

Report on the
Public Lending Right
Scheme
and
Central Fund Account
2010 - 2011



Report on the Public Lending Right Scheme and Central Fund Account 2010-2011

Report presented to Parliament pursuant to Section 3(8) of the Public Lending Right Act 1979.

Account of the Public Lending Right Central Fund presented to Parliament pursuant to Section 2(6) of the PLR Act 1979.

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Preface

It is with great pleasure that I lay before Parliament this report on the operation of the Public Lending Right (PLR) Scheme for 2010-11.

The PLR Registrar, Dr Jim Parker and his team have continued to provide an excellent service to authors in this, the twenty-eighth year of the PLR Central Fund - a year that has brought significant challenges as a result of the difficult economic climate we are all facing.

By successfully reducing the organisation's running costs by more than 3% in 2010-11 Dr Parker helped to successfully limit the size of the necessary decrease in last year's record breaking rate per loan of 6.29p. It is to his credit that the rate fell by only 0.04p resulting in an almost unnoticeable decrease in author income.

In the current circumstances the 15% real terms decrease in PLR's resource Grant-in-Aid budget over the next spending period represents a fair Spending Review settlement and compares favourably with the scale of cuts in expenditure elsewhere necessary to tackle the deficit. Undoubtedly pressures remain, but Government is committed to the importance and value of the PLR Scheme and DCMS will continue to work with Dr Parker and his dedicated team in the best interests of authors.



Rt Hon Jeremy Hunt MP
Secretary of State for Culture,
Olympics, Media and Sport

Overview

The backdrop to this year's Report is the government's decision, announced in October 2010, to abolish the PLR body and to transfer responsibility for management of the PLR Scheme to another existing public body. The decision was taken as part of the government's wider review of public bodies. No announcement has been made on which body will be taking over responsibility for PLR. It has therefore remained 'business as usual' for the PLR team and we successfully completed another year of loans data collection, author and book registration and payment calculation enabling payments to be made to authors in February.

Also in October came the Culture Secretary's announcement of PLR's funding settlement following the government's Comprehensive Spending Review. The settlement provides for a graduated reduction in funding over the four-year period from £7.2 million in Year 1 to £7 million in Year 4 equating to a 15% reduction in real terms. We regard this as a reasonable settlement in present economic circumstances and it compares favourably with settlements for other bodies in our sector.

As part of our Funding Agreement with DCMS we will be expected to cap PLR's running costs at 2010-11 levels. Given the high levels of savings that we have already achieved in previous years this represents a challenging target for an organisation of PLR's size. Ministers have also directed us to discuss with DCMS colleagues how further savings might be achieved through streamlining the Scheme's rules of operation in areas such as loans data collection. We accept these challenges and will do all that we can to minimise running costs to ensure that in these difficult times the greater proportion of our funding is freed up for distribution as payments to

authors.

The year under review was the third and last of our existing Funding Agreement with DCMS for the period 2008-11. The significant financial savings that we made in Years 1 and 2 in staff and accommodation meant that we were well placed this year to find sufficient savings in running costs to come in under our target of £756,000. But these savings were not sufficient to maintain the rate per loan at its 2010 level. A 3% in-year reduction in grant-in-aid funding for all DCMS-funded bodies and our completion of the Irish PLR project which had provided supplementary income in the previous year resulted in a slight fall in the rate per loan to 6.25 pence.

We continue to benefit from the flexible working arrangements that we introduced in Years 1 and 2 of the Funding Agreement. These have enabled us to deploy staff from across the whole PLR office to deal with peaks of work at critical times in PLR's annual cycle. This has helped us maintain the levels of service to authors on which we have built our reputation. It has also enabled us to absorb within existing staff resources the continued and welcome growth in the number of new authors registering for PLR each year. I would like to commend PLR colleagues for their professionalism and their openness to these new and more flexible methods of working. Their approach was singled out for praise by the Investors in People assessor during this year's successful re-accreditation process. Our staff are our greatest strength and stand us in good stead to meet the challenges ahead.

Author and Corporate Services

a) Author and Book Registration

Over 1,900 new writers, illustrators, translators and editors living in the UK and in other European Economic Area countries had registered with PLR by the annual deadline of 30 June. This figure is some 30% higher than the annual average over the last decade and demonstrates the success of our marketing strategies in recent years aimed at improving public awareness of the Scheme's existence.

At the heart of our strategy remains the publicity for PLR generated by our annual media campaign which publicises PLR's data on the country's most borrowed authors and books. These annual figures – providing a sophisticated breakdown of book borrowing trends nationally, regionally and locally - are now much sought after by the media and researchers and help ensure that authors get to know of the Scheme's existence. The success of this strategy owes much to the imagination and drive of Becca Wyatt, PLR's marketing adviser, who died in December and whose loss has been keenly felt by the whole PLR team.

Take-up of PLR's online registration service by authors continues to grow. In the year ending 30 June 2010 77% of book registrations were undertaken online. Increased use of this facility (and our decision two years ago to cease sending statements to authors who had not qualified for a PLR payment) has reduced the work involved with printing and packing statements and the costs of despatch. A further enhancement introduced this year was the provision of online access for authors to loans data for their books over the last ten years. This data, held in PLR's LEWIS database and previously only open to public library colleagues, is proving popular as well as encouraging wider use of PLR's online services. Growing

reliance on online services has also had an impact on the types of authors' queries dealt with by the PLR team. A growing number now relate to technical issues around access to PLR's online services and require new sets of skills for front-line staff.

b) Loans Data Collection

The PLR legislation requires that loans data be collected from library authorities in the PLR sample over the period 1 July to 30 June. The collected data is then 'grossed up' and underpins the rate per loan calculations and payments to authors in the following February. This means that PLR's annual report for the April to March period will always overlap two PLR loans years.

The Scheme divides the country's library authorities into eight broadly geographical groups and includes a requirement for the inclusion of a minimum number of authorities from each. To provide for fairness and representativeness we are also required to rotate the composition of the sample each year (with the exception of Northern Ireland where there is now only one authority covering all public libraries and which therefore remains permanently in the sample). We duly replaced seven authorities for the start of the new PLR year on 1 July 2010. The library authorities providing data to PLR during the loans year 2009-10 and 2010-11 are listed overleaf in Table 1.

All loans data from the 24 library authorities in PLR's 2009-10 sample was collected and processed in good time for the autumn rate per loan calculations.

To help meet our overall running cost target we continue to make savings in the costs of loans data collection by restricting the number of participating

authorities to the minimum required by the Scheme. This approach fully meets PLR's legal obligations but is not ideal as we know from statistical studies that we have commissioned in the past that the larger and more broad-based the sample, the fairer it is for authors and more representative of the variety of stock bought by libraries across the country. So we remain alert to the potential for increasing the sample size without incurring higher costs by including groups of authorities operating as consortia. In July 2010 we brought in the London Library Consortium which now comprises 12 authorities; and from July 2011 we shall be collecting data from the six authorities that make up Libraries West.

As noted in previous annual reports, we remain concerned about the prescriptive and increasingly outdated provisions in the Scheme governing the selection and rotation of library authorities for the PLR sample, and data collection. Changes to these regulations will require amendment to be made to PLR's secondary legislation. We are pleased that this has been recognised by Ministers and that PLR's new Funding Agreement makes provision for progress to be made in this area as a way of improving efficiency and reducing costs.

c) Finance

Under our 2008-11 Funding Agreement with DCMS PLR's grant-in-aid funding was reduced in Years 1 and 2 but was set to return in Year 3 to its 2007-08 baseline level of £7.68 million. Following the General Election in March 2010 the incoming Culture Secretary reduced the 2010-11 funding of all DCMS-funded bodies by 3%. As a result PLR's funding was reduced to £7.45 million.

Our Funding Agreement committed

Table 1
Sample Library Authorities
 2009/10 and 2010/11

England	
Brighton & Hove	Cornwall
Cambridgeshire*	Lancashire
Leicestershire*	Sheffield
Rutland*	Staffordshire
Surrey	Warwickshire
Stockton-on-Tees	
Metropolitan Districts	
Dudley*	Sefton
Sunderland	
Greater London Boroughs	
City of London	Islington
Lambeth*	
Wales	
Cardiff	Powys*
Monmouthshire	
Scotland	
East Lothian*	Glasgow
Moray*	
Northern Ireland	
Northern Ireland Library Authority	
(replacing the five former library boards in Northern Ireland)	

*Authorities marked * were replaced in July 2010 by:*

<i>Blackburn with Darwen</i>	<i>Rotherham</i>
<i>Denbighshire and Flintshire</i>	<i>East Ayrshire</i>
<i>London Consortium (12 London boroughs)</i>	<i>Scottish Borders</i>
<i>Suffolk</i>	

PLR to finding annual savings of 3% in the running costs of the scheme. The target figure for 2010-11 was £756,000 which we met and were able to find some additional savings in running costs as set out below in the Summary of Performance against Funding Agreement Targets. These savings partially offset the impact on payments to authors of the 3% cut in overall funding. PLR's balance sheet showed an increase in Reserves thanks to reduced expenditure on administration. The PLR Reserve also reflected a healthy balance.

During the year the government launched its Transparency Agenda which provides a commitment to publishing a wider range of data on spending by public bodies. We have now made available on our website information on staff costs and administrative expenditure on purchases and services above the required thresholds.

d) Human Resources

There have been no changes in staff numbers over the last year and we believe that with the streamlining of systems and flexibilities in working practices that we introduced in Year 1 of the 2008-11 Funding Agreement we have the right level of staff resource to allow us to meet our statutory obligations and provide an efficient and responsive service to authors.

During the year the PLR office was re-assessed for accreditation to the Investors in People (IIP) standard, the government and industry-wide standard for business improvement through people management. The assessment, which involved in-depth interviews with every member of staff, came at a time of uncertainty about the future administration of the PLR

Scheme. However, we were successful in retaining IIP status and the resulting assessment made particular reference to the positive attitude and commitment of staff to PLR and to the service that they provide to authors.

It has also been a busy year in terms of bringing our systems and procedures into line with the Equality Act 2010 which harmonised and extended existing legislative provision in this area, and into line with changes to employment law including the introduction of 'fit notes'. Looking ahead to 2011-12 we anticipate several further changes in employment legislation including the abolition of the default retirement age towards which we have already made significant progress through our flexible working policy.

Last year we completed development of a new pay system and introduced it with agreement from DCMS and the trade union representing PLR staff. With the present two-year public services pay freeze we have been unable to make any awards under its provisions. There was still scope, however, to provide some modest performance-related awards to staff, particularly lower paid colleagues, under current government pay policy in recognition of their contribution to the continuing success of the PLR operation and meeting Funding Agreement targets. Pay, of course, is just one part of the benefits of employment at PLR. Our Total Reward Policy sets out to ensure that staff understand the whole range of benefits that accrue from employment with PLR.

During 2010-11 staff received an average of five days training per person. In a small team made up of a wide range of individual roles it is rare for groups of staff to have the same training

needs. However, training events for the whole PLR team featured prominently this year and reflected our policy of equipping staff with the skills to cover a wider range of back-office and front-line duties.

e) Accommodation and Security

Improvements this year included refurbishment by the landlord of the common areas in Richard House, an upgraded alarm system, and replacement of one of our air conditioning units.

The lease for PLR's office accommodation at Richard House runs until November 2014. For our present needs, Richard House provides good quality, affordable office accommodation, but the lack of a modern cable infrastructure in this part of Stockton-on-Tees is a limiting factor. Faster broadband speeds would enable us to take advantage of developments such as 'cloud' computing and online IT system backups.

f) Sustainable Development

As a small team in rented office accommodation undertaking little travel, we are limited in how we can improve on current arrangements. We produce little waste, have energy-efficient lighting and equipment and, wherever possible, have procedures in place for energy efficiency, recycling and purchase of green goods. However, we are committed to the government's sustainable development initiatives and look to improve our performance, particularly when new equipment or procedures are considered. Initiatives this year have included installation of a more energy efficient air conditioner, improved energy-rated lights in the common areas, and printing of 1,000 fewer payment statements as more

authors sign up for online access to their payment information. Our carbon footprint for 2010-11 was 22.37 tonnes, a slight increase on the previous year's figure of 19.82 tonnes partly attributable to higher heating costs during a particularly cold winter.

g) Information and Communication Technology

With the completion of our development work on the Irish PLR system we have been able to return to the modernisation and streamlining of our own systems to reduce costs and improve functionality. Building on lessons learned from our design of the Irish system we are now looking to migrate our existing *OpenROAD* software application to a *.NET* platform which will provide more functionality and lower licence costs. We have begun a 'gap' analysis of the PLR system to identify where further improvements might be made. Our existing online facilities will also need to be brought into line with this new approach. The work will continue during the coming year and will ultimately provide us with a more fully integrated and cheaper-to-run PLR system.

We have begun a review of our approach to Content Management. PLR's intranet and websites are currently maintained using *Dreamweaver* software which requires detailed technical knowledge of *html* and *CSS* programming languages to update content. We have begun evaluation of a number of Content Management systems with a view to separating the content from the layout, and making the update process more straightforward. Once a suitable platform is identified we will aim to use it for our intranet, before migrating the PLR websites.

Other IT innovations this year have

included the integration of PLR's online registration service with LEWIS, our book loans data archive, providing authors with access to the last ten years' worth of data on their book loans; and improved systems to simplify login and password-reset procedures have been introduced enabling PLR staff to reset authors' passwords over the telephone.

Payments to Authors

Through efficiency savings and income generated we were able to supplement the funding available for author payments last year. This slightly larger fund combined with fewer loans during the 2008-09 loans year resulted in a higher rate per loan. The current funding climate meant that this year it was not possible to maintain or increase the rate per loan.

We recommended a lower rate per loan of 6.25 pence to Ministers (6.29 pence last year). Any change in the rate requires a change by Statutory Instrument to PLR's secondary legislation. Given the proposed lowering of the rate – the first time that this has happened since 1992 - it was felt that an extended period of public consultation was necessary. Following completion of the consultation exercise, the Statutory Instrument was laid in the House of Commons on 17 January and came into force on 7 February.

Payments were made during the week beginning 14 February, slightly later than in previous years but well within the deadline of 31 March set by PLR's legislation.

The payment distribution itself ran smoothly with 23,366 authors receiving a payment (23,241 last year) and 263 authors (282 last year) qualifying for payments of between £6,000 and the maximum of £6,600.

The growing number of authors now accessing their payments data online – 8,861 (up 16% from the previous year) – enabled us to reduce the costs of packing and posting printed payment statements to authors. We also introduced some refinements to the processes undertaken by the PLR computer system to generate the statements prior to printing, and as a result cut the processing time from 8 to

5 days.

The importance of PLR for emerging authors was illustrated by analysis that we carried out during the year. Some 51% of authors registering with PLR for the first time - including many who had only had one book published – had sufficient book loans to qualify for a PLR payment. PLR payments go to authors right across the literary spectrum with children's writers and illustrators featuring prominently. Seven out of the ten most-borrowed authors were from this group.

PLR payments go to authors living in the UK and European Economic Area countries. In a number of cases PLR has an agreement with the local Collective Management Organisation (CMO) representing authors in that country under which the CMO distributes statements and payments on PLR's behalf. The process of sending hard-copy payment information to CMOs raises issues both of cost and data security. We have therefore devised and introduced a new 'dropstop' secure area on the PLR IT system in which payment information can be held and downloaded securely. This can only be accessed by PLR and the CMO concerned.

A breakdown of the February payments to authors by payment band is provided in Table 2 (opposite).

Table 2
Payment Distribution

23,366 authors and assignees (23,241 in 2009-10) qualified for payments. The numbers of authors in the various payment categories were as follows:

Authors Earning:	2010-11 28th Year	2009-10 27th Year
£6,000.00 - £6,600.00	263	282
£5,000.00 - £5,999.99	93	80
£2,500.00 - £4,999.99	366	364
£1,000.00 - £2,499.99	877	850
£500.00 - £999.99	938	962
£100.00 - £499.99	3,649	3,423
£50.00 - £99.99	2,186	2,145
£1.00 - £49.99	14,994	15,135
Total No of Authors	23,366	23,241
Expenditure	6,744,601	6,759,890

An analysis of the distribution of money for the twenty-eighth year to authors by payment category shows:

	£	%
£6,000.00 - £6,600.00	1,726,260	26
£5,000.00 - £5,999.99	516,310	8
£2,500.00 - £4,999.99	1,271,886	19
£1,000.00 - £2,499.99	1,379,173	20
£500.00 - £999.99	657,729	10
£100.00 - £499.99	847,169	12
£50.00 - £99.99	155,697	2
£1.00 - £49.99	190,377	3
Total	6,744,601	100.00

Development of the Scheme

Unsurprisingly our planning for the future development of PLR is currently focused on ensuring that during the transition to new governance arrangements we continue to meet our statutory obligations and maintain the high levels of service to authors that have become our hallmark.

But the world in which we operate does not stand still and we must continue to look ahead to how PLR needs to adapt. Included here are the changing ways in which authors' works will be made available through the public library service. Although plans to extend PLR to audio and ebooks as enabled by last year's Digital Economy Act have been postponed given the current constraints on public spending we remain confident that it will prove possible to return to these issues in the not too distant future. Sales of ebook readers continue to grow and we must expect public libraries to meet this demand by making authors' works available in this format despite the current concerns among publishers about security and possible impact on sales.

PLR's Marketing Strategy remains at the heart of our planning process and aims to ensure that authors from every background are aware of their PLR opportunity. We are also committed to developing further our cooperation with related authors' organisations such as the Authors Licensing & Collecting Society (ALCS). We look forward to returning to our previously discussed proposals to explore the feasibility of developing a common means of access for authors to our respective registration services. There will be various issues to overcome here, but we took an important first step with the development of a single package of application forms for our organisations which was sent to publishers and agents for distribution to their authors

last year.

Another important strand in our preparations for the future is the on-going development of the online registration system that we have introduced and which is proving so popular with authors. Getting on for 80% of new book registrations are now undertaken online. This provides cost savings for the PLR office and a wider range of facilities for authors. These include online access to their annual payment statements and 1,000 more authors than last year chose to access their payment information online this year. The online service also allows them to keep personal details up to date and, new this year, provides access to data on loans of their books across the UK over the previous ten years. Electronic communication with authors is also proving helpful in alerting them to approaching registration and payment deadlines and the need to keep their personal details up to date. We feel there is still scope to increase the number of authors using the online service and we will continue to promote the benefits of using this service with new authors.

Loans data collection is another area where we feel modernisation of approach could yield benefits for all. There are further cost savings to be made and a wider range of loans data to be collected by reviewing the PLR Scheme's increasingly anachronistic and bureaucratic rules on the selection, rotation and management of the PLR public library authority sample. We have made a number of proposals to Ministers including provision for more flexibility in the choice and retention of the country's largest libraries with their extensive book stock and closer alignment of the sample with current regional divisions. We look forward to revisiting these as part of our

discussions with DCMS colleagues during 2011-12. We will follow this up during 2012-13 with a review of our existing approach to the collection and transmission of loans data from library authorities to PLR to explore the potential for further streamlining.

Internationally we aim to continue to play a leading role by co-ordinating the International PLR Network and promoting the UK PLR approach as a model of best practice. We shall remain vigilant to opportunities to develop PLR systems for emerging PLR countries on the lines of our ground-breaking Irish PLR project. With eight countries now providing some £10 million in PLR payments to UK authors via ALCS we feel our international work continues to provide dividends for British authors.

In tackling all of these issues and planning for the future, we are supported by the PLR Management Board. The Board held its March meeting this year at the PLR offices in Stockton-on-Tees. This provided an opportunity for Board members to meet staff and to familiarise themselves with the day-to-day working of the Scheme. The Registrar and his team are grateful to the Board for its continuing advice and support as we wait for confirmation from the government of our future governance arrangements.

Summary of Performance against Funding Agreement Targets

The PLR legislation provides a closely circumscribed statutory framework within which the Registrar and his team have to operate. But within these constraints, the Scheme's importance for authors and the range of modernising initiatives undertaken by the PLR team provide a natural fit with several DCMS priorities and targets relating to improving efficiency and maximising the contribution of the creative industries to the UK economy. The Funding Agreement formalises the linkage between PLR's objectives and activities and DCMS's wider remit, and identifies key performance targets by which achievement of PLR's business deliverables and objectives can be measured. These measures are subject to formal reporting procedures with DCMS and regular monitoring by the PLR management team.

For more detailed information on DCMS's strategic aims, goals and public value outcomes please visit www.culture.gov.uk

2008 – 2011 Funding Agreement

As set out in section 3 of the Funding Agreement, by providing financial support to writers and other authors, PLR supports the following DCMS Departmental Strategic Objectives

- DSO 2 - Support talent and excellence in culture, media and sport
- DSO 3 - Realise the economic benefits of the Department's sectors

Through its Value for Money (VFM) Delivery Agreement with HM Treasury, DCMS is committed to generating 3% VFM savings over the three-year period 2008-11, and PLR has therefore been asked to meet the following targets:

	2007-08 baseline	2008-09	2009-10	2010-11
VFM savings target (£000s)	828	803	779	756*
Output		Achieved	Achieved	Achieved

* PLR achieved further savings of £53,000 on their 2010-11 VFM savings target.

The level of scrutiny adopted in monitoring performance during the period of this Funding Agreement will be commensurate with the outcome of regular joint risk assessment exercises. The documents relevant to this agreement and against which performance will be monitored are:

- Allocation letter
- Corporate Plan
- Annual Reports and Accounts
- Risk Assessment
- Management Statement / Financial Memorandum
- Statement of Internal Control
- Managing Public Money

PLR Central Fund Account

2010 - 11

Public Lending Right

Central Fund Account 2010-2011

MANAGEMENT COMMENTARY

These are the accounts for the twenty-eighth year of the Public Lending Right (PLR) Central Fund and cover the annual payments due to authors at 31 March 2011.

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.

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, 1993 No 799, 1996 No 3237, 1997 No 1576, 1998 No 1218, 1999 Nos 420, 905, 3304, 2000 Nos 933, 3319, 2001 No 3984, 2002 No 3123, 2003 No 839, 2003 No 3045, 2004 No 1258, 2004 No 3128, 2005 No 1519, 2005 No 3351, 2006 No 3294, 2009 No 3259, 2010 No 54.

The Public Lending Right Management Board advises the Registrar on the operation of the Scheme but has no formal responsibility for the overall performance of PLR. Appointments to the Board are made by the Registrar. Details of the Board's membership at 31 March 2011 are provided in Annex A.

Review of Activities

The twenty-eighth year's operations are described in the PLR Annual Report which includes the statutory report on the operation of the Scheme laid before Parliament by the Secretary of State for Culture, Olympics, Media and Sport. We successfully processed all applications for PLR registration from authors and loans data from the 24 authorities in our 2009-10 public library sample in time for rate per loan calculations in October 2010 and payment distribution in February 2011. Provisions to extend PLR to loans of audio and ebooks were included in the Digital Economy Act which received royal assent on 8 April 2010 but the government has decided not to implement the changes in the PLR legislation at this time given the need to reduce public expenditure. In October 2010 the government announced plans to abolish the PLR office and to transfer the management of the PLR Scheme to another existing public body. At 31 March 2011 no decision had been taken on which body will take over responsibility for PLR but negotiations were ongoing.

Financial Review

PLR seeks to maximise the amount of Grant-in-Aid made available for distribution to authors. We continue to seek efficiency savings in all aspects of our management of the Scheme and achieved our running cost target of £756,000 in line with our Funding Agreement target. However, the current funding climate meant that it was not possible to maintain or increase the rate per loan in 2010-11.

Payments to Authors

PLR's core funding from DCMS was £7.45 million (£7.58 million in 2009-10). As noted above the funding available for payment to authors was less than in the previous year for the reasons given. The total number of book loans eligible for PLR this year was also higher than in the previous year. Taken together these factors resulted in a reduced rate per loan of 6.25 pence (6.29 pence in 2009-10). A total sum of £6,744,601 (£6,759,890 in 2009-10) was made available from the Central Fund for paying out to 23,366 (23,241 in 2009-10) authors. 83% of the Fund was distributed in payments of £500 or more.

Expenditure includes £36,114 still to be paid at the year end because the address of some authors is unknown to PLR, or their assignees have not made probate claims. There were 11,470 (10,097 in 2009-10) authors whose books earned no payment. A further £19,336 is a separate PLR reserve which may be used to supplement the Central Fund. The PLR reserve is made up of amounts held as creditors and subsequently renounced by authors, or unclaimed and undistributed after six years (see Note 9).

Fixed Assets

No land or buildings are owned. No funds are accumulated for the replacement of other assets. Future replacement will need to be financed from funds voted in the year of acquisition.

Movements on fixed assets are set out in note 12 to the financial statements.

Payment of Creditors

The Registrar has adopted the prompt payment code which aims to pay 80% of invoices received within 5 working days. In 2010-11, 99% of creditor invoices were paid within 30 days (2009-10, 100%), with the average payment time being 4 days. Every effort is also made by PLR to effect payments to authors on the annual date fixed by the Registrar. However, as a result of failure by authors to notify PLR of changes

in address or bank details, and of other circumstances outside the control of the Registrar, it may not always be possible to make payment. In such cases, the Registrar is required to hold payments as debts due to the authors concerned for up to six years during which period all reasonable efforts are made by PLR to effect payment.

The Public Lending Right Scheme has suffered no protected personal data incidents during 2010-11 or prior years and has made no report to the Information Commissioner's office.

Superannuation

The PCSPS is a "pay-as-you-go" statutory 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.

Results and Appropriations

The Fund is distributed after deduction of the Registrar's remuneration, administrative costs, and payments to local authorities.

Staffing Matters

The Registrar of Public Lending Right is committed to promoting effective consultation and communications with his staff. PLR has one operational team which meets regularly to discuss matters relating to PLR's activities. Additionally, staff are briefed on matters discussed at management meetings. PLR recognises the Public and Commercial Services Union for the purpose of collective bargaining.

The Registrar of Public Lending Right makes every effort to employ disabled people in suitable employment and gives full and fair consideration to applications for employment of disabled people.

Average number of days absence per employee due to sickness was 2.38 (5.27 in 2009-10).

The Euro

The activities of Public Lending Right are mainly within the United Kingdom. Exposure to transactions denominated in the Euro occurs in respect of authors resident overseas. These are treated no differently from transactions in any foreign currency. Public Lending Right's systems are accordingly already Euro-enabled.

Sustainable Development

We are committed to the government's priorities for sustainable development. We contribute to the targets for Consumption and Production and Climate Change and Energy. We are limited by our tenancy of Richard House in the range of measures we can take but have prioritised waste reduction, paper use and energy consumption. These are now embedded in our everyday working practices and we have introduced carbon footprint monitoring. Our carbon footprint for 2010-11 stands at 22.4 tonnes and we continue to emphasise the importance to staff of choosing the greener options for business travel.

Social and Community Issues

The PLR Scheme provides social and community benefits through its support for authors and public libraries. PLR payments sustain the livelihoods of the country's authors and thereby support the creative economy. A successful creative economy ensures the continued supply of new books to public libraries which play a vital role in community life by providing free access to information, learning and enjoyment to people from all social groups and backgrounds.

Auditors

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

As far as the Registrar is aware, there is no relevant audit information of which PLR's auditors are unaware.

The Registrar has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that PLR's auditors are aware of that information.

J G Parker
Registrar
7 July 2011

Annex A

PLR Management Board

The members of the Management Board during the year were:

Dr James Parker, OBE (Chairman)

Ms Tracy Chevalier

Ms Meg Davis

Mr David Philip

Mr Martin Palmer (appointed 19 April 2010)

None of the Management Board members received any remuneration from PLR. However, members are reimbursed for expenses incurred in fulfilling their duties. None of the Management Board members had any significant interests which conflicted with their PLR responsibilities. Details of any significant interests would be recorded on the PLR website.

PLR Audit Committee

The members of the Audit Committee during the year were:

Mr Brian Dawson (Chairman)

Ms Pat Hunt (appointment ended 16 June 2010)

Mr Philip Chamberlin (appointed 17 June 2010)

Dr James Parker, OBE

Remuneration Report

Registrar's Salary and Superannuation

As specified in the Act, the Registrar's own remuneration and superannuation costs are charged directly against the annual Grant-in-Aid of £7,451,000 for 2010-11 (£7,582,000 in 2009-10). 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 2010-11 the total deduction was £85,972 (2009-10, £83,113).

The Registrar is appointed by the Secretary of State for Culture, Olympics, Media and Sport. He is employed on the basis of a five-year appointment (renewable) and the terms of his appointment are as set out in the schedule to the PLR Act 1979 and his letter of appointment.

A remuneration committee meets annually to assess the Registrar's performance and, if appropriate, to recommend to Ministers a pay award on the basis of criteria set out in the terms of reference provided by DCMS. The whole of any annual pay award to the Registrar is performance-based. Pay awards to the Registrar are dependent on the approval of DCMS Ministers. The committee acts in consultation with DCMS whose advice on wider government pay policy informs the committee's annual recommendations.

The Registrar provides the committee with an annual report setting out in detail his success in meeting key performance indicators agreed with DCMS. The committee may call for further information if required.

Members of the Committee during the year were:

Ms Tracy Chevalier (Chairman)
Ms Meg Davis
Mr David Philip

The Registrar's appointment was renewed for a period of five years from 1 August 2006.

The Registrar's notice period is three months and any termination payments would be in accordance with contractual terms.

The information in the remainder of the remuneration report is subject to audit

The Registrar's total remuneration is determined by DCMS. It consisted of a basic salary of £63,257. The Registrar accepted a non-consolidated bonus this year of 4% but did not receive a consolidated increase in salary. (2009-10 total emoluments were made up of £63,257 basic salary and no non-consolidated bonus.) The Registrar's superannuation costs were £13,790 and are charged at 21.8% of annual salary.

Registrar's Pension

	Real increase in pension at 60	Real increase in related lump sum at 60	Accrued pension at 60 at 31 March 2011	Accrued lump sum at 60	Cash equivalent transfer value		
	£'000	£'000	£'000	£'000	As at 1 April 2010	As at 31 March 2011	Real increase in year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dr James Parker, OBE	0 - 2.5	1 - 3.5	15 - 30	65 - 80	515	555	0

During the year the Registrar received no benefits in kind (nil in 2009-10).

Pension benefits are provided through the PCSPS. Further pension disclosures are made in note 23. The above table shows the cash equivalent transfer values (CETV) accrued at the beginning and end of the reporting period and the increase in CETV effectively funded by the employer. The closing CETV balance reflects transferred in rights from the Registrar's previous employment.

A CETV is the actuarially assessed capitalised value of the pension benefits accrued by a member at that point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV would be the payment made by a pension scheme to secure pension benefits in another scheme if the member chooses to transfer the benefits accrued to another scheme. The CETV includes the value of any pension benefits which have been transferred in to the PCSPS. They also include any additional benefit accrued as a result of the member's purchase of additional years of pension service at their own cost. The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Management Board Members

None of the Management Board members had any significant interests which conflicted with their PLR responsibilities. Details of any significant interests would be recorded on the PLR website.

J G Parker
Registrar
7 July 2011

RESPONSIBILITIES OF THE REGISTRAR AND DCMS ACCOUNTING OFFICER

Under section 2(6) of the Public Lending Right Act 1979, the Registrar, as Accounting Officer, 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 for Culture, Olympics, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Central Fund's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Registrar is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular 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 judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Central Fund will continue in operation.

The Accounting Officer of the Department for Culture, Media and Sport is the Accounting Officer for payments to the Registrar.

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. The Accounting Officer of the Department for Culture, Media and Sport has designated the Registrar as the Accounting Officer for the use of, and expenditure from, the Central Fund. As Accounting Officer he has overall responsibility for the propriety and regularity of the Public Lending Right Central Fund finances for which he is answerable to Parliament and for the keeping of proper records. His responsibilities as Accounting Officer are set out in the Statement of Accounting Officer's Responsibilities issued by the Treasury and published in the *Government Financial Reporting Manual*.

* A copy of the accounts direction can be obtained from the following address: Public Lending Right, Richard House, Sorbonne Close, Stockton-on-Tees, TS17 6DA.

J G Parker
Registrar
7 July 2011

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of PLR policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money and ensuring compliance with the requirements of PLR's Framework Document.

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 the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control takes account of Treasury guidance and is based on an ongoing process designed to identify the principal risks to the achievement of PLR policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place in Public Lending Right for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk evaluation informs our actions in managing risks efficiently and effectively as we implement our plans to achieve objectives over the coming years. Risk management is incorporated into PLR's strategic planning process and decision making processes. The Registrar provides leadership in the risk management process by taking personal responsibility for PLR's corporate risks which are set out in PLR's Risk Register and discussed regularly with the PLR management team. The continuing relevance of existing risks and the emergence of possible new risks are also discussed at PLR team meetings involving all PLR staff. Risk management is firmly embedded in our operating systems. As part of our approach we now identify our objectives and risks and have determined a control strategy for each of the significant risks. A risk management policy document is sent to all staff setting out PLR's risk strategy.

The annual audit plan is drawn up with contributions from me as the Accounting Officer and approved by the Audit Committee. Internal audit provides the Accounting Officer with reports on those systems identified in the annual audit plan and these are then presented to the Audit Committee. Such reports include the internal auditor's independent view on the adequacy and effectiveness of PLR's system of internal control and progress against recommendations made in previous financial years.

The risk and control framework

PLR's Risk Register is kept under continuous review by the Registrar, the Management Board, the Audit Committee and PLR's management team.

Following the outcome of the 2010 Spending Review, which capped PLR running costs at 2010-11 levels but required us to work towards identifying further areas of savings, and the decision by DCMS to transfer the statutory function of distributing the PLR fund to authors from the current organisation to another body, effectively abolishing PLR as a separate organisation, our key risks are focused on the resulting uncertainty for future governance and operational arrangements.

Other key risks include the security issues involved in holding large amounts of confidential information both in physical and electronic format. As a small organisation we are very reliant on outside stakeholders to support our operations but we minimize this risk by maintaining good working relations and, where possible, identifying in advance obstacles to our success. We rely heavily on our small team of specialist staff, but our succession plans and comprehensive cross-training help to lessen the risk of operational problems from staff absences.

To meet the challenges we have encountered over the last 12 months, we have focused heavily on emerging risks and have ensured that risk awareness takes a high priority throughout the organisation. Risk is a permanent agenda item discussed at team and management meetings and our staff are encouraged to contribute to the identification, assessment and treatment of all risks. Our updated RiskWatch software is available on our intranet and we have added detail on risk history, direction of travel, reason for changes and current actions. All risks are reported to the Audit Committee and the Management Board with risk realization reports where 'near misses' have occurred.

The key risks identified and managed apply to all the strategic targets and achievements we hope to realize in the coming four years as documented in this Corporate Plan. Having considered fully the strategic objectives identified for the year ahead and any unplanned events which may put their achievement in jeopardy, we have not sought to align individual objectives with particular risks as by the nature of the Scheme's operation each objective is vulnerable to impact from all or any of the key risks identified in this plan.

We aim to manage these risks by use of best-practice project management procedures which will give advance warning of overload problems; by the implementation of an Information System Security Policy supported by related staff training; by a constant emphasis on VFM and use of new technologies to enable us to achieve more with existing resources; and by promoting and maintaining good relations with partner bodies on whom we rely for services. PLR is acutely aware of the consequences of not managing these risks effectively and the adverse effect it could

STATEMENT ON INTERNAL CONTROL (cont'd)

have on our authors.

Key controls of the system include:

- a three-year Funding Agreement with the Department for Culture, Media and Sport (DCMS), with key performance targets reviewed half-yearly;
- comprehensive budgeting systems with an annual budget, which is approved by the Registrar and incorporated into the Corporate Plan;
- bi-monthly reviews of risk management and internal control during the year by the Registrar and his management team and reporting of key risks to the Management Board and the Audit Committee;
- six monthly reports from the internal auditors who give an independent and objective opinion on PLR's internal control systems, corporate governance and risk management to the Audit Committee, make recommendations for improvement and keep PLR abreast of current best practice;
- a range of internal controls reviewed by the internal auditors to provide assurance over the effectiveness and reliability of key PLR processes such as book loans data collection, author and book registration, payment calculation and distribution.

Review of effectiveness

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and PLR's executive managers 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 am also guided in this regard by the Audit Committee which advises me on the effectiveness of PLR's internal control systems. PLR has been using the services of Baker Tilly to provide internal audit services, operating to standards defined in the Government Internal Audit Standards. For the financial year 2010-11 Baker Tilly found that PLR had adequate and effective risk management control and governance processes to manage the achievement of the organisation's objectives. In addition to overall annual audit assurance and regular block reports on which to base its advice, the Audit Committee receives copies of PLR's Corporate Plan and other strategy documents; details of key risks and lists of other evidence used by the Registrar to assess the robustness of PLR control systems; and regular progress reports on PLR's implementation of outstanding audit recommendations. The PLR Management Board also reviews PLR's Risk Register and any Priority One internal audit findings.

In light of the evidence available to me, I believe that PLR has had all the necessary risk management and review processes in place throughout 2010-11.

J G Parker
Registrar
7 July 2011

PUBLIC LENDING RIGHT CENTRAL FUND

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

I certify that I have audited the financial statements of the Public Lending Right Central Fund for the year ended 31 March 2011 under the Public Lending Right Act 1979. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Registrar, the Accounting Officer for the Department for Culture, Media and Sport and auditor

As explained more fully in the Statement of Registrar's and DCMS Accounting Officer's Responsibilities the Registrar is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Public Lending Right Act 1979. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Public Lending Right Central Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Public Lending Right Central Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Public Lending Right Central Fund's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Olympics, Media and Sport's directions issued thereunder.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in the light of the Government's announcement to abolish the Public Lending Right. This is subject to legislation and there is therefore uncertainty over the Public Lending Right's ability to continue to operate in its current form.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State for Culture, Olympics, Media and Sport's directions issued under the Public Lending Right Act 1979; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
13 July 2011

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

PUBLIC LENDING RIGHT CENTRAL FUND

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

			2010-11	2009-10
	Note	£	£	Re-stated £
EXPENDITURE				
<u>Administration</u>				
Staff Costs	3	(339,538)		(344,849)
Depreciation	12	(21,558)		(10,822)
Other Operating Charges	4	(255,342)		(276,763)
Irish PLR Project Expenditure	7	(15,399)		(13,684)
<u>Programme</u>				
Public Lending Right to Authors	6	(6,774,601)		(6,759,890)
			<u>(7,376,438)</u>	<u>(7,406,008)</u>
INCOME				
Other Operating Income	5	200		75
Irish PLR Project Income	7	16,019		40,705
			<u>16,219</u>	<u>40,780</u>
Operating Deficit			(7,360,219)	(7,365,228)
Interest received	11	1,562		960
Net expenditure after interest			(7,358,657)	(7,364,268) *
Corporation Tax	10		(458)	(5,876)
Net expenditure for the Financial Year			(7,359,115)	(7,370,144)

* The net expenditure after interest has been re-stated in 2009-10 due to a change in accounting policy which relates to the removal of the cost of capital credit under the HM Treasury Clear Line of Sight Project. This has no effect on the balance of the General Reserve as at 31 March 2010.

The income and expenditure relate to continuing activities.
The notes on pages 28 to 38 form part of these accounts.

PUBLIC LENDING RIGHT CENTRAL FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		31 March 2011	31 March 2010
	Note	£	£
<u>Non-Current Assets</u>			
Property, plant and equipment	12	35,962	50,337
Total Non-Current Assets		<u>35,962</u>	<u>50,337</u>
<u>Current Assets</u>			
Trade and other receivables	14	25,607	24,148
Cash and cash equivalents	15	162,641	130,044
Total Current Assets		<u>188,248</u>	<u>154,192</u>
Total Assets		224,210	204,529
 <u>Current Liabilities</u>			
Trade and other payables	16	(139,854)	(129,094)
Taxation	10	(458)	(5,876)
Total Current Liabilities		<u>(140,312)</u>	<u>(134,970)</u>
Non-current assets plus/less net Current assets/liabilities		83,898	69,559
Assets less liabilities		<u>83,898</u>	<u>69,559</u>
 <u>Reserves</u>			
General Reserve		64,562	58,649
Public Lending Right Reserve	9	19,336	10,910
		<u>83,898</u>	<u>69,559</u>

The notes on pages 28 to 38 form part of these accounts.

J G Parker
Registrar
7 July 2011

PUBLIC LENDING RIGHT CENTRAL FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

		2010-11	2009-10
	Note	£	£
Cash flows from operating activities			
Net deficit after cost of capital and interest		(7,358,657)	(7,364,268)
Depreciation	12	21,558	10,822
Decrease/(Increase) in trade and other receivables	14	(1,459)	19,971
(Decrease)/Increase/ in trade payables	16	10,760	(7,041)
(Decrease)/Increase in redundancy provision		-	(90,113)
(Decrease)/Increase in PLR Reserve provision	9	<u>8,426</u>	<u>8,914</u>
Net cash outflow from operating activities		<u>(7,319,372)</u>	<u>(7,421,715)</u>
Tax Paid		<u>(5,876)</u>	<u>(4,651)</u>
Cash Flows from investing activities			
Purchase of property, plant and equipment	12	<u>(7,183)</u>	<u>(34,286)</u>
Net cash outflow from investing activities		<u>(7,183)</u>	<u>(34,286)</u>
Cash Flows from financing activities			
Grant from DCMS (Net of Registrar's costs)	2	<u>7,365,028</u>	<u>7,498,887</u>
Net Financing		<u>7,365,028</u>	<u>7,498,887</u>
Net increase/(decrease) in cash and cash equivalents in the period	15	32,597	38,235
Cash and cash equivalents at the beginning of the period		<u>130,044</u>	<u>91,809</u>
Cash and cash equivalents at the end of the period		162,641	130,044

The notes on pages 28 to 38 form part of these accounts.

PUBLIC LENDING RIGHT CENTRAL FUND

STATEMENT OF CHANGES IN TAX PAYER'S EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	General Reserve	PLR Reserve	Total
	£	£	£
Changes in taxpayers' equity 2009 -10			
Balance at 31 March 2009	(70,094)	1,996	(68,098)
Net transfer to PLR Reserve	-	8,914	8,914
Net Expenditure	(7,370,144)	-	(7,370,144)
Grant from DCMS (see Note 2 for Registrar's costs)	7,498,887	-	7,498,887
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2010	58,649	10,910	69,559
Changes in taxpayers' equity 2010-11			
Balance at 31 March 2010	58,649	10,910	69,559
Net transfer to PLR Reserve	-	8,426	8,426
Net Expenditure	(7,359,115)	-	(7,359,115)
Grant from DCMS (see Note 2 for Registrar's costs)	7,365,028	-	7,365,028
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2011	64,562	19,336	83,898

PUBLIC LENDING RIGHT CENTRAL FUND NOTES TO THE ACCOUNTS AT 31 MARCH 2011

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Public Lending Right for the purpose of giving a true and fair view has been selected. The particular policies adopted by Public Lending Right are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In October 2010 the Government announced its intention to abolish the PLR body and to transfer responsibility for management of the PLR Scheme to another existing public body. Pending completion of this process, IAS 1 requires management to disclose that the potential abolition of the PLR body creates a material uncertainty over the PLR body's ability as an entity to continue to operate in its current form. Having considered this, and from discussion with the Department for Culture, Media and Sport, the Registrar's expectation is that the PLR body will continue to operate in its current form until at least 31 March 2012. As a result, the Registrar considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

Assets and Depreciation

PLR has no property assets. Items of IT and office equipment and fixtures and fittings costing in excess of £1,000 are added to the tangible assets register. 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, over its expected useful life. Depreciation is charged from the date the asset comes into use. Items under £1,000 are expensed in the year of purchase. Items over £1,000 are depreciated over 3 years for computer and office equipment and 10 years for fixtures and fittings. Depreciated historical cost is used as a proxy for current value for named classes of assets (where appropriate).

Notional Cost of Capital Charge

The HM Treasury Clear Line of Sight Project aims to align budgets, estimates and accounts. As a result of amendments to the budgetary regime, cost of capital charges have been removed from financial statements with effect from 1 April 2010 in line with corresponding changes to budgets and estimates. The impact of this is shown in Note 18.

Foreign Exchange

PLR earnings to authors living outside the UK are made in Euros. Payments will be converted to Euros from Sterling at the rate that applies on the day on which they are paid from PLR's bank account.

Tax

The tax expense represents the current tax expense.

The tax currently payable is based on deposit account interest received and profit from any trading activities undertaken by PLR. Taxable profit may differ from accounting profit as reported in the net expenditure account because it excludes items of income and expense that are taxable or deductible. The liability for current tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

PLR is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT has been charged.

Grant Receivables

The FReM requires Non-Departmental Public Bodies (NDPBs) to account for grants and grant-in-aid as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

Grant-in-Aid received from DCMS is credited directly to the general reserve after the Registrar's costs have been deducted.

Operating Income

Any net profit taken from trading activities undertaken by PLR will be added to the PLR author fund to supplement annual earnings.

Leases

Costs relating to operating leases are charged to the income and expenditure account over the life of the lease.

Employee Benefits

Costs relating to employee benefits are based on the level of accrued unpaid leave or other accrued employment rights outstanding at 31.3.11. Costs for unpaid leave are calculated by multiplying employees' daily payment rate by the outstanding number of days. There are no employment rights outstanding.

Pensions

Past and present employees are covered by the provisions of the Principle Civil Service Pension Scheme (PCSPS). The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependants' benefits. The Central Fund recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from the 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.

Financial Instruments

Financial assets and financial liabilities are recognised on PLR's balance sheet where PLR has become party to the contractual provisions of the instrument.

Financial Assets

Trade Receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of PLR after deducting all of its liabilities.

Trade Payables

Trade payables are initially recognised at fair value.

NOTE 2 HM GOVERNMENT GRANT

	2010-11	2009-10
	£	£
Grant for PLR (DCMS RfR1)	7,451,000	7,582,000
LESS Registrar's Costs	(85,972)	(83,113)
	<u>7,365,028</u>	<u>7,498,887</u>

The Registrar's Costs comprise the salary and National Insurance payments of the present Registrar.

The difference between the Registrar's salary and superannuation costs shown in the remuneration report of £79,577 (£77,047 in 2009-10) and the Registrar's Costs shown above of £85,972 (£83,113 in 2009-10) is employer's National Insurance contributions of £6,395 (£6,066 in 2009-10).

NOTE 3 STAFF NUMBERS AND RELATED COSTS

	2010-11	2009-10
	£	£
Salaries	271,181	278,736
Employer's National Insurance	18,170	15,521
Superannuation	50,187	50,592
	<u>339,538</u>	<u>344,849</u>

Average number of whole time equivalent persons employed during the year (excluding the Registrar) 9 9

Average number of days absence per employee due to sickness 2.38 5.27

In addition to the above salary costs, £15,026 has been charged directly to project expenditure (see note 7).

NOTE 4 OTHER OPERATING CHARGES

	2010-11	2009-10
	£	£
Administration	81,227	105,468
Accommodation	53,358	51,124
Computer Operating Costs	16,887	17,374
Local Authorities	19,895	19,090
Consultants	13,255	11,623
Rentals under operating leases	70,720	72,084
	<u>255,342</u>	<u>276,763</u>

Included in administration expenditure is the exchange rate loss of £56 incurred on outstanding payments to PLR authors (gain of £1,919 in 2009-10).

NOTE 5 OTHER OPERATING INCOME

	2010-11	2009-10
	£	£
Other (PAYE incentive)	-	75
Sales	200	-
	<u>200</u>	<u>75</u>

NOTE 6 PLR PAYMENT TO AUTHORS

A total sum of £6,744,601 (£6,759,890 in 2009-10) was made available from the Central Fund for paying out to 23,366 (23,241 in 2009-10) authors.

Expenditure includes £36,114 still to be paid at the year end. These authors' addresses are unknown to PLR, or their assignees have not made probate claims.

NOTE 7 IRISH PLR PROJECT – COSTS OF SALES AND PROFIT

		2010-11	2009-10
		£	£
Income from Modules 2 and 3		-	37,000
Income from Support and Development		16,109	-
Support and Security Costs		-	3,705
Cost of sales			
Development	1,918		9,180
Support	13,108		1,199
Security	-		3,305
Other	373		-
	15,399		13,684
Net Income		<u>620</u>	<u>27,021</u>

Fees charged for each stage of the project and support contract includes full cost recovery for all staff resource expenditure involved.

Net Income received will be used to supplement funds available for payments to authors.

The Registrar retains full ownership of all intellectual property of the hosted PLR software.

NOTE 8 OPERATING DEFICIT

		2010-11	2009-10
		£	£
The Operating Deficit of is stated after charging		(7,359,115)	(7,370,144)
External Auditor's remuneration -			
Audit Fee - statutory audit		18,000	18,000
- other audit services (IFRS)		-	3,500
Operating Leases -			
- Premises Rental		70,720	68,808
- Other leases		-	3,276
Travel & Subsistence		14,176	13,479
Staff Costs		344,653	344,849
Depreciation		21,558	10,822

NOTE 9 PUBLIC LENDING RIGHT RESERVE

	Balance b/f	Transferred from Creditors: PLR Renounced, Returned or Undistributed after 6 years	Public Lending Right Paid	Transfer to Income and Expenditure Account	Balance c/f
	£	£	£	£	£
Balance at 31.3.10	1,996	9,007	93	-	10,910
Balance at 31.3.11	10,910	8,661	235		19,336

During 2010-11 cash from the PLR Reserve was not used to supplement the main author payment distribution.

The Public Lending Right Reserve 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 Reserve. If this is insufficient to meet claims in the year, an appropriation is made from the Net Expenditure Account. Funds will be transferred from the PLR reserve to the Net Expenditure Account to supplement the PLR author fund when necessary. Under the arrangements of the Scheme any unclaimed payments due will lapse after six years. Such amounts are retained in the Reserve for the benefit of authors. The Registrar considers that the Reserve carried forward is sufficient to meet probable claims.

NOTE 10 TAXATION

	2010-11	2009-10
	£	£
Current Tax		
UK – Current Year	458	5,876

The charge for the year can be reconciled to the profits chargeable to income tax as follows:

Interest Receivable	1,562	960
Profit from trading activities	620	27,021
	<u>2,182</u>	<u>27,981</u>
Tax at the domestic corporation tax rate of 21% (2009-10 – 21%)	<u>458</u>	<u>5,876</u>

NOTE 11 INTEREST RECEIVED

	2010-11	2009-10
	£	£
Interest on bank deposits	1,562	960

The lower interest figure for 2009-10 is due to the fall in bank interest rates.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	IT & Equipment	Fixtures & Fittings	TOTALS
	£	£	£
Cost or Valuation			
At 1 April 2010	104,852	64,701	169,553
Additions	5,792	1,391	7,183
Disposals	(26,927)	-	(26,927)
At 31 March 2011	83,717	66,092	149,809
Depreciation			
At 1 April 2010	72,869	46,347	119,216
Charge in year	13,160	8,398	21,558
Disposals	(26,927)	-	(26,927)
At 31 March 2011	59,102	54,745	113,847
Net Book Value at 31 March 2011	24,615	11,347	35,962
Net Book Value at 31 March 2010	31,983	18,354	50,337
Cost or Valuation			
At 1 April 2009	75,004	67,434	142,438
Additions	34,286	-	34,286
Re-Categorised Costs	2,733	(2,733)	-
Disposals	(7,171)	-	(7,171)
At 31 March 2010	104,852	64,701	169,553
Depreciation			
At 1 April 2009	71,112	44,453	115,565
Charge in year	6,195	4,627	10,822
Re-Categorised Costs	2,733	(2,733)	-
Disposals	(7,171)	-	(7,171)
At 31 March 2010	72,869	46,347	119,216
Net Book Value at 31 March 2010	31,983	18,354	50,337
Net Book Value at 31 March 2009	3,892	22,981	26,873

NOTE 13 FINANCIAL INSTRUMENTS

As the cash requirements of Public Lending Right are met through Grant-in-Aid provided by the Department for Culture, Media and Sport, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with PLR's expected purchase and usage requirements and PLR is therefore exposed to little credit, liquidity or market risk. As payments to authors resident overseas are made in Euros, there are some risks associated with exchange rate variances.

PLR has a statutory obligation to hold unclaimed author payments for up to six years. These payments are not classed as a financial instrument as there is no contractual liability existing.

NOTE 14 TRADE AND OTHER RECEIVABLES

	31 March 2011	31 March 2010
	£	£
Sundry Prepayments	3,242	-
Rent and Service Charge Prepayments	19,356	19,961
Sundry and Trade Debtors	3,009	4,187
	<u>25,607</u>	<u>24,148</u>

The fair value of trade and other receivables is not considered to be materially different from their carrying value.

The average credit period taken is 4 days (2009-10 30 days).

There were no amounts falling due after one year.

NOTE 15 CASH AND CASH EQUIVALENTS

	2010-11	2009-10
	£	£
Balance at 1 April	130,044	91,809
Net change in cash and cash equivalent balances	32,597	38,235
Balance at 31 March	<u>162,641</u>	<u>130,044</u>

These balances were held at commercial banks and cash in hand and are held in sterling.

The carrying value of cash and cash equivalents approximates to their fair value.

NOTE 16 TRADE AND OTHER PAYABLES

	31 March 2011	31 March 2010
	£	£
Amounts falling due within one year:		
Trade payables	19,106	18,512
Employee benefits – unpaid leave	7,394	7,198
Public Lending Right - Undistributed:		
04/05	-	8,897
(393 authors) 05/06	8,358	10,388
(1,032 authors) 06/07	14,530	16,290
(1,076 authors) 07/08	17,067	19,953
(1,105 authors) 08/09	18,150	20,603
(1,085 authors) 09/10	19,135	27,253
(1,197 authors) 10/11	36,114	-
	<u>139,854</u>	<u>129,094</u>

NOTE 17 CAPITAL COMMITMENTS

At 31 March 2011 there were no capital commitments contracted for, or capital commitments approved but not contracted for (£nil at 31 March 2010).

NOTE 18 RESTATEMENTS

Statement of Comprehensive Net Expenditure

	Published Account as at 31 March 2010	Change of Accounting Policy	Restated at 31 March 2010
Opening Deficit	(7,365,228)		(7,365,228)
Cost of Capital and Interest Received	986	(26)	960
	<u>7,364,244</u>		<u>(7,364,268)</u>
Reversal of Cost of Capital and Corporation Tax	(5,902)	26	(5,878)
	<u>7,370,144</u>		<u>7,370,144</u>

- a) The change of accounting policy relates to the removal of the cost of capital credit under the HM Treasury Clear Line of Sight project. This has no effect on the general reserve balance as at 31 March 2010.

NOTE 19 COMMITMENTS UNDER LEASES

As at 31 March total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2010-11	2009-10
	£	£
Building		
Not later than one year	72,000	68,808
Later than one year but not later than five years	192,000	252,292
Later than five years	-	-
Other		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
	<u>264,000</u>	<u>321,000</u>

Lease agreement was renewed in November 2009. Public Lending Right has no finance leases.

NOTE 20 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 17

At 31 March 2011 there were no contingent liabilities (£nil at 31 March 2010).

NOTE 21 GOING CONCERN

In October 2010 the Government announced its intention to abolish the PLR body and to transfer responsibility for management of the PLR Scheme to another existing public body. Pending completion of this process, IAS 1 requires management to disclose that the potential abolition of the PLR body creates a material uncertainty over the PLR body's ability as an entity to continue to operate in its current form. Having considered this, and from discussion with the Department for Culture, Media and Sport, the Registrar's expectation is that the PLR body will continue to operate in its current form until at least 31 March 2012. As a result, the Registrar considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

NOTE 22 RELATED PARTY TRANSACTIONS

Public Lending Right is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport. The DCMS is regarded as a related party. During the year PLR has had various transactions with DCMS and with other entities for which DCMS is regarded as the parent Department:

British Library - provision of bibliographic data

In addition, PLR has had a number of material transactions with other government bodies:

Local authorities - provision of loan sample

During the year, no Board member, Committee member, key manager or other related party has undertaken any material transactions with PLR during the year.

NOTE 23 PENSIONS

The PCSPS is an unfunded multi-employer defined benefit scheme but Public Lending Right is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, the employers' contributions of £50,187 were payable to the PCSPS (2009-10, £50,591) at one of four rates in the range 16.7% to 24.3% of pensionable pay (the rates in 2009-10 were 16.7% to 24.3%). Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme Actuary. The contribution rates are set to meet the cost of benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employers' contributions were paid in the year. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. No employer contributions were payable to the PCSPS to cover the cost of the future provision of lump sum death benefits on death in service and ill health retirement of employees.

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

NOTE 24 POST BALANCE SHEET EVENTS

The annual report and accounts were authorised for issue by the Accounting Officer on 13 July 2011.

There were no other post balance sheet events.



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