

## SUMMARY ANALYSIS OF DCMS RESOURCE ACCOUNTS 2003-04

(Extracts taken from briefing to the DCMS Accounting Officer).

### Summary of resources outturn - Schedule 1 - (page 21)

The Resource Accounts disclose the consolidated results of both the Department and The Royal Parks (TRP). Schedule 1 of the accounts shows that the DCMS "Group" underspent its Estimate by £165m in terms of its Total Resources (£97m in 2002-03) and underspent its Net Cash Requirement by £143m (£257m underspend in 2002-03). The underspend on Total Resources consisted of an underspend of £138m on the Department's Request for Resources (RfR) 1 programme expenditure (£93m in 2002-03) and an underspend of around £27m on its Request for Resources (RfR) 2 (BBC) programme expenditure, (underspend of £4m in 2002-03).

The RfR1 underspend of £138m has in part been incurred as a result of an error in compiling the Department's Estimate, as explained in Note 9 (page 42). The "true" underspend incurred on RfR1 in 2003-04 is about £62 million, as opposed to £138 million.

Note 9 (pages 39-46) gives a detailed analysis of the RfR 1 programme underspend, although because of the error in the Estimate, it is not possible to identify the "real" underspends. Nevertheless, much of the real underspend is caused by large underspends on two DCMS programmes (Spaces for Sport and Art and Picketts Lock), which account for 71% of the RfR 1 underspend, together with a number of smaller underspends by certain DCMS sponsored bodies. Listed Places of Worship (LPW) was underspent by £11 million, but due to the error mentioned above, it appears in the accounts as an £8.7 million overspend. The most notable underspends on RfR1 were highlighted and explained in the 2003-04 management accounts summary. The only notable overspend, besides LPW, was the Olympic Bid - £5.3 million – which arose from an accrual scored in order to recognise an obligation existing at the balance sheet date to fund jointly the Olympic Bid with the London Development Agency. Note 24 on page 52 explains.

The underspend on the RfR2 (BBC) programme was caused primarily by a change in the point of recognition at which licence fee income scores in the DCMS accounts. Income is now scored when licence fee receipts are physically received by DCMS, whereas previously it was at the point at which receipts were collected by the collecting agencies. This change has reduced the amount of licence fee income scored in the year, and therefore the RfR2 operating cost during 2003-04 - as the grant paid to the BBC is determined by the level of licence receipts received.

Operating Cost Statement and Balance Sheet (pages 23 and 24, with supporting Notes on pages 27 onwards).

The accounts aggregate the figures for both the Department and TRP. However, administration costs (see page 34) relate only to the Department, as TRP's costs are

contained within our programme expenditure. The following table compares the figures for 2003-04 with those of 2002-03. Costs are in £000.

	Non-pay Administration Costs		Staff Costs/Numbers				Fixed Assets	
	2003-04	2002-03	2003-04		2002-03		2003-04	2002-03
DCMS	22,909	19,113	18,657	516	17,238	495	33,065	27,293
TRP	-	-	-	237	-	238	34,495	29,511
Total	22,909	19,113	18,657	753	17,238	733	67,560	56,804

The 2003-04 management accounts analysed the administrative cost results in detail. Other issues relating to these statements are:

- Movements in fixed assets are shown on page 47, the main ones being the desk revaluation of land to the north of the British Library, which increased the value from £22.6m to £27.6m, and a revaluation of £3.4m on some of the TRP's assets.
- There was a significant fall in Debtors and Creditors, due primarily to the change in treatment of the BBC licence fee income (see Notes 14 and 16 on page 49). The rise in accruals and deferred income is caused by the £5.4 million accrual for the Olympic Bid commitment mentioned above.

#### Schedule 5, Resource by Departmental Aims and Objectives (Page 26)

The management accounts discussed the conclusions arising from the analysis of Schedule 5.

#### Conclusions

The underspends on our Total Resources and Net Cash Requirement indicate that we are still failing to spend all our programme funding, although the real RfR1 total resources underspend is lower than the previous year. As in the past, much of the underspend is the result of underspends in a small number of major projects - Spaces for Sport and the Arts and Listed Places of Worship. These programmes are demand driven and demand has been slow to build. For the time being there does not appear to be any risk that in the short term the Treasury might claw back the unspent funds, as long as the programmes continue to satisfy the Capital Modernisation Fund (CMF) rules.

Divisions need to monitor the cash draw-down of their bodies to ensure that they are not drawing down in advance of need. This applies particularly to funding for specific projects which are then delayed, leaving the NDPB with significant amounts of unspent cash at the year-end. NAO has indicated that this continues to be a problem and some NDPBs have large balances of unspent grant-in-aid as at the end of 2003-04. NAO is conducting a review of this matter and will report later in the

autumn.

Another key point arising from the accounts is that directorates must be alive to the effect of accruals accounting, as illustrated by the £5.4 million Olympic Bid commitment. Funding Agreements should be framed so that an obligation for DCMS to fund a project or venture does not arise before budget provision is available to meet the obligation. In some instances the obligation may be unavoidable, but as long as directorates are aware of its existence, then the consequences can be managed. Furthermore, it is advisable for directorates to consult the NAO over Funding Agreements relating to major projects, like the Olympic Bid, so that any obligations arising from them can be identified early.

The Department has its administrative costs under control and is building up some administrative cost reserve to fund leaner times expected later in the SR2002 period.