

## **Business Plan & Budget 2016/17**

**Final version, post consultation, March 2016**

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# 1. Executive Summary

## 1.1. 2015/16 Performance

PhonepayPlus continues to deliver its Strategic Plan 2014-17. We are on-track to meet the key business plan commitments made for 2015/16, and on-budget in doing so. Headline achievements include:

- 1.1.1. Launch and implementation of Code 13, in time to meet Ofcom's changes to non-geographic call services;
- 1.1.2. Review of Part 4 of this Code, leading to extensive consultation on changes to our investigations, adjudication and sanctions procedures;
- 1.1.3. Significant development of a collaborative approach to regulation, through increased engagement and partnership with industry stakeholders;
- 1.1.4. Increased market insight, through initiatives such as the Annual Market Review, a discussion paper on vulnerable consumers, and commissioned research into consumer interaction with PRS services;
- 1.1.5. Enhancement of market intelligence capabilities alongside development of collaborative approaches to sharing information and resolving identified issues;
- 1.1.6. Improvements in consumer education, both in terms of using PRS and how to resolve complaints;
- 1.1.7. Delivery of an app store pilot, through which major platforms have implemented policies and controls to provide high levels of consumer protection;
- 1.1.8. Enhancement of leadership, management and staff capabilities through a comprehensive organisational development programme;
- 1.1.9. Identification and negotiation of significant operating efficiencies, including relocation to new offices saving £0.5m over 8 years.

## 1.2. 2016/17 Business Plan

We will continue to deliver our core regulatory remit (through contact handling and assessment; processing market intelligence; undertaking investigatory and enforcement work; identifying and applying appropriate policy solutions), and aim to add to the positive developments of 2015/16 through:

- 1.2.1. Collaborative working with industry and regulatory stakeholders to explore further regulatory flexibility or deregulation of the market, while ensuring that the proper levels of protection for consumers are maintained. Our aim, following constructive discussions with stakeholders, is for a White Paper that looks at the future of PRS regulation.
- 1.2.2. Systematically reviewing our monitoring tools and compliance processes, in order to best manage the balance between a vibrant PRS market for providers and ensuring consumers are properly protected.
- 1.2.3. Developing an integrated consumer strategy aimed at creating opportunities for consumers to make better informed choices when engaging with PRS.
- 1.2.4. Ensuring we have the necessary organisational skills and experience (including technological capabilities and embedded values and behaviours) to deliver an outcomes-based Code in a fast moving and complex environment;

- 1.2.5. Implementation of Code 14 and supporting procedures across the organisation to realise the benefits of increased transparency, certainty, fairness, proportionality and simplification;
- 1.2.6. Extending the depth and range of our stakeholder relationships, including increased engagement with other regulatory bodies, to ensure clarity and consistency of regulation in a complex environment;
- 1.2.7. Developing further our ability to anticipate and understand market changes, including work on horizon scanning, risk management, and how we can best promote a healthy PRS market into the future;
- 1.2.8. Continuing to enhance our data capture, reporting systems and key performance metrics to ensure that, where economically viable, we meet the information needs of all our stakeholder audiences;
- 1.2.9. Contributing to policy development and managing the impact on the PRS market of key legislation;
- 1.2.10. Working closely with Ofcom to ensure that, in satisfying their own statutory remit, our budget is both sufficient to deliver effective PRS regulation, while looking to develop further efficiency drivers and ongoing review of operational costs;
- 1.2.11. Constructively engaging with industry to review the current levy-based funding model, and to explore whether there are alternatives that, in theory and in practice, better deliver agreed funding criteria.

### 1.3. Budget and Levy

Following consultation, Ofcom have approved the budget for 2016/17 and the adjusted levy to be collected from industry. The financial headlines are:

- 1.3.1. The full-cost operating budget for 2016/17 is £3,995k, a saving of 11% in real terms. This reflects our ongoing strategic commitment to efficiency and effectiveness and, notwithstanding the need to be sufficiently funded, to be mindful of the impact of the cost of regulation on the industry funders;
- 1.3.2. Collected fines and admin charges are expected to be significantly lower in 2015/16, with £1,000k forecast as available retained funds to adjust the levy (compared with £1,471k the previous year);
- 1.3.3. We currently estimate market size for 2016/17 (as measured by total outpayments from network providers) to be £430.5m. This is a 4% reduction from our current forecast for 2015/16;
- 1.3.4. Taking the budget and the two estimates above, the adjusted levy for 2016/17 will be 0.63% (from 0.60% in 2015/16);
- 1.3.5. We plan to undertake a comprehensive review of the levy funding model in collaboration with industry stakeholders, to take effect from 2017/18 at the earliest. The option of moving to an unadjusted levy model remains;
- 1.3.6. Registration Scheme fees will remain unchanged at £155 + VAT, with exemptions remaining the same.

## 2. About PhonepayPlus

2.1. We are the UK's independent regulator of premium rate services, and our **vision** is that anyone can use premium rate services (PRS) with absolute confidence in a healthy and innovative market.

As the telecoms, internet and payments sectors continue to experience an unprecedented rate of change and innovation, we take positive action to safeguard consumers and help cutting-edge providers of digital content and services to thrive. Within our remit and expertise, we seek a more consistent approach to regulating micropayments that are like PRS.

2.2. Our **mission** is to achieve our vision and be a world-class regulator by:

- Putting the consumer at the heart of everything we do through providing effective regulation, information and assistance;
- Understanding the market in which we operate and how it is evolving, so that we can take early, proportionate and targeted action where needed to prevent consumer harm;
- Working with providers to build a healthy market with high standards of compliance;
- Having a Code of Practice, approved by Ofcom, that is cutting edge in protecting consumers while also supporting innovation in a fast-changing digital landscape;
- Applying our Code in a way that is impartial, fair, transparent, effective and proportionate;
- Working with Government, other regulators, industry, consumer bodies and international partners on matters within our remit and expertise.

2.3. Our core **values and behaviours** are our drivers to ensuring we adhere to the principles of good regulatory practice:

- **Forward looking** - we understand the market in which we operate and understand how technology, business models and consumer behaviour are changing and may change in future. We seek proactively and collaboratively to build compliance and to work with industry at an early stage to address emerging consumer issues rather than responding to problems after they have emerged;
- **Credible and trusted** - we act in a way that demonstrates that we are independent, impartial, trustworthy, transparent, accessible and consistent in all we do. Consumers can rely on us to deliver effective regulation and industry can rely on us to understand their business, to act proportionately and to explain and consult on what we do;
- **Reasonable and intelligent** - we demonstrate sound judgment and act on the basis of evidence. We are principled and pragmatic towards providers and are aware of the commercial and technical environments under which industry operates;
- **Focused on delivery** - we are effective and accountable. We project manage our work effectively to deliver results. We manage resources efficiently so as to ensure we continue to provide good value for money;
- **Prompt, open and transparent** - we understand that both providers and consumers benefit from prompt action to resolve issues. We are transparent about our processes and the reasoning behind decisions.

### 3. 2015/16 Performance

3.1. As published in our Strategic Plan 2014-17, we have five key objectives that shape our work as a quality regulator and ensure we adhere to high standards however the market fluctuates.

During 2015/16 – either through work already delivered, or in train through to March 2016 – adherence to these strategic objectives is enabling us to pursue our mission with clarity and confidence in a fast-moving market:

- Objective 1: to continue to drive up compliance levels and trust in the market
- Objective 2: to identify and prevent emerging risks to consumers
- Objective 3: to help consumers use premium rate services with confidence
- Objective 4: to ensure that regulatory frameworks keep pace with market changes
- Objective 5: to deliver effective and efficient regulation

3.2. In summary, we are executing the 2015/16 business plan we set out in December 2014.

**Headline achievements** include:

- 3.2.1. Launch and implementation of Code 13, in time to meet Ofcom's changes to non-geographic call services;
- 3.2.2. Review of Part 4 of this Code, leading to extensive consultation on changes to our investigations, adjudication and sanctions procedures;
- 3.2.3. Significant development of a collaborative approach to regulation, through increased engagement and partnership with industry stakeholders;
- 3.2.4. Increased market insight, through initiatives such as the Annual Market Review, a discussion paper on vulnerable consumers, and commissioned research into consumer interaction with PRS services;
- 3.2.5. Enhancement of market intelligence capabilities alongside development of collaborative approaches to sharing information and resolving identified issues;
- 3.2.6. Improvements in consumer education, both in terms of using PRS and how to resolve complaints;
- 3.2.7. Delivery of an app store pilot, through which major platforms have implemented policies and controls to provide high levels of consumer protection;
- 3.2.8. Enhancement of leadership, management and staff capabilities through a comprehensive organisational development programme;
- 3.2.9. Identification and negotiation of significant operating efficiencies, including relocation to new offices saving £0.5m over 8 years.

3.3. The **range and depth of our regulatory work** in 2015/16 is set out below against each of our strategic objectives:

## Objective 1: to continue to drive up compliance levels and trust in the market

### *Updating our Code of Practice and Guidance to ensure they are effective and future-proof*

During 2015/16 we have continued to devote the appropriate level of resources needed to ensure we maintain and develop our Code of Practice in collaboration with all stakeholders:

- Code 13 came into force on 1 July 2015 to coincide with the implementation of Ofcom's changes to non-geographic call services. At the same time a series of new special conditions were introduced and we published a number of pieces of amended guidance to take account of the new Code provisions. Guidance and Special conditions were the subject of full consultation and industry seminars, with industry feedback informing the final versions published;
- We recognised the need to initiate a comprehensive review of Part 4 of the Code, taking in our investigations, adjudication and sanctions procedures. We have conducted informal consultation with industry and Ofcom in advance of publishing a formal consultation document on the new model in November 2015. We will continue to work towards incorporating changes into a new Code 14, for which we need to both obtain Ofcom's approval and meet a requirement to notify the EU. At this stage we expect to implement Code changes later in 2016, ahead of which we will also be publishing the supporting procedures associated with the new Code provisions;
- In continuing to review and develop our Code guidance to industry, we have reviewed all of our published guidance that was not updated at the time of the publication of Code 13 to make sure it remains effective and deals with current market issues. We are currently consulting with stakeholders on revised guidance.

We have also issued a number of other pieces of information for industry, including:

- A compliance update on the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013;
- An information note on the Alternative Dispute Resolution for Consumer Disputes (Competent Authorities and Information) Regulations 2015;
- An information note on the Consumer Rights Act 2015.

### *Engaging actively, and sharing information with industry and other stakeholders throughout the value chain*

We have aimed to deliver high levels of compliance in partnership with industry, through:

- Working alongside a new chair, developing the Industry Liaison Panel into a more effective forum for engagement and dialogue between industry and PhonepayPlus. In particular we have instituted a Rapid Response Team with terms of reference designed to speedily address issues of concern to both the industry and the regulator;
- Expanding our programme of one-to-one meetings and engagement with industry representative bodies, network operators, service providers (merchants and aggregators), and their compliance companies;
- Embedding our Spring and Autumn Forums (held in April and November 2015 respectively) as a central part of our dialogue with industry, with greater industry participation both as speakers and panellists and from the audience.

### *Making effective and proportionate use of enforcement powers under our Code of Practice*

Increased industry collaboration is enabling us to better develop proportional policy solutions, and we continue to ensure we apply a proportional approach into how we regulate:

- We have strengthened the application of the "polluter pays" principle in Code 13. Working with Government we have also clarified our power to impose sanctions of up to £250,000 per breach of the Code;
- We have built checks and balances into our internal systems to ensure a proportional approach is applied when deciding on whether to pursue enforcement or not, and, if so, whether this is informal (Track 1) or formal (Track 2);
- Our review of Part 4 of the Code during 2015/16 is intended to produce provisions that will ensure effective, fair and proportionate use of our enforcement powers.



## Objective 2: to identify and prevent emerging risks to consumers

### *Using research and market intelligence to identify emerging issues in the market*

In collaboration with industry stakeholders, we are developing our collective market insight capabilities through research:

- We have invested in an Annual Market Review to best inform a collective view on the outlook for premium rate services. Our Annual Market Review 2015, published in July 2015, showed that the market continues to be challenging, with most areas of the market continuing a recent trend of decline. There were, however, three service areas - gaming, giving and gambling - that bucked this trend and showed significant growth;
- We plan to commission further work in 2015/16 that builds on the research done for the AMR 2015 to understand better consumer attitudes to PRS. We are currently in the process of commissioning research that will give us further insight into how consumers interact with PRS, particularly PRS discovered and consumed online. This will inform further engagement with industry and the development of best practice guidance.

Alongside this we have continued to develop how we collect, handle and share market intelligence we receive directly:

- We have improved our telephone and online consumer contact processes, enabling better granulation of data;
- We have developed an independent search tool that comprehensively scans the market, and has significantly enhanced our pre-emptive policy making and enforcement work.

In 2015/16 both of these developments have in particular informed our work with industry on competition services and adult services, and enabled us to better support complaint handling by network operators and service providers.

### *Developing our market expertise and partnerships with other regulators, consumer bodies and organisations such as internet security companies*

We recognise the importance to the PRS market of a joined-up and collaborative approach to regulation, and during this year:

- We have supported the Association for Interactive Media & Entertainment's (AIME) development of its Early Warning System as a tool to aid industry compliance;
- Following on from the work of the Rapid Response Team on competition services, we are supporting AIME's engagement with Trading Standards on issues relating to compliance of certain Premium Short Message Services (PSMS) with the Consumer Contracts Regulations;
- We will continue to build partnerships with an extensive range of regulatory and enforcement bodies, including the Financial Conduct Authority, Competition and Markets Authority, Advertising Standards Authority, Payments Systems Regulator, Information Commissioner's Office, Action Fraud, Trading Standards, Telecommunications UK Fraud Forum, Which?, Communications Consumer Panel, and the Consumer Forum for Communications.

### *In collaboration with phone providers and others, taking early action through enforcement, policy development and other tools to prevent emerging issues from becoming active problems.*

We have been able in 2015/16 to make significant strides in embedding our new, holistic approach to regulation, with a balanced emphasis on prevention of future harm to consumers alongside seeking to hold to account those responsible for consumer harm and bringing the market into disrepute:

- The Rapid Response Team approach, under the auspices of the Industry Liaison Panel, has been agreed, with a set of principles published on the PhonepayPlus website. A Rapid Response Team was convened in June to tackle unusually high complaint volumes arising on competition services. This resulted in the Mobile Network Operators taking action on their Payforit scheme rules, and further industry development of best practice guidance on PSMS payment flows. Current analysis indicates that this work has been a factor in seeing complaint levels to PhonepayPlus start to drop in the third quarter of 2015/16;
- Alongside this we continue to work both with individual networks and the Mobile Broadband Group to build an understanding of those areas where a greater consistency of approach can be achieved, particularly with regard to the networks' own compliance frameworks for PRS providers;
- Our consultative work with industry on the review of the second phase of guidance to Code 13 aims to provide greater clarity on compliance to providers, which in turn is designed to prevent consumer harm through inadvertent non-compliance with the Code.

### Objective 3: to help consumers use premium rate services with confidence

#### *Helping consumers to obtain redress where they have suffered harm.*

During 2015/16 we have developed a number of ways in which consumer confidence in PRS can be underpinned through improved means of customer care:

- We have improved our signposting of consumers to the correct organisation that can resolve their problem in the first instance. This has included the installation of a new interactive voice recording on the PhonepayPlus consumer helpline, and enhancing our website to provide clearer information for consumers, e.g. the Solutions Centre content developed in conjunction with industry;
- We are taking a more targeted approach to our contact with industry, with a specific contact programme designed for those L2 providers responsible for the 30 most complained about services;
- We are working with individual networks (with Ofcom engagement) to identify opportunities for improved consumer complaint resolution;
- We continue to seek increased informal contact with L1 and L2 providers to support the practical application of improved consumer journeys;
- We are starting to explore how best to develop Number Checker into a more consumer friendly Billchecker, incorporating differences in all network billing systems.

#### *Putting in place additional protections for vulnerable consumers, such as children.*

We continue to work with industry to ensure the highest standards of protection are in place for vulnerable PRS consumers:

- Following desk research undertaken at the start of 2015/16, we published in July a discussion paper on consumer vulnerability and PRS. We are subsequently using the paper and industry feedback to develop guidance in support of the relevant provisions in Code 13. As part of that work, we have held workshops with a range of stakeholders to explore how industry can deliver the highest standards of protection while avoiding unintended consequences;
- We are working with app stores during their grace period of exemption from price caps on services targeted towards children. Our aim is to ensure that the measures they are putting in place as an alternative to price caps provide sufficient protection to enable the exemption to be made permanent.

#### *In collaboration with partners, providing information and support to consumers about potential risks and how to avoid them.*

We are committed to enhancing consumer education around the use of PRS services, and have undertaken a number of different initiatives in 2015/16:

- The PhonepayPlus website has been overhauled and updated to provide better and clearer information for consumers. We have also increased our use of social media to highlight relevant information from our own work and the work of partners such as Ofcom for consumers – and our monitoring suggests that this is increasing the reach of our consumer information;
- We have targeted consumer information towards younger people using our PhoneBrain website <http://www.phonebrain.org.uk/>. We have also partnered with Childnet International to reach young people by sponsoring a PhoneBrain category in Childnet's existing national film competition. Young people have been able to engage with the issues through participation in the

competition, and by viewing the winning entries which are available on our website and those of partners;

- We are currently reviewing the consumer education material available through our website, and plan to enhance this through producing short and punchy videos on specific aspects of PRS;
- We continue to develop our relationships with other regulators and consumer representative bodies in order to increasing the syndication of PhonepayPlus consumer advice through those organisations;
- The research that we are commissioning will provide us greater insight into how consumers interact with PRS. In addition, therefore, to developing best practice guidance with industry, we also hope to use the findings to be able to provide better information for consumers that will help them use PRS with greater confidence and safety.

#### Objective 4: to ensure that regulatory frameworks keep pace with market changes

*Developing our knowledge of how the market in digital content and services is changing and of the implications of this for consumers, providers and regulation.*

With our approach to regulation focussed on outcomes, we have aimed in 2015/16 to balance support for the development of new and innovative business models with high levels of consumer protection:

- The launch and application of Code 13 moves from a regime of prior permissions (which had to be sought before a new service could be launched) to published special conditions, which now allow service providers from the outset to design services in compliance with our Code;
- The completion of our app stores pilot resulted in one provider introducing a series of amendments and additional protections, leading in turn to a significant reduction in related complaints addressed to PhonepayPlus. With such protection in place, this has allowed us to confirm that the exemptions in the pilot could be made permanently available. We will also be working with app stores on alternatives to price caps for services targeted towards children, and on assessing the impact of the grace period we granted;
- We conducted analysis on mobile voice shortcodes charged at 20ppm or less, and were able to conclude that this service represented low risk of consumer detriment - leading to our exemption of these services from some requirements of the Code in June 2015;
- We are continuing to work with providers and other regulators - notably the Financial Conduct Authority - to understand new digital payment models, the interaction (or otherwise) of PRS regulation in this area, and the possible impact on consumer behaviour.

*Working with industry, other regulators and government to build a consensus on the best and most effective responses to these changes.*

Our work in this area in 2015/16 covers potentially highly significant legislation for the PRS industry:

- We have worked closely with industry representatives to ensure that the industry position was fully understood by UK government officials negotiating the revision of the EU Payment Services Directive (PSDII);
- We continue to work with industry representatives, HM Treasury and the Financial Conduct Authority as they prepare for the implementation of PSDII in the UK. We expect Government to begin consultation in the first half of 2016;
- We are working with Ofcom and Department for Culture, Media and Sport officials to contribute to the development of the UK negotiating position on the review of the EU regulatory framework for electronic communications, with a focus on ensuring that EU legislation provides for strong levels of consumer protection for services provided from within the EU.

## Objective 5: to deliver effective and efficient regulation

*Ensuring that our regulation continues to deliver the outcomes for consumers set out in our Code of Practice.*

The launch and application of Code 13 in 2015/16, with its associated special conditions and guidance, has been designed to further embed our outcomes-based approach to regulation. Within this environment, we have also specifically:

- Responded to the challenge at the start of the year of rising complaint numbers relating to competition services and, to a lesser extent, adult services, through extensive analysis of the complaint drivers and the subsequent targeted Rapid Response Team work described above;
- Worked with Ofcom and the Department for Culture, Media and Sport to ensure that the proposed Investigatory Powers Bill will contain measures that preserve our ability to investigate complaints effectively, and agreed an approach that enables our regulatory effectiveness to be maintained as the Bill progresses through Parliament.

*Ensuring that we use resources efficiently and provide good value for money*

We have continued during 2015/16 to identify and implement opportunities that yield both material financial and operational efficiencies:

- We have enhanced our leadership, management and staff capabilities through significant organisational development, including the appointment of a new Chair and Leadership Team. We plan for our Board refresh at the end of the year to contribute towards the financial control of total people costs in 2016/17, and our internal cultural shift programme is being designed to ensure all of our work and structure is fully aligned with our holistic approach to regulation;
- We have successfully completed our office relocation project, saving £0.5m over 8 years;
- We have undertaken a broad range of systems development work, with expected savings to be generated in the 2016/17 financial year;
- We have ensured the primary focus of our contact centre operation has been to collect and analyse market intelligence arising from complaints, and have carefully managed the capacity we need in line with complaint and enquiry levels. We will continue to explore resourcing options, including outsourcing and other automated processes, that best balances our need for timely access to independent market intelligence with the cost of acquiring it;
- We plan to continue to develop our call centre operations by further reviewing our new interactive voice recording in collaboration with industry expertise, to optimise our contact handling and better direct consumers towards appropriate resolution;
- We reviewed and updated our investigators' time recording systems, to enhance the "polluter pays" principle through the better allocation of costs;
- We are currently reviewing the level of contingency provisions held on the PhonepayPlus balance sheet, so that we accurately reflect the financial impact of major risks and identify those exceptional items that should not be funded to the detriment of our capabilities to regulate as planned.

We also continue to ensure we follow best business practices, even where financial and operational efficiencies may be relatively small. Examples during 2015/16 include putting our legal work out to tender, ensuring our staff handbook is fully up to date with current employment legislation, and reviewing our insurance arrangements to best support our ability to act as an independent regulator.

## 4. 2016/17 Business Plan

- 4.1. We aim during 2016/17 to continue to build our holistic approach to regulation, while tangibly demonstrating our effectiveness and efficiency.
- 4.2. The **key business plan activities** through which we will add to the positive developments of 2015/16 include:
  - 4.2.1. Collaborative working with industry and regulatory stakeholders to explore further regulatory flexibility or deregulation of the market, while ensuring that the proper levels of protection for consumers are maintained. Our aim, following constructive discussions with stakeholders, is for a White Paper that looks at the future of PRS regulation;
  - 4.2.2. Systematically reviewing our monitoring tools and compliance processes (and including informal and formal communication with providers; guidance provision; and benchmarking of compliance), in order to best manage the balance between a vibrant PRS market for providers and ensuring consumers are properly protected;
  - 4.2.3. Developing an integrated consumer strategy aimed at creating opportunities for consumers to make better informed choices when engaging with PRS. Underpinning this will be the development of our knowledge of consumer behaviour and experience (including that of vulnerable consumers), and work on developing consumer self-help tools (including even further automation of our contact management).
  - 4.2.4. Ensuring we have the necessary organisational skills and experience (including technological capabilities and embedded values and behaviours) to deliver an outcomes-based Code in a fast moving and complex environment.
  - 4.2.5. Implementation of Code 14 and supporting procedures across the organisation to realise the benefits of increased transparency, certainty, fairness, proportionality and simplification;
  - 4.2.6. Extending the depth and range of our stakeholder relationships, to include:
    - Further enhancement of industry engagement and liaison;
    - Increased engagement with other regulatory bodies, to ensure clarity and consistency of regulation in a complex environment;
    - A comprehensive stakeholder satisfaction survey, to ensure we are meeting the standards expected of us;
  - 4.2.7. Developing further our ability to anticipate and understand market changes in conjunction with our industry stakeholders and through forums such as the Industry Liaison Panel and its Rapid Response Team, including work on horizon scanning, risk management, and how we can best promote a healthy PRS market into the future;
  - 4.2.8. Continuing to enhance our data capture, reporting systems and key performance metrics to ensure that, where economically viable, we meet the information needs of all our stakeholder audiences;
  - 4.2.9. Contributing to policy development and managing the impact on the PRS market of key legislation, including e.g. EU Payment Services Directive (PSDii), EU regulatory framework for electronic communications, Investigatory Powers Bill;
  - 4.2.10. Working closely with Ofcom to ensure that, in satisfying their own statutory remit, our budget is both sufficient to deliver effective PRS regulation, while looking to develop further efficiency drivers and ongoing review of operational costs;
  - 4.2.11. Constructively engaging with industry to review the current levy-based funding model, and to explore whether there are alternatives that, in theory and in practice, better deliver agreed

funding criteria. We would look to implement any change from 2017/18 onwards, subject to any revisions required to our Code of Practice.

- 4.3. Specifically, we plan to deliver the following **range of activities for 2016/17**, as set out against each of the strategic objectives:



## Objective 1: to continue to drive up compliance levels and trust in the market

### *Updating our Code of Practice and Guidance to ensure they are effective and future-proof*

Work next year on our Code of Practice will include:

- Ensuring the completion of the review process leading to the development of Code 14 with all industry stakeholders, with the aim of securing approval from Ofcom and the EU during the summer. Our target date for launching Code 14 is July 2016, and at the same time we will publish the finalised supporting procedures document to accompany the new Code;
- Recruiting members of the new adjudication body recommended within the new Code consultation document, and inducting them in time for the launch date. Work in this area will include ensuring any Tribunal panel is able to combine adjudicatory ability with relevant skills and experience in key PRS areas such as marketing and digital content delivery;
- Publishing revised guidance arising from the second phase of the current guidance development project in early 2016/17. We will then subsequently develop a programme of rolling updates, with a commitment to annually review each area of guidance;
- Managing with clarity across the whole of the PRS industry the transformation from the current adjudicatory process to the new process currently under review.

### *Engaging actively, and sharing information with industry and other stakeholders throughout the value chain*

We expect that the programme of industry engagement that we have put in place in 2015/16 will be fully embedded in our way of working. We aim to ensure this is the case through:

- Measuring our performance through a stakeholder satisfaction survey covering industry views;
- Building feedback loops and analysis into our cultural shift programme, to ensure our people and processes continue to be aligned with a holistic approach to regulation;
- Regularly reviewing the effectiveness of the different ways in which we engage with industry to ensure we have a collaborative approach that leads to high levels of compliance with the Code. We will build a stakeholder mapping exercise into this process of continuous review, which we expect to include: the Industry Liaison Panel; the Rapid Response Team; and our programme of one-to-one meetings and engagement with industry representative bodies (including AIME and Mobile Broadband Group), network operators, service providers (both L1 and L2), and their compliance companies;
- Applying feedback from the 2015/16 Spring and Autumn Forums to ensure the corresponding 2016/17 events optimise desired industry participation.

### *Making effective and proportionate use of enforcement powers under our Code of Practice*

We will continue to ensure we demonstrate a proportional approach to regulation through:

- Application of Code 14, with clear communication on the benefits of the new adjudicatory process;
- Seeking to develop our funding model, to ensure there is a strong emphasis on the independence of PhonepayPlus' operating costs from the level of fines and administration charges applied through regulation.

## Objective 2: to identify and prevent emerging risks to consumers

### *Using research and market intelligence to identify emerging issues in the market*

We plan to develop our market intelligence and how it is applied through:

- Working with all industry partners to identify monitoring tools and technological developments that support market compliance and horizon scanning for emerging risks. In doing so, we will explore opportunities to enhance our analytical and market intelligence capabilities, and look to achieve combined industry efficiency savings through rationalising approaches and tools. This work will include evaluating the applicability of commercially available market analysis, audit and monitoring tools;
- Working with industry partners to establish the most appropriate ways in which day-to-day market intelligence, and any subsequent analysis, can be effectively shared;
- Prioritising a full review of our reporting capabilities. This will include audience research, gap analysis, subsequent development of our data capture systems and publication of data and measures;
- Commissioning an Annual Market Review for 2016/17. We aim to develop the Annual Market Review to include research on consumer satisfaction, and will re-align the prior year's data from the 2014 calendar year to enable operating year-on-year comparisons. This will also have the added advantage of providing fresher data for funding model assumptions on the size of PRS outpayments for the coming financial year;
- Developing a programme of dissemination that allows for all industry stakeholders to benefit from research findings, including Annual Market Review conclusions and findings from the research that will give further insight into how consumers interact with PRS.

### *Developing our market expertise and partnerships with other regulators, consumer bodies and organisations such as internet security companies*

Specific areas we have identified for 2016/17 include:

- Exploring how compliance benchmarks can be developed to measure our overall effectiveness, in terms of the levels of risk to consumer harm, and in comparison with other regulators;
- Building collaboration, where commercially possible, with networks and audit houses to best develop market intelligence. In doing so we will aim to minimise duplication and maximise expertise, while retaining independence of our market intelligence capabilities;
- Developing our in-house understanding of technological and security advances through ILP partners and their wider networks;
- Further enhancing our working relationships with other regulators (e.g. Financial Conduct Authority, Advertising Standards Authority) in order to understand and coordinate areas of regulatory overlap, and to share best practice in areas of generic regulation;
- Ensuring we continue to build our consumer expertise through good working relationships with organisations such as Which? and Trading Standards.

*In collaboration with phone providers and others, taking early action through enforcement, policy development and other tools to prevent emerging issues from becoming active problems.*

We aim to continue to deliver a balanced approach to preventing future harm to consumers through:

- Ensuring that the launch of Code 14 and its associated procedures provides for streamlined enforcement and opportunities for both earlier settlement of issues and redress earlier in the process than under the current approach;
- Ensuring the Industry Liaison Panel and Rapid Response Team approach remains fit for purpose, with regular review both of its terms of reference and long-term effectiveness;
- Developing deeper working relationships with individual networks and the Mobile Broadband Group to better understand how PRS fits into their digital commerce portfolios, and the key operational challenges they face as part of this;
- Undertaking any further organisational development work necessary to develop our investigations processes and allow for greater informal service resolutions.

### Objective 3: to help consumers use premium rate services with confidence

#### *Helping consumers to obtain redress where they have suffered harm.*

We will build on our work to help consumers use PRS with confidence in 2016/17 through development of an integrated consumer strategy. This work will combine:

- Developing more efficient and effective processes to underpin our management of consumer intelligence;
- Further automation of front-end consumer contact management, building on the high levels (85-90%) of automation already achieved;
- Developing self-help tools for consumers, including scoping the development and roll-out of a new Bill Checker service to consumers (as a replacement for Number Checker), with inbuilt online consumer data capture (e.g. feedback form);
- Revitalising the consumer journey programme, focussing on complaint handling by networks, merchants and aggregators and appropriate integration of ADR schemes. This will include revisiting the guidance we issue; conducting a programme of workshops to support informal compliance; and strong enforcement if complaint handling standards do not meet the guidance given.

#### *Putting in place additional protections for vulnerable consumers, such as children.*

We will build on our work with industry in 2015/16 to ensure protection for vulnerable consumers remains a priority:

- We will consult on and publish new draft guidance on protecting vulnerable consumers in the first half of 2016/17;
- We will develop our contact management and complaint handling processes to better identify and support vulnerable consumers.

#### *In collaboration with partners, providing information and support to consumers about potential risks and how to avoid them.*

During 2016/17 we aim to develop how we are able to empower consumers in their engagement with PRS, through:

- Exploring how we work with other consumer groups and regulators, to better understand how to provide consumers with the ability to make more informed choices. This may include the option of a consumer panel to provide timely and detailed insight into collective consumer experiences, in addition to the consumer intelligence we gather from individuals;
- Understanding and publishing required consumer research (including consumer behavioural research from Craft Realities, and any additional findings that the AMR research process generates, where this supports an improved insight into consumer behaviour in relation to PRS);
- Building our engagement with segmented PRS consumer groups. We will explore ways in which our reach and impact can be maximised, targeted and delivered cost effectively, to see:
  - How building relationships with a range of partners can best develop content that resonates with different audiences;
  - Whether incentivised engagement can have a multiplier effect on reach and impact;
  - How industry partners and other stakeholders can be engaged to deploy their audience reach and impact.

#### Objective 4: to ensure that regulatory frameworks keep pace with market changes

*Developing our knowledge of how the market in digital content and services is changing and of the implications of this for consumers, providers and regulation.*

With an enhanced programme of engagement with industry stakeholders and government bodies, we expect to be in position to ensure we understand and manage changes in the PRS market. Our work in 2016/17 will include:

- Collaborative working with industry and regulatory stakeholders to explore further regulatory flexibility or deregulation of the market, while ensuring that the proper levels of protection for consumers are maintained. Our aim, following constructive discussions with stakeholders, is for a White Paper that looks at the future of PRS regulation, and covers:
  - Seeing how further support for competition, growth and innovation in the market can provide a well-regulated environment which builds confidence and certainty, and therefore leads to investment;
  - Testing whether statutory based regulation and contractual self-regulation complement or otherwise;
  - Looking at how we remove duplication and or provide simplification and further cross industry efficiencies;
  - Determining greater clarity of roles and remits of different regulators;
  - Testing whether we have sufficient (a) flexibility built into our code; and (b) clarity of our scope of remit;
- Supporting the compliant development of new and emerging PRS models, including app stores; quasi-physical goods; and new service areas;
- Developing the Annual Market Review to identify more granular key market change information, thus affording us the opportunity to develop our regulatory approach early and appropriately.

*Working with industry, other regulators and government to build a consensus on the best and most effective responses to these changes.*

We will continue to ensure we work closely with industry and Government on the legislative processes begun in 2015/16. We expect, therefore, to:

- Respond to the Government consultation process on the implementation of PSDII in the UK, which is expected to begin in the first half of 2016;
- To develop regulatory clarity around e-money business models;
- Continue to engage with Department for Culture, Media and Sport officials as they work through the UK's response to the review of the EU regulatory framework for electronic communications.

## Objective 5: to deliver effective and efficient regulation

*Ensuring that our regulation continues to deliver the outcomes for consumers set out in our Code of Practice.*

We are resolutely committed to our outcomes-based approach to regulation, which we will reinforce during 2016/17 through:

- Embedding revised values and behaviours throughout the organisation which better reflect the new regulatory approach we have been delivering ('cultural shift programme');
- Building into our organisational capability increased skills and experience in relation to: technological developments and their PRS applications; developments in payment mechanisms; and consumer behaviour.
- The launch and application of Code 14 in 2016/17, which will establish a more streamlined adjudicatory process and enhanced clarity on the use of Track 1 rather than Track 2 resolution;
- Undertaking stakeholder satisfaction research, and using the findings to ensure we collaboratively address any issues or gaps in our approach.

*Ensuring that we use resources efficiently and provide good value for money*

We are committed to delivering financial and operational efficiencies, and specifically for 2016/17:

- We have comprehensively reviewed each of our cost areas to plan for savings of 11% in real terms (see 5.4 below);
- We will continue to explore avenues for investment (e.g. compliance monitoring tools and further automation) that will yield long-term savings;
- We aim to work with industry to undertake a comprehensive funding review (see 8.1 below);
- We will further develop our data capture and analysis, to ensure our reporting meets the expectations and needs of all stakeholder audiences.

## 5. 2016/17 Operating Budget

- 5.1. The agreed full cost operating budget for PhonepayPlus for 2015/16 was £4,444,075 including VAT. Of this, £4,075,087 related to the core budget for levy purposes, and £368,988 related to the costs of the Registration Scheme.
- 5.2. The basis for the 2016/17 budget is the 2015/16 forecast made in October, which was £4,450,041 (a variance of 0.1%).

Within this forecast we have successfully accommodated:

- £112k additional net costs of relocation;
- £103k spike in additional enquiry and complaint handling staff costs, reflecting the need to add short-term capacity to meet increased call activity;

This has been funded principally through:

- £115k organisational development savings delivered through a reduction in full time equivalent staff across the rest of PhonepayPlus;
- £100k cost savings across a range of activities, achieved through careful management and cost control (consumer education, market intelligence research and consultancy, website development).

- 5.3. During 2015/16, we have absorbed the costs of the Registration Scheme into the total operations of PhonepayPlus. This is after full consideration, and reflects:

- The significant overlap between PhonepayPlus' core data systems and those used to drive the functionality of the Registration Scheme;
- The impact of recent organisational development work, with roles undertaken by staff on core systems work and servicing the Registration Scheme being integrated;
- The increased complexity of allocating costs to the Registration Scheme.

The rationale for the Registration Scheme, and its functionality for members and users, however remains unchanged.

- 5.4. The approved full cost operating budget for 2016/17 is **£3,995,266** including VAT, as set out in Appendix A. This represents a **saving of 11% in real terms**, and 4% in cash terms, over the forecast for 2015/16.

Driven through effective management and cost control, we will principally achieve this saving through:

- The full year impact of relocating our offices, enabling overall property costs to fall by 26% (22% if the increase in asset depreciation is included);
- Delivering the planned improvements to our IT and business systems, enabling costs in this area to be reduced by 8% (21% if the reduction in asset depreciation is included);
- Ongoing organisational development work, enabling us to more flexibly manage our staff capacity and identify opportunities to minimise overall wage inflation within total staff costs;
- Reducing the level of external legal advice carried within the budget. Given the operational uncertainty of when and how much external legal advice may be needed, we will make additional contingency provision in this area;

- After review of how we use PhoneBrain to engage with consumers (most notably young people), halting the film competition this year and limiting our capacity for alternative consumer education work saving £48k;
- Reducing the capacity within our policy area to:
  - engage with Government on regulatory and market changes;
  - maintain industry knowledge and engagement;
  - develop consumer behavioural insight;
  - help consumers use PRS with confidence through e.g. mystery shopping;
  - horizon scan for emerging risks.

5.5. Appendix A also provides a full allocation of the budget across each of our strategic objectives, which gives a broad indication of the financial weighting of our work (as described in headline terms in 3.3 and 4.3). Each budget cost area has been allocated separately, and combines time estimates with an assessment of direct relevance to each strategic objective.



## 6. Market Size and Levy Model

6.1. The levy funding model, as set out in Annex One to the Code of Practice, is the way in which PRS providers pay for the cost of the regulation of their market i.e. the budget for PhonepayPlus as approved by Ofcom.

The levy is applied to the actual size of the PRS market, defined as total PRS outpayments from network operators to their PRS industry clients i.e. after retaining their network charges from total revenues received.

6.2. To date, a theoretical **unadjusted levy** has been set, which is the rate that would be required to recover the full cost PhonepayPlus budget\* as a proportion of PRS outpayments.

\*total expenditure, less budgeted other income (Registration Scheme fees and bank interest).

6.3. In practice, an **adjusted levy** has been applied as the rate required to recover the full cost PhonepayPlus budget after the following adjustments:

- Deductions made in respect of:
  - Estimated over recovery of levy in previous year;
  - Retained funds available, based on estimated fines and administrative charges collected in the previous year;
- Additions made in respect of:
  - Estimated under recovery of levy in previous year;
  - Exceptional need to increase PhonepayPlus' contingency reserves.

6.4. The levy calculations for 2015/16 were:

	£
Estimate for total PRS outpayments for 2015/16 made in February 2015	448,341,379
PhonepayPlus full cost budget	4,444,074
Budgeted other income	(293,250)
	-----
Amount to be funded by unadjusted levy	4,150,824
Estimated over recovery of 2014/15 levy	(250,000)
Retained funds available	(1,221,243)
Amount for contingency reserves	0
	-----
Amount to be funded by adjusted levy	2,679,581

Unadjusted levy =  $4,150,824 / 448,341,379 \times 100 = 0.93\%$

Adjusted levy =  $2,679,581 / 448,341,379 \times 100 = 0.6\%$

6.5. The current estimated market size for 2016/17 is £430,500,000 as set out in Appendix B.

## 7. 2016/17 Levy

7.1. The levy calculations for 2016/17 are:

	£
Estimate for total PRS outpayments for 2016/17	430,500,000
PhonepayPlus full cost budget	3,995,266
Budgeted other income (7.2)	(262,500)
	-----
Amount to be funded by unadjusted levy	3,732,766
Estimated over recovery of 2015/16 levy (7.3)	0
Retained funds available (7.4)	(1,000,000)
Amount for contingency reserves	0
	-----
Amount to be funded by adjusted levy	2,732,766

Unadjusted levy =  $3,995,266 / 430,500,000 \times 100 = 0.93\%$

Adjusted levy =  $2,732,766 / 430,500,000 \times 100 = 0.63\%$

7.2. The Registration Scheme annual fee remains unchanged at £155 + VAT, and we have budgeted for a decrease in the total number of registrants to 1,500. The current exemption remains in place for charities and first-year entrants to the PRS market.

Bank interest has been budgeted at £30,000.

7.3. We are forecasting that the total market size for the current 2015/16 year will be as estimated in February 2015. Therefore while there may be variations in recovery from individual networks, we do not currently expect to over or under recover the levy in total.

7.4. Fines and admin charges collected in 2015/16 are expected to be significantly lower than in previous years. This continues a downward trend (fines and admin fees in 2014/15 were lower than 2013/14), and reflects:

- The financial impact of the holistic approach to regulation that has been developed;
- Ongoing pressure on recovery rates due to the nature of the providers being fined e.g. they are situated overseas, or were always going to go bust if caught.

7.5. The increase in the adjusted levy from 0.60% to 0.63% illustrates the inherent instability in the current model. The overall increase in the adjusted levy arises from

- A real term 11% reduction in the PhonepayPlus budget to £3,995k;
- An estimated 4% reduction in market size to £430.5m;
- An estimated 32% reduction in retained funds available to offset the levy to £1,000k.

## 8. Review of Levy Model

8.1. Through extensive consultation over the next 9 months, we wish to undertake a comprehensive review of the current levy funding model. Where any changes are identified that would require a revision of Annex One of the Code of Practice, we would not look for these changes to be implemented before the 2017/18 financial year.

The reason for seeking this review is to achieve the following:

- Updated and agreed principles behind the funding model, including a review of the “polluter pays” principle and how it is applied;
- Greater understanding and agreement on the level of operating costs PhonepayPlus needs to be an effective and efficient regulator;
- An agreed funding model that both (a) best delivers against principles, and (b) works in practice, to enable agreed operating costs to be recovered efficiently.

8.2. Within this review, we will consult on an approach that keeps a levy at the heart of the funding model, but is applied in a way that:

- Addresses the current in-built instability in the size of the adjusted levy;
- Emphasises the independence of PhonepayPlus’s operating costs from the level of fines and administration charges applied through regulation.

8.3. This alternative approach is:

- 8.3.1. PhonepayPlus will recover its agreed full cost budget through an unadjusted levy. This will mean a clear break is established between the variation in annual fines and admin charges (and therefore the large swings in amount of retained funds available to adjust the levy amount required);
- 8.3.2. PhonepayPlus will only recover its agreed full cost budget. Therefore it will not seek to over or under recover the levy based on changes in the size of the market; instead the only post-year reconciliation will be for changes in market share between network operators. Note that this calculation will be confidential between PhonepayPlus and each individual Network operator;
- 8.3.3. PhonepayPlus will therefore account for any budget overspends by drawing on its contingency reserves. This circumstance will be identified as a key operating risk and will be managed accordingly both by the Executive and, as a governance issue, by the Audit, Risk and Corporate Governance Committee of the Board;
- 8.3.4. To retain adherence to the “polluter pays” principle, PhonepayPlus will redistribute back to network operators any fines and admin charges collected during the year. This will be done on the same market share ratio and at the same time as the reconciliation described in 8.3.2 above;
- 8.3.5. In the exceptional event that PhonepayPlus identifies an agreed need to increase its contingency reserves, this will be funded through retaining a share of fines and admin charges before they are redistributed back to network operators. The annual levy will therefore be clearly identified with only funding PhonepayPlus’ annual operating budget;
- 8.3.6. If this approach is agreed, PhonepayPlus will redistribute back to network operators any retained funds held on PhonepayPlus’ balance sheet.

## Appendix A – Budget Analysis

### Expenditure breakdown by cost area

	2015/16		2016/17
	Budget £	Forecast £	Budget £
<b>People costs</b> Salaries, NI, pension costs, training and recruitment	2,666,057	2,653,742	2,587,849
<b>Policy, External Relations and Communications</b> Research, forums, seminars, publications, consumer education and other communications activity	335,649	267,230	197,736
<b>Legal Fees</b> External advice, debt recovery and non-recoverable hearing costs	171,396	171,396	115,028
<b>IT Systems</b> Business continuity, office systems (including printing), contact information handling, case management, data analysis, and Registration Scheme	357,819	362,534	316,560
<b>Telecoms</b> Line rental (including handsets), incoming and external call charges, call data storage, Broadband, mobile monitoring	72,027	82,642	81,093
<b>Premises</b> Rent, service charge, rates, utilities and facilities management	475,397	556,763	410,304
<b>Overheads</b> Insurances, audit and other finance costs, office supplies, travel, couriers and postage, meeting costs	134,005	130,366	127,814
<b>Depreciation</b> Leasehold improvements, equipment and furniture, IT and systems, asset disposals	231,726	225,403	158,883
<b>Total</b>	<b>4,444,075</b>	<b>4,450,076</b>	<b>3,995,266</b>

### Budget allocation by strategic objective

	2015/16		2016/17
	Budget £	Forecast £	Budget £
<b>Objective 1: to continue to drive up compliance levels and trust in the market</b>	1,274,476	1,289,323	1,143,346
<b>Objective 2: to identify and prevent emerging risks to consumers</b>	1,027,596	1,063,500	948,217
<b>Objective 3: to help consumers use premium rate services with confidence</b>	722,100	713,941	620,225
<b>Objective 4: to ensure that regulatory frameworks keep pace with market changes</b>	557,001	565,328	504,848
<b>Objective 5: to deliver effective and efficient regulation</b>	862,902	817,985	778,630
	<b>4,444,075</b>	<b>4,450,076</b>	<b>3,995,266</b>

## Appendix B – PRS Market Size by Outpayments

	2013/14					2014/15					2015/16	2015/16	2015/16
	Q1 actual	Q2 actual	Q3 actual	Q4 actual	Total	Q1 actual	Q2 actual	Q3 actual	Q4 actual	Total	Q1 estimate	Q2 estimate	Q3 estimate
3rd Party - Landline	24,185,492	22,394,017	22,463,211	18,094,724	<b>87,137,444</b>	17,524,567	16,366,013	17,886,609	13,805,951	<b>65,583,140</b>	13,324,460	12,078,624	11,272,625
Own Services - Landline	2,395,190	2,240,829	2,054,816	1,860,743	<b>8,551,578</b>	1,852,190	1,840,274	1,782,999	1,748,438	<b>7,223,901</b>	1,719,079	1,756,790	1,790,298
<b>Total Landline</b>	<b>26,580,682</b>	<b>24,634,846</b>	<b>24,518,026</b>	<b>19,955,467</b>	<b>95,689,023</b>	<b>19,376,757</b>	<b>18,206,287</b>	<b>19,669,608</b>	<b>15,554,389</b>	<b>72,807,041</b>	<b>15,043,539</b>	<b>13,835,413</b>	<b>13,062,923</b>
3rd Party - Mobile	43,097,048	40,040,615	46,843,832	46,885,616	<b>176,867,111</b>	35,593,309	41,003,510	45,333,296	37,278,207	<b>159,208,322</b>	37,537,770	38,129,086	43,588,432
Own Services - Mobile	14,166	9,722	7,670	7,175	<b>38,733</b>								
Voice Shortcode						4,217,788	3,880,839	4,286,871	3,697,445	<b>16,082,943</b>	3,698,358	3,297,108	3,573,445
PayForIt / Operator Billing	7,767,383	6,801,359	8,259,004	10,446,984	<b>33,274,730</b>	13,224,919	15,378,135	21,222,793	22,581,168	<b>72,407,015</b>	26,210,240	27,573,172	30,297,876
<b>Total Mobile</b>	<b>50,878,597</b>	<b>46,851,696</b>	<b>55,110,506</b>	<b>57,339,775</b>	<b>210,180,573</b>	<b>53,036,016</b>	<b>60,262,484</b>	<b>70,842,960</b>	<b>63,556,820</b>	<b>247,698,280</b>	<b>67,446,368</b>	<b>68,999,365</b>	<b>77,459,753</b>
3rd Party - DQ	5,442,525	5,956,661	5,400,478	4,835,428	<b>21,635,091</b>	4,452,968	4,574,513	4,219,686	3,619,552	<b>16,866,719</b>	3,579,712	4,105,447	3,241,859
Own Services - DQ	18,676,540	19,187,808	18,934,366	17,184,059	<b>73,982,772</b>	15,517,815	15,661,610	14,764,968	12,500,040	<b>58,444,433</b>	12,087,391	12,064,515	10,266,522
<b>Total DQ</b>	<b>24,119,064</b>	<b>25,144,469</b>	<b>24,334,844</b>	<b>22,019,487</b>	<b>95,617,863</b>	<b>19,970,783</b>	<b>20,236,123</b>	<b>18,984,654</b>	<b>16,119,592</b>	<b>75,311,152</b>	<b>15,667,103</b>	<b>16,169,962</b>	<b>13,508,381</b>
3rd Party - 087	13,732,049	14,161,886	12,806,548	12,535,983	<b>53,236,466</b>	12,557,506	12,018,974	8,811,448	9,131,896	<b>42,519,824</b>	9,184,372	8,855,063	7,295,949
Own Services - 087	1,588,722	1,599,183	1,470,921	1,323,591	<b>5,982,417</b>	1,298,510	1,365,413	1,262,208	1,327,845	<b>5,253,976</b>	1,298,059	1,011,591	1,138,266
<b>Total 087</b>	<b>15,320,771</b>	<b>15,761,069</b>	<b>14,277,469</b>	<b>13,859,575</b>	<b>59,218,884</b>	<b>13,856,016</b>	<b>13,384,387</b>	<b>10,073,656</b>	<b>10,459,741</b>	<b>47,773,800</b>	<b>10,482,431</b>	<b>9,866,653</b>	<b>8,434,215</b>
<b>Total PRS outpayments</b>	<b>116,899,114</b>	<b>112,392,080</b>	<b>118,240,845</b>	<b>113,174,304</b>	<b>460,706,343</b>	<b>106,239,572</b>	<b>112,089,281</b>	<b>119,570,878</b>	<b>105,690,542</b>	<b>443,590,273</b>	<b>108,639,441</b>	<b>108,871,394</b>	<b>112,465,273</b>

### 2015/16 calculation

- In February 2015 we estimated the market size for 2014/15 would turn out to be £446.4m (compared with the actual size of £443.6m).
- Our estimate for 2015/16 of £448.3m was based on allowing for growth of £25.5m in operator billing, but then (with the exception of a couple of specific network provider reviews) an overall market decline of 5%.

### 2016/17 calculation

- Based on Q1, Q2 and Q3 data for 2015/16, we are forecasting that the market for the whole year will be as forecast i.e. £448.3m. This includes the assumption that any areas of additional market decline will be offset by additional growth in operator billing.
- Our cautious and prudent assumption for 2016/17 at this stage is an overall decline in the market of 4% to £430.5m.