

Department for Culture, Media & Sport

Resource Accounts 2002–03

Department for Culture, Media & Sport

For the year ended 31 March 2003

Resource Accounts 2002–03

*Ordered by the House of Commons to be printed
22 October 2003*

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Foreword

Introduction

The Department for Culture, Media and Sport was formed in April 1992 to bring together in one Department all the diverse activities in Government relating to Culture and Heritage matters. Originally called the Department of National Heritage, the Department's name was changed on 14 July 1997 to the Department for Culture, Media and Sport, following the General Election on 1 May 1997.

Although the structures through which policies are delivered have been subject to change since the Department's formation in 1992, it continues to be responsible for the Arts, Sports, Museums & Galleries, Tourism, Media, Broadcasting, Heritage, Libraries, Historic Royal Palaces, the Royal Parks and the National Lottery. Subsequent to the General Election in June 2001, responsibility for liquor licensing, censorship and video classification, gambling, horseracing, street trader licensing, the Golden Jubilee and the Commonwealth Games was transferred to the Department from the Home Office and the Cabinet Office.

Departmental Aims and Objectives

These are set out in the Department's Public Service Agreement (PSA) for the period of Spending Review 2000, agreed in July 2000.

Aim

To improve the quality of life for all through cultural and sporting activities, and to strengthen the creative industries.

Objectives

The Department, in partnership with others, works to:—

- 1) create an efficient and competitive market by removing obstacles to growth and unnecessary regulation so as to promote Britain's success in the fields of culture, media, sport and tourism at home and abroad;
- 2) broaden access for this and future generations to a rich and varied cultural and sporting life and to our distinctive built environment;
- 3) raise the standards of cultural education and training;
- 4) ensure that everyone has the opportunity to achieve excellence in the areas of culture, media and sport and to develop talent, innovation and good design;
- 5) maintain public support for the National Lottery and ensure that the objective of the Lottery Fund supports DCMS' and other national priorities; and
- 6) promote the role of the Department's sectors in urban and rural regeneration, in pursuing sustainability and combatting social exclusion.

In carrying out these objectives the Department will seek maximum value for money in using its human and financial resources, through applying the principles of efficiency and effectiveness in its sectors and in encouraging partnership with others.

Operating and Financial Review 2002–03

Financial review

The Department underspent its Estimate by £96.9 million in terms of its Total Resources (£108.6 million in 2001–02) and its Net Cash Requirement by £257 million (£50.9 million overspend in 2001–02). This aggregated underspend on Total Resources consisted of an underspend on the Department's Request for Resources (RfR) 1 of £92.8 million and an underspend of just over £4 million on its Request for Resources (RfR) 2 (BBC) programme expenditure. The RfR 1 underspend itself consisted of an underspend of £87.2 million on DCMS programme costs with a £5.6 million underspend on administration costs.

A detailed analysis of the underspend can be found in Note 7 of the accounts, and is caused primarily by large underspends on two DCMS programmes (Spaces for Sport and Arts and Listed Places of Worship), which account for 71% of the RfR 1 underspend, together with a number of smaller underspends by certain DCMS sponsored bodies.

The underspend on the RfR 2 (BBC) programme was caused by the changes in money due to and from the BBC which is difficult to predict.

The balance sheet shows net current liabilities of £15 million, however, £29.7 million of creditors falling due within one year are represented by amounts due back to the Consolidated Fund for unspent Supply. In the normal course of events these sums will be re-provided in the new financial year as part of that year's net cash requirement.

Capital Modernisation Fund (CMF) and Invest to Save Budget (ISB)

The Department received funding from the Capital Modernisation Fund (CMF) and the Invest to Save Budget (ISB). In 2002–03 the CMF allocated £300k in continuing funding for the English Tourism Council's Tourism Destination Services (to improve information services for tourists), £5 million for the development of Culture Online (carried forward into 2003/04), £30.2 million for the Listed Places of Worship Scheme (of which £7.8 million was spent), and £400k for the British Museum's History Timeline programme to enhance the facilities on its internet site. At present the British Museum has not claimed any of its CMF funding so the total provision has been carried forward into 2003–04. DCMS also claimed £50.5 million of the 2001–02 allocation of £60 million for Spaces for Sport and Arts in its Spring Supplementary Estimate. A further £12 million of an additional £20 million allocation for Sport was spent on the Commonwealth Games in 2001–02 and 2002–03. The remaining £8 million will be split between Spaces for Sport and Arts and the High Performance Centre in the Lee Valley in 2003–04. More detailed information about the Spaces for Sport and Arts and the Listed Places of Worship programmes are included in the DCMS Annual report, which can be viewed on the DCMS website, (www.culture.gov.uk).

The Invest to Save Budget (ISB) allocated £787k to the National Museum of Science and Industry for their 'Making the Modern World Online' programme, an online cultural and educational programme – which will be operational in March 2004 when the website is released, £1.5 million to the English Tourism Council for the development of EnglandNet – an online Tourism portal, and £94k for the British Library's 21st Century Citizen programme which provides an online resource for secondary schools to teach "Citizenship". The Chief Secretary to the Treasury also awarded £2 million from ISB Round 5 to the British Library for upgrading its document supply services. This ISB funding will be made available to the British Library by DCMS in grant-in-aid funding from 2003–04 onwards.

End Year Flexibility (EYF)

The application of the Treasury's rules governing the procedures of the EYF scheme meant that the Department's resource Departmental Expenditure Limit (DEL) EYF claim of £31.4m was held back (abated) in order to offset claims which had been made against the Reserve in 2001–02 for additional funding of £38m to assist tourism in the wake of the outbreak of foot and mouth disease and the terrorist attacks of 11 September 2001. Our administration costs and capital DEL EYF claims were exempt from this abatement. As the underspends we were seeking to carry forward were the result of slippage of expenditure, and did not represent spare capacity, the loss of this provision put the Department under financial pressure and required the use of uncommitted programme resource DEL in 2002–03 to meet the shortfall.

Future financing

The Department considers that it has sufficient funds to achieve the objectives set in its Spending Review 2000 (SR 2000) Public Services Agreement (PSA), which ran until 2002–03. In the meantime the Department has reviewed its strategic aims for the forthcoming Spending Review period (SR2002), which starts in 2003–04, and identified four key themes:

- i. children and young people
- ii. building communities
- iii. maximising our economic contribution
- iv. modernising delivery.

These themes are reflected in the Department's new PSA, details of which are available on the DCMS website.

Investment

The Departmental Investment Strategy (DIS), published separately as an outcome of the Spending Review process, describes the Department's strategic plans for both new investment and the use of existing assets. Following SR2002, the Department has again drawn up a Departmental Investment Strategy setting out how the extra capital DEL allocated in the review will contribute to the achievement of its objectives and four strategic priorities over the next three years (2003–2006) and the way existing assets will be managed. The DIS has been published on the Department's website.

Operating review

Introduction

The Department is committed to continuous improvement of the way in which it delivers the priorities and services for which it is responsible. We want to ensure that there is a clear line of sight from the public funds which we invest in our sectors through to real outcomes on the ground, and that these are delivered in a way which secures maximum value for money for the taxpayer.

In nearly all of the Department's sectors, front-end delivery lies with others – with grant-givers, institutions, local authorities, and private companies. In particular, our 66 sponsored bodies are responsible for spending over 90% of the Department's annual budget. We aim to ensure that the performance of these bodies improves over time, and that our funding is used effectively to deliver the Government's strategic priorities for our sectors, with a particular focus on high quality services to the customer.

To that end we have concentrated on two areas: our internal organisation and ways of working; and the relationship between the Department and our Non Departmental Public Bodies (NDPBs). These are discussed in greater detail later in the Review.

Progress achieved in the year towards meeting the six PSA objectives is covered in the Department's Annual Report.

Strategy

Following consultation within the Department and with NDPBs, the Department's Performance Innovation and Delivery Unit (PIDU) produced the DCMS Strategic Plan. The Plan, which was published in April 2003 and can be viewed on the DCMS website, sets out our strategic priorities for the delivery of culture, media and sport for 2003–2006, and explains how, together with our sponsored bodies, we will achieve these priorities. The Plan includes each of the DCMS's PSA targets, which have been embodied in the strategic framework to demonstrate to our stakeholders how they relate to the four strategic priorities and the Departmental aim.

The Plan:

- i. provides an outline of the context in which we operate;
- ii. gives an outline of where we are now;
- iii. details where we want to be in the life of the plan; and
- iv. explains how we intend to deliver our strategic objectives.

The strategy derives from the Secretary of State's vision to extend excellence and improve access. It has five main components:

- i. strategic aim;
- ii. strategic priorities;
- iii. Public Sector Agreement (PSA) targets;
- iv. key projects; and
- v. core functions.

'Touchstone'

The Touchstone review was instigated in December 2001 by the then new Permanent Secretary, Sue Street, in partnership with the Treasury and the Centre for Management and Policy Studies (CMPS). Its overall aim was to review and recommend improvements to the Department's ways of working in order to provide a clearer focus on the delivery of key strategic outcomes. The review was concluded in February 2002.

The full terms of reference were to:

- 1) improve organisational structures and ways of working in DCMS, so as to secure effective delivery of Ministerial priorities through flexible and efficient use of resources, a strong focus on project and programme management and full use of the skills and potential of the Department's staff; and
- 2) improve the relationship between DCMS and its sponsored bodies so as to ensure a strong focus on effective policy making and delivery of services to the public and on contributing to the Government's social and economic goals.

The Touchstone Change Management Programme arose out of the Touchstone project, and PIDU has assisted the implementation of the Programme through a number of important initiatives. Key building blocks to help the move to a more programme and project based working approach are now in place.

Internally, these include: the creation of a new Skills Database to identify the capabilities of staff; the development of a Project Based Working (PBW) training programme and all staff receiving basic training in PBW to increase capability and confidence; the introduction of Programme Boards and delivery plans for each strategic priority, and the creation of a Project Centre to co-ordinate this work; the handling of Honours work has been centralised, and a clear action plan on operational issues, such as the future of export licensing and film certification, is in place; and resources devoted to correspondence handling have been reduced, through identification and embedding of best practice and enhanced IT support. There has also been a significant increase in analytical capacity and legal resource.

External initiatives have been designed to move the DCMS's relationship with its NDPBs to a more strategic footing. These include the development of clear plans for the reform of certain NDPBs, the introduction of a new system of client managers and key contacts for all NDPBs and new funding agreements which focus on a handful of key customer-focused targets – each related to a DCMS strategic priority or NDPB core objective. In addition to this, the Department will pursue strategic commissioning in areas of specific priority. Where the Department has funding for a specific programme of work, we might undertake strategic commissioning for certain elements of the programme from one or more NDPBs. This could be done by either earmarking funding to an NDPB for delivery of a specific programme or activity, or by inviting bids to a centrally held fund against broad strategic criteria.

We have also put together a reform/modernization programme with the following elements:

- targeted reform programmes for specific NDPBs where a major and pressing need has been identified; a strategic analysis led to the drawing-up of reform plans for five organisations, in which we are investing £8m in 2003–04;
- reform of the delivery of Lottery funds to ensure fairer and more cost-effective distribution to all areas and communities throughout the UK;
- the improvement of our appointments function and the way in which we deal with the Boards of our NDPBs;
- the identification of generic constraints on NDPB performance with which the Department can help, including those relating to pay and the workforce.

'Touchstone' Next Steps

Three key areas for specific further action are the embedding of project based working within the department; further development of strategic commissioning and the wider NDPB reform agenda; and the implementation of plans for centralising correspondence handling. The Board will review the results of this in October 2003 and consider the need for any additional initiatives. This will include an assessment – linked to the Mid Year Review – of how resources freed up through Touchstone have been redirected.

DCMS Management Board

PIDU has developed and implemented a knowledge management system to provide Management Board with consistent, integrated and robust information. It provides evidence and analysis which ensures effective monitoring of PSA and Strategic Priority delivery together with “health check” information on the wider management of the department. Presented as a balanced scorecard the information falls under four headings: PSA Delivery – providing updates on progress; Efficiency and Control – financial and assurance information; Managing Staff – headline figures on a number of criteria and Dealing with the Public – direct measures for dealing with Parliamentary Questions, correspondence, enquiries and prompt payment.

In addition, PIDU has adapted the Prime Minister’s Delivery Unit (PMDU) assessment framework for monitoring progress and identifying barriers to performance as we move towards delivering our PSA targets. The assessment framework is designed to provide a structure to help us judge the likelihood of delivering our PSA targets and those projects designed to support delivery of our priorities; and identify the areas where we can take action to improve prospects for delivery. Results are presented to Management Board quarterly as part of the balanced scorecard.

Risk

The Management Board revisited its strategic risks at a workshop held in September 2002 and identified those it faces over the next three years (2003–06). These have been incorporated in a detailed risk register setting out the controls in place to manage these risks, which will be regularly reviewed by the Management Board. The Statement on Internal Control, (see page 13), provides a fuller description of the risk management framework.

Entities Included Within the Resource Accounts

These Consolidated Resource Accounts present the results for 2002–03 of:

- The Department for Culture, Media and Sport (DCMS)
- The Royal Parks Agency (RPA)

The principal activities undertaken by the bodies in pursuit of the aims and objectives of the Department are summarised below together with details on how to obtain further information on each entity:

Body**Principal Activities**

The Department for Culture, Media and Sport (DCMS)

The Department’s main activity is to set Government policy on a very wide range of cultural and leisure activities. The Department itself is small, spending only some £36.1 million, (£57.7 million 2001–02) on its running costs which also support seven Advisory NDPBs and Committees. (This figure now excludes the RPA’s running costs which, with the agreement of the Treasury, have now been recategorised as programme expenditure, and this explains the fall in administration expenditure between 2001–02 and 2002–03). The DCMS provides £1,174 million (£1,012 million in 2001–02) of Grant-in-Aid and other funding for the RPA and 66 Non-Departmental Public Bodies and other sponsored bodies, which support and implement Government policy in their particular fields.

The Royal Parks Agency (RPA)

The RPA is responsible for managing and policing eight Royal Parks – St James’s, Green, Hyde, Regent’s, Greenwich, Richmond, Bushy and Kensington Gardens and for Brompton Cemetery, Victoria Tower Gardens, and Grosvenor Square Gardens. Additionally it maintains other gardens and greens and polices Abingdon Street Gardens, Hampton Court Park Gardens and Hampton Park Green. The Agency’s own Annual Report and Accounts for 2002–03 are published separately as a House of Commons Paper and copies are available from the Stationery Office.

Departmental Report

The Department's Annual Report 2003 covers in detail all the activities of the Department and sets out expenditure plans from 2001–02 to 2005–06. Copies can be obtained from the Stationery Office, or viewed on the Department's Website (www.culture.gov.uk).

Entities Excluded

The public sector bodies which are outside the Departmental Accounting Boundary for which DCMS has lead policy responsibility are listed below together with their status. These bodies publish their own annual reports and accounts during the year.

Public Corporations

British Broadcasting Corporation	Channel 4	Sianel Pedwar Cymru (S4C)
Radio Authority	Independent Television Commission	

*Non-Departmental Public Bodies***Museums and Galleries**

British Museum	National Museums Liverpool (formerly the National Museums and Galleries on Merseyside)	National Portrait Gallery
Natural History Museum	Victoria and Albert Museum	Tate Gallery
Imperial War Museum	National Museum of Science and Industry	Wallace Collection
National Gallery	Museum of Science and Industry in Manchester	Sir John Soane's Museum
National Maritime Museum	Museum of London	Royal Armouries Museum
Geffrye Museum	Horniman Museum and Gardens	

Libraries

British Library	Historical Manuscripts Commission	Public Lending Right
Re:Source The Council for Museums, Libraries & Archives		

Arts

Arts Council of England

Architecture and the Historic Environment

Royal Household	Commission for Architecture and the Built Environment	Churches Conservation Trust*
English Heritage	National Heritage Memorial Fund	Historic Royal Palaces

Tourism

Visit Britain (formerly the British Tourist Authority)	English Tourism Council	
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Broadcasting & Media

Broadcasting Standards Commission	The National Film and Television School*	The Film Council
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Sports

Football Licensing Authority	UK Sport	Sport England
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* These bodies are not technically classified as DCMS Non Departmental Public Bodies, but nonetheless receive a significant element of their funding from the Department.

Gambling and National

Gaming Board of Great Britain	Horserace Betting and Levy Board	Horserace Totalisator Board (Tote)
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National Lottery Commission

Other

Alcohol Education and Research Council

In addition to these bodies the Department is responsible for the operation of the National Lottery Distribution Fund (NLDF), which is separately accounted for, and also takes responsibility for the Lottery distribution bodies which received £1.6 billion and paid out £1.9 billion from the Fund during 2002–03 (received £1.8 billion and paid out £1.7 billion in 2001–02). The Department also has responsibility for some of the Distributing Bodies that are also NDPBs. The Accounts of the NLDF are published annually and are available from the Stationery Office.

The Department also supports a number of other bodies, which are contained in Note 7 to the Accounts, with advisory bodies, committees, self financed public corporations and lottery funded bodies listed in Note 26.

The Department is responsible for two items of voted expenditure:

Request for Resources 1 (RfR1)	Covers the Department's own administration costs and the Grant-in-Aid allocated to our sponsored bodies.
Request for Resources 2 (RfR2)	Covers the funds allocated to the BBC from the licence fee receipts collected by the TV Licensing Authority.

Ministers

The Ministers who had responsibility for the Department during the year were:—

Rt Hon Tessa Jowell MP	Secretary of State
Rt Hon Baroness Blackstone	Minister of State (and Minister for the Arts)
Rt Hon Richard Caborn	Minister of State (and Minister for Sport)
Rt Hon Dr Kim Howells	Parliamentary Under Secretary of State (and Minister for Tourism, Film and Broadcasting)

Permanent Head of the Department and Management Board

The Permanent Secretary and members of the Management Board during 2002–03 were:

Sue Street	Permanent Secretary
Siobhan Kenny	Director of Strategy and Communications – joined DCMS on 8 April 2002
Philippa Drew	Director of Education, Training, Arts and Sports – period of loan ended on 30 August 2002
Nicholas Kroll	Director of Corporate Services Group (and Chief Operating Officer)
Brian Leonard	Director of Regions, Tourism, Millennium and International
Andrew Ramsay	Director of Creative Industries, Broadcasting and Gambling
Alex Stewart	Director of Museums, Galleries, Libraries and Heritage
Alec McGivan	Director of Sport – joined DCMS on 28 October 2002

Siobhan Kenny joined the Department in April 2002, filling the vacancy left by Paul Bolt who was seconded to the Broadcasting Standards Commission in July 2001, to take up the post of Director of the Commission. Philippa Drew's period on loan from another government department ended in August 2002 and her post was filled by Alec McGivan who joined the Department as the Director of Sport in October 2002.

During the period, the Management Board included two Non-Executive members, Miranda Kavanagh (who chaired the Audit Committee) and Sonita Alleyne. Miranda Kavanagh resigned in May 2002. Sonita Alleyne was re-appointed as a Non-Executive member and member of the Management Board in December 2002.

At the same time, Clive Elphick was appointed as the successor to Miranda Kavanagh, as both a Non-Executive member of the Management Board and as chair of the Audit Committee. In March 2003 a further Non-Executive member of the Audit Committee was appointed, Stephen Park.

Appointment of Head of the Department and the Management Board

The permanent head of the Department and members of the Management Board are appointed in line with section 5.1 of the Civil Service Management Code. These staff have individual contracts of employment which specify the length of the appointment (if appropriate) and termination procedures.

Ministers and Board Members Remuneration

The details of Ministers and Board Members remuneration are set out in Note 2 on pages 29 to 31. Board Members remuneration falls under the Senior Civil Service pay bands. Until 1 January 2003 Non-Executive Board Members were not remunerated, from that date onwards however, each Non-Executive Board Member is paid an annual remuneration of £7,500.

Pension Liabilities

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The Department, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ, by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole. New Civil Service pension arrangements were introduced on 1 October 2002 and these are described in more detail in Note 2a to the accounts (pages 27 and 28).

Investors in People

On 27th October 1999 the Department achieved accreditation to the Investors in People (IiP) standard. In February 2001 the Department was reassessed and did not meet all of the requirements of the IiP standard. After a thorough Strategic Review by an IiP Assessor in July 2002, the Department is now in the IiP process for Continuous Assessment to retain recognition. The next reassessment will take place in June and July 2003. (IiP accreditation was confirmed in July 2003).

Employment of Disabled Persons

The Department does not discriminate against staff or eligible applicants for posts on any grounds, including disability. Job application forms have also been made available in alternative formats, e.g. large print and audio tape.

We have tried to make all the Department's buildings accessible to people with disabilities and a full disability access audit has been carried out to review this. The report concluded that DCMS does comply with the regulations under the Disability Discrimination Act 1995.

Equal Opportunities Policy

The Department is an equal opportunities employer. We do not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation. Every possible step will be taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria. We will actively pursue arrangements for flexible working patterns and are committed to creating a culture where individual differences are valued and respected. The Department will not tolerate any form of discrimination, harassment or victimisation. We are committed to providing a working environment where no one is disadvantaged.

The Department has a programme of equal opportunities awareness training for all staff, which includes a session on the disability legislation.

Policy on Payment of Suppliers

The Department has signed up to the Better Payment Practice Code, and is committed to adhering to the Late Payment of Commercial Debts (Interest) Act 1998, by paying all invoices not in dispute within agreed contractual provisions or within 30 days of the presentation of a valid invoice (or delivery, if later). An analysis of payment performance during the 2002–03 financial year showed that 99.1 % of invoices (not in dispute) were paid within contract terms or 30 days (99.1% in 2001–02).

Introduction of the Euro

In order to be ready for the possibility of a UK decision to join the single currency, the Department has drawn up a strategy for potential conversion of internal systems and business processes during changeover. As part of this work we have considered a range of issues including programme management, conversion of IT systems, and interdependencies with other organisations. This strategy dovetails with the outline changeover plan produced at the end of 1999. This has been revisited during 2002–03 to reflect the Department's additional responsibilities since the 2001 machinery of government changes.

Auditor

The Comptroller and Auditor General has been appointed under the Government Resources and Accounts Act 2000 to be the Auditor for the Department, and bodies within the Accounting Boundary.

Post Balance Sheet Events

In May the Secretary of State announced the Government's wholehearted support for a bid to host the 2012 Olympic and Paralympic Games in London. The Department has created an Olympic Games Unit to take forward work relating to the Olympic bid.

The Government re-shuffle in June 2003 included changes in DCMS Ministers and Ministerial responsibilities. Baroness Blackstone and Dr Kim Howells left the Department and were replaced by Estelle Morris and Lord McIntosh of Haringey. Estelle Morris took on the role of Minister for the Arts and Lord McIntosh became Minister for Media and Heritage. Richard Caborn took on responsibility for tourism, adding it to his existing portfolio of sport, to become Minister for Sport and Tourism.

In July 2003 the DCMS retained its Investors in People accreditation.

Signed and Approved

Sue Street

Accounting Officer for the Department for Culture, Media & Sport

2 October 2003

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the *Resource Accounting Manual* prepared by the Treasury, and in particular to:

- observe 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 *Resource Accounting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in *Government Accounting*.

Statement on Internal Control

As Principal Accounting Officer for the Department, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, set by the Department's Ministers whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. I have designated the Chief Executive of the Royal Park's Agency as Accounting Officer for the Agency. He is responsible for signing the Agency's own Annual Accounts which are consolidated in the Department's Resource Account, and the associated Statement of Internal Control. I have also designated the Chief Executives of the NDPBs sponsored by the Department as NDPB Accounting Officers. As Departmental Accounting Officer I have responsibility for ensuring that NDPBs' controls comply with the requirement for propriety and good financial management; conditions attached to grant in aid conform to the terms of the Resource Estimate and that there is an adequate statement of the financial relationship between the Department and each NDPB which is regularly reviewed. NDPB Accounting Officers are responsible for signing the Statement on Internal Control in the NDPBs' Annual Accounts.

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 assurance and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of departmental policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them. A revised internal control process which follows Treasury guidance has been in place since 1 January 2003 and up to the date of the approval of the annual report and accounts.

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. The processes which have been applied in reviewing the effectiveness of the system of internal control are described below.

Procedures for identifying DCMS objectives and key risks and the allocation of risk ownership

The Department's priorities are set by the Secretary of State and her Ministerial team. As Permanent Secretary I am responsible for managing the Department to deliver these priorities. The Department develops and implements policies in support of these priorities; agrees objectives with HM Treasury during the Spending Review process; oversees their delivery and reviews their effectiveness. The Management Board (comprising myself, the Department's Directors and two non-executive members) meets regularly to review the Department's priorities and the arrangements for their delivery and the strategic framework within which detailed business planning takes place. In September 2002 the Management Board had a Strategic Risk Workshop to review the risks to the achievement of Departmental objectives. As a result of this exercise a new Strategic Risk Register was agreed by the Board in January 2003. This is subject to regular review by the Board. Individual Directors are the nominated owners for each of the Department's strategic risks. They are responsible for the management of appropriate policies, procedures, activities and resources to contain the risk within acceptable limits. Guidance has been produced for Directors to help them fulfil this role.

Delivery plans are now in place for each of the Department's strategic priorities/PSA targets. Each has identified risk to the achievement of these targets. The Department's Policy Innovation and Delivery Unit is responsible for providing Senior Responsible Officers (SROs) and Management Board with advice on the delivery of key priorities, ensuring systematic tracking of progress, early warning of potential problems and appropriate recommendations for early action. Management Board will be provided with quarterly reports to ensure effective monitoring of PSA and strategic priority delivery.

Development of the control strategy and risk management policy

The Department has a risk management policy which defines what is meant by risk and risk management, outlines the key principles underpinning the Department's approach to risk management and what is at stake, the risk management process and the roles of responsibilities of staff. This was issued to all staff in October 2000 and is available on the Department's intranet.

The process to embed risk management in the business planning process began in 2001–02 although it continues to develop and for the 2003–04 business planning round we introduced the requirement for contingency plans and identification of risk “trigger points” which would indicate the need to implement the contingency arrangements. The risk evaluation matrix was also simplified and the format of the register revised. As part of the business planning process we require Divisions to hold facilitated risk management workshops to identify the risks to divisional objectives, to evaluate these and to identify the necessary controls.

The Department has established a strong, strategic relationship with the Office of Government Commerce (OGC) and Gateway reviews have been applied to a number of high profile construction projects. As part of Touchstone¹ implementation we are improving our project management capability. All staff are being given appropriate training in project working. The introductory module, which is mandatory for all staff, covers risk management in the project context. Further modules are designed to give delegates practical project management skills and aimed at project team members and project team leaders.

A new Programme and Project Management Centre came into being in April 2003. Its role will be to ensure that project-based working is embedded in the Department.

Procedures for ensuring that aspects of risk management and internal control are regularly reviewed and reported on

On 1 January 2003 a new Assurance reporting process replaced the system of Stewardship reporting. The Assurance system improves upon Stewardship reporting by:

- reporting on the work undertaken to keep risk and controls under review, up to date and appropriate;
- introducing a system which holds to account the owners of key controls which operate across the Department;
- requiring senior managers to sign up to their responsibilities at the beginning of the year (or on appointment to a division) and to review progress as part of the business planning process at the mid-year and end-year, allowing the need for corrective action to be taken in a timely manner; and
- including input from Directors, to complete the chain of responsibility and accountability.

All Directors and Heads of Divisions (including those who are key control owners) signed an opening year statement (as at 1 January 2003) to acknowledge their individual responsibility for the Assurance process. End of period statements for 1 January to 31 March 2003 have been completed as have opening year statements for 2003–04. The Department has appointed a Risk Improvement Manager in response to the Strategy Unit Report “Risk: improving government’s capability to handle risk and uncertainty”.

The role of the Audit Committee and other relevant committees

I am supported by an Audit Committee. This is a sub-committee of the Management Board and is chaired by a non-executive member of the Board. There is also an independent external member. The Chief Operating Officer and two other Board Members are members of the Committee plus two heads of Division who represent the Department’s range of business. It meets four times a year and advises me on the adequacy of risk management and internal control including through the review of the mechanisms for the assessment and management of risk;

- planned internal and external audit activity and the results of that activity;
- the adequacy of management response to issues identified by audit activity;
- and the adequacy of internal audit arrangements in DCMS’ NDPBs.
- It also reviews the arrangements for internal audit.

¹ The Touchstone Review is described on page 6 of the Foreword.

The Finance and Planning Committee, another sub-committee of the Management Board, provides a forum for consideration by senior management of issues relating to strategic and business planning and resource management. Membership is the Chief Operating Officer (chair), two other Directors, the Head of Finance and Planning Division and three or more other Heads of Division or Unit. Meetings are held as required. After each meeting, the Chair provides a report to me summarising points for information and making any recommendations for my approval or for the Management Board's final decision.

The Personnel and Central Services Committee, another sub-committee of the Management Board, provides a forum for consideration by senior management of issues relating to personnel policies and operations, facilities management and information systems. Membership is the Chief Operating Officer (Chair), two other Directors, the Head of Personnel and Central Services Division and four other Heads of Division. The frequency of meetings and reporting arrangements are the same as those for the Finance and Planning sub-committee.

Involvement and role of Internal Audit

The Department has an Internal Audit Unit which operates to the Government Internal Audit Standards. They submit regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the arrangements for risk management, control and governance together with recommendations for improvement.

Systems used to ensure compliance with specific regulations or procedures laid down by central departments

The Department has a Health and Safety Policy which was issued to all staff in a Health and Safety Guidance Manual in January 2002. Regular Health and Safety Audits are conducted jointly with the TUS Health and Safety Representative with reports back to the Departmental Health and Safety Officer, and the Health and Safety Committee which meets quarterly. The Health and Safety Officer reports annually to the Management Board. This includes formal fire safety risk assessments.

Information security policy and procedures align with BS7799 and there is a regular programme of independent external reviews to ensure that information security and related risk management is effective and consistent with BS7799.

Details of monitoring procedures for sponsored bodies

The Department has agreed individual Funding Agreements, or Corporate Plans, with all of its NDPBs. A Funding Agreement sets out what the Department expects an NDPB to achieve, in terms of delivery of objectives, in return for the public funding it receives. The Corporate Plan sets out the strategy which the NDPB will follow to implement agreed policy within its agreed resources. All executive NDPBs either have a Financial Memorandum, or a combined Management Statement and Financial Memorandum. The Financial Memorandum sets out the detailed financial arrangements and framework within which the NDPBs receive grant in aid or incur public expenditure. The Management Statement defines the relationship between the body and DCMS at a strategic level; and explains the roles and responsibilities of all parties and their lines of accountability. In some cases where there is only a Financial Memorandum, it also partly performs this function. In addition, bodies which distribute Lottery money have a Statement of Financial Requirements which sets out the detailed financial arrangements and framework within which they receive and distribute Lottery funds. The Accounts Directions which the Department issues to its NDPBs provide for a Statement on Internal Control to be included in the accounts. This requires the NDPB Accounting Officer to give an assurance that Government Accounting and the body's Management Statement/Financial Memorandum have been complied with.

Monitoring of progress with current initiatives and compliance with extant external requirements

An Investors in People Strategic Review was carried out in July 2002. This confirmed that DCMS had made considerable progress since the last assessment, but also highlighted areas for improvement. Following the review, the Management Board approved a new IiP Action Plan which included proposals to address those areas: the Staff Management Agreement, 360 degree feedback, the Training and Development Evaluation Strategy and the Diversity Action Plan. The Department underwent a full reassessment in June 2003.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department 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.

Signed by

Sue Street
Accounting Officer

2 October 2003

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 19 to 53 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 25 to 27.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 12, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government and Resources Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources Act 2000 and Treasury directions made thereunder, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 13 to 16 reflects the Department's compliance with Treasury's guidance 'Corporate Governance: Statement on Internal Control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion


I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Department for Culture, Media and Sport at 31 March 2003 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and

 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

Date 8 October 2003

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

Schedule 1

Summary of Resources Outturn 2002–03

	2002–03 Estimate		2002–03 Outturn		2001–02 Outturn		Net Total outturn compared with Estimated Saving/ (excess)	Prior-year outturn
	Gross expenditure	A-in-A	Net Total	Gross expenditure	A-in-A	Net Total		
	1	2	3	4	5	6		
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1 DCMS Administration and Programme	1,317,486	(13,459)	1,304,027	1,223,853	(12,628)	1,211,225	92,802	1,063,555
Request for Resources 2 BBC	2,281,862	—	2,281,862	2,277,789	—	2,277,789	4,073	2,171,382
Total Resources²	3,599,348	(13,459)	3,585,889	3,501,642	(12,628)	3,489,014	96,875	3,234,937
Non Operating Cost A-in-A	—	—	—	—	—	0	—	0
Net Cash Requirement	—	—	3,589,626	—	—	3,332,465	257,161	3,393,255

Reconciliation of Resources to Cash Requirement

	Note	£000	£000	£000	£000
Net Total Resources	6	3,585,889	3,489,014	96,875	3,234,937
Capital:					
Purchase of Fixed Assets	9&10	11,535	3,007	8,528	1,201
New Loans		—	—	—	—
(Loss)/Profit on Disposal of Fixed Assets (2001–02)	3	—	—	—	(36)
Non-operating cost A-in-A					
Book value of asset disposals			—	—	(90)
Accruals adjustments					
Non-cash items	3&4	(7,802)	(6,408)	(1,394)	(24,833)
Changes in working Capital other than Cash	12	—	(153,148)	153,148	26,724
Grant-in-Aid prepayments	12	—	—	—	153,011
Change in Monies due for BBC	14	—	—	—	2,341
Use of provision – Early Retirement Costs	17	4	—	4	—
Excess Cash receipts to be surrendered to the Consolidated Fund	—	—	—	—	—
Net Cash Requirement (Schedule 4)		3,589,626	3,332,465	257,161	3,393,255

Explanation of the variation between Estimate and outturn (net total resources)

Note 7 provides an analysis of the variance of £96,875k.

Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement)

- (i) Changes in Working Capital, which are mainly due to the movements in the year end balance due to/from the BBC, which is difficult to predict, together with a large prepayment of grant-in-aid of £153 million scored in 2001–02;
- (ii) Large underspends on two programmes, together with a number of small underspends on the individual outturns of some of the DCMS's sponsored bodies, as shown in Note 7 to the accounts.

² For an analysis of outturn expenditure and appropriation-in-aid, see Schedule 2 and Notes 3, 4, 5 and 7 to these accounts.

Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2002–03		Outturn 2002–03	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Operating income and receipts – excess A in A Request for Resources 1 & 2	5	2,278,881	<i>2,278,881</i>	2,278,862	<i>2,277,762</i>
Non-operating income and receipts		—	—	11	<i>11</i>

Actual Outturn – resources

Request for resources 1: Actual amount net resources outturn £1,211,224,434.40. Actual amount of savings in resources over Estimate £92,802,565.60.

Request for resources 2: Actual amount net resources outturn £2,277,788,755.51. Actual amount of under spend in resources over Estimate £4,073,244.49.

Actual Outturn – cash

Net cash requirement: Outturn net requirement £3,332,465,215.32 which is £257,160,784.68 less than Estimate. The difference between the actual amount and the figures above in Schedule 1 are the result of roundings in the Schedule.

The actual receipts were £2,277,772,301.99. The figure includes excess A-in-A of £285,692.30 received in 2001–02, which had yet to be surrendered to the Consolidated Fund at the balance sheet date.

Schedule 2

Operating Cost Statement for the Year Ended 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Administration costs					
Staff costs	2		17,238		17,889
Other administration costs	3		19,113		40,058
Gross administration costs	7		36,351		57,947
Operating income	5		(241)		(238)
Net administration costs			36,110		57,709
Programme costs					
Request for Resources 1					
Expenditure	7	1,187,502		1,025,080	
Less: income	5	(13,308)	1,174,194	(12,979)	1,012,101
Request for Resources 2					
Expenditure	7	2,277,789		2,171,382	
Less: income	5	(2,277,941)	(152)	(2,171,515)	(133)
Net Programme Costs	4		1,174,042		1,011,968
Net Operating Costs	6&7		1,210,152		1,069,677
Net Resource Outturn	6&7		3,489,014		3,234,937

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses for year ended 31 March 2003

	2002–03	2001–02
	£000	£000
Net gain on revaluation of Tangible Fixed Assets	871	17,727

The income relating to Request for Resources 2 (Home Broadcasting) is higher than the amount paid over to the BBC due to the deduction of expenses incurred by the Department (charged to Request for Resources 1) in administering the Licence fee.

Staff costs and Other administration costs have fallen in 2002–03 relative to 2001–02 because Administration costs relating to the Royal Parks Agency have been re-classified as Request for Resources 1 programme expenditure. In 2002–03 these costs amounted to £8,628k.

Schedule 3

Balance Sheet as at 31 March 2003

	Note	2002–03		2001–02	
		£000	£000	£000	£000
Fixed assets					
Intangible Assets	9	141		65	
Tangible assets	10	56,663		55,921	
			56,804		55,986
Current assets					
Stocks	13	24		50	
Debtors	14	21,746		176,600	
Cash at bank and in hand	15	59,155		(140,984)	
		80,925		35,666	
Creditors due within one year	16	(95,936)		(29,477)	
Net Current (Liabilities)/Assets			(15,011)		6,189
Total assets less current liabilities			41,793		62,175
Provision for liabilities and charges	17		(3)		(9)
			41,790		62,166
Taxpayers' Equity					
General Fund	24		15,399		36,264
Revaluation Reserve	18		25,887		25,387
Donated Asset Reserve	19		504		515
			41,790		62,166

Signed and Approved

Sue Street

Accounting Officer for the Department for Culture, Media & Sport

2 October 2003

Schedule 4

Cash Flow Statement for Year Ended 31 March 2003

	2002–03	2001–02
Note	£000	£000
Net cash outflow from operating activities	(1,047,008)	(1,224,543)
Capital expenditure and financial investment	(3,003)	(1,201)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	0	0
Payments of amounts due to the Consolidated Fund	(2,271,037)	(2,182,056)
Financing	3,521,187	3,255,075
Increase/(Decrease) in cash in the period	15 200,139	(152,725)
Reconciliation of operating cost to operating cash flows		
Net operating cost	1,210,152	1,069,677
Adjustments for non-cash transactions	3&4 (6,408)	(24,833)
Adjustments for movements in working capital other than cash (excluding pre-payment of Grant-in-Aid)	12 (156,728)	26,724
Adjustments for pre-payment of Grant-in-Aid	12 0	153,011
(Loss)/Profit on Disposal of Fixed Assets	(8)	(36)
Early Retirement Costs	—	—
Net cash flow from operating activities	1,047,008	1,224,543
Analysis of capital expenditure and financial investment		
Intangible fixed-asset additions	9 173	74
Tangible fixed-asset additions	10 2,833	1,145
Proceeds of disposal of fixed assets	8 (3)	(18)
Net cash outflow from investing activities	8 3,003	1,201
Analysis of financing and reconciliation to the net cash requirement		
From Consolidated Fund (Supply) – current year	3,362,200	3,250,483
From Consolidated Fund (Supply) – prior year	158,987	—
Transfer of functions from Home Office and Cabinet Office	—	4,592
Net financing	3,521,187	3,255,075
(Increase)/Decrease in cash	(200,139)	152,725
Net cash flows other than financing	3,321,048	3,407,800
Adjustment for payments and receipts not related to supply		
Amounts due to the Consolidated Fund – received in a prior year and paid over	(22,697)	(12,900)
Amounts due to the Consolidated Fund – received and not paid over	29,433	6,531
Adjustment for amounts due to the Consolidated Fund received in 2001–02	(286)	—
Transitional adjustments, cash to accruals	4,967	—
Transfer of functions from Home Office and Cabinet Office	—	(8,176)
Net cash requirement (Schedule 1)	3,332,465	3,393,255

The adjustment for amounts due to the Consolidated Fund of £286k related to excess A-in-A received in 2001–02, (see the Analysis of income due to the Consolidated Fund in Schedule 1 on page 20).

Schedule 5

Resources by Departmental Aims and Objectives

	2002–03			2001–02		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1	176,987	(1,892)	175,095	148,847	(2,093)	146,754
Objective 2	554,499	(7,790)	546,709	517,657	(6,737)	510,920
Objective 3	168,589	(64)	168,525	149,658	(315)	149,343
Objective 4	191,679	(175)	191,504	142,521	(289)	142,232
Objective 5	5,774	(3,405)	2,369	6,450	(3,556)	2,894
Objective 6	126,325	(223)	126,102	117,894	(227)	117,667
BBC	2,277,789	(2,277,941)	(152)	2,171,382	(2,171,515)	(133)
Net Operating Costs	3,501,642	(2,291,490)	1,210,152	3,254,409	(2,184,732)	1,069,677

Figures for the BBC grant and associated licence fee income from Request for Resources 2 are shown separately because of their materiality. They relate to the Department's Objective 2.

The fall in expenditure on Objective 5 between 2001–02 and 2002–03 is largely the result of a reduction in the activities of the National Lottery Commission following the award of a new licence to run the National Lottery, the completion of preparations for the Commonwealth Games and a reduction in expenditure by the Designated Museums Challenge Fund.

DCMS Objectives for the year were as follows:—

- Objective 1** create an efficient and competitive market by removing obstacles to growth and unnecessary regulation so as to promote Britain's success in the fields of culture, media, sport and tourism at home and abroad;
- Objective 2** broaden access for this and future generations to a rich and varied cultural and sporting life, and to our distinctive built environment;
- Objective 3** raise the standards of cultural education and training;
- Objective 4** ensure that everyone has the opportunity to achieve excellence in the areas of culture, media and sport and to develop talent, innovation and good design;
- Objective 5** maintain public support for the National Lottery and ensure that the objective of the Lottery Fund supports DCMS' and other national priorities; and
- Objective 6** promote the role of the Department's sectors in urban and rural regeneration, in pursuing sustainability and combatting social exclusion.

Notes to the Departmental Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the Department by reference to their current costs.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Department, its Agency – the Royal Parks Agency, and advisory NDPBs. The following advisory bodies are included by way of accounting for funds paid through grant expenses: Regional Cultural Consortia; Advisory Committee on Historic Wreck Sites; Treasure Trove Reviewing Committee/Treasure Trove Valuation Committee; Advisory Committee on the Government Art Collection; Reviewing Committee on the Export of Works of Art; Advisory Committee for the Public Lending Right; and Advisory Council on Libraries.

1.3 Intangible Fixed Assets

These relate to licences to use software that have been developed by third parties, and are valued at cost. Expenditure on intangible fixed assets of over £2,000 is capitalised, effective from 1 April 1998.

1.4 Tangible Fixed Assets

Title to the freehold land and buildings shown in the accounts is held as follows:

- i. Property on the Departmental estate;
- ii. Property held by the Office of the Deputy Prime Minister in the name of the Secretary of State.

For DCMS as an entity, freehold land has been restated to current value using professional valuations in accordance with *FRS 15* every five years, and in the intervening years by the use of published indices. The freehold land was last valued professionally as at 31st March 2002. Buildings, plant and equipment, fixtures and fittings and computer equipment have not been restated using appropriate indices because the modified historic costs are not materially different to the historic costs, therefore the historic costs have been shown in the Balance Sheet. RPA properties are revalued as part of a five year rolling programme, using a methodology in line with the *Resource Accounting Manual*. Other RPA assets have been restated using suitable indices. The minimum level for capitalisation of a tangible fixed asset is £2,000, effective from 1 April 1998.

The Department and RPA have a number of non-operational heritage assets held for their historic and cultural associations alone. In accordance with the *Resource Accounting Manual* these non-operational Heritage Assets have been valued at NIL.

In accordance with the *Resource Accounting Manual*, additions to the Government Art Collection, as from 1 April 2000, are recognised in the Balance Sheet. The purchase price will normally provide a reliable basis for valuation.

1.5 Depreciation

Freehold land, and Collections are not depreciated.

Depreciation is provided at rates calculated to write off the value of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives.

Asset lives are in the following ranges:

Buildings	up to 75 years
Leasehold Improvements	the term of the lease
Plant	3–10 years
Equipment & Computers	3–10 years
Fixtures and Fittings	3–20 years
Intangible Assets	1 year

1.6 Donated Assets

Donated tangible fixed assets are capitalised at their current value on their receipt, and this value is credited to the donated asset reserve. Subsequent revaluations will be taken to this reserve. To date, donated assets consist of non-operational heritage assets, held for their historic and cultural association, and are therefore not depreciated.

1.7 Research

Expenditure on research is treated as an operating cost in the year in which it is incurred.

1.8 Operating Income

Operating income comprises fees and charges for services provided to external customers and public sector repayment work. It includes both operating income appropriated-in-aid of the Vote and income to the Consolidated Fund authorised by HM Treasury to be treated as operating income.

1.9 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department as defined under the Administration Cost Control Regime, together with associated operating income.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

1.10 Grants Payable

Government Grant-in-Aid paid or payable is recorded as expenditure on an annual basis in relation to the grant drawn down by the grantee from DCMS.

Government Grants paid or payable are recorded as expenditure on an annual basis in relation to the grant payable to the grantee from DCMS.

1.11 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on the average carrying value of all assets less liabilities, except for donated assets, additions to Collections, cash balances with the Office of the Paymaster General (OPG) and the amount due to the Consolidated Fund, where the charge is nil.

1.12 Foreign Exchange

Revenue and expenditure incurred in foreign currencies which are not covered by a forward contract are translated at the rate of exchange ruling on the date of the transaction.

1.13 Taxation

VAT is accounted for in accordance with SSAP 5.

1.14 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described at Note 2a. The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependents' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from 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. In respect of the defined contribution elements of the schemes, the Department recognises the contributions payable for the year.

1.15 Early Departure Costs

The Department is required to meet the cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

1.16 Operating Leases

Operating lease rentals are charged to the operating cost statement in equal amounts over the lease term.

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with *FRS 12*, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100k (or lower where required by statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- all items (whether they arise in the normal course of business) over £100k (or lower where required by specific statute or where material in the context of the resource accounts) which are required by the *Resource Accounting Manual* to be noted in the resource accounts.

2. Staff Number and Costs

a) Staff costs consist of:

	2002–03				2001–02
	Total	Officials	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000
Wages and Salaries	14,326	13,999	234	93	14,068
Social Security Costs	1,007	974	23	10	1,389
Other pension costs	1,905	1,881	—	24	2,432
Total	17,238	16,854	257	127	17,889

Staff costs in absolute terms have reduced between 2001–02 and 2002–03 because of the re-classification of the RPA's staff costs as programme expenditure in 2002–03. Nevertheless, there was a rise in DCMS's staff costs of £1.7 million between the two years owing to the full effect of the additional activities passed to the DCMS as part of the Machinery of Government changes crystallising in 2002–03, and as a result of increases in staff numbers as part of the implementation of the Touchstone project.

The PCSPS is an unfunded multi-employer defined benefit scheme but the DCMS is not able to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2002–03, employers' contributions of £1,846,266 (£2,335,936 in 2001–02) were paid to the PCSPS at one of four rates in the range of 12–18.5% (12–18.5% in 2001–02) of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. There is an additional £58k (£80k in 2001–02) of Early Retirement costs included within Other Pension Costs.

The differences in contributions and early retirement costs between 2002–03 and 2001–02 arise because all the Royal Parks Agency expenditure has been re-categorised as programme expenditure, and as such is no longer included within the DCMS's administrative expenditure. Details of staff costs relating to the RPA can be found in the RPA's annual report and accounts. This reclassification also explains the fall in total staff costs in 2002–03 compared with 2001–02.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

Employers' contributions of £9k were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £600, representing 0.8 per cent of pensionable pay, were paid to the PCSPS to cover the cost of the future provision of lumps sum benefits on death in service and ill health retirement of these employees.

(b) The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	<u>2002–03</u>	<u>2001–02</u>
Objective 1	66	57
Objective 2	444	422
Objective 3	63	58
Objective 4	71	55
Objective 5	20	23
Objective 6	47	45
Total	<u>711</u>	<u>660</u>

The numbers include 238 staff employed by the Royal Parks Agency (223 in 2001–02).

c) The salary and pension entitlements of the most senior managers of the Department were as follows:—

Name and Title	Age	Salary (as defined below)		Real increase in pension at age 60		Total accrued pension at age 60 at 31 March 2003	
		2002–03	2001–02	2002–03	2001–02	2002–03	2001–02
		£000	£000	£000	£000	£000	£000
Sue Street <i>Permanent Secretary</i>	53	125–130	25–30	7.5–10	0–2.5	40–45	25–30
Siobhan Kenny <i>Director</i> (from 8 April 2002)	43	80–85	—	N/A	—	N/A	—
Philippa Drew <i>Director</i>	56	35–40	85–90	0–2.5	0–2.5	35–40	35–40
Nicholas Kroll <i>Director</i>	48	100–105	90–95	0–2.5	5–7.5	30–35	25–30
Alec McGivan <i>Director</i> (from 28 October 2002)	49	35–40	—	N/A	—	N/A	—
Brian Leonard <i>Director</i>	55	85–90	75–80	0–2.5	0–2.5	30–35	25–30
Andrew Ramsay <i>Director</i>	51	95–100	85–90	2.5–5	0–2.5	30–35	30–35
Alex Stewart <i>Director</i>	49	80–85	70–75	2.5–5	0–2.5	25–30	20–25

NB – Siobhan Kenny and Alec McGivan have less than two years service and therefore no pension entitlement has been accrued. Philippa Drew and Alec McGivan served only 5 months each in 2002–03 and the salary figures for 2002–03 reflect this. Their annual salary rates would have placed them both in the £85k–£90k salary bracket if they had served the full twelve months.

Salaries include gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based final salary defined benefit schemes (*classic*, *premium*, and *classic plus*). New entrants after 1 October 2002 may choose between membership of *premium* or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (*partnership pension account*).

(i) *Classic Scheme*

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouses pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(ii) *Premium Scheme*

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of

pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the members ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(iii) Classic Plus Scheme

This is essentially a variation of *premium*, but with benefits in respect of service before 1 October 2002 calculated broadly as per *classic*.

Pensions payable under *classic*, *premium*, and *classic plus* are increased in line with the Retail Prices Index.

(iv) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

None of the above senior managers received benefits in kind, none have taken out a Partnership Pension Account and all are members of the Classic scheme.

The information above relates to the Permanent Secretary and Directors of the Department. Equivalent information relating to the RPA, consolidated into the Department's resource account, is given in its separate accounts.

(d) The salary and pension entitlements of Ministers were as follows:

	Age	Ministerial Salary		Real increase in pension at age 65		Total accrued pension at age 65 at 31 March 2003	
		2002–03	2001–02	2002–03	2001–02	2002–03	2001–02
		£	£	£000	£000	£000	£000
Rt Hon Tessa Jowell MP <i>Secretary of State</i>	55	69,681	56,798	0–2.5	0–2.5	5–10	0–5
Rt Hon Dr Kim Howells MP <i>Parliamentary Under Secretary of State</i>	56	27,506	22,363	0–2.5	0–2.5	0–5	0–5
Rt Hon Baroness Blackstone <i>Minister of State</i>	60	100,440	81,523	0–2.5	0–2.5	5–10	5–10
Rt Hon Richard Caborn MP <i>Minister of State</i>	59	36,240	29,463	0–2.5	0–2.5	0–5	0–5

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). Those Ministers who are Members of Parliament are also entitled to an MPs' pension under the PCPF. The arrangements for Ministers provide benefits on a 'final salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate at the lower rate of employee contribution).

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office on or after age of 65. Members pay contributions of 6% of their Ministerial salary if they have opted for the 1/50th accrual rate, and 9% if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the Ministerial salary.

In the event of retirement because of serious ill health, the Ministerial pension is brought into payment immediately. On death, pensions are payable to the surviving spouse at a rate of five-eighths of the Minister's pension. On death in service, the Ministerial arrangements provide for a lump sum gratuity of four times the Ministerial salary. Pensions increase in payment in line with changes in the Retail Prices Index. On retirement, it is possible to commute part of the pension for a lump sum.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers of the House of Commons, departments bear only the cost of the additional ministerial remuneration, i.e. the salary for their services as an MP and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords (as in the case of Baroness Blackstone) is different in that they do not receive a Parliamentary salary and therefore their full remuneration is met by their department. This total remuneration, which includes House of Lords allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above. Baroness Blackstone's 2001–02 ministerial salary has been re-stated to show this additional remuneration.

None of the above Ministers received benefits in kind.

(e) The remuneration of Non-Executive Board Members was as follows:

Name and Title	Remuneration	
	2002–03	2001–02
	£000	£000
Sonita Alleyne	0–5	—
Clive Elphick	0–5	—

Until 1 January 2003, Non-Executive Board Members were not remunerated. As from that date, however, each Non-Executive member received an annual salary of £7,500, paid quarterly in arrears. The remuneration package did not include any pension entitlement or benefits in kind.

3. Other Administration Costs

	2002–03	2001–02
	£000	£000
Rentals under operating leases	4,297	4,756
Non cash items:		
Depreciation & Amortisation	1,406	3,294
Impairment	114	18,853
Auditors remuneration and expenses	62	91
Cost of Capital Charge	1,440	2,488
Early Retirement Costs	—	12
Notional income	—	(10)
Loss on disposal of fixed assets	6	36
Other Expenditure	11,788	10,538
	19,113	40,058

In 2002–03 the treatment of the RPA's administration costs was changed so that they were no longer included under Other Administration Costs in the consolidated resource accounts, but were instead included under Net Programme Costs. In 2001–02 the RPA's total administration costs were £23,989k, and were made up as follows:

	<u>2001–02</u>
	£000
Rentals under operating leases	221
Non cash items:	
Depreciation & Amortisation	1,828
Impairment	18,619
Auditors remuneration and expenses	36
Cost of Capital Charge	2,462
Early Retirement Costs	12
Notional income	(10)
Loss on disposal of fixed assets	0
Other Expenditure	821
	<u>23,989</u>

4. Net programme costs

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Current grants and other current expenditure	3,428,277	3,188,861
Capital grants and other capital expenditure	36,909	7,496
Non-Cash Items – depreciation	105	105
	<u>3,465,291</u>	<u>3,196,462</u>
Less Programme Income (note 5)	(2,291,249)	(2,184,494)
	<u>1,174,042</u>	<u>1,011,968</u>

If the RPA's administration costs had been treated as programme expenditure in the 2001–02 consolidated resource accounts, the make-up of the Net programme costs would have been as follows:

	<u>2001–02</u>
	£000
Current grants and other current expenditure	3,212,732
Capital grants and other capital expenditure	7,614
Non-Cash Items – depreciation	105
	<u>3,220,451</u>

5. Income and appropriations in aid

	Appropriated in Aid	2002–03 Payable to Consolidated Fund	Total
	£000	£000	£000
Operating Income analysed by classification and activity, is as follows			
RfR1 Administrative income:			
EC Refunds	21	—	21
NLDF – recovery of the Department’s costs in administering the fund	218	—	218
Miscellaneous	2	—	2
Total RfR1 Administrative Income	241	—	241
RfR1 Programme income:			
NLDF – Reimbursement of the Department’s Grant-in-Aid to the National Lottery Commission for regulation on the Lottery	3,147	—	3,147
Receipts by the Government Art Collection from sale of prints, hire of transparencies, copyright fees etc.	4	—	4
Amounts repayable relating to hotel industry and tourist projects	(102)	—	(102)
Rates and utilities rebates relating to site buildings on land to the north of St Pancras	—	—	—
Recovery of Costs relating to ceremonies	—	—	—
Royal Parks Agency: fees and charges for licences, rents, gardening services, sports charges, unclaimed lost property, sponsorship, receipts from concessionaires and for the private use of telephones	6,153	—	6,153
Payments by the BBC, ITC and Radio Authority to meet costs of the Broadcasting Standards Commission, and fees for self help TV transmission licences	1,061	—	1,061
Receipts from the Gaming Board of Great Britain	1,901	—	1,901
Receipt from English Heritage of proceeds of sale of Apethorpe Hall	223	—	223
British Library superannuation transfers	—	—	—
Rent from English Heritage for Fortress House	—	863	863
Fees for licences issued by Football Licensing Authority	—	9	9
National Lottery operator licence fees	—	40	40
Miscellaneous	—	9	9
Excess A-in-A	—	—	—
Total RfR1 Programme Income	12,387	921	13,308
Total RfR1 Administrative and Programme Income	12,628	921	13,549
RfR2 – BBC Licence fees receivable: Not Appropriated-in-Aid	—	2,277,941	2,277,941
Total Income	12,628	2,278,862	2,291,490

	Appropriated in Aid	2001–02 Payable to Consolidated Fund	Total
	£000	£000	£000
Operating Income analysed by classification and activity, is as follows			
RfR1 Administration income:			
EC Refunds	35	—	35
NLDF – recovery of the Department’s costs in administering the fund	203	—	203
Amounts Written Back	—	—	—
Total RfR1 Administrative Income	238	—	238
RfR1 Programme income:			
NLDF – Reimbursement of the Department’s Grant-in-Aid to the National Lottery Commission for regulation on the Lottery	3,355	—	3,355
Receipts by the Government Art Collection from sale of prints, hire of transparencies, copyright fees etc.	3	—	3
Amounts repayable relating to hotel industry and tourist projects	163	—	163
Rates and utilities rebates relating to site buildings on land to the north of St Pancras	6	—	6
Recovery of Costs relating to ceremonies	—	—	—
Royal Parks Agency: fees and charges for licences, rents, gardening services, sports charges, unclaimed lost property, sponsorship, receipts from concessionaires and for the private use of telephones	5,069	—	5,069
Payments by the BBC, ITC and Radio Authority to meet costs of the Broadcasting Standards Commission, and fees for self help TV transmission licences	987	—	987
Receipts from the Gaming Board of Great Britain	1,851	—	1,851
British Library superannuation transfers	—	955	955
Rent from English Heritage for Fortress House	—	862	862
Fees for licences issued by Football Licensing Authority	—	9	9
Miscellaneous	—	5	5
Excess A-in-A	(286)	—	(286)
Total RfR1 Programme Income	11,148	1,831	12,979
Total RfR1 Administrative and Programme Income	11,386	1,831	13,217
RfR2 – BBC Licence fees receivable: Not Appropriated-in-Aid	—	2,171,515	2,171,515
Total Income	11,386	2,173,346	2,184,732

Total Request for Resources¹ Income of £13,549k (£13,217k in 2001–02) consists of £241k (£238k in 2001–02) of Operating Income and £13,308k (£12,979k 2001-02) of Programme Income. The income earned in 2001–02 was reduced by the excess appropriation-in-aid, of £286k.

Operating income not appropriated-in-aid (ie transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see Note 6). In 2002–03, all operating income not classified as A in A was within public expenditure.

Under Section 180 and Schedule 18 of the Broadcasting Act 1990, the BBC is responsible for administering the collection of television licence fees, including the enforcement of the licensing system.

In 2002–03 an estimated £205 million of licence fee revenue (compared with £220 million for 2001–02) remained uncollected because of licence fee evasion, including hidden evasion, i.e. the use of a colour television when only a monochrome licence has been purchased. Evasion is calculated by estimating the number of households and other premises with a television, and comparing this to the number of licences in force. The figure quoted for uncollected licence fee revenue in 2001–02 disclosed in the 2001–02 resource accounts was £218 million, this was subsequently revised to the figure quoted above, although the revised figure was not available before the accounts were signed and laid.

Measures are being taken by the BBC to tackle evasion, so far as it considers them practical and cost effective.

6. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Net Operating Cost	1,210,152	1,069,677
Add: Operating income not classified A-in-A but within public expenditure	2,278,862	2,175,687
	<u>3,489,014</u>	<u>3,245,364</u>
Less: Transfer of Estimate cover in respect of transfer of functions	—	(8,086)
Add: Licence fee monies in transit not yet surrendered (in 2001-02 only)	—	(2,341)
Net Resource Outturn	<u>3,489,014</u>	<u>3,234,937</u>

Net operating cost is the total of expenditure and income appearing in the operating cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to Parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn (Schedule 1).

7. Analysis of net resource outturn and net operating cost by function

2002–03

	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	Net total outturn compared with estimate
	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1							
A. Museums, Galleries and Libraries							
Government Indemnity Scheme		81			81	150	69
Public Library Volunteering Scheme		—			—	134	134
British Library St Pancras		—			—	—	0
Other Libraries Support		—			—	—	0
Historical Manuscripts Commission (Receipts)		—			—	(5)	(5)
Other museums support		12			12	—	(12)
B. Arts							
Government Art Collection		323		(4)	319	351	32
Other Arts Support		428			428	465	37
C. Sports							
National Playing Fields Association (Children's Play)		498			498	500	2
Other Sport Support			1,039		1,039	745	(294)
British Chess Federation			55		55	55	0
Commonwealth Games			8,301		8,301	6,000	(2,301)
Volunteering (Step into Sport)			2,271		2,271	3,000	729
D. Historic Buildings Monuments & Sites							
Public Buildings, Monuments & Statues		878			878	1,285	407
Chatham Historic Dockyard			300		300	300	0
World Cultural Convention			137		137	130	(7)
Underwater Archeology		250			250	340	90
International Council on Monuments and Sites (ICOMOS)			38		38	38	0
World Heritage Committee			14		14	15	1
Other Heritage Support		142			142	789	647
Apethorpe Hall recoveries		—		(223)	(223)	(223)	0
E. Listed Places of Worship (programme administration)							
		—	204		204	5,000	4,796
F. The Royal Parks							
		28,544		(6,153)	22,391	23,146	755
G. Tourism							
Tourism Strategy Fund		5			5	63	58
H. Broadcasting & Media							
Sianel Pedwar Cymru (S4C)		80,217			80,217	80,217	0
Grant to BBC for Met Office							
Weather Services		3,080			3,080	3,081	1
Other Film Support		53			53	156	103
Audio Visual Eureka			388		388	393	5
Self-help TV				(1)	(1)	—	1
Contributions to the costs of the Broadcasting Standards Commission				(1,060)	(1,060)	(987)	73
ITC PGO costs		2			2	—	(2)
I. Administration & Research							
Central Administration	33,446			(241)	33,205	37,187	3,982
Research and other services		1,762			1,762	901	(861)
J. National Lottery Commission							
				(3,147)	(3,147)	(4,941)	(1,794)

	2002–03						Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
K. Gambling, Licensing and horseracing							
Gaming Board for Great Britain				(1,901)	(1,901)	(1,296)	605
L. Queen' Golden Jubilee							
Golden Jubilee Grants			3,722		3,722	3,952	230
M. The Royal Parks		3,246			3,246	3,228	(18)
N. Administration & Research	2,905	—			2,905	4,485	1,580
O. Museums, Galleries and Libraries							
British Museum			36,469		36,469	36,869	400
Natural History Museum			38,085		38,085	38,085	0
Imperial War Museum			16,350		16,350	16,350	0
National Gallery			20,449		20,449	20,449	0
National Maritime Museum			13,681		13,681	13,681	0
National Museums Liverpool			16,569		16,569	16,569	0
National Portrait Gallery			5,732		5,732	5,732	0
National Museum of Science and Industry			32,040		32,040	32,035	(5)
National Coal Mining Museum of England			2,073		2,073	2,072	(1)
Tate Gallery			27,779		27,779	27,779	0
Victoria and Albert Museum			34,771		34,771	34,621	(150)
Wallace Collection			2,607		2,607	2,463	(144)
Museum of Science and Industry in Manchester			3,406		3,406	3,406	0
Museum of London			6,293		6,293	6,293	0
Sir John Soane's Museum			699		699	2,124	1,425
Horniman Museum			3,378		3,378	3,246	(132)
Geffrye Museum			1,274		1,274	1,274	0
Royal Armouries			6,157		6,157	6,157	0
Museums Reserve				—	—	(681)	(681)
Tyne & Wear Museums			1,000		1,000	1,000	0
Design Museum			250		250	250	0
British Library			85,158		85,158	85,158	0
Public Lending Right			8,537		8,537	8,537	0
Historical Manuscripts Commission			1,325		1,325	1,220	(105)
Re: Source Museums Libraries & Archives Council			14,276		14,276	13,490	(786)
Libraries Strategy Fund and Wolfson Museums Improvement Challenge Fund			2,111		2,111	2,000	(111)
Designated Museums Challenge Fund and Regional Funds			7,592		7,592	10,000	2,408
P. Arts							
Arts Council of England			290,405		290,405	295,405	5,000
Q. Sports							
Football Licensing Authority			955		955	925	(30)
United Kingdom Sports Council			16,321		16,321	19,600	3,279
Sport England			80,324		80,324	81,275	951

	2002–03						Net total outturn compared with estimate
	Admin	Other	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
R. Historic Buildings, Monuments and Sites							
Royal Household			16,507		16,507	16,507	0
English Heritage			116,387		116,387	116,294	(93)
Churches Conservation Trust			3,000		3,000	3,000	0
National Heritage Memorial Fund			5,550		5,550	9,750	4,200
Commission for Architecture and the Built Environment			3,557		3,557	3,530	(27)
RNC Greenwich			1,750		1,750	1,500	(250)
S. Historic Royal Palaces					—	275	275
T. Listed Places of Worship (grant to applicants)			8,249		8,249	30,000	21,751
U. Tourism							
British Tourist Authority			53,820		53,820	54,500	680
English Tourist Council			14,125	102	14,227	15,300	1,073
GLA Grant			1,900		1,900	1,900	0
V. Broadcasting and Media							
The Film Council			24,110		24,110	24,110	0
Broadcasting Standards Commission			3,774		3,774	3,624	(150)
The National Film and Television School			2,510		2,510	2,500	(10)
W. National Lottery Commission			3,182		3,182	4,942	1,760
X. Gambling, Licensing and horseracing			3,900		3,900	3,901	1
Y. Spaces for Sport & Arts			10,100		10,100	50,460	40,360
Z. Culture Online		253			253	3,136	2,883
AA. Commemorative Services and Royal Funerals Excess A-in-A		2,772			2,772	2,760	(12) 0
Total RfR1	36,351	122,546	1,064,956	(12,628)	1,211,225	1,304,027	92,802
Request for Resources 2							
A. BBC – Home Broadcasting	—	—	2,277,789		2,277,789	2,281,862	4,073
Total RfR2	—	—	2,277,789	—	2,277,789	2,281,862	4,073
Resource outturn	36,351	122,546	3,342,745	(12,628)	3,489,014	3,585,889	96,875
Non A-in-A operating income	—	—	(2,277,941)	(921)	(2,278,862)	(2,278,881)	(19)
A-in-A arising from Machinery of Government changes not recognised as income	—	—	—			—	—
Net operating cost	36,351	122,546	1,064,804	(13,549)	1,210,152	1,307,008	96,856

Programme expenditure on Request for Resources 1 of £1,187,502k (£1,025,080k in 2001–02) comprises the total of Other Current and Grants.

Functions (represented by letters A to AA) represent the disaggregation of requests for resources for control purposes and parliamentary approval. They may not correspond to Departmental objectives, which in turn reflect a disaggregation of Departmental aims for the management of activities. (For analysis of A in A, see Note 5.)

The Resource Estimate groups the following functions:

Functions A to L

- Spending in Departmental Expenditure Limits (DEL);

Functions M & N

- Spending in Annually Managed Expenditure, (AME), (Depreciation and Cost of Capital charge only);

Functions O to Y

- Other Spending outside Departmental Expenditure Limits (DEL);

Functions Z & AA

- Spending in Departmental Expenditure Limits (DEL).

	2001–02						Net total outturn compared with estimate
	Admin	Other	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
Request for Resources 1							
A. Museums, Galleries and Libraries							
Government Indemnity Scheme		0			0	150	150
Public Library Volunteering Scheme		268			268	268	0
British Library St Pancras		6		(6)	—	—	0
Other Libraries Support		15			15	115	100
Historical Manuscripts Commission (Receipts)					0	(5)	(5)
B. Arts							
Government Art Collection		243		(3)	240	386	146
Other Arts Support		254			254	311	57
C. Sports							
National Playing Fields Association (Children's Play)		496			496	521	25
Other Sport Support		0			0	54	54
British Chess Federation		50			50	47	(3)
Commonwealth Games		2,476			2,476	4,500	2,024
D. Historic Buildings Monuments & Sites							
Public Buildings, Monuments & Statues		1,085			1,085	1,305	220
Ceremonies		210			210	210	0
Chatham Historic Dockyard		300			300	300	0
World Cultural Convention		142			142	130	(12)
Underwater Archeology		258			258	340	82
International Council on Monuments and Sites (ICOMOS)		38			38	38	0
World Heritage Committee		2			2	15	13
Other Heritage Support		25			25	0	(25)
E. The Royal Parks	3,464	21,625		(5,069)	20,020	21,020	1,000
F. Tourism							
Tourism Strategy Fund		72			72	63	(9)
Invest to Save					0	—	0
Sector Challenge					0	—	0
G. Broadcasting & Media							
Sianel Pedwar Cymru (S4C)		76,817			76,817	76,817	0
Broadcasting Standards Commission				(986)	(986)	(985)	1
Grant to BBC for Met Office							
Weather Services		3,082			3,082	3,081	(1)
Sector Challenge Media					0	—	0
Other Film Support		32			32	156	124
Audio Visual Eureka		205			205	393	188
Film Development Loans		0			0	—	0
Independent Television Commission/ Self-help TV		1		(1)	0	(2)	(2)
H. Administration & Research							
Central Administration	30,092			(238)	29,854	31,185	1,331
Research and other services		1,349			1,349	2,144	795
I. Gambling and National Lottery Commission							
National Lottery Commission				(3,355)	(3,355)	(4,993)	(1,638)
Gaming Board for Great Britain				(1,851)	(1,851)	(1,265)	586

	2001–02						Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
J. Culture Online		915			915	4,051	3,136
K. The Royal Parks	22,899				22,899	4,739	(18,160)
L. Administration & Research	1,492				1,492	1,847	355
M. Museums, Galleries and Libraries							
British Museum			35,969		35,969	36,069	100
Natural History Museum			32,377		32,377	32,377	0
Imperial War Museum			13,118		13,118	13,118	0
National Gallery			19,949		19,949	19,949	0
National Maritime Museum			12,588		12,588	12,588	0
National Museums and Galleries on Merseyside			15,468		15,468	15,468	0
National Portrait Gallery			5,462		5,462	5,462	0
National Museum of Science and Industry			26,734		26,734	26,700	(34)
National Coal Mining Museum of England			1,332		1,332	1,332	0
Tate Gallery			26,755		26,755	26,755	0
Victoria and Albert Museum			32,337		32,337	32,487	150
Wallace Collection			2,163		2,163	2,163	0
Museum of Science and Industry in Manchester			2,739		2,739	2,739	0
Museum of London			4,951		4,951	4,951	0
Sir John Soane's Museum			699		699	699	0
Horniman Museum			2,974		2,974	3,106	132
Geffrye Museum			1,174		1,174	1,174	0
Royal Armouries			5,945		5,945	5,945	0
Museums Reserve			—		0	1,724	1,724
Tyne & Wear Museums			1,000		1,000	1,000	0
Design Museum			200		200	200	0
British Library			88,617		88,617	94,318	5,701
Public Lending Right			5,214		5,214	5,214	0
Historical Manuscripts Commission			1,212		1,212	1,179	(33)
Re: Source Museums Libraries & Archives Council			12,210		12,210	12,996	786
Designated Museums Challenge Fund			8,465		8,465	9,456	991
Wolfson Public Libraries Scheme			2,580		2,580	3,663	1,083
N. Arts							
Arts Council of England			252,455		252,455	252,455	0
O. Sports							
Football Licensing Authority			941		941	945	4
United Kingdom Sports Council			16,773		16,773	17,600	827
Sport England			43,162		43,162	45,162	2,000
P. Historic Buildings, Monuments and Sites							
Royal Household			16,617		16,617	16,602	(15)
English Heritage			110,401		110,401	110,397	(4)
Churches Conservation Trust			3,000		3,000	3,000	0
National Heritage Memorial Fund			5,000		5,000	5,000	0
Commission for Architecture and the Built Environment			1,536		1,536	1,591	55
Historic Royal Palaces			242		242	345	103
Royal Naval College			1,513		1,513	1,500	(13)

	2001–02						Net total outturn compared with estimate
	Admin	Other Current	Grants	A-in-A	Net Total	Estimate	
	£000	£000	£000	£000	£000	£000	
Q. Tourism							
British Tourist Authority			49,700		49,700	49,700	0
English Tourist Council			14,591	(163)	14,428	15,000	572
GLA Grant			1,900		1,900	1,900	0
R. Broadcasting and Media							
The Film Council			20,860		20,860	20,860	0
Broadcasting Standards Commission			2,041		2,041	2,041	0
The National Film and Television School			2,550		2,550	2,400	(150)
S. Gambling and National Lottery Commission							
National Lottery Commission			3,333		3,333	4,994	1,661
Gaming Board for Great Britain			3,683		3,683	3,680	(3)
T. Spaces for Sport & Arts			579		579	60,000	59,421
U. Listed Places of Worship			1,659		1,659	10,000	8,341
V. Listed Places of Worship		0			0	1,000	1,000
W. Queen's Golden Jubilee		346			346	3,000	2,654
X. Transfer from Home Office				(7,876)	(7,876)	(7,876)	0
Y. Transfer from Cabinet Office				(210)	(210)	(210)	0
Excess A-in-A		0		286	286	—	(286)
Total RfR1	57,947	110,312	914,768	(19,472)	1,063,555	1,140,854	77,299
Request for Resources 2							
A. BBC – Home Broadcasting	—	—	2,171,382	—	2,171,382	2,202,730	31,348
Total RfR2	—	—	2,171,382	—	2,171,382	2,202,730	31,348
Resource outturn	57,947	110,312	3,086,150	(19,472)	3,234,937	3,343,584	108,647
Non A-in-A operating income	—	—	(2,171,515)	(1,831)	(2,173,346)	(2,170,812)	2,534
A-in-A arising from Machinery of Government changes not recognised as income	—	—	—	8,086	8,086	—	—
Net operating cost	57,947	110,312	914,635	(13,217)	1,069,677	1,172,772	111,181

In 2001-02 the Resource Estimate grouped the functions as follows:

Functions A to J

– Spending in Departmental Expenditure Limits;

Functions K & L

– Spending in Annually Managed Expenditure (Depreciation and Cost of Capital charge only);

Functions M to U

– Other Spending outside Departmental Expenditure Limits;

Functions V to Y

– Spending in Departmental Expenditure Limits.

8. Analysis of capital expenditure, financial investment and associated A-in-A

	2002–03			
	Capital Expenditure	Loans etc	A-in-A	Net Total
	£000	£000	£000	£000
Request for Resources 1	3,007	0	(3)	3,004
Total	3,007	0	(3)	3,004

	2001–02			
	Capital Expenditure	Loans etc	A-in-A	Net Total
	£000	£000	£000	£000
Request for Resources 1	1,219	0	(18)	1,201
Total	1,219	0	(18)	1,201

9. Intangible Fixed Assets

	Software Licences	Total
	£000	£000
Cost and Valuation at 1 April 2002	681	681
Additions	173	173
Disposals	—	—
Revaluation	—	—
At 31 March 2003	854	854
Amortisation		
At 1 April 2002	617	617
Charged in year	96	96
Disposals	—	—
At 31 March 2003	713	713
NBV		
At 31 March 2003	141	141
At 31 March 2002	64	64

10. Tangible Fixed Assets

	Land & Buildings	Equipment & Computers	Fixtures & Fittings	Collections	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost and Valuation at 1 April 2002	63,276	3,802	7,821	266	344	75,509
Additions	305	1,064	268	228	969	2,834
Disposals	0	(301)	(21)	0	0	(322)
Revaluation	5,236	(109)	97	0	0	5,224
At 31 March 2003	68,817	4,456	8,165	494	1,313	83,245
Depreciation						
At 1 April 2002	12,331	2,285	4,972	—	—	19,588
Charged in year	1,423	938	477	0	0	2,838
Disposals	0	(292)	(19)	0	0	(311)
Revaluations	4,431	4	32	0	0	4,467
At 31 March 2003	18,185	2,935	5,462	0	0	26,582
NBV						
At 31 March 2003	50,632	1,521	2,703	494	1,313	56,663
At 31 March 2002	50,945	1,517	2,849	266	344	55,921

The land to the north of the British Library St Pancras site was professionally re-valued at £18m as at 31 March 2002 by DTZ Debenham Tie Leung Limited, in accordance with the RICS Appraisal and Valuation Manual. The land was valued at its open market value. For 2002–03, the land was revalued at £22,611,570, as at 31 March, using indices provided by HM Treasury.

The net book value of land and buildings comprises:

	2002–03	2001–02
	£000	£000
Freehold	48,268	48,193
Leasehold – short	2,364	2,752
	50,632	50,945

The non-operational Heritage Assets held by the Department are valued at nil, for the reasons that there is no market for assets of this type, that the market value would not be a true reflection of the value of the asset to the nation's heritage, or the asset, if lost, could not be replaced or reconstructed. Purchased additions to the Government Art Collection have been included at cost in the Department's asset register as from 1st April 2000. This is in accordance with the Resource Accounting Manual, which requires that where additions are made to collections, when the main collections existing at 31st March 2000 are not capitalised, purchase price information will normally provide a reliable basis for capitalisations.

Other non-operational Heritage Assets are:

Apsley House: this is valued at nil because the Department believes that any valuation of the property would not give a true reflection of its value to the nation's heritage, given that it houses the Wellington Museum and many other artefacts and memorabilia associated with the first Duke of Wellington when he lived there. Apsley House and its collection are a "set piece" and to place a value on only part of it would not be appropriate and would not give a true representation of the value of the whole. Maintenance of Apsley House is carried out under the auspices of the Department according to a five year plan.

Wellington Arch and Marble Arch: the management responsibility was transferred to English Heritage on 1st April 1999;

10. Tangible Fixed Assets—*continued*

Osborne House: the management responsibility for the whole of the estate rests with English Heritage and is funded from English Heritage's grant-in-aid. The Department's interest in Osborne House ended with the closure of the former convalescent home run by the Civil Service Benevolent Fund, in October 2000.

Trafalgar Square: where management responsibility was transferred to the Greater London Authority on 1st October 2000;

58 statues in London: management responsibility for 47 statues was transferred to English Heritage on 1st April 1999, responsibility for 9 statues in Trafalgar Square was transferred to the Greater London Authority on 1st October 2000, leaving DCMS retaining responsibility for 2 statues.

In addition to the above, the legal title to the buildings at the Natural History Museum, the Science Museum and Imperial College were vested in the name of the Secretary of State for the Environment. Title was passed to DCMS when the Civil Estate, managed by Property Holdings was dispersed in 1996. Legal title to these buildings was passed to the Trustees of these institutions on 10 August 2001.

Blythe House is currently occupied by the British Museum, Science Museum and the Victoria and Albert Museum. The Freehold title is held in the name of the Secretary of State of the Environment, although ministerial responsibility for all museum estate issues has transferred to the Secretary of State for Culture, Media and Sport. Each of these institutions holds a share in this property, which has been individually valued by each institution over various dates, totalling £16.6 million.

The three museums have been investigating the implications of FRS 5 "Reporting the Substance of Transactions". This process of examining the benefits and obligations of ownership will not be completed until the end of March 2004, and will take into account any proposals from the DCMS Museums Storage Review.

11. Investments

DCMS has Accounting Officer responsibility for the New Millennium Experience Company (NMEC) which is in voluntary solvent liquidation. There are two ordinary shares in NMEC (nominal value £1 each). The shares are held, on behalf of the Government, in a personal capacity by Lord Falconer of Thoroton (and are to be transferred shortly to Keith Hill MP). Lord Falconer remains sole shareholder, but has granted power of attorney to Lord Rooker (a Minister of State in the Office of the Deputy Prime Minister). It had been anticipated that NMEC would have been fully wound up by March 2003, but outstanding litigation has prevented this. It is hoped that winding up will take place as soon as the litigation is resolved.

12. Movements in working capital other than cash

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
(Decrease)/Increase in debtors	(154,855)	156,756
(Increase)/Decrease in non-financing creditors	(66,459)	35,031
(Decrease)/Increase in Stock	(26)	(25)
	<u>(221,340)</u>	<u>191,762</u>
	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Adjustment: movements in amounts due to and from the Consolidated Fund	64,612	(6,369)
Grant-in-aid prepayments	—	(153,011)
Increase in debtors due to Machinery of Government transfer	—	(3,584)
Cash to accruals adjustment	—	(2,074)
Net decrease in working capital other than cash shown in the Cashflow statement (Schedule 4)	<u>(156,728)</u>	<u>26,724</u>
Adjustment: movement within Other debtors that will be due to Consolidated Fund (movements in BBC monies)	(1,387)	—
Transitional adjustments	4,967	—
Net decrease in working capital other than cash shown in the Reconciliation of resource to cash requirement (Schedule 1)	<u>(153,148)</u>	<u>26,724</u>

13. Stocks

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Stocks	<u>24</u>	<u>50</u>

In the opinion of the Board of the RPA the current replacement cost of stock is not materially different from the amount shown in the balance sheet.

14. Debtors

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Amounts falling due within one year:		
Trade debtors	3,043	2,157
Deposits and advances	1,219	1,220
VAT	1,469	1,271
Other debtors	14,020	16,018
Pre-payments and accrued income	1,995	155,934
	<u>21,746</u>	<u>176,600</u>

Other debtors includes £11,975k (£10,589k in 2001–02) that relates to amounts that have been received by the Post Office and other collection agents, relating to television licence fees, but have yet to be paid over to the Department. This cash will then be paid over to the Consolidated Fund.

Also within Other debtors is an amount of £1,482k (£3,978k Other creditors in 2001–02) that relates to the amount that is payable to the Department by the BBC.

In accordance with the *Resource Accounting Manual*, the amount due to HM Customs and Excise for VAT on outputs is netted off the debtor for input VAT recoverable on contracted out services. If the same treatment had been adopted in 2001–02 there would have been a net debtor of £1,248k.

15. Cash at Bank and in Hand

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Balance as at 1 April	(140,984)	11,741
Net Cash (outflow)/Inflow:	<u>200,139</u>	<u>(152,725)</u>
Balance at 31 March	<u>59,155</u>	<u>(140,984)</u>

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held at 31 March.

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Balance as OPG	58,811	(141,011)
Commercial banks and cash in hand	<u>344</u>	<u>27</u>
	<u>59,155</u>	<u>(140,984)</u>

The balance at 31 March comprises:

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	29,432	12,027
Amounts issued from the Consolidated Fund for Supply but not spent at the year end	29,735	—
Grant-in-Aid prepayments	—	(153,011)
RPA overdraft	<u>(12)</u>	<u>—</u>
	<u>59,155</u>	<u>(140,984)</u>

The difference of £1k between the figure for Consolidated Fund Extra Receipts (CFERs) due to the Consolidated Fund in this note and Schedule 4 is the result of a £1k rounding adjustment in the Schedule.

16. Creditors amounts falling due within one year

	<u>2002–03</u>		<u>2001–02</u>
	£000	£000	£000
VAT		0	23
Trade Creditors		3,251	64
Other Creditors		13,121	16,359
Accruals and deferred income		8,421	6,500
Amounts issued from the Consolidated Fund for Supply but not spent at the year end	29,735		—
CFERs received and receivable	<u>41,408</u>		—
Total of amounts due to the Consolidated Fund		<u>71,143</u>	<u>6,531</u>
		<u>95,936</u>	<u>29,477</u>

17. Provisions for Liabilities and Charges

	Early retirement and Pension Commitments	Other	Total
	£000	£000	£000
Balance at 1 April 2002	9	—	9
Provision in year	(2)	—	(2)
Payments in year	—	—	—
Transfer to Creditors	<u>(4)</u>	<u>—</u>	<u>(4)</u>
Balance at 31 March 2003	<u>3</u>	<u>—</u>	<u>3</u>

18. Revaluation Reserve

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Balance at 1 April 2002	25,387	27,024
Arising on revaluation during the year	871	(6,160)
Transferred to General Reserve	(371)	4,523
Balance at 31 March 2003	<u>25,887</u>	<u>25,387</u>

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

19. Donated Asset Reserve

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Balance at 1 April 2002	515	525
Arising on revaluation during the year	—	—
Depreciation charged in year	(11)	(10)
Balance at 31 March 2003	<u>504</u>	<u>515</u>

20. Capital Commitments

	<u>2002–03</u>	<u>2001–02</u>
	£000	£000
Contracted capital commitments at 31 March 2003 for which no provision has been made	1,618	9

21. Commitments under operating leases

At 31 March 2003 the Department was committed to making the following payments during the next year in respect of operating leases expiring:

	<u>2002–03</u>		<u>2001–02</u>	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Within one year	—	132	18	12
Between two and five years	—	234	0	352
After five years	5,792	0	4,811	0
	<u>5,792</u>	<u>366</u>	<u>4,829</u>	<u>364</u>

22. Contingent liabilities disclosed under FRS 12

Litigation has been brought to the High Court by the Gaming Board for Great Britain regarding betting machines in licensed betting offices. If the judgment goes against the Gaming Board and they become liable for costs, and these are substantial, they may need to approach the DCMS for supplementary funding.

At the balance sheet date the Department was involved in litigation with a member of staff. The member of staff had brought three discrimination claims against the Department, and a further claim was threatened. In the first two cases the Department won its case in the Employment Tribunal but an appeal was later lodged. However, since 31 March, the Department settled this long running dispute. The third claim was due to be heard by the Tribunal just as the settlement was reached. The settlement involved a payment under £45K to the member of staff, in full and final settlement of all actual and potential claims against the Department (but without admission of liability) and their resignation.

23. Contingent liabilities not required to be disclosed under FRS 12 but included for Parliamentary reporting and accountability

23.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12, since the likelihood of a transfer of economic benefits in settlement is too remote.

	1 April 2002	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2003	Amount reported to Parliament by Depart- mental Minute
	£million	£million	£million	£million	£million	£million
Guarantees						
Borrowing facility for Historic Royal Palaces	—	4			4	4
Indemnities						
Government Indemnity Scheme	2,980	624.8	—	—	3,604.8	N/A
Artworks on loan to the Government Art Collection	5.5			0.5	5	N/A
Royal Parks sculpture	1	—	—	—	1	1
Artworks on loan from the Royal Collection	219.5			48.8	170.7	N/A
Tower Hill Vaults site	0.3	—	—	0.3	0	0.3
Letters of comfort						
Assurance of capital funding for the Greenwich Foundation	4.5		1.5		3	10.5

The Department reported £3,786m of contingent liabilities as at 31 March 2003 (£3,211.8m at 31 March 2002, amended to £3,210.8m) in its annual return to HM Treasury relating to the bodies it sponsors. This included: statutory liabilities under the Government Indemnity Scheme of £3,604.8m (£2,980m 31 March 2002) which indemnifies private lenders to museums, galleries and other institutions when mounting exhibitions or taking long-term loans for either study or display; non-statutory liabilities for indemnities granted in respect of works of art on loan from the Royal Collection of £170.7m (£219.5m at 31 March 2002); £5m for items on loan to the Government Art Collection (£5.5m at 31 March 2002). The rise and fall in liabilities in these indemnity schemes is driven by the number and value of the works of art on loan, which changes from year to year. There is also indemnity cover of £1m for a sculpture in one of the royal parks (£1m at 31 March 2002).

Also included in the above total, the Department reported an assurance to fund: the Greenwich Foundation (Royal Naval College) for the 7 years 1998–99 to 2004–05 (£3m outstanding at 31 March 2003. The figure as at 31 March 2002 has been restated from the figure of £5.5 million stated in the 2001–02 resource accounts). In 2002–03, the obligation of £263,650 relating to assurances consequent upon two proposed leases of the Tower Hill Vaults site (on behalf of the Historic Royal Palaces) expired.

23.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12, since the likelihood of a transfer of economic benefits in settlement is too remote.

Statutory

Indemnity under the Broadcasting Act 1990 for liabilities which crystallised after Division of the IBA's assets between the ITC, Radio Authority and National Transcommunications Limited (NTL).

Non-statutory

Indemnity against the cost of certain legal fees arising from the sale of NTL.

23.2 Unquantifiable—*continued*

Unquantifiable level of compensation to be paid in the event that a temporary right of way in Bushy Park is revoked.

Deed of indemnity between Royal Armouries and British Waterways Board relating to the condition of the site of the new Royal Armouries Museum in Leeds.

DCMS with Sport England granted indemnity to the bank acting as Security Trustees for the English National Stadium project.

24. Reconciliation of Net Operating Cost to Change in General Fund

	2002–03	2001–02
	£000	£000
Net Operating Cost for the year (see Schedule 2)	(1,210,152)	(1,069,677)
Income not Appropriated-in-Aid paid and payable to Consolidation Fund – current year	(2,278,873)	(2,175,687)
Income not Appropriated-in-Aid paid and payable to Consolidation Fund – prior year	(10,589)	
	(3,499,614)	(3,245,364)
Net Parliamentary Funding	3,362,200	3,250,483
Transfers from Revaluation Reserve	371	745
Non cash charges:		
Early Retirement Costs	17	17
Cost of Capital	3,261	2,488
Auditors remuneration	98	91
Impairment	—	18,619
Amounts due from the Consolidated Fund in respect of Supply – prior year	108,065	
Cash issued from the Consolidated Fund in respect of excess Net Cash Requirement – prior year	50,922	
Consolidated Fund creditor for cash unspent – current year	(29,735)	
Adjustment for prior year supply	(16,450)	2,073
Machinery of Government transfer debtors	—	3,584
Home Office Machinery of Government cash transfer	—	1,000
Machinery of Government Reserve transferred to General Fund	—	3,592
Net increase/(decrease) in General Fund	(20,865)	37,328
General Fund at 1 April 2002	36,264	(1,064)
General Fund at 31 March 2003	15,399	36,264

25. Analysis of net operating cost

This note analyses funding by the Department to the relevant spending body:

	2002–03		2001–02	
	Budget	Outturn	Budget	Outturn
	£000	£000	£000	£000
Core Department	41,672	36,110	35,176	31,346
RPA	26,374	25,637	25,759	42,919
NDPBs and other sponsored bodies	1,235,981	1,148,557	1,079,919	995,545
BBC	(125)	(152)	(120)	(133)
	1,303,902	1,210,152	1,140,734	1,069,677

The Welsh Channel Four Authority (S4C) has been included within Non-Departmental Public Bodies.

26. Related Party Transactions

The Department for Culture, Media and Sport is the parent Department of the Royal Parks Agency. In addition it sponsors the institutions set out in Note 7, and is responsible for the following Lottery funded bodies that are regarded as related parties, some of which are also exchequer funded:

- National Heritage Memorial Fund (Heritage Lottery Fund)
- Community Fund (previously the National Lottery Charities Board)
- The Millennium Commission
- New Millennium Experience Company Ltd
- Sport England
- UK Sport
- Arts Council of England
- New Opportunities Fund
- National Endowment for Science Technology and the Arts
- Film Council

During the year the Department had no material transactions with the following self financing Public Corporations, that are also regarded as related parties because of the Secretary of State's right to appoint board members:

- Channel Four Television Corporation
- Independent Television Commission
- The Radio Authority

The following non-executive advisory NDPBs and Committees are classified as related parties:

- Nine Regional Cultural Consortia
- Advisory Committee on Historic Wreck Sites
- Treasure Trove Reviewing Committee/Treasure Trove Valuation Committee
- Advisory Committee on the Government Art Collection
- Reviewing Committee on the Export of Works of Art
- Advisory Committee for the Public Lending Right
- Advisory Council on Libraries

The Regional Cultural Consortia receive programme funding, whereas the other advisory bodies activities are wholly funded through the Department's administration costs.

The following limited company is classified as a related party:

- England Net Ltd

None of the board members, key managerial staff or other related parties has undertaken any material transactions with the Department for Culture, Media and Sport during the year.

27. Losses and special payments

Losses Statement

	£000
Total of 79 cases	2,714
Details of cases over £100k	

Claims waived or abandoned:

Write off of loans granted under the National Film Development Fund	779
Section 4 Write off of Development of Tourism Act 1969 loans – Fownes Hotel plc	166
Phoenix Trust early termination of loan agreement	199
Section 4 Write off of Development of Tourism Act 1969 loans – Allerdale Development Co Ltd	150
Section 4 Write off of Development of Tourism Act 1969 loans – Osborn Hotel Properties Ltd	130

The individual cases relate entirely to the write off of irrecoverable, long term loans associated with moribund development schemes run by other government organisations, which were passed to the Department upon its creation in 1992.

28. Notes to Schedule 5

Programme grants, ie. other current, capital and current grants, have been allocated as follows:

	2002–03	2001–02
	£000	£000
Objective 1	171,107	143,920
Objective 2	538,024	476,333
Objective 3	164,202	145,820
Objective 4	186,377	138,690
Objective 5	4,690	5,483
Objective 6	123,102	114,834
	1,187,502	1,025,080

The Department's NDPBs were responsible for attributing the Grant-in-Aid received from the Department by Departmental objectives. The Department issued guidance for this purpose. The analysis was subject to review by each body's Internal Auditors, and by the Head of the sponsoring division within DCMS.

In order for many of the NDPBs to apportion the monies fairly it was necessary for them to make certain assumptions on their interpretation of the DCMS objectives. If NDPBs had made different assumptions then a different allocation could have been made. It is possible that there could be inconsistencies in allocations made by different NDPBs. The Department feels that these possible inconsistencies are immaterial.

Sponsor divisions were required to attribute "other programme" expenditure by objective.

Administration costs were allocated to objectives in the same proportions as the allocations to programme expenditure.

Capital employed by Departmental Aims and Objectives

	2002–03
	£000
Objective 1	2,200
Objective 2	34,355
Objective 3	1,641
Objective 4	1,983
Objective 5	405
Objective 6	1,206
	41,790

DCMS's capital is employed exclusively for administration purposes, with the exception of the capital employed by the Royal Parks Agency which is used solely for the delivery of Objective 2. Capital employed by the RPA has therefore been allocated to objective 2, and the remainder of the DCMS's capital employed has been allocated in proportion to gross administration cost.