

Section Eight

Finance

- 8.1 During 2007/8, we will maintain our commitment to providing stakeholders with value for money. In our first three years we have made significant efficiency savings which have enabled us to reduce our budget progressively. In 2004/5 our budget was 5 per cent less in real terms than the previous regulators' combined budgets (on a like-for-like basis). In 2005/6 our budget was reduced by a further 8 per cent in real terms. And for the current financial year, 2006/7, we set our budget a further 5 per cent lower in real terms.
- 8.2 We are currently discussing with HM Treasury what our spending caps should be for the next four years. Until these discussions have concluded, we will not be able to set our budget for 2007/8, and the extent to which we can carry out our planned programme of work may be affected by the outcome. However, we intend to maintain the same quality of output, both in terms of making policy decisions and delivering services to stakeholders. In order to do so, and still provide value for money, we will need to achieve further efficiency savings.
- 8.3 We will include details of our budget for 2007/8 in the final version of the Annual Plan, which will be published at the start of April 2007.

Repaying Ofcom's set-up costs

- 8.4 To cover the costs of establishing Ofcom, we received a loan from the Department of Trade and Industry (DTI) of £52.3m. These set-up costs were incurred during the period March 2003 to January 2004.
- 8.5 Since 2003/4 we have been paying down the loan, and by the end of 2007/8 we will have repaid it, together with the accumulated interest. Figure 8.1 shows the repayment schedule and how the repayments were spread across our different groups of stakeholders. The amount payable by each stakeholder group was calculated on the basis of the former regulators' expenditure in each area.

Figure 8.1: Repayment of the loan to cover the setting-up of Ofcom

	2003/4 £'000	2004/5 £'000	2005/6 £'000	2006/7 £'000	2007/8 £'000	Total £'000
Networks and services		2,723	2,592	2,672	2,560	10,547
Television		2,578	2,454	2,530	2,423	9,985
Radio		403	383	395	379	1,560
Other	7,328	13,948	13,425			34,701
Total	7,328	19,652	18,854	5,597	5,362	56,793

Efficiency savings

8.6 We have already made substantial efficiency savings:

- Compared with the combined headcount of the regulators that Ofcom replaced, we have reduced the number of employees from 1,152 to 776 (as at 31 March 2006).
- We inherited 45 properties from the previous regulators. We saved over £0.5m by terminating leases on 21 properties. We received £3m following the sale of freehold property and sublet six properties, generating over £2m in rental income.
- We have achieved efficiencies by restructuring our Field Operations team, creating two units: Spectrum Interference and Investigations. Also, as part of a more targeted approach to tackling interference, we have made savings by reducing our capital investment in monitoring equipment.
- We have reorganised our technology function and outsourced our testing functions.
- In order to address the needs of stakeholders better, we have reorganised our contact operations, creating Ofcom's Contact Centre and Licensing Centre.

8.7 We will focus on achieving further savings in the coming year:

- We adopted 45 of the 70 information systems operated by the previous regulators. In 2004/5 we began to integrate these systems, launching Project Unify. Our aim is that by the end of 2007/8 this project will be largely completed, with the result that we expect our spending on information systems to fall to around £12m per annum, a saving of around 45 per cent.
- We will terminate the leases of further properties which are no longer needed for operational purposes and will sublet more vacant space in our London office.

8.8 By the end of 2007/8 we will have repaid DTI's loan and made substantial improvements to our efficiency. The end of 2007/8 will therefore be a watershed: Ofcom will be an established organisation and will be likely to have more stable funding requirements.