

Department for Culture, Media & Sport

Resource Accounts 2003–04

Department for Culture, Media & Sport

For the year ended 31 March 2004

Resource Accounts 2003–04

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Foreword

Introduction

The Department for Culture, Media and Sport 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 on 14 July 1997 to the Department for Culture, Media and Sport, following the General Election on 1 May 1997.

Although the structures through which policies are delivered have been subject to change since the Department's formation in 1992, it continues to be responsible for the arts, sports, museums and galleries, tourism, media, broadcasting, heritage, libraries, Historic Royal Palaces, the Royal Parks and the National Lottery. Subsequent to the General Election in June 2001, responsibility for liquor licensing, censorship and video classification, gambling, horseracing, street trader licensing, the Golden Jubilee and the Commonwealth Games was transferred to the Department from the Home Office and the Cabinet Office.

Departmental Aims and Objectives

These are set out in the Department's Public Service Agreement (PSA) for the period of Spending Review 2002, agreed in July 2002.

Aim

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

Objectives

The Department, in partnership with others, works to:—

- I increase public participation in culture and sport and to develop our sectors;
- II develop appropriate regulatory frameworks that protect consumers' interests and improve the productivity of our sectors; and
- III modernise delivery to the customer by ensuring that the Department and its sponsored bodies improve performance and pursue institutional excellence.

In carrying out these objectives the Department will seek maximum value for money in using its human and financial resources, through applying the principles of efficiency and effectiveness in its sectors and in encouraging partnership with others.

The Department has reviewed its strategic aims for the new Spending Review period (SR2002), which started in 2003–04, and identified four key themes:

- i. children and young people
- ii. building communities
- iii. maximising our economic contribution
- iv. modernising delivery.

These themes are reflected in the Department's SR2002 PSA, details of which are available on the DCMS website.

This is the first set of DCMS resource accounts reporting net operating cost according to the Spending Review 2002 objectives. Prior to this year, the net operating cost has been reported according to the Spending Review 2000 objectives, of which there were six. To ensure a meaningful prior year comparator for the 2003–04 Schedule 5, (page 26), the 2002–03 net operating cost has been re-allocated according to the Spending Review 2002 objectives. The old SR2000 objectives are listed in Note 31 on pages 56–57. There are consistent themes between the two sets of objectives, both of which spring from the Department's over-arching aim, and therefore a re-allocation of the 2002–03 outturn is appropriate.

Operating and Financial Review 2003–04

Financial review

The Department underspent its Estimate by £165 million in terms of its Total Resources (£96.9 million in 2002–03) and its Net Cash Requirement by £143 million (£257 million underspend in 2002–03). This aggregated underspend on Total Resources consisted of an underspend on the Department's Request for Resources (RfR) 1 of £138 million and an underspend of £27 million on its Request for Resources (RfR) 2 (BBC) programme expenditure. The RfR 1 underspend itself consisted of an underspend of £130.4 million on DCMS programme costs, and a £7.6 million underspend on administration costs – (staff and other costs incurred in the running of the Department's administration).

A detailed analysis of the underspend can be found in Note 9 (page 42) of the accounts. About £76 million of the RfR 1 underspend is the result of an error in the compilation of the DCMS Estimate, and the remaining RfR1 underspend is £62 million. An explanation of the error is also included at the foot of the 2003–04 table in Note 9. The RfR1 underspend is caused primarily by large underspends on two DCMS programmes (Spaces for Sport and Arts and Picketts Lock – which together account for 50% of the RfR 1 underspend), and smaller underspends by certain of DCMS's sports and arts sponsored bodies, and the underspend on the DCMS Administration costs.

The underspend on the RfR 2 (BBC) programme was caused by the changes in money due to and from the BBC which is difficult to predict.

The rise in net operating cost of £564 million is due largely to one-off payments totalling £514.2 million to fund the transfer into the Principal Civil Service Pension Scheme of unfunded, pay-as-you-go pension schemes operated by the British Library (£316m), English Heritage (£195.5m), Sir John Soane's Museum (£1.5m), National Heritage Memorial Fund (£0.2m), and the Football Licensing Authority (£1m).

The balance sheet shows net current liabilities of £16 million, however, £11 million of creditors falling due within one year are represented by amounts due back to the Consolidated Fund for unspent Parliamentary Funding. In the normal course of events these sums will be re-provided in the new financial year as part of that year's net cash requirement. There is also an accrual of £5.4 million for a commitment existing at the balance sheet date, relating to the 2012 Olympic Bid, (see Note 24 on 52), full budgetary cover for which has been made in 2004–05. The DCMS nonetheless has sufficient funding in 2004–05 to meet all of its short-term liabilities.

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

The Department received funding from the Invest to Save Budget (ISB) for ongoing projects and ring fenced End Year Flexibility (EYF) for ongoing projects funded from the Capital Modernisation Fund (CMF).

In 2003–04 the Department claimed £10 million of unspent provision for the development of Culture Online (of which £660.75k was spent), £20 million for the Listed Places of Worship Scheme (of which £8.7 million was spent), and £400k for the British Museum's History Timeline programme to enhance the facilities on its internet site (of which £36k was spent). DCMS also claimed the remaining balances on the Space for Sport & Art scheme £68.118m (of which £40.85m was spent) and the Lee Valley Athletes Regional Centre £4m (of which £300k was spent). All remaining unspent balances on CMF funded projects will be carried forward into 2004–05 as ring-fenced EYF. More detailed information about the Spaces for Sport and Arts and the Listed Places of Worship programmes are included in the DCMS Annual report, which can be viewed on the DCMS website, (www.culture.gov.uk).

The Department submitted seven bids to Round 6 of the Invest to Save Budget (ISB). Five of these were invited to submit business cases. However, none was awarded any funding by the Treasury. The National Museum of Science and Industry received £613k during 2003–04 for its ISB Round 4 project 'Making the Modern World Online', an online cultural and educational programme – which will be launched in May 2004 when the website is released. The British Library received £1.336 million for its ISB Round 5 project for upgrading its document supply services. ISB funding has transferred to the British Library and National Museum of Science & Industry by DCMS in the form of grant-in-aid funding.

Future financing

The Department's SR2002 PSA sets out its expenditure limits for the forthcoming Spending Review period (2003–04 to 2005–06), 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 (2003–06) describes the Department's plans for new investment and the use of existing assets. The DIS is published on the DCMS website.

Operating review

Introduction

The Department is committed to continuous improvement of the way in which it delivers the priorities and services for which it is responsible. We want to ensure that 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 66 sponsored bodies are responsible for spending over 92% 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 development of changes reported in last year's OFR, 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 the Review.

Progress achieved in the year towards meeting the PSA objectives, priorities and targets is covered in the Department's Annual Report.

Strategy

Following consultation within the Department and with NDPBs, the Department's Strategy, Policy and Delivery Division (SPD) produced the DCMS Strategic Plan. The Plan, which was published in April 2003 and can be viewed on the DCMS website, sets out our strategic priorities for the delivery of culture, media and sport for 2003–2006, and explains how, together with our sponsored bodies, we will achieve these priorities. The Plan includes each of the DCMS's PSA targets, which have been embodied in the strategic framework to demonstrate to our stakeholders how they relate to the three objectives, the four strategic priorities springing from them, and the Departmental aim (mentioned on page 3).

The Plan:

- i. provides an outline of the context in which we operate;
- ii. gives an outline of where we are now;
- iii. details where we want to be in the life of the plan; and
- iv. explains how we intend to deliver our strategic objectives.

The strategy derives from the Secretary of State's vision to extend excellence and improve access. It has five main components:

- i. strategic aim;
- ii. strategic priorities;
- iii. Public Sector Agreement (PSA) targets;
- iv. key projects; and
- v. core functions.

'Touchstone'

In 2002, the DCMS embarked on a wide-ranging review, *Touchstone*. It aims to improve our operation and working methods so that, together with our Non Departmental Public Bodies, we can help each other to deliver our respective aims and objectives. The work has three main strands: developing a more effective relationship with NDPBs, improving the way DCMS operates and supporting NDPB reforms.

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

We have a wide variety of NDPBs so the aim is not to set artificially rigid targets but to look for continuous improvement over time. Our work in this area is leading to more effective delivery through our NDPBs, via revised and simpler funding agreements, linked to specific results. Strategic commissioning has already delivered several major projects, including the sport entitlement, Culture Online, and Creative Partnerships.

In the last 12 months we have strengthened our strategic approach and made good progress on the delivery of our PSA targets. We have developed our Project Based Working approach and developed our skills database, to support best practice at work. We have built up a close working relationship with our 66 NDPBs to support a range of reforms. The Department was successfully assessed for Investors in People re-accreditation in July 2003.

Improving the way DCMS operates

The aim of the *Touchstone* programme is to:

- position the DCMS as the centre of a delivery network;
- have a more strategic relationship with our partners;
- help our NDPBs to restructure;
- develop a professional workforce;
- align our own organisational structure with our priorities;
- focus our resources on our priorities.

We have developed a Leadership Development Programme for present and future senior staff and are strengthening our strategic and delivery capacity. The skills database is in place, and will be reviewed to determine how it can be improved; the project training modules have been modified to reflect changing demands, with greater emphasis on team training, and all staff trained in project based working, which has helped us become more efficient. Policy work is moving towards more cross-cutting programmes and The Olympics Bid and BBC Charter Review are being run as projects.

Our internal reforms have also helped us to become more effective in delivering our PSAs and other core work. Project and programme management training has resulted in clear programmes of work for each of our four strategic priorities; Programme Boards have provided a sharper focus on outputs, outcomes and milestones, and a greater alignment between strategic priorities and PSA targets. The Office of Government Commerce training and the use of Gateway reviews have helped provide quality assurance and competent delivery of big challenges such as the Commonwealth Games.

In addition, centralisation and streamlining of some core functions has also helped to improve efficiency. For example, since centralising our public appointments process, 80% of appointments campaigns have been completed within our 15-week target timescale, compared to only 50% a year ago.

A project on further embedding project-based working in DCMS was initiated in early 2004, with the findings being delivered to the DCMS Management Board in July 2004. This will build on changes introduced under *Touchstone*, and seek to ensure greater buy-in by all staff; reduce the proportion of reactive work undertaken by divisions, freeing up time for more project work; and ensure that all central support structures assist project-based working.

More widely, we are monitoring our work against a range of performance indicators on a quarterly basis, which are as follows:

- *PSA Delivery*: we use the traffic light model for assessment of progress on projects supporting the delivery of our PSA targets. A PSA Programme Board chaired by a Director, which reports on progress to the Department's Management Board, oversees each project;

- *Managing Staff*: we monitor and present statistics on sick days, length of vacancies and on diversity;
- *Efficiency and Control*: resource management accounts and risk registers are analysed, pressures identified and presented for discussion and resolution of issues as appropriate;
- *Dealing with the Public*: our direct interaction with the public is limited by the fact that responsibility for delivery rests mainly with our NDPBs but we do take this role very seriously. The Management Board monitors a range of statistics designed to give an indication as to how well we are performing, which include: the number of letters from the public, MPs and members of the House of Lords answered on time; the number of Parliamentary Questions answered on time; payment of agreed invoices within 30 days of receipt and the percentage of enquiries to the Department's Information Centre that are answered within two days.

Supporting NDPB Reforms

As part of the 2002 Spending Review, we assessed our sponsored bodies against a number of criteria covering general organizational health, quality of performance and delivery, and stakeholder perceptions. Having made the assessment, we prioritised the sponsored bodies by considering the overall strategic importance of each, in terms of size, spend, profile and contribution to the delivery of strategic Government priorities. Reform investment of £8 million has allowed improvements that will deliver savings of over £23 million per year. These are as follows:

- The British Museum has undergone extensive restructuring. Departments have been merged, with 150 posts cut to achieve savings of £6 million per year;
- Sport England has undergone major restructuring, with staff levels reduced from 570 to about 260. Administration costs will be reduced by about £12 million per year by 2004–05;
- The British Library will save around £3.4 million per annum from the reforms currently underway;
- *VisitBritain* has been created from the merger of functions of the British Tourism Authority and the English Tourism Council. This will result in annual savings of £1.74 million;
- English Heritage is half way through a radical modernisation programme, which has seen over 100 redundancies to date. This will result in savings of over £1 million per year and has enabled English Heritage to bring in new skills including the new outreach teams.

We have also undertaken value for money studies in two main operational areas: museums, and Lottery distribution. This study established two sets of performance indicators, both quantitative and qualitative, to arrive at an overall assessment. The indicators highlighted operational efficiency and delivery of outcomes, which included information from the total number of visits, divided into age and social groups; number of website visits; overall user satisfaction and grant in aid per visitor.

Since undertaking this study, the national museums have seen increases in repeat visits, which illustrates that quality is being maintained. Lottery distributors have made improvements in application and award processes.

The Department is now building on the lessons learned through these projects to deliver a wider reform package that will benefit all our NDPBs, focusing on board and senior team development and peer review.

DCMS Management Board

Improving the way DCMS operates has led us also to review our senior management structure. From September 2004 we will increase the Department's strategic and leadership capacity and align the structure more closely with our strategic priorities to manage better the delivery of these. Three Director General (DG) commands are being created. Under each DG, the directorates will be grouped around our strategic priorities:

- PSA1 and 2 – children, young people and communities;
- PSA3 – the economy; and
- PSA4 modernisation and delivery.

The Directors General will be concerned with achieving our strategic priorities and ensuring the Department can link up effectively with other Government Departments and local government.

Strategy, Policy and Delivery Division (SPD) has continued to provide Management Board with consistent, integrated and robust information, through the knowledge management system it developed and implemented in 2002–03. This provides evidence and analysis which ensures effective monitoring of PSA and Strategic Priority delivery together with “health check” information on the wider management of the Department. Presented as a balanced scorecard the information falls under four headings: PSA Delivery – providing updates on progress; Efficiency and Control – financial and assurance information; Managing Staff – headline figures on a number of criteria and Dealing with the Public – direct measures for dealing with Parliamentary Questions, correspondence, enquiries and prompt payment.

In addition, SPD uses the Prime Minister’s Delivery Unit (PMDU) traffic light assessment framework for monitoring progress and identifying barriers to performance as we move towards delivering our PSA targets. The assessment framework is designed to provide a structure to help us judge the likelihood of delivering our PSA targets and those projects designed to support delivery of our priorities, and identify the areas where we can take action to improve prospects for delivery. Results are presented to Management Board quarterly as part of the balanced scorecard.

Learning and Development

Funding allocated to learning and development was focussed on the development and implementation of a new Learning Curriculum, flowing from an earlier skills audit of the Department. The Curriculum is a wide ranging one and includes learning support for increasing DCMS capability in project management. A programme giving access to 360° feedback for all DCMS managers was also introduced and continues to be rolled out across management grades.

Electronic Records Management

Modernising Government set a target for all departments to be able to create and manage all new records electronically in 2004. The Electronic Document and Records Management (EDRM) project has developed a solution which is currently being piloted with a small group of 40 users to test its functionality and to see what issues arise from its usage. This work is part of a bigger programme looking at the changing information management needs of the Department to support the implementation of the Freedom of Information (Fol) Act from 1 January 2005. This involves looking at how existing documents and records are managed and how these will be identified for release under the Freedom of Information Act.

Risk

The Management Board revisited its strategic risks at a workshop held in September 2002 and identified those it faces over the next three years (2003–06). These have been incorporated in a detailed risk register setting out the controls in place to manage these risks. The Strategic Risk Register is reviewed by the Management Board quarterly as part of the Balanced Scorecard discussions. The Statement on Internal Control, (see page 15), provides a fuller description of the risk management framework.

Departmental Report

The Department’s Annual Report 2004 covers in detail all the activities of the Department and sets out expenditure plans from 2001–02 to 2005–06. Copies can be obtained from the Stationery Office, or viewed on the Department’s Website (www.culture.gov.uk).

Basis of Preparation of the Resource Accounts

Entities Included Within the Resource Accounts

These Consolidated Resource Accounts present the results for 2003–04 of:

The Department for Culture, Media and Sport (DCMS)

The Royal Parks (TRP), formerly known as the Royal Parks Agency

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 £39.3 million (£36.1 million 2002–03) on its administration costs, which also support seven Advisory NDPBs and Committees. The DCMS provides £1,735 million (£1,174 million in 2002–03) of Grant-in-Aid and other funding for TRP and 66 Non-Departmental Public Bodies and other 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 for Brompton Cemetery, Victoria Tower Gardens, and Grosvenor Square Gardens. As well as the Royal Parks, it maintains other gardens and greens and polices Abingdon Street Gardens, Hampton Court Park and Gardens and Hampton Park Green. TRP is also responsible for maintaining – but not policing – Nos 10, 11, and 12 Downing Street gardens, Canning Green, Poet's Green and the Longford River (except for the stretch in Hampton Court Park). TRP's own Annual Report and Accounts for 2003–04 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)
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Non-Departmental Public Bodies

Museums 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	

Libraries

British Library	Public Lending Right
Museums, Libraries & Archives Council, (formerly Resource The Council for Museums, Libraries & Archives)	

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	Historic Royal Palaces

Tourism

VisitBritain

Broadcasting & Media

The Film Council	The National Film and Television School*
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Sports

Football Licensing Authority	UK Sport	Sport England
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Gambling and National Lottery Licensing

Gaming Board of Great Britain	Horserace Betting and Levy Board	Horserace Totalisator Board (Tote)
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National Lottery Commission

Other

Alcohol Education and Research Council

*These bodies are not technically classified as DCMS Non Departmental Public Bodies, but nonetheless receive a significant element of their funding from the Department.

During 2003–04 there were some changes to the list of bodies sponsored by the Department in that the Broadcasting Standards Commission, the Radio Authority and the Independent Television Commission were wound up and their roles were passed to the new regulatory body OFCOM. The English Tourism Council was merged with the British Tourist Authority on 31 March 2003 and the resultant new body was renamed VisitBritain. The Department also had responsibility for the Historic Manuscripts Commission, but the Commission merged with the Public Record Office in March 2003, to form the National Archives. The National Archives is sponsored by the Department for Constitutional Affairs.

In addition to these sponsored bodies, the Department is responsible for the operation of the National Lottery Distribution Fund (NLDF), which is separately accounted for, and also takes responsibility for the Lottery distribution bodies which received £1.4 billion and paid out £1.9 billion from the Fund during 2003 (received £1.6 billion and paid out £1.9 billion in 2002–03). The Department also has responsibility for some of the Distributing Bodies that are also NDPBs. The Accounts of the NLDF are published annually and are available from the Stationery Office.

The Department also supports a number of other bodies, which are listed in Note 9 to the Accounts (pages 39–46), with advisory bodies, committees, self financed public corporations, limited companies and lottery funded bodies listed in Note 29 (page 55).

The Department is responsible for two items of voted expenditure:

Request for Resources 1 (RfR1)	Covers the Department's own administration costs and the Grant-in-Aid allocated to our sponsored bodies.
Request for Resources 2 (RfR2)	Covers the funds allocated to the BBC from the licence fee receipts collected by the TV Licensing Authority.

* These bodies are not technically classified as DCMS Non Departmental Public Bodies, but nonetheless receive a significant element of their funding from the Department.

Ministers

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

Rt Hon Tessa Jowell MP	Secretary of State
Rt Hon Baroness Blackstone	Minister of State (and Minister for the Arts) – Left the Department on 13 June 2003
Rt Hon Estelle Morris MP	Minister for the Arts – joined the Department on 16 June 2003
Rt Hon Richard Caborn	Minister for Sport and Tourism
Rt Hon Lord McIntosh of Haringey	Minister for Media and Heritage – joined the Department on 16 June 2003
Rt Hon Dr Kim Howells	Parliamentary Under Secretary of State (and Minister for Tourism, Film and Broadcasting) – left the Department on 13 June 2003

The changes in DCMS Ministers and Ministerial responsibilities were the result of the Government reshuffle in June 2003. Baroness Blackstone and Dr Kim Howells left the Department and were replaced by Estelle Morris and Lord McIntosh of Haringey. Estelle Morris took on the role of Minister for the Arts and Lord McIntosh became Minister for Media and Heritage. Richard Caborn took on responsibility for tourism, adding it to his existing portfolio of sport, to become Minister for Sport and Tourism.

Permanent Head of the Department and Management Board

The Permanent Secretary and members of the Management Board during 2003–04 were:

Sue Street	Permanent Secretary
Nicholas Kroll	Deputy to the Permanent Secretary and Chief Operating Officer
Siobhan Kenny	Director of Strategy and Communications
Brian Leonard	Director of Tourism, Libraries and Communities
Andrew Ramsay	Director of Creative Industries, Broadcasting and Gambling
Alex Stewart	Director of Museums, Galleries, Libraries and Heritage – left the Department in August 2003
Alan Davey	Director of Arts and Culture – from September 2003
Alec McGivan	Director of Sports – left the Department in February 2004
Paul Bolt	Director of Olympic Games Unit – from October 2003 (and Director of Sports from February 2004)
Isabel Letwin	Director of Legal Advisors – joined the Management Board in September 2003

In the period there were a number of changes to the DCMS's Management Board. Alex Stewart resigned from the Department on 1 August 2003 to take up a post in the private sector. Her role was taken over by Alan Davey on 1 September 2003 as Director of Arts and Culture. Paul Bolt's period of secondment as Director of the Broadcasting Standards Commission ended and he returned to the Department on 13 October 2003 to take on the role of Director of Olympic Games Unit. Alec McGivan left the Department on 29 February 2004 to take up a post at the BBC, and in the interim, the Director of Sports' role was taken on by Paul Bolt, in addition to his role as Director of Olympic Games Unit. Isabel Letwin joined the Management Board on 25 September 2003. She 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 Management Board included two Non-Executive members, Clive Elphick (who chaired the Audit Committee) and Sonita Alleyne. In addition to Clive Elphick, the Audit Committee has an independent external member, Stephen Park.

Appointment of Head of the Department and the Management Board

The permanent head of the Department and members of the Management Board are appointed in line with section 5.1 of 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 Note 2 on pages 30–34. Board Members remuneration falls under the Senior Civil Service pay bands. Until 1 January 2003 Non-Executive Board Members were not remunerated, from that date onwards however, each Non-Executive Board Member is paid an annual remuneration of £7,500. Isabel Letwin is not included in Note 2 as her fees are not treated as staff costs.

Pension Liabilities

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. The Department, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ, by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole. New Civil Service pension arrangements were introduced on 1 October 2002 and these are described in more detail in Note 2a to the accounts (page 30).

Investors in People

The Department first achieved iIP accreditation in October 1999. In February 2000 the Department was reassessed and did not meet all of the requirements of the iIP standard. After a thorough Strategic Review by an iIP Assessor in July 2002, the Department has been in the iIP process for Continuous Assessment to retain recognition. In July 2003 the Department was assessed to fully meet all the requirements of the iIP Standard and retains iIP recognition.

Employment of Disabled Persons

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

We have tried to make all the Department's buildings accessible to people with disabilities and a full disability access audit has been carried out to review this. The report concluded that DCMS does comply with the regulations under the Disability Discrimination Act 1995.

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

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 will 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.

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 2003–04 financial year showed that 99.3% of invoices (not in dispute) were paid within contract terms or 30 days (99.1% in 2002–03).

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 has prepared criteria which departments must achieve to in order to complete the planning phase of preparations by a target date of October 2004.

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.

Signed and Approved

Sue Street

Accounting Officer for the Department for Culture, Media & Sport

1 September 2004

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, 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, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the *Resource Accounting 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 *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

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 the Treasury and published in *Government Accounting*.

Statement on Internal Control

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.

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. NDPB Accounting Officers are responsible for signing the Statement on Internal Control in the NDPBs' Annual Accounts.

The Minister for Sport and Tourism is the lead Minister on risk. He met the Chair of the Audit Committee in December 2003 to discuss risk management practice in DCMS. He has also attended a Ministerial breakfast on risk chaired by the Chief Secretary to the Treasury. The Department has recently issued new guidance on risk 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

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 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Department has a risk management policy which has been agreed by the Management Board and Audit Committee. This was first issued in October 2000 and was revised in September 2003 to ensure it is appropriate and current. It defines what is meant by risk and risk management, outlines the key principles underpinning the Department's approach to risk management and the Department's risk appetite, the risk management process and the roles and responsibilities of staff. Risk Management Guidance is available to all staff. This was refreshed in February 2004 and both the Policy and the Guidance are available on the Department's intranet. Risk Management features in departmental training courses and relevant training in risk management was delivered to team leaders in early 2004 as part of the business planning process. Facilitated risk workshops are also available. The Department has a Risk Improvement Manager, appointed in response to the Strategy Unit Report "Risk: improving government's capability to handle risk and uncertainty". The Department 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.

The risk and control framework

The Department's priorities are set by the Secretary of State and her Ministerial team. As Permanent Secretary I am responsible for managing the Department to deliver these priorities. The Department develops and implements policies in support of these priorities and agrees objectives with HM Treasury during the Spending Review process, as well as overseeing their delivery and reviewing their effectiveness. The Management Board (comprising me, the Department's Directors and two non-executive members) meets regularly to review the Department's priorities, the arrangements for their delivery and the strategic framework within which detailed business planning takes place.

Delivery plans and risk registers are in place for each of the Department's Public Service Agreement (PSA) targets. The Strategy, Policy & Delivery Division is responsible for providing Senior Responsible Owners (SROs) and Management Board with advice on the delivery of key priorities, ensuring systematic tracking of progress, early warning of potential problems and appropriate recommendations for early action. The Management Board is provided with quarterly reports to ensure effective monitoring of PSAs.

The Department has agreed individual Funding Agreements, or Corporate Plans, with all its directly funded NDPBs. A Funding Agreement sets out what the Department expects an NDPB to achieve in terms of delivery of objectives, in return for the public funding it receives. Each NDPB's Corporate Plan sets out the strategy which the NDPB will follow to implement agreed policy within its agreed resources. All executive NDPBs have either a Financial Memorandum or a combined Management Statement and Financial Memorandum. The Financial Memorandum sets out the detailed financial arrangements and framework within which the NDPBs receive grant-in-aid or incur public expenditure. The Management Statement defines the relationship between the body and DCMS at a strategic level and explains the roles and responsibilities of all parties and their lines of accountability; where there is no Management Statement, the Financial Memorandum partly performs this function. In addition, bodies which distribute Lottery money have a Statement of Financial Requirements which sets out the detailed financial arrangements and framework within which they receive and distribute Lottery funds. The Accounts Directions which the Department issues to its NDPBs provide for a Statement on Internal Control to be included in their accounts. This requires the NDPB Accounting Officer to give an assurance that Government Accounting and the body's Management Statement/Financial Memorandum have been complied with.

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 require 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. Risks are evaluated in respect of both the impact if the risk is realised and the likelihood of it being realised. A categorisation of high/medium/low in respect of each is used resulting in a 3x3 risk matrix. The Department's risk appetite, as currently stated in the Risk Management Policy, is mapped onto the matrix to help determine the most appropriate risk management approach i.e. treat, transfer, tolerate or terminate the activity. Where the response is to treat the risk through the application of controls, the first step is the identification of any controls which are in place so that these can be assessed to determine if they are operating effectively and are a proportionate response to the risks identified. Where there are no effective controls action to put these in place is required. For the 2003–04 business-planning round we introduced the requirement for contingency plans and the identification of risk "trigger points" which would indicate the need to implement the contingency arrangements in the event that the risk materialises. All risks are assigned Risk Owners i.e. someone with sufficient authority to ensure the risk is addressed and Action Managers who actually manage the risk. The final stage of the process is to complete the risk register and to keep it under review. During the year we have revised the format of the register and introduced a new column which includes an assessment of the effectiveness of the current management of the risk. Individual Directors are the nominated owners for each of the Department's strategic risks and they are responsible for the management of appropriate policies, procedures, activities and resources to contain the risk within acceptable limits; guidance has been produced for Directors to help them fulfil this role. The Department's Strategic Risk Register is subject to regular review by the Board. Further work is planned to provide a better statement of the risk appetite of the Department.

For the full year an Assurance reporting process was in place which: a) reported on the work undertaken to keep risk and internal control under review, up to date and appropriate b) held to account the owners of key controls which operate across the Department; c) required senior managers to sign up to their responsibilities at the beginning of the year (or on appointment to a division) and to review progress as part of the business planning process at the mid-year and end-year, allowing the need for corrective action to be taken in a timely manner; and d) included input from Directors, to complete the chain of responsibility and accountability.

The Department has established a strong, strategic relationship with the Office of Government Commerce (OGC) and Gateway reviews have been applied to a number of high profile construction and procurement projects. As part of Touchstone implementation we are improving our project management capability. All staff have received appropriate training in project working. The Department has an Internal Audit Unit,

which operates to Government Internal Audit Standards. 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.

Review of effectiveness

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 Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

All Directors and Heads of Divisions (including those who are key control owners) signed an opening year statement in April 2003 to acknowledge their individual responsibility for the Assurance process. An assessment of mid-year statements was reported to the Audit Committee in December 2003, and a letter from me was circulated to all Directors and Heads of Division disseminating the key learning points gained from their review. Internal Audit carried out an audit of the Assurance process at the mid-year stage and the recommendations from the report were implemented by the end of April 2004. Formal financial delegations for 2004–05 were issued to each Director and Head of Division by me, reinforcing the importance of the Assurance process in providing me with confidence when signing the Statement on Internal Control. At the same time, the delegations guidance in the Finance and Accounting Guide was reviewed and up-dated.

End of year statements to 31 March 2004 have been completed and a report on the Assurance process for the whole year was produced. The report recognised that the internal control system had continued to develop during the year but that further improvements were suggested, and it recommended various ways this could be achieved. These recommendations have been implemented and were approved by the Audit Committee at its meeting on 26 August 2004.

The Department has used the Risk Management Assessment Framework to assess its standard of risk management. This is a tool developed by the Treasury Risk Support Team to help collect and assess evidence to support the production of this statement. It requires us to answer five questions relating to risk management capability and two on risk handling and outcomes. These are underpinned by a lower level set of questions which guide evidence gathering. An initial assessment was carried out in August 2003 and a further assessment carried out at the year-end. This provided evidence that capacity is improving, although there is still more to be done to achieve the necessary culture change and fully embed risk management within the Department. It also found satisfactory evidence of the effectiveness of risk handling and outcome performance.

A Finance and Accounting Guide was published during the year. This has helped develop internal control systems by providing a comprehensive and up to date source of reference to staff outlining DCMS's financial management framework, the roles and responsibilities of staff within that framework, and detailed guidance on DCMS's financial procedures. At the end of the year one section (on grants) remained under development.

Financial management training courses were held in each quarter of the year for the Senior Civil Service and team leader grades, which included the risk management and Assurance processes.

The role of the Audit Committee and other relevant committees

I am supported by an Audit Committee, which is set up under my authority and reports to me. Membership of the Committee was reviewed during the year and at the year-end membership comprised: the Chair (a non-executive Board member), an independent external member, the Chief Operating Officer, one other Director and one divisional head. 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 following:

- planned internal and external audit activity and the results of that activity;
- the adequacy of management response to issues identified by audit activity;
- the adequacy of internal audit arrangements in DCMS's NDPBs;
- the arrangements for internal audit.

The Department also has a sub committee of the Management Board to cover finance and planning issues. The Personnel and Central Services committee was discontinued in 2003–04.

Signed by

Sue Street
Accounting Officer

1 September 2004

The Certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 21 to 58 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 27 to 29.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 14, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 15–18 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department for Culture, Media and Sport at 31 March 2004 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; 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

Date: 13 September 2004

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

Schedule 1

Summary of Resources Outturn 2003–04

	Note	2003–04 Estimate		2003–04 Outturn		2002–03 Outturn		Net total outturn compared with Estimate Saving/ (excess)	Prior year outturn
		Gross expenditure	A in A	Gross expenditure	A in A	Net Total	Net Total		
		£000	£000	£000	£000	£000	£000		
Request for Resources 1 DCMS Administration and Programme	6, 9 & 33	1,929,668	(13,940)	1,915,728	1,791,373	(13,940)	1,777,433	138,295	1,211,225
Request for Resources 2 BBC	6, 9 & 33	2,399,099	—	2,399,099	2,372,527	—	2,372,527	26,572	2,277,789
Total Resources		4,328,767	(13,940)	4,314,827	4,163,900	(13,940)	4,149,960	164,867	3,489,014
Non-operating cost A-in-A	6	—	—	262	—	—	262	—	—
Net cash requirement		—	—	4,293,916	—	—	4,150,738	143,178	3,332,465

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 2003–04		Outturn 2003–04	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total	5	2,400,095	2,400,095	2,376,342	2,388,317

Explanation of the variation between Estimate and outturn (net total resources)

Note 9 provides an analysis of the variance of £164,867k.

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement)

- (i) Changes in Working Capital, which are mainly due to the movements in the year-end balance due to/from the BBC, which is difficult to predict.
- (ii) A large underspend on purchases of fixed assets, due primarily to the inclusion of £20 million for Listed Places of Worship within the capital provision in the Estimate which should have been scored instead as resource provision, (see Note 9 on page 42).
- (iii) Large underspends in a small number of DCMS programmes and in the DCMS Administration budget, together with a small number of significant underspends on the individual outturns of some of the DCMS's sponsored bodies, as shown in Note 9 to the accounts.

Reconciliation of resources to cash requirement

		Estimate	Outturn	<i>Net total outturn compared with estimate: saving/(excess)</i>	2002–03 Outturn
	Note	£000	£000	£000	£000
Net total resources		4,314,827	4,149,960	164,867	3,489,014
Capital:					
Acquisition of fixed assets Investments	11&12	38,000	7,211	30,789	3,007
Non-operating A-in-A:					
Proceeds of fixed asset disposals		(262)	(262)	—	—
Accruals adjustments					
Non-cash items	3&4	(5,963)	(4,779)	(1,184)	(6,408)
Changes in working capital other than cash	14	—	(1,397)	1,397	(153,148)
Changes in creditors falling due after more than one year		—	—	—	—
Use of provision – early retirement costs	19	4	—	4	—
Adjustment in Spring Supplementary Estimate to reflect known departmental underspending on cash	9	(52,690)	—	(52,690)	—
Consolidation adjustment		—	5	(5)	—
Net cash requirement (Schedule 4)		4,293,916	4,150,738	143,178	3,332,465

Schedule 2

Operating Cost Statement for the Year Ended 31 March 2004

	Note	2003–04		2002–03	
		£000	£000	£000	£000
Administration costs					
Staff costs	2	18,657		17,238	
Non-staff administration costs	3	22,909		19,113	
Gross administration costs	9		41,566		36,351
Operating income	6		(2,231)		(241)
Net administration costs			39,335		36,110
Programme costs					
Request for Resources 1					
Expenditure	9	1,749,807		1,187,502	
Less: income	6	(15,246)		(13,308)	
			1,734,561		1,174,194
Request for Resources 2					
Expenditure	9	2,372,527		2,277,789	
Less: income	6	(2,372,686)		(2,277,941)	
			(159)		(152)
Net Programme Costs	4		1,734,402		1,174,042
Net Operating Costs	8&9		1,773,737		1,210,152
Net Resource Outturn	8&9		4,149,960		3,489,014

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 year ended 31 March 2004

	2003–04	2002–03
	£000	£000
Net gain/(loss) on revaluation of Tangible Fixed Assets	6,433	871
Non cash additions	363	—
Total	6,796	871

Schedule 3

Balance Sheet as at 31 March 2004

	Note	31 March 2004		31 March 2003	
		£000	£000	£000	£000
Fixed assets					
Intangible Assets	11	158		141	
Tangible assets	12	67,402		56,663	
			67,560		56,804
Current assets					
Stocks	15	—		24	
Debtors	16	9,287		21,746	
Cash at bank and in hand	17	50,076		59,155	
		59,363		80,925	
Creditors (amounts falling due within one year)	18	(75,773)		(95,936)	
Net Current (Liabilities)			(16,410)		(15,011)
Total assets less current liabilities			51,150		41,793
Provision for liabilities and charges	19		—		(3)
			51,150		41,790
Taxpayers' Equity					
General Fund	27		18,634		15,399
Revaluation Reserve	20		32,022		25,887
Donated Asset Reserve	21		494		504
			51,150		41,790

Signed and Approved

Date

Sue Street

Accounting Officer for the Department for Culture, Media & Sport

1 September 2004

Schedule 4

Cash Flow Statement for Year Ended 31 March 2004

		<u>2003–04</u>	<u>2002–03</u>
	Note	£000	£000
Net cash outflow from operating activities		(1,755,586)	(1,047,008)
Capital expenditure and financial investment		(6,830)	(3,003)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		—	—
Payments of amounts due to the Consolidated Fund		(2,378,463)	(2,271,037)
Financing		4,131,800	3,521,187
(Decrease)/Increase in cash in the period	17	<u>(9,079)</u>	<u>200,139</u>
Reconciliation of operating cost to operating cash flows			
Net operating cost		1,773,737	1,210,152
Adjustments for non-cash transactions	3&4	(4,714)	(6,408)
Adjustments for movements in working capital other than cash	14	(13,372)	(156,728)
(Loss) on Disposal of Fixed Assets		(65)	(8)
Net cash flow from operating activities		<u>1,755,586</u>	<u>1,047,008</u>
Analysis of capital expenditure and financial investment			
Intangible fixed-asset additions	11	172	173
Tangible fixed-asset additions	12	7,039	2,833
Proceeds of disposal of fixed assets	10	(381)	(3)
Net cash outflow from investing activities	10	<u>6,830</u>	<u>3,003</u>
Analysis of financing and reconciliation to the net cash requirement			
From Consolidated Fund (Supply) – current year		4,131,800	3,362,200
From Consolidated Fund (Supply) – prior year		—	158,987
Net financing		<u>4,131,800</u>	<u>3,521,187</u>
Decrease/(Increase) in cash		<u>9,079</u>	<u>(200,139)</u>
Net cash flows other than financing		<u>4,140,879</u>	<u>3,321,048</u>
Adjustments for payments and receipts not related to supply:			
Amounts due to the Consolidated Fund – received in a prior year and paid over		(29,433)	(22,697)
Amounts due to the Consolidated Fund – received and not paid over		39,287	29,433
Adjustment for amounts due to the Consolidated Fund received in 2001–02		—	(286)
Transitional adjustments, cash to accruals		—	4,967
Consolidation adjustment		5	—
Net cash requirement (Schedule 1)		<u>4,150,738</u>	<u>3,332,465</u>

In the figures for 2002–03, the adjustment for amounts due to the Consolidated Fund of £286k related to excess A-in-A received in 2001–02.

Schedule 5

Resources by Departmental Aims and Objectives for the year ended 31 March 2004

	2003–04			2002–03		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective I	1,511,492	(11,564)	1,499,928	970,709	(8,387)	962,322
Objective II	25,379	(1,145)	24,234	78,179	(1,916)	76,263
Objective III	254,502	(4,768)	249,734	174,965	(3,246)	171,719
BBC	2,372,527	(2,372,686)	(159)	2,277,789	(2,277,941)	(152)
Net Operating Costs	4,163,900	(2,390,163)	1,773,737	3,501,642	(2,291,490)	1,210,152

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 I.

DCMS Objectives for the year were as follows:—

- Objective I** increase public participation in culture and sport and to develop our sectors;
- Objective II** develop appropriate regulatory frameworks that protect consumers' interests and improve the productivity of our sectors; and
- Objective III** modernise delivery to the customer by ensuring that the Department and its sponsored bodies improve performance and pursue institutional excellence.

As mentioned on page 3 of the Foreword, this is the first set of DCMS resource accounts reporting net operating cost according to the Spending Review 2002 objectives. Prior to this year, the net operating cost has been reported according to the Spending Review 2000 objectives, of which there were six. To ensure a meaningful prior year comparator for the 2003–04 Schedule 5 outturn, the 2002–03 net operating cost has been re-allocated across the Spending Review 2002 objectives. The old SR2000 objectives are listed in Note 31 on pages 56–57.

Notes to Departmental Resource Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the *Resource Accounting Manual* (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM 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 particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the Department by reference to their current costs.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Department, its Agency – The Royal Parks – and advisory NDPBs. The following advisory bodies are included by way of accounting for funds paid through grant expenses: Regional Cultural Consortia; 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.

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 of over £2,000 is capitalised, effective from 1 April 1998.

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 has been restated to current value using professional valuations in accordance with FRS 15 every five years, and in the intervening years by the use of indices provided for this purpose by HM Treasury. The freehold land was last valued professionally as at 31st March 2002. 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 RAM. Other TRP assets have been restated using suitable indices. The minimum level for capitalisation of a tangible fixed asset is £2,000, effective from 1 April 1998.

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

In accordance with the RAM, 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.

Asset lives are in the following ranges:

Buildings	up to 75 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

After a review of intangible assets lives following the audit of the 2002–03 resource accounts, the asset life of intangible fixed assets was extended from 1 year to 2 years. This change in bases was brought into effect for intangible assets purchased on or after 1 April 2003.

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. Subsequent revaluations will be taken to this reserve. To date, donated assets consist of non-operational heritage assets, held for their historic and cultural association, and are therefore not depreciated.

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 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 costs. 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 per cent) 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. Prior to 2003–04, the cost of capital was calculated at 6% of the average carrying value of all assets less liabilities etc.

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 at Note 2a. 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 contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100k (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 (whether they arise in the normal course of business) over £100k (or lower where required by specific statute or where material in the context of the resource accounts) which are required by the RAM to be noted in the resource accounts.

2. Staff Number and Costs

a) Staff costs consist of:

	2003–04				2002–03
	Total	Officials	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000
Wages and Salaries	15,338	15,005	212	121	14,326
Social Security Costs	1,230	1,193	23	14	1,007
Other pension costs	2,089	2,070	—	19	1,905
Total	18,657	18,268	235	154	17,238

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the DCMS is not able to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003–04, employers' contributions of £1,995,634 (£1,846,266 in 2002–03) were paid to the PCSPS at one of four rates in the range of 12–18.5% (12–18.5% in 2002–03) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005–06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. There is an additional £93k (£58k in 2002–03) of Early Retirement costs included within Other Pension Costs.

Employees joining after 1 October 2002 could opt to open a partnership pension account, (i.e. a stakeholder pension with an employer contribution). Employers' contributions of £30k (£9k in 2002–03) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee partnership contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,568 (£600 in 2002–03), representing 0.8 per cent of pensionable pay, were paid to the PCSPS to cover the cost of the future provision of lumps 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.

One person retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £3k.

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

Objective	2003–04					2002–03 Restated		
	Total	Ministers	Special Advisers	Senior Managers (DCMS & TRP)	Officials (includes TRP Staff)	Inward Secondees	Agency Staff	
Objective I	667 ² / ₃	1 ¹ / ₂	2 ² / ₃	13 ¹ / ₂	626	9	17	697
Objective II	10 ² / ₃	1	2 ² / ₃	1 ¹ / ₂	7	1	1 ¹ / ₂	11
Objective III	74 ² / ₃	1 ¹ / ₂	2 ² / ₃	1	67	2	2 ¹ / ₂	25
Total	753	4	2	15	700	12	20	733

The numbers include 237 staff employed by The Royal Parks (238 in 2002–03), of which 8 are senior managers, who have all been allocated to Objective I. The total number of staff in 2002–03 has been restated from 711 to 733 to include a figure for temporary/agency staff and to ensure that total staff numbers in 2003–04 and 2002–03 have been calculated on the same basis.

c) The salary and pension entitlements of the most senior managers of the Department were as follows:

Name and Title	Salary (as defined below)		Real increase in pension and lump sum at age 60	Total accrued pension at age 60 at 31 March 2004 and related lump sum	CETV at 31/03/03	CETV at 31/03/04	Real increase in CETV after adjustment for changes in market investment factors		
	2003–04	2002–03						2003–04	2003–04
	£000	£000						£000	£000
Sue Street <i>Permanent Secretary</i>	140–145	125–130	2.5–5 plus 7.5–10 lump sum	40–45 plus 130–135 lump sum	676	766	62		
Siobhan Kenny <i>Director</i>	90–95	80–85	0–2.5 plus 2.5–5 lump sum	0–5 plus 5–10 lump sum	25	41	14		
Nicholas Kroll <i>Director</i>	115–120	100–105	2.5–5 plus 12.5–15 lump sum	35–40 plus 105–110 lump sum	460	552	77		
Alec McGivan <i>Director</i> (to 27 February 2004)	80–85	35–40	0–2.5	0–5	8	24	14		
Brian Leonard <i>Director</i>	90–95	85–90	0–2.5 plus 2.5–5 lump sum	30–35 plus 95–100 lump sum	523	570	40		
Andrew Ramsay <i>Director</i>	105–110	95–100	2.5–5 plus 7.5–10 lump sum	40–45 plus 120–125 lump sum	573	653	61		
Alex Stewart <i>Director</i> (to 1 August 2003)	20–25	80–85	0–2.5 plus 0–2.5 lump sum	25–30 plus 85–90 lump sum	407	430	20		
Paul Bolt <i>Director</i> (from 1 October 2003)	35–40	—	0–2.5 plus 0–2.5 lump sum	25–30 plus 80–85 lump sum	382	416	21		
Alan Davey <i>Director</i> (from September 2003)	45–50	—	2.5–5 plus 10–12.5 lump sum	15–20 plus 50–55 lump sum	166	217	45		

NB – Siobhan Kenny and Alec McGivan have less than two years service and therefore no pension entitlement has been accrued. Alex Stewart, Alec McGivan and Paul Bolt served less than the full year in 2003–04 and the salary figures for 2003–04 reflect this. Alan Davey was promoted to Director in September 2003. Their annual salary rates would have placed them in the following salary brackets if they had served the full twelve months £85–90k for Alex Stewart, Alec McGivan and Alan Davey, and £75–80k for Paul Bolt. Andrew Ramsay was promoted to the grade of Director General on 1 March 2004.

Salaries

'Salary' includes gross salary; 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.

Pension entitlements

Pension benefits are provided through the Civil Service Pension (CSP) 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 based 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 as per 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. 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 CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Value (CETV)

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 CSP arrangements and for which the CS Vote has received a transfer payment commensurate to 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.

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.

Benefits in kind

None of the above senior managers received benefits in kind, none have taken out a Partnership Pension Account and all are members of the Classic scheme.

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.

d) The salary and pension entitlements of Ministers were as follows:

	Ministerial Salary		Real increase in pension at age 65	Total accrued pension at age 65 at 31 March 2004	CETV at 31/03/03	CETV at 31/03/04	Real increase in CETV after adjustment for inflation and changes in market investment factors 2003–04
	2003–04 £	2002–03 £	2003–04 £	(nearest £k)	(nearest £k)	(nearest £k)	(nearest £k)
Rt Hon Tessa Jowell MP <i>Secretary of State</i>	71,433	69,681	0–2.5	5–10	67	88	13
Rt Hon Dr Kim Howells MP <i>Parliamentary Under Secretary of State</i> (to 13 June 2003)	7,031	27,506	0–2.5	0–5	41	43	1
Rt Hon Baroness Blackstone <i>Minister of State</i> (to 13 June 2003)	20,705	100,440	0–2.5	5–10	99	107	3
Rt Hon Richard Caborn MP <i>Minister of State</i>	37,055	36,240	0–2.5	5–10	56	70	7
Rt Hon Estelle Morris MP <i>Minister of State</i> (from 16 June 2003)	29,541	—	0–2.5	5–10	47	54	2
Rt Hon Lord McIntosh of Haringey <i>Minister of State</i> (from 16 June 2003)	50,239	—	0–2.5	5–10	115	135	13

Salaries

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers of the House of Commons, departments bear only the cost of the additional ministerial remuneration, i.e. the salary for their services as an MP (£56,358, 2002–03 £55,118) and various allowances to which they entitled are borne centrally. However, the arrangement for ministers in the House of Lords, (as in the case of Baroness Blackstone), 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.

Baroness Blackstone left the Department on 13 June 2003 and Dr Kim Howells left on 14 June 2003. Their annual equivalent salaries, had they served a full year, would have been £102k and £28k respectively. Estelle Morris and Lord McIntosh both joined the department 14 June and their annual equivalent salaries, had they served a full year, would have been £37k and £66k respectively.

Pension entitlements

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, and 9% if they have opted for the 1/40th accrual rate. 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.

Real increase in the value of the CETV

This takes account of the increase in accrued pension due to inflation and is net of contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

In the event of retirement because of serious ill health, the Ministerial pension is brought into payment immediately. On death, pensions are payable to the surviving spouse at a rate of five-eighths of the Minister's pension. On death in service, the Ministerial arrangements provide for a lump sum gratuity of four times the Ministerial salary. Pensions increase in payment in line with changes in the Retail Prices Index. On retirement, it is possible to commute part of the pension for a lump sum.

Benefits in kind

None of the above Ministers received benefits in kind.

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

Name	Remuneration	
	2003–04	2002–03
	£000	£000
Sonita Alleyne	5–7.5	0–5
Clive Elphick	5–7.5	0–5

Until 1 January 2003, Non-Executive Board Members were not remunerated. As from that date, however, 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.

3. Non-staff Administration Costs

	2003–04	2002–03
	£000	£000
Rentals under operating leases	6,568	4,297
Non cash items:		
Depreciation & Amortisation	1,452	1,406
Impairment	—	114
Auditors remuneration and expenses	64	62
Cost of Capital Charge	738	1,440
Provisions provided in year	8	—
Loss on disposal of fixed assets	—	6
Other Expenditure:		
Building services	2,837	2,743
IT maintenance and support	2,467	1,695
Professional services	3,153	2,159
Other	5,622	5,191
	22,909	19,113

No payment was made in respect of non-audit costs. The rise in rental income between the two years is due largely to the inclusion of DCMS rental income of £1.9 million, which is now treated gross, (see Note 6 on pages 36–38). In previous years this rental income was netted off expenditure.

4. Net programme costs

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Current grants and other current expenditure	4,045,769	3,424,996
Capital grants and other capital expenditure	74,113	36,909
Non-Cash Items – DCMS programme depreciation	39	105
Non-Cash Items – TRP:		
Depreciation & Amortisation	1,314	1,425
Auditors remuneration and expenses	36	36
Cost of Capital Charge	1,059	1,821
Other	4	(1)
	<u>4,122,334</u>	<u>3,465,291</u>
Less Programme Income (note 6):		
RfR 1 Programme Income	(15,246)	(13,308)
RfR 2 Programme Income	(2,372,686)	(2,277,941)
	<u>1,734,402</u>	<u>1,174,042</u>

The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in Schedule 1 and in the Reconciliation of Operating Costs to Operating Cashflows in Schedule 4 comprises:

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Other Administration costs – non-cash items (from Note 3)	2,262	3,022
Programme non cash items: (from Note 4):		
DCMS Programme depreciation	39	105
TRP non-cash items	2,413	3,281
Schedule 4 – ‘Adjustments for non-cash items’	<u>4,714</u>	<u>6,408</u>
Loss on Disposal of Fixed Assets	65	—
Schedule 1 – ‘Non-cash items’	<u>4,779</u>	<u>6,408</u>

5. Analysis of income payable to the Consolidated Fund

In addition to the 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 2003–04		Outturn 2003–04	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating Income not classified as A-in-A	6	2,400,095	<i>2,400,095</i>	2,373,626	<i>2,385,601</i>
Excess A-in-A	6	—	—	2,597	<i>2,597</i>
Non-operating income and receipts		—	—	119	<i>119</i>
Total		<u>2,400,095</u>	<u><i>2,400,095</i></u>	<u>2,376,342</u>	<u><i>2,388,317</i></u>

6. Income and appropriations in aid

	Appropriated in Aid	2003–04 Payable to Consolidated Fund	Total
	£000	£000	£000
Operating Income analysed by classification and activity, is as follows:			
RfR1 Administrative income:			
EC Refunds	—	—	—
Rental income	1,917	—	1,917
NLDF – recovery of the Department’s costs in administering the fund	243	—	243
Miscellaneous	71	—	71
Total RfR1 Administrative Income	2,231	—	2,231
RfR1 Programme income:			
NLDF – Reimbursement of the Department’s Grant-in-Aid to the National Lottery Commission for regulation on the Lottery	3,765	—	3,765
Receipts by the Government Art Collection from sale of prints, hire of transparencies, copyright fees etc.	3	—	3
Amounts repayable relating to hotel industry and tourist projects	29	—	29
The Royal Parks: fees and charges for licences, rents, sports charges, unclaimed lost property, sponsorship, receipts from concessionaires and for the private use of telephones.	6,940	—	6,940
The Royal Parks services	80	—	80
Payments by the BBC, ITC and Radio Authority to meet costs of the Broadcasting Standards Commission, and fees for self help TV transmission licences	867	—	867
Receipts from the Gaming Board of Great Britain	2,065	—	2,065
Fees for licences issued by Football Licensing Authority	9	—	9
National Lottery operator licence fees	548	—	548
Rent from English Heritage for Fortress House	—	863	863
Miscellaneous	—	77	77
Total RfR1 Programme Income (Schedule 2)	14,306	940	15,246
Total RfR1 Administrative and Programme Income	16,537	940	17,477
Excess A-in-A	(2,597)	—	(2,597)
Total RfR1 Administrative and Programme Income	13,940	940	14,880
RfR2 – BBC Licence fees receivable: Not Appropriated-in-Aid (Schedule 2)	—	2,372,686	2,372,686
Total Income	13,940	2,373,626	2,387,566

	Appropriated in Aid	2002–03 Payable to Consolidated Fund	Total
	£000	£000	£000
Operating Income analysed by classification and activity, is as follows:			
RfR1 Administrative income:			
EC Refunds	21	—	21
NLDF – recovery of the Department’s costs in administering the fund	218	—	218
Miscellaneous	2	—	2
Total RfR1 Administrative Income	241	—	241
RfR1 Programme income:			
NLDF – Reimbursement of the Department’s Grant-in-Aid to the National Lottery Commission for regulation on the Lottery	3,147	—	3,147
Receipts by the Government Art Collection from sale of prints, hire of transparencies, copyright fees etc.	4	—	4
Amounts repayable relating to hotel industry and tourist projects	(102)	—	(102)
Rates and utilities rebates relating to site buildings on land to the north of St Pancras	—	—	—
Recovery of Costs relating to ceremonies	—	—	—
The Royal Parks: fees and charges for licences, rents, sports charges, unclaimed lost property, sponsorship, receipts from concessionaires and for the private use of telephones.	6,017	—	6,017
The Royal Parks services	136	—	136
Payments by the BBC, ITC and Radio Authority to meet costs of the Broadcasting Standards Commission, and fees for self help TV transmission licences	1,061	—	1,061
Receipts from the Gaming Board of Great Britain	1,901	—	1,901
Receipt from English Heritage of proceeds of sale of Apethorpe Hall	223	—	223
British Library superannuation transfers	—	—	—
Rent from English Heritage for Fortress House	—	863	863
Fees for licences issued by Football Licensing Authority	—	9	9
National Lottery operator licence fees	—	40	40
Miscellaneous	—	9	9
Total RfR1 Programme Income	12,387	921	13,308
Total RfR1 Administrative and Programme Income	12,628	921	13,549
Excess A-in-A	—	—	—
Total RfR1 Administrative and Programme Income	12,628	921	13,549
RfR2 – BBC Licence fees receivable: Not Appropriated-in-Aid	—	2,277,941	2,277,941
Total Income	12,628	2,278,862	2,291,490

Total Request for Resources¹ Income of £14,880k (£13,549k in 2002–03) consists of £2,231k (£241k in 2002–03) of Operating Income and £12,649k (£13,308k 2002–03) of Programme Income. The rise in Operating Income is caused by a change in treatment of rental income, which is now treated gross and disclosed separately, whereas before it was netted off expenditure. This change was to bring the treatment of rental income into line with the RAM.

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 8, page 38). In 2003–04, all operating income not classified as A-in-A was within public expenditure.

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 2003–04 an estimated £168.1 million of licence fee revenue (compared with £205 million for 2002–03) remained uncollected because of licence fee evasion, including hidden evasion, i.e. the use of a colour television when only a monochrome licence has been purchased. 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 not classified as A-in-A

The Department received sale proceeds of £262k for the sale of fixed assets. There was no Non operating income not classified as A-in-A in 2002–03.

7. Administration cost limits

The outturn within the administration costs control regime shown against individual administration cost limits is as follows:

	2003–04		2002–03	
	Outturn	Limits	Outturn	Limits
	£000	£000	£000	£000
Request for Resources 1	39,335	46,982	36,351	41,920
Total within administration cost control	—	—	—	—
Administration Expenditure excluded from the administration cost limit	—	—	—	—
Administration Income Allowable within the administration cost limit	—	—	—	—
Total administration outturn	39,335	46,982	36,351	41,920

The Admin Cost Limit for 2003–04 consisted of a gross limit of £49,142k less £2,160k of Appropriations-in-Aid. (The Appropriations-in-Aid consisted of £1,912k of rental income and £248k of other income). The Outturn against the limit included gross Admin expenditure of £41,643k less £2,231k of Appropriations-in-Aid.

8. Reconciliation of Net Operating Cost and Net Resource Outturn

	Note	2003–04	2002–03
		£000	£000
Net Operating Cost		1,773,737	1,210,152
Add: Operating income not classified A-in-A but within public expenditure	5&6	2,376,223	2,278,862
		4,149,960	3,489,014
Net Resource Outturn		4,149,960	3,489,014

Net operating cost is the total of expenditure and income appearing in the operating cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to Parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn (Schedule 1).

9. Analysis of net resource outturn and net operating cost by function and reconciliation to Operating Cost Statement

	2003–04						Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
Request for Resources 1							
A. Museums, Galleries and Libraries							
Government Indemnity Scheme		84			84	150	66
Public Library Volunteering Scheme			—		—	134	134
Annual Library Plans		117			117	179	62
British Library ASLC		—			—	2,230	2,230
Public Lending Right ASLC		52			52	52	—
B. Arts							
Government Art Collection		316			316	351	35
Government Art Collection (Receipts)				(3)	(3)	—	3
Other Arts Support		330			330	490	160
C. Sports							
National Playing Fields Association (Children's Play)		500		(9)	491	502	11
Other Sport Support			379		379	400	21
British Chess Federation			60		60	60	—
Olympic Games			5,400		5,400	100	(5,300)
Wembley			40		40	150	110
Volunteering (Step into Sport)			3,669		3,669	4,729	1,060
Football Licensing Authority ASLC		—			—	104	104
D. Historic Buildings Monuments & Sites							
Public Buildings, Monuments & Statues		1,787			1,787	1,285	(502)
Chatham Historic Dockyard			300		300	300	—
World Cultural Convention International Council on Monuments and Sites (ICOMOS)			124		124	124	—
World Heritage Committee		41			41	38	(3)
Other Heritage Support		14			14	15	1
English Heritage ASLC		—	514		514	311	(203)
						1,327	1,327
E. Listed Places of Worship							
Listed Places of Worship Current			224		224	250	26
F. The Royal Parks							
		32,441		(7,020)	25,421	26,527	1,106
G. Tourism							
Tourism Strategy Fund and Capital of Culture		56			56	98	42
H. Broadcasting & Media							
Sianel Pedwar Cymru (S4C)		85,217			85,217	85,217	—
Grant to BBC for Met Office							
Weather Services		3,081			3,081	3,081	—
Other Film Support		726			726	156	(570)
Audio Visual Eureka		192			192	393	201
Contributions to the costs of the Broadcasting Standards Commission				(867)	(867)	(1,062)	(195)

2003–04 (cont'd)							
	Admin	Other	Grants	A-in-A	Net	Estimate	Net total
	£000	Current	£000	£000	Total	£000	outturn
		£000			£000		compared
							with
							estimate
							£000
I. Administration & Research							
Central Administration	41,566			(2,231)	39,335	46,982	7,647
Research and other services		2,193			2,193	2,526	333
J. National Lottery Commission				(4,313)	(4,313)	(4,941)	(628)
K. Culture Online		778			778	2,938	2,160
L. Gambling, Licensing and horseracing							
Gaming Board for Great Britain				(2,065)	(2,065)	(1,835)	230
M. Queen' Golden Jubilee							
Golden Jubilee Grants		—			—	1	1
N. The Royal Parks		—			—	—	—
O. Administration & Research		—			—	—	—
P. Museums, Galleries and Libraries							
British Museum			37,355		37,355	75,326	37,971
Natural History Museum			39,603		39,603	40,355	752
Imperial War Museum			16,541		16,541	16,541	—
National Gallery			20,449		20,449	22,452	2,003
National Maritime Museum			14,012		14,012	14,219	207
National Museums Liverpool			17,332		17,332	17,972	640
National Portrait Gallery			5,712		5,712	5,980	268
National Museum of Science and Industry			34,754		34,754	34,750	(4)
National Coal Mining Museum of England			2,410		2,410	2,408	(2)
Tate Gallery			30,282		30,282	34,405	4,123
Victoria and Albert Museum			34,839		34,839	36,603	1,764
Wallace Collection			3,013		3,013	3,013	—
Museum of Science and Industry in Manchester			3,299		3,299	3,299	—
Museum of London			6,574		6,574	6,574	—
Sir John Soane's Museum			1,049		1,049	1,249	200
Horniman Museum			3,281		3,281	3,281	—
Geffrye Museum			1,256		1,256	1,256	—
Royal Armouries			6,286		6,286	6,346	60
Museums Reserve			50		50	572	522
European Museum Forum			2		2	2	—
National Football Museum			100		100	100	—
People's History Museum			150		150	150	—
Tyne & Wear Museums			1,100		1,100	1,100	—
Design Museum			200		200	200	—
Strategic Commissioning			2,520		2,520	2,776	256
DCMS/Wolfson Museums & Galleries Improvement Fund			896		896	1,952	1,056
British Library			89,263		89,263	93,273	4,010
Public Lending Right			7,255		7,255	7,201	(54)
Museums Libraries & Archives Council			13,408		13,408	13,408	—
Libraries Strategy Fund			2,102		2,102	2,136	34
Regional Funds			12,408		12,408	12,408	—

	2003–04 (cont'd)						Net total outturn compared with estimate
	Admin	Other	Grants	A-in-A	Net	Estimate	
	£000	Current £000	£000	£000	Total £000	£000	
Q. Arts							
Arts Council of England			325,955		325,955	346,047	20,092
R. Sports							
Football Licensing Authority			1,125		1,125	1,125	—
United Kingdom Sports Council			23,175		23,175	27,525	4,350
Sport England			44,572		44,572	62,775	18,203
S. Historic Buildings, Monuments and Sites							
Royal Household			17,157		17,157	16,407	(750)
English Heritage			119,442		119,442	123,115	3,673
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			3,530		3,530	3,530	—
RNC Greenwich			2,700		2,700	3,000	300
T. Listed Places of Worship (grant to applicants)							
			8,653		8,653	—	(8,653)
U. Tourism							
VisitBritain			51,401	(29)	51,372	56,044	4,672
Regional Development Agencies			3,600		3,600	3,600	—
GLA Grant			1,900		1,900	1,900	—
V. Broadcasting and Media							
The Film Council			24,110		24,110	26,673	2,563
Broadcasting Standards Commission			1,905		1,905	2,046	141
The National Film and Television School			2,800		2,800	2,800	—
W. National Lottery Commission							
			4,226		4,226	4,942	716
X. Spaces for Sport & Arts							
Spaces for Sport & Arts			40,850		40,850	68,118	27,268
Pickett's Lock			188		188	4,000	3,812
Y. Gambling, Licensing and horseracing							
			4,402		4,402	5,326	924
Z. Museums, galleries and libraries superannuation (British Library and Sir John Soane's Museum)							
			317,300		317,300	317,394	94
AA. Sports superannuation. (Football Licensing Authority)							
			1,003		1,003	1,015	12

	2003–04 (cont'd)						
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	Net total outturn compared with estimate
	£000	£000	£000	£000	£000	£000	£000
AB. Historic buildings, monuments and sites superannuation (English Heritage and National Heritage Memorial Fund) Excess A-in-A			195,677	2,597	195,677 2,597	195,677 —	— (2597)
Total RfR1	41,566	127,925	1,621,882	(13,940)	1,777,433	1,915,728	138,295
Request for Resources 2							
A. BBC — Home Broadcasting	—	—	2,372,527	—	2,372,527	2,399,099	26,572
Total RfR2	—	—	2,372,527	—	2,372,527	2,399,099	26,572
Resource outturn	41,566	127,925	3,994,409	(13,940)	4,149,960	4,314,827	164,867
Non A-in-A operating income	—	—	(2,372,686)	(3,537)	(2,376,223)	(2,400,095)	(23,872)
Net operating cost	41,566	127,925	1,621,723	(17,477)	1,773,737	1,914,732	140,995

Programme expenditure on Request for Resources 1 of £1,749,807k (£1,187,502k in 2002–03) comprises the total of Other Current and Grants.

The underspend of £138,295k has in part been incurred as a result of an error in compiling the Department's Estimate. In preparing the Winter Supplementary Estimate there was an increase to the DCMS's non voted Departmental Expenditure Limit (DEL), relating to End Year Flexibility for certain of the Department's sponsored bodies – this is explained in full in the Introduction, (paragraphs xiii – xxii), of the DCMS's Winter Supplementary Estimate (HC 15, dated November 2003). In addition, however, the grant in aid provision for these bodies was erroneously increased in the Supplementary Estimate, which in turn erroneously increased the Department's total net cash requirement. The cash was never in fact claimed. The error in respect of the DCMS's net cash requirement was identified and corrected in the Spring Supplementary Estimate – (see the Introduction to the DCMS's Spring Supplementary Estimate, HC 350 dated February 2004) – and explains the adjusting figure of £52,690k for 'departmental underspending on cash' in the 'Reconciliation of resources to cash requirement' in Schedule 1. The remaining underspend incurred on RfR1 in 2003–04 is therefore about £62 million, as opposed to £138 million.

The apparent overspend of £8.7 million on Listed Places of Worship is also an error in the Estimate, as the budget for this programme had been scored as capital expenditure in the Estimate instead of resource expenditure. The Department therefore had provision for this expenditure in its 2003–04 net cash requirement, but not in its total resources.

Functions (represented by letters A to AB) 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. (For analysis of A-in-A, see Note 6, pages 36–38).

The Resource Estimate groups the following functions:

Functions A to O – Spending in Departmental Expenditure Limits (DEL);

Functions P to Y – Other Spending outside Departmental Expenditure Limits (DEL);

Functions Z, AA & AB – Spending in Annually Managed Expenditure, (AME).

	2002–03					Estimate £000	Net total outturn compared with estimate £000
	Admin	Other Current	Grants	A-in-A	Net Total		
	£000	£000	£000	£000	£000		
Request for Resources 1							
A. Museums, Galleries and Libraries							
Government Indemnity Scheme		81			81	150	69
Public Library Volunteering Scheme		—			—	134	134
British Library St Pancras		—			—	—	—
Other Libraries Support		—			—	—	—
Historical Manuscripts Commission (Receipts)		—			—	(5)	(5)
Other museums support		12			12	—	(12)
B. Arts							
Government Art Collection		323		(4)	319	351	32
Other Arts Support		428			428	465	37
C. Sports							
National Playing Fields Association (Children's Play)		498			498	500	2
Other Sport Support			1,039		1,039	745	(294)
British Chess Federation			55		55	55	—
Commonwealth Games			8,301		8,301	6,000	(2,301)
Volunteering (Step into Sport)			2,271		2,271	3,000	729
D. Historic Buildings Monuments & Sites							
Public Buildings, Monuments & Statues		878			878	1,285	407
Chatham Historic Dockyard			300		300	300	—
World Cultural Convention			137		137	130	(7)
Underwater Archeology		250			250	340	90
International Council on Monuments and Sites (ICOMOS)			38		38	38	—
World Heritage Committee			14		14	15	1
Other Heritage Support		142			142	789	647
Apethorpe Hall recoveries		—		(223)	(223)	(223)	—
E. Listed Places of Worship (programme administration)							
		—	204		204	5,000	4,796
F. The Royal Parks							
		28,544		(6,153)	22,391	23,146	755
G. Tourism							
Tourism Strategy Fund		5			5	63	58
H. Broadcasting & Media							
Sianel Pedwar Cymru (S4C)		80,217			80,217	80,217	—
Grant to BBC for Met Office							
Weather Services		3,080			3,080	3,081	1
Other Film Support		53			53	156	103
Audio Visual Eureka			388		388	393	5
Self-help TV				(1)	(1)	—	1
Contributions to the costs of the Broadcasting Standards Commission				(1,060)	(1,060)	(987)	73
ITC PGO costs		2			2	—	(2)

		2002–03 (cont'd)					Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	£000
I. Administration & Research							
Central Administration	33,446			(241)	33,205	37,187	3,982
Research and other services		1,762			1,762	901	(861)
J. National Lottery Commission							
				(3,147)	(3,147)	(4,941)	(1,794)
K. Gambling, Licensing and horseracing							
Gaming Board for Great Britain				(1,901)	(1,901)	(1,296)	605
L. Queen' Golden Jubilee							
Golden Jubilee Grants			3,722		3,722	3,952	230
M. The Royal Parks							
		3,246			3,246	3,228	(18)
N. Administration & Research							
	2,905	—			2,905	4,485	1,580
O. Museums, Galleries and Libraries							
British Museum			36,469		36,469	36,869	400
Natural History Museum			38,085		38,085	38,085	—
Imperial War Museum			16,350		16,350	16,350	—
National Gallery			20,449		20,449	20,449	—
National Maritime Museum			13,681		13,681	13,681	—
National Museums Liverpool			16,569		16,569	16,569	—
National Portrait Gallery			5,732		5,732	5,732	—
National Museum of Science and Industry			32,040		32,040	32,035	(5)
National Coal Mining Museum of England			2,073		2,073	2,072	(1)
Tate Gallery			27,779		27,779	27,779	—
Victoria and Albert Museum			34,771		34,771	34,621	(150)
Wallace Collection			2,607		2,607	2,463	(144)
Museum of Science and Industry in Manchester			3,406		3,406	3,406	—
Museum of London			6,293		6,293	6,293	—
Sir John Soane's Museum			699		699	2,124	1,425
Horniman Museum			3,378		3,378	3,246	(132)
Geffrye Museum			1,274		1,274	1,274	—
Royal Armouries			6,157		6,157	6,157	—
Museums Reserve				—	—	(681)	(681)
Tyne & Wear Museums			1,000		1,000	1,000	—
Design Museum			250		250	250	—
British Library			85,158		85,158	85,158	—
Public Lending Right			8,537		8,537	8,537	—
Historical Manuscripts Commission			1,325		1,325	1,220	(105)
Resource Museums Libraries & Archives Council			14,276		14,276	13,490	(786)
Libraries Strategy Fund and Wolfson Museums Improvement Challenge Fund			2,111		2,111	2,000	(111)
Designated Museums Challenge Fund and Regional Funds			7,592		7,592	10,000	2,408
P. Arts							
Arts Council of England			290,405		290,405	295,405	5,000

	2002–03 (cont'd)						Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
Q. Sports							
Football Licensing Authority			955		955	925	(30)
United Kingdom Sports Council			16,321		16,321	19,600	3,279
Sport England			80,324		80,324	81,275	951
R. Historic Buildings, Monuments and Sites							
Royal Household			16,507		16,507	16,507	—
English Heritage			116,387		116,387	116,294	(93)
Churches Conservation Trust			3,000		3,000	3,000	—
National Heritage Memorial Fund			5,550		5,550	9,750	4,200
Commission for Architecture and the Built Environment			3,557		3,557	3,530	(27)
RNC Greenwich			1,750		1,750	1,500	(250)
S. Historic Royal Palaces Monuments and Sites					—	275	275
T. Listed Places of Worship (grant to applicants)			8,249		8,249	30,000	21,751
U. Tourism							
British Tourist Authority			53,820		53,820	54,500	680
English Tourist Council			14,125	102	14,227	15,300	1,073
GLA Grant			1,900		1,900	1,900	—
V. Broadcasting and Media							
The Film Council			24,110		24,110	24,110	—
Broadcasting Standards Commission			3,774		3,774	3,624	(150)
The National Film and Television School			2,510		2,510	2,500	(10)
W. National Lottery Commission			3,182		3,182	4,942	1,760
X. Gambling, Licensing and horseracing			3,900		3,900	3,901	1
Y. Spaces for Sport & Arts			10,100		10,100	50,460	40,360
Z. Culture Online		253			253	3,136	2,883
AA. Commemorative Services and Royal Funerals		2,772			2,772	2,760	(12)
Excess A-in-A				—			—
Total RfR1	36,351	122,546	1,064,956	(12,628)	1,211,225	1,304,027	92,802
Request for Resources 2							
A. BBC — Home Broadcasting	—	—	2,277,789	—	2,277,789	2,281,862	4,073
Total RfR2	—	—	2,277,789	—	2,277,789	2,281,862	4,073
Resource outturn	36,351	122,546	3,342,745	(12,628)	3,489,014	3,585,889	96,875
Non A-in-A operating income	—	—	(2,277,941)	(921)	(2,278,862)	(2,278,881)	(19)
Net operating cost	36,351	122,546	1,064,804	(13,549)	1,210,152	1,307,008	96,856

In 2002–03 the Resource Estimate grouped the functions as follows:

Functions A to L — Spending in Departmental Expenditure Limits (DEL);

Functions M & N — Spending in Annually Managed Expenditure, (AME), (Depreciation and Cost of Capital charge only);

Functions O to Y — Other Spending outside Departmental Expenditure Limits (DEL);

Functions Z & AA — Spending in Departmental Expenditure Limits (DEL).

10. Analysis of capital expenditure, financial investment and associated A-in-A

	2003–04			
	Capital Expenditure	Loans etc	A-in-A	Net Total
	£000	£000	£000	£000
Request for Resources 1	7,212	—	(381)	6,831
Request for Resources 2	—	—	—	—
Total	7,212	—	(381)	6,831

	2002–03			
	Capital Expenditure	Loans etc	A-in-A	Net Total
	£000	£000	£000	£000
Request for Resources 1	3,007	—	(3)	3,004
Request for Resources 2	—	—	—	—
Total	3,007	—	(3)	3,004

11. Intangible Fixed Assets

	Software Licences	Total
	£000	£000
Cost and Valuation at 1 April 2003	854	854
Additions	172	172
Disposals	—	—
Revaluation	—	—
At 31 March 2004	1,026	1,026
Amortisation		
At 1 April 2003	713	713
Charged in year	155	155
Disposals	—	—
At 31 March 2004	868	868
NBV		
At 31 March 2004	158	158
At 31 March 2003	141	141

12. Tangible Fixed Assets

	Land & Buildings	Dwellings	Equipment & Computers	Fixtures & Fittings	Collections	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost and Valuation at 1 April 2003	64,890	3,927	4,456	8,165	494	1,313	83,245
Transfers from assets under construction	840	—	—	—	—	(840)	—
Additions	2,543	—	764	430	221	3,444	7,402
Disposals	(1,114)	—	(36)	(31)	—	—	(1,181)
Revaluation	8,041	336	4	61	—	—	8,442
At 31 March 2004	75,200	4,263	5,188	8,625	715	3,917	97,908
Depreciation							
At 1 April 2003	17,500	685	2,935	5,462	—	—	26,582
Charged in year	1,120	97	958	475	—	—	2,650
Disposals	(667)	—	(36)	(31)	—	—	(734)
Revaluations	1,872	104	3	29	—	—	2,008
At 31 March 2004	19,825	886	3,860	5,935	—	—	30,506
NBV							
At 31 March 2004	55,375	3,377	1,328	2,690	715	3,917	67,402
At 31 March 2003	47,255	3,377	1,521	2,703	494	1,313	56,663

The land to the north of the British Library St Pancras site was professionally re-valued at £18m as at 31 March 2002 by DTZ Debenham Tie Leung Limited, in accordance with the RICS Appraisal and Valuation Manual. The land was valued at its open market value. There was a further revaluation carried out as at 31 March 2003, using indices provided by HM Treasury, which valued the land at £22,611,570. For 2003–04, the land was revalued at £27,669,421 as at 31 March, also using indices provided by HM Treasury. The revaluation of TRP assets accounts for the remaining £3.4 million on the figure of £8.4 million for revaluations.

During the period, it was discovered that the freeholds of several residential properties in Windsor are held in the name of the Secretary of State. These properties have been brought onto the DCMS balance sheet and were included in the figure for Additions to Land and Buildings. However, as this was, in effect, a non-cash transaction, it will not be scored in the figure for 'Tangible fixed asset additions' in Schedule 4. Two of these properties were sold in 2003–04.

The net book value of land and buildings comprises:

	2003–04	2002–03
	£000	£000
Freehold	53,520	47,255
Leasehold – short	1,855	2,364
	55,375	49,619

The non-operational Heritage Assets held by the Department are valued at nil, for the reasons that there is no market for assets of this type, that the market value would not be a true reflection of the value of the asset to the nation's heritage, or 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 1st April 2000. This is in accordance with the Resource Accounting Manual, which requires that where additions are made to collections, when the main collections existing at 31st March 2000 are not capitalised, purchase price information will normally provide a reliable basis for capitalisations.

12. Tangible Fixed Assets—continued

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 1st 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 1st October 2000;

58 statues in London: management responsibility for 47 statues was transferred to English Heritage on 1st April 1999, responsibility for 9 statues in Trafalgar Square was transferred to the Greater London Authority on 1st October 2000, leaving DCMS retaining responsibility for 2 statues.

In addition to the above, the legal title to the buildings at the Natural History Museum, the Science Museum and Imperial College were vested in the name of the Secretary of State for the Environment. Title was passed to DCMS when the Civil Estate, managed by Property Holdings was dispersed in 1996. Legal title to these buildings was passed to the Trustees of these institutions on 10 August 2001.

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 of 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 has been professionally valued by Chesterton plc International Property Consultants at £21,775,000. In accordance with Financial Reporting Standard (FRS) 5 *Reporting the substance of transactions*, the share is disclosed in each of the balance sheets of the three occupying museums.

The Department also has 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. The owners of the hotel are in negotiations with the Department to purchase the small parcel of land.

13. Investments

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 Keith Hill MP, a Minister of State in the Office of the Deputy Prime Minister, in a personal capacity. The shares were previously held by Lord Rooker, also a Minister in the Office of the Deputy Prime Minister, and were transferred to Keith Hill MP following machinery of Government changes. Outstanding litigation has prevented the liquidation of NMEC in the time-frame envisaged, and it is hoped that winding up will take place as soon as the litigation is resolved.

DCMS is a joint venture partner with the Greater London Authority (GLA) and the British Olympic Association (BOA) in London 2012 Ltd. London 2012 Ltd is a company limited by guarantee, incorporated to lead London's bid to host the 2012 Olympic Games. DCMS, the GLA and BOA are equal partners in the venture. London 2012 will receive grant funding from the DCMS and the London Development Agency of up to £10 million each, with the first tranche of funding from DCMS being paid in 2004–05. London 2012 will be wound up post July 2005, regardless of whether the bid to host the Games is successful or not. In the event of a successful bid, new structures will be created with the express purpose of organising the hosting of the Games. More information about London's bid to host the 2012 Olympic Games can be found on London 2012 Ltd's website, (www.london2012.org).

14. Movements in working capital other than cash

	2003–04	2002–03
	£000	£000
(Decrease) in debtors	(12,459)	(154,855)
Decrease/(Increase) in non-financing creditors	20,163	(66,459)
(Decrease) in Stock	(24)	(26)
	7,680	(221,340)
Adjustment: movements in amounts due to and from the Consolidated Fund	(21,060)	64,612
Adjustment: for provision	8	—
Net decrease in working capital other than cash shown in the Cashflow statement (Schedule 4)	(13,372)	(156,728)
Adjustment: movement within Other debtors that will be due to Consolidated Fund (movements in BBC monies)	11,975	(1,387)
Transitional adjustments	—	4,967
Net decrease in working capital other than cash shown in the Reconciliation of resource to cash requirement (Schedule 1)	(1,397)	(153,148)

15. Stocks

	2003–04	2002–03
	£000	£000
Stocks	—	24

In the opinion of the Board of The Royal Parks, the current replacement cost of stock is not materially different from the amount shown in the balance sheet.

16. Debtors

	2003–04	2002–03
	£000	£000
Amounts falling due within one year:		
Trade debtors	2,208	3,043
Deposits and advances	134	1,219
VAT	2,362	1,469
Other debtors	2,456	14,020
Pre-payments and accrued income	2,127	1,995
	9,287	21,746

The substantial fall in Other debtors is the result of a change in the treatment of BBC licence fee debtors. Licence fee income is now recognised in the accounts at the point at which cash receipts are received by the Department, rather than at the point at which the licence fee income is collected by the collecting agencies. This treatment more closely reflects the terms of the present Agreement between the DCMS and the BBC governing the management of the licence fee income and the grant payable to the BBC. Other debtors in 2002–03 included £11,975k of BBC licence fee income received by the Post Office and other collection agents, but had not yet been paid over to the Department. These debtors would not have appeared in the accounts under the new treatment. This new treatment will have a similar impact on Other creditors in Note 18 (page 47).

In accordance with the *Resource Accounting 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.

17. Cash at Bank and in Hand

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Balance as at 1 April	59,155	(140,984)
Net Cash (outflow)/Inflow:	(9,079)	200,139
Balance at 31 March	<u>50,076</u>	<u>59,155</u>

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

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Balances at OPG	49,808	58,811
Commercial banks and cash in hand	268	344
	<u>50,076</u>	<u>59,155</u>

The balance at 31 March comprises:

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	39,287	29,432
Amounts issued from the Consolidated Fund for Supply but not spent at the year end	10,796	29,735
The Royal Parks overdraft	(7)	(12)
	<u>50,076</u>	<u>59,155</u>

The difference of £1k in the figure for 'Amounts issued from the Consolidated Fund for Supply and not spent at the year end' in this note and Note 27 (page 54) is due to a rounding error that would otherwise be introduced in the above table and in Note 18 in the make-up of the cash balance total and the 'Total of amounts due to the Consolidated Fund'.

In the figures for 2002–03, the difference of £1k between the figure for Consolidated Fund Extra Receipts (CFERs) due to the Consolidated Fund in this note and Schedule 4 is the result of a £1k rounding adjustment in the Schedule.

18. Creditors amounts falling due within one year

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
VAT	—	—
Trade creditors	1,974	3,251
Other creditors	6,868	13,121
Accruals and deferred income	16,840	8,421
Provisions falling due within one year	8	—
Amounts issued from the Consolidated Fund for Supply but not spent at the year end	10,796	29,735
CFERs received and receivable	39,287	41,408
Total of amounts due to the Consolidated Fund	<u>50,083</u>	<u>—</u>
	<u>75,773</u>	<u>95,936</u>

The substantial fall in Other creditors is the result of a change in the treatment of BBC licence fee debtors and creditors. Licence fee income is now recognised in the accounts at the point at which cash receipts are received by the Department, rather than at the point at which the licence fee income is collected by the collecting agencies. This treatment more closely reflects the terms of the present Agreement between the DCMS and the BBC governing the management of the licence fee income and the grant payable to the BBC. The Other creditors in 2002–03 included £11,975k of BBC licence fee income received by the Post Office and other collection agents, but had not yet been paid over to the Department, which under the Agreement would be owing to the BBC at the year-end. These creditors would not have appeared in the accounts under the new treatment.

18. Creditors amounts falling due within one year—continued

Also within Other creditors is an amount of £5,279k (£1,482k Other debtors due to the Department in 2002–03) that relates to the amount that is payable to the BBC by the Department.

The rise in accruals and deferred income is caused primarily by an accrual of £5.4 million in 2003–04 for a commitment relating to the Olympic bid, (see Note 24, page 52).

19. Provisions for Liabilities and Charges

	Early retirement and Pension Commitments	Other	Total
	£000	£000	£000
Balance at 1 April 2003	3	—	3
Provision in year	(1)	—	(1)
Payments in year	(2)	—	(2)
Transfer to Creditors	—	—	—
Balance at 31 March 2004	—	—	—

20. Revaluation Reserve

	2003–04	2002–03
	£000	£000
Balance at 1 April 2003	25,887	25,387
Arising on revaluation during the year	6,433	871
Transferred to General Reserve	(298)	(371)
Balance at 31 March 2004	32,022	25,887

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

21. Donated Asset Reserve

	2003–04	2002–03
	£000	£000
Balance at 1 April 2003	504	515
Arising on revaluation during the year	(10)	—
Depreciation charged in year	—	(11)
Balance at 31 March 2004	494	504

22. Capital Commitments

	2003–04	2002–03
	£000	£000
Contracted capital commitments at the balance sheet date for which no provision has been made:		
DCMS	1,350	—
TRP	393	1,618
	1,743	1,618

23. Commitments under operating leases

The Department was committed to making the following payments during the next year in respect of operating leases expiring:

	2003–04		2002–03	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Within one year	—	—	—	127
Between two and five years	—	56	—	—
After five years	5,952	—	5,792	—
	5,952	56	5,792	127

TRP was committed to making the following payments during the next year in respect of operating leases expiring:

	2003–04		2002–03	
	Land and Buildings	Land and Other	Other Buildings	Other
	£000	£000	£000	£000
Within one year	—	31	—	5
Between two and five years	—	186	—	234
After five years	—	—	—	—
	—	217	—	239

24. Other financial commitments

DCMS has a commitment, embodied in a Memorandum of Understanding (MoU), to jointly fund London 2012 Ltd and wider work to support the Olympic Bid with the London Development Agency (LDA). The MoU requires DCMS to take up payments in 2004–05 until DCMS's contributions reach parity with the LDA's contribution made in 2003–04, and to share the funding equally thereafter. As at 31 March, this commitment amounted to £10.8m, of which £5.4 million has been accrued for as at 31 March 2004, and the remainder will be honoured in full in 2004–05, when the DCMS funding comes on stream.

25. Contingent liabilities disclosed under FRS 12

Litigation has been brought to the High Court by the Gaming Board for Great Britain (GBGB) regarding gambling machines in licensed betting offices. This litigation is in abeyance following an agreement, endorsed by Ministers, between the Board and the industry. The Board could, however, under certain circumstances, seek to re-open the proceedings. If that occurs and the judgement then goes against the GBGB, and they become liable for costs, and these are substantial, they may need to approach DCMS for supplementary funding.

26. Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability

26.1 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 2003	Increase in year	Liabilities crystallised in year	Obligation expired in	31 March 2004	Amount reported to Parliament by Departmental Minute
	£million	£million	£million	£million	£million	£million
Guarantees						
Borrowing facility for Historic Royal Palaces	4.0	—	—	—	4.0	4.0
Indemnities						
Government Indemnity Scheme	3,604.8	260.2	—	—	3,865.0	N/A
Artworks on loan to the Government Art Collection	5.0	—	—	—	5.0	N/A
Royal Parks sculpture Artworks on loan from the Royal Collection	1.0	—	—	—	1.0	1.0
	170.7	0.3	—	—	171.0	N/A
Letters of comfort						
Assurance of capital funding for the Greenwich Foundation	3.0	—	1.5	—	1.5	10.5

The Department reported £4,047.5m of contingent liabilities as at 31 March 2004 (£3,788.5m at 31 March 2003) in its annual return to HM Treasury relating to the bodies it sponsors. This included: statutory liabilities under the Government Indemnity Scheme of £3,865m (£3,604.8m 31 March 2003) 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 £171m (£170.7m at 31 March 2003); £5m for items on loan to the Government Art Collection (£5m at 31 March 2003). 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 2003).

Also included in the above total, the Department reported an assurance to fund: the Greenwich Foundation (Royal Naval College) for the 7 years 1998–99 to 2004–05 (£1.5m outstanding at 31 March 2004).

26.2 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.

Liabilities arising out of a successful bid for London to host the 2012 Olympic Games.

27. Reconciliation of Net Operating Cost to Change in General Fund

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Net Operating Cost for the year (see Schedule 2)	(1,773,737)	(1,210,152)
Income not Appropriated-in-Aid paid and payable to Consolidation Fund – current year	(2,376,342)	(2,278,873)
Income not Appropriated-in-Aid paid and payable to Consolidation Fund – prior year	—	(10,589)
	(4,150,079)	(3,499,614)
Net Parliamentary Funding	4,131,800	3,362,200
Deemed Supply	29,735	—
Transfers from Revaluation Reserve	298	371
Non cash charges:		
Early Retirement Costs	17	17
Cost of Capital	1,797	3,261
Auditors remuneration	100	98
Non Cash Additions	364	—
Amounts due from the Consolidated Fund in respect of Supply – prior year	—	108,065
Cash issued from the Consolidated Fund in respect of excess Net Cash Requirement – prior year	—	50,922
Consolidated Fund creditor for cash unspent — current year	(10,797)	(29,735)
Adjustment for prior year supply	—	(16,450)
Net increase/(decrease) in General Fund	3,235	(20,865)
General Fund at 1 April 2003	15,399	36,264
General Fund at 31 March 2004	18,634	15,399

28. Analysis of net operating cost by spending body

This note analyses funding by the Department to the relevant spending body:

	2003–04		2002–03	
	Budget	Outturn	Budget	Outturn
	£000	£000	£000	£000
Core Department	49,508	39,335	38,088	36,110
The Royal Parks	26,527	25,421	26,374	25,637
NDPBs and other sponsored bodies	1,839,817	1,709,140	1,239,690	1,148,557
BBC	(124)	(159)	(125)	(152)
	1,915,728	1,773,737	1,304,027	1,210,152

The Welsh Channel Four Authority (S4C) has been included within Non-Departmental Public Bodies.

29. 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 9 (pages 39–46), 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)
- Community Fund (previously the National Lottery Charities Board)
- The Millennium Commission
- New Millennium Experience Company Ltd
- Sport England
- UK Sport
- Arts Council of England
- New Opportunities Fund
- 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 Corporations, that are also regarded as related parties because of the Secretary of State's right to appoint board members:

- Channel Four Television Corporation
- Independent Television Commission
- The Radio Authority

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

- Eight Regional Cultural Consortia
- Advisory Committee on Historic Wreck Sites
- Treasure Valuation Committee
- Spoilation 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

The Regional Cultural Consortia receive programme funding, whereas the other advisory bodies activities are wholly funded through the Department's administration costs.

The following limited companies are regarded as related parties:

- N4T Ltd (EnglandNet)
- London 2012

None of the 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.

30. Losses and special payments

Losses Statement	£000
Total of 26 cases	271
Details of cases over £100k	—

31. Notes to Schedule 5

The 2003–04 resource accounts are the first year of reporting net operating cost according to the Spending Review 2002 objectives, of which there are three. Prior to 2003–04, the net operating cost was allocated across the Spending Review 2000 objectives, of which there were six. To ensure a meaningful prior year comparator, the 2002–03 net operating cost has been re-allocated across the Spending Review 2002 objectives.

Programme grants, i.e. other current, capital and current grants, have been allocated as follows:

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Objective I	1,476,862	942,351
Objective II	24,212	75,508
Objective III	248,733	169,643
	<u>1,749,807</u>	<u>1,187,502</u>

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 Aims and Objectives

	<u>2003–04</u>	<u>2002–03</u>
	£000	£000
Objective I	48,177	32,600
Objective II	501	3,071
Objective III	2,472	6,119
	<u>51,150</u>	<u>41,790</u>

DCMS's capital is employed primarily for administration purposes, with the exception of the capital employed by The Royal Parks which is used solely for the delivery of Objective I. Capital employed by The Royal Parks has therefore been allocated to Objective I, and the remainder of the DCMS's capital employed has been allocated in proportion to gross administration cost.

As mentioned in the Foreword and earlier in this Note, this is the first set of accounts reporting Schedule 5 according to the SR2002 PSA objectives. Prior to 2003–04, the resource accounts reported Schedule 5 against the SR2000 objectives, of which there were six. For reference, the SR2000 objectives and their 2002–03 outturns are listed below:

31. Notes to Schedule 5—continued

Objective	2002–03
	£000
1) To create an efficient and competitive market by removing obstacles to growth and unnecessary regulation so as to promote Britain's success in the fields of culture, media sport and tourism at home and abroad.	175,095
2) To broaden access for this and future generations to a rich and varied cultural and sporting life and to our distinctive built environment.	546,709
3) To raise the standards of cultural education and training.	168,525
4) To ensure that everyone has the opportunity to achieve excellence in the areas of culture, media and sport and to develop talent, innovation and good design.	191,504
5) To maintain public support for the National Lottery and ensure that the objective of the Lottery Fund supports DCMS' and other national priorities.	2,369
6) To promote the role of the Department's sectors in urban and rural regeneration, in pursuing sustainability and combatting social exclusion.	126,102
BBC	(152)
Net Operating Cost	1,210,152

32. 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 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.

33. Actual outturn – resources and cash

Actual Outturn – resources

Request for resources 1: Actual amount net resources outturn £1,777,431,985.38. Actual amount of savings in resources over Estimate £138,296,014.62.

Request for resources 2: Actual amount net resources outturn £2,372,526,866.83. Actual amount of savings in resources over Estimate £26,572,133.17.

Actual Outturn – cash

Net cash requirement: Outturn net requirement £4,150,737,644.30 which is £143,178,355.70 less than Estimate.

The actual receipts were £2,388,316,415.77. The figure includes £2,596,921.41 of excess A-in-A.

34. Entities within the departmental boundary

Those entities included in the departmental boundary are listed in Note 1.2 (page 27). The annual reports and accounts of The Royal Parks are published separately.

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