PSA

Phone-paid Services Authority

Business Plan and Budget 2023/24

20 March 2023

The UK regulator for content, goods and services charged to a phone bill

Contents

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. Over the past few years, we have overseen a successful transformation of the market for consumers. Complaints are now at record low levels (down by 94% from 2015/16), and at the start of 2022/23 we introduced a new Code of Practice – Code 15 – which delivers a regulatory approach fit for a modern market where, with rare exceptions, reputable companies provide services that consumers knowingly and willingly purchase.

1.3. The PSA Board is proud of these achievements and is determined to ensure that such high levels of regulation in the consumer interest are able to be maintained in the future. In this context, the PSA Board has therefore reflected upon the current state of the market, considered where potential issues may arise in the future, and the resources likely to be needed to deal with them. In conjunction with Ofcom, the PSA Board concluded that future regulation of an industry increasingly dominated by larger players would be better served by an organisation with the capacity and breadth of Ofcom rather than a free-standing body. As a consequence, it was announced in May 2022 that regulatory responsibility for phone-paid services will transfer to Ofcom, subject to DCMS approval.

1.4. The exact date of transfer is still to be determined, but it is possible that it may be concluded during the 2023/24 financial year. This Business Plan and Budget is therefore presented on the following basis:

- the PSA will continue to deliver robust regulatory oversight of the market up until the point of transfer. The activity behind this oversight is set out in Section 4.
- the cost of this activity will continue to be funded by the industry levy
- this cost is initially presented as a budget for the whole of 2023/24, to allow for the possibility that transfer may not happen until the following financial year, but the levy will only be recovered in proportion to the number of months in which the PSA remains in operation

- the funding arrangements for regulation of the phone-paid services market post-transfer will be subject to separate Ofcom consultation and/or notification
- any extraordinary costs arising during 2023/24 in relation to the transfer will not be subject to the levy and will be funded from PSA's retained reserves.

1.5. The PSA budget for the whole of 2023/24 is £3,797,494.

1.6. Overall the budget represents a saving of £601,000 (14%) in real terms over 2022/23 (a cash decrease of £80,724). Real terms savings are 42% (£2.7m) since 2015/16.

	Cash budget £,000	Real terms budget £,000
2015/16	4,444	6,530
2016/17	3,995	5,795
2017/18	3,850	5,395
2018/19	3,850	5,218
2019/20	3,939	5,183
2020/21	4,042	5,240
2021/22	4,087	5,149
2022/23	3,878	4,398
2023/24	**3,797**	**3,797**

1.7. This business plan and budget remains subject to approval by Ofcom, and for the period up until transfer the requirement continues that we are adequately funded to meet our regulatory obligations.

1.8. As part of the preparation for transfer, there will be a levy reckoning-up process to ensure

- there is no over recovery of the budget. Depending on timing and the precise nature of PSA's winding-up activities, the levy will either be fully collected to fund the budget up to the point of transfer, or some small portion of the budget will be funded from PSA retained surplus.
- each funder only collects their correct apportionment of the levy on PSA's behalf, based on their share of total outpayments (as calculated from the most recent network returns).

1.9. We expect the market size in terms of qualifying outpayments to be £450m. After allowing for income from Registration and bank interest, the full year PSA budget to be funded by the levy is £3,647,494, which yields a levy % of 0.81% of total outpayments.

1.10. The proposed Registration fee is unchanged at £200 + VAT.

2. Strategic purpose

The PSA's strategic purpose remains unchanged during the period up until transfer.

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 all[1] 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.

[1] Where intermediary providers have successfully applied for an exemption on behalf of the merchants they represent (e.g. app stores), then only that intermediary provider needs to register.

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.

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 or reckless 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 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.

3. 2022/23 Overview

3.1. Delivery of market regulation

3.1.1. After an extensive development and consultation process in the previous year, the start of 2022/23 saw the introduction of the new 15th Code of Practice (Code 15), aimed at:

- achieving compliance in the market through standards being met, rather than through assessing impact against outcomes
- preventing consumer harm from happening in the first place, rather than dealing with it after it has happened
- providers finding the Code simpler and easier to comply with
- delivering smarter enforcement to underpin the effectiveness of the Code.

3.1.2. During the year we have sought to ensure the successful delivery of this new regulatory approach through:

- demonstrating the flexibility of the new Code by quickly incorporating change (amendments to competition and voting services requirements) and putting in place the first general permission under the new Code (SMS virtual chat receipting)
- working more closely with key individual industry providers on a supervisory basis to monitor compliance, assess and mitigate risk and better understand their engagement with the market
- developing a wider understanding of key market issues and responding accordingly, with our first thematic review under the new Code collecting targeted data from over 40 different providers of Information, Connection and Signposting Services (ICSS)
- applying an enforcement strategy that concluded a number of extant Code 14 cases to underline the emphasis we place on networks and intermediaries having effective due diligence, risk assessment and control (DDRAC) processes
- identifying and resolving new issues quickly and, wherever possible, without resort to Enforcement sanctions
- returning to industry all bonds held under previous Code requirements (no longer necessary under Code 15).

3.1.3. The impact of this new approach has been a positive one for consumers and has not impeded delivery of phone-paid services in the market:

- the number of issues reported to us by consumers has continued to be at record low levels of around 2,000 for the year (down 94% since 2015/16), with these issues being confined to only a few service types and a handful of providers
- our Annual Market Review (AMR) research shows that the number of consumers estimated to be using a phone-paid service at least

- once during a year has risen to around 60% of the UK adult population
- consumer spend in the market is expected to be broadly similar to the previous year at just under £0.6bn

3.2. Future of market regulation

3.2.1. The PSA Board has always been mindful of how the phone-paid services market could be best regulated in the long-term, and the process of developing Code 15 informed the opportunity to:

- reflect upon the current state of the market
- consider where potential issues may arise in the future
- consider the resources likely to be needed to deal with them.

3.2.2. In conjunction with Ofcom, the PSA Board concluded that future regulation of an industry increasingly dominated by larger players would be better served by an organisation with the capacity and breadth of Ofcom rather than a free-standing body. As a consequence, it was announced in May 2022 that regulatory responsibility for phone-paid services will transfer to Ofcom, subject to DCMS approval.

3.2.3. During 2022/23 we have therefore worked closely with Ofcom to identify how best to deliver this transfer, with an initial focus on:

- supporting Ofcom's aim to incorporate as much of Code 15 as possible into their statutory order and regulatory processes
- communicating the planned transfer to staff and creating opportunities for engagement with Ofcom colleagues
- relocating the PSA office into Ofcom's head office at Riverside House
- communicating the planned transfer to industry and, where able, responding to queries as they arise.

4. 2023/24 Business Plan

During 2023/24 the PSA will continue to deliver robust regulatory oversight of the market up until the point of transfer of responsibilities into Ofcom. At the same time, we will work alongside Ofcom to deliver a smooth transition that ensures there is no diminution of consumer interests arising from the process.

The latest AMR, supported by our own direct engagement with industry and consumers, indicates strongly that for 2023/24:

- the market will remain heavily dominated by digital services consumed via mobile phones (whether charged for through operator billing or PSMS)
- in turn, this mobile market will be heavily and increasingly dominated (over 90%) by major brands providing high-quality services with clear consumer demand – app stores; major gaming and music streaming providers; tv and radio broadcasters; leading charities etc.
- the overall decline of traditional voice services will continue but residual consumer demand for some voice services will remain
- the levels of consumer engagement will continue to be high, with now around 60% of the UK adult population estimated to be using a phone-paid service at least once during a year. Our expectation is that the same factors will continue to drive engagement: the "fit" of the service with use of a mobile device, convenience, impulse purchasing, and price.

Our experiences during 2022/23 and the initial application of Code 15 suggest that while the market is largely compliant, we need to remain vigilant to:

- continue to minimise consumer harm, even with complaint levels at record low levels. The AMR is still identifying around 26% of consumers claiming to experience issues with at least one service and we need to ensure we are able to identify and deal with any that require regulatory intervention quickly.
- deal with those providers still in the market who either wholly or partially seek to exploit consumers through getting them to unknowingly or unwillingly use services. This work will involve allocating resources to:
  - ensure the due diligence, risk assessment and control of networks and intermediaries is functioning effectively
  - resolve any remaining outstanding enforcement cases arising under Code 14
  - deal with litigation as it arises
  - continue to address issues in areas of the market where there are continuing problems, e.g. ICSS
  - address any new issues as they arise.
- support all providers to avoid inadvertently acting non-compliantly, particularly where there are high levels of brand recognition and issues may have a disproportionate effect on the market.

Our activity plans for 2023/24 are set out below.

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

4.1.1. We will continue to support Ofcom's work on integrating the key features of Code 15 into the regulatory regime they are developing. We will continue to review the Standards and Requirements set out in the Code 15, and use our experience of their application since April 2022 to inform any developments or amendments.

4.1.2. We will work with any regulated party or parties to explore tailored approaches to regulation, as set out in section 2.6 of the Code, and take a measured view on whether any further permissions could or should be put in place ahead of the transfer of regulatory responsibilities.

4.1.3. We will continue to best support providers to understand and apply the Standards and Requirements through appropriate guidance.

4.1.4. We will continue to provide a wide range of compliance advice in response to industry demand, whether in relation to general Code enquiries or in respect of product innovation.

4.1.5. In addition to supporting industry providers to meet their Code obligations, we will continue to further the consumer interest through advocacy and championing best practice. Work in this area will include identifying and promoting examples where providers can enhance their offerings to consumers over and above regulatory requirements.

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

4.2.1. We will further refine our approach to supervision, established during 2022/23, to best support network operators, intermediaries and larger merchants to adhere to their due diligence, risk assessment and control (DDRAC) requirements.

4.2.2. We will underpin this commitment to ensuring effective DDRAC through ongoing enhanced verification of information provided to us under our registration scheme:

- section 3.8 of the Code sets out the Standards and Requirements that all providers must adhere to, and we will continue to use our engagement and enforcement powers to manage non-compliance in this area
- where necessary and based upon an ongoing assessment of risk, we will check and amend registrations (of providers and/or services) such that we use our resources efficiently in this area
- we will continue to engage with industry on registration issues, including due diligence reporting, through working groups and workshops where appropriate.

4.2.3. We will continue to support consumers through delivery of our online Service checker, and manage the underlying database to ensure they are served accurate information to help them understand which services and organisations they may have engaged with.

4.2.4. Where we have evidence-based concerns involving e.g. poor consumer experience and/or widespread detriment that is not restricted or attributable to only a few providers, we will instigate a thematic review in the market to:

- better understand the issue and assess levels of compliance by providers in the market
- identify and implement any changes needed to our regulatory approach.

This follows on from the thematic review conducted in 2022/23 into ICSS.

4.3. Gathering intelligence about the market and individual services.

4.3.1. With a wide range of knowledge and expertise accumulated by PSA staff to be transferred into Ofcom (both people and systems), we will continue to invest fully in this area.

4.3.2. During 2023/24 we will maintain our detailed understanding of the consumer experience in the phone-paid services market through:

- commissioning our Annual Market Review and using it to ensure there continues to be a full analysis of both market size and consumer engagement with phone-paid services
- engaging closely with our Consumer Panel and harnessing the valuable consumer insights they provide
- monitoring social media and online forums for relevant trends and material issues
- learning from other consumer bodies, both with regard to phone-paid services directly and in relation to other payment mechanisms
- relevant or tangential externally published data and research.

4.3.3. We will ensure that intelligence on broader systemic issues continues to be developed through:

- continuing to explore how to develop and apply automated monitoring capabilities that we can target to yield precise intelligence on consumer engagement in specific market areas
- ongoing investment in the technical capabilities of our staff and the technological resources available for their use
- ensuring we have processes in place that enable us to fully marshal and assess intelligence being derived from all sources, whether received under Code direction or more informally.

4.3.4. We will continue to gather valuable intelligence about individual services through:

- maximising our understanding of a consumer's engagement with a service when they report an issue to us
- using intelligence received from consumers and other sources (e.g. consumer interest groups) to understand the risk of actual or potential harm, and to target monitoring accordingly
- maximising the use of automated channels for relevant consumer contacts, enabling intelligence gathering resources to be directed to where they are most needed. We expect to maintain levels of 99% of contacts being handled through either Service checker, our website, or information on our telephone interactive voice response (IVR) system.

4.4. Engaging closely with all stakeholders

4.4.1. During the year we will continue to build consumer confidence in phone-paid services through:

- using our communication channels to help consumers best understand what they can expect from their engagement with the phone-paid services market, including the avenues of redress available to them
- responding to media opportunities as they arise to support and inform consumers about their positive use of phone-paid services and how to deal with issues in the market
- working with industry partners to promote advice and educational content to their own audiences.

4.4.2. We will work with our Consumer Panel to ensure our specialist consumer insight into phone-paid services is appropriately integrated into Ofcom's broader consumer engagement.

4.4.3. While we may need to issue formal directions as part of our regulatory oversight, we will continue to aim to principally engage informally and collaboratively with industry to discuss and address issues in the market. We expect this to include:

- continuing to deliver our current approach to stakeholder engagement through supervision, ensuring that we have a full understanding of stakeholder plans for the phone-paid services market and the challenges they face, supporting compliance and identifying and mitigating potential consumer risk
- managing regular informal contact with individual organisations outside of any supervisory stakeholder management processes
- delivering structured industry-wide set pieces, e.g.:

- workshops and webinars that support ongoing wider industry understanding of our regulatory remit, Code 15 and its Procedures, and any specific policy developments
- the Industry Liaison Panel.

4.4.4. We will continue to fulfil our obligations as an arm's-length body of DCMS, allocating resources as required under our Framework Agreement to respond to data requests and commissions from central government.

4.4.5. We will also continue to ensure that the best overall regulatory outcome for consumers is achieved, typically through making relevant referrals to other enforcement bodies (e.g. Insolvency Service).

4.5. Enforcing our Code of Practice

4.5.1. We will work closely with Ofcom colleagues on transition arrangements to ensure that there is a seamless continuation of enforcement activity after transfer.

4.5.2. During the period up until transfer, we will continue to ensure that the aims of Code 15 are underpinned by effective enforcement through:

- using our intelligence gathering capabilities to quickly identify any harm or potential for harm
- in the first instance and where appropriate, using our codified engagement powers to try to resolve issues quickly without applying sanctions
- formally investigating and seeking to apply sanctions where merited. Our aim in most cases is for this to be applied only where the engagement process has failed, although we will proceed straight to formal investigation for those cases where significant harm has occurred or we have clear evidence that co-operation will not be forthcoming.
- applying the Procedures that support the Code and continue to review them for effectiveness.

4.5.3. We expect our emphasis in 2023/24 to be in the following areas:

- completing any outstanding Code 14 cases that were not able to be resolved during 2022/23
- underpinning compliance with the approach of Code 15, ensuring industry providers respond to directions for information and deliver their registration obligations.

4.5.4. We will also continue to ensure the long-term effectiveness of enforcement sanctions by remaining committed to an exhaustive debt recovery process for unpaid fines and admin charges, so that those adjudicated against fully understand that we will chase down all outstanding debts over a significant period of time.

4.6. Delivering organisational excellence

4.6.1. To deliver the activity set out above, but in the context of a largely compliant market and the planned transfer of roles into Ofcom, we are budgeting for a headcount of 34.6 FTE in 2023/24, down from 36.4 in the previous year.

4.6.2. We have already transferred in 2022/23 our office location into Ofcom premises at Riverside House, and we will continue to apply ways of working that are driven by business needs and the optimisation of staff engagement, productivity, and effectiveness.

4.6.3. During the period up until transfer we will continue to ensure our regulatory work is fully supported through high quality governance, legal, finance, business systems, human resource, communications and administrative functions. This will include:

- prioritising and investing in cyber security, ensuring it best delivers against our ways of working
- ensuring our decision-making processes are wholly implemented and are fully auditable
- delivering robust data protection processes
- continuing to embed our commitment to equality, diversity and inclusion.

4.6.4. Preparation for, and implementation of, the transfer into Ofcom will focus on four main areas:

- continuing to work with Ofcom and DCMS to ensure a smooth and orderly transition of regulatory responsibilities
- providing detailed support and training to our staff as they move into a new organisation
- ensuring that essential systems and data are successfully transferred over, so that seamless regulatory activity can be maintained
- financial and administrative winding up of Phone-paid Services Authority Limited.

5. 2023/24 Operating budget

5.1. The full year operating budget for 2023/24 is £3,797,494 as set out in Appendix A.

5.2. The budget for 2022/23 was £3,878,219, the equivalent for which in 2023/24 would be £4,397,899[2]. The proposed budget for 2023/24 therefore represents a saving of £81,000 (2%) in cash terms and £558,000 (13%) in real terms over 2022/23. Since 2015/16 the PSA operating budget has been reduced by 42% (£2.7m) in real terms.

5.3. The budget has again 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 costs in 2023/24 are budgeted to be £193,000 higher (7%), even after allowing for a reduced Full Time Equivalent (FTE) headcount of 34.6, down from 36.4 budgeted in the previous year. This reflects the cost of living increases (at less than half the rate of inflation) made during the 2022/23 financial year and that we expect to make in April 2023, mindful in particular of the operational need to retain and motivate staff during the period up until transfer.
- we expect our budget for external expenditure on policy work and stakeholder engagement to be £15,000 higher in 2023/24, to reflect the increased scope of the Annual Market Review fieldwork (which was under-budgeted in 2022/23)
- our legal fees budget is only £2,000 higher, reflecting marginally increased costs of an outsourced data protection officer. Otherwise the budget in this area remains unchanged, but with an operating recognition that actual overall spend is dependent on the number of legal challenges to our regulatory activities and the degree to which costs can be charged as administrative fees.
- we expect to deliver overall savings of £20,000 across our IT and telephony budgets, as a portion of our costs in this area will now be included in the overall office accommodation charge from Ofcom. However with more than half the budget in this area being in relation to software licenses, we expect to continue to experience upward cost pressure from Microsoft and other providers.
- the move of our office into Ofcom's head office at Riverside House during 2022/23 is expected to save £187,000 in accommodation costs, with a further saving of £64,000 in depreciation of leasehold improvements. Overall savings arising from the move are therefore budgeted to be £251,000 (50%) for the full 2023/24 year.
- our finance and governance are expected to be £9,000 higher due to increased premiums for Professional Indemnity Insurance and Directors and Officers Insurance
- our overheads budget is £3,000 less than 2022/23 and reflects post-pandemic changes to ways of working
- excluding depreciation on leasehold improvements, we expect to save a further £25,000 in depreciation on IT assets.

[2] Based on RPI at January 2023 of 13.4%

5.4. Appendix B sets out the budget for 2023/24 by month, reflecting variations in the timing of costs. As detailed in Section 5, this allocation across the year will be used as the basis to set:

- variable monthly levy payment schedules (for qualifying larger funders)
- the total levy due at the point of transfer and the subsequent reckoning-up process across all funders.

5.5. The following items of PSA expenditure are not funded by the levy and are budgeted and reported separately to the PSA Board:

- any extraordinary costs arising in relation to the transfer (funded from PSA's retained reserves)
- bad debts arising on fines and administrative charges
- Code Adjudicatory Panel and oral hearing legal costs (funded by administrative charges).

6. 2023/24 Levy

6.1. As set out in Code 15 (Section 7, Funding Arrangements), the levy funding model 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 operating budget as approved by Ofcom.

6.2. The levy is applied to the actual size of the market, as measured by total outpayments from network operators to their industry clients, i.e. after retaining their network charges from total revenues received. Network operators will be advised of the amount of levy we expect them to collect on our behalf, based on:

- estimates of their individual outpayments for the year
- their subsequent estimated market share
- the timing of the PSA operating budget across the year.

6.3. The levy reckoning up process for 2023/24 will either happen in good time ahead of the point of transfer, or after the year end should the transfer be enacted beyond March 2024. In either case, the process will ensure:

- there is no over recovery of the budget. Depending on timing and the precise nature of the PSA's winding-up activities, the levy will either be fully collected to fund the budget up to the point of transfer, or some small portion of the budget will be funded from PSA retained surplus.
- each funder only collects their correct apportionment of the levy on PSA's behalf.

6.4. There are no collected fine charges available to offset the levy requirement from industry. Fines collected during 2021/22 were used to replenish the PSA retained surplus depleted during 2020/21, and any fines collected during 2022/23 and 2023/24 will be added to the retained surplus to ensure that there are sufficient funds for the smooth and orderly wind-up of PSA Limited.

6.5. We expect the market size in terms of qualifying outpayments to be £450m. After allowing for income from Registration and bank interest, the full year PSA budget to be funded by the levy is £3,647,494, which yields a levy % of 0.81% of total outpayments.

6.6. The calculations for 2023/24 are:

	2022/23	**2023/24**
	£	**£**
PSA budget	3,878,219	**3,797,494**
Budgeted other income	(151,000)	**(150,000)**
Amount to be funded by levy	3,727,219	**3,647,494**
Estimated market size (see Appendix C)	450,000,000	**450,000,000**
Levy as % of estimated market size	0.83%	**0.81%**

7. PSA Registration fees

7.1. As set out in section 3.8 of Code 15, all network operators, intermediaries and merchants 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 supporting due diligence responsibilities
- 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 2023/24 we expect there to be 750 paying organisations.

7.4. For 2023/24 the fee for Registration will remain at £200 plus VAT, which will ensure that all providers continue to contribute appropriately and directly to the ongoing running costs of Registration. The budgeted £150,000 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 will 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 charities that are defined as such in UK law.

Appendix A: Budget

Expenditure breakdown by cost area	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	**2023/24**
	Budget £	Budget £	Budget £	Budget £	Budget £	Budget £	Budget £	Budget £	**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	2,657,066	**2,850,169**
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	112,272	**126,960**
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	108,541	**110,447**
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	271,228	**266,807**
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	29,545	**14,201**
Premises Rent, service charge, rates, utilities and facilities management	475,397	410,304	409,073	418,988	438,639	444,813	452,220	433,597	**246,600**
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	99,342	**107,729**
Overheads Adminsitrative 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	65,081	**62,387**
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	101,546	**12,194**
Total	4,444,075	3,995,267	3,849,640	3,849,585	3,939,475	4,042,213	4,087,290	3,878,218	**3,797,494**
Real-term totals (RPI as at Dec 2022)	*6,529,764*	*5,794,987*	*5,394,937*	*5,217,466*	*5,183,784*	*5,240,367*	*5,149,471*	*4,397,899*	*3,797,494*

Appendix B: Monthly spread of 2023/24 Budget

Expenditure breakdown by cost area	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total 2023/24 Budget
	£	£	£	£	£	£	£	£	£	£	£	£	£
People costs Salaries, NI, pension costs, training and recruitment	241,652	234,980	234,980	237,980	234,980	238,652	237,980	234,980	238,652	237,980	234,980	242,377	**2,850,173**
Policy, External Relations and Communications Research, forums, seminars, publications, consumer education and other communications activity	1,380	1,380	4,980	1,380	1,380	18,180	3,380	3,380	9,380	39,380	3,380	39,380	**126,960**
Legal Fees External advice, debt recovery and non-recoverable hearing costs	11,904	11,904	11,904	11,904	11,904	11,904	6,504	6,504	6,504	6,504	6,504	6,504	**110,448**
IT Systems Business continuity, office systems (including printing), contact information handling, case management, data analysis, and Registration	26,448	25,127	25,127	26,448	25,127	25,127	19,781	18,460	18,460	19,781	18,460	18,460	**266,806**
Telecoms Line rental (including handsets), incoming and external call charges, call data storage, Broadband, mobile monitoring	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,183	**14,196**
Premises Rent, service charge, rates, utilities and facilities management	20,550	20,550	20,550	20,550	20,550	20,550	20,550	20,550	20,550	20,550	20,550	20,550	**246,600**
Finance and Governance Insurance, audit and other finance costs, residual VAT	47,590	100	116	416	716	30,612	27,296	416	116	116	116	116	**107,726**
Overheads Adminsitrative costs, professional subscriptions, archiving, supplies, travel, couriers and postage, meeting costs	6,346	4,371	4,371	6,371	4,371	4,731	4,371	9,571	4,371	4,503	4,503	4,503	**62,383**
Depreciation Leasehold improvements, equipment and furniture, IT and systems, asset disposals	4,065	4,065	4,065	0	0	0	0	0	0	0	0	0	**12,195**
Total	361,118	303,660	307,276	306,232	300,211	350,939	321,045	295,044	299,216	329,997	289,676	333,073	**3,797,487**
Registration fee income	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	**150,000**
Total levy to be collected	348,618	291,160	294,776	293,732	287,711	338,439	308,545	282,544	286,716	317,497	277,176	320,573	**3,647,487**

Appendix C: Market Size by Outpayments

	Total 20/21	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	Total 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	Total 22/23
Operator Billing	**247,385,477**	57,423,545	56,795,693	62,942,852	62,906,141	**240,068,232**	64,088,587	64,650,482	70,282,313		**199,021,381**
PSMS	**158,046,832**	36,500,152	37,516,180	45,379,557	33,755,735	**153,151,623**	36,421,674	32,169,790	45,568,486		**114,159,950**
Voice Shortcode	**8,382,394**	1,727,104	1,656,700	1,815,904	1,540,718	**6,740,427**	1,665,090	1,544,295	1,614,217		**4,823,601**
Total Mobile	**413,814,703**	95,650,801	95,968,572	110,138,314	98,202,594	**399,960,281**	102,175,350	98,364,566	117,465,016	0	**318,004,933**
118	**7,301,325**	1,650,692	1,343,963	1,377,419	1,287,174	**5,659,249**	1,279,655	1,186,743	1,150,682		**3,617,080**
09	**45,516,169**	11,566,052	10,157,818	11,521,338	10,412,471	**43,657,679**	10,823,030	10,670,742	10,546,356		**32,040,129**
087	**13,884,947**	3,084,677	3,031,628	2,933,313	2,551,792	**11,601,409**	2,374,092	2,264,596	2,254,927		**6,893,615**
Total Fixed line	**66,702,441**	16,301,421	14,533,409	15,832,071	14,251,437	**60,918,338**	14,476,777	14,122,081	13,951,966	0	**42,550,824**
Total Outpayments	**480,517,144**	111,952,222	110,501,981	125,970,384	112,454,031	**460,878,619**	116,652,128	112,486,647	131,416,982	0	**360,555,756**

2022/23 calculation

- in February 2022 we estimated the market size for 2021/22 would be in the region of £450m - £470m (compared with the actual size of £460.9m)
- our prudent and cautious estimate for 2022/23 was £450m.

2023/24 calculation

- based on quarterly data for 2022/23 received to date (Q1 to 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 £450m - £470m

Our assumption for 2023/24 at this stage is that overall it will be broadly the same as 2022/23 (with small growth in mobile services offsetting continued decline in fixed line services), and that the levy should be cautiously based on an estimated market size at the lower end of expectations, i.e. £450m.