



Annex 9 – Estimating the value of public service content online

Summary of findings

April 2008

Summary of key messages

MTM London was commissioned by Ofcom to estimate annual levels of expenditure by UK institutions and organisations on online content and services that deliver against public service purposes and characteristics – hereafter, referred to as public service content (PSC).

The project team focused primarily on **UK central government expenditure on PSC** in the financial year 06/07; as a secondary focus, the project team produced a **high-level estimate of commercial, third sector, and local government expenditure on PSC** in 06/07. Importantly, the study did not encompass expenditure on online properties available to UK audiences but provided by organisations outside of the UK, and does not take account of user-generated content. In addition, the study did not allocate costs to content produced for other platforms or media and subsequently re-distributed online.

On this basis, the analysis suggests that **central government expenditure on PSC in 06/07 was in the region of £70-90m**. The Department for Education and Skills (DfES) and its associated agencies and bodies spent in the region of £18m on PSC across over 40 sites. The Department for Culture, Media and Sport (DCMS) and its wider policy family spent an estimated £14m on PSC.

The single largest central government web site in terms of PSC spend was Directgov, the hub for citizen-facing content. Around £20m was spent on Directgov with an estimated £10m of this expenditure invested in PSC or the technology required to deliver such content.

A significant number of organisations invested in PSC – the project team evaluated 215 sites in the DfES, DTI and DCMS policy families, with just under half providing a substantial body of PSC. The thirty most significant PSC sites across these policy families spent an average of half a million pounds each on PSC.

Local government, commercial and third sector expenditure on PSC in 06/07 was in the region of £500m.

There are six main areas of expenditure:

- The online news sector, including newspapers and other major online news providers such as Sky, spent in the region of £200m per annum on PSC
- The Public Service Broadcasters (PSBs) were the second largest segment, spending an estimated £170m on PSC. The BBC spent £116m on bbc.co.uk and a further £37.7m on BBC Jam in 06/07¹
- The third sector, incorporating registered and unregistered charities, and voluntary and community organisations, invested in the region of £60-80m on PSC online
- Based on an analysis of ICT and eGovernment spend, we estimate local and devolved government invested in the region of £45-55m on PSC online
- The education category (incorporating expenditure on learning resources not captured in other categories such as government and PSBs) spent a relatively low £6-7m
- The commercial category includes a limited number of cross-platform and online-only publishers not accounted for in other categories. Many of these are large scale international businesses whose UK online services tend to be primarily based on aggregated third-party content and localised versions of their international offerings. On this basis, the analysis suggests that investment in PSC is relatively limited, at only £20-30m per annum

¹ BBC Annual Report and Accounts 2006/2007

This study provides a snapshot of expenditure in one financial year: in practice, spend across central government and other public sector organisations can vary significantly year by year in line with shifting objectives and initiatives – the forthcoming NHS Choices online contract, much of it for content, is worth over £20m a year², almost three times expenditure by the DoH policy family in 06/07. In contrast, expenditure on the education resource BBC Jam, which was subsequently closed, totalled £30m in 06/07¹.

In summary, the analysis suggests that UK institutions and commercial organisations are investing significant sums in the development and delivery of online content and services with some or all of the characteristics of PSC. Although content is distributed across a relatively large and fragmented universe of online properties, it is generally the case that larger institutions and commercial organisations are the largest investors. Importantly, this content varies significantly in terms of quality, reach and impact.

² NHS Choices" (4 December 2007) (http://www.e-health-insider.com/News/3279/dh_to_award_%C3%82%C2%A380m_contract_for_nhs_choices)

Table of contents

- 1 Introduction 2**
- 1.1 Project background and terms of reference 2
- 1.2 Challenges 2
- 1.3 Defining public service content 2
- 1.4 Approach to analysis of central government expenditure 3
- 1.5 Approach to analysis of local government, commercial and third sector 5

- 2 Central government expenditure on PSC 7**

- 3 Review of commercial, third sector and local government expenditure on PSC 9**

- 4 Glossary of terms 11**

1 Introduction

1.1 Project background and terms of reference

MTM London was commissioned by Ofcom to estimate levels of expenditure on online content and services that deliver against public service purposes and characteristics – hereafter, referred to as public service content (PSC). The main objective for the project was to estimate **UK central government expenditure** on online content with broadly the characteristics of PSC in the financial year 06/07. In addition, the MTM London project team produced a **high-level estimate of commercial, third sector, and local government expenditure** on online content with broadly the characteristics of PSC during the same period.

Importantly, MTM London was asked only to consider sites provided by organisations based in the UK and primarily aimed at the UK citizen; as a result this estimate does not incorporate expenditure on international sites or on sites provided by non-UK organisations. The project team was also asked to exclude content created voluntarily, such as user-generated content, and expenditure on content that is ‘re-distributed’ over the internet but originally produced primarily for other media. However, the analysis does take account of expenditure on content by cross-platform publishers where the output has been altered significantly to accommodate online publication.

1.2 Challenges

In developing an estimate of expenditure on online PSC, the project team has had to address some important methodological challenges:

- First, PSC is a relatively intangible concept. As currently constituted, it could be taken to refer primarily to outcomes in the subject rather than to the editorial intentions of the provider. This is relatively difficult to judge in an open, fragmented market involving a broad range industry participants and providers pursuing many different objectives and activities. Inevitably, there is an element of subjectivity involved in identifying online PSC. By contrast, an analysis of expenditure on public service broadcasting could focus on a small number of institutions and a more limited range of outputs.
- Second, it is increasingly difficult to identify and isolate standalone expenditure on the internet. A significant proportion of the content and services available online are extensions or integral components of cross-platform activities. It is also clear that online re-distribution (the internet as a ‘platform’) can provide wholly new user experiences or, at the very least, provide consumers with additional choice and increased control. Similarly, it can be difficult to distinguish between investments in content and communications, technology and distribution, and other areas, in the online market. This is particularly the case, for example, in relation to social networks. In estimating expenditure on PSC, the project team has made allowances for the enabling technology required to deliver content to the user – for example, content management systems. The analysis therefore incorporates estimates of expenditure on front-end and mid-tier enabling technology directly related to the provision of PSC.
- Third, there is a limited amount of data available about online budgets, not only because it is commercially sensitive nature, but also (in the case of central government) because expenditure is often included within full-service ICT contracts that do not list web site costs as individual cost centres. As such, the project team has used a form of ‘synthesis research’, drawing upon a range of publicly available data sources and informal interviews with industry participants to build up an overall estimate. We have provided financial data where it is

publicly available; however, the majority of the data underpinning the analysis was provided in confidence and has not been included in this report.

- Fourth, a significant portion of expenditure in online content covers aggregation and distribution costs, with the major online portals and other large commercial organisations investing significant sums to source content from third party providers. To some extent, it is difficult to reconcile this category of expenditure with Ofcom’s definition of PSC and it has been largely excluded from the analysis for the purposes of this exercise

1.3 Defining public service content

A site that provides PSC should deliver an experience that serves one or more of the public purposes defined by Ofcom in its *Review of public service television broadcasting*³. This content may take the form of information of value to the UK citizen, such as news and commentary, or content that delivers cultural or educational value.

Exhibit A: Ofcom’s Public service purposes and characteristics



Sources: (1) Based on characteristics outlined in Ofcom, *Review of public service television broadcasting* (April 2004); amended by MTM London

Individuals react to content in different ways, and content that holds educational or cultural value to one person may hold no such value to another. As such, the project team focused primarily on the editorial intentions of the provider, assessing the extent to which an online property appeared to have been created with the public service purposes in mind. On this basis, the team evaluated sites at a domain level, and only considered sites that go beyond the presentation of information, and contain content and/or services that exhibit editorial intent. Importantly, the analysis does not include or exclude sites on the basis of whether they are fulfilling their intention well.

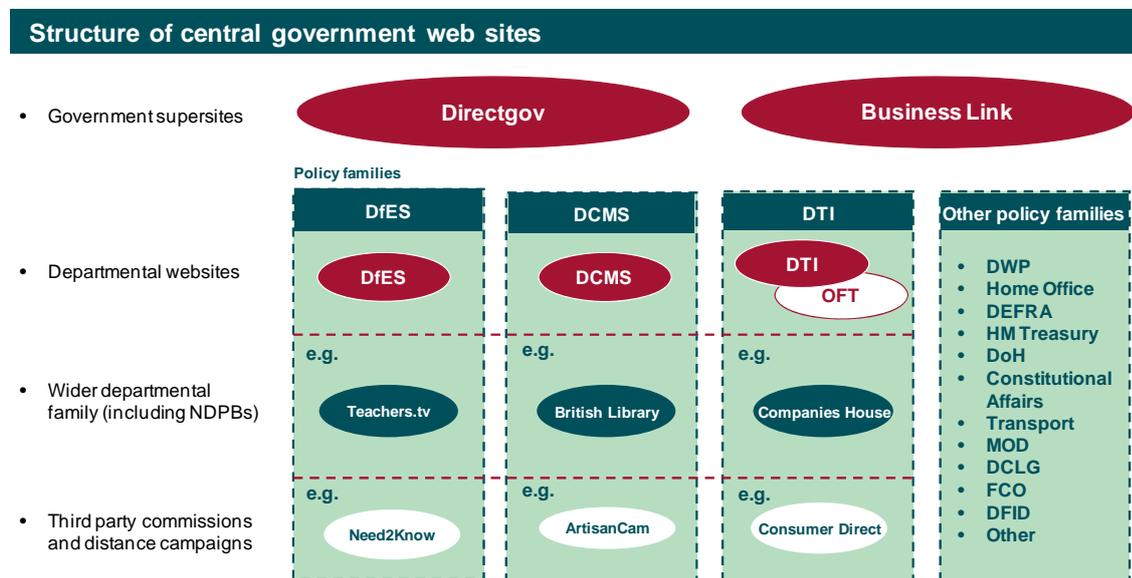
1.4 Approach to analysis of central government expenditure

There are a large number of central government web sites. The CIO stated that there were over 2,500 government websites in *Transformational Government: Enabled by Technology* (November 2005), although this includes a number of local government sites. The COI have identified 951 central government websites during their process of analysing and rationalising the government’s web presence⁴, though this is not thought to be an exhaustive list.

³ Ofcom, *Review of public service television broadcasting* (April 2004)

⁴ Evidence given to the House of Commons’ Public Accounts Committee, Wednesday 29th November 2007 <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/uc143-i/uc14302.htm>

For the purposes of this analysis, the project team considered sites across four broad categories: the two government ‘super-sites’ (Directgov and Business Link), the Departmental web sites, the wider departmental family of sites (including sites set up by Executive Agencies and Non Departmental Public Bodies), and commissions from third parties.



With this structure in mind, the project team adopted a four-stage approach to its analysis of central government expenditure on PSC:

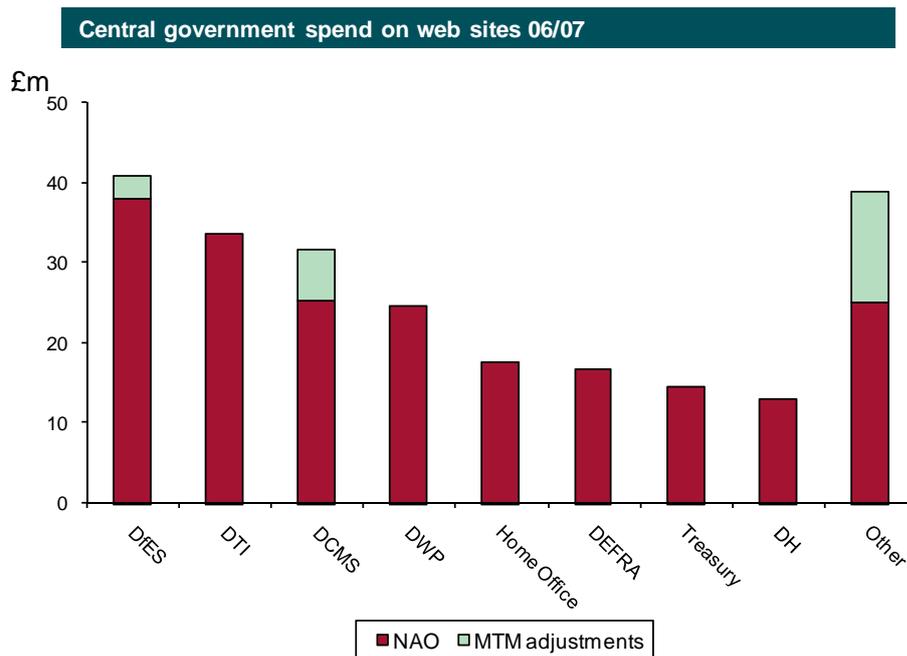
1. Estimate overall government spend on web sites

The National Audit Office’s (hereafter, NAO) *Government on the web* report estimated central government spending on web sites in 06/07 at £208m⁵. However, the report emphasises that the quality of information about government expenditure on the Internet is relatively poor and that there is a wide margin for error in its estimate: “over a quarter of government organisations as a whole could not supply [any] data on their website costs [and] over two fifths of all the organisations responding said that the numbers given were estimates.”⁵

Following interviews with the LSE research team who compiled the NAO report, MTM London made a series of adjustments to the NAO figure, incorporating expenditure on the DirectGov core platform and on a number of commissions from the third sector and web agencies not captured in the survey. There are two main additions: £13.8m of spend on the Directgov platform and an estimated £8m of commissions from the third sector and web agencies made by government departments during 06/07.

The analysis suggests that central government expenditure on web sites in 06/07 was in the region of £230m. The highest spending policy family was the DfES policy family at £40m. This includes spend across all the then-DfES family Executive Agencies and NDPBs. Both the DTI and DCMS policy families spent over £30m on web sites during 06/07.

⁵ National Audit Office: *Government on the web* (July 2007)



2. Review web sites in three key government policy families

The NAO report analyses expenditure across fifteen policy families. Each family consists of a government department and the Executive Agencies and NDPBs that report to that department.

The project team compiled a list of web sites in the three policy families with the highest expenditure (the DfES, DCMS and DTI)⁶ and then assessed the cost and provision of PSC on each site.⁷

3. Review expenditure on thirty major properties

The project team then estimated the expenditure on PSC on the 30 largest web sites incorporating PSC in the DfES, DCMS and DTI policy families. The analysis involved synthesising data from a broad range of sources, including the *COI Annual Report and Accounts 2006/07*, government tenders for web site services and informal interviews with industry participants.

4. Estimate expenditure across policy families not covered in detailed review

Finally, the project team reviewed the core departmental web site for the remaining twelve policy families and classified each department on the basis of its estimated expenditure on PSC, using the detailed reviews of the DfES, DCMS and DTI policy families as benchmarks.

1.5 Approach to analysis of local government, commercial and third sector

The project team adopted a three-stage approach to the analysis of local government, commercial and third sector expenditure on PSC:

⁶ In 2007 the DfES was split into two departments – DIUS and DCSF – and the DTI was renamed BERR

1. Review Nielsen top 2000 UK web sites by monthly unique users

The project team conducted an analysis of the top 2000 UK government, commercial and third sector sites by monthly unique users, using Nielsen//NetRatings data, and classifying sites into six categories: PSBs, third sector, local government, education, news, and other commercial sites. The team then classified each property on the basis of its expenditure and its provision of PSC.

2. Benchmark research on site expenditure

The project team then estimated the levels of expenditure involved in providing each property, using a broad range of publicly available data. In addition, data was obtained in confidence from a broad range of industry participants. Where data could not be obtained, an estimate of likely expenditure was made, using benchmarks.

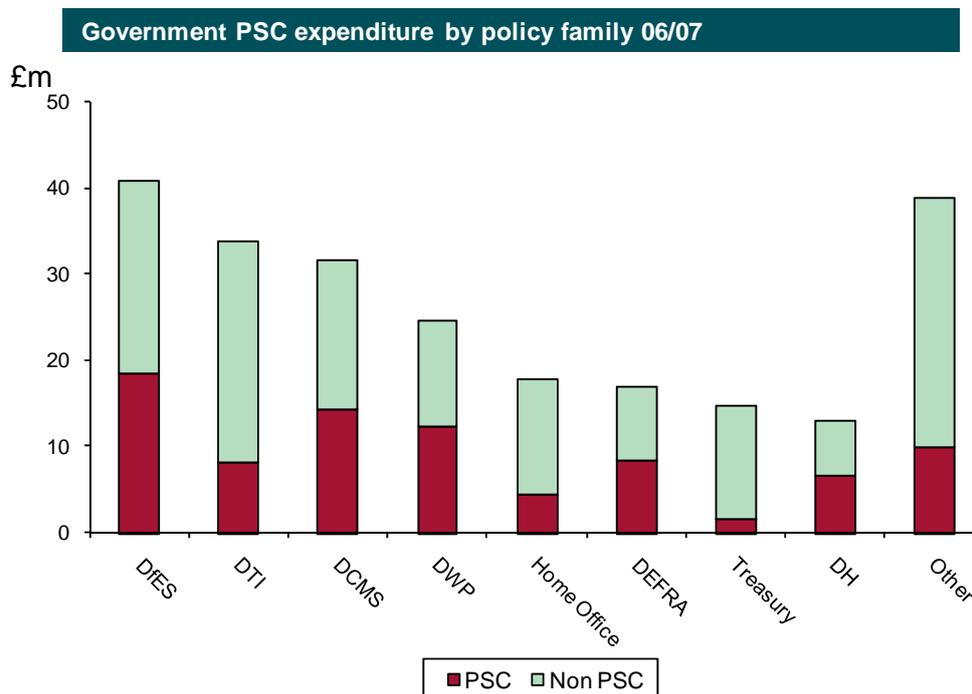
3. Estimate expenditure on sites outside top 2000

Finally, the project team estimated expenditure on sites outside the top 2000 properties, using a range of approaches depending on the structure of the category.

2 Central government expenditure on PSC

The analysis suggests that that **central government expenditure on PSC in 06/07 was in the region of £70-90m**, accounting for almost a third of total central government web expenditure.

Approximately half of the DfES and DCMS's web site expenditure was on PSC, reflecting their focus on producing educational and cultural content for the UK citizen. About a quarter of the DTI expenditure was on PSC, including a substantial body of content and services for citizens as employees, consumers, and entrepreneurs. The remaining twelve policy families spent in the region of £40-50m on PSC.



The single largest source of PSC spend in 06/07 was Directgov, the citizen-facing super-site that along with Business Link provides the foundation for the government's internet strategy. The COI reports that £13.8m was spent in 06/07 on the development of the common application platform and content management system for Directgov.⁸ In addition to the core platform costs an additional £5-6m was spent on content for Directgov by government departments. The analysis suggests that approximately half of this Directgov expenditure is PSC.

Apart from DirectGov, expenditure on PSC is spread across a large number of sites. The largest properties in these policy families are shown below – these sites spent between £200k and £1.5m each on PSC in 06/07. Importantly, the analysis suggests that there is a long-tail of government sites, many of which contain content with the characteristics of PSC – of the 215 sites analysed in the DfES, DTI and DCMS policy families, 104 were found to contain substantial bodies of PSC.

Major PSC sites in DCMS, DfES, and DTI policy families**DfES**

www.teachers.tv
www.curriculumonline.gov.uk
www.connexions-direct.com
www.bnsc.gov.uk
www.tda.gov.uk
www.nc.uk.net
www.ncaction.org.uk
www.aimhigher.ac.uk
www.parentscentre.gov.uk
www.need2know.co.uk

DCMS

www.bl.uk
www.nationalgallery.org.uk
www.scottisharts.org.uk
www.english-heritage.org.uk
www.tate.org.uk
www.thebritishmuseum.ac.uk
www.iwm.org.uk
www.nmsi.ac.uk
www.enjoyengland.com
www.artisancam.org.uk

DTI

www.businesslink.gov.uk
www.consumerdirect.gov.uk
www.DTI.gov.uk
www.adviceguide.org.uk
www.ncc.org.uk
www.acas.org.uk
www.ipo.gov.uk
www.energywatch.org.uk
www.employmenttribunals.gov.uk
www.ofgem.gov.uk

3 Review of commercial, third sector and local government expenditure on PSC

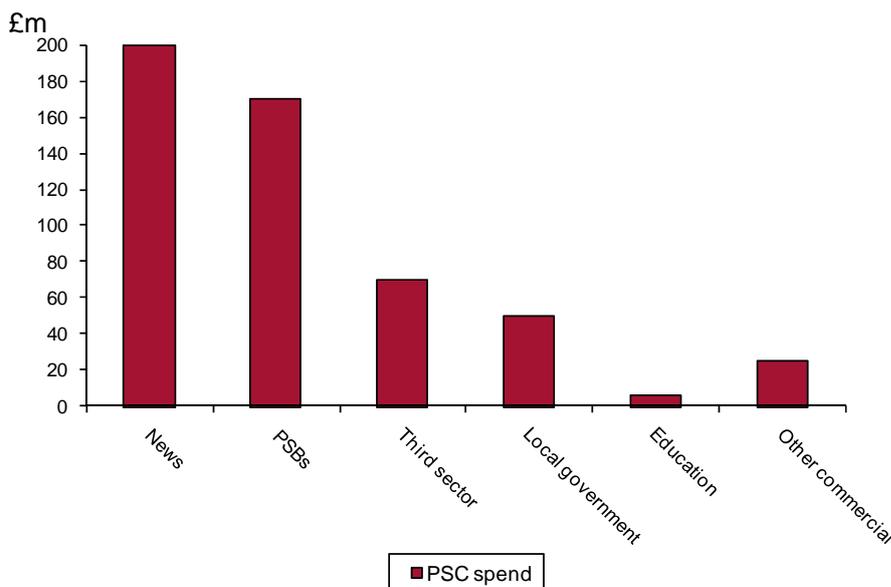
Although the main focus of the study was central government expenditure, MTM London also conducted a high level review of PSC spend by local government, the commercial and third sector.

The analysis suggests that **local government, commercial and third sector expenditure on PSC in 06/07 was in the region of £500m**. There are six main areas of expenditure:

News organisations

- The online news sector, including newspapers and other major online news providers such as Sky, spent in the region of £200m per annum on PSC
- The highest spending newspapers are spending an average of about £30m per annum online, with regional news organisations spending in the region of £15-20m on PSC. This includes an allowance for an estimated 10% of offline journalist costs

Local government, commercial and third sector PSC expenditure 06/07



Public Service Broadcasters

- The Public Service Broadcasters are the second largest segment with an estimated PSC spend of £170m
- The BBC spent £116m on bbc.co.uk and a further £37.7m on BBC Jam in 06/07⁹
- ITV, Channel 4 and Five spent a combined total of £30-35m online in 06/07, of which about £13-14m is PSC

⁹ BBC Annual Report and Accounts 2006/2007

Third Sector

- The third sector spent an estimated £60-80m on PSC. However, there is limited information available about third sector expenditure. Industry participants believe that registered charities spent in the region of 0.2-0.4% of their turnover on their web sites. This figure is broadly in line with the nfpSynergy survey of 295 registered charities in 2006, which estimated that registered charities spend an average of 0.38% of their turnover on their web sites, excluding staff costs¹⁰. The registered charities sector was worth £27bn in 06/07 according to Home Office and NCVO figures

Local and regional government

- Based on a CIO analysis of ICT spend across local and regional government, the Kable survey of eGovernment expenditure¹¹, and a high-level survey of local government sites, the project team estimates local and regional government spent an estimated £45-55m on PSC.¹²

Education

- The education category comprises informal and formal learning resources not captured elsewhere in the analysis (notably in the PSB, news, government and third sector categories). The analysis does not include spend on paid for provision and the corporate e-learning market. As a result, spend for this category is relatively low, at £6-7m, covering three main sub-categories: corporate social responsibility spend by commercial organisations, a small amount of free educational content provided by major suppliers of educational content, and content provided on the web sites of schools and other educational institutions

Commercial

- The commercial category includes a limited number of cross-platform and online-only publishers who have not been accounted for in other categories, such as news and Public Service Broadcasting. Many of the largest commercial providers are large scale international businesses, often based in the USA, whose UK online services tend to be primarily based on aggregated third-party content and localised versions of their international offerings. On this basis, the analysis suggests that their investment in PSC is relatively limited, at only £20-30m per annum

¹⁰ nfpSynergy: *Virtual Promise* 2006

¹¹ Kable *Government Computing* (2007)

¹² CIO: *Transformational Government: Enabled by Technology* (November 2005)

4 Glossary of terms

BERR	Department for Business, Enterprise and Regulatory Reform (formerly Department of Trade and Industry)
CIO	Chief Information Officer Council
COI	Central Office of Information
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfES	Department for Education and Skills (now divided into DCSF and DIUS)
DWP	Department of Work and Pensions
DH	Department of Health
ICT	Information and Communications Technology
LSE	London School of Economics and Political Science
NAO	National Audit Office
NDPB	Non-Departmental Public Body
NFP	Not For Profit
PSB	Public Service Broadcaster
PSC	Public Service Content
Third sector	Non-profit, voluntary and community organisations
UGC	User-Generated Content

MTM London

1 Earlham Street

London

WC2H 9LL

Telephone: +44 (0)207 395 7510

<http://www.mtmlondon.com/>

richard.ellis@mtmlondon.com

jon.watts@mtmloncon.com

ross.parker@mtmlondon.com

sarah.sandford@mtmlondon.com