



THE AUTHORITY FOR TELEVISION **ON DEMAND**

Annual Report

2013-14

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Chair's foreword

This report covers ATVOD's fourth year as the co-regulator for the editorial content of on-demand programme services ("ODPS") and I am delighted to report on the progress we have made, especially with regard to protecting children. As in previous years, during 2013-14 ATVOD concentrated on:

- Providing consumers – and especially children - with the protections the law requires;
- Working to reduce the barriers to provision of access services (such as subtitles and audio description) which enable those with disabilities relating to sight and hearing to enjoy on-demand programmes; and
- Engaging with industry to provide greater clarity over the scope of the video on demand regulations.

That work is fully documented in the rest of the report and demonstrates how well the co-regulatory arrangements have functioned over the past year. The co-regulatory model has enabled us to tap into a wealth of industry expertise in a wide range of areas. It has also helped to ensure that consumers enjoy the protections provided for in law without the imposition of unnecessary burdens on service providers. This cooperative work has been carried out in partnership with the ATVOD Industry Forum and its working parties and I would like to thank all those stakeholders who have participated, especially the Industry Forum Chair, Kerry Kent of Discovery Communications Europe Ltd, and the Industry Forum Deputy Chair, Martin Stott of Channel 5 Broadcasting Ltd.

In the rest of this foreword I would like briefly to set out some of our key achievements during the past year and consider the impact of convergence on consumer needs and regulatory responses. In that context, I would also like to highlight the advantages of co-regulation as a means of securing consumer benefits in a rapidly changing video-on-demand environment.

Key achievements

- Acting to bring to an end breaches relating to 16 UK based adult services – operating across 20 websites – which had allowed children to access hardcore pornography;
- Engaging policymakers on how children might be better protected from hardcore pornography made available on services operating from outside the UK, including by publishing research on underage access to adult websites, holding a joint conference with Queen Mary University of London, and engaging with the UK payments industry on the possibility of preventing payments flowing to adult websites which fail to protect children from hardcore porn material;
- Working with stakeholders, including disability advocacy groups, to develop a new plan for encouraging the provision of access services over the next two years;
- Engaging with disability advocacy groups, independent technical experts, video on demand service providers and platform operators through a technical task force to identify barriers to the provision of access services (subtitling, audio description, signing) and agree common technical standards - a move designed to drive down costs and thereby increase provision;
- Reducing average fees for the third year running (and laying the groundwork for a fee freeze for 2014-15); and

- Working with the Industry Forum to review and revise guidance on the scope of the video on demand regulations.

Convergence

ATVOD regulates UK video on demand services operating in a sector which is relatively new and which is undergoing rapid change with the emergence of new technologies and new services. Viewing video-on-demand programmes on a tablet is commonplace in the UK today, yet it is easy to forget that the iPad was not launched in this country until 28th May 2010 - two months after ATVOD was designated to perform its current function. The on-demand feature film and TV streaming service Netflix – which is based outside the UK, but is reported to have 1.5m UK subscribers – has only been available in the UK since 2012. These changes are typically described under the heading of ‘convergence’ as they take advantage of technological advances which allow a single device to have multiple functions. A phone is no longer just a means to make phone calls. A TV is not just a screen which shows linear television broadcast services. A games console is no longer just a device for playing computer games. All these devices can be – and are – used to watch TV programmes on-demand and to perform a number of other functions.

Convergence means a single programme is being made available through a multitude of different distribution mechanism – broadcast, cable, satellite, 3G, 4G, broadband – and through an increasingly diverse range of devices, including smartphones, tablets, mini-tablets, connected TV sets, games consoles and set top boxes. But convergence also means that very different types of service – offering very different types of content - are brought together on a single device. Some of these services are regulated in the UK. Some may be regulated under the same basic regulatory framework in another EU Member State. Some are completely unregulated. In particular, video on demand services (typically subject to the restricted but targeted ATVOD rules) can be accessed from the same Electronic Programme Guide (“EPG”) or user interface as television broadcast services (which are subject to the more comprehensive Ofcom Broadcasting Code). This aspect of convergence brings the current regulatory asymmetry into sharp relief as viewers move relatively seamlessly from audio-visual content which is heavily regulated, to audio-visual content which is lightly regulated, to audio-visual content which is completely unregulated.

However, more evidence is required before it can be concluded that such convergence is causing problems of a type or scale which requires a fundamental reformulation of the UK statutory regulatory framework for television broadcast services and on-demand programme services. While convergence undoubtedly eases the consumer’s transition between traditional TV broadcast services and on-demand services, it does not erode the fundamental distinction between a ‘push’ service such as linear television, in which the consumer takes what is offered on that channel at that particular time, and a ‘pull’ service such as video on demand in which the consumer makes a more active choice and thereby takes on more personal responsibility. Given that the pattern and scale of complaints about VOD services remains very different from that which exists in relation to linear broadcast services, at least in the UK, it is at best premature to conclude that a radical change to the asymmetrical statutory approach currently in place for TV and ‘TV-like’ services is required.

Co-regulation

Although ATVOD counsels against a fundamental overhaul of the statutory regulatory framework for TV and 'TV-like' services, at the current time, we do not suggest that regulatory changes will be unnecessary in future as convergence continues apace and uptake of new media services increases over the coming years. Some changes may develop through voluntary arrangements; others may, in due course, require adjustments to the statutory framework. Within that context, we believe that co-regulation is a model which is well suited to providing current and future consumer protection in relation to on-demand media services.

In particular, co-regulation:

- provides direct and immediate access to industry expertise at little or no cost;
- ensures invaluable insight into the various sectors of the regulated industry and awareness of how the regulated entities operate in practice;
- encourages the development of regulatory processes and procedures, and regulatory decisions, which reflect and respond to the practical realities of the regulated sector;
- minimises the regulatory burdens on industry without compromising the protections afforded to consumers;
- encourages the development of mechanisms designed to facilitate effective two-way communication between regulator and regulated;
- creates opportunities for the industry to understand and discuss how best to ensure compliance with the relevant regulations;
- encourages "buy-in" by industry which in turn is likely to encourage voluntary compliance with the regulatory rules, which is of benefit to the consumer; and
- provides a mechanism through which additional voluntary protections for consumers might be developed and coordinated in a collective manner by service providers.

Of course, the success of a co-regulatory scheme also depends on the relationship between the co-regulator and its back-stop regulator. As in previous years, during 2013-14 ATVOD enjoyed a constructive and positive working relationship with Ofcom. We will continue to work with industry (especially through the Industry Forum), Ofcom and other stakeholders to ensure that the benefits of co-regulation are maximised.

Finally, I would also like to take this opportunity to thank the dedicated ATVOD Board it is my privilege to Chair and also the staff, led by Pete Johnson, who have worked so hard throughout the year. In particular, I would like to thank Chris Ratcliff who served as a Non-Independent Director until September 2013 and Julia Hornle who served as an Independent Director until March 2014 who both did so much to help ATVOD mature as an effective co-regulatory body. I would also like to welcome their successors, Alexander Kann of the Community Channel and Robin Foster who has a wealth of regulatory experience, not least through his former senior role at Ofcom.

Ruth Evans

Chair

Chief Executive's report

This report provides an account of ATVOD's activities, income and expenditure over the previous financial year. In discharging our designated functions we seek to ensure that users of ODPS enjoy the protections afforded to them by law, while having regard to the impact of our regulatory activities on a nascent and growing industry.

In this section I once again take the opportunity to highlight the action we have taken with regard to UK based video on demand services which include material which might seriously impair the physical, mental or moral development of under 18s. The regulations we enforce require that such material is provided in a manner which ensures that it is kept out of reach of under 18s. That statutory requirement is reflected in ATVOD's Rule 11. In applying that rule we take the view that hardcore pornographic material (equivalent to that classified R18 by the BBFC) might seriously impair the moral development of under 18s. Regulated video on demand services offering hardcore pornographic material must therefore have in place effective age verification processes and access control mechanisms which ensure that the content could not normally be seen by under 18s.

ATVOD action in relation to UK 'adult' services

In last year's report we detailed the action taken with regard to notified services found in breach of Rule 11. We also reported that pro-active investigations had been launched into all providers of notified online services which offer 'adult' content to ensure they were compliant. In addition to ensuring that notified adult services were compliant with Rule 11, in the course of 2013-14 investigations were also carried out into a number of unnotified adult services, including those identified by complainants.

Together, those investigations resulted in determinations that 16 services operating across 20 websites were in breach of statutory rules designed to protect children from harmful content. The breaches all involved offering free to view hardcore pornographic material to any visitor to the website and/or offering subscription or pay per view access to such content to customers whose age was not known to be at least 18. Of the 16 services, nine closed or removed all video content, five made appropriate changes and continued to operate as on demand programme services, and two were transferred to the control of a company based in The Netherlands. Although regulated under the same EU Directive, the Dutch regulatory authority does not share ATVOD's view that hardcore pornography might seriously impair under 18s and so on-demand services provided from that jurisdiction are not required to have in place the sort of age verification and access control systems required by ATVOD in the UK.

In one case the service was referred to Ofcom after the provider failed to take action in accordance with a timetable set by ATVOD. Under 368K(3)(a) of the Communications Act 2003, Ofcom directed the service provider that their entitlement to provide the service found to be in breach or any other on-demand programme service was suspended. The suspension took immediate effect and continues indefinitely. This was the first time such a direction had been used in regard to a video on demand service and followed the use of significant financial penalties against two different service providers in the previous year.

ATVOD's regulatory activity in 2013-14 sent a clear message to the UK adult industry that UK providers of hard-core pornography on demand must take effective steps to ensure that

such material is not accessible to under-18s. Asking visitors to a website to click an 'I am 18' button or enter a date of birth or use a debit card is not sufficient – if they are going to offer explicit sex material they must know that their customers are 18, just as they would in the 'offline' world.

However, ATVOD counsels against complacency as services operating from outside the UK, but accessible within this country, continue to provide access to hardcore pornographic material in a manner which fails to secure that it will not normally be seen by under 18s.

Research and policy

In order to shed more light on the extent of the problem, ATVOD commissioned an analysis of data held by Nielsen Netview and published a research report¹ detailing the findings. Based on the actual online behaviour of a panel of 45,000 UK internet users, the analysis suggested that in just one month (December 2013):

- 473,000 UK children and young people aged 6 – 17 visited an adult website from a laptop or PC;
- 200,000 of those were aged 6 – 15;
- 44,000 of those were aged 6 – 11 (NB sample size for this age group was below the minimum standard: the figures for 6-11 year olds show significant variations month to month and should be treated with caution);
- One in twenty UK visitors to an adult website from a PC or laptop was underage; and
- One adult website was visited from a PC or laptop by 112,000 UK males aged 12 -17. The website in question provides instant, free and unrestricted access to thousands of hardcore pornographic videos featuring explicit images of real sex

In the report, ATVOD also noted that:

- The figures are likely to significantly underestimate the scale of underage access as they exclude any visits made from a smartphone or tablet (one leading adult site reports that 58% of its UK traffic is from smartphones or tablets);
- 23 of the top 25 adult websites visited by UK internet users provide instant, free and unrestricted access to hardcore pornographic videos and still images; and
- Only one of the 1266 adult websites visited by panellists was an on-demand service regulated in the UK.

In light of this research evidence, and our experience in regulating the sector, we have continued to brief policymakers on a range of options for further protecting children from such material online. ATVOD fully supports initiatives to improve the take up and efficacy of parental control software and welcomes the actions being taken by major ISPs to offer broadband account holders an unavoidable choice over enabling (or declining to enable) such controls on the family internet connection.

¹ [For Adults Only? Underage Access to Online Porn](#)

We have also worked with Government on the drafting of legislation – expected to be in force during 2014 - which would put beyond doubt the need for UK video-on-demand services to keep hardcore pornographic material out of reach of children, and which would prohibit on such services material which would be refused a classification for distribution on a DVD.

During 2013-14, we have also discussed with the UK payments industry – including MasterCard, PayPal and Visa Europe - the possibility of acting to prevent payments flowing from UK to foreign services which provide hardcore porn in a manner which fails to prevent access by children (the “follow the money” approach). In the course of those discussions the payments industry have made clear that they would work to prevent UK payments to foreign websites which allow children to view hardcore porn if it was clear that such websites were operating in breach of UK law. However the payments industry does not consider that the illegality of such websites is sufficiently clear under current UK legislation.

In a submission² to the European Commission green paper on convergence³ ATVOD also argued that that the Audiovisual Media Services Directive – which sets minimum standards for video-on-demand services across the European Union - be amended to require all Member States to ensure that on-demand services which provide hardcore pornographic material do so in a manner which secures that such material cannot normally be seen by under 18s. Such a move would see adult services operating in countries such as The Netherlands required to put in place the sorts of child protection measures ATVOD requires of their UK based counterparts.

Finally, I would like to offer my personal thanks to the staff and Board members – past and present – who have worked with such enthusiasm and diligence to carry out the designated functions throughout the year.

Pete Johnson

Chief Executive

² See: http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?doc_id=3979

³ [Preparing for a Fully Converged Audiovisual World: Growth, Creation and Values](#)

Introduction

ATVOD regulates the editorial content of On Demand Programme Services (“ODPS”), and makes determinations in relation to the scope of the statutory regulations, in accordance with its Designation by Ofcom. The statutory regulations themselves are set out in section 368 of the Communications Act 2003 (“the Act”) and are incorporated into the ATVOD Rules⁴. In this report, we provide an account of ATVOD’s activities, income and expenditure over the 12 month period 1 April 2013 to 31 March 2014 (“the Relevant Period”). Our statutory Financial Statements to 31 March 2014 are included in this report as Annex 1.

⁴ See <http://www.atvod.co.uk/rules-and-guidance>

Principal activities and business review

The principal activity of the company is to regulate the editorial content of UK video on demand services that fall within the statutory definition of On Demand Programme Services (“ODPS”) set out in the Act. The company is limited by guarantee and has no share capital.

The powers and duties designated to ATVOD by the Office of Communications (Ofcom) include:

- preparing and publishing procedures for receiving notifications, receiving notifications from providers of ODPS, and requiring service providers to pay a fee;
- determining whether Service Providers have complied with their obligation to notify;
- taking such steps as appear to them best calculated to secure that the relevant requirements of the Act are complied with by Service Providers, including issuing, and enforcing compliance with, enforcement notifications in relation to breaches of the Act;
- preparing and publishing Rules and accompanying guidance for the purpose of securing that Service Providers comply with the relevant requirements of the Act;
- having in place and publishing appropriate and robust complaints handling processes, and determining, following a complaint or otherwise, whether a Service Provider is contravening or has contravened any of the relevant requirements of the Act;
- encouraging Service Providers to ensure that their services are progressively made more accessible to people with disabilities affecting their sight or hearing or both; and
- ensuring that Service Providers promote, where practicable and by appropriate means, production of and access to European works.

In discharging these duties ATVOD is required to have regard to, among other things, the desirability of promoting competition in relevant markets and the desirability of encouraging investment and innovation in relevant markets.

Notifications

At the beginning of the year 206 services were notified to ATVOD. As we anticipated in last year’s Annual Report, this figure fell significantly as the result of ATVOD adopting new notification requirements from 23 May 2013 which allowed a service provider to include within a single overarching notification all the outlets through which they provide on demand programmes. In addition to this rationalisation, during the course of the year 28 services

were notified to ATVOD for the first time and 26 notifications were withdrawn. At the end of the year 111 services were notified to ATVOD.

Breach Investigations

ATVOD investigates breaches of the Rules applying to the editorial content of ODPS and deals with complaints from users of such services. It also investigates services which may be ODPS, but which have not been the subject of a notification. Such 'scope' investigations are normally targeted at cases where (a) the service had been the subject of a complaint to ATVOD, or (b) the service was providing adult content (because the content offered by these services is more likely to raise consumer protection issues), or (c) a service provider requests a determination.

ATVOD investigates potential breaches in accordance with a set of published procedures⁵. During 2013-14 those procedures were reviewed and revised in light of the experience gained in the previous three years.

Scope investigations

At the beginning of 2013-14, ATVOD had 138 open scope investigations. During the year, 135 scope investigations were initiated, 35 as a direct result of complaints, giving a total of 273 breach investigations.

Including those carried over from the previous year, a total of 273 scope investigations were dealt with in 2013-14:

- 185 scope investigations were closed during the period
- 88 scope investigations remained open at the end of the period

The number of scope investigations remaining open at the end of each year has fallen significantly year on year (see Figure 1, below).

Scope investigations are closed when ATVOD concludes that an ODPS is not being provided, when there is insufficient evidence that the service is within UK jurisdiction, or when ATVOD receives a notification. Scope investigations range in depth from brief initial assessments to more substantive inquiries involving a detailed analysis of the service and correspondence with the service provider. In the most complex cases, the identity and/or location of the service provider may not be evident from the service itself. The duration of a scope investigation can therefore vary from a matter of days to months. If an investigation involves a service which has clear similarities to a service which is the subject of an outstanding appeal to Ofcom, the investigation may be put on hold until the appeal is decided, for example two of the investigations which remained open at the end of 2013-14 were on hold pending the outcome of an appeal by the provider of the Frankie & Friends service.

⁵ See http://www.atvod.co.uk/uploads/files/ATVOD_Breach_Determination_Process_Jan_2014.pdf

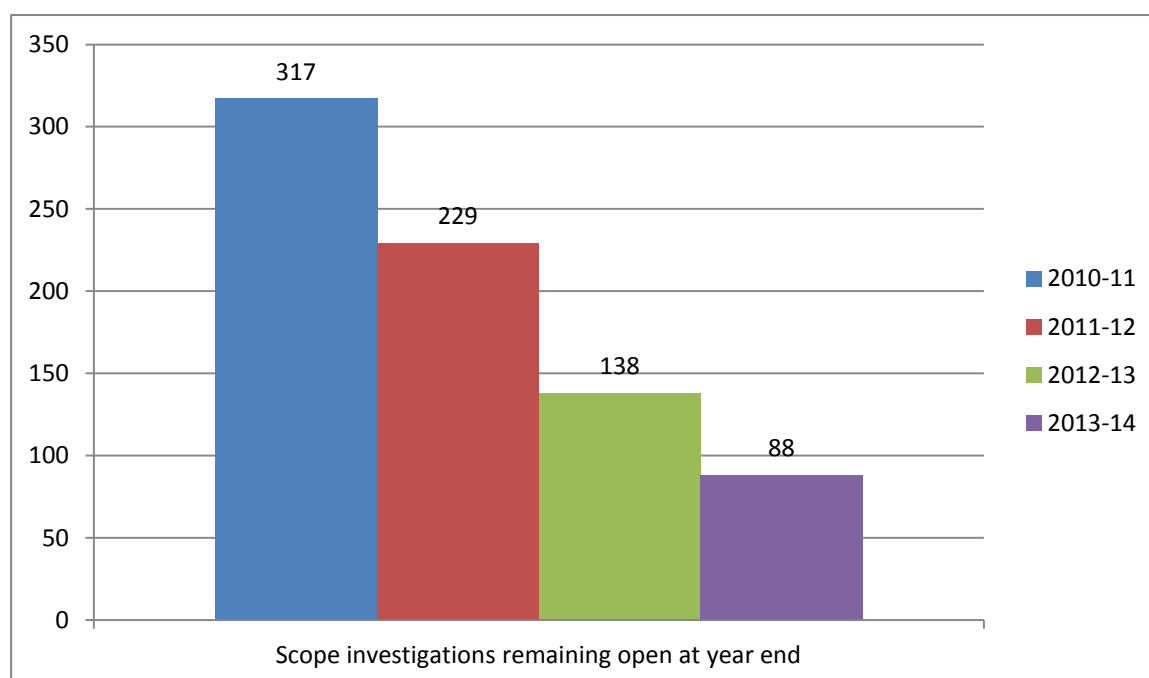


Figure 1

In many cases, investigations led to notifications without the need for a formal Determination that a breach had occurred. However, Determinations that a provider of an un-notified service was providing an ODPS, and was therefore in breach of Rule 1 (requirement to notify) were made in 25 cases during 2013-14. Of these:

- 9 resulted in new notifications
- 13 related to services which ceased operating or ceased to be ODPS following the determination or immediately prior to the determination⁶
- 3 were the subject of appeals which had not concluded at year end

Details of each Determination, and of any subsequent appeals or notifications or withdrawals, were published on the ATVOD website.⁷

In order to assist stakeholders in assessing whether a particular service was or might be an on-demand programme service, during 2013-14 ATVOD worked closely with service providers (through the Industry Forum) and Ofcom to develop new scope guidance⁸. This guidance was published on 5 February 2014, following a public consultation.

Complaint handling

Editorial matters falling within the statutory requirements, as reflected in the ATVOD Rules, comprise:

- material likely to incite hatred based on race, sex, religion or nationality;

⁶ In a number of cases the service ceased to be an ODPS because editorial responsibility passed to a entity which was not established within the UK.

⁷ See <http://www.atvod.co.uk/complaints/determinations>

⁸ See http://www.atvod.co.uk/uploads/files/Guidance_on_who_needs_to_notify_Ed_4.0_Feb_2014.pdf

- content which might seriously impair the physical, mental or moral development of under 18s;
- sponsorship; and
- product placement.

If an ODPS contains material which might seriously impair the physical, mental or moral development of children, the material must be made available in a manner which secures that children will not normally see or hear it. An ODPS must not contain any material likely to incite hatred based on race, sex, religion or nationality. An ODPS must also comply with requirements relating to sponsorship and product placement, as well as a number of administrative requirements.

In the period 1 April 2013 to 31 March 2014, ATVOD received 560 complaints submitted by 555 individuals⁹ and by one organisation ("Safer Media"). This compares with 690 complaints during the previous year, a decrease of 18.8%. However, a large number of complaints submitted to ATVOD each year concern issues – such as billing and technical problems – which are not covered by the statutory rules we enforce. The number of complaints which were potentially within remit rose by 12.5% during 2013-14.

The complaints related to services provided by 18 providers of notified services and to 31 services which were not notified to ATVOD at the time of the complaint. Details of the ODPS providers and programmes to which the complaints related are included as Annex 2. This annex also details the services not notified to ATVOD which were the subject of complaints (some of which may be determined to be ODPS in due course).

In relation to complaint handling, during 2013-14 ATVOD assessed its performance by reference to the following Key Performance Indicators ("KPIs"), as agreed with Ofcom:

- Straightforward cases: 80% closed within 30 working days
- Complex cases: 80% closed within 60 working days

ATVOD defines a complex case as one in which:

- there is a lack of clarity over the service to which the complaint refers which requires further information from the complainant
- there is a lack of clarity over whether the service is within the scope of the regulatory requirements which requires ATVOD to first investigate whether it is an ODPS
- the complainant has requested a review of ATVOD's determination

In 2013-14, ATVOD's performance against its KPI's was as follows:

For the period 1st April 2013 to 31st March 2014 there were 560 complaints, of which 520 were straightforward and 40 were complex.

- Straightforward cases: 100% were closed within 30 working days

⁹ One complainant submitted two separate complaints. A further complainant submitted four separate complaints.

- Complex cases: 80% were closed within 60 working days

ATVOD's performance in relation to complex cases had improved from 62.5% in the previous year.

As anticipated in last year's Annual Report, ATVOD has agreed with Ofcom a new KPI for highly complex cases involving services not notified to ATVOD. Highly complex cases will be defined as complaints in which the identity or location of the service provider is disputed or not readily identifiable. This KPI, which has been adopted for 2014-15, will exist alongside the existing KPI's for straightforward and complex complaints. The target for highly complex complaints will be 80% closed within 150 working days.

ATVOD's complaints procedure normally allows the service provider an opportunity to address the concerns of the complainant in the first instance. On receipt of a complaint, ATVOD is required to consider whether the complaint concerns material likely to encourage or to incite the commission of a crime or lead to disorder and to refer such complaints to Ofcom immediately if the contravention may be such as to justify the need for Ofcom to take urgent action under section 368L of the Act (suspension or restriction of service for inciting crime or disorder). No complaints which might justify such a need were received during the Relevant Period.

Of the 560 complaints received by ATVOD in 2013-14:

- 404 had been referred to the service provider in the first instance and had not subsequently been referred back to ATVOD by a complainant dissatisfied with the response of the service provider
- 153 were referred to ATVOD by a complainant dissatisfied with the response of the service provider
- 1 concerned a TV broadcast service and was referred to Ofcom
- 2 concerned advertising and were referred to the ASA

Of the 153 complaints referred to ATVOD by a complainant dissatisfied with the response of the service provider

- 147 were closed during 2013-14
- 6 remained open at year end

Of the 147 complaints closed during 2013-14:

- 11 were upheld, as at least one statutory rule had been breached¹⁰
- 136 were not upheld.

In one case a complainant requested a review of a Determination that the complaint did not fall within ATVOD's remit because the service – 'Parliament Live TV' - was not an ODPS.

¹⁰ These breaches are included and detailed in the following section headed 'Breaches of the ATVOD Rules'

The ATVOD Board granted a review of the Determination, but concluded that the original decision had been correct.

Breaches recorded as a result of complaints are detailed below along with breaches resulting from pro-active ATVOD investigations.

Breaches of the ATVOD Rules

As noted above, in addition to investigating complaints, in 2013-14 ATVOD carried out a number of targeted investigations. Together, complaints-driven and pro-active investigations resulted in 31 cases in which breaches of the Rules were determined. This is a 40% increase over the previous year (see Figure 2).

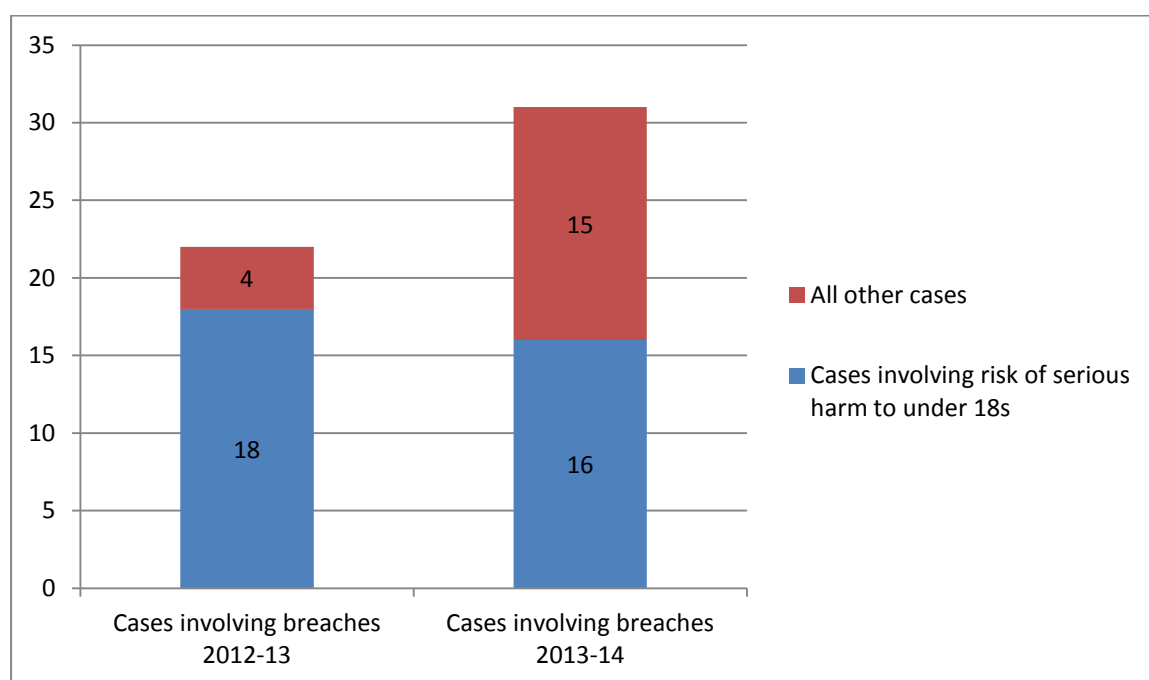


Figure 2

Those 31 cases resulted in Determinations that a total of 72 breaches of the rules had occurred. This is a 200% increase over the previous year (see Figure 3, below). Notably, the majority of breaches in 2013-14 involved services not notified to ATVOD at the beginning of the investigation whereas in 2012-13, all but two had involved notified services. Investigations involving services which are not notified are significantly more complex than those concerning notified services. The increase in the total number of breaches reflects ATVOD's increasing workload and efficiency. ATVOD plans to employ an additional case office in 2014-15 in order to remain on top of the increasing workload.

Such investigations and breaches primarily involved services providing 'adult' content. Most – but not all - cases involved services making available 'hardcore' pornographic material without having adequate safeguards in place to ensure that such material cannot normally be seen by under 18s. Doing so is in breach of ATVOD Rule 11 which requires that ODPS providing hardcore pornographic material, or other material which might seriously impair the physical, mental or moral development of under 18s, must have in place robust age

verification and access control mechanisms. In many cases involving adult services, breaches of Rule 11 occurred alongside breaches of Rule 1 (requirement to notify ATVOD) and Rule 4 (requirement to pay a fee).

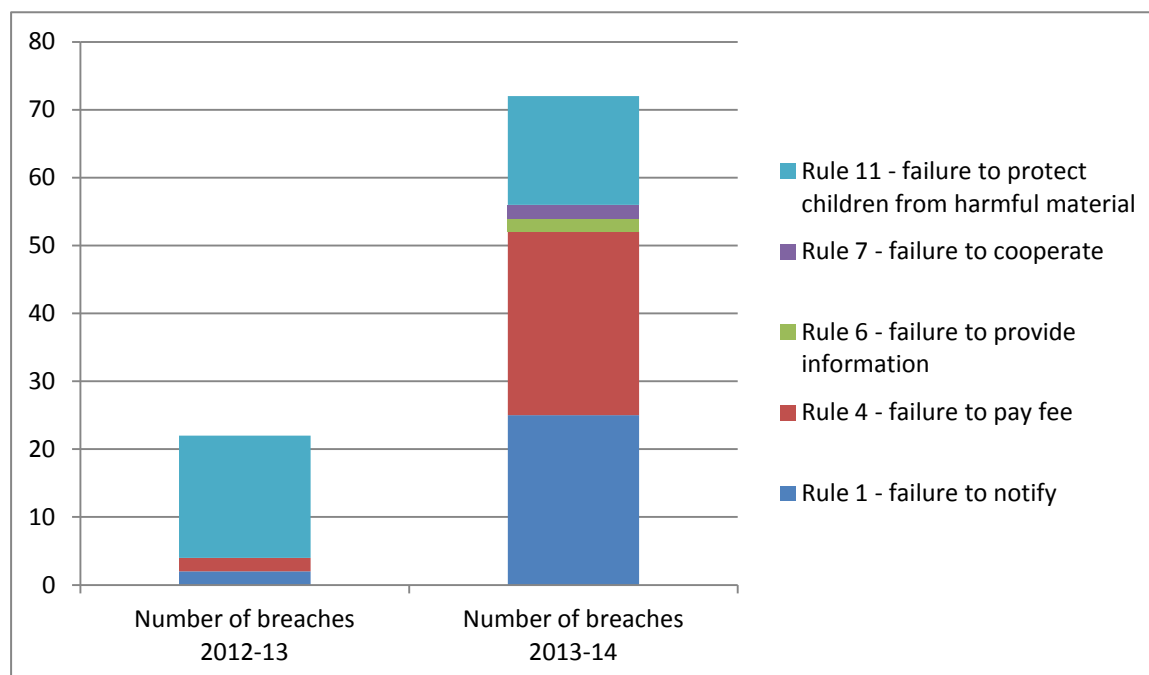


Figure 3

Cases in which breaches were found to have occurred in 2013-14 are detailed below:

Adult services found in breach:

Rule 1 – failure to notify & Rule 4 - failure to pay fee

- MNS Media Ltd - This Is Glamour
- MNS Media Ltd – Gracie Lewis
- MNS Media Ltd – Geena Mullins
- MNS Media Ltd – Official Tommie Jo
- MNS Media Ltd – Anastasia Harris and 5 other websites
- Harsh Media – Class 5B

Rule 1 – failure to notify & Rule 4 - failure to pay fee & Rule 11 – protection of children

- Steven Walsh – Belted By Beauty
- Steven Walsh – The British Institution
- JP Media – Jessica Pressley
- O&C Entertainment Ltd – Absolute Cruelty
- O&C Entertainment Ltd - CFNM
- O&C Entertainment Ltd - CMNM

- O&C Entertainment Ltd – The Casting room
- Harsh Media – Bitch Slapped
- Harsh Media – Young Dommies
- Harry Barrett – Frankie and Friends¹¹
- S Hilder – Pleasuring Herself
- Home Studio Limited – Mistress Whiplash
- Itziar Urrutia – Urban Chick Supremacy Cell¹²
- MDY Trading Ltd – Bra Busters of Britain

Rule 4 - failure to pay fee

- Steven Walsh – The British Institution¹³

Rule 6 – provision of information & Rule 7 – cooperation

- MNS Media Ltd
- Jonathan Lipman

Rule 11 – protection of children

- Gary Beaumont – Speedy Bee
- Madame Caramel – Madam Caramel

Non-adult services found in breach:

Rule 1 – failure to notify & Rule 4 - failure to pay fee

- Vice UK Ltd – Vice (video)¹⁴
- Rangers FC Ltd – Rangers TV
- Sainsbury's Supermarket Limited – Sainsbury's Entertainment Video On Demand
- Grime Daily Ltd – GRM Daily
- SBTV Global Ltd – SBTV

Rule 4 – failure to pay

- Channel Entertainment Ltd – Filmed Media

In the majority of cases the breaches were brought to an end without the need for ATVOD to take further action, indeed breaches were often rectified during the investigation process and

¹¹ The service provider has lodged an appeal with Ofcom against the Determination that it was the provider of an ODPS. This appeal was outstanding at year end.

¹² The service provider has lodged an appeal with Ofcom against the Determination that it was the provider of an ODPS. This appeal was outstanding at year end. The provider has also requested a review of the Determination that it was in breach of Rule 11. That review is on hold pending the outcome of the appeal.

¹³ This was the second determination issued to the service provider for failure to pay the required fee

¹⁴ The service provider has lodged an appeal with Ofcom against the Determination that it was the provider of an ODPS. This appeal was outstanding at year end.

in advance of the Determination being issued. However, in 14 cases¹⁵ the service provider did not take sufficiently quick action to bring the service into compliance and ATVOD therefore issued an Enforcement Notification under section 368I of the Act. Enforcement Notifications require that the service provider address specific issues within a given time period.

If a service fails to comply with an Enforcement Notification, ATVOD can take instigate civil proceedings or refer the matter to Ofcom for consideration of a statutory sanction. In 2013-14, ATVOD instigated civil proceedings on one occasion in relation to five cases involving a single service provider.

Four service providers found to be in breach during 2013-14 were referred to Ofcom for consideration of a statutory sanction after they failed to comply with the terms of an Enforcement Notification within the deadline set. One subsequently went into voluntary liquidation and two made changes to remedy the breaches. In the remaining case, which involved the provision of hardcore pornography in a manner which allowed under 18s to view it, Ofcom used its powers under 368K(3)(a) of the Communications Act 2003 to direct J P Media that their entitlement to provide the Jessica Pressley service or any other on-demand programme service was suspended. The suspension took immediate effect and continues indefinitely. This was the first time such a direction has been used in regard to a video on demand service.

As in previous years, a number of adult services found to be in breach of Rule 11 (which requires hardcore pornographic material to be kept out of reach of under 18s) indicated that they had, or intended to, transfer editorial responsibility for the service to an entity established outside the UK. Either to an EU Member State which does not require hardcore pornographic material to be kept out of reach of children¹⁶ or to a country entirely outside the EU. Although ATVOD requires evidence that any such transfer of editorial responsibility is genuine, it is clear that moving is an option for services which seek to avoid the obligations placed on UK providers.

Given the response of a minority of providers of adult services to enforcement of Rule 11, ATVOD continued to brief policymakers during the year on how children might better be protected from hardcore pornography online, and especially from such material on websites operated from outside UK jurisdiction.

Appeals

The regulatory scheme under which ATVOD operates allows for appeals to Ofcom against a Determination that a person is providing an ODPS or that a particular programme is, or is not, a programme included in an ODPS.

¹⁵ In one case the Enforcement Notification was issued post year end.

¹⁶ Although all EU Member States are required under the Audiovisual Media Services Directive to ensure that services within their jurisdiction restrict access to material which might seriously impair under 18s, not all Member States agree with ATVOD's view that hardcore pornography might seriously impair under 18s. Services based in such Member States – including The Netherlands – are therefore not required to keep hardcore pornographic material out of reach of under 18s even if they are targeted at the UK.

During 2013-14 the following appeals were lodged with Ofcom:

- Urban Chick Supremacy Cell
- Frankie and Friends
- Vice (Video)

None of the appeals had been decided at year end. However, during 2013-14 three appeals against Determinations made in 2012-13 were decided:

- Everton TV (*Appeal upheld*)
- Playboy TV (*Appeal upheld*)
- Demand Adult (*Appeal upheld*)

Of these three decisions, the first concerned a service originally notified to ATVOD. In March 2011, Everton FC had notified ATVOD that it was providing an on-demand programme service comprising the Everton TV section of its website. However, Everton FC subsequently made changes to the website and requested that ATVOD determine whether the Everton TV section still constituted an on-demand programme service. ATVOD had then Determined that the Everton TV section was still an on-demand programme service. The outcome of the appeal turned on whether Everton TV section of the website was a separate service or an integrated and ancillary part of the broader website, and also on whether the relevant on-demand videos made available in that section were 'comparable' to television programmes.

The Playboy TV and Demand Adult appeals both concerned whether editorial responsibility for the services had passed from a UK company (Playboy TV UK / Benelux Ltd) to a Canadian company (Playboy Plus Entertainment). Both Playboy TV UK / Benelux Ltd and Playboy Plus Entertainment were part of the Manwin Holding SARL group of companies. The services had previously been required to pay £100,000 in fines for breaches of ATVOD Rule 11 which requires on-demand programme services to keep hardcore porn (and any other material might seriously impair under 18s) behind effective access controls which ensure that under 18s cannot normally see it.

The decision turned on whether Playboy TV UK / Benelux Ltd still exercised "general control" over the selection and organisation of the programmes comprising the relevant video on demand services. The UK company won their appeal after providing Ofcom with significant further evidence that key parts of the operations were now being run from Canada. The success of their appeal means that the services are no longer bound by UK rules designed to protect under 18s.

The ATVOD decision had been taken on the basis of evidence provided by Playboy TV UK / Benelux Ltd following a request by ATVOD for all relevant information. Ofcom's decision to uphold the appeal takes into account significant further evidence from Playboy TV UK / Benelux Ltd and Manwin Holding SARL which was never offered to ATVOD. The Ofcom's appeal decisions note that "*a limited number of individuals within the UK business continue actively to be involved in the provision of the service[s]*" but accept that "*there was a genuine reallocation of responsibility within the corporate group.*"

Each case involved complex issues and the appeal process plays an important role in clarifying both the scope of the regulations and the entity to which they apply in particular circumstances.

Access services

ATVOD has a duty to encourage providers of ODPS to ensure that their services are progressively made more accessible to people with disabilities affecting their sight or hearing or both.

In last year's Annual Report, we noted the publication of Access Services Best Practice Guidelines developed in partnership with industry and those who represent the interests of people with relevant disabilities, and announced the establishment of a Technical Working Group under the chairmanship of an independent expert in the provision of access services. During 2013-14, working to an agreed 12 month plan, the Technical Working Group brought together content providers, platform operators, access services specialists and disability advocacy groups to discuss possibilities for technical standardisation as the provision of access services appeared to be significantly hampered by the proliferation of technical standards used in the creation of access services, the delivery of such assets to platforms and the provision of the access services to the end user. The Technical Working Group expects to publish its first technical report and recommendations in Summer 2014 and will continue to consider relevant technical issues during 2014-15 .

Following discussion with relevant stakeholders, in February 2014 ATVOD published a revised Access Services Plan¹⁷ setting out its priorities and plans for encouraging access service provision in the period to 2016. Taking into account benefits to audiences and costs to industry, and research conducted by Ofcom, ATVOD considers that VOD service providers and platforms would maximise the consumer benefit if they concentrated their efforts on the provision of subtitling for deaf people and those with partial hearing, and audio description for people who are blind or partially sighted. ATVOD also encourages service providers to provide signing services in line with best practice guidelines, and/or to contribute to the British Sign Language Broadcasting Trust's ("BSLBT") fund for the BSL Zone on Film 4 and the Community Channel, as all BSL Zone programmes are provided on demand via the BSL Zone Player.

The plan confirms that ATVOD considers it reasonable to expect providers of large scale services, whose services can have the greatest impact on audiences, to take a lead in demonstrating best practice in the area and will focus its efforts accordingly. In doing so, ATVOD will focus its efforts on catch-up television and movie-on-demand services where content has previously carried access services on linear broadcast or cinema/DVD release. In particular, ATVOD will focus its efforts on service providers who are already required by Ofcom to provide subtitles / audio description on related linear services, along with providers of large scale movie-on-demand services. ATVOD seeks to work with both service providers and the platform operators who deliver those services, though such platforms are not subject to regulation by ATVOD. These priorities will not prevent ATVOD from engaging with other providers, as appropriate, and encouraging them to provide access services.

¹⁷ See http://www.atvod.co.uk/uploads/files/Access_Services_Plan_2014-16.pdf

The new plan includes, among other elements, a commitment to seek:

- *“individual meetings with senior personnel from specific service providers.....[including]..... those with VOD services related to linear services carrying subtitles/audio description, and providers of major movie-on-demand services. The purpose of the meetings will be to discuss the service providers’ plans and timetables for providing access services and to encourage them to demonstrate significant progress over the next two years”; and*
- *“individual meetings with operators of major platforms in order to discuss any technical or administrative obstacles relevant to provision of access services”.*

Those meetings were scheduled to be completed by the end of June 2014.

ATVOD’s new Access Services Plan picks up on a number of issues identified in ATVOD’s third annual survey of all providers of notified ODPS, the results of which were published on 9 December 2013¹⁸. The report set out both the current levels of provision of access services on services operated by respondents and respondents’ future plans for increasing the provision of such services. Importantly, the report also identified those service providers who had been invited to respond, but who had failed to do so.

The report revealed that, with regard to the 40 service providers who responded (up from 17 the previous year):

- Public service broadcasters (“PSBs”) such as Channel 4 and ITV once more appear to be making the most significant progress in access services provision, particularly in relation to subtitling.
- Even on those services which do provide access services, the availability of the access services will depend on exactly how the service is accessed.
- Those who already provide access services are expanding that provision. However, there are few new providers of access services.
- There is continued debate over whether content providers or platform operators have responsibility for ensuring access services are delivered to consumers.
- Service providers described various obstacles to access service including interrelated technological, operational and cost issues.

ATVOD intends to conduct a further survey of ODPS providers in summer 2014, with a view to publishing its fourth Access Services Report before the end of 2014. In order to get a more complete picture, ATVOD intends to use its powers under section 368O of the Communications Act 2003 to require all service providers to complete the survey.

European works

¹⁸ See http://www.atvod.co.uk/uploads/files/Provision_of_Access_Services_2013_Report.pdf

We also encourage ODPS providers to promote, where practicable and by appropriate means, production of and access to European works. We do this in accordance with the European Works¹⁹ plan developed in consultation with Ofcom and industry stakeholders and published in 2012. This plan for encouraging service providers is published on our website along with guidance on the definition of a 'European work'²⁰.

The new plan maintains a proportionate approach and commits ATVOD to collecting from providers of ODPS data relating to European Works made available on their services. During 2013-14 data was collected for the calendar year 2012. This data has been provided to Ofcom in order to enable the Department for Culture Media and Sport to comply with its reporting obligations to the European Commission under the AVMS Directive

Reporting obligations

In accordance with the requirements of ATVOD's Designation, on 18 July 2013 we submitted to Ofcom a report the exercise of our designated functions for the year 1 April 2012- 31 March 2013.

Stakeholder Communication

We aim to engage with all our stakeholders to understand the issues and concerns of stakeholders and ensure an integrated approach to regulation. To that end, during 2013-14 we:

- worked with Industry via the Industry Forum and its working groups to discuss concerns and propose solutions to issues including fees, scope guidance, access services, determinations procedures, and research proposals;
- held a free seminar on VOD regulation for small businesses who provide, or are thinking of providing, a VOD service;
- developed the ATVOD website to reflect changes in the notification requirements and to introduce a facility to enable service providers to make online notifications and data submissions;
- engaged with those who represent the interests of consumers in order to understand the consumer experience of VOD and discuss concerns; including disability groups (eg Action on Hearing Loss, RNIB, Sense), consumer/child protection organisations (eg NSPCC, Children's Charities Coalition on Internet Safety, Mother's Union) and academics (eg through a joint conference with Queen Mary University of London);
- worked with Ofcom to ensure effective regulation, including through the referral of serious and ongoing breaches of the ATVOD Rules for consideration of a sanction;

¹⁹ http://www.atvod.co.uk/uploads/files/2012_European_Works_Plan_FINAL_2_061112.pdf

²⁰ http://www.atvod.co.uk/uploads/files/European_Works_Guidance_Mar_2011.pdf

- participated in debates relating to the Communications Review and other political developments, including through presentations at Westminster Media Forum and Westminster eForum seminars, by providing briefings for policy makers on issues relating to children's access to hardcore pornography, and through the organisation with Queen Mary University of London of a conference considering issues relating to children's access to hardcore pornography online;
- worked with other regulators to ensure an integrated and transparent approach to regulation of ODPS, especially through our continued support of the ParentPort website;
- engaged with other key stakeholders in order to share experiences and understand their key issues in relation to ODPS; including IWF, UKCCIS and EPRA;
- conducted a stakeholder survey, the results of which are published as Annex 4.

Policy Development and Research

We aim to undertake appropriate policy development and research to ensure best practice, encourage compliance and understand the context within which we regulate UK VOD services. Accordingly, during 2013-14 we:

- worked with Industry to develop and consult on revised scope guidance which was published on 5th February 2014;
- sought feedback from stakeholders via an online survey to ensure our policies and procedures are appropriate and effective, and identify areas for development. The results of this survey are provided as Annex 4;
- monitored the implementation of the AVMS Directive in other EU states, including through engagement with EPRA²¹ and the EU Commission and through published research;
- commissioned an independent review of our strategies for identifying providers of VOD websites who wish to remain anonymous; and
- published a research report ("For Adults Only?")²² detailing the extent of underage access to adult websites.

²¹ The European Platform for Regulatory Authorities

²² http://www.atvod.co.uk/uploads/files/For_Adults_Only_FINAL.pdf

Public Policy

We aim to engage in public policy debate to ensure that we are aware of current issues and able to actively participate to ensure the best outcome for consumers and industry. For those reasons, during 2013-14 we:

- engaged with Government and Parliament in relation to issues raised by, or relevant to, our regulation of ODPS, including through the submission of a response to the Online Safety inquiry by the Culture Media Sport Select Committee; briefings for Parliamentarians and meetings with DCMS officials;
- participated in the internet child protection/R18 public policy debate, including through our engagement with Government, Parliament, the European Commission and child protection groups, and through presentations at relevant events and through the holding of a joint conference on the issue with Queen Mary University of London;
- contributed to the wider public debate on content regulation, including through our response to the EU Commission Green Paper on convergence and through meetings with senior EU Commission officials;
- engaged with industry and other stakeholders on the development of new public policy positions, not least through discussion of proposed policy positions at Industry Forum meetings and through meetings with key stakeholders, including Ofcom;
- kept up-to-date with relevant market developments, including through presentations at Board meetings; and
- jointly organised a successful conference with Queen Mary University of London. The conference (“For Adults Only? – protecting children from porn online”) took place in December 2013 and was chaired by Channel 4 Social Affairs Editor Jackie Long. Speakers included:
 - Sue Berelowitz - Deputy Children’s Commissioner
 - Reg Bailey – Chief Executive of The Mothers’ Union
 - Diane Duke – Chief Executive Officer of the Free Speech Coalition
 - Julia Long - author of Anti-Porn: The Resurgence of Anti-Pornography Feminism.
 - Paula Hall – Chair of the Association for the Treatment of Sex Addicts and Compulsivity
 - John Carr - Children’s Charities’ Coalition on Internet Safety
 - Vicki Shotbolt - CEO and founder of The Parent Zone
 - Vince Charlton – Director of European Outreach for ASACP
 - Becky Foreman – Head of Government Affairs at Microsoft
 - Adam Kinsley – Director of Policy at BSkyB

Internal Governance and Financial security

We aim to adopt principles of best regulatory practice to ensure good governance in all our decisions and to ensure our financial security. To that end, in 2013-14 we:

- reviewed our governance policies to ensure appropriate best practice and updated our recruitment policy in light of changes in the use of Independent Assessors by DCMS;
- worked with service providers through the Fees Working Party to monitor developments which might affect the fee structure;
- consulted on 2014-15 fees and thereby established fees at a level to meet the anticipated budget for that year;
- ensured effective arrangements remain in place for Audit and Risk Control, including through the regular review of the Risk Register at Board meetings;
- maintained thorough oversight of finances through regular meetings of the Audit and Finance Committee;
- conducted a Board evaluation; and
- published in July 2013 an Annual Report giving a full account of our 2012-13 activities and costs.

Governance report

ATVOD is led by an independent Chair and has a Board comprising five independent and four non-independent members. Board decisions are not quorate unless independent board members are in a majority. Non-independent members are employed by a provider of a regulated service. Members are also Directors of the company.

The Directors who served the company during the period were:

Ruth Evans (Chair) - Appointed 23 February 2010

Nigel N Walmsley (Deputy Chair) - Appointed 18 March 2010

Daniel T Austin* - Appointed 18 March 2010

Gidon Freeman* – Appointed 27 March 2012

Julia Hornle - Appointed 24 September 2010

Sophie Jones* – Appointed 27 March 2012

Alexander Kann* – Appointed 1 January 2014

Ian McBride - Appointed 18 March 2010

Chris Ratcliff* – Appointed 27 March 2012

Paul Whiteing – Appointed 1 January 2013

(* indicates non-independent member)

During 2013-14 we advertised for a non-independent member to succeed Chris Ratcliff who stood down in September 2013 and an independent member to succeed Julia Hornle who stood down in March 2014. The position for the independent member was advertised on the Public Appointments Commission Website and both positions were advertised on the ATVOD website. Both recruitment campaigns involved oversight by a person of independence and distinction with no connection to either the industry or to ATVOD. Alexander Kann succeeded Chris Ratcliff, and Robin Foster²³ succeeded Julie Hornle.

Each year there are normally seven Board meetings, two strategy meetings and numerous other committee and Board/Executive meetings. Minutes of Board meetings are published on our website once approved. All Board Members and Executive staff complete an annual appraisal and objective setting exercise to ensure that our goals and objectives are reflected throughout the company. The Board bi-annually undertakes an evaluation exercise to identify areas for improvement in its performance.

The Board has delegated some of its duties to Committees which meet as required. During 2013-14 the Scope and Complaints Committees were combined to form a Determinations Committee.

²³ Robin Foster was appointed post year-end.

- Determinations Committee: to discuss and agree borderline and disputed scope decisions and to consider complaints (and other potential breaches of rules relating to programmes) where an initial assessment has determined that the complaint does raise potential issues under the statutory requirements;
- Audit and Finance Committee: to consider in detail the financial affairs of ATVOD.

Our Executive normally comprises a full-time Chief Executive Officer, a part-time Company Secretary, a part-time Policy and Investigations Manager, a full-time Policy and Investigations Officer and a part-time Personal Assistant/Office Manager.

Like all similar organisations, we face a number of uncertainties which could impact our continued effectiveness as a co-regulator. We have developed a risk management plan and controls to protect and enhance our effectiveness. We regularly identify, analyse, respond to and control our risks, as documented on our risk register and will continue to monitor the uncertainties we face and develop responses as required.

During the year, ATVOD's accountants reviewed the conduct of the Executive in relation to the internal financial procedures and controls previously established and concluded that there were no issues of concern to be considered by the Board.

We have a Code of Conduct with which Board Members must comply. Members are required to disclose details of any public and charitable appointments, directorships, related employments, and relevant financial interests. All shareholdings of a material size in any regulated company (including those of partners and dependent children) are disclosed. These interests are recorded in the Register of Interests, which is published on our website.

Comprehensive Income Statement

Year ended 31 March 2014

	2014	2013
	£	£
INCOME	507,378	534,141
Administrative expenses	(510,900)	(455,565)
Other income	598	505
OPERATING (DEFICIT)/SURPLUS	(2,924)	79,081
Finance income	289	636
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	(2,635)	79,717
Tax on surplus on ordinary activities	(58)	(206)
(DEFICIT)/SURPLUS FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	(2,693)	79,511

Statement of Financial Position

31 March 2014

	31 Mar 14	31 Mar 13
	£	£
CURRENT ASSETS		
Trade and other receivables	15,944	15,732
Cash and cash equivalents	182,359	242,616
TOTAL CURRENT ASSETS	198,303	258,348
CURRENT LIABILITIES		
Trade and other payables	(56,729)	(114,081)
NET CURRENT ASSETS	141,574	144,267
TOTAL ASSETS LESS CURRENT LIABILITIES	141,574	114,267
	141,574	144,267
RESERVES		
Retained earnings	141,574	144,267
MEMBERS' FUNDS	141,574	144,267

Sources of income

During the period, ATVOD received income from three sources: regulatory fees charged to ODPS, interest received on cash placed on short term deposits, and income from an insurance claim and from sale of assets ("other income").

	2014	2013
	£	£
Regulatory fees from ODPS	507,378	534,141
Bank interest received	289	599
Other Income	598	505
Other interest received	-	37
	<hr/>	<hr/>
	508,265	535,282
	<hr/>	<hr/>

In accordance with section 368NA(6)(a) and section 368NA(6)(b)²⁴ of the Act, ATVOD hereby confirms that:

- (a) the aggregate amount received by them in the year ending 31 March 2014 in respect of fees required to be paid under subsection (2) for that year is £513,484²⁵; and
- (b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2) for that year is £12,632.

Fee income was higher than that forecast of £498,773 due to the fact that the number of services notified to ATVOD as being provided during the year ended 31 March 2014 exceeded the number estimated.

Following a public consultation conducted prior to the beginning of the year, the three rate banded fee structure based on the turnover of the service provider, with further concessionary rates for non-commercial providers and small-scale and micro-scale providers, was retained for 2013-14, with adjustments within that banding structure to reflect revised notification requirements. Rates were set at a level which represented a 5% reduction in average fees compared with 2012-13.

²⁴ Section 3658NA(6) of the Act states: "As soon as reasonably practicable after the end of the financial year, the authority must publish a statement setting out, for that year: (a) the aggregate amount received by them during that year in respect of fees required to be paid under subsection (2); (b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2); and (c) the costs to them of carrying out the relevant functions during that year".

²⁵ This figure differs from that of £507,378 set out above as 'Regulatory fees from ODPS' because the latter reflects adjustments made in relation to fees paid or credited during 2013-14 for previous years.

Overheads

In the 2013-14 Fees Statement published on 23 May 2013, ATVOD estimated that the costs of performing the designated function during 2013-14 would be **£553,050**. In fact, in accordance with section 368NA(6)(c) ²⁶ of the Act, ATVOD hereby confirms that the costs of carrying out the relevant functions during the year ending 31 March 2014 were **£510,900**.

The main reasons for actual overheads falling short of those estimated in May 2013 are as follows:

- Lower than estimated costs relating to fee shortfall, debt recovery action and bad debt provision;
- Lower than estimated legal fees;
- Lower than estimated staff costs, due to one post being unfilled for a short period during the year; and
- Lower than estimated database running costs.

These savings were partially offset by higher than anticipated expenditure on office running costs, expenses and other professional services.

Total expenditure of **£510,900** was broken down as follows:

	2014	2013
	£	£
Ofcom's recouped costs ²⁷	20,883	24,330
Remuneration for staff & Independent Board Members	330,246	313,090
Rent	7,590	7,643
Other meeting space	5,025	2,510
Office running costs	12,393	9,971
Travel & other expenses (Executive & Board)	6,261	4,472
Professional fees	76,074	68,555

²⁶ Section 368NA(6) of the Act states: "As soon as reasonably practicable after the end of the financial year, the authority must publish a statement setting out, for that year —

(a) the aggregate amount received by them during that year in respect of fees required to be paid under subsection (2);

(b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2); and

(c) the costs to them of carrying out the relevant functions during that year".

²⁷ In 2011-12 Ofcom's recouped costs included costs relating to carrying out invoicing on behalf of ATVOD. In 2012-13, invoicing was outsourced to Grant Thornton and the invoicing costs for that year are therefore included under 'Professional fees'.

Insurance & bank charges	5,840	5,636
Complaints adjudicator	-	-
Recruitment fees	845	14,936
Staff training and additional support	3,269	1,629
IT & website support and development	50,364	7,152
Bad debt provision and write off	(7,890)	(4,359)
Total	<u>510,900</u>	<u>455,565</u>

Where appropriate, a further breakdown of ATVOD's costs is set out below:

Particulars of employees

The aggregate payroll costs were:

	2014	2013
	£	£
Wages and salaries	281,760	273,058
Social security costs	28,442	26,772
Other pension costs	20,044	13,260
	<u>330,246</u>	<u>313,090</u>

Included within payroll costs are the following amounts:

Chairman's salary	42,000	40,000
Deputy Chairman's salary	21,000	20,000
Other Independent Directors' salaries	31,500	30,000
Chief Executive's salary	105,060	102,000
Chief Executive's pension contributions	18,911	13,260
Other staff salaries	82,199	79,398
	<u>300,670</u>	<u>284,658</u>

The directors' aggregate remuneration (excluding national insurance) in respect of qualifying services were:

Directors' aggregate remuneration	94,500	82,500
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Office running costs

	2014	2013
	£	£
Telephone & internet	1,878	2,586
General expenses	10,515	7,385
	<u>12,393</u>	<u>9,971</u>

Professional fees

	2014	2013
	£	£
Legal fees	37,529	29,597
Accountancy, bookkeeping and payroll fees	29,585	31,308
Audit fees	4,600	2,800
Research	4,360	4,850
	<u>76,074</u>	<u>68,555</u>

The increase in legal fees compared with the previous year was primarily the result of advice received with regard to the review of scope guidance conducted in 2013-14.

Recruitment fees

	2014	2013
	£	£
Board members	565	9,900
Staff	280	5,036
	<u>845</u>	<u>14,936</u>

IT & Website Support and Development

	2014	2013
	£	£
IT Hardware	1,344	912
IT support and website development	37,678	6,240
Database development and running costs	11,342	-
	<u>50,364</u>	<u>7,152</u>

Operating Surplus / Deficit

The operating deficit for the period was £2,924 (2013 : operating surplus £79,081).

This deficit is stated after charging:

	2014	2013
	£	£
Auditor's fees	4,600	2,800

This deficit is significantly smaller than the deficit of £54,277 projected in the Statement on 2013-14 Fees published on 23 May 2013.

At year end, ATVOD had retained earnings of £141,574. This comprised the accumulated surpluses generated over the period 2010 – 2014:

	31 Mar 14	31 Mar 13
	£	£
Dedicated Reserve	89,635	89,635
Operating Surplus	51,939	54,632
	<u>141,574</u>	<u>144,267</u>

ATVOD holds a dedicated reserve against the risk of unplanned costs in relation to (a) winding up the organisation (for example in response to changes in the legislative framework), or (b) a substantive legal challenge, such as a Judicial Review. £89,635 of the accumulated surplus has been assigned to this reserve.

The remaining balance of retained earnings (£51,939) is to be set against the operating deficit that is considered likely to arise in 2014-15.

Debtors

	2014	2013
	£	£
Trade receivables (net)	330	11,606
Other receivables	1,150	1,150
Prepayments and accrued income	14,464	2,976
	<u>15,944</u>	<u>15,732</u>

Trade receivables balances represent the net amounts receivable from the providers of ODPS in respect of services notified and invoiced. This figure was higher in the previous year because a greater number of services were notified and invoiced close to year end.

Accrued income relates to regulatory fees for services not yet invoiced at the balance sheet date. This figure was higher than in the previous year because a service provider liable to pay a Super A fee of £12,302 had notified prior to year end, but had not yet been invoiced.

Creditors

Amounts falling due within one year

	2014	2013
	£	£
Trade payables	25,528	66,414
Other taxation and social security	10,478	127
Other payables	-	24,600
Accruals and deferred income	20,723	22,940
	<u>56,729</u>	<u>114,081</u>

The figure against other taxation and social security relates to tax due on bank interest payments.