



## ICSTIS DRAFT ACTIVITY PLAN AND BUDGET 2007/8

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## 1. EXECUTIVE SUMMARY

- 1.1 This document invites comment on ICSTIS' draft budget and plans for 2007/8. Following consultation the budget will be agreed with Ofcom and a funding levy set for the coming financial year.
- 1.2 For years the UK premium rate sector was defined by a small range of service categories. It had a fairly steady turnover of £200m in 2000 and £400m in 2001. Since then the market for services paid for by premium rate charging has grown dramatically to roughly four times the size. The UK public spend £1.6billion – the equivalent of about £35 per year by every adult in the country – on an ever-widening range of services and goods across every communications platform.
- 1.3 The growth has been spurred by product and market developments and by the introduction of a variety of new technology platforms. Premium payment is used on mobiles, landlines, through the internet and via digital TV and its return path technology. It encompasses value-added directory enquiry services, mobile video and a host of forms of participation television.
- 1.4 There is further potential for this form of micro-payment mechanism as new communications technologies reach mass-market adoption stages and users want to transact easily while using broadband, 3G mobiles, digital TV and IPTV.
- 1.5 This system of micro-payment is a key part of the infrastructure supporting UK broadcasting and creative industries. Public trust in it is critical. Effective regulation has facilitated market growth, innovation and choice.
- 1.6 This trust was threatened in 2004 and 2005 with rogue-trading in the form of internet dialer services and spam marketing of misleading award and competition services. The action taken to deal with these problems and to build the market we have today is at the heart of our approach to regulation going forward.

In this document we look at how convergence in the communications sectors offers opportunities for businesses and consumers if we can develop a strategic agenda for consumer protection based on three core themes:

- 1. Harm prevention and market development through improved support and advice to the industry, through better understanding of new products, platforms and payment mechanisms and by taking action to ensure public harm is minimized and the Code requirements are met by “designing-in” compliance**
- 2. Harm prevention and market development through action to inform and educate the public over the safe use of premium rate services – thus preventing the need for regulatory intervention**
- 3. Harm prevention and market development through timely, effective enforcement work, based in part on targeted monitoring**

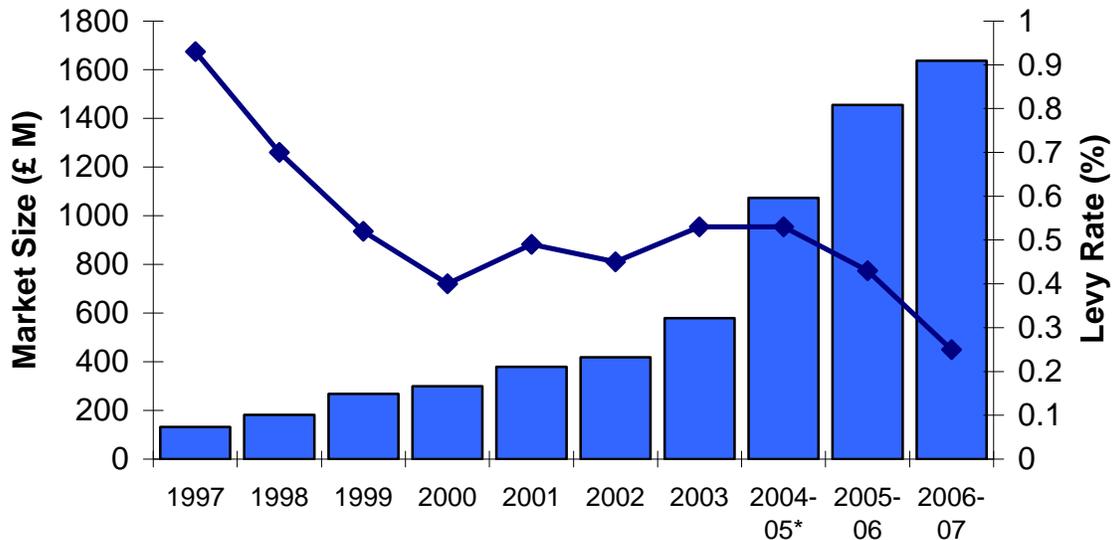
- 1.7 We plan investments in each of the areas listed. Our aim is to take actions that build trust, confidence and a willingness to use premium rate services. In 2006/7 each £1 of our budget generated or safeguarded £400 of public spending on services. We aim to ensure our costs continue to fall in relation to consumer spending on premium rate services.
- 1.8 In support of these functions we aim to manage ICSTIS' finances, infrastructure, HR and other resources in ways that minimise costs and maximise the protection we offer and to support delivering a secure market. Our success in minimizing regulatory overheads is reflected in the reduction in the ICSTIS funding levy over recent years to a record low level of 0.2% for the second half of 2006/7.
- 1.9 We are looking for stakeholder support for a budget based on investments that deliver increased public understanding of, trust in and openness to using premium rate services. We want arrangements that ensure new services can come to market without delay and with consumer safeguards built in. We want to see complaints and concerns continue to fall in relation to the market's size and to get to the stage where most can be dealt with without having to impose heavy sanctions.
- 1.10 Whilst some traditional areas of the premium rate industry are expected to be static at best in the coming 12 months, other areas will see growth. In some cases this will be unpredictable and will be spiky causing resource issues (recent example is the explosive growth of participation TV including Quiz TV). Furthermore, paid for premium content is expected to continue penetrating all areas of our lives with the advent of such things as broadband, 3G and IPTV. This will raise challenges for ICSTIS as it seeks to provide the necessary regulatory framework to allow the industry to flourish as it has done over the past 20 years. We are sensitive to the argument that we should seek cost reductions wherever possible, however we believe that we need to invest in our regulatory future and the cost increases in next year's budget will be a worthwhile investment that will lead to savings in the future and help protect the industry.

## **BACKGROUND**

### **2. Recent market developments and performance against targets**

2.1 Figure 1 illustrates the trend in growth of the UK premium rate industry over recent years. The table also shows how this growth, the recovery of fines and budgetary control has led to continuous falls in ICSTIS levy to its present rate.

**Figure 1**



\*The figures for 2004-2005 are based on a 15-month reporting period

*Figure 1. Ten-year trend in premium rate market size (bars) against ICSTIS levy rate (line)*

2.2 Analysts report a fall in the market for mobile ring-tones and logos and say this trend will continue. Against that we have seen the development of mobile video services and premium rate (PSMS) gambling services. We have seen greater use of premium donation-taking by charities.

2.3 The most marked trend in 2006/7 to date has been in participation television. Market estimates vary but the consensus, most recently confirmed at a Participation TV Conference in September 2006, is that the "quiz-TV" sector has a turnover of at least £120 million. There is some uncertainty around some services and their status under the Gambling Act 2005. Programme makers appear to have various options if they wish to continue the format and continue use of premium payment. There is also the possibility that Service Providers could be unable or unwilling to operate as lotteries, making the format illegal. This scenario is thought unlikely by industry and the Gambling Commission.

## **The market going forward**

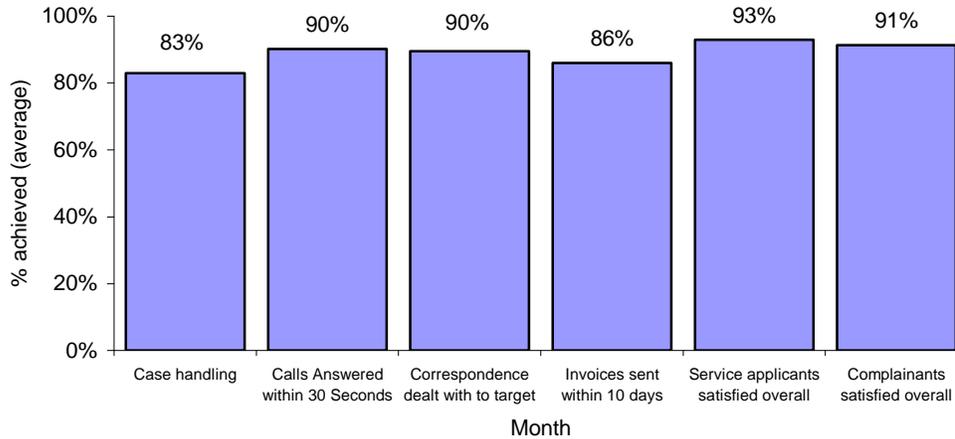
- 2.4 Market data on developments in the premium rate sector is limited in volume and value. We accept the argument made by trade bodies that ICSTIS should look at how more meaningful information could be collected and published, and that we should play a fuller role in assessing market structure and trends. This is one reason behind plans to recruit an Analyst with these and other skills.
- 2.5 The information we have suggests that we should expect to see further substantial developments in the sector in 2007/8. We already have mass-market take up of broadband services and digital television. We know of strong industry interest in IPTV services, a model that industry sources assume will be attractive to, if not dependent on, premium-rate type pay-as-you-play/use.
- 2.6 Assumptions over mass market take up of 3G mobile telephony vary. Recent Informa research assumed 2007 would be the tip-over year. Others, including network providers, were less optimistic. It is clear, however, that device and network capability is now there to accommodate a wider range of services, many of which are already attracting premium rate payments. These include full-track music downloads, voice-services accessed on mobile short-codes and mobile video services.
- 2.7 Charity services are one example of how premium rate payment can be used for services and goods that are “off-handset”; where the benefit or purpose of the call or text payment is unrelated to the telephone device itself. We have seen this also with some gambling services and premium text payment as a way of accessing paid-for content on the Internet.
- 2.8 In November 2006 ICSTIS published an assessment of new communications platforms, products and technological consumer protection threats and tools. The report is at [www.icstis.org.uk](http://www.icstis.org.uk).

### **3. Operational Performance in 2006/7**

3.1 As part of our Memorandum of Understanding with Ofcom, ICSTIS agreed a set of Key Performance Indicators. We agreed to report on these as part of the budget process.

3.2 The headline information is set out in figure 2, below.

**Figure 2**



*Figure2. Average monthly KPI figures attained; September 2005 - August 2006*

#### **Complaint Handling**

3.3 2006/7 to date has seen a further reduction in complaint levels to ICSTIS although the number of investigations opened and the number of cases taken to adjudication is at or above recent levels. In the first six months of 2006/7 just over 1,000 cases were opened.

3.4 In the first six months of 2006/7 we recorded nearly 8,000 complaints, of which 97% were from the public. The balance has been intra-industry complaints or cases resulting from ICSTIS monitoring. Complaints have related to TV participation voting, mobile subscription services, misleading “pay-for-product” services badged as delivery-services, mobile spam with premium-charging attached and quiz television programmes.

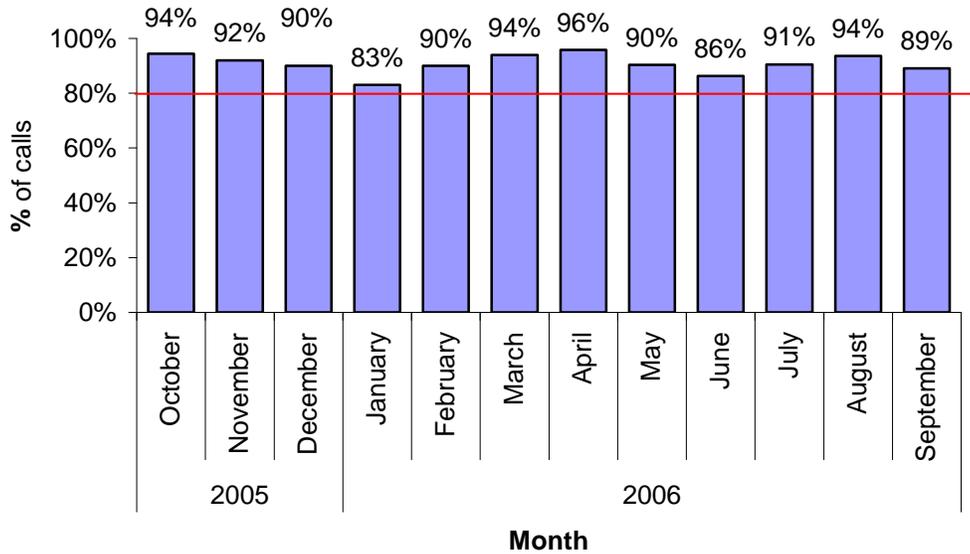
- 3.5 We believe it right to apply a health warning to the complaint statistics. The figure is certain to be an under-representation of the total number of people with concerns over premium rate services – and of the number of services of concern. This may be particularly true with mobile services popular with the young and sold in a market where more than 65% of users are on pre-pay. This is one important reason for investment in technology to take, record and respond to complaints and enquiries sent by text.
- 3.6 In 2006/7 we started a programme of monitoring of services and marketing. Initially, monitoring has focused on the marketing aspect and the pricing issues in particular. We hoped that the majority of issues arising could be dealt with under informal procedure – avoiding the cost and bureaucracy of a 12-week formal investigation wherever possible. We have met this target. In September 2006 we looked at the marketing of services on over 2,000 numbers and short codes. We found that just over half met our Code expectations in full, while a further 25+% raised issues we could address informally. These 500 or so numbers/marketing efforts were aggregated where appropriate and dealt with through 79 contacts with service providers.
- 3.7 Efficient case-handling is of value to the public only if they are satisfied by the overall outcome. Our KPI target is that 65% of respondents (to our survey forms) give a satisfactory or better marking. Our latest figure is 93%. With more complaints made on-line we will survey by that means in an effort to increase the levels of feedback received.

### **Public enquiry services**

- 3.8 ICSTIS has continued to provide information on premium rate services and linked numbering issues. We are committed to providing the public with education on premium rate services through our helpline IVR, website and Contact Centre staff. By providing an explanation of premium rate services and the short-codes and numbers on which they operate we aim to build public understanding and confidence in using services. During 2005/6 we handled around 900,000 number checks on our website. Several thousand additional enquiries were handled by automated IVR equipment. A total of 197,803 calls were taken by the ICSTIS Contact Centre. In the first half of 2006/7 online number-checks stabilised at broadly 80,000 per month, and Contact Centre enquiries at 10,000 per month.

3.9 The Key Performance Indicator here is that 80% of public calls to our Contact Centre are taken by staff within 30 seconds. Our performance to date is shown in figure 3, below.

**Figure 3**



*Figure3. Contact centre KPI showing target of 80% of calls answered within 30 Seconds*

3.10 We are proud of our success in providing an efficient service. Through use of technology and efforts to stop harmful services we have achieved lower than forecast call levels and a 22% staff saving against our original 2005/6 forecast.

3.11 We believe we must balance online and IVR based solutions with a good quality service for those seeking personal assistance from Contact Centre staff. We believe the ability of this mix of services to meet one million enquiries annually is good value for business and valued by the public. Using a notional £4 per call<sup>1</sup> for an enquiry processed at ICSTIS rather than at network or at service provider level, there are considerable savings for business in our work.

3.12 We believe our service has effectively met the concern set out in the 2004 Ofcom Review document that service data be available on an assured and satisfactory basis to meet public enquiries about the services linked to numbers on bills – as distinct from public complaints. We plan incremental investment in this area in 2007/8.

<sup>1</sup> The Informa Mobile Industry Outlook 2006 Report estimated carrier call-handling costs at \$10/call. £4 is a conservative re-estimate

#### **4. A new approach to regulation**

- 4.1 In a converging world with further potential for the use of this form of micro-payment, we need arrangements that address strategic risks and that command wide confidence. We need regulatory solutions that are flexible and scaleable if we are to keep pace with industry developments and consumer trends.
- 4.2 Over recent years the public faced some new and serious threats linked to new technologies and the ability to mass market at low cost products and services that proved to be misrepresented, even fraudulent. Supported by Ofcom, network operators, Government and others we have achieved considerable success in getting to the position of relative stability, growth and trust that exists today. Going forward we need approaches that reflect the ubiquity of telephony as a form of payment credit.
- 4.3 With new challenges and roles coming up we have looked at the lessons to be taken from the nature of past problems and how they were addressed. Looking at past difficulties with dialler and mobile subscription services it is clear the solutions to consumer harm lay not just in robust enforcement but more in changes in the basic regulatory framework for the services: to the introduction of extra and specific conditions in ICSTIS rules and network contracts and through a form of conditional licensing with bonds or payment withholds. In 2005 with support from industry and action by DTI and Ofcom we introduced “30-day” payment rules designed to stop rogue traders from running “spam, scam and scam” services.
- 4.4 We need to make best use of our non-statutory status and our ability to work far more closely with industry and others to develop well-informed arrangements in the timeframes necessary to allow markets to develop but without the risks that might otherwise exist. Only through understanding services, products and marketing and through the design-in of safeguards can we achieve high levels of assurance over consumer protection. This is why ICSTIS is going to take a more strategic approach to regulation based on working in partnership with industry players and others. This is the approach we adopted with the participation Quiz TV programmes that are funded in full or in large part from premium rate participation. This is now a market worth over £100m per annum and proof of how a regulatory framework delivered in time and based on consultation can facilitate new services.
- 4.5 This is the principle we applied with directory enquiry services and one we are applying to services using the 0871 number range. We are not seeking to prohibit but to understand the sector and public concerns and develop an appropriate framework.

## **Our new approach**

4.6 As explained we propose a three-pronged approach to regulation under-pinned by a professional infrastructure and a partnership approach.

**(1) We will be working with industry to build understanding of the regulatory regime and expectations, to provide advice and assistance with compliance and to understand better new products, pay mechanisms, platforms and technology as a risk and source of protection. If businesses are clear on what is expected of them and if we can “design-in” compliance at the outset there is less risk of public harm and market damage.**

**(2) We will be taking action to inform and educate the public. The more people understand services and the payment mechanism the more able they are to exercise choice and control. This is most obviously an issue in relation to young people.**

**(3) We will be taking effective and proportionate enforcement action that deters repeat misconduct and that helps those involved to bring their services into compliance. This is critical to political, media and public confidence. It is also hugely important for the majority of businesses who comply with the Code and face market damage or unfair trade through those who do not.**

4.7 We say more below about each of these three areas:

### **Preventing harm and building trust by working with industry**

4.8 ICSTIS already provides advice and support to service providers developing services that require ICSTIS prior permission to operate. We also provide copy advice on draft marketing material. We offer induction meetings to new network operators to ensure they are aware of the Code and the obligation on them.

4.9 We propose to consolidate and extend this work in an industry support team dedicated to assisting service providers, information providers, networks, broadcasters, publishers and others to maximise compliance with the ICSTIS Code. The support team will work with industry and others to build an understanding on new products, platforms, pay mechanisms and on how possible consumer harms can be addressed at the point of introduction. The team will be outward-looking, meeting with key players, engaging at conferences and developing further our skill in understanding services and how they work.

4.10 The team will assist new and existing networks with due diligence and other Code related issues. The team will be ready to work on Best Practice as well as basic Code compliance. The team will aim to provide support and advice that goes beyond advertising “copy” and the preparation of cases for permission approval. We aim to assist providers, aggregators and others in dealing with compliance on a holistic basis – helping with any regulatory aspect of the marketing and operation of services.

- 4.11 We propose to continue to make strategic use of the prior permission process to provide safeguards for new service categories. But we want staff in this area to function as part of our extended Support Service, building on their expertise in dealing with new and novel concepts.
- 4.12 Our initial goal is to quadruple the level of compliance advice provided to businesses in 2007/8 and, more generally, to secure a fall in the number of cases we have to investigate.

#### **Preventing harm through public information and education**

- 4.13 Empowering, informing and educating the public to look after themselves to the greatest extent possible is the second part of the preventative agenda.
- 4.14 ICSTIS has always provided support through its Contact Centre and Website dealing with a million or more number checks, enquiries or complaints. We are in some ways uniquely placed to draw together information on services, numbering and service providers.
- 4.15 We are a focal point for information on the safe use and control of premium rate services. In other areas (number-checking most obviously) our ability to collate information on-line and allow network access allows networks to deal direct with customer issues. In both cases our work leads to significant cost savings for networks. We will be looking further at our website in terms of its structure, content, language and navigation as it continues to develop as a key tool in providing the public in particular with information and help.
- 4.16 We want the public to be able to communicate with us using the same tools they use when buying and accessing premium rate services. We are looking to provide access and dialogue via text message. We think this is important given the high percentage of children with mobiles, the volume of youth products sold as PRS and the relatively small percentage of users with contracts and who get billing information from their carriers. People with text and mobile-related issues, problems and queries should be able to put these to us “real-time”. This would address concerns over the likely under-reporting of problems and the speed with which we can respond. An efficient service should reduce costs to network providers and others in the value chain.
- 4.17 We will continue to invest in our Contact Centre staff. We believe it is possible safely to make some reduction in operating hours (now moving to 8am to 6pm) and to remove any financial provision for temporary staff to deal with increased call volumes. We want our staff to be more expert in giving the public help and to be more active in evidence-taking as the first contact point for the complaints that come by these means. Any failure to provide an efficient public service could multiply frustrations and the risk that trust in PRS will fall.

- 4.18 We are committed to continuing the education and information work targeted at children – principally through the [phonebrain.org.uk](http://phonebrain.org.uk) website. We plan to match this with work targeted at parents and guardians. We will re-visit our basic consumer literature and plan to develop new ways of explaining PRS and our role to regional consumer bodies and to the public direct. We plan to put less cost and effort into national conferences and more into regional visits, briefings, media drives and public meetings. This is a more efficient cost-effective way of building understanding, trust and confidence.
- 4.19 We will be re-measuring public awareness of and confidence in premium rate services in 2006/7 and aim to improve both measures by 2007/8.

#### **Prevention of harm through timely, effective and proportionate enforcement**

- 4.20 We propose to take further action to develop our adjudicatory capability. We recognise the significance to businesses and the public of our decisions and aim to achieve high standards in terms of the quality, consistency and speed of adjudications. At the same time we remain committed to our policy of dealing with less harmful breaches of our Code informally and focusing resource on cases of greater harm.
- 4.21 We propose to create an adjudicatory “Bench” within ICSTIS focused solely on enforcement issues and containing a blend of lay and legal people with expertise in work of this nature. This will be the subject of a separate consultation. With efficient case management, best use of adjudicators and a general strategic approach to policy making, we believe Committee costs can be held at approximately 2006/7 levels.
- 4.22 To achieve high standards of adjudication the Board and/or Bench must have good quality support from the Executive. Adjudication panels and those working to bring cases to the Panels will be supported by an in-house legal team of two. This arrangement is to be delivered at the same cost as was committed to in 2006/7. Our provision for external legal support in 2007/8 is at the level planned for 2006/7 – a target that challenges us to find over 30% in savings against present spend levels. Most legal costs relate to Oral Hearing/adjudicatory work. While we aim to make savings by minimising Code breaches and maximising the quality of adjudications, our system must continue to accommodate all those wishing to exercise their right to hearings and Appeals.
- 4.23 Wherever possible we recover legal costs but this income does not appear in the current year’s accounts as a reduction in legal costs but is held with other fines and administrative charges to reduce the funding requirement in the following year
- 4.24 Our new 11<sup>th</sup> Code gives ICSTIS responsibility for dealing with any network non-compliance with their Code obligations. It also allows ICSTIS to deal on occasion with Information/Content Providers where it is possible and sensible to deal with them on an issue, rather than the Service Provider as defined by the Code and underlying legislation. We had made assumptions over the volume of additional work that could come from these changes.

- 4.25 We plan to continue to monitor services and promotions to ensure a level playing field and deter mis-selling. Our monitoring should be “smart” – we should use technology, and server/software based monitoring in particular, to assure the quality and completeness of data available if necessary for any case adjudications. This is an area of planned investment, and one where we will be exploring the productivity and financial savings that could be achieved.
- 4.26 We will track cost per complaint case handled in 2006/7 as a benchmark. We aim to reduce this cost by 10% in 2007/8.

### **The policy/political context**

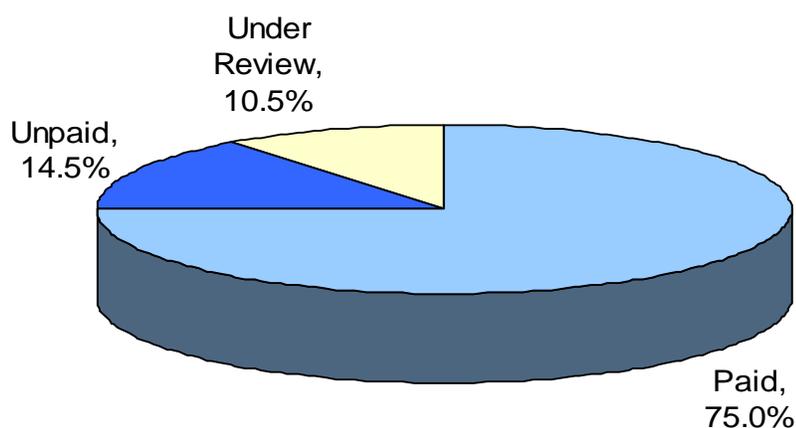
- 4.27 This Plan and budget document should be considered in the context of related developments:
- 4.28 ICSTIS re-branding – As part of our new approach to regulation, we are committed to taking forward the re-branding exercise. Industry, public, political, media and regulatory stakeholders have all said the existing brand is a barrier to understanding, dialogue and use. It does nothing to help or inform the public or the industry. We will want a new brand to reflect the preventative and collaborative agenda described here. It should also be able to accommodate our changing remit. As agreed a year ago, the core costs relating to any re-brand are to come from existing reserves that can be replenished as necessary from future levy income.
- 4.29 0871 services – We propose that the preparatory costs of extending our regulation to meet Ofcom’s wish that we cover revenue-sharing services on the 0871 number range should be met from contingency reserves that can be re-built from levy income on the amended range of services once we have assumed the regulatory role. The costs are not therefore included in this budget, although the preparatory work is a considerable additional responsibility for some senior staff which is in part reflected in the proposal to enhance the leadership at management level.
- 4.30 Ofcom has announced its plan to review the scope of ICSTIS regulation. The review is likely to report in the second half of 2007. It is possible the review will bring forward actions that can be implemented with quick effect. This could affect ICSTIS’ financial position in 2007/8. We do not propose to make any financial provision or assumption in this regard. We take this position for two reasons:
- the probability is that any proposed change in scope or role would require amendment to the ICSTIS Code, the Ofcom PRS Condition or the Communications Act 2003 itself. These changes will take time to consult upon and implement
  - provision already exists in ICSTIS contingency reserves for any additional activity agreed with Ofcom and stakeholders. And mechanisms exist for dealing with any reduction in activity and expenditure in terms of transferring funds toward the cost of regulatory activity agreed for following years

- 4.31 We are also in talks with the Gambling Commission over those competition services that use premium payment mechanisms and that in future could be classified in law as gambling or lottery services.
- 4.32 Our regulatory role has to take account of other developments including the work at the EU level on Audio-Visual services, the review of the telecommunications framework directives and possible work with the FSA and Treasury on payment and e-money law. In all these areas we believe our ability to explain the effectiveness of non-statutory solutions developed in partnership with industry contributes to public protection and market development.

## **5. 2006/7 finances**

- 5.1 Expenditure in the first half of 2006/7 was in line with budget expectations. We have made savings in the Contact Centre but had higher than forecast legal costs. There has been an incremental increase in monitoring work. We have expenditure in hand on consumer information and web-site services and on research.
- 5.2 Based on final information on higher than forecast industry turnover we were able to announce a reduction in the funding levy for the second half of 2006/7.
- 5.3 In the first six months of 2006/7, we have imposed £867,750.00 in fines and recovered 75% with other payments possible pending Hearings and Reviews (see figure 4). This appears a double success. We have had to fine less than in previous years due to the success of preventing problems and have recovered a far higher percentage of the fines imposed. All fines and administration charges recovered in the first nine months of 2006/7 will be used to reduce the levy requirement for 2007/8.

**Figure 4**



*Figure 4 Breakdown of current payment status of fines imposed in 2006/7*

## **6. The headline issues in the 2007/8 budget proposal**

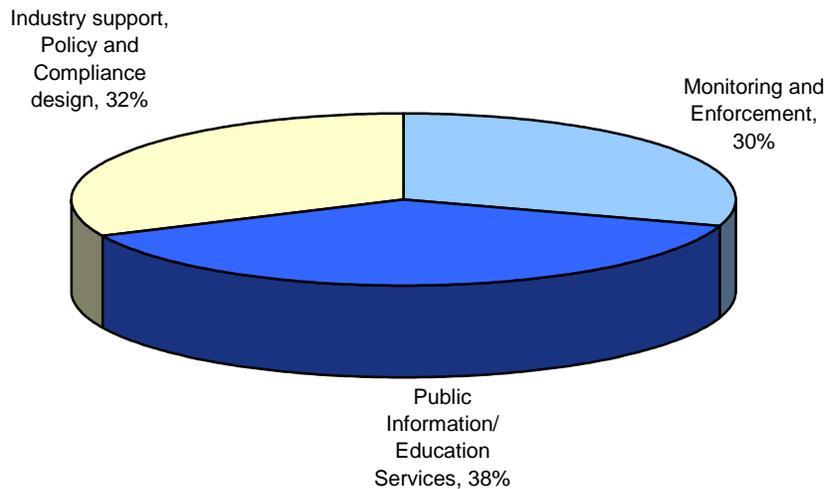
6.1 Our budget proposal under-pinning our new approach is at Annex A. It presents 2007/8 proposals against 2006/7's budget and our forecast out-turns. We also present the planned 2007/8 investments under our three broad headings:

- Prevention through work with industry
- Prevention through public information and education
- Prevention through effective enforcement

6.2 We have allocated Corporate Services work and more general overheads on a pro-rata basis.

6.3 Based on these assignments, the allocation of planned spend is set out in Figure 5 below.

**Figure 5**



6.4 There are a number of expenditure items likely to generate interest. We have sought to identify and address them below.

6.5 *Is this investment in regulation justified when complaints are falling?*

We believe so. Complaints are down because of action to design-out non-compliance in services over recent years. Public trust is low and fragile after past problems. Informing the public, making sure the next generation of products are safer and sorting out the remaining bad traders is key to taking a £1.6billion market to a further level.

Investment in industry data that can be shared and used to put issues into context is valuable. Investment in core operational technology is essential if we are to perform to challenging KPIs that underpin trade. Quality adjudications more fully-reported are confidence-building and an aid to general compliance. Investment in treasury and IT management will increase efficiency and take future costs out of our operation. This is already evident through fine recovery rates that are three times those of a year ago.

6.6 *Why has there been an increase in staff costs?*

Whilst staff costs have increased by £229,700, the head count has only increased by 2 due to, in the main, rationalization in the contact centre. We plan to invest in a number of senior positions enabling the organization to better face the challenges in the future and to help provide better regulation to the industry. These include:

1. in house legal role to support the proposed regulatory bench and reduce by up to £60,000 the cost of external legal advice,
2. business analyst to build a greater media, public and political understanding of the sector,
3. corporate services director to ensure robust treasury management and to maximize economies and income and
4. a transfer of resources to the new team dedicated to providing businesses with help and advice on compliance

6.7 *There is a marked increase in IT costs?*

We have increased software licensing costs related to a new complaints database, replacement servers (Exchange 03 + SQL server and client access licenses) and the proposed text enquiry/complaint/monitoring capability. There are costs associated with new disaster recovery and business continuity arrangements. The investment will improve public service and should reduce industry costs. The software based approach would allow all executive staff to use monitoring tools and should reduce the staffing need for conventional monitoring and enquiry handling. In 2007/8 we have assumed one FTE saving related to this capability.

6.8 *Why has the Research budget been reduced?*

We are confident the budget allows 3-4 substantive pieces of work related to consumer views and trends and product/market development. More is possible in-house with the appointment of a Business Analyst.

6.9 *“Overheads” are up?*

This covers the costs of structured monitoring of services – through publication subscriptions. It covers a limited increase in costs related to attending conferences, trade shows and other events and work on EU directives that impact the industry. We must be outward looking if we are to understand new products, platforms and pay mechanisms work and help business achieve compliance. Stationary and consumable costs depend on complaint levels and the volume of adjudications

6.10 *Can governance change be achieved without cost?*

We believe so. We are looking to reduce the size of the Board and to focus on strategic issues. We are reducing the sub-structure of work groups and can make operational savings through case management (made possible through our new database) and new ways of working at the adjudication panels.

6.11 *Is the change in philosophy reflected in the budget – for example in terms of “External Affairs”?*

Yes. Within broad definitions we are making more provision for industry and consumer events. We have provision for consumer literature and regional events – but recognize we will generally need to work with partners and through “multipliers” if we are to maximise our effect with very limited funds.

6.12 *Is this a cultural change for ICSTIS?*

Yes – the change is considerable. There will be some restructuring and changes in role. We will need to build on existing skills and existing work on the promotion of compliance. We are committed to the change programme as this offers a far better way of developing markets and protecting consumers in an increasingly converged communications world. It is an approach that allows us to deal better with further growth in the sector we regulate and new or changed responsibilities, including responsibility for 0871 services.

6.13 *When will a levy be set?*

The funding levy for 2007/8 can only be set once we have taken views on market size, seen comments on our budget and taken stock in December 2006 of the income (fines and administrative charges) and excess levy from earlier years. The levy represents the income needed to meet funding needs after these revenues are taken into account.

Our aim has been to avoid major changes in the levy rate while reducing it progressively. The levy today is one-fifth the level it was in 1997. Our hope is to keep the levy at this level.

### **7. Key Consultation questions:**

We would welcome views on this paper, on the themes and planned expenditure. We would particularly value thoughts on the following points:

- (1) Are the assumptions of likely, but not dynamic, market growth reasonable? Are there areas where activity may decline or increase rapidly?
- (2) What other major external developments should we take into account as we set our budget?
- (3) In what particular ways would you encourage ICSTIS to pursue its new agenda through:
  - (a) work with the industry and
  - (b) public information and education?
- (4) Which areas on research and market analysis do you think are most important to consumer understanding, trust and use of services?

We look forward to receiving comments. Responses should be sent to Ann Austin at [aaustin@icstis.org.uk](mailto:aaustin@icstis.org.uk) or Ann Austin, ICSTIS, 1<sup>st</sup> Floor, Clove Building, 4 Maguire Street, London, SE1 2NQ

Responses should be submitted by close of business on **Tuesday 5 December 2006**.

**ICSTIS Budget  
Summary 2007/8**

ICSTIS Budget 2007/08	2006/07	2007/08	Movement	%	2006/07	2006/07	Public	Monitoring &	Industry	2007/08
	Budget	Budget	Budget	Budget		Forecast	Variance	Information & Education	Enforcement	
Board and Bench Fees & Related Costs	292,000	301,000	9,000	3.08%	257,625	(34,375)	75,129	85,490	140,381	301,000
Staff Salaries & Related costs	2,127,000	2,361,700	234,700	11.03%	2,099,631	(27,369)	875,178	715,178	771,344	2,361,700
Staff Training & Development	60,000	60,000	0	0.00%	60,000	0	22,201	17,765	20,034	60,000
Contracted & Consultancy Services	85,000	79,000	(6,000)	-7.06%	84,500	(500)	33,694	19,434	25,872	79,000
Rent, Rates & Service Charge	315,500	309,300	(6,200)	-1.97%	301,407	(14,093)	117,998	91,120	100,182	309,300
Insurance	47,700	41,000	(6,700)	-14.05%	33,939	(13,761)	15,642	12,077	13,281	41,000
Equipment Costs & Maintenance	14,308	12,750	(1,558)	-10.89%	15,500	1,192	4,864	3,756	4,130	12,750
IT Costs & Maintenance	43,692	135,300	91,608	209.67%	66,500	22,808	88,294	22,389	24,617	135,300
Depreciation	191,500	225,000	33,500	17.49%	194,847	3,347	93,260	62,749	68,991	225,000
Office Overheads	109,000	124,500	15,500	14.22%	132,198	23,198	47,498	36,676	40,326	124,500
Telecoms	129,660	94,350	(35,310)	-27.23%	80,250	(49,410)	52,642	22,485	19,223	94,350
Website	49,340	92,600	43,260	87.68%	88,000	38,660	51,714	35,185	5,701	92,600
Legal Fees	176,000	175,000	(1,000)	-0.57%	223,250	47,250	0	122,500	52,500	175,000
Accountancy & Audit	30,000	31,500	1,500	5.00%	28,750	(1,250)	12,017	9,280	10,203	31,500
Research	100,000	85,000	(15,000)	-15.00%	100,111	111	50,000	0	35,000	85,000
External Affairs and Policy	117,000	118,000	1,000	0.85%	105,700	(11,300)	69,947	3,240	44,813	118,000
Printing & Design	77,000	66,000	(11,000)	-14.29%	77,936	936	40,572	442	24,986	66,000
Independent Appeals Body ***	25,000	15,000	(10,000)	-40.00%	21,500	(3,500)	0	15,000	0	15,000
<b>Total Expenditure</b>	<b>3,989,700</b>	<b>4,327,000</b>	<b>337,300</b>	<b>8.45%</b>	<b>3,971,644</b>	<b>(18,056)</b>	<b>1,650,650</b>	<b>1,274,766</b>	<b>1,401,584</b>	<b>4,327,000</b>
							<b>38.15%</b>	<b>29.46%</b>	<b>32.39%</b>	<b>100.00%</b>

\*\*\* Members of the Independent Appeals Body (IAB) are employed by ICSTIS for administrative purposes only. The IAB acts entirely independently of the company.