

Financial Review

1. I am compiling this review at the request of the Secretary of PressBof, and will be examining each of the lines of the PCC budget. I enclose a copy of the PCC budget for 2010.
2. The review is produced following consultation with the Business Sub-Committee of the Commission. It has asked me to set out, as an introduction, its thinking on the financial situation of the PCC.
3. The Committee, of course, recognises both the financial position of the newspaper and magazine industry and the current economic climate. However, its starting position – having conducted this requested review – is that the PCC remains considerably underfunded as an organisation. In the last five years, the work of the PCC has increased significantly (in terms of formal complaints made, resolved, ruled upon; in the proactive work and pre-publication work undertaken by the staff; and in the training of working journalists). Scrutiny of the PCC has also increased.
4. In the same five years, the PCC's funding has not increased in real terms.
5. Here are some comparisons between figures for 2004 and 2009:

	2004	2009
<i>Rulings</i>	900	1842
<i>Resolved complaints</i>	246	609
<i>Formal investigations</i>	636	1134

6. In 2004, the pre-publication service was in its infancy, and the system of passing on “desist requests” across the industry had not been formalised. In 2009, the PCC communicated 69 such requests to the industry (and declined to pass on more than double that). There is a considerable amount of work, often outside of office hours, involved in this process.
7. In 2004, the budget was £1.654 million; in 2009 it was £1.894 million. This rise is just under that of inflation, and has taken no account of the increase in workload.
8. In the view of the Committee, there can be no doubt that the PCC offers value for money. A successful PCC is, as everyone recognises, in the interests of the industry, both in terms of staving off statutory regulation and limiting the flow of people to use the courts. The better the service the PCC can offer, the better value it is to the industry.

Staff and Commissioner costs

Staff

9. There was one addition to the staff in 2009: a Director of Communications. He plays an important role (especially in this political climate) and we ensured that we managed to find efficiencies in this line to help accommodate this increase. The rise in salaries (including inflation) between 2009 and 2010 was just over
10. The staff of the PCC are its biggest asset, and it is important that good people are retained, and good people attracted. As is clear from above, the level of work for the PCC has more than doubled in the last five years, yet the staffing numbers have remained more or less constant (in 2005 there were 14 members of staff; in 2010 it is 15). The Committee sees this as a reflection of the ability of the staff, and it demonstrates good value for money for the industry.
11. For example, we do not consider there to be other analogous organisations, of the PCC's breadth of responsibilities, that make available three senior members of staff (to the public and the industry) on a 24/7 basis. Given our number of employees, these positions are not rotated but are assigned to the same three people (who are, thus, on call the whole time).
12. The Committee believes that additional staff in the complaints department are required to process the rise in complaints effectively and ensure that the PCC continues to offer an appropriate service to complainants. An increase in employees would also provide necessary cover in the event of either sickness or the unplanned departure of long-serving members of staff that would leave the Commission exposed.
13. The Committee also considers that it is necessary for the PCC to engage a general financial, HR and operations administrator. Currently, the Director has such an extensive brief that he covers all of these roles. This is at odds with all other similar organizations.
14. Staff costs are not an area of expenditure, in our view, that can be reduced going forward; for the reasons given above, they should rise in future.

Chairman and Director

15.

Commissioners / Appointments Commission

16. The Governance Review is not likely to recommend increasing either the number of Commissioners, or their stipend. The Appointments Commission may be abolished and brought within the Commission. However, the saving there will be minimal.

Building and office costs

Building costs

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Office costs

22. In the last twelve months, we have renegotiated deals on telephones, photocopiers, newspaper supply and lighting maintenance. We will do so again at the end of 2010. We are satisfied that we have cost-effective suppliers, and will examine that on an ongoing basis.

Monitoring

23. The PCC uses three monitoring agencies for different functions:

24. As the industry is currently in flux in regards to policies on online v print, it will be prudent to monitor both forms of publication for at least a further year. We also make use of Google Alerts (which are free), and are currently examining whether we can use this to fulfil some of our other monitoring requirements.

Postage

25. We are now committed to using email wherever possible, and so although the postal tariff will increase, we anticipate savings in this area.

Legal and professional costs

Lawyers

26.

27.

28.

[Redacted]

29.

[Redacted]

Auditors, book-keeping and payroll

30.

[Redacted]

Consultants

31. This line has been reduced by almost 50% in the last two years. At the end of this year, there will be a further assessment of value in this area. The current consultants are:

[Redacted]

32.

[Redacted]

[Redacted]

33.

[Redacted]

[Redacted]

34.

[Redacted]

Charter Commissioner and Charter Compliance Panel

35.

[Redacted]

Public information

Design and literature

36. We prioritised this year's annual review, as a means of getting information across particularly to the new tranche of MPs following the election. We changed design companies, and reduced the costs of the print version by 30%. The money was used for a dedicated microsite and a podcast to introduce the review.
37. In regard to other literature, over the last 18 months, we have reduced printing costs [redacted]
[redacted] We have cancelled the publication of the biannual complaints report, in favour of online monthly summaries.
38. The PCC is seeking to move towards paper-free work, as more complaints come through the website. This will reduce costs in printed literature (although we have to remain accessible to the sizeable constituency of people who still make hard copy complaints).

PR, conferences and entertainment

39. We have reduced the overall PR budget in 2010 by 7%. We have reduced costs by attending fewer conferences in person, and have found more effective means of communicating with interest groups (authoring articles on the PCC in specialist magazines; hosting training seminars). We are committed to monitoring public opinion, and now use [redacted]
[redacted] Our entertainment costs are tightly controlled, and will be reduced this year.
40. A major event in 2010 will be a drinks reception for Parliamentarians, which has been budgeted for.
41. In 2011, it will be the 20th anniversary of the PCC. We do not propose a party of similar scale to the 10th anniversary event. However, there will be cost implications for marking the milestone, which will need to be covered by the 2011 budget.

Travel and subsistence

42. We have reduced the amount of money we spend on travel. [redacted]
[redacted] spending is kept down, by using public transport where possible, and limiting unnecessary journeys.

Website and IT costs

43. [redacted]

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44. We have reduced the cost of our website work (which used to go through a consultancy firm) by £4k pa. As it stands, we spend less on the website than we did 5 years ago.
 45. For this reason, and others, we feel that the website is now overdue a full update, both in terms of look and functionality. The last redesign was almost 5 years ago, and the PCC brand (which needs to look stronger online) is undoubtedly tired. We believe that we would need to meet a one-off cost here of £20k to make appropriate changes.
 46. As the industry moves further towards convergence, the online aspect of their product will grow in importance. The PCC wishes to ensure that the existence of the self-regulatory system online is visible and credible.

The Governance Review

47. The institution of the Governance Review was a positive move towards improving the PCC, welcomed by both the Commission and PressBof. In light of their impending findings, PCC spending for the first half of 2010 has been deliberately controlled to allow flexibility in the implementation of recommendations.
48. The Governance Review panel members have been conscious of the economic climate, and have told the Commission that they have not sought to propose costly changes.
49. However, there is no doubt that one product of the Governance Review will be an increase in workload for the Secretariat, supporting a more active and accountable Commission. This only strengthens the argument at the start of this paper about the understaffing of the PCC. Greater activity for Commissioners will also increase – although it remains to be seen how significantly – travel and subsistence expenses.
50. The other suggestion presented by the panel (and discussed by the Commission) is the institution of a secure intranet service on which complaints can be examined by Commissioners. This may lead to savings in postage and paper, but will carry an initial cost.

Stephen Abell
Director
June 2010

