

2006 - 07

Report on the  
Public Lending Right  
Scheme  
and  
Central Fund Account



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The Secretary of State for Culture,  
Media and Sport

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### **Public Lending Right**

Richard House  
Sorbonne Close  
Stockton-on-Tees TS17 6DA  
t: 01642 604699 f: 01642 615641  
email: theregistrar@plr.uk.com

# Public Lending Right Annual Report and Account 2006-2007

Ordered by the House of Commons to be printed  
18 July 2007

Report, by the Secretary of State for Culture,  
Media and Sport, on the PLR Scheme 2006-07,  
incorporating the Registrar's Annual Review,  
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, for the year ended 31  
March 2007.

HC 761 LONDON: The Stationery Office £9.00

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## Preface

I am very pleased to lay before Parliament this Report by the Registrar of Public Lending Right on the operation of the PLR Scheme 2006-07.

The Registrar's Review demonstrates that the PLR Scheme continues to play an important role in supporting the country's authors and thereby contributing to my Department's objectives for the wider cultural sector. The Department recently recommended to Parliament a Rate Per Loan of 5.98 pence, the highest to date, as a basis for the payments made to authors this year. It is encouraging that over 23,000 writers, illustrators, translators and editors of books had books borrowed sufficiently often in public libraries across the country to receive a PLR payment. This reflects the strength and diversity of writing in this country, and the success of libraries in making such a wide range of work available to borrowers.

The Registrar and his team have been successful in meeting the challenging targets that my Department agreed with them for the running costs of the Scheme during 2006-07. This is against a background of continued expansion in the number of authors registering for PLR. It is important that authors from every walk of life and background have an equal opportunity to benefit from the Scheme and I welcome the efforts of the Registrar and his team to improve the facilities available to authors through the improved on-line registration service to be launched shortly.

Looking to the future, the Registrar and the PLR Advisory Committee have recognised the need to look into the possible implications for the PLR Scheme of the growing trend towards

digital provision of publications and the steps being taken by libraries to provide access to authors' works in these formats. I look forward to receiving their recommendations.

On the international front, too, it is a time of rapid change, with new PLR systems emerging across the European Community to meet the requirements of the EU Directive on lending rights. The largest of these new systems offer the potential of payment to British authors on a reciprocal basis, and I welcome the work of PLR in assisting colleagues from other member states.

I should like to thank Simon Brett, Chair of the PLR Advisory Committee, and his fellow Committee Members for their hard work in monitoring the operation of the Scheme and for the advice that they provide. My thanks also go to Dr Jim Parker, Registrar of PLR, for his ongoing care and stewardship.

A handwritten signature in black ink, appearing to read 'James Purnell', written in a cursive style.

**The Rt Hon James Purnell MP**  
Secretary of State for Culture, Media  
and Sport

## Overview

This Report describes our work over the last year in administering the PLR Scheme in line with our statutory responsibilities. We aim to do this efficiently, cost-effectively and fairly, with the emphasis on providing authors with the best service possible. The Scheme works to an annual cycle of registering new authors and books, collecting and processing loans data from the public library authorities in our statistical sample, and calculating and distributing payments.

The PLR Act (1979) gives the Registrar sole corporate responsibility for the PLR Scheme. The PLR Advisory Committee provides advice to the Registrar and DCMS Ministers on aspects of the Scheme's operation. The day-to-day management of the Scheme has been undertaken by Author and Corporate Services teams reporting through managers to the Assistant Registrar. This delegation of responsibility enables the Registrar to concentrate on strategic and developmental issues.

To assess our performance we have agreed a number of key performance indicators as part of our Funding Agreement with DCMS. These are described in more detail in the Report.

Our key targets for the year related to the running costs of the Scheme, and completion of the various parts of the annual PLR cycle which are essential if authors are to be paid accurately and on time in February. We achieved our running costs target and completed the collection of loans data and registration of new authors and books in line with the Scheme's timetable. Some £6.81 million was distributed in payments to over 23,000 authors.

The Scheme continues to grow, with 1,350 new authors registering by 30

June 2006 to qualify for payment in 2007. Contributing to this growth have been various promotional initiatives that we have undertaken as part of our marketing strategy, and the easy accessibility and growing popularity of the on-line registration system. Some 65% of first-time registrations are now received on-line. But we have been conscious of the limitations of the prototype on-line system and of the many suggestions made by authors to extend its facilities. We have been redesigning the system to take account of these ideas and we look forward to launching the improved system later in the year.

A continuing challenge is to identify new areas of administration where we can improve efficiency and thereby reduce still further the running costs of the Scheme. We have begun a review of our accommodation needs and are taking advantage of the savings in procurement costs available through the 'framework' agreements negotiated by DCMS with a growing range of suppliers of goods and services.

Much effort in the first part of the year went into converting our systems to comply with new international 13 digit ISBN format. As the ISBN provides the link between all the processes that underpin the Scheme's operation - book registration, loans data collection and payment calculation - it was imperative that our systems were reviewed and converted in advance of the international switch-over to the extended format in January 2007. The work was completed successfully in October 2006 enabling the annual payment calculation and distribution cycle to proceed as normal in January and February 2007.

## Author Services

### Author and Book Registration

The Scheme requires authors to apply to have their books registered for PLR. To qualify for registration applicants must be resident in a European Economic Area country and be able to demonstrate that they are the authors of the books applied for. Books, too, are subject to qualifying criteria, the principal of which require that they are printed and bound, and have an ISBN. Applications may be submitted to the PLR office on printed forms or on-line through the PLR website. All applications must be made by the annual cut-off date of 30 June, and these are then processed by the Author Services team by the end of July in preparation for the annual payment calculations.

Registrations have continued at a high level over the last year in keeping with the record numbers of books being published in the UK. The high level of registrations also reflects the success of PLR's marketing activities aimed at ensuring that authors in the UK and the other EEA countries are aware of their PLR opportunity. Over 7,000 applications and related transactions were received and processed by 30 June 2006. Since the introduction of our on-line registration service in 2003 usage among authors has grown steadily. Around half of all book applications processed were submitted electronically during the year under review. As noted elsewhere in the Report much effort has gone into preparations for the new on-line service. Additionally, some 1,100 applications from authors to renounce their PLR registrations were processed in January 2007. These tend to be received in cases where books have not generated any PLR income for several years and authors decide to rescind their PLR registration.

The Author Services team aims to deal promptly, efficiently and responsively with the applications for registration, enquiries and suggestions for improvements to the service from authors. We set ourselves challenging targets in areas such as quality of service as judged by the responses to questionnaires issued throughout the year to authors. These are set out later in the Report under Funding Agreement targets. In the year down to 30 June 2006 we exceeded the 95% author satisfaction target with a rating of 99%, and, of these, 67% of respondents rated the service as excellent.

We are conscious of the diverse ethnic background of the authors writing for the UK market and whose work is increasingly popular in public libraries. This year we initiated a research project into how best to establish contacts with authors from BME (Black and Minority Ethnic) backgrounds to help ensure that publicity about the Scheme is reaching them.

### Loans Data Collection

Managing the PLR library sample involves selection of new sample library authorities to meet the Scheme's rules on rotation; and working with the selected authorities to ensure that all the appropriate ICT and other systems are in place to enable PLR to collect book loans data. Data is received in monthly and two-monthly batches and accumulated for each authority during the PLR year, 1 July to 30 June, in preparation for the annual 'grossing up' procedures in the autumn. Incoming data must be received, validated, processed and stored on the PLR system. Loans information for the February 2007 payments came from 1,124 branches and service points across 39 library authorities. The data collected represented 22.5% of all book loans made by public libraries in

the UK. The period under review in this Report embraces two PLR years: the final months of the July 2005 – June 2006 year and the first nine months of the July 2006 – June 2007 PLR year. Loans data from the former period was used to calculate the February 2007 payments, while data from the latter will underpin the payments due to be made in February 2008. Table 1 below lists the library authorities participating over the two PLR years.

Loans data from all 39 authorities was successfully collected during the 2005-06 year and had been processed in time for the payment calculations in October. At the end of the sampling year eight library authorities were replaced in line with the Scheme's rules on rotation. For the 2006-07 sampling year it has proved possible to extend the range of the sample by increasing its size to 41 authorities. This was partly achieved by identifying library authority consortia sharing the same system supplier thus allowing us to collect data from several authorities at no extra cost.

Close working relations with public libraries are essential for the efficient and timely collection of the loans data required for calculating the payments made to authors under the PLR Scheme. We are also conscious of the Department's Framework for the Future strategy for public libraries in England and are seeking to support this through the loans data service (LEWIS) that we are developing and which will ultimately enable libraries to have direct access to PLR's unique database of information on book borrowing trends. In terms of the quality of the service we provide to sample library authorities we aimed to meet a target of 95% satisfaction. Based on feedback received from a cross-section of authorities we achieved a figure of 97%.

Table 1  
**Sample Library Authorities**  
 2005/06 and 2006/07

<b>England</b>	
Derbyshire/Derby	Nottinghamshire/Nottingham
Gloucestershire	Oxfordshire
Hampshire	Stoke-on-Trent
Kent	West Sussex
Lincolnshire	Windsor & Maidenhead
Milton Keynes/Buckinghamshire*	Worcestershire
Northumberland	
<b>Metropolitan Districts</b>	
Bolton	Wigan
Coventry*	The Wirral*
North Tyneside	
<b>Greater London Boroughs</b>	
Bexley*	Harrow
Brent*	Redbridge/Havering/Wandsworth
<b>Wales</b>	
Conwy	
Pembrokeshire*	
Swansea	
<b>Scotland</b>	
Argyll & Bute	Fife*
Edinburgh	Orkney
<b>Northern Ireland</b>	
All five Library and Education Boards are included in the PLR sample	

\*Authorities marked with \* were replaced in 2006/07 by  
 Darlington  
 Essex/Southend/Thurrock  
 Newcastle upon Tyne  
 St Helens  
 Corporation of London  
 Tower Hamlets  
 Neath Port Talbot  
 East Lothian

## Corporate Services

### Finance

Our Corporate Services team takes responsibility for the full range of finance, human resources, ICT and other corporate functions. The team represents 54% of the PLR staff complement.

We met our efficiency target for net grant-in-aid expenditure of £813,000. (Fuller detail of PLR expenditure, including other income can be found in the Accounts.) This freed £6.81 million for distribution to authors as payments. During 2006-07 the finance team has worked on a number of initiatives to implement more efficient procurement solutions. These have included taking advantage of the wider 'framework' agreements negotiated by DCMS providing the economies of scale that smaller organisations operating independently find it hard to achieve. Savings on stationery have been averaging 49% per order. We have also made savings by benchmarking our utility costs. During the coming year we aim to extend these savings into other areas of procurement and to make use of the Government Procurement Card for a range of low value transactions.

The PLR staff pension scheme was wound up in 2002-03 and staff and existing pensioners transferred across to the Principal Civil Service Pension Scheme (PCSPS). The Registrar's one-person pay-as-you-go pension scheme was wound up on 31 March 2006 and with effect from 1 April 2006 he joined PCSPS. Following a valuation of his existing PLR pension benefits, these were also transferred across to PCSPS during the year. This removed the last of the PLR Central Fund's pension liabilities.

### Human Resources

Much effort has gone into procedures following the implementation of

legislation dealing with age discrimination and disability equality. These were implemented by the target dates specified in the legislation, and areas for improvement identified.

We also introduced 'scenario' testing as a means of testing the effectiveness of our business continuity plans and this pointed up a number of areas where documented procedures could be improved.

We reach a break-point in the lease for our current office accommodation in 2009. Accommodation is now our second largest area of spending and this provides an opportunity to review our requirements and seek savings in accommodation costs. Particular focus has been given to these following the National Audit Office review of the accommodation occupied by DCMS-sponsored bodies last year. We have begun work on the review which will provide recommendations in the coming year and in good time for us to agree a longer-term accommodation strategy with DCMS before we reach the break-point in our present lease.

During the year we provided RSI training for all staff and carried out work station assessments. We also commissioned an external risk assessment which made a number of recommendations for improvements, none of which required urgent action. We continued to monitor our management of stress against Health and Safety Executive standards, and since the first staff questionnaires were issued in 2005 have seen a steady improvement in results. All Health and Safety responsibilities, including equipment testing, maintenance and fire safety training, were discharged to the required standards.

### Sustainability

PLR's Green Strategy is now firmly embedded in our management of the Scheme. During 2006-07 we recycled over 160 bags of waste paper. The principles of sustainable development form an integral part of our procurement strategy. With the adoption of the framework agreement for stationery we have been able to increase our green purchases without increasing our costs. Currently, all our paper for general use is made from 80%-100% recycled materials. We will continue to consider green issues for all other purchases. Our emphasis on e-business is allowing us to reduce the amount of paper that we consume as an office. Energy efficiency measures include ensuring that all non-essential equipment and lights are switched off when not in use and during out-of-office hours.

## Payments to Authors

As part of the annual payment cycle the PLR computer calculates a Rate Per Loan derived from dividing the total number of eligible book loans into the money available in the PLR Fund for distribution as payments. We were able to recommend an increased Rate Per Loan of 5.98 pence this year as a basis for payment to authors. The higher Rate proved acceptable to Ministers at DCMS and parliamentary approval was

obtained by the Department in good time to enable us to print, pack and despatch payment statements to registered authors during the first week in January. All changes to authors' address and bank details triggered by receipt of the statements were processed by the Author Services team in time to allow payments to be made in the first week in February. As a result of the lowering of the minimum

payment threshold to £1, the number of payments increased from the previous year's figure of 18,584 to 23,866. The payments software developed by our in-house ICT and finance staff in the previous year enabled us to absorb the extra payments with no increase in staff time. A breakdown of the payments made in February 2007 is provided below in Table 2.

**Table 2**  
**Payment Distribution**

23,866 authors and assignees (18,584 in 2005-06) qualified for payments.  
The numbers of authors in the various payment categories were as follows:

	24th Year	23rd Year
<b>Authors Earning:</b>		
£6,000.00 - £6,600.00**	291	281
£5,000.00 - £5,999.99	72	68
£2,500.00 - £4,999.99	397	390
£1,000.00 - £2,499.99	788	782
£500.00 - £999.99	922	959
£100.00 - £499.99	3,661	3,725
£50.00 - £99.99	2,319	2,403
£1.00 - £49.99**	15,416	9,976
	23,866	18,584
<b>Expenditure</b>	6,809,018	6,543,164

\*\*Maximum threshold raised to £6,600 in 2006-07 (£6,000 in 2005-06). Minimum threshold lowered to £1 in 2006-07 (£5 in 2005-06).

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

	£	%
£6,000.00 - £6,600.00	1,913,101	28
£5,000.00 - £5,999.99	394,756	6
£2,500.00 - £4,999.99	1,401,327	21
£1,000.00 - £2,499.99	1,243,316	18
£500.00 - £999.99	652,040	10
£100.00 - £499.99	838,705	12
£50.00 - £99.99	165,055	2
£1.00 - £49.99	200,718	3
		100

## Information and Communications Technology

### **ICT and e-Business**

PLR's Information and Communications Technology requirements are met by our in-house team. ICT underpins the basic operation of the PLR Scheme and a growing range of services provided to authors and libraries. It continues to provide the main avenues to efficiency savings at PLR. In addition to providing continuing support and maintenance for PLR's IT and communication systems, the team contributed to the following projects:

### **ISBN 13**

A major challenge this year has been the work associated with converting PLR systems to cope with the international change-over from 10 digit ISBNs to an extended 13 digit format. A smooth transition had to be achieved by the switch-over date in January 2007. It was vital that PLR's systems and those of partner bodies, such as sample library authorities, their software suppliers and PLR's bibliographic suppliers, were able to operate with the new format to ensure no break in the supply of loans data or difficulties for authors trying to register books in either format. It was also important that authors be kept informed of developments to avoid confusion. For PLR, this meant a virtual rewriting of the entire registration, loans data and payment calculation systems and regular updates to authors. All PLR programs and applications were converted by October 2006 and all ISBNs in the system were converted to 13 digit by October. Given that the final change-over to the extended format will not be completed across the book trade for some time, the PLR system retains the facility to recognise both types of ISBN.

### **Improved on-line registration service**

Since the introduction of our on-line registration service in 2003 usage

among authors has grown steadily.

Around half of all book applications processed were submitted electronically during the year under review. Much effort has gone into preparations for the new on-line service. A wide range of suggestions from authors on how the service might be improved and extended have been received and these have formed the basis of a specification that has been developed in-house over the last year for redesigning and improving the service. The development work has been undertaken by PLR's in-house ICT and Author Services teams. Management of the new service will be taken over by PLR staff at the end of the current contract with our external service provider thus providing improved service for authors and savings in running costs.

### **Exchange Server**

PLR's internal e-mail management system, based on a Microsoft Exchange server, was successfully migrated to a new server in October 2006. The new server provides improved reliability and supports PLR's business continuity planning with enhanced back-up and recovery procedures. The server also provides additional capacity to hold the growing volume of PLR data.

## Summary of Performance against Funding Agreement Targets

<b>Funding Agreement Targets 05-08</b>	<b>2006-07</b>	<b>STATUS</b>	<b>2007-08 PLANS</b>
<b>1. Efficiency Savings</b> Meet efficiency target of 5% saving in running costs based on 2004/05 baseline to meet target figure of £813,000	5%	✓ Achieved 5%	7.5%
<b>2. Author Satisfaction</b> Maintain high stakeholder satisfaction rate (based on survey of registered authors)	95%	✓ Achieved 99%	95%
<b>3. Library Satisfaction</b> Maintain high stakeholder satisfaction rate (based on survey of sample libraries)	95%	✓ Achieved 97%	95%
<b>4. Speed and Accuracy</b> Achieve high stakeholder satisfaction rates (based on author survey)	95%	✓ Achieved 99%	95%
<b>5. On-line registrations</b> Increase % of registration transactions undertaken via on-line registration service to meet the following targets (taking the 2004-05 figure of 40% as the baseline)	50%	✓ Achieved 65%	55%

## Delivery Plan

PLR's Delivery Plan provides details of the strategic objectives agreed with DCMS. Strategic objectives achieved in 2006-07 include:

### **1. Administer PLR to meet the legal requirements of the PLR Act and Scheme**

Outcomes achieved were:

- a) complete by 31.7.06 registration of all application forms received before 30.6.06
- b) introduce required number of new library authorities to sample and complete sample data collection by 31.10.06

### **2. Expand the Scheme to bring in more authors and extend the library sample while meeting efficiency targets**

Outcomes achieved were:

- a) continue to absorb growing author and book registrations (average 1,200 new authors per year)
- b) continue to increase size of library sample to improve representativeness of loans data collected over the 3 year Funding Agreement period (increase from 39 to 41 sample authorities from July 2006)

## Advisory Committee and Development of the Scheme

The PLR Advisory Committee exists to provide expert advice to the Secretary of State and the Registrar on the operation of the PLR Scheme. The Chair and Members are appointed by the Secretary of State and are drawn from the fields of literature, libraries, and authors' rights. The Committee met twice during the year: in May at the PLR offices in Stockton-on-Tees, and in November at the DCMS offices in London. Details of the Committee's membership are provided below in Annex A to the PLR Accounts.

The Committee monitors the operation of PLR, in particular its impact on authors, and advises on publicising PLR in the media and elsewhere to ensure that authors are aware of the Scheme's existence. The Committee supports the Registrar in his plans for future development by taking account of developments in authors' rights, libraries, the book trade, authorship and intellectual property which may have a bearing on the continuing relevance and operation of the Scheme, and on PLR internationally.

The review of the operation of the Scheme initiated by the Committee last year to identify scope for efficiencies produced a number of proposals for changes to the Scheme's provisions. It has been agreed to postpone detailed discussion of the proposals pending decisions on PLR's future funding arising from the current government Comprehensive Spending Review.

During the year the Committee set up a working group to look into the future implications for authors' rights and PLR of digital developments in the publishing and library fields and the group's work continues. As part of PLR's plans to ensure that authors from all backgrounds have an equal opportunity to benefit from the

Scheme, the Committee welcomed the appointment to its ranks of Dr Debjani Chatterjee, who brings to the Committee's deliberations extensive experience of supporting writers from ethnic minority backgrounds.

As co-ordinator of the international PLR network the Registrar provides advice and technical assistance to individual countries seeking PLR solutions. These international connections provide opportunities for the PLR office to make UK best practice available to emerging national PLR systems, and to seek out opportunities to establish reciprocal arrangements with other national schemes to enable British authors to receive PLR payments from abroad.

During the year we provided support to the European Writers Congress in preparation for a PLR seminar in Budapest to be held in April 2007 aimed at emerging PLR nations in Europe, and to the French authors' organisation SOFIA as they prepared for the 6th International PLR Conference which is to be held in Paris in September 2007. Twenty-one member states are now operating, or have plans to implement, PLR schemes in line with the requirements of the EU Lending Right Directive. Three countries (Austria, Germany, and the Netherlands) now make payments to UK authors via PLR's partner organisation, the Authors' Licensing & Collecting Society, and first payments from the new French PLR system are expected in June 2007.

# PLR Central Fund Account

2006 - 07

# Public Lending Right

## Central Fund Account 2006-2007

### MANAGEMENT COMMENTARY

These are the accounts for the twenty fourth year of the Public Lending Right (PLR) Central Fund and cover the annual payments due to authors at 31 March 2007.

#### 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.

The Public Lending Right Advisory Committee advises the Secretary of State for Culture, Media and Sport and the Registrar on the operation of the Scheme but has no formal responsibility for the management of PLR. Appointments to the Committee are made by the Secretary of State. Details of the Committee's membership at 31 March 2007 are provided in Annex A.

#### Review of Activities

The twenty fourth 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, Media and Sport.

#### Payments to Authors

PLR's core funding from DCMS was increased to £7.65 million (£7.419 million in 2005-2006). On the basis of the increased funding, it proved possible to increase the level of the rate per loan for the February 2007 payments to authors to 5.98 pence, the highest figure to date (5.57 pence in 2005-2006). A total sum of £6,809,018 (£6,543,164 in 2005-2006) was made available from the Central Fund for paying out to 23,866 (18,584 in 2005-2006) authors. 82% of the Fund was distributed in payments of £500 or more.

Expenditure includes £40,729 still to be paid at the year end. These authors' addresses are unknown to PLR, or their assignees have not made probate claims. A further £17,192 is a separate provision which is used to supplement the central fund. There were 10,386 (15,871 in 2005-2006) authors whose books earned no payment.

#### 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 5 to the financial statements.

#### Payment of Creditors

The Registrar adheres to the Government-wide standard for payment of bills by aiming to settle all bills within thirty days. In 2006-2007, 100% of creditor invoices were paid within 30 days of being received (2005-2006, 99%). 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.

### **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’s Corporate and Author Services Teams have regular staff meetings at which matters relating to PLR’s activities are discussed. Additionally, staff are briefed on matters discussed at senior management and planning 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.

### **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.

### **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

28 June 2007

## Annex A

### PLR Advisory Committee

The members of the Advisory Committee during the year were:

Mr Simon Brett (Chairman)

Mr Tony Bradman

Dr Debjani Chatterjee (*Appointed 1 December 2006*)

Ms Gill Coleridge

Mr Rob Froud (*Reappointed 20 January 2007*)

Dr Maggie Gee

Ms Miranda McKearney, OBE (*Appointment ended 15 May 2006*)

Dr Barry Turner

Mr Owen Atkinson (Authors' Licensing & Collecting Society),  
Dr Bob McKee (Chartered Institute of Library and Information Professionals),  
Mr Mark Le Fanu, OBE (Society of Authors) and  
Mr Bernie Corbett (Writers' Guild of Great Britain)  
also attended Committee meetings as assessors.

None of the Advisory Committee members received any remuneration from PLR.

### PLR Audit Committee

The members of the Audit Committee during the year were:

Mr Mike Dewsnap (Chairman)

Ms Pat Hunt

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 £7,702,000 grant due to be made available. 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 2006-2007 the total deduction was £80,822 (2005-2006, £71,620).

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

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 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 KPIs agreed with DCMS. The committee may call for further information if required.

Members of the Committee during the year were:

Mr Simon Brett (Chairman)  
Ms Gill Coleridge  
Mr Mark Le Fanu, OBE

*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 £59,902 plus a consolidated bonus of £1,163. £2,908 of this figure had not been paid during 2006-07 (2005-2006 total emoluments were made up of £58,157 basic salary plus a non-consolidated bonus of £6,776). The Registrar's superannuation costs were £13,493.

	Age	Salary Earned	Performance Pay Earned	Superannuation Charges at 18%
Dr James Parker	54	59,902	1,163	13,493

### Registrar's Pension

	Real increase in pension at 60	Real increase in related lump sum at 60	Accrued pension at 60 at 31 March 2007	Accrued lump sum at 60	Cash equivalent transfer value		
	£'000	£'000	£'000	£'000	As at 1 April 2006	As at 31 March 2007	Real increase in year
Dr James Parker	10 -12.5	30 - 32.5	10 - 15	30 - 35	0	203	202

The Registrar receives no benefits in kind.

The Registrar's appointment has been 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.

## RESPONSIBILITIES OF THE REGISTRAR AND DCMS ACCOUNTING OFFICER

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 for Culture, Media and Sport, 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 judgements and estimates on a reasonable basis;
- state whether applicable accounting standards 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 Accounting Officer's Memorandum issued by the Treasury and published in Government Accounting.

\*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

28 June 2007

## 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 Government Accounting and ensuring compliance with the requirements of PLR's Management Statement and Financial Memorandum.

### Purpose of the system of internal control

The system of internal control is designed to manage rather than 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.

### 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.

Our system is now 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.

PLR uses the services of Bentley Jennison to provide internal audit services, operating to standards defined in the Government Internal Audit Standards. The annual audit plan is drawn up in conjunction with me as 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 environment

PLR's Risk Register is kept under continuous review by the Registrar, the Audit Committee and PLR's management team. The most significant risk to the operation of the Scheme and the achievement of Funding Agreement objectives is the potential impact of cost cutting required (a) to achieve current and future DCMS efficiency savings targets, and (b) potential reductions in grant-in-aid from 2008-09 arising from the current Comprehensive Spending Review, the outcome of which is not yet known. We are in discussion with DCMS on the management of these risks.

Other risks relate to the relative smallness of the PLR operation and our reliance on external suppliers of services. These include the risks to the effective management of the Scheme posed in addressing central government and other initiatives, and the risk of failing to meet business targets as a result of inadequate planning. We aim to manage these risks by use of best-practice project management procedures which will give advance warning of overload problems; by a constant emphasis on efficiency 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 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;

## STATEMENT ON INTERNAL CONTROL (cont'd)

- regular review of risk management and internal control during the year by the Registrar and his management team and reporting of key risks to the Audit Committee;
- regular 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, and make recommendations for improvement;
- a range of controls approved and 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;
- close liaison between PLR's external auditors, Baker Tilly UK Audit LLP acting on behalf of the National Audit Office, and the internal auditors.

### **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. In addition to overall annual audit assurance and regular block reports on which to base its advice, the 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.

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 2006-07.

*J G Parker*  
Registrar

28 June 2007

## **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 Public Lending Right for the year ended 31 March 2007 under the Public Lending Right Act 1979. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses 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 of the Department for Culture, Media and Sport and Auditor**

As described on page 20 the Accounting Officer of the Department for Culture, Media and Sport has responsibility for payments into the Public Lending Right Central Fund and to the Registrar. The Registrar, as Accounting Officer for the use of and expenditure from the Public Lending Right Central Fund, is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Registrar's and the Department for Culture, Media and Sport Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Preface, Registrar's Annual Review, Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Public Lending Right has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects Public Lending Right's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Public Lending Right's corporate governance procedures or its risk and control procedures.

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

#### **Basis of audit opinion**

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

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

#### **Opinions**

##### **Audit Opinion**

In my opinion:

- The financial statements give a true and fair view, in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions made thereunder, of the state of Public Lending Right's affairs as at 31 March 2007 and of its deficit for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions made thereunder; and
- Information given within the Annual Report, which comprises the Preface, Registrar's Annual Review, Management Commentary and Remuneration Report, is consistent with the financial statements.

#### **Audit 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.

#### **Report**

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General  
11 July 2007

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

## PUBLIC LENDING RIGHT CENTRAL FUND

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	£	2006-07 £	Re-stated 2005-06 £
<b>INCOME</b>				
Other Operating Income	3		250	1,946
<b>Total income available to PLR Central Fund</b>			<u>250</u>	<u>1,946</u>
<b>EXPENDITURE</b>				
Staff Costs	4	(437,932)		(417,301)
Depreciation	5	(14,235)		(14,210)
Other Operating Charges	6	(382,376)		(357,384)
Public Lending Right to Authors		<u>(6,809,018)</u>		<u>(6,543,164)</u>
<b>Total Expenditure</b>			<u>(7,643,561)</u>	<u>(7,332,059)</u>
<b>Operating Deficit</b>			<u>(7,643,311)</u>	<u>(7,330,113)</u>
Income from other activities - interest receivable		20,524		13,383
- pension account	8	-		872
Notional return on capital	16	4,513		2,497
			25,037	
<b>Net expenditure on ordinary activities before taxation</b>			<u>(7,618,274)</u>	<u>(7,313,361)</u>
Corporation Tax	20		(3,749)	(732)
Reversal of notional income			(4,513)	(2,497)
<b>Net expenditure for the financial year</b>			<u>(7,626,536)</u>	<u>(7,316,590)</u>

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 27 to 35 form part of these accounts.

## PUBLIC LENDING RIGHT CENTRAL FUND

BALANCE SHEET AS AT 31 MARCH 2007

	Note	£	2006-07 £	Re-stated 2005-06 £
<b>FIXED ASSETS</b>				
Tangible Assets	5		15,621	19,090
			<u>15,621</u>	<u>19,090</u>
<b>CURRENT ASSETS</b>				
Debtors	9	29,411		27,462
Cash at bank and in hand		206,894		198,320
		<u>236,305</u>		<u>225,782</u>
Creditors: Amounts falling due within one year	10	(123,198)		(115,735)
			113,107	110,047
Net Current Assets/(Liabilities)			<u>113,107</u>	<u>110,047</u>
<b>Total Assets less current liabilities</b>			<u>128,728</u>	<u>129,137</u>
<b>FINANCED BY:</b>				
<b>CAPITAL AND RESERVES</b>				
General Reserve			111,536	116,894
Public Lending Right Reserve	11		17,192	12,243
			<u>128,728</u>	<u>129,137</u>

The notes on pages 27 to 35 form part of these accounts. The Financial Statements were authorised for issue on 18 July 2007.

*J G Parker*  
Registrar

28 June 2007

## PUBLIC LENDING RIGHT CENTRAL FUND

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2006-07 £	Re-stated 2005-06 £
Net cash outflow from operating activities	12	(7,621,378)	(7,339,760)
<b>Returns on investment and servicing of finance</b>			
Interest Received		20,272	13,370
Pensions Account		-	872
Corporation Tax Paid	20	(732)	(1,121)
<b>Capital expenditure and financial investment</b>			
Purchase of Fixed Assets	5	(10,766)	(22,229)
Financing	12	7,621,178	7,399,380
<b>Increase in cash</b>		<b>8,574</b>	<b>50,512</b>

The notes on pages 27 to 35 form part of these accounts.

## PUBLIC LENDING RIGHT CENTRAL FUND

### NOTES TO THE ACCOUNTS AT 31 MARCH 2007

#### NOTE 1 ACCOUNTING POLICIES

##### ACCOUNTING CONVENTION

These accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets. These financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector

##### CHANGE TO ACCOUNTING POLICY

With effect from the 2006-07 reporting period the FReM requires Non-departmental public bodies to account for grants and grants in aid received for revenue purposes 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. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year is shown below. Note there is no impact on the net liability position of PLR as a result of this change in policy:

	At 31 March 2006 (as previously stated)	Impact of adopting the new policy	At 31 March 2006 (re-stated)
Net Income/(Expenditure) for 2005-06	74,771	(7,391,361)	(7,316,590)
General Reserve	97,804	19,090	116,894

	At 31 March 2007 (without applying the new policy)	Impact of adopting the new policy	At 31 March 2007 (applying the new policy)
Retained Deficit for 2006-07	(1,889)	(7,624,647)	(7,626,536)
General Reserve	103,145	8,391	111,536

##### ASSETS AND DEPRECIATION

Fixed assets are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material and no such adjustments were made in 2006-2007.

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 3 years for computer equipment and 5 years for fixtures and fittings.

#### VALUE ADDED TAX

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

#### HM GOVERNMENT GRANT

The revenue element of the Grant is credited to income in the year to which it relates.

#### LEASES

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

#### PENSIONS

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependant's 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.

#### NOTIONAL COSTS

In accordance with Treasury guidance, notional costs of capital (calculated at 3.5% of the average capital employed) are charged in the Income and Expenditure Account in arriving at the "Surplus after Notional Costs". These are reversed so that no provision is included in the balance sheet.

#### NOTE 2 HM GOVERNMENT GRANT

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Grant for PLR (DCMS RfR1)	7,702,000	7,471,000
LESS Registrar's Costs	(80,822)	(71,620)
	<u>7,621,178</u>	<u>7,399,380</u>

For 2006-2007 the government grant announced in the 2002 Spending Review was £7,650,000 (£7,419,000 in 2005-06). A further £52,000 has been provided by DCMS to meet PLR's increased superannuation charges following the move of staff to the PCSPS.

The Registrar's Costs comprise the salary and National Insurance payments of the present Registrar. The Registrar's pension scheme is unfunded.

The difference between the Registrar's salary and superannuation costs shown in the remuneration report of £74,558 (£64,933 in 2005-06) and the Registrar's Costs shown above of £80,822 (£71,620 in 2005-06) is employer's National Insurance contributions of £6,264 (£6,687 in 2005-06).

#### NOTE 3 OTHER OPERATING INCOME

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Other	250	1,946
	<u>250</u>	<u>1,946</u>

**NOTE 4 STAFF COSTS**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Salaries	343,779	330,205
Employer's National Insurance	24,537	24,219
Superannuation	69,616	62,877
	<u>437,932</u>	<u>417,301</u>

4(i)	Average weekly number of permanent full time staff employed in the year was	13	14
4(ii)	Employees receiving remuneration over £50,000	0	0
4(iii)	None of the Advisory Committee members received any remuneration from PLR.		

**NOTE 5 TANGIBLE FIXED ASSETS**

	PLR Computer	Fixtures, Fittings & Equipment	TOTALS
	£	£	£
<b>Cost</b>			
Cost at 1 April 2006	77,703	65,241	142,944
Additions at Cost	8,463	2,303	10,766
Disposals	(7,918)	(3,929)	(11,847)
	<u>78,248</u>	<u>63,615</u>	<u>141,863</u>
	-----	-----	-----
<b>Depreciation</b>			
Depreciation at 1 April 2006	59,705	64,149	123,854
Charge for 2006-07	13,411	824	14,235
Less Charge on Disposals	(7,918)	(3,929)	(11,847)
	<u>65,198</u>	<u>61,044</u>	<u>126,242</u>
	-----	-----	-----
Net Book Value at 1 April 2006	<u>17,998</u>	<u>1,092</u>	<u>19,090</u>
	-----	-----	-----
Net Book Value at 31 March 2007	<u>13,050</u>	<u>2,571</u>	<u>15,621</u>

The financial effect of revaluing the fixed assets was considered to be immaterial and therefore they have been disclosed at their historic cost value.

**NOTE 6 OTHER OPERATING CHARGES**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Administration	149,017	137,561
Accommodation	143,026	139,874
Computer Operating Costs	34,332	31,457
Local Authorities	37,274	30,905
Consultants	18,727	17,587
	<u>382,376</u>	<u>357,384</u>

**NOTE 7 OPERATING SURPLUS**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
The Operating Deficit of is stated after charging	(7,643,311)	(7,330,113)
Auditor's remuneration - Audit Fee	17,000	16,000
Operating Leases - Premises Rental	98,865	109,112
Travel, Subsistence & Hospitality	<u>18,966</u>	<u>17,380</u>

**NOTE 8 PENSION ACCOUNT**

This comprised widow's contributions of 1.5% of gross monthly salary deducted in 2005-06 from the Registrar's salary. Following the transfer of the Registrar's pension to PCSPS, there were no deductions in 2006-07.

**NOTE 9 DEBTORS**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Rent and Service Charge	27,628	25,231
Sundry	1,783	2,231
	<u>29,411</u>	<u>27,462</u>

**NOTE 10 CREDITORS:- AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Sundry Creditors	21,358	18,335
Corporation Tax	3,749	732
Public Lending Right - Unclaimed & Undistributed:		
00/01	-	7,078
(229 authors) 01/02	5,196	6,987
(380 authors) 02/03	10,094	13,825
(383 authors) 03/04	10,583	15,982
(451 authors) 04/05	13,464	18,222
(491 authors) 05/06	18,025	34,574
(1,283 authors) 06/07	40,729	-
	<u>123,198</u>	<u>115,735</u>

**NOTE 11 PUBLIC LENDING RIGHT RESERVE**

	Transferred from Creditors: PLR	Renounced, Returned or Undistributed after 6 years	Public Lending Right Paid	Charge to Income and Expenditure Account	Balance c/f
	Balance b/f 1.4.06	£	£	£	31.3.07
	£	£	£	£	£
PLR Reserve (a)	12,243	5,553	(604)	-	17,192

- (a) 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 Income and Expenditure Account. 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 12 NOTES TO CASH FLOW STATEMENT**

**(i) Reconciliation of operating net expenditure to net inflow from operating activities**

	<u>2006-07</u>	<u>2005-06</u>
	£	<u>(Re-stated)</u>
	£	£
Net operating Deficit	(7,643,311)	(7,330,113)
Depreciation charge	14,235	14,210
Increase in debtors	(1,697)	(2,491)
(Decrease)/Increase in creditors	4,446	(24,001)
Increase in PLR Reserve	4,949	2,635
	<u>          </u>	<u>          </u>
Net Cash Outflow from Operating Activities	<u>(7,621,378)</u>	<u>(7,339,760)</u>

**(ii) Analysis of Financing**

	<u>2006-07</u>	<u>2005-06</u>
	£	<u>(Re-stated)</u>
	£	£
Grant-in-Aid and revenue grant received from DCMS	7,621,178	7,399,380
Applied towards purchase of Fixed Assets	(10,766)	-
	<u>          </u>	<u>          </u>
Total GIA applied towards revenue expenditure	<u>7,610,412</u>	<u>7,399,380</u>

**(iii) Analysis of Changes in Net Funds**

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Balance at 1 April 2006	198,320	147,808
Net Cash Inflow	8,574	50,512
	<u>          </u>	<u>          </u>
Balance at 31 March 2007	<u>206,894</u>	<u>198,320</u>

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

**NOTE 13 MOVEMENT ON RESERVES 2006-07**

	General Reserve £	PLR Reserve £	Total £
At 1 April 2006 (as re-stated)			
Net expenditure	116,894	12,243	129,137
Grant-in-Aid received towards resource expenditure	7,621,178	-	7,621,178
Transfer to PLR Reserve	-	4,949	4,949
At 31 March 2007			
Net expenditure	(7,626,536)	-	(7,626,536)
<b>As at 31 March 2007</b>	<b>111,536</b>	<b>17,192</b>	<b>128,728</b>

**NOTE 14 OPERATING LEASES**

At 31 March 2007 Public Lending Right had annual commitments under non-cancellable Operating Leases as set out below.

	<u>2006-07</u> £	<u>2006-07</u> £	<u>2005-06</u> £	<u>2005-06</u> £
	land and buildings	other	land and buildings	other
Operating Leases expiring within:				
One Year	-	4,653	-	-
In the Second to Fifth Years Inclusive	-	-	-	4,653
Over Five Years	88,654	-	88,654	-
	<u>88,654</u>	<u>4,653</u>	<u>88,654</u>	<u>4,653</u>

**NOTE 15 CAPITAL COMMITMENTS/CONTINGENT LIABILITIES**

At 31 March 2007 there were no capital commitments contracted for, or capital commitments approved but not contracted for (£nil at 31 March 2006).

At 31 March 2007 there were no contingent liabilities (£nil at 31 March 2006).

#### NOTE 16 NOTIONAL INCOME

Notional return on capital is calculated as 3½% of average net assets/liabilities for the year and amounts to £4,513 (2005-2006, £2,497).

#### NOTE 17 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 other Government Departments and public sector bodies which can be summarised as follows:

British Library — provision of bibliographic data

Local authorities — provision of loan sample

None of the members of PLR's Advisory Committee, key managerial staff or other related parties has undertaken any material transactions with PLR during the year.

#### NOTE 18 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 2003. Details can be found in the resource accounts of the Cabinet office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2006-07, the employers' contributions of £69,616 were payable to the PCSPS (2005-06, £62,877) at one of four rates in the range 17.1% to 26.5% of pensionable pay, based on the revised salary bands (the rates in 2005-06 were between 16.2% and 24.6%). Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates are set to meet the cost of benefits accruing during 2006-07 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 19 FINANCIAL INSTRUMENTS

FRS 13 Derivatives and other financial instruments require disclosure of the role which financial instruments have had during the period in creating or changing the risks that Public Lending Right faces in undertaking its role.

### ■ Liquidity Risks

Public Lending Right's income is derived primarily from grants provided by the Department for Culture, Media and Sport. In 2006-2007, there have been no borrowings, therefore it is believed that Public Lending Right is not exposed to significant liquidity risks.

### ■ Interest Rate Risks

Public Lending Right has no financial liabilities such as bank loans. Cash balances, which are drawn down to pay for operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 2.35% in the year. Public Lending Right consider that the Public Lending Right Central Fund is not exposed to significant interest rate risks.

### ■ Foreign Currency Risks

Public Lending Right holds cash in a variety of bank accounts (UK and foreign). However, despite the dealings in foreign currency, Public Lending Right believes that they are not exposed to any foreign exchange risks, given the small amounts that are involved.

## NOTE 20 CORPORATION TAX

Corporation Tax is due on interest received.

	<u>2006-07</u>	<u>2005-06</u>
	£	£
Interest Receivable	20,524	13,383
Interest Received in Year	20,272	13,370
Corporation Tax @ 19%	3,749	732*

\*Calculated as 23.75% over £10,000

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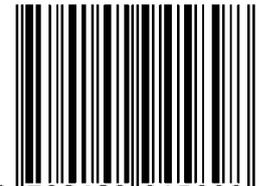
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