

PUBLIC LENDING RIGHT

CENTRAL FUND ACCOUNT 2002-2003

F O R E W O R D

These are the accounts for the twentieth year of the Public Lending Right (PLR) Central Fund and cover the annual payments due to authors at 31 March 2003.

History and Statutory Background

The Public Lending Right Act 1979 established a right for authors to receive remuneration from public funds in respect of their books lent out from public libraries. The calculation of library loans is estimated from a sample of public libraries where issues are recorded electronically and processed by local authority computers before transmission to the Registrar's computer at Stockton-on-Tees: for the twentieth year's calculations the number of library authorities in the sample was 30.

The details of eligible books, eligible authors, and payment calculations are set out in The Public Lending Right Scheme 1982, as amended in 1983, 1984, 1988, 1989 and 1990. The consolidated text appears in Statutory Instrument 1990 No 2360. Further amendments were made in Statutory Instruments 1991 No 2618, 1993 No 799, 1996 No 3237, 1997 No 1576, 1998 No 1218, 1999 Nos 420, 905, 3304, 2000 Nos 933, 3319, 2001 No 3984, 2002 No 3123, 2003 No 839.

The Public Lending Right Advisory Committee advises the Secretary of State for Culture, Media and Sport and the Registrar on the operation of the Scheme but has no formal responsibility for the management of PLR. Appointments to the Committee are made by the Secretary of State. Details of the Committee's membership at 31 March 2003 are provided in Annex A.

Review of Activities

The twentieth year's operations will be described in the PLR Annual Report which includes the statutory report on the operation of the Scheme laid before Parliament by the Secretary of State for Culture, Media and Sport. Following consultation with the Department for Culture, Media and Sport a separate Operating and Financial Review (OFR) of the Scheme's activities during 2002-2003 will not be included in the Annual Report on the basis that all key aspects of the OFR are covered below in this Foreword.

a) Funding for the Scheme

For 2002-2003, Parliament approved an increase in the baseline grant-in-aid provision to the PLR fund of £7,001,000 and a supplementary £1,536,000 towards the cost of transferring the Registrar's staff to the Principal Civil Service Pension Scheme.

The PLR Act 1979 provides for a maximum statutory limit on the DCMS grant to the PLR Central Fund and a procedure to raise this maximum, which must be agreed in advance of each financial year by an affirmative order of the House of Commons. This is separate from Parliament's approval of DCMS's Request for Resources under the Supply Estimates and Supplementary Estimates procedure. For 2002-2003 the limit under the 1979 Act remained at £5,500,000 and the full amount was made available in the year.

Thus, although Parliament had separately approved the full funding of £8,537,000 for PLR's 2002-2003 grant-in-aid allocation, the Secretary of State for Culture, Media and Sport was unable to make payment of the balance of grant-in-aid (£3,037,000) until 1 April 2003 when a new Order could come into effect.

The PLR (Increase of Limit) Order 2003 allows payments to be made to the Central Fund in 2003-2004 for the 2002-2003 shortfall, an uplift in grant-in-aid to £7,201,000 and the balance of funding for the pension transfers.

As soon as this regulatory problem was identified, the PLR office communicated with authors to inform them of the consequent delay for some payments. All authors received payment within the 2002-03 tax year.

b) Operating Charges

We continue to make good progress with implementation of our IT strategy. This has involved contracting out to SFW (Systems For Windows Ltd) the design and set-up of on-line registration facilities for authors. At the year end work had reached screen design stage. PLR's in-house IT team undertook further work on the redesign of PLR's computerised systems for loans data collection and processing (due for completion by 1 July 2003). Improvements include streamlining the processing and retrieval of loans data submitted by sample libraries, and faster and more accurate procedures for updating PLR's bibliographic database. DCMS Ministers accepted the recommendations of the PLR Advisory Committee that the Scheme be changed to raise the maximum payment threshold from £6,000 to £6,600; also that payments falling below the minimum threshold be carried forward into subsequent years until such time as the accumulated amounts cleared the threshold and could be paid out.

c) Payments to Authors

On the basis of the increased funding, it proved possible to increase the level of the rate per loan for the March and April 2003 payments to authors to 4.21 pence, the highest figure to date (2.67 pence in 2001-2002). Following the extension of the Scheme in July 2000, payments were made for the second time to authors resident in European Economic Area countries. A total sum of £6,194,517 was made available from the Central Fund for paying out to 19,062 authors. 79% of the Fund will have been in payments of £500 or more.

As noted above, parliamentary authority to raise the limit on the PLR Central Fund had not been obtained in the previous financial year as required by the PLR Act. As a result only £5.5 million could be made available by DCMS before the year-end. After meeting the estimated pension transfer costs and the Registrar's other operating costs, £3,194,341 of the £6,194,517 due to authors was distributed in March 2003 to authors on the lowest payments. The balance of £3,000,176 was distributed on 1 April 2003 to the remaining authors to whom payment was due, when the balance of grant-in-aid funding was released to the Registrar. The payment table below brings together details of both sets of payments.

19,062 authors and assignees (17,581 in 2001-2002) qualified for payments. The numbers of authors in the various payment categories were as follows:-

	Twentieth Year	Nineteenth Year
Authors Earning:		
£6,000.00	245	127
£5,000.00 - £5,999.99	75	42
£2,500.00 - £4,999.99	340	272
£1,000.00 - £2,499.99	759	584
£500.00 - £999.99	894	750
£100.00 - £499.99	3,952	3,400
£50.00 - £99.99	2,657	2,425
£5.00 - £49.99	<u>10,140</u>	<u>9,981</u>
	<u>19,062</u>	<u>17,581</u>
Expenditure	6,194,517	4,505,758

Expenditure includes £69,341 still to be paid at the year end. These authors' addresses are unknown to PLR, or their assignees have not made probate claims. A further £9,343 is a separate provision which is used to supplement the central fund. There were 10,745 (16,331 in 2001-2002) authors whose books earned no payment.

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

	£	%
£6,000.00	1,476,489	23.83
£5,000.00 - £5,999.99	413,768	6.68
£2,500.00 - £4,999.99	1,207,639	19.50
£1,000.00 - £2,499.99	1,181,340	19.07
£500.00 - £999.99	625,300	10.09
£100.00 - £499.99	903,590	14.59
£50.00 - £99.99	189,454	3.06
£5.00 - £49.99	<u>196,937</u>	<u>3.18</u>
	<u>6,194,517</u>	<u>100.00</u>

d) Strengths, Weaknesses and Risks

Among the strengths of the Scheme identified in the 2002 Quinquennial Review report were its cost-effectiveness, responsiveness to authors and its openness to modernisation and improvement. As part of PLR's approach to risk management a number of risks to the successful management of the annual author payment cycle and achievement of key objectives have been identified. These include 'initiative overload', an ever-present danger for small government bodies like PLR striving to meet the requirements of their own legislation and a growing number of central government initiatives. To mitigate these risks PLR has strengthened its systems for project planning and monitoring, and through the Investors In People process has striven to involve all staff in determining planning priorities. Additionally, the Registrar has introduced a range of flexible working patterns to help retain key staff, and has made provision for succession planning should they choose to leave PLR.

To manage the Scheme successfully PLR relies on a number of key external bodies meeting their obligations under the PLR legislation. The Registrar is responsible under the PLR legislation for the management of the Scheme but to meet his statutory obligations he relies on services provided by a number of external bodies. These include DCMS for the provision of grant-in-aid and support in seeing changes to the Scheme through parliament, and sample libraries for the supply of loans data. Any problems with these arrangements could have an impact on the Scheme's operation. To avoid these, PLR's Financial Memorandum clarifies the respective responsibilities of the Registrar and DCMS, and the Registrar and his team maintain close contacts with sample library staff. To mitigate these risks PLR works hard at building regular and reliable communications with DCMS, sample libraries and the other bodies on which the Scheme relies.

Fixed Assets

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

Movements on fixed assets are set out in note 6 to the financial statements.

Payment of Creditors

The Registrar adheres to the government-wide standard for payment of bills by aiming to settle all bills within thirty days. In 2002-2003, 97% of creditor invoices were paid within 30 days of being received (2001-2002, 98%). Every effort is also made by PLR to effect payments to authors on the annual date fixed by the Registrar. However, as a result of failure by authors to notify PLR of changes in address or bank details, and of other circumstances outside the control of the Registrar, it may not always be possible to make payment. In such cases, the Registrar is required to hold payments as debts due to the authors concerned for up to six years during which period all reasonable efforts are made by PLR to effect payment.

Superannuation

During 2002-2003, Public Lending Right transferred its existing pension fund members and eligible employees to the Principal Civil Service Pension Scheme under the same terms and conditions that applied with the Public Lending Right Pension Scheme. An options exercise for the Civil Service 2000 Pension Scheme was completed by all staff who made their choices of pension scheme before the launch of the new scheme on 1 October 2002.

The funding for the transfer of PLR's pension obligations was not met by PLR's existing resources but by extra funding made available by Treasury via DCMS. DCMS also agreed to reimburse accruing superannuation liability charges for 2002-03, which had not been allowed for when setting the budget and rate per loan.

The PCSPS is a "pay-as-you-go" statutory unfunded pension scheme. In accordance with Section 40 of the Social Security Pensions Act 1975 such schemes are exempted from the need to set up funds. The liability to pay pensions is underwritten by an understanding that in accordance with existing legislation, in particular the Superannuation Act 1972, the Government is obliged to provide benefits to members of such schemes in accordance with their respective rules.

Results and Appropriations

The Fund is distributed after deduction of the Registrar's remuneration, administrative costs, and payments to local authorities. The deficit for the year was £103,168. As a result, the Central Fund ended the year with a deficit carried forward of £87,365. The deficit is a result of recognising the full costs of the pension transfer, which exceeded earlier cost estimates on which the request for supplementary grant-in-aid had been based. If the difference between the pension costs incurred and related grant-in-aid received of £102,899 were excluded, the Fund would have recorded a deficit for the year of £269.

For 2003-2004, Parliament has approved an increase of baseline grant-in-aid to £7,201,000 and a supplementary estimate will be presented for the additional pension costs.

Future developments

The Quinquennial Review of the PLR Scheme, undertaken by DCMS, was completed in December and its findings published. The Review concluded that the Scheme had continuing validity in terms of government policy and commended the Registrar and his team on the effectiveness and responsiveness of the service provided to authors. It concluded that PLR's governance arrangements remained appropriate and recommended no change to the corporate legal status and responsibilities of the Registrar.

The Review did, however, make a number of recommendations which have implications for the future development of the Scheme. It supported the Advisory Committee's proposals for changes to the payment thresholds, recommended extending the Scheme to encompass reference book consultations in public libraries, and appointing a working group to advise on whether library loans of audio-books should be brought within the Scheme.

Registrar's Salary and Superannuation

As specified in the Act, the Registrar's own remuneration, superannuation costs and pension payments to his predecessor are charged directly against the £7,001,000 grant due to be made available. As they are not made from the Central Fund, they do not appear in these accounts. A reconciliation to the grant received is shown at note 2. In 2002-2003 the total deduction was £63,416 (2001-2002 £65,058).

Staffing Matters

The Registrar of Public Lending Right is committed to promoting effective consultation and communications with his staff. PLR's Corporate and Author Services Teams have regular staff meetings at which matters relating to PLR's activities are discussed. Additionally, staff are briefed on matters discussed at senior management and planning meetings. PLR recognises the Public and Commercial Services Union for the purpose of collective bargaining.

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

Organisation

The PLR Act 1979 gives the Registrar sole corporate responsibility for the PLR Scheme. The PLR Advisory Committee provides advice to the Registrar and DCMS Ministers on aspects of the Scheme's operation. For the last two years, the day-to-day management of the Scheme has been undertaken by Author and Corporate Services teams reporting through Team Leaders to the Assistant Registrar. This devolution of responsibility enables the Registrar to concentrate on strategic and developmental issues.

Performance Indicators

As part of the Funding Agreement with the Department for Culture, Media and Sport, the Registrar of Public Lending Right has identified one financial measure related to the organisation's aims. Details of actual result against target are set out in note 19.

The Euro

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

Auditors

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

J G PARKER

Registrar

6 November 2003

Annex A

PLR Advisory Committee

The members of the Advisory Committee during the year were:

Ms Clare Francis (Chairman)

Dr James Parker (Registrar of PLR)

Ms Theresa Breslin

Ms Gill Coleridge

Mr Rob Froud (*Date of Appointment 20.1.03*)

Dr Maggie Gee

Ms Hilary Mantel

Ms Miranda McKearney (*Appointment renewed 16.5.02*)

Mr Terry Turner (*Appointment ended 31.1.03*)

Other than the Registrar, none of the Advisory Committee members received any remuneration from PLR.

PLR Audit Committee

The members of the Audit Committee during the year were:

Mr Mike Paterson (Chairman)

Mr David Bothamley

Dr James Parker

RESPONSIBILITIES OF THE REGISTRAR AND DCMS ACCOUNTING OFFICER

Under section 2(6) of the Public Lending Right Act 1979, the Registrar is required to prepare a statement of accounts for the Public Lending Right Central Fund for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Central Fund's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Registrar is required to:

- observe the accounts direction issued* by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Central Fund will continue in operation.

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

Under Section 2(1) of the Public Lending Right Act 1979, the Central Fund is placed under the management and control of the Registrar who is also responsible for the keeping of proper records. The Accounting Officer of the Department for Culture, Media and Sport has designated the Registrar as the Accounting Officer for the use of, and expenditure from, the Central Fund. As Accounting Officer he has overall responsibility for the propriety and regularity of the Public Lending Right Central Fund finances for which he is answerable to Parliament and for the keeping of proper records. His responsibilities as Accounting Officer are set out in the Accounting Officer's Memorandum issued by the Treasury and published in Government Accounting.

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

J G PARKER
Registrar

6 November 2003

STATEMENT ON INTERNAL CONTROL

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control takes account of Treasury guidance and is based on an ongoing process designed to identify the principal risks to the achievement of PLR policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

We commissioned some further risk management training this year from our internal auditors to fine tune our existing system which has been firmly embedded in our operating systems throughout the year. As part of our approach we now identify our objectives and risks and determined a control strategy for each of the significant risks. A risk management policy document has been sent to all staff setting out PLR's risk strategy.

The Registrar's Planning Group has been reviewing risk management and internal control on a regular basis during the year and there has been a full risk and control assessment before reporting on the year ending 31 March 2003.

PLR employs internal auditors who operate to standards defined in the Government Internal Audit Standards. They submit regular reports which include an independent opinion on the adequacy and effectiveness of PLR's system of internal control together with the recommendations for improvement.

The Audit Committee receives periodic reports from PLR's internal auditors concerning internal control. The internal auditors work closely with PLR's managers on the steps needed to manage risks in their areas of responsibility.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and PLR's executive managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. This year my review has also been informed by the positive findings of the DCMS Quinquennial Review of the Scheme.

In light of the evidence available to me, I believe that PLR has had all the necessary risk management and review processes in place throughout 2002-2003.

J G PARKER
Registrar

6 November 2003

Public Lending Right Central Fund

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

I certify that I have audited the financial statements on pages 11 to 23 under the Public Lending Right Act 1979. These financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 14.

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

As described on page 8, the Accounting Officer of the Department for Culture, Media and Sport has responsibility for payments into the Public Lending Right Central Fund and to the Registrar. The Registrar, as Accounting Officer for the use of and expenditure from the Public Lending Right Central Fund, is responsible for the preparation of financial statements in accordance with the Public Lending Right Act 1979 and directions made thereunder by the Secretary of State for Culture, Media and Sport and for ensuring the regularity of financial transactions. The Registrar is also responsible for the preparation of the Foreword. 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 Public Lending Right Act 1979 and directions made by the Secretary of State for Culture, Media and Sport 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 on pages 1 to 7, is not consistent with the financial statements; if the Public Lending Right has not kept proper accounting records; or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 9 reflects the Public Lending Right'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 and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Registrar in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund'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 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 Public Lending Right Central Fund at 31 March 2003 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Lending Right Act 1979 and with the directions made thereunder by the Secretary of State for Culture, Media and Sport.
- 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
11 November 2003

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

The maintenance and integrity of PLR's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

INCOME	Notes	£	<u>2002-03</u> £	<u>2001-02</u> £
HMG Grant	2	6,937,584		5,148,942
Income in respect of pension transfer to PCSPS	2	1,522,000		-
Income in respect of accrued superannuation liability contributions in excess pensions payments	2	<u>14,000</u>		<u>-</u>
			8,473,584	5,148,942
Less: Transferred to Government grant reserve	3		(34,095)	(17,605)
Other Operating Income	4		<u>34,031</u>	<u>126,268</u>
Total income available to PLR Central Fund			8,473,520	5,257,605
EXPENDITURE				
Staff Costs	5	(361,276)		(326,189)
Expenditure in respect of pension transfer to PCSPS	5a	(1,615,540)		-
Depreciation	6	(27,531)		(121,259)
Other Operating Charges	7	(384,620)		(306,873)
Public Lending Right to Authors		<u>(6,194,517)</u>		<u>(4,505,758)</u>
			8,583,484	5,260,079
Operating (Deficit)	8		<u>(109,964)</u>	<u>(2,474)</u>
Income from other activities - interest receivable		4,555		8,252
- pension account	9	<u>2,683</u>		<u>22,021</u>
			7,238	30,273
Surplus/(Deficit) on ordinary activities before taxation			(102,726)	27,799
Corporation Tax	22		(442)	(1,655)
Notional Cost of Capital	17		<u>(780)</u>	<u>(6,064)</u>
Surplus/(Deficit) after Notional Costs			(103,948)	20,080
Reversal of Notional Costs			780	6,064
Surplus / (Deficit) for the Financial Year			<u>(103,168)</u>	<u>26,144</u>
Retained Surplus/(Deficit) brought forward			15,803	(10,341)
Retained Surplus/(Deficit) carried forward			<u>(87,365)</u>	<u>15,803</u>

The income and expenditure relate to continuing activities.

The Fund has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented.

The notes on pages 14 to 23 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Notes	£	<u>2002-03</u> £	<u>2001-02</u> £
FIXED ASSETS				
Tangible Assets	6		42,556	35,992
CURRENT ASSETS				
Debtors	10	3,039,599		2,871
Cash at Bank and In Hand		<u>129,439</u>		<u>144,638</u>
		3,169,038		147,509
CREDITORS				
Amounts falling due within one year	11	<u>(3,247,060)</u>		<u>(122,040)</u>
Net Current Assets/(Liabilities)			<u>(78,022)</u>	<u>25,469</u>
Total Assets Less Current Liabilities			<u><u>(35,466)</u></u>	<u><u>61,461</u></u>
FINANCED BY:				
CAPITAL AND RESERVES				
Government Grant Reserve	3		42,556	35,992
Public Lending Right Reserve	12		9,343	9,666
Income and Expenditure Account			<u>(87,365)</u>	<u>15,803</u>
			<u><u>(35,466)</u></u>	<u><u>61,461</u></u>

The notes on pages 14 to 23 form part of these accounts.

J G PARKER
Registrar

6 November 2003

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2003**

		<u>2002-03</u>	<u>2001-02</u>
	Notes	£	£
Net Cash (Outflow)/Inflow from Operating Activities	13	(18,554)	31,027
NET CASH INFLOW FROM Returns on Investment and Servicing of Finance			
Interest Received		2,327	8,275
Taxation			
Corporation Tax Paid		(1,655)	(2,148)
NET CASH OUTFLOW FROM Capital Expenditure and Financial Investment			
Purchase of Fixed Assets		(34,095)	(17,605)
NET CASH INFLOW FROM Pensions Account		2,683	22,021
NET CASH INFLOW FROM Financing			
Government Grant Applied to Capital	3	34,095	17,605
Increase/(Decrease) in Cash	14	<u>(15,199)</u>	<u>59,175</u>

The notes on pages 14 to 23 form part of these accounts.

**PUBLIC LENDING RIGHT CENTRAL FUND
NOTES TO THE ACCOUNTS AT 31 MARCH 2003**

NOTE 1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

These accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and Accounting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

ASSETS AND DEPRECIATION

Fixed assets are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material and no such adjustments were made in 2002-2003.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less the estimated residual value of each asset, evenly over its expected useful life. Items under £1,000 are written off in the year of purchase. Items over £1,000 are depreciated evenly over 3 years for computer equipment and 5 years for fixtures and fittings.

VALUE ADDED TAX

PLR is outside the scope of VAT.

HMG GRANT

The capital element of the Grant from the Department for Culture, Media and Sport is credited to a Government Grant Reserve and released to revenue over the expected useful life of the relevant assets. The revenue element of the Grant is credited to income in the year to which it relates.

LEASES

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

NOTE 2**HMG GRANT**

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Grant for PLR (DCMS RfR1)	8,537,000	5,214,000
LESS Registrar's Costs	(63,416)	(65,058)
	<hr/>	<hr/>
Grant to Central Fund	<u>8,473,584</u>	<u>5,148,942</u>

For 2002-2003 the limit of government grant was £5,500,000 including funding of £1,615,540 to transfer the pension fund and to meet the accruing superannuation liability charge. With respect to the latter balance, £1,536,000 was received before 31 March 2003 and the remaining balance of £79,540 was due in 2003-04.

The Registrar's Costs comprise the salary and National Insurance payments of the present Registrar, and pension payments to his predecessor. The Registrar's pension scheme is unfunded, and is administered in the same way as the PLR staff scheme.

The Registrar's contract was renewed for a period of five years from 1 August 2001.

The Registrar's total remuneration consisted of a basic salary of £53,223 plus a non-consolidated bonus of £3,100 (2001-2002 total emoluments were made up of £51,672 basic salary).

	Age	Salary (including Performance Pay)	Real increase in Pension at age 60	Total accrued pension at age 60 at 31.3.03
Dr James Parker	50	56,322	755 (628 in 2001-02)	7,757 (6,885 in 2001-2002)

NOTE 3**GOVERNMENT GRANT RESERVE**

All capital expenditure (£34,095 in 2002-2003) is financed from HMG Grant. The Grant apportioned is treated in the accounts as a deferred credit. A proportion is transferred annually to the Income and Expenditure Account over the estimated useful life of the assets as Other Income to cover Depreciation.

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Balance Brought Forward	35,992	139,646
Apportioned from HMG Grant	34,095	17,605
	<hr/>	<hr/>
Transferred to Income & Expenditure Account	70,087 (27,531)	157,251 (121,259)
	<hr/>	<hr/>
Balance Carried Forward	<u>42,556</u>	<u>35,992</u>

NOTE 4 OTHER OPERATING INCOME

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Transfer from Government Grant Reserve	27,531	121,259
Supplement from Public Lending Right Reserve (see Note 12)	5,000	5,000
Other	1500	9
	<u>34,031</u>	<u>126,268</u>

NOTE 5 STAFF COSTS

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Salaries	308,620	284,190
Employer's National Insurance	19,486	19,357
Superannuation	9,811	22,642
ASLCS	23,359	-
	<u>361,276</u>	<u>326,189</u>

- 5(i) Average weekly number of full time staff employed in the year was
- | | | |
|--|----|----|
| | 15 | 15 |
|--|----|----|
- 5(ii) Employees receiving remuneration over £50,000
- | | | |
|--|---|---|
| | 0 | 0 |
|--|---|---|
- 5(iii) No members of the Advisory Committee or the Audit Committee have received remuneration, apart from reimbursement of travel expenses.
- 5(iv) ASLCS (Accruing Superannuation Liability Charges) calculated as a percentage of monthly salaries. Reimbursed by DCMS.

NOTE 5a PENSION TRANSFER TO PCSPS

During 2002-2003, Public Lending Right transferred its existing pension fund members to the Principal Civil Service Pension Scheme under the same terms and conditions that applied with the PLRSPS. The Government Actuaries Department valued PLR's pension liability as £1,615,540 as at 31 March 2003. GAD assumed a discount rate net of price increases of 3.5% per annum in calculating the pension transfer value. The funding for this transfer was met by the Department for Culture, Media and Sport.

NOTE 6 TANGIBLE FIXED ASSETS

	PLR Computer	Fixtures, Fittings & Equipment	TOTALS
	£	£	£
Cost			
Cost at 1 April 2002	244,161	63,422	307,583
Additions at Cost	34,095	-	34,095
Disposals	(141,296)	-	(141,296)
Cost at 31 March 2003	<u>136,960</u>	<u>63,422</u>	<u>200,382</u>
	-----	-----	-----
Depreciation			
Depreciation at 1 April 2002	240,026	31,565	271,591
Charge for 2002-03	14,681	12,850	27,531
Less Charge on Disposals	(141,296)	-	(141,296)
Depreciation at 31 March 2003	<u>113,411</u>	<u>44,415</u>	<u>157,826</u>
	-----	-----	-----
Net Book Value at 1 April 2002	<u>4,135</u>	<u>31,857</u>	<u>35,992</u>
Net Book Value at 31 March 2003	<u>23,549</u>	<u>19,007</u>	<u>42,556</u>

The financial effect of revaluing the fixed assets was considered to be immaterial and therefore they have been disclosed at their historic cost value. Disposals were made of consultancy costs arising from upgrade to computer server for millennium compliance and work station equipment which was replaced during the year.

NOTE 7 OTHER OPERATING CHARGES

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Administration	150,806	105,356
Accommodation	136,922	114,065
Computer Operating Costs	32,029	30,862
Local Authorities	29,767	32,500
Consultants	35,096	24,090
	<u>384,620</u>	<u>306,873</u>

NOTE 8 OPERATING DEFICIT

		<u>2002-03</u>	<u>2001-02</u>
	Notes	£	£
The Operating (Deficit) of is stated after charging		(109,964)	(2,474)
Auditor's remuneration - Audit Fee		14,000	13,500
Operating Leases - Premises Rental	15	55,225	53,426
Computer Licences		22,587	22,587
Travel, Subsistence & Hospitality		16,644	23,331
		<u> </u>	<u> </u>

NOTE 9 PENSION ACCOUNT

This comprises widow(er)'s contributions of 1.5% of gross monthly salary deducted from staff salaries up to 31.8.02 and the Registrar's salary together with transfer payments into the PLR Pension Scheme.

NOTE 10 DEBTORS

		<u>2002-03</u>	<u>2001-02</u>
		£	£
DCMS – Author Payments		3,037,000	-
Sundry		2,599	2,871
		<u> </u>	<u> </u>
		3,039,599	2,871
		<u> </u>	<u> </u>

23 (i) £3,037,000 relates to outstanding grant-in-aid due from DCMS to pay authors whose books were borrowed from libraries during 2001-2002.

NOTE 11 CREDITORS:- AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Sundry Creditors	41,349	41,375
Author Payments 2002-03	3,069,517	-
Cabinet Office – Pension Transfer	93,540	-
Corporation Tax	442	1,655
Public Lending Right - Unclaimed & Undistributed:		
96/97	-	4,838
(192 authors) 97/98	6,807	7,567
(180 authors) 98/99	6,649	7,327
(201 authors) 99/00	6,146	10,915
(258 authors) 00/01	10,162	18,405
(300 authors) 01/02	12,448	29,958
	<u>3,247,060</u>	<u>122,040</u>

11 (i) The outstanding author payment figure relates to £3,000,176 due to be paid to authors at the end of the financial year and £69,341 due to be paid but addresses cannot be traced or assignees have not made probate claims.

11(ii) £93,540 is the outstanding balance due to the Cabinet office for the bulk pension transfer.

NOTE 12 PUBLIC LENDING RIGHT RESERVE

	Balance b/f 1.4.02	Transferred from Creditors: PLR Renounced, returned or Undistributed after 6 years	Public Lending Right Paid	Charge to Income and Expenditure Account	Balance c/f 31.3.03
	£	£	£	£	£
PLR Reserve (a)	9,666	4,677	(5,000)	-	9,343

(a) The Public Lending Right Reserve is to cover probable further claims for payment of PLR. This is a statutory right enforceable by law - authors have the right to demand payment from the Registrar. Amounts held as creditors and subsequently renounced by authors, or unclaimed and undistributed after six years are transferred to the Reserve. If this is insufficient to meet claims in the year, an appropriation is made from the Income and Expenditure Account. Under the arrangements of the Scheme any unclaimed payments due will lapse after six years. Such amounts are retained in the Reserve for the benefit of authors. The Registrar considers that the Reserve carried forward is sufficient to meet probable claims.

NOTE 13**RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Operating (Deficit)	(109,964)	(2,474)
Depreciation charge	27,531	121,259
Release from Government Grant Reserve	(27,531)	(121,259)
(Increase)/Decrease in debtors	(3,034,500)	(896)
Increase/(Decrease) in creditors	3,126,233	36,085
Increase/(Decrease) in PLR Reserve	(323)	(1,688)
	<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Operating Activities	<u>(18,554)</u>	<u>31,027</u>

NOTE 14**ANALYSIS OF CHANGES IN NET FUNDS**

	Year ending 31 March 2003	Year ending 31 March 2002
	£	£
Balance at 1 April 2002 and 1 April 2001	144,638	85,463
Net Cash Inflow (Outflow)	(15,199)	59,175
	<hr/>	<hr/>
Balance at 31 March 2003 and 31 March 2002	<u>129,439</u>	<u>144,638</u>

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

NOTE 15 OPERATING LEASES

At 31 March 2003 the Public Lending Right had annual commitments under non-cancellable Operating Leases as set out below.

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Operating Leases expiring within:		
One Year	22,587	-
In the Second to Fifth Years Inclusive	-	22,587
Over Five Years	55,225	55,225
	<u>77,812</u>	<u>77,812</u>

NOTE 16 CAPITAL COMMITMENTS

At 31 March 2003 there were no capital commitments contracted for, or capital commitments approved but not contracted for (£nil at 31 March 2002).

NOTE 17 NOTIONAL COSTS

Notional cost of capital is calculated as 6% of average net assets/liabilities for the year and amounts to £780 (2001-2002 £6,064).

NOTE 18 RELATED PARTY TRANSACTIONS

Public Lending Right is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport. The DCMS is regarded as a related party. During the year PLR has had various transactions with other Government Departments and public sector bodies which can be summarised as follows:

British Library - provision of bibliographic data

Local authorities - provision of loan sample

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

NOTE 19 PERFORMANCE INDICATORS

The key performance indicator set by DCMS is to manage PLR efficiently, cost-effectively and in line with statutory and audit requirements, so as to maximise payments made to authors from the Central Fund; at the same time to support DCMS in the achievement of its overall aims for the cultural sector by prioritising those areas of PLR activity most relevant to the following DCMS objectives:

	Target	Actual
DCMS Objective 1	16,000	14,560
DCMS Objective 2	825,000	791,440
DCMS Objective 4	<u>6,160,000</u>	<u>6,195,000</u>
	7,001,000	7,001,000

DCMS Objective 1: reflects costs of Registrar's international development work in support of DCMS's objective to promote abroad the UK's expertise in cultural activities; DCMS Objectives 2 and 4: reflect PLR's support for libraries and authors in furtherance of DCMS objectives to broaden access for all to cultural life and encourage the achievement of excellence.

NOTE 20 PENSIONS

During 2002-2003, Public Lending Right transferred its existing pension fund members and eligible employees to the Principal Civil Service Pension Scheme under the same terms and conditions that applied with the PLRSPS. The funding for this transfer was met by the Treasury. The accruing superannuation liability contributions will be paid to the PCSPS by PLR. DCMS will reimburse PLR for this ongoing cost.

The Government Actuaries Department valued PLR's pension liability. As at 31 March 2003, the value of the pension transfer for PLR's scheme was £1,615,540. GAD assumed a discount rate net of price increases of 3.5% per annum in calculating the pension transfer value.

The Government Actuaries Department valued the Registrar's pension liability. As at 31 March 2003, the value of pension liability of the Registrar's scheme was £142,140. GAD assumed a discount rate net of price increases of 3.5% per annum in calculating the pension liability (see Note 2).

NOTE 21 FINANCIAL INSTRUMENTS

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

- Liquidity Risks

Public Lending Right's income is derived primarily from grants provided by the Department for Culture, Media and Sport. In 2002-03, there was a one-off pension transfer. In 2002-03, there have been no borrowings, therefore it is believed that Public Lending Right is not exposed to significant liquidity risks.

- Interest Rate Risks

Public Lending Right has no financial liabilities such as bank loans. Cash balances, which are drawn down to pay for operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 3.75% in the year. Public Lending Right consider that the Public Lending Right Central Fund is not exposed to significant interest rate risks.

- Foreign Currency Risks

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

NOTE 22 CORPORATION TAX

Corporation Tax is due on interest received.

	<u>2002-03</u>	<u>2001-02</u>
	£	£
Interest Receivable	4,555	8,252
Interest Received in Year	2,327	8,275
Corporation Tax @ 19% (20% in 2001/02)	442	1,655
