industry an overview of data showing the impact on complaint volumes and market revenues
 - the guidance on consent to charge is robustly underpinning the delivery of the required technical platform standards, through an ongoing review of impacts with MNOs (including results of annual testing) and an engagement programme with L1 aggregators
 - there is a systemic, coordinated approach to the use of complaint data and other intelligence across all levels of the value chain, in order that higher-risk services can be quickly identified. This work has included looking at the data we acquire and hold, and detailed consideration of what we will make available to industry, for what purposes and how we will make it available.
 - our expectations and requirements around data retention and information reporting are understood by service providers, and that they are meeting these requirements.
- 3.1.5. The impact of Covid-19 meant however that some planned policy work was suspended and subsequently rolled into the development of Code 15:

- consultation on updated due diligence, risk assessment and control (DDRAC) guidance
 - statement on refunds guidance, which was consulted on in Q4 of 2019/20.
- 3.1.6. We continued to manage the process of considering Code exemptions with transparency, including clear communication around decisions to agree pilot exemptions and whether to make them permanent or not. Specifically, we agreed to provide Network Operators that applied to us an exemption to the 30-day payment rule regarding society lotteries.
- 3.1.7. We continued to invest in our internal capabilities and analysis of the market to ensure that we are able to best understand the risks and opportunities around new and emerging technologies as they arise, and how our regulatory approach can ensure consumer interests are met in these circumstances.
- 3.1.8. We continued to underpin Code 14 with the provision of compliance advice, both on general Code enquiries as well as on areas of complexity or innovation. We have incorporated a review of the nature and extent of the provision of such advice into the development of Code 15.

3.2. Verifying and supervising organisations and services operating in the market

- 3.2.1. Our work in 2020/21 on verifying organisations and the services they provide was primarily based on implementing the new Registration requirements introduced in 2019/20. During the year we further developed our account management approach to supporting organisations to provide complete and accurate information, and we continued to engage with industry on Registration issues through working groups and workshops. We also reflected the importance we place on this area through incorporating Registration compliance within our enforcement strategy.
- 3.2.2. As part of developing standards in this area for Code 15, our work during 2020/21 looked at different ways in which we can best serve consumers by ensuring all service providers are reputable organisations and individuals, and that they have processes in place that protect consumer interests. For operational and legal reasons not all of the areas listed below have been included in the final drafting of the Code, but our thinking and research during the year included detailed consideration of:
- an appropriate supervisory regime, including regulatory inspection and compliance audits, and the practicality and effectiveness of annual compliance reporting by networks, aggregators and larger merchants
 - tailoring different approaches for different parties in the value chain (e.g., expectations on Level 1 responsibilities varying from those placed on a start-up Level 2)
 - how Registration can be enhanced to provide greater comfort that providers in the market genuinely have consumer interests at their heart
 - whether it is possible to practically define required attributes/qualifying criteria of organisations and the behaviours expected of them

- establishing probationary periods to be implemented before organisations are fully registered into the market
- using increased and reasonable requirements to enter the market, such as “fit and proper” tests on individuals, financial viability checks or bonds, checks on technical and other necessary capabilities, and provision of more comprehensive organisational and service information.

3.2.3. During the year we further enhanced the process of Registration, with an established industry working group providing considered user feedback. This allowed us to implement improved functionality in how Registration data is inputted, which in turn resulted in a better information being available to consumers through Service checker.

3.3. Gathering intelligence about the market and individual services.

3.3.1. We sought to maintain an accurate understanding of the phone-paid services market, including consumers’ experiences of it. During the year work in this area included:

- continuing to run an independent Consumer Panel and incorporating the consumer insights they provide. We developed the mix of the panel to include experience of the use of phone-paid services from a younger and more digitally native perspective.
- commissioning our Annual Market Review. We used the benchmarks established in the review of 2018/19 to analyse changes both in market size and consumer engagement with phone-paid services, and we extended the consumer research within it to add to our understanding of consumer experiences and expectations.

3.3.2. We further developed our approach to gathering intelligence about individual services through:

- ensuring that the intelligence we collect is fully aligned with our regulatory priorities and enforcement strategy, so that we are able to make sure the market is working as it should for consumers
- further enhancing the automated support we are able to provide to consumers to quickly and efficiently answer their enquiries, enabling resources to be targeted towards receiving and analysing issues reported to us. We estimate around just over 200,000 enquiries were made in 2020/21, and that we are now able to handle around 98% (up from 93%) through either Service Checker, our website, or information on our telephone Interactive Voice Response (IVR).
- enhancing our systematic approach to analysing assessed complaints (issues reported to us where the service in question can be identified), so that this information can be aligned quickly with our own service monitoring and intelligence received from industry. We estimate the volume of assessed complaints to be less than 5,500 in 2020/21, more than 60% lower than the previous year.

- continuing to review how we most efficiently and effectively request information from aggregators and merchants, with clear service assessment processes in place
- expanding our monitoring automation programme to include identification of potential risks of consumer harm arising from services on social media platforms.

3.3.3. In addition to enhancing our approach and capabilities regarding individual services, we also invested in our market-wide monitoring processes to deliver greater intelligence on broader systemic issues. As well as shaping our Code 15 development thinking in this area, we were also able to consider and initiate policy interventions through:

- developing the technical capabilities of our staff and the technological resources available for their use
- utilising new service Registration data to target monitoring activity on specific service type areas
- monitoring the compliance of phone-payment platforms with developed technical standards
- identifying and considering the potential impacts of longer-term changes in service types and service delivery in the market, including capturing insights arising from the Industry Liaison Panel and the Annual Market Review.

3.4. Engaging closely with all stakeholders.

3.4.1. During 2020/21 we significantly enhanced our approach to how we manage our relationships with all stakeholders, including:

- designating named stakeholder managers, with relationships in place with all of our key industry stakeholders
- extending this approach to include the regulators we most closely engage with
- putting in place a structured management approach to understand issues and best practice arising from different stakeholders.

3.4.2. For consumers, we continued to identify ways in which we can improve their confidence in phone-paid services. Building on the investment we made in recent years, our work in 2020/21 included:

- ensuring that as part of Code 15 developments, we identify and build in standards that deliver against their expectations – not just in terms of their engagement with different aspects of phone-paid services, but also alongside their experiences of other payment mechanisms
- developing and implementing a refreshed consumer education programme, with input from the Consumer Panel, making best use of our resources to target advice and guidance according to need and consumer risk. We continued to review on an ongoing basis the effectiveness of our communications with consumers, both in terms of individual contact and general messaging, and also to identify further opportunities to promote consumer advice and confidence in the market through the media, including through the promotion of positive stories about phone-paid services. We also continued to pursue opportunities

to promote educational content through industry partners with significant audience reach.

- publishing research into consumer vulnerability and implementing a subsequent action plan, much of which is incorporated into the development of Code 15
- establishing a formal programme of planned engagement with consumer representative bodies and channelling reported insights into Code 15 development.
- holding a webinar specifically for consumers on Code 15 as part of our wider engagement and consultation on the new Code.

3.4.3. For industry, we believe collaborative engagement best serves the interests of consumers, and our ongoing investment in this area during 2020/21 included:

- as set out in 3.1.1, engaging extensively with industry regarding the development of Code 15
- revising the Terms of Reference for the Industry Liaison Panel, aiming to maximise its effectiveness as the body to discuss and promote positive market-wide actions
- providing clarity around what data we hold, our data protection obligations, and the rationale for sharing data with industry
- utilising the new approach to stakeholder management to engage positively and quickly with individual organisations through a combination of structured formal meetings, ad-hoc meetings, formal written contact and day-to-day correspondence and phone calls
- ensuring individual service providers continued to be fully supported regarding the Registration process for their organisation and services
- working with MNOs and other major funders to consider both the financial impacts of moving to an unadjusted levy in 2021/22 and any alternatives to the existing funding model
- supporting wider industry understanding of our regulatory remit through continuing to offer workshops on our investigations and enforcement processes, both to new entrants to the market and as a refresher to existing service providers
- continuing to offer workshops on a wider basis for industry partners, covering our wider regulatory approach and specific policy developments.

3.4.4. During the year we continued to work closely with government and regulatory partners, with a view to ensuring that the best overall regulatory outcome for consumers is achieved. Work in this area included:

- continuing to work with Ofcom to ensure our regulatory approach dovetails effectively with their broader objectives, and being in regular contact with them and DCMS on a range of policy issues
- working specifically with DCMS to consider any areas of potential legislative change, particularly in relation to our development of Code 15
- making referrals to other enforcement bodies where it is clear their regulatory remit would support ours or have primacy, including working more closely with

the Insolvency Service to support their ability to disqualify directors over and above the extent of our own sanctions.

3.5. Enforcing our Code of Practice

- 3.5.1. We sharpened our approach to investigations and enforcement, with a view to maximising the impact of the limited resources we have available. To this end, our work during the year included:
- ongoing assessment of our enforcement strategy, ensuring that our approach is fully aligned with our policy developments and is able to address key issues as they arise in the market
 - reviewing how we assess intelligence prior to allocation decisions, and ensuring we gather sufficient information as early as possible in considering whether to pursue cases
 - reviewing our procedures and criteria around deciding whether or not to investigate and bring subsequent Track allocation, ensuring that they remain fair and proportionate in line with the shifting potential for consumer harm in different parts of the phone-paid services market
 - implementing our published enforcement prioritisation criteria, enabling us to remain as flexible as possible in being able to target our resources towards those allocated cases that will deliver the most effective impacts for consumers
 - providing internal clarity on the capacity available to work on enforcement cases, which is around 30 - 35 at any one time depending on complexity, and around 100 over the course of a year.
- 3.5.2. We continued during 2020/21 to underpin the impact of our enforcement activity by maximising the effectiveness of the sanctions available under the current Code. This included publishing how and why we undertake a legally exhaustive debt recovery process of unpaid fines and admin charges, so that those adjudicated against fully understand that we will as far as possible chase down all outstanding debts over a significant period of time.
- 3.5.3. As part of reviewing how our investigations and enforcement could be made more effective through Code 15, our thinking and research in this area included:
- considering what investigative powers might be needed to effectively regulate the market now and in the longer term, e.g., further reaching, more robust and more flexible information gathering powers
 - considering the range of investigative options required in addition to our current investigative tracks and process of Tribunal adjudications, and the ability to investigate systematic market issues (not just specific services).
- 3.5.4. Also as part of developing Code 15, we looked closely at how we might achieve better outcomes for consumers and uphold the reputation of the market through effective deterrents by considering the range of sanctions available to us. As with all of our Code 15 planning, not everything considered has been included in the final draft of the Code to be put forward for consultation, but work undertaken during the year included:

- exploring more effective ways to hold the whole value chain to account, such as expectations on due diligence, risk assessment and control of contracted parties, the level of publication of wider information about investigations and the role of parties in the value chain in supporting the implementation of relevant sanctions
- looking at the appropriateness, where merited, of more effective means to hold non-compliant providers to account, e.g., through the issuance of penalty notices/fines
- considering how to increase the range of effective deterrents, including developing an equivalent range of sanctions to those available to other regulators, e.g., the ability to hold individuals (directors and/or persons of significant control) to account and having greater flexibility in fine amounts.

3.6. Delivering organisational excellence.

3.6.1. In order to fully support the regulatory work of the PSA through high-quality governance, legal, finance, business systems, human resource and communications functions, our work in 2020/21 included:

- undertaking and implementing an annual assessment at Board level of our core governance structure and administration
- implementing our commitment to equality, diversity and inclusion, particularly through the management of our Board and Code Adjudication Panel succession planning
- delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making and providing clear internal guidance on the interpretation of the law, public sector and other regulatory rules, Code and Supporting Procedures
- maximising the security of our processes around the storage, management, retention and dissemination of legal and investigative intelligence
- continuing to prioritise cyber security, including investing in our network infrastructure, reducing our technical debt and undertaking annual system penetration testing and implementing any findings
- ensuring our systems – including Registration, website and CRM – to maximise their usability, accessibility, security and value for money
- investing in our staff to continue to achieve a high level of performance, ensuring that the implementation of the findings from our Investors In People assessment support the potential progression from Silver to Gold.

4. 2021/22 Business Plan

2021/22 will be a transitional year for the PSA, as we move from regulating under Code 14 to putting in place the detailed processes and organisational redesign that will allow us to implement Code 15. Our aim is for Code 15 to be effective from 1 April 2022.

We expect to complete formal consultation on Code 15 towards the start of Q2, and, subject to Ofcom approval, to publish the new Code by the end of Q2. We will then use the rest of the financial year (i.e., to March 2022) as an implementation period.

During the year we will therefore continue to apply Code 14, but remain mindful of the compelling reasons why a new Code is necessary:

- the phone-paid services market has changed significantly in recent years and is fundamentally different to the market when an outcomes-based code (Code 12) was introduced 10 years ago
- such outcomes-based regulation (Codes 12 -14) worked well during a period of market transition, but we currently have a regulatory regime that has increased in its complexity and relies on several ex-post fixes
- consumer expectations have changed in line with their experiences in other digital markets and changes in consumer legislation
- enforcement can be slow and perceived as ineffective, with the existing processes and powers increasingly limiting our opportunities for timely intervention and optimal regulatory outcomes.

Based on our own experiences (including ongoing engagement with industry and consumers) and the findings of the latest Annual Market review (based on revenue data, industry interviews and surveyed consumers), we have a clear picture of the new landscape that the phone-paid services market has evolved into:

- the market is heavily dominated by digital services consumed via mobile phones (whether charged for through Operator Billing or PSMS), with traditional voice services declining to account for around only 10% of consumer revenues. This decline is expected to continue, although not to zero – it is anticipated residual consumer demand for some voice services will remain
- in turn, the mobile market is heavily dominated (around 85%) by major brands providing high-quality services with clear consumer demand – Apple, Google, Microsoft, Sony, Spotify, Global, Bauer, ITV, BBC Children In Need, Comic Relief etc.
- the levels of consumer engagement are high, with over half the UK adult population using a phone-paid service at least once during a year. This engagement is consistently driven by the “fit” of the service with use of a mobile device, convenience, impulse purchasing, and price.
- there is less consumer harm in the market caused by providers seeking to exploit consumers through getting them to unknowingly or unwillingly sign up for services. This is reflected in improving Net Promoter Scores for phone-paid services, but problems still remain - around 25% of consumers experience issues, even if they do not necessarily materialise into complaints.
- recent regulatory interventions (Special conditions for subscription services and information, connection and signposting services; enforcement focus on DDRAC; working

with MNOs to minimise consent to charge issues arising from poor aggregator platform security) have brought about a healthier and more compliant market, with complaint volumes being driven down and non-compliant behaviour being increasingly deterred. However regulatory challenges still remain:

- there will always be some providers, whether operating from the UK or internationally, who will continue to try to exploit consumers and deliberately act non-compliantly
- there is a risk with all providers that they may inadvertently act non-compliantly, and the impact of this on the overall market, including broad reputational issues, is likely to be exacerbated where there are higher levels of brand recognition and market share involved.

We therefore set out our activity plans for 2021/22 below, with the aim of aligning our understanding of this new consistent landscape with our broader strategic purpose of building consumer trust in phone-paid services and ensuring they are well-served through supporting a healthy market that is innovative and competitive.

4.1. Establishing regulatory standards for the phone-paid services industry

- 4.1.1. We plan to issue the consultation document for Code 15 early in Q1, and to allow a three-month consultation window to enable comprehensive responses from all interested parties.
- 4.1.2. The consultation document will set out the clear expectations we have for all parties in the phone-paid services market, and the new standards and supporting requirements that we wish to put in place to ensure these expectations are met. At a very high-level, the key elements of the new Code that we will be consulting on are:
 - setting standards in place of outcomes – providing industry with greater clarity, easier implementation, and retained space to innovate to the benefit of consumers
 - significantly increasing our capability to prevent harm in the first place through:
 - enhanced verification - introducing the right barriers to market entry that allow for legitimate innovation and builds confidence by deterring ‘fly by night’ providers who have no interest in the sustainability of the market
 - supervision - working with networks and aggregators to build in compliance and best practice to stop harm developing in the first place
 - streamlining enforcement – building in new efficient processes to resolve issues as quickly and easily as possible
 - enhancing information gathering powers and industry conduct and co-operation - delivering a step change in provider behaviour.
- 4.1.3. Subject to consultation and full consideration of all responses received, we aim to publish Code 15 by September 2021.
- 4.1.4. In terms of implementation of Code 15 with specific regard to regulatory standards, we will use the remainder of 2021/22 to:

- confirm the practical steps we will need to take in the future to keep the high-level standards and their underlying requirements up to date
- develop our guidance to Code 15, with the aim of providing helpful information and compliance advice to providers
- identify the processes by which we can reach agreement with providers on bespoke regulatory approaches, such that they are able to clearly demonstrate their alternative means of meeting standards and requirements offers equivalent levels of consumer protection.

4.1.5. During the year we will also continue to work in the consumer interest through ensuring we deliver Code 14 as efficiently and effectively as possible:

- we will use our ongoing review of the impact of all of our policy work to bring about short-term changes in regulatory approach if necessary
- we will consider Code exemptions with transparency, and where agreed, look to ensure that they can be translated into Code 15
- we will research and analyse the risks and opportunities around new and emerging technologies as they arise, and how we can ensure consumer interests are met in these circumstances
- we will provide ad hoc compliance advice both on general Code enquiries as well as on areas of complexity or innovation. We estimate that we will respond to a minimum of 500 compliance requests made during the year.

4.2. Verifying and supervising organisations and services operating in the market.

4.2.1. As described in 4.1.2 above, our consultation on Code 15 will include proposals for enhanced verification and supervision to bring about a shift towards preventing consumer harm from happening in the first place, rather than trying to deal with harm after it has happened.

4.2.2. Following consultation and publication, the enhanced verification work we expect to undertake as part of implementing Code 15 includes:

- giving clarity to all providers as to any additional Registration information we will require
- updating our Registration system in line with the new Code, and further developing it through:
 - at the point of Registration, taking the opportunity to supply more detailed support and advice for providers
 - considering the user experience for providers
 - evaluating the provision of system Application Programming Interfaces (APIs) for providers
 - evaluating the integration of existing public APIs (e.g. company details held by Companies House)
 - ensuring Service checker continues to deliver timely and accurate information to consumers.
- working with networks and aggregators to help them understand clearly their due diligence, risk assessment and control responsibilities, the checks we expect them to undertake and the process of notification we will require.

4.2.3. With regards to supervision, we aim for this to be ongoing and proactive, and applied in an open and co-operative relationship with our industry stakeholders. The implementation work we expect to undertake post-consultation is likely to focus on:

- designing compliance monitoring and audit processes, and how they will be applied in practice
- identifying ways to support and encourage providers to speak to us at the earliest opportunity if they identify risks or issues
- determining what data needs to be regularly reported and with what frequency.

4.2.4. Verification under Code 14 will remain through the existing Registration process, and during the year we will continue to:

- apply an account management approach to supporting organisations to provide complete and accurate information
- engage with industry on Registration issues through working groups and workshops.

4.3. Gathering intelligence about the market and individual services.

4.3.1. We will continue to build and maintain an accurate understanding of the phone-paid services market and the consumer experience within it through:

- engaging closely with our Consumer Panel, and harnessing the valuable consumer insights they provide
- commissioning our Annual Market Review, and using it to analyse changes both in market size and consumer engagement with phone-paid services
- harnessing intelligence available from other sources, e.g. MNOs and the compliance houses they work with
- exploring future research commissions to add to our understanding of consumer experiences, expectations and behaviour when using aspects of phone-paid services.

4.3.2. We have established in recent years a robust and extensive platform for gathering intelligence about individual services. During 2021/22 we aim to capitalise on the greater reach we expect Code 15 to give us, and to enhance our platform through:

- an ongoing review of how consumers are able to report issues to us, and exploring different approaches to soliciting additional information from consumers generally (rather than just complainants)
- further developing the use of automated channels for contacts to us. We are currently handling around 98% of contacts through either Service checker, our website, or information on our telephone Interactive Voice Response (IVR), but we will continue to explore ways in which we can provide consumers with quick and efficient digital tools
- incorporating intelligence from consumer interest groups
- targeting our monitoring through an analysis of risk and impact based on all intelligence, not just in response to issues reported by consumers.

4.3.3. We will also continue to enhance our market-wide monitoring processes to deliver greater intelligence on broader systemic issues, with work in this area likely to include:

- developing automated monitoring of emerging channels such as TikTok
- augmenting our automated monitoring capabilities with greater monitoring of the consumer service experience in particular areas of the market, such as Facebook and Instagram.
- further investment in the technical capabilities of our staff and the technological resources available for their use
- identifying and considering the potential impacts of longer-term changes in service types and service delivery in the market.

4.4. Engaging closely with all stakeholders.

4.4.1. Code 15 will clearly require close engagement with all stakeholders during the year:

- at the consultation stage, we aim to support stakeholders to understand the proposals as best as possible
 - for consumers this is likely to include easy to digest summaries, webinars, Consumer Panel input, digital campaigns to solicit engagement, and other targeted communications
 - for industry this is likely to include additional explanatory content behind Code detail, formal set pieces (webinars, forum, ILP etc), individual stakeholder meetings, targeted communications to solicit engagement, and other broader communications, e.g., op-ed piece from the CEO and senior leadership
- during the implementation period, we aim to ensure stakeholders are clear on how their regulatory requirements may change and when, and to prepare them for Code 15 potentially coming into force:
 - for consumers this is likely to feature summaries of the published Code, development of the PSA website content, and other targeted communications outlining what they can expect from this new regulatory approach
 - for industry this is likely to require tailored content to support specific changes in requirements and/or processes, implementation meetings and webinars, development of the PSA website content, digital “are you ready” campaigns, and other broader media communications.

4.4.2. In addition to engagement specifically around Code 15, we will continue to build consumer confidence in phone-paid services through:

- exploring all opportunities to manage expectations and understanding around our role as a regulator, providing greater clarity as to the processes available to individuals that will allow them to get their complaints resolved
- reviewing the impact of the refreshed consumer education programme we implemented in 2020/21 and making any adjustments to improve this

programme within the resources available. We will continue to pursue opportunities to promote advice and educational content through industry partners with significant audience reach.

- seeking to maximise media opportunities to support and inform consumers around engaging positively with phone-paid services and how to deal with issues in the market
- reviewing the broader impact of our work around the protection of vulnerable consumers, and ensuring the action plan has been effectively delivered
- building insights not just from our own Consumer Panel but also with those consumer representative bodies we have established effective working relationships with.

4.4.3. We will continue to work closely with industry stakeholders in 2021/22 to also ensure that under Code 14 we are still able to address issues of non-compliance quickly and effectively, and tackle market-wide issues as they arise. We expect our engagement with industry during the year to include:

- ensuring that all our messaging is clear and consistent, and that we proactively address any instances where this is not being achieved
- consistently applying our approach to making the data we hold available to industry, including
 - the publication of aggregated data
 - sharing non-personal data with individual providers
 - ensuring clarity about the legal basis under which any personal data is shared with individual providers
- embedding further the stakeholder engagement approach we put in place during 2020/21, ensuring that relationships are deepened to fully support our current and proposed regulatory approaches, and that we have a better understanding of stakeholder plans for the phone-paid services market and the challenges they face
- managing regular informal contact with individual organisations outside of any stakeholder management processes
- delivering structured industry-wide set pieces, and exploring the most effective engagement mechanisms for these in light of our 2020/21 online experiences
 - industry forum
 - workshops and webinars that support wider industry understanding of our regulatory remit, investigations and enforcement processes, and any specific policy developments
 - Industry Liaison Panel, with ongoing review of its Terms of Reference and membership to ensure its effectiveness as the body to discuss and promote positive market-wide actions.

4.4.4. The development of Code 15 has seen us work very closely with Ofcom during 2020/21, and this will continue during 2021/22, including the process of seeking their approval for the final Code following consultation. In addition, our work with regulatory partners during the year will include:

- ensuring that the best overall regulatory outcome for consumers is achieved, e.g., through making referrals to other enforcement bodies where it is clear their regulatory remit is likely to be more effective
- ongoing liaison with Ofcom and DCMS on a range of policy issues and in relation to our role as a governmental arm's-length body
- working specifically with DCMS to consider any areas of potential legislative change that would further augment the consumer protections built into Code 15.

4.5. Enforcing our Code of Practice

- 4.5.1. As described in 4.1.2 above, our consultation on Code 15 will include proposals for streamlining our enforcement processes and enhancing our powers around information gathering and requirements for industry to co-operate when requested.
- 4.5.2. Following consultation and publication, the enforcement work we expect to undertake as part of implementing Code 15 includes:
 - identifying and articulating all of the relevant processes to be set out in the Supporting Procedures to the Code
 - working with industry to ensure that these processes are widely understood
 - creating practical processes that allow for issues to be identified and resolved without the need for sanctions, and to be clear when cases are being investigated under a pathway that includes possible sanctions.
- 4.5.3. During 2021/22 we will otherwise continue to enforce Code 14 through maximising the impact of the limited resources we have available, including:
 - continuously reviewing our enforcement strategy, ensuring that our approach is fully aligned with our regulatory priorities and is able to address key issues as they arise in the market
 - ensuring our published enforcement prioritisation criteria enable us to remain as flexible as possible in being able to target our resources towards those allocated cases that will deliver the most effective impacts for consumers. We expect to have capacity to work on around the 100 most serious cases, whether Track 1, Track 2 or post-adjudicatory.
 - exploring how we can improve the efficiency and timeliness of investigations, while ensuring we remain fair and proportionate in our approach
 - improving the practical application of existing interim processes, to allow for the most serious harm to be addressed as early as possible
 - investing in the further development of our investigations and enforcement staff and empowering them to be able to operate with confidence in an established legal framework
 - implementing our commitment to a legally exhaustive debt recovery process of unpaid fines and admin charges, so that those adjudicated against fully understand that we will as far as possible chase down all outstanding debts over a significant period of time.

4.6. Delivering organisational excellence

- 4.6.1. We anticipate that Code 15 will require a degree of organisational change to enable us to effectively deliver new requirements, and we will use the implementation period in 2021/22 to identify the changes we will need to make for 2022/23 onwards. This business plan already allows for a headcount reduction to 43.0 FTE in 2021/22 (down from 44.4), and our current expectation is that any organisational change would be achieved through reassigning staff resources within this figure. We will also use the proposed implementation period to identify the skills and experience we will require to successfully deliver Code 15, and to put in place the learning and development needed to increase our capabilities.
- 4.6.2. During the year we will consider how our operating model can incorporate lessons learned from managing the impact of the Covid-19 pandemic, while ensuring that our supporting policies continue to best deliver our strategic purpose, business plans and operations. The model will be driven by business need and the optimisation of staff engagement, productivity, and effectiveness.
- 4.6.3. We will also consider during the year our office size and location beyond our current lease, which expires in December 2022, including taking into account any longer-term implications of the pandemic on our requirements in this area. This will not, however, have any impact on the budget in 2021/22.
- 4.6.4. At the same time, we will continue to ensure our regulatory work is fully supported through high quality governance, legal, finance, business systems, human resource and communications functions. In 2021/22 our focus will include:
- reviewing on an ongoing basis our core governance structure and administration, and managing Board and Code Adjudication Panel succession planning
 - further developing our balanced scorecard approach to considering overall organisational effectiveness, including a review of underlying qualitative and quantitative measures to ensure operating efficiencies continue to be identified and pursued
 - delivering robust and professional legal oversight of commercial, HR, policy and enforcement decision making and providing clear internal guidance on the interpretation of the law (including data protection), public sector and other regulatory rules, Code and Supporting Procedures
 - maximising the security of our processes around the storage, management, retention and dissemination of legal and investigative intelligence
 - investing in further digital transformation, ensuring our hardware and software solutions best support how we may operate in the future
 - enhancing the collation and dissemination of timely and accurate management information
 - continuing to prioritise cyber security, including ensuring our system penetration testing now includes home networks and the technological impacts of remote working

- ensuring our core systems – including Registration, website and CRM – maximise their usability, accessibility, security and value for money
- investing in our staff to continue to achieve a high level of performance. Work in this area will include:
 - carrying out an engagement survey post Covid-19 and in light of changes to the ways in which staff work, and implementing actions to maintain areas of high engagement and/or target areas identified for improvement
 - improving further our approach to equality, diversity and inclusion
 - reviewing our organisational values and behaviours framework to assess their relevance to Code 15 and how we may operate in the future
 - continuing to embed the findings from our last Investors In People assessment.

5. 2021/22 Operating budget

5.1. The operating budget for 2021/22 is £4,087,290, as set out in Appendix A.

5.2. This budget represents no change in real terms over 2020/21 and 20% (£1.0m) real term savings in total since 2015/16.

5.3. The budget has been built on a zero-based approach for each cost item, and we have continued to identify and apply operational efficiencies in all our working practices. In terms of the different cost areas identified in Appendix A:

- our people now account for more than 70% of our total costs, and we have budgeted for wage inflation in line with the market for our staff resources and our retention and recruitment policies. We continue to manage the mix of our staff resources so that we are able to balance overall costs in this area with the ability to have sufficient flexibility to meet our regulatory responsibilities and priorities. In doing so, we have identified savings that has enabled us to manage our budgeted staff headcount down to 43.0 Full Time Equivalent (FTE) from 44.4 FTE in 2020/21.
- since we expect much of 2021/22 activity to focus on the proposed implementation of Code 15, we have reduced our budget for external expenditure on policy work accordingly. We expect to only commission one research project - the Annual Market Review – and we aim to build on the digital experiences of the current year by holding the planned industry forum online.
- our legal fees budget has been reduced in line with our assumption that any costs arising from oral hearings will now be fully recovered
- we expect to deliver savings of around £33k across our IT and telephony budgets, primarily through moving to a new Microsoft licencing regime and by bringing in-house the technical delivery of our data analysis and website support
- the budget for premises costs is primarily fixed, but in 2021/22 we have allowed for an expected small increase in Canary Wharf Estate's service charge. Premises fixed costs account for 11% of our total expenditure.
- our finance and governance costs have increased significantly due to the National Audit Office revising their fees to fully recover the cost of their audit, and a sharp increase in insurance premiums for Professional Indemnity Insurance and Directors and Officers Insurance
- we have been able to reduce our overheads budget to reflect the expected transition to a more blended way of working, but have increased our depreciation budget in line with the expected necessary capital expenditure required to keep our technological capabilities up to date.

5.4. In addition to this operating budget, the PSA also expects to incur extraordinary costs in respect of Code 15 implementation during 2021/22. A provision of £100,000 has been identified and will be funded from PSA's existing retained surplus. This provision is therefore not part of the levy funding calculations.

6. 2021/22 Levy

- 6.1. The levy funding model, as set out in Annex One to the Code of Practice, is the way in which providers of content, goods and services charged to a phone bill pay for the cost of regulation of their market, i.e., the PSA budget as approved by Ofcom.
- 6.2. The levy is applied to the actual size of the market, as measured by outpayments from network operators to their industry clients, i.e., after retaining their network charges from total revenues received.
- 6.3. The unadjusted levy is the rate that is required to recover the full cost of the PSA's operating budget (after income from Registration Scheme fees and bank interest), but historically an adjusted levy has been applied in practice after further deductions had been made from available retained funds of collected fines and admin charges.
- 6.4. As communicated widely to industry funders during 2020/21, this fund of collected fines and administration charges has been deliberately and fully depleted. The levy required to fund the PSA budget for 2021/22 is therefore set at an unadjusted level.
- 6.5. We expect the market size in terms of qualifying outpayments to be £470m. After allowing for income from Registration and bank interest, the PSA budget to be funded by the levy is £3,878,290, which means a levy of 0.83% is required.

- 6.6. The levy calculations for 2021/22 are:

| | 2020/21 | 2021/22 |
|--|-------------|--------------------|
| | £ | £ |
| Phone-paid Services Authority budget | 4,042,212 | 4,087,290 |
| Budgeted other income | (190,500) | (209,000) |
| Amount to be funded by unadjusted levy | 3,851,712 | 3,878,290 |
| Retained funds available | (2,051,712) | (0) |
| Amount to be funded by adjusted levy | 1,800,000 | 3,878,290 |
| Estimated market size (see Appendix B) | 500,000,000 | 470,000,000 |
| Unadjusted levy | 0.77% | 0.83% |
| Adjusted levy | 0.36% | 0.83% |

- 6.7. In previous years, the end of year levy reckoning-up process generated either an overall over or under recovery of the levy, depending on the variance of the actual size of the market compared with the estimate used to calculate the levy %. For 2021/22, the PSA will make year-end adjustments with each of its funders such that:
- the budget is exactly recovered, without any over or under recovery of the levy required to fund the PSA budget
 - each funder collects the correct apportionment of the levy on PSA's behalf, based on their share of total outpayments for the year.

7. PSA Registration fees

7.1. As set out in section 3.4 of our Code of Practice, all network operators, Level 1 and Level 2 service providers must register with us (subject to any exemptions we may make).

7.2. The principles underlying the Registration fee are:

- to ensure that it is set at a level that does not provide an unreasonable barrier to entry to the phone-paid services market
- to provide perceived value to the process of registration, including a mechanism through which all industry participants provide a direct contribution to the cost of regulation
- to realise this value through the functionality of organisations being able to undertake due diligence on other organisations, and for organisations to have due diligence undertaken upon them
- to continue to contribute to the ongoing running costs of Registration (staff, systems and share of overheads).

7.3. As the nature of the phone-paid services market has changed in recent years, the number of Registered providers in the market has fallen consistently. For 2021/22 we expect 1,000 paying organisations (down from 1,100 in 2020/21).

7.4. For the first time in six years, we propose to increase the fee for Registration from £155 plus VAT to £200 plus VAT, which will ensure that all providers continue to contribute appropriately and directly to the ongoing running costs of Registration. The budgeted £200,000 this will generate provides a small but principled offset to the amount of levy to be collected from the financial value of transactions in the market.

7.5. We propose to leave unchanged the current exemptions to paying the fee, i.e.:

- for service providers who have revenue below £10,000 per year. In this case Registration is free for the first year only.
- for registered charities.

Appendix A: Budget

| Expenditure breakdown by cost area | 2015/16 Budget £ | 2016/17 Budget £ | 2017/18 Budget £ | 2018/19 Budget £ | 2019/20 Budget £ | 2020/21 Budget £ | 2021/22 Budget £ |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| People costs Salaries, NI, pension costs, training and recruitment | 2,666,057 | 2,587,849 | 2,609,463 | 2,721,123 | 2,744,024 | 2,804,420 | 2,888,551 |
| Policy, External Relations and Communications Research, forums, seminars, publications, consumer education and other communications activity | 335,649 | 197,736 | 174,080 | 127,248 | 147,853 | 153,475 | 108,017 |
| Legal Fees External advice, debt recovery and non-recoverable hearing costs | 171,396 | 115,028 | 91,028 | 41,288 | 41,288 | 42,480 | 32,400 |
| IT Systems Business continuity, office systems (including printing), contact information handling, case management, data analysis, and Registration | 357,819 | 316,560 | 265,529 | 255,696 | 280,722 | 309,150 | 299,651 |
| Telecoms Line rental (including handsets), incoming and external call charges, call data storage, Broadband, mobile monitoring | 72,027 | 81,093 | 70,657 | 61,726 | 60,869 | 60,550 | 37,067 |
| Premises Rent, service charge, rates, utilities and facilities management | 475,397 | 410,304 | 409,073 | 418,988 | 438,639 | 444,813 | 452,220 |
| Finance and Governance Insurance, audit and other finance costs, residual VAT | 45,587 | 42,765 | 42,279 | 52,329 | 55,406 | 55,707 | 90,193 |
| Overheads Administrative costs, professional subscriptions, archiving, supplies, travel, couriers and postage, meeting costs | 88,418 | 85,049 | 81,803 | 79,207 | 77,187 | 75,825 | 67,442 |
| Depreciation Leasehold improvements, equipment and furniture, IT and systems, asset disposals | 231,726 | 158,883 | 105,728 | 91,980 | 93,487 | 95,793 | 111,750 |
| Total | <u>4,444,075</u> | <u>3,995,267</u> | <u>3,849,640</u> | <u>3,849,585</u> | <u>3,939,475</u> | <u>4,042,213</u> | <u>4,087,290</u> |
| <i>Real-term totals (as at Sep 2020)</i> | 5,092,208 | 4,519,195 | 4,207,219 | 4,068,819 | 4,042,551 | 4,086,677 | 4,087,290 |

Appendix B: Market Size by Outpayments

| | Total 15/16 | Total 16/17 | Total 17/18 | Total 18/19 | Q1 19/20 | Q2 19/20 | Q3 19/20 | Q4 19/20 | Total 19/20 | Q1 20/21 | Q2 20/21 | Q3 20/21 | Q4 20/21 | Total 20/21 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------|-------------|
| PSMS | 157,517,975 | 176,079,370 | 114,086,995 | 133,655,477 | 38,133,625 | 37,844,932 | 46,073,592 | 40,619,580 | 162,671,729 | 38,960,730 | 37,608,906 | 45,547,372 | | 122,117,008 |
| Voice Shortcode | 13,889,643 | 13,242,773 | 13,109,843 | 12,458,853 | 2,767,128 | 2,653,880 | 2,831,291 | 2,958,720 | 11,211,020 | 2,778,534 | 2,165,447 | 1,930,264 | | 6,874,245 |
| Operator Billing | 113,827,719 | 142,935,480 | 168,814,087 | 247,447,958 | 65,668,956 | 64,073,819 | 64,357,441 | 61,332,252 | 255,432,468 | 65,947,437 | 58,745,649 | 61,670,715 | | 186,363,801 |
| Total Mobile | 285,235,337 | 332,257,623 | 296,010,925 | 393,562,287 | 106,569,710 | 104,572,632 | 113,262,324 | 104,910,551 | 429,315,217 | 107,686,701 | 98,520,002 | 109,148,351 | 0 | 315,355,054 |
| 118 | 47,247,590 | 38,394,807 | 30,250,965 | 27,770,672 | 2,889,599 | 3,054,354 | 2,713,395 | 2,450,201 | 11,107,549 | 1,955,043 | 2,117,786 | 1,835,270 | | 5,908,099 |
| 09 | 53,333,641 | 52,750,424 | 49,072,375 | 49,099,569 | 16,862,189 | 15,185,798 | 12,412,611 | 12,173,063 | 56,633,660 | 11,269,857 | 11,138,731 | 11,811,906 | | 34,220,494 |
| 087 | 37,228,417 | 34,693,967 | 31,298,757 | 20,084,738 | 4,331,705 | 4,429,269 | 4,155,198 | 3,698,653 | 16,614,826 | 3,646,149 | 3,797,808 | 3,492,293 | | 10,936,250 |
| Total Fixed line | 137,809,648 | 125,839,198 | 110,622,096 | 96,954,980 | 24,083,494 | 22,669,421 | 19,281,203 | 18,321,916 | 84,356,035 | 16,871,049 | 17,054,325 | 17,139,468 | 0 | 51,064,842 |
| Total Outpayments | 423,044,985 | 458,096,821 | 406,633,021 | 490,517,267 | 130,653,203 | 127,242,053 | 132,543,527 | 123,232,468 | 513,671,251 | 124,557,750 | 115,574,327 | 126,287,819 | 0 | 366,419,896 |

2020/21 calculation

- in February 2020 we estimated the market size for 2019/20 would be in the region of £505.0m - £515.0m (compared with the actual size of £513.7m)
- our prudent and cautious estimate for 2020/21 was £500.0m

2021/22 calculation

- based on quarterly data for 2020/21 received to date (Q1, Q2 and Q3) and industry insights given by networks, aggregators and merchants as part of the Annual Market Review, we are currently forecasting that the market for the whole year will be in the region of £470.0m - £490.0m
- our assumption for 2021/22 at this stage is that overall it will be similar to that in 2020/21, and that the levy should be cautiously based on an estimated market size at the lower end of expectations i.e. £470.0m.

