

2008 - 09

Report on the  
Public Lending Right  
Scheme  
and  
Central Fund Account



# Public Lending Right Annual Report and Account 2008-2009

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Report, by the Secretary of State for Culture,  
Media and Sport, on the PLR Scheme 2008-09,  
incorporating the Registrar's Annual Review,  
presented to Parliament pursuant to Section 3(8)  
of the Public Lending Right Act 1979; Account,  
of the Public Lending Right Central Fund,  
presented to Parliament pursuant to Section 2(6)  
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## Preface

I am pleased to lay before Parliament this Report on the operation of the Public Lending Right Scheme for 2008-09.

It is thirty years since authors, after tireless campaigning, secured legislation which would, for the first time, remunerate them for the free loan of their books from public libraries. In this, the 30th anniversary year of the Public Lending Right, authors now have a well-established right which is widely recognised for the key role it plays in supporting their literary endeavours. PLR makes a small but important contribution to the success of our creative economy and I am delighted that so many writers, illustrators, editors and translators continue to benefit from the PLR Scheme funded by my Department.

Public Lending Right's Registrar, Jim Parker, and his team in Stockton-on-Tees have worked hard again this year to administer the PLR Scheme effectively, and I thank them for their dedicated support.

We are keen that the maximum amount of the PLR funding goes to supporting authors, and the PLR Team has risen to the challenging target that my Department set for them for the running costs during 2008-09. This maintained the Rate Per Loan at 5.98 pence – a great achievement in a year when all public bodies have rightly been required to restrict their costs.

It is encouraging to read in the Registrar's review of the growing popularity of the online registration system that has been developed and implemented by the PLR team. An impressive 64% of authors benefited from this faster and more convenient way to register new books and access information, while also contributing to

efficiencies in the administration of the Scheme.

PLR's 30th anniversary has provided an opportunity to reflect on the operation and governance of the Scheme in light of the many changes that have taken place in the publishing and library sectors since the PLR Act received Royal Assent. This year we agreed with the Registrar's recommendation to replace the PLR Advisory Committee with a smaller, more focused Management Board. The Committee held its last meeting in November 2008 and I would like to thank Simon Brett as Chair, and all of the members, for the important contribution they have made to the successful operation of the Scheme.

More recently the All Party Parliamentary Writers Group has turned its attention to the Public Lending Right. The Group has been working with the Registrar to prepare proposals for my consideration on the future scope of the PLR legislation, to take account of the new range of digital formats in which authors' works are now becoming available in libraries. I welcome the interest that the Parliamentary Group has shown, and look forward to discussing with them the potential for building on 30 years of great work through PLR.



**Rt Hon Ben Bradshaw MP**

Secretary of State for Culture, Media and Sport

## Overview

This year we are celebrating the 30th anniversary of the passing of the Public Lending Right Act (1979). The Act established the legal right of authors to receive payment from government for the lending out of their books by public libraries. The basic principle hasn't changed over the years but the Scheme has expanded its coverage: payment is now made to writers, illustrators, translators, editors and photographers who have contributed to books lent out by public libraries. Developments in technology have enabled us to collect loans data from a wider sample of library authorities across the country equating this year to 23% of total UK loans.

The principal aim of the Registrar and his team is to administer the PLR Scheme efficiently, cost-effectively and fairly, meeting the legal requirements of the PLR legislation and providing authors with an accurate, helpful and responsive service. We aim to publicise the existence of PLR among authors to ensure that they register with us and thus qualify for payment; and we continuously review our systems with a view to providing the best service possible to authors. Authors are vital for the country's creative economy. By providing financial support to authors, PLR supports DCMS's wider strategic objectives to support talent and excellence in the culture sector, and to realise the economic benefits of its sectors.

As part of the government's Value for Money (VFM) programme DCMS is committed to generating 3% VFM savings in each year of the three-year period 2008-11. PLR's contribution to the achievement of DCMS's targets is to meet a challenging set of running cost targets over this three-year period. These have been built into our Funding Agreement with the Department and for

the year under review we were asked to achieve a target of £803,000 for the Scheme's operational costs. Targets of £779,000 and £756,000 have been set for the remaining two years covered by the Agreement.

To meet our running cost targets we have had to take some difficult decisions on work priorities and staffing levels. We have reviewed all our activities with a view to identifying more efficient ways of meeting our statutory obligations. This exercise has provided scope to reduce the present staff complement by the equivalent of 4 posts, mainly through redundancies, and this, along with some limited restructuring of management roles, has been phased in during 2008-09 and will continue into 2009-10.

The savings that we have made have enabled us to meet our running cost target for 2008-09 and have contributed to our success in maintaining the Rate Per Loan, on which payments to authors are calculated, at the existing level of 5.98 pence. £6.63 million was distributed in payments to just under 24,000 authors in February 2009.

The numbers of new authors applying for PLR registration shows no sign of falling below previous years' levels. 1,429 new authors registered by 30 June 2008 to qualify for payment in February 2009. 64% of these registered online. This compares with a figure of 54% in the previous year. The online registration service enables authors to apply for PLR registration via the PLR website and continues to grow in popularity.

Electronic communications also underpin our systems for gathering and processing loans data from the public library authorities that make up the PLR

library sample. 41 authorities drawn from every region in the UK participated during 2007-08 and provided us with the equivalent of 23% of total public library book loans in the UK.

There is a continuing need to ensure that authors from all backgrounds are made aware of PLR's existence. Our Marketing Strategy is aimed at publicising PLR and within the context of our more limited resources of staff time we have continued with our policy of alerting publishers and literary agents to the importance of informing new authors about PLR. Our programme of events to mark PLR's 30th anniversary got under way with a special media campaign in February which was widely covered by the media. This has had a big impact on public awareness of PLR and has already led to a record number of new author registrations which will feed into the February 2010 payments.

We were able to bring to fruition our plans to make PLR's unique database of loans information available to the public library community. The new service – LEWIS – provides public library colleagues with free online access to the last ten years of loans data via the PLR website. At the year end over 70 authorities had used the service and we hope that it will prove a useful tool for libraries in managing their stock and marketing their services.

We also found time this year to begin development of a PLR system for use in Ireland at the request of the Library Council in Dublin which has been given responsibility for setting up and managing the country's first PLR system. The new Irish system will be based closely on the UK model and will be open to British authors. This is the

## Author and Corporate Services

first project of its kind that we have undertaken and provides an opportunity to generate income to supplement our government funding and to put our expertise in the PLR field, particularly in the IT sphere, to practical use in support of the development of PLR in Ireland with which we have such strong and longstanding connections.

Our review of the management of the Scheme during the year also extended to the role of the PLR Advisory Committee. The Committee had been providing advice to the Registrar and to Ministers on the operation of PLR since the early 1980s and its advice had been important in the early years of the Scheme's development. But the Registrar and Ministers felt that what was needed was a smaller Management Board providing more focused advice and support to the Registrar as he seeks to find new efficiencies in his management of the Scheme and gives thought to how PLR needs to adapt to the changing world of public libraries now providing access to authors' works in a new range of digital and other formats. The Advisory Committee had its last meeting in November 2008. The Registrar's new Management Board will meet for the first time in July 2009.

With the agreement of DCMS Ministers the Parliamentary All Party Writers Group has been looking at how the PLR Scheme might be developed in future. The Registrar's own review of the Scheme's operation has pointed up a number of areas where the prescriptiveness of its rules are inhibiting improved efficiency; and the Group has been looking at the Scheme's continued exclusion from payment of digital and other non-print versions of authors' works. The Group aims to present recommendations to Ministers later this year.

### **Author and Book Registration**

To qualify for PLR authors must be resident within the European Economic Area and fulfill the Scheme's requirements for eligibility. Authors must apply for registration and submit their PLR applications either electronically or on our standard printed application form. These applications need to be received here at the PLR office before the end of the PLR year on 30 June.

The new online registration service continues to grow in popularity with authors. During 2007-08 64% of new authors registered online. Since the beginning of the current PLR year (1 July 2008) 70% of book registrations have been undertaken online. Over 7,000 authors (6,000 last year) are now using the online facilities which have also provided them with access to their PLR payment statements via the PLR website in January 2009.

We continue to focus on the quality and efficiency of our service to authors. Some additional facilities have recently been developed to make management of the service at our end more efficient and to provide some extra features for authors using the service from home. At the PLR office we have introduced automatic acknowledgements which are triggered whenever an author applies online for a new book. For authors we have introduced improved facilities to simplify the online registration process and provide them with access to more of the information that is held in their PLR accounts. Users of the online service can now order a printed statement in addition to having automatic access to their payment details. These changes were introduced to reflect suggestions made by authors using the service.

With the current focus on security of personal data held by government

agencies we remain vigilant to potential breaches of information security. To minimise potential risks we provided further staff training during the year and implemented an Information System Security Policy in line with the best-practice recommendations in the government's 2008 Hannigan Report on information security. There were no data security incidents during the year.

### **Loans Data Collection**

PLR's secondary legislation, the PLR Scheme, provides a detailed set of rules by which the Registrar is required to manage the selection and participation of the public library authorities participating in the PLR sample. The Registrar must include authorities from every region of the UK. Selected authorities transmit book loans data electronically to the PLR Office at monthly or two-monthly intervals during the PLR year which runs from 1 July to 30 June. Loans data for the February 2009 payments was collected over the period 1 July 2007 – 30 June 2008. Data collected for the period 1 July 2008 – 30 June 2009 will form the basis for the payments due to authors in February 2010. The reporting year under review here therefore embraces parts of both PLR loans years. The library authorities selected by the Registrar to provide data to PLR during this two year period are listed in Table 1 overleaf. The composition of the library sample changes each year. The Scheme requires that a minimum of seven library authorities are replaced annually. At the end of the collection year the PLR computer 'grosses' up the loans data regionally and then combines these to provide national estimates for loans of each ISBN. This data can then be divided into the funding available for distribution to registered authors to provide a Rate Per Loan for the year's payments.

Table 1  
**Sample Library Authorities**  
 2007/08 and 2008/09

<b>England</b>	
Darlington **	Derbyshire/Derby *
Lincolnshire **	Cambridge
Nottinghamshire/Nottingham *	Gloucestershire **
Hampshire *	York **
Worcestershire *	Essex/Southend/Thurrock **
Wiltshire	Oxfordshire **
Windsor & Maidenhead *	West Sussex *
<b>Metropolitan Districts</b>	
Bolton *	Newcastle Upon Tyne
Dudley	St Helens
Wigan **	
<b>Greater London Boroughs</b>	
City of London **	Redbridge/Havering/Wandsworth
Lambeth	Tower Hamlets forming part of London Libraries Consortium
<b>Wales</b>	
Swansea	Neath Port Talbot
Powys	
<b>Scotland</b>	
Argyll & Bute **	East Lothian
Edinburgh	Moray
<b>Northern Ireland</b>	
All five Library and Education Boards	

*Authorities marked with \* were replaced in 2008/09 by*

<i>Brighton &amp; Hove</i>	<i>Leicestershire/Rutland</i>
<i>Surrey</i>	<i>Lancashire</i>
<i>Staffordshire</i>	<i>Stockton-on-Tees</i>
<i>Cornwall</i>	<i>Sheffield</i>

*Authorities marked\*\* were deselected early to reduce sample size*

<i>Oxfordshire</i>	<i>Essex/Southend/Thurrock</i>
<i>Gloucestershire</i>	<i>Lincolnshire</i>
<i>York</i>	<i>Darlington</i>
<i>Wigan</i>	<i>Argyll &amp; Bute</i>
<i>City of London</i>	

## Corporate Services

This year we collected data on 23% of all book loans made by public libraries in the UK. Loans information for the February 2009 payments came from 1,165 branches and service points across 41 library authorities.

The Scheme requires the Registrar to reimburse library authorities for costs incurred in participation in the PLR sample. To help meet our overall running costs target we have had to find savings in the cost of data collection and this has meant reducing the number of authorities participating in the sample from July 2008. This is a departure from our past policy of increasing the size of the sample to improve its representativeness. However, we remain alert to the possibilities of increasing the sample size by bringing in groups of authorities operating as consortia. This enables us to collect loans data from several authorities together at no extra cost. We are also seeking simplification of the Scheme's outdated and over-prescriptive rules on management of the sample as part of a wider review of PLR currently being taken forward with the Parliamentary All Party Writers Group. The intention here is to make administration of the sample more efficient and cost-effective and to give us more flexibility to return to our policy of increasing the sample size within existing running cost constraints.

### Finance

Through savings in administrative expenditure outlined in other sections of this Report we have been successful in meeting the running cost target of £803,000 set for us in our Funding Agreement with DCMS. Against the background of a reduction in our grant-in-aid funding for 2008-09, it had been our intention to augment the funds available for payment to authors in February 2009 with funding carried forward from the previous year under the government's End of Year Flexibility (EYF) arrangements. We had also planned to make use of expected income from our development work on the new Irish PLR system. Due to HM Treasury placing tighter controls on access to EYF, we were unable to obtain the funds we had earmarked from the previous year, and the first tranche of income for our work on the Irish PLR system was not received in time to support the Rate Per Loan. However, we were able to maintain the Rate Per Loan at its 2008 level mainly through savings in running costs over and above our Funding Agreement target.

We remain committed to seeking new areas of efficiency in our financial policies and arrangements. In our approach to procurement we have taken advantage of economies derived from using government framework agreements. We also made savings in costs and staff time by making increased use of the Government Procurement Card (GPC) for the direct purchase of goods and services. The GPC carries no charge for use. We used it for 140 transactions during 2008-09 compared with 31 electronic transactions by conventional bank card in 2007-08. Transactions during the year included payment for travel bookings and reimbursement of sample library costs to local authorities.

### Human Resources

In preparation for the reductions in staffing implemented during the year we reviewed our operational structure to ensure that we had cover for all essential functions, particularly at busy times of year in January and February when payments are made to authors and in June in the run up to the end of the PLR year. By 1 April 2009 the staff complement will stand at 11 full time equivalent posts, four posts fewer than the previous year. As a result of the review we decided to merge our two existing teams – Author and Corporate Services – into a single operational team. The new arrangements were introduced during the year and are still bedding in. But the extra support and flexibility provided by the single-team structure proved its worth in helping front-line staff deal with peaks of work during the 2009 payment period. Inevitably some backlogs of non-urgent work developed at this busy time and we shall be looking at how these can be best managed in anticipation of next year's payment period.

We have implemented an intranet-based electronic timecard system for staff using software developed by our IT team. This is a more accurate and simpler to use system for time management and monitoring leave and sickness absences than the previous spreadsheet-based system.

Over the reporting year staff undertook an average of 6 days training per person. This has mainly been provided in-house. The main emphasis has been on cross-team training to provide a wider pool of staff able to cover and support front-line staff at busy times.

In line with the government pay guidelines the Registrar provided an average increase of 2.77% for PLR staff. This was less than the previous

## Payments to Authors

year and was in line with the need to meet PLR's overall running cost targets. Management continue to work with staff and unions to achieve a pay and reward system in which all sides have confidence. We will continue to review our pay systems to ensure they adapt in line with the changing work patterns that follow reductions in staffing and the continuing emphasis on pay restraint within the public service.

### Accommodation

Following negotiations with our landlord last year we were successful in reducing our occupancy at Richard House by almost one third with effect from 1 April 2008. This has provided significant savings in rental and energy costs. We have reconfigured our usage of the office space left to us to facilitate the merging of our Author and Corporate Services teams into a single operational team based on an open-plan format.

### Business Continuity

Effective business continuity planning is vital in a small specialist organisation like PLR where there is much reliance on the skills and experience of particular postholders and a need to ensure cover is available for essential functions at busy times of year. Scenario testing identified a lack of cover for key processes undertaken by PLR's IT Manager and during the year we have been concentrating on providing training for his deputy and other appropriate staff members to fill these gaps.

We have also reviewed our approach to risk management with our internal auditors, Baker Tilly, and with PLR's Audit Committee to benefit from their experience of risk management in the wider public and private sectors.

### Information and Communication Technology

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

The bulk of the IT Manager's project-related time has been spent on the design and development of a PLR system for Ireland. The new Irish system is being modelled on the UK Scheme given the many similarities in public library provision in the two countries and support for the UK approach among Irish authors who have been eligible for UK PLR since 2000. The first stage of the project covering the processes involved in collecting and processing book loans data was completed by the target date of 31 March and this part of the new system has been taken into use by Library Council colleagues. The project will continue into 2009-10 and we are working to a target date of November to have the new system up and running.

The IT team's contribution to other developments including improvements in business continuity coverage, electronic time cards, streamlining online and other registration functions and the launch of the LEWIS loans data service for libraries are described more fully elsewhere in the Report.

In February 2009 we distributed £6.63 million in payments to authors who have registered for PLR and whose books were borrowed sufficiently often during the period July 2007-June 2008 to qualify for payment. For the third year in succession we were able to make payments on the basis of a Rate Per Loan of 5.98 pence. The Rate is derived from dividing the total number of loans of books registered for PLR into the funding available for distribution once the running costs of the Scheme are taken into account. A minimum payment threshold of £1 applies, and no author may earn more than the maximum payment of £6,600. 232 authors qualified for the maximum payment this year.

The Scheme also requires that the Registrar provide authors with a statement detailing the loans of their individual titles and the PLR payments they can expect from each. These are made available to authors in the month before payments are due. This information has traditionally been provided to every registered author in the form of a printed notification sent out by post. The processing, printing, packing and despatch of the statements is a labour-intensive exercise involving the whole PLR team. To improve efficiency last year we made the statements available electronically to users of PLR's online registration service. Some 6,000 authors took advantage of this service. Additionally, this year we took the decision to discontinue our policy of sending statements to authors who had not qualified for payment. Together, the two initiatives reduced the number of printed statements to be generated by 43% providing savings in staff time and printing and postage costs.

We also reviewed the range of formats in use for printed payment statements.

Table 2  
**Payment Distribution**

23,773 authors and assignees (23,940 in 2007-08) qualified for payments.  
 The numbers of authors in the various payment categories were as follows:

<b>Authors Earning:</b>	<b>2008-09 26th Year</b>	<b>2007-08 25th Year</b>
£6,000.00 - £6,600.00	269	277
£5,000.00 - £5,999.99	83	82
£2,500.00 - £4,999.99	379	375
£1,000.00 - £2,499.99	784	797
£500.00 - £999.99	932	897
£100.00 - £499.99	3,507	3,591
£50.00 - £99.99	2,150	2,190
£1.00 - £49.99	15,669	15,731
<b>No of Authors</b>	<b>23,773</b>	<b>23,940</b>
<b>Expenditure</b>	<b>6,630,381</b>	<b>6,657,280</b>

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

	<b>£</b>	<b>%</b>
£6,000.00 - £6,600.00	1,763,805	27
£5,000.00 - £5,999.99	445,110	7
£2,500.00 - £4,999.99	1,343,193	20
£1,000.00 - £2,499.99	1,245,562	19
£500.00 - £999.99	664,438	10
£100.00 - £499.99	810,864	12
£50.00 - £99.99	153,250	2
£1.00 - £49.99	194,159	3
		<b>100</b>

## Development of the Scheme

It proved possible to reduce these from ten options to two which simplified the production process and reduced significantly the scope for error. At the same time management of the statement generation processes was transferred across to front-line staff thus reducing reliance on specialist IT staff and streamlining procedures.

Payments were made in the week beginning 6 February. To minimise costs we aim to make as many payments as possible directly into authors' bank accounts through the automatic clearing system (BACS). This year all but 150 payments (0.6% of the total) were effected electronically. Payments software developed in-house by PLR's IT team to manage the various aspects of the overall payments process is enabling the smaller PLR team to keep on top of the various processes that make up the annual payment cycle. These include the need to keep track of returned payments and payments on 'hold' from previous years which are due to authors with whom the PLR office has lost touch. (The PLR legislation requires the Registrar to hold such unpaid amounts for up to six years, after which they are returned to the PLR Fund.)

The bulk of the Fund (96.5%) was distributed in payments to authors living in the UK. Payments are also made to authors resident in other European Economic Area countries whose books have been lent out by public libraries in the UK. The largest amount went to authors living in Ireland (over £170,000) with smaller total amounts of between £7,000 and £10,000 going to authors in the Netherlands, France, Spain and Italy.

A breakdown of the payments by band is provided in Table 2.

Over the last year we gave thought with DCMS colleagues to the continuing need for a PLR Advisory Committee. The Committee had no statutory responsibilities but had been set up at the inception of the Scheme to provide advice to the Registrar and Ministers on specific aspects of the Scheme's operation and to help monitor its effectiveness. The Committee's advice proved particularly valuable in the early years of PLR and it helped put right a number of anomalies and unfairnesses in the Scheme's provisions. But in more recent times the routine operation of the Scheme has become well established and the Registrar has set up systems by which he receives regular feedback directly from PLR's main stakeholder groups representing authors and libraries.

Following consideration of advice from the Registrar, Ministers therefore concluded that what was now needed was a smaller committee to provide the Registrar with more focused advice and support as he seeks to identify new efficiencies in his management of the Scheme to reduce operational costs, and faces up to the challenges presented by the increasing availability in libraries of authors' works in digital and other non-traditional formats. The new committee, to be known as the PLR Management Board, will be chaired by the Registrar and will comprise four external members, including an author and a librarian nominated by stakeholder organisations.

The Advisory Committee, which has been chaired by Simon Brett since 2003, held its last meeting in November 2008. The Registrar is very grateful to the Committee, particularly its Chair Simon Brett, for the support and advice that it has provided. Three members of the Committee – Tracy Chevalier, Meg

Davis and Rob Froud – have agreed to join the Management Board. The fourth position remained vacant at 31 March 2009. The Management Board will meet for the first time in July 2009.

In consultation with the Board and our principal stakeholder organisations we will be looking to stay abreast of new trends in library use, publishing and copyright to ensure that the Scheme reflects this changing world. This coincides with the 30th anniversary of the 1979 PLR Act. We are working with the Parliamentary All Party Writers Group to make recommendations to DCMS Ministers on the future direction of PLR, principally in relation to the digital revolution, and seeking agreement for a simplification and streamlining of the existing Scheme's provisions to support our efforts to further improve the cost-effectiveness and efficiency of the PLR operation.

Internationally PLR has a growing presence: PLR schemes exist now in 29 countries, a number of them established with the benefit of advice and guidance from the Registrar and his team in the UK. Several European PLR systems have repaid this help by establishing reciprocal arrangements with the UK by which British authors benefit from payments for loans of their books from libraries in other countries. PLR payments from overseas are distributed to British authors by the Authors' Licensing and Collecting Society.

## Summary of Performance against Funding Agreement Targets

The PLR legislation provides a closely circumscribed statutory framework within which the Registrar and his team have to operate. But within these constraints, the Scheme's importance for authors and the range of modernising initiatives undertaken by the PLR team provide a natural fit with several DCMS priorities and targets relating to improving efficiency and maximising the contribution of the creative industries to the UK economy. The Funding Agreement formalises the linkage between PLR's objectives and activities and DCMS's wider remit, and identifies key performance targets by which achievement of PLR's business deliverables and objectives can be measured. These measures are subject to formal reporting procedures with DCMS and regular monitoring by the PLR management team.

For more detailed information on DCMS's strategic aims, goals and public value outcomes please visit [www.culture.gov.uk](http://www.culture.gov.uk)

### 2008 – 2011 Funding Agreement

As set out in section 3 of the Funding Agreement, by providing financial support to writers and other authors, PLR supports the following DCMS Departmental Strategic Objectives

- DSO 2 - Support talent and excellence in culture, media and sport
- DSO 3 - Realise the economic benefits of the Department's sectors

Through its Value for Money (VFM) Delivery Agreement with HM Treasury, DCMS is committed to generating 3% VFM savings over the three-year period 2008-11, and PLR has therefore been asked to meet the following targets:

	2007-08 baseline	2008-09	2009-10	2010-11
VFM savings target (£000s)	828	803	779	756
Output		<b>Achieved</b>		

The level of scrutiny adopted in monitoring performance during the period of this Funding Agreement will be commensurate with the outcome of regular joint risk assessment exercises. The documents relevant to this agreement and against which performance will be monitored are:

- Allocation letter
- Corporate Plan
- Annual Reports and Accounts
- Risk Assessment
- Management Statement / Financial Memorandum
- Statement of Internal Control
- Managing Public Money

# PLR Central Fund Account

2008 - 09

# Public Lending Right

## Central Fund Account 2008-2009

### MANAGEMENT COMMENTARY

These are the accounts for the twenty sixth year of the Public Lending Right (PLR) Central Fund and cover the annual payments due to authors at 31 March 2009.

#### History and Statutory Background

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

The details of eligible books, eligible authors, and payment calculations are set out in The Public Lending Right Scheme 1982, as amended in 1983, 1984, 1988, 1989 and 1990. The consolidated text appears in Statutory Instrument 1990 No 2360. Further amendments were made in Statutory Instruments 1991 No 2618, 1993 No 799, 1996 No 3237, 1997 No 1576, 1998 No 1218, 1999 Nos 420, 905, 3304, 2000 Nos 933, 3319, 2001 No 3984, 2002 No 3123, 2003 No 839, 2003 No 3045, 2004 No 1258, 2004 No 3128, 2005 No 1519, 2005 No 3351, 2006 No 3294.

The Public Lending Right Advisory Committee advises the Secretary of State for Culture, Media and Sport and the Registrar on the operation of the Scheme but has no formal responsibility for the management of PLR. Appointments to the Committee are made by the Secretary of State. With effect from 1 January 2009 the Secretary of State replaced the Advisory Committee with a Management Board. Appointments to the Board will be made by the Registrar. Details of the Committee's membership at 31 December 2008 are provided in Annex A.

#### Review of Activities

The twenty sixth year's operations are described in the PLR Annual Report which includes the statutory report on the operation of the Scheme laid before Parliament by the Secretary of State for Culture, Media and Sport. We successfully processed all applications for PLR registration from authors and loans data from the 41 authorities in our public library sample in time for Rate Per Loan calculations in October 2008 and payment distribution in February 2009. Looking to the future we have been cooperating with the parliamentary All Party Writers Group in submitting recommendations to Ministers at DCMS aimed at streamlining and modernising the Scheme's operation. Following consideration of advice from the Registrar, DCMS Ministers reviewed the role of the PLR Advisory Committee and have replaced it with a Management Board which will provide the Registrar with the advice and support that he needs in planning the future development of PLR.

#### Financial Review

We were successful in reducing the operating costs of the Scheme to meet the target figure of £803,000 in our Funding Agreement with DCMS. Significant savings were made both in staff costs through implementation of a redundancy programme and by reducing our office accommodation. The savings made in running costs helped us maintain the Rate Per Loan at its 2007-08 level.

#### Payments to Authors

PLR's core funding from DCMS was £7.43 million of which £7.39 million was drawn down (£7.49 million in 2007-2008). On the basis of the funding available, it was possible to maintain the Rate Per Loan for February 2009 payments to authors at 5.98 pence (5.98 pence in 2007-2008). A total sum of £6,630,381 (£6,657,280 in 2007-2008) was made available from the Central Fund for paying out to 23,773 (23,940 in 2007-2008) authors. 82% of the Fund was distributed in payments of £500 or more.

Expenditure includes £34,393 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 £1,996 is a separate provision which is used to supplement the central fund. There were 7,816 (11,109 in 2007-2008) authors whose books earned no payment. £33,937 was transferred from the PLR reserve to supplement the funding needed to pay PLR to authors.

#### Fixed Assets

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

Movements on fixed assets are set out in note 5 to the financial statements.

#### Payment of Creditors

The Registrar aims to settle all bills within thirty days. In 2008-2009, 98% of creditor invoices were paid within 30 days of being received (2007-2008, 92%). 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.

The Public Lending Right Scheme has suffered no proven protected personal data incidents during 2008-09 or prior years and has made no report to the Information Commissioner's office.

#### **Superannuation**

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

#### **Results and Appropriations**

The Fund is distributed after deduction of the Registrar's remuneration, administrative costs, and payments to local authorities.

#### **Staffing Matters**

The Registrar of Public Lending Right is committed to promoting effective consultation and communications with his staff. Following the reduction in staff numbers from recent redundancies, the Registrar has merged the former Corporate and Author services teams into one operational team. This team will continue to meet regularly to discuss matters relating to PLR's activities. Additionally, staff are briefed on matters discussed at senior management 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.

Average number of days absence per employee due to sickness was 3.7.

#### **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.

#### **Sustainable Development**

We are committed to the government's priorities for sustainable development. We contribute to the targets for Consumption and Production and Climate Change and Energy. We are limited by our tenancy of Richard House in the range of measures we can take but have prioritised waste reduction, paper use and energy consumption. These are now embedded in our everyday working practices and we have introduced carbon footprint monitoring. For 2007-08 our carbon footprint was calculated to be just under 34 tonnes. We have been successful in reducing this by 50% during the year under review by downsizing our office accommodation and emphasising the importance to staff of choosing the greener options for business travel.

#### **Social and Community Issues**

The PLR Scheme provides social and community benefits through its support for authors and public libraries. PLR payments sustain the livelihoods of the country's authors and thereby support the creative economy. A successful creative economy ensures the continued supply of new books to public libraries which play a vital role in community life by providing free access to information, learning and enjoyment to people from all social groups and backgrounds.

#### **Auditors**

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

As far as the Registrar is aware, there is no relevant audit information of which PLR's auditors are unaware.

The Registrar has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that PLR's auditors are aware of that information.

*J G Parker*  
Registrar

2 July 2009

## **Annex A**

### **PLR Advisory Committee**

The members of the Advisory Committee during the year were:

Mr Simon Brett (Chairman)

Mr Tony Bradman

Dr Debjani Chatterjee, MBE

Ms Tracy Chevalier (Appointed 1 May 2008)

Ms Meg Davis (Appointed 1 May 2008)

Mr Rob Froud, OBE

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

The Advisory Committee was replaced on 1 January 2009 by a smaller Management Board to be appointed by the Registrar to provide advice to him on the management of the PLR Scheme.

None of the Advisory Committee members received any remuneration from PLR. However, members are reimbursed for expenses incurred in fulfilling their duties.

### **PLR Audit Committee**

The members of the Audit Committee during the year were:

Mr Mike Dewsnap (Chairman)

Ms Pat Hunt

Dr James Parker, OBE

## Remuneration Report

### Registrar's Salary and Superannuation

As specified in the Act, the Registrar's own remuneration and superannuation costs are charged directly against the £7,387,600 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 2008-2009 the total deduction was £89,645 (2007-2008, £87,488).

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

A remuneration committee meets annually to assess the Registrar's performance and, if appropriate, to recommend to Ministers a pay award on the basis of criteria set out in terms of reference provided by DCMS. The whole of any annual pay award to the Registrar is performance-based. Pay awards to the Registrar are dependent on the approval of DCMS Ministers. The committee acts in consultation with DCMS whose advice on wider government pay policy informs the committee's annual recommendations.

The Registrar provides the committee with an annual report setting out in detail his success in meeting KPIs agreed with DCMS. The committee may call for further information if required.

Members of the Committee during the year were:

Mr Simon Brett (Chairman)  
Mr Mark Le Fanu, OBE  
Mr Owen Atkinson (*Appointment 1 March 2008*)

The Registrar's appointment has been renewed for a period of five years from 1 August 2006.

The Registrar's notice period is three months and any termination payments would be in accordance with contractual terms.

*The information in the remainder of the remuneration report is subject to audit*

The Registrar's total remuneration is determined by DCMS. It consisted of a basic salary of £62,322 plus a non-consolidated bonus of £6,110 (2006-2007 total emoluments were made up of £61,100 basic salary plus a non-consolidated bonus of £4,792). The Registrar's superannuation costs were £14,459 and are charged at 23.2% of annual salary.

### Registrar's Pension

	Real increase in pension at 60	Real increase in related lump sum at 60	Accrued pension at 60 at 31 March 2009	Accrued lump sum at 60	Cash equivalent transfer value		
					As at 1 April 2008	As at 31 March 2009	Real increase in year
	£'000	£'000	£'000	£'000	£'000	£'000	
Dr James Parker	0 - 2.5	0 - 2.5	10 - 25	45 - 60	249	282	13

The Registrar receives no benefits in kind.

Pension benefits are provided through the PCSPS. Further pension disclosures are made in Note 20. The above table shows the cash equivalent transfer values (CETV) accrued at the beginning and end of the reporting period and the increase in CETV effectively funded by the employer. The closing CETV balance reflects transferred in rights from the Registrar's previous employment.

A CETV is the actuarially assessed capitalised value of the pension benefits accrued by a member at that point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV would be the payment made by a pension scheme to secure pension benefits in another scheme if the member chooses to transfer the benefits accrued to another scheme. The CETV includes the value of any pension benefits which have been transferred in to the PCSPS. They also include any additional benefit accrued as a result of the member's purchase of additional years of pension service at their own cost.

## 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 The Financial Reporting Manual.

\*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

2 July 2009

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

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

### Purpose of the system of internal control

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

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

### Capacity to handle risk

Risk evaluation informs our actions in managing risks efficiently and effectively as we implement our plans to achieve objectives over the coming years. Risk management is incorporated into PLR's strategic planning process and decision making processes.

Our system is now firmly embedded in our operating systems. As part of our approach we now identify our objectives and risks and have determined a control strategy for each of the significant risks. A risk management policy document is sent to all staff setting out PLR's risk strategy.

PLR has been using the services of Baker Tilly to provide internal audit services, operating to standards defined in the Government Internal Audit Standards. The annual audit plan is drawn up with contributions from me as Accounting Officer and approved by the Audit Committee. Internal audit provides the Accounting Officer with reports on those systems identified in the annual audit plan and these are then presented to the Audit Committee. Such reports include the internal auditor's independent view on the adequacy and effectiveness of PLR's system of internal control and progress against recommendations made in previous financial years.

### The risk environment

PLR's Risk Register is kept under continuous review by the Registrar, the Audit Committee and PLR's management team. One of the challenges that the Scheme faces is achieving the savings relating to its VFM targets agreed with DCMS for the period 2008-11.

Other risks relate to the security of data held in PLR's information systems, and the relative smallness of the PLR operation and our reliance on external suppliers of services. PLR has also recognised risks to the effective management of the Scheme posed in addressing central government and other initiatives and the risk of failing to meet business targets as a result of inadequate planning. We aim to manage these risks by use of best-practice project management procedures which will give advance warning of overload problems; by the implementation of a revised Information System Security Policy incorporating recommendations from the Hannigan Report and related staff training; by a constant emphasis on VFM and use of new technologies to enable us to achieve more with existing resources; and by promoting and maintaining good relations with partner bodies on whom we rely for services. PLR is acutely aware of the consequences of not managing these risks effectively and the adverse effect it could have on our authors.

Key controls of the system include:

- A three-year Funding Agreement with the Department for Culture, Media and Sport (DCMS), with key performance targets reviewed half-yearly;
- comprehensive budgeting systems with an annual budget, which is approved by the Registrar and incorporated into the Corporate Plan;

## STATEMENT ON INTERNAL CONTROL (cont'd)

- regular review of risk management and internal control during the year by the Registrar and his management team and reporting of key risks to the Audit Committee;
- regular reports from the internal auditors who give an independent and objective opinion on PLR's internal control systems, corporate governance and risk management to the Audit Committee, and make recommendations for improvement;
- a range of controls approved and reviewed by the internal auditors to provide assurance over the effectiveness and reliability of key PLR processes such as book loans data collection, author and book registration, payment calculation and distribution.

### **Review of effectiveness**

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and PLR's executive managers who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Management Letter and other reports. I am also guided in this regard by the Audit Committee which advises me on the effectiveness of PLR's internal control systems. For the financial year 2008-09 Baker Tilly found that PLR had adequate and effective risk management control and governance processes to manage the achievement of the organisation's objectives. In addition to overall annual audit assurance and regular block reports on which to base its advice, the Committee receives copies of PLR's Corporate Plan and other strategy documents; details of key risks and lists of other evidence used by the Registrar to assess the robustness of PLR control systems; and regular progress reports on PLR's implementation of outstanding audit recommendations.

In light of the evidence available to me, I believe that PLR has had all the necessary risk management and review processes in place throughout 2008-09.

*J G Parker*  
Registrar

2 July 2009

## **PUBLIC LENDING RIGHT CENTRAL FUND**

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

I certify that I have audited the financial statements of the Public Lending Right Central Fund for the year ended 31 March 2009 under the Public Lending Right Act 1979. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Registrar, the Accounting Officer of the Department for Culture, Media and Sport and auditor**

The Registrar and the Accounting Officer of the Department for Culture, Media and Sport are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Registrar's and the Department for Culture, Media and Sport Accounting Officer's Responsibilities.

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

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Preface, the other sections of the Registrar's Annual Review and the unaudited part of the Remuneration Report included in the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of audit opinions**

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

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

#### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Public Lending Right Act 1979 and directions made thereunder by the Secretary of State for Culture, Media and Sport, of the state of the Public Lending Right Central Fund's affairs as at 31 March 2009, and of its deficit, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Lending Right Act 1979 and the Secretary of State for Culture, Media and Sport's directions issued thereunder; and
- information which comprises the Registrar's Annual Review and Management Commentary included within the Annual Report, is consistent with the financial statements.

#### **Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

#### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
6 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria, London SW1W 9SS

## PUBLIC LENDING RIGHT CENTRAL FUND

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note	£	2008-09 £	2007-08 £
<b>INCOME</b>				
Transfer from PLR Reserve	12		33,937	
Other Operating Income	3		100	150
Irish PLR Project Income	7		24,070	
<b>Total income available to PLR Central Fund</b>			<u>58,107</u>	<u>150</u>
<b>EXPENDITURE</b>				
Staff Costs	4	(407,136)		(446,078)
Redundancy	16	(90,671)		(82,528)
Depreciation	5	(10,814)		(12,228)
Other Operating Charges	6	(274,690)		(353,010)
Irish PLR Project Expenditure	7	(7,454)		
Public Lending Right to Authors		<u>(6,630,381)</u>		<u>(6,657,280)</u>
<b>Total Expenditure</b>			<u>(7,421,146)</u>	<u>(7,551,124)</u>
<b>Operating Deficit</b>	<b>8</b>		<b>(7,363,039)</b>	<b>(7,550,974)</b>
Income from other activities - interest receivable		5,530		20,281
Notional cost of capital	18	(1,121)		(2,221)
			<u>4,409</u>	<u>18,060</u>
<b>Net expenditure on ordinary activities before taxation</b>			<u>(7,358,630)</u>	<u>(7,532,914)</u>
Corporation Tax	22		(4,651)	(3,955)
Reversal of cost of capital			1,121	2,221
<b>Net expenditure for the financial year</b>			<u>(7,362,160)</u>	<u>(7,534,648)</u>

The income and expenditure relate to continuing activities.

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

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

## PUBLIC LENDING RIGHT CENTRAL FUND

BALANCE SHEET AS AT 31 MARCH 2009

	Note	£	2008-09 £	2007-08 £
<b>FIXED ASSETS</b>				
Tangible Assets	5		26,873	6,912
			<u>          </u>	<u>          </u>
				6,912
<b>CURRENT ASSETS</b>				
Debtors	9	44,119		23,811
Cash at bank and in hand	10	91,809		171,276
		<u>          </u>		<u>          </u>
		135,928		195,087
Creditors: Amounts falling due within one year	11	(134,944)		(121,278)
		<u>          </u>		<u>          </u>
Net Current Assets/(Liabilities)			984	73,809
Provision for liabilities	16		(90,113)	(82,528)
			<u>          </u>	<u>          </u>
<b>Total Assets less liabilities</b>			<u>(62,256)</u>	<u>(1,807)</u>
<b>FINANCED BY:</b>				
<b>CAPITAL AND RESERVES</b>				
General Reserve	14		(64,252)	(22,600)
Public Lending Right Reserve	12		1,996	20,793
			<u>          </u>	<u>          </u>
			(62,256)	(1,807)

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

*J G Parker*  
Registrar

2 July 2009

## PUBLIC LENDING RIGHT CENTRAL FUND

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2008-09 £	2007-08 £
Net cash outflow from operating activities	13	(7,371,291)	(7,449,160)
<b>Returns on investment and servicing of finance</b>			
Interest Received		6,046	20,298
<b>Taxation</b>			
Corporation Tax Paid	22	(3,955)	(3,749)
<b>Capital expenditure and financial investment</b>			
Purchase of Non-current Assets	5	(8,222)	(3,519)
<b>Financing</b>	2	7,297,955	7,400,512
<b>(Decrease) in cash</b>		<b>(79,467)</b>	<b>(35,618)</b>

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

## PUBLIC LENDING RIGHT CENTRAL FUND

### NOTES TO THE ACCOUNTS AT 31 MARCH 2009

#### NOTE 1 ACCOUNTING POLICIES

##### ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with the 2008–09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Financial Reporting Standards 25, 26 and 29 apply to any existing financial instruments. The accounts have been prepared on a going concern basis as DCMS are providing continuing grant to PLR in 2008-09 which will meet the redundancy provisions.

##### ASSETS AND DEPRECIATION

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 expensed in the year of purchase. Items over £1,000 are depreciated evenly over 3 years for computer and office equipment and 10 years for fixtures and fittings. Depreciated historical cost is used as a proxy for current value for named classes of assets (where appropriate).

##### EXCHANGE RATES

PLR earnings to authors living outside the UK are made in Euros. Payments will be converted to Euros from Sterling at the rate that applies on the day on which they are paid from PLR's bank account.

##### VALUE ADDED TAX

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

##### HM GOVERNMENT GRANT

The FReM requires Non-Departmental Public Bodies (NDPBs) to account for grants and grant-in-aid as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

##### LEASES

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

##### PENSIONS

Past and present employees are covered by the provisions of the Principle Civil Service Pension Scheme (PCSPS). The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependant's benefits. The Central Fund recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

##### REDUNDANCY PROVISION

As part of the Registrar's strategy to meet the running cost targets on PLR's Funding Agreement with DCMS, two members of staff were made redundant in 2007-08. The redundancy costs were met from PLR's grant-in-aid. Provision has been made to meet the redundancy costs of a third member of staff during 2008-09. Redundancy payments are calculated in line with PCSPS rules.

##### PROJECT INCOME AND EXPENDITURE

Any profit made from trading activities undertaken by PLR will be added to the PLR author fund to supplement annual earnings. Actual costs incurred on trading activities will be deducted from gross income.

##### NOTIONAL COSTS

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

**NOTE 2 HM GOVERNMENT GRANT**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Grant for PLR (DCMS RfR1)	7,387,600	7,488,000
LESS Registrar's Costs	(89,645)	(87,488)
	<u>7,297,955</u>	<u>7,400,512</u>

The Registrar's Costs comprise the salary and National Insurance payments of the present Registrar.

The difference between the Registrar's salary and superannuation costs shown in the remuneration report of £82,891 (£80,472 in 2007-08) and the Registrar's Costs shown above of £89,645 (£87,488 in 2007-08) is employer's National Insurance contributions of £6,754 (£7,016 in 2007-08).

**NOTE 3 OTHER OPERATING INCOME**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Other (PAYE incentive)	100	150

**NOTE 4 STAFF COSTS**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Salaries	326,949	350,309
Employer's National Insurance	14,827	24,862
Superannuation	65,360	70,907
Redundancy Provision	90,671	82,528
	<u>497,807</u>	<u>528,606</u>

4(i)	Average weekly number of permanent full time staff employed (excluding the Registrar) in the year was	11
4(ii)	Employees receiving remuneration over £50,000	0
4(iii)	None of the Advisory Committee members received any remuneration from PLR.	
4(iv)	Average number of days absence per employee due to sickness	3.7
4(v)	In addition to the above salary costs, £5,551 has been charged directly to project expenditure (see Note 7).	

**NOTE 5 NON-CURRENT ASSETS**

	IT & Equipment	Fixtures & Fittings	TOTALS
	£	£	£
<b>Cost</b>			
Cost at 1 April 2008	65,689	50,343	116,032
Re-categorised Costs	5,235	(5,235)	-
Additions at Cost	4,080	4,142	8,222
Disposals	-	(4,369)	(4,369)
Re-valued Costs*	-	22,553	22,553
	<u>75,004</u>	<u>67,434</u>	<u>142,438</u>
<b>Depreciation</b>			
Depreciation at 1 April 2008	60,523	48,597	109,120
Re-categorised Costs	3,854	(3,854)	-
Charge for 2008-09	6,735	4,079	10,814
Less Charge on Disposals	-	(4,369)	(4,369)
	<u>71,112</u>	<u>44,453</u>	<u>115,565</u>
Net Book Value at 1 April 2008	<u>5,166</u>	<u>1,746</u>	<u>6,912</u>
Net Book Value at 31 March 2009	<u>3,892</u>	<u>22,981</u>	<u>26,873</u>

\*Various items of Fixtures and Fittings have been re-valued and added back into the non-current asset, cost at 50% of original value, to reflect their current economic benefit. These re-valued assets will be amortised over the next 5 year period.

**NOTE 6 OTHER OPERATING CHARGES**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Administration	102,289	123,809
Accommodation	119,820	167,197
Computer Operating Costs	19,912	23,035
Local Authorities	20,909	27,745
Consultants	11,760	11,224
	<u>274,690</u>	<u>353,010</u>

Included in administration expenditure is the cost of exchange rate losses of £10,198 incurred on outstanding payments to PLR authors.

**NOTE 7 IRISH PLR PROJECT - COSTS OF SALES AND PROFIT**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Income from Module 1	24,070	-
Cost of sales		
Development	5,551	
Security	728	
Other	1,175	
	<u>7,454</u>	-
Net Income	<u>16,616</u>	<u>-</u>

'Cost of Sales' shown above includes expenditure of £266 incurred on Module 2, these have not been taken to the balance sheet as they are not material. Fees charged for each stage of the project includes full cost recovery for all staff resource expenditure involved. Net Income received will be used to supplement funds available for payments to authors.

The Registrar retains full ownership of all intellectual property of the hosted PLR software.

**NOTE 8 OPERATING DEFICIT**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
The Operating Deficit of is stated after charging	(7,363,039)	(7,550,974)
External Auditor's remuneration -		
Audit Fee - statutory audit	17,500	17,000
- other audit services	3,000	
Operating Leases -		
Premises Rental	70,066	97,603
Travel, Subsistence & Hospitality	<u>10,623</u>	<u>16,119</u>

The 'other audit services' fee is in respect of advice from NAO regarding the restatement of the 2007-08 Balance Sheet in accordance with International Accounting Standards.

**NOTE 9 DEBTORS**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Sundry Prepayments	1,289	1,131
Rent and Service Charge Prepayments	18,737	21,188
Sundry Debtors	23	1,492
Trade Debtors	24,070	-
	<u>44,119</u>	<u>23,811</u>

**NOTE 10 CASH AT BANK AND IN HAND**

As at 31 March 2009 Public Lending Right held cash in balances as set out below.

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Bank accounts	91,560	171,046
Petty Cash	249	230
	<u>91,809</u>	<u>171,276</u>

**NOTE 11 CREDITORS:- AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Sundry Creditors	22,320	18,096
Corporation Tax	4,651	3,955
Public Lending Right - Undistributed:		
02/03	-	9,018
(354 authors) 03/04	8,910	9,453
(403 authors) 04/05	9,144	10,152
(412 authors) 05/06	11,925	13,396
(1,077 authors) 06/07	18,491	21,285
(1,137 authors) 07/08	25,110	35,923
(1,217 authors) 08/09	34,393	-
	<u>134,944</u>	<u>121,278</u>

**NOTE 12 PUBLIC LENDING RIGHT RESERVE**

	Balance b/f 1.4.08	Transferred from Creditors: PLR Renounced, Returned or Undistributed after 6 years	Public Lending Right Paid	Transfer to Income and Expenditure Account	Balance c/f 31.3.09
	£	£	£	£	£
PLR Reserve (a)	20,793	15,230	90	33,937	1,996

- (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. Funds will be transferred from the PLR reserve to the I&E to supplement the PLR author fund when necessary. 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 NOTES TO CASH FLOW STATEMENT**

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

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Net operating Deficit	(7,363,039)	(7,550,974)
Depreciation charge	10,814	12,228
(Increase)/Decrease in debtors	(20,824)	5,583
Increase/(Decrease) in creditors	12,970	(2,126)
(Decrease)/Increase in PLR Reserve	(18,797)	3,601
Increase in provisions	7,585	82,528
	<u>                    </u>	<u>                    </u>
Net Cash Outflow from Operating Activities	<u>(7,371,291)</u>	<u>(7,449,160)</u>

**(ii) Analysis of Financing**

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Grant-in-Aid and revenue grant received from DCMS	7,297,955	7,400,512
Applied towards purchase of Non-current Assets	(8,222)	(3,519)
	<u>                    </u>	<u>                    </u>
Total GIA applied towards revenue expenditure	<u>7,289,733</u>	<u>7,396,993</u>

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

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Balance at 1 April 2008	171,276	206,894
Net Cash (Outflow)/Inflow	(79,467)	(35,618)
	<u>                    </u>	<u>                    </u>
Balance at 31 March 2009	<u>91,809</u>	<u>171,276</u>

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

**NOTE 14 MOVEMENT ON RESERVES 2008-09**

	General Reserve £	PLR Reserve £	Total £
At 1 April 2008	(22,600)	20,793	(1,807)
Grant-in-Aid received towards resource expenditure	7,297,955	-	7,297,955
Transfer to PLR Reserve			
At 31 March 2009	-	15,230	15,230
Net expenditure	(7,362,160)	(34,027)	(7,396,187)
Re-valued Assets	22,553	-	22,553
	<u>(64,252)</u>	<u>1,996</u>	<u>(62,256)</u>

**NOTE 15 OPERATING LEASES**

At 31 March 2009 Public Lending Right had annual commitments under non-cancellable Operating Leases as set out below.

	<u>2008-09</u> £	<u>2008-09</u> £	<u>2007-08</u> £	<u>2007-08</u> £
	land and buildings	other	land and buildings	other
Operating Leases expiring within:				
One Year	-	3,415	-	4,653
In the Second to Fifth Years Inclusive				
Over Five Years	69,958	-	70,500	-
	<u>69,958</u>	<u>3,415</u>	<u>70,500</u>	<u>4,653</u>

**NOTE 16 PROVISIONS FOR LIABILITIES**

	<u>2008-09</u> £	<u>2007-08</u> £
As at 31 March 2008	82,528	-
Arising during the year	90,671	82,528
Utilised during the year	(83,086)	-
	<u>90,113</u>	<u>82,528</u>
Expected timing of cash flows:		
Within One Year	90,113	82,528
One to Five Years	-	-
Over Five Years	-	-

#### NOTE 17 CAPITAL COMMITMENTS/CONTINGENT LIABILITIES

At 31 March 2009 there were no capital commitments contracted for, or capital commitments approved but not contracted for (£nil at 31 March 2008).

At 31 March 2009 there were no contingent liabilities (£nil at 31 March 2008).

#### NOTE 18 NOTIONAL COST OF CAPITAL

Notional cost of capital is calculated as 3.5% of average total assets less current liabilities for the year (balance sheet) and amounts to £1,121 (2007-2008, £2,221).

#### NOTE 19 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 20 PENSIONS

The PCSPS is an unfunded multi-employer defined benefit scheme but Public Lending Right is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, the employers' contributions of £65,360 were payable to the PCSPS (2007-08, £70,907) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on the revised salary bands (the rates in 2007-08 were 17.1% to 25.5%). Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme Actuary. The contribution rates are set to meet the cost of benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employers' contributions were paid in the year. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. No employer contributions were payable to the PCSPS to cover the cost of the future provision of lump sum death benefits on death in service and ill health retirement of employees.

Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

## NOTE 21 FINANCIAL INSTRUMENTS

FRS 25, 26, 29 and 13 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 2008-2009, there have been no borrowings, therefore it is believed that Public Lending Right is not exposed to significant liquidity risks.

### ■ Interest Rate Risks

Public Lending Right has no financial liabilities such as bank loans. Cash balances, which are drawn down to pay for operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 2.04% in the year (2.6% in 2007-08). 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 three UK sterling bank accounts and one UK Euro account. Public Lending Right believes that they are exposed to some foreign exchange risks, although amounts involved are relatively small.

## NOTE 22 CORPORATION TAX

	<u>2008-09</u>	<u>2007-08</u>
	£	£
Interest Receivable	5,530	20,281
Profit on Sales	16,616	
	<u>22,146</u>	<u>20,281</u>
Corporation Tax payable @ 21%	4,651	3,955

## NOTE 23 POST BALANCE SHEET EVENTS

The Annual Report and Accounts were authorised for issue by the Accounting Officer on 6 July 2009.

There were no other post balance sheet events.

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