

Department for Culture, Media & Sport

Resource Accounts 2005-06

For the Year Ended 31st March 2006

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MANAGEMENT COMMENTARY 2005-06

DCMS RESPONSIBILITIES

The Department for Culture, Media and Sport (DCMS) was formed in April 1992 to bring together in one Department all the diverse activities in Government relating to culture and heritage matters. Originally called the Department of National Heritage, the Department's name was changed in July 1997 to the Department for Culture, Media and Sport.

The Department has lead Government responsibility for the arts, sport, the National Lottery, tourism, libraries, museums and galleries, broadcasting, creative industries including film and architecture, press freedom and regulation, licensing, gambling, the historic environment, the listing of historic buildings and scheduling of ancient monuments, the export licensing of cultural goods, the management of the Government Art Collection and the Royal Parks. We are the lead government department for the preparations for the 2012 London Olympics and Paralympics and the Secretary of State, Tessa Jowell, is Minister for the Olympics. In May 2005 we broadened our links to the creative industries by taking over responsibility for fashion design and the art market from the Department for Trade and Industry.

Detailed information on all the Department's activities and achievements, as well as expenditure plans to 2007-08 and reports from the Secretary of State and the Permanent Secretary, are available in the Department's 2006 Annual Report. This can be viewed on the DCMS website (www.culture.gov.uk) or purchased from The Stationery Office. The annual report and financial statements of the Department's agency, The Royal Parks, which are consolidated within these accounts may be viewed on its website www.royalparcs.gov.uk.

Departmental Aims and Objectives

The Department's aims and objectives are set out in the Department's Public Services Agreement (PSA) for the 2004 Spending Review period (2005-06 to 2007-08) which is also available on the DCMS website as above.

Aim

To improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence and to champion the tourism, creative and leisure industries.

Objectives

To achieve our aim, our PSA strategic objectives are:

- **Children and Young People**
Further enhance access to culture and sport for children and give them the opportunity to develop their talents to the full and enjoy the benefits of participation
- **Strengthening Communities**
Increase and broaden the impact of culture and sport, to enrich individual lives, strengthen communities and improve the places where people live, now and for future generations
- **Maximising our economic contribution**
Maximise the contribution that the tourism, creative and leisure industries can make to the economy
- **Modernising delivery**
Modernise delivery by ensuring our sponsored bodies are efficient and work with others to meet the cultural and sporting needs of individuals and communities

In March 2006, the following objective was added:

- **Olympics**

Host an inspirational, safe and inclusive Olympic Games and Paralympic Games and leave a sustainable legacy for London and the UK

The Department is responsible for two items of voted expenditure:

Request for Resources 1 (RfR1) Improving the quality of life through cultural and sporting activities. This covers the Department's own administration costs and the Grant-in-Aid allocated to our sponsored bodies.

Request for Resources 2 (RfR2) Broadening access to a rich and varied cultural and sporting life through home broadcasting. This covers the funds allocated to the BBC from the licence fee receipts collected by the TV Licensing Authority.

FINANCIAL COMMENTARY

The Department underspent its total Estimate by £91m (2%) in terms of its Total Resources (£124m in 2004-05) and its Net Cash Requirement by £85m (£124m underspend in 2004-05). This aggregated underspend on Total Resources consisted of an underspend on the Department's Request for Resources (RfR) 1 of £55m and an underspend of £36m on its Request for Resources (RfR) 2 (BBC) programme expenditure. The RfR 1 underspend itself consisted of an underspend of £52m on DCMS programme costs, and a £3m underspend on administration costs (staff and other costs incurred in the running of the Department).

A detailed analysis of the net underspend can be found in Note 2 of the accounts. The RfR1 programme underspend is caused primarily by one large underspend of £26m by Sport England (due to a delay in establishing Community Club Development Fund projects), and the recognition as income of the full £12m premiums receivable on the disposal of the lease on Fortress House, which will be received over a period of five years and used to fund the relocation of English Heritage's head office. The new Memorials Grant Scheme had a slower take-up than anticipated. Project slippage and/or additional self-generated income led to reduced cashflow requirements for grants for Wembley transport infrastructure and grants-in-aid to the UK Film Council, the Gambling Commission, English Heritage and other support for the historic environment, and the British Library.

Grant-in-aid to the Royal Household was £2m below estimate. The Winter Estimate included an additional £2m for capital projects in the Occupied Royal Palaces, funded from the sale of land adjacent to Kensington Palace to the Royal Garden Hotel. These projects will now take place in 2006-07 and subsequent years. Parliamentary authority will be sought for the revised grant-in-aid profile.

These savings are offset by overspends on other sections, notably to meet the full year cost of additional superannuation costs to Museums and Galleries. The costs of the Humanitarian Assistance Unit to support the Secretary of State's role in co-ordinating the Government's response to disasters have been met without additional recourse to HM Treasury. The Royal Parks' overspend was primarily due to the recognition of costs, including provisions for future liabilities, arising from the transfer of the Royal Parks Constabulary to the Metropolitan Police. Culture Online remained within the Department at 31 March 2006, rather than becoming independent as planned. A full year charge for depreciation and cost of capital was therefore incurred. HM Treasury has given approval for virement of the underspends to meet these costs.

The costs of the London 2012 Olympics and Paralympics Bid in the year were lower than estimate provision through a combination of savings on final outturn costs, and the recognition of accruals in the 2004-05 Resource Accounts after the Main Estimate was submitted to Parliament. Following the success of the London bid, the Department has met the costs of establishing the interim Olympic Delivery Authority and other transitional costs.

The Winter Supplementary Estimate anticipated that these would be repaid from the Olympic Lottery Distribution Fund (OLDF) within the financial year. In the event, no claim was made on the OLDF and the Department met these costs from the underspend on bid costs.

Administration costs were £3m below estimate, most of which relate to unused non-cash costs. The Operating Cost Statement shows that administration costs in the year were £6m greater than 2004-05: this was due mainly to increases in non-cash costs, pension contributions and early retirement costs, a richer staff mix to deliver the Olympic Games and increased accommodation/building maintenance costs. The apparent increase of £1.8m in IT maintenance and support costs in note 8 is due to a change in accounting treatment: this heading now includes IT consultancy, software and telephone charges which in 2004-05 were included in 'other' costs.

The underspend on the RfR 2 (BBC) programme was caused by licence fee receipts being lower than forecast in the Estimate, which is based on forecast receipts at the beginning of the year. The level of receipts determines the amount of grant paid to the BBC. Although the cash difference was substantial owing to the large sums involved, the difference between Estimate and outturn was under 1.4%. A number of factors, such as the take-up of instalment schemes by licence fee payers and its impact on the flow of receipts, make more accurate forecasting difficult.

The balance sheet shows an increase of taxpayers' equity from last year: £85m compared with £60m in 2004-05. The major changes include fixed assets, which have increased by £16m due to revaluations of land and buildings (see note 13) and the increase in long term debtors is due to stage payments following the surrender of a lease (note 15). The level of cash held at the year-end has continued to reduce: the balance at the year-end was half that at the previous year-end and just a third of the balance at the end of 2003-04: this is due to improved cash management within the Department. Short term creditors have reduced by £14m mainly due to a reduction in outstanding balances with the Consolidated Fund.

Capital Modernisation Fund (CMF) and Invest to Save Budget (ISB)

The Department received funding and ring fenced End Year Flexibility (EYF) for ongoing projects funded from the Treasury's Capital Modernisation Fund (CMF) and successfully bid for funding from the Invest to Save Budget (ISB). The CMF was set up to support capital investment to improve public services. No further allocations are being made from this fund. The ISB is a joint Treasury/Cabinet Office initiative with an aim to create sustainable improvements in the capacity to deliver public services in a more joined-up manner. Further details are available from the ISB website (www.isb.gov.uk).

Capital Modernisation Fund

In 2005-06 the Department claimed £15m of unspent provision for the Listed Places of Worship Scheme (of which £14.8m), £18.4m for the Community Club Development Fund (of which £1.6m was spent, but significantly more committed) and £2.1m for the Lee Valley Athletes Regional Centre (of which £2m was spent). All remaining unspent balances on CMF funded projects will be carried forward into 2006-07 as ring-fenced EYF.

Invest to Save Budget

The Department received in excess of 250 expressions of interest in Round 8 of the Invest to Save Budget; 15 of these were invited to submit business cases and 12 were awarded funding.

The following were successful:

- The Jerwood Charity received £500k for their 'Mission, Models and Money' project;
- Isle of Wight Healthcare NHS and Primary Care Trust (a joint DCMS/DH project) received £874k for 'A Lifetimes Health Delivered Creatively';
- Norwich City Council's Heritage Economic & Regeneration Trust received £999k for 'The Great and the Good – the English City in the Last Millennium' project;

- Swindon Arts services received £1,000k for their 'Artsmad House' programme;
- STAGETEXT received £724k to provide more efficient access to the arts for people with sensory impairments;
- Victoria & Albert Museum received £1,750k for their 'Online Learning Project';
- Tate Modern received £1,800k for 'An Eye on the Future' project designed to give every young person in Lambeth and Southwark the opportunity to experience cultural activity;
- The Sound Sense organisation in Somerset received £490k for the 'Jumps' (joined up music for people in Somerset) project;
- Sefton Council received £210k for their 'Creative Alternatives' project, an arts on prescription referral scheme designed to provide an alternative to prescribed tranquilisers;
- The Royal Festival Hall received £450k for its 'South Bank Greywater Partnership' utilising grey water from an existing borehole cooling system at the Royal Festival Hall;
- Natural History Museum's 'Carbon Emission Reduction Masterplan' received £2,895k; and
- East Midlands Cultural Consortium received £551k for their project 'Creating Cultural Opportunity in Sustainable Communities' working with local planning and regeneration partners in four regions to create a nationally applicable toolkit.

Future Financing

The Department's SR2004 PSA sets out its expenditure limits for the current Spending Review period (2005-06 to 2007-08), details of which are available on the DCMS website, (www.culture.gov.uk).

Investment

The Departmental Investment Strategy (DIS), published separately as an outcome of the Spending Review process, describes the Department's strategic plans for both new investment and the use of existing assets. The Department's Investment Strategy (2005-08) describes the Department's plans for new investment and the use of existing assets. The DIS is published on the DCMS website, (www.culture.gov.uk).

Olympics

On 6 July 2006 the International Olympic Committee announced that London would be the host city for the 2012 Olympic Games.

Expenditure on bid costs by the London Development Agency (LDA) and Transport for London (TfL), and grant funding issued to them by DCMS, has been treated separately from post announcement expenditure in the financial statements of these organisations. Both the LDA and TfL are controlled by the Mayor of London/Greater London Authority (GLA).

The Olympic Delivery Authority (ODA) is responsible for providing the Olympic infrastructure for the 2012 Olympic Games and undertaking other infrastructure work not directly related to the Olympics which will lead to longer term regeneration of the Lower Lea Valley in north-east London. The ODA came into legal existence as an independent corporate body, and an executive NDPB of DCMS, on Thursday 30 March 2006, the date the London Olympic Games and Paralympic Games Act 2006 establishing the ODA received Royal Assent.

Between notification of the winning bid in July 2005 and the ODA becoming operational, the above role was managed through the Interim ODA (iODA). The iODA was, in effect, part of the LDA, administered by them but comprised teams from both the LDA and TfL and "sponsored" by the Olympic Games Unit in DCMS. The LDA and TfL entered into contractual commitments under the aegis of the iODA pending the ODA's legal establishment with the intention of these being novated to the ODA in the financial year

2006-07. For practical purposes, these accounts and those of the LDA and TfL treat the ODA as being open for business as at the commencement of that financial year.

Between July 2005 and the end of 2005-06, DCMS issued grant funding to the LDA to cover iODA expenditure. Prior to the ODA coming into existence, set-up costs were paid by DCMS out of the Contingencies Fund, and non-DCMS funded Olympic expenditures were met by the LDA and TfL.

These DCMS accounts recognise the grant paid to the LDA and the direct costs of three iODA senior consultants incurred directly by DCMS. All other expenditure during 2005-06 on behalf of the iODA will be accounted for by the LDA and TfL. With the exception of the fit-out assets mentioned below, the iODA's assets and liabilities as at 31 March 2006 will be accounted for in the financial statements of the LDA and TfL.

Included within these DCMS accounts are:

- the grant-in-aid paid to LDA by DCMS;
- a note disclosing information on the letters of comfort issued during the year by the Secretary of State for Culture, Media and Sport to the Mayor underwriting the LDA's Olympic commitments relating to the remaining liability (i.e. the difference between the contract values entered into and the funding issued by DCMS);
- costs of the Interim ODA's Interim Director of Delivery and the "shadow" Chief Executive and Chairman;
- fit-out costs, treated in the accounts as a current asset as they are to be transferred to the Olympic Delivery Authority in 2006-07.

OPERATING COMMENTARY

The Department is committed to continuous improvement in the way it delivers the priorities and services for which it is responsible. We want to ensure there is a clear line of sight from the public funds which we invest in our sectors through to real outcomes on the ground, and that these are delivered in a way which secures maximum value for money for the taxpayer.

In nearly all of the Department's sectors, delivery lies with others – with grant-givers, institutions, local authorities, and private companies. In particular, our sponsored bodies (see pages 16 and 17) are responsible for spending approximately 90% of the Department's annual RfR1 gross expenditure. We aim to ensure that the performance of these bodies improves over time, and that our funding is used effectively to deliver the Government's strategic priorities for our sectors, with a particular focus on high quality services to the customer. To that end, we have continued with building on the changes reported in last year's Operating and Financial Review, concentrating on two areas: our internal organisation and ways of working; and the relationship between the Department and our Non-Departmental Public Bodies (NDPBs). These are discussed in greater detail later in this Commentary.

Progress achieved in the year towards meeting the Department's PSA targets is covered in the Departmental Annual Report and Autumn Performance Reports. These can be viewed on the DCMS website, (www.culture.gov.uk).

Strategy

In March 2006 the Secretary of State set a new, fifth strategic objective to reflect the Department's role as lead Government Department for the Olympics. The objective is to 'Host an inspirational, safe and inclusive Olympic Games and Paralympic Games and leave a sustainable legacy for London and the UK.'

The strategy group, chaired by the Permanent Secretary, to advise on the long term strategic challenges facing the Department has been subsumed into the work of the DCMS Board, which has refocused the content of Board agendas to discuss departmental strategy.

A small 'Think Tank', established in our Strategy Division last year has strengthened our strategic capacity to think about the long-term, cross-cutting challenges we face. Our new national household survey, 'Taking Part', was launched in Summer 2005, in partnership with our strategic NDPBs: Arts Council England, English Heritage, Museums, Libraries and Archives Council and Sport England. Over time the survey will significantly strengthen our evidence base.

We have also hosted several seminars led by academics and leading thinkers to discuss their work on our sectors.

We continue to develop evidence-based policy training to strengthen these skills within the Department.

Change Management

Changes initiated under the *Touchstone Change Management Programme* have resulted in DCMS becoming a more project-based organisation. The emphasis now is to maintain momentum and ensure continuous improvement is built into what we do. This is being achieved through a continuing programme of modernisation to ensure strategic coherence. Progress this year included the establishment of a new Public Bodies Division to act as a focal point for improving the performance of NDPBs; the establishment of a Central Information and Briefing Unit to centralise correspondence with external contacts; launch of the Taking Part survey; and agreement of revised Funding Agreements with our NDPBs.

Developing a more effective relationship with Non-Departmental Public Bodies (NDPBs)

Closer working with our NDPBs has led to more effective delivery. We have collaborated with our sponsored bodies to develop new funding agreements that focus more clearly on delivering the maximum public value for the resources provided. We are encouraging NDPB joint working through the Department's Efficiency Programme and through promoting specialist networks (e.g. sharing good practice in security planning) and will continue to facilitate closer working between NDPBs through the coming year.

Improving the way DCMS operates

Our internal reforms under our Change Management Programme are strengthening our ability to deliver more effectively our PSAs and other core work. Through the use of the quarterly Balanced Scorecard reports, the DCMS Board has a clearer understanding of our progress in delivering, and can identify at an early stage the issues that are impeding progress, providing the Board with early opportunity to address these. Our support structures, such as Programme Boards and Delivery Plans are providing the foundations on which we can deliver our strategic priorities. The increasing use of Gateway reviews has helped provide quality assurance and competent delivery of projects, big and small.

Senior managers in DCMS are expected to demonstrate their commitment to a project-based approach as practitioners, and to enable and encourage their staff to do the same. Nearly three-quarters of senior staff have been trained as *Gateway reviewers*, and the lessons they learn from reviews they undertake help them to look afresh at their own project portfolios. We are active in updating the project management training modules available to staff, both as individuals and members of project teams. This has enabled us to provide focused support as staff project skills have increased.

We continue to monitor progress through the quarterly presentation of a Balanced Scorecard to the Board, which includes:

- *PSA and Efficiency Review Delivery*: we use the traffic light model for assessment of progress on our PSA and Efficiency Review targets.
- *Managing Staff*: we present statistics on sick days, vacancies, the embedding of project working in the organisation and diversity.

- *Efficiency and Control:* resource management accounts and risk registers are analysed, and pressures identified, then presented for resolution of issues.
- *Dealing with the public:* a range of statistics designed to give an indication of how we are performing, including: the number of letters and Freedom of Information requests from the Public, MPs and Peers, the number of Parliamentary Questions answered on time and payment of agreed invoices within 30 days of receipt.

The use of the Scorecard has enabled the Board to oversee a reduction in the level of sick absence within DCMS and the effective management of our PSAs.

Supporting NDPB Reforms

As well as supporting reform of specific NDPBs, the Department is taking forward a programme of initiatives to encourage continuous improvement across the whole network of sponsored bodies:

- we are introducing more rigorous performance management, with the Board regularly monitoring progress on the new three-year funding agreements with sponsored bodies;
- having completed a major peer review of Arts Council England, which has led to a comprehensive joint action plan, we have now commissioned a review of English Heritage in June/July 2006;
- a second residential event for NDPB Chief Executives was held in February 2006, looking at organisational reform and strategic considerations for future planning, and the annual conference of Chief Executives was held in March 2006. We will build on this with further networking opportunities, including networking via the Agora website linking all our sponsored bodies; and
- research into good practice in governance launched at a conference of all our NDPB Chairs in May 2006. We will follow this up by working with a group of NDPB representatives to develop a strategy for helping NDPBs to make their Boards more effective. This will include ensuring that Boards are representative of, and in touch with, the communities that they serve.

PSA Delivery

Strategy Division uses the Prime Minister's Delivery Unit (PMDU) traffic light assessment framework for monitoring progress and identifying barriers to performance in delivering our PSA targets. The assessment framework provides a structure to help us judge the likelihood of delivering our targets and those projects designed to support delivery of our priorities, and to identify the areas where we can take action to improve prospects for delivery. The latest quarterly assessment of progress against our SR2004 PSA targets was carried out in April 2006 by the Department's Strategy Division and discussed by the DCMS Board on 20 May. They reported that progress against our four SR2004 PSA targets remained on course for two of the targets and that for the other two targets further work was required to address shortfalls in the delivery planning.

More detailed information on the targets, the projects supporting these and a detailed progress report can be found in the DCMS Autumn Performance Report published in December 2005 and the Department's 2006 Annual Report. Both documents are available on the DCMS website (www.culture.gov.uk).

Efficiency Programme

The Efficiency Review was announced by the Chancellor in Budget 2003. The Department's target of at least 2.5% year-on-year efficiency gains on our budget throughout Spending Review 2004 (SR04), (2005-06 to 2007-08), was set out in our SR04 settlement letter. The Department's Efficiency Programme will deliver this target.

Our overall target is to realise total annual efficiency gains of £262m by 2007-08, at least half of which will be cashable. This means that the more savings are made, the more money can be recycled to fund key frontline services. Of the £262m, £116m is from the Department and its delivery agents and £146m

is from Local Authority Cultural and Leisure Services. We are also to reduce our workforce numbers by 27 full time equivalents (FTE) and relocate 600 people from our NDPBs out of London and the South East. Since the target reduction of 27 FTE was set, a headcount increase of 45 FTE has been agreed to accommodate additional work related to the 2012 Olympic and Paralympic Games. However, the 27 FTE target reduction for non-Olympic work will still apply.

The programme consists of several projects under three broad work strands.

1. Internal DCMS – projects on Budget Review, evaluating programme and administration spend, and the Improving Working Practices project, will deliver gains of £2m by 2007-08. A metric is being developed to assess on a quarterly basis the embedding of project working within DCMS.
2. External NDPBs – the NDPBs have a target to deliver £114m efficiency savings by 2007-08. Following the establishment of the efficiency programme last year, the three NDPB projects (on museums and galleries, heritage reform, and strategic bodies) have been merged into one project. As at 31 March 2006, NDPBs have made £73m in efficiency gains.

To support the NDPBs, the procurement project will deliver greater efficiency in procurement through co-operation and collaboration with DCMS sponsored bodies. It will foster the use of best practice and e-procurement across the wider DCMS and achieve value for money by sound procurement and by using purchasing power to shape and influence the market. The project is taking forward the recommendations from the NAO report on procurement in our sectors.

The relocation project has plans for over 900 posts to be moved from London and the South East by 2010. Relocation plans announced so far are for 560 posts from the Big Lottery Fund and the Gambling Commission by the end of 2007. It is planned that 300 posts in the Big Lottery Fund will be relocated to Birmingham and Newcastle, and 260 posts in the Gambling Commission will be relocated to Birmingham.

3. Local Authorities – whilst recognising the independence of local authorities, we will work with Local Government, Office of the Deputy Prime Minister (from 5 May 2006, the Department for Communities and Local Government) and other stakeholders to improve efficiency in delivering services in our sectors by:

- helping local authorities to understand their own performance;
- providing advice, guidance and good practice case-studies; and
- measuring and monitoring efficiency gains.

DCMS is working with the Museums, Libraries and Archives Council on the Public Libraries Procurement and Efficiency project and with the Audit Commission on their study of Public Leisure Services.

Local authorities delivered efficiency gains of £44.7m in our sectors in the period to 30 September 2005, and have a target to deliver sustainable gains of £146m by 2007-08.

Further information on the Department's efficiency programme is included in our Efficiency Technical Note, available on the DCMS website (www.culture.gov.uk).

Research and Development activities

The Department's research and analytical function is carried out by an integrated team of social researchers, statisticians, and economists. They work closely with policy colleagues to support a variety of projects and policies across the Department. In the last year the top priorities have been to: establish evidence requirements in support of the Creative Economy Programme; launch and manage the new Taking Part survey of households, and oversee DCMS's overall research strategy. A further key strand of work was to monitor and report on the Department's performance against our PSAs and other targets, and for the development of future targets.

The Department's research strategy was reviewed in 2005-06 to develop a revised framework for DCMS and others to better deliver valuable and credible research. The three key elements of the new strategy will be efficient programme management, effective relationships with research partner bodies and establishing a publication and ethics policy.

Strategic risk factors

DCMS follows Treasury and best practice guidelines in the management of the risks it faces in the course of achieving its objectives. The Board regularly reviews the strategic risks that have been identified and managed within the Directorates of the Department. Not all risks are within the control of the Department and other factors, besides those listed below may adversely affect the Department's outcomes. Strategically risks are grouped into three major categories: External, Operational and Self-Induced (new policies and change management).

External

Economic

Working within the Cultural, Leisure and Sports sectors we are affected by the economic climate in which our partner bodies operate and through pressures on the funding we receive, and distribute, to our sponsored bodies. A seminar on 4 April 2006 explored how far regular monitoring and interpretation of macro and sector forecasts would allow us to anticipate problems and plan accordingly.

Disasters

The ability of the Department to react quickly and effectively to major disasters and other unexpected events is a key risk both in terms of the event itself and consequent impacts. Lessons have been learnt from previous incidents such as 7/7 and the 2004 Asian tsunami. Action plans have been put in place, and are regularly reviewed to ensure their continuing effectiveness. A Humanitarian Assistance Unit has been formed to establish effective arrangements for the management of the impacts of major incidents on victims and their families.

Changing Environment

Changes in the social and political environment can impact on our work and the Department scans the horizon for demographic and cultural changes that affect the industries with which we work. This currently includes, for example, the introduction of new legislation in areas such as licensing, gambling and digitisation. Post implementation reviews are carried out after major changes such as the Gambling Reform implementation and lessons learnt are applied in mitigating future risks.

Operational

Funding

We work in an environment where demand is significantly higher than the funding and other resources available. In managing this risk we: are actively looking for efficiencies from both within the Department and from our sponsored bodies; have implemented project working methodologies to facilitate robust business cases and cost control; and are working on the Comprehensive Spending Review. Within the lottery arena we consult on lottery causes, ensuring funds are focused on priority schemes. The Olympics is a major development where adequate funding and tight financial control is paramount in delivering the 2012 Games in time and to budget.

Fraud

We are aware of the risk of fraud and have an established anti-fraud regime. Framework agreements with our sponsored bodies ensure that they also have fraud policies and response plans. We encourage our staff to be vigilant against the possibility of fraud and have an established whistle-blowing policy and systems to ensure the separation of duties.

Litigation

A major legal action against the Department could lead to reputational and financial damage. We therefore use specialist advice at the appropriate times to mitigate against the possibility of major legal action against the Department.

Self-induced Risks

Olympics and Paralympics

A major self-induced risk is the delivery of the venues and infrastructure to time, and to budget, for the 2012 Olympic and Paralympic Games. Working with partners in the public and private sector we have defined and implemented governance arrangements including the Olympic Delivery Authority (ODA) and established risk management processes. Given the significant levels of expenditure we are supported in our project, and procurement activities, by the Office of Government Commerce.

Opportunity

We are aware of the risk of only identifying and managing downside risk and that failing to take opportunities to enhance our reputation is equally a risk that we need to manage. We are therefore promoting cultural change through workforce development programmes including Prince2™, promoting successful policies to key stakeholders and learning lessons from key procurement projects.

Charter and Licence Fee Review

A major current area of work is the review of the BBC Charter and licence fee. In line with all major "projects" we are managing this under Prince2™ project management methodology. In addition we are consulting widely and are ensuring that the process is transparent in order to attain the best solution and sustain consensus.

Working with Sponsored Bodies and other Partners and Agents

The majority of the Department's outcomes are delivered through, and by, others. In order to ensure delivery we are putting new funding agreements in place to balance operational independence with agreed outcomes, performance and incentives.

THE LONDON 2012 OLYMPIC AND PARALYMPIC GAMES

The winning of the London 2012 Olympic bid on 6 July 2005 was an outstanding achievement but, given the scale of the task and with no margin for slippage, it was essential to get started on the preparatory work right away.

Our vision is to host an inspirational, safe and inclusive Olympic and Paralympic Games and to leave a sustainable legacy for both London and the UK.

Work was therefore begun immediately on the legislation to establish an Olympic Delivery Authority (ODA). At the same time an interim or shadow arrangement – the iODA was created within the London Development Agency (LDA), which together with Transport for London (TfL) began work on the delivery of the Olympic venues and infrastructure.

Work was also started on bringing forward other infrastructure developments already planned but whose early delivery would facilitate delivery of the Games, in particular the undergrounding of the powerlines traversing the site.

During 2005-06 the programme was funded by a combination of LDA and TfL funding and grant funding from DCMS.

By the end of March 2006, just nine months after the successful bid:

- the powerlines undergrounding project was well underway;
- the enabling Act had received Royal Assent;
- a draft management statement and financial memorandum had been issued;
- the Olympic Lottery Distributor (OLD) had been established under the Horserace Betting and Olympic Lottery Act 2004; and
- £16m had been raised by the Olympic Lottery, and funding streams and budgets for 2006-07 amounting to over £200m established.

DCMS BOARD

The Board is committed to high standards of corporate governance and fully supports the Code on Corporate Governance in Central Government. Information on the Department's governance arrangements is included in the Statement on Internal Control.

The governance arrangements for the Board were reviewed during the course of the year and the membership of the Board changed. The Board has also reviewed the future content of Board agendas and future agendas now have a more strategic focus rather than dealing with process and human resource items. Agendas have three core themes: regular reporting and consideration of performance indicators and strategic risk; the DCMS change programme including diversity, the Comprehensive Spending Review and capability reviews; and the discussion of strategic policy issues.

Non-Executive Directors

A new non-executive director, Parminder Vir, joined the DCMS Board in March 2006 to replace a non-executive director whose term of appointment had expired. The non-executive directors provide the DCMS Board and the Audit Committee with a broad range of skills and experience. They bring an independent judgement on issues of strategy, performance and risk, through their contribution at Board and Committee meetings. The Board considers that each non-executive director is independent in character and judgement.

Board Evaluation

A comprehensive and rigorous evaluation of the performance of the DCMS Board was conducted during the year. The Board evaluation was led by Clive Elphick, a non-executive director, and was based on confidential questionnaires issued to each Board member. The questionnaire covered the key Board performance areas of Board function, effectiveness, culture, fitness for purpose and communications. The results of the review were considered collectively at a Board Awayday and the process has led to a number of developments including setting Board objectives, change to agendas and developing communications from the Board. The Permanent Secretary and Board have concluded that, following the detailed review, the Board operates effectively and also considers that each Director is contributing to the overall effectiveness of the Department.

The performance of individual executive Board members is appraised using the Department's appraisal and development review process. The Permanent Secretary discusses performance with the non-executive members annually.

HUMAN CAPITAL MANAGEMENT

DCMS fully endorses the work carried out by the DTI's Task Force on Human Capital Management and the ensuing Accounting for People report published in October 2003. The following five sections (on workforce size and composition; recruitment, retention and motivation of employees; training and the fit between skills and business needs; remuneration and leadership and succession planning) comprise the Department's second report on human capital management.

Workforce size and composition

DCMS is a small and vibrant government department with an almost wholly strategic function, where policy development, industry sponsorship and stewardship of the sponsored bodies form the core function, with a small number of staff in support dealing with accommodation, HR, finance, etc. The workforce reflects these tasks in grade structure and qualifications, with over half (62%, compared with 53% in 2004-05) of staff employed at middle-management level (grade B/HEO/SEO) or higher. Almost three-quarters (71%, compared with 74% in 2004-05) of staff are aged under 45.

Age profile of the Department:

Age	<25	25-29	30-34	35-39	40-44	45-49	50-54	55+	Total
Percentage	4	21	13	15	18	10	11	8	100

(The profile has been based on staff in post as at 1 April 2006 and excludes agency staff).

Grade Structure

Grade	Average No Staff based on Headcount 1 April 2005 to 31 March 2006	2004-05
Permanent Secretary	1	1
Senior Civil Service payband 3	3	2.2
Senior Civil Service payband 2	5.8	4.2
Senior Civil Service payband 1	19.6	18.4
Grade A (upper) (grade 6)	20.3	19.2
Grade A (grade 7)	87.1	82.4
Grade B (HEO/SEO)	157.2	145.3
HEOD (fast stream)	14.5	18.6
Grade C (EO)	121.2	119.7
Grade D (AO/AA)	73.7	98
Total	503.4	509

(The table excludes Ministers, agency/casual staff and Special Advisers)

As the table shows, the Department's grade structure changed somewhat during 2005-06. There are two main factors underlying these changes. The first of these was the Department's inability to attract many Grade D staff from other departments. An external Grade D recruitment exercise is currently underway, which should see an increase in Grade D staff during 2006-07. The second arose from the award of the 2012 Olympics to London. The Olympic Games Unit has been created (this became the Government Olympic Executive (GOE) in May 2006) within DCMS and its team members are, relative to the rest of the Department, more senior. The staffing and grading of the GOE was settled in the light of a review by the OGC and in consultation with the Treasury.

Recruitment, retention and motivation of employees

The Department has systems in place to ensure that recruitment is carried out on the basis of fair and open competition and selection on merit in accordance with the recruitment code laid down by the Civil Service Commissioners. These systems are subject to regular internal checks.

During 2005-06 the Department appointed ten new staff through external recruitment competitions as follows:

Grade	Male	Female	Total	Ethnic minority	Disabled
SCS	3	1	4	0	0
A	1	0	1	0	0
B	3	1	4	1	0
C	0	1	1	0	0
D	0	0	0	0	0

Our annual performance appraisal system emphasises staff development by including personal development objectives alongside business delivery objectives, agreed with the line manager, as the basis for the assessment of performance for the period ahead. Performance is also assessed against the DCMS core competencies.

Positive action has been taken to promote diversity and there is a wide range of flexible work options available to all staff subject to business need, including support for home working: currently around 30 people are working at home on a regular basis. DCMS participates in two centrally run schemes designed to develop talented minority ethnic and disabled civil servants and offers a range of targeted development opportunities for under-represented groups. We provide mentors for the City University Mentoring Scheme, which pairs middle managers with minority ethnic undergraduates. The DCMS Annual Report provides further ethnic monitoring information. DCMS offers subsidised places at the Westminster Holiday Playscheme and also has a Childcare Vouchers salary sacrifice scheme allowing staff to make savings on childcare costs.

All staff are encouraged to take part in the departmental staff opinion surveys which take place every two years, the results of which are reported to the DCMS Board and the entire Department.

A 5-year accommodation maintenance programme commenced during the year to ensure the Department's premises are in good repair and provide a comfortable environment in which to work. A range of initiatives have been pursued to promote health and well-being, including an extended fitness centre and improved facilities for cyclists.

Training and the fit between skills and business needs

The DCMS Learning Curriculum, a range of centrally funded learning and development activities, was derived from a department-wide skills audit carried out by external consultants in 2003-04. The essential elements of the Curriculum were put in place during 2004-05, with further components rolled out subsequently in 2005-06. With the introduction of Professional Skills for Government (PSG) during 2005-06 the Curriculum was reviewed against the new PSG core skills requirement and found to have a good match. A Senior Management Team review of the capability requirements for the Department and individual divisions' learning and development plans also offered confirmation of the currency of the Curriculum.

Curriculum courses are delivered in-house, directly by DCMS trainers or under contract, and continue to be very positively received by the staff. The Curriculum ranges across people, project and financial management; policy development; and IT applications. It also includes an induction programme which is delivered regularly as part of the entry arrangements for inward loaned and seconded staff, as well as permanently appointed staff. On joining DCMS individuals are also invited to complete their own skills profile within our on-line skills database and meet an external Learning and Development (L&D) advisor to discuss the skills they bring. Other centrally funded learning support includes language training and two accredited management development programmes. Our internal mentoring scheme continues, as does the Leadership Development Programme for our Senior Civil Service staff. Members of the internal L&D team also facilitated a number of team development days and provided personal development coaching sessions to staff on demand.

Learning activities outside the Curriculum can be funded on consideration of a line-manager supported application, as can personal study for further/higher level qualifications and professional qualifications. The Staff Management Agreement stipulates that staff should undertake at least 5 days training and development a year.

Seventy-nine Curriculum courses of between one and five days duration were run within the Department in 2005-06, with 477 attendees. The central learning and development budget for 2005-06 stood at £503k and was fully spent, to secure contracted Curriculum provision and a wide range of non-Curriculum activity including study for professional qualifications. Staff evaluation of Curriculum courses is overwhelmingly positive, with training events as a whole rated good or very good by at least 85% of attendees during the year. As part of the regular 6-monthly reporting to the Board on learning and development activity, 2005-06 continued the rolling programme of targeted evaluation of Curriculum courses, using the "pay forward" approach developed by the Chartered Institute of Personnel and Development. This has returned consistently high percentage impact scores; for example, delegates on our Project Management Essentials course self-assessed a 50% improvement in their overall performance attributable to the course, with their line managers also reporting a consequent, marked improvement of 37%.

Investors in People (IiP) accreditation was first achieved in October 1999. The Department was assessed in July 2003 as meeting the requirements of the IiP Standard and retained IiP recognition. DCMS will be re-assessed in 2006 as a continuous improvement measure and in preparation a pre-assessment diagnostic was carried out by an external advisor in 2004.

Sustainability

The Department has a long term commitment to sustainability and set out its sustainable development goals in the Sustainable Development Action Plan (SDAP) which was published on 1 March 2006 and its Five Year Plan (both available at www.culture.gov.uk). There are three high level objectives under three themes: sustainable policy; sustainable estate management and sustainable communications. The Department encourages all our sponsored bodies to give sustainable development a high priority by issuing guidance and giving constructive feedback on their activities. A Sustainable Development Steering Board has responsibility for pursuing the Action Plan and monitoring of progress against objectives. Progress to date is available in the SDAP.

Remuneration

We are keen to ensure that our pay system continues to support the business and that the pay that we offer is sufficient to attract, retain and reward the right people.

We formally review the position annually and, whilst priorities can change, in recent years our key priorities have been:

- shortening our pay bands in line with our Equal Pay action plan to reduce our exposure to equal pay issues;
- maintaining a reasonable level of Performance Pay and strengthening the link between performance and pay; and
- monitoring our "competitors" so that we can continue to recruit and retain the right staff.

We are not just relying on pay to attract and retain staff and we have developed a total reward strategy which has recently been communicated to all staff. Current non-pay initiatives include a Childcare Salary Sacrifice Scheme and a newly refurbished gym. We have also recently subscribed to Family Life Solutions which is a nationwide telephone service designed to provide information and support for all employees with care responsibilities.

Leadership and succession

The Leadership Development Programme (LDP) for our Senior Civil Service members, which stands on an initial round of 360° feedback completed in 2004-05, gives access to a number of National School for Government (NSG) courses, to executive coaching and action learning sets. DCMS also nominates to the NSG Top Management and High Potential Programmes, which is aimed at high potential SCS staff; and also to the Preparing for Top Management Programme for Grade A and A(U) staff with potential to join the SCS.

We introduced learning sets in 2005-06 for our Grade As (Grade 7 equivalents). Facilitated by SCS members, their aim is to provide support for Grade A development through the direct leadership of the SCS facilitators and, taking it as a standing item on their agenda, to embed NSG further into the set members' development planning. 73% of eligible Grade A staff are participating in the sets.

Electronic Records Management

The Department is procuring an Electronic Document and Records Management (EDRM) solution which is intended to provide a unified way of managing the growing volumes of electronic material generated and recorded by our business processes. Implementation of the chosen system will begin in the autumn of 2006.

This system will be integrated with the Department's successful Freedom of Information (Fol) Case Management System to ensure that we can ensure consistent information lifecycle management and support effective audit and governance processes.

BASIS OF PREPARATION OF THE RESOURCE ACCOUNTS

Entities included within the Resource Accounts

These Consolidated Resource Accounts present the results for 2005-06 of:

The Department for Culture, Media and Sport (DCMS)

The Royal Parks (TRP)

The principal activities undertaken by the bodies in pursuit of the aims and objectives of the Department are summarised below, together with details on how to obtain further information on each entity:

Body	Principal Activities
The Department for Culture, Media and Sport (DCMS)	The Department's main activity is to set Government policy on a very wide range of cultural and leisure activities. The Department itself is small, spending only some £47m (£40m 2004-05) on its administration costs, which also support seven Advisory NDPBs and Committees. The DCMS provides £1,407m (£1,318m in 2004-05) of Grant-in-Aid and other funding for The Royal Parks and DCMS's sponsored bodies, which support and implement Government policy in their particular fields.
The Royal Parks (TRP)	TRP is responsible for managing and policing eight Royal Parks: St James's; Green; Hyde; Regent's (with Primrose Hill); Greenwich; Richmond; Bushy and Kensington Gardens, and also for Brompton Cemetery, Victoria Tower Gardens, and Grosvenor Square Gardens. From 8 May 2006, day-to-day responsibility for policing the Royal Parks transferred to the Metropolitan Police Service. TRP is also responsible for maintaining – but not policing – Nos. 10, 11 and 12, Downing Street gardens, Canning Green, St Margaret's Church Green, Poet's Green and the Longford River (except for the stretch in Hampton Court Park). TRP's own Annual Report and Accounts for 2005-06 are published separately as a House of Commons Paper and copies are available from the Stationery Office.

Entities excluded

The public sector bodies which are outside the Departmental Accounting Boundary for which DCMS has lead policy responsibility are listed below together with their status. These bodies publish their own annual reports and accounts during the year.

Public Corporations

British Broadcasting Corporation	Channel 4	Sianel Pedwar Cymru (S4C)
OfCOM	Historic Royal Palaces	Horserace Totalisator Board (Tote)

Executive Non-Departmental Public BodiesMuseums and Galleries

British Museum	National Museums Liverpool	National Portrait Gallery
Natural History Museum	Victoria and Albert Museum	Tate Gallery
Imperial War Museum	National Museum of Science and Industry	Wallace Collection
National Gallery	Museum of Science and Industry in Manchester	Sir John Soane's Museum
National Maritime Museum	Museum of London	Royal Armouries Museum
Geffrye Museum	Horniman Museum and Gardens	National Coal Mining Museum*
National Football Museum*	Tyne and Wear Museums*	

Libraries

British Library	Public Lending Right	Museums, Libraries & Archives Council
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Arts

Arts Council of England

Architecture and the Historic Environment

Royal Household*	Commission for Architecture and the Built Environment	Churches Conservation Trust*
English Heritage	National Heritage Memorial Fund	

Tourism

Visit Britain

Broadcasting & Media

UK Film Council	The National Film and Television School*	
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Sports

Football Licensing Authority	UK Sport	Sport England
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Olympics

Olympic Lottery Distributor London Organising Committee
for the Olympic Games**

Gambling and National Lottery Licensing

Gambling Commission (from 1 October 2005, formerly the Gaming Board of Great Britain)	Horserace Betting Levy Board	National Lottery Commission
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Other

Alcohol Education and Research Council	Eight Regional Cultural Consortiums	Chatham Historic Dockyard*
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Design Museum*	Greenwich Foundation for the Old Naval Hospital*
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*These bodies are not technically classified as DCMS Non-Departmental Public Bodies, but nonetheless receive an element of their funding from the Department.

**LOCOG is an NDPB but not funded by the Department.

The Olympic Delivery Authority was formally established as an executive NDPB on 30 March 2006, when it formally took over from the interim ODA. However, for practical purposes, this list excludes the ODA and treats it as being open for business from Monday 3 April 2006 in the 2006-07 financial year.

In addition to these sponsored bodies, the Department is responsible for the operation of the National Lottery Distribution Fund (NLDF) and Olympic Lottery Distribution Fund (OLDF), both of which are separately accounted for, and also takes responsibility for the Lottery distribution bodies which received £1.5 billion and paid out £1.8 billion from the Fund during 2005-06 (received £1.5 billion and paid out £1.7 billion in 2004-05). The Department also has responsibility for some of the distributing bodies that are also NDPBs. The annual financial statements of the NLDF are published annually and are available from The Stationery Office or www.culture.gov.uk.

The Department also supports a number of other bodies, which are listed in Note 2 to the Accounts (pages 43 to 51), with advisory bodies, committees, self-financed public corporations, limited companies and lottery funded bodies listed in Note 35 (page 77).

MINISTERS

The Ministers who had responsibility for the Department during the year were:

Rt Hon Tessa Jowell MP	Secretary of State
Rt Hon Estelle Morris MP (to 9 May 2005)	Minister for the Arts
Rt Hon Richard Caborn MP	Minister of State for Sport
David Lammy MP (from 10 May 2005)	Minister for Culture
Rt Hon Lord McIntosh of Haringey (to 9 May 2005)	Minister for Media and Heritage
James Purnell MP (from 10 May 2005)	Minister for Media and Tourism

PERMANENT HEAD OF THE DEPARTMENT AND DCMS BOARD

The Permanent Secretary and members of the DCMS Board during 2005-06 were:

Sue Street	Permanent Secretary
Nicholas Holgate	Chief Operating Officer
Jeff Jacobs	Director General (Children, Young People and Communities)
Andrew Ramsay	Director General (Economic Impact)
Paul Bolt (to 10/07/2005)	Director (Olympics and Modernisation)
Alan Davey	Director (Arts and Culture)
Paddy Feeny (from 18/06/2005)	Director (Strategic Communications)
Siobhan Kenny (to 17/06/ 2005)	Director (Strategic Communications)
Andrew Lean (from 03/01/2006)	Director Olympics
Isabel Letwin	Director (Legal)
Brian Leonard	Director (Industry)
Nicky Roche	Director (Sport)
David Roe (from 11/07/2005)	Director (Strategy)

Paddy Feeny succeeded Siobhan Kenny as Director (Strategic Communications) and David Roe took over Paul Bolt's Modernisation role, as Director of Strategy, upon Paul's appointment as Acting Head of the Olympic Games Board Secretariat. Isabel Letwin, although a member of the DCMS Board, is not a DCMS employee but is employed by Treasury Solicitors, and Treasury Solicitors charge the DCMS a fee for her services.

During the year, the DCMS Board included two Non-Executive members, Clive Elphick (who chaired the Audit Committee) and Sonita Alleyne. Sonita Alleyne's term of appointment came to an end on 31 December 2005. Parminder Vir became non-executive director from 1 March 2006. In addition to Clive Elphick, the Audit Committee has an independent external member, Stephen Park. John Thompson joined the Audit Committee as an independent external member in March 2006.

APPOINTMENT OF HEAD OF THE DEPARTMENT AND THE DCMS BOARD

The permanent head of the Department and members of the DCMS Board are appointed on terms and conditions set out in the Civil Service Management Code. These members of staff have individual contracts of employment which specify the length of the appointment (if appropriate) and termination procedures.

MINISTERS AND BOARD MEMBERS REMUNERATION

The details of Ministers and Board Members remuneration are set out in the Remuneration Report on pages 21-27.

PENSION LIABILITIES

Details of pension liabilities are in the Remuneration Report (pages 21-27) and Note 7a (page 55).

PROVISION OF INFORMATION AND CONSULTATION WITH EMPLOYEES

The Department recognises the importance of fully involving employees in delivering its aims and objectives. In addition to frequent discussion and consultation with the Departmental Trades Unions Side, the Department undertakes a bi-annual staff opinion survey, in which staff are asked for feedback on their thoughts and feelings about working for the Department. The survey is undertaken to provide a health check of employee views across the Department and measure progress since the last survey. Focus groups are used to decide and implement actions based on the survey results in order to increase employee satisfaction and organisational performance.

We also have a Staff Management Agreement in place which pulls together in one document the mutual responsibilities of staff and managers and the commitment to regular meetings at every level. We have an internal communication strategy in place and we consult and engage staff in a number of ways including open meetings, Ginger Group meetings with the Permanent Secretary, staff newsletter, e-mail bulletins, intranet articles, and divisional meetings.

POLICY ON PAYMENT OF SUPPLIERS

The Department has signed up to the Better Payment Practice Code, and is committed to adhering to the Late Payment of Commercial Debts (Interest) Act 1998, by paying all invoices not in dispute within agreed contractual provisions or within 30 days of the presentation of a valid invoice (or delivery, if later). An analysis of payment performance during the 2005-06 financial year showed that 97.7% of invoices (not in dispute) were paid within contract terms or 30 days (98.8% in 2004-05).

INTRODUCTION OF THE EURO

In order to be ready for the possibility of a UK decision to join the single currency, the Department has drawn up a strategy for potential conversion of internal systems and business processes during changeover. As part of this work, we have considered a range of issues including programme management, conversion of IT systems, and interdependencies with other organisations. This strategy dovetails with the outline changeover plan produced at the end of 1999. The Treasury published criteria in its *Report on euro preparations*, April 2004, for completion of the planning phase of operations, which the Department met. The next phase of preparations is to keep these plans under review.

EMPLOYMENT OF DISABLED PERSONS

The Department does not discriminate against staff or eligible applicants for posts on any grounds, including disability. Job application forms etc are available in alternative formats, e.g. pdf, large print and audiotape.

The Department has been accredited with the Positive About Disabled People Two Ticks Symbol which re-affirms our commitment to ensuring equal opportunities for all.

DCMS had a full disability access audit carried out in 2004 to review whether the Department's buildings are accessible. Overall DCMS complies with the regulations under the Disability Discrimination Act 1995. There were a number of areas where DCMS could improve and these are now being addressed. New signage has been introduced across the estate and we are currently reviewing and updating plans for the evacuation of disabled staff and visitors.

DCMS is currently taking part in the Employers' Forum Disability Standard. This will be a useful management tool that will help us towards ensuring disabled people are valued as employees and customers.

EQUAL OPPORTUNITIES POLICY

The Department is an equal opportunities employer. We do not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation. Every possible step will be taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria. We will actively pursue arrangements for flexible working patterns and are committed to creating a culture where individual differences are valued and respected. The Department does not tolerate any form of discrimination, harassment or victimisation. We are committed to providing a working environment where no one is disadvantaged.

The Department has a programme of equal opportunities awareness training for all staff, which includes a session on the disability legislation.

AUDITOR

The Comptroller and Auditor General has been appointed under the Government Resources and Accounts Act 2000 to be the Auditor for the Department, and bodies within the Accounting Boundary.

The notional charge for these audit services was £104k, (£102k in 2004-05). This includes £68k for the DCMS (£66k in 2004-05) and £36k (£36k in 2004-05) for TRP. No services were provided outside those required as part of the statutory audit.

DISCLOSURE OF RELEVANT AUDIT INFORMATION

So far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware and the AO has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

DIRECTORSHIPS AND OTHER SIGNIFICANT INTERESTS

No directorships or other significant interests were held by Board members which may have conflicted with their management responsibilities.

IMPORTANT EVENTS WHICH HAVE OCCURRED SINCE THE FINANCIAL YEAR END

Changes to the DCMS Ministerial Team: Shaun Woodward was appointed Minister for Creative industries and Tourism on 6 May 2006, replacing James Purnell who moved to the Department for Work and Pensions.

The Government Olympic Executive (GOE) was established in May 2006 from the former Olympic Games Unit. GOE remains part of DCMS and Jeff Jacobs, formerly Director General of Children Young People and Communities group within DCMS, has been appointed its Chief Executive. Jeff has also been appointed as an additional DCMS Accounting Officer, and as such he will have specific accountability to Parliament for the Olympics, for Sport and for the Olympic Lottery Distribution Fund. He will also be responsible for the sponsorship of the Olympic Lottery Distributor, the Olympic Delivery Authority, the London Organising Committee of the Olympic Games (LOCOG), and Sport England and UK Sport. Jeff will be responsible for the organisation, management, staffing, financial and other procedures in GOE, Sports Directorate, the Olympic Programme Support Unit and for any advice to Ministers from these units.

I will be stepping down from my post as Permanent Secretary and Accounting Officer of DCMS on 30 September 2006 and wish my successor every good fortune.

Signed and approved

Dame Sue Street
Accounting Officer

19 July 2006

REMUNERATION REPORT

REMUNERATION POLICY

The Department does not have a remuneration committee as remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on: the pay and pensions of Members of Parliament and their allowances; Peers' allowances; and the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

SERVICE CONTRACTS

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

SALARY AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

i) Remuneration

Ministers	2005-06		2004-05	
	Salary £	Benefits in kind (to nearest £100)	Salary restated	Benefits in kind (to nearest £100)
Rt Hon Tessa Jowell MP <i>Secretary of State</i>	74,902	–	72,862	–
Rt Hon Estelle Morris MP (to 9 May 2005)	13,892 (38,854 full year equivalent)	–	37,796	–
Rt Hon Richard Caborn MP	38,854	–	37,796	–
David Lammy MP (from 10 May 2005)	24,576 (29,491 full year equivalent)	–	N/A	–
Rt Hon Lord McIntosh of Haringey (to 9 May 2005)	7,608 (70,753 full year equivalent)	–	68,870	–
James Purnell MP (from 10 May 2005)	26,320 (29,491 full year equivalent)	–	N/A	–

Officials	2005-06		2004-05	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100) restated
Dame Sue Street <i>Permanent Secretary</i>	155–160	19,900	145–150	23,100
Mr Nicholas Holgate <i>Chief Operating Officer</i>	95–100	–	30–35 (90–95 full year equivalent)	–
Mr Andrew Ramsay <i>Director General</i>	120–125	–	110–115	–
Mr Jeff Jacobs <i>Director General</i>	125–130	–	60–65 (120– 125) full year equivalent)	–
Ms Siobhan Kenny <i>Director</i> (to 17 June 2005)	25–30 (100– 105 full year equivalent)	–	95–100	–
Mr Brian Leonard <i>Director</i>	95–100	–	95–100	–
Mr Paul Bolt <i>Director</i> (to 29 July 2005)	30–35 (90–95 full year equivalent)	–	85–90	–
Mr Alan Davey <i>Director</i>	95–100	–	90–95	–
Ms Nicky Roche <i>Director</i>	80–85	–	40–45 (75–80 full year equivalent)	–
Ms Isabel Letwin* <i>Legal Adviser</i>	90–95	–	90–95	–
Mr David Roe <i>Director</i> (from 11 July 2005)	60–65 (80–85 full year equivalent)	–	N/A	N/A
Mr Paddy Feeny <i>Director</i> (from 27 September 2005)	45–50 (90–95 full year equivalent)	–	N/A	N/A
Mr Andrew Lean <i>Director</i> (from 3 January 2006)	15–20 (90–95 full year equivalent)	–	N/A	N/A

The information above relates to the Permanent Secretary and Directors of the Department. Equivalent information relating to the TRP, consolidated into the Department's resource account, is given in its separate accounts. Dame Sue Street's benefit in kind for 2004-05 has been restated from £10,600 to £23,100 due to an error in grossing up the benefit for tax.

*Isabel Letwin is an employee of the Treasury Solicitor's Department (TSOL). TSOL invoices DCMS for gross costs (including employer's costs) of TSOL staff, and it is this figure for Ms Letwin which is shown in the table.

The remuneration of Non-Executive Board Members was as follows:

Name	Remuneration	
	2005-06 £000	2004-05 £000
Sonita Alleyne (left on 31 December 2005)	5-7.5 (full year equivalent 5-7.5)	5-7.5
Clive Elphick	5-7.5	5-7.5
Parminder Vir (from 1 March 2006)	0-2.5 (full year equivalent 5-7.5)	-

Each Non-Executive member received an annual salary of £7,500, paid quarterly in arrears. The remuneration package did not include any pension entitlement or benefits in kind.

INTERIM OLYMPIC DELIVERY AUTHORITY (IODA)

The London Development Agency and Transport for London will account for the bulk of expenditure incurred on behalf of the interim Olympic Delivery Authority (iODA) during 2005-06. However, as a temporary arrangement pending the establishment of the Olympic Delivery Authority (ODA), DCMS met the initial costs incurred in relation to the Chair designate, the Chief Executive designate and the Director of Transitional Olympic Delivery. These costs are subsequently to be recovered in 2006-07 from the ODA. Although the contract with each of these people was for services and not a contract of employment, the following table provides remuneration information for the sake of transparency. The contracts were non-civil service, time limited (until the enactment of the London Olympic Games and Paralympic Games Bill on 30 March 2006) with no pension contributions made by the Department.

iODA Senior staff	2005-06		2004-05	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Jack Lemley <i>Chairman Designate</i> (from 1 December 2005 until 30 March 2006)	145-150	-	-	-
David Higgins <i>Chief Executive Designate</i> (from 3 January 2006 until 30 March 2006)	85-90	-	-	-
Alison Nimmo <i>Director of Transitional Olympic Delivery</i> (from 1 August 2005 until 13 December 2005)	95-100	-	-	-

Salary

'Salary' includes gross salary and, where applicable: performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£59,095, 2004 05 £57,485) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords

is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Dame Sue Street had the private use of an allocated car and driver in the circumstances permitted by the Civil Service Management Code.

ii Pension Benefits

Ministers	Accrued pension at age 65 as at 31/3/06	Real increase in pension at age 65	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Rt Hon Tessa Jowell MP <i>Secretary of State</i>	10–12.5	0–2.5	122	104	9
Rt Hon Estelle Morris MP (to 9 May 2005)	5–7.5	0–2.5	69	68	1
Rt Hon Richard Caborn MP	7.5–10	0–2.5	124	109	11
David Lammy MP (from 10 May 2005)	2.5–5	0–2.5	17	12	1
Rt Hon Lord McIntosh of Haringey (to 9 May 2006)	10–12.5	0–2.5	127	129	1
James Purnell MP (from 10 May 2005)	0–2.5	0–2.5	4	–	2

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the Minister (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Officials	Accrued pension at age 60 as at 31/3/06 and related lump sum	Real increase pension and related lump sum at age 60	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV funded by employer	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Dame Sue Street <i>Permanent Secretary</i>	60–65 plus 185–190 lump sum	2.5–5 Plus 12.5–15 lump sum	1,402	1,065	82	–
Nicholas Holgate <i>Chief Operating Officer</i>	25–30 plus 75–80 lump sum	2.5–5 plus 7.5–10 lump sum	356	234	40	–
Mr Andrew Ramsay <i>Director General</i>	50–55 plus 150–155 lump sum	0–2.5 plus 5–7.5 lump sum	1,053	814	36	–
Mr Jeff Jacobs <i>Director General</i>	Under 2 years service – no figures are available	No figures available	No figures available	No figures available	No figures available	No figure available
Ms Siobhan Kenny <i>Director</i> (to 17 June 2005)	0–5 plus 10–15 lump sum	0–2.5 plus 0–2.5 lump sum	76	56	4	–
Mr Brian Leonard <i>Director</i>	35–40 plus 110–115 lump sum	0–2.5 plus 2.5–5 lump sum	888	711	31	–
Mr Paul Bolt <i>Director</i> (to 29 July 2005)	30–35 plus 90–95 lump sum	0–2.5 plus 0–2.5 lump sum	588	478	13	–
Mr Alan Davey <i>Director</i>	20–25 plus 70–75 lump sum	0–2.5 plus 5–7.5 lump sum	336	231	25	–
Ms Nicky Roche <i>Director</i>	25–30 plus 70–75 lump sum	0–2.5 plus 2.5–5 lump sum	480	352	22	–
Ms Isabel Letwin <i>Legal Adviser</i>	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Mr David Roe <i>Director</i> (from 11 July 2005)	20–25 plus 70–75 lump sum	2.5–5 plus 7.5–10 lump sum	354	240	41	–
Mr Paddy Feeny <i>Director</i> (from 27 September 2005)	15–20 plus 55–60 lump sum	2.5–5 plus 10–12.5 lump sum	227	129	47	–
Mr Andrew Lean <i>Director</i> (from 3 January 2006)	25–30 plus 85–90 lump sum	0–2.5 plus 0–2.5 lump sum	504	393	4	–

*Isabel Letwin's pension benefits are recorded by the Treasury Solicitor's Department.

No pension contributions were made on behalf of the three senior staff of the iODA.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Signed and approved

Dame Sue Street
Accounting Officer

19 July 2006

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department to prepare for each financial year resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual*, prepared by the Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in *Government Accounting*.

STATEMENT ON INTERNAL CONTROL

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*.
2. I have designated the Chief Executive of The Royal Parks (TRP) as Accounting Officer for TRP. He is responsible for signing both TRP's own Annual Accounts, which are consolidated within the Department's Resource Accounts, and the associated Statement on Internal Control. I have also designated the Chief Executives of the NDPBs sponsored by the Department as NDPB Accounting Officers. As Departmental Accounting Officer I have responsibility for ensuring that: NDPBs' internal control systems comply with the requirement for propriety and good financial management; conditions attached to Grant-in-Aid conform to the terms of the Resource Estimate; and that there is an adequate statement of the financial relationship between the Department and each NDPB which is regularly reviewed.
3. The Minister for Sport is the lead Minister on risk. The Department's Risk Management guidance covers the need for risk assessments in submissions to make it easier for the Minister or the Board to make a judgement about the risk associated with a particular course of action.

The purpose of the system of internal control

4. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within the Department for the year ended 31 March 2006 and accords with Treasury guidance.

Capacity to handle risk

5. As Accounting Officer I acknowledge my overall responsibility for ensuring the Department is committed to high standards of corporate governance, including the effective management of risk throughout the Department.
6. The Department's risk management policy has been agreed by the DCMS Board and is subject to regular review and revision to ensure it reflects best risk management practice. It defines what is meant by risk and risk management, outlines the key principles underpinning the Department's approach to risk management, and identifies the DCMS Board's agreed risk appetite, the risk management process and the roles and responsibilities of staff. Risk Management Guidance is available to all staff. Both the Policy and the Guidance are available on the Department's intranet.
7. The Department has a Risk Improvement Manager and seeks to learn from good practice via the Risk Improvement Manager network and Internal Audit contacts in other bodies, results of internal audit reports and discussions with our many NDPBs.
8. Risk Management features in departmental training courses as appropriate and was included in the commissioning of the 2005-06 business planning round. Facilitated risk workshops are also available. One-to-one training sessions on risk and Assurance were provided to new senior members of staff prior to the year-end Assurance and risk reporting process.

The risk and control framework

9. Delivery plans and risk registers are in place for each of the Department's Public Service Agreement (PSA) targets. The DCMS Board is provided with quarterly reports to ensure effective monitoring of PSAs, including the systematic tracking of progress and risks, and early warning of potential problems, with appropriate recommendations for early action.

10. Formal financial delegations for 2005-06 were issued to each Director by me, reinforcing the importance of the Assurance process in providing me with confidence when signing the Statement on Internal Control.

11. The Department has agreements with all its directly funded NDPBs setting out the Department's expectations, or the agreed strategy the NDPB will follow, in return for the public funds supplied. Detailed financial arrangements or accountability lines are also included. Bodies which distribute Lottery money have similar agreements relating to the framework within which they receive and distribute Lottery funds. NDPB Accounting Officers are required to incorporate a Statement on Internal Control with their accounts which gives an assurance that *Government Accounting* and the agreements with the Department have been complied with.

12. The process to embed risk management within the Department's processes began with business planning in 2001-02 and continues to develop throughout the Department, although further improvement is required before we can say it is fully embedded in all our processes. The Department uses a self-assessment approach to risk identification. As part of the business planning process we encourage Divisions to hold facilitated workshops to identify the risks to divisional objectives, to evaluate these and to identify the necessary controls. Guidance is available to staff on the main types of risk that the Department could face. In 2004-05 the Audit Committee and DCMS Board has agreed a statement of the Department's risk appetite for seven primary groups of risk to be used as a guide to help calibrate the action we need to take in response to the risk. Each significant risk has a contingency plan which identifies the risk "trigger points" which give early warning of the risk materialising. All risks are assigned Risk Owners i.e. someone with sufficient authority to ensure the risk is addressed and that clear responsibility to manage the risk is allocated to specific officers. Identified risks, and the agreed management of them, are recorded in a formal risk register, which is then kept under review.

13. The Department has used the Risk Management Assessment Framework to assess its standard of risk management. This is a tool developed by Treasury to help collect and assess evidence to support the production of this statement. Our latest assessment provided evidence that capacity continues to improve, although there is still more to be done to achieve the necessary culture change and fully embed risk management within all the Department's processes. It also found satisfactory evidence of the effectiveness of risk handling and outcome performance.

14. An Assurance reporting process supplements the risk management process. It requires senior managers and Directors to report six-monthly on whether they had complied with the Department's risk and internal control procedures and identify the work undertaken to keep risk and internal control under review, up to date and appropriate. Assurance reports were produced during the year as required and a summary of performance has been reported to the Audit Committee. The Committee requires officials to have a rigorous challenge process to improve the reporting of actions taken to manage risk and in the identification of internal control exceptions. The process continues to evolve and any areas for concern addressed.

15. The Department has established a strong, strategic relationship with the Office of Government Commerce (OGC) and an increasing number of high profile programmes and projects have been subject to Gateway reviews. We are improving our project management capability. All staff have received appropriate training in project working. 28 staff have been trained during 2005-06 as OGC Gateway reviewers.

Review of effectiveness

16. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the DCMS Board and the Audit Committee.

17. The key elements of the system of internal control are set out above and contribute to my review of the system's effectiveness. The following bodies also inform my view:

DCMS Board (comprising me, the Department's Directors General [DG] and Directors and two non-executive members) meets regularly to review the Department's priorities, oversee their delivery and the strategic framework within which detailed business planning takes place, and to review the strategic risks and the effectiveness of the risk management process.

Audit Committee – the Committee comprises the Chairman (a non-executive Board member), an independent external member, the Chief Operating Officer, one other Director General and one divisional head. An additional independent external member was appointed during 2005-06. The Committee meets four times a year and advises me on the adequacy and effectiveness of risk management and internal control, including the strategic risk register processes. The Committee also assesses: the internal and external audit activity plans and the results of that activity; the adequacy of management responses to audits and the adequacy of internal audit arrangements in DCMS's NDPBs.

Internal Audit – The Department has an Internal Audit Unit, which operates to Government Internal Audit Standards. During the year, responsibility was transferred to a shared service with the Department for Communities and Local Government. The Unit submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the arrangements for risk management, control and governance, together with recommendations for improvement.

Signed and approved

Dame Sue Street
Accounting Officer

19 July 2006

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department for Culture, Media and Sport for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 29 to 31 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Operating and Financial Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
21 July 2006

Statement of Parliamentary Supply

(i) Summary of Resources Outturn 2005-06

Request for Resources	Note	2005-06 Estimate			2005-06 Outturn			2005-06 Net total	2004-05 Outturn
		Gross Expenditure	A in A £000	Net Total £000	Gross Expenditure £000	A in A £000	Net Total £000	outturn compared with Estimate Saving/ (excess) £000	Net Total £000
1: DCMS Administration & Programme	2	1,544,246	30,900	1,513,346	1,489,128	30,900	1,458,228	55,118	1,360,017
2: BBC Home Broadcasting	2	2,660,000	-	2,660,000	2,624,277	-	2,624,277	35,723	2,501,970
Total Resources	3	4,204,246	30,900	4,173,346	4,113,405	30,900	4,082,505	90,841	3,861,987
Non-operating cost A-in-A		-	3,931		-	2,501		1,430	129

(ii) Net cash requirement 2005-06

	Note	Estimate	Outturn	2005-06 £000 Net total outturn compared with Estimate Saving/ (excess)	2004-05 £000 Outturn
Net Cash Requirement	4	4,176,567	4,091,758	84,809	3,872,509

(iii) Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Department and is payable to the Consolidated Fund (*cash receipts being shown in italics*).

	Note	Forecast 2005-06		Outturn 2005-06	
		Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Total	5	2,660,160	2,660,160	2,628,652	2,625,340

Explanations of variances between Estimate and Outturn are given in the Management Commentary.

The notes on pages 40 to 78 form part of these accounts.

Operating Cost Statement*for the year ended 31 March 2006*

			2005-06		2004-05
	Note	£000	£000	£000	£000
Administration costs					
Staff costs	7	22,191		19,814	
Other administration costs	8	26,968		22,789	
Gross administration costs			49,159		42,603
Operating income	10		(2,486)		(2,151)
Net administration costs			46,673		40,452
Programme costs					
Request for Resources 1					
Expenditure	9	1,439,969		1,333,508	
Less: income	10	(32,598)		(15,349)	
			1,407,371		1,318,159
Request for Resources 2					
Expenditure	9	2,624,277		2,501,970	
Less: income	10	(2,624,468)		(2,502,111)	
			(191)		(141)
Net Operating Costs	3, 11		1,453,853		1,358,470

All income and expenditure are derived from continuing operations.

The income relating to Request for Resources 2 (Home Broadcasting) is higher than the amount paid over to the BBC due to the deduction of expenses incurred by the Department (charged to Request for Resources 1) in administering the Licence fee.

Statement of Recognised Gains and Losses
for the year ended 31 March 2006

	2005-06	2004-05
	£000	£000
Net gain/(loss) on revaluation of Tangible Fixed Assets	12,750	(5,614)
Non cash additions	–	–
Receipt of donated assets	237	1,997
Total	<u>12,987</u>	<u>(3,617)</u>

The notes on pages 40 to 78 form part of these accounts.

Balance Sheet*as at 31 March 2006*

	Note	31 March 2006		31 March 2005	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	12		363		279
Tangible assets	13		85,143		69,447
			<u>85,506</u>		<u>69,726</u>
Debtors falling due after more than one year	15		5,500		–
			<u>91,006</u>		<u>69,726</u>
Current assets					
Assets held for transfer	16	908		–	
Stocks	17	11		–	
Debtors	18	17,434		8,002	
Cash at bank and in hand	19	17,099		33,937	
		<u>35,452</u>		<u>41,939</u>	
Creditors (amounts falling due within one year)	20	(37,998)		(51,764)	
Net Current (Liabilities)			<u>(2,546)</u>		<u>(9,825)</u>
Total assets less current liabilities			<u>88,460</u>		<u>59,901</u>
Provisions for liabilities and charges	21		(3,733)		–
			<u>84,727</u>		<u>59,901</u>
Taxpayers' Equity					
General Fund	22		43,806		31,371
Revaluation Reserve	23a		38,252		26,050
Donated Asset Reserve	23b		2,669		2,480
			<u>84,727</u>		<u>59,901</u>

The notes on pages 40 to 78 form part of these accounts.

Signed and Approved

Dame Sue Street
Accounting Officer

19 July 2006

Consolidated Cash Flow Statement*for year ended 31 March 2006*

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	24a	(1,458,550)	(1,360,878)
Capital expenditure and financial investment	24b, 24c	(7,500)	(8,478)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(2,632,458)	(2,515,451)
Financing	24d	4,081,670	3,868,668
(Decrease) in cash in the period	24e	(16,838)	(16,139)

The notes on pages 40 to 78 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Aims and Objectives
for the year ended 31 March 2006

	2005-06			2004-05		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1	190,385	(1,676)	188,709	1,170,861 over objectives 1 & 2	(11,592) over objectives 1 & 2	1,159,269 over objectives 1 & 2
Objective 2	971,593	(19,583)	952,010			
Objective 3	96,074	(13,825)	82,249	33,461	(5,403)	28,058
Objective 4	192,352	–	192,352	171,789	(505)	171,284
Objective 5	38,724	–	38,724	Incl within objective 1	Incl within objective 1	Incl within objective 1
BBC	2,624,277	(2,624,468)	(191)	2,501,970	(2,502,111)	(141)
Net Operating Costs	4,113,405	(2,659,552)	1,453,853	3,878,081	(2,519,611)	1,358,470

Figures for the BBC grant and associated licence fee income from Request for Resources 2 are shown separately because of their materiality. They relate to the Department's Objective 2.

DCMS Objectives for the year were as follows:

- Objective 1 To further enhance access to culture and sport for children and give them the opportunity to develop their talents to the full and enjoy the benefits of participation
- Objective 2 To increase and broaden the impact of culture and sport, to enrich individual lives, strengthen communities and improve the places where people live, now and for future generations
- Objective 3 To maximise the contribution that the tourism, creative and leisure industries can make to the economy
- Objective 4 To modernise delivery by ensuring our sponsored bodies are efficient and work with others to meet the cultural and sporting needs of individuals and communities
- Objective 5 To host an inspirational, safe and inclusive Olympic Games and Paralympic Games and leave a sustainable legacy for London and the UK

These objectives differed from those in 2004-05; the 2004-05 Objective 1 (Increase participation in culture and sport and to develop our sectors) has been divided into the new Objectives 1 and 2 described above.

The notes on pages 40 to 78 form part of these accounts.

NOTES TO DEPARTMENTAL RESOURCE ACCOUNTS

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the *2005-06 Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

A separate note has been disclosed for the Core Department fixed assets but in the opinion of the Department the difference between the Core Department and the Consolidated Accounts is not material for separation in the other notes.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stock where material.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Department, its Supply-financed agency – The Royal Parks (TRP) – and seven advisory NDPBs. These entities fall within the Departmental boundary as defined in the *FReM* (chapter 2.4). The following advisory bodies are included by way of accounting for funds paid through grant expenses: Advisory Committee on Historic Wreck Sites; Treasure Valuation Committee; Spoliation Advisory Panel; Advisory Committee on the Government Art Collection; Reviewing Committee on the Export of Works of Art; Advisory Committee for the Public Lending Right; and Advisory Council on Libraries. Transactions between entities included in the consolidation are eliminated.

The entities included within the departmental boundary are shown in the Management Commentary.

1.3 Intangible Fixed Assets

These relate to licences to use software that have been developed by third parties, and are valued at cost. Expenditure on intangible fixed assets with a cost exceeding £2,000 is capitalised.

1.4 Tangible Fixed Assets

Title to the freehold land and buildings shown in the accounts is held as follows:

- i. property on the Departmental estate;
- ii. property held by the Office of the Deputy Prime Minister in the name of the Secretary of State.

For DCMS as an entity, freehold land is restated to current value every five years using professional valuations in accordance with FRS 15. Revaluations in the intervening years are made using indices provided for this purpose by HM Treasury. The freehold land was last valued professionally as at 31st March 2006. Buildings, plant and equipment, fixtures and fittings and computer equipment have not been restated using appropriate indices because the modified historic costs are not materially different to the historic costs, therefore the historic costs have been shown in the Balance Sheet. TRP properties are revalued as part of a five year rolling programme, using a methodology in line with the *FReM*. Other TRP assets have been restated using suitable indices.

The minimum level for capitalisation of a tangible fixed asset is £2,000.

Amounts capitalised include staff costs incurred to bring assets into being for the future benefit of the department.

The Department and TRP have a number of non-operational Heritage Assets held for their historic and cultural associations alone. In accordance with the FReM these non-operational Heritage Assets have been valued at Nil.

In accordance with the FReM, additions to the Government Art Collection, as from 1 April 2000, are recognised in the Balance Sheet. The purchase price will normally provide a reliable basis for valuation.

1.5 Depreciation

Freehold land, and Collections are not depreciated, since they have unlimited or very long estimated useful lives.

Depreciation is provided at rates calculated to write off the value of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Assets in the course of construction are not depreciated until the asset is brought into use.

Asset lives are in the following ranges:

Buildings	up to 100 years
Leasehold Improvements	the term of the lease
Plant	3-10 years
Equipment & Computers	3-10 years
Fixtures and Fittings	3-20 years
Intangible Assets	2 years

1.6 Donated Assets

Donated tangible fixed assets are capitalised at their current value on their receipt, and this value is credited to the donated asset reserve. Donated assets are revalued, depreciated and subject to impairment in the same way as other fixed assets. Revaluations will be taken to the donated asset reserve. Each year, an amount equal to the depreciation charge on the asset and any impairment will be released from the donated asset reserve to the Operating Cost Statement.

1.7 Research

Expenditure on research is treated as an operating cost in the year in which it is incurred.

1.8 Operating Income

Operating income is income which relates to the operating activities of the Department. It comprises fees and charges for services provided to external customers and public sector repayment work. It includes both operating income appropriated-in-aid of the Estimate and income to the Consolidated Fund authorised by HM Treasury to be treated as operating income. Operating income is stated net of VAT.

1.9 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administrative cost limit, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department. The classification of expenditure and income as administration or programme follows the definition of administration costs set by HM Treasury.

1.10 Grants Payable

Government Grant-in-Aid paid or payable is recorded as expenditure on an annual basis in relation to the grant drawn down by the grantee from DCMS.

Government Grants paid or payable are recorded as expenditure on an annual basis in relation to the grant payable to the grantee from DCMS.

1.11 BBC Licence Fee Income

The Department has an Agreement with the BBC which provides the basis for the payment of TV licence fee revenue to the BBC. The Agreement states that the Department shall pay over in grant a sum or sums equal to the Licence Revenue received by the Department less any refunds and expenses incurred by the Department in the administration of the licensing system. The grant paid to the BBC is therefore the lower of:

- The value of licence fee income received by the Department less a management charge, and
- The amount voted by Parliament.

1.12 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying value of all assets less liabilities, except for: donated assets, additions to Collections, cash balances with the Office of the Paymaster General (OPG) and the amount due to the Consolidated Fund, where the charge is nil.

1.13 Foreign Exchange

Revenue and expenditure incurred in foreign currencies which are not covered by a forward contract are translated at the rate of exchange ruling on the date of the transaction.

1.14 Taxation

VAT is accounted for in accordance with SSAP 5.

1.15 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the Remuneration Report and at note 7. The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.16 Early Departure Costs

The Department is required to meet the cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

1.17 Operating Leases

Operating lease rentals are charged to the operating cost statement in equal amounts over the lease term.

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of Government Accounting. These comprise:

- items over £250k (or lower where required by statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- all items (where they arise in the normal course of business) over £250k (or lower where required by specific statute or where material in the context of the resource accounts) which are required by the FReM to be noted in the resource accounts.

2. Analysis of net resource outturn by section 2005-06

	Admin £000	Other Current £000	Grants £000	A-in-A £000	Net Total £000	Estimate £000	Net Total Outturn v estimate £000
Request for Resources 1							
A. Museums, Galleries & Libraries							
European Museum Forum	–	2	–	–	2	–	(2)
ISB7-Staffordshire Libraries	–	–	–	–	–	36	36
ISB7-Yorkshire MLA	–	–	–	–	–	41	41
Libraries Support	–	118	–	–	118	105	(13)
EU Presidency Programme	–	752	–	–	752	685	(67)
Capital of Culture 2008	–	208	–	–	208	300	92
	–	1,080	–	–	1,080	1,167	87
B. Arts							
Arts Support	1	308	–	–	309	470	161
Own Art (Arts Purchase Plan)	–	500	–	–	500	500	–
Government Art Collection	–	356	–	(4)	352	355	3
Euclid	–	50	–	–	50	50	–
	1	1,214	–	(4)	1,211	1,375	164
C. Sports							
British Chess Federation	–	–	60	–	60	60	–
Other Sports Support	–	–	1,216	–	1,216	1,379	163
Volunteering Grants – Step into Sport	–	–	7	–	7	7	–
Wembley	–	–	3,685	–	3,685	10,000	6,315
Children's Play	–	500	–	–	500	500	–
ISB7 Leicestershire + Rutland	–	–	260	–	260	260	–
ISB7 – Sporting Equals	–	–	425	–	425	425	–
	–	500	5,653	–	6,153	12,631	6,478
D. Architecture & the Historic Environment							
Public buildings and monuments and associated state ceremonial costs	–	993	–	(201)	792	893	101
Premium receivable on surrender of leasehold of Fortress House	–	–	–	(12,000)	(12,000)	(4,250)	7,750
English Heritage relocation project	–	–	–	–	–	4,250	4,250
World Heritage Committee	–	–	11	–	11	15	4
World Cultural Convention	–	–	128	–	128	130	2
Chatham Historic Dockyard	–	–	300	–	300	300	–
Other Heritage Support	–	–	136	–	136	290	154
Greenwich Foundation for the old Royal Naval College	–	–	1,500	–	1,500	1,500	–
Memorials Grant Scheme	–	–	130	–	130	5,000	4,870
	–	993	2,205	(12,201)	(9,003)	8,128	17,131

	Admin £000	Other Current £000	Grants £000	A-in-A £000	Net Total £000	Estimate £000	Net Total Outturn v estimate £000
E. Listed Places of Worship							
Listed Places of Worship Grant Scheme	-	247	14,819	-	15,066	15,250	184
F. The Royal Parks							
Royal Parks Agency	-	39,145	-	(8,156)	30,989	26,792	(4,197)
G. Tourism							
Tourism Strategy Fund	-	28	-	-	28	63	35
Grants to the GLA	-	-	1,900	-	1,900	1,900	-
	-	28	1,900	-	1,928	1,963	35
H. Broadcasting & Media							
Film Support	-	-	90	-	90	343	253
Audiovisual Eureka	-	-	162	-	162	393	231
S4C – Welsh Fourth Channel	-	92,217	-	-	92,217	92,217	-
OFCOM – media literacy & community radio projects	-	1,013	-	-	1,013	1,059	46
Other Broadcasting Support	-	204	-	-	204	250	46
Digital Switchover Support	-	103	-	-	103	250	147
	-	93,537	252	-	93,789	94,512	723
I. Administration & Research							
Administration	49,158	-	-	(2,486)	46,672	49,799	3,127
Humanitarian Assistance Unit programme costs	-	638	-	-	638	-	(638)
“Taking Part” Participation Survey	-	1,419	-	(442)	977	1,470	493
Research and Other Services	-	1,042	-	-	1,042	1,640	598
	49,158	3,099	-	(2,928)	49,329	52,909	3,580
J. National Lottery Commission							
NLC – Income from NLDF	-	-	-	(8,293)	(8,293)	(7,561)	732
K. Gambling, Licensing & Horse Racing							
Gambling Fee Income	-	-	-	(2,621)	(2,621)	(2,381)	240
L. Queen’s Golden Jubilee							
Golden Jubilee	-	-	-	-	-	1	1
M. Olympics							
Olympics – bid costs	-	-	2,304	-	2,304	4,300	1,996
Interim ODA – project costs	-	-	35,688	-	35,688	36,000	312
Olympic Board Secretariat	-	-	661	-	661	-	(661)
Interim ODA – transitional costs	-	-	554	-	554	-	(554)
Olympics – other programme costs	-	-	538	-	538	-	(538)
	-	-	39,745	-	39,745	40,300	555

	Admin £000	Other Current £000	Grants £000	A-in-A £000	Net Total £000	Estimate £000	Net Total Outturn v estimate £000
N. Regional Cultural Consortiums							
Living East	–	–	233	–	233	229	(4)
Culture East Midlands	–	–	236	–	236	232	(4)
Culture North East	–	–	221	–	221	217	(4)
Culture North West	–	–	223	–	223	220	(3)
Culture South East	–	–	224	–	224	220	(4)
Culture South West	–	–	222	–	222	218	(4)
West Midlands Life	–	–	261	–	261	257	(4)
Yorkshire Culture	–	–	221	–	221	217	(4)
	–	–	1,841	–	1,841	1,810	(31)
O. Museums, Galleries & Libraries							
Museums, Libraries and Archives Council	–	–	14,174	–	14,174	14,264	90
British Museum	–	–	39,794	–	39,794	39,856	62
Natural History Museum	–	–	41,470	–	41,470	41,470	–
Imperial War Museum	–	–	18,541	–	18,541	18,541	–
National Gallery	–	–	21,986	–	21,986	21,986	–
National Maritime Museum	–	–	15,236	–	15,236	15,236	–
NM Liverpool	–	–	18,155	–	18,155	18,155	–
National Portrait Gallery	–	–	6,426	–	6,426	6,448	22
NM Science & Industry	–	–	34,113	–	34,113	34,113	–
Tate Gallery	–	–	31,799	–	31,799	31,799	–
Victoria & Albert Museum	–	–	38,233	–	38,233	38,233	–
Wallace Collection	–	–	2,580	–	2,580	2,580	–
Royal Armouries	–	–	7,369	–	7,369	7,369	–
British Library	–	–	97,562	–	97,562	100,568	3,006
Public Lending Right	–	–	7,471	–	7,471	7,471	–
MSI Manchester	–	–	3,870	–	3,870	3,870	–
Museum of London	–	–	6,632	–	6,632	6,632	–
Sir John Soane's Museum	–	–	1,091	–	1,091	1,291	200
Horniman Museum	–	–	3,682	–	3,682	3,682	–
Geffrye Museum	–	–	1,431	–	1,431	1,431	–
Design Museum	–	–	352	–	352	340	(12)
Tyne & Wear Museums	–	–	1,710	–	1,710	1,710	–
National Coal Mining Museum of England	–	–	2,539	–	2,539	2,539	–
National Football Museum	–	–	100	–	100	100	–
People's History Museum	–	–	150	–	150	150	–
Strategic Commissioning	–	–	4,350	–	4,350	4,150	(200)
Museums Reserve	–	–	6	–	6	26	20
DCMS/Wolfson Museums & Galleries Improvement Fund	–	–	1,172	–	1,172	2,000	828
Renaissance and other Regional Funds	–	–	30,000	–	30,000	30,000	–
Libraries Strategy Fund	–	–	1,972	–	1,972	2,000	28
Legal Deposit Advisory Panel	–	–	19	–	19	75	56
Accrued Superannuation Liability Contributions – allocation of additional grants to institutions above	–	–	–	–	–	(10,488)	(10,488)
Supplementary Estimate	–	–	453,985	–	453,985	447,597	(6,388)

	Admin £000	Other Current £000	Grants £000	A-in-A £000	Net Total £000	Estimate £000	Net Total Outturn v estimate £000
P. Arts							
Arts Council England	-	-	409,178	-	409,178	408,305	(873)
Q. Sports							
Sport England	-	-	78,963	-	78,963	104,627	25,664
UK Sport	-	-	29,305	-	29,305	29,305	-
Football Licensing Authority	-	-	1,110	(9)	1,101	1,365	264
Pickett's Lock	-	-	1,954	-	1,954	2,100	146
National Sports Foundation	-	-	-	-	-	-	-
	-	-	111,332	(9)	111,323	137,397	26,074
R. Architecture & Historic Environment							
CABE	-	-	5,610	-	5,610	4,690	(920)
English Heritage	-	-	129,136	-	129,136	133,121	3,985
ICOMOS	-	-	-	-	-	38	38
Churches Conservation Trust	-	-	3,062	-	3,062	3,062	-
National Heritage Memorial Fund	-	-	5,002	-	5,002	5,002	-
Royal Household – Occupied Palaces, Royal Communications and Marlborough House	-	-	16,207	-	16,207	18,227	2,020
Heritage unallocated provision	-	-	-	-	-	4,157	4,157
	-	-	159,017	-	159,017	168,297	9,280
S. Tourism							
VisitBritain	-	-	48,900	-	48,900	48,900	-
Regional Development Agencies	-	-	3,600	-	3,600	3,600	-
	-	-	52,500	-	52,500	52,500	-
T. Broadcasting and Media							
Film Council	-	-	24,110	-	24,110	28,760	4,650
National Film & Television School	-	-	2,900	-	2,900	2,900	-
	-	-	27,010	-	27,010	31,660	4,650
U. National Lottery Commission							
National Lottery Commission	-	-	8,292	-	8,292	7,562	(730)
V. Gambling, Licensing & Horseracing							
Gaming Board for Great Britain	-	-	3,657	-	3,657	12,132	8,475
Gambling Commission	-	-	6,083	-	6,083	-	(6,083)
	-	-	9,740	-	9,740	12,132	2,392
W. Culture On-Line							
Culture Online	-	2,657	-	-	2,657	1,000	(1,657)
Excess Appropriations-in-Aid	-	-	-	3,312	3,312	-	(3,312)
RfR 1 Total	49,159	142,500	1,297,469	(30,900)	1,458,228	1,513,346	55,118
Request for Resources 2							
A. Home Broadcasting BBC	-	-	2,624,277	-	2,624,277	2,660,000	35,723
RfR 2 Total	-	-	2,624,277	-	2,624,277	2,660,000	35,723
Net Resource Outturn on DCMS Vote	49,159	142,500	3,921,746	(30,900)	4,082,505	4,173,346	90,841

The gross resource outturn on Request for Resources 1 of £1,489,128k (£1,376,111k in 2004-05) as shown in the Statement of Parliamentary Supply comprises the total of administration costs, other current and grants.

Programme expenditure on Request for Resources 1 of £1,439,969k (£1,333,508k in 2004-05) as shown in the Operating Cost Statement comprises the total of Other Current and Grants.

The Sections (represented by letters A to W) represent the analysis of each Request for Resources for HM Treasury control purposes and Parliamentary approval, and therefore do not correspond to the analysis by Departmental objectives. Following the Resource Estimates analysis:

- Sections **A to M** and Section **W** of Request for Resources 1 are classed as **Spending In Departmental Expenditure Limits** (DEL) and as Central Government Spending;
- Sections **N to V** of Request for Resources 1 and Section **A** of Request for Resources 2 are classed as **“Non-Budget”** – Other Spending outside DEL.

Public expenditure data for the public bodies listed in these sections is recorded from their gross income and expenditure rather than the Grant-in-Aid shown here.

Analysis of net resource outturn by section 2004-05

	Admin £000	Other Current £000	Grants £000	A-in-A £000	2004-05 Net Total £000	2004-05 Estimate £000	Net Total Outturn compared with estimate £000
Request for Resources 1							
A. Museums, Galleries and Libraries							
Government Indemnity Scheme	–	5	–	–	5	150	145
Annual Library Plans	–	237	–	–	237	250	13
Euclid	–	77	–	–	77	50	(27)
Capital of Culture	–	170	–	–	170	300	130
Museums reserve	–	11	–	–	11	404	393
European Museum Forum	–	2	–	–	2	–	(2)
B. Arts							
Government Art Collection	–	350	–	–	350	353	3
Government Art Collection (Receipts)	–	–	–	(2)	(2)	(2)	–
Other Arts Support	–	295	–	–	295	452	157
C. Sports							
National Playing Fields Association (Children's Play)	–	499	–	–	499	500	1
Other Sport Support	–	1,391	–	–	1,391	740	(651)
British Chess Federation	–	–	60	–	60	60	–
Talented Athletes (TASS)	–	39	–	–	39	200	161
Wembley	–	–	10,045	–	10,045	10,000	(45)
Volunteering (Step into Sport)	–	–	419	–	419	193	(226)
D. Historic Buildings Monuments & Sites							
Public Buildings, Monuments & Statues	–	1,101	–	–	1,101	853	(248)
Chatham Historic Dockyard	–	–	300	–	300	300	–
World Cultural Convention	–	–	101	–	101	130	29
World Heritage Committee	–	16	–	–	16	15	(1)
Other Heritage Support	–	391	–	–	391	653	262
RNC Greenwich	–	–	1,500	–	1,500	1,500	–
E. Listed Places of Worship							
Grants to applicants	–	–	9,877	–	9,877	11,347	1,470
Listed Places of Worship Current	–	236	–	–	236	276	40
F. The Royal Parks							
	–	34,155	–	(7,496)	26,659	30,131	3,472
G. Tourism							
Tourism Strategy Fund	–	28	–	–	28	30	2
GLA Grant	–	–	1,900	–	1,900	1,900	–

	Admin £000	Other Current £000	Grants £000	A-in-A £000	2004-05 Net Total £000	2004-05 Estimate £000	Net Total Outturn compared with estimate £000
H. Broadcasting & Media							
Sianel Pedwar Cymru (S4C)	-	92,217	-	-	92,217	92,217	-
Grant to BBC for Met Office Weather Services	-	2,311	-	-	2,311	2,311	-
Other Film Support	-	789	-	-	789	821	32
Audio Visual Eureka	-	-	150	-	150	393	243
OFCOM, media Literacy and Community Radio	-	692	-	-	692	1,059	367
I. Administration & Research							
Central Administration	42,603	-	-	(2,151)	40,452	51,417	10,965
Research and other services	-	1,768	-	-	1,768	2,551	783
J. National Lottery Commission							
	-	-	-	(4,666)	(4,666)	(4,941)	(275)
K. Gambling, Licensing and Horseracing							
Gaming Board for Great Britain	-	-	-	(2,310)	(2,310)	(1,985)	325
L. Queen's Golden Jubilee							
Golden Jubilee Grants	-	(4)	-	-	(4)	1	5
M. Olympics							
	-	-	6,458	-	6,458	4,700	(1,758)
N. Regional Cultural Consortiums							
	-	-	1,674	-	1,674	1,600	(74)
O. Museums, Galleries and Libraries							
British Museum	-	-	37,893	-	37,893	38,408	515
Natural History Museum	-	-	39,647	-	39,647	39,647	-
Imperial War Museum	-	-	17,491	-	17,491	17,491	-
National Gallery	-	-	21,257	-	21,257	21,227	(30)
National Maritime Museum	-	-	15,731	-	15,731	15,731	-
National Museums Liverpool	-	-	17,333	-	17,333	17,333	-
National Portrait Gallery	-	-	6,108	-	6,108	6,108	-
National Museum of Science and Industry	-	-	33,125	-	33,125	33,119	(6)
Royal Armouries	-	-	6,887	-	6,887	6,887	-
National Coal Mining Museum of England	-	-	2,670	-	2,670	2,405	(265)
Tate Gallery	-	-	29,881	-	29,881	29,881	-
Victoria and Albert Museum	-	-	36,189	-	36,189	36,170	(19)
Wallace Collection	-	-	2,594	-	2,594	2,574	(20)
Museum of Science and Industry in Manchester	-	-	3,509	-	3,509	3,509	-
Museum of London	-	-	6,506	-	6,506	6,506	-
Sir John Soane's Museum	-	-	794	-	794	984	190
Horniman Museum	-	-	3,659	-	3,659	3,659	-
Geffrye Museum	-	-	1,811	-	1,811	1,811	-
Tyne & Wear Museums	-	-	1,200	-	1,200	1,200	-
Design Museum	-	-	568	-	568	580	12
National Football Museum	-	-	100	-	100	100	-

	Admin £000	Other Current £000	Grants £000	A-in-A £000	2004-05 Net Total £000	2004-05 Estimate £000	Net Total Outturn compared with estimate £000
People's History Museum	-	-	150	-	150	150	-
Strategic Commissioning	-	-	2,284	-	2,284	2,706	422
DCMS/Wolfson Museums & galleries Improvement Fund	-	-	882	-	882	2,104	1,222
British Library	-	-	88,501	-	88,501	101,323	12,822
Public Lending Right	-	-	7,473	-	7,473	7,525	52
Museums Libraries & Archives Council	-	-	13,458	-	13,458	13,458	-
Libraries Strategy Fund	-	-	1,999	-	1,999	2,000	1
Regional Funds	-	-	21,000	-	21,000	21,000	-
Museums and Galleries EYF	-	-	-	-	-	16,319	16,319
P. Arts							
Arts Council of England	-	-	369,859	-	369,859	378,355	8,496
Q. Sports							
Football Licensing Authority	-	-	1,125	(9)	1,116	1,380	264
United Kingdom Sports Council	-	-	23,500	-	23,500	28,610	5,110
Sport England	-	-	74,456	-	74,456	104,467	30,011
R. Historic Buildings, Monuments and Sites							
Royal Household	-	-	15,557	-	15,557	15,557	-
English Heritage	-	-	127,901	-	127,901	128,906	1,005
Churches Conservation Trust	-	-	3,000	-	3,000	3,000	-
National Heritage Memorial Fund	-	-	5,000	-	5,000	5,000	-
Commission for Architecture and the Built Environment	-	-	4,027	-	4,027	4,030	3
S. Tourism							
VisitBritain	-	-	48,400	-	48,400	48,400	-
Regional Development Agencies	-	-	3,600	-	3,600	3,600	-
Tourism reserve	-	-	-	-	-	1,200	1,200
T. Broadcasting and Media							
The Film Council	-	-	24,910	-	24,910	29,410	4,500
The National Film and Television School	-	-	2,800	-	2,800	2,800	-
U. National Lottery Commission	-	-	4,293	-	4,293	4,942	649
V. Gambling, Licensing and Horseracing							
Gaming Board for Great Britain	-	-	6,684	-	6,684	5,634	(1,050)

	Admin £000	Other Current £000	Grants £000	A-in-A £000	2004-05 Net Total £000	2004-05 Estimate £000	Net Total Outturn compared with estimate £000
W. Spaces for Sport & Arts							
Spaces for Sport & Arts	–	–	27,470	–	27,470	27,458	(12)
Pickett's Lock	–	–	113	–	113	1,850	1,737
X. Culture Online	–	853	–	–	853	2,160	1,307
Excess A-in-A	–	–	–	540	540	–	(540)
Total RfR1	42,603	137,629	1,195,879	(16,094)	1,360,017	1,459,603	99,586
Request for Resources 2							
A. BBC – Home Broadcasting	–	–	2,501,970	–	2,501,970	2,525,937	23,967
Total RfR2	–	–	2,501,970	–	2,501,970	2,525,937	23,967
Resource outturn	42,603	137,629	3,697,849	(16,094)	3,861,987	3,985,540	123,553
Non A-in-A operating income	–	–	(2,502,111)	(1,406)	(2,503,517)	(2,526,967)	(23,450)
Net operating cost	42,603	137,629	1,195,738	(17,500)	1,358,470	1,458,573	100,103

Functions (represented by letters A to X) represent the disaggregation of requests for resources for control purposes and parliamentary approval. They may not correspond to Departmental objectives, which in turn reflect a disaggregation of Departmental aims for the management of activities.

The Resource Estimate groups the following functions:

- Functions A to M – Spending in Departmental Expenditure Limits (DEL);
- Functions O to W – Other Spending outside Departmental Expenditure Limits (DEL);
- Function X – Spending in Departmental Expenditure Limits (DEL).

3. Reconciliation of outturn to net operating cost and against administration budget**3(a) Reconciliation of net resource outturn to net operating cost**

			2005-06	2004-05	
	Note	Outturn £000	Supply Estimate £000	Outturn compared with Estimate £000	Outturn £000
Net Resource Outturn	2	4,082,505	4,173,346	90,841	3,861,987
Non-supply income (CFERs)	5	(2,628,652)	(2,660,160)	(31,508)	(2,503,517)
Net operating cost		1,453,853	1,513,186	59,333	1,358,470

3(b) Outturn against final administration budget

	2005-06	2004-05	
	£000 Budget	£000 Outturn	£000 Outturn
Gross administration budget	52,662	49,159	42,603
Income allowable against the administration budget	(2,863)	(2,486)	(2,151)
Net outturn against final administration budget	49,799	46,673	40,452

These figures are explained in the Management Commentary (page 1).

4. Reconciliation of resources to cash requirement

		Estimate	Outturn	2005-06 <i>Net total outturn compared with estimate: saving/ (excess)</i>	2004-05 Outturn
	Note	£000	£000	£000	£000
Resource Outturn	2	4,173,346	4,082,505	90,841	3,861,987
Capital:					
Acquisition of fixed assets		15,660	10,050	5,610	8,607
Investments		–	–	–	–
Non-operating A-in-A:					
• Proceeds of fixed asset disposals		(3,931)	(2,502)	(1,429)	(129)
Accruals adjustments					
• Non-cash items		(8,508)	(7,341)	(1,167)	(4,541)
• Changes in working capital other than cash		–	15,723	(15,723)	6,949
• Changes in creditors falling due after more than one year		–	–	–	–
Increase in provisions	21	–	(3,733)	3,733	–
<i>Adjustment for Contingencies Fund</i>		–	368	(368)	(368)
<i>Consolidation adjustment</i>		–	–	–	4
Excess income surrenderable to the Consolidated Fund		–	(3,312)	3,312	–
Net cash requirement		4,176,567	4,091,758	84,809	3,872,509

These figures are explained in the Management Commentary (page 1).

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2005-06		Outturn 2005-06	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A on RfR1	4	–	–	3,312	–
Other operating income and receipts not classified as A in A:					
• RfR1 – top up rent payments		–	–	872	872
		–	–	4,184	872
Other operating income and receipts not classified as A in A:					
RfR2 – BBC License fees payable		2,660,160	<i>2,660,160</i>	2,624,468	<i>2,624,468</i>
Other amounts collectable on behalf of the Consolidated Fund		–	–	–	–
Excess cash surrenderable to the Consolidated Fund	4	–	–	–	–
Total income payable to the Consolidated Fund		2,660,160	<i>2,660,160</i>	2,628,652	<i>2,625,340</i>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2005-06 £000	2004-05 £000
Operating income		2,659,552	2,519,611
Adjustments for transactions between RfRs		–	–
Gross income	10	2,659,552	2,519,611
Income authorised to be appropriated-in-aid		(30,900)	(16,094)
Net Operating income payable to the Consolidated Fund	5	2,628,652	2,503,517

7. Staff numbers and related costs

a) Staff costs comprise:

					2005-06 £000	2004-05 £000
	Total	Permanently employed staff	Others	Ministers	Special Advisers	Total
Wages and Salaries	17,717	16,296	1,075	165	181	16,240
Social Security Costs	1,402	1,361	4	16	21	1,316
Other pension costs	3,072	3,016	15	–	41	2,258
Total net costs*	22,191	20,673	1,094	181	243	19,814
Of which:						
Core Department	22,191	20,673	1,094	181	243	19,814

In addition £501k has been charged to capital.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Department is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £3,069k were payable to the PCSPS (£2,139k in 2004-05) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. Following the last review in 2003 it was agreed that there would be a staged increase over 2005-06 and 2006-07. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £43k (£42k in 2004-05) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2.3k, 0.8% (£2.7k, 0.8% in 2004-05) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

There were five early retirements in 2005-06 (no early retirements in 2004-05); and £529k additional accrued pension liabilities in the year (none in 2004-05).

b) The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

Objective	2005-06							2004-05
	Total	Ministers	Special Advisers	Senior Managers (DCMS & TRP)	Officials (includes TRP staff)	Inward Secondees	Temporary Staff	
Objective 1	96.4	0.8	0.3	2.6	87.9	1.2	3.6	609.7 over objectives 1&2
Objective 2	456.6	1.5	1.7	11.5	417.2	6.3	18.4	
Objective 3	31.2	1	0.1	0.5	27.5	0.5	1.6	15.7
Objective 4	70.8	0.2	0.3	1.2	64.1	1.3	3.7	67.6
Objective 5	14.7	0.5	0.1	0.2	12.9	0.3	0.7	–
Total	669.7	4	2.5	16	609.6	9.6	28	693

The total average number of staff includes 132 staff employed by The Royal Parks (160 in 2004-05), of which 7 are senior managers, who have all been allocated to Objectives 1 and 2. The figure of 132 TRP staff is the average number of staff employed in the year. TRP staff costs are treated as programme expenditure and therefore costs relating to them are not included in Note 7(a).

8. Other administration costs

	2005-06	2004-05
	£000	£000
Rentals under operating leases	6,646	7,091
<i>Non cash items:</i>		
Depreciation & Amortisation	1,698	1,376
Auditors remuneration and expenses	68	66
Cost of Capital Charge	1,047	470
(Profit)/Loss on disposal of fixed assets	–	(88)
Early retirement costs	1,169	–
<i>Other Expenditure:</i>		
Building services	3,120	2,272
IT maintenance and support	3,365	1,529
Professional services	3,264	3,069
Other	6,591	7,004
	26,968	22,789

No payment is made in respect of audit costs. No payment is made to the auditors for non-audit work.

9. Net programme costs

	2005-06	2004-05
	£000	£000
Current grants and other current expenditure	4,030,185	3,801,597
Capital grants and other capital expenditure	20,630	24,708
Staff costs – TRP	6,303	6,456
Provision for pension contributions – TRP	2,600	–
<i>Non-Cash Items – DCMS programme depreciation and cost of capital:</i>		
Depreciation	1,301	28
Cost of Capital Charge	168	65
<i>Non-Cash Items – TRP:</i>		
Depreciation & Amortisation	1,708	1,374
Auditors remuneration and expenses	36	36
Cost of Capital Charge	1,314	1,206
Other	–	3
(Profit)/Loss on disposal of TRP fixed assets	1	5
	<u>4,064,246</u>	<u>3,835,478</u>
<i>Less Programme Income:</i>		
RfR 1 Programme Income	(32,598)	(15,349)
RfR 2 Programme Income	(2,624,468)	(2,502,111)
	<u>1,407,180</u>	<u>1,318,018</u>

10. Income

Operating Income analysed by classification and activity, is as follows:

			2005-06	2004-05
	Appropriated in Aid	Payable to Consolidated Fund	Total	Total
	£000	£000	£000	£000
Request for Resources 1				
Administrative income:				
EC Refunds	110	–	110	9
Rental income from external tenants	1,569	–	1,569	1,907
Rate rebates following valuation appeals	520	–	520	–
National Lottery Distribution Fund (NLDF) – recovery of the Department's costs in administering the fund	262	–	262	235
Miscellaneous	25	–	25	–
Total RfR1 Administrative Income	2,486	–	2,486	2,151
RfR1 Programme income:				
The Royal Parks: income from concessionaires, fees and charges, grants and sponsorship	8,069	–	8,069	7,405
The Royal Parks: services	86	–	86	91
NLDF – Reimbursement of Grant-in-Aid to the National Lottery Commission for lottery regulation	7,921	–	7,921	4,401
National Lottery operator licence fees	372	–	372	265
Fees income receivable from the Gaming Board of Great Britain and Gambling Commission	2,621	–	2,621	2,310
Contributions from NDPBs towards the costs of 'Taking Part' – Participation Survey research project	442	–	442	–
Rent for Somerset House under terms of the head lease with Somerset House Trust	202	–	202	–
Fees for licences issued by the Football Licensing Authority	9	–	9	9
Receipts by the Government Art Collection from sale of prints, hire of transparencies, copyright fees etc.	4	–	4	2
Income recognised on surrender of historic civil estate lease for Fortress House, Savile Row	12,000	–	12,000	–
Top-up rent from English Heritage for Fortress House, – payable to HM Treasury.	–	872	872	863
Miscellaneous	–	–	–	3
Total RfR1 Programme Income	31,726	872	32,598	15,349
Total RfR1 Administrative and Programme Income	34,212	872	35,084	17,500
Excess A-in-A – core department	(3,312)	3,312	–	–
Total RfR1 Administrative and Programme Income	30,900	4,184	35,084	17,500
Request for Resources 2				
RfR2 – BBC Licence fees receivable:				
Not Appropriated-in-Aid	–	2,624,468	2,624,468	2,502,111
Total Income	30,900	2,628,652	2,659,552	2,519,611

BBC

Under Section 180 and Schedule 18 of the Broadcasting Act 1990, the BBC is responsible for administering the collection of television licence fees, including the enforcement of the licensing system. In 2005-06 an estimated £150m of licence fee revenue (compared with £155m for 2004-05) remained uncollected because of licence fee evasion. Evasion is calculated by estimating the number of households and other premises with a television, and comparing this to the number of licences in force. Measures are being taken by the BBC to tackle evasion, so far as it considers them practical and cost effective.

Non-operating income appropriated in aid

The department received sale proceeds of £2,501k for the sale of fixed assets (£129k in 2004-05).

11. Analysis of net operating cost by spending body

	Estimate	2005-06 Outturn	2004-05 Outturn
	£000	£000	£000
Spending body:			
Core department			
– operating activities	56,814	47,758	42,220
Less Fortress House lease surrender	–	(12,000)	–
Core department – as per OCS	56,814	35,758	42,220
The Royal Parks Agency	26,792	30,989	26,659
Non-departmental public bodies	1,297,163	1,267,538	1,210,679
Other central government	18,227	17,220	18,560
Local authorities	67,701	61,819	28,193
Other bodies	46,649	40,720	32,300
Net Operating Cost – RfR 1	1,513,346	1,454,044	1,358,611
BBC – for Home Broadcasting	2,660,000	2,624,277	2,501,970
License fee receipts collected by BBC as TV licensing authority and paid to CF	(2,660,160)	(2,624,468)	(2,502,111)
Net Operating Cost – RfR 2	(160)	(191)	(141)
Net Operating Cost – DCMS	1,513,186	1,453,853	1,358,470

12. Intangible Fixed Assets

	Software Licences
	Total
	£000
Cost and Valuation	
at 1 April 2005	1,295
Additions	334
Disposals	–
Revaluation	–
At 31 March 2006	<u>1,629</u>
Amortisation	
At 1 April 2005	1,016
Charged in year	250
Disposals	–
At 31 March 2006	<u>1,266</u>
NBV	
At 31 March 2006	<u>363</u>
At 31 March 2005	<u>279</u>
	Software Licences
	£000
Analysis of intangible fixed assets	
The net book value of intangible fixed assets comprises:	
Core department 2006	363
Agencies 2006	–
Core department 2005	279
Agencies 2005	–

13. Tangible Fixed Assets**i) Core department**

	Land & Buildings	Equipment & Computers	Fixtures & Fittings	Collections	Total
	£000	£000	£000	£000	£000
Cost and Valuation					
at 1 April 2005	22,719	10,365	2,844	1,002	36,930
Additions	451	7,414	150	187	8,202
Disposals	(2,500)	–	–	–	(2,500)
Transfers from assets under construction	–	–	–	–	–
Revaluation	10,120	–	–	–	10,120
At 31 March 2006	<u>30,790</u>	<u>17,779</u>	<u>2,994</u>	<u>1,189</u>	<u>52,752</u>
Depreciation					
At 1 April 2005	1,654	4,097	2,469	–	8,220
Charged in year	184	2,441	124	–	2,749
Disposals	–	–	–	–	–
Revaluations	–	–	–	–	–
At 31 March 2006	<u>1,838</u>	<u>6,538</u>	<u>2,593</u>	<u>–</u>	<u>10,969</u>
NBV					
At 31 March 2006	<u>28,952</u>	<u>11,241</u>	<u>401</u>	<u>1,189</u>	<u>41,783</u>
At 31 March 2005	<u>21,065</u>	<u>6,268</u>	<u>375</u>	<u>1,002</u>	<u>28,708</u>

ii) Consolidated

Total	Land & Buildings £000	Dwellings £000	Equipment & Computers £000	Fixtures & Fittings £000	Collections £000	Assets under Construction £000	Total £000
Cost and Valuation							
at 1 April 2005	80,143	4,665	10,679	9,015	1,002	3,406	108,910
Additions	1,952	–	7,431	323	187	12	9,905
Disposals	(2,500)	–	–	(263)	–	–	(2,763)
Transfers from assets under construction	3,406	–	–	–	–	(3,406)	–
Revaluation	15,358	1,398	5	85	–	–	16,846
At 31 March 2006	98,359	6,063	18,115	9,160	1,189	12	132,898
Depreciation							
At 1 April 2005	27,540	1,106	4,369	6,448	–	–	39,463
Charged in year	1,436	108	2,460	453	–	–	4,457
Disposals	–	–	–	(261)	–	–	(261)
Revaluations	3,272	773	3	48	–	–	4,096
At 31 March 2006	32,248	1,987	6,832	6,688	–	–	47,755
NBV							
At 31 March 2006	66,111	4,076	11,283	2,472	1,189	12	85,143
At 31 March 2005	52,603	3,559	6,310	2,567	1,002	3,406	69,447
Asset financing:							£000
Owned							85,143
Finance Leased							–
Net book value at 31 March 2006							85,143
Analysis of tangible fixed assets							
The net book value of tangible fixed assets comprises:							£000
Core department 2006							41,783
Agencies 2006							43,360
Core department 2005							28,708
Agencies 2005							40,739

Notes

Donated assets:

Land and buildings: £236,952 including £136,952 from Sport England.

Land to the north of the British Library

The land to the north of the British Library St Pancras site was professionally re-valued at £26.6m as at 31 March 2006 by Atisreal UK, in accordance with the RICS Appraisal and Valuation Manual. The land was valued at its open market value. The land had been valued previously by Atisreal UK at £18.98m, as at 31 March 2005. The valuation takes account of a planning block which exists on the site, relating to the building of the Channel Tunnel rail link. The planning block is due to expire in 2007-08, but would mean that a developer purchasing the site before 2007-08 would have to wait until the block was lifted before the site could be developed. The figure of £14.34m for revaluations includes £7.62m for the increase in value of the land to the north of St. Pancras, and a revaluation of TRP assets of £2.6m.

Windsor properties

The freeholds of five properties in Windsor are held in the name of the Secretary of State.

The net book value of land and buildings comprises:

	2005-06	2004-05
	£000	£000
Freehold	64,201	50,693
Leasehold – short	1,910	1,910
	66,111	52,603

Non-operational Heritage Assets

The non-operational Heritage Assets held by the Department are valued at nil, because: there is no market for assets of this type; the market value would not be a true reflection of the value of the asset to the nation's heritage; the asset, if lost, could not be replaced or reconstructed. Purchased additions to the Government Art Collection have been included at cost in the Department's asset register as from 1 April 2000. This is in accordance with the Financial Reporting Manual, which requires that where additions are made to collections, when the main collections existing at 31 March 2000 are not capitalised, purchase price information will normally provide a reliable basis for capitalisations.

Other non-operational Heritage Assets are:

- Apsley House: this is valued at nil because the Department believes that any valuation of the property would not give a true reflection of its value to the nation's heritage, given that it houses the Wellington Museum and many other artefacts and memorabilia associated with the first Duke of Wellington when he lived there. Apsley House and its collection are a "set piece" and to place a value on only part of it would not be appropriate and would not give a true representation of the value of the whole. Maintenance of Apsley House is carried out under the auspices of the Department according to a five-year plan. As at 1 April 2004 the management and maintenance of Apsley House was passed to English Heritage;
- Wellington Arch and Marble Arch: the management responsibility was transferred to English Heritage on 1 April 1999;
- Osborne House: the management responsibility for the whole of the estate rests with English Heritage and is funded from English Heritage's Grant-in-Aid. The Department's interest in Osborne House ended with the closure of the former convalescent home run by the Civil Service Benevolent Fund, in October 2000;
- Trafalgar Square: where management responsibility was transferred to the Greater London Authority on 1 October 2000;
- 58 statues in London: management responsibility for 47 statues was transferred to English Heritage on 1 April 1999; responsibility for 9 statues in Trafalgar Square was transferred to the Greater London Authority on 1 October 2000, leaving DCMS retaining responsibility for 2 statues.

Blythe House

Blythe House is currently occupied by the British Museum, Science Museum and the Victoria and Albert Museum. The Freehold title is held in the name of the Secretary of State for the Environment, although ministerial responsibility for all museum estate issues has transferred to the Secretary of State for Culture, Media and Sport. Each of these institutions holds a share in this property, which was professionally valued by Chesterton plc International Property Consultants at £21.8m as at 31 March 2004. The combined valuation of Blythe House in the balance sheets of the three museums, including mechanical and electrical installations for their own fit-out purposes, is £22.7m as at 31 March 2006. In accordance with Financial Reporting Standard (FRS5) 'Reporting the Substance of Transactions', the share is disclosed in each of the balance sheets of the three occupying museums.

Sale of land

The Department's title of a small parcel of land which at one time was part of Kensington Palace Gardens, but is now part of the site occupied by the Royal Garden Hotel, passed to the owners of the hotel during the year.

The Royal Parks

Land and buildings are valued in accordance with the accounting policy described at Note 1.4. Mills & Wood, Surveyors and Valuers undertook the professional valuation of property for 2005-06.

Depreciation has not been charged on freehold land, which is stated at its 1999 valuation of £20k plus £3k for land purchased in 1999-2000.

Freehold buildings with an opening valuation of £878k, in year revaluation of £876k, opening depreciation of £384k, in year depreciation of £11k, and revaluation depreciation of £870k are included in the above table. The net book value of these buildings was £494k at 31 March 2005 and £648k at 31 March 2006.

The transfer from Assets under Construction to Buildings relates to prior year costs of building The Hub (a new Pavilion) in Regent's Park, which has been partially funded by Lottery bodies and donations via The Royal Parks Foundation. As at 31 March 2006 £2.2m had been raised and has been accounted for through the donated asset reserve account.

The Royal Parks has a 99-year lease on Pembroke Lodge in Richmond Park of which 85 years remained unexpired at 31 March 2006. The property is included in land and buildings at a value of £770k.

14. Investments

The Department has no fixed asset investments with a carrying value.

DCMS has Accounting Officer responsibility for the New Millennium Experience Company (NMEC) which is in voluntary solvent liquidation. There are two ordinary shares in NMEC (nominal value £1 each) which are held by Rt Hon Keith Hill MP, in a personal capacity. The final return has been sent to the Registrar of Companies and dissolution is expected to take place in September 2006.

The bid for the 2012 Olympic and Paralympic Games was undertaken as a joint venture between the Secretary of State, the Mayor of London and the British Olympic Association.

Under the terms of the joint venture agreement, the company limited by guarantee formed as the vehicle for the successful Olympic bid, London 2012 Ltd, has ceased operations. London 2012 Ltd's intellectual property and its operational assets have been transferred to the London Organising Committee for the Olympic Games (LOCOG), a separate company limited by guarantee, which carries on its business under the name London 2012.

The Secretary of State is one of the members of LOCOG. The other members of the company are the Greater London Authority (GLA) and the British Olympic Association (BOA). Further information about London's successful bid to host the 2012 Olympic and Paralympic Games and about progress since July 2005 can be found in the London 2012 web-site (www.london2012.org).

15. Long Term debtors

	2005-06	2004-05
	£000	£000
Proceeds due on surrender of lease of Fortress House	5,500	Nil

The Department has recognised a total of £12million income arising from the surrender of the Government's long-standing civil estate lease on Fortress House. This will be paid in stages until 2009-10 as the landlord's redevelopment of the site proceeds. The balance of £6.5million due within one year is shown under current debtors.

16. Assets held for transfer

	2005-06	2004-05
	£000	£000
Assets held for transfer	908	Nil

The Secretary of State is licensee of the accommodation at One Churchill Place, Canary Wharf which the interim Olympic Delivery Authority (iODA) has occupied since January 2006. The iODA's offices are part of the accommodation leased by London Organising Committee for the Olympic Games (LOCOG). The license will be assigned to the ODA during 2006-07 as mentioned in the post balance sheet note (note 38). The LDA has paid all costs relating to the iODA's occupation of the premises at Canary Wharf, except for the iODA's share of the fit-out costs which were funded by DCMS.

As at 31 March 2006 and prior to the legal existence of the ODA, DCMS was the nominal owner of the fit-out assets held for transfer to the ODA. These assets are included in these financial statements as a current asset as at 31 March 2006. On assignment of the licence to the ODA, the Department will sell these assets to the ODA at cost.

17. Stock

	2005-06	2004-05
	£000	£000
Goods for resale (the Royal Parks)	11	Nil

18. Debtors**18(a) Analysis by type**

	2005-06	2004-05
	£000	£000
Amounts falling due within one year:		
Trade debtors	2,243	2,447
Deposits and advances	144	119
VAT	2,909	1,473
Amounts due from the consolidated fund in respect of supply	3,133	–
Other debtors	6,819	1,495
Pre-payments and accrued income	2,186	2,468
	<u>17,734</u>	<u>8,002</u>

In accordance with the Financial Reporting Manual, the amount due to HM Customs and Excise for VAT on outputs is netted off the debtor for input VAT recoverable on contracted out services.

18(b) Intra-Government Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year
	£000	£000
Balances with other central government bodies	11,026	–
Balances with local authorities	512	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	–	–
Balances with bodies external to government	5,896	5,500
At 31 March 2006	<u>17,434</u>	<u>5,500</u>
Balances with other central government bodies	2,846	–
Balances with local authorities	535	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	967	–
Balances with bodies external to government	3,654	–
At 31 March 2005	<u>8,002</u>	<u>–</u>

19. Cash at bank and in hand

	2005-06	2004-05
	£000	£000
Balance as at 1 April	33,937	50,076
Net Cash (outflow)/Inflow:	(16,838)	(16,139)
Balance at 31 March	17,099	33,937

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held at 31 March.

	2005-06	2004-05
	£000	£000
Balances at OPG	17,040	33,583
Commercial banks and cash in hand	59	354
	17,099	33,937

20. Creditors amounts falling due within one year**20(a) Analysis by type**

	2005-06	2004-05
	£000	£000
Tax and social security	570	–
Trade creditors	3,770	1,990
Other creditors	1,466	5,850
Accruals and deferred income	8,645	9,616
Contingencies Fund advance	–	368
Amounts issued from the Consolidated Fund for supply but not spent at year end	–	6,587
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	20,235	27,353
Excess A-in-A due to Consolidated Fund	3,312	–
Total of amounts due to the Consolidated Fund	23,547	33,940
	37,998	51,764

Within other creditors is an amount of £277k (2004-05 – debtor £967k) that relates to the amount that is payable to the BBC by the Department.

20(b) Intra-Government Balances

	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other central government bodies	24,183	–
Balances with local authorities	1,814	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	–	–
Balances with bodies external to government	12,001	–
At 31 March 2006	37,998	–
Balances with other central government bodies	38,505	–
Balances with local authorities	2,153	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	60	–
Balances with bodies external to government	11,046	–
At 31 March 2005	51,764	–

Intra-government balances are defined as balances between the department and other bodies within the accounting boundary set for the Whole of Government Accounts (WGA). This note provides analysis of material debtor and creditor balances between the Department and other government bodies.

21. Provisions for liabilities and charges

	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2005	–	–	–
Provided in the year	1,527	2,780	4,307
Provisions not required written back	–	–	–
Provisions utilised in the year	(574)	–	(574)
Unwinding of discount	–	–	–
Balance at 31 March 2006	953	2,780	3,733

21.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal Principle Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

21.2 Other

A provision of £2.6m has been made, which is an estimate of the shortfall between the amount available from the Principal Civil Service Pension Scheme and the amount required by the Police Pension Scheme to cover service credits for Royal Parks Constabulary officers transferring to the Metropolitan Police Service. Officers transferred between July 2004 and May 2006.

There has also been an increase in the Royal Parks provision for compensation claims of £180k.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2005-06	2004-05
	£000	£000
Balance at 1 April	31,371	18,634
Net Parliamentary Funding		
Drawn Down	4,082,038	3,868,300
Deemed	6,587	10,797
Net financing from the Contingencies Fund	–	–
Year end adjustment		
Supply Debtor/(Creditor) – current year	3,133	(6,587)
Net Transfer from Operating Activities		
Net Operating Cost	(1,453,853)	(1,358,470)
CFERS repayable to Consolidated Fund	(2,628,652)	(2,503,518)
Non Cash Charges		
Cost of Capital	2,529	1,741
Early retirement costs	–	14
Consolidation – rounding adjustment	1	–
Auditors' remuneration	104	102
Transfer from Revaluation Reserve	548	358
Balance at 31 March	43,806	31,371

23. Reserves**23(a) Revaluation Reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005-06	2004-05
	£000	£000
Balance at 1 April 2005	26,050	32,022
Arising on revaluation during the year	12,750	(5,614)
Transferred to General Reserve	(548)	(358)
Balance at 31 March 2006	38,252	26,050

23(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the department or its agencies.

	2005-06	2004-05
	£000	£000
Balance at 1 April 2005	2,480	494
Arising on revaluation during the year	–	–
Additions in year	237	1,997
Depreciation charged in year	(48)	(11)
Balance at 31 March 2006	2,669	2,480

24 Notes to the Consolidated Cash Flow Statement**24(a) Reconciliation of operating cost to operating cash flows**

	Note	£000	2005-06 £000	2004-05 £000
Net operating cost	11		(1,453,853)	(1,358,470)
Adjustments for non-cash transactions:	8, 9			
Depreciation		4,707		2,778
Audit fee		104		102
Cost of capital		2,529		1,741
Loss on disposal		1		(83)
Notional income		(48)		–
Other		–		3
		–	7,293	–
Movement in working capital other than cash				
Increase in debtors over 1 year		(5,500)		–
Assets for transfer		(908)		–
Increase in Stock		(11)		–
(Increase)/decrease in Debtors		(9,432)		1,285
Movements in debtors relating to items not passing through the OCS		3,133		–
(Decrease)/ Increase in Creditors		(13,766)		(24,009)
Movement in creditor due to Consolidated Fund		3,806		4,209
Movements in creditors relating to items not passing through the OCS		6,587		11,934
Contingency fund to 24(d)		368		(368)
Increase in provisions	21	3,733		–
			(11,990)	–
Net cash outflow from operating activities			(1,458,550)	(1,360,878)

24(b) Analysis of capital expenditure and financial investment

	Note	2005-06 £000	2004-05 £000
Tangible fixed asset additions	13	(9,905)	(10,334)
Donated assets		237	1,997
		(9,668)	(8,337)
Intangible fixed asset additions	12	(334)	(270)
Proceeds of disposal of fixed assets		2,502	129
Net cash outflow from investing activities		(7,500)	(8,478)

24(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	A-in-A £000	Net total £000
Request for Resources 1	(10,000)	–	2,500	(7,500)
Request for Resources 2	–	–	–	–
Net movement in debtors/creditors	–	–	–	–
Total 2005-06	(10,000)	–	2,500	(7,500)
Total 2004-05	(8,607)	–	129	(8,478)

24(d) Analysis of financing

	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) – current year	4,082,038	3,868,300
From the Consolidated Fund (Supply) – prior year	–	–
From the Consolidated Fund (non-Supply)	–	–
Advances from the Contingencies Fund	5,092	368
Repayments to the Contingencies Fund	(5,460)	–
Net financing	4,081,670	3,868,668

24(e) Reconciliation of net cash requirement to increase/(decrease) in cash

	Note	2005-06 £000	2004-05 £000
Net cash requirement		(4,091,758)	(3,872,509)
From the Consolidated Fund (Supply) – current year	24(d)	4,082,038	3,868,300
From the Consolidated Fund Supply – prior year	24(d)	–	–
Amounts due to the Consolidated Fund – received in a prior year and paid over	20	(27,353)	(39,287)
Amounts due to the Consolidated Fund received and not paid over	20	20,235	27,353
Consolidation adjustment		–	4
Increase/(Decrease) in cash		(16,838)	(16,139)

25. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditures have been allocated as follows:

	2005-06	2004-05
	£000	£000
Objective 1	184,100	1,134,995
Objective 2	939,519	over objectives 1 & 2
Objective 3	92,902	31,387
Objective 4	186,002	167,126
Objective 5	37,446	–
Total	1,439,969	1,333,508

The Department's NDPBs were responsible for attributing the Grant-in-Aid received from the Department by departmental objectives. The Department issued guidance for this purpose. The analysis was subject to review by each body's Internal Auditors, and by the Head of the sponsoring division within DCMS.

In order for many of the NDPBs to apportion the monies fairly it was necessary for them to make certain assumptions on their interpretation of the DCMS objectives. If NDPBs had made different assumptions then a different allocation could have been made. It is possible that there could be inconsistencies in allocations made by different NDPBs. The Department feels that these possible inconsistencies are immaterial.

Sponsor divisions were required to attribute "other programme" expenditure by objective.

Administration costs were allocated to objectives in the same proportions as the allocations to programme expenditure.

Capital Employed by Departmental Aim and Objectives at 31 March 2006

	2005-06	2004-05
	£000	£000
Objective 1	12,678	57,025
Objective 2	42,616	over objectives 1 & 2
Objective 3	752	885
Objective 4	1,762	1,991
Objective 5	355	–
	58,163	59,901

The majority of DCMS's capital is employed for administration purposes, with the exception of £6.6m of programme capital employed by the Culture Online (COL) programme and the capital employed by The Royal Parks, both of which are used for the delivery of Objectives 1 and 2. Capital employed by The Royal Parks and COL has therefore been allocated to Objectives 1 and 2, and the remainder of the DCMS's capital employed has been allocated in proportion to gross administration cost.

26. Capital commitments

	2005-06	2004-05
	£000	£000
Contracted capital commitments at the balance sheet date for which no provision has been made:		
DCMS	2,172	3,388
TRP	120	1,048
	<u>2,292</u>	<u>4,436</u>

27. Commitments under leases**27.1 Operating leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06	2004-05
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	110	–
Expiry after 1 year but not more than 5 years	–	–
Expiry thereafter	6,451	6,533
	<u>6,561</u>	<u>6,533</u>
Other:		
Expiry within one year	8	42
Expiry after 1 year but not more than 5 years	63	93
Expiry thereafter	124	–
	<u>195</u>	<u>135</u>

27.2 Finance leases

Obligations under finance leases are as follows:

The Department has no finance leases.

28. Commitments under PFI contracts

The DCMS has no commitments to report.

29. Other financial commitments

The DCMS has no other financial commitments to report.

30. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities. Because DCMS's activities are predominantly non-trading, and because of the way in which government departments are financed, DCMS is not exposed to the degree of financial risk faced by business entities. Financial instruments play an extremely limited role in creating or changing the risk than would be typical of the listed companies to which the FRS applies. DCMS has very limited powers to borrow or invest surplus funds, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

As permitted by FRS 13, these accounts include no currency profile as the DCMS and its Agency have no material debtors or creditors maturing or becoming payable twelve months from the balance sheet date.

The Department is financed by resources voted annually by Parliament and it is therefore not exposed to significant liquidity risks.

The Department has no finance leases or loans. It holds no cash balances other than balances held in the MASS account (a commercial bank account operated by TRP as part of its income generating operations) and petty cash. Its financial assets and liabilities carry either nil or fixed rates of interest, and DCMS is not therefore exposed to significant interest-rate risk.

The Department has minimal dealings in foreign currency and any debtors or creditors arising from foreign currency transactions are short-term. In this respect the Department is not subject to currency fluctuation risk.

31. Contingent assets

As described in note 14 above, London 2012 Ltd has ceased its primary purpose as the Bid Committee for London's successful bid for 2012 Olympics and Paralympics. However, with the consent of the stakeholders, the company remained in operation for the rest of the year to provide services to the London Organising Committee for the Olympic Games (LOCOG).

After settlement of the cumulative bid costs with the London Development Agency, the Department currently estimates that net grants repayable from London 2012 will amount to £309k. It is anticipated that London 2012 Ltd will go into members' voluntary liquidation during 2006-07, and this figure is subject to any liquidator's confirmation of the company's final liabilities that might be eligible for settlement under the grant agreement.

32. Contingent liabilities disclosed under FRS 12

Olympics

Overview

The Government is the ultimate guarantor of funding for the 2012 Olympic Games and this includes any shortfall between the costs of Olympic venues and infrastructure and the £2.375 billion public sector subsidy. The public sector subsidy (including subsidy for development of elite sportsmen and women) is funded as follows:

Olympic Lottery	£750m
Sports Lottery	£340m
Other Lottery	£410m
GLA	£625m
LDA	£250m

However, under a 2003 memorandum of understanding, the Government and the Mayor of London may reach an agreement to share additional costs.

Non-Olympic Infrastructure

The bid stated that there would be further public subsidy costs arising from the bringing forward of planned infrastructure works in the Lower Lea valley, known as the non-Olympic infrastructures. These costs, factored down from outturn prices to 2004 prices, as required by the IOC, are included in the "Olympic Park Infrastructure" line of Table 6.6.2a of the Bid Files. The amount (just over £1 billion) will be confirmed in the light of the outcome of the cost review along with any other changes in the estimated costs of the Olympic programme. Letters of comfort were issued to the Mayor of London (21 July 2005) and the Chief Executive of the LDA (8 September 2005) to provide the necessary assurance required by GLA and LDA in order to proceed with the work on non-Olympic infrastructures in advance of the establishment of the ODA and prior to the novation of contracts from LDA to ODA.

Other costs

The cost review is ongoing and with preparations for the Olympic Games still in their early stages it is not possible at this juncture to quantify the effect of the Government's guarantee.

The Royal Parks

The Royal Parks has a number of outstanding claims for compensation for personal injury. A provision has been made where there is likely to be a settlement; no provision has been made where the outcomes are uncertain.

33. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

33.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12, since the likelihood of a transfer of economic benefits in settlement is too remote.

	1 April 2005	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2006	Amount reported to Parliament by Departmental Minute
	£m	£m	£m	£m	£m	£m
Guarantees						
Borrowing facility for Historic Royal Palaces	4.0	–	–	–	4.0	N/A
Indemnities						
Government Indemnity Scheme	3,489.0	–	–	345.3	3,143.7	3,143.7
Artworks on loan to the Government Art Collection	4.2	–	–	1.0	3.2	3.2
Royal Parks sculpture	1.0	–	–	–	1.0	N/A
Artworks on loan from the Royal Collection	170.6	81.6	–	–	252.2	252.2

The Department reported £3,404.1m of contingent liabilities as at 31 March 2006 (£3,668.8m at 31 March 2005) in its annual return to HM Treasury relating to the bodies it sponsors. This included: statutory liabilities under the Government Indemnity Scheme of £3,143.7m (£3,489m 31 March 2005) which indemnifies private lenders to museums, galleries and other institutions when mounting exhibitions or taking long-term loans for either study or display; non-statutory liabilities for indemnities granted in respect of works of art on loan from the Royal Collection of £252.2m (£170.6m at 31 March 2005); £3.2m for items on loan to the Government Art Collection (£4.2m at 31 March 2005). The rise and fall in liabilities in these indemnity schemes is driven by the number and value of the works of art on loan, which changes from year to year. There is also indemnity cover of £1m for a sculpture in one of The Royal Parks (£1m at 31 March 2005).

33.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12, since the likelihood of a transfer of economic benefits in settlement is too remote.

Non-statutory

Unquantifiable level of compensation to be paid in the event that a temporary right of way in Bushy Park is revoked.

Deed of indemnity between Royal Armouries and British Waterways Board relating to the condition of the site of the new Royal Armouries Museum in Leeds.

DCMS with Sport England granted indemnity to the bank acting as Security Trustees for the English National Stadium project.

34. Losses and special payments**Losses Statement**

	2005-06	2004-05
	£000	£000
Total of 11 cases (30 in 2004-05)	215	1,087

Details

No case exceeded £250k in 2005-06.

35. Related-party transactions

The Department for Culture, Media and Sport is the parent Department of The Royal Parks. In addition it sponsors the institutions set out in Note 2, and is responsible for the following Lottery funded bodies that are regarded as related parties, some of which are also Exchequer funded:

- National Heritage Memorial Fund (Heritage Lottery Fund)
- The Big Lottery Fund
- Community Fund (previously the National Lottery Charities Board, and now part of the Big Lottery Fund)
- New Opportunities Fund (amalgamated with the Community Fund to form the Big Lottery Fund)
- The Millennium Commission
- New Millennium Experience Company Ltd
- Sport England
- UK Sport
- Arts Council of England
- National Endowment for Science, Technology and the Arts
- Film Council

During the year the Department had no material transactions with the following self financing Public Corporation that is also regarded as a related party because of the Secretary of State's right to appoint board members:

- Channel Four Television Corporation

The following non-executive advisory NDPBs and Committees are regarded as related parties:

- Advisory Committee on Historic Wreck Sites
- Treasure Valuation Committee
- Spoliation Advisory Panel
- Advisory Committee on the Government Art Collection
- Reviewing Committee on the Export of Works of Art
- Advisory Committee for the Public Lending Right
- Advisory Council on Libraries
- Theatres Trust

These bodies' activities are wholly funded through the Department's administration costs, except the Theatres Trust which is funded by English Heritage.

The London Development Agency (LDA) – the Mayor of London's Agency for Business and Jobs – is regarded as a related party. As disclosed in the remuneration report on page 21, the Department issued contracts for services to individuals who provide the senior management team for the Interim Olympic Delivery Authority (iODA). During the financial year, staff of the LDA worked under the direction of these individuals on the design and implementation of Olympic and related infrastructure projects. The Department provided grant funding of £35.7million for the infrastructure projects.

The Royal Parks Foundation, a registered charity established by The Royal Parks (TRP) to support the work of TRP, is regarded as a related party.

The following companies are regarded as related parties:

Networks for Tourism Ltd (formerly EnglandNet Ltd)
London 2012 Ltd
London Organising Committee for the Olympic Games (LOCOG)

Both London 2012 Ltd and LOCOG are companies limited by guarantee and do not have share capital. The Secretary of State is a member of each company.

The Minister for Sport, Richard Caborn, is a member of the Board of Directors of LOCOG.

None of the other board members, key managerial staff or other related parties has undertaken any material transactions with the Department for Culture, Media and Sport during the year.

The Royal Parks maintains a Register of Interests for the Advisory Board and Non-Executive Directors of the Management Board, which is made available on request.

36. Third-party assets

The Department has no third party assets as defined in the Financial Reporting Manual.

37. Entities within the departmental boundary

Those entities included in the departmental boundary are listed in Note 1.2. The annual reports and accounts of The Royal Parks are published separately. Advisory NDPBs do not publish separate accounts.

38. Post balance sheet events

Since 31 March 2006, the following notable events have occurred:

Changes to the DCMS Ministerial Team:

Shaun Woodward was appointed Minister for Creative Industries and Tourism on 6 May 2006, replacing James Purnell who moved to the Department for Work and Pensions.

The Government Olympic Executive (GOE) was established in May 2006 from the former Olympic Games Unit. GOE remains part of DCMS and Jeff Jacobs, formerly Director General of Children Young People and Communities group within DCMS, has been appointed its Chief Executive. Jeff has also been appointed as an additional DCMS Accounting Officer, and as such he will have specific accountability to Parliament for the Olympics, for Sport and for the Olympic Lottery Distribution Fund. He will also be responsible for the sponsorship of the Olympic Lottery Distributor, the Olympic Delivery Authority, the London Organising Committee for the Olympic Games (LOCOG), and Sport England and UK Sport. Jeff will be responsible for the organisation, management, staffing, financial and other procedures in GOE, Sports Directorate, the Olympic Programme Support Unit and for any advice to Ministers from these units.

Dame Sue Street, Permanent Secretary and Accounting Officer for DCMS will retire in September 2006. Dame Sue has led the department since 2001 helping to deliver increased opportunities for participation in sport and the arts, as well as key projects such as the Commonwealth Games 2002, the Queen's Golden Jubilee, the BBC Charter Review and winning the bid for the Olympic and Paralympic Games in 2012.



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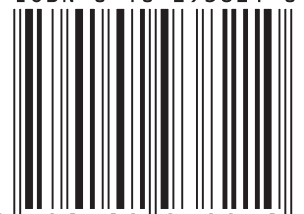
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