

Epworth Press

Basic Information

Contact Name and Details	Claire Herbert, herbertc@methodistchurch.org.uk
Status of Paper	Final
Action Required	Discussion
Draft Resolution	Council is invited to agree that an interim Epworth Press Reference Group is established immediately, as set out in paragraphs 47-49, which will report to the April Council meeting on the appropriateness of the Epworth Press temporarily moving to printing on demand.
Alternative Options to Consider, if Any	N/A

Summary of Content

Subject and Aims	The operational and financial status of Epworth Press.
Main Points	<ul style="list-style-type: none"> • Status of Epworth Press • Current financial situation • Existing stock • Forthcoming Titles • Future arrangements
Background Context and Relevant Documents (with function)	SRC Minutes 09.2.8, SRC/09/25, SRC/09/59
Consultations	SCM publishing, Epworth Press Editorial Committee, SRC

Summary of Impact

Standing Orders	SO 243
Faith and Order	N/A
Financial	The Epworth Press is operating at a trading loss. However, the financial information we have for Epworth Press is incomplete and has not been subject to a full audit.
Personnel	The Epworth Press Reference Group has been proposed and members are currently being sought.
Legal	Issues concerning the copyright of Epworth Press works and author contracts need to be resolved.
Wider Connexional	Conference has confirmed its desire to maintain the publishing activity of the Epworth Press.
External (e.g. ecumenical)	The reputation of the Epworth Press has value outside the Connexion. This needs to be managed appropriately and preserved.
Risk	The continuing losses recorded by the Epworth Press under current arrangements represent a substantial financial risk to the Church.

Epworth Press Status Report

Issue

1. The operational and financial status of Epworth Press.

Background

2. In July 2008 Conference resolved that there should continue to be an Epworth Press Editorial Committee for *"the Epworth Press imprint for books and other publications which contribute to the advance of theological, biblical, historical and related studies or are generally of an educational nature."* In addition, the *"committee shall report to the Methodist Council and shall be responsible for selecting titles for publication under the Epworth Press imprint, subject to available finance within budgets authorised by the Methodist Council on behalf of the Conference"*. Standing Order SO243 was amended to reflect this.

3. This recognises the historically important place of Epworth Press as a publishing entity within the Methodist Church.

4. Epworth Press operated as a publishing imprint of Methodist Publishing House until 31st August 2009. Until this time an Editorial Committee acted as the decision-making body for commissioning and the Board of MPH held management control for commercial purposes. The Editorial Committee is now accountable to the Methodist Council.

5. The Editorial Committee has not been responsible for the management or oversight of Epworth accounts which, as indicated above, was until recently the responsibility of MPH.

6. Epworth Press has for a number of years operated a significant annual trading loss underwritten by Methodist Church funds. Based on the Epworth Press income and expenditure account for the calendar years 2003 -2008, while operating as part of MPH, the following (rounded) annual trading losses were incurred, according to MPH accounts:

2003: -£28,000
2004: -£37,000
2005: -£46,000
2006: -£32,000
2007: -£61,000
2008: - £47,000

Total losses during the period: -£251,000

7. In the context of the winding up of MPH, an Implementation Group, comprising members of the Epworth Press Editorial Committee, Strategy and Resources Committee and the Connexional Team was established to make arrangements for the ongoing management and oversight of Epworth Press. It met on 24th June 2009. Its purpose was to assist with the disaggregation of Epworth

Press from MPH and to create a new governance model separate from Methodist Publishing and the Connexional Team but accountable to the Methodist Council.

8. In August 2009 the Implementation Group presented a proposal to SRC to establish an Epworth Press Reference Group. This would have responsibility to provide financial, production and marketing management for Epworth Press and to authorise funding for the publication of titles. The Epworth Press Editorial Committee would continue, with responsibility for creating a publishing plan and making commissioning recommendations. The SRC then welcomed the proposal to establish a Reference Group and the arrangements for the continuation of the Editorial Committee.

9. In October 2009, Council agreed to the proposed governance and management structure outlined in paragraph 8.

10. At its October 2009 meeting, the SRC requested a status report on the production management and finances of Epworth Press. This was considered at the December 2009 SRC meeting, the content of which is also contained in this report.

11. The financial and operational information contained in this report is drawn from a number of sources, including SCM Press (Hymns Ancient & Modern) and from MPH accounts, which have not been verified as accurate for this purpose. It also relates to varying categories of information and time parameters. Therefore it is not intended to be a complete and definitive assessment of Epworth Press and can only be used as an indicative account. The accuracy and completeness of the financial information can only be verified by a complete financial audit of the affairs of Epworth Press.

12. No financial audit of Epworth Press affairs has specifically been requested.

Discussion

Status of Epworth Press

13. The status of Epworth Press is set out in SO 243. Liability for the activities of it resides with the Methodist Council, to whom the Epworth Press Editorial Committee reports, and who must authorise expenditure.

Epworth Press Production Process

14. Epworth Press holds a contractual agreement with SCM Press for the production, distribution and holding of stock. This was entered into in 1998 and can be terminated with six months notice. The agreement has not been reviewed or renegotiated during this time.

15. A likely task for the Epworth Press Reference Group will be to determine the ongoing suitability of the contract, in the context of an appropriate trading model, and decide whether it should be terminated and re-issued for tender.

16. SCM has a number of contractual responsibilities on behalf of Epworth Press. These comprise:

Supplying estimated costs of production and recommending length of print runs and cover price

Production, including copy editing, formatting, cover design, type-setting, proof reading, printing and binding

Marketing and distribution

Seeking American co-publishers of Epworth Press books and handling subsidiary rights and translations

Invoicing and other accounting of Epworth Press titles, supplying monthly statements of account and sales and stock information

Storage of stock

Insurance of stock

Calculation and payment of royalties.

Current financial status

17. The current financial status of Epworth Press, for the period 1st October 2008 – 30 September 2009, with regard to the SCM contract is as follows:

Income and Expenditure 1st October 2008 – 30 September 2009

	Income	Expenditure
Income from sales	£56,000	
Royalties receivable	£1,300	
Commission on sales		£16,500
Production		£43,000
Royalties payable		£6,000
Rent		£2,000
Advances		£600
Total	£57,300	£68,100
Total loss (period 1st October 2008 – 30th September 2009)		-£10,800

Note: figures have been rounded

18. These figures have been provided by SCM and their completeness and accuracy have not been verified for Methodist Church purposes, neither has the account been adjusted for opening and closing stock. Therefore they should be taken as indicative only.

19. It would be advisable that the new Reference Group is in receipt of monthly income and expenditure figures from SCM.

20. The figures represent only a proportion of costs. They do not include meeting and expenses costs associated with the Editorial Committee, the costs associated with the Commissioning Editor during the period, or insurance costs. A full audit would need to be undertaken in order to ascertain the true cost to the Methodist Church of operating Epworth Press.

21. The activities of Epworth Press were insured for libel until 31st December 2009 by Royal Sun Alliance, through HSBC Insurance Brokers Ltd, at a cost of approximately £2,000, per year. This has been renewed and charged to the CCEA budget. If, or where, there is an absence of author contracts libel insurance must be held in order to protect the Methodist Church in the event of any legal action. Although the risk of this is considered to be low the financial and reputational impact on the Church in the event of such action would be high.

Outstanding deficits

22. The report to Council in September 2009 (MC/09/82) highlighted a then trading liability to SCM of £60,000. This liability is believed to have comprised outstanding production costs, commission and storage charges accrued over a number of years.

23. During the period November 2008 to September 2009, £74,000 was credited to SCM Press from a combination of MPH funds and the Connexional Team budget to clear the outstanding deficit.

Sales income and production costs

24. It is worth noting that average monthly sales income during the period October 2008 - September 2009 was around £4,700 and the average cost of producing a new Epworth Press title during the same period was approximately £4,300. SCM advise upon the print run for each new title.

Funds currently available to Epworth

25. The figures above indicate that Epworth Press continues to operate at a loss, borne by the Connexional Team budget (which includes costs directly incurred by the Team and also those indirectly incurred, such as ministers' stipends and, in this case, Epworth Press).

26. There is no funding designated for Epworth Press within the 2009/10 Connexional Team budget, with the exception of Editorial Committee costs. Although payments to SCM and other associated costs are now, nevertheless, being made from the CCEA cluster budget. Invoices for production costs continue to be received arising from commissions already made by the Editorial Committee to November 2010.

27. The Connexional Team meets Editorial Committee costs from within the Governance Support Cluster budget. For the 2009/10 financial year these have been budgeted at £8,000.

Existing stock

28. Unsold Epworth Press stock is costing the Methodist Church money. This arises from storage costs, heavy discounting and potential stock write-off.

29. The current total recommended retail price value of Epworth stock held by SCM is £336,000 to October 2009. The Editorial Committee has previously valued stock at approximately £58,000, although an up to date independent valuation should be undertaken in order to ascertain the real market value of stock.

30. Based on the annual sales figures for 139 titles in print from September 2008 – September 2009, 57 titles have more than one year's worth of stock remaining in the warehouse, at SCM's estimation. A more detailed breakdown of the number of year's stock per title is available from SCM if required. The current market value of total stock has not been estimated, although given the extent of discounting on Epworth titles this is likely to be much lower.

31. During the 12 months to September 2009 the average number of sales per title was 221, based on 139 titles. However, 66 titles out of 139 sold less than 100 copies in 12 months and 45 titles sold less than 50 copies during this same period. This accounts for the significant stock holdings.

100 top selling Epworth titles

32. SCM has provided sales income information for the period October 2008 to September 2009 of the top 100 selling titles (as distinct from all titles). This indicates an income from sales of these particular titles of £54,000 (part of a total sales income of £56,000), comprising sales of approximately 26,000 copies at an average of little more than £2.00 income per copy.

33. The new Reference Group must determine a break-even figure for each new title, where possible, in order that appropriate commissioning and financial decisions can be made, in conjunction with the Editorial Committee.

34. A large proportion of sold stock is heavily discounted. We are informed by SCM that discounts to the UK book trade range from 30-50% but the net income

per sale indicates much higher discounting. This may differ for international agents who may also receive a percentage of the total sales income. If there is a move to printing on demand there would be a fixed discount of 25% on all titles across all territories. It should also be noted that SCM operates a twice yearly sale which we believe includes Epworth titles.

35. There may be a significant reputational risk for Epworth Press from remaindering books or selling in bulk at heavy discounts. It could be detrimental to the brand as well as contributing to the financial instability of Epworth. However, the extent to which remaindering and heavy discounting would be tolerated should be reflected in the business model and associated editorial policy.

Forthcoming titles

36. Revd Dr. Angela Shier-Jones held the position of Epworth Press Commissioning Editor until 31st August 2009. The role of Commissioning Editor encompassed meeting potential authors and commissioning manuscripts, sending chapters for peer review, collating reviews and sending to the editorial committee, sending manuscripts to SCM Press, and attending quarterly sales meetings at SCM Press. Angela has since been formally thanked by the Assistant Secretary of Conference for her work in this role.

37. It will be for the Reference Group to produce a job description for any new role of Commissioning Editor and to establish the basis on which a post holder may be recruited, based on budgetary considerations and an appropriate business model.

38. As at October 2009, Epworth Press had 12 forthcoming titles in production or pre-production, due for publication between October 2009 and November 2010. This is anticipated to cost Epworth Press £35,550.

39. This cost could be reduced by an estimated 25% if Epworth Press moved to printing on demand, as advised by SCM who have indicated the availability of this with immediate effect.

40. Printing on demand would not, for example, necessarily remove the physical presence of the Epworth Press from bricks and mortar bookshops. SCM have put many of their own titles onto print-on-demand but maintain a small number of titles in the warehouse so as to be able to supply shops and distributors immediately and on usual terms, commonly known as an optimal inventory solution. Printing on demand could also allow a faster technical set-up for the printing process, smaller inventories of books to be kept in stock and less waste from unsold products. It is particularly suitable for niche titles and allows the future publication of books in a variety of accessible formats.

The future

41. John Wesley understood publishing in its purest form. He also faced similar challenges to Epworth Press. He wrote in 1752:

*"T. Butts sends me word that after our printing-bills are paid, the money remaining received by the sale of books does not amount to £100 a year. It seems therefore absolutely necessary to determine one of three things – either to lessen the expenses of printing (which I can see no way of doing ...): to increase the income from the sale of books (and how this can be done I know not)..."*¹ Unfortunately, the quote ends there.

42. It is proposed that funds from the Connexional Team budget would subsidise Epworth Press. This could be for an agreed fixed period of time, for example until a state of break-even was reached - which would require the introduction of a new and appropriate business model if it is to be at all achievable.

43. For example, Epworth could switch to producing themed series in a defined format. The 'Penguin Great Ideas' series is a good example of this type of publishing. Each book is similar in length and sold at the same price. The key to the financial success of this approach would be limiting the size of the publications and, for example, selling direct to readers via a website and direct mail. This would mean commissioning a range of books to a theme and to length and would offer control over costs and relevance of content. There would need to be investment in a new sales channel, promotion, marketing and commissioning but it would allow production and trading arrangements to be more flexible than at present.

44. A new business model, such as this, could be explored by the Reference Group in conjunction with the Editorial Committee.

Management options

45. The SRC considered a number of potential immediate options for the Epworth Press. This included the Editorial Committee temporarily suspending the commissioning process and moving, potentially also temporarily, to printing on demand, in order to limit the ongoing financial losses, while considering a new business model that could potentially take Epworth Press in to a state of break even within a reasonable time frame.

Epworth Press Reference Group

46. In the light of the SRC discussion, including a concern to ensure a temporary move to printing on demand would be in the best interests of the Epworth Press brand, it is proposed that for a period of 6 months, with immediate effect, an

¹ F. Cumbers: *The Book Room: The Story of the Methodist Publishing House and Epworth Press* 1956, The Epworth Press

interim Reference Group is established to consider this.

47. It is proposed their work initially be to take a view of the appropriateness of printing on demand for the Epworth Press, in the context of SO 243 and report this to the April Council meeting. It would also develop, in conjunction with the Editorial Committee and drawing upon the financial information in this report and that further available, an appropriate business model for the Epworth Press, to be then considered by Conference 2010. In doing this it may wish to draw upon additional and external financial, publishing and commercial expertise.

48. The on-going role and composition of an ongoing Reference Group may be determined and composed in the light of the Conference decision.

49. Proposed membership of this interim Group is: the Rev. Michael Townsend (Editorial Committee), the Rev. Dr. Angela Shier-Jones (Editorial Committee), Carole Richmond (Connexional Team), Suzanne Johnston (Connexional Team). A chairperson is yet to be identified.

Recommendation

50. Council is invited to agree that an interim Reference Group is established immediately, as set out in paragraphs 47-49, which reports to the April Council meeting on the appropriateness the Epworth Press temporarily moving to printing on demand.