

PUBLIC LENDING RIGHT ACT 1979

Accounts of the Public Lending Right Central Fund prepared pursuant to section 2(6) of the Public Lending Right Act 1979, for the year ended 31 March 1994, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 831 of 1992-93.)

Presented pursuant to Act 1979, c. 10, s. 2(6)

Public Lending Right Accounts 1993–94

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Contents

	Page
Foreword	1
Certificate and Report of the Comptroller and Auditor General	5
Income and Expenditure Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Accounts	9

Foreword

These are the accounts for the eleventh year of the Public Lending Right (PLR) Central Fund and cover the annual payments made to authors in February 1994.

History and Statutory Background

The Public Lending Right Act 1979 established a right for authors to receive remuneration from public funds in respect of their books lent out from public libraries. The calculation of library loans is estimated from a sample of public libraries where issues are recorded electronically and processed by local authority computers before transmission to the Registrar's computer at Stockton-on-Tees: for the eleventh year's calculations the number of library authorities in the sample was 30.

The details of eligible books, eligible authors, and payment calculations are set out in The Public Lending Right Scheme 1982, as amended in 1983, 1984, 1988, 1989 and 1990. The consolidated text appears in Statutory Instrument 1990 No 2360. Further amendments were made in Statutory Instruments 1991 No 2618 and 1993 No 3049.

Review of Activities

The eleventh year's operations are described in the Registrar's Report to the Secretary of State for National Heritage which is contained in the latter's statutory report to Parliament.

(a) Operating Charges

The increase in local authority costs this year is attributable to the one-off costs of developing new computer software for PLR's sample libraries. This will enable PLR to increase the number of sample authorities providing loans data for several of their branches.

(b) Payments to Authors

The proportion of library loans represented by registered books increased to 43.5% of total library issues. Only living authors whose home is in the UK or Germany are eligible to register their books.

Libraries designated by the Registrar for participation in the PLR sample have a statutory responsibility to provide the PLR office with details of all book loans. Every effort is made by PLR to ensure that the loans data supplied by sample libraries is as complete as possible. However, some data was lost during the 1992-93 sampling year due to library equipment failures. The missing data has been replaced by a grossing up procedure before calculating the regional loans on which payments have been made this year.

18,652 authors and assignees (17,850 in 1992-93) qualified for payments. The numbers of authors in various payment categories were as follows:-

Authors' Earning:	Eleventh Year	Tenth Year
Maximum £6,000.00	115	97
£5,000.00 - £5,999.99	44	31
£2,500.00 - £4,999.99	217	201
£1,000.00 - £2,499.99	609	544
£500.00 - £999.99	754	704
£100.00 - £499.99	3,849	3,686
£50.00 - £99.99	2,520	2,368
£1.00 - £49.99	10,544	10,219
	<u>18,652</u>	<u>17,850</u>
 Expenditure	 £4,373,363	 £3,943,803

Expenditure includes £31,014 still to be paid at the year end. These authors' addresses are unknown, or their assignees have not made probate claims. A further £2,562 is held in reserve for unidentified loans. There were 4,480 (3,583) authors whose books earned no payment.

The maximum and minimum limits of £6,000 per author and £1 per author resulted in £646,503 and £578 respectively being re-distributed to other authors.

An analysis of the distribution of money for the Eleventh Year to authors by payment category shows:

	£	%
Maximum £6,000.00	690,000	15.78
£5,000.00 - £5,999.99	240,896	5.51
£2,500.00 - £4,999.99	755,415	17.27
£1,000.00 - £2,499.99	953,718	21.81
£500.00 - £999.99	536,515	12.27
£100.00 - £499.99	844,555	19.31
£50.00 - £99.99	179,359	4.10
£1.00 - £49.99	172,905	3.95
	<u>4,373,363</u>	<u>100</u>

**Market Value of
Land and Buildings**

No land or buildings are owned.

Fixed Assets

No Funds are accumulated for the replacement of assets. Future replacement will need to be financed from funds voted in the year of acquisition.

Results and Appropriations

The Public Lending Right Act 1979 provides for a maximum limit on the Government grant to the Fund and a procedure to change this maximum. For 1993/94 the limit was £5,000,000 and the full amount was made available. The Fund is distributed after deduction of the Registrar's remuneration, administrative costs, and payments to local authorities. In 1993/94 £4,373,363 was distributed to authors at a rate of 2.00 pence per Loan (up from 1.86 pence in 1992-93). The surplus for the year of £19,629 reduced the deficit carried forward to £1,129.

Future developments

The grant to the Fund has been reduced by £64,000 for the 1994/95 financial year. To minimise administrative expenses the PLR Advisory Committee has recommended to the Secretary of State that the period during which unclaimed and undistributed PLR payments are required to be held as a creditor of the Fund should be reduced from six to two years. It is expected that the PLR Scheme will be amended in time for the start of the 1995-96 financial year. If any change is made to the Scheme, authors would be unable to make claims dating back more than two years. The Advisory Committee has also accepted the recommendations of its working party that PLR payments should be extended to authors of books held in public library reference collections and will be advising the Secretary of State accordingly. Should the Government agree to this extension, a change to PLR's primary legislation will be required.

Registrar's Salary and Superannuation

As specified in the Act, the Registrar's own remuneration, superannuation costs and pension payments to his predecessor are charged directly against the £5,000,000 grant provided. As they are not made from the Central Fund, they do not appear in these accounts. A reconciliation to the grant received is shown at note 2. In 1993/94 the total deduction was £38,624.

Superannuation

Public Lending Right staff are eligible for membership of its "pay-as-you-go" non-contributory unfunded pension scheme. In accordance with Section 40 of the Social Security Pensions Act 1975 such schemes are exempted from the need to set up funds. The liability to pay pensions is underwritten by an understanding that in accordance with existing legislation, in particular the Superannuation Act 1972, the Government is obliged to provide benefits to members of such schemes in accordance with their respective rules.

The PLR pension scheme provides retirement and related benefits with conditions and contributions similar to those of the Principal Civil Service Pension Scheme. The costs of paying pensions are charged to the Central Fund as they arise.

Responsibilities of the Registrar and DNH Accounting Officer

Responsibilities of the Registrar and of the Accounting Officer of the Department of National Heritage in respect of the Public Lending Right Central Fund.

Under section 2(6) of the Public Lending Right Act 1979, the Registrar is required to prepare a statement of accounts for the Public Lending Right Central Fund for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Central Fund's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Registrar is required to:

Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgments and estimates on a reasonable basis;

state whether applicable accounting standards have been followed, and disclose any material departures in the financial statements;

prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Central Fund will continue in operation.

Under Section 2(1) of the Public Lending Right Act 1979, the Central Fund is placed under the management and control of the Registrar who is also responsible for the keeping of proper records. He is accountable for payments out of the Central Fund.

The Accounting Officer of the Department of National Heritage is the Accounting Officer for payments into the Central Fund and to the Registrar. As Accounting Officer he also has an overall responsibility for the propriety of and regularity of PLR finances for which he is answerable to Parliament. His responsibilities as Accounting Officer are set out in the Accounting Officer's Memorandum issued by the Treasury and published in Government Accounting (HMSO).

Auditors

The audit of Public Lending Right is carried out by the Comptroller and Auditor General under section 2(6) of the Public Lending Right Act 1979.

J G Parker
Registrar

6 July 1994

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 8 to 15 which have been prepared under the historical cost convention and the accounting policies as set out on page 11.

Respective responsibilities of the Registrar, the Accounting Officer of the Department of National Heritage and auditors

As described on page 4, the Accounting Officer of the Department of National Heritage is responsible for the propriety of and regularity of the public finances for which he is answerable including payments into the Central Fund and to the Registrar. The Registrar is accountable for payments out of the Central Fund and is responsible for the preparation of financial statements for the Fund. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I certify that I have examined the financial statements referred to above in accordance with the Public Lending Right Act 1979 and the National Audit Office auditing standards, which include relevant Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Registrar in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund'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 fraud or other irregularity or error. In forming my opinion I 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 Public Lending Right Central Fund at 31 March 1994 and of its surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Lending Right Act 1979 and with the directions made thereunder by the Secretary of State for National Heritage.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

12 July 1994

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

Income and Expenditure Account for the year ended 31 March 1994

	Notes	£	£	1992-93 £
Income				
HMG Grant	2	4,941,376		4,715,106
Less: Transferred to Deferred Grant Account for Capital Expenditure	3	(7,795)		(211,381)
			4,953,581	4,503,725
Other Operating Income	4		146,635	91,456
			5,100,216	4,595,181
Expenditure				
Staff Costs	5	259,223		281,317
Depreciation	6	140,772		84,760
Other Operating Charges	7	329,081		305,869
Public Lending Right to Authors Increase in Provision for Public Lending Right	12	4,373,363		3,943,803
				5,358
			(5,102,439)	(4,621,107)
Operating Surplus (Deficit)	8		(2,223)	(25,926)
Income from other activities				
- interest receivable		24,703		31,402
- pension account	9	3,351		5,314
			28,054	36,716
Surplus on ordinary activities before taxation			25,831	10,790
Corporation Tax	10		(6,202)	(8,008)
Surplus for the financial year			19,629	2,782
Retained Deficit brought forward			(20,758)	(23,540)
Retained Deficit carried forward			(1,129)	(20,758)

The income and expenditure relate to continuing activities.

The Fund has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented.

The notes on pages 9 to 13 form part of these accounts.

Balance Sheet as at 31 March 1994

	Notes	£	£	1993 £
Fixed Assets				
Tangible Assets	6		456,224	589,201
Current Assets				
Debtors		2,293		19,712
Cash at Bank and In Hand		122,987		220,710
		125,280		240,422
Creditors				
Amounts falling due within one year	11	(124,105)		(260,180)
Net Current Assets (Liabilities)			1,175	(19,758)
Total Assets Less Current Liabilities			457,399	569,443
Financed By:				
Accruals and Deferred Income				
Deferred Grant Account	3		456,224	589,201
Provision for Liabilities and Charges				
Public Lending Right	12		2,304	1,000
Capital and Reserves				
Income and Expenditure Account			(1,129)	(20,758)
			457,399	569,443

James Parker
Registrar of Public Lending Right

6 July 1994

The notes on pages 9 to 13 form part of these accounts.

Cash Flow Statement for the year ended 31 March 1994

	Notes	£	£	1992-93 £
Net Cash Inflow/(Outflow) from Operating activities	13		11,371	(41,324)
Returns on Investments:				
Interest received		<u>24,807</u>		32,032
Net Cash Inflow from Returns on Investments			24,807	32,032
Taxation:				
Corporation Tax		<u>(8,008)</u>		(9,348)
Net Cash Outflow from Taxation			(8,008)	(9,348)
Investing Activities:				
Payments to acquire tangible fixed assets		<u>(137,039)</u>		(376,593)
Net Cash Outflow from Investing Activities			(137,039)	(376,593)
Net cash inflow from pensions account			<u>3,351</u>	5,314
Net Cash Outflow before Financing			(105,518)	(389,919)
Financing:				
Government Grant applied to capital	3	<u>7,795</u>		211,381
Net Cash Inflow from Financing			7,795	211,381
Decrease in Cash and Cash Equivalents	14		<u>(97,723)</u>	(178,538)

The notes on pages 9 to 13 form part of these accounts.

Notes to the Accounts

Accounting Policies	1	<p>Accounting Convention</p> <p>These accounts are prepared under the historical cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and Accounting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.</p>
Assets and Depreciation		<p>No funds are accumulated for the replacement of assets. Such future replacement will be financed from funds voted in the year of acquisition.</p> <p>Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less the estimated residual value of each asset, evenly over its expected useful life. Items under £1,000 are written off in the year of purchase. Items over £1,000 are depreciated evenly over 5 years.</p>
HMG Grant		<p>The capital element of the Grant from the Department of National Heritage is credited to a Deferred Government Grant Account and released to revenue over the expected useful life of the relevant assets. The revenue element of the Grant is credited to income in the year to which it relates.</p>
Pensions		<p>Public Lending Right staff are covered by a "pay-as-you-go" statutory unfunded pension scheme with conditions and contributions similar to the Civil Service. It is intended to charge the Central Fund with the costs of paying pensions as and when they arise. Adjustments to the Fund are also made as appropriate in respect of transfer values relating to staff joining or leaving the scheme with accrued transferable benefits. Agreement has been reached with HM Treasury that deductions from salaries in respect of widows'/widowers' pension contributions and for 'added years' may be retained in the PLR Central Fund.</p>
Leases		<p>Costs relating to Operating Leases are charged to the income and expenditure account over the life of the Lease.</p>

HMG Grant	2		1992-93
			£
		Grant for PLR (Class XI Vote 3)	5,000,000
		LESS Registrar's Costs	(38,624)
		Grant to Central Fund	4,961,376
			4,715,106

The Registrar's Costs comprise the salary and National Insurance payments of the present Registrar, and pension payments to his predecessor. The Registrar's pension scheme is unfunded, and is administered in the same way as the PLR staff scheme.

The Registrar's total remuneration was	32,194	29,054
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		1992-93	
		£	£
Deferred Government Grant Account	3	All capital expenditure (£7,795 in 1993/94) is financed from HMG Grant. The Grant apportioned is treated in the accounts as a deferred credit. A proportion is transferred annually to the Income and Expenditure Account over the estimated useful life of the assets as Other Income to cover Depreciation.	
		Balance Brought Forward	468,714
		Apportioned from HMG Grant	211,381
		<u>596,996</u>	680,095
		Transferred to Income & Expend. A/C	(90,894)
		<u>(140,772)</u>	<u>(90,894)</u>
		Balance Carried Forward	589,201
		<u>456,224</u>	<u>589,201</u>
Other Operating Income	4	1992-93	
		£	£
		Deferred Grant	90,894
		Other	562
		<u>140,772</u>	<u>91,456</u>
		<u>5,863</u>	<u>562</u>
		<u>146,635</u>	<u>91,456</u>
Staff Costs	5	1992-93	
		£	£
		Salaries	261,506
		Employer's National Insurance	19,514
		Superannuation	297
		<u>242,405</u>	<u>281,317</u>
		<u>16,818</u>	<u>19,514</u>
		<u>259,223</u>	<u>281,317</u>
		Average weekly number of full time staff employed in the year was	16 ¹ / ₂
		Employees receiving remuneration over £30,000	1
		16 ¹ / ₂	16 ¹ / ₂
		0	1

Tangible Fixed Assets	6	Building	PLR	Sample	Office	TOTALS
		Improve-	Computer	Library	Equipment	
		ments	Equipment	Equipment	F & F	
		£	£	£	£	£
Cost						
	Cost at 1 April 1993	58,814	655,149	3,232	48,673	765,868
	Additions at Cost	4,812	2,983	-	-	7,795
	Disposals	(1,468)	(916)	-	(5,599)	(7,983)
	Cost at 31 March 1994	<u>62,158</u>	<u>657,216</u>	<u>3,232</u>	<u>43,074</u>	<u>765,680</u>
Depreciation						
	Depreciation at 1 April 1993	54,766	81,164	1,292	39,445	176,667
	Charge for 1993/94	2,024	133,321	646	4,781	140,772
	Less Charge on Disposals	(1,468)	(916)	-	(5,599)	(7,983)
	Depreciation at 31 March 1994	<u>55,322</u>	<u>213,569</u>	<u>1,938</u>	<u>38,627</u>	<u>309,456</u>
	Net Book Value at 1 April 1993	4,048	573,985	1,940	9,228	589,201
	Net Book Value at 31 March 1994	<u>6,836</u>	<u>443,647</u>	<u>1,294</u>	<u>4,447</u>	<u>456,224</u>

Other Operating Charges	7	1992-93	
		£	£
Administration		138,788	137,903
Accommodation		40,609	41,989
Computer Operating Costs		61,171	57,536
Local Authorities		81,155	34,085
Consultants		5,936	-
Computer Replacement Project		1,422	34,356
		<u>329,081</u>	<u>305,869</u>

Following the introduction of Financial Reporting Standard 3, Computer Replacement Project costs are no longer treated as an exceptional item and are now included in other operating charges.

Operating Deficit	8	1992-93		
		Notes	£	£
The Operating Deficit of:			2,223	25,926
is stated after charging				
Auditor's remuneration -				
Audit Fee			12,950	12,850
Other Accountancy Services			-	1,100
Operating Leases -	15			
Hire of Plant & Machinery			4,817	2,945
Premises Rental			13,581	12,312

Pension Account 9 This comprises widow(er)'s contributions deducted from staff salaries together with transfer payments into the PLR Pension Scheme.

Corporation Tax	10	Corporation Tax is due on interest received	1992-93	
			£	£
		Interest Receivable	24,703	31,402
		Interest Received in Year	24,807	32,032
		Corporation Tax @ 25% =	<u>6,202</u>	<u>8,008</u>

Creditors: Amounts falling due within one year	11			1993	
			£	£	
		Capital Creditors	-	129,244	
		Sundry Creditors	55,970	60,457	
		Corporation Tax	6,202	8,008	
		Other Taxes and Social Security Costs	4,836	5,709	
		Public Lending Right - Unclaimed & Undistributed:			
		(84 authors) 87/88	-	2,747	
		(108 authors) 88/89	2,656	3,690	
		(131 authors) 89/90	3,132	4,352	
		(188 authors) 90/91	3,514	4,736	
		(249 authors) 91/92	6,803	10,163	
		(327 authors) 92/93	9,978	31,074	
		(481 authors) 93/94	31,014	-	
			<u>124,105</u>	<u>260,180</u>	

Provisions	12	Transferred from Creditors: PLR			Balance
		Balance	Renounced or	Public	Balance
		b/f	Undistributed	Lending	c/f
		1.4.93	after 6 years	Right Paid	31.3.94
		£	£	£	£
		1,000	1,809	(505)	2,304

Public Lending Right Provision is to cover probable further claims for payment of PLR. This is a statutory right enforceable by law - authors have the right to demand payment from the Registrar. Amounts held as creditors and subsequently renounced by authors, or unclaimed and undistributed after six years are transferred to the Provision. If this is insufficient to meet claims in the year, an appropriation is made from the Income and Expenditure Account.

The Registrar considers that the Provision carried forward is sufficient to meet probable claims.

Reconciliation of Operating Deficit to Net Cash Outflow from Operating Activities	13	1992-93	
		£	£
Operating Deficit		(2,223)	(25,926)
Depreciation charge		140,772	84,760
Release from deferred government grant account		(140,772)	(90,894)
Loss on sale of fixed assets		-	5,134
(Increase)/Decrease in debtors		17,315	(4,484)
Increase/(Decrease) in creditors		(5,025)	(10,121)
Increase/(Decrease) in PLR Provision		1,304	207
Net Cash Outflow from Operating Activities		11,371	(41,324)

Analysis of Changes in Cash and Equivalents during the Year	14	1992-93	
		£	£
Balance at 1 April		220,710	399,248
Net Cash Outflow		(97,723)	(178,538)
Balance at 31 March		122,987	220,710

Cash and cash equivalents comprise only cash at bank and in hand. There are no bank overdrafts or short-term investments.

Operating Leases **15** At 31 March 1994 the Public Lending Right had annual commitments under non-cancellable Operating Leases as set out below.

	1992-93	
	£	£
Operating Leases expiring within:		
One Year	13,932	6,156
In the Second to Fifth Years Inclusive	4,817	2,628
Over Five Years	-	-
	18,749	8,784

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