

MINUTES OF THE 407th MEETING
PHONE-PAID SERVICES AUTHORITY LTD BOARD MEETING

Wednesday 28th June 2017

10.00am – 1.00pm

PHONE-PAID SERVICES AUTHORITY LTD, 25th FLOOR, 40 BANK STREET, LONDON E14 5NR

Board Members

David Edmonds - Chairman
Kevin Brown
Ann Cook
Meg Munn
Steve Ricketts
Ruth Sawtell
Joanne Prowse - CEO

Code Adjudication Panel

Mohammed Khamisa - CAP Chair (item 5.1)

Phone-paid Services Authority Executive

Peter Barker
Mark Collins (item 3.2)
John Hodge (item 3.1)
Jonathan Levack (item 3.3)
David Levitt (item 2.3)
Simon Towler
Ayo Omideyi
Stephanie Ratcliffe (minutes)

1.0 STANDING ITEMS

1.1 Apologies and Introduction

The Chairman welcomed members to the meeting. Apologies were received from Lynn Parker, Director of Consumer Protection at Ofcom.

1.2 Minutes of 406th Board Meeting held on 7th March 2017

The Board **APPROVED** the draft minutes of the meeting held on 7th March 2017.

1.2.1 Matters Arising and Action log

There were no matters arising.

The Board **NOTED** all actions on the log were closed.

1.2.2 Standing and other Declarations of Interest on agenda items

The Chairman declared his recent resignation from Trinity Laban Conservatoire of Music and Dance, London.

1.3 Chief Executive's Report

The Board **NOTED** the Chief Executive's update on activity and progress across the organisation, as outlined in the paper.

The following points were highlighted:

- The year-end audit 2016/17 has been successfully completed. Board approval is now being sought on the financial statements and directors' report under item 2.1.
- Strategic and business planning discussions are due to take place with the Board in September.
- Complaints levels are significantly down, as a consequence of the introduction of Special Conditions on certain services and actions by networks. PSA remains committed to helping innovation and encouraging new services entering the market in the consumer interest.
- Focus on the developments of PSD2 implementation remains strong. PSA will continue to help and facilitate industry discussions with HM Treasury, the FCA and Ofcom, as much as possible.
- The L1 engagement programme is progressing well and the Board will be kept informed of developments and learnings.
- A market-wide limited registration exception pilot for Level 2 providers, offering services through a qualifying Level 1 provider, is being developed, and in accordance with the Code. An interim update on progress will be provided at the next meeting. **(Action: S Towler)**
- The Industry Forum, held on 10 May, was successfully delivered, with high attendance and positive feedback received.
- Consultation on the sanctions review has now closed. Two responses were received and comments will be considered and a final statement will be issued shortly. The Board **RECOMMENDED** that the Executive considers how to achieve greater compliance by L1 providers and an update provided on current L1 action and developments.

(Action: J Hodge)

- Futuresight complaint handling research - feedback on the research will be sought from the Board, prior to publication in early July.

The Chairman **THANKED** the leadership team for their continued support with improving industry engagement.

2.0 ITEMS FOR APPROVAL/DECISION

2.1 Draft Director's Report and Financial Statements for the Year Ended 31.03.17

Appointment of Auditors

Kevin Brown, Chair of the Audit, Risk and Corporate Governance Committee (ARCGC), **RECOMMENDED** the appointment of the National Audit Office (NAO) to act as external auditors for Phone-paid Services Authority Ltd (PSA). The Board **APPROVED** the appointment of the NAO to act as the external auditors for PSA.

Draft Director's Report and Financial Statements for the Year Ended 31.03.17

Kevin Brown **INFORMED** the Board that the financial statements and director's report, for year ended March 2016/17 had undergone a detailed review at the ARCGC. The Board **NOTED** the NAO's recommendation for the creation of an approved supplier list.

Subject to final confirmation from the NAO on some minor revisions discussed, Kevin Brown **RECOMMENDED** the financial statements and director's report to the Board for approval. The Board **APPROVED** the signing of PSA's director's report and financial statements, year ended 31.3.17, and **AGREED** for the signing of the accounts to take place off line, on behalf of the Board, by the Chairman of PSA and Chair of the ARCGC.

(Action: P Barker, D Edmonds, K Brown)

The Chairman **THANKED** the leadership and finance team for the excellent audit report.

2.2 Office Holder Remuneration

Steve Ricketts, Chair of the Resources Committee, **RECOMMENDED** a consolidated 1.5% annual cost of living increase for office holders, as set out in the paper. The Board **NOTED** that the Chairman proposed to waive his increase until a review at the end of his current term.

The Board **NOTED** the cost of the Board was significantly lower than in previous years and **APPROVED** the proposed consolidated cost of living increase for office holders. The new rates will be effective from and back dated to 1st April 2017.

2.3 PRS Condition

The Executive presented the outcome of a review of the phone-paid services market and what falls within the definition of 'controlled premium rate services, as outlined in the paper.

The Board **NOTED** the findings and that the report provides an opportunity to address existing PRS definition issues and engage on wider issues in the market and with consumers.

The Board **ENDORSED** continued joint working with Ofcom to improve consumer understanding of findings and **AGREED** for the report to be formally sent to Ofcom.

(Action: J Prowse)

3.0 ITEMS FOR DISCUSSION

3.1 Code 14 Implementation Review

The Board **NOTED** the paper setting out the Executive's review of Code14, which was implemented in July 2016. The review was undertaken using qualitative and quantitative data, measured against specific principles, its aim being to measure the extent to which the changes to Part 4 of the Code met their objectives.

The Board **NOTED** that key findings were broadly as anticipated and Code 14 processes are working very well. Improvements identified were mainly operational and have either taken place or are 'work in progress.'

The Board **RECOMMENDED** the following:

- Consider improvements to increase provider understanding of Code processes and obtain better evidence.
- Update investigations process to clarify that recommendations to the CAT are made by the Executive.
- Add a narrative column to the appendix of the report to improve understanding of the underlying metrics (Appendix A).
- Consider providing a cost best estimate on the additional resource requirements created by Code 14 changes.

(Action: J Hodge)

The Chairman **THANKED** the Board and Executive for the thorough, concise work undertaken in bringing the Code to implementation and **ENDORSED** the Executive's recommendations, as set out in the paper.

3.2 Project Horizons Update

The Board **NOTED** the progress update on Project Horizons. Specific emphasis was given to digital innovation relevant to the phone-paid sector, its associated risks and impacts on PSA. The Executive gave an assessment of Virtual Reality (VR) headsets.

The Board **AGREED** risks are particularly apparent with VR and SES (Sexual Entertainment Services) and the need for particular focus on consumer protection within this area.

The Board **RECOMMENDED** the following:

- Consider additional work around 'text based' services for consumer engagement and development of a prototype text based bot.
- Ensure the monitoring team keep abreast of developments, with focus on social media.
- Provide an update on progress early 2018.

(Action: M Collins, S Towler)

3.3 Stakeholder Survey

The Board **NOTED** the summary of research findings from the stakeholder survey, undertaken in April 2017. The survey was undertaken to gain an objective, independent view of perceptions of PSA across all stakeholder groups and feedback received was broadly favourable and positive.

The Board **NOTED** areas for improvement, such as 'speed of response' and 'consumer awareness' are being progressed and have been built into PSA's business plan.

The Board **RECOMMENDED** the following:

- Consider new opportunities to work with other regulators to help facilitate and raise consumer awareness.
- Consider other means of direct engagement with consumers, such as contacting and use of 'household survey', DCMS Head of Research, contract publishers, Regional TV/ broadcasters, supermarket magazines.
- Bring a report on consumer strategy to the Board for discussion, every 6 months.

(Action: J Levack)

4.0 ITEMS FOR INFORMATION

4.1 Management Accounts Full Summary Report, Period Ended 31st May 2017

The Board **NOTED** the management accounts summary report, period ended 31st May, including the expected financial performance of the organisation for the 2017/18 financial year, as set out in the paper. Final expenditure for 2016/17 was £105k below budget, and expenditure for 2017/18 is forecast to be within £4k of the budget.

Anticipated and cautious fine collection levels support PSA's intention, based on a set of assumptions, to hold levy funding requirements at current levels over the next four years.

4.2 Annual Evaluation of Board Work and Performance

The Board **NOTED** the summary of findings, following the recent self-evaluation undertaken by the Board, on its work and performance. The aim of the evaluation is to assist in improving and maintaining good standards of governance.

The Chairman **ADVISED** that feedback received confirms the Board is performing well and operates at a high standard. Members are also encouraged to approach the Chairman and/or CEO, at any stage, should they wish to address any areas concerning leadership, governance or process.

The Board **ACKNOWLEDGED** potential risks of complacency and **RECOMMENDED** additional training development opportunities are identified to support management of Board governance, including risk evaluation of unforeseeable challenges.

(Action: S Ratcliffe)

4.3 GDPR

The Board **NOTED** the paper summarising the objectives of, and changes made by, the new EU GDPR to current data protection law, affecting all data controllers, including PSA.

The Executive outlined the new requirements, including the bolstering of the data protection principles (in particular the addition of 'accountability' principle) and 'strengthened rights' for individuals.

The Executive confirmed PSA is on track to deliver expected outcomes and a data protection officer is being recruited in accordance with the law, who will report directly into the ARCG Committee on data protection matters.

The Board **ENDORSED** the current preparations and **AGREED** for the responsibility for ensuring GDPR compliance to be included in the ARCG Committee's terms of reference.

(Action: S Ratcliffe)

5.0 CODE ADJUDICATION PANEL (CAP) REPORT

5.1 Annual CAP Chair Report

Mohammed Khamisa, Chair of the CAP, provided an annual progress report on the Code Adjudication Panel and confirmed, that since its implementation in July 2016, the new Code, its procedures and the new panel were working extremely well. Member appraisals undertaken confirmed that there were no issues of concern to report upon. The CAP Chair commended the training programmes delivered by the Executive for CAP members, as well as the generally high standard of support received from the Executive.

The Board **RECOMMENDED** the Executive considers the following:

- The case for lobbying for an increase to the statutory fine levels.
- Greater use of universal refunds as part of the new sanctions process and provide a report update on progress.

(Action: Leadership Team)

The Chairman and Board **THANKED** Mohammed Khamisa for the annual CAP report.

6.0 AOB

6.1 Items for information

Risk register (high level only) to be included on the agenda, as a regular item.

(Action: P Barker)

End of Minutes

Date & location of next meetings Board and Strategy:

Date: Wednesday 13th September 2017

Time: 10.00am-12.00pm & 2.00pm-4.30pm (sandwich lunch at 12.00pm)

Location: PSA offices, 25th Floor, 40 Bank Street, Canary Wharf, London, E14 5NR