PSA

Phone-paid Services Authority

Business Plan and Budget 2024/25

March 2024

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. In May 2022 the PSA and Ofcom announced regulatory responsibility for phone-paid services would transfer to Ofcom, subject to government approval. The core rationale for this is:

- the PSA has overseen in recent years a successful transformation of the market for consumers, with high levels of compliance across nearly every service provided
- the market has become dominated by larger household name providers
- any future market issues would therefore be better served by an organisation with the capacity and breadth of Ofcom rather than a free-standing body.

1.3. Much of the necessary statutory and operational work to prepare for the transfer has been undertaken during 2023/24. Last year's Business Plan and Budget allowed for the possibility that the transfer would be concluded during the year, but we now expect this to happen during 2024/25. The exact date of transfer is still subject to completion of statutory processes, but at this stage we are planning for October 2024. 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 2024/25, 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 are subject to separate Ofcom consultation and/or notification
- any extraordinary costs arising during 2024/25 in relation to the transfer will not be subject to the levy and will be funded from the PSA's retained reserves.

1.4. The PSA budget for the whole of 2024/25 is £3,818,616.

1.5. Overall the budget represents a saving of £175,000 (4%) in real terms over 2023/24 (a cash increase of £21,123). Real terms savings are 43% (£2.9m) since 2015/16.

	Cash budget £,000	Real terms budget £,000
2015/16	4,444	6,748
2016/17	3,995	5,988
2017/18	3,850	5,576
2018/19	3,850	5,393
2019/20	3,939	5,357
2020/21	4,042	5,415
2021/22	4,087	5,321
2022/23	3,878	4,545
2023/24	3,797	3,994
2024/25	**3,819**	**3,819**

1.6. 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.

1.7. 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).

1.8. We expect the market size in terms of qualifying outpayments to be £500.0m. After allowing for income from bank interest, the full year PSA budget to be funded by the levy is £3,808,616, which yields a levy % of 0.76% of total outpayments.

1.9. The requirement for registered providers to pay a Registration fee is removed with effect from 1 April 2024.

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 Science, Innovation and Technology (DSIT).

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, DSIT 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. 2023/24 Overview

3.1. Delivery of market regulation

3.1.1. At the start of 2022/23 we introduced the new 15th Code of Practice (Code 15) and during 2023/24 continued to implement its underlying aims of:

- 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
- enabling providers to find the Code simpler and easier to comply with
- delivering smarter enforcement to underpin the effectiveness of the Code.

3.1.2. Our successful delivery of this regulatory approach in 2023/24 included:

- using the evidence of consumer detriment provided through the thematic review into Information, Connection and Signposting Services (ICSS) to develop and consult on proposals for Code changes. The consultation closed in April 2023, with 17 responses received and the majority being supportive of our proposals. After receiving Ofcom's approval for the proposed Code changes, we issued our Statement on the consultation on 24 July and the new Code Requirements came into effect on 18 September 2023. We also updated Transparency Guidance in light of the new Code Requirements.
- developing our approach to supervision working with network operators and intermediaries, leading to improvements in their due diligence, risk assessment and control (DDRAC) processes
- continuing to support industry to maintain high levels of compliance, whether through issuing specific notices or providing advice in response to industry requests. The compliance notice issued in April 2023 set out our expectations in relation to ICSS, building on recent adjudications and information provided to us as part of the thematic review.
- ensuring we maintained an accurate understanding of the market in general and individual services within it. Our internal intelligence gathering function continued to provide granular analysis of services and providers, while the Annual Market Review (AMR), published in August 2023, provided both a broad financial overview of the market and valuable insights into consumers' experience and views on phone-paid services. In addition, we continued to benefit from the expertise and experience of our Consumer Panel.

- successfully applying an engagement-first approach, with a much higher proportion of identified issues being addressed with providers without resort to Enforcement sanctions
- where necessary, applying Enforcement activity to ensure that providers have been held accountable both for significant levels of consumer harm and cooperation with the regulatory approach in place under Code 15. Emphasis continued to be placed on networks and intermediaries having effective due diligence, risk assessment and control (DDRAC) processes.

3.1.3. Our impact on consumers and the market has been positive:

- the AMR provided a broadly positive view from industry of the first year of operation of Code 15, and our own assessment was that the Code has embedded well, has largely met its four objectives, and has had significant regulatory and operational benefits
- the number of issues reported to us by consumers 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
- the AMR showed that the number of consumers estimated to be using a phone-paid service at least once during a year continues to grow, to 62% of the UK adult population (up from 60% in the previous year)
- consumer spend in the market is also expected to grow in 2023/24 and in subsequent years, largely driven by growth in operator billing, with the AMR projecting a compound average growth rate of 2.3% through to 2025/26.

3.2. Preparation for transfer

3.2.1. During 2023/24 we have worked closely with Ofcom to prepare for the transfer of regulatory responsibility. This work included:

- continuing to support Ofcom's development of the draft s.122 Statutory Instrument (SI) which will transfer regulation from the PSA to Ofcom. We provided detailed input on provisions within the SI and supporting information to assist with the development of Ofcom's consultation process.
- liaising with colleagues at the Department for Science, Innovation and Technology (DSIT) to support the planning for obtaining Secretary of State consent and laying of the SI before parliament
- identifying operational requirements for the smooth transfer of regulatory responsibilities, including systems integration and transition arrangements for ongoing engagement and enforcement activity

- a programme of informal engagement to give PSA staff a better understanding about Ofcom in general and help build relationships with Ofcom colleagues in advance of the staff transfer.

4. 2024/25 Business Plan

During 2024/25 the PSA will continue to deliver robust regulatory oversight of the market up until the point of transfer of regulatory responsibilities and staff 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 2024/25:

- 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 62% 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 2023/24 and the 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 24% 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, or prepare for their ongoing resolution post-transfer
    - 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 2024/25 are set out below.

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

4.1.1. We will continue to apply Code 15 through to the point of regulatory transfer, and to support Ofcom's work on integrating the key features of Code 15 into their new regulatory regime.

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

4.1.3. 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.

4.1.4. 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 continue to apply our now established approach to supervision 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 consider instigating 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.

Any such approach will take into account the timing ahead of a likely date of transfer and how it may be absorbed into Ofcom's regulatory approach post transfer.

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 2024/25 we will ensure a detailed understanding of the consumer experience in the phone-paid services market is maintained through:

- commissioning an Annual Market Review for 2023/24 to include 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 DSIT, allocating resources as required under our Framework Agreement including 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 continue to work closely with Ofcom colleagues on transition arrangements to deliver as best as possible 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 2024/25 to be in the following areas:

- completing any outstanding Enforcement cases that were not able to be resolved during 2023/24
- where we estimate that we are unlikely to resolve open cases before transfer, to prepare them for continuation either under the transitional arrangements provided for or under Ofcom's new regulatory regime
- continuing to deliver compliance with the approach of Code 15 through 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 pursuing to the extent possible prior to transfer, 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. We will deliver the activity set out above through a headcount of 32.6 FTE in 2024/25, down from 34.6 in the previous year. Since 2020/21 we have reduced our FTE headcount by 27%.

4.6.2. We will continue with our office location in 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 privacy and data protection processes
- continuing to embed our commitment to equality, diversity and inclusion.

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

- continuing to work with Ofcom and DSIT 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 PSA Limited.

5. 2024/25 Operating budget

5.1. While we are planning for transfer to happen during the 2024/25 financial year, we present a budget that covers the whole of the year and allows for easy comparison with 2023/24.

5.2. The full year operating budget for 2024/25 is £3,818,616 as set out in Appendix A.

5.3. The budget for 2023/24 was £3,797,494, the equivalent for which in 2024/25 would be £3,994,964[2]. The proposed budget for 2024/25 therefore represents an increase of £21,000 (1%) in cash terms but a saving of £175,000 (4%) in real terms over 2023/24. Since 2015/16 the PSA operating budget has been reduced by 43% (£2.9m) in real terms.

5.4. 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. The commentary below regarding the different cost areas identified in Appendix A is based on a full year on year comparison:

- our people costs in 2024/25 are budgeted to be £64,000 lower. This is due primarily to a reduced Full Time Equivalent (FTE) headcount of 32.6, down from 34.6 budgeted in the previous year, with savings offset by salary increases. We remain 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 £4,000 higher in 2024/25, reflecting additional costs of producing the AMR
- our legal fees budget is £99,000 higher than in 2023/24 to include additional external support costs required to deal with the range of legal challenges to our regulatory activities and Freedom of Information Act requests
- we expect to deliver overall savings of £9,000 across our IT and telephony budgets, reflecting careful management of our software licencing requirements in light of our reduced headcount and external cost pressures from software providers
- we significantly reduced our accommodation costs last year through the move of our office into Ofcom's head office at Riverside House, and we expect to save a further £6,000 during 2024/25 through reductions in our facilities requirements
- our finance and governance are expected to be £15,000 higher due primarily to continued increases in our required insurance premiums
- our overheads budget is £4,000 less than 2023/24 and continues to reflect post-pandemic changes to ways of working
- in readiness for the winding up of PSA limited and the preparation of our Financial Statements on a breakup basis, we have fully written off our assets in the 2022/23 financial year. We are budgeting for minimal asset acquisitions during 2024/25, the full cost of which have been included in other budget lines. Depreciation in 2024/5 will therefore be £0k.

[2] Based on RPI at December 2023 of 5.2%

5.5. Appendix B sets out the budget for 2024/25 by month, reflecting variations in the timing of costs. As detailed in Section 6 below, 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.

5.6. 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. 2024/25 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 2024/25 will either happen in good time ahead of the point of transfer, or after the year end should the transfer be enacted beyond March 2025. 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 since then have been added to the retained surplus to ensure that there are sufficient funds for the smooth and orderly winding-up of PSA Limited.

6.5. We expect the market size in terms of qualifying outpayments to be £500.0m. After allowing for income from bank interest, the full year PSA budget to be funded by the levy is £3,808,616, which yields a levy % of 0.76% of total outpayments.

6.6. The calculations for 2024/25 are:

	2023/24	**2024/25**
	£	**£**
PSA budget	3,797,494	**3,818,616**
Budgeted other income	(150,000)	**(10,000)**
Amount to be funded by levy	3,647,494	**3,808,616**
Estimated market size (see Appendix C)	450,000,000	**500,000,000**
Levy as % of estimated market size	0.81%	**0.76%**

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. Historically, the PSA has charged a Registration fee as a direct contribution to the ongoing running costs of Registration (staff, systems and share of overheads).

7.3. However, to align with Ofcom's proposed approach to Registration, we will remove the obligation to pay a Registration fee from all registered providers.

7.4. The effective date is 1 April 2024 and will apply equally to registration renewals and new registrations.

7.5. Any registration renewals or new registrations prior to 1 April 2024 will still be required to pay the current fee of £200 plus VAT (unless exempt), for the following reasons:

- this Business Plan and Budget for 2024/25 cannot come into force until approved by Ofcom in March 2024, and so the existing Registration fee requirements apply until that point in time
- the cost and complexity of administering rebates to those registered providers whose renewal date is sometime after April 2024 would be disproportionately high given the relatively low level of the Registration fee in the first place
- such a cost would fall on industry anyway, through being added to the levy requirement for 2024/25.

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	**2024/25**
	Budget £	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	**2,785,944**
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	**131,280**
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	**209,004**
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	**261,384**
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	**10,152**
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	**240,984**
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	**123,028**
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	**56,841**
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	**0**
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	**3,818,617**

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 2024/25 Budget**
	£	£	£	£	£	£	£	£	£	£	£	£	**£**
People costs Salaries, NI, pension costs, training and recruitment	236,278	229,454	229,454	232,454	229,454	233,278	232,454	229,454	233,278	232,454	229,454	238,478	**2,785,944**
Policy, External Relations and Communications Research, forums, seminars, publications, consumer education and other communications activity	1,590	1,590	2,190	1,590	1,590	17,190	3,590	3,590	9,590	42,590	3,590	42,590	**131,280**
Legal Fees External advice, debt recovery and non-recoverable hearing costs	20,117	20,117	20,117	20,117	20,117	20,117	14,717	14,717	14,717	14,717	14,717	14,717	**209,004**
IT Systems Business continuity, office systems (including printing), contact information handling, case management, data analysis, and Registration	25,564	24,891	24,891	25,564	24,891	24,891	18,898	18,224	18,224	18,898	18,224	18,224	**261,384**
Telecoms Line rental (including handsets), incoming and external call charges, call data storage, Broadband, mobile monitoring	846	846	846	846	846	846	846	846	846	846	846	846	**10,152**
Premises Rent, service charge, rates, utilities and facilities management	20,082	20,082	20,082	20,082	20,082	20,082	20,082	20,082	20,082	20,082	20,082	20,082	**240,984**
Finance and Governance Insurance, audit and other finance costs, residual VAT	52,463	-185	-185	-185	-185	-185	32,855	-185	-185	-185	-185	39,375	**123,028**
Overheads Adminsitrative costs, professional subscriptions, archiving, supplies, travel, couriers and postage, meeting costs	5,653	3,928	3,928	5,928	3,928	4,288	3,928	9,128	3,928	4,068	4,068	4,068	**56,841**
Depreciation Leasehold improvements, equipment and furniture, IT and systems, asset disposals	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total	362,593	300,723	301,323	306,396	300,723	320,507	327,370	295,856	300,480	333,470	290,796	378,380	**3,818,617**

Appendix C: Market Size by Outpayments

	Total 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	Total 22/23	Q1 23/24	Q2 23/24	Q3 23/24	Q4 23/24	Total 23/24
Operator Billing	**240,068,232**	64,109,037	64,854,558	70,292,823	72,746,347	**272,002,764**	72,166,577	75,253,276	80,848,239		**228,268,091**
PSMS	**153,151,623**	36,614,464	32,169,789	45,699,302	33,810,559	**148,294,113**	37,217,979	37,459,408	44,212,701		**118,890,088**
Voice Shortcode	**6,740,427**	1,665,089	1,544,296	1,614,216	1,463,943	**6,287,544**	1,609,921	1,398,683	1,488,644		**4,497,249**
Total Mobile	**399,960,281**	102,388,590	98,568,643	117,606,340	108,020,849	**426,584,421**	110,994,476	114,111,367	126,549,584	0	**351,655,428**
118	**5,659,249**	1,279,655	1,186,741	1,150,682	1,192,363	**4,809,442**	1,004,836	1,023,575	1,021,019		**3,049,431**
09	**43,657,679**	10,823,999	10,595,168	10,550,593	9,829,365	**41,799,124**	9,584,823	7,350,645	6,454,728		**23,390,196**
087	**11,601,409**	2,368,457	2,265,411	2,255,118	1,913,368	**8,802,354**	2,100,369	1,753,287	1,726,056		**5,579,711**
Total Fixed line	**60,918,338**	14,472,111	14,047,320	13,956,393	12,935,096	**55,410,920**	12,690,027	10,127,508	9,201,803	0	**32,019,338**
Total Outpayments	**460,878,619**	116,860,700	112,615,963	131,562,733	120,955,945	**481,995,341**	123,684,504	124,238,875	135,751,387	0	**383,674,766**

2023/24 calculation made last year

- in February 2023 we estimated the level of outpayments for 2022/23 would be in the region of £450.0m - £470.0m (compared with the actual size of £482.0m)
- our prudent and cautious estimate for 2023/24 was £450.0m.

2024/25 calculation

- based on quarterly data for 2023/24 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 outpayments for the whole year will be in the region of £500.0m - £510.0m
- with growth in mobile services offsetting continued decline in fixed line services in 2023/24, but with a degree of uncertainty for 2024/25, we are now cautiously estimating a market size at the lower end of expectations, i.e. £500.0m.