Annex A

Resource DEL budget

The Resource DEL Budget is split into three sub-totals. The **Administration** budget is the amount available for net expenditure on administration and management of your organisation. Should you wish to go further in reducing administration costs to enable a larger portion of the funds provided to be used at the front-line, you will not be penalised and you have the authority to use any underspend on the administration budget in either the programme or depreciation budgets instead.

In contrast, the **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation[1] and impairment charges have been set against it, any overspend must be covered by a reduction in expenditure on either the Programme or Administration budgets. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

The **Programme** budget is simply all other resource expenditure not already captured in the Depreciation and Administration budgets.

Capital DEL budget

The Capital DEL budgets are also separated into three distinct control totals.

Where the National Portrait Gallery has a **major project**, the specific funding for this is shown separately. It is not permissible to switch funding from that project to other areas of capital expenditure without the permission of the Department. You are expected to control expenditure on the project and plan to ensure that the project conforms to the budgetary limits shown. I wish to be quite clear that any slippage in the project that requires the deferral of expenditure to a later year will only be approved if the Department's overall budget has sufficient headroom to accommodate it. If it does not, you will be expected to defer expenditure and re-phase the project to conform to the profile shown. I would encourage you to ensure that any contracts you sign or agreements that you enter into are flexible enough to accommodate this.

Capital grants are also given a separate heading within the Capital DEL budget. This is only for grants given to third parties and may not be used on any capital projects or schemes by the National Portrait Gallery itself.

[1] The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations.

The last category is **core capital**. This captures all other capital expenditure and might include smaller capital projects, maintenance and replacement work. The Department will look kindly upon proposals to use the budget allocated for core capital expenditure on either increasing the value of capital grants distributed or on assisting with the re-profiling of major projects; however, you still require Departmental approval to change the nature of the expenditure.

For museums and galleries that have reserves, separate arrangements will be put in place to manage the drawdown of accumulated reserves and to handle their future build up (eg from new donations). I will write separately to the bodies affected.

Please remember that any project that costs (over its lifetime and including all funding streams) more than your delegated capital limit must be approved by the Investment Committee at DCMS using the approved process.